

# Annual Report 2018

# THE YEAR IN REVIEW



In 1968, when the State Trading Corporation of Bhutan (STCB) was established under the purview of the Royal Government, the company's primary mandate was to procure essential commodities required by the Government for developmental projects.

Over the years, STCB has undergone various transformations while making remarkable progress. In 1984, the company was declared autonomous. In 1996, it was registered as a limited company under the Companies Act of Bhutan, and in 2007, STCB was instated as a subsidiary company of DHL.

But unlike previous years, 2018 was an especially historic year for STCB as the company celebrated its Golden Jubilee on December 11. With the Prime Minister as the chief guest, the momentous occasion managed to bring together for the first time our trusted partners, our valued customers and our stakeholders, all under one roof. And as the celebrations kicked off with Mr. Susumu Matsuda, President of Toyota Motors Asia Pacific, inaugurating the Toyota 3S Facility in Thimphu, it was indeed a proud moment for the STCB family.

In its 50 years of existence, STCB recorded its highest revenue in 2016. And although we did try to replicate that success last year too, the implementation of RMA Prudential Regulations 2017 caused a series of adverse impacts from the fund crises to the untimely delivery of customer orders, to the accumulation of inventory, eventually generating a revenue loss of Nu 644 million in 2018. Despite the challenges, the company managed to achieve revenue of Nu 2,366.19 million registering an increase of 2.59% over the preceding year.

This has been possible only because of the unwavering commitment of the management and staff of STCB. I am pleased to inform our shareholders that the company was able to declare a dividend 21% for 2018 despite the challenges mainly because of our strong financial base.

Last year also saw significant changes in internal processes such as the establishment of the logistics unit, the development of the Occupational Health and Safety Guidelines, and the online leave application system. Further, our customer service was enhanced through an instant feedback machine at showrooms and implementation of data recovery system. But what brings us great joy is that the company was able to put in place a crèche to assist and benefit working mothers of STCB.

Our humble Corporate Social Responsibility initiative resulted in STCB donating mattresses and school uniforms to the young students of Chimuna Primary School. The company also constructed toilets for the resident students there replacing the existing pit toilets that were unsafe and unhygienic. The construction of 15 houses for the 15 households of Larsarp village – a remote and underprivileged community in Chukha is also underway. The project is aimed at replacing the current shed-like houses of the village residents with modest concrete houses.

In 2018, STCB was honoured with the 'Long Association Award' by Tata Motors at the One World Conference in Dubai, signifying 40 years of our harmonious relationship.

As we look ahead to 2019, our financial targets are optimistic provided the economic environment remains favorable. As of now, the projection indicates a growth of 7.34% over 2018 – amounting to a target revenue of Nu 2,501 million. I am also excited to share with you that STCB in order to diversify its businesses will be opening up fuel stations in partnership with HPCL, and the first new generation retail outlet will be established in Ramtokto, Thimphu.

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

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

Yeshey Selden  
Managing Director



## THE YEAR IN REVIEW

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## Company Profile

State Trading Corporation of Bhutan Limited was established in 1968 by the Royal Government of Bhutan (RGoB). Being well-established and a formidable organisation, in April 1984, STCB was declared an autonomous body.

STCB was registered as a limited company under the Companies Act of the Kingdom of Bhutan from March 5, 1996. The Royal Government of Bhutan holds 51% shares.

### Vision

‘Paragon Trading House in the Region’

### Mission

‘Providing quality products and services through efficient and ethical business practices.’

# Core Values

## PRODUCTIVITY

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

## INTEGRITY

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

## LOYALTY

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

## ACCOUNTABILITY

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

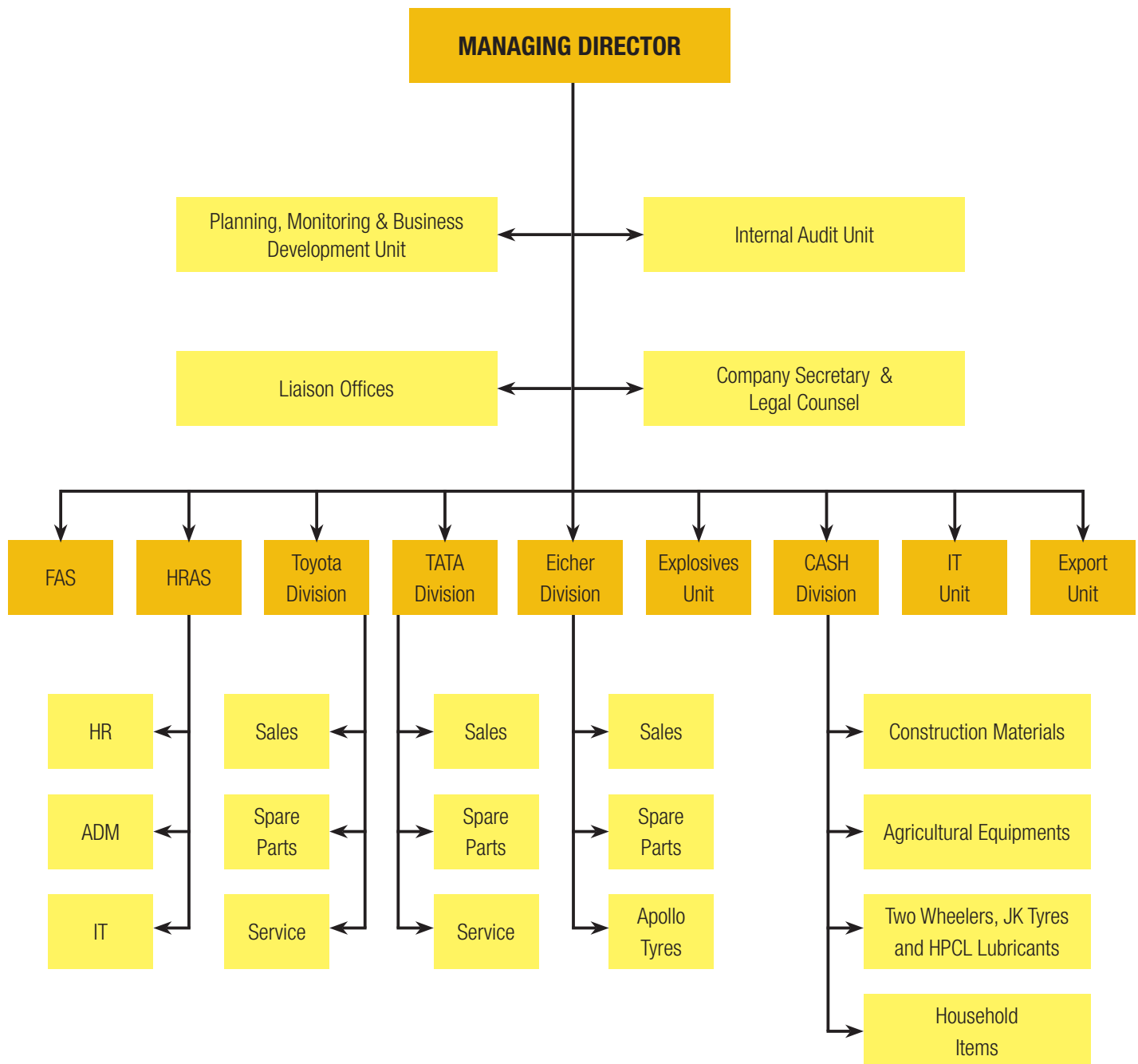
## RESPECT

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

## Company's Growth In The Past Six Years

PARTICULARS	Year		Growth	
	2018	2013	Absolute	%
Net worth (Nu. Million)	471.05	274.95	196.1	71%
Revenue (Nu. Million)	2,366.19	550.68	1815.51	330%
Profit (Nu. Million )	67.86	4.59	63.27	1378%
Fixed Assets (Nu. Million)	312.55	87.34	225.21	258%
Reserve & Surplus (Nu. Million)	291.05	94.95	196.1	207%
Inventory Turn Over Ratio	5.08	2.49	2.59	104%
Net Profit Ratio	2.87	0.83	2.04	246%
Earning Per Share (Nu. Million)	3.77	0.26	3.51	1350%

# Organizational Structure of STCB



# BOARD OF DIRECTORS



**Dasho Karma Yeshey**  
Chairman

Dasho Karma Yeshey, Secretary for Ministry of Education, is the Chairman of STCBL Board. He began his career in 1986. He earned his Master's degree in Education from University of Leeds, UK, advanced Diploma in Educational Studies from University of Leeds, UK and did his Bachelors in Education from National Institute of Education, Samtse.

He worked in various capacities such as Director General in Department of School Education, MoE, Director in DAHE, MoE, Chief Curriculum in Curriculum and Professional Support Division, MoE, Principal of YHSS and Zhemgang Higher Secondary School and Head Master in Jakar Jr. High School and Womrong Jr. High School.



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

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



**Dasho Dorji Tshering**  
Thimphu Dzongda

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



**Mr. Dorji Kadin**  
Director, Corporate Services, BoBL

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

He has served as the Chief Finance Officer and Chief Strategy Officer in BoBL.



**Ms. Karma Choden**

**Company Secretary, Druk Holding and Investments Ltd.**

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



**Mr. Lhundub Dorji**

**Managing Director, E.W Construction Pvt. Ltd**

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



**Ms. Yeshey Selden**

**Managing Director, STCBL**

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

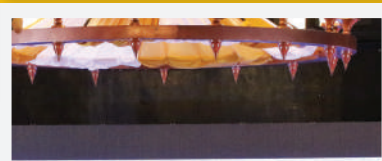


## STCBL MANAGEMENT





# GOLDEN JUBILEE CELEBRATION





# DIRECTORS' REPORT

**D**ear Shareholders,

It gives me immense pleasure to present to you - on behalf of the board of directors and the management and staff of the State Trading Corporation of Bhutan - the Directors' Report for the year 2018.

## OPERATIONAL HIGHLIGHTS

STCB celebrated its golden jubilee in 2018. The celebration was held on December 11th at Hotel Taj Tashi and the Prime Minister of Bhutan graced the occasion as the Chief Guest. The company also published its 50 Years Magazine during the event. To commemorate the historical year, the company had also unveiled its new logo in March and inaugurated the newly established crèche for working mothers in June.

Let me put on record that STCBL has performed well this year too, despite the fund crisis caused by implementation of RMA Prudential Regulations 2017. The adverse impact of the regulation is explained further under financial performance.

### Internal Processes

The management has put in place strategies and key initiatives to improve critical operational activities. These initiatives are explained below:

The Occupational Health and Safety Guidelines was developed in order to provide protection and wellness to the employees, which is also a mandate of Ministry of Labour and Human Resources. In keeping with the times, online leave application system for the employees was developed and implemented. Further, the company also implemented the data recovery system and revised the Delegation of Power. Logistics Unit was initiated and formed by the management so that businesses could focus on sales rather than being occupied in paper work.

Likewise, to enhance the overall customer service, feedback machines were installed at point of sales in vehicle showrooms and service center for Walton home appliances was introduced in Head Office and Regional Office.

To tackle the fund issue given the exposure limit of related party transaction, the company floated second series of commercial paper. Additionally, over draft of Nu 81 million was availed from Druk Punjab National Bank to establish Letter of Credit for functioning of businesses.

### HR Capacity Building

In regard to capacity building, three Toyota technicians were certified as Toyota Diagnostic Technician by Toyota Motors Corporation, Japan. In the year 2018, employees at various levels have undergone trainings to enhance their skill-sets for which Nu 3.95 million was spent on training and development.

### New Products and Services

In keeping with providing value to our valued customers, new vehicle models such as the Toyota Rush and CHR were launched. Similarly Tata Division introduced Tata Yodha in the market. Hitachi Home Appliances such as refrigerator, washing machine and vacuum cleaner were also launched at Multi-brand Showroom located at Olakha.

