



ANNUAL REPORT 2019

THE YEAR IN REVIEW



It is with great pleasure that I take this opportunity to write few words on the year 2019. As I took my stand as the new Chief Executive Officer on 2 September 2019, I was hopeful and inspired to take this company forward and upward. Though I come from an engineering background, I took it as a challenge to step into the world of business and what better than the only state owned trading company in the country.

STCBL had just celebrated its golden jubilee in 2018, a historic milestone indicating its resilient character and surviving in a market amongst numerous private players. Performance-wise the year 2019 further declined in comparison to 2018 by 5.77%. We still faced challenges such as shrinkage in the commercial vehicle segment, likewise in export due to change in regulations. Moreover the company closed the Explosives business and handed over to the Royal Bhutan Police. Despite challenges, I am pleased to inform that we were able to declare a dividend of 15%.

However the silver lining of 2019 was the signing of distributorship of petroleum products with Hindustan Petroleum Corporation Limited (HPCL). In the next 3 years, STCBL would have opened new generation fuel retail outlets (FRO) across the country, offering rest rooms for commuters, drinking water and air for tyre in addition to quality fuel from automated dispensing units. The public can avail quick and better services. It gives me utmost pleasure to inform our valued shareholders and customers that the first FRO was commissioned in March 2020 in Ramtokto, Thimphu.

Furthermore, I am pleased to inform that the company could complete construction and handover six modest houses to the beneficiaries of Larsarp community and 8-units toilet to Chimuna Primary School under Chukha Dzongkhag as part of our Corporate Social Responsibility. Five more houses are under construction and due for completion this year.

Whilst I took over as the head of the organization, I was determined to study the internal processes to improve efficiency and focus our efforts to enhance customer service. Thus, in three months, I reviewed the current business processes, manuals and policies in place and established that we have a lot of room for improvement and growth. With the unwavering support of the management and staff, I am sure; together we will take STCBL to greater heights.

With renewed hope and blessings of the TSA-WA-SUM, we commit to put in our best efforts and work with TSHA-JA to improve the company's performance in 2020. On that note, on behalf of the staff and management of STCBL, I would like to express my gratitude to our valued customers, our business partners and to the Board for their continuous guidance and support.

Tashi Delek!

A handwritten signature in blue ink, appearing to be 'Kuenga Namgay', written in a stylized, cursive script.

Kuenga Namgay
Chief Executive Officer

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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.

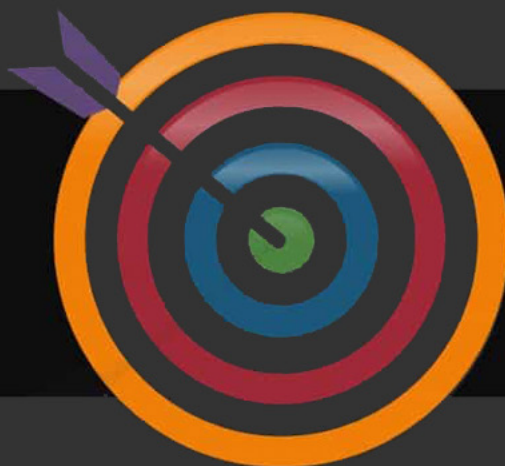
STCBL was registered as a limited company under The Companies Act of the Kingdom of Bhutan from 5 March, 1996. The Royal Government of Bhutan holds 51% share. Whereas to enable public participation in the activities of the Corporation, the government in 1997 floated 49% of its shares in the open market.

OUR VISION & MISSION



VISION

'The first choice for quality and trust.'

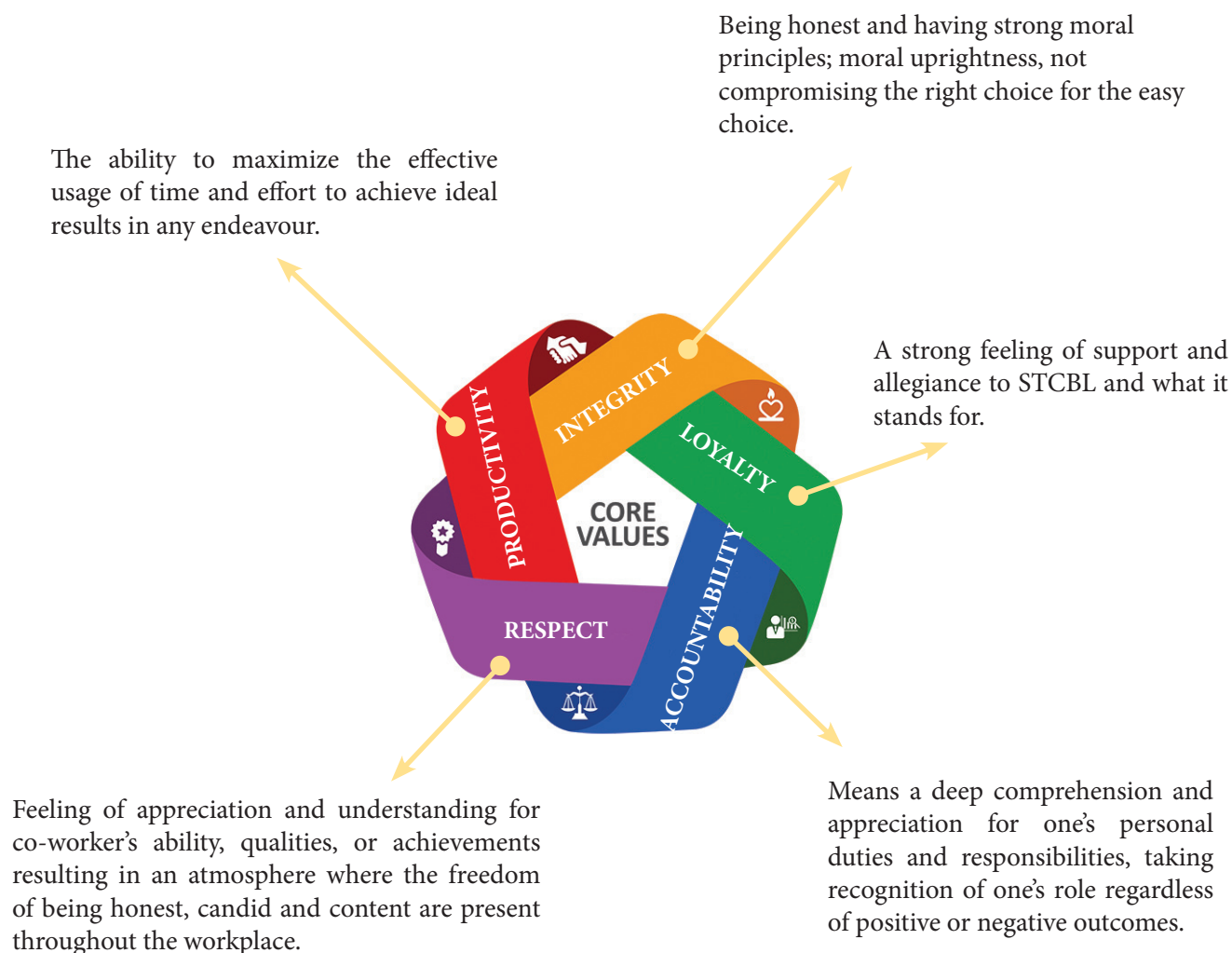


MISSION



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

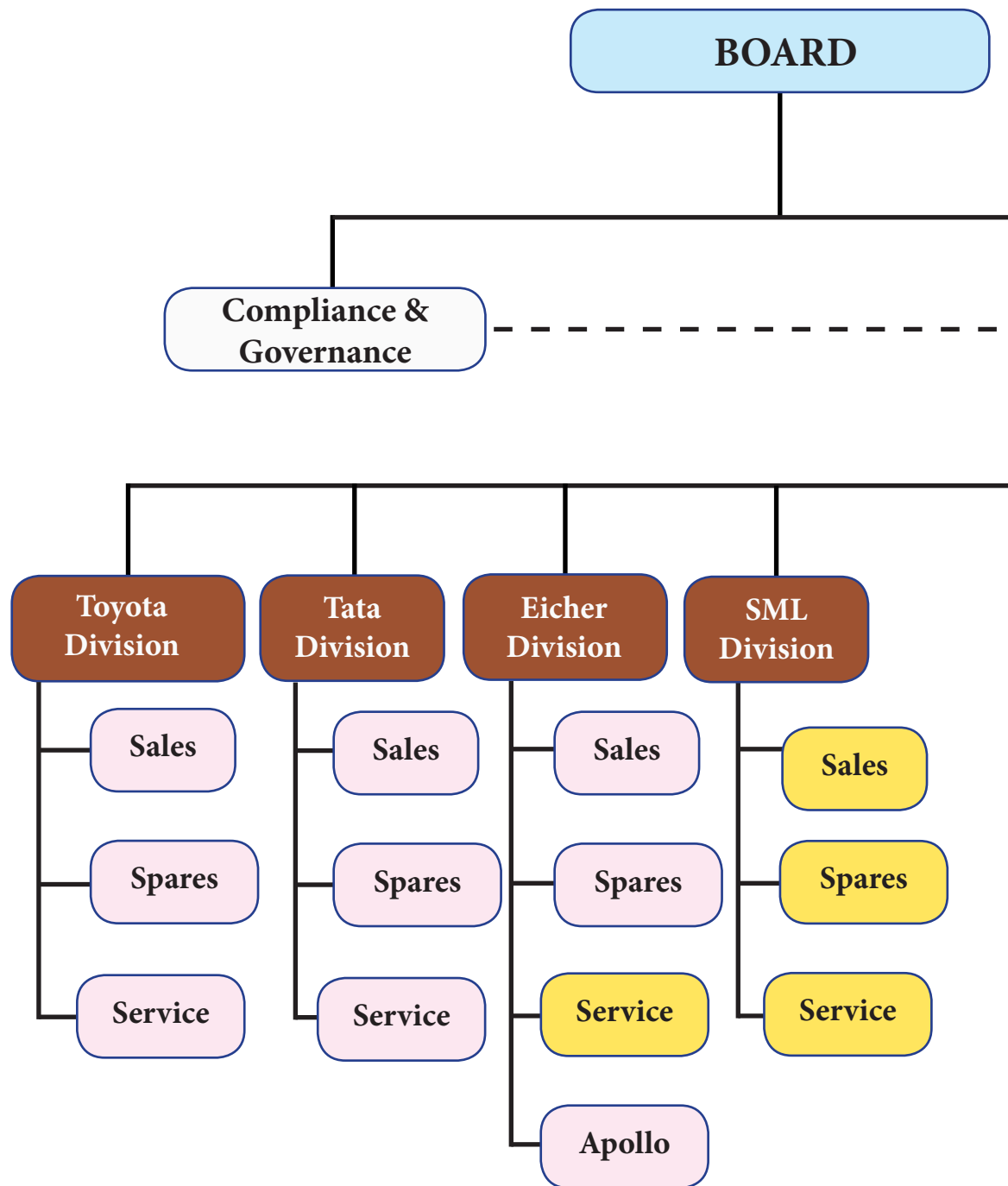
CORE VALUES

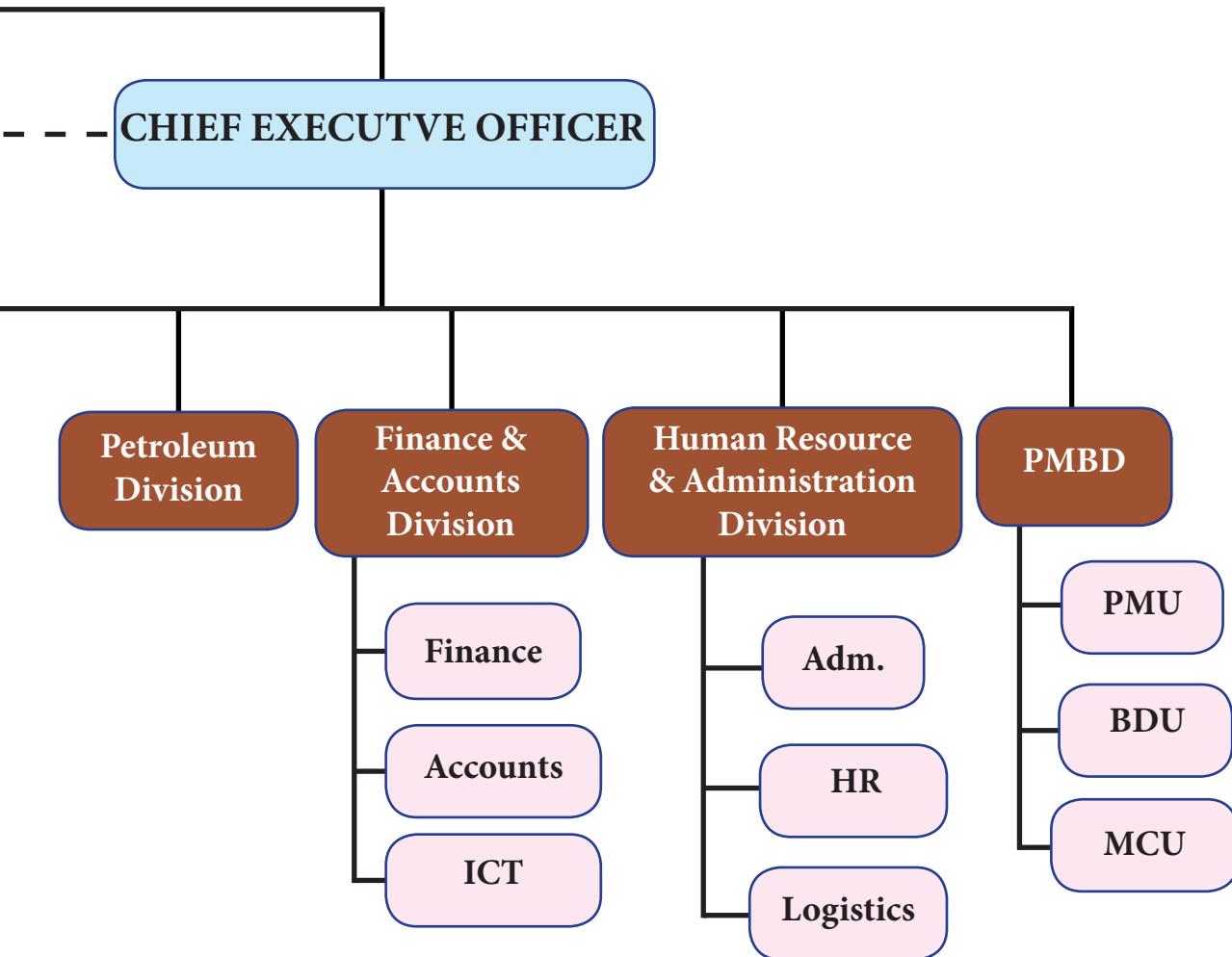



Key Financial Highlights (Past Five Years)

