



State Trading Corporation  
of Bhutan Limited

# ANNUAL REPORT 2016





# **State Trading Corporation of Bhutan Limited**

**Annual Report - 2016**

# Contents



<b>COMPANY PROFILE</b>	<b>3</b>
<b>CORE VALUES</b>	<b>4</b>
<b>BOARD OF DIRECTORS</b>	<b>5</b>
<b>ORGANIZATIONAL STRUCTURE</b>	<b>7</b>
<b>STCBL MANAGEMENT</b>	<b>8</b>
<b>DIRECTORS' REPORT</b>	<b>9</b>
<b>DIVISIONAL PERFORMANCE</b>	<b>17</b>
<b>AUDITORS REPORT</b>	<b>32</b>

# Foreword by Chairman



Dear Shareholders,

On behalf of State Trading Corporation of Bhutan Ltd., I am truly pleased to present the 2016 Annual Performance Report. 2016 was a prolific year for STCBL. I am pleased to report that we saw many notable successes in the year.

On the financial front, your company achieved the highest revenue record in its history of Nu 2.61 billion, 14% higher than the previous year, and net profit of Nu 81.70 million, a 15% increase on 2015. What shone through is the steadfast commitment and hard work of the Management and Staff.

Substantial steps were also taken to position your company for long-term performance in the area of strengthening internal processes, building external relationships with valued clients and stakeholders and promoting goodwill through CSR activities.

STCBL has a strong foundation of integrity, loyalty and ethical behaviour as stated in its core values and mission. I firmly believe that your company has adopted the best corporate governance practices and with its focused strategy will create long-term value for shareholders.

As we move forward in 2017, we are committed to continued organic, strategic and internal growth in all our business areas. Although the company is facing increased competition by way of new entrants in the market, we continue to be well positioned and make essential investments in manpower, training, processes, infrastructure and technology to deliver the best of services for our esteemed customers.

In conclusion, I would like to thank our patrons for your continued support and your confidence in us as we move towards yet another exciting and bright future of STCBL.

Tashi Delek!

(Dr. Ugen Dophu)  
CHAIRMAN





# Message from the Managing Director

All throughout 2016, STCBL made significant strides in all endeavours that were undertaken by the various sections of the company. A number of initiatives were put into place to position the company in the top bracket. And these were done so while adhering to the highest standards of business ethics and corporate governance. The result has been that STCBL set new revenue records at all levels including at the divisions and units.

These initiatives also helped us introduce new processes that challenge us competitively and equip us better to respond efficiently to the needs of our customers while making us more committed to shoulder activities that promote corporate social responsibility.

Undoubtedly the sale of vehicles is STCBL's main source of revenue but unlike in the past, with careful planning and achievable initiatives, non-vehicle products too registered a growth of 40% in 2016. As a result of the staff and management's efforts, STCBL was able to earn record revenue of Nu 2.61 billion and declare a dividend of 18% in 2016.

With that, on behalf of the staff and management of STCBL, I would like to express my gratitude to all the shareholders and the Board for the confidence shown in us and for the continued support.

Tashi Delek!

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

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 GRoB was withdrawn. In 1996, STCBL was registered as limited company under the Companies Act of Kingdom of Bhutan.

## MISSION

Providing Quality  
Products and  
Services through  
Efficient and Ethical  
Business Practices

## VISION

The Paragon of  
Trading House in  
the Region

# Core Values



- ▶ **Productivity:** The ability to maximize the effective usage of time and effort to achieve ideal results in any endeavour.
- ▶ **Integrity:** Being honest and having strong moral principles; moral uprightness, not compromising the right choice for the easy choice.
- ▶ **Loyalty:** A strong feeling of support and allegiance to STCBL and what it stands for.
- ▶ **Accountability:** Means a deep comprehension and appreciation for one's personal duties and responsibilities, taking recognition of one's role regardless of positive or negative outcomes.
- ▶ **Respect:** A feeling of appreciation and understanding for co-worker's ability, qualities, or achievements resulting in an atmosphere where the 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.
Issued & Paid up Capital	
18,000,160.00 Equity shares of Nu. 10 each	Nu.180.00 million.
Share Holding patterns	
RGoB (DHI)	51%
Public Shares	49%
% of shares of the individuals/Public shares	
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>



# Board of Directors



**Dasho (Dr.) Ugen Dophu**  
Chairman

Dasho (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, Director General and currently he is the Secretary of Ministry of Health.



**Dasho Rinchen Dorji**  
Managing Director, RSA Pvt. Ltd.

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.



**Ms. Tashi Pem**  
Director, RCSC

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 and Collector in Sales Tax Division, DRC, Thimphu. Currently she is the Director of RCSC.



### **Mr. Sonam Dorji**

Executive Director, Royal Insurance Corporation of Bhutan Ltd.

Mr. Sonam Dorji is the Executive Director of Royal Insurance Corporation of Bhutan Limited. Prior to his present post, he served as the General Manager for Finance and Accounts Department (2008-2012) in the same organization. He joined RICB in 1997 after graduating from Sherubtse College with degree in B.Com (Hons.). Later he also completed his degree in CPA (Certified Practicing Accountant) from CPA Australia in 2001 and Bachelor of Business (Major in Accounts) from University of South Australia in 2002. He is the member of Golden Key International Honour Society, University of South Australia (in recognition of outstanding Scholastic Achievement and Excellence in 2001). He was nominated as the Board Director in April 2015 in place of outgoing Board Director Dasho Namgyel Lhendup.



### **Ms. Karma Choden**

Company Secretary, Druk Holding and Investments Ltd.

Ms. Karma Choden is the Company Secretary of Druk Holding and Investments Limited. Prior to DHI she served as Sr. Legislative Officer in National Assembly Secretariat from July 2006 to October 2014. She earned her LL.M from Queensland University of Technology from Brisbane, Australia in July 2010 and Post Graduate Diploma in National Laws from Royal Institute of Management, Semtokha in June 2006. She completed her B.A, LL.B (Honors), from Govt. Law College, Mumbai in December, 2004.



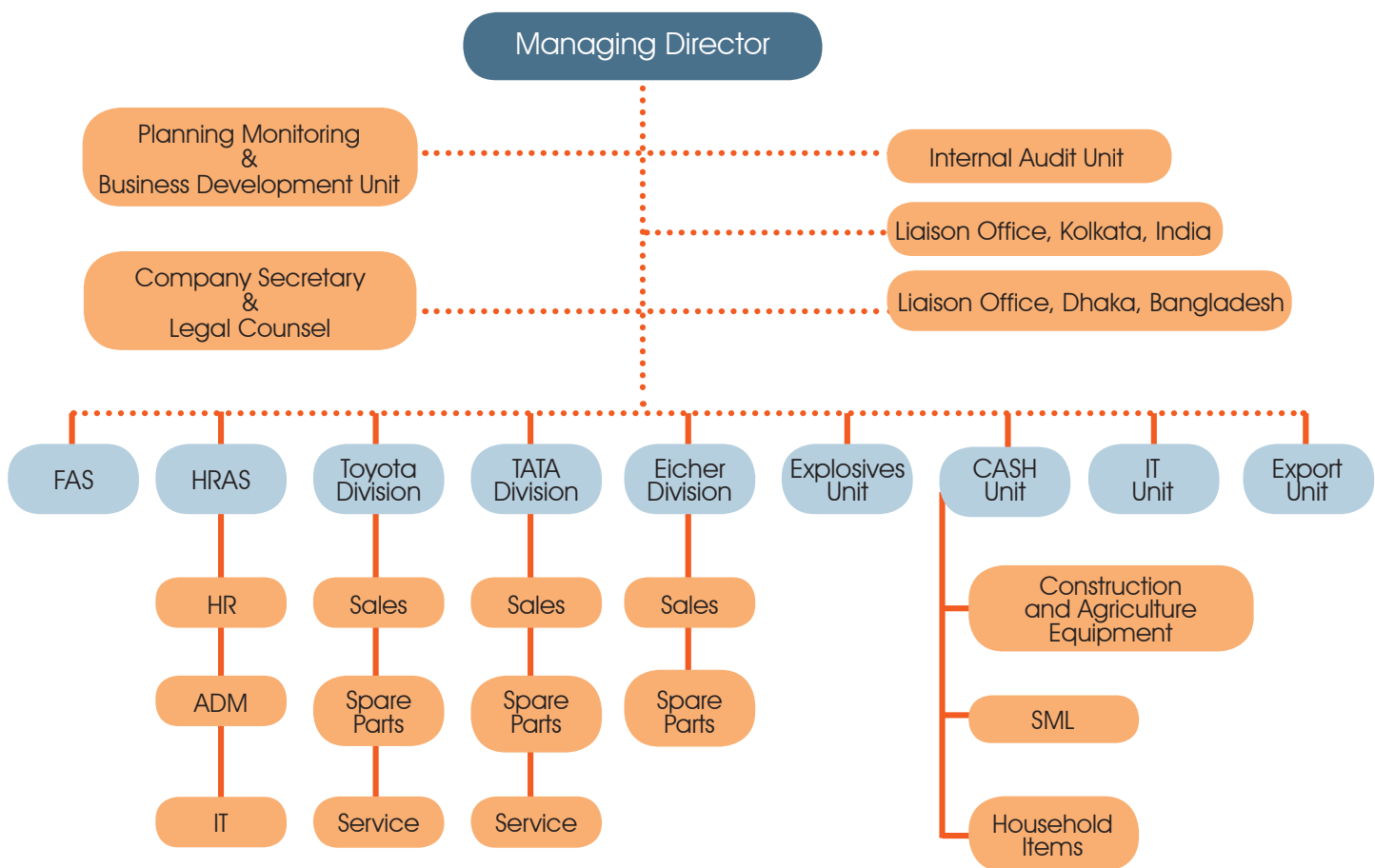
### **Ms. Yeshey Selden**

Managing Director

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.

# Organizational Structure



# STCBL Management



**Ms. Yeshey Selden**  
Managing Director



**Mr. Dorji Penjor**  
CFO



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



**Mr. Ugyen Chada**  
GM, TATA, Division



**Ms. Ugyen Choden**  
DGM, Eicher Division



**Mr. Lobzang Tenzin**  
DGM, HRAS



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

# Directors' Report



**D**ear Shareholders,

On behalf of the Board of Directors of State Trading Corporation of Bhutan Limited, I am pleased to report on the company's performance for the year ended 31<sup>st</sup> December 2016 in this 20<sup>th</sup> Annual General Meeting.

## **Background**

2016 was a phenomenal year for STCBL as it yielded the highest revenue for the company in its four-decade long history. It is with pride I inform this gathering that the company earned revenue of Nu 2.61 billion, breaking the earlier record of Nu 2.34 billion set in 2011.

While 2016 saw new records at division and unit levels being accomplished, the year also saw the strengthening of internal processes and enhancement of good corporate governance.

Despite the everyday challenges that a government entity encounters in a highly competitive market, STCBL exceeded its targets in all spheres. This achievement would not have been possible had it not been for the commitment of the management and staff.

## **Financial Achievements**

As mentioned above, STCBL registered a growth of 14% over income of the preceding year. Similarly, the expense for the year also went up by 14%, or Nu 300.16 million as compared to 2015. This is because of the increased business activities and the cost of goods, which amounted to Nu 2,307.37 million followed by other direct expenses of Nu 17.64 million and finance cost of Nu. 16.98 million.

The Net Profit After Tax of Nu 81.70 million has significantly increased by 15% over 2015. The following table highlights the key financial facts and figures of the company for 2016.

Particulars	Y2016	Y2015
<b>Revenue (in million Nu)</b>	<b>2,613.52</b>	<b>2,298.04</b>
<b>Expenses (in million Nu)</b>	<b>2,495.53</b>	<b>2,195.37</b>
<b>Profit After Tax (in million Nu)</b>	<b>81.70</b>	<b>71.25</b>
<b>Share Capital &amp; Reserves (in million Nu)</b>	<b>408.88</b>	<b>354.17</b>
<b>Long Term Liabilities (in million Nu)</b>	<b>66.17</b>	<b>25.37</b>
<b>Net Worth (in million Nu)</b>	<b>408.88</b>	<b>354.17</b>
<b>Earnings Per Share</b>	<b>4.54</b>	<b>3.96</b>
<b>Return on Capital Employed</b>	<b>19.98%</b>	<b>20.12%</b>
<b>Current Ratio</b>	<b>1.44</b>	<b>1.76</b>
<b>Trade Receivable Turnover Ratio</b>	<b>15.48</b>	<b>14.03</b>
<b>Inventory Turnover Ratio</b>	<b>5.43</b>	<b>6.12</b>
<b>Net Profit Ratio</b>	<b>3.13%</b>	<b>3.27%</b>

STCBL consists of seven product portfolios. The overall contribution to revenue from the vehicle divisions stands at 84.85% and Toyota still retains its position as the highest contributor. This does not, however, imply that income generated by non-vehicle products have declined. On the contrary, the sales from non-vehicle products are at an increasing trend registering a growth of 40% over 2015.

The export of stones and boulder to Bangladesh initiated in 2015 has increased by 215% in 2016. The service centers were strengthened by providing relevant training to mechanics, technicians and service engineer of Toyota and Tata service centers. The service center was further strengthened through introduction of multi brand body and paint service.

The capital work in progress has increased to Nu 148.95 million in 2016 from Nu 52.25 million in 2015, a growth of 185% or Nu 96.7 million contributing towards increase in size of balance sheet and the asset of the company through the construction of Toyota 3S facility cum Corporate Office.

The revenue from spare parts has also increased by 52.51% over 2015. There is also improvement in lead-time of spare parts from earlier 120 days to 45 days and reduction of stock month from 20 months to 10 months.

The company scored Customer Satisfaction Index of 7.61 on a scale of 1-10 in 2016 an increase of 0.13 over 2015. The Employee Engagement Index was carried out for the first time in 2016 on which the company scored 8.19 on a scale of 1-10, where 1 is highly disengaged and 10 is highly engaged.



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

Portfolio/Division	Revenue share (%)
Toyota	44.87%
TATA	31.24%
Eicher	15.09%
CASH	3.31%
Explosive	3.08%
IT	1.36%
Export	1.05%

I am also pleased to inform that 73% (or Nu. 64.31 million) of the total trade receivables were recovered from an opening balance of Nu 88.26 million pertaining to FY 2007 to 2015. Furthermore, 96.24% (or Nu 2,484.08 million) out of 2016 sales amount of Nu 2,581.05 million has been collected during the year.

