2021 ANNUAL REPORT

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STCBL

State Trading Corporation of Bhutan Ltd.

A dhi Company

State Trading Corporation of Bhutan Ltd.

A dhi Company

Annual Report 2021

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COMPANY PROFILE

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

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

VISION

'The First Choice For Quality and Trust'

MISSION

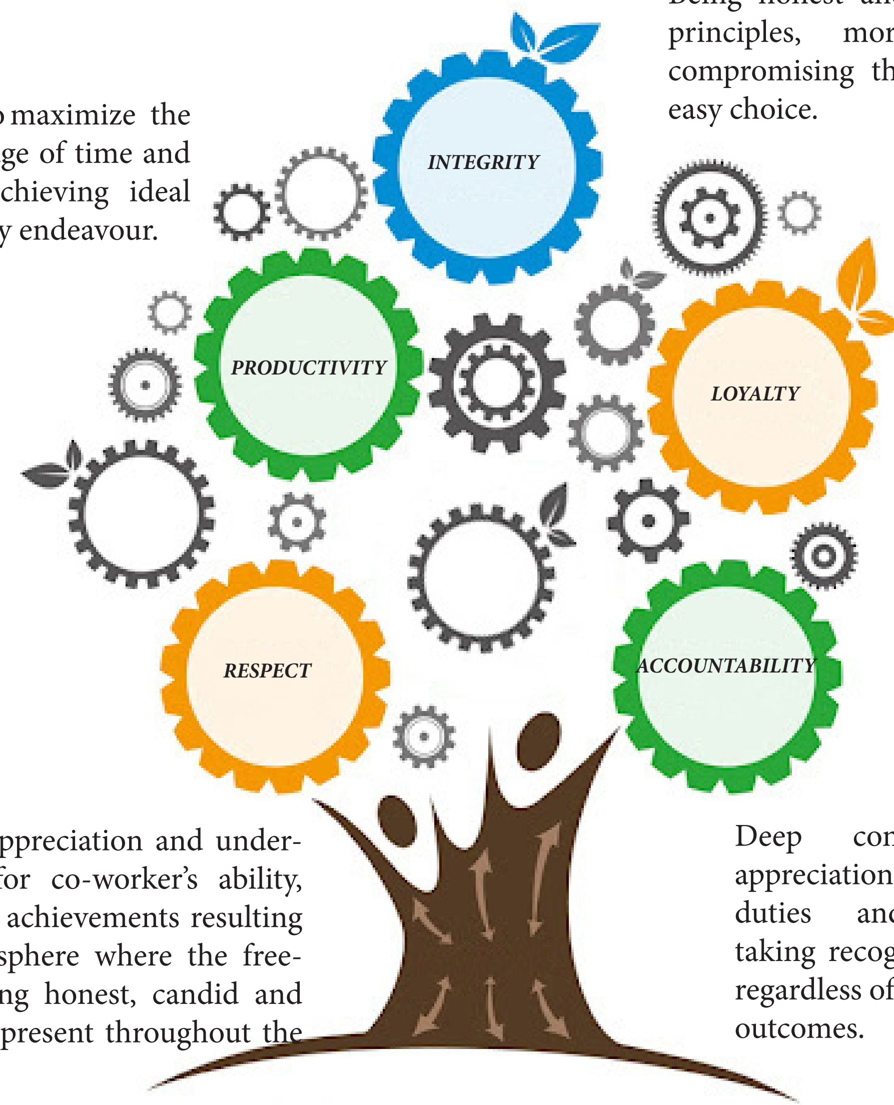
1. Creating value by leveraging on Technology and People

2. Building trust by providing genuine products and services to the customers

CORE VALUES

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

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

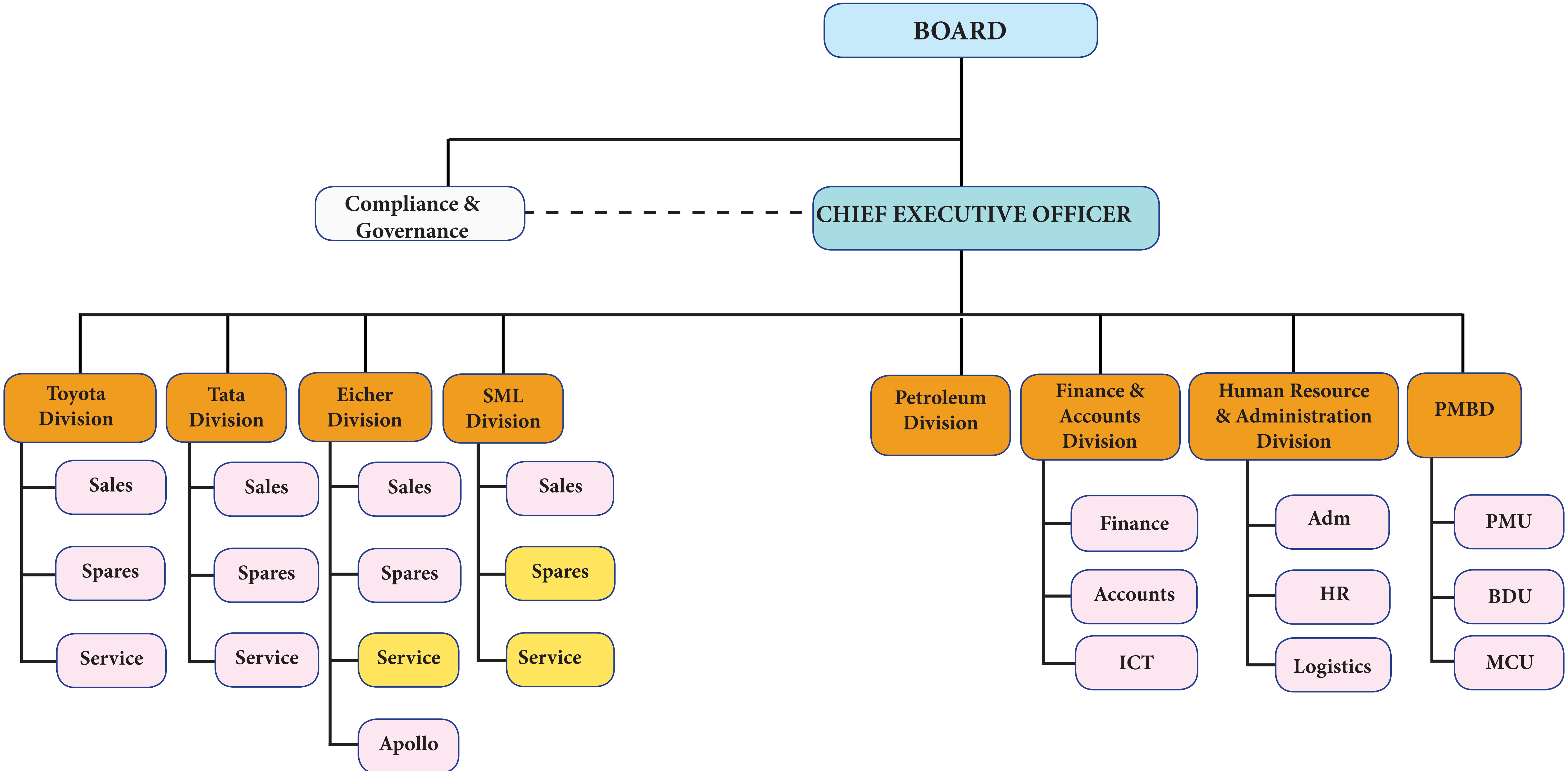


A strong feeling of support and allegiance to STCBL and what it stands for.

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

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

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

Key Financial Highlights (Past Five Years)

Particular	Year		Growth	
	2021	2017	Absolute	%
Net worth (Nu. Million)	517.11	439.19	77.91	17.74%
Revenue (Nu. Million)	3,161.58	2,285.78	875.80	38.32%
Profit (Nu. Million)	74.35	81.25	(6.90)	-8.49%
Fixed Assets (Nu. Million)	295.70	118.80	176.90	148.90%
Reserve & Surplus (Nu. Million)	337.11	259.19	77.91	30.06%
Inventory Turn Over Ratio	7.14	5.11	2.03	39.73%
Net Profit Ratio	0.02	3.56	(3.54)	-99.33%
Earning Per Share (Nu. Million)	4.13	4.52	(0.39)	-8.63%

MANAGEMENT TEAM


Tshering Wangchuk
Chief Executive Officer


Chencho
Chief Financial Officer


Ugyen Chada
General Manager
TATA Division


Sangay Tshering
General Manager
HRAD


Leki Dendup
Chief Internal Auditor
IAU


Sugan Pradhan
General Manager
Bhutan Petroleum


Dechen Wangdi
Dy. General Manager
Homestore & SMLI


Pem Tshogay
Dy. General Manager
(Study Leave)


Kinley Bidha
Head
TOYOTA


Tashi Pemo
Head
PMBD


Tashi Euden Dorji
Company Secretary/
Legal Counsel

BOARD OF DIRECTORS

Dasho Karma Yeshey

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.

Dr. Cheki Dorji
President CST

Dr. Cheki Dorji, is President of College of Science and Technology, Royal University of Bhutan. He has served as Site Engineer, Head of Department Civil Engineering, Controller of Exam, Coordinator of Research at College of Science and Technology. He was Editorial member, Bhutan Journal of Research and Development (BJRD) and member of Academic Planning and Resource Committee (APRC), RUB. He is the member of University Council (UC), member of Academic Board (AB) and member of Research and Innovation Committee (RIC), RUB.
He received B.Tech in Civil Engineering from Regional Engineering College, Warangle (Currently NIT Warangle), India in 1998, Masters in Infrastructure Planning and Management in 2003 from Yokohama National University, Japan, Doctoral Degree in Civil Engineering in 2009 from Yokohama National University, Japan.

Mr. Kinga Lotey
Associate Director, Druk Holding and Investments Ltd.

Mr. Kinga Lotey is the Associate Director of the Corporate Services Division, Druk Holding and Investments Ltd. He received his Master's Degree in Human Resource Management from Monash University, Australia, and Bachelor's Degree in Science from Sherubtse College. Prior to joining DHI, he served in the Royal Civil Service Commission. He has more than 18 years of experience in aligning business needs with human capital strategy through goal-focused personnel management. He also served on the Board of PCAL, DPL and WCCL before joining STCB as the DHI Nominee Board Director.

Mr. Thinlay Dorji
General Manager, RICBL

Mr. Thinlay Dorji, General Manager, Royal Insurance Corporation of Bhutan Limited (RICBL) joined RICBL in 1997 as the Head of the R&D Department and initiated various IT projects for RICBL. Worked as a branch manager, became Head of Internal Audit and the biggest achievement during his tenure as the Audit Head was the Zero Audit Balance in 2012 for RICBL.
He earned his MBA from University of Canberra, Australia. He earned numerous professional skills like Licentiate in Insurance, Project Management and IT professional certificates, Oracle Data base, Networking. He is currently the General Manager, Credit Department of RICBL.

BOARD OF DIRECTORS

Singye N Dorji
Joint Managing Director, RSA Pvt Ltd

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

Chencho Tshering
Chief Executive Officer, Bhutan Yuden Travels

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

Mr. Tshering Wangchuk
Chief Executive Officer, State Trading Corporation of Bhutan Limited

Tshering Wangchuk is the chief executive officer of the STCBL. He is the only Bhutanese to have headed print, radio and television having been the co-founding CEO of Business Bhutan newspaper and the CEO of the national television and radio. He graduated from Sherubtse College in 1993 and started his career in the civil service in 1994.

He published his book 'A Thousand Footprints' in 2021 and has worked on other publications such as A King of Destiny, 100 Years of Monarchy and Jewel in the Crown. Apart from writing, he enjoys reading and sports.

