



ANNUAL REPORT 2019

**Bhutan Livestock
Development Corporation Limited**

Inspiring the growth of livestock entrepreneurs

ANNUAL REPORT | 2019



BHUTAN LIVESTOCK DEVELOPMENT CORPORATION LTD

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COMPANY PROFILE

Bhutan Livestock Development Corporation Limited (BLDCL) is a 100% State Owned Enterprise, incorporated under the Companies Act of Kingdom of Bhutan 2016, on 15th March 2017. It was formally launched and inaugurated on 3rd August 2017.

Vision

- A responsive and responsible corporation for prosperous and sustainable livestock-based enterprise.

Mission

- Adopt corporate and business principles to enhance livestock production efficiency;
- Advocate effective value chain management and support services; and
- Implement quality management standards with animal welfare as a priority.

Mandates

The BLDCL's mandates, as per the Article of Incorporation of a public company under the Companies Act of Bhutan 2016 are to:

1. Engage in production and supply of livestock inputs
2. Engage in production of livestock products
3. Lead and promote in post-production, diversification and value addition of livestock products;
4. Institute and strengthen warehousing and cold storage logistics and services;
5. Engage closely with the livestock farmers and farmers' groups/cooperatives/youths in production; and promote and strengthen product mobilization, aggregation and marketing.
6. Engage in Schools, Hospitals and other Institutional Feeding Programs;
7. Undertake other activities as directed by the Government/Board.

BOARD OF DIRECTORS

Dr. Tashi Samdup **Chairman**



Dr. Tashi Samdup, the Director General of Department of Livestock (DoL), Ministry of Agriculture and Forests (MoAF) is the Chairman of BLDCL Board. He earned his PhD in Animal Production Systems and a Master's degree in Animal Science from Wageningen University, The Netherlands and did his Bachelor's degree in Veterinary Science & Animal Husbandry from Kerala Agricultural University, India. Throughout his career, he served in various capacities as Veterinary Surgeon, Veterinary Parasitologist, Manager of the National Brown Swiss and Horse Farm, Officer in-charge of the National Jersey Breeding Centre, Chief Livestock Officer of Livestock Production Division, Department of Livestock (Directorate) and as a Director of Council for RNR Research of Bhutan (CoRRB).

Mr. Ugyen Penjore

Director



Ugyen Penjore is the Director General of the Department of Agricultural Marketing and Cooperatives (DAMC) in the Ministry of Agriculture and Forests. He has a Master's degree in Post-Harvest Technology from Cranfield University, United Kingdom. Prior to his present post, he served as the Director in the Department of Cottage & Small Industry, MoEA; Chief Horticulture Officer in the Department of Agriculture, Program Director of National Post-Harvest Centre and Research Officer/Assistant Research Officer in the Department of Agriculture.

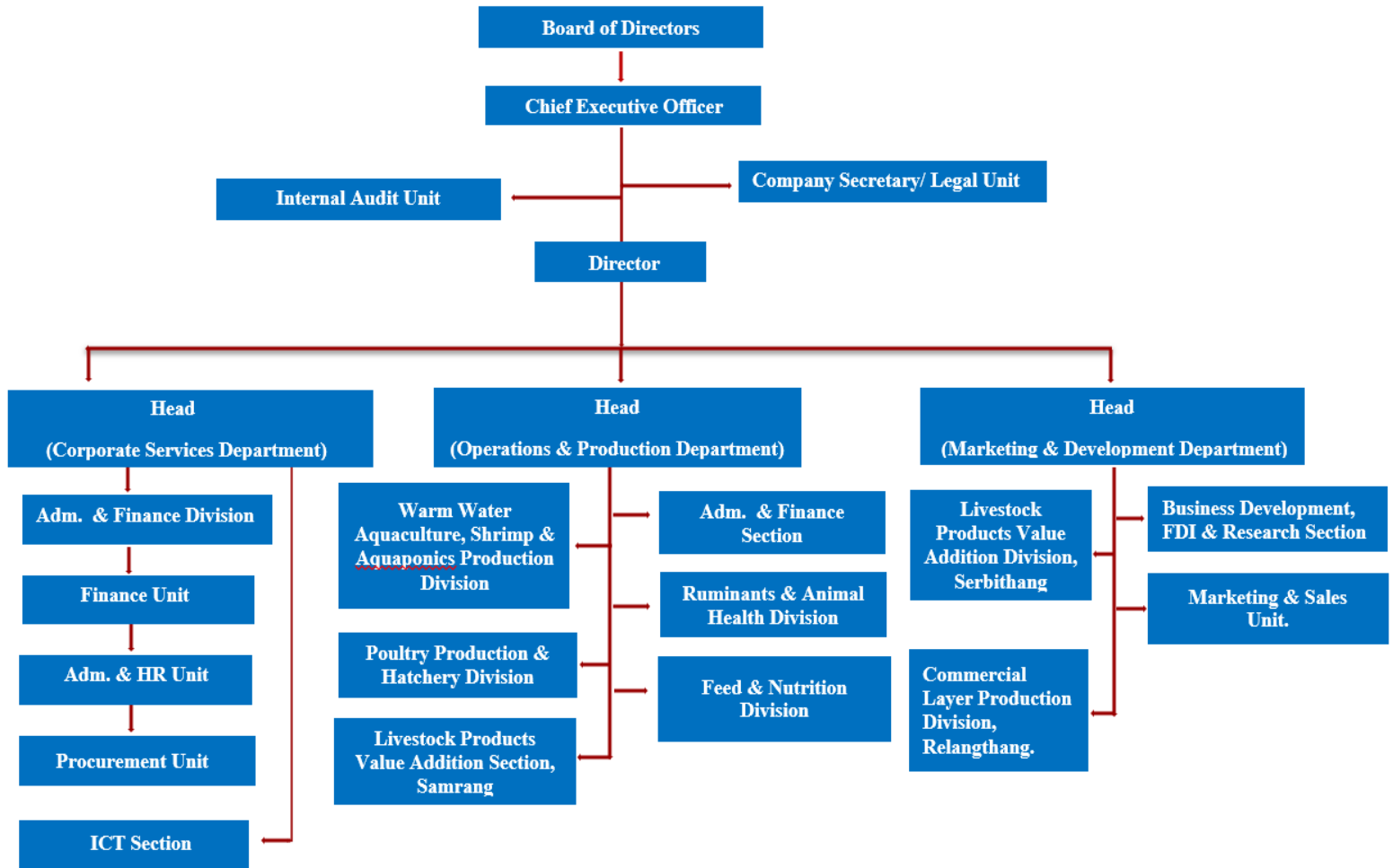
Mr. Phub Dorji**Director**

Mr. Phub Dorji is the Chief Executive Officer of Bhutan Development Bank Ltd. (BDBL). He holds a Master's degree in Public Administration (MPA) and Edward S Mason Program in Public Policy and Management from Harvard Kennedy School, Harvard University, Massachusetts, USA. Prior to his current post, he served as the Coordinator for the Cottage, Small and Medium Industry (CSMI) development project, the Head of the Entrepreneurship Promotion Centre (EPC) under Ministry of Economic Affairs. He has also served as a Professional Changarp to His Majesty the King and worked as the Head of a think tank focusing on Bhutan's macro and socio economic studies.

Mr. Jigme Wangchuk**Member Secretary**

Mr. Jigme Wangchuk is the Chief Executive Officer at BLDCL. He began his career in the Department of Livestock under Ministry of Agriculture and Forests as a Livestock Extension Officer. He served in various capacities under DoL as Dzongkhag Livestock Officer, Program Director, and Chief Livestock Production Officer under DoL. He received his Master's degree in Agricultural Production Chain Management specialized in livestock chains from Larenstein University, Deventer, The Netherlands and has Bachelor's degree in Animal Science from University of Reading, Berkshire, United Kingdom.