## New Records of Highest Revenue Generation in 2016

Listed below are the business units of STCBL that have achieved a new revenue record:

Business Units	Highest Revenue (In Millions)	Year	New Record in 2016 (In Millions)
TATA Spare Parts	17.58	2015	35.23
TATA Service	5.86	2015	9.43
Toyota Spare parts	51.97	2015	80.99
Apollo Tires	12.67	2015	14.16
IT	28.12	2015	35.18
Export Unit	8.56	2015	26.99
Eicher Spare Parts	17.88	2011	21.10

## Key Non-Financial Achievements

The Management also put in concerted efforts to achieve critical non-financial activities. Following are some of the key initiatives taken by the Management in 2016:

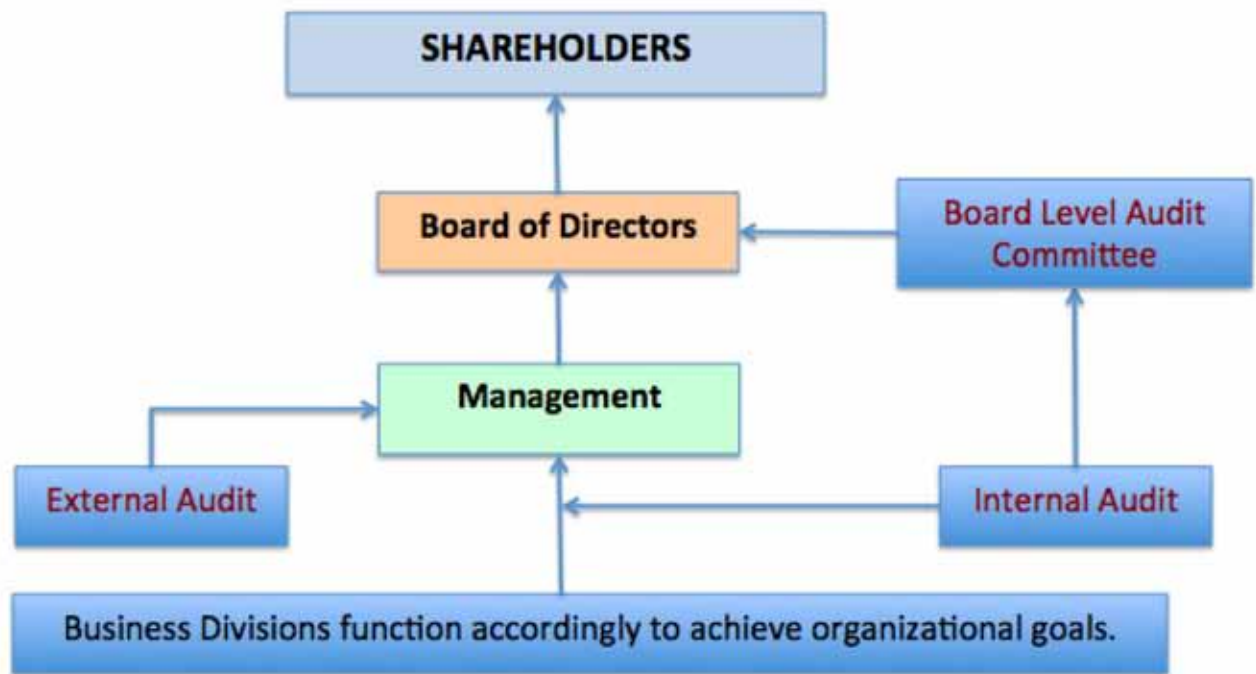
- *Reduced Inventory Discrepancies* – The Management initiated monthly physical verification for Toyota, Tata and Eicher spare parts with the objective to reduce shortages of inventory, which in earlier years would be in the tune of Nu 595,437.36. As of December 2016 the shortage discrepancy has reduced by 91.97%(Nu 47,787.44) from 2015. The initiative was a success and improved inventory management.

- Developed the first *Procurement Manual* for the company to provide guidance and detailed processes of goods and services through open, competitive and transparent procedures.
- First ever *STCBL Trade Fair* was conducted in Clock Tower, Thimphu. This trade fair showcased all products the company deals in. The event was a success and shall be continued hereafter.
- The construction of *Toyota 3S Facilities cum Corporate Office* commenced from April 2015. As of today the physical infrastructure is complete, HVAC and electrical works are under progress, painting of exterior has commenced. The construction will likely be complete by the end of May 2017.
- Successfully *Launched TATA PRIMA tippers and trucks* on April 9<sup>th</sup> 2016 in Thimphu. The event was a success and the first batch of Prima customers was acknowledged with mementos. As of date 68 units of Prima trucks have been sold.
- The Top 3 loyal customers of Tata Vehicles were sponsored by STCBL to attend the T1 Truck racing event in Delhi from March 19<sup>th</sup> – 22<sup>nd</sup> 2016 as part of customer retention and loyalty program.
- STCBL's Service Advisor of Tata Service Unit topped the Global Skill Fest Service Advisor Championship at the Country level and was ranked third at the Regional level. The Global Skill Fest is a unique international competition organized by Castrol India Ltd. and Tata Motors Ltd. for evaluating the technical knowledge, soft skills, systems and service process knowledge as a Tata Motors Commercial Vehicle Service Advisor. The International event was held in Malaysia from 14<sup>th</sup> to 16<sup>th</sup> December 2016.
- After the successful product demo and sales of agricultural machineries in 2015, the CASH division conducted the first ever free service campaign for farmers based in 4 southern dzongkhags and promoted the products in eastern dzongkhags as well. This resulted in a Nu 2 million revenue generation from the event alone.
- Launched 4<sup>th</sup> Generation Toyota Hybrid Prius on 16<sup>th</sup> November 2016 at Le Meridian, Thimphu.
- Introduced new products in CASH division like Monno Ceramics & Fine Bone China crockery and Walton refrigerators & freezers from Bangladesh. Franke & Faber kitchenware from India. The objective of introducing such products was to offer genuine, branded, value for money products to our valued customers.

**The company achieved a score of 98% in the Annual Company Compact evaluation.**



# Corporate Governance & Management System



STCBL has adopted and implemented the best corporate governance and management practices with DHI and Registrar of Companies, MoEA, support. The Company continues to be guided by its Mission, Vision and core values and pledge to maximize shareholders' value.

The STCBL Board constitutes of seven Board Directors including the Managing Director. The Board provides strategic guidance and monitors the performance of the company on a quarterly basis. Meetings are scheduled depending upon the urgency of the matter. The Board met seven times in 2016 to

review performance, provide strategic guidance and to discuss other important issues. The Board Level Audit Committee (BLAC) is formed to study and resolve audit issues of the company. Board Level Committees are also formed for particular works such as Tender Award, Recruitment above grade 4 (executive category) etc.

Amidst growing competition, STCBL provides quality goods and services through efficient and ethical business practices thus the commitment and dedication of the Board, Management and Staff to strive for the better is once again reassured today to the shareholders.

# PROSPECTS 2017



## a) Financial Outlook

While the company expects the economic environment to remain favorable in 2017, the sales is forecasted to be lower than that of 2016 because the sale of Tata and Eicher vehicle to construction and transport firms were maximum in 2016 which is not anticipated in 2017. The demand surge created was still an offshoot of the removal of vehicle ban and loan restrictions in mid 2014. Despite the fact that sales of commercial vehicles will reduce, the company however has projected optimistic revenue of Nu 2,567.73 million, which is decline of 0.52% as compared to 2016. 68% of the revenue is projected from vehicle sales, the remaining 32% is expected to be generated from Explosives, IT, CASH and Exports. The net profit is projected at Nu 59.62 million, a decrease of 27% in comparison to the previous year.

## b) Business Growth – Organic, Strategic & Internal

STCBL is exposed to the unpredictable and highly competitive market despite the market size. Therefore, as always, there is a constant need to diversify into non-vehicle products. In 2017 the company plans to:

1) Focus on introducing new products, services and space for business success.

Expand household products profile by the additions of genuine construction materials like sanitary pipes, electrical fittings and many more. Explore coal import as a part of business diversification strategy.

Improve and increase office space by setting up world-class showroom for Toyota 3S and one-stop showroom for CASH, IT and Eicher in Thimphu for the convenience of our valued customers.

2) Tap new market for existing products.

Introduce new product line from existing products and increase market share of business divisions/units from current.

3) Maximize resource and improve and enhance current internal processes.

Strengthen internal processes by revising service rules and regulations, manuals and policies. Conduct relevant trainings to improve skills and knowledge of employees. Certify technicians by undergoing training for Toyota 3S. Improve working environment by proposing day care center for working mothers of STCBL.

## Acknowledgement

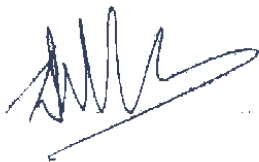
I, on behalf of the Board of Directors and the Management of STCBL, would like to express our deepest gratitude to the Royal Government of Bhutan, Druk Holding and Investments, Ministry of Economic Affairs, Ministry of Finance, Road Safety and Transport Authority, Financial Institutions and Shareholders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

## Conclusion

Finally, I would like to state that the Board of Directors and the Management of the State Trading Corporation of Bhutan Limited once again 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!

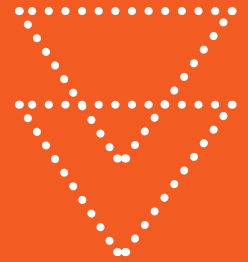
For and on behalf of the Board



(Dasho Dr. Ugen Dophu)

Chairman, STCBL

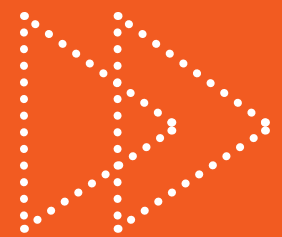
# Corporate Social Responsibility – Element of Good Corporate Governance



**C**orporate Social Responsibility means giving back to society therefore STCBL in 2016 participated in activities to support good causes some of which are outlined below:

1. Contributed Nu 400,000 as donation for Non Communicable Diseases Prevention & Control Program by DHI Subsidiary Companies in support of a proposal from Department of Public Health seeking fund for implementation of various NCD prevention activities under National Multisectoral Action Plan for prevention and control of NCDs.
2. Donated an E-bike to Jigten Wangchuk Tshogpa for the purpose of carrying out events and daily works of Tshogpa's Office.
3. Employees of STCBL donated Nu 300,000 for planting of 1000 saplings as part of Tendrel Initiatives and Nu 10,000 as funding support for Tendrel album.
4. Donated 5 numbers of Walton televisions to Jigme Dorji Wangchuck National Referral Hospital for general wards and general service points.
5. Donated Nu 35,000 to Phuentsholing City FC, a football club formed by football enthusiasts to be officially registered with Bhutan Football Federation.
6. Staffs of STCBL volunteered for mitigation works along Dotikhola and Toorsa River from 25th-28th July 2016 during the southern floods.
7. STCBL participated in the first ever cross-country cleaning campaign on 9th December 2016.
8. The Management initiated the Art of Living and Yoga Programs for employees in 3 batches in Phuentsholing. The objective of such a program was to reduce workplace stress, improve health and wellness, relief from depression and improve self-esteem.
9. The Management sponsored supply of school uniform, school shoes and bags as financial aid for STCBL staff of grade 15 and below. The program benefitted 37 staffs and 57 school going children.
10. The Management also initiated complimentary lunch for mechanics, drivers, security guards, cleaners, messenger and service boys. Currently 35 staffs are benefitted from this initiative. The program began mid of 2015 and is continued till date.

Divisional Performance



# TOYOTA DIVISION



**B**y contributing Nu. 1, 158.26 million or 44.87% of the company's total revenue in 2016, Toyota has surpassed other business portfolios of STCBL to retain its position as the highest revenue earner for the company. Being the exclusive distributor of Toyota products and services in Bhutan, STCBL's Toyota business comprises of sales, services and spare parts.

While the Toyota division has the highest pool of human resources to meet the ever-increasing demand for quality and efficiency, Kaizen activities too are executed on a regular basis to enhance the sales of spare parts. In 2016, the spare parts unit of Toyota achieved a new revenue record of Nu. 80.99 million.

To excel further in our service delivery towards our customers, the Toyota 3S facility, currently under construction, will be operational by the second quarter of 2017.



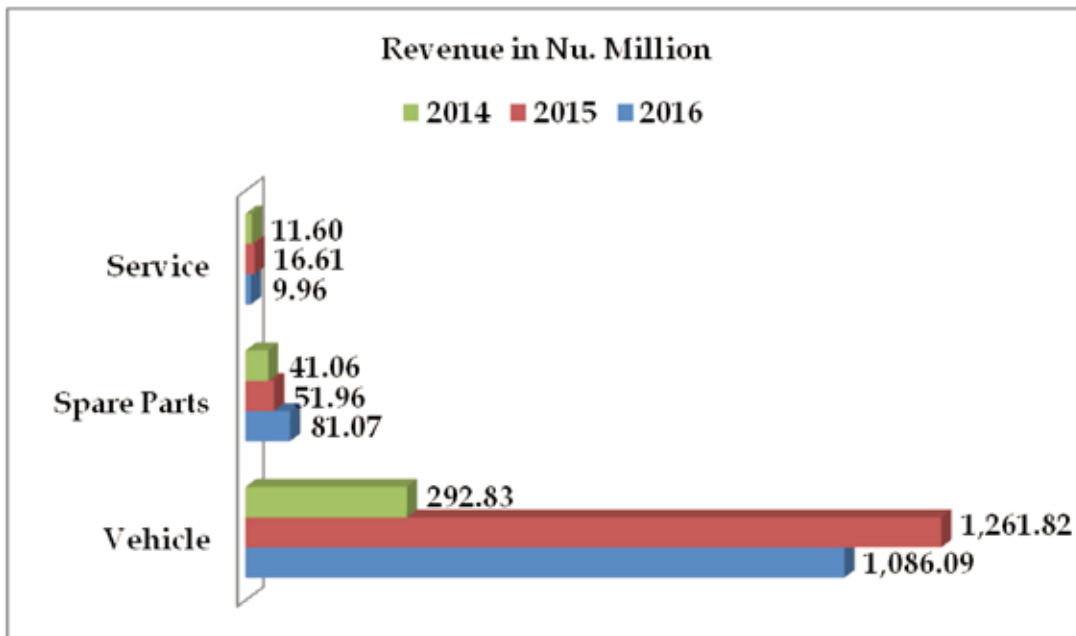
## Accolades

STCBL was awarded the Silver Medal for the "2016 Annual Activity" and the "Best Presenter Award 2016" during the Kaizen Marathon Conference held in Nagoya, Japan by Toyota Tsusho Corporation, Japan on March 23-24, 2017.