DIRECTORS' REPORT

Dear Shareholders,
On behalf of the board, the management and staff of State Trading Corporation of Bhutan Limited, I am pleased to present the Directors' Report 2021.

OPERATIONAL HIGHLIGHTS

The past two years have been challenging across the globe due to the COVID-19 pandemic. Despite the distress, Bhutan was able to successfully fight against the pandemic, through His Majesty The King's visionary and tireless leadership. However, the pandemic has impacted almost all the sectors, resulting in deep contraction of the economy.

During the year, the company experienced a positive growth of Nu. 1,473 million (87%) in comparison to 2020 revenue. While the sales of vehicle and its related services has increased by 68% in comparison to 2020, revenue from Home-store and export of boulders declined by 1% and 52% respectively. Overall, the company registered a net profit of Nu. 79.60 million.

The company was without a Chief Executive Officer and functioned under the guidance of the Board Executive Committee for more than a year. However, we are now pleased to inform the gathering that Mr. Tshering Wangchuk, former Chief Executive Officer of the Bhutan Broadcasting Service, has joined STCBL as the CEO from December, 2021.

HR Capacity Building

Two employees from the Human Resources and Administration Division and Legal Unit attended a training on prevention of sexual harassment at workplace organized by Bhutan Chamber of Commerce and Industry (BCCI). The objective of the training was to help the organization address workplace harassment, particularly sexual harassment. Furthermore, employees at various levels have undergone trainings to enhance their knowledge, skills and abilities, for which Nu. 2.18 million was spent.

Awards and Recognition

In 2021, the Spare Parts Unit of Eicher Division was awarded with the Best Lubricants Sales Performance award during the Volvo Eicher Commercial Vehicle Limited (VECVL) Annual Dealer Conference held virtually.

Toyota Tsusho Corporation presented certificates to Toyota Division's technicians for their effort and contribution in accomplishing "Advance Warranty Policy". Further, certificate of appreciation and medals were awarded to two senior technicians of Toyota Division in recognition of their hard work and efforts for RHQ Skills Competitions 2021.

FINANCIAL PERFORMANCE HIGHLIGHTS

Income and Expenditure

Despite the unprecedented situation in the COVID-19 pandemic, the company recorded growth in the revenue as compared to the past years. This achievement sets new revenue record for the company by overachieving the budgeted revenue.

The company achieved revenue of Nu. 3,161.59 million, an increase of Nu. 1,473 million (87%) in comparison to the revenue of 2020. Similarly, total expenses of Nu. 3,049.28 million were incurred during the financial year. The company registered a net profit of Nu. 79.60 million.

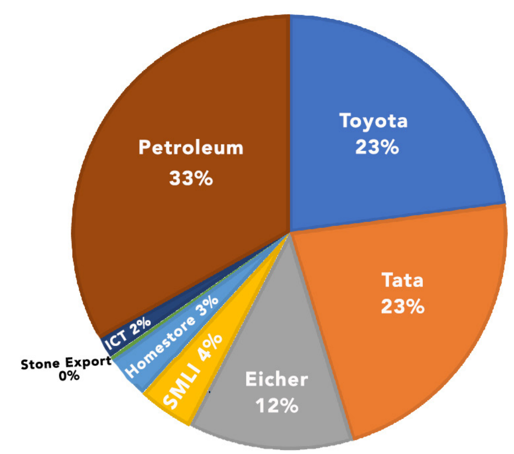
Financial Facts and Figures

The table below highlights the key financial facts and figures of the company for 2021:

PARTICULARS	FY 2020	FY 2021
Revenue (in million Nu)	1,688.59	3,161.59
Expenses (in million Nu)	1,697.22	3,049.28
Profit After Tax (in million Nu)	-8.93	79.60
Long Term Liabilities (in million Nu)	166.13	167.74
Net Worth (in million Nu)	444.53	522.36
Earnings Per Share	(0.50)	4.42
Return on Capital Employed	(2.01)	15.67
Current Ratio	1.39	1.90
Trade Receivable Turnover Ratio	77.90	34.58
Inventory Turnover Ratio	2.83	7.14
Net Profit Ratio	(0.54)	2.56
Fixed Asset	311.21	295.71
Capital Work in Progress	0.00	4.36

In 2021, revenue from non-automobile business amounted to Nu. 1,190.67 million or 38%. As for automobile business, a total of Nu. 1,923.26 million was generated, which is an increase of Nu. 778.40 million or 68% over 2020 sales of Nu. 1,144.86 million. Thus, the automobile business contributed 62% to the total revenue of the company.

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



The trade receivables and inventory turnover ratios improved significantly at 34.58 and 7.14 respectively, compared to the previous year ratio of 77.90 and 2.83. The Company achieved a score of 82.59% in the Annual Company Compact Evaluation.

STATUTORY AUDIT REPORT

Menuka Chhetri and Associates was appointed as the statutory auditors for the year by the Royal Audit Authority (RAA). The firm audited the accounts onsite and online from 14 February to 19 March 2022 in accordance with the International Standards on Auditing (ISAs) and relevant provisions of The Companies Act of Bhutan 2016 and issued a clean and unqualified audit report. The Statutory Auditors's Report consists of Statement of Comprehensive Income, Statement of Financial Position, Statement of Change in Equity and Statement. The Statutory Auditors's 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 2021 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 25%.

CORPORATE GOVERNACE

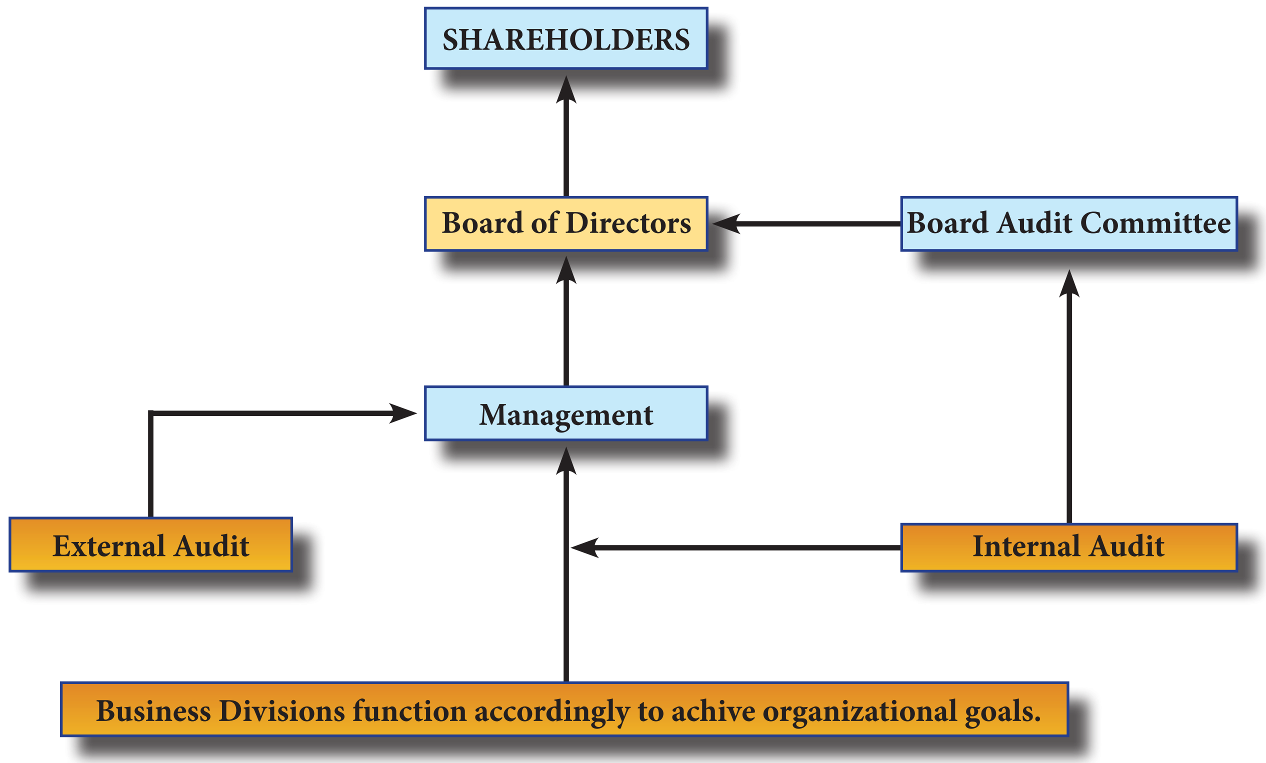
The STCBL Board constitutes of seven Board Directors including the Chief Executive Officer. In 2021, the Board met ten times to review the company's performance and to recruit.

A Board Audit Committee (BAC) is in place to oversee, review and guide effective management of risks, strengthen internal controls and resolve audit issues of the company. Board Level Committees such as Board Human Resources Committee and Board Tender Committees are also formed considering works such as tender awards and recruitment of staff under the Executive category.

The best of corporate governance and management practices are continuously adopted and implemented within the company with timely and strong the support from Druk Holding and Investments and the Registrar of Companies, Ministry of Economic Affairs.

The corporate governance structure is shown in the figure below:

STCB CORPORATE GOVERNANCE



CORPORATE SOCIAL RESPONSIBILITY (CSR)

The company continued its commitment towards Corporate Social Responsibility pilot project of building houses in Larsarp village for 15 households. Till 2021, eleven houses were handed over to beneficiaries and four more houses are in the pipeline for construction, which shall be completed by the end of 2022.

To demonstrate solidarity and extend support to the Southern COVID-19 Task Force, Phuentsholing in their fight against the COVID pandemic, the company deployed one of its pool vehicles for COVID duty until today. Furthermore, the company donated one SML mobile service van to Thimphu City Bus Service to provide uninterrupted transport services to the general public.

The management continued the initiative to support employees of grade 15 and below by providing their children with school uniforms, shoes, and bags and subsidized lunch to technicians, janitors, security guards and drivers.

CHALLENGES AND WAY FORWARD

The Covid-19 pandemic posed to be the most formidable challenge in the global economy. Despite the challenge, the company focused to meet its set targets and planned activities for the year. The growing competition in the automobile segment and new entrants in the market are few of the key challenges of the company.

Considering that there would be no national lockdowns and that favorable economic conditions will follow in the future, the revenue for financial year 2022 is projected at Nu. 3,650.84 million with a growth of 16% as compared to revenue of 2021. Accordingly, the net profit is projected at Nu.73.78 million.

The priority for the year is the commencement of operations of three additional fuel retail outlets (FRO) in Phuentsholing, Chukha and Tsirang. Furthermore, construction of three more FROs in strategic locations shall be initiated in 2022. One of the prime activities for the year, shall be initiating an export of at least one Bhutanese product to balance between export and import of the company. Additionally, the company has plans to introduce small segment vehicles in to the market.

For the internal processes, review of manuals such as Service Rules and Regulation 2018 and procurement is under process. With the current market affected due to the pandemic, the company will also be developing its Corporate Strategic Plan 2022-2027 and HR Master Plan 2022-2025. Further, the corporation will plan and implement good corporate practice to cater to both customer and employees.

Although the pandemic continues to pose many challenges, the company pledges to overcome these obstacles, with the aim to build trust by providing quality goods and services to our valued customer and continue to promote our core values to achieve our mission and vision.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, Management and employees of the company, I would like to express my heartfelt gratitude to Their Majesties for Their tireless efforts in combatting the pandemic. We pray for Their Beloved Majesties' good health and well- being.

We would like to express our deepest appreciation for the continued guidance and assistance rendered to the company by the Royal Government of Bhutan, Druk Holding and Investments, Ministry of Economic Affairs, Ministry of Finance, Road Safety and Transport Authority, Royal Securities Exchange of Bhutan and the Financial Institutions. We would also like to express our sincere appreciation to all the Shareholders and our valued customers for your continued support and good wishes during this challenging times.

Tashi Delek!