Particular	Year		Growth	
	2019	2015	Absolute	%
Net worth (Nu. Million)	1,396,897,913	693,403,530	703,494,383	101.46%
Revenue (Nu. Million)	2,174,508,194	2,180,129,114	(5,620,921)	-0.26%
Profit (Nu. Million)	44,558,651	71,821,569	(27,262,918)	-37.96%
Fixed Assets (Nu. Million)	300,382,032	87,330,423	213,051,609	243.96%
Reserves & Surplus (Nu. Million)	301,155,541	174,172,885	126,982,656	72.91%
Inventory Turn Over Ratio	3.37	6.12	(2.75)	-44.89%
Net Profit Ratio	2.05	3.29	(1.25)	-37.80%
Earnings Per Share (Nu. Million)	2.48	3.96	(1.48)	-37.49%

ORGANIZATIONAL STRUCTURE





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

BOARD OF DIRECTORS



Dasho Karma Yeshey

Chairman

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



Rinchen Dorji

Managing Director, RSA Pvt. Ltd.

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 Kinzang Dorji

Haa Dzongda

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



Tshering Om

Chief, Member Loan Division, National Pension and Provident Fund

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

**Karma Choden**

Company Secretary, Druk Holding and Investments Ltd.

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

**Lhundub Dorji**

Managing Director, E.W Construction Pvt. Ltd

Lhundub Dorji is the Managing Director of E.W Construction Pvt. Ltd. He served as a Director of Works and Housing Plan - Central Urban Development and Engineering Services in 1989 to 1993, Managing Director of Bhutan Government Transport Service in 1978 to 1988 and as a Mechanical Engineer for Government Workshop in 1975 to 1978.

**Kuenga Namgay**

Chief Executive Officer, STCBL

Kuenga Namgay is the Chief Executive Officer of STCBL. He began his career as an Assistant Engineer in 1991 and has served at various levels of position during his 28 years of service in Druk Green Power Corporation Limited. He received his Master of Science in Mechanical Engineering from Toyohashi University of Technology, Japan. He earned his degree in Bachelors of Science in Mechanical Engineering from Aligarh Muslim University, Uttar Pradesh, India.



Management Team with employees at Panbang, Zhemgang during Work Rereat 2019

STCBL MANAGEMENT TEAM		
Sl. No.	Name	Designation
1	Kuenga Namgay	Chief Executive Officer
2	Chencho	Chief Finance Officer
3	Chador Wangdi	Director, Toyota Division
4	Ugyen Chada	General Manager, Tata Division
5	Sonam Nyeanda	General Manager, Eicher Division
6	Sugan Pradhan	General Manager, Petroleum Division
7	Dechen Wangdi	Dy. General Manager, Home Store Division
8	Pem Tshogay	Dy. General Manager, HRAD
9	Tashi Pemo	Head, PMBD
10	Tashi Euden Dorji	Company Secretary/Legal Counsel

DIRECTORS' REPORT



Dear Shareholders,

It gives me immense pleasure to present to you - on behalf of the board of directors, the management and staff of the State Trading Corporation of Bhutan Limited - the Directors' Report for the year 2019.

OPERATIONAL HIGHLIGHTS

2019 was a year of significant changes. The explosives business, a front-runner in terms of revenue contribution for the past 50 years, was handed over to the Royal Bhutan Police. On the brighter side, no employees were relieved as STCBL diversified into petroleum business and the employees were retained and transferred to the division.

As for vehicle sales, the core business saw a drop of 5.8% or Nu 116 million in comparison to 2018 revenue generation. The total units of vehicle sales also dropped from 735 to 696, decline of 5.3%. Major hit was on export of boulders as it took a nosedive in revenue generation by 24% or Nu 16 million. The details are further explained under financial performance. Despite hindrances, STCBL managed to maintain a positive bottom line.

The year also bid farewell to Yeshey Selden, Managing Director since 2013 and welcomed Kuenga Namgay from Druk Green Power Corporation, as the new Chief Executive Officer of the company.

Internal Processes

The Management undertook various activities to review and strengthen the internal processes. One such activity is the Organizational Development exercise. The objective of the exercise is to institute an effective and efficient management system and employee engagement programs to ensure highest level of employee productivity.

To improve efficiency, manage workload and increase performance, the ERP (Enterprise

Resource Planning) software was upgraded from Dynamics NAV to Dynamics 365 Business Central. With the change in business portfolio, the Corporate Strategy Plan was reviewed and updated for the next three years, starting 2020.

Further, the company website was revamped to provide adequate information for our valued customers and enhance experience. Customers can now access product-wise information and provide feedback to improve our service.

HR Capacity Building

Every year technicians are sent ex-country for certification classes in order to enhance their knowledge and provide reliable and better services to customers. In 2019, one Toyota technician excelled and was certified as Toyota Diagnostic Technician (Engine) by Toyota Motors Corporation (TMC), Japan. As on date, STCBL has six technicians and one service manager certified by TMC.

As for training and development, Nu 5.32 million was spent to enhance skill sets of employees.

New Products and Services

In line with our mission to provide quality products and services to our valued customers, Toyota HiAce and RAV 4 Hybrid were launched at Le Meridien, Thimphu in July. Also lighting and flooring from China was introduced as part of Homestore product portfolio.

In terms of services, the Apollo tyres business was promoted to Apollo Super Zone, a premium branded retail visibility program for passenger vehicle category. A customer can now avail services such as tyre realignment, wheel balancing and tyre changer, providing him/her best tyre buying experience. The branded showroom is scheduled for launch in April 2020.

Tata Service Unit introduced Tata Service Van equipped with welding, pneumatic system, lube carrying unit and tools for quick and onsite service.

I am pleased to inform that the Customer Satisfaction Index increased from 3.5 to 3.9.

Awards and Recognition

In March, service advisor and one technician of Tata Division won the Annual Country Level TechFest and SkillFest contest. The contest is aimed to provide platform for technicians and advisors to showcase their ability at Country, Regional and International level.

During the Volvo Eicher Commercial Vehicle Limited (VECVL) Annual Dealer Conference at Indore, India, the Spare Parts Unit of Eicher Division was presented the Lube Award for distributor in small market category. Further, the manager and one sale executive of Eicher Spare Parts Unit was recognized for surpassing spare part sales target and was awarded certificate of appreciation and foreign trip to Italy and Vietnam respectively, by VECVL.

FINANCIAL PERFORMANCE HIGHLIGHTS

Income and Expenditure

STCBL achieved revenue from operations of Nu 2,174.51 million with a decline of Nu 133.24 million (5.77%) in comparison to revenue of 2018. Total expense of Nu 2,127.31 million was incurred during the financial year. The company registered a net profit of Nu 44.56 million, a decrease of Nu 23.03 million (34.07%) over 2018.

The decreasing automobile business globally and the change in government regulation for truck carrying capacity impacted the export business as well as the automobile business, especially commercial segment. In addition, closing of explosives business has also impacted the revenue (decrease in revenue by Nu 23.08 million compared to 2018). However, it is reassuring that the company has total market share of 49% in the commercial vehicle segment, surpassing our parallel competitors.

Financial Facts and Figures

The table below highlights the key financial facts and figures of the company for 2019:

PARTICULARS	FY 2018	FY 2019
Revenue (in million Nu)	2,348.66	2,192.43
Expenses (in million Nu)	2,234.07	2,127.31
Profit After Tax (in million Nu)	67.59	44.56
Long Term Liabilities (in million Nu)	113.23	135.39
Net Worth (in million Nu)	478.15	481.16
Earnings Per Share	3.75	2.48
Return on Capital Employed	14.14	9.26
Current Ratio	1.38	1.37
Trade Receivable Turnover Ratio	50.41	59.63
Inventory Turnover Ratio	5.09	3.44
Net Profit Ratio	2.93%	2.05%
Fixed Asset	319.06	300.38
Capital Work in Progress	2.07	13.12

In 2019, sales of non-automobile business registered a decline of Nu 17.12 million or 5.82% over 2018 sales of Nu 293.99 million. As for automobile business, a total of Nu 1,897.64 million was generated which is a decline of Nu 116.12 million or 5.77% over 2018 sales of Nu 2,013.76 million. Thus to the total revenue, the automobile business contributed 87% and 13% from non-automobile business.

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

SI NO.	Division / Unit	Revenue (Nu.)	Contribution to Revenue (%)
1	Toyota Division	921.22	42%
2	Tata Division	534.85	25%
3	Eicher Division	441.58	20%
4	IT Unit	35.97	2%
5	Explosive Unit	87.85	4%
6	Homestore	102.23	5%
7	Export	50.83	2%

Concerning trade receivables, 61% or Nu 209.18 million of the total trade receivables were recovered from an opening balance of Nu 369.04 million pertaining to FY 2007 to 2018. Moreover, 86% (or Nu 1,822.70 million) out of 2019 sales of Nu 2,192.43 million has been collected during the year.

The Company achieved a score of 85.81% 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 19 January to 12 February 2020 in accordance with the International Standards on Auditing (ISAs) and the relevant provisions of The Companies Act of Bhutan 2016. The Statutory Auditors' Report consists of Statement of Financial Position, Statement of Comprehensive Income, Statement of Change in Equity and Statement of Cash Flow for the year ended 31 December 2019 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 15%.

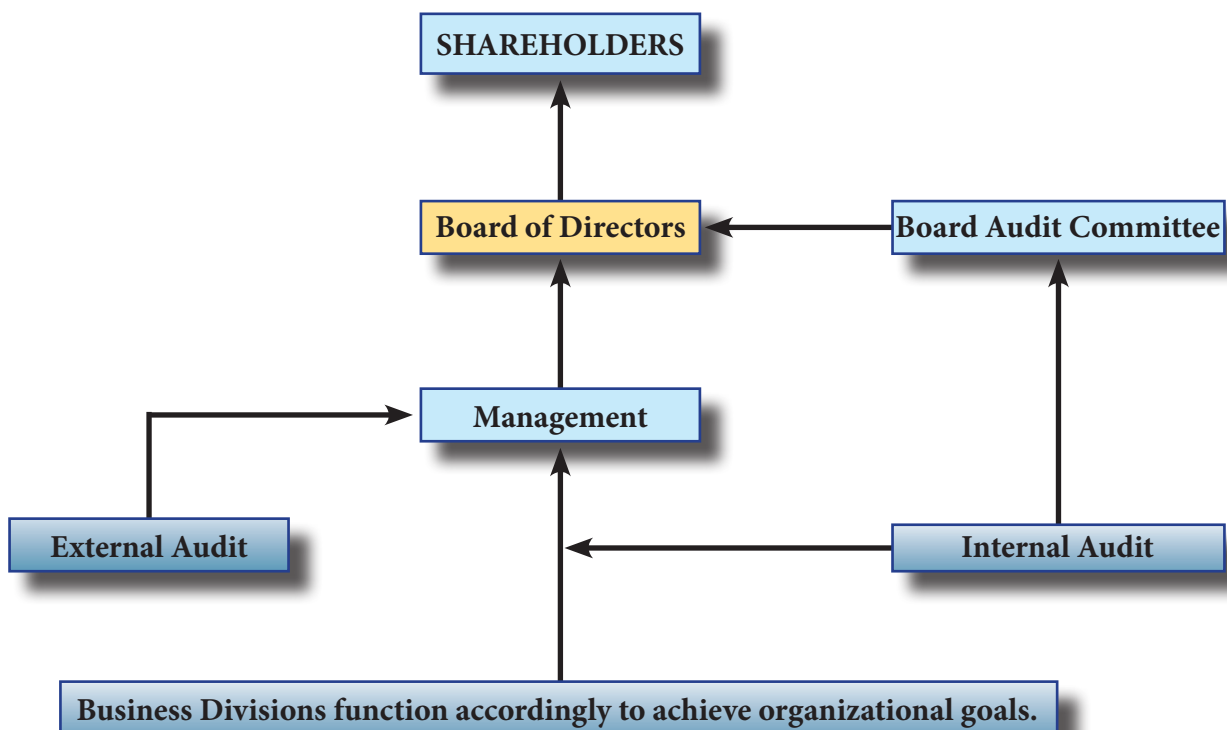
CORPORATE GOVERNANCE

The best of corporate governance and management practices are continuously adopted and implemented with the support extended from DHI and the Registrar of Companies, Ministry of Economic Affairs. The destination statement, mission and vision drive the functions of the company.