Standing row, second from right : Mr. Chador Wangdi, General Manager, Toyota Division

The graph below depicts the revenue contributed by the different units under Toyota for the past three years:



## Launched Fourth Generation Toyota Hybrid Prius

STCBL launched the fourth generation Toyota Prius Hybrid in Bhutan on 16th November, 2016 at the Le-Meridian in Thimphu. The fourth generation Prius gasoline-electric hybrid is an engineering marvel on Toyota's New Global Architecture and boasts of greater fuel efficiency while offering excellent performances and eco-friendliness. The Hon'ble Minister of Finance and delegates from Toyota graced the occasion.





# TATA DIVISION



The TATA division of STCBL is the second highest revenue contributor at Nu. 806.39 million or 31.24%. STCBL has been associated with TATA since the 1990's and is one among other TATA distributors in Bhutan, appointed by TATA Motors Limited, India. The TATA division comprises of sales, services and spare parts. In 2016, TATA spare parts and the TATA service center showed remarkable growth and achieved a new revenue record of Nu. 35.21 million and Nu.9.44 million respectively.

The division also improved its sales by 110% or Nu. 806.39 million as compared to its 2015 sales of Nu. 360.65 million. The high demand of commercial vehicles such as TATA Prima trucks and Tippers contributed to the favorable sales of TATA vehicles. Similarly, continuous improvement of inventory management and mechanization of its service center has equally boosted the sales of the spare parts and services unit.

During the TATA Motors One World CVIB Distributors Meet 2017 in Goa, India, STCBL was awarded the Highest Country Market Share 2016



– Category B followed by the Highest Retail in the M&HCV Segment – Category B.

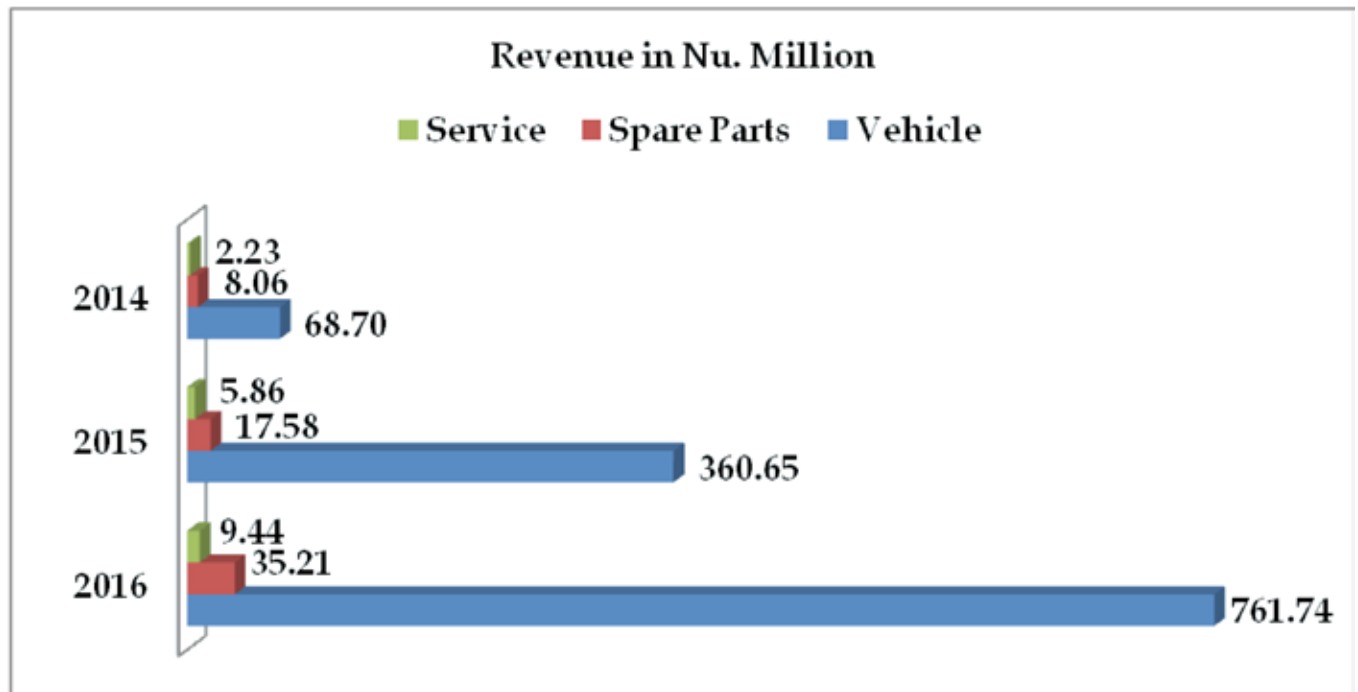
The service advisor of the TATA Service Unit also topped the Global Skill Fest Service Advisor Championship at the Country level and was ranked third at the Regional level. The Global Skill Fest is a unique international competition organized by Castrol India Ltd. and TATA Motors Ltd. for evaluating technical knowledge, soft skills, systems and service process knowledge for TATA Motors Commercial Vehicle Service Advisors. The International event was held in Malaysia from 14th to 16th December, 2016.



Managing Director with TATA Team during TATA Motors One World Distributor Meet in Goa



The revenue contributed for three years by the different units under TATA Division is depicted in the graph below:



## Launch of TATA Prima

TATA Prima tippers and trucks were successfully launched on 9th April, 2016 in Thimphu. The first batch of Prima customers was acknowledged with mementos. As of now, 68 units of Prima trucks have been sold.

Engineered for performance, driver comfort and safety, TATA Motors Prima heavy trucks are without a doubt the best price solution for cargo transportation. Manufactured with global auto technologies, the Prima range of heavy-duty trucks has been designed to deliver optimal performance.



# EICHER DIVISION



Despite stiff competition in the market, Eicher is the third highest revenue generator for STCBL. The division contributed Nu. 389.42 million in 2016 – an increase of 109% as compared to Nu. 186 million in 2015.

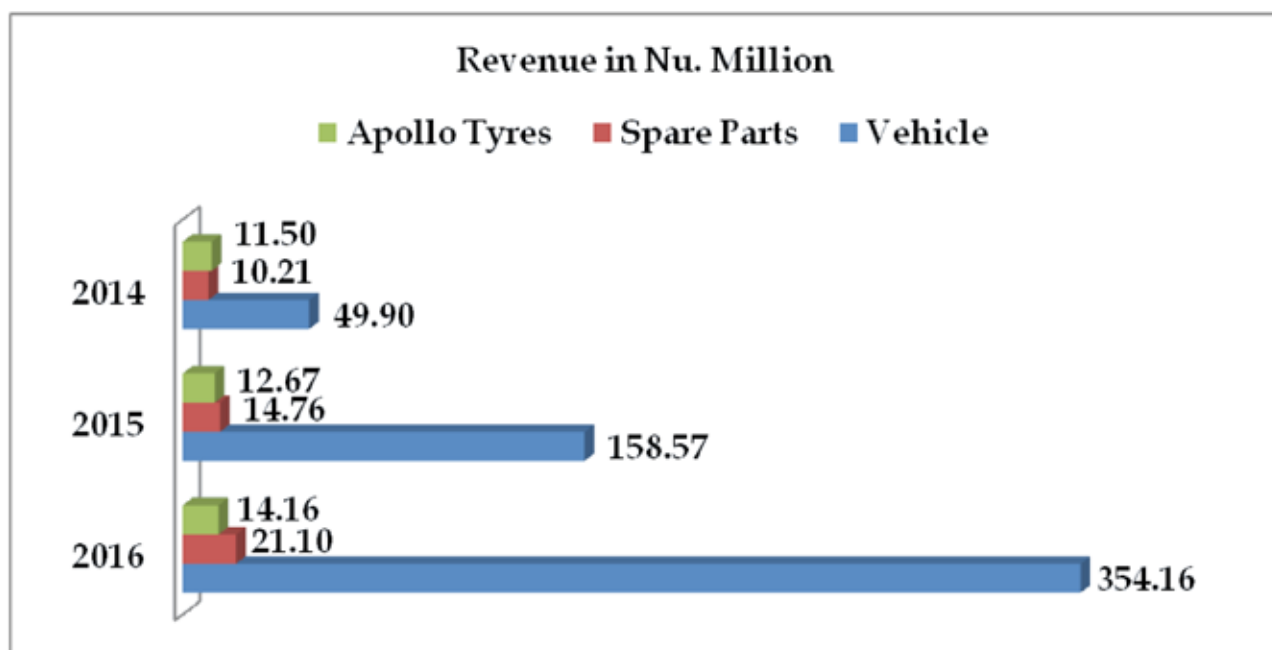
The Eicher Division constitutes of sales, spare parts and Apollo Tyres. In 2016, Eicher spare parts and Apollo Tyres also achieved a new revenue record of Nu. 21.10 million and Nu.14.16 million respectively.

The appointment of various retailers and sales agents of spare parts throughout the country promoted the increase in sales. The launch of Eicher PRO series in the LMD segment in 2015 not only offered customers a good range of vehicles to choose from but also improved sales in 2016.





The revenue contributed for three years by units under Eicher Division is depicted in the graph below:





# CASH DIVISION



CASH is an abbreviation for Construction material, Agricultural machinery, SML commercial vehicles and Household items. This business division was earlier set up in 2011, then called ETC (Electrical, Telecommunications and Construction), however, in 2014, it was re-structured and called CASH. The unit was created to diversify from the company's core business of vehicle import. Today, the division stands as the fourth highest revenue contributor for STCBL at Nu. 85.42 million. The increase can be attributed to the sales of Bitumen (Nu. 79.39 million) followed by the sales of agricultural machineries (Nu. 10.24 million).

The following products fall under the CASH Division:

#### **Construction Materials**

TATA galvanized and color coated sheet, Asian Paints and HPCL Bitumen.

#### **Agricultural Machineries**

Shrachi power tiller, micro tiller, power weeder, tero reaper and paddy thrasher.

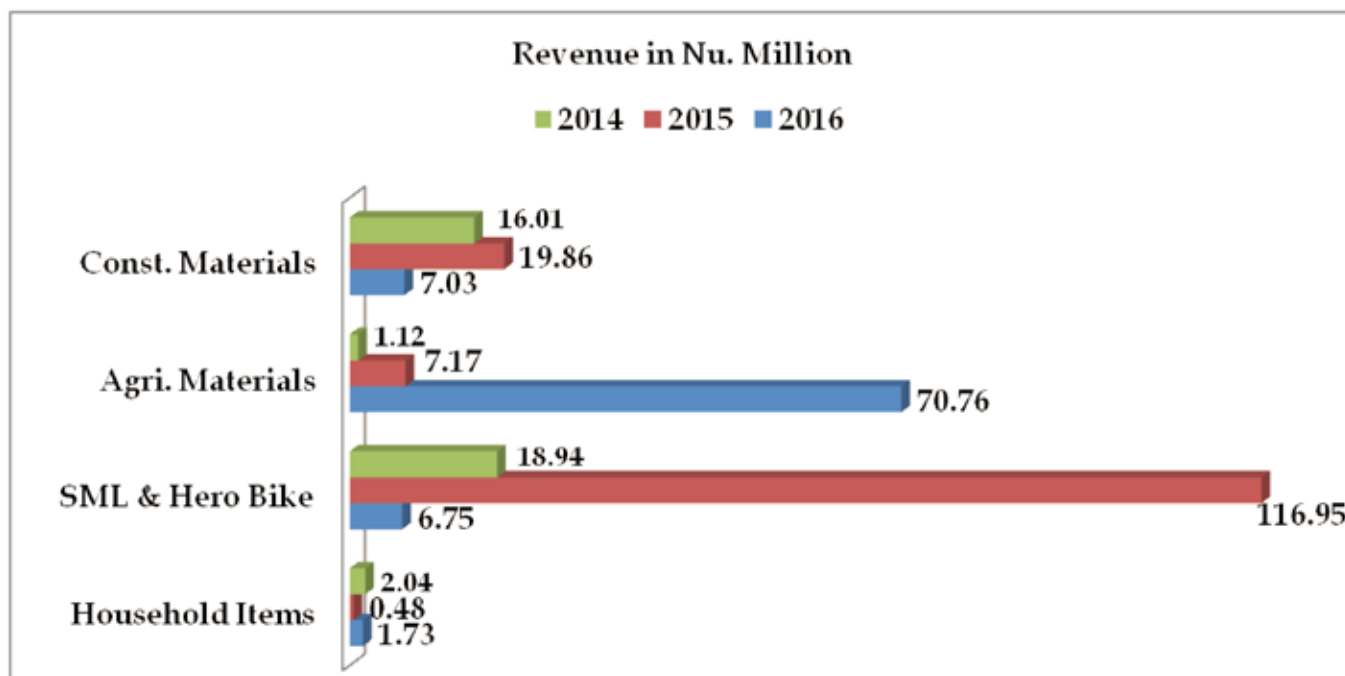
#### **SML & Hero Bikes**

SML trucks, buses, pick ups and Hero bikes.

#### **Household Items**

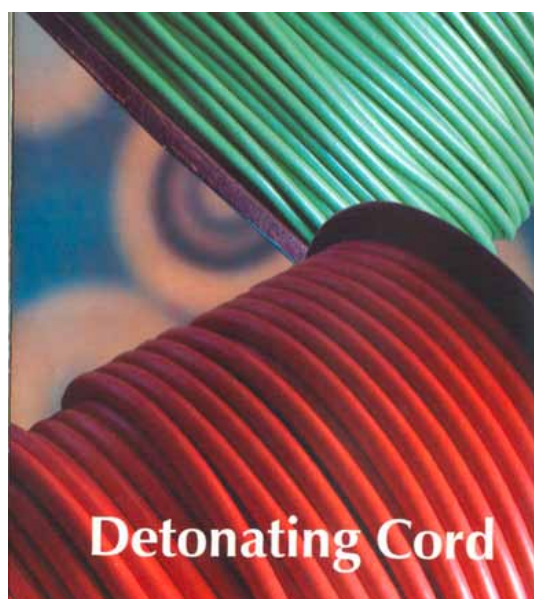
Kent water filter, Walton refrigerator & freezer, Monno Ceramic and fine bone china tableware, Franke and Faber kitchen tops, American Touristor luggage bags.