### Awards and Recognition

In 2018 the company emerged as the Winner for Saksham (skill contest) season III by Volvo Eicher Commercial Vehicle Limited. The Spare Parts Unit for Eicher Division was also recognized for outstanding Sales Performance and Network Expansion in Bhutan and awarded the Best Lubricants Sales Performance in Small Market with PAN India during Annual Retail

Sales and Marketing Conference, 2018. Further, one sale executive of Eicher Spare Parts Unit was recognized as the LUBE STAR for the year 2018 and was awarded certificate of appreciation and foreign trip to Bali, Indonesia.

Tata Motors presented STCB the 'Long Association Award' at the One World Meet 2018 in Dubai, signifying 40 years of harmonious relationship. The Tata Division also received the award for Highest Retail 2018 – Category B for Highest Medium and Heavy Commercial Vehicle Sales during the event.

## FINANCIAL PERFORMANCE HIGHLIGHTS

### Income and Expenditure

STCB achieved total revenue of Nu 2,366.19 million with a slight decline of Nu 74.61 million (3%) from the budgeted revenue of Nu 2,440.80 million. The RMA Prudential Regulation 2017 hampered regular business causing fund crisis which further impacted areas such as the establishment of Letter of Credit, interruption in lead time for products, untimely delivery to customers resulting in cancellation and accumulation of inventory, ultimately generating, on one hand a revenue loss of Nu 644 million and on the other increasing expenses. However, on the total expenses front, a savings of Nu 92.48 million (4%) was consciously made in comparison to Budget 2018.

The company registered a net profit of Nu 67.86 million, a decrease of Nu 13.44 million (16.53%) over 2017. The net profit however would have been Nu 79.02 million if items like prior years taxes of Nu 3.87 million, additional provision for taxes for prior period of Nu 2.26 million and deferred tax of Nu 5.02 million were not accounted in the statement of comprehensive income. The taxes were not preempted. Nonetheless, in comparison to budget, it indicates a growth of Nu 1.34 million or 2.03%.

### Financial Facts and Figures

The table below highlights the key financial facts and figures of the company for 2018:

PARTICULARS	FY 2018	FY 2017
Revenue (in million Nu)	2,366.19	2,306.35
Expenses (in million Nu)	2,253.82	2,188.51
Profit After Tax (in million Nu)	67.86	81.29
Long Term Liabilities (in million Nu)	105.25	100.60
Net Worth (in million Nu)	471.05	439.20
Earnings Per Share	3.77	4.52
Return on Capital Employed	14.41	18.51
Current Ratio	1.36	1.52
Trade Receivable Turnover Ratio	50.62	37.66
Inventory Turnover Ratio	5.08	5.11
Net Profit Ratio	2.87	3.56%
Fixed Asset	312.55	118.80
Capital Work in Progress	2.07	199.49

In 2018, sales of non-vehicles registered a growth of Nu 137.86 million or 30.86% over 2017 sales of Nu 446.80 million. As for vehicle sales, it declined by Nu 83.73 million or 4.60% over 2017 sales of Nu 1,820.21 million due to the fund crises as explained earlier.

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

Sl.no.	Division/Unit	Revenue (Nu.)	Contribution to Revenue (%)
1.	Toyota Division	960.11	41.36
2.	Tata Division	606.48	26.13
3.	Eicher Division	371.19	15.99
4.	IT Unit	115.81	4.99
5.	Explosives Unit	110.93	4.78
6.	CASH Unit	89.41	3.85
7.	Export	67.22	2.90

I am pleased to inform that 77% (or Nu 210.12 million) of the total trade receivables were recovered from an opening balance of Nu 272.23 million pertaining to FY 2007 to 2017. Furthermore, 88% (or Nu 2,039.63 million) out of 2018 sales of Nu 2,321.10 million has been collected during the year.

The Company achieved a score of 99.29% in the Annual Company Compact Evaluation.

## STATUTORY AUDIT REPORT

SBA Associates was appointed as the statutory auditors for a period of three years, from 2018 to 2020 by the

Royal Audit Authority (RAA). The firm audited the accounts from 4th January to 1st February 2018 in accordance with the International Standards on Auditing (ISAs) and the relevant provisions of The Companies Act of Bhutan 2016. The Statutory Auditors' Report consists of Statement of Financial Position, Statement of Comprehensive Income, Statement of Change in Equity and Statement of Cash Flow for the year ended 31<sup>st</sup> December 2018 and the notes to the financial statements, including a summary of significant accounting policies.

## DIVIDEND

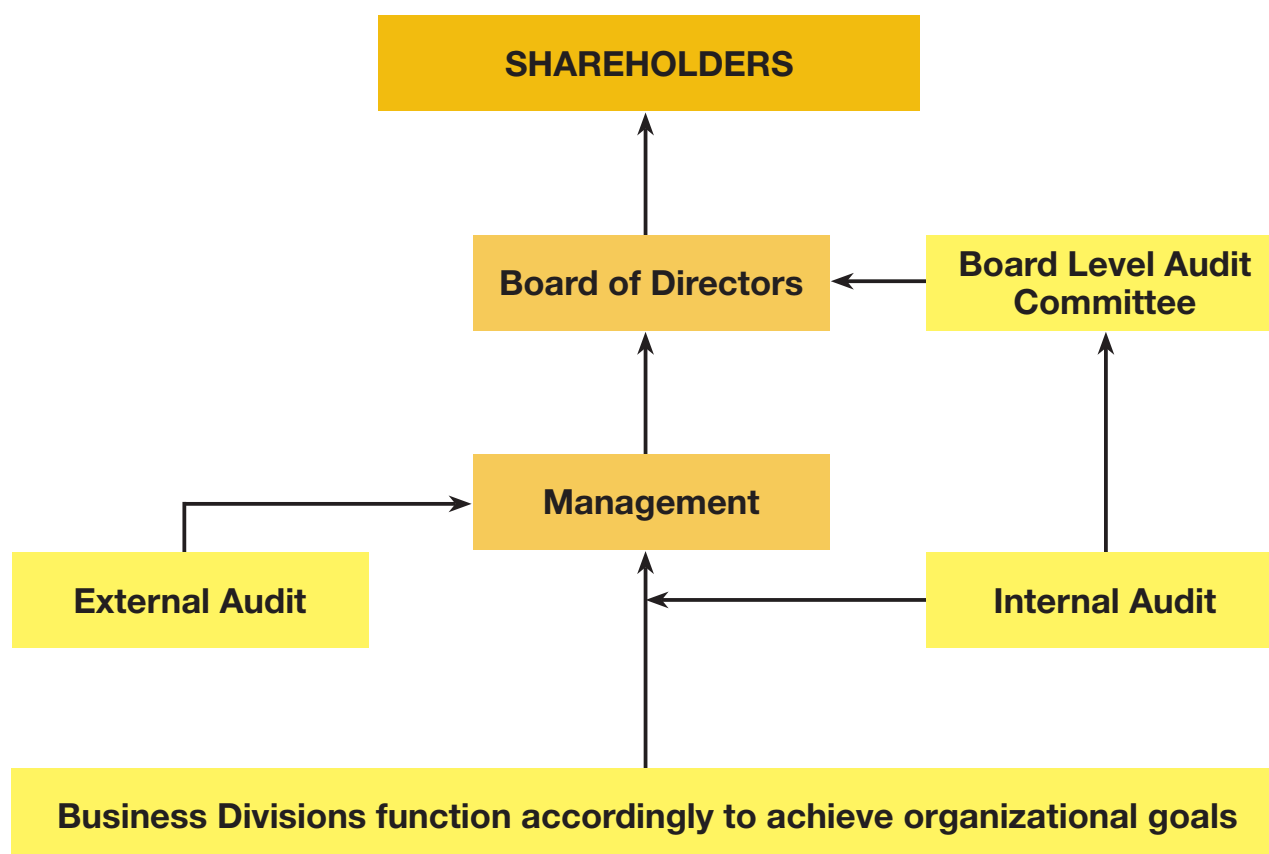
After viewing the financial performance of the company, the board decided to declare dividend of 21%.

## CORPORATE GOVERNANCE

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

The STCB Board constitutes of seven Board Directors including the Managing Director. The main function of the Board is to provide strategic guidance and monitor the performance of the company on a quarterly basis. In 2018, the Board met four times to review the company's performance and to provide strategic and necessary inputs. A Board Audit Committee (BAC) is formed to

### STCB CORPORATE GOVERNANCE



resolve audit issues of the company and Board Level Committee are formed keeping in mind works such as tender awards and recruitment for executive category.

## **CORPORATE SOCIAL RESPONSIBILITY**

In 2018, the Company initiated the CSR pilot project of community building in Larsarp village and eight units of toilet construction in Chimuna Primary School. Besides the Corporate Social Responsibility Project, the company also sponsored Nu 350,000.00 to the Voice of Bhutan singing show to encourage youth participation. The management continues to support employees by providing subsidized lunch for technicians, janitors, security guards and drivers in addition to providing school uniforms, shoes and bag for children of employees below grade 15.

## **CHALLENGES AND WAY FORWARD**

As far as 2019 is concerned, the Company's revenue targets look optimistic despite growing competition and limitation on related party transaction due to RMA Prudential Regulation 2017. Considering that the economic environment remains favorable, the revenue from operations for 2019 is projected at Nu 2,501.47, with a 7.34% growth as compared to revenue of 2018. As such, the net profit is projected at Nu 70.13 million, an increase of 7.20% in comparison to the previous year. In the diversification front, the company has targeted establishment and operation of new generation fuel station at Ramtokto. However, explosives business will shut down in 2019 as per the directives of the Government.

The company to tackle the cutthroat competition will introduce two new products in the market and also implement customer retention module to further deliver on customer satisfaction. The company is also looking forward in conducting organizational development exercise and incentive schemes for enhancing sales.

The current challenge for STCB is the fund issue created by the above-mentioned regulation, however the management in 2019 is taking steps to lessen its impact

by controlling expenses, diversifying into petroleum products and refining internal processes. As the only state owned enterprise in the trading sector, it would be challenging to meet the increasing demands of our valued clients in a small market that is shared by the many private players. But amidst all that competition, STCB will continue to provide quality goods and services by means of efficient and ethical business practices.

## **ACKNOWLEDGEMENTS**

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

Tashi Delek!



(Dasho Karma Yeshey)

**Chairman, STCBL Board**

# CORPORATE GOVERNANCE REPORT

Best of corporate governance and management practices are adopted and implemented with the support extended from DHI and the Registrar of Companies, Ministry of Economic Affairs. The STCBL Board constitutes of seven Board Directors including the Managing Director. The Board provides strategic guidance and monitors the performance of the company

on a quarterly basis. In 2018, the Board met four times to review the Company's performance and to provide necessary inputs. The Board Audit Committee (BAC) convenes to study and resolve audit issues of the company. The Board level Committee is also formed for tender awards, recruitment for executive category etc.