(Chencho Tshering)
Offtg. 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 2021, the Board met ten times to review the Company's performance and to provide necessary inputs. The Board Audit Committee (BAC) is convened not only to study and reslove audit issues but primarily tooversee and provide strategic guidance to manage risks & strength internal contrast. Board Level Committees are also formed for tender awards, recruitment for executive category etc.

Board Directors

SI No.	Name	Address	Date of Appointment	Status	Term
1	Mr. Karma Yeshey	Former Secretary, Ministry of Education	14 March 2020	Independent	Second
2	Dr. Cheki Dorji	President, CST	29 March 2021	Non-Independent	First
3	Mr. Singye Namgyal Dorji	MD, DDPL Pvt. Ltd	14 March 2020	Non- independent	First
4	Mr. Chencho Tshering	CEO, Bhutan Yuden Tour and Travels,	14 March 2020	Independent	First
5	Mr.Kinga Lotey	Associate Director, DHI	29 March 2021	Non- independent	Second
6	Mr. Thinlay Dorji	General Manager, RICBL	29 September 2021	Non- independent	First
7	Mr. Tshering Wangchuk	Chief Executive Officer, STCBL, Thimphu	01 December 2021	Non- independent	First

Board Meetings

Ten Board Meetings were held in 2021. The details of the Board Attendance are as follows:

Board Meeting No.	Date	Members Present	Leave of Absence
131	24 February 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Tshering Om 5. Kinga Lotey 6. Kinzang Dorji	None
132	20 March 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Tshering Om 5. Kinga Lotey 6. Kinzang Dorji	None
133	28 March 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Tshering Om 5. Kinga Lotey	Kinzang Dorji
134	5 May 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Tshering Om 5. Kinga Lotey 6. Kinzang Dorji	None
135	28 May 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Tshering Om 5. Kinga Lotey 6. Kinzang Dorji	None
136	17 August 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Ugyen Tshewang 5. Kinga Lotey 6. Cheki Dorji	None
137	01 October 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Kinga Lotey 5. Cheki Dorji	None
138	29 October 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Thinlay Dorji 5. Kinga Lotey 6. Cheki Dorji	None

Board Meeting No.	Date	Members Present	Leave of Absence
139	26 November 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Chencho Tshering 4. Thinlay Dorji 5. Kinga Lotey 6. Cheki Dorji	None
140	13 December 2021	1. Karma Yeshey 2. Singye Namgyal Dorji 3. Thinlay Dorji 4. Kinga Lotey 5. Cheki Dorji	1.Chencho Tshering 2.Tshering Wangchuk

Board Committees

The Company had eight Board Level Committees for the year 2021 as follows:

1. Board Audit Committee
2. 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	18 March 2021	1. Kinzang Dorji (Chair) 2. Tshering Om 3. Chencho Tshering 4. Ugyen Wangdi (CIA)	None
			27 March 2021	1. Kinzang Dorji (Chair) 2. Tshering Om 3. Chencho Tshering 4. Ngawang Dhargyel (Offg CIA)	None
			13 August 2021	1. Kinga Lotey 2. Cheki Dorji 3. Ugyen Tshewang 4. Ngawang Dhargyel (Offg CIA)	None
			24 December 2021	1. Thinley Dorji (Chair) 2. Cheki Dorji 3. Kinga Lotey 4. Leki Dendup (CIA)	None

Sl. No.	Name of the Committee Meeting	Number of Meetings conducted	Date	Members Present	Leave of Absence
2	Board HRC	4	20 August 2021	1.Chencho Tshering (Chair) 2.Singye Dorji (Member / Board Director) 3.Kinga Lotey (Member/ BEC) 4.Chencho (Invitee/ CFO) 5.Tshering D Yangzom (Secretary to the Committee/ Manager, HRAD)	None
			15 Septem-ber 2021	1.Chencho Tshering (Chairperson/ BEC) 2.Singye Dorji – (Member / Board Director) 3.Kinga Lotey (Member/ BEC 4.Tashi Euden Dorji (Invitee/ Com-pany Secretary) 5.Tandin Lhamo (Invitee/ Deputy Manager) 6.Tshering D Yangzom (Secretary to the Committee/ Manager, HRAD)	None
			24 Septem-ber 2021	1.Chencho Tshering- (Chair) 2.Singye Dorji (Member / Board Director) 3.Kinga Lotey (Member/ BEC) 4.Tshering D Yangzom (Secretary to the Committee/ Manager, HRAD)	None
			22 October 2021	1.Chencho Tshering (Chair) 2.Singye Dorji (Member / Board Director) 3.Kinga Lotey (Member/ BEC) 4.Tshering D Yangzom (Secretary to the Committee/ Manager, HRAD)	None

Annual General Meeting

The 25th Annual General Meeting for the Company was held on 15 April 2022 at Board Room, Head Office, Thimphu. The AGM passed the following resolution:

i) Approved the Audited Accounts for Financial Year Ended 2021 along with Auditors Report and Directors' Report.

ii) The meeting decided to declared 25% dividend for the year 2021.

AUDITOR'S REPORT FOR THE FINANCIAL YEAR 2021

Menuka Chhetri & ASSOCIATES

Report on the Audit of the Financial Statements

To the Members of the State Trading Corporation of Bhutan Limited:

Opinion:

We have audited the financial statements of the State Trading Corporation of Bhutan Ltd. (The Company), which comprise the statement of financial position as on 31 December 2021 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion:

We conducted our audit in accordance with the 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 this 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Other Matters:

Due to severe health hazard associated with COVID-19 across the country there was restrictions on physical visit to the client's regional offices for physical verification of documents pertaining to financial transactions.
As a result, the audit of client's regional offices was carried out based on remote access of data as provided by the management. We have been represented by the management that the data provided for our audit purposes is correct, complete, reliable, and are directly generated from the accounting system without any further manual modifications. We have performed our audit procedures and relied upon the system generated data to obtain reasonable satisfaction over the completeness and accuracy of these transactions. We bring to the attention of the users that the audit of the financial statements has been performed in the aforesaid condition.

Our audit opinion is not modified in respect of this matter.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter

should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements:

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

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

a) We have obtained all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the company so far as appear from our examination of the books.

c) The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.

d) d) In our opinion, the company has complied with other legal and regulatory requirements.

Menuka Chhetri & ASSOCIATES

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

Menuka Chhetri
Managing Partner
Membership No. 534365

Place: Thimphu
Date: 01/07/2022

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

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

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

General:

a) The Companies audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.

b) The governing board/authority pursue a prudent and sound financial management practice in managing the affairs of the company.

c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.

e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.

f) The mandatory obligations social entrusted are being fulfilled.

g) The amount of tax is computed correctly and reflected in the financial statements.

1. The Company has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE.

2. As per the information provided by the company, they had conducted the Physical Verification of the Assets once during the financial year 2021.

3. The fixed assets of the Company have not been revalued during the year under audit.

4. The company had conducted physical verification of the inventories twice in a year (from 02, August 2021 to 27, August 2021 and final verification was done from 24, December 2021 to 31, December 2021).

5. In the absence of audit evidence as mentioned above, we are unable to comment on the adequacy of frequency of such verification/ estimation.

6. During the physical verification of inventory, the shortage worth of Nu 69,254.00 was identified between physical stock and book records. The same was shown in the "recoveries of shortage for inventories" under the head Other Income.

7. The inventories records are adequately maintained by the Company. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business.

8. Based on the information provided to us, the reconciliation is done between physical inventories and system recorded inventories wherever necessary.

9. It has been confirmed by the audit team formed by management after physical verification of inventories that there is no obsolete damaged, slow moving and surplus goods/inventories were lying in the stores at the end of the year.

10. There is amount to be recovery of Nu. 69,254.00 from the employees due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares were determined during the year.

11. The Basis of Valuation of Stock is adequate and no deviation from the preceding financial year has been observed.

12. According to the information and explanations given to us, the Company has not taken secured/ unsecured loans from companies, firms or other parties and/or from the companies under the same management.

13. The company has not granted any loans to other parties which are ultra-vires to the Articles of Incorporation and other relevant Acts and regulations.

14. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/frequent advances are granted and accumulation of large advances against any particular individual is avoided.

15. In our opinion and according to the information and explanations given to us in course of the audit, the Company has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules / regulations and systems and procedures.

16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labours to Jobs.

17. In our opinion and according to the information and explanations given to us, having regard to the exception that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there is an adequate system of competitive bidding, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets.

18. As explained to us, the Company has entered into transactions for purchases and sales of goods and services during the year in pursuance of contracts or arrangements entered into with the company in which the director(s) are directly or indirectly interested at the prices which are reasonable considering the prevailing market conditions.

19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have neither come across any personal expenses (other than contractual and/or as per customary business practices), which have been charged to the Statement of Comprehensive Income nor have we been informed about such cases by the management.

20. According to the information and explanations given to us and also as examined by us, there was no cases, where any items of inventory, which are unserviceable or damaged.

21. The Company, in general, has an adequate system of ascertaining and identifying unserviceable or damaged inventories and loss, if any, on the sale of the same, which needs to be duly accounted / charged in these accounts.

22. The corporation is having adequate physical safeguards to prevent unauthorized or irregular movement of materials from the corporation.

23. The Company is maintaining reasonable records for sales and disposal of realizable scraps.

24. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities. In our opinion, the provision for Corporate Tax is adequate and that necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan - 2001.

25. According to the information and explanations provided to us and so far it appears from the examination of the books, there were Nu. 32,971,488.82undisputed amounts payable in respect of rates and taxes as on the last day of Financial Year 2021.

26. According to the information and explanations provided to us, the company has a reasonable system of allocating man hours utilised to the respective jobs, commensurate with the size and nature of its business.

27. In our opinion, there is a reasonable system of price fixation taking into account the market conditions and the cost of purchase of stores, spares and fuels, etc. and hiring charges are fixed with the approval of the management.

28. *No credit rating of customers is carried out.*

29. According to the information and explanation given to us, the Company does make any sales through commission agents and hence, this paragraph is not applicable.

30. There is a system for continuous follow-up with debtors and other parties for recovery of outstanding amounts by way of sending reminders and personal visits. Age-wise analysis of outstanding amounts between more than 3 months and under 3 months is maintained by the Corporation.

31. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in generally, reasonably adequate.

32. In our opinion and to the extent our examination reveals, the business activities carried out by the Company are lawful and intra-vires to its Articles of Incorporation.

33. In our opinion and according to the information and explanation given to us, the company has a system of approval of the Board for all major capital investment decisions.

34. In our opinion and according to the information and explanations given to us, the company has established an effective budgetary control system.

35. Being a non-manufacturing concern, question of standard costing and variance analysis does not arise.

Menuka Chhetri & Associates THIMPHU BHUTAN Chartered Accountant

36. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Company, directly or indirectly, are disclosed in Note 31 (a)of the Notes to the Accounts.

37. As informed, all the directives of the board have been complied with.

38. 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.

39. According to the information and explanations given to us, the company maintains proper records for Inter Unit Transactions/services and arrangement for services made with other agencies engaged in similar activities.

40. According to the information and explanations given to us, proper agreements are executed and that the terms and conditions of Lease are reasonable and the same are applied if machinery and Equipment are acquired on lease or leased out to others.

COMPUTERISED ACCOUNTING ENVIRONMENT

1. In our opinion, organizational and system development controls and other internal controls appears to be generally adequate relative to the size and nature of computer installation.

2. According to the information and explanations given to us, disaster recovery plans are in place in the Company.

3. The Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.

4. The operational controls in the Company are generally adequate to ensure correctness and validity of input data and output information.

5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.

GENERAL

1. **<u>Going Concern Issues:</u>**

   On the basis of the attached Financial Statements as at 31 December 2021 and according to the information and explanations given to us, the financial position of the company is healthy, and we have no reason to believe that the Company is likely to become sick in the near future.