The revenue contributed by the CASH Division for three years is shown in the graph below:





# EXPLOSIVES UNIT



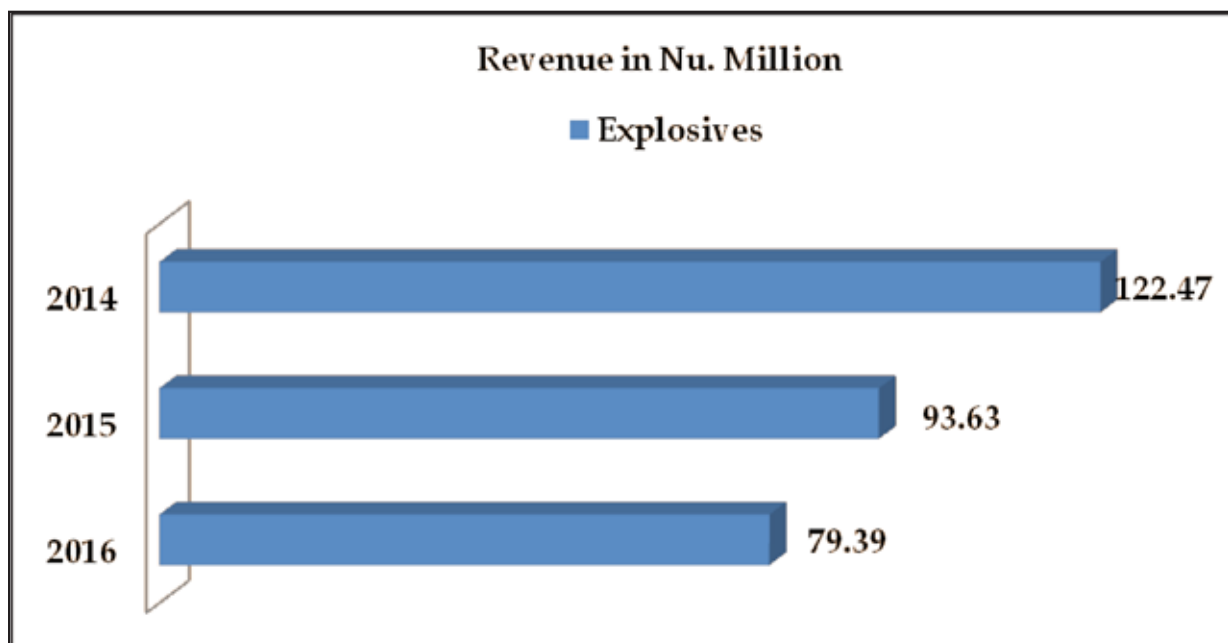
STCBL is an authorized distributor of Explosives product in Bhutan since the 1960s. The division gives paramount priority to ensure that appropriate safety and security features are in place.

While the Explosives business contributed majorly to the company's revenue since its initiation, the revenue declined for the past few years with the introduction of a second

distributor. Given the challenges of a sensitive and precarious market, the division contributed Nu. 79.39 million, a decrease of 15.20% in 2016. The hydropower projects are the major consumer of explosives followed by general customers. In recent times, the explosives market has seen a declining trend due to competition and with major projects coming to an end.



The revenue contributed for two years by the Explosives unit is depicted in the graph below:



# IT UNIT





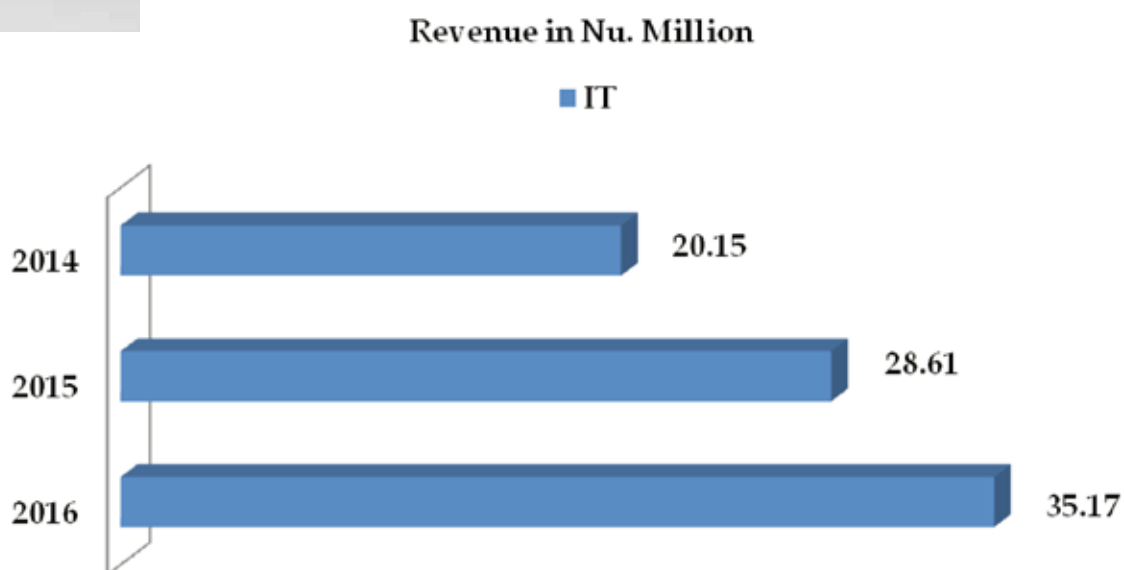


The IT Business was established as an independent business unit in 2011, keeping in line with the diversification plan of the company. The unit caters to sales and services of IT products and additionally provides IT trainings.

A variety of IT hardware and software such as Apple, Lenevo, Fortinet UTM, Zoho Email Suite, HP, CISCO, Walton, Microsoft, Panasonic, Trend Micro Anti Virus, EMC Storage, N-Computing, Trimble Solution, Dell, Konica Minolta, Brother, Samsung, HBL and E-Procurement System are dealt by the IT Unit.

In 2016 the unit achieved new revenue record of Nu. 35.18 million or 25.10% surpassing the earlier set record of Nu 28.12 million. The unit aspires to grow through strategic marketing, providing efficient after sale service and IT trainings.

The revenue contributed for three years by the IT unit is depicted in the graph below:



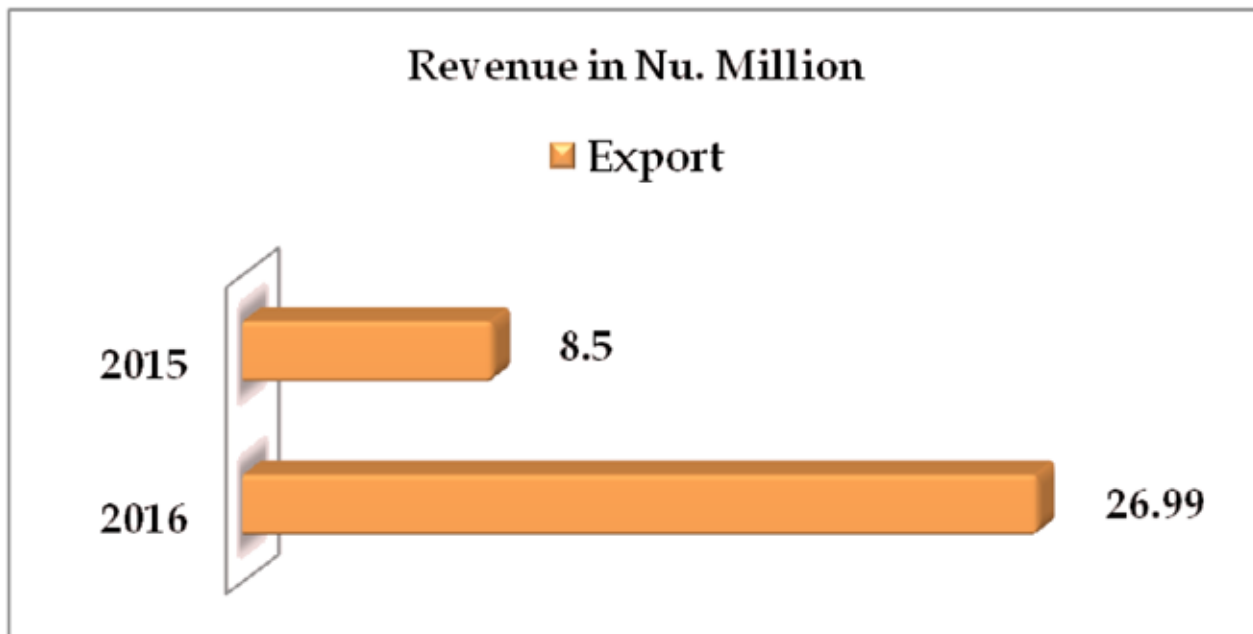
# EXPORT UNIT



As part of the company's diversification plan and to cushion the effect of adverse government policies like in the past, the Export Unit was created to strengthen and support export business in April 2015. Stone is the major product exported by STCBL to Bangladesh.

In 2016, the Export Unit achieved a revenue record of Nu. 26.99 million over 2015 which was Nu. 8.5 million. The revenue improvement of 217.52% was mainly driven by factors such as increased number of importers, mining sources and reliable transporters in the current year. The STCBL Liaison Office in Dhaka, Bangladesh, provides support and collaborates with the Export Unit for ease of business.

The revenue contributed for two years by the export unit is depicted in the graph below:





# Auditors Report



**Dutta Ghosh  
& Associates**



4, Ripon Street, Kolkata - 700 016, India  
Telephone : 91-33-2229 3950, 2229 7940  
Fax : 91-33-2265 1768

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion:

We have audited the Financial Statements of State Trading Corporation of Bhutan Limited ('the Company') which comprise the Statement of Financial Position as at 31<sup>st</sup> December, 2016, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow for the year then ended and the notes to the financial statements, including a summary of significant accounting policies..

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> December 2016 of its financial performance and its cash flows for the year then ended in accordance with the Bhutanese Accounting Standards (BASs).

### Basis of Opinion:

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

### Emphasis of Matter

Without intending to qualify our opinion we draw attention to the following Notes No. 20.4 and 20.9 to the Financial Statements:

- i. Note no 20.4 regarding transfer of Nu. 47,787.77 being the total shortages of stock has been transferred to staff advance account at **selling price** for which accountability is not yet established and is shown as 'other income'
- ii. Note no 20.9 regarding Related Party Transactions – confirmation of related party transactions has not been received from holding company (DHI) and its subsidiaries.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standards (BAS), and for such internal control as management may determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements:**

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

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

1. As required by section 266 of the Companies Act of the Kingdom of Bhutan 2016 and on the basis of such check and records of the Company as we considered appropriate and according to the information and explanations given to us, we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
- 1.1 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-
  - i. In the case of Statement of Financial Position, of the state of affairs of the Company as at 31<sup>st</sup> December, 2016.
  - 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 Statement of Cash Flow, of the cash flows of the Company for the year ended on that date.
- iv. In the case of the Statement of changes in Equity, of the equity of the Company for the year ended on that date

**For Dutta Ghosh & Associates**  
Chartered Accountants  
Firm's Registration No. 3090881E  
Address: 4 Ripon Street, Second Floor,  
Kolkata 700016, West Bengal, India

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



Place: Phuentsholing  
Date:



**STATE TRADING CORPORATION OF BHUTAN LIMITED**

**ANNEXURE**

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

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS**

1. The Fixed Assets Register maintained by the Company indicating quantitative details and situation of fixed assets has been updated. Fixed Assets of the company have been physically verified during the year by the management and updation of fixed asset register in the ERP is verified.
2. The Company has revalued its Fixed Assets during the year in order to check whether the assets of company are impaired or not. However, the assets of company are not impaired as on 31.12.2016.
3. The Company has conducted the physical verification of the inventory twice during the year 2016 at all locations. First one in the month of June 2016 and the next one was in the month of December 2016.
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.
5. Shortage found during physical verification has been transferred to staff advance account in selling price and shown under other income.
6. The valuation of year-end stock, in our opinion, is in accordance with the generally accepted accounting principle and BAS 2 (Inventories). The Company values inventories at "Cost" only. Since the cost is lower than Net Realizable Value.
7. The Company has taken 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. There are cases of interest free loans and advances given by the Company to its employees.
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.



*Dutta Ghosh & Associates*  
Chartered Accountants

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 have been strengthened compare to previous year in many areas.
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 20.9 are reasonable having regards to the prevailing market prices of its services or at the prices which the transaction for similar services are made with other parties).
- (b) In our opinion the sales and services transaction with related parties as referred to in paragraph 13 (a) above, were not prejudicial to the interest of the other shareholders and the Company.
14. *According to the information and explanations given to us during audit and the records of the Company examined by us on test basis, the Company has determine the damage and slow moving goods i.e. dead stocks for which full provision made in the account.*
15. According to the information and explanations given to us and the records of the Company examined by us, the Company is generally regular in depositing rates and taxes, provident funds and other statutory dues with the appropriate authorities. Provision for tax is adequate and necessary adjustments have been made to compute the tax provision. The company has determined the deferred tax during the year.
16. 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.
17. 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.
18. Quantitative reconciliation is carried out at the end of the accounting year in respect of major items of traded goods.
19. 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
20. *In our opinion and according to the information and explanations given to us, the Company have consistent credit sales policy but we have found some lapses in adherence of the same in strict manner.*





21. 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.
22. *Write off amounting 344,127.00 pertaining to the year 2013's account relating to a case for the year 2006 RAA's memo is still pending.*
23. 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.
24. 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.
25. In our opinion and according to the information and explanations given to us, the Company has established an effective budgetary control system.
26. The details of remuneration, commission and other payments made to the Managing Director cum Chief Executive Officer of the Company are disclosed in Note 20.10 to Financial Statements.
27. 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.
28. According to the information and explanations given to us, as the Company is engaged in trading activity and accordingly paragraph 16, 17, 21, 24, 25, 26 and 34 are not applicable.