ORGANIZATIONAL STRUCTURE OF BLDCL



BLDCL MANAGEMENT

Corporate Head Office, Taba, Thimphu		
1.	Chief Executive Officer	Mr. Jigme Wangchuk
2.	Director	Mr. Sithar Dorji
3.	Dy. Chief Finance Officer	Mr. Suraj Ghalley
4.	Head, HR/ADM & Procurement	Mr. Singye Dawa
Farm Stores, Thimphu		
1.	Asst. Manager	Mr. Kinzang Tshering
Livestock Value Addition Division, Serbithang Thimphu		
1.	Asst. General Manager	Mr. Dal Bdr. Mishra
Operation and Production Division, Samrang, Samdrup Jongkhar		
1.	Offtg. Head, Operations and Production Division	Mr. Tshewang Penjor
2.	Asst. General Manager (Dairy & Goat)	Mr. Dal Bdr.
3.	Asst. General Manager (Poultry Farm)	Mr. Dorji Khandu
4.	Manager (Fishery)	Mr. Ganga Ram Kharel
Commercial Layer Production Division, Relangthang, Sarpang		
1.	Asst. General Manager	Mr. Duptho Tshewang

Exhibition at CSI Expo, BEFIT, RTC, Thimphu



Foothills Festival, Sarpang



Training on Bhutanese Etiquette



DIRECTORS' REPORT

On behalf of the Board and management of Bhutan Livestock Development Corporation Limited, I am pleased to present the Annual Report for the financial year 2019.

The year 2019 has been a challenging year for BLDCCL which involved both learning and growth through sheer patience and hard work. During the year, although the company could not execute many of its plans due to acute financial constraint, it was able to make the most with available resources within its purview.

Following are some highlights of BLDCCL from 2019 and its financial performance.

1. Internal Process

- i. Developed draft Standard Operation Procedures (SOP) for all existing units under BLDCCL for Dairy, Poultry, Fishery and Animal Nutrition in order to implement and manage farms and units smoothly and consistently. SOPs are also developed for Value Addition Center and Farm Stores Outlets. These SOPs are expected to be endorsed and implemented from 2020 onwards.
- ii. Developed draft BLDCCL Internal Auction Guidelines to guide the company in disposing off owned properties to the prospective bidders.
- iii. Developed draft BLDCCL Pricing Guidelines to adopt a systematic and uniform procedures in fixing prices for BLDCCL products and services.
- iv. Developed draft BLDCCL Write-off Standard, Staffing Standard and Delegation of Financial Powers to guide the company in its operation.
- v. Dairy Farm under Operation and Production Division at Samrang, Samdrup Jongkhar had increased the dairy herd numbers from 123 to 170 within two years.
- vi. The table below shows the quantity of raw materials sourced by Livestock Products Value Addition Division (LPVAD)

Sl. No.	Meat type	Quantity in 2018 (MT)	Quantity in 2019 (MT)
1.	Chicken	4.69	25.04
2.	Pork	5.10	7.97
3.	Turkey	0.39	0.20
4.	Trout	1.80	0.33
Total		11.98	33.56

2. Regularization of DES staff

Owing to the financial constraints, company could not initiate any trainings for the staff in 2019. However, company has regularized staff who were mostly recruited on contract through Direct Employment Scheme (DES) under Ministry of Labor and Human Resource, through a rigorous evaluation process. Thus, BLDCL regularized total of 61 staffs between January and July 2019.

3. Schools and Hospitals Feeding Program (SHFP)

Schools and Hospitals Feeding Program (SHFP) has now fully transitioned into a national school feeding program and the Royal Government of Bhutan (RGoB) has directed the Ministry of Agriculture & Forests (MoAF) to supply the schools and the hospitals in the country with domestically produced quality food. In line with this overarching national program, Bhutan Livestock Development Corporation is one of the stakeholders entrusted to source, aggregate and supply livestock commodities wherever farmers are not able to supply to schools and hospitals.

4. Participation at Bhutan Economic for Innovative Transformation (BEFIT)

BLDCL participated in the three days Bhutan Economic for Innovative Transformation (BEFIT) and National CSI expo organized by Royal Monetary Authority, Ministry of Economic Affairs and Royal Institute for Governance and Strategic Studies held at Royal Thimphu College in July 2019. BLDCL exhibited livestock value added products to the participants primarily to create awareness about the products with locally sourced raw materials. More so, staff of BLDCL also attended the various session of BEFIT.

5. Training on Bhutanese Etiquettes (Driglam Namzha)

Training on traditional etiquettes was provided by Ministry of Home and Cultural Affairs (MoHCA) for three days on the request of BLDCL. This training was attended by 20 staffs from head office, Value Addition Division and Farm Stores. Similarly, one day training was conducted at OPD, Samrang by Samdrup Jongkhar Dzongkhag Administration and 51 staff attended the training.

6. New Value-added Products

The Livestock Value Addition Division at Serbithang introduced the following value-added products in 2019;

- i. Meat mince (chicken and pork)
- ii. Meat ball (chicken and pork)
- iii. Pork spareribs
- iv. Pork bones (chopped)
- v. Chicken breast fillet
- vi. Chicken drumsticks
- vii. Chicken wings

7. Additional Outlets

In addition to the two existing Farm Stores outlet, the company has opened two more outlets in Babesa and Centenary Farmers' Market (CFM) in Thimphu.

8. Product Exhibition & Partnerships

The Marketing & Sales Unit and Farm Stores participated in Foothills Festival in Sarpang and Paro in 2018 & 2019. It was intended to create awareness about our products to new markets. With such exhibitions, BLDCL has fostered partnerships with Bigways, Gelephu and Nazhoen Gongphel Detshen, Mongar. Other big retailers in Thimphu are 8 Eleven, Shop No. 7, My Mart and Druk Air.

9. Financial Performance

BLDCL completed its second year in the corporate business venture in 2019. In doing so, the company is still not financially stable. The company had a debt of Nu.11.071 million from the previous financial year (2018). As an immediate intervention to the high accumulation of debt burden on the company, the Board therefore advised and approved borrowing of short-term working capital of Nu. 21 million from Bhutan Development Bank Limited in the third quarter of 2019 financial year. The borrowing was solely to pay the accumulated debts and to meet immediate operational expenses (feed and transportation cost).

i. Revenue and Expenditure

The total revenue of BLDCL in 2019 was Nu. 44.599 million, out of which, operational revenue had increased by 11%. The overall expenditure of the company in 2019 was 115.348 million with a slight increase of 3% compared to restatement of 2018. BLDCL's profit before tax in 2019 was Nu. -70.748 million which was equivalent to Nu. -15.08 in the earnings per share.

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

Sl.No.	Division/ Unit	Revenue (Nu.)	Contribution to Revenue (%)
1.	Main Farm Stores	21.74 million	51.42
2.	Farm Stores Changkhorlo	3.84 million	9.08
3.	OPD, Samrang	15.70 million	37.14
4.	CLPD, Relangthang	0.80 million	1.89
5.	LPVAD, Serbithang	0.20 million	0.46

10. Statutory Audit Report

The statutory audit for the year ended 31st December 2019 was carried out by B.M Chatrath & Co. LLP from Kolkata India. The firm audited the accounts from 4th February to 18th February 2020 in accordance with the auditing standard prescribed by the Accounting and Auditing Standard Board of Bhutan and the relevant provisions of the Companies Act of Bhutan 2016.

ACKNOWLEDGEMENT

I would like to congratulate the Chief Executive Officer and the employees of BLDCL for bravely completing a challenging year with utmost perseverance and commitment for the company. I would also like to thank the Board Directors for their valuable contributions in guiding the Company move forward.

My gratitude on behalf of Board Directors and the management of BLDCL are due also to the Royal Government of Bhutan, Ministry of Finance, Ministry of Agriculture and Forests, Ministry of Labor and Human Resource, Office of the Registrar, Royal Audit Authority, statutory auditors and all other valued agencies for their continued support and guidance.

Tashi Delek!

(Dr. Tashi Samdup)

Chairman, BLDCL Board

CORPORATE GOVERNANCE REPORT

With the support and guidance from the Office of the Registrar, Ministry of Finance, Ministry of Agriculture and Forests and Ministry of Labor and Human Resource, BLDCL has been able to adopt and implement good corporate and management practices. BLDCL Board constitutes of five Board Directors including the Chief Executive Officer of BLDCL. In 2019, the Board met five times to provide strategic guidance to the management and to review the Company's performance.