## Board Directors

Sl.No	Name	Address	Date of appointment	Status	Term
1	Dasho Dr. Ugen Dophu	Secretary, Ministry of Health, Thimphu	11 <sup>th</sup> March 2016	Independent	Second/Retired
2	Dasho Karma Yeshey	Secretary, Ministry of Education, Thimphu	05 <sup>th</sup> June 2018	Independent	First
3	Dasho Rinchen Dorji	Managing Director, RSA Pvt. Ltd, Phuntsholing	11 <sup>th</sup> March 2016	Non-independent	Fourth
4	Dasho Dorji Tshering	Dzongda, Thimphu Dzongkhag	08 <sup>th</sup> March 2017	Independent	First
5	Mr. Dorji Kadin	Director, Corporate Service, BoBL, Thimphu	08 <sup>th</sup> March 2017	Non-independent	First
6	Mr. Lhundup Dorji	Managing Director, E.W Construction Pvt. Ltd. Thimphu	24 <sup>th</sup> November 2017	Non-independent	First
7	Ms. Karma Choden	Company Secretary, DHI, Thimphu	05 <sup>th</sup> March 2018	Non-independent	Second
8	Ms. Yeshey Selden	Managing Director, STCBL, Thimphu	08 <sup>th</sup> July 2016		

## Board Meetings

Four Board Meetings were held in 2018

The details of the Board Attendance are as follows:

Board Meeting No.	Date	Members Present		Leave of Absence
105	5 <sup>th</sup> March 2018	1. Dasho Dr. Ugen Dophu 3. Mr. Lhundub Dorji 5. Ms. Yeshey Selden	2. Mr. Dorji Kadin 4. Ms. Karma Choden	1. Dasho Dorji Tshering 2. Dasho Rinchen Dorji
106	9 <sup>th</sup> May 2018	1. Dasho Dorji Tshering 3. Mr. Lhundup Dorji 5. Ms. Yeshey Selden	2. Mr. Dorji Kadin 4. Ms. Karma Choden	1. Dasho Rinchen Dorji
107	2 <sup>nd</sup> August 2018	1. Dasho Karma Yeshey 3. Dasho Dorji Tshering 5. Mr. Lhundub Dorji 7. Ms. Yeshey Selden	2. Dasho Rinchen Dorji 4. Mr. Dorji Kadin 6. Ms. Karma Choden	
108	12 <sup>th</sup> November 2018	1. Dasho Karma Yeshey 3. Mr. Lhundub Dorji 5. Ms. Yeshey Selden	2. Dasho Rinchen Dorji 4. Ms. Karma Choden	1. Dasho Dorji Tshering 2. Mr. Dorji Kadin



## Board Committees

The Company had three Board Level Committees for the year 2018 as follows:

1. Board Audit Committee
2. Board Selection Committee

Sl. No	Name of the Committee Meetings	Number of Meetings Conducted	Date of the Meeting	Members Present	Leave of Absence
1	Board Level Audit Committee Meeting	2	1. 5th September 2018 2. 28th December 2018	1. Dasho Dorji Tshering (Chairman) 2. Ms. Karma Choden 3. Mr. Dorji Kadin 4. Ms. Yeshey Selden 5. Mr. Ugyen Wangdi (CIA)	1. Mr. Dorji Kadin (5/9/18)
2	Board Level Selection Committee Meeting	1	1. 28th August 2018	1. Mr. Lhundub Dorji 2. Mr. Dorji Kadin 3. Ms. Karma Choden 4. Mr. Chador Wangdi (Member Secretary/Offg. GM, HRAS)	None

## Annual General Meeting

The 22<sup>nd</sup> AGM for the company was held on 27<sup>th</sup> March 2019 at Board Room, Head Office, Thimphu. The AGM passed the following resolution:

- \* Approved the Audited Accounts for Financial Year Ended 2018 along with Auditors Report and Directors' Report.
- \* Dasho Dorji Tshering and Mr. Dorji Kadin retired as the Director of STCB Board.
- \* The meeting approved and declared 21 % dividend for the year 2018.

# AUDITORS' REPORT

## SBA Associates

CHARTERED ACCOUNTANTS

27, Mirza Galib Street, 5th Floor, Kolkata - 700 016  
Telephone : 2252-0049/6704/1170, Fax : (033) 2252-0360  
E-mail : sbaassociates1@gmail.com, sbaaudit@dataone.in

### 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 2018, the Statement of Comprehensive Income, Statement of Changes in Equity and 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 2018 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.



Branches at : BENGALURU, GUWAHATI & KATIHAR

### **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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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.





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

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



*[Handwritten signature]*

**For SBA Associates**

Chartered Accountants

Firm Registration No. 308136E

Address: 27, Mirza Galib Street, 5<sup>th</sup> Floor,  
Kolkata 700016. West Bengal. India

*[Handwritten signature of S.K. Majumdar]*

**S.K. Majumdar**

Partner

Membership No: 051637

Place: Thimphu

Date: **27 MAR 2019**

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

### **ANNEXURE**

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

1. The Fixed Assets Register maintained by the Company indicating quantitative details and situation of fixed assets has been updated. Fixed Assets of the company have been physically verified during the year by the management and updation of fixed asset register in the ERP is verified.
2. The Company has conducted the physical verification fixed assets once in a year.
3. None of the Fixed Assets have been revalued during the year.
4. The Company has conducted the physical verification of the spare parts inventory quarterly and vehicle inventory once in a year.
5. The procedures for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business. Shortage found during physical verification has been transferred to staff advance account with selling price and shown under other income.
6. The Company has not taken loans, secured or unsecured from companies, firms or other parties and/or from companies under the same management during the year under review.
7. The Company has not granted any loans, secured or unsecured to companies, firms or other parties and/or to companies under the same management.
8. There are cases of advances given by the Company to its employees.
9. 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.

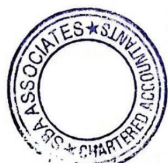


10. According to information and explanations given to us and as observed during the course of our audit, in our opinion, the Company does have a strong internal control system in place.
11. The Company generally follows the system of competitive bidding for the purchase of goods and services.
12. (a) 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 22.8) are reasonable having regard 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 11 above, were not prejudicial to the interest of the other shareholders and the Company.
13. No unserviceable or damaged stores have been determined during the period under audit.
14. There is a reasonable system of ascertaining and identifying point of occurrence of breakages/damages of materials in transit.
15. The corporation is having adequate physical safeguards to prevent unauthorized or irregular movement of materials from the Corporation.
16. Records are maintained for disposal of dead stock.
17. 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.
18. There are no undisputed amounts payable in respect of rates, taxes and duties and other statutory dues as on 31<sup>st</sup> December 2018.
19. 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 rules.





20. Quantitative reconciliation is carried out at the end of the accounting year in respect of major items of traded goods. The Corporation has a reasonable system of recording receipts, issues and consumption of stores and spares to the respective jobs, commensurate with its size and nature of its business.
21. No stores & spares have been written off during the year.
22. The system of authorization at proper levels and system of internal control on issue of stores and spares seems to be adequate according to the size and nature of its business.
23. There is a reasonable system of price fixation taking into account the cost of purchase and other relevant conditions.
24. No credit rating of customers is done.
25. During the year all shortages found on physical verification has been debited to staff advance account at selling price.
26. 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.
27. There is a system for continuous follow-up with debtors and other parties for recovery of outstanding amounts by way of sending reminders and personal visits. Age-wise analysis of outstanding amounts between more than 6 months and under 6 months is maintained by the Corporation. Write off amounting Nu.344,127.00 pertaining to the account for the year 2013 relating to a case for the year 2006 (vide. RAA's memo). Nu. 172,063.50 is already received vide. MR No. 254265 dated 06/12/18 as a first installment.
28. According to the information and explanations 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 of Incorporation of the Company.
29. In our opinion and according to the information and explanations given to us, the Company has a system of approval of the Board for all major capital investment decisions.
30. In our opinion and according to the information and explanations given to us, the Company has established an effective budgetary control system.



3

31. Being a non-manufacturing concern, question of standard costing and variance analysis does not arise.
32. The details of remuneration, commission and other payments made to the Managing Director cum Chief Executive Officer of the Company are disclosed in Note 22.9 to Financial Statements.
33. As informed, all the directives of the Board have been complied with.
34. According to the information and explanations given to us, the officials of the Company are refrained from transmitting any price sensitive information which is not made publicly available. Unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit them.

#### 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. ***However, in our opinion, a proper system of IT Audit should be initiated.***
2. ***According to the information and explanations given to us, disaster recovery plans are not in place in the Company. It has no adequate safeguard and backup facilities in place. This also necessitates conducting Systems Audit at least once in a year by a Qualified Systems Auditor.***
3. 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.
4. After conducting a thorough examination of the books and records of both the Head Office and the Regional Office, we are of the opinion that both the offices should have independent accounting procedures in place to enable them to have their independent Trial Balances which should be merged at the Head Office level to draw up the final Financial Statements for the Company as a whole.



## 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 2018 audited by us in accordance with the generally accepted auditing standards, Bhutanese Accounting standards 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	2018	2017	Remarks
1	Current Ratio = Current Assets/ Current Liabilities	1.36	1.52	Current Liabilities has been increased in 2018 as compare to 2017
2	Acid Test Ratio = Current Assets other than inventories/Current Liabilities	0.62	0.90	Current Liabilities has been increased in 2018 as compare to 2017
3	Fixed Assets Turnover Ratio = Sales / Fixed Assets	7.43	18.91	Due to increase in Assets
4	Inventory Turn Over Ratio = Cost of Goods Sold/ Average Inventory	5.08	5.11	Due to increase in Inventory
5	Trade Receivable Turn Over Ratio = Debtors x 365/ Sales	50.62	37.66	Due to increase in Trade Receivable
6	Return on Investment = Profit after tax x 100/capital Employed	14.41	18.51	Due to decrease in Profit after Tax
7	Net Profit Ratio = Net Profit x 100/Sales	2.87	3.56	Due to decrease in Profit after Tax
8	Earnings per Share = Profit after Tax/ No. of Equity Shares	3.77	4.52	Due to decrease 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 also verified that the applicable Bhutanese Accounting Standards are fully implemented during the year and noted that the Company generally has complied with the various provisions of the Act and applicable Bhutanese Accounting Standards.

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

The audit of the Company is governed by the Companies Act of the Kingdom of Bhutan, 2016 (together with the amendments thereto) the “Act”, Bhutanese Accounting Standards to the extent applicable and implemented. The scope of audit is limited to examination and review of the financial statements as produced to us by the management.

In the course of audit, we have 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 2018, we have vis-à-vis considered the propriety aspects of the conduct of the business in various areas of operation. During such propriety audit conducted by us we have not encountered any material concerns in terms of the following –

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



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

“Blockage of huge amount of funds of the company in the form of inventory of Vehicles and its Spare Parts. Proper action and control mechanism must be enforced in the Company to stop accumulation of idle inventories in the company to strengthen the Working Capital flow in the organization.”