The STCBL Board constitutes of seven Board Directors including the Chief Executive Officer. In 2019, the Board met eleven times to review the company's performance and for selection of CEO.

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

STCBL CORPORATE GOVERNANCE



CORPORATE SOCIAL RESPONSIBILITY

The company launched its first-ever CSR project in 2018 coinciding with the company's golden jubilee celebration. STCBL had committed to build houses in Larsarp village for 15 households (phase-wise) and toilets for Chimuna Primary School. In 2019, the eight units toilet was handed over to the school and six houses to beneficiaries. For 2020, five more houses are in pipeline for construction.

Likewise, for the employees of grade 15 and below, the company provides school uniforms, shoes and bag for their children and subsidized lunch to technicians, janitors, security guards and drivers.

CHALLENGES AND WAY FORWARD

The total industrial volume globally for automobile business is foreseen to decrease further in 2020 however; concerted efforts will be put to meet the target for the year. New entrants in the market and cutthroat competition particularly in the automobile segment are STCBL's key challenges. To keep up, the company shifted focus on petroleum business and expected to commission at least three fuel retail outlets by end of 2020. The foremost Fuel Retail Outlet in partnership with Hindustan Petroleum Corporation Ltd. (HPCL) was commissioned on 11 March 2020. Our outlets will be differentiated from the competitors, on quality of service and product. Besides fuel, the outlets offer safe drinking water, clean rest rooms and free air service for customers.

Considering the economic environment remains favorable, the revenue from operations for 2020 is projected at Nu 2,744 million with a growth of 26% as compared to revenue of 2019. As such, the net profit is projected at Nu 72 million, an increase of 64% in comparison to the previous year.

Keeping the 2020 theme 'Commitment to Quality and Reliability' in mind, improving customer service and enhancing customer experience will take center stage. Customer Loyalty Programs and rewards through Customer Relation Module will be launched as a means to connect with loyal customers. Marketing and Communication Unit will be set up with an aim to expand reach of STCBL products and services through one window. Diversification into

after-sales services will be explored for commercial and light vehicles. Land for setting up of 11 fuel retail outlets across the country will be identified and confirmed. To improve business processes, policies, manuals and plans will be revised and developed for implementation.

Regardless of what the year may bring, STCBL will continue to build trust by providing quality products and services to our valued customers; and create value by leveraging on technology and people.

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 Chief Executive Officer. The Board provides strategic guidance and monitors the performance of the company on a quarterly basis. In 2019, the Board met eleven times to review the Company's performance and to provide necessary inputs. The Board Audit Committee (BAC) convenes to study and resolve audit issues of the company. Board Level Committees are also formed for tender awards, recruitment for executive category etc.

Board Directors

Sl No.	Name	Address	Date of Appointment	Status	Term
1	Dasho Karma Yeshey	Secretary, Ministry of Education, Thimphu	05 Jun 2018	Independent	First
2	Dasho Dorji Tshering	Dzongda, Thimphu Dzongkhag	08 Mar 2017 (Retired on 27 Mar 2019)	Independent	First
3	Dasho Kinzang Dorji	Dzongda, Haa Dzongkhag	27 Mar 2019	Independent	First
4	Rinchen Dorji	Managing Director, RSA Pvt. Ltd., Phuntsholing	11 Mar 2016	Non- independent	Fourth
5	Dorji Kadin	Director, BoBL	08 Mar 2017 (Retired on 27 Mar 2019)	Non- independent	First
6	Tshering Om	Chief, Member Loan Division, NPPF	27 Mar 2019	Non- independent	First
7	Lhundub Dorji	Managing Director, E.W Construction Pvt. Ltd. Thimphu	24 Nov 2017	Non- independent	First
8	Karma Choden	Company Secretary, DHI, Thimphu	05 Mar 2018	Non- independent	Second
9	Yeshey Selden	Managing Director, STCBL	08 Jul 2016 (Retired on 08 Jul 2019)	By Default	Second
10	Kuenga Namgay	Chief Executive Officer, STCBL, Thimphu	02 Sep 2019	By Default	First

Board Meetings

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

Board Meeting No.	Date	Members Present	Leave of Absence
109	11 Jan 2019	1. Dasho Karma Yeshey 2. Dasho Dorji Tshering 3. Rinchen Dorji 4. Lhundub Dorji 5. Karma Choden 6. Yeshey Selden	1. Dorji Kadin
110	27 Mar 2019	1. Dasho Karma Yeshey 2. Dasho Dorji Tshering 3. Rinchen Dorji 4. Lhundub Dorji 5. Dorji Kadin 6. Karma Choden 7. Yeshey Selden	None
111	08 May 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Tshering Om 6. Karma Choden	1. Yeshey Selden
112	22 May 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Tshering Om 6. Karma Choden 7. Yeshey Selden	None
113	31 May 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Tshering Om 6. Karma Choden	1. Yeshey Selden
114	11 Jun 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Lhundub Dorji 4. Tshering Om 5. Karma Choden	1. Rinchen Dorji 2. Yeshey Selden
115	04 Jul 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Lhundub Dorji 4. Tshering Om 5. Karma Choden	1. Rinchen Dorji

Board Meeting No.	Date	Members Present	Leave of Absence
116	22 Jul 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Karma Choden	1. Tshering Om
117	30 Jul 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Tshering Om 6. Karma Choden 7. Chador Wangdi, Offtg. CEO	None
118	09 Nov 2019	1. Dasho Karma Yeshey 2. Dasho Kinzang Dorji 3. Rinchen Dorji 4. Lhundub Dorji 5. Tshering Om 6. Karma Choden 7. Kuenga Namgay	None
119	28 Dec 2019	1. Dasho Kinzang Dorji 2. Rinchen Dorji 3. Lhundub Dorji 4. Tshering Om 5. Kuenga Namgay	1. Karma Choden

Board Committees

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

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

Sl. No.	Name of the Committee Meeting	Number of Meetings conducted	Date	Members Present	Leave of Absence
1	Board Audit Committee	4	29 Jul 2019	1. Dasho Kinzang Dorji (Chairman) 2. Karma Choden 3. Tshering Om 4. Ugyen Wangdi	None
			3 Sep 2019		
			19 Sep 2019		
			18 Dec 2019	1. Dasho Kinzang Dorji (Chairman) 2. Karma Choden 3. Ugyen Wangdi	1. Tshering Om

Sl. No.	Name of the Committee Meeting	Number of Meetings conducted	Date	Members Present	Leave of Absence
2	Board Level Tender Committee	4	22 Mar 2019	1. Dasho Dorji Tshering (Chairman) 2. Dorji Kadin 3. Yeshey Selden 4. Menuka Chhetri 5. Tashi Euden Dorji	None
			13 Aug 2019	1. Lhundub Dorji (Chairman) 2. Tshering Om 3. Chador Wangdi 4. Chencho 5. Sugan Pradhan	None
			27 Sep 2019	1. Tshering Om (Chairperson) 2. Karma Choden 3. Kuenga Namgay 4. Chencho 5. Tashi Pemo	None
			29 Nov 2019	1. Karma Choden (Chairperson) 2. Lhundub Dorji 3. Kuenga Namgay 4. Chencho 5. Chador Wangdi	None
3	Board HRC	1	4 Jul 2019	1. Lhundub Dorji (Chairman) 2. Karma Choden 3. Tshering Om 4. Pem Tshogay	None

Annual General Meeting

The 23rd Annual General Meeting for the Company was held on 14 March 2020 at Board Room, Head Office, Thimphu. The AGM passed the following resolution:

- Approved the Audited Accounts for Financial Year Ended 2019 along with Auditors Report and Directors' Report.
- The meeting approved and declared 15% dividend for the year 2019.

SBA Associates

CHARTERED ACCOUNTANTS

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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 31st December 2019, 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, subject to 'Emphasis on Matter paragraph', the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2019 of its financial performance and its cash flows for the year then ended in accordance with the Bhutanese Accounting Standards (BASs).

Basis of Opinion:

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

Emphasis on Matter:

Post discontinuation of the company's Explosive Business during the year and its subsequent handover to the Royal Bhutan Police, a negative balance of Nu. 854,461.97 stood against the Explosive Inventory, for which no proper explanation has been provided.



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 there in to the extent applicable.



1.1 In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements together with significant accounting policies and notes on accounts give the information required by the Act in the manner so required and also give-

- i. In the case of Statement of Financial Position, of the state of affairs of the Company as at 31st December 2019,
- ii. In the case of Statement of Comprehensive Income, the Company's profit for the year ended on that date,
- iii. In the case of the Statement of Cash Flow, of the cash flows of the Company for the year ended on that date, and
- iv. In the case of the Statement of changes in Equity, of the equity of the Company for the year ended on that date.



For SBA Associates
Chartered Accountants
Firm Registration No. 308136E

A handwritten signature in black ink, appearing to read "S.K. Majumdar".

S.K. Majumdar
Partner
Membership No: 051637
UDIN- 20051637AAAAAF5420

Place: Kolkata

Date: 03 /06/ 2020

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. Value of shortages found during physical verification (has been transferred to staff advance account with)/ are being recovered from employees at selling price and shown under other income.
6. The Company has taken unsecured loan amounting to Nu. 300 million from one of its group company, Druk Green Power Corporation Limited 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 an 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. 32) 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 disputed amounts payable in respect of rates, taxes and duties and other statutory dues as on 31 December 2019.
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. Stores & spares have been written off during the year in accordance to shortage/dead stock identified by internal auditor.
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. Considering the market parlance, the engagement team is of the opinion that there is no requirement of incorporating any stringent credit rating policy.
25. 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.
26. 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 December 18 as a first installment. And final amount of Nu. 172,063.50 was received vide MR No. 255641 dated 06 December 19.



27. 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.
28. 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.
29. In our opinion and according to the information and explanations given to us, the Company has established an effective budgetary control system.
30. Being a non-manufacturing concern, question of standard costing and variance analysis does not arise.
31. The details of remuneration, commission and other payments made to the Managing Director cum Chief Executive Officer of the Company are disclosed in Note 32 (a) to Financial Statements.
32. As informed, all the directives of the Board have been complied with.
33. 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, the Company has a proper disaster recovery plans, the company has devised backup facilities at both Phuentsholing and Thimphu office.
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 December 2019 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	2019	2018	Remarks
1	Current Ratio = Current Assets/ Current Liabilities	1.37	1.36	Current Assets has increased proportionately more in 2019 as compared to 2018
2	Acid Test Ratio = Current Assets other than inventories/Current Liabilities	0.65	0.62	Current Assets other than inventories has increased proportionately more in 2019 as compared to 2018
3	Fixed Assets Turnover Ratio = Sales / Fixed Assets	6.67	7.43	Due to decrease in Sales
4	Inventory Turn Over Ratio = Cost of Goods Sold/ Average Inventory	3.44	5.08	Due to increase in Inventory
5	Trade Receivable Turn Over Ratio = Debtors x 365/ Sales	59.63	50.62	Due to increase in Trade Receivable and decrease in sales
6	Return on Investment = Profit after tax x 100/capital Employed	9.26	14.41	Due to decrease in Profit after Tax
7	Net Profit Ratio = Net Profit x 100/ Sales	2.05	2.87	Due to decrease in Profit after Tax
8	Earnings per Share = Profit after Tax/ No. of Equity Shares	2.48	3.77	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 2019, 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.



Place: Kolkata
Date: 03/06/2020

For SBA Associates
Chartered Accountants
Firms Registration No. 308136E

A handwritten signature in black ink, appearing to read "S.K. Majumdar".