#### COMPUTERISED ACCOUNTING ENVIRONMENT

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

*Dutta Ghosh & Associates*  
Chartered Accountants

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 2016 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	2016	2015	Remarks
1	Current Ratio = Current Assets/ Current Liabilities	1.44	1.76	Current Liabilities has been increased in 2016 as compare to 2015
2	Acid Test Ratio = Current Assets other than inventories/Current Liabilities	.47	0.73	Current Liabilities has been increased in 2016 as compare to 2015
3	Fixed Assets Turnover Ratio = Sales / Fixed Assets	30.02	24.96	Due to increase in sales
4	Inventory Turn Over Ratio = Cost of Goods Sold/ Inventory	5.43	6.12	Due to increase in Inventory
5	Trade Receivable Turn Over Ratio = Debtors x365/ Sales	15.48	14.03	Due to decrease in debtors balance
6	Return on Investment = Profit after tax x 100/capital Employed	19.98	20.12	Due to increase in capital employed
7	Net Profit Ratio = Net Profit x 100/Sales	3.13	3.10	Due to increase in Profit after Tax
8	Earning per Share = Profit after Tax/ No. of Equity Shares	4.54	3.96	Due to increase in Profit after Tax



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

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

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

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

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

**5. Proprietary Audit**

While conducting the statutory audit of STCBL for the year 2016, we have vis-à-vis considered the propriety aspects of the conduct of the business in various areas of operation. During such propriety audit conducted by us we have not encountered any material concerns in terms of the following –

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

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

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

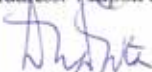


*Dutta Ghosh & Associates*  
*Chartered Accountants*

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

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

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



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



Place: Phuentsholing  
Date:

**STATE TRADING CORPORATION OF BHUTAN LIMITED**  
**PHUENTSHOLING BHUTAN**  
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016**

*Amounts in Ngultrum (BTN)*

I. EQUITY AND LIABILITIES	Notes	December 31, 2016	December 31, 2015
<b>[1] Shareholders' Fund</b>			
(a) Share Capital	1.1	180,001,600.00	180,001,600.00
(b) Reserves And Surplus	1.2	228,874,972.71	174,172,885.07
<b>[2] Non-current liabilities</b>			
(a) Long-Term Borrowings and loans		66,013,650.77	25,325,371.70
(b) Deferred tax liability		160,586.64	51,124.60
<b>[3] Current Liabilities</b>			
(a) Short-Term Provisions	2	10,823,672.17	22,092,028.80
(b) Trade Payables	3	37,077,410.38	30,286,217.79
(c) Short-Term Borrowings	4	182,840,473.76	117,326,883.32
(d) Other Current Liabilities	5	312,345,862.82	144,147,418.79
<b>Total</b>		<b>1,018,138,229.25</b>	<b>693,403,530.07</b>
<b>II. ASSETS</b>			
<b>[1] Non-current assets</b>			
(a) Property, Plant and Equipment	6.1	85,966,889.33	87,330,422.74
(b) Capital Work-in-progress	6.2	148,948,894.42	52,251,171.16
(d) None Current Investment	7.1	38,107.44	131,019.00
<b>[2] Current assets</b>			
(a) Inventories (check w/off)	8	525,667,235.44	324,066,678.75
(b) Trade Receivables	9	109,490,879.43	83,792,144.34
(c) Cash and Bank Balance	10	43,425,908.98	40,187,498.12
(d) Short-Term Loans And Advances	11.1	85,695,157.50	95,481,612.08
(e) Advance Corporate Tax net of Provision	11.2	8,577,960.79	
(f) Other Current Assets	12	10,327,195.92	10,162,983.88
<b>Total</b>		<b>1,018,138,229.25</b>	<b>693,403,530.07</b>

Significant Accounting Policies

19

Notes to Accounts

20

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

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

*(Signature)*

(Partner) **Dipak Kumar Dutta (F.C.A.)**  
Membership No. **016333**

Place: Phuentsholing, Bhutan  
Date:



On behalf of Board

*(Signature)*

Chairman

Director

**Karma Choden.**

CEO

*(Signature)*



STATE TRADING CORPORATION OF BHUTAN LIMITED  
PHUENTSHOLING BHUTAN  
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

Amounts in Ngultrum (BTN)

		December 31, 2016	December 31, 2015
<b>INCOME</b>	<b>Notes</b>		
Revenue from operations	13	2,581,050,545.81	2,180,129,114.07
Other income	14	32,472,677.79	117,914,964.61
<b>Total Revenue (A)</b>		<b>2,613,523,223.60</b>	<b>2,298,044,078.68</b>
<b>Expenses:</b>			
Purchases of stock-in-trade	15.1	2,510,725,005.79	2,029,351,535.50
Changes in Inventories of stock - in trade	15.1	-203,355,773.95	-56,601,193.67
Other Direct Expenses	15.2	17,639,760.12	11,512,417.55
Employee benefit expenses	16	70,273,085.44	58,614,450.91
Finance Costs	17	16,980,172.51	8,304,068.61
Other Expenses	18	77,739,586.34	138,671,104.41
Depreciation and Amortization expense	6.1	5,528,781.41	5,516,418.66
<b>Total Expenses (B)</b>		<b>2,495,530,617.66</b>	<b>2,195,368,801.97</b>
<b>Profit before exceptional and extraordinary items and</b>		<b>117,992,605.94</b>	<b>102,675,276.71</b>
<b>Exceptional Items (PPI)</b>		<b>-</b>	<b>-</b>
<b>Profit before extraordinary items and tax</b>		<b>117,992,605.94</b>	<b>102,675,276.71</b>
<b>Extraordinary Items</b>		<b>-</b>	<b>-</b>
<b>Profit Before Tax</b>		<b>117,992,605.94</b>	<b>102,675,276.71</b>
<b>Tax Expense:-</b>			
(1) Current Tax		35,397,781.78	30,802,583.00
(2) Prior Year Tax		-	-
(3) Deferred tax		109,462.04	51,124.60
<b>Net Profit for the year</b>		<b>82,485,362.12</b>	<b>71,821,569.11</b>
<b>Other Comprehensive Income</b>			
Actuarial Gain/ (Loss) on employee benefit		-1,118,620.70	-811,626.00
Tax on other Comprehensive income		335,586.21	243,487.80
<b>Other Comprehensive Income for the year, net of tax</b>		<b>-783,034.49</b>	<b>-568,138.20</b>
<b>Total Comprehensive Income for the year</b>		<b>81,702,327.63</b>	<b>71,253,430.91</b>
<b>Earning Per Share</b>		<b>4.54</b>	<b>3.96</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 & Co. Datta Ghosh & Associates  
Chartered Accountants  
Firm's Registration no. 309088E



(Partner) Dipak Kumar Datta (P.C.A.)  
Membership No. - 016333

Place: Phuentsholing, Bhutan  
Date:



On behalf of Board



Chairman

Director

Karma Choden

CEO



STATE TRADING CORPORATION OF BHUTAN LIMITED  
PHUENTSHOLING BHUTAN  
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2016

Amounts in Ngultrum (BTN)

	December 31, 2016	December 31, 2015
<b>Cash flow from Operating Activities</b>		
Net Profit Before Taxation	116,873,851.25	101,863,650.71
Depreciation	5,528,781.41	5,516,418.66
Loss/(gain) on fixed asset	-981,275.24	253,109.92
Interest on Borrowings	16,980,172.51	8,304,068.61
Interest Income/Received	-1,162,516.60	-300,389.61
Provision for employees Ex- gratia	5,155,656.95	6,391,009.05
Provision for variable pay	3,962,734.84	-
<b>Operating Profits Before WC Changes (A)</b>	<b>146,357,405.12</b>	<b>122,027,867.34</b>
<b>Working Capital Changes</b>		
(Increase)/Decrease in Inventory	-201,600,556.69	-70,023,800.58
(Increase)/Decrease in Loans Advances	-22,245,116.12	-750,112.70
(Increase)/Decrease in Trade receivable	-25,698,735.09	-5,984,784.46
(Increase)/Decrease in other current Assets	-164,212.04	-2,808,515.87
Increase/(Decrease) in other Current Liability	168,198,444.03	-71,038,744.43
Increase/(Decrease) in Trade Payable	6,791,192.59	-52,824,199.46
Increase/(Decrease) in Short Term Provision	-4,685,728.67	-
Increase/(Decrease) in Short Term borrowing	65,513,590.44	117,326,883.32
<b>Total of Working Capital Changes (B)</b>	<b>-13,891,121.55</b>	<b>-86,103,274.18</b>
<b>Cash generated from operations (A+B)</b>	<b>132,466,283.57</b>	<b>35,924,593.16</b>
Income Tax Paid	27,309,605.41	3,044,175.98
<b>(i) Net Cash From Operating Activities</b>	<b>105,156,678.16</b>	<b>32,880,417.18</b>
<b>Cash From Investing Activity</b>		
Interest Received	1,162,516.60	300,389.61
Purchase of Fixed Assets	-4,629,838.76	-9,452,302.09
Sale of asset	1,446,000.00	-
Capital Work in Progress	-96,697,723.26	-50,587,373.66
Tax	-	11,438,489.81
Long Term Deposit	92,911.56	1,036,908.95
<b>(ii) Net Cash From Investing activities</b>	<b>-98,626,133.86</b>	<b>-47,263,887.38</b>
<b>Cash Flow from Financing Activities</b>		
Interest on Loans Paid	-16,980,172.51	-8,304,068.61
Loan taken from bank	40,688,279.07	25,325,371.70
Dividend Paid	-27,000,240.00	-
<b>(iii) Net Cash from Financing Activities</b>	<b>-3,292,133.44</b>	<b>17,021,303.09</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalent (i+ii+iii)</b>	<b>3,238,410.86</b>	<b>2,637,832.89</b>
Cash & Cash equivalent in the beginning of the year	40,187,498.12	37,549,665.23
<b>Cash &amp; Cash equivalent at year ended</b>	<b>43,425,908.98</b>	<b>40,187,498.12</b>

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

(Partner) Dipak Kumar Dutta (F.C.A.)  
Membership No. 016333

Place: Phuentsholing  
Date:

On behalf of Board

Chairman

Director Karma Choden.

CEO



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

Amounts in Ngultrum (BTN)

	No. of Shares (issued and fully paid up)	Par value per share	Total value of shares	Retained earnings	Total
Balance as at 1 January 2016	18000160	10	180,001,600.00	174,172,885.07	354,174,485.07
Profit after income tax	-	-	-	82,485,362.13	82,485,362.13
Other comprehensive income for the year	-	-	-	-783,034.49	-783,034.49
Dividends paid	-	-	-	-27,000,240.00	-27,000,240.00
Proceeds from shares issued	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-
Balance as at 31 December 2016	18000160	-	180,001,600.00	228,874,972.71	408,876,572.71

**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2015**

	No. of Shares (issued and fully paid up)	Par value per share	Total value of shares	Retained earnings	Total
Balance as at 1 January 2015	18000160	10	180,001,600.00	102,919,454.16	282,921,054.16
Profit after income tax	-	-	-	71,821,569.11	71,821,569.11
Other comprehensive income for the year	-	-	-	-568,138.20	-568,138.20
Dividends paid	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-
Balance as at 31 December 2015	18000160	-	180,001,600.00	174,172,885.07	354,174,485.07

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

(Partner) *[Signature]*  
 Membership No. *[Signature]*

Place: Phuentsholing  
 Date:

On behalf of Board

Chairman

Director

CEO





State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

Amounts in Ngultrum (BTN)

December 31, 2015

December 31, 2016

**Share Capital**

Authorized		
50,000,000 equity shares of Nu.10 each	500,000,000.00	500,000,000.00

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

18000160 (Previous year-1800016 & 100) equity shares of Nu.10 each fully paid up.

Out of above, following bonus shares were allotted as fully paid up without

payment being received in cash:

(a) 200,003 equity shares were allotted by capitalisation of Reserve in year 2010 & 2011

(b) 300,005 equity shares were allotted by capitalisation of Reserve in year 2012

(c) 9,00,008 equity share were allotted by capitalisation of Reserve in the year 2013

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

**Total**

	December 31, 2016	December 31, 2015
No. of Shares	18,000,160.00	18,000,160.00
Value	180,001,600.00	180,001,600.00
	18,000,160.00	18,000,160.00
	180,001,600.00	180,001,600.00

**Reconciliation of number of share outstanding as at 31st December, 2015**

Equity Share at the beginning of the year

Issued during the year as bonus share

Equity Share at the end of the year

	December 31, 2016	December 31, 2015
%age	50.98	50.98
No. of Shares	9,176,050.00	9,176,050.00
Value	91,760,500.00	91,760,500.00
	7.06	7.06
	1,270,440.00	12,704,400.00
	41.96	7.06
	7,553,670.00	75,536,700.00
	100.00	100.00
	18,000,160.00	180,001,600.00

**Name of the Share Holders**

Druk Holding Investment Limited (DHI)

Bank of Bhutan Limited

Others

Total



*(Signature)*

*(Signature)*

State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

Amounts in Ngultrum (BTN)

	December 31, 2016	December 31, 2015
<b>12 RESERVES AND SURPLUS</b>		
Opening Balance as per last Account (Retain earning)	174,172,885.07	102,919,454.16
Add: Balance Transferred from Statement of Comprehensive Income	81,702,327.64	71,253,430.91
	<u>255,875,212.71</u>	<u>174,172,885.07</u>
Less: Transfer for allotment of Bonus Share	-	-
Less: Dividend paid during the year	27,000,240.00	-
<b>Total</b>	<u><b>228,874,972.71</b></u>	<u><b>174,172,885.07</b></u>



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

*Amounts in Ngultrum (BTN)*

**2. Short-Term Provisions**

	December 31, 2016	December 31, 2015
Provision for employees Ex-gratia	6,860,937.33	6,391,009.05
Provision for variable pay	3,962,734.84	-
Provision for tax	-	15,701,019.75
<b>Total</b>	<b><u>10,823,672.17</u></b>	<b><u>22,092,028.80</u></b>

**3. Trade Payables**

	December 31, 2016	December 31, 2015
Sundry Creditors	37,077,410.38	30,286,217.79
<b>Total</b>	<b><u>37,077,410.38</u></b>	<b><u>30,286,217.79</u></b>



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for ther year ended December 31, 2016

Amounts in Ngultrum (BTN)

**4. Short Term Borrowings**

	December 31, 2016	December 31, 2015
Over Draft with Bank of Bhutan, Phuentsholing OD a/c - 48 (Limit Nu. 130 Million)	102,840,473.76	117,326,883.32
NPPF - Short Term Borrowing	80,000,000.00	-
<b>Total</b>	<b>182,840,473.76</b>	<b>117,326,883.32</b>