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

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

**For SBA Associates**  
Chartered Accountants  
Firms Registration No. 308136E



S.K. Majumdar  
Partner  
Membership No: 051637

Place: Thimphu  
Date: 27 MAR 2019





**STATE TRADING CORPORATION OF BHUTAN LIMITED**  
**THIMPHU BHUTAN**  
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018**

*Amounts in Ngultrum (BTN)*

		December 31, 2018	December 31, 2017
<b>I. ASSETS</b>			
<b>[1] Non-current assets</b>	Notes		
(a) Property, Plant and Equipment	2.1	312,547,248.53	118,803,334.80
(b) Capital Work-in-progress	2.2	2,069,276.17	199,486,787.32
(c) Non Current Investment for Gratuity	3	-1,626,521.62	-659,742.39
(d) Deferred Tax Assets		1,983,877.22	7,011,738.48
<b>[2] Current assets</b>			
(a) Inventories	4	535,089,782.39	254,553,890.05
(b) Trade and Other Receivables	5	328,833,467.50	241,541,652.62
(c) Cash and Bank Balance	6	39,710,392.61	35,739,773.06
(d) Advance Corporate Tax net of Provision	7	-	-
(e) Other Current Assets	8	76,818,017.60	94,118,727.79
(f) Assets classified as held for sale	9	296,020.50	296,020.50
<b>Total</b>		<b>1,295,721,560.90</b>	<b>950,892,182.23</b>

**II. EQUITY AND LIABILITIES**

<b>[1] Shareholders' Fund</b>			
(a) Share Capital	10.1	180,001,600.00	180,001,600.00
(b) Reserves and Surplus	10.2	291,053,007.57	259,197,108.81
<b>[2] Non-current liabilities</b>			
(a) Long-Term Borrowings and loans		105,246,228.63	100,604,711.64
<b>[3] Current Liabilities</b>			
(a) Short-Term Provisions	11	8,656,991.85	9,527,600.18
(b) Trade and other Payables	12	244,409,942.62	53,590,305.35
(c) Short-Term Borrowings	13	278,186,074.65	156,101,749.72
(d) Other Current Liabilities	14	186,124,422.61	191,704,693.36
(e) Current Tax Liabilities	7	2,043,292.97	164,413.17
<b>Total</b>		<b>1,295,721,560.90</b>	<b>950,892,182.23</b>

Significant Accounting Policies

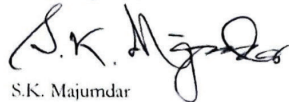
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Notes to Accounts

22

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

For SBA Associates  
Chartered Accountants  
Firm's Registration no. 308136E

  
S.K. Majumdar  
(Partner)  
Membership No. 051637

On behalf of Board

  
Chairman

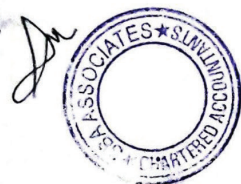
Director 

CEO 

Place: Thimphu, Bhutan

Date:

27 MAR 2019



**STATE TRADING CORPORATION OF BHUTAN LIMITED**  
**THIMPHU BHUTAN**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018**

*Amounts in Ngultrum (BTN)*

		December 31, 2018	December 31, 2017
<b>INCOME</b>	<b>Notes</b>		
Revenue from operations	15	2,321,140,040.63	2,267,007,540.08
Other income	16	45,048,599.42	39,345,363.18
<b>Total Revenue (A)</b>		<b>2,366,188,640.05</b>	<b>2,306,352,903.26</b>
<b>Expenses:</b>			
Cost of Materials Consumed			
Purchases of stock-in-trade	17	2,283,192,255.83	1,721,436,024.84
Changes in Inventories of stock - in trade	17	-277,334,608.46	271,113,345.39
Other Direct Expenses	18	36,996,905.87	22,804,117.29
Employee benefit expenses	19	72,192,335.66	68,034,813.06
Finance Costs	20	28,620,063.90	13,165,642.67
Other Expenses	21	90,849,997.88	81,974,794.94
Depreciation and Amortization expense	2.1	19,304,054.74	9,990,834.70
<b>Total Expenses (B)</b>		<b>2,253,821,005.42</b>	<b>2,188,519,572.89</b>
<b>Profit before exceptional and extraordinary items and tax (A-B)</b>		<b>112,367,634.63</b>	<b>117,833,330.37</b>
Exceptional Items (PPI)		-	-
<b>Profit before extraordinary items and tax</b>		<b>112,367,634.63</b>	<b>117,833,330.37</b>
Extraordinary Items		-	-
<b>Profit Before Tax</b>		<b>112,367,634.63</b>	<b>117,833,330.37</b>
<b>Tax Expense:-</b>			
(1) Current Tax		33,710,290.39	35,349,999.11
(2) Prior Year Tax		6,143,733.46	1,369,961.07
(3) Deferred tax		5,027,861.26	-142,194.12
<b>Net Profit for the year</b>		<b>67,485,749.52</b>	<b>81,255,564.31</b>
<b>Other Comprehensive Income</b>			
Actuarial Gain/ (Loss) on employee benefit		529,241.77	53,495.41
Tax on other Comprehensive income		158,772.53	16,048.62
<b>Other Comprehensive Income for the year, net of tax</b>		<b>370,469.24</b>	<b>37,446.79</b>
<b>Total Comprehensive Income for the year</b>		<b>67,856,218.76</b>	<b>81,293,011.10</b>
<b>Earning Per Share</b>		<b>3.77</b>	<b>4.52</b>

Significant Accounting Policies 1  
Notes to Financial Statement 22

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

For SBA Associates  
Chartered Accountants  
Firm's Registration no. 308136E



S.K. Majumdar  
(Partner)  
Membership No. 051637

On behalf of Board

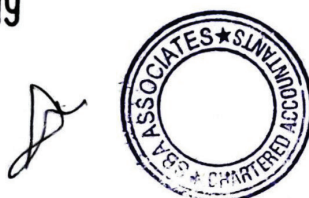
  
Chairman

  
Director

  
CEO

Place: Thimphu, Bhutan

Date: 27 MAR 2019



**STATE TRADING CORPORATION OF BHUTAN LIMITED**  
**THIMPHU BHUTAN**  
**STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2018**

*Amounts in Ngultrum (BTN)*

	December 31, 2018	December 31, 2017
<b>Cash flow from Operating Activities</b>		
Net Profit Before Taxation	112,896,527.68	117,886,822.98
Depreciation	19,304,054.74	9,990,834.70
Loss/(gain) on fixed asset	-	220,669.43
Interest on Borrowings	28,620,063.90	13,165,642.67
Interest Income/Received	-9,004,314.52	-2,288,152.58
Provision no longer required	-7,114,008.12	-
Provision for employees Ex- gratia	-	3,214,950.28
Provision for variable pay	-	5,013,659.49
Provision for Doubtful Debts	6,658,333.24	4,941,789.06
<b>Operating Profits Before WC Changes (A)</b>	<b>151,360,656.92</b>	<b>152,146,216.03</b>
<b>Working Capital Changes</b>		
(Increase)/Decrease in Inventory	-277,334,608.46	271,113,345.39
(Increase)/Decrease in Trade and Other Receivables	-93,950,148.12	-147,983,799.77
(Increase)/Decrease in other current Assets	17,300,710.19	-23,399,576.54
Increase/(Decrease) in other Current Liability	-5,580,270.75	-8,539,390.43
Increase/(Decrease) in Trade and other Payables	190,819,637.27	-95,588,884.06
Increase/(Decrease) in Short Term Provision	-3,042,313.63	1,296,071.99
Increase/(Decrease) in Short Term borrowing	122,084,324.93	-26,738,724.04
<b>Total of Working Capital Changes (B)</b>	<b>-49,702,668.57</b>	<b>-29,840,957.46</b>
<b>Cash generated from operations (A+B)</b>	<b>101,657,988.35</b>	<b>122,305,258.57</b>
Income Tax Paid	37,077,150.58	28,577,215.29
<b>(i) Net Cash From Operating Activities</b>	<b>64,580,837.77</b>	<b>93,728,043.28</b>
<b>Cash From Investing Activity</b>		
Interest Received	9,004,314.52	2,288,152.58
Purchase of Fixed Assets	-213,047,817.47	-43,133,805.55
Sale of asset	-	85,800.00
Capital Work in Progress	197,417,511.15	-51,789,720.90
Deferred Tax Assets	5,027,861.26	160,586.64
Long Term Deposit	966,779.23	697,849.83
<b>(ii) Net Cash From Investing activities</b>	<b>-631,351.31</b>	<b>-91,691,137.40</b>
<b>Cash Flow from Financing Activities</b>		
Interest on Loans Paid	-28,620,063.90	-13,165,642.67
Loan taken from bank	4,641,516.99	35,842,888.87
Dividend Paid	-36,000,320.00	-32,400,288.00
<b>(iii) Net Cash from Financing Activities</b>	<b>-59,978,866.91</b>	<b>-9,723,041.80</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalent (i+ii+iii)</b>	<b>3,970,619.55</b>	<b>-7,686,135.92</b>
Cash & Cash equivalent in the beginning of the year	35,739,773.06	43,425,908.98
<b>Cash &amp; Cash equivalent at year ended</b>	<b>39,710,392.61</b>	<b>35,739,773.06</b>

For SBA Associates  
Chartered Accountants  
Firm's Registration no 308136E



S.K. Majumdar  
(Partner)  
Membership No. 051637

Place: Thimphu, Bhutan

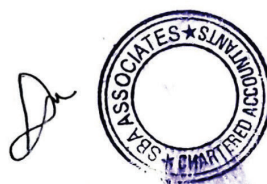
Date: **27 MAR 2019**

On behalf of Board

Chairman

Director

CEO



**STATE TRADING CORPORATION OF BHUTAN LIMITED**  
**THIMPHU BHUTAN**  
**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2018**

(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 2018	18000160	10	180,001,600.00	259,197,108.81	439,198,708.81
Profit after income tax	-	-	-	67,485,749.52	67,485,749.52
Other comprehensive income for the year	-	-	-	370,469.24	370,469.24
Dividends paid	-	-	-	-36,000,320.00	-36,000,320.00
Proceeds from shares issued	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-
Balance as at 31 December 2018	18000160		180,001,600.00	291,053,007.57	471,054,607.57

**STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED DECEMBER 31, 2017**

	No. of Shares (issued and fully paid up)	Par value per share	Total value of shares	Retained earnings	Total
Balance as at 1 January 2017	18,000,160.00	10.00	180,001,600.00	210,304,385.71	390,305,985.71
Profit after income tax	-	-	-	81,255,564.31	81,255,564.31
Other comprehensive income for the year	-	-	-	37,446.79	37,446.79
Dividends paid	-	-	-	-32,400,288.00	-32,400,288.00
Proceeds from shares issued	-	-	-	-	-
Issue of bonus shares	-	-	-	-	-
Balance as at 31 December 2017	18,000,160.00		180,001,600.00	259,197,108.81	439,198,708.81

For SBA Associates  
Chartered Accountants  
Firm's Registration no. 308136E



S.K. Majumdar  
(Partner)  
Membership No. 051637

Chairman



Director



CEO



Place: Thimphu, Bhutan

Date: **27 MAR 2019**







State Trading Corporation of Bhutan Limited  
Notes to Financial Statements for the year ended December 31, 2018