S.K. Majumdar
Partner
Membership No: 051637
UDIN- 20051637AAAAAF5420

State Trading Corporation Of Bhutan Limited
Thimphu, Bhutan

Statement Of Financial Position as at December 31, 2019

Amounts in Ngultrum (BTN)

	Note	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	2	300,382,032	319,057,534	118,803,335
Capital working-in-progress	3	13,115,871	2,069,276	206,225,657
Non-current tax assets	4	12,736,170	-	-
Deferred tax assets	5	-	-	5,184,380
Total non-current assets		326,234,073	321,126,811	330,213,372
Current assets				
Inventories	6	564,960,887	541,642,423	258,015,006
Investments	7	11,311,590	10,617,229	10,092,202
Trade and other receivables	8	355,264,876	318,701,948	227,871,326
Cash and cash equivalents	9	57,470,697	39,710,393	35,739,773
Other current assets	10	81,359,769	64,778,072	89,006,532
Total current assets		1,070,367,819	975,450,066	620,724,839
Assets classified as held for sale	11	296,021	296,021	296,021
TOTAL ASSETS		1,396,897,913	1,296,872,897	951,234,231
EQUITY AND LIABILITIES				
Equity				
Equity share capital	12	180,001,600	180,001,600	180,001,600
Other equity	13	301,155,541	298,152,768	266,629,617
Total equity		481,157,141	478,154,368	446,631,217
Non-current liabilities				
Long term borrowings	14	113,212,469	99,450,584	97,873,323
Other payables	15	1,133,508	663,060	132,612
Employee benefits obligation	16	17,691,814	11,139,114	9,553,474
Deferred tax liabilities	5	3,355,167	1,978,450	-
Total non-current liabilities		135,392,958	113,231,208	107,559,409
Current Liabilities				
Short term borrowings	17	392,893,509	278,186,075	156,101,750
Trade and other payables	18	234,447,069	259,588,466	66,666,968
Other current liabilities	19	150,885,729	164,172,661	172,298,955
Employee benefits obligation	20	2,121,507	1,496,827	1,811,520
Current tax liabilities	21	-	2,043,293	164,413
Provisions		-	-	-
Total current liabilities		780,347,814	705,487,321	397,043,606
Total liabilities		915,740,772	818,718,529	504,603,015
TOTAL EQUITY & LIABILITIES		1,396,897,913	1,296,872,897	951,234,231

Significant Accounting Policies

1

Notes to Financial Statement

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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

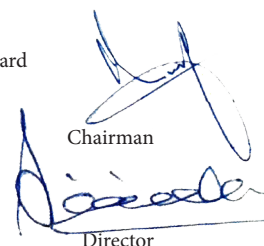
UDIN- 20051637AAAAAF5420

Place: Kolkata

Date: 03/06/ 2020



On behalf of Board



Chairman

Director



CEO

State Trading Corporation Of Bhutan Limited
Thimphu, Bhutan

Statement of Comprehensive Income for the year ended December 31, 2019

Amounts in Ngultrum (BTN)

	Note	31 December 2019	31 December 2018 (restated)
Income			
Revenue from operations	22	2,174,508,194	2,307,745,700
Other income	23	17,920,234	40,914,914
Total revenue		2,192,428,428	2,348,660,614
Expenses			
Purchases of stock-in-trade			
Changes in inventories of stock-in-trade	24	1,928,923,667	2,316,867,025
Employee benefit expenses	25	(23,318,464)	(280,426,133)
Finance costs	26	88,963,131	72,095,010
Depreciation expense	2	34,359,961	28,109,137
Other expenses	27	19,164,185	19,532,639
Total expenses		79,216,624	77,887,662
Profit before tax		2,127,309,105	2,234,065,339
Tax expenses	28	65,119,323	114,595,275
Current tax expense		18,774,606	39,854,024
Deferred tax expense		1,786,067	7,153,526
Net profit for the year		44,558,651	67,587,725
Other comprehensive income			
Remeasure gain/ (loss) on defined benefit plans		(5,365,059)	103,822
Income tax relating to component for other comprehensive income		1,609,518	(168,076)
Other Comprehensive income for the year, net of tax		(3,755,541)	(64,254)
Total comprehensive income for the year		40,803,109	67,523,471

Earning Per Share 29 2.48 3.75

Significant Accounting Policies

Notes to Financial Statement

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

S.K. Majumdar
(Partner)
Membership No. 051637
UDIN- 20051637AAAAAF5420



Place: Kolkata
Date: 03/06/2020

On behalf of Board

[Signature]
Chairman

[Signature]
Director

[Signature]
CEO


State Trading Corporation Of Bhutan Limited
Thimphu, Bhutan

Statement of Cash Flow for the year ended December 31, 2019

Amounts in Ngultrum (BTN)

	December 31, 2019	December 31, 2018
Cash flow from operating activities		
Profit before tax	65,199,323	114,595,275
Depreciation	19,164,185	19,532,639
Loss/(gain) on property, plant and equipment	(282,668)	-
Interest expense	34,359,961	28,109,137
Interest income	(6,451,831)	(8,192,765)
Provision no longer required written back	-	(3,201,284)
Deferred rent	470,448	530,448
Prepaid rent	46,500	-
Unrealised foreign exchange loss/(gain)	(72,592)	238,177
Write-off of trade receivables	-	321,788
Provision for loss allowance	-	6,658,333
Net profit from operating activities before working capital changes	112,353,327	158,591,747
Adjustment for:		
(Increase)/Decrease in inventory	(23,318,464)	(280,426,133)
(Increase)/Decrease non-current/current financial and other assets	(105,373,127)	(77,017,726)
Increase/(Decrease) non-current/current financial and other liabilities/provisions	15,136,301	185,186,268
	(113,555,290)	(172,257,592)
Cash generated from operating activities	(1,201,963)	(13,665,844)
Income tax paid	32,353,301	37,604,826
(i) Net cash from operating activities	(33,555,865)	(51,270,670)
Cash flow from investing activities		
Interest received	6,508,712	10,002,355
Investment in fixed deposits	(11,035,698)	(10,258,543)
Proceeds from maturity of fixed deposits	10,258,543	9,260,502
Investments in property, plant and equipment	(13,434,082)	(15,630,306)
Sale of asset	2,181,321	-
(ii) Net cash from (used in) investing activities	(5,521,204)	(6,625,992)
Cash flow from financing activities		
Interest on loans paid	(34,359,961)	(28,620,064)
Proceeds from short term borrowings	300,000,000	221,518,571
Repayments of short term borrowings	(185,292,566)	(99,434,246)
Proceeds from long term borrowings	20,000,000	18,627,489
Repayment of long term borrowings	(5,782,356)	(13,985,972)
Dividend Paid	(37,800,336)	(36,000,320)
(iii) Net cash from (used in) financing activities	56,764,781	62,105,458
Net Increase/Decrease in Cash & Cash Equivalent (i+ii+iii)	17,687,712	4,208,796
Cash and cash equivalent in the beginning of the financial year	39,710,393	35,739,773
Effect of exchange rate changes on cash and cash equivalents	72,592	(238,177)
Cash and cash equivalent in the end of the financial year	57,470,697	39,710,393

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



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



Place: Kolkata
Date: 03/06/ 2020

On behalf of Board


Chairman


Director


CEO

State Trading Corporation Of Bhutan Limited
Thimphu, Bhutan

Statement of Changes in Equity for the year ended December 31, 2019

Amounts in Ngultrum (BTN)




A. Equity share Capital

	Amount
As at 1st January 2018	180,001,600
Changes in equity share capital	
As at 31 December 2018	180,001,600
Changes in equity share capital	
As at 31 December 2019	180,001,600

B. Other equity

	Reserves and surplus Retained earnings	Total other equity
Balance at 1 January 2018	259,197,109	259,197,109
Correction of error (net of tax)	7,432,508	7,432,508
As at 1 January 2018 (restated)	266,629,617	266,629,617
Divident for the year	(36,000,320)	(36,000,320)
Profile for the year (restated)	67,587,725	67,587,725
Other comprehensive income, net of tax (restated)	(64,254)	(64,254)
As at 31 December 2018	298,152,768	298,152,768
Balance at 1 December 2018	291,053,008	291,053,008
Correction of error (net of tax)	7,099,760	7,099,760
As at 1 January 2019 (restated)	298,152,768	298,152,768
Divident for the year	(37,800,336)	(37,800,336)
Profile for the year	44,558,651	44,558,651
Other comprehensive income, net of tax (restated)	(3,755,541)	(3,755,541)
As at 31 December 2019	301,155,541	301,155,541



State Trading Corporation Of Bhutan Limited

Notes to Financial Statement for ther year ended December 31, 2019

1)A Reporting Entity

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

The financial statements were authorised for issue by the board of directors on 7 March 2020.

B Significant Accounting Policies

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

i. Basis of preparation

a) Compliance with BAS/BFRS

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

b) Historical cost convention

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

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

c) Current and non-current classification

The Company presents assets and liabilities in the Balance Sheet based on current/ non-current classification. An asset is classified as current when it is:

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

- a) It is expected to be settled in normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after reporting period.
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

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



ii. **Use of estimates**

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

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

iii. **Revenue recognition**

Revenue is recognised upon transfer of control of promised products or services to the customer at the consideration which the Company has received or expects to receive in exchange of those products or services, net of discounts, rebates, returns and taxes and amounts collected on behalf of third parties. Revenue is recognised when, or as, each distinct performance obligation is satisfied. The main categories of revenue and the basis of recognition are as follows:

a) **Sale of traded goods**

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

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

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

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

b) **Service revenue**

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

c) **Interest income**

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

d) **Other income**

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



iv. **Property, plant and equipment**

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

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

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

b) **Subsequent costs**

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

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

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

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



V. **Foreign currency**

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates. The functional currency of STCBL is Bhutanese Ngultrum (Nu) which is also the presentation currency.

Transactions and balances

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

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

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

vi. Investments and other financial assets

(a) Initial measurement

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

(b) Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

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

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



Financial instruments measured at fair value through other comprehensive income:

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

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

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

Financial instruments measured at fair value through profit and loss:

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

(c) Impairment of financial assets

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

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

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

(d) Derecognition of financial assets

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

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

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

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

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

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



(b) Subsequent measurement

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

Financial Liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ losses are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(c) Derecognition

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



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

viii. Offsetting financial instruments

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy of the entity or the counterparty.

ix. Cash and cash equivalents

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

x. Provision, contingent liabilities and contingent assets

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are not recognized for future operating losses. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

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

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

xi. Income tax

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

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

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



Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

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

xii. Inventories

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

xiii. Employee benefits

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

a. Defined contribution plan (pension and provident fund)

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

b. Post-employment - Defined benefit plans

Gratuity

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

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

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



Transfer grant and travel allowance

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

Carriage Charge

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

c. Short term benefits

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

d. Earned leave encashment

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

xiv. Lease

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

Company as a lessee

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

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

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease.

Lease income from operating lease is recognized in income on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from leased asset is diminished.



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

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

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

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

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

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

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

xvii. **Borrowing costs**

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

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

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

xviii. **Operating segment**

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

xix. **Dividends**

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



xx. **Earnings per share**

a) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

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

b) **Diluted earnings per share**

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

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

xxii. **Comparative information**

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



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Note 2 : Property, plant and equipment

Amounts in Ngultrum (BTN)

Particulars	Freehold land	Buildings and civil structures	Furniture	Office equipment	Vehicles	Air conditioner	Loose tools	Plant & machineries	Central Heating System	Total
Gross block (restated)										
Balance at 1 January 2018	36,600,801	48,023,046	9,018,725	9,510,064	41,580,983	959,057	4,238,234	2,406,932	50,044,975	152,337,840
Additions	-	157,187,004	65,200	3,066,042	-	29,000	9,394,467	-	-	219,786,687
Adjustments/Disposals										
Balance at 31 December 2018	36,600,801	205,210,049	9,083,925	12,576,106	41,580,983	988,057	13,632,700	2,406,932	50,044,975	372,124,678
Balance at 1 January 2019	36,600,801	205,210,049	9,083,925	12,576,106	41,580,983	988,057	13,632,700	2,406,932	50,044,975	372,124,678
Additions			47,794	1,172,674		228,810	874,820	63,389		2,387,487
Adjustments/Disposals		2,137,547			1,466,163					3,603,710
Balance at 31 December 2019	36,600,801	203,072,502	9,131,719	13,748,780	40,114,820	1,216,867	14,507,520	2,470,321	50,044,975	370,908,455
Accumulated depreciation (restated)										
Balance at 1 January 2018	-	11,439,868	2,030,424	4,717,274	9,138,452	770,928	3,752,190	1,685,370		33,534,505
Adjustments/Disposals										
Depreciation for the year		6,360,546	913,056	1,203,424	6,419,445	72,317	1,717,755	343,847	2,502,249	19,532,639
Balance at 31 December 2018	-	17,800,415	2,943,479	5,920,698	15,557,897	843,244	5,469,944	2,029,217	2,502,249	53,067,144
Balance at 1 January 2019	-	17,800,415	2,943,479	5,920,698	15,557,897	843,244	5,469,944	2,029,217	2,502,249	53,067,144
Adjustments/Disposals		628,800	-	-	1,076,256					1,705,056
Depreciation for the year		6,175,800	837,975	1,392,998	6,387,240	64,201	1,456,552	347,170	2,502,249	19,164,185
Balance at 31 December 2019	-	23,347,415	3,781,454	7,313,696	20,868,880	907,445	6,926,496	2,376,388	5,004,497	70,526,272
Carrying Amount										
As at 31 December 2019	36,600,801	179,725,087	5,350,264	6,435,084	19,245,940	309,422	7,581,024	93,933	45,040,477	300,382,032
As at 31 December 2018	36,600,801	187,409,634	6,140,445	6,655,408	26,023,087	144,812	8,162,756	377,715	47,542,726	319,057,534
As at 1 January 2018	36,600,801	36,583,177	6,988,301	4,792,790	32,442,531	188,129	486,044	721,562		118,803,335



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Note 4 : Non-current tax assets

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018	1 January 2018
Advance tax	51,743,454	-	-
Less: Provision for tax	39,000,283	-	-
Total	12,736,170	-	-