1. Board of Directors

Sl. No.	Name	Address	Date of appointment	Term
1.	Dr. Tashi Samdup	Director General, DoL, Ministry of Agriculture and Forests	12 th December 2016	First
2.	Mr. Ugyen Penjore	Director General, DAMC, Ministry of Agriculture and Forests	12 th December 2016	First
3.	Mr. Phub Dorji	Chief Executive Officer, BDBL	12 th December 2016	First
4.	Mr. Dorji Dhap	Chief Accounts Officer, DPA, Ministry of Finance	26 th June 2018	First/Retired
5.	Mr. Jigme Wangchuk	Chief Executive Officer, BLDCL	1 st August 2017	First

2. Board Meetings

Five Board Meetings were held in 2019.

The details of the Board attendance are as follows:

Board Meeting No.	Date	Members Present	Leave of Absence
10	21 st March 2019	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Mr. Jigme Wangchuk 	Mr. Dorji Dhap
11	18 th April 2019	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Mr. Jigme Wangchuk 	Mr. Dorji Dhap
12	26 th August 2019	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Mr. Jigme Wangchuk 	Mr. Dorji Dhap
13	5 th December 2019	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Mr. Jigme Wangchuk 	None
14	23 rd December 2019	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Mr. Jigme Wangchuk 	None

AUDITORS' REPORT



Auditor's Report & Financial Statements F.Y.: 2019

**B M CHATRATH & CO LLP
CHARTERED ACCOUNTANTS
KOLKATA**

BHUTAN LIVESTOCK DEVELOPMENT CORPORATION LIMITED

Audit for the period covering 1st January, 2019 to 31st December, 2019

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1.	Auditor's Report on Financial Statements.
2.	Report on Minimum Audit Examination Requirement.
3.	Financial Statements (As per BAS - Statement of Financial Position, Statement of Comprehensive Income, Statement of changes in equity and Statement of Cash Flow and Schedules forming part of the Financial Statements).
4.	Accounting Policies & Notes to Accounts.
5.	Statement of Ratio Analysis.
6.	Compliance Calendar and Compliance Checklist.
7.	Management Report.
8.	Follow up Report on previous years' Management Reports

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BHUTAN LIVESTOCK DEVELOPMENT
CORPORATION LIMITED**

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying standalone financial statements of **Bhutan Livestock Development Corporation Limited** ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the Statement of Comprehensive Income, the Statement of Changes in Equity and the 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Qualified Opinion

- (i) The Company has not complied with the disclosure requirements of the following BAS: BFRS 15: Revenue from Contracts with Customers; BFRS 13: Fair Value measurement; BAS 19: Employee Benefits; BAS 41: Agriculture; BAS 24: Related party disclosures and BFRS 7: Financial Instruments - Disclosures.

Non-disclosure of information as required by BAS may not give provide information about the financials as required by users to understand the operations and activities of the Company.

- (ii) The Company's has stated the inventories in its financial statements at Nu. 5.38 million, which was valued using the approximate cost approach instead of following the requirement of BAS 2 on Inventories, which prescribes valuation to be carried out at lower of cost and net realizable value. As actual cost of production is not available with the Company, we are unable to comment on impact of the same, if any, on the carrying value of inventories as at December 31, 2019 as it is not ascertainable.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the

International Ethics Standards Board for Accountant's *Code of Ethics for Professional Accountants* (IESBA Code) together 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Emphasis of Matter

We draw attention to the following matter in the notes to the financial statements:

- (i) **Restatement of earlier years Financial Statements** - The financial statement for the fifteen months period ended as on December 31, 2018 was adopted by the board of directors in their meeting held on February 20, 2019. The above financial statements were audited by us and we have issued qualified opinion vide our report dated February 20, 2019 on the same. These financial statements were approved by the members in their meeting held on April 26, 2019. The above financial statement have been restated to rectify the following errors :-
 - (a) We have qualified in our earlier audit report as stated above, the recognition of biological assets which was measured at cost by the company. The above treatment of biological assets was not in compliance with BAS 41. To correct this error, the company has restated the financial statement for the year December 31, 2018 by measuring biological assets at fair value less cost to sell. As a result of this restated adjustment; total comprehensive loss for the fifteen months period ended December 31, 2018 is decreased by Nu. 13.71 Million with corresponding increase in biological asset. [Refer Note 33(iv) to the financial statements]
 - (b) While submitting the financial statements to the Department of Revenue and Customs, Bhutan, it was identified by the Management that Depreciation for the earlier period was inadvertently calculated for total period of fifteen months together (i.e, from October 1, 2017 to December 31, 2018) and not separately for three months (i.e, from October 1, 2017 to December 31, 2017) and twelve months (i.e, from January 1, 2018 to December 31, 2018). Depreciation has been recalculated separately for three months and twelve months and effect has been given in these restated financial statements. As a result of this restatement adjustment, depreciation and total comprehensive loss for the fifteen months period ended December 31, 2018 is decreased by Nu. 1.31 Million with corresponding increase in Property, Plant and Equipment. [Refer Note 33(iv) to the financial statements]
- (ii) **Accounting for Government Grants** - Note No 13 regarding Deferred Government Grants wherein no grant has been recognized in the Statement of Profit and Loss on a systematic basis over the useful life of the related assets during the year as required by BAS 20 as the Government has asked the Company to transfer the total Government Grant into Equity. As

there is no formal communication regarding the same, the amount has been kept as deferred government grant and will be accounted for after getting communication regarding the same. An amount of Nu. 18.20 million has been transferred to equity during the year based on verbal communication with the Government and as confirmed by the management.

Our opinion is not modified in respect of these matters.

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

Management is responsible for the preparation and fair presentation of these 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 audit. We also:

- 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 the override of internal control.

B M CHATRATH & CO LLP

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- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management.
- 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 auditor's report to the related disclosures in the standalone 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a Going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events a manner that achieves fair presentation.

We 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 standalone 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 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 (the Minimum Audit Examination and Reporting Requirements), we enclose in the Annexure-I a Statement on the matters specified therein to the extent applicable.

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

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

Noida :- D-26, 2nd Floor, Sector -3, Noida – 201301 (Uttar Pradesh) India, [Tel:- 0120-4593360, 0120-4593361](tel:0120-4593360)

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Mumbai :- A/9, Sai Prasad, 2nd Floor, Rajshree Shahu Maharaj Cross Road, (Telly Gulley Cross Road), Andheri East, Mumbai – 400069

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- b) In our Opinion proper Books of Account as required by law have been kept by the Company so far as it appears from our examination of the books.
- c) The Statement of Financial Position, the statement of Comprehensive Income, the statement of changes in equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with Bhutanese Accounting Standards and are in agreement with the books of account.
- d) In our opinion, the Company has complied with all relevant laws and regulatory requirements to the extent applicable.

The engagement partner on the audit resulting in this independent auditor's report is Priya Agarwal.

For B M Chatrath & Co LLP

(Chartered Accountants)

Firm Registration No.301011E/E300025



Digitally signed by priya agarwal
Date: 2020.05.11 13:55:56 +05'30'

Priya Agarwal

(Partner)

Date: 11 May, 2020

Place: Kolkata

Membership No. 303874

UDIN - 20303874AAAAAI4558

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Annexure - I

BHUTAN LIVE STOCK DEVELOPMENT CORPORATION LIMITED

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

General:

- a) The Company under audit adheres to the Corporate Governance Guidelines and Regulations as applicable to them.
- b) The governing board/authority generally pursue a prudent and sound financial management practice in managing the affairs of the company except the observations reported in our Management Audit Report.
- c) The financial statements are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB) except mentioned in our Audit Report.
- 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 Company has fulfilled all its mandatory obligations -social or otherwise entrusted to it.
- g) As required by BAS-12, Deferred Tax Asset on carry forward of unused tax losses have not been recognized as there is no certainty that sufficient future taxable profit will be available against which the unused tax losses will be realized.

In the case of a manufacturing, mining or processing company

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets and no material discrepancies were noticed on Physical verification of Fixed Assets.
2. None of the fixed asset has been revalued during the year ended on 31st December, 2019.