2.1 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 & Machineries	Total
<b>Gross Block</b>											
Balance at 1 January 2017	29,460,800.56	48,023,045.61	3,224,553.71	7,858,670.37	14,056,662.13	1,012,956.58	-	-	4,238,233.52	2,406,931.94	110,281,854.42
Additions	7,140,000.00	-	5,957,436.55	2,512,048.00	27,524,321.00	-	-	-	-	-	43,133,805.55
Adjustments/Disposals	-	-	163,265.68	860,654.56	-	53,900.00	-	-	-	-	1,077,820.24
<b>Balance at 31 December 2017</b>	<b>36,600,800.56</b>	<b>48,023,045.61</b>	<b>9,018,724.58</b>	<b>9,510,063.81</b>	<b>41,580,983.13</b>	<b>959,056.58</b>	<b>-</b>	<b>-</b>	<b>4,238,233.52</b>	<b>2,406,931.94</b>	<b>152,337,839.73</b>
Balance at 1 January 2018	36,600,800.56	48,023,045.61	9,018,724.58	9,510,063.81	41,580,983.13	959,056.58	-	-	4,238,233.52	2,406,931.94	152,337,839.73
Additions	-	200,493,108.66	65,200.00	3,066,042.01	-	29,000.00	-	-	9,394,466.80	-	213,047,817.47
Adjustments/Disposals	-	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>36,600,800.56</b>	<b>248,516,154.27</b>	<b>9,083,924.58</b>	<b>12,576,105.82</b>	<b>41,580,983.13</b>	<b>988,056.58</b>	<b>-</b>	<b>-</b>	<b>13,632,700.32</b>	<b>2,406,931.94</b>	<b>365,385,808.21</b>
<b>Accumulated Depreciation</b>											
Balance at 1 January 2017	-	9,568,612.86	1,814,189.99	4,339,907.61	3,368,121.97	735,882.08	-	-	3,146,727.83	1,341,522.74	24,314,965.09
Adjustments	-	-	114,676.21	602,727.60	53,900.00	-	-	-	-	-	771,303.81
Depreciation for the year	-	1,871,255.60	330,909.77	980,093.94	5,770,329.78	88,945.56	-	-	605,461.70	343,847.31	9,990,843.66
<b>Balance at 31 December 2017</b>	<b>-</b>	<b>11,439,868.46</b>	<b>2,030,423.55</b>	<b>4,717,273.95</b>	<b>9,138,451.75</b>	<b>770,927.64</b>	<b>-</b>	<b>-</b>	<b>3,752,189.53</b>	<b>1,685,370.05</b>	<b>33,534,504.94</b>
Balance at 1 January 2018	-	11,439,868.46	2,030,423.55	4,717,273.95	9,138,451.75	770,927.64	-	-	3,752,189.53	1,685,370.05	33,534,504.94
Adjustments	-	8,634,211.38	913,055.80	1,203,423.92	6,419,444.82	72,316.64	-	-	1,717,754.87	343,847.31	19,304,054.74
Depreciation for the year	-	20,074,079.84	2,943,479.35	5,920,697.87	15,557,896.57	843,244.28	-	-	5,469,944.40	2,029,217.36	52,838,559.68
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>20,074,079.84</b>	<b>2,943,479.35</b>	<b>5,920,697.87</b>	<b>15,557,896.57</b>	<b>843,244.28</b>	<b>-</b>	<b>-</b>	<b>5,469,944.40</b>	<b>2,029,217.36</b>	<b>52,838,559.68</b>
<b>Carrying Amount</b>											
At 31 December 2018	36,600,800.56	228,442,074.43	6,140,445.23	6,655,407.95	26,023,086.56	144,812.30	-	-	8,162,755.92	377,714.58	312,547,248.53
At 31 December 2017	36,600,800.56	36,583,177.15	6,988,301.03	4,792,789.86	32,442,531.38	188,128.94	-	-	486,043.99	721,561.89	118,803,334.79

2.2 Capital Work in Progress - Tangible

Sl. No	Particulars	As at 01.01.18	Addition during the year	Adjustment/ Deduction.	Total	Capitalised during the year	As at 31.12.18
1	Toyota 3 S facilities	199,486,787.32	1,006,321.34	-	200,493,108.66	200,493,108.66	-
2	Tata Service van	0.00	2,000,387.00	-	2,000,387.00	-	2,000,387.00
3	supply & installation of Wilo cutter pump.	0.00	68,889.17	-	68,889.17	-	68,889.17
	<b>TOTAL</b>	<b>199,486,787.32</b>	<b>3,075,597.51</b>	<b>-</b>	<b>202,562,384.83</b>	<b>200,493,108.66</b>	<b>2,069,276.17</b>
	<b>Previous Year</b>	<b>149,096,608.42</b>	<b>51,789,720.90</b>	<b>1,399,542.00</b>	<b>200,886,329.32</b>	<b>1,399,542.00</b>	<b>199,486,787.32</b>





**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

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

	December 31, 2018	December 31, 2017
Define Benefit Plan (BNB and BDBL-Gratuity Fund)	10,624,477.38	9,964,150.47
less: Provision for Gratuity	12,250,999.00	10,623,892.86
<b>Total</b>	<b><u>-1,626,521.62</u></b>	<b><u>-659,742.39</u></b>

**4. Inventories**

	December 31, 2018	December 31, 2017
Trading Stock	401,125,792.39	257,755,173.93
Goods-in transit	133,963,990.00	-
	<u>535,089,782.39</u>	<u>257,755,173.93</u>
Less:		
Provision for Obsolescence & Shortages	-	3,201,283.88
<b>Total</b>	<b><u>535,089,782.39</u></b>	<b><u>254,553,890.05</u></b>



**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

**5. Trade and Other Receivables**

	December 31, 2018	December 31, 2017
Debts outstanding for a period exceeding six months		
Considered Good	321,935,431.48	231,790,878.21
Considered Doubtful	47,107,077.00	40,448,743.76
	<u>369,042,508.48</u>	<u>272,239,621.97</u>
Less: Provision for Doubtful Debts	47,107,077.00	40,448,743.76
	<u>321,935,431.48</u>	<u>231,790,878.21</u>
	<u>321,935,431.48</u>	<u>231,790,878.21</u>
Earnest Money Deposits	-60,000.42	247,300.00
Security Deposits	5,584,970.19	5,249,792.48
Other receivable	571,470.25	4,253,681.93
Prepaid Expenses	801,596.00	
<b>Total</b>	<u><u>328,833,467.50</u></u>	<u><u>241,541,652.62</u></u>

**6. Cash and Bank Balance**

	December 31, 2018	December 31, 2017
<b>Cash and Cash Equivalents</b>		
2005 BOB A/C 204..0016 Thimphu	1,966,798.75	2,027,182.66
1524 BOB A/C 207..0017 Thimphu	18,337,495.43	-660,702.64
2026 BOB A/C 207..0013 Thimphu	1,000.00	3,188,005.39
2014 BOB - (GEN )	650.83	650.83
BOB for Tata Division	1,000.00	-
BOB for Eicher Division	291,387.03	-
BOB for Explosive Division	1,000.00	-
BOB for CASH Division (EXIM)	499,424.00	-
Bank of Bhutan FC Account	1,286,988.00	2,031,054.21
Bhutan National Bank	2,364,468.65	236,238.75
United Bank of India, Kolkata	205,505.66	524,444.62
Druk PNB	1,029,224.72	3,765,021.68
National Bank Limited	513,839.65	449,685.94
Margin money with BOBL against LC	11,506,836.83	22,693,683.00
Cash in Hand including Cheques	188,879.48	247.64
Restricted Cash for unclaimed dividend	1,515,893.58	1,484,260.98
<b>Total</b>	<u><u>39,710,392.61</u></u>	<u><u>35,739,773.06</u></u>





**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

**7. Current Tax Assets**

	December 31, 2018	December 31, 2017
Advance Corporate Tax Paid	31,825,769.95	65,272,065.66
Less: Provision for tax	33,869,062.92	65,436,478.83
<b>Total</b>	<b>-2,043,292.97</b>	<b>-164,413.17</b>

**8. Other Current Assets**

	December 31, 2018	December 31, 2017
Advance recoverable in cash or in kind/for value to be received	72,264,849.81	90,632,539.55
Considered Bad or Doubtful:	1,800,000.00	1,800,000.00
Total	74,064,849.81	92,432,539.55
Less: Provision for Bad or Doubtful Advances	1,800,000.00	1,800,000.00
Total	72,264,849.81	90,632,539.55
Advances to staffs	4,553,167.79	3,486,188.24
Total	76,818,017.60	94,118,727.79
<b>Grand Total (A+B+C)</b>	<b>76,818,017.60</b>	<b>94,118,727.79</b>

**9 Assets classified as held for sale**

	December 31, 2018	December 31, 2017
Land For Sales	1,184,082.00	1,184,082.00
Less: Provision for Diminution in Value of Land	888,061.50	888,061.50
<b>Total</b>	<b>296,020.50</b>	<b>296,020.50</b>









**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

	December 31, 2017
	500,000,000.00

December 31, 2018

500,000,000.00

**10 Share Capital**

Authorised  
50,000,000 equity shares of Nu.10 each

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

18,000,160 (Previous year-18,000,160 @ 10) equity shares of Nu.10 each fully paid up.

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

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

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

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

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

**Total**

180,001,600.00

180,001,600.00

180,001,600.00

180,001,600.00

**Reconciliation of number of share outstanding as at 31st December, 2018**

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, 2018

No. of Shares	Value
18,000,160.00	180,001,600.00
<b>18,000,160.00</b>	<b>180,001,600.00</b>

December 31, 2017

No. of Shares	Value
18,000,160.00	180,001,600.00
<b>18,000,160.00</b>	<b>180,001,600.00</b>

**Name of the Share Holders**

Druk Holding Investment Limited (DHI)

Bank of Bhutan Limited

Others

Financial institution

Dratshang

Institutional Investors

General Public

December 31, 2018

%age	No. of Shares	Value
50.98	9,176,050.00	91,760,500.00
11.96	2,152,440.00	21,524,400.00
1.81	326,320.00	3,263,200.00
12.58	2,264,860.00	22,648,600.00
22.67	4,080,490.00	40,804,900.00
100.00	18,000,160.00	180,001,600.00

December 31, 2017

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



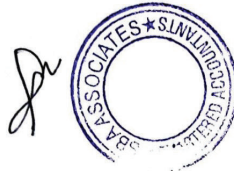
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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

**10.2 RESERVES AND SURPLUS**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Opening Balance as per last Account (Retain earning)	259,197,108.81	210,304,385.71
Add: Balance Transferred from Statement of Comprehensive Income	67,856,218.76	81,293,011.10
	<u>327,053,327.57</u>	<u>291,597,396.81</u>
Less: Transfer for allotment of Bonus Share	-	-
Less: Dividend paid during the year	36,000,320.00	32,400,288.00
<b>Total</b>	<u><u>291,053,007.57</u></u>	<u><u>259,197,108.81</u></u>



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**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**






*Amounts in Ngultrum (BTN)*

**11. Short-Term Provisions**

	December 31, 2018	December 31, 2017
Provision for employees Ex-gratia	4,268,047.51	4,513,940.69
Provision for variable pay	4,388,944.34	5,013,659.49
<b>Total</b>	<b>8,656,991.85</b>	<b>9,527,600.18</b>

**12. Trade and other Payables**

	December 31, 2018	December 31, 2017
Sundry Creditors	98,216,437.94	36,842,788.44
Liability for Purchase	134,415,738.97	60,396.00
Liability for Establishment Expenses	5,738,987.79	3,395,265.61
Audit Fees	126,787.50	120,750.00
Liabilities of Un-withdrawn Cheque	598,942.83	310,614.62
Security Deposit	3,053,500.47	2,787,632.17
Unclaim Dividend	1,430,438.51	1,398,805.91
Retention money	829,108.61	8,674,052.60
<b>Total</b>	<b>244,409,942.62</b>	<b>53,590,305.35</b>

**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for ther year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

**13. Short Term Borrowings**

	<b>December 31, 2018</b>	<b>December 31,2017</b>
Over Draft with Bank of Bhutan, Phuentsholing OD a/c - 48 (Limit Nu. 130 Million)	136,985,510.60	56,667,503.28
Over Draft with Druk PNB, Thimphu OD a/c - 1094 (Limit Nu. 81 Million)	91,200,564.05	-
Short Term Borrowing	50,000,000.00	99,434,246.44
<b>Total</b>	<b><u>278,186,074.65</u></b>	<b><u>156,101,749.72</u></b>

**14. Other Current Liabilities**

	<b>December 31, 2018</b>	<b>December 31,2017</b>
Advance from Customers(old)	150,479,547.23	49,659,622.73
Advance from Customers(new)	50,005.00	91,219,379.37
Debtors Suspense	25,513,117.32	23,378,177.10
Provident Fund	665,886.00	306,747.00
Bhutan Sales Tax	9,415,867.06	27,140,767.16
<b>Total</b>	<b><u>186,124,422.61</u></b>	<b><u>191,704,693.36</u></b>