2. **<u>Ratio Analysis</u>**

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

Menuka Chhetri & Associates THIMPHU BHUTAN Chartered Accountant

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

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

Our observations in this regard are given below: -

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

4. Adherence to Laws, Rules and Regulations

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

For **Menuka Chhetri & ASSOCIATES**

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

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Menuka Chhetri
Managing Partner
Membership No.534365

Place: Thimphu, Bhutan
Date: 01/07/2022

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

(Amounts in Nu.)

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	2	295,705,491.80	311,210,049.83
Capital working-in-progress	3	4,362,758.55	-
Total non-current assets		**300,068,250.35**	**311,210,049.83**
Current assets			
Current tax assets	4	-	18,467,615.54
Inventories	6	289,641,218.81	502,355,629.55
Investments	7	12,804,478.42	11,960,574.48
Trade and other receivables	8	295,031,787.83	355,973,314.07
Cash and cash equivalents	9	112,322,621.10	44,391,081.02
Other current assets	10	103,546,786.29	79,374,148.97
Total current assets		**813,346,892.45**	**1,012,522,363.63**
TOTAL ASSETS		**1,113,415,142.80**	**1,323,732,413.47**
EQUITY AND LIABLITIES			
Equity			
Equity share capital	12	180,001,600.00	180,001,600.00
Retained Earning	13 i.	44,207,142.55	(33,628,582.99)
Reserves	13 ii.	298,152,767.59	298,152,767.59
Total equity		**522,361,510.14**	**444,525,784.60**
Non-current liabilities			
Long term borrowings	14	140,665,871.87	140,689,331.85
Other payables	15	1,648,404.00	1,423,956.00
Employee benefits obligation	16	22,197,026.51	19,733,743.05
Deferred tax liabilities	5	3,229,750.96	4,289,082.48
Total non-current liabilities		**167,741,053.34**	**166,136,113.38**
Current Liabilities			
Short term borrowings	17	82,675,548.23	301,234,754.77
Trade and other payables	18	228,084,015.38	257,862,281.68
Other current liabilities	19	104,902,224.89	150,913,071.03
Employee benefits obligation	20	3,793,052.00	3,060,407.00
Current tax liabilities	21	3,857,738.13	-
Total current liabilities		**423,312,578.63**	**713,070,515.48**
Total liabilities		**591,053,631.98**	**879,206,628.86**
TOTAL EQUITY & LIABILITIES		**1,113,415,142.80**	**1,323,732,413.47**

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

For Menuka Chhetri & ASSOCIATES

Chartered Accountants
Firm's Registration no. 331825E

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Menuka Chhetri
(Managing Partner)
Membership No. 534365

Place: Thimphu, Bhutan
Date: 01/07/2022

For and on behalf of Board

Chairperson

Director

CEO

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in Nu.)

	Note	31 December 2021	31 December 2020
Income			
Revenue from operations	22	3,113,933,584.96	1,668,004,267.99
Other income	23	47,656,233.05	20,586,891.29
Total revenue		**3,161,589,818.01**	**1,688,591,159.28**
Expenses			
Purchases of stock-in-trade		2,615,146,837.72	1,446,724,090.43
Changes in inventories of stock-in-trade	24	212,701,676.62	62,605,257.22
Other direct expenses		-	-
Employee benefit expenses	25	100,910,238.83	90,423,746.08
Finance costs	26	37,433,074.61	30,236,815.87
Depreciation expense	2	20,667,370.24	15,159,529.59
Other expenses	27	62,420,430.04	52,075,482.00
Total expenses		**3,049,279,628.06**	**1,697,224,921.19**
Profit before tax		**112,310,189.95**	**(8,633,761.92)**
Tax expenses	28	32,710,634.71	296,382.36
Net profit for the year		**79,599,555.24**	**(8,930,144.28)**
Other comprehensive income			
Remeasurement gain/ (loss) on defined benefit plans		(1,682,293.00)	(1,001,389.00)
Income tax relating to component for other comprehensive income		(81,536.70)	300,416.70
Other Comprehensive income for the year, net of tax		**(1,763,829.70)**	**(700,972.30)**
Total comprehensive income for the year		**77,835,725.54**	**(9,631,116.58)**
Earnings Per Share	29	**4.42**	**(0.50)**

The above statements of Comprehensive Income should be read in conjunction with the accompanying notes

For Menuka Chhetri & ASSOCIATES

Chartered Accountants
Firm's Registration no. 331825E

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Menuka Chhetri
(Partner)
Membership No. 534365

Place: Thimphu, Bhutan
Date: 01/07/2022

For and on behalf of Board

Chairperson

Director

CEO

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

(Amount in Nu.)

Particulars	Share Capital	Reserve Fund	Retained Earnings	Total Shareholder's Equity
As at January 1, 2020	180,001,600.00	298,152,767.59	3,002,773.59	481,157,141.18
(18,000,160 No. of Shares @ Nu. 10 Face Value)			-	-
Profit for the year			(8,930,144.28)	(8,930,144.28)
Other Comprehensive Income			(700,972.30)	(700,972.30)
Dividend for the year			(27,000,240.00)	(27,000,240.00)
As at December 31, 2020	180,001,600.00	298,152,767.59	(33,628,582.99)	444,525,784.60
As January 1, 2021	180,001,600.00	298,152,767.59	(33,628,582.99)	444,525,784.60
Profit for the year			79,599,554.84	79,599,555.24
Dividend for the year			(1,763,829.70)	(1,763,829.70)
			-	-
As at 31 December 2021	180,001,600.00	298,152,767.59	44,207,142.15	522,361,509.74

Significant Accounting Policies & Notes to Financial Statement 1 to 40

For Menuka Chhetri & ASSOCIATES
Chartered Accountants
Firm's Registration No. 331825E

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Menuka Chhetri
(Partner)
Membership No. 534365

Place: Thimphu, Bhutan
Date: 01/07/2022

For and on behalf of Board
Chairperson

Director

CEO

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2021

Amounts in Ngultrum (BTN)

Particulars	December 31, 2021	December 31, 2020
Cash flow from operating activities		
Profit before tax	112,310,189.95	(8,633,761.92)
Depreciation	20,667,370.24	15,159,529.59
Loss/(gain) on property, plant and equipment	(5,057,942.56)	(9,729,027.06)
Interest expense	37,433,074.61	30,236,815.87
Interest income	(11,764,305.51)	(555,634.59)
Deferred rent	224,448.00	290,448.00
Net profit from operating activities before working capital changes	**153,812,834.73**	**26,768,369.89**
Adjustment for:		
(Increase)/Decrease in inventory	**212,714,410.74**	**62,605,257.22**
(Increase)/Decrease non-current/current financial and other assets	**98,668,808.03**	**(37,305,106.16)**
Increase/(Decrease) non-current/current financial and other liabilities/provisions	**(131,604,534.69)**	**56,615,503.51**
Increase/(Decrease) in Short Term borrowing	**218,559,206.54**	**116,682,492.44**
	398,337,890.62	**198,598,147.02**
Cash generated from operating activities	**552,150,725.35**	**225,366,516.91**
Income tax paid	**11,526,148.97**	**4,793,495.55**
(i) Net cash from operating activities	**540,624,576.38**	**220,573,021.36**
Cash flow from investing activities		
Investment in fixed deposits	(12,586,112.53)	(11,697,840.00)
Proceeds from maturity of fixed deposits	11,697,840.00	11,035,697.53
Investments in property, plant and equipment	(5,808,690.25)	(6,906,481.84)
Sale of asset	**5,703,819.60**	4,060,004.35
Capital Work in Progress	**(4,362,758.55)**	-
(ii) Net cash from (used in) investing activities	**(5,355,901.73)**	**(3,508,619.96)**
Cash flow from financing activities		
Repayments of short term borrowings	(474,551,487.69)	(238,578,062.09)
Proceeds from long term borrowings	7,214,352.73	35,434,284.84
Dividend Paid	-	(27,000,240.00)
(iii) Net cash from (used in) financing activities	**(467,337,134.96)**	**(230,144,017.25)**
Net Increase/Decrease in Cash & Cash Equivalent (i+ii+iii)	**67,931,539.69**	**(13,079,615.85)**
Cash and cash equivalent in the beginning of the financial year	44,391,081.02	57,470,696.62
Cash and cash equivalent in the end of the financial year	**112,322,620.71**	**44,391,081.02**

For Menuka Chhetri & Associates
Chartered Accountants
Firm's Registration no. 331825E

Menuka Chhetri
(Partner)
Membership No. 534365

Place: Thimphu, Bhutan
Date: 01/07/2022

For and on behalf of Board

Chairperson

Director

CEO

Notes to Financial Statement for the year ended December 31, 2021

A General Information

II. 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.

B Disclosure of Significant Accounting Policies:

The note provides a list of the significant accounting policies adopted in the preparationof 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, expect 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.

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 b) Permanent structure	 5-8 years 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.

vi. <u>Investments and other financial assets</u>

(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) De-recognition 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. <u>Financial liability</u>

(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.

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.

xv. Impairment - non-current assets

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

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

xvi. Non-current assets held for sale

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

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

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

xvii. Borrowing costs

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

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

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

xviii. Operating segment

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

xix. Dividends

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

xx. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:
• the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
• by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
• the after-Income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
• the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

xxii. Comparative information

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

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

Note 2 : Property, plant and equipment's

(Amounts in Nu.)

Particulars	Freehold land	Buildings and civil structures	Furniture	Office equipment	Vehicles	Air conditioner	Loose tools	Plant & machineries	Central Heating System	Total
Balance at 1 January 2020	36,600,800.56	203,072,501.89	9,131,718.58	13,748,780.09	40,114,820.17	1,216,866.72	14,507,520.32	2,470,320.94	50,044,974.80	370,908,455.08
Additions	803,083.05	1,888,688.09	**338,571.56**	**3,090,615.29**	13,449,761.51	-	291,333.00	160,300.00	-	20,022,352.50
Adjustments/Disposals	-	-	-	-	-	-	-	-		-
Balance at 31 December 2020	**37,403,883.61**	**204,961,189.98**	**9,470,290.14**	**16,839,395.38**	**53,564,581.68**	**1,216,866.72**	**14,798,853.32**	**2,630,620.94**	**50,044,974.80**	**390,930,807.58**
Balance at 1 January 2021	37,403,883.61	204,961,189.98	9,470,290.14	16,839,395.38	53,564,581.68	1,216,866.72	14,798,853.32	2,630,620.94	50,044,974.80	390,930,807.58
Additions	-	852,518.79	488,400.00	2,001,434.03	2,095,476.00	370,861.43	-	-	-	5,808,690.25
Adjustments/Disposals	-	-	-	-	8,731,303.00	-	-	-	-	8,731,303.00
Balance at 31 December 2021	**37,403,883.61**	**205,813,708.77**	**9,958,690.14**	**18,840,829.41**	**46,928,754.68**	**1,587,728.15**	**14,798,853.32**	**2,630,620.94**	**50,044,974.80**	**388,008,194.83**
Accumulated depreciation										
Balance at 1 January 2020	-	23,347,415.24	3,781,454.33	7,313,696.15	20,868,880.16	907,445.15	6,926,496.00	2,376,387.85	5,004,497.48	70,526,272.37
Adjustments/Disposals	-	4,456,121.53	-	5,974.35	1,502,947.33	-	-	-	-	5,965,043.21
Depreciation for the year	-	5,724,521.31	759,722.84	1,441,460.03	3,513,502.56	74,734.89	1,686,913.23	54,458.73	1,904,216.00	15,159,529.59
Balance at 31 December 2020	-	**24,615,815.02**	**4,541,177.17**	**8,749,181.83**	**22,879,435.39**	**982,180.04**	**8,613,409.23**	**2,430,846.58**	**6,908,713.48**	**79,720,758.75**
Balance at 1 January 2021	-	24,615,815.02	4,541,177.17	8,749,181.83	22,879,435.39	982,180.04	8,613,409.23	2,430,846.58	6,908,713.48	79,720,758.75
Adjustments/Disposals	-	-	-	-	8,085,425.96	-	-	-	-	8,085,425.96
Depreciation for the year	-	8,693,781.16	758,533.91	1,483,872.74	8,128,965.29	54,026.81	1,516,247.51	31,942.82	-	20,667,370.24
Balance at 31 December 2021	-	**33,309,596.18**	**5,299,711.08**	**10,233,054.57**	**22,922,974.72**	**1,036,206.85**	**10,129,656.74**	**2,462,789.40**	**6,908,713.48**	**92,302,703.03**
Carrying amount	-									
As at 31 December 2021	**37,403,883.61**	**172,504,112.59**	**4,658,979.06**	**8,607,774.84**	**24,005,779.96**	**551,521.30**	**4,669,196.58**	**167,831.54**	**43,136,261.32**	**295,705,491.80**
As at 31 December 2020	**37,403,883.61**	**180,345,374.96**	**4,929,112.97**	**8,090,213.55**	**30,685,146.29**	**234,686.68**	**6,185,444.09**	**199,774.36**	**43,136,261.32**	**311,210,049.83**

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(Amounts in Nu.)