Note 5 : Deferred tax assets

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Deferred tax assets			
Effective interest rate on borrowings	-	-	153,278
Employee benefit obligations	1,770,595	1,047,618	1,105,411
Deferred revenue	1,175,630	1,268,173	1,283,756
Deferred rent	340,052	198,918	39,784
Other	-	-	7,030,131
	3,286,277	2,514,709	9,612,359
Deferred tax liabilities			
Property, Plant and equipment	1,038,395	1,515,987	1,984,065
Recognition of revenue as per BFRS 15	1,05,204	997,430	1,405,580
Inventory	4,597,845	1,965,792	1,038,335
Prepaid lease rentals	-	13,950	-
	6,641,443	4,493,159	4,427,979
Total	(3,355,167)	(1,978,450)	5,184,380

Note 6 : Inventories

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Trading stock	520,792,699	407,678,433	261,216,290
Goods-in-transit	44,168,188	133,963,990	-
	564,960,887	541,642,423	261,216,290
Less: Provision for obsolescence & shortages	-	-	3,201,284
Total	564,960,887	541,642,423	258,015,006

Note 7 : Investment

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Fixed deposits with maturity more than 3 months	11,035,698	10,258,543	9,260,502
Interest accrued and not due on fixed deposit	275,892	358,687	831,700
Total	11,311,590	10,617,229	10,092,202



Note 8 : Trade and other receivables

	31 December 2019	31 December 2018 (restated)	1 January 2018(restated)
Unsecured, considered good	403,999,674	322,975,364	234,406,305
Debtors suspense	47,107,077	47,107,077	40,448,744
Trade receivables (Unsecured, considered good)*	(78,331,032)	(25,513,117)	(23,378,177)
Interest accrued and due on sale made on deferred settlement terms*	372,775,719	344,569,324	251,476,871
Interest accrued but not due on sale made on deferred settlement terms*	3,429,361	2,191,808	1,937,163
Less: Provision for loss allowance	74,767	93,025	132,678
	47,107,077	47,107,077	40,448,744
	329,172,770	299,747,080	213,097,969
Earnest money deposits	-	0	247,300
Security deposits	8,059,524	5,584,970	5,249,792
Other receivable (Net of provision of Nu. 1,800,000 (2018: Nu. 1,800,000, 2017: Nu. 1,800,000)	13,601,815	9,475,568	6,438,914
Recoverable from employees	4,430,767	3,894,330	2,837,351
Total	355,264,876	318,701,948	227,871,326

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

Note 9 : Cash and cash equivalents

	31 December 2019	31 December 2018	1 January 2018
Cash and Cash Equivalents			
Cash at bank	20,110,948	26,498,783	11,561,581
2005 BOB A/C 204..0016 Thimphu	221,546	1,966,799	2,027,183
1524 BOB A/C 207..0017 Thimphu	6,439,446	18,337,495	(660,703)
2026 BOB A/C 207..0013 Thimphu	1,897	1,000	3,188,005
2014 BOB - (GEN)	651	651	651
BOB for Tata Division	2,539,524	1,000	-
BOB for Eicher Division	861,859	291,387	-
BOB for Explosive Division	1,000	1,000	-
BOB for CASH Division (EXIM)	187,161	499,424	-
Bank of Bhutan FC Account	1,497,270	1,286,988	2,031,054
Bhutan National Bank	6,754,196	2,364,469	236,239
United Bank of India, Kolkata	319,396	205,506	524,445
Druk PNB	89,377	1,029,225	3,765,022
National Bank Limited	1,197,626	513,840	449,686
T Bank			
Cash on hand including cheques	3,115,512	188,879	248
Other bank balances*			
Margin money with banks against LC	31,343,149	11,506,837	22,693,683
Unclaimed dividend a/c	2,841,118	1,515,894	1,484,261
Total	57,410,727	39,710,393	35,739,773

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



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Note 10 : Other current assets

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)	1 January 2018(restated)
Advance to suppliers	79,891,423	63,360,752	88,447,308
Prepaid expenses	819,16	848,096	-
Advances for expenses	649,331	569,224	559,224
Total	81,359,769	64,778,072	89,006,532

Note 11 : Assets classified as held for sale

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018	1 January 2018
Land held for sale (net of provision of Nu. 888,062 (31-Dec-2018: Nu. 888:062, 1-Jan-2018: Nu. 888,062))	296,021	296,021	296,021
Total	296,021	296,021	296,021

Note: The management had decided to sell the land and it is actively looking for prospective buyers to complete the sale.

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. The fair values of the land was determined using market information.

Note 12 : Equity share capital

	31 December 2019	31 December 2018	1 January 2018
Authorised 50,000,000 equity shares of Nu.10 each	500,000,000	500,000,000	500,000,000
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.)	180,001,600	180,001,600	180,001,600
Total	180,001,600	180,001,600	180,001,600

(i) Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of Nu.10/- per share. Each holder of equity shares is entitled to one vote per share. Each holder of these ordinary shares are entitled to receive dividends as and when declared by the company.



(ii) Reconciliation of number of share outstanding

Particulars	31 December 2019		31 December 2018		1 January 2018	
	No. of Shares	Value	No. of Shares	Value	No. of Shares	Value
Equity Share at the beginning of the year Issued during the year	18,000,160	180,001,600	18,000,160	180,001,600	18,000,160	180,001,600
	-	-	-	-	-	-
Equity Share at the end of the year	18,000,160	180,001,600	18,000,160	180,001,600	18,000,160	180,001,600

(iii) Details of shareholding of the company

Name of the Share Holders	31 December 2019			31 December 2018			1 January 2018		
	%age	No. of Shares	Value	%age	No. of Shares	Value	%age	No. of Shares	Value
Druk Holding Investment Limited (DHI)	50.98	9,176,050	91,760,500	50.98	9,176,050	91,760,500	50.98	9,176,050	91,760,500
Bank of Bhutan Limited	-	-	-	-	-	-	7.06	1,270,440	12,704,400
Others	-	-	-	-	-	-	41.96	7,553,670	75,536,700
Financial institution	11.96	2,152,440	21,524,400	11.96	2,152,440	21,524,400	-	-	-
Dratshang	1.81	326,320	3,263,200	1.81	326,320	3,263,200	-	-	-
Institutional Investors	12.58	2,264,860	22,648,600	12.58	2,264,860	22,648,600	-	-	-
General Public	22.67	4,080,490	40,804,900	22.67	4,080,490	40,804,900	-	-	-
	100.00	18,000,160	180,001,600	100.00	18,000,160	180,001,600	100.00	18,000,160	180,001,600



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Note 13 : Other equity

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Retained Earnings	301,155,541	298,152,768	266,629,617

	31 December 2019	31 December 2018 (restated)
Retained Earnings		
Opening Balance	298,152,768	266,629,617
Add: Transferred from Statement of Comprehensive Income	40,803,109	67,523,471
	338,955,877	334,153,088
Less: Dividend paid during the year	37,800,336	36,000,320
Total	301,155,541	298,152,768

Nature and purpose

(i) Retained earnings

Retained earnings are the profits that the company has earned till date, less dividends or other distributions paid to shareholders.



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Note 14 : Long term borrowings

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Long term borrowings from Bank of Bhutan and NPPF	113,212,469	99,450,584	97,873,323
Total	113,212,469	99,450,584	97,873,323

Note:

(a) The Company has borrowed funds from Bank of Bhutan (BOB) amounting to Nu. 103,400,000 as on 15 September 2015 at a floating rate of MLR (Minimum Lending Rate) plus margin. The term loan is subject to moratorium period and thereafter repayable in equal monthly installments of Nu. 1,104,914 each starting from 1 July 2018. The said loan is secured by hypothecation of property (vehicles, plant and machinery, equipment and tools, stock, book debts and other assets) to BOB by way of first charge as security.

(b) The Company has borrowed funds from Bank of Bhutan (BOB) amounting to Nu. 5,100,000 as on 12 January 2017 at a floating rate of MLR (Minimum Lending Rate) plus margin. The term loan is repayable in equal monthly installments of Nu. 55,400 each starting from 1 February 2017. The said loan is secured by hypothecation of property (vehicles, plant and machinery, equipment and tools, stock, book debts and other assets) to BOB by way of first charge as security.

(c) The Company has borrowed funds from National Pension and Provident Fund (NPPF) amounting to Nu. 20,000,000 as on 11 September 2019 at a fixed interest rate of 7% per annum payable quarterly. The term loan is repayable in equal quarterly installments starting from 1 January 2021.

Note 15 : Other payables

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Deferred rent	1,113,508	663,060	132,612
Total	1,113,508	663,060	132,612

Note 16 : Employee benefits obligation - non-current

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Gratuity	12,588,994	7,909,307	6,639,333
Leave encashment	3,290,650	1,747,605	1,939,179
Travel allowance	540,227	360,472	240,172
Transport charge	731,716	761,258	494,618
Transfer grant	540,227	360,472	240,172
Total	17,691,814	11,139,114	9,553,474



Note 17 : Short term borrowings

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Overdraft with Bank of Bhutan	72,560,320	136,985,511	56,667,503
Overdraft with Druk PNB	18,957,830	91,200,564	-
Commercial paper	-	-	99,434,246
Short term loan from NPPF	1,375,358	50,000,000	-
Inter corporate loan	300,000,000	-	-
Total	392,893,509	278,186,075	156,101,750

Note:

(a) The Company has availed an overdraft facility from Bank of Bhutan (BOB) as on 5 August 2015 at a floating interest rate. The said loan is secured by hypothecation of property (vehicles, plant and machinery and tools) to BOB by way of first charge as security.

(b) The Company has borrowed working capital loan from Druk PNB with a fund based limit of Nu. 81 million at a fixed interest rate of 11.5% per annum. The said loan is secured by mortgage of company's property as collateral to Druk PNB .

(c) The company issued 1,000 units (FV of Nu. 100,000 per unit) of commercial paper from a bank amounting to Nu. 98,235,616 on 1 September, 2017 for 184 days at a discount rate of 3.5%. The said issue was secured against trade receivables amounting to Nu. 147.75 million and stock-in-trade worth Nu. 100 million.

(d) The Company has taken a term loan of Nu. 50 million from NPPF at a fixed interest rate of 10.5% per annum. The said loan repayable within 1 year from the date of disbursement.

(e) The Company has taken an inter-corporate loan from its Druk Holding and Investments Ltd. (DHI) as on 18 November 2019 at a fixed interest rate of 4.55% per annum for 164 days.

Note 18 : Trade and other payables

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Trade payables	156,015,402	98,216,438	36,842,788
Liability for purchase	44,200,233	134,415,739	60,396
Liability for expenses	4,798,880	5,738,988	3,395,266
Liabilities of un-withdrawn cheque	336,511	598,943	310,615
Current maturities of long-term borrowings	6,251,403	5,795,645	3,242,315
Earnest money deposits	670,000	60,000	-
Security deposit	3,095,500	3,053,500	2,787,632
Retention money	882,021	829,109	8,674,053
Unclaim dividend	2,804,213	1,430,439	1,398,806
Audit fees	126,788	126,788	120,750
Payable to employees for provident fund	665,886	665,886	306,747
Payable to employees	14,600,232	8,656,992	9,527,600
Total	234,447,069	259,588,466	66,666,968

* Unclaimed dividend represent cheques yet to be issued to the shareholders due to the absence of adequate information of the shareholders with the company.



Note 19 : Other current liabilities

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Advance from customers*	134,161,110	150,529,552	140,879,002
Deferred revenue*	3,918,765	4,227,242	4,279,186
Bhutan Sales Tax	12,805,854	9,415,867	27,140,767
Total	150,885,729	164,172,661	172,298,955

Note: * These are contract liabilities as per BFRS 15

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	31 December 2019	31 December 2018
Revenue recognised that was included in the contract liability balance at the beginning of the period - Sale of products and services	154,756,794	145,158,188

Note 20 : Employee benefits obligation - current

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Gratuity	1,322,344	1,234,573	1,040,958
Leave encashment	207,652	81,503	162,128
Travel allowance	128,461	46,208	143,068
Transport charge	334,589	88,335	322,298
Transfer grant	128,461	46,208	143,068
Total	2,121,507	1,496,827	1,811,520

Note 21 : Current tax liabilities

	31 December 2019	31 December 2018 (restated)	1 January 2018 (restated)
Provision for tax	-	33,869,063	65,436,479
Less: Advance tax	-	31,825,770	65,272,066
Total	-	2,043,293	164,413



State Trading Corporation of Bhutan Limited
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Note 22 : Revenue from operations

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)
Trading:		
Sale of products*	2,133,439,057	2,237,808,355
Sale of services*	29,592,661	23,599,455
HVAC Bhutan Spirit	-	15,298,576
HVAC BNB	11,476,475	31,039,314
Total	2,174,508,194	2,307,745,700

Note: *These represents revenue from customers and revenue recognised at a point in time.

Note: The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) is for expected period of upto one year or for obligation which corresponds with its right to consideration.