Noida :- D-26, 2nd Floor, Sector -3, Noida – 201301 (Uttar Pradesh) India, [Tel:- 0120-4593360, 0120-4593361](tel:0120-4593360)

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3. Physical verification was conducted at reasonable intervals in respect of finished goods, stores, spares parts and raw materials.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. No material discrepancies were noticed on physical verification of stocks as compared to the book records.
6. We test checked and observed that the company has a reasonable system of recording receipts and issues of materials and stores *but there was no reasonable system of recording of consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.*
7. *No quantitative reconciliation was carried out at the end of accounting year by the Company in respect of all major items of inventories i.e. finished goods and raw materials.*
8. *The Company has not determined the obsolete, damaged, slow moving and surplus goods/inventories. And hence no provisions were made for the year ending as on 31st December, 2019.*
9. No obsolete inventories were disposed off except for the disposal off Scrap/Spent Birds and proceeds from such disposals were accounted by the Head Office on the basis of cash deposit made by the respective units into the bank.
10. The Company has not written off any amount due to material loss/discrepancies in physical/book balances of inventories including finished goods, raw materials, stores and spares during the period of our audit.
11. *The valuation of stock is not in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). And the basis of valuation of stocks is same as it was in the preceding year.*
12. The rate of interest and other terms and conditions of secured loan taken by the company are prima facie not prejudicial to the interest of the company.
13. The clause 13 is not applicable to the Company as the Company has not given any loans to other parties during the period of our audit.

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Jaipur :- B-269, Janta Colony, Jaipur – 302004 Tel. No. 0141-2601727

B M CHATRATH & CO LLP

(FORMERLY B M CHATRATH & CO.)
CHARTERED ACCOUNTANTS
LLPIN: AAJ-0682

REGD. OFFICE: CENTRE POINT, 4th Floor , Suite No.-440,
21, Hemanta Basu Sarani, Kolkata-700001
TEL: 2248-4575/4667/6810/6798, 2210-1385
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Web: www.bmchatrath.com

14. The loans/advances granted to officers/staff are in conformity with the provisions of the service rules and no excessive/frequent advances are granted and accumulation of large advances against particular individual is avoided.
15. The company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures. *Except the areas reported in Point No. 2 in Management Audit Report.*
16. The Company has a reasonable system of authorization at proper levels, and has 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 labour to jobs.
17. There is a reasonable system of competitive biddings/quotations from the party in respect of purchase of goods and services including inventory, raw materials, plant and machinery, equipment and other assets and for the sale of goods and services which is commensurate with the size of the company and the nature of its business.
18. (a) According to information and explanations given to us ,there was no transaction for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the director(s) or any other party/parties related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market prices for such goods or services or at prices at which the transactions for similar goods or services have been made with other parties.

(b) According to information and explanations given to us, there was no transaction entered into by the company wherein the directors are directly or indirectly interested are prejudicial to the interest of the other shareholders and the company.
19. The expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.
20. There were no unserviceable or damaged store, raw materials or finished goods has been determined, and hence no provision for loss has been made in the accounts.
21. *There is no reasonable system of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e. while in transit, during processing, during*

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loading/ unloading, in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible.

22. The company is maintaining reasonable records for production of finished goods and by-products and there are adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.
23. As informed to us, the different units of the company are maintaining reasonable records for sales and disposal of realizable by-products and scraps where applicable.
24. The company is generally regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority *except for Provident Fund contribution of the month of December 2019 which was not deposited within the due date.* The requirement for making provision for corporate tax is not required for the current year as the company had incurred loss.
25. There was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions as on the last day of the financial year concerned.
26. The company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.
27. Remove.
28. *There is no reasonable system of price fixation taking into account the cost of production and market conditions.*
29. The Company has written credit sales policy but no credit rating of customers is required.
30. As informed to us, no sale was done through commission agent; hence the clause 30 is not applicable for the Company.
31. According to information and explanations given to us, there is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. No age-wise analysis of outstanding debtor balances is required as there is no unrecovered debtors outstanding balances lying for more than a year.
32. We observed that the management of liquid resources particularly cash/bank and short term deposits etc. are adequate and no excessive amount was lying idle in non-interest bearing

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accounts. And withdrawals of loan amounts are made after assessing the requirements of funds from time to time and no excess amounts are withdrawn leading to avoidable interest burden on the company.

33. On the basis of examination of books and records on test check basis, the activities carried out by the Company in our opinion are lawful and intra vires to the Articles of Incorporation of the Company.
34. The investment decisions are made subject to prior approval of the Board and investment in new projects are made only after taking approval from the Ministry.
35. The Company has established an effective budgetary control system.
36. The Company is not a manufacturing company. Therefore, clause 36 is not applicable.
37. The details of managerial remuneration have been disclosed in the Notes to the Accounts.
38. According to the information and explanations given to us, the directives of the Board have been complied with.
39. The officials of the Company have not transmitted any price sensitive information, which is not made publicly available to their relatives/ friends/associates, or close persons, which would directly or indirectly benefit themselves.
40. The Company is maintaining proper records for inter unit transactions/services.
41. According to the information and explanations given to us, proper agreements are executed and that the terms and conditions of leases are reasonable and beneficial to the Company.

In the case of a Trading Company

1. According to the information and explanations given to us, the sourcing of products for retailing has been done rightly from manufacturers and authorized dealers at most advantageous terms and prices.
2. The Company has appropriate system to determine inventory levels to avoid stock-out and overstocking situations.

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Other Clauses relating Finance and Investments Companies and Other Service Sector Companies are not relevant to the Company and have therefore not being commented upon.

Computerized Accounting Environment

1. In our opinion and according to the information and explanations given to us, the organizational and system development controls and other internal controls are adequate to the size and nature of computer installations.
2. We have been informed and verified that adequate safeguard measures and backup facilities exist within the organization.
3. We have been informed that the Company has back up facilities and disaster recovery measures including keeping files maintained with third party NANO at ICT Park, Serbithang.
4. The operational controls are adequate to ensure correctness and validity of input data and output information.
5. We have been informed and verified that the measures adopted by the Company to prevent unauthorized access over the computer installation and files are adequate.
6. There was no change over to new system, so question of data migration to new system doesn't arise.

Facts to be stated for unfavorable/qualified answers:

1. *In relation to Clause 6 applicable to manufacturing, mining or processing company, the company had no reasonable system of recording of consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business. It is assured by the Management that it will be implemented soon.*
2. *In relation to Clause 7 applicable to manufacturing, mining or processing company, the company did not carry out any quantitative reconciliation in respect of all major items of inventories i.e. finished goods and raw materials. It is assured by the Management that the system of quantitative reconciliation of the finished goods and raw materials will be implemented soon.*

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3. *In relation to Clause 8 applicable to manufacturing, mining or processing company. The Company has not determined the obsolete, damaged, slow moving and surplus goods/inventories but has assured that soon a system will be implemented to identify such items.*
4. *In relation to Clause 11 applicable to manufacturing, mining or processing company. The valuation of stock is not in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). And the basis of valuation of stocks is same as it was in the preceding year. however the management has assured to comply with the requirement of BAS-2 for the financial year 2020 onwards.*
5. *In relation to Clause 15 applicable to manufacturing, mining or processing company, we observed that the sales were made from different units of the company on cash and credit basis. But the recording of such were done in the H.O. only when the respective units were deposited the cash collection from sales into Bank as intimated by such units to H.O. Further Debtors Ledger maintained by the company is updated in the books of Account in HO half yearly and not always kept updated. It is assured by the management that corrective measures soon to be implemented in this regard.*
6. *In relation to Clause 21 applicable to manufacturing, mining or processing company. There is no reasonable system of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/ unloading, in storage and during handling etc. It is assured by the Management that a system will be implemented soon for identifying such cases.*
7. *In relation to Clause 24 applicable to manufacturing, mining or processing company the company did not deposit the Provident Fund contribution for the month of December 2019 till the due date of deposit due to fund constraint. Management has assured us that it will be deposited as soon there will be availability of fund.*
8. *In relation to Clause 28 applicable to manufacturing, mining or processing company, the company has no reasonable system of price fixation taking into account the cost of production and market conditions. It is assured by the Management that soon a proper system will be implemented for fixation of price of finished goods taking into account the cost of production.*

Other requirements:

1. Going concern problems

Based on the Company's financial statements for the year ended on 31st December, 2019 audited by us, though the Company has **incurred loss** but reviewing Management's future plans to augment its performance and also discussing with them in relation with the same of the entity's ability to continue as going concern the entity's continuity as going concern can be substantiated.