Note 3 : Capital Working-in-Progress

	As at 1 January 2021	Addition during the year	Adjust-ment	Total	Capitalized during the year	31 December 2021
Petroleum Division	-	4,362,758.55		4,362,758.55	-	4,362,758.55
Total	-	**4,362,758.55**		**4,362,758.55**	-	**4,362,758.55**

Note 4 : Non-current tax assets

	31 December 2021	31 December 2020
Advance tax	-	37,202,561.00
Less: Provision for tax	-	18,734,945.54
Total	-	**18,467,615.54**

Note 5 : Deferred tax assets

	31 December 2021	31 December 2020
Deferred tax assets		
Employee benefit obligations	1,860,834.30	2,067,780.60
Deferred revenue	(146,014.29)	482,470.47
Deferred rent	359,852.40	427,186.80
Total Deferred tax assets (A)	**2,074,672.32**	**2,977,437.78**
Deferred tax liabilities		
Property, Plant and equipment	212,693.35	1,821,134.69
Recognition of revenue as per BFRS 15	(2,366,760.61)	1,175,841.62
Inventory	7,458,491.01	4,269,544.42
Total Deferred tax liabilities (B)	**5,304,423.28**	**7,266,520.26**
Total (A+B)	**3,229,750.96**	**4,289,082.48**

Note 6 : Inventories

	31 December 2021	31 December 2020
Trading stock	289,641,218.81	470,769,820.20
Goods-in-transit	-	31,585,809.35
Total	**289,641,218.81**	**502,355,629.55**

Note 7 : Investment

	31 December 2021	31 December 2020
Fixed deposits with maturity more than 3 months	12,552,756.17	11,668,128.48
Interest accrued and not due on fixed deposits	251,722.25	292,446.00
Total	**12,804,478.42**	**11,960,574.48**

(Amounts in Nu.)

Note 8 : Trade and other receivables

	31 December 2021	31 December 2020
Trade receivables (Unsecured, considered good)*	282,751,745.74	365,430,795.95
Interest accrued and due on sale made on deferred settlement terms*	13,846,786.56	3,506,677.28
Interest accrued but not due on sale made on deferred settlement terms*	87,702.09	67,901.40
Less: Provision for loss allowance	47,107,077.00	47,107,077.00
	249,579,157.38	**321,898,297.62**
Earnest money deposits	-	-
Security deposits	8,543,077.67	13,711,195.27
Other receivable (Net of provision of Nu. 1,800,000 (2018: Nu. 1,800,000, 2017: Nu. 1,800,000)	35,580,443.72	15,478,768.24
Recoverable from employees	1,329,109.06	4,885,052.94
Total	**295,031,787.83**	**355,973,314.07**

Note 9 : Cash and cash equivalents

	31 December 2021	31 December 2020
Cash at bank	83,579,946.62	22,803,006.76
BOB for Petroleum Division	-	93,510.88
Cash on hand including cheque	9,111,755.75	7,653,632.48
<u>Other bank balances*</u>		
Margin money with banks against LC	17,838,613.71	11,114,157.15
Unclaimed dividend a/c	1,792,304.63	2,820,284.63
Total	**112,322,621.10**	**44,391,081.02**

Note 10 : Other current assets

Particulars	31 December 2021	31 December 2020
Advance recoverable in cash or in kind/for value to be received	101,124,472.34	76,482,596.32
Considered Bad or Doubtful:	-	1,800,000.00
Total	101,124,472.34	78,282,596.32
Less: Provision for Bad or Doubtful Advances	-	-
Advance to suppliers	101,124,472.34	78,282,596.32
Prepaid expenses	698,486.40	890,072.67
Advances for expenses	1,723,827.55	201,479.98
Total	**103,546,786.29**	**79,374,148.97**

Note 12 : Equity share capital (Amounts in Nu.)

	31 December 2021	31 December 2020
Authorized 50,000,000 equity shares of Nu.10 each	500,000,000.00	500,000,000.00
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 capitalization of reserve in year 2010 & 2011 b) 300,005 equity shares were allotted by capitalization of reserve in year 2012 c) 9,00,008 equity shares were allotted by capitalization of reserve in the year 2013 (50.98% of the share capital are held by Holding Company - Druk Holding and Investment Ltd.)	180,001,600.00	180,001,600.00
Total	**180,001,600.00**	**180,001,600.00**

Note 13 : Other equity

Particulars	31 December 2021	31 December 2020
Retained Earnings	44,207,142.55	(33,628,582.99)
Reserves	298,152,767.59	298,152,767.59
Total	**342,359,910.14**	**264,524,184.60**

Note 14 : Long Term Borrowing

Particulars	December 31 2021	December 31 2020
Long term borrowings from Bank of Bhutan, NPPF and T Bank	140,665,871.87	140,689,331.85
Total	**140,665,871.87**	**140,689,331.85**

Note 15: Other Payables

Particulars	December 31 2021	December 31 2020
Deferred rent	1,648,404.00	1,423,956.00
Total	**1,648,404.00**	**1,423,956.00**

Note 16 : Employee benefits obligation - non-current

Particulars	December 31 2021	December 31 2020
Gratuity	15,810,819.51	14,151,073.05
Leave encashment	4,061,946.00	3,765,396.00
Travel allowance	917,546.00	538,802.00
Transport charge	815,384.00	766,728.00
Transfer grant	591,331.00	511,744.00
Total	**22,197,026.51**	**19,733,743.05**

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Note 17 : Short term borrowings (Amounts in Nu.)

Particulars	December 31 2021	December 31 2020
Overdraft with Bank of Bhutan	-	150,520,842.90
Overdraft with T Bank	32,675,548.23	100,713,911.87
Short term loan from NPPF	50,000,000.00	50,000,000.00
Total	**82,675,548.23**	**301,234,754.77**

Note 18 : Trade and other payables

Particulars	December 31 2021	December 31 2020
Trade payables	171,970,297.44	189,618,638.93
Liability for purchase	32,045.01	31,617,854.36
Liability for expenses	17,035,203.25	13,693,268.02
Liabilities of un-withdrawn cheque	357,524.55	333,481.15
Current maturities of long-term borrowings	21,446,636.02	14,208,823.31
Earnest money deposits	455,800.42	530,000.42
Security deposit	2,745,554.62	2,915,554.62
Retention money	-	1,021,308.31
Unclaimed dividend	1,755,399.56	2,783,379.56
Payable to employees for provident fund	311,943.00	311,943.00
Payable to employees	12,201,311.51	1,055,730.00
Deferred Revenue	(227,700.00)	(227,700.00)
Total	**228,084,015.38**	**257,862,281.68**

Note 19 : Other Current Liabilities

Particulars	December 31 2021	December 31 2020
Advance from customers	65,374,880.87	138,864,099.61
Deferred revenue	3,703,184.11	1,608,234.90
Bhutan Sales Tax	32,971,488.82	10,440,736.52
Others	2,852,671.09	-
Total	**104,902,224.89**	**150,913,071.03**

Note 20 : Employee benefits obligation - current

Particulars	December 31 2021	December 31 2020
Gratuity	2,596,836.00	1,750,475.00
Leave encashment	358,679.00	366,511.00
Travel allowance	238,921.00	248,739.00
Transport charge	369,648.00	445,943.00
Transfer grant	228,968.00	248,739.00
Total	**3,793,052.00**	**3,060,407.00**

Note 21 : Current tax liabilities

Particulars	31 December 2021	31 December 2020
Provision for tax	31,153,602.94	-
Less: Advance tax	(27,295,864.81)	-
Total	3,857,738.13	-

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANTS

Note 22 : Revenue from Operations

(Amounts in Nu.)

Particulars	December 31 2021	December 31 2020
Trading:		
Sale of products	3,096,070,888.81	1,654,172,580.21
Sale of services	17,862,696.15	13,831,687.78
Total	**3,113,933,584.96**	**1,668,004,267.99**

Note 23 : Other Income

Particulars	December 31 2021	December 31 2020
BST refund	29,740,736.01	-
Interest income from financial assets at amortized cost	12,737,118.69	12,600,141.85
Recoveries of shortage for inventories	69,254.00	34,125.99
Gain on exchange fluctuation (net)	(121,745.71)	234,602.19
Gains/ (losses) on sale of property, plant, and equipment	5,057,942.56	(10,025,047.56)
Commission and auction	172,927.50	166,540.00
Miscellaneous income	-	17,576,528.82
Total	**47,656,233.05**	**20,586,891.29**

Note 24 : Changes in Inventories of Stock-in-Trade

Particulars	December 31 2021	December 31 2020
Opening balance		
Traded goods	470,769,820.20	520,792,699.28
Goods-in-transit	31,585,809.35	44,168,187.50
Total opening balance	502,355,629.55	564,960,886.78
Closing balance		
Traded goods	289,653,952.93	470,769,820.20
Goods-in-transit	-	31,585,809.35
Total closing balance	289,653,952.93	502,355,629.55
Total	**212,701,676.62**	**62,605,257.22**

Note 25: Employee Benefit Expenses

Particulars	December 31 2021	December 31 2020
Pay and allowances	74,279,134.11	72,915,131.92
Provident fund contribution	6,868,279.75	6,870,442.00
Gratuity	7,393,056.50	2,935,441.00
Travel allowance	163,589.00	161,439.00
Transport charge	185,783.00	250,594.00
Transfer grant	163,852.00	159,442.00
Bonus and variable pay	6,937,653.73	3,804,108.90
Medical expenses	168,827.00	136,779.50
Staff training and development expenses	2,180,065.24	73,850.00
Uniform expenses	680,733.00	1,162,752.26
Welfare expenses	1,889,265.50	1,953,765.50
Total	**100,910,238.83**	**90,423,746.08**

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

Note 26 : Finance costs

(Amounts in Nu.)