Note 23 : Other income

	31 December 2019	31 December 2018 (restated)
BST refund	-	22,404,117
Interest income from financial assets at amortised cost*	6,451,831	8,192,765
Recoveries of shortage for inventories	-	21,329
Gain on exchange fluctuation (net)	33,078	-
Gains/ (losses) on sale of property, plant and equipment	282,668	-
Commission and auction	-	48,337
Provision no longer required	-	3,201,284
Miscellaneous income	11,152,658	7,047,082
Total	17,920,234	40,914,914

Note: *These represents revenue from customers amounting to Nu. 5,716,847 (31 December 2018: Nu. 7,659,452)



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Note 24 : Changes in inventories of stock-in-trade

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)
Opening balance		
Traded goods	407,678,433	261,216,290
Goods-in-transit	133,963,990	-
Total opening balance	541,642,423	261,216,290
Closing balance		
Traded goods	520,792,699	407,678,433
Goods-in-transit	44,168,188	133,963,990
Total closing balance	564,960,887	541,642,423
Total	(23,318,464)	(280,426,133)

Note 25 : Employee benefit expenses

	31 December 2019	31 December 2018 (restated)
Pay and allowances	58,584,242	51,176,403
Provident fund contribution	4,198,507	3,114,212
Gratuity	2,560,302	1,844,053
Travel allowance	131,611	87,893
Transport charge	203,780	196,103
Transfer grant	131,611	88,606
Bonus and variable pay	14,614,399	10,284,591
Medical expenses	322,078	185,462
Staff training and development expenses	5,317,141	3,946,068
Uniform expenses	822,066	911,618
Welfare expenses	2,077,394	260,000
Total	88,963,131	72,095,010

Note 26 : Finance costs

	31 December 2019	31 December 2018 (restated)
Interest expense from financial instruments at amortised cost	34,359,961	28,109,137
Total	34,359,961	28,109,137

Note: The company has capitalised borrowings costs for specific purpose borrowings with the cost of the qualifying assets. Total interest capitalised is Nu. 425,753 (@7% per annum) (31 December 2018: Nil).



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Note 27 : Other Expenses

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)
<u>Administrative Expenses</u>		
Communication, internet and telephone charges	2,396,489	2,653,591
Fees and taxes	10,020,533	1,055,718
Printing and stationery including postage	2,005,184	1,910,714
General insurance	672,036	878,215
Electricity expenses	1,745,262	1,696,179
Lease rent	8,446,892	6,898,161
<u>Repairs and Maintenance</u>		
Repairs & maintenance Of buildings and civil structures	2,644,080	1,888,732
Repairs & maintenance Of furniture, fixtures and equipments	2,275,693	1,720,145
Running & maintenance Of vehicle	4,397,924	6,139,424
Running & maintenance Of other	325,668	364,957
<u>Travelling and Conveyance</u>		
Travelling expenses including foreign travels	14,319,469	15,563,708
<u>Others</u>		
Marketing & sales promotions	8,092,875	8,443,760
Board meeting expenses and sitting fees	2,486,270	992,969
Festivals & entertainment expenses	3,923,290	5,899,301
Free sample & complimantry	-	41,177
Miscellaneous expenses	7,226,583	12,508,884
Bank charges - others	728,567	703,938
Other consultancy charges	6,549,873	793,135
Provision for loss allowance	-	6,658,333
Write off of trade receivables	500,055	321,788
Losses on exchange fluctuation(net)	-	318,732
<u>Auditor's Remuneration</u>		
Audit Fee	126,788	126,788
Out of pocket expenses	333,094	309,312
Total	79,216,624	77,887,662



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Note 28(a) : Tax expense

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)
(a) Income tax expenses recognised in P&L		
<i>Current tax</i>		
Current tax on profit for the year	18,774,606	33,710,290
Current tax adjustment for earlier years	-	6,143,733
Total current tax expenses	18,774,606	39,854,024
<i>Deferred tax</i>		
Decrease/(increase) in deferred tax assets	(362,218)	7,088,346
(Decrease)/increase in deferred tax liabilities	2,148,285	65,180
Total deferred tax expenses	1,786,067	7,153,526
Income tax expenses recognised in P&L	20,560,673	47,007,550
(b) Income tax expenses recognised in OCI	1,609,518	(168,076)

Note 28(b): Numerical reconciliation between tax expense (income) and the product of accounting profit multiplied by the tax rate

	31 December 2019	31 December 2018 (restated)
Tax expenses		
- Current tax	18,774,606	39,854,024
- Deferred tax	1,786,067	7,153,526
Total tax expense	20,560,673	47,007,550
Profit before tax	65,119,323	114,595,275
Income tax expense/(income) calculated at 30%	19,535,797	34,378,582
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	1,433,892	-
Impact of income tax of earlier years	-	6,143,733
Impact of deferred tax expense relating to reversal of temporary differences	-	7,183,409
Others	(409,017)	(698,175)
Reconciled with tax expense as above	20,560,673	47,007,550



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Note 29 : Earnings per share

Amounts in Ngultrum (BTN)

	31 December 2019	31 December 2018 (restated)
Profit attributable to equity share holders of the Company (A)	44,558,651	67,587,725
Weighted average number of equity shares (B)	18,000,160	18,000,160
Basic and diluted earnings per share (A/B)	2.48	3.75

Note 30: Operating leases

Operating lease: Company as lessee

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

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

	31 December 2019	31 December 2018	1 January 2018
(i) Not later than one year	4,160,814	2,460,000	2,400,000
(ii) Later than one year but not later than five years.	17,864,256	11,226,600	10,710,000
(iii) Later than five years	15,550,296	12,617,880	15,594,480
Total	37,575,366	26,304,480	28,704,480



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Note 31: Movement in deferred tax assets/ (liabilities)

Note 31: Movement in deferred tax assets/ (liabilities)										Amounts in Ngultrum (BTN)	
Particulars	Property, plant and equipment	EIR on borrowings	Revenue recognition as per BFRS 15	Deferred revenue	Adjustments in inventory	Prepaid lease rentals	Employee benefits	Lease rentals	Others	Total	
At 1st January 2018 (Charged)/credited: - to profit or loss - to other comprehensive income	(1,984,065) 468,077	153,278 (153,278)	(1,405,580) 408,151	1,283,756 (15,583)	(1,038,335) (927,457)	- (13,950)	1,105,411 (48,489) (9,304)	39,784 159,134	7,030,131 (7,030,131)	5,184,380 (7,153,526) (9,304)	
At 31st December 2018	(1,515,987)	-	(997,430)	1,268,173	(1,965,792)	(13,950)	1,047,618	198,918	-	(1,978,450)	
Charged/(credited): - to profit or loss - to other comprehensive income	477,592	-	(7,774)	(92,543)	(2,632,052)	13,950	313,626 409,350	141,134		(1,786,067) 409,350	
At 31st December 2019	(1,038,395)	-	(1,005,204)	1,175,630	(4,597,845)	-	1,770,595	340,052	-	(3,355,167)	



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Note 32: Related party disclosures

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

Fellow subsidiaries

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

(a) Key management personnel compensation

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

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

Particulars	31 December 2019 (Nu)	31 December 2018 (Nu)	1 January 2018 (Nu)
Short-term employee benefits	1,499,903	1,655,992	1,607,760
Other long term and Post-employment benefits *	105,316	110,400	107,184
Others	52,000	40,000	92,000
Total	1,657,219	1,806,392	1,806,944

*The amount specified is in relation to provident fund contribution. Other benefits are determined on the basis of actuarial valuation for the Company as a whole and hence segregation is not available.



(b) Transactions with related parties**(i) Transactions with directors for FY 2019 & 2018**

Name of Company	Goods and services	31 December 2019	31 December 2018
RSA Pvt. Ltd*	Tata Spare Parts	-	3,608
	Apollo Tyre	35,613	-
	Explosive	311,448	-
	Toyota Spare Parts	37,435	-
Mr. Rinchen Dorji	Apollo Tyre	-	186,455
	Explosive	-	736,683

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

(ii) Transaction with the DHI, holding company during the financial year 2019 & 2018

Description	31 December 2019	31 December 2018
DHI	Nu.	Nu.
Sale of vehicle services, spare parts and tyres	342,382	509,431
Trading revenue	937,586	556,352
Sale of vehicles	88,225	-
Corporate guarantee fees	172,084	-
Brand management fees	1,602,918	-

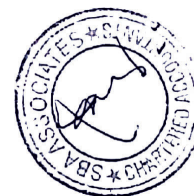


(iii) Goods and Services availed from fellow subsidiaries during the financial year 2019 & 2018

Fellow subsidiaries	Particulars	31 December 2019 Value of Goods & Services	Outstanding Amount at year end	31 December 2018 Value of Goods & Services	Outstanding Amount at year end
Bhutan Telecom Limited	Communication, internet and telephone charges	2,203,339	-	2,445,642	-
Bhutan Power Corporation Limited	Electricity charges	1,745,262	-	1,512,008	-
Bank of Bhutan Limited	Bank charges and fees other financial services	-	-	1,020,663	-
Bank of Bhutan Limited	Interest charge on loans	8,141,406	-	698,315	-
Druk Air Limited	Flight ticket and other services purchase	1,419,044	-	2,150,699	-
Natural Resources Development Corporation Limited	Construction material purchase	301,376	-	-	-
Thimphu Tech Park Limited	Training fees	15,000	-	-	-
Bhutan Board Products Limited	Furniture purchased	20,927	-	-	-
Penden Cement Authority Limited	Rentals	138,300	-	-	-

(iv) Liabilities booked for the DHI guarantee fee:

Guarantee amount (Nu.)	31 December 2019	31 December 2018
170 million	-	298,082
200 million	-	111,781
40 million	36,549	-
Total	36,549	409,863



(v) Goods and services availed by fellow subsidiaries during financial year 2019 & 2018

Fellow Subsidiary	Type of Goods and Services	31 December 2019		31 December 2018	
		Value of Goods & Services	Outstanding Amount at year end	Value of Goods & Services	Outstanding Amount at year end
Bhutan Board Product Ltd.	Furniture; fixtures; computers and office equipment	20,927	244,940	-	-
	Running & Maintainance of Vehicles	-	-	223,253	167,118
Bank of Bhutan Ltd.	Furniture; fixtures; computers and office equipment	3,169,333	667,543	2,591,020	652,379
	Running & Maintainance of Vehicles	510,662		889,399	
Bhutan Power Corporation Ltd.	Vehicle	9,453,004	-	-	3,059,865
	Running & Maintainance of Vehicles	14,649,852		6,464,513	
	Furniture; fixtures; computers and office equipment	160,038		668,749	
Bhutan Telecom Ltd.	Furniture; fixtures; computers and office equipment	978,010	701,131	-	470,499
	Running & Maintainance of Vehicles	2,480,226		1,361,795	
Contruction Development Corporation Ltd.	Vehicle	4,717,840	1,985,607	-	7,100,786
	Running & Maintainance of Vehicles	5,426,377		6,024,421	
	Furniture; fixtures; computers and office equipment	4,160,210		-	
	Explosives	3,364,829		6,514,655	
	Other Household and Con-struction materials	-		22,665,515	
Druk Air Corporation Ltd.	Furniture; fixtures; computers and office equipment	272,776	129,485	332,500	-395,187
	Vehicle	3,697,368		10,498,974	
Dungsam Cement Corporation Ltd.	Furniture; fixtures; computers and office equipment	224,712	-	-	743,926
	Vehicle	26,817,354		6,021,202	
	Explosives	3,414,878		-	
	Running & Maintainance of Vehicles	700,242		632,620	
Druk Green Power Corporation	Vehicle	56,942,240	-	2,791,800	1,943,414
	Running & Maintainance of Vehicles	5,268,113		4,972,253	
	Furniture; fixtures; computers and office equipment	168,052		291,117	
Dagachu Hydro Power Corporation	Running & Maintainance of Vehicles	1,075,009	-	977,954	388,135
	Vehicle	-		6,090,441	
	Furniture; fixtures; computers and office equipment	-		42,500	
Druk Holding & Investment	Running & Maintainance of Vehicles	409,393	-	529,573	178,834
	Furniture; fixtures; computers and office equipment	974,222		528,470	
	Other Household and Con-struction materials	-		7,740	



Fellow Subsidiary	Type of Goods and Services	31 December 2019		31 December 2018	
Dungsam Polymers Ltd.	Running & Maintainance of Vehicles	185,003	63,452	112,132	349,842
Natural Resources Development Corporation Ltd.	Vehicle	4,057,826	34,086	7,637,510	212,862
	Running & Maintainance of Vehicles	2,730,816		2,032,771	
	Furniture; fixtures; computers and office equipment	127,500		-	
Penden Cement Authority Ltd.	Explosives	930,000	222,529	877,000	490,739
	Running & Maintainance of Vehicles	1,063,298		572,813	
	Furniture; fixtures; computers and office equipment	-		131,740	
State Mines Corporation Ltd.	Vehicle	22,658,106	53,760	6,430,533	1,564,449
	Running & Maintainance of Vehicles	2,849,441		2,310,395	
	Explosives	6,267,538		413,513	
	Furniture; fixtures; computers and office equipment	922,278		102,226	
Tansibji Hydro Energy Ltd.	Vehicle	1,519,664	122,919	-	313,882
	Running & Maintainance of Vehicles	733,559		866,478	
Thimphu Tech Park Ltd.	Furniture; fixtures; computers and office equipment	90,619	-	-	-
		55,108			

Note: Running & maintainance of vehicles includes Apollo tyres, JK tyres, spares, services

Terms and conditions of the transactions:

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



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Note 33: Segment reporting

Description of Segments

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

- (i) Toyota - This division deals with sales of vehicles, spare parts and servicing of Toyota vehicles.
- (ii) Tata - This division deals with sales of vehicles, spare parts and servicing of Tata vehicles.
- (iii) Eicher - This division deals with sales of Eicher vehicles, spare parts, two wheelers and Appolo tyres.
- (iv) Home store - This division deals with household items, agriculture machineries, Bitumen, Kent filter etc.
- (v) Explosive division deals with explosive items & other segments includes sale of health equipments, stone products, computer and accessories etc.