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2. Ratio Analysis

Financial and Operational ratios in respect of the Company are given in the statement of Ratio Analysis.

3. Compliance with the Companies Act of Bhutan 2016

The Company has complied with the requirement of The Companies Act of Bhutan, 2016. Our Observations in detail have been furnished separately in "COMPLIANCE CHECKLIST".


4. Adherence to Laws, Rules and Regulations

Audit of the Company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the management. In the course of audit, we have considered the compliance of provision of the said Companies Act and the Company's Article of Incorporation. According to the information and explanations given to us and in our opinion, there exists a mechanism to ensure the company's adherence to the applicable laws, rules and regulations, systems, procedures and practices as are applicable to the company operating in Bhutan.

For B M Chatrath & Co LLP

(Chartered Accountants)

Firm Registration No.301011E/E300025

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by priya agarwal
Date: 2020.05.11
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Priya Agarwal

(Partner)

Date: 11 May, 2020

Place: Kolkata

Membership No. 303874

UDIN - 20303874AAAAAI4558

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Bhutan Livestock Development Corporation Limited

Statement of Financial Position as at 31 December, 2019

(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Particulars	Notes	As at December 31, 2019	As at December 31, 2018 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	2	369,490,763	394,406,274
Intangible assets	3	73,404	91,754
Capital Work in Progress	4	2,225,274	3,221,875
Biological Asset	5	18,872,889	21,576,624
Long-term loans & advances	6	420,946	457,175
Total non-current assets		391,083,276	419,753,702
Current assets			
Inventories	7	5,378,001	3,038,780
Trade & other receivables	8	971,632	738,756
Short-term loans & advances	9	639,961	662,834
Cash and cash equivalents	10	596,959	1,772,289
Other Current Assets	11	916,665	-
Total current assets		8,503,218	6,212,658
Total Assets		399,586,494	425,966,360
EQUITY AND LIABILITIES			
Equity			
Share Capital	12	473,845,974	455,645,974
Retained earnings		(126,743,900)	(55,229,341)
Total equity		347,102,075	400,416,633
Non-current liabilities			
Deferred Government Grants	13	11,874,395	14,035,395
Long Term Provisions	14	3,267,774	75,250
Total non-current liabilities		15,142,169	14,110,645
Current liabilities			
Trade & other payables	15	13,802,323	11,071,166
Short Term Provisions	16	2,333,341	367,915
Short term Borrowings	17	21,206,586	-
Total current liabilities		37,342,250	11,439,081
Total Equity and Liabilities		399,586,494	425,966,360

The above Statement of Financial Position should be read in conjunction with the accompanying notes

As per our report of even date attached

For B M Chatrath & Co LLP

(Chartered Accountants)

Firm Registration No.301011E/E300025

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Priya agarwal
Date: 2020.05.11
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Priya Agarwal
(Partner)

Membership No. 303874

Date: 6th April 2020

Place: Thimphu

Dr. Tashi Samdup
(Chairman)

Jigme Wangchuk
(Chief Executive Officer)



Bhutan Livestock Development Corporation Limited

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

(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Particulars	Notes	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)
Revenue			
Revenue from Operations			
Sale of Product	18	42,267,550	37,969,781
Promotional Income	19	-	3,635
Other Income			
Scrap sale/ sale of Spent birds	20	979,810	894,960
Fair Value gain on Biological asset	5	-	13,708,092
Others	21	1,352,597	-
Government Grants	12	-	3,819,027
Total Revenue	A	44,599,958	56,395,495
Expenditure			
Employee benefits expense	22	26,933,592	11,555,487
Administration Expenses	24	10,326,835	8,092,906
Finance Charges	25	351,201	-
Marketing Expenses	26	62,240	109,950
Office Expenses	27	1,330,193	3,027,587
Maintenance & Operation	28	1,158,389	4,806,970
Animal Development Cost	29	28,276,979	29,140,594
Value Additional Cost	30	11,984,310	9,076,644
Depreciation and Amortisation Expenses	2 & 3	32,220,620	44,921,232
Fair Value loss on Biological asset	5	2,703,734	-
Pre-Operational Cost	31	-	893,469
Total Expenditure	B	115,348,093	111,624,838
Profit/(Loss) before tax	C=(A-B)	(70,748,135)	(55,229,343)
Tax Expenses			
Current Tax		-	-
Deferred Income Tax	33 (v)	-	-
Profit/ (Loss) for the Period		(70,748,135)	(55,229,343)
Other comprehensive income/(loss)			
Actuarial Gain/ (Loss) on Post Employee Benefits	23	(766,423)	-
Tax on Other Comprehensive Income		-	-
Total comprehensive Income/ (Loss) for the year		(71,514,558)	(55,229,343)
Earnings per Share	32	(15.08)	(12.12)


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

As per our report of even date attached

For B M Chatrath & Co LLP

(Chartered Accountants)

Firm Registration No.301011E/E300025

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priya agarwal
Date: 2020.05.11
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Priya Agarwal

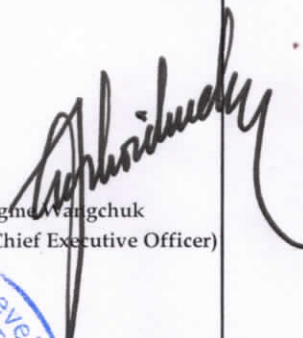
(Partner)

Membership No. 303874

Date: 6th April 2020

Place: Thimphu


Dr. Tashi Samdup
(Chairman)


Jigme Wangchuk
(Chief Executive Officer)



Bhutan Livestock Development Corporation Limited


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

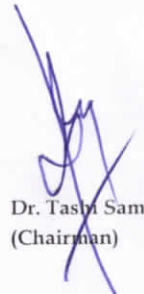
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

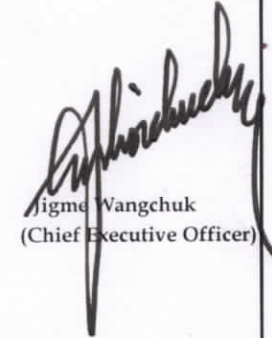
PARTICULARS	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)
<u>Cash Flow from Operating Activities</u>		
Profit & (Loss) before tax	(70,748,135)	(55,229,343)
Add: Depreciation	32,220,620	44,921,232
Add: Fair Value Gain/(loss) of Biological asset	2,703,734	(13,708,092)
Add: Finance Cost	351,201	
Operating Profit before working Capital Changes	(35,472,581)	(24,016,203)
Changes in Working Capital		
(Increase)/ Decrease in Inventories, loans & advance and trade and other receivables	(3,429,660)	(12,766,076)
Increase/ (Decrease) in Trade & other payables and other liabilities	7,122,683	25,549,727
	3,693,023	12,783,651
Net Cash Flow from Operating Activities A	(31,779,557)	(11,232,552)
<u>Cash Flows from Investing Activities</u>		
Purchase of Property, plant and equipment and Intangible Assets (net)	(6,247,758)	(17,106,284)
Decrease in Capital Work in Progress	996,601	(3,221,875)
Net Cash Flows from Investing Activities B	(5,251,158)	(20,328,159)
<u>Cash Flows from Financing Activities</u>		
Proceeds from equity shares (net)	15,000,000	33,333,000
Proceeds from short term borrowings	21,206,586	
Finance cost paid	(351,201)	
Net Cash Flows from Financing Activities C	35,855,385	33,333,000
Net Increase in Cash & Cash Equivalents A+B+C	(1,175,330)	1,772,289
Add: Opening Cash & Cash Equivalents	1,772,289	-
Closing Cash & Cash Equivalents	596,959	1,772,289
Note to Cash flow statement :		
Components of Cash & Cash Equivalents are as under:		
Cash & cash equivalents		
- Cash in Hand	64,981	476,534
- Cheques in Hand	-	75,600
- Balance with Banks	531,978	1,220,155
	596,959	1,772,289

The above Statement of Cash Flow should be read in conjunction with the accompanying notes .