Particulars	December 31 2021	December 31 2020
Interest expense from financial instruments at amortized cost	37,433,074.61	30,236,815.87
Total	**37,433,074.61**	**30,236,815.87**

Note 27 : Other Expenses

Particulars	December 31 2021	December 31 2020
Administrative Expenses		
Communication, internet, and telephone charges	2,065,901.68	2,115,087.09
Fees and taxes	1,458,091.79	2,791,530.38
Printing and stationery including postage	1,038,097.42	2,264,410.49
General insurance	2,092,318.14	1,440,959.99
Electricity expenses	1,426,877.98	1,407,243.04
Lease rent	11,427,151.33	11,101,736.37
Others (Royalty, transportation, labour charges)	1,543,519.65	280,009.00
Repairs and Maintenance		
Repairs & maintenance of buildings and civil structures	1,649,345.40	938,957.04
Repairs & maintenance of furniture, fixtures, and equipment's	342,519.44	1,189,579.00
Running & maintenance of vehicle	9,497,474.75	6,441,688.37
Running & maintenance of other	-	1,130,198.81
Travelling and Conveyance		
Travelling expenses including foreign travels	2,775,887.40	5,960,312.24
Others		
Marketing & sales promotions	2,620,690.70	2,983,599.12
Board meeting expenses and sitting fees	834,031.00	1,466,584.00
Office meeting expenses	1,872,664.61	1,980,259.96
Miscellaneous expenses	3,395,900.28	3,016,749.01
Bank charges - others	914,584.09	661,817.73
ERP and other consultancy charges	2,517,183.66	1,167,174.77
Advance Written Off	-	985,405.49
Product and Shrinkage loss	13,891,820.72	-
CSR Project	854,080.00	2,261,308.80
Auditor's Remuneration		
Audit Fee	150,000.00	126,787.50
Out of pocket expenses	52,290.00	364,083.80
Total	**62,420,430.04**	**52,075,482.00**

Menuka Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANTS

Note 28 (a): Tax Expenses (Amounts in Nu.)

Particulars	December 31 2021	December 31 2020
(a) Income tax expenses recognized in P&L		
Current tax		
• Current tax on profit for the year	34,063,078.53	(685,937.02)
• Current tax adjustment for earlier years	-	-
Total current tax expenses	**34,063,078.53**	**(685,937.02)**
Deferred tax		
• Decrease/(increase) in deferred tax assets	609,653.16	357,242.43
• (Decrease)/increase in deferred tax liabilities	(1,962,096.98)	625,076.95
Total deferred tax expenses	**(1,352,443.82)**	**982,319.38**
Income tax expenses recognized in P&L	**32,710,634.71**	**296,382.36**

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

Particulars	31 December 2021	31 December 2020
Tax expenses		
- Current tax	**34,063,078.53**	**(685,937.02)**
- Deferred tax	**(1,352,443.82)**	982,319.38
Total tax expense	**32,710,634.71**	**296,382.36**
Profit (Loss) before tax	**112,310,189.95**	**(8,633,761.92)**
Income tax expense/(income) calculated at 30%	**33,693,056.98**	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**50,648.10**	-
Others	**(1,033,070.37)**	**296,382.36**
Reconciled with tax expense as above	**32,710,634.71**	**296,382.36**

Note 29: Earnings Per Share

Particulars	31 December 2021	31 December 2020
Profit attributable to equity shareholders of the Company (A)	79,599,555.24	(8,930,144)
Weighted average number of equity shares (B)	18,000,160	18,000,160
Basic and diluted earnings per share (A/B)	**4.42**	**(0.50)**

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 is no escalation clause in majority of lease agreements except in few such arrangements. There are restrictions imposed by lease arrangements which restrict sublease/ mortgage of lease property. There are no subleases or contingent rents.

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

(Amounts in Nu.)

Particulars	31 December 2021	31 December 2020
(i) Not later than one year	7,328,814.00	6,910,814.00
(ii) Later than one year but not later than five years.	38,158,420.00	30,730,956.00
(iii) Later than five years	13,213,060.00	26,448,524.00
Total	**58,700,294.00**	**64,090,294.00**

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

Particulars	Property, plant and equipment	Revenue recognition as per BFRS 15	Deferred revenue	Adjustments in inventory	Employee benefits	Lease rentals	Total
At 1 January 2021	(1,821,134.69)	(1,175,841.62)	482,470.47	(4,269,544.42)	2,067,780.60	427,186.80	(4,289,082.48)
Charged/ (credited): - to profit or loss	(1,608,441.33)	(3,542,602.23)	628,484.76	3,188,946.59	(86,166.00)	67,334.40	(1,352,443.82)
- to other comprehensive income					293,112.30		293,112.30
At 31 December 2021	(3,429,576.02)	(4,718,443.86)	1,110,955.23	(1,080,597.84)	2,274,726.90	494,521.20	(3,229,750.96)

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
Dungsam Cement Corporation Limited
Dungsum Polymers Limited
Druk Holding & Investments Ltd.
DHI Infra Limited
Dagachu Hydro power Corporation Limited
Bhutan Board Product Limited
Bhutan Board Export Limited
Bhutan Hydropower Services Limited
Thimphu Tech Park Limited
Penden Cement Authority Limited
Tangsibji Hydro Energy Limited
Construction Development Corporation Limited
Wood Craft Centre Limited
State Mining Corporation Limited
Koufuku International Limited
DHI Hospitality Limited

(a) Key management personnel compensation

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

Details of compensations paid to key management personnel (Board Executive Committee/ Chief Executive Officer/ Managing Director):

(Amounts in Nu.)

Particulars	December 31 2021	December 31 2020
Short-term employee benefits	1,266,500.00	723,095.00
Other long term and Post-employment benefits *	-	90,000.00
Others	-	32,000.00
Total	**1,266,500.00**	**845,095.00**

**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 2021 & 2020 (Amounts in Nu.)

Name of Company	Goods and Services	December 31 2021	December 31 2020
RSA Pvt. Ltd*	Petroleum	2,776,570.80	-
Mr. Karma Yeshey	Mac Book	103,485.00	-

** Mr. Singye N Dorji is the owner and Joint MD of RSA Pvt. Ltd*

(ii) Transaction with the DHI, holding company during the financial year 2021 & 2020

(Amounts in Nu.)

Description	31 December 2021	31 December 2020
Sale of vehicle services, spare parts and tyres	224,062.00	422,054.00
Trading revenue	1,949,710.00	2,817,235.00
Sale of vehicles	21,675,287.00	-
Corporate guarantee fees	166,186.61	-
Brand management fees	367,625.84	1,186,435.00

(iii) Goods and Services availed from fellow subsidiaries during the financial year 2021 & 2020

(Amounts in Nu.)

Fellow subsidiaries	Particulars	December 31 2021 Value of Goods & Services	December 31 2020 Value of Goods & Services
Bhutan Telecom Limited	Communication, internet and telephone charges	2,065,901.68	2,115,087.09
Bhutan Power Corporation Limited	Electricity charges	1,426,877.98	1,407,242.72
Bank of Bhutan Limited	Bank charges and fees other financial services	-	-
Bank of Bhutan Limited	Interest charge on loans	11,786,063.98	14,258,732.45
Bhutan Telecom Limited	Interest charge on loans	5,369,863.02	-
Druk Air Limited	Flight ticket and other services purchase	14,602.00	185,188.00
Natural Resources Development Corporation Limited	Construction material purchase	272,472.00	305,417.50
Thimphu Tech Park Limited	Training fees	-	-
Bhutan Board Products Limited	Furniture purchased	-	-
Penden Cement Authority Limited	Rentals	-	-
Wood Craft Corporation Limited	Purchase of furniture's	-	30,700.00
Druk Green Power Corporation Limited	Interest charge on loans	-	4,512,704.92

(iv) Liabilities booked for the DHI guarantee fee:

Guarantee amount (Nu.)	31 December 2021	31 December 2020
40 million	166,186.61	46,547.49
Total	**166,186.61**	**46,547.49**

(v) Goods and services availed by fellow subsidiaries during financial year 2021 & 2020

(Amounts in Nu.)

Fellow Subsidiary	Type of Goods and Services	December 31 2021		December 31 2020	
		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. Vehicle Running &Maintenance of Vehicles	131,500.00 629,272.75 274,840.02	 93,062.00 	- 298,361.32	
Bank of Bhutan Ltd.	Furniture; fixtures; computers and office equipment. Vehicle Running &Maintenance of Vehicles	1,965,365.00 1,570,726.80 268,670.38	- - -	658,924.00 - 246,907.98	
Bhutan Power Corporation Ltd.	Furniture; fixtures; computers and office equipment. Vehicle Running &Maintenance of Vehicles	2,782,705.20 34,664,285.81 8,897,888.71		2,324,854.34 - 8,961,984.34	
Bhutan Telecom Ltd.	Furniture; fixtures; computers and office equipment. Vehicle Running &Maintenance of Vehicles	9,765.00 233,359.50 1,151,487.14		991,789.00 35,024,944.87 1,452,332.12	
Construction Development Corporation Ltd.	Furniture; fixtures; computers and office equipment. Vehicle Running &Maintenance of Vehicles Explosives Other Household and Construction materials	206,120.00 16,406,419.67 6,329,983.84 1,680,190.20 15,163,447.00	10,569,784.56	13,118,673.00 6,058,503.28 27,304,297.27	10,391,041
Druk Air Corporation Ltd.	Furniture; fixtures; computers and office equipment. Vehicle Running &Maintenance of Vehicles	820.00	8,820.32		
Dungsam Cement Corporation Ltd.	Furniture; fixtures; computers and office equipment Vehicle Explosives Running &Maintenance of Vehicles	52,745.00 2,319,516.77 - 607,746.02		114,926.66 - 868,443.23	131,437.66
Druk Green Power Corporation	Furniture; fixtures; computers and office equipment Vehicle Running &Maintenance of Vehicles	- 6,810,291.00 13,354,773.28		- 14,522,853.99 7,785,568.06	73,901.00
Dagachu Hydro Power Corporation	Furniture; fixtures; computers and office equipment Vehicle Running &Maintenance of Vehicles	- - 419,128.00		17,754.00 1,827,499.00 178,239.05	
Druk Holding & Investment	Furniture; fixtures; computers and office equipment Vehicle Running &Maintenance of Vehicles	1,949,710.00 21,675,287.00 224,062.00	338,011.80	2,817,235.23 422,054.00	
Dungsam Polymers Ltd	Running &Maintenance of Vehicles	183,032.61	25,196.50	112,431.13	32,019.14
Koufuku International Limited	Furniture; fixtures; computers and office equipment	203,273.00			
Natural Resources Development Corporation Ltd.	Furniture; fixtures; computers and office equipment Running &Maintenance of Vehicles	 188,394.50		182,133.00 1,138,141.63	390,803.95
Penden Cement Authority Ltd.	Furniture; fixtures; computers and office equipment Running &Maintenance of Vehicles	56,000.00 308,018.00		 165,430.06	23,892.40
State Mines Corporation Ltd.	Furniture; fixtures; computers and office equipment Vehicle Running &Maintenance of Vehicles	2,813,266.00 12,841,298.04 5,448,217.35	278,475.23	4,176,639 2,517,590	5,550,475.34
Tansibji Hydro Energy Ltd.	Running &Maintenance of Vehicles	681,496.40		440,385.00	153,296.00

Fellow Subsidiary	Type of Goods and Services	December 31 2021		December 31 2020	
		Value of Goods & Services	Outstanding Amount at year end	Value of Goods & Services	Outstanding Amount at year end
Thimphu Tech Park Ltd.	Furniture; fixtures; computers and office equipment Vehicle Running &Maintenance of Vehicles	562,741.00 148,921.48	 128,279.00 	335,910.00 3,969,576.00 37,931.48	
Bhutan Hydropower Service Ltd	Furniture; fixtures; computers and office equipment Running &Maintenance of Vehicles	129,324.00 5,031.00			

Note: Running & maintenance of vehicles includes Apollo tyres, JK tyres, spares, service terms and conditions of the transactions:

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

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 considering the nature of the products, deferring risks and returns, organisational structure and internal business reporting. Following are the segments of the Company-

(i) Toyota - This division deals with sales of vehicles, spare parts, and servicing of Toyota vehicles.
(ii) Tata - This division deals with sales of vehicles, spare parts, and servicing of Tata vehicles.
(iii) Eicher - This division deals with sales of Eicher vehicles, spare parts, two wheelers and Apollo tyres.
(iv) Home store - This division deals with household items, agriculture machineries, Bitumen, Kent filter etc.
(v) SMLI - This division deals with sales of vehicles, spare parts and servicing of SMLI vehicles.
(vi) Petroleum - This division deals with sales of MS and HSD.
(vii) Other segments include sale of stone products and 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 "Unallowable"
(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 "Unallowable".
(c) The company does not have any single customer from whom it receives more than 10% of the revenue.
(d) Information about operating segment:

(Amounts in Nu.)