- a) Revenue and expenses have been identified to a segment on the basis of relationship to operating activities of the segment. Revenue and expenses which relate to group as a whole and are not allocable to a segment on a reasonable basis, have been disclosed as "Unallocable"
- b) Segment assets and liabilities represent assets and liabilities of the respective segments. Investments ,tax related assets and other assets and liabilities that cannot be allocated for a segment on a reasonable basis, have been disclosed as "Unallocable".
- (c) The carrying value of non-current assets held by the Company outside its country of domicile (i.e. Bhutan) is Nu. 585,041 (31 December 2018: Nu. 471,514, 31 December 2017: Nu. 363,696).
- (d) The company does not have any single customer from whom it receives more than 10% of the revenue.
- (e) Information about operating segment:

Amounts in Ngultrum (BTN)

Particulars	Toyota	Tata	Eicher	Home Store	Explosive #	Others	Unallocable	Total
Segment Revenue								
External revenue from operations	913,427,905	526,036,091	445,136,616	101,955,672	87,742,392	98,128,534	2,080,983	2,174,508,194
	950,203,510	603,699,811	370,856,549	86,978,688	110,921,335	182,620,335	2,465,472	2,307,745,700
Total revenue	913,427,905	526,036,091	445,136,616	101,955,672	87,742,392	98,128,534	2,080,983	2,174,508,194
	950,203,510	603,699,811	370,856,549	86,978,688	110,921,335	182,620,335	2,465,472	2,307,745,700
Segment results before interest, depreciation and tax	113,677,397	45,679,459	24,544,299	5,491,859	12,049,987	3,747,043	-86,133,450	119,056,594
	110,576,513	65,193,817	23,469,391	5,592,968	11,261,952	9,258,503	-71,308,858	154,044,285
Reconciliation to profit/ (loss) for the year:								
Finance income								6,451,831
								8,192,765
Finance cost (Note a)								(34,359,961)
								(28,109,137)
Depreciation and amortisation expenses								(19,164,185)



Particulars	Toyota	Tata	Eicher	Home Store	Explosive #	Others	Unallocable	Total
								(19,532,639)
Profit/(loss) before tax								71,984,279
								114,595,275
Tax expense/ (income)								(20,560,673)
								(47,007,550)
Net profit/ (loss) for the year								51,423,606
								67,587,725
Other information								
Segment Assets - As at 31 December 2019	432,318,749	193,147,130	97,162,148	61,701,190	12,905,230	48,945,680	549,239,058	1,395,419,185
Segment Assets - As at 31 December 2018	388,271,171	157,020,364	116,512,576	33,327,557	22,145,625	47,852,628	531,742,976	1,296,872,896
Segment Assets - As at 1 January 2018	271,841,243	27,679,956	26,182,922	10,323,195	8,063,592	22,632,037	584,511,286	951,234,231
Segment Liabilities - As at 31 December 2019	62,841,209	18,653,134	22,381,723	21,739,778	3,707,592	28,580,739	751,511,211	909,415,385
Segment Liabilities - As at 31 December 2018	37,827,981	62,369,669	60,386,676	31,051,531	21,048,216	4,978,851	601,055,604	818,718,529
Segment Liabilities - As at 1 January 2018	190,077,864	14,529,634	6,481,728	3,801,746	2,565,858	2,940,315	284,205,870	504,603,015
Additions to non-current assets (Note b)								
	292,500	2,057,377	498,492	16,500	-	40,000	10,529,212	13,434,082
	5,876,636	2,136,997	163,298	19,000	112,635	-	4,825,959	13,134,525

* Figures in italics are for previous years (31 December 2018 and 1 January 2018)

The Company ceased operating the explosives division during the year.

Note:

(a) Finance costs excludes interest expense amounting to Nu. 425,753 (year ended 31 December 2018; Nu. Nil) capitalised in construction work-in-progress.

(b) Additions to non-current assets are additions other than financial instruments, deferred tax assets, net defined benefit assets as those are amounts included in the measure of segment assets.



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Note 34: Capital management

(a) Risk management

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

The company's objectives when managing capital are to

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

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

The amount mentioned under total equity in balance sheet is considered as Capital.

(b) Dividends paid

Amounts in Ngultrum (BTN)

Particulars	31 December 2019	31 December 2018
(i) Equity shares Final dividend for the year ended 31 December 2019 - Nu. 2.1 per fully paid equity shares (1 January 2018 - Nu. 2 per fully paid equity share) per fully paid share	37,800,336	36,000,320
(ii) Dividends not recognized at the end of the reporting period In addition to the above dividends, since year end the board has recommended the payment of a final dividend of Nu. 1.50 per fully paid equity share (31 December 2018 - Nu. 2.1 per fully paid equity share). The proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting.	27,000,240	37,800,336



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Note 35: Fair value measurements

Amounts in Ngultrum (BTN)

Financial instruments by category

	31 December 2019	31 December 2018	1 January 2018
	Amortised cost	Amortised cost	Amortised cost
Financial assets			
Investments	11,311,589.97	10,617,229	10,092,202
Trade receivables	329,172,770	299,747,080	213,097,969
Deposits and other receivables	26,092,106	18,954,869	14,773,357
Cash & cash equivalent	57,470,697	39,710,393	35,739,773
Total financial assets	424,047,163	369,029,570	273,703,302
Financial liabilities			
Long term borrowings	113,212,469	99,450,584	97,873,323
Current maturities of long term borrowings	6,251,403	5,795,645	3,242,315
Short term borrowings	392,893,509	278,186,075	156,101,750
Deferred rent	1,133,508	663,060	132,612
Trade payables	156,015,402	98,216,438	36,842,788
Deposits	3,765,501	2,787,632	2,787,632
Other payables	68,414,764	152,788,751	23,794,232
Total financial liabilities	741,686,555	637,888,184	320,774,652

(i) Fair value hierarchy

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

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

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

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

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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



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

	31-Dec-19		31-Dec-18		1-Jan-18	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities						
Long term borrowings from NPPF	20,000,000	19,513,713	-	-	-	-

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

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

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

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



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Note 36: Financial risk management

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

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

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

(A) Credit risk

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

i) Trade receivables

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

The Company has two categories of trade receivables -

- a) Customer to whom the vehicles are sold on deferred settlement terms.
- b) Other than (a) above - All the sales are made on normal credit period of 30 days to 60 days.

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

(ii) Reconciliation of loss allowance provision – Trade receivables

Loss allowance on January 1, 2018	40,448,744
Changes in loss allowance	6,658,333
Loss allowance on December 31, 2018	47,107,077
Changes in loss allowance	-
Loss allowance on December 31, 2019	47,107,077



iii) Financial instruments and cash deposits

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

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

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Note 36: Financial risk management continued

(B) Liquidity risk

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

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

Maturities of financial liabilities

The tables below analyze the Company’s financial liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities:

Amounts in Ngultrum (BTN)

Particulars	Less than 1 year	More than 1 year	Total
31 December 2019			
Long term borrowings and interest*	15,406,763	157,736,985	173,143,747
Short term borrowings	392,893,509	-	392,893,509
Deferred rent	-	1,133,508	1,133,508
Trade payables	156,015,402	-	156,015,402
Deposits	3,765,501	-	3,765,501
Other payables	68,414,764	-	68,414,764
Total non-derivative liabilities	636,495,937	158,870,493	795,366,430
31 December 2018			
Long term borrowings and interest*	13,923,762	147,175,022	161,098,784
Short term borrowings	278,186,075	-	278,186,075
Deferred rent	-	663,060	663,060
Trade payables	98,216,438	-	98,216,438
Deposits	2,787,632	-	2,787,632
Other payables	152,788,751	-	152,788,751
Total non-derivative liabilities	531,978,896	663,060	693,740,739
1 January 2018			
Long term borrowings and interest*	11,057,874	155,199,395	166,257,269
Short term borrowings	156,101,750	-	156,101,750
Deferred rent	-	132,612	132,612
Trade payables	36,842,788	-	36,842,788
Deposits	2,787,632	-	2,787,632
Other payables	23,794,232	-	23,794,232
Total non-derivative liabilities	230,584,277	155,332,007	385,916,284

Note: *Based on closing rates



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Note 36: Financial risk management continued

(C) Market risk

(i) Foreign currency risk

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

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

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

Particulars	31 December 2019	31 December 2018	1 January 2018
	USD	USD	USD
Financial assets	1,497,270	1,286,988	2,031,054

Particulars	31 December 2019	31 December 2018	1 January 2018
	BDT	BDT	BDT
Financial assets	152,821	151,908	140,869

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

Sensitivity

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

Particulars	Change in currency exchange rate	Impact on profit before tax	
		December 31, 2019	December 31, 2018
USD sensitivity			
Appreciation in Nu.*	5%	74,864	64,349
Depreciation in Nu.*	-5%	(74,864)	(64,349)
BDT sensitivity			
Appreciation in Nu.*	5%	7,641	7,595
Depreciation in Nu.*	-5%	-7,641	-7,595

* Holding all other variables constant

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

(i) Interest rate risk

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

(a) Interest rate risk exposure

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

Particulars	December 31, 2019	December 31, 2018	January 1, 2018
Variable rate borrowings	99,463,872	105,246,228	101,115,638



(b) Sensitivity

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

Particulars	Impact on profit before tax	
	December 31, 2019	December 31, 2018
Interest rate – increase by 0.5%	(497,319)	(526,231)
Interest rate – decrease by 0.5%	497,319	526,231

* Holding all other variables constant

(iii) Price risk

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

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

Note 37: Disclosure for employees benefit - defined benefit scheme (Gratuity) Amounts in Ngultrum (BTN)

A. Change in defined benefit obligation (DBO)	31 December 2019	31 December 2018
DBO at end of prior period	9,143,880	7,680,291
Current service cost	1,815,651	1,204,304
Interest cost on the DBO	701,010	639,749
Past service cost - plan amendments	43,641	-
Actuarial (gain)/loss - experience	4,000,558	(72,809)
Benefits paid	(1,793,402)	(307,655)
DBO at end of current period	13,911,338	9,143,880

B. Statement of Profit & Loss	31 December 2019	31 December 2018
Current service cost	1,815,651	1,204,304
Net interest on net defined benefit liability / (asset)	701,010	639,749
Cost recognized in P&L	2,560,302	1,844,053

C. Other Comprehensive Income (OCI)	31 December 2019	31 December 2018
Actuarial (gain)/loss due to liability experience	4,000,558	(72,809)
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	4,000,558	(72,809)

D. Reconciliation of Net Balance Sheet Position	31 December 2019	31 December 2018
Net defined benefit asset/ (liability) at end of prior period	9,143,880	7,680,291
Current service cost	1,815,651	1,204,304
Past service cost - plan amendments	43,641	-
Net interest on net defined benefit liability/ (asset)	701,010	639,749
Amount recognized in OCI	4,000,558	(72,809)
Benefit paid directly by the company	(1,793,402)	(307,655)
Net defined benefit asset/ (liability) at end of current period	13,911,338	9,143,880

E. Expected benefit payments (undiscounted) for the year ending	31 December 2019	31 December 2018
Up to 1 year	1,434,743	1,339,512
Between more than 1 to 3 years	4,735,381	2,473,551
Between more than 3 to 5 years	6,405,658	3,776,075
Between more than 5 to 10 years	17,116,965	12,610,123
Over 10 years	58,811,232	37,836,572

(i) Expected employer contributions for the period ending 31 December 2019

Not applicable

(ii) Weighted average duration of defined benefit obligation 15.09 years (31 Dec 2018: 15.60 years)



(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2019	31 December 2018
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(653,588)	(420,976)
Effect on DBO due to 0.5% decrease	709,490	457,091

B. Salary escalation rate	31 December 2019	31 December 2018
Salary escalation rate	6.00%	6.00%
Effect on DBO due to 0.5% increase	759,425	490,572
Effect on DBO due to 0.5% decrease	(704,234)	(454,910)

C. Mortality rate	31 December 2019	31 December 2018
Mortality rate	100% of IALM (2006-08)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	(10,676)	6,798
Effect on DBO due to 10% downward shift in mortality curve	10,759	(6,849)

D. Employee turnover rate	31 December 2019	31 December 2018
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	(285,268)	(182,034)
Effect on DBO due to 1% decrease	323,785	206,058

Risk exposure

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

Discount rate risk:

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

Salary growth risk:

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

Employer turnover risk:

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

Demographic risk:

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

Regulatory risk:

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

Liquidity risk:

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



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Note 37: Disclosure for employees benefit - defined benefit scheme (Travel allowance)

Amounts in Ngultrum (BTN)

A. Change in defined benefit obligation (DBO)	31 December 2019	31 December 2018
DBO at end of prior period	406,680	383,240
Current service cost	110,833	60,222
Interest cost on the DBO	20,778	27,671
Actuarial (gain)/loss - experience	454,866	50,947
Benefits paid	(324,469)	(115,400)
DBO at end of current period	668,688	406,680

B. Statement of Profit & Loss	31 December 2019	31 December 2018
Current service cost	110,833	60,222
Net interest on net defined benefit liability / (asset)	20,778	27,671
Cost recognized in P&L	131,611	87,893