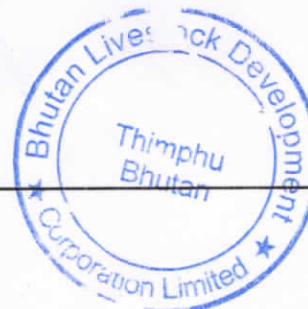
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(Chartered Accountants)
Firm Registration No.301011E/E300025

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priya agarwal
Date: 2020.05.11
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Priya Agarwal
(Partner)
Membership No. 303874


Dr. Tashi Samdup
(Chairman)


Jigme Wangchuk
(Chief Executive Officer)

Date: 6th April 2020
Place: Thimphu



Bhutan Livestock Development Corporation Limited
Statement of Changes in Equity as on December 31, 2019

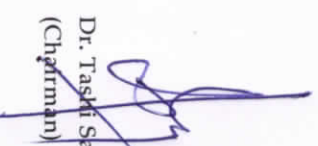
(All amounts are in Bhutanese Ngultrum ('Nu. ') unless stated otherwise)

Particulars	Share Capital			Retained Earnings	OCI	Total
	No. of Shares (In Nos.)	Par Value Per Share	Stock Holders' Equity			
Opening Balance as on 1st January 2019	4,556,460	100	455,645,974	(55,229,341)	-	400,416,633
Add: Shares issued during the year	182,000	100	18,200,000	-	-	18,200,000
Add: Profit/ (Loss) for the period from 01.01.2019 to 31.12.2019				(70,748,135)	-	(70,748,135)
Add: Other Comprehensive Income/Loss					(766,423)	(766,423)
Closing Balance as on 31st December 2018	4,738,460	100	473,845,974	(125,977,477)	(766,423)	347,102,075

As per our report of even date attached
 For B M Chatrath & Co LLP
 (Chartered Accountants)
 Firm Registration No.301011E/E300025

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 priya agarwal
 Date: 2020.05.11
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 Priya Agarwal
 (Partner)
 Membership No. 303874

Date: 6th April 2020
 Place: Thimphu


 Dr. Tashi Samdup
 (Chairman)


 Jigme Wangchuk
 (Chief Executive Officer)





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Bhutan Livestock Development Corporation Limited Corporate Head Office

Taba: Thimphu

"Inspiring the growth of livestock entrepreneurs"



Notes forming part of the Financial Statements

1A. Background:

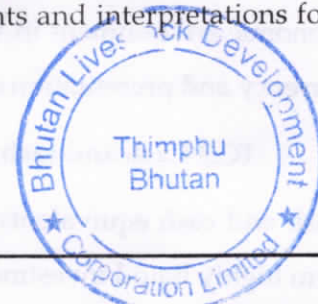
Bhutan Livestock Development Corporation Limited (the 'Company') was incorporated and registered under The Companies Act of Bhutan, 2016 on March 15, 2017 with limited liability of Nu. 1000 million of which 60% is owned by Ministry of Finance. The registered corporate head office is located at Taba, Thimphu with its production units at Samrang, Samdrup Jongkhar; Relangthang, Sarpang and Serbithang, Thimphu.

The main mandate of the company is to complement the developmental needs of the livestock sector in the country to enhance livestock production and achieve self-sufficiency in inputs and products through business principles and stratagem. Besides the production of livestock inputs, BLDCL will embark on value addition, internal marketing and export of products of the farmers and youth entrepreneurs through contract farming system.

1B. Adoption of Bhutanese Accounting Standard (BAS):

The Ministry of Finance (MoF), Royal Government of Bhutan embarked on the process of developing accounting standards to promote quality financial reporting system in the country, which is consistent with international practices. Pursuant to this, the Ministry of Economic Affairs (MoEA), Royal Government of Bhutan issued the Accounting Standard Rules for Companies in Bhutan, in 2012, notifying that companies in Bhutan shall implement Bhutanese Accounting Standards ('BAS') in three phases (I, II and III) with effect from January 1, 2013. As BAS has been aligned with the International Financial Reporting Standard (IFRS), all the financial statements adopted by the State Owned Enterprises and Listed Companies in Bhutan are prepared in compliance to BAS.

BLDCL has also adopted the BAS assimilating all relevant amendments and interpretations for its effective and efficient operations.



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1C. Significant Accounting Policies

1C.1 Basis of preparation

All the financial statements are prepared in accordance with the Bhutanese Accounting Standards (BAS), which is in compliance with the International Financial Reporting Standards (IFRS). It is issued by Auditing and Accounting Standard Board of Bhutan (AASBB) and all relevant provisions of the Companies Act of Bhutan, 2016 to the extent applicable to the Company are included on the accrual basis of accounting with the historical cost convention and growing concern basis except as stated otherwise in the financial statements.

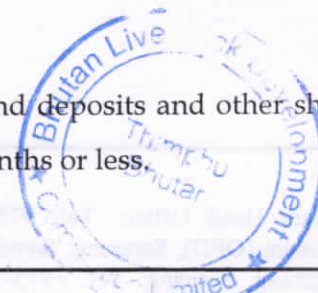
The preparation of financial statements, in conformity with BAS, requires the management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amount of revenue and expenses during the reported period. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed at each Statement of Financial Position date. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods affected.

1C.2 Functional and presentation currency

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

1C.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits and other short-term highly liquid investments with original maturities of three months or less.



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1C.4 Property, plant and equipment

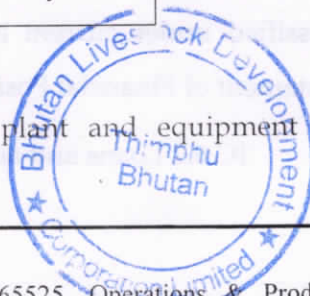
Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are

directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance costs are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets as per the evaluation performed by the Company as well as in reference to Ministry of Finance are as follows:

Buildings & Transformer	30 years
Semi-permanent buildings	10 years
Irrigation structures and facilities	7 years
Tools	2 years
Farm machinery and equipment	5 years
Computers & Office Equipment	5 years
Vehicles	15 years
Furniture and Fixtures	10 years

The cost and the accumulated depreciation for property, plant and equipment sold,



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scrapped, retired or otherwise disposed off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of Comprehensive Income.

1C.5 Intangible assets

Intangible assets include computer software and licences with finite useful lives and are stated at cost of acquisition/implementation less accumulated amortisation. Amortisation is recognised on a straight line basis over the estimated useful life of 5 years as estimated by the Company. The useful life is reviewed at each Statement of Financial Position date and any change therein is treated as change in accounting estimates and dealt with prospectively.

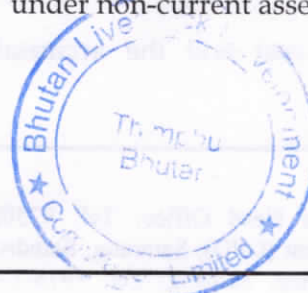
1C.6 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred all risks substantially and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1C.6.1 Trade and other receivables

Trade and other receivables are amounts due from customers and other parties in the ordinary course of business. Trade and other receivables are initially recognised at the sale/recoverable value and are assessed at each Statement of Financial Position date for uncollectability and necessary provision is made, if required. Trade and other receivables are classified under current assets if payment is recoverable within one year or less as at Statement of Financial Position date, if not, they are classified under non-current assets.

1C.6.2 Loans and advances



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Loans and advances represent advances given to suppliers, contractors and others in the ordinary course of the business activities of the Company. Loan and advances are initially recognized at the value of cash advanced and are assessed at each Statement of Financial Position date for realisability and the provision is recognised when it is more likely that the Company will not be able to collect the same. Loans and advances are classified under current assets if payment is recoverable within one year or less as at Statement of Financial Position date, if not, they are classified under non-current assets.