Particulars	Toyota	Tata	Eicher	Home Store	SMLI	Petroleum	Others	Un-allocable	Total
Segment Revenue External revenue from operations	713,690,985.83 578,379,507.26	697,060,998.25 284,448,630.11	382,693,852.60 268,925,730	96,109,075.25.25 108,753,306.68	129,815,032.50 -	1,031,257,428.30 361,316,493.13	57,790,091.12 60,070,066.15	5,516,121.11 6,110,534.58	3,113,933,584.96 1,668,004,267.99
Total revenue	713,690,985.83 578,379,507.26	713,690,985.83 578,379,507.26	382,693,852.60 268,925,730.03	96,109,075.25 108,753,306.68	129,815,032.50 -	1,031,257,428.30 361,316,493.13	57,790,091.12 60,070,066.15	5,516,121.11 6,110,534.58	3,113,933,584.96 1,668,004,267.99
Segment results before interest, depreciation, and tax	75,232,604.12 52,268,251.42	48,171,532.70 5,514,412.61	12,384,774.01 10,505,329.42	10,205,886.42 4,763,763.74	10,669,692.34 -	10,413,804.48 -269,025.84	2,498,493.09 2,379,587.03	-11,818,730.39 -50,999,876.30	157,758,056.77 24,162,442.04
Reconciliation to profit/ (loss) for the year:									
Finance income									12,652,578.04 12,600,141.85
Finance cost (Note a)									(37,433,074.61) (30,236,816.00)
Depreciation and amortization expenses									(20,667,370.24) (15,159,530.00)
Profit/(loss) before tax									112,310,189.98 (8,633,762.07)
Tax expense/ (income)									32,710,634.71 296,382.00
Net profit/ (loss) for the year									79,599,555.24 (8,930,144.07)
Other information									
Segment Assets - As at 31 December 2021	324,455,246.06	84,249,502.35	198,197,036.86	8,223,777.76	3,082,146.60	29,153,511.83	26,899,524.20	439,154,397.77	1,113,415,142.43
Segment Assets - As at 31 December 2020	535,134,641.00	93,712,779.63	117,818,640.92	25,128,142.09		43,470,782.68	20,035,005.87	488,432,420.56	1,323,732,412.43
Segment Liabilities - As at 31 December 2021	54,051,405.55	20,267,704.96	24,218,931.27	7,274,391.40	46,626.74	3,023,024.40	4,397,021.55	477,774,526.11	591,053,631.98
Segment Liabilities - As at 31 December 2020	50,328,685.53	28,201,067.27	16,730,874.91	7,772,204.68	-	5,022,511.17	7,610,795.95	763,540,488.49	879,206,628.00
Additions to non-current assets (Note b)		451,633.00				4,362,758.55 43,130,032.51		6,120,957.00	4,362,758.55 49,702,622.51

Note 34: Capital management

Risk Management

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

The company's objectives when managing capital are to:
Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

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

(b)Dividends Paid (Amounts in Nu.)

Particulars	31 December 2021	31 December 2020
(i) Equity shares Final dividend for the year ended 31 December 2021 – Nil per fully paid equity shares (1 January 2020 – Nu. 1.5 per fully paid equity share) per fully paid share	-	27,000,240 .00
(ii) Dividends not recognized at the end of the reporting period The board has recommended on the payment of a final dividend of Nu. 2.5 per fully paid equity shares. However, this is subject to the approval of shareholders in the ensuing annual general meeting.	45,000,040.00	

Note 35: Fair Value Measurements

Financial instruments by category (Amounts in Nu.)

Particulars	December 31 2021 Amortized cost	December 31 2020 Amortized cost
Financial assets		
Investments	12,804,478.42	11,960,574.48
Trade receivables	249,579,157.38	321,898,297.62
Deposits and other receivables	45,452,630.45	34,075,016.45
Cash & cash equivalent	112,322,620.71	44,391,081.02
Total financial assets	**20,158,886.96**	**12,324,969.57**

Particulars	December 31 2021 Amortized cost	December 31 2020 Amortized cost
Financial liabilities		
Long term borrowings	140,665,871.87	140,689,331.85
Current maturities of long term borrowings	21,446,636.02	14,208,823.31
Short term borrowings	82,675,548.23	301,234,754.77
Deferred rent	1,648,404.00	1,423,956.00
Trade payables	171,970,297.44	189,618,638.93
Deposits	3,201,355.04	3,445,555.04
Other payables	31,465,726.88	50,589,264.40
Total financial liabilities	**453,073,839.48**	**701,210,324.30**

(i) Fair value hierarchy

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

Level 1:

Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2:

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

Level 3:

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

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

(Amounts in Nu.)

Particulars	31-Dec-21		31-Dec-20	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables (Refer note (a))	249,579,157.38	249,579,157.38	321,898,297.62	321,898,297.62
Financial liabilities				
Long term borrowings from Bank of Bhutan (Refer note (b))	92,738,125.92	92,738,125.92	95,266,826.62	95,266,826.62
Long term borrowings from NPPF	46,114,871.49	43,261,162.92	29,631,328.54	28,324,195.28
Long term borrowings from T Bank	23,259,510.49	22,528,548.72	30,000,000.00	28,543,338.25

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

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

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

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

Note 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

(Amounts in Nu.)

Particulars	Amount
Loss allowance on January 1, 2021	**47,107,077**
Changes in loss allowance	-
Loss allowance on December 31, 2021	**47,107,077**

iii) Financial instruments and cash deposits

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

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

(B) Liquidity risk

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

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

Contractual maturities of financial liabilities:

(Amounts in Nu.)

Particulars	Less than 1 year	More than 1 year	Total
31 December 2021			
Long term borrowings and interest*	31,809,474	172,191,629	204,001,104
Short term borrowings	82,675,548	-	82,675,548
Deferred rent	-	1,648,404	1,648,404
Trade payables	171,970,297	-	171,970,297
Deposits	3,201,355	-	3,201,355
Other payables	31,465,727	-	31,465,727
Total non-derivative liabilities	**321,122,402**	**173,840,033**	**494,962,435**
31 December 2020			
Long term borrowings and interest*	23,803,342	177,297,737	201,101,080
Short term borrowings	392,893,509	-	392,893,509
Deferred rent	-	1,423,956	1,423,956
Trade payables	189,618,639	-	189,618,639
Deposits	3,445,555	-	3,445,555
Other payables	50,589,264	-	50,589,264
Total non-derivative liabilities	**660,350,309**	**178,721,693**	**839,072,003**

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

(Amounts in Nu.)

A. Change in defined benefit obligation (DBO)	31 December 2021	31 December 2020
DBO at end of prior period	15,901,548.00	13,911,338.00
Current service cost	1,981,283.00	1,828,851.00
Interest cost on the DBO	1,231,592.00	1,106,590.00
Past service cost - plan amendments	(1,412,235.00)	-
Actuarial (gain)/loss - experience	705,252.00	840,044.00
Benefits paid	7,216.00	(1,785,275.00)
DBO at end of current period	**18,414,656.00**	**15,901,548.00**

B. Statement of Profit & Loss	31 December 2021	31 December 2020
Current service cost	1,981,283.00	1,828,851.00
Net interest on net defined benefit liability / (asset)	1,231,592.00	1,106,590.00
Cost recognized in P&L	**3,212,875.00**	**2,935,441.00**

C. Other Comprehensive Income (OCI)	31 December 2021	31 December 2020
Actuarial (gain)/loss due to liability experience	840,044.00	840,044.00
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**840,044.00**	**840,044.00**

D. Reconciliation of Net Balance Sheet Position	31 December 2021	31 December 2020
Net defined benefit asset/ (liability) at end of prior period	15,901,548.00	13,911,338.00
Current service cost	1,981,283.00	1,828,851.00
Past service cost - plan amendments	1,231,592.00	1,106,590.00
Net interest on net defined benefit liability/ (asset)	705,252.00	840,044.00
Amount recognized in OCI	(1,412,235.00)	(1,785,275.00)
Benefit paid directly by the company		
Net defined benefit asset/ (liability) at end of current period	**18,407,440.00**	**15,901,548.00**

E. Expected benefit payments (undiscounted) for the year ending	31 December 2021	31 December 2020
Up to 1 year	2,817,567.00	1,899,266.00
Between more than 1 to 3 years	6,465,781.00	4,773,587.00
Between more than 3 to 5 years	7,540,744.00	6,967,241.00
Between more than 5 to 10 years	18,578,792.00	16,770,192.00
Over 10 years	69,411,055.00	61,375,595.00

(i) Expected employer contributions for the period ending 31 December 2021

(ii) Weighted average duration of defined benefit obligation 15.03 years (31 Dec 2019: 15.09 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2021	31 December 2020
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(840,881.00)	(732,435.00)
Effect on DBO due to 0.5% decrease	912,763.00	795,426.00

B. Salary escalation rate	31 December 2021	31 December 2020
Salary escalation rate		6.00%
Effect on DBO due to 0.5% increase		852,880.00
Effect on DBO due to 0.5% decrease		(790,670.00)

(Amounts in Nu.)

C. Mortality rate	31 December 2021	31 December 2020
Mortality rate	100% of IALM (2012-14)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	(13,294.00)	(12,144.00)
Effect on DBO due to 10% downward shift in mortality curve	13,387.00	12,235.00

D. Employee turnover rate	31 December 2021	31 December 2020
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	(183,886.00)	(164,082.00)
Effect on DBO due to 1% decrease	195,667.00	174,611.00

Risk exposure

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

Discount rate risk:

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

Salary growth risk:

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

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

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

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

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

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

(Amounts in Nu.)

A. Change in defined benefit obligation (DBO)	31 December 2021	31 December 2020
DBO at end of prior period	760,483.00	668,688.00
Current service cost	112,085.00	108,153.00
Interest cost on the DBO	51,504.00	53,286.00
Actuarial (gain)/loss - experience	205,660.00	13,936.00
Benefits paid	-323.00	-83,580.00
DBO at end of current period	**1,129,409.00**	**760,483.00**

B. Statement of Profit & Loss	31 December 2021	31 December 2020
Current service cost	112,085.00	108,153.00
Net interest on net defined benefit liability / (asset)	51,504.00	53,286.00
Cost recognized in P&L	**163,589.00**	**161,439.00**

C. Other Comprehensive Income (OCI)	31 December 2021	31 December 2020
Actuarial (gain)/loss due to liability experience	205,660.00	40,994.00
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**205,660.00**	**40,994.00**

D. Reconciliation of Net Balance Sheet Position	31 December 2021	31 December 2020
Net defined benefit asset/ (liability) at end of prior period	760,483.00	668,688.00
Current service cost	112,085.00	108,153.00
Net interest on net defined benefit liability/ (asset)	51,504.00	53,286.00
Amount recognized in OCI	205,660.00	13,936.00
Benefit paid directly by the company	-323.00	-83,580.00
Net defined benefit asset/ (liability) at end of current period	**1,129,409.00**	**760,483.00**

E. Expected benefit payments (undiscounted) for the year ending	31 December 2021	31 December 2020
Up to 1 year	259,229.00	269,882.00
Between more than 1 to 3 years	525,281.00	450,724.00
Between more than 3 to 5 years	506,724.00	496,192.00
Between more than 5 to 10 years	1,233,903.00	89,694.00
Over 10 years	2,971,623.00	2,726,351.00

(i) Expected employer contributions for the period ending 31 December 2021
(ii) Weighted average duration of defined benefit obligation 10.84 years (31 Dec 2019: 11.57 years)
(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2021	31 December 2020
Discount rate	0.09	0.09
Effect on DBO due to 0.5% increase	-32,073.00	-28,154.00
Effect on DBO due to 0.5% decrease	34,599.00	30,378.00

B. Salary escalation rate	31 December 2021	31 December 2020
Salary escalation rate	0.06	0.06
Effect on DBO due to 0.5% increase	37,518.00	33,012.00
Effect on DBO due to 0.5% decrease	(35,037.00)	(30,918.00)

(Amounts in Nu.)