C. Other Comprehensive Income (OCI)	31 December 2019	31 December 2018
Actuarial (gain)/loss due to liability experience	454,866	50,947
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	454,866	50,947

D. Reconciliation of Net Balance Sheet Position	31 December 2019	31 December 2018
Net defined benefit asset/ (liability) at end of prior period	406,680	383,240
Current service cost	110,833	60,222
Net interest on net defined benefit liability/ (asset)	20,778	27,671
Amount recognized in OCI	454,866	50,947
Benefit paid directly by the company	(324,469)	(115,400)
Net defined benefit asset/ (liability) at end of current period	668,688	406,680

E. Expected benefit payments (undiscounted) for the year ending	31 December 2019	31 December 2018
Up to 1 year	139,381	50,135
Between more than 1 to 3 years	406,227	148,501
Between more than 3 to 5 years	490,248	178,575
Between more than 5 to 10 years	1,184,986	687,450
Over 10 years	2,663,089	1,827,946

(i) Expected employer contributions for the period ending 31 December 2019 Not applicable

(ii) Weighted average duration of defined benefit obligation 11.57 years (31 Dec 2018: 14.26 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2019	31 December 2018
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(25,572)	(16,709)
Effect on DBO due to 0.5% decrease	27,565	18,023

B. Salary escalation rate	31 December 2019	31 December 2018
Salary escalation rate	6.00%	6.00%
Effect on DBO due to 0.5% increase	29,867	19,456
Effect on DBO due to 0.5% decrease	(27,912)	(18,165)

C. Mortality rate	31 December 2019	31 December 2018
Mortality rate	100% of IALM (2006-08)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	133	106
Effect on DBO due to 10% downward shift in mortality curve	(132)	(105)



D. Employee turnover rate	31 December 2019	31 December 2018
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	10,082	(804)
Effect on DBO due to 1% decrease	(11,374)	220

Risk exposure

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

Discount rate risk:

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

Salary growth risk:

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

Employer turnover risk:

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

Demographic risk:

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

Regulatory risk:

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

Liquidity risk:

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



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Note 37: Disclosure for employees benefit - defined benefit scheme (Transport Charge) Amounts in Ngultrum (BTN)

A. Change in defined benefit obligation (DBO)	31 December 2019	31 December 2018
DBO at end of prior period	849,593	816,916
Current service cost	169,121	128,705
Interest cost on the DBO	34,659	67,398
Actuarial (gain)/loss - experience	454,769	(115,419)
Benefits paid	(441,837)	(48,007)
DBO at end of current period	1,066,305	849,593

B. Statement of Profit & Loss	31 December 2019	31 December 2018
Current service cost	169,121	128,705
Net interest on net defined benefit liability / (asset)	34,659	67,398
Cost recognized in P&L	203,780	196,103

C. Other Comprehensive Income (OCI)	31 December 2019	31 December 2018
Actuarial (gain)/loss due to liability experience	454,769	(115,419)
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	454,769	(115,419)

D. Reconciliation of Net Balance Sheet Position	31 December 2019	31 December 2018
Net defined benefit asset/ (liability) at end of prior period	849,593	816,916
Current service cost	169,121	128,705
Net interest on net defined benefit liability/ (asset)	34,659	67,398
Amount recognized in OCI	454,769	(115,419)
Benefit paid directly by the company	(441,837)	(48,007)
Net defined benefit asset/ (liability) at end of current period	1,066,305	849,593

E. Expected benefit payments (undiscounted) for the year ending	31 December 2019	31 December 2018
Up to 1 year	363,029	95,844
Between more than 1 to 3 years	853,299	399,957
Between more than 3 to 5 years	718,501	401,457
Between more than 5 to 10 years	1,623,017	1,389,684
Over 10 years	3,908,091	3,673,285

(i) Expected employer contributions for the period ending 31 December 2019 Not applicable

(ii) Weighted average duration of defined benefit obligation 10.21 years (31 Dec 2018:13.77 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2019	31 December 2018
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(36,181)	(32,445)
Effect on DBO due to 0.5% decrease	38,848	34,894

B. Salary escalation rate	31 December 2019	31 December 2018
Salary escalation rate	5.00%	5.00%
Effect on DBO due to 0.5% increase	42,885	38,181
Effect on DBO due to 0.5% decrease	(40,229)	(35,737)

C. Mortality rate	31 December 2019	31 December 2018
Mortality rate	100% of IALM (2006-08)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	315	349
Effect on DBO due to 10% downward shift in mortality curve	(315)	(348)



D. Employee turnover rate	31 December 2019	31 December 2018
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	22,960	(2,991)
Effect on DBO due to 1% decrease	(25,554)	4,874

Risk exposure

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

Discount rate risk:

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

Increase in cost of transportation risk:

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

Employer turnover risk:

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

Demographic risk:

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

Regulatory risk:

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

Liquidity risk:

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



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Note 37: Disclosure for employees benefit - defined benefit scheme (Transfer grant)

Amounts in Ngultrum (BTN)

A. Change in defined benefit obligation (DBO)	31 December 2019	31 December 2018
DBO at end of prior period	406,680	383,240
Current service cost	110,833	60,222
Interest cost on the DBO	20,778	28,384
Actuarial (gain)/loss - experience	454,866	33,459
Benefits paid	(324,469)	(98,625)
DBO at end of current period	668,688	406,680

B. Statement of Profit & Loss	31 December 2019	31 December 2018
Current service cost	110,833	60,222
Net interest on net defined benefit liability / (asset)	20,778	28,384
Cost recognized in P&L	131,611	88,606

C. Other Comprehensive Income (OCI)	31 December 2019	31 December 2018
Actuarial (gain)/loss due to liability experience	454,866	33,459
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	454,866	33,459

D. Reconciliation of Net Balance Sheet Position	31 December 2019	31 December 2018
Net defined benefit asset/ (liability) at end of prior period	406,680	383,240
Current service cost	110,833	60,222
Net interest on net defined benefit liability/ (asset)	20,778	28,384
Amount recognized in OCI	454,866	33,459
Benefit paid directly by the company	(324,469)	(98,625)
Net defined benefit asset/ (liability) at end of current period	668,688	406,680

E. Expected benefit payments (undiscounted) for the year ending	31 December 2019	31 December 2018
Up to 1 year	139,381	50,135
Between more than 1 to 3 years	406,227	148,501
Between more than 3 to 5 years	490,248	178,575
Between more than 5 to 10 years	1,184,986	687,450
Over 10 years	2,663,089	1,827,946

(i) Expected employer contributions for the period ending 31 December 2019 Not applicable

(ii) Weighted average duration of defined benefit obligation 11.57 years (31 Dec 2018: 14.26 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2019	31 December 2018
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(25,572)	(16,709)
Effect on DBO due to 0.5% decrease	27,565	18,023

B. Salary escalation rate	31 December 2019	31 December 2018
Salary escalation rate	6.00%	6.00%
Effect on DBO due to 0.5% increase	29,867	19,456
Effect on DBO due to 0.5% decrease	(27,912)	(18,165)

C. Mortality rate	31 December 2019	31 December 2018
Mortality rate	100% of IALM(2006-08)	100% of IALM(2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	133	106
Effect on DBO due to 10% downward shift in mortality curve	(132)	(105)



D. Employee turnover rate	31 December 2019	31 December 2018
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	10,082	(804)
Effect on DBO due to 1% decrease	(11,374)	220

Risk exposure

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

Discount rate risk:

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

Salary growth risk:

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

Employer turnover risk:

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

Demographic risk:

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

Regulatory risk:

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

Liquidity risk:

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

Note 38: Contingent liability

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

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



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Note 39: Court cases filed against company's debtors.

Amounts in Ngultrum (BTN)

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

Note 40: Unexplained negative inventory balance.

Upon discontinuation of "Explosive Business" during the year, the Company has handed over the entire business to Royal Bhutan Police. However, the closing trial balance as on reporting date reflects a negative balance of Nu. 854,461.97 against Explosive Inventory which is still under review by the Management.



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Amounts in Ngultrum (BTN)

Note 41: Prior period errors

The Company during the year identified some of the adjustments not recorded/erroneously recorded in earlier years. Rectification of the same has been carried out in the current year and financial statements has been restated accordingly as per BAS 8.

Balance sheet (extract)

Particulars	Note	31 December 2018	Increase/ (Decrease)	31 December 2018 (Restated)	31 December 2017	Increase/ (Decrease)	1 January 2018 (Restated)
ASSETS							
Non-current assets							
Property, plant and equipment	1	312,547,249	6,510,286	319,057,534	118,803,335	-	118,803,335
Capital working-in-progress	1	2,069,276	-	2,069,276	199,486,787	6,738,870	206,225,657
Non current investment for gratuity	5	(1,626,522)	1,626,522	-	(659,742)	659,742	-
Deferred tax assets	3	-	-	-	7,011,738	(1,827,358)	5,184,380
Current assets							
Inventories	4	535,089,782	6,552,641	541,642,423	254,553,890	3,461,116	258,015,006
Investments	2 & 5	-	10,617,229	10,617,229	-	10,092,202	10,092,202
Trade and other receivables	2 & 6	328,833,468	(10,131,519)	318,701,948	241,541,653	(13,670,327)	227,871,326
Other current assets	2 & 7	76,818,018	(12,039,946)	64,778,072	94,118,728	(5,112,196)	89,006,532
EQUITY AND LIABILITIES							
Equity							
Other equity		291,053,008	7,099,760	298,152,768	259,197,109	7,432,508	266,629,617
Non-current liabilities							
Long term borrowings	1 & 2	105,246,229	(5,795,645)	99,450,584	100,604,712	(2,731,389)	97,873,323
Other payables	7	-	663,060	663,060	-	132,612	132,612
Employee benefits obligation	2 & 5	-	11,139,114	11,139,114	-	9,553,474	9,553,474
Deferred tax liabilities	3	(1,983,877)	3,962,327	1,978,450	-	-	-
Current Liabilities							
Trade and other payables	2	244,409,943	15,178,523	259,588,466	53,590,305	13,076,663	66,666,968
Other current liabilities	6	186,124,423	(21,951,761)	164,172,661	191,704,693	(19,405,738)	172,298,955
Employee benefits obligation	2 & 5	-	1,496,827	1,496,827	-	1,811,520	1,811,520
Provisions	2	8,656,992	(8,656,992)	-	9,527,600	(9,527,600)	-



Statement of Comprehensive Income (extract)

Particulars	Note	31 December 2018	Increase/ (Decrease)	31 December 2018 (Restated)
Income				
Revenue from operations	2 & 6	2,321,140,041	(13,394,340)	2,307,745,700
Other income	2 & 6	45,048,599	(4,133,686)	40,914,914
Expenses				
Purchases of stock-in-trade	2 & 4	2,283,192,256	33,674,769	2,316,867,025
Changes in inventories of stock-in-trade	4	(277,334,608)	(3,091,525)	(280,426,133)
Other direct expenses	4	36,996,906	(36,996,906)	-
Employee benefit expenses	2 & 5	72,192,336	(97,326)	72,095,010
Finance costs	1	28,620,064	(510,927)	28,109,137
Other expenses	2 & 7	90,849,998	(12,962,336)	77,887,662
Depreciation expense	1	19,304,055	228,584	19,532,639
Profit before tax		112,367,635	2,227,640	114,595,275
Tax expense				
Deferred tax expense	3	5,027,861	2,125,665	7,153,526
Net profit for the year		67,485,750	101,976	67,587,725
Other comprehensive income				
Remeasurement gain/ (loss) on defined benefit plans	2 & 5	529,242	(425,420)	103,822
Income tax relating to component for other comprehensive income	3	(158,773)	(9,304)	(168,076)
Other comprehensive income for the year, net of tax		370,469	(434,724)	(64,254)
Basic and diluted earnings per share		3.75		3.75

Notes to above restatements

1. Property, plant and equipment, CWIP and borrowings

The Company has recorded its long term borrowings at effective interest rate and has capitalised the interest component of borrowings on qualifying asset as per BAS 23.

2. Reclassifications

The reclassification has been done between few financial statement line items to present those in the appropriate categories as per the requirement of the respective BAS and to make consistent presentation.

3. Tax impact

In accordance with BAS 12, the Company has recognised deferred tax on temporary differences basis the restated financial statement.

4. Inventories

Previously, the Company had expensed off direct expenses in relation to bringing the inventory to its present location or situation. However, in accordance with BAS 2, these costs have now been included in the cost of inventory and expensed off in profit or loss along with the cost of inventory consumed.

5. Investments and employee benefit obligation

Previously, the Company had recognised investments in fixed deposits at fair value considering the same as plan assets within the definition of BAS 19. However, since these investments do not meet the definition for plan assets, the same have now been recorded at amortised cost in accordance with BFRS 9. Further the Company has accounted the employee benefit as per the requirement of BAS 19 basis the actuarial valuation report.

6. Revenue from customers

Basis BFRS 15, transaction price has been allocated between different performance obligations, revenue in relation to outstanding services at the period end has been deferred and recognised on accrual basis.

7. Lease rental and prepaid expense

Previously, the Company recognised lease rental as per the contractual terms. However as per BAS 17, lease income/expense under an operating lease are to be recognised as an income/expense on a straight-line basis over the lease term. Accordingly the Company has straight lined lease rentals over the lease term and on on accrual basis.