**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

**15. Revenue from operation**

	December 31, 2018	December 31, 2017
<b>Trading:</b>		
G.C.Sheet	3,610,472.60	3,268,604.66
Explosives	110,928,815.89	88,777,515.61
Bitumen	43,870,401.06	34,432,561.33
Eicher Spare Parts	21,876,691.49	16,557,285.60
Tata Spare Parts	32,409,753.76	29,546,364.29
Toyota Tyres & Tubes	8,147,412.10	7,834,276.19
Toyota Spare Parts	73,078,841.37	78,256,265.95
Tata Vehicles	560,412,449.22	559,962,799.77
Eicher Vehicles	303,118,189.35	314,938,697.62
Toyota Vehicles	870,200,654.06	941,965,612.99
Computer & Accessories	28,792,163.37	31,738,293.84
Two Wheelers	2,742,866.06	3,339,252.34
SML Vehicle	-	-6,150.00
Kent Water Filter	1,584,205.83	1,206,357.00
Asian Paints	33,789.59	75,775.50
Tractors and Power Tiller Sales	22,182,883.81	14,038,428.43
Agricultural product sales	-	149,025.00
Apollo Tyres Sales	46,198,326.36	31,629,122.03
Stone	67,215,372.03	35,793,393.51
Household items	3,788,962.40	1,103,934.80
Frankey Faber	242,813.90	258,734.00
American Tourister	-	113,543.40
Shrachi Enbiolet	-	311,920.00
HVAC Bhutan Spirit	15,298,575.60	20,783,494.00
JK Tyres	9,231,235.34	1,564,148.00
HVAC BNB	31,039,314.40	29,133,521.20
Health Equipment	2,054,840.00	-
HPCL	63,173.46	-
HVAC GNHC	40,681,548.87	-
Tata Service Centre Income	13,656,883.77	11,440,120.02
Toyota Service Centre Income	8,679,404.94	8,794,643.00
<b>Total</b>	<b>2,321,140,040.63</b>	<b>2,267,007,540.08</b>

**16. Other Income**

	December 31, 2018	December 31, 2017
Miscellaneous Income	29,451,198.51	36,342,122.42
Discount Received	3,322,136.88	681,942.96
Commission and Auction	48,336.54	259,470.23
Gains/(Losses) on Exchange Fluctuation	0.00	-30,807.61
Interest	9,004,314.52	2,288,152.58
Recoveries of Shortage for Inventories	21,329.09	25,152.03
Gains/ (losses) on sale of Fixed Asset	-	-220,669.43
Provision no longer required	3,201,283.88	-
<b>Total</b>	<b>45,048,599.42</b>	<b>39,345,363.18</b>

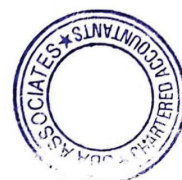




State Trading Corporation of Bhutan Limited  
Notes to Financial Statement for the year ended December 31, 2018

Amounts in Ngultrum (BTN)

17. Cost of Material Consumed										
Items	Stock as on 1.1.2018	Opening GIT 01.01.2018	Purchase during the year	TOTAL	Closing Stock as at 31.12.2018	Goods - In Transit as at 31.12.2018	Cost of Material Consumed for the year ended 31.12.2018	Cost of Material Consumed for the year ended 31.12.2017		
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)	(7)=(4)-(5)-(6)	(8)		
G.C. Sheet	1,130,422.49	-	5,707,504.74	6,837,927.23	2,998,155.68		3,839,771.55	3,104,197.64		
Bitumen	-	-	51,619,184.10	51,619,184.10	12,019,136.00		39,600,048.10	29,606,199.22		
Explosives	7,796,560.03	-	89,805,579.35	97,602,139.38	6,126,521.71	2,115,000.00	89,360,617.67	72,945,812.34		
Eacher Spare Parts	6,196,140.54	-	22,663,959.30	28,860,099.84	9,094,827.46		19,765,272.38	15,170,279.92		
Indian Spare parts (Tata)	18,525,263.80	-	28,247,165.08	46,772,428.88	19,979,132.41	408,580.00	26,384,716.47	25,977,777.84		
Toyota Tyres & Tubes	2,774,140.35	-	4,737,343.38	7,511,483.73	3,495,084.72		4,016,399.01	3,978,873.94		
Toyota Spare Parts	39,624,325.01	-	58,057,619.04	97,681,944.05	48,600,493.94	-	49,081,450.11	52,501,268.73		
Tata Vehicles	67,597,908.11	-	587,383,154.81	654,981,062.92	109,427,504.22	56,498,832.00	489,054,726.70	499,558,554.99		
Eacher Vehicles	29,081,884.97	-	348,545,666.75	377,627,551.72	43,157,747.74	56,648,813.00	277,820,990.98	295,483,205.93		
Toyota Vehicles	64,182,549.32	-	814,889,359.60	879,071,908.92	92,031,187.67	18,292,765.00	768,747,956.25	835,702,332.78		
Two Wheelers	1,005,835.33	-	3,589,454.97	4,595,290.30	2,299,885.59		2,295,404.71	2,802,957.89		
Office Equipments, Machineries & a	1,461,276.97	-	27,845,895.18	29,307,172.15	2,319,420.54	-	26,987,751.61	27,714,000.25		
Service Centre, Thimphu	325,864.38	-	812,280.29	1,138,144.67	325,864.38		812,280.29	905,227.88		
SML Vehicles	-	-	-	-	-		-	-		
Household items	884,809.45	-	3,771,842.32	4,656,651.77	2,396,017.46		2,260,634.31	718,006.96		
Toyota Service, Head Office	8,159.74	-	12,600.00	20,759.74	8,159.74		12,600.00	9,800.00		
Tata Service	2,085,374.51	-	8,506,352.22	10,591,726.73	2,586,856.10		8,004,870.63	6,144,072.92		
Apollo Tyres	5,191,378.07	-	61,646,500.92	66,837,878.99	22,659,133.11		44,178,745.88	30,019,275.18		
Signage	-	-	0.00	-	-		-	-		
Ford Vehicle	-	-	-	-	-		-	-		
Kent Water Filter	515,006.65	-	1,465,972.00	1,980,978.65	1,009,821.93		971,156.72	777,947.76		
Asian Paints	76,479.85	-	0.00	76,479.85	17,360.02		59,119.83	130,815.59		
E- Bike Spare Parts	98,873.85	-	0.00	98,873.85	98,873.85		-	-		
Ford Spare Parts	-	-	-	-	-		-	-		
Medical	-	-	-	-	-		-	-		
American Tourist	-	-	-	-	-		-	85,956.95		
Frankey Faber	247,433.07	-	442,379.27	689,812.34	541,801.78		148,010.56	171,198.65		
Tractors and Power Tillers	5,893,568.64	-	15,195,040.00	21,088,608.64	3,757,596.46		17,331,012.18	10,555,771.22		
Tractors Spare parts	1,718,215.18	-	610,046.70	2,328,261.88	1,469,006.45		859,255.43	439,641.67		
Stone including transportation cost *	-	-	52,475,910.07	52,475,910.07	-		52,475,910.07	29,394,059.10		
Agricultural Product Export	-	-	-	-	-		-	76,820.00		
HVAC Bhutan Spirit	-	-	14,505,786.56	14,505,786.56	-		14,505,786.56	19,744,319.15		
JK Tyres	1,333,703.62	-	8,216,610.65	9,550,314.27	1,361,214.74		8,189,099.53	1,323,316.08		
HVAC BNB	-	-	39,116,209.60	39,116,209.60	11,476,475.36		27,639,734.24	27,339,879.65		
Shrachi Enbiolet	-	-	-	-	-		-	167,800.00		
Health Equipment	-	-	1,715,400.00	1,715,400.00	-		1,715,400.00	-		
HPCL	-	-	1,905,206.50	1,905,206.50	1,868,509.73		36,696.77	-		
HVAC GNHC	-	-	29,702,232.43	29,702,232.43	3.60		29,702,228.83	-		
Total	257,755,173.93	-	2,283,192,255.83	2,540,947,429.76	401,125,792.39	133,963,990.00	2,005,857,647.37	1,992,549,370.23		



**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

**18. Other Direct Expenses**






	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Clearing and Forwarding Charges	36,996,905.87	22,804,117.29
<b>Total</b>	<b><u>36,996,905.87</u></b>	<b><u>22,804,117.29</u></b>

**19. Employee benefit expenses**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Pay and Allowances	51,433,771.53	45,919,254.93
Provident Fund Contribution	3,114,212.00	2,854,636.00
Bonus and variable pay	10,284,591.00	8,583,308.79
Medical Expenses	185,462.00	155,263.00
Service Cost ( Gratuity)	1,804,450.00	1,645,990.00
Staff training and development expenses	3,946,068.45	6,233,039.17
Uniform expenses	911,618.45	832,697.13
Welfare Expenses	260,000.00	130,000.00
Transfer grant	252,162.23	1,680,624.04
<b>Total</b>	<b><u>72,192,335.66</u></b>	<b><u>68,034,813.06</u></b>

**20. Finance Cost**

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Interest expense	28,620,063.90	13,165,642.67
<b>Total</b>	<b><u>28,620,063.90</u></b>	<b><u>13,165,642.67</u></b>

**State Trading Corporation of Bhutan Limited**  
**Notes to Financial Statement for the year ended December 31, 2018**

*Amounts in Ngultrum (BTN)*

**21. Other Expenses**

	December 31, 2018	December 31, 2017
<b><u>Administrative Expenses</u></b>		
Communication, internet and telephone charges	2,653,591.12	1,835,243.48
Fees and Taxes	1,055,718.16	1,341,569.57
Printing and stationery including postage	1,910,713.66	1,807,909.61
General Insurance	878,215.32	360,542.53
Electricity Expenses	1,696,178.90	999,107.84
Lease Rent	6,414,212.52	7,660,292.56
<b><u>Repairs and Maintenance</u></b>		
Repairs & Maintenance Of Buildings and civil structures	1,888,732.28	936,322.12
Repairs & Maintenance Of Furniture, fixtures and equipments	1,720,145.48	2,503,844.32
Running & Maintenance Of Vehicle	6,139,424.40	5,859,042.93
Running & Maintenance Of Other	364,957.32	457,780.52
<b><u>Travelling and Conveyance</u></b>		
Travelling Expenses including foreign travels	15,563,708.43	11,872,476.85
<b><u>Others</u></b>		
Marketing & Sales Promotions	8,443,759.62	7,281,084.46
Board meeting expenses and sitting fees	992,969.00	872,890.80
Festivals & Entertainment Expenses	5,899,301.19	4,658,753.22
Free Sample & complimantry	13,487,460.54	20,564,806.03
Miscellaneous Expenses	12,508,883.53	4,514,280.62
Bank Charges - others	703,938.41	934,388.40
Other consultancy charges	793,135.00	796,150.00
Provision for Doubtful Debts	6,658,333.24	5,473,784.07
Write off of Sundry Debtors	321,787.93	841,211.68
Provision for Obsolute Stock	-	-
Sundry balances written off	-	-
Loss on Inventory Write off	-	-
Gains/(Losses) on Exchange Fluctuation	318,732.33	-
<b><u>Auditor's Remuneration</u></b>		
Audit Fee	126,787.50	124,696.33
Out of pocket expenses	309,312.00	278,617.00
<b>TOTAL</b>	<b>90,849,997.88</b>	<b>81,974,794.94</b>





## 1. SIGNIFICANT ACCOUNTING POLICIES

### A. Significant Accounting Policies

#### 1. Basis of Preparation

##### (i) Compliance with International Financial Reporting Standards (IFRS)

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

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

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

The functional currency of preparation is the Bhutanese Ngultrum.

##### (ii) Historical cost convention

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

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

STCBL Significant Accounting Policies



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## 2. Current versus non-current classification

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

An asset is classified as current when it is:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

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

## 3. Revenue Recognition

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

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

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

#### 4. Property, Plant and Equipment

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

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



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

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

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

#### 5. Foreign Currency Transactions





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

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

## 6. Investments and other financial assets

### (i) Initial measurement

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

### (ii) Classification and subsequent measurement

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

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

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

*Financial assets measured at amortized cost:*



STCBL Significant Accounting Policies



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

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

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

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

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

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

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

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

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified at FVTPL. Financial instruments

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included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of profit and loss.