**5. Other Current Liabilities**

	December 31, 2016	December 31, 2015
Advance from Customers(old)	43,346,832.25	43,868,995.24
Advance from Customers(new)	149,533,325.60	62,827,598.62
Liablity for Purchase	88,843,498.34	25,625,575.63
Liability for Establishment Expenses	2,020,106.66	510,742.81
Debtors Suspense	7,311,583.94	3,525,668.57
Provident Fund	52,342.00	52,342.00
Audit Fees	115,000.00	115,000.00
Liabilities of Un-withdrawn Cheque	325,122.62	48,358.60
Bhutan Sales Tax	-	108,171.59
Security Deposit	6,007,395.81	2,734,575.49
Dividend payable	1,319,169.00	-
Retention money	13,471,486.60	4,730,390.24
<b>Total</b>	<b>312,345,862.82</b>	<b>144,147,418.79</b>



State Trading Corporation of Bhutan Limited  
Notes to Financial Statements for the year ended December 31, 2016

6.1 Property, Plant and Equipment - Tangible

Amounts in Ngultrum (BTN)

Particulars	Freehold Land	Buildings and Civil Structures	Furniture	Office equipment	Vehicles	Air Conditioner	Zerox Copier	Voltage Stabilizer	Loose Tools	Plant & Machinery	Total
<b>Gross Block</b>											
Balance at 1 January 2015	29,460,800.56	48,023,045.61	4,532,849.55	20,002,198.46	11,775,293.98	1,602,325.81	472,019.60	11,030.00	4,238,233.52	2,406,931.94	122,525,229.03
Additions	-	-	33,710.00	1,726,586.70	7,649,564.00	42,441.39	-	-	-	-	9,452,302.09
Adjustments/Disposals	-	-	-	397,666.92	-	-	-	-	-	-	397,666.92
Balance at 31 December 2015	29,460,800.56	48,023,045.61	4,566,559.55	21,331,118.24	19,425,357.98	1,644,767.20	472,019.60	11,030.00	4,238,233.52	2,406,931.94	131,579,864.20
Balance at 1 January 2016	29,460,800.56	48,023,045.61	4,566,559.55	21,331,118.24	19,425,357.98	1,644,767.20	472,019.60	11,030.00	4,238,233.52	2,406,931.94	131,579,864.20
Additions	-	-	556,081.76	1,220,293.00	2,711,464.00	42,000.00	-	-	-	-	4,629,838.76
Adjustments/Disposals	-	-	1,898,087.60	14,792,740.87	8,080,159.85	673,810.62	472,019.60	11,030.00	-	-	25,927,848.54
Balance at 31 December 2016	29,460,800.56	48,023,045.61	3,224,553.71	7,858,676.37	14,056,662.13	1,012,956.58	-	-	4,238,233.52	2,406,931.94	110,231,854.42
<b>Accumulated Depreciation</b>											
Balance at 1 January 2015	-	5,826,099.97	1,137,215.59	16,491,383.31	9,357,541.71	992,655.62	472,019.60	11,030.00	1,935,804.00	653,828.00	38,877,579.80
Depreciation for the year	-	1,871,257.21	264,344.34	1,405,322.70	777,862.41	248,322.64	-	-	605,461.93	343,847.42	5,516,418.66
Adjustments	-	-	-	144,557.00	-	-	-	-	-	-	144,557.00
Balance at 31 December 2015	-	7,697,357.18	3,401,559.93	17,752,151.01	10,135,404.12	1,240,978.26	472,019.60	11,030.00	2,541,265.93	997,675.42	44,249,441.46
Balance at 1 January 2016	-	7,697,357.18	3,401,559.93	17,752,151.01	10,135,404.12	1,240,978.26	472,019.60	11,030.00	2,541,265.93	997,675.42	44,249,441.46
Adjustments	-	1,871,255.68	310,717.65	14,770,898.73	7,637,590.23	673,831.63	472,019.60	-	-	-	25,963,257.78
Depreciation for the year	-	1,871,255.68	310,717.65	1,358,655.33	870,108.08	168,735.45	-	-	605,461.90	343,847.32	5,528,781.41
Balance at 31 December 2016	-	9,568,612.86	3,712,277.58	4,399,007.61	3,368,121.97	735,882.08	-	-	3,146,727.83	1,341,522.74	24,314,965.09
<b>Carrying Amount</b>											
At 31 December 2016	29,460,800.56	38,454,432.75	1,410,363.72	3,518,762.76	10,688,540.16	277,074.50	-	-	1,091,565.69	1,065,409.20	85,966,889.33
At 31 December 2015	29,460,800.56	40,325,688.43	1,164,999.62	3,578,967.23	9,289,953.86	403,788.94	-	-	1,696,967.59	1,409,256.52	87,330,422.74

6.2 Capital Work in Progress - Tangible

Sl. No	Particulars	As at 01.01.16	Addition during the year	Adjustment/ Deduction	Total	Capitalised during the year	As at 31.12.16
1	Toyota 3.5 facilities	52,251,171.16	95,298,181.26	-	147,549,352.42	-	147,549,352.42
2	Explosive - vehicle	0.00	1,399,542.00	-	1,399,542.00	-	1,399,542.00
	<b>TOTAL</b>	<b>52,251,171.16</b>	<b>96,697,723.26</b>	<b>-</b>	<b>148,948,894.42</b>	<b>-</b>	<b>148,948,894.42</b>
	Previous Year	1,663,797.50	50,587,373.66	-	52,251,171.16	-	52,251,171.16



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State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

Amounts in Ngultrum (BTN)

**7.1 Non-Current Investment for Gratuity**

	December 31, 2016	December 31, 2015
Define Benefit Plan (BNB and BDBL-Gratuity Fund)	9,534,447.30	8,961,989.00
less: Provision for Gratuity	9,496,339.86	8,830,970.00
<b>Total</b>	<b>38,107.44</b>	<b>131,019.00</b>

**8. Inventories**

	Mode of Valuation	December 31, 2016	December 31, 2015
Trading Stock	Valued at cost	443,188,414.58	303,147,844.04
Goods-in transit		85,680,104.74	22,364,901.33
		<b>528,868,519.32</b>	<b>325,512,745.37</b>
Less:			
Provision for Obsolescence & Shortages		3,201,283.88	1,446,066.62
<b>Total</b>		<b>525,667,235.44</b>	<b>324,066,678.75</b>



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State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

*Amounts in Ngultrum (BTN)*

**9. Trade Receivables**

	December 31, 2016	December 31, 2015
Debts outstanding for a period exceeding six months		
Considered Good	29,984,595.11	29,917,071.45
Considered Doubtful	11,462,757.68	7,357,330.31
	<u>41,447,352.79</u>	<u>37,274,401.76</u>
Less: Provision for Doubtful Debts	11,462,757.68	7,357,330.31
	<u>29,984,595.11</u>	<u>29,917,071.45</u>
Other debts, considered good(Other)	73,770,801.42	51,049,739.36
Other debts, considered good(stone)	3,735,482.90	2,825,333.53
<b>Total</b>	<u>109,490,879.43</u>	<u>83,792,144.34</u>

*Amounts in Ngultrum (BTN)*

**10. Cash and Bank Balance**

	December 31, 2016	December 31, 2015
<b>Cash and Cash Equivalents</b>		
2005 BOB A/C 204..0016 Thimphu	14,380,032.50	1,901,000.00
1324 BOB A/C 207..0017 Thimphu	-1,203,183.95	23,473.71
2026 BOB A/C 207..0013 Thimphu	317,240.16	17,350.00
2014 BOB - (GEN )	650.83	650.83
Bank of Bhutan FC Account	3,062,970.14	2,045,290.17
Bhutan National Bank	12,333,661.21	3,323,275.52
United Bank of India, Kolkata	-36,621.86	294,720.52
Druk PNB	617,667.24	1,625,768.02
National Bank Limited	561,076.07	1,005,721.41
Margin money with BOBL against LC	12,073,000.00	29,950,000.00
Cash in Hand including Cheques	247.64	247.94
Restricted Cash for unclaimed dividend	1,319,169.00	-
<b>Total</b>	<u>43,425,908.98</u>	<u>40,187,498.12</u>





**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2016**

*Amounts in Ngultrum (BTN)*

**11.1 Short-Term Loans And Advances**

	December 31, 2016	December 31, 2015
Advance recoverable in cash or in kind/for value to be received	81,624,115.24	90,475,937.38
Considered Bad or Doubtful	<u>1,800,000.00</u>	<u>1,800,000.00</u>
<b>Total</b>	<b>83,424,115.24</b>	<b>92,275,937.38</b>
Less: Provision for Bad or Doubtful Advances	<u>1,800,000.00</u>	<u>1,800,000.00</u>
<b>Total (A)</b>	<b>81,624,115.24</b>	<b>90,475,937.38</b>
Advances to staffs (B)	4,071,042.26	5,005,674.70
<b>Total (A+B)</b>	<b>85,695,157.50</b>	<b>95,481,612.08</b>

**11.2 Advance Corporate Tax net of Provision**

	December 31, 2016	December 31, 2015
Advance Corporate Tax Paid	49,932,575.41	17,901,004.71
Less: Provision for tax	<u>41,354,614.62</u>	<u>33,602,024.46</u>
<b>Total</b>	<b>8,577,960.79</b>	<b>-15,701,019.75</b>

**12. Other Current Assets**

	December 31, 2016	December 31, 2015
Earnest Money Deposits	290,000.00	112,500.00
Security Deposits	6,546,854.93	8,960,342.88
Advance for direct cost	363,484.00	678,041.00
Other Receivable	2,830,836.49	119,500.00
Land For Sales	<u>1,184,082.00</u>	<u>4,329,132.00</u>
<b>Total</b>	<b>11,215,257.42</b>	<b>14,199,515.88</b>
Less:		
Provision for Diminution in Value of Land	<u>888,061.50</u>	<u>4,036,532.00</u>
<b>Total Provision</b>	<b>888,061.50</b>	<b>4,036,532.00</b>
<b>Total</b>	<b>10,327,195.92</b>	<b>10,162,983.88</b>



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

Amounts in Ngultrum (BTN)

**13. Revenue from operation**

	December 31, 2016	December 31, 2015
<b>Trading:</b>		
G.C. Sheet	5,788,722.70	5,286,143.69
Explosives	79,394,230.75	93,078,282.65
Bitumen	60,502,553.33	14,549,786.47
Eicher Spare Parts	21,096,906.17	16,897,643.40
Tata Spare Parts	35,234,300.53	17,578,056.64
Toyota Tyres & Tubes	8,028,607.96	8,727,046.95
Toyota Spare Parts	72,964,162.28	43,248,104.27
Tata Vehicles	761,718,288.95	360,259,906.36
Eicher Vehicles	354,158,262.00	158,575,570.00
Toyota Vehicles	1,067,445,877.70	1,261,823,435.37
Computer & Accessories	35,177,518.64	28,115,108.24
Two Wheelers	5,413,819.28	3,016,777.00
SML Vehicle	1,333,938.00	3,845,566.74
Kent Water Filter	819,949.00	483,395.00
Asian Paints	1,241.00	23,785.72
Ford Vehicle Sales	-	113,100,190.77
Tractors and Power Tiller Sales	10,248,231.28	6,650,115.84
Agricultural Machineries & Accessories	10,322.00	521,758.66
Agricultural product sales	290,224.19	84,203.16
Apollo Tyres Sales	14,163,934.00	12,667,593.00
Ford spare parts	489,444.10	532,827.00
Stone	26,986,331.96	8,565,227.35
Household items	441,258.00	-
Franky Faber	61,735.00	-
American Tourister	22,109.00	-
Medical	20,455.23	-
<b>Service:</b>		
Tata Service Centre Income	9,433,461.70	5,864,682.04
Toyota Service Centre Income	9,804,661.06	16,633,907.75
<b>Total</b>	<b>2,581,050,545.81</b>	<b>2,180,129,114.07</b>

**14. Other Income**

	December 31, 2016	December 31, 2015
Miscellaneous Income	25,486,038.03	10,788,973.03
Discount Received	751,593.68	5,285,131.03
Commission and Auction	219,843.28	133,738.82
Gains/Losses on Exchange Fluctuation	446,692.73	90,117.81
Interest	1,162,516.60	300,389.61
Recoveries of Shortage for Inventories	348,547.73	595,437.36
Gains/ (losses) on sale of Fixed Asset	908,975.24	1,368,908.78
Provision no longer required	3,148,470.50	29,165,647.63
Liability no longer required	-	70,186,620.54
<b>Total</b>	<b>32,472,677.79</b>	<b>117,914,964.61</b>



State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

Amount in Ngultrum (BtN)