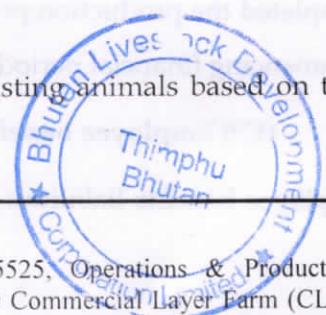
1C.6.3 Trade and other payables

Trade and other payables are obligations incurred by the Company towards purchase of live animal, animal feeds, fertilizers, chemicals and other goods and services that have been acquired / availed in the ordinary course of business. Trade payables are classified under current liabilities, if payment is due within 12 months as at Statement of Financial Position date, if not, they are classified under non-current liabilities.

1C.7 Biological Assets

BLDCL is a company engaged in integrated livestock farming. Its first and foremost mandate is production of quality inputs to be supplied to the farmers and livestock entrepreneurs in the country and act as an aggregator to market their products, with the end result of fully developed value chains. Secondly, some products will be produced by the company to complement their products in the market for consistency and price stabilization. This process requires the Company to procure parent stock animals periodically and maintain them in our respective farms for the above stated products. As such, all the costs involved for their daily maintenances like feeds, medical treatments, biosecurity aspects and unexpected costs pertaining to it are treated as Animal Development cost.

Currently, the 'Biological Assets' is valued at the fair value on existing animals based on the



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animal species' present conditions/stages with the value worked out at cost less accumulated impairment losses, if any as on the reporting date.

The 'Biological Assets' is carried in the Statement of Financial Position to be amortized over the period of their production cycle on a systematic basis, through the valuation of actuarial gain or loss on the reporting date and accordingly will affect the statements.

1C.8 Inventories

Inventories consist of stores and spares held for farm operations and maintenance, construction material, agriculture products (products from live animals including live animals itself) and finished value added products and unsold goods in the farm stores.

Inventories of stores and spares for farm operations and maintenance and construction material along with unsold goods at farm stores are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost formula and comprises cost of purchases and other incidental expenses incurred in its acquisition. Net realizable value is the estimated selling price less applicable selling expenses. If the carrying value exceeds net realizable value, a write down is recognized. The write down may be reversed in a subsequent period if the circumstances, which caused it no longer, exist.

The agriculture products are those harvested products from biological asset including live animals to be sold, valued at cost less accumulated impairment losses, if any, and the same is included in the 'Biological Assets'.

Inventories of Finished value added products are those finished items/goods which has completed the production procedure but held for sales in the ordinary course of business in the commencing financial period.

1C.9 Employee benefits

Employee benefits liabilities are recognized when the Company has a present obligation (legal



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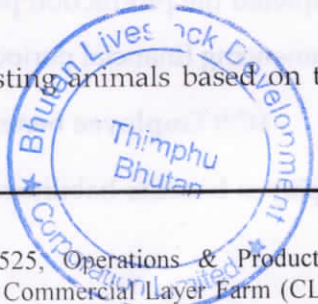
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or constructive) as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Liability towards Gratuity is considered as the defined benefit plan and is provided based on actuarial valuation as at the Statement of Financial Position date. The liability is discounted to present value applying the rate of the benchmark interest rate at the accounting date and the salary growth rate takes account of inflation, seniority, promotion and other relevant factors on long-term basis. Increase in the liability due to passage of time is recognized as interest expense. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Earned Leave is en-cashable when employee accumulates more than 30 days but not more than 90 days of leave balance in succeeding year and as such considered as short term employee benefit and is recognized in the period during which services are rendered by the employees.

The benefits in the form of contribution to Provident Fund administered by National Provident and Pension Fund is considered a defined contribution plan and is charged to Statement of Comprehensive Income as and when they fall due.

1C.10 Impairment of assets

The Company assesses at each Statement of Financial Position date whether there is any indication that property, plant, machinery, equipment and intangible assets may be impaired based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the assets. If the carrying amount of asset/cash generating unit exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.



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1C.11 Provisions and Contingent Liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A contingent liability is only disclosed in the notes to the account if an outflow of resources embodying economic benefits is possible.

1C.12 Revenue

Revenue is recognized when the significant risk and rewards of ownership have been transferred to the customer, to the extent that it is probable that the associated economic benefits will flow to the Company, and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

1C.13 Government Grants/ Assistance

Government Grants/ Assistance (Grant) are recognized at their fair value where there is a reasonable assurance that the Grant will be received and the Company will comply with the conditions attached to them.

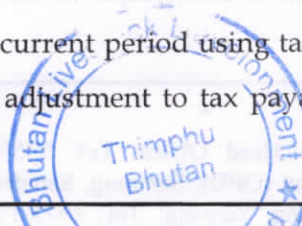
Grants relating to income are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the Grants are intended to compensate.

Grants relating to assets are presented as deferred income in the Balance Sheet and are recognized in profit or loss on a systematic basis over the useful life of the related assets.

1C.14 Taxes on Income

Taxes on income comprises of current taxes and deferred taxes.

Current Tax in the statement of profit and loss is determined as the amount of income-tax payable/recoverable in respect of the taxable income for the current period using tax rates and tax laws enacted during the period, together with any adjustment to tax payable in



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respect of previous years.

Deferred Tax is recognized on temporary differences between the carrying amount of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred Tax Assets are recognized subject to the consideration of prudence only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity net of tax respectively.



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Bhutan Livestock Development Corporation Limited
(All amounts are in Bhutanese Ngultrum (Nu.) unless stated otherwise)

Note 2: Property, Plant & Equipment

Particulars	Gross Block			As at 31.12.2018	Opening Dep	Depreciation		As at 31.12.2018	Net Block		Gross Opening 01.10.19	Gross Block		Depreciation		Net Block
	Opening 01.10.2017 Nu.	From Equity	Additions/Adjut. Nu.			Additions/Adjut. Nu.	As at 31.12.2018		As at 31.12.2018	As at 31.12.2018		As at 31.12.2019	As at 31.12.2019	As at 31.12.2019	As at 31.12.2019	
Building	-	185,838,108	-	185,838,108	-	6,923,411	386,135	190,915,620	185,838,108	4,255,562	5,411,299	12,555,210	177,738,659			
Transformer	-	10,364,623	-	10,364,623	-	386,135	299,555	10,364,623	68,015,444	-	7,903,228	685,489	9,679,133			
Trigeneration & Water Source	-	68,015,444	-	68,015,444	-	11,563,818	1,842,913	68,015,444	63,807,593	-	1,842,913	4,230,069	48,538,598			
Road, Drain & Fencing	-	63,807,593	-	63,807,593	-	2,377,156	2,377,156	61,430,436	2,377,156	-	1,455,115	59,587,523	923,623			
Tools & Temporary	-	2,402,284	-	2,402,284	-	1,455,115	1,455,115	1,010,131	3,085,246	226,204	962,272	2,417,827	30,586,091			
Farm Equipments	-	73,837,947	-	73,837,947	-	18,066,132	18,066,132	62,319,264	80,305,298	1,621,635	12,519,959	30,586,091	51,340,966			
Computer & Office Equipment	-	774,000	-	774,000	-	536,800	536,800	2,291,709	2,828,599	3,961,116	536,571	1,072,572	2,867,744			
Vehicles	-	15,026,755	-	15,026,755	-	3,455,180	3,455,180	20,300,029	23,758,210	-	3,455,180	6,042,212	17,715,998			
Furniture & Fixtures	-	128,827	-	128,827	-	140,237	140,237	1,186,895	1,327,132	730	118,201	258,937	1,068,924			
Total	-	420,203,150	-	420,203,150	-	44,903,586	44,903,586	394,400,274	439,310,250	7,286,758	32,202,259	77,100,255	369,490,763			