C. Mortality rate	31 December 2021	31 December 2020
Mortality rate	100% of IALM (2012-14)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	-	130.00
Effect on DBO due to 10% downward shift in mortality curve	-	(128.00)

D. Employee turnover rate	31 December 2021	31 December 2020
Employee turnover rate	0.05	0.05
Effect on DBO due to 1% increase	7,690.00	6,576.00
Effect on DBO due to 1% decrease	(8,098.00)	(6,946.00)

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

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

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

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

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

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

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

Note 37: Disclosure for employees benefit - defined benefit scheme (Transport Charge)

(Amounts in Nu.)

A. Change in defined benefit obligation (DBO)	31 December 2021	31 December 2020
DBO at end of prior period	1,212,671.00	1,066,305.00
Current service cost	151,001.00	173,699.00
Interest cost on the DBO	34,782.00	76,895.00
Actuarial (gain)/loss - experience	590,689.00	57,433.00
Benefits paid	(804,111.00)	(161,661.00)
DBO at end of current period	**1,185,032.00**	**1,212,671.00**

B. Statement of Profit & Loss	31 December 2021	31 December 2020
Current service cost	151,001.00	173,699.00
Net interest on net defined benefit liability / (asset)	34,782.00	76,895.00
Cost recognized in P&L	**185,783.00**	**250,594.00**

C. Other Comprehensive Income (OCI)	31 December 2021	31 December 2020
Actuarial (gain)/loss due to liability experience	590,689.00	57,433.00
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**590,689.00**	**57,433.00**

D. Reconciliation of Net Balance Sheet Position	31 December 2021	31 December 2020
Net defined benefit asset/ (liability) at end of prior period	1,212,671.00	1,066,305.00
Current service cost	151,001.00	173,699.00
Net interest on net defined benefit liability/ (asset)	34,782.00	76,895.00
Amount recognized in OCI	590,689.00	57,433.00
Benefit paid directly by the company	(804,111.00)	(161,661.00)
Acquisitions credit/ (cost)	590,689.00	57,433.00
Cost of termination benefits	(804,111.00)	(161,661.00)
Net defined benefit asset/ (liability) at end of current period	**1,185,032.00**	**1,212,671.00**

(Amounts in Nu.)

E. Expected benefit payments (undiscounted) for the year ending	31 December 2021	31 December 2020
Up to 1 year	401,068.00	483,848.00
Between more than 1 to 3 years	745,892.00	731,958.00
Between more than 3 to 5 years	761,630.00	803,887.00
Between more than 5 to 10 years	1,724,299.00	1,632,863.00
Over 10 years	4,025,919.00	4,130,307.00

(i) Expected employer contributions for the period ending 31 December 2021
(ii) Weighted average duration of defined benefit obligation 10.22 years (31 Dec 2019:10.21 years)
(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2021	31 December 2020
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(43,118.00)	(40,250.00)
Effect on DBO due to 0.5% decrease	46,334.00	43,253.00

B. Carrier charges	31 December 2021	31 December 2020
Salary escalation rate	5.00%	5.00%
Effect on DBO due to 0.5% increase	51,009.00	48,054.00
Effect on DBO due to 0.5% decrease	(47,801.00)	(45,060.00)

C. Mortality rate	31 December 2021	31 December 2020
Mortality rate	100% of IALM (2012-14)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	430	339
Effect on DBO due to 10% downward shift in mortality curve	(430)	(338)

D. Employee turnover rate	31 December 2021	31 December 2020
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	14,621.00	13,134.00
Effect on DBO due to 1% decrease	(15,383.00)	(13,864.00)

Risk exposure

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

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

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

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

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

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

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

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

(Amounts in Nu.)

A. Change in defined benefit obligation (DBO)	31 December 2021	31 December 2020
DBO at end of prior period	760,483.00	668,688.00
Current service cost	111,298.00	108,153.00
Interest cost on the DBO	52,554.00	51,289.00
Actuarial (gain)/loss - experience	180,692.00	62,918.00
Benefits paid	(284,728.00)	(130,565.00)
DBO at end of current period	**820,299.00**	**760,483.00**

B. Statement of Profit & Loss	31 December 2021	31 December 2020
Current service cost	111,298.00	108,153.00
Net interest on net defined benefit liability / (asset)	52,554.00	51,289.00
Cost recognized in P&L	**163,852.00**	**159,442.00**

C. Other Comprehensive Income (OCI)	31 December 2021	31 December 2020
Actuarial (gain)/loss due to liability experience	180,692.00	62,918.00
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**180,692.00**	**62,918.00**

D. Reconciliation of Net Balance Sheet Position	31 December 2021	31 December 2020
Net defined benefit asset/ (liability) at end of prior period	760,483.00	668,688.00
Current service cost	111,298.00	108,153.00
Net interest on net defined benefit liability/ (asset)	52,554.00	51,289.00
Amount recognized in OCI	180,692.00	62,918.00
Benefit paid directly by the company	(284,728.00)	(130,565.00)
Net defined benefit asset/ (liability) at end of current period	**820,299.00**	**760,483.00**

(Amounts in Nu.)

E. Expected benefit payments (undiscounted) for the year ending	31 December 2021	31 December 2020
Up to 1 year	248,430.00	269,882.00
Between more than 1 to 3 years	525,281.00	450,724.00
Between more than 3 to 5 years	506,724.00	496,192.00
Between more than 5 to 10 years	1,233,903.00	1,089,694.00
Over 10 years	2,971,623.00	2,726,351.00

(i) Expected employer contributions for the period ending 31 December 2020
(ii) Weighted average duration of defined benefit obligation 10.84 years (31 Dec 2019: 11.57 years)
(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2021	31 December 2020
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(32,073)	(28,154)
Effect on DBO due to 0.5% decrease	34,599	30,378

B. Salary escalation rate	31 December 2021	31 December 2020
Salary escalation rate	6.00%	6.00%
Effect on DBO due to 0.5% increase	37,518	33,102
Effect on DBO due to 0.5% decrease	(35,037)	(30,918)

C. Mortality rate	31 December 2021	31 December 2020
Mortality rate	100% of IALM (2012-14)	100% of IALM (2006-08)
Effect on DBO due to 10% upwad shift in mortality curve	-	130
Effect on DBO due to 10% downward shift in mortality curve	-	(128)

D. Employee turnover rate	31 December 2021	31 December 2020
Employee turnover rate	5%	5%
Effect on DBO due to 1% increase	7,690	6,576
Effect on DBO due to 1% decrease	(8,098)	6,946

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 37: Disclosure for employees benefit - defined benefit scheme (leave)

A. Change in defined benefit obligation (DBO)	31 December 2021	31 December 2020
DBO at end of prior period	4,131,907.00	3,498,302.00
Current service cost	288,718.00	633,605.00
Interest cost on the DBO	49,563.00	5,196.00
Actuarial (gain)/loss – experience	3,501,387.00	3,431,980.00
Actuarial (gain)/loss - demographic assumptions	(2,132.00)	
Benefits paid	(3,548,818.00)	(3,437,176.00)
DBO at end of current period	**4,420,625.00**	**4,131,907.00**

B. Statement of Profit & Loss	31 December 2021	31 December 2020
Current service cost	288,718.00	633,605.00
Net interest on net defined benefit liability / (asset)	49,563.00	5,196.00
Cost recognized in P&L	**338,281.00**	**638,801.00**

C. Other Comprehensive Income (OCI)	31 December 2021	31 December 2020
Actuarial (gain)/loss due to liability experience	3,499,255.00	3,431,980.00
Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**3,499,255.00**	**3,431,980.00**

D. Reconciliation of Net Balance Sheet Position	31 December 2021	31 December 2020
Net defined benefit asset/ (liability) at end of prior period	4,131,907.00	3,498,302.00
Current service cost	288,718.00	633,605.00
Net interest on net defined benefit liability/ (asset)	49,563.00	5,196.00
Amount recognized in OCI	3,499,255.00	3,431,980.00
Benefit paid directly by the company	(3,548,818.00)	(3,437,176.00)
Acquisitions credit/ (cost)	3,503,519.00	3,431,980.00
Cost of termination benefits		(3,437,176.00)
Net defined benefit asset/ (liability) at end of current period	**4,420,625.00**	**4,131,907.00**

E. Expected benefit payments (undiscounted) for the year ending	31 December 2021	31 December 2020
Up to 1 year	389,167.00	397,664.00
Between more than 1 to 3 years	814,440.00	675,597.00
Between more than 3 to 5 years	759,525.00	723,184.00
Between more than 5 to 10 years	1,661,435.00	1,507,592.00
Over 10 years	4,289,807.00	3,796,455.00

(i) Expected employer contributions for the period ending 31 December 2020

(ii) Weighted average duration of defined benefit obligation 10.84 years (31 Dec 2019: 11.57 years)

(iii) Significant estimates: actuarial assumptions and sensitivity

A. Discount rate	31 December 2021	31 December 2020
Discount rate	8.50%	8.50%
Effect on DBO due to 0.5% increase	(198,963.00)	(185,069.00)
Effect on DBO due to 0.5% decrease	215,798.00	201,109.00

B. Salary escalation rate	31 December 2021	31 December 2020
Salary escalation rate	6.00%	6.00%
Effect on DBO due to 0.5% increase	231,874.00	216,206.00
Effect on DBO due to 0.5% decrease	(215,263.00)	(200,358.00)

C. Mortality rate	31 December 2021	31 December 2020
Mortality rate	100% of IALM (2012-14)	100% of IALM (2006-08)
Effect on DBO due to 10% upward shift in mortality curve	-	1,628.00
Effect on DBO due to 10% downward shift in mortality curve	-	(1,624.00)

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D. Employee turnover rate	31 December 2021	31 December 2020
Employee turnover rate	5%	5%
Effect on DBO due to 0.5% increase	55,054.00	52,563.00
Effect on DBO due to 0.5% decrease	(58,183.00)	(55,788.00)

Risk exposure

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

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

Salary growth risk:
As the transfer grant 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 rates 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 honor the transfer grant payments in the short run due to liquidity constraints.

Note 38: Contingent liability

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

i. Keys to Bhutan amounting to Nu.3, 279,304/-.

ii. M/s Empire Construction Pvt. Ltd (Private Company) amounting to Nu. 1,132,326/-

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

Sl. No	Clients	Amount (Nu.)	Year	Status
1	Mr. Phojo Nidrup (c/o Choden Transport)	1,443,323.00	2019	Case Ongoing
2	Mr. Phojo Nidrup(c/o Choden Transport)	2,573,764.00	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	124892.00	2018	Case in arbitration process
4	Mr. Karma Chowang	709792.00	2019	Case in arbitration process
5	Mr. Pema Wangda	275337.60	2019	Case in arbitration process

Note 40: Interest Waiver from Government.

The company had an interest benefit of Nu. 9,126,137.73 on account of Druk Gyalpo's Relief Kidu support for the interest payment as follows:

Particulars	Principle Amount (in Nu.)	Interest Amount (in Nu.)
Bank of Bhutan Limited (Overdraft Loan + Long Term Loans)	258,500,000.00	6,535,072.53
National Pension & Provident Fund (Short Term Loans)	70,000,000.00	2,591,065.20
Total	**328,500,000.00**	**9,126,137.73**

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