**(iii) Impairment of financial assets**

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

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

**(iv) Derecognition of financial assets**

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

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

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

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

**(v) Income recognition**



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

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

## 7. Financial liability

### i) Initial recognition and measurement

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

### ii) Subsequent measurement

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

#### *Financial Liabilities at fair value through profit or loss*

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are

STCBL Significant Accounting Policies







difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

#### **8. Offsetting financial instruments**

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

#### **9. Cash & Cash equivalents**

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

#### **10. Contingent Liabilities and Assets**

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

#### **11. Income Tax**

The tax expense for the period comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the company operates and generate taxable income. Deferred income tax is recognized, using the liability method, on temporary

STCBL Significant Accounting Policies



differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements deferred income tax is determined using tax rates (and laws) that have been enacted at the balances sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

## **12. Comparative Information**

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

## **13. Inventories**

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

## **14. Provisions and Contingent Liabilities**

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

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



*STCBL Significant Accounting Policies*

## 15. Non-current asset & liabilities

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

## 16. Employee benefits

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

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





## OTHER NOTES TO FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018

### 22. Notes to Financial Statements:

22.1 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.

### 22.2 The capital work in progress consists of the following:

Year	2018	2017
Particulars	(Nu)	(Nu)
Construction of Toyota 3S Facilities cum Corporate Office at Thimphu	-	199,486,787.32
Installation of Wilo cutter pump.	68,889.17	-
Tata Service van	2,000,387.00	-
<b>Total</b>	<b>2,069,276.17</b>	<b>199,486,787.32</b>

22.3 The physical verification of inventories for the year 2018 has been conducted as per extant practice. Inventories worth Nu. 21,329.09 were reported short. There is no excess in 2018. There is significant drop in excess and shortages due improvement made in inventory management as compared to year 2013 where the excess was Nu. 2,896,114.84 and shortage was Nu. 886,924.83. Major portion of the anomalies are due to human error. The shortages are





booked as “Recoveries of Shortage for inventories” under other income in accounts.

#### 22.4 Reclassification of account

Previous year figure of “Revenue from Operation” and “Other Expenses” has been restated by the same amount of Nu. 20,564,806.03 as Free Sample.

#### 22.5 Details of FOB value of exports

Particulars	2018	2017
FOB value of export to Dhaka	67,215,372.03	33,856,491.65

#### 22.6 The company has fully implemented following applicable standards under Phase I, Phase II and Phase III in its Financial Statement as on 31 December, 2018:

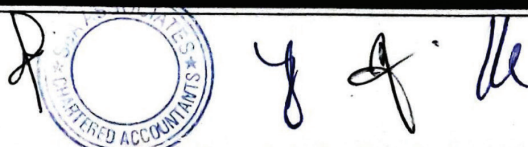
- 22.6.1 Statement of Cash Flow (BAS 7)
- 22.6.2 The effect of Changes in foreign exchange rates (BAS 21)
- 22.6.3 Earnings Per Share (BAS 33)
- 22.6.4 Borrowing cost (BAS 23)
- 22.6.5 Related party disclosures (BAS 24)
- 22.6.6 Employee benefit (BAS 19)
- 22.6.7 Revenue (BAS 18)
- 22.6.8 Presentation of financial statements (BAS 1)
- 22.6.9 Inventories (BAS 2)
- 22.6.10 Interim financial reporting (BAS 34)
- 22.6.11 Provision, contingent liabilities and contingent assets (BAS 37)
- 22.6.12 Accounting policies, changes in accounting estimates & errors (BAS 8)



- 22.6.13 Property, plant and equipment (BAS 16)
- 22.6.14 Income taxes excluding deferred taxes (BAS 12)
- 22.6.15 Impairment of Asset (BAS 36)
- 22.6.16 Operating Segments (BFRS – 8)
- 22.6.17 Financial Instruments: Presentation (BAS 32)
- 22.6.18 Financial Instruments: Recognition and Measurement (BAS 39)
- 22.6.19 First-time Adoption of Bhutanese Financial Reporting Standards (BFRS 1)
- 22.6.20 Non-current Assets Held for Sale and Discontinued Operations (BFRS 5)
- 22.6.21 Financial Instruments: Disclosures (BFRS 7)
- 22.6.22 Financial Instruments (BFRS 9)
- 22.6.23 Fair Value Measurement (BFRS 13)
- 22.6.24 Revenue from Contracts with Customers (BFRS 15)
- 22.6.25 Leases (BFRS 17)

**22.7 Following standards are not applicable as at the end of year 2018:**

- 22.7.1 Events after reporting period (BAS 10)
- 22.7.2 Construction contracts (BAS 11)
- 22.7.3 Accounting for Government grants, and disclosure of Government assistance (BAS 20)
- 22.7.4 Consolidated and separate financial statements (BAS 27)
- 22.7.5 Accounting and Reporting by Retirement Benefit Plans
- 22.7.6 Intangible Assets
- 22.7.7 Investment in Associates and Joint Ventures
- 22.7.8 Investment Property
- 22.7.9 Agriculture



- 22.7.10 Financial Reporting in Hyperinflationary Economics (BAS 29)
- 22.7.11 Share-Based Payments (BFRS 2)
- 22.7.12 Business Combinations (BFRS 3)
- 22.7.13 Insurance Contracts (BFRS 4)
- 22.7.14 Exploration for and Evaluation of Mineral Resources (BFRS 6)
- 22.7.15 Consolidated Financial Statements (BFRS 10)
- 22.7.16 Joint Arrangements (BFRS 11)
- 22.7.17 Regulatory Deferral Accounts (BFRS 14)
- 22.7.18 Disclosure of Interests in Other Entities (BFRS 12)

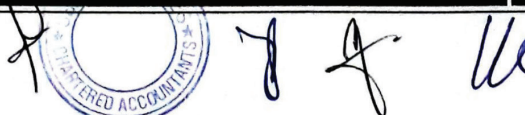
## 22.8 Related Party

### 22.8.1 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

### 22.8.2 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 Polymers Limited
9	Druk Holding Investment





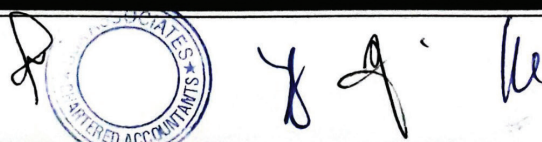
10	DHI Infra Limited
11	Dagachu Hydro Corporation Limited
12	BoB Securities Limited
13	Bhutan Board Product Limited
14	Bhutan Board Export Limited
15	Bhutan Hydropower Services Limited
16	Thimphu Tech Park Limited
17	Penden Cement Authority Limited
18	Tangsibji Hydro Energy Limited
19	Construction Development Corporation Limited
20	Wood Craft Centre Limited
21	State Mining Corporation Limited
22	Koufuku International Limited
23	DHI Hospitality Limited

### 22.8.3 Transactions of Directors for the FY 2018 & 2017

(Amount in Nu.)

Name	Goods and services	2018	2017
Ms. Yeshey Selden (MD)	Gas Stove	-	4,306.00

Name of Company	Goods and services	2018	2017
RSA Pvt. Ltd	Tata spare parts.	3,608.00	-
Mr. Rinchen Dorji, Director)	Apollo Tyre	186,454.98	340,901.82
	Explosive	736,683.00	543,400.00





**22.8.4 Sitting Fees paid to the Board Directors during the year 2018 & 2017**

<b>Board Members</b>		<b>2018</b>	<b>2017</b>
Mr. Karma Yeshey	Secretary, Ministry of Education	16,000.00	-
Dr. Ugen Dophu	DG, Dept. of Medical Services, MOH	16,000.00	40,000.00
Mr. Sonam Dorji	ED, RICB	-	12,000.00
Mr. Dorji Tshering	Dzongda, Thimphu Dzongkhag	28,000.00	68,000.00
Mr. Rinchen Dorji	M.D. RSA Pvt. Ltd.	16,000.00	20,000.00
Mr. Dorji Kaden	Corporate Director, BOB	32,000.00	44,000.00
Ms. Yeshey Selden	MD, STCBL	40,000.00	92,000.00
Mr. Lhendup Dorji	MD, East West Construction Pvt. Ltd	40,000.00	8,000.00
Ms. Tashi Pem	Head, Sales Tax, Revenue & Custom, MOF	-	44,000.00
Mrs. Karma Choden	Company Secretary, DHI	44,000.00	76,000.00
Mr. Kapil Mani Sharma	Chief Executive Officer, BDFL	-	4,000.00
<b>Total</b>		<b>232,000.00</b>	<b>408,000.00</b>

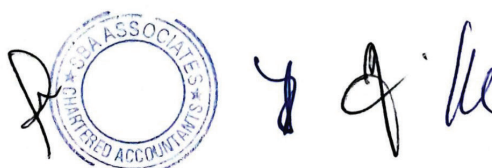


**22.8.5 Transaction with the DHI, Holding Company during the FY 2018 & 2017**  
(Amt. in Nu)

Description	2018	2017
DHI	Nu.	Nu.
Consultancy fee paid to DHI	-	486,000.00
Sale of ICT Products	528,470.00	859,400.00
Vehicle Servicing & Spare Parts	509,431.00	332,172.00
Apollo Tyres	20,142.02	-
Household items	7,740.00	234,000.00

**22.8.6 Goods and Services availed from fellow subsidiaries during the FY 2018 and 2017**  
(Amount in Nu)

Fellow subsidiaries	Particulars	2018	2017
Bhutan Telecom Limited	Communication, internet and telephone charges	2,445,641.73	1,182,171.01
Bhutan Power corporation	Electricity charges	1,512,008.13	812,044.76
Bank of Bhutan Limited	Bank charges and fees other financial services	1,020,663.1	934,388.40
Bank of Bhutan Limited	Interest charge on overdraft	698,314.64	13,165,633.17
Druk Air Limited	Air ticket purchase	2,150,699.00	1,304,556.00



### 22.8.7 Liabilities booked for the DHI Guarantee fee:

Sl.no.	Guarantee Amount (Nu.)	Amounts booked under liabilities (Nu.)
1	170 million	298,082.19
2	200 million	111,780.82
	<b>Total</b>	<b>409,863.01</b>

### 22.8.8 Goods and services availed by fellow subsidiaries during FY 2018 and 2017:

Sl. No	Fellow Subsidiary	Type of Goods & Services	2018		2017	
			Value of Goods & Services	Outstanding Amount at year end	Value of Goods & Services	Outstanding Amount at year end
1	Druk Air	ICT Products	332,500.00	(395,187.00)	193,439.00	
		Vehicle Sale	10,498,974.00		11,386,828.00	
2	Bhutan Board Products Ltd	Running & maintenance	108,458.50	167,117.90	318,409.90	95,605.43
		Apollo	114,794.24		-	
		ICT Products	-		13,500.00	
		Vehicle Sale	-		3,136,194.00	
3	Dungsam Polymers Ltd	ICT Products		349,481.85	76,900.00	298,215.78
		Running & Maintenance	112,131.75		515,721.57	
4	Natural Resource Development Corp. Ltd	ICT Products	65,000.00	212,862.30	1,691,976.00	404,533.00
		Running & Maintenance	1,747,846.31		979,773.74	
		Apollo	194,473.40			
		Vehicle Sale	7,637,510.00			
		J. K Tyres	90,451.00			
		Two Wheeler	-		310,979.67	