Items	Stock as on 1.1.2016	Opening GIT 01.01.2016	Purchase during the year	TOTAL <sub>2</sub>	Closing Stock as at 31.12.2016	Goods - In Transit as at 31.12.2016	Cost of Material Consumed for the year ended 31.12.2016	Cost of Material Consumed for the year ended 31.12.2015
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)	(7)=(4)-(5)+(6)	(8)
G.C. Sheet	884,772.76	-	5,893,555.30	6,778,328.06	1,442,284.47	-	5,336,003.59	5,326,546.76
Bitumen	639,558.60	-	49,962,437.24	50,601,995.84	32,028.31	-	50,569,967.53	13,140,859.34
Bioplastic	13,610,317.28	-	68,909,218.79	82,519,536.07	11,833,770.66	4,706,750.00	65,979,015.41	78,152,146.47
Tractor Spare Parts	10,860,458.03	-	13,961,236.52	24,821,694.55	7,816,591.96	-	16,985,102.59	14,474,810.82
Indian Spare parts (Tata)	20,098,781.40	-	26,480,425.87	46,579,207.27	17,187,065.04	-	29,392,142.23	19,096,366.40
Toyota Tyres & Tubes	3,631,214.57	-	3,827,711.69	7,458,926.26	3,109,810.90	-	4,349,115.27	8,751,724.59
Toyota Spare Parts	38,028,827.27	7,007,140.43	61,659,294.70	107,595,262.40	48,733,711.43	8,543,910.24	50,317,640.73	34,936,626.20
Tata Vehicles	85,052,824.82	-	764,324,833.18	849,377,658.00	156,782,860.95	-	692,594,797.05	323,223,402.58
Tractor Vehicles	18,496,682.97	12,409,263.00	336,048,169.53	366,954,115.50	36,269,418.26	-	330,684,697.24	143,548,110.78
Toyota Vehicles	95,737,332.05	-	1,097,031,117.41	1,192,768,449.46	148,356,746.86	72,429,444.50	971,982,258.10	1,161,022,830.32
Two Wheelers	309,196.22	-	4,502,046.90	4,811,243.12	177,503.66	-	4,633,739.46	2,574,181.56
Office Equipments, Machine	5,555,784.68	2,948,407.90	25,758,123.09	34,262,405.67	3,097,803.29	-	31,164,602.38	24,204,468.25
Service Centre, Thimphu	496,007.18	-	1,386,111.00	1,882,118.18	405,217.38	-	1,476,900.80	6,200,022.15
SMT. Vehicles	-	-	1,318,496.50	1,318,496.50	-	-	1,318,496.50	3,282,594.00
Household items	-	-	670,772.94	670,772.94	386,960.00	-	283,812.94	-
Toyota Service, Head Office	8,159.74	-	100,870.00	109,029.74	8,159.74	-	100,870.00	4,499,288.31
Tata Service	1,003,577.64	-	6,104,547.66	7,108,125.30	2,049,459.58	-	5,058,665.72	1,586,209.20
Apollis Tyres	3,147,136.52	-	13,392,962.80	16,540,099.32	2,850,038.48	-	13,689,670.84	12,330,085.67
Sinage	320,625.00	-	14,443.10	335,068.10	-	-	335,068.10	380,098.00
Food Vehicle	-	-	-	-	-	-	-	106,049,106.65
Bent Water Tiller	931,230.74	-	32,000.00	963,230.74	388,904.41	-	574,326.33	341,213.38
Asian Pumps	208,361.25	-	0.00	208,361.22	207,295.48	-	1,065.78	55,073.73
E-Bike Spare Parts	98,873.85	-	-	98,873.85	-	-	-	-
Food Spare Parts	359,018.25	-	-	359,018.25	-	-	359,018.25	431,501.92
Medical	-	-	21,010.00	21,010.00	-	-	21,010.00	-
American Tourist	-	-	134,140.00	134,140.00	85,966.95	-	48,183.05	-
Tramway fiber	-	-	171,557.00	171,557.00	140,218.05	-	31,338.95	-
Tractors and Power Tillers	2,601,620.40	-	6,236,260.00	8,837,880.40	1,165,016.86	-	7,672,863.54	5,537,819.60
Tractor Spare parts	167,522.85	-	61,173.20	780,696.05	442,727.96	-	337,968.09	8,443.15
Store including transportation	-	-	21,218,313.37	21,218,313.37	-	-	21,218,313.37	7,496,389.00
Agricultural Product Export	-	-	142,578.00	142,578.00	-	-	142,578.00	100,853.00
<b>Total</b>	<b>303,147,844.04</b>	<b>22,364,901.33</b>	<b>2,510,725,085.79</b>	<b>2,836,237,751.16</b>	<b>443,188,414.58</b>	<b>85,680,104.74</b>	<b>2,307,369,231.84</b>	<b>1,972,750,341.83</b>

TA GHOSH & ASSOCIATES  
Chartered Accountants

State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

Amounts in Ngultrum (BTN)

**15.2 Other Direct Expenses**

	December 31, 2016	December 31, 2015
Clearing and Forwarding Charges	17,639,760.12	11,512,417.55
<b>Total</b>	<u>17,639,760.12</u>	<u>11,512,417.55</u>

**16. Employee benefit expenses**

	December 31, 2016	December 31, 2015
Pay and Allowances	44,614,331.42	40,457,030.82
Provident Fund Contribution	2,776,769.38	2,471,259.75
Bonus and variable pay	13,076,221.48	8,756,607.74
Medical Expenses	337,120.00	16,849.00
Gratuity and Retirement Benefits	1,573,220.00	1,236,107.95
Staff training and development expenses	6,103,657.64	5,175,686.65
Uniform expenses	788,863.53	450,909.00
Welfare Expenses	50,000.00	50,000.00
Transfer grant	952,901.99	-
<b>Total</b>	<u>70,273,085.44</u>	<u>58,614,450.91</u>

**17. Finance Cost**

	December 31, 2016	December 31, 2015
Interest expense	16,980,172.51	8,304,068.61
<b>Total</b>	<u>16,980,172.51</u>	<u>8,304,068.61</u>



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State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2016

	<i>Amounts in Ngultrum (BTN)</i>	
18. Other Expenses	December 31, 2016	December 31, 2015
<b><u>Administrative Expenses</u></b>		
Communication, internet and telephone charges	2,124,941.91	1,490,694.72
Fees and Taxes	915,374.16	365,859.48
Printing and stationery including postage	1,740,014.06	1,096,641.12
General Insurance	467,043.00	512,396.00
Electricity Expenses	839,464.23	762,247.05
Lease Rent	6,615,149.43	6,034,752.50
<b><u>Repairs and Maintenance</u></b>		
Repairs & Maintenance Of Buildings and civil structures	3,291,955.34	2,568,225.80
Repairs & Maintenance Of Furniture, fixtures and equipments	2,122,658.38	2,047,407.30
Running & Maintenance Of Vehicle	3,977,136.99	3,165,104.33
Running & Maintenance Of Other	149,963.64	1,132,853.00
<b><u>Travelling and Conveyance</u></b>		
Travelling Expenses including foreign travels	12,522,769.80	9,295,492.30
<b><u>Others</u></b>		
Marketing & Sales Promotions	8,062,881.34	3,785,560.09
Board meeting expenses and sitting fees	857,632.90	1,544,996.85
Festivals & Entertainment Expenses	5,579,153.47	3,533,561.76
Discount	14,561,610.50	14,117,581.65
Miscellaneous Expenses	6,139,777.75	3,386,749.16
Bank Charges - others	581,495.66	115,785.36
Other consultancy charges	555,800.00	350,899.00
Advance Written Off	-	292,737.51
Provision for bad and doubt amount	-	1,800,000.00
Provision for Doubtful Debts	4,105,427.37	4,591,176.72
Write off of Sundry Debtors	-	1,188,156.16
Provision for Obsolete Stock	1,755,217.26	1,446,066.62
RA Recovery Account	-	465,073.50
Sundry balances written off	10,000.00	73,231,113.93
Loss on Inventory Write off	382,207.41	-
<b><u>Auditor's Remuneration</u></b>		
Audit Fee	115,000.00	115,000.00
Out of pocket expenses	266,911.74	234,972.50
<b>TOTAL</b>	<b>77,739,586.34</b>	<b>138,671,104.41</b>



## 19. SIGNIFICANT ACCOUNTING POLICIES

### A. Significant Accounting Policies

#### 1. Basis of Preparation

The Accounting and Auditing Standards Board of Bhutan (AASBB), decided to adopt BAS in phases with minor changes. These standards are referred as Bhutanese Accounting Standards (BAS). The Company has 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, 2016.

The functional currency of preparation is the Bhutanese Ngultrum.

#### 2. Application of Bhutanese Accounting Standards

The company has decided on the early adoption of BAS 19 employees Benefits, which is in the second phase of Bhutanese accounting standards. As the Accounting Standards Board has not pronounced BAS 19 the Company has applied the most recent version of the equivalent IAS 19, IAS 19(revised 2011), which applies for financial periods commencing on or after 1 January 2013. Employee retirement benefits are valued on an accrual basis as it better reflects the estimated liability at balance date. Assets and obligations for the retirement benefits are netted off, so that a net early funding is disclosed.



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### 3. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount receivable for sale of goods or services. The company recognized revenue when the amount of revenue can be reliably measured and when the future economic benefit will flow to the company.

### 4. Property, Plant and Equipment

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

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



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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income' or 'other expenses' as the case may be, in the income statement.

#### 5. Foreign Currency Transactions

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

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

## 6. Cash & Cash equivalents

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

## 7. Contingent Liabilities and Assets

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

## 8. Income Tax

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

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

## 9. Comparative Information

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

#### 10. Borrowing costs

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

#### 11. Trade receivables

Trade receivables are initially recognized at their fair value of the amounts to be received. If collected is expected in one year or less, they are classified as current assets. If not, they are presented as non- current assets. Received are reviewed regularly for impairment.

#### 12. Trade Payable

Accounts payable are classified as current liabilities if payment is due within one year or less(or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### 13. Inventories

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

#### 14. Provisions and Contingent Liabilities

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settled the obligation and the amount can be reliably estimated.

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

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

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

**16. Employee benefits**

Under defined benefits scheme

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

**17. Short term loan & advances**

The assets which are recoverable or settle within 12 months are shown under this head.

On behalf of the Board



Chairman





## OTHER NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### 20. Notes to Financial Statements

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

20.2 The total Other Direct Expenses is Nu. 211,104,609.29. Out of which Nu. 193,464,849.17 is allocated or charged. However, Nu. 17,639,760.12 cannot be charge since the nature of expenses is unallocable. Therefore, Company has shown Nu 17,639,760.12 as "Other Direct Expenses" amount. However, the company has attempted to charge to the goods and the amount of other direct expense as a proportion of company's yearly purchase has decreased from 3.17 % in 2013 to 0.70 % in 2016.

20.3 The capital work in progress consists of the following:

Year	2016	2015
Particulars	(Nu)	(Nu)
Construction of Toyota 3S Facilities cum Corporate Office at Thimphu	147,549,352.42	52,251,171.16
Explosive Van (Body Fabrication)	1,399,542.00	0.00
Total	148,948,894.42	52,251,171.16

20.4 The physical verification of inventories for the year 2016 has been conducted as per extant practice. Inventories worth Nu 6,785.35 and Nu 47,787.77 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.

**20.5** Details of CIF value of imports

Particulars	2016	2015
CIF value of import from India	1,300,279,754.00	726,229,886.00
CIF value of import from third country	1,189,143,492.08	875,193,986.68

**20.6** Details of FOB value of exports

Particulars	2016	2015
FOB value of export to India	290,224.19	84,203.16
FOB value of export to Dhaka	26,986,331.96	8,565,227.35

**20.7** The company has fully implemented following applicable standards under Phase I and Phase II in its Financial Statement as on 31 December, 2016:

- 20.7.1 Statement of Cash Flow (BAS 7)
- 20.7.2 The effect of Changes in foreign exchange rates (BAS 21)
- 20.7.3 Earnings Per Share (BAS 33)
- 20.7.4 Borrowing cost (BAS 23)
- 20.7.5 Related party disclosures (BAS 24)
- 20.7.6 Employee benefit (BAS 19)
- 20.7.7 Revenue (BAS 18)
- 20.7.8 Presentation of financial statements (BAS 1)
- 20.7.9 Inventories (BAS 2)
- 20.7.10 Interim financial reporting (BAS 34)
- 20.7.11 Provision, contingent liabilities and contingent assets (BAS 37)
- 20.7.12 Accounting policies, changes in accounting estimates & errors (BAS 8)
- 20.7.13 Property, plant and equipment (BAS 16)
- 20.7.14 Income taxes excluding deferred taxes (BAS 12)
- 20.7.15 Impairment of Asset (BAS 36)
- 20.7.16 Operating Segments (BFRS – 8)





**20.8 Following standards are not applicable as at the end of year 2016:**

- 20.8.1 Events after reporting period (BAS 10)
- 20.8.2 Construction contracts (BAS 11)
- 20.8.3 Accounting for Government grants, and disclosure of Government assistance (BAS 20)
- 20.8.4 Consolidated and separate financial statements (BAS 27)
- 20.8.5 Accounting and Reporting by Retirement Benefit Plans
- 20.8.6 Intangible Assets
- 20.8.7 Investment in Associates and Joint Ventures
- 20.8.8 Investment Property
- 20.8.9 Agriculture

**20.9 Related Party**

**20.9.1 Holding Company**

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



## 20.9.2 Fellow Subsidiaries

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

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

Particulars	2016	2015
Commission received from Royal Insurance Corporation of Bhutan Ltd (RICBL) in which the Director is executive Director of RICBL	219,843.28	30,282.00

## 20.9.4 Transactions of Directors for the FY 2016 &amp; 2015 (Amount in Nu)

Name	Goods and services	2016	2015
Ms. Yeshey Selden (MD)	Kent spares	340.00	0.00
	Kent	0.00	5,800.00
Mr. Rinchen Dorji (Director) GYPP Pvt Ltd	Color Coated CGI Sheet	1,273,698.57	0.00

Name of Company	Goods and services	2016	2015
RSA Pvt. Ltd	Toyota & Tata spare parts.	97,877.08	41,773.78
Mr. Rinchen Dorji, Director)	Apollo Tyre	4,65,072.00	626,262.00
	Toyota Vehicle	7,663,883.00	3,540,62.00
	Eicher Vehicle	1,412,088.00	0.00
	Explosive	4,75,250.60	25,299.30

20.9.5 Sitting Fees paid to the Board Directors during the year 2016 & 2015

Board Members		2016	2015
Dr. Ugen Dophu	DG, Dept. of Medical Services, MOH	56,000.00	56,000.00
Mr. Sonam Dorji	ED, RICB	64,000.00	52,000.00
Dasho Namgay Lhendup	M.D, RICB	0.00	8,000.00
Mr. Rinchen Dorji	M.D. RSA Pvt. Ltd.	48,000.00	20,000.00
Ms. Tashi Lhamo	Finance Director, DHI	16,000.00	8,000.00
Mr. Tandin Tshering	Director, DOI, MOEA	0.00	44,000.00
Ms. Yeshey Selden	MD, STCBL	84,000.00	76,000.00
Ms. Leki Wangmo	Sr. Analyst, DHI	0.00	80,000.00
Ms. Tashi Pem	Head, Sales Tax, Revenue & Custom, MOF	36,000.00	68,000.00
Mrs. Karma Choden	Company Secretary	64,000.00	-
Mr. Kapil Mani Sharma	Chief Executive Officer	48,000.00	-
<b>Total</b>	<b>Nu</b>	<b>416,000</b>	<b>412,000.00</b>



20.9.6 Transaction with the DHI, Holding Company during the FY 2016 & 2015(Amount in Nu)

Description	2016	2015
DHI	Nu	Nu
CSP consultancy fee paid to DHI	0.00	-
Sale of ICT Products	2,087,700.00	-
Vehicle Servicing & Spare Parts	632,857.50	399,010.00
Toyota Vehicle sale (advance)	6,846,294.00	7,070,983.00
Micro Tillers	92,971.00	-