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5	Dungsum Cement Corpn. Ltd	ICT Products	-	743,925.94	308,685.00	448,313.00
		Explosives items	-		2,786,194.40	
		Running &	528,888.83		706,986.00	
		Apollo	103,731.33		-	
		Vehicle Sale	6,021,202.00		-	
6	DHI Infra Ltd	ICT Products		98,383.35	-	
		Running & Maintenance			-	
7	Bank of Bhutan	Running & Maintenance	883,044.97	652,378.88	338,901.34	186,460.00
		Apollo	6,354.44		-	
		ICT Products	2,591,020.00		717,286.00	
		Vehicle Sale	-		20,666,781.30	
8	Bhutan Telecom Ltd.	Apollo	690,012.45	470,498.60	-	492,183.00
		Vehicle Sale	-		4,600,000.00	
		ICT Products	-		163,595.00	
		Running maintenance &	671,782.19		1,291,273.12	
9	Druk Green Power Corporation	Running maintenance &	4,839,077.31	1,943,413.69	15,462,664.50	1,175,172.22
		Apollo	133,175.60			
		Vehicle Sale	2,791,800.00		10,475,696.00	
		ICT Products	291,117.00			
10	Bhutan Power Corporation	Running maintenance &	5,385,252.86	3,059,865.06	13,744,493.03	4,510,381.91
		ICT Products	668,749.00		34,104.00	
		Vehicle Sale			12,850,693.95	
		Apollo	1,079,259.92			
11	Dagachu Hydro Power	Running maintenance &	977,954.18	388,135.31	1,128,882.35	72,056.00
		Vehicle Sale	6,090,441.00			
		ICT Product	42,500.00			
12	Tangsibji Hydro Energy Ltd	ICT Products		313,882.39		241,524.76
		Vehicle Sale			7,912,522.00	
		Running maintenance &	866,477.80		976,346.14	





13	Construction Devlopment Corpn. Ltd.	Tyres- Apollo	5,312,155.44	7,100,785.69	1,521,006.24	2,632,918.50
		J.K Tyres	201,419.00			
		Vehicle Sale			15,886,250.00	
		ICT Products	1,597,246.00		306,600.00	
		Running & maintenance	510,846.69		915,754.34	
		Sale of Explosive	6,514,654.65		4,507,692.50	
		Sale of Cash Items	22,665,515.10		25,297,061.25	
14	State Mining Corporation	Running & maintenance	1,419,591.09	1,564,449.15	494,789.00	6,128,689.00
		Sale of Vehicle	6,430,533.00		14,959,324.32	
		Apollo	890,804.04			
		Two Wheeler			417,636.26	
		ICT Products	102,226.00			
		Explosive	413,513.00		476,505.00	
15	Wood Craft Centre Ltd	ICT Product		29,073.12		
		Running & Maintenance			12,052.00	
16	DHI	Running & Maintenance	509,431.00	178,834.37	332,172.10	
		ICT Products	528,470.00		859,400.00	
		Apollo	20,142.02			
		Household Items	7,740.00		234,000.00	
17	Thimphu (TPL)	ICT Products			76,900.00	
		Running & Maintenance			18,304.00	
18	PCAL	Sale of Explosive	877,000.00	490,739.25	2,404,000.00	196,139.00
		Running & Maintenance	572812.64		333,749.79	
		ICT Products	131,740.00			
Total			104,269,819.75	17,368,639.85	181,842,022.81	16,882,191.60

R. ASSOCIATES  
CHARTERED ACCOUNTANTS

Y. G. K.

**22.9 Details of compensations paid to key management personnel  
(Managing Director) during the year 2018 and 2017:**

Particulars	2018	2017
	(Nu)	(Nu)
Salary	1,655,992.00	1,607,760.00
Provident Fund Contribution	110,400.00	107,184.00
Sitting fees	40,000.00	92,000.00
<b>Total</b>	<b>1,806,392.00</b>	<b>1,806,944.00</b>

**22.10 Earnings Per Share (EPS)**

No of Equity Shares	2018	2017
At the beginning of year	18,000,160.00	18,000,160.00
Issue of bonus share	-	-
At the end of the year	18,000,160.00	18,000,160.00
Weighted average no of equity shares outstanding during the year	18,000,160.00	18,000,160.00
Face value of each equity share	Nu.10.00	Nu 10.00
<b>Earnings available to Equity Shareholders</b>	<b>Nu. 67,856,218.76</b>	<b>Nu. 81,293,011.10</b>
<b>Earnings Per Share (BASIC)</b>	<b>Nu. 3.77</b>	<b>Nu. 4.52</b>

Note: Vide notification no. RSEB/LIS/GEN/2014/474 dated 22<sup>nd</sup> July 2014 issued by Royal Security Exchange of Bhutan, the current face value of the Company's Equity shares has been changed from Nu 100 to Nu 10 with effect from 1<sup>st</sup> August 2014 resulting in increase in number of Equity Shares of the Company from 900,008 to 9,000,080 in 2017. 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.

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## 22.11 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		2018	2017
1	DBO at the end of the prior period	10,623,892.86	<b>9,496,339.86</b>
2	Current Service Cost	1,804,450.00	1,645,990.00
3	Interest Cost on DBO	870,879.00	758,798.00
4	Actuarial (gain)/loss	(715,867.86)	(434,220.10)
5	Benefit Paid directly by the Company	(322,355.00)	(843,014.76)
6	DBO at the end of the Current period	<b>12,250,999.00</b>	<b>10,623,893.00</b>

Change in Fair Value of Plan Assets		2018	2017
1	Fair Value of assets at end of prior period	9,964,150.47	9,534,447.30
2	Interest income on plan assets	846,953.00	891,428.00
3	Return on plan assets greater/(lesser) than discount rate	(186,626.09)	(380,724.83)
4	Fair value of assets at the end of current period	<b>10,624,477.38</b>	<b>9,964,150.47</b>

Net Balance Sheet Positions		2018	2017
1	Fair Value of Planned Asset	10,624,477.38	9,964,150.47
2	Defined Benefit Obligation	<b>12,250,999.00</b>	10,623,893.00





3	Net Defined Benefit Assets/ (Liability)	(1,626,521.62)	(659,742.53)
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Actuarial assumptions employed for the calculation as at 1 January, 2018 and 31 December, 2018 is as follows:-

Particulars		31 December, 2018	31 December, 2017
1	Discount Rate	8.50%	8.50%
2	Salary Escalation Rate	6.00%	6.00%
3	Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ult.	Indian Assured Lives Mortality (2006-08) (modified) Ult.
4	Withdrawal rate	5.00%	5.00%

As per actuarial valuation there is a net gain of Nu. 158,772.53 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 31.12.2018 stood at Nu. 10,624,477.38 (Previous year – Nu. 9,964,150.47), whereas the liability for Gratuity fund is Nu.12, 250,999.00 (Previous year- Nu 10,623,893.00). The same has been grouped under Long Term Deposit [Refer notes to financial statement 3].

## 22.12 Contingent Liability

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

- i. M/s Keys to Bhutan and M/s Aja Tours and Treks amounting to Yen 6,171,731.
- ii. M/s Empire Construction Pvt. Ltd (Private Company)





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

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

Sl.no	Clients	Amount (Nu.)	Year	Status
1.	Mr. Tashi Dendrup, Thimphu (c/o of Bhutan Festival Tour & Treks)	592,105.00	2018	Case registered in Thimphu District Court.
2.	Mr. Richen, Wangdiphodrang.	243,812.16	2016	Case registered in Thimphu District court civil bench but as we have not found the address of the client and as per the court procedure the case has been withdrawn from the court.
3.	Serzang Automobile workshop, Tashigang	788,898.29	2017	Received Nu.300,000/- and the customer had fail to make a balance amount and case registered for enforcement.
4.	Ms. Tashi Tshomo, BoBL	37,824.00	2016	Case in arbitration process
5.	FBT, Thimphu	31,500.00	2016	Case in arbitration process.
6.	Mr. Ugyen Dendup, BOBL	22,992.00	2016	The client has resigned from the BOBL and no details were found. After receiving the address and contact the case will be forwarded to court.



## 22.14 Segmental Reporting

### Description of Segments

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

Explosive division deals with explosive items & other includes sale of health equipment, stone, ICT and HVAC.



## Year ended 31 December 2018

	Toyota	Tata	Eicher	CASH	Explosive	Others	Unallocable	Total
<b>1. Segment Revenue</b>								
Revenue from Operation	960,161,598.83	612,341,892.37	377,181,364.59	86,972,736.53	110,928,815.89	183,090,717.27	(9,537,084.85)	2,321,140,040.03
Other Income	25,210,908.78	3,516,981.66	9,506,922.48	725,953.93	2,700.00	2,100,991.06	3,984,141.51	45,048,599.42
<b>Total Revenue (A)</b>	<b>985,372,507.61</b>	<b>615,858,874.03</b>	<b>386,688,287.07</b>	<b>87,698,690.46</b>	<b>110,931,515.89</b>	<b>185,191,708.33</b>	<b>(5,552,943.34)</b>	<b>2,366,188,640.05</b>
Cost of Materials Consumed	822,641,205.19	523,444,313.80	341,661,463.91	75,274,153.23	88,541,182.14	143,763,806.97	10,531,522.13	2,005,857,647.37
Other Direct Expenses	10,102,543.60	4,097,990.25	1,460,484.31	2,094,255.57	1,312,769.70	25,368,020.80	(7,439,158.36)	36,996,905.87
Employee Benefit Expenses	19,044,043.16	5,692,208.12	2,538,828.95	1,663,369.40	3,609,859.24	3,565,607.50	36,078,419.29	72,192,335.66
Finance Cost	6,108,235.25	4,274,561.28	3,951,383.88	759,636.24	377,695.23	382,081.68	12,766,470.34	28,620,063.90
Other Expenses	20,700,401.54	16,212,934.15	12,014,048.37	2,936,612.14	6,296,309.03	6,293,036.75	26,318,058.30	90,849,997.88
Depreciation and Amortization	8,589,040.97	175,893.52	57,456.93	736,749.25	521,652.32	5,121,156.76	4,102,104.99	19,304,054.74
<b>Total Expenses (B)</b>	<b>887,185,469.71</b>	<b>553,897,901.12</b>	<b>361,683,666.35</b>	<b>83,464,775.83</b>	<b>100,659,467.66</b>	<b>184,493,710.46</b>	<b>82,357,416.69</b>	<b>2,253,821,005.42</b>
Profit Before Tax	98,187,037.90	61,960,972.91	25,004,620.72	4,233,914.63	10,272,048.23	697,997.87	(87,910,360.03)	112,367,634.63
(1) Current Tax								33,710,290.39
(2) Prior Period Tax								6,143,733.46
(3) Deferred tax								5,027,861.26
<b>Net Profit for the year</b>	<b>98,187,037.90</b>	<b>61,960,972.91</b>	<b>25,004,620.72</b>	<b>4,233,914.63</b>	<b>10,272,048.23</b>	<b>697,997.87</b>	<b>(87,910,360.03)</b>	<b>67,485,749.52</b>
<b>2. Segment Asset</b>								
Allocable asset	382,572,291.53	157,217,015.18	114,008,432.98	33,096,140.35	20,448,911.75	44,706,139.93	543,672,629.18	1,295,721,560.90
<b>3. Segment Liability</b>								
Allocable Liability	35,769,035.75	64,482,764.14	60,707,738.02	31,184,726.31	19,584,012.04	4,978,851.31	1,079,014,433.33	1,295,721,560.90

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





Year ended 31 December 2017

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

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




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### 22.15 Declaration of Dividend

The Board of Directors in its 110<sup>th</sup> Board meeting held on 27<sup>th</sup> March, 2019 declared 21% Dividend amounting to Nu. 37,800,336.00 which was also ratified by the Shareholders in its 22<sup>nd</sup> AGM Conducted on 27<sup>th</sup> March 2019.

On behalf of the Board

  
Chairman