20.9.7 Goods and Services availed from fellow subsidiaries during the FY 2016 and 2015 (Amount in Nu)

Fellow subsidiaries	Particulars	2016	2015
Bhutan Telecom Limited	Communication, internet and telephone charges	1,754,884.72	1,041,248.54
Bhutan Power corporation	Electricity charges	642,444.97	513,410.33
Bank of Bhutan Limited	Bank charges and fees other financial services	6,555,340.80	6,961,957.25
Bank of Bhutan Limited	Interest charge on overdraft	16,980,172.51	8,426,121.96
Druk Air Limited	Air ticket purchase	1,758,395.00	1,210,780.00



20.9.8 Goods and services availed by fellow subsidiaries during FY 2016 and 2015:

Sl. No	Fellow Subsidiary	Type of Goods & Services	2016	2015		
			Value of Goods & Services	Outstanding Amount at year end	Value of Goods & Services	Outstanding Amount at year end
1	Druk Air	ICT Products				
		Vehicle servicing				
2	Bhutan Board Products Ltd	Running & maintenance	377,192.67	71,865.49	3,880.00	
		ICT Product	109,513.00			
		Tata service				
3	Dungsam Polymers Ltd	ICT Products		3,272.87	150,250.00	4,107.06
		Running & Maintenance	181,035.53		32,027.06	
		Vehicle sale			762,352.00	
4	Natural Resource Development Corp. Ltd	Explosives items		110,534.77	414,446.70	69,559.91
		Running & Maintenance	580,549.64		256,661.12	
		ICT Products	217,350.00			
5	Dungsum Cement Corp. Ltd	Running & Maintenance	190,908.87	4,230.35	684,522.86	1,130,019.83
		Explosives items	972,645.06		2,450,837.31	
		ICT Products	170,270.00			
6	DHI Infra Ltd	ICT Products		7,851.35	60,350.00	9,445.14
		Running & Maintenance	138,360.82		11,108.00	
		Vehicle Sale	956,284.00		2,247,577.00	
7	Bhutan Hydro Power Services	Vehicle Sale			27,817.00	
		Vehicle servicing & Spares				
		Kent water filter				
		Tyt. Spares				

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8	Bank of Bhutan	Running & Maintenance	67,991.95	16,756.85	78,033.33	580,337.13
		ICT Products	391,390.00		937,854.20	
		Vehicle Sale	5,968,954.82			
9	Bhutan Telecom Ltd.	CGI Sheet		157,537.43	16,620.00	127,559.88
		Running & maintenance	152,470.11		317,174.00	
		ICT Products	982,589.13		132,849.04	
		Vehicle Sale			9,244,694.00	
10	Druk Green Power Corporation		7,408,968.75	3,097,834.68		
		Running & maintenance				
		Tyt. Vehicle Sale	8,407,872.00		9,467,820.44	
		ICT Products & CGI sheet	1,156,899.00		15,453,245.04	
11	Bhutan Power Corporation	Running & maintenance	6,464,755.97	2,355,956.66	7,364,515.78	1,604,433.66
		ICT Products	1,203,125.60		376,421.00	
		Vehicle sale-SML			3,845,566.74	
		Vehicle Sale-Tyt	3,922,877.00		8,254,837.00	
		Vehicle Sale-Tata			6,241,669.00	
		Tyres- Apollo			474,614.00	
		Explosive	4,234.00			
12	Dagachu Hydro Power	Running & maintenance	611,929.83	121,263.55	1,190,786.00	317,071.54
		ICT Product	137,000.00			
13	Tangsibji Hydro Energy Ltd	ICT Products	20,316.00	85,409.08	274,064.00	9,347.04
		Running & maintenance	241,164.09		11,944.00	
		Sale of Vehicle	2,824,956.00			
14	Construction Development Corpn. Ltd.	Tyres- Apollo		195,936.47	35,752.00	376,377.15
		ICT Products	13,500.00		798,221.50	
		Running & maintenance	261,006.30		79,832.88	
		Vehicle Sale-Tyt	14,298,439.45		4,394,058.00	
		Sale of Explosive	762,456.52			
		Sale of Bitumen	40,810,317.26			








		Running & maintenance	93,254.69	91,389.56	13,435.99	
15	State Mining Corporation	Sale of Vehicle	3,779,079.00			
16	Wood Craft Centre Ltd	ICT Product	17,600.00	31,327.67	75,030.00	30,417.51
		Running & Maintenance	15,718.00		15,274.00	
17	DHI	Running & Maintenance	632,857.50	44,461.17	399,010.00	236,784.48
		Vehicle Sale	6,846,294.00		7,070,983.00	
		ICT Products	2,087,700.00			
		Micro Tillers	92,971.00			
18	Thimphu (TPL)	Sale of Vehicle	2,152,439.00			
19	PCAL	Sale of Explosive	1,554,858.00	389,985.87		
		Running & Maintenance	9,025.00			
<b>Total</b>			<b>117,289,119.04</b>	<b>6,785,613.82</b>	<b>83,666,133.99</b>	<b>5,190,411.06</b>

20.10 Details of compensations paid to key management personnel ( Managing Director) during the year 2016:

Particulars	2016	2015
	(Nu)	(Nu)
Salary	14,88,215.64	1,409,116.14
Other Allowances, fees and DSA (foreign travel)	382,932.25	556,068.75
<b>Total</b>	<b>1,871,147.89</b>	<b>1,965,184.89</b>





**20.11 Earnings Per Share (EPS)**

No of Equity Shares	2016	2015
At the beginning of year	1,800,016	1,800,016
Issue of bonus share	-	-
At the end of the year (See Note)	18,000,016	18,000,016
Weighted average no of equity shares outstanding during the year	18,000,160	18,000,160
Face value of each equity share	Nu 10.00	Nu 10.00
Earnings available to Equity Shareholders	Nu.81,702,327.63	Nu.71,253,430.91
Earnings Per Share (BASIC)	Nu. 4.54	Nu 3.96

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.

**20.12 Gratuity Fund**

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



Change in Define Benefit Obligations		2016	2015
1	DBO at the end of the prior period	8,830,970.00	7,346,050.00
2	Current Service Cost	1,573,220.00	1,236,107.95
3	Interest Cost on DBO	726,339.00	603,814.50
4	Actuarial (gain)/loss	929,310.00	535,948.55
5	Benefit Paid directly by the Company	(2,563,499.14)	(890,951.00)
6	DBO at the end of the Current period	<b>9,496,339.86</b>	<b>8,830,970.00</b>

Change in Fair Value of Plan Assets		2016	2015
1	Fair Value of assets at end of prior period	8,961,989.00	8,513,977.95
2	Interest income on plan assets	761,769.00	723,688.50
3	Return on plan assets greater/(lesser) than discount rate	(189,310.70)	(275,677.45)
4	Fair value of assets at the end of current period	<b>9,534,447.30</b>	<b>8,961,989.00</b>

Net Balance Sheet Positions		2016	2015
1	Fair Value of Planned Asset	9,534,447.30	8,961,989.00
2	Defined Benefit Obligation	9,592,260.00	8,830,970.00
3	Net Defined Benefit Assets/ (Liability)	<b>38,107.30</b>	<b>131,019.00</b>

Actuarial assumptions employed for the calculation as at 1 January, 2016 and 31 December, 2016 is as follows:-

Particulars	31 December, 2016	31 December, 2015
1	Discount Rate	8.50%
2	Salary Escalation Rate	6.00%
3	Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ult.
4	Withdrawal rate	5.00%
5	Method of Valuation	Projected Unit Credit (PUC) Method

As per actuarial valuation there is a net loss of Nu.1, 118,620.70 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 31.12.2016 stood at Nu 9,534,447.30(Previous year - Nu 8,961,989.00), whereas the liability for Gratuity fund is Nu. 9,496,339.86 (Previous year- Nu 8,830,970.00). The same has been grouped under Long Term Deposit [Refer notes to financial statement 7.1].

### 20.13 Contingent Liability

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

### 20.14 Court Cases filed against company's debtors

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

SL. No	Name	Pertaining to (Year)	Status	Amount (Nu.)
1	Gangkhap Cement Agent (Tata sp)	2012	Case registered in the court	7,212.00
2	Gangkhap Cement Agent(Eicher sp)	2012	Case registered in the court	357,353.00
3	Khamsaa Workshop	2012	Case registered in the court	204,747.95
4	Mr. Chogay Dorji	2014	Case registered in the Court	818,016.00
5	Palden Construction. (PHPA-II)	2014	Case registered in the court.	754,523.73
			<b>Total</b>	<b>2,141,852.68</b>



## 20.15 Segmental Reporting

### Description of Segments

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

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





Year ended 31 December 2015									
	Toyota	Tata	Eicher	Cash	Explosive	others	Unallowable	Total	
<b>1. Segment Revenue</b>									
Revenue from Operation	1,330,435,818.34	383,699,321.04	188,140,806.40	148,094,550.05	93,078,282.65	43,742,745.99		2,180,129,114.07	
Other Income	9,870,058.47	4,624,864.61	2,226,797.78	139,793.27	622,787.78	935,467.76	100,104,648.33	117,914,964.61	
Total Revenue (A)	1,340,305,876.81	388,324,185.65	190,367,604.18	148,234,343.32	93,701,070.43	44,678,213.75	100,104,648.33	2,298,044,078.68	
<b>EXPENSES</b>									
Cost of Materials Consumed	1,212,469,477.99	343,936,170.18	170,352,607.27	137,268,480.09	78,246,051.61	38,631,522.41	-40,189.00	1,972,750,341.83	
Other Direct Expenses	5,547,872.34	3,816,286.78	485,058.50	851,407.25	1,023,445.70	534,698.72	-363,237.00	11,512,417.55	
Employee Benefit Expenses	11,572,452.49	6,463,972.46	3,017,266.46	2,044,269.12	5,560,095.00	3,171,457.02	27,127,807.63	58,614,450.91	
Finance Cost							8,304,068.61	8,304,068.61	
Other Expenses	16,690,399.19	7,661,070.30	10,261,012.01	2,131,255.85	3,635,745.85	2,295,155.46	96,685,981.71	138,671,104.41	
Depreciation and Amortization	445,595.45	1,619,271.86	135,784.73	255,214.43	876,736.00	155,799.56	1,991,930.55	5,516,418.65	
Total Expenses (B)	1,246,725,797.46	363,496,771.58	184,251,728.97	142,552,626.74	89,342,074.16	44,788,633.17	133,706,362.50	2,195,368,801.96	
Profit Before Tax	93,580,079.35	24,827,414.07	6,115,875.21	5,681,716.58	4,358,996.27	-110,419.42	-31,778,385.34	102,675,276.72	
Tax Expenses:-							30,853,707.60	30,853,707.60	
Net Profit for the year	93,580,079.35	24,827,414.07	6,115,875.21	5,681,716.58	4,358,996.27	-110,419.42	-64,455,421.77	71,821,569.12	
<b>2. Segment Asset</b>									
Allocable asset	220,179,086.00	89,784,985.04	39,143,124.65	11,043,194.63	24,200,093.49	15,888,738.71	293,164,307.55	693,403,530.07	
<b>3. Segment Liability</b>									
Allocable liability	74,758,496.10	8,893,545.16	20,865,905.95	2,400,078.70	15,963,378.68	7,177,061.31	563,345,064.17	693,403,530.07	





Year ended 31 December 2016									
	Toyota	Tata	Eicher	Cash	Explosive	Others	unallowable	Total	
<b>1. Segment Revenue</b>									
Revenue from Operation	1,158,261,309.00	806,368,051.18	389,419,102.17	85,423,546.88	79,394,230.75	62,184,405.83		2,581,050,545.81	
Other Income	18,857,799.24	4,616,985.02	2,774,140.66	277,161.59	281,452.13	941,209.68	4,723,929.47	32,472,677.79	
Total Revenue (A)	1,177,119,108.24	810,985,036.20	392,193,242.83	85,700,708.47	79,675,682.88	63,125,615.51	4,723,929.47	2,613,523,223.60	
Cost of Materials Consumed	1,038,202,589.91	727,045,605.00	361,569,470.67	71,646,741.11	65,979,015.40	39,034,723.80	69,000.00	2,293,547,145.89	
Other Direct Expenses	8,454,578.61	3,627,906.26	604,949.00	3,215,894.64	1,142,434.45	14,368,647.11	28,784,730.22	31,461,846.07	
Employee Benefit Expenses	12,216,361.38	8,268,067.52	3,403,910.69	2,340,144.24	5,570,107.35	3,711,729.00	34,762,765.26	70,273,085.44	
Finance Cost							16,980,172.51	16,980,172.51	
Other Expenses	17,775,744.60	16,154,695.35	11,489,622.00	2,770,067.80	4,076,008.40	3,067,805.66	22,405,642.53	77,739,586.34	
Depreciation and Amortization	161,710.63	163,103.80	16,240.69	650,336.37	12,660.04	157,716.83	4,367,013.05	5,528,781.41	
Total Expenses (B)	1,066,810,985.13	755,259,377.93	377,084,193.05	80,623,184.16	76,780,225.64	60,340,622.40	155,412,254.99	2,495,530,617.66	
Profit Before Tax	110,308,123.11	55,725,658.27	15,109,049.78	5,077,524.31	2,895,457.24	2,784,893.11	-73,908,099.88	117,992,605.94	
Tax Expenses							35,499,426.75	35,499,426.75	
Net Profit for the year	110,308,123.11	55,725,658.27	15,109,049.78	5,077,524.31	2,895,457.24	2,784,893.11	109,407,526.63	82,493,179.19	
<b>2. Segment Asset</b>									
Allocable asset	458,287,355.89	159,786,765.34	56,949,687.91	25,330,600.41	28,153,985.43	11,969,119.83	437,447,479.78	1,018,138,229.25	
<b>3. Segment Liability</b>									
Allocable liability	84,621,537.72	7,099,545.96	25,331,293.88	2,903,036.36	20,388,856.97	336,133.77	857,068,967.62	1,018,138,229.25	

Note: "All Other Segment" - Includes the segment revenue from ICT, medical & stone



#### 20.16 Declaration of Dividend

The Board of Directors in its 100<sup>th</sup> Board meeting held on 8<sup>th</sup> March, 2017 declared 18% dividend amounting to Nu.32, 400,288.00 which was also ratified by the Shareholders in its 20<sup>th</sup> AGM Conducted on 8<sup>th</sup> March 2017.

On behalf of the Board



Chairman





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