Note 3: Intangible assets

Particulars	Gross Block			As at 31.12.2018	Opening Amort	Amortisation		As at 31.12.2018	Net Block		Opening 01.10.2019	Gross Block		Amortisation		Net Block
	Opening 01.10.2017 Nu.	From Equity	Additions/Adjut. Nu.			Additions/Adjut. Nu.	As at 31.12.2018		As at 31.12.2018	As at 31.12.2018		As at 31.12.2019	As at 31.12.2019	As at 31.12.2019	As at 31.12.2019	
Software Applications	-	-	109,000	109,000	-	17,247	17,247	91,753	109,000	109,000	17,247	18,351	53,597	73,403		
Land Use Right Certificate	-	1	109,000	109,001	-	17,247	17,247	91,754	109,001	109,001	17,247	18,351	35,597	73,404		
Total	-	1	109,000	109,001	-	17,247	17,247	91,754	109,001	109,001	17,247	18,351	35,597	73,404		

Note 4: Capital Work in Progress

Particulars	Gross Block			As at 31.12.2018	As at 31.12.2018	As at 31.12.2018	As at 31.12.2019
	Opening 01.10.2017 Nu.	From Equity	Additions/Adjut. Nu. (Refer Note)				
Upgrade/renovation of Transformer	-	-	2,223,100	2,223,100	2,223,100.00	2,223,100.00	2,225,274
Internal Installation	-	-	998,774.55	998,774.55	998,774.55	998,774.55	998,775
Total	-	-	3,221,875	3,221,875	3,221,874.55	3,221,874.55	3,224,049



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Bhutan Livestock Development Corporation Limited

(All amounts are in Bhutanese Ngultrum ('Nu.)) unless stated otherwise)

Note 5: Biological Asset

Particulars	Balance 31.03.2018 (Reported)	Fair Value as on 31.03.2018 (Restated)	Gain/(Loss) for the year 2018.	Fair Value of BA as on 31.12.2019	Gain/(Loss) for the year 2019
Fish Fingerling	28,410	0	-28,410	0	0
Goat	150	751,988	751,838	588,077	-163,911
Jersey Cow	7,279,960	7,344,590	64,630	8,004,308	659,718
DOC	536,730	0	-536,730	0	0
Layer Birds	23,282	13,437,090	13,413,808	6,883,134	-6,553,957
Table Fish	0	42,955	42,955	3,397,371	3,354,415
Total	7,868,532	21,576,624	13,708,092	18,872,889	-2,703,734

Note: Please refer note no. 7 to calculate the Biological asset as per the basis on Fair Value to restate the statement.

Since Company rare 1. layers birds for eggs, 2. Dairy Cow & goat to provide quality livestock input to the local Bhutanese farmer & 3. Fish to harvest and sale in the local market to reduce the import

However, all these animals qualifies under BAS 41 Agriculture as such their qualifies to evaluate their value at Fair value as per BFRS 13 on the reporting date.



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Bhutan livestock Development Corporation Limited

(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Note 6: Long-term loans & advances

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Advance to Employees	75,799	194,915
Security Deposits	345,147	262,260
Total	420,946	457,175

Note 7: Inventories

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Agriculture Products	1,786,647	498,502
Resalable Products	0	53,525
Value added Products	1,660,060	640,331
Stores & spares	1,931,293	1,846,422
Total	5,378,001	3,038,780

Refer note 3.9 for method used for valuation of inventories.

Note 8: Trade & other receivables

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Trade Receivables	971,632	733,490
Others	0	5,266
Total	971,632	738,756

Refer note 6.3

Note 9: Short-term loans & advances

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Advance to suppliers, contractors and others	279,840	651,127
Advance to Office	174,626	0
Prepaid expenses	185,496	11,707
Total	639,961	662,834



Note 10: Cash & cash equivalents

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Cash in hand (As certified by the Management)	64,981	476,534
Cheque in hand	-	75,600
Balance with banks	531,978	1,220,155
Total	596,959	1,772,289

Note 11: Other Current Assets

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Fund Receivable from Government		
MoAF (DOL)	800,000	-
MoLHR	116,665	-
Total	916,665	-



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Bhutan Livestock Development Corporation Limited
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Note 12: Share Capital

Particulars	As at December 31, 2019	As at December 31, 2018
Authorised shares		
1000,000,000 equity shares of Nu. 100 each	1,000,000,000	1,000,000,000
Issued, subscribed and fully paid-up shares		
4,738,461 equity shares of Nu. 100 each (Previous year 4556460 equity shares of Nu. 100 each)	473,845,974	455,645,974
Total	473,845,974	455,645,974

12.1 Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of Nu. 100 per share. All ordinary shares are ranked equally and each holder of equity share is entitled to one vote per share. There are no restriction on transfer of shares in the Company or on voting rights between holder of shares.

12.2 Details of shareholders

Name of the Shareholder	As at December 31, 2019		As at December 31, 2018	
	No. of Shares	% held	No. of Shares	% held
Ministry of Finance, Royal Government of Bhutan	4,738,460	100	4,556,460	100
Total	4,738,460	100	4,556,460	100

12.3 Reconciliation of number of shares outstanding

Particulars	As at December 31, 2019		As at December 31, 2018 (Restated)	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	4,556,460	455,645,974	-	-
Add: Issued during the period	182,000	18,200,000	4,556,460	455,645,974
At the end of the period	4,738,460	473,845,974	4,556,460	455,645,974

12.4 Shares issued for consideration other than cash

Shares amounting to Nu. 422,312,974 have been issued for consideration other than cash.



Bhutan Livestock Development Corporation Limited

(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Note 13: Deferred Government Grants

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Grant from MoAF		
At the beginning of the year	14,035,395	0
Add: Received during the year	16,039,000	17,854,423
Less:		
-Transferred to Statement of Total Comprehensive Income	0	3,819,027
-Equity	18,200,000	
Total	11,874,395	14,035,395

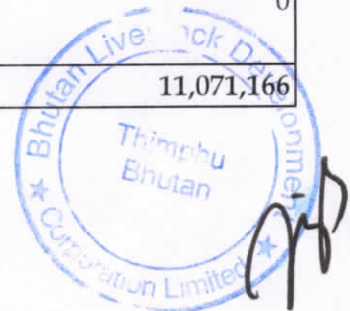
Note 14: Long Term Provisions

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Provision for:		
- Gratuity	1,240,844	75,250
- Leave encashment	2,026,930	0
Total	3,267,774	75,250

Note 15: Trade & other payables

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Trade payables	9,273,665	10,049,961
Statutory liabilities	543,290	120,231
Audit & Consultant fees payable	80,000	50,000
Employees' payables	3,206,578	370,437
Accrued expenses	684,748	471,132
Miscellaneous payables	10,516	9,406
Payable security Deposit	3,526	0
Total	13,802,323	11,071,166

Note 16: Short Term Provisions



Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Provision for:		
- LTC	1,706,560	367,915
- Gratuity	31,063	0
- Leave encashment	238,446	0
- Carriage Charges	197,745	0
- Transfer Grant	159,527	0
Total	2,333,341	367,915

Note 17: Short term borrowings

Particulars	As at December 31, 2019	As at December 31, 2018 (Restated)
Working capital facilities from bank (Secured against certain Property, plant & equipment))	21,206,586	0
Total	21,206,586	0

Note: Loan lend from Bhutan Development Bank Ltd.



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Bhutan Livestock Development Corporation Limited

(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

18. Sales of Product

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Sales from Farm Stores	21,735,128		16,165,318	
Sales from OPD Samrang	15,455,692		10,801,600	
Sales from Relangthnag	800,522		3,535,445	
Sales for Changkhorolo	3,836,983		6,153,522	
Sales from LPVAD	195,853		362,337	
Sales of Buck	131,694		473,653	
Sales of Jersey/Heifer	49,128		34,050	
Sales of Pullet	62,550		153,000	
		42,267,550		37,678,925
Other Incomes		0		290,856
Total		42,267,550		37,969,781

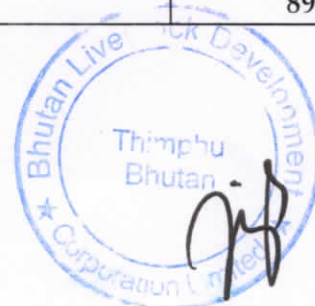
19. Promotional Income/Discount

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Sales of Value added Product		0		3,635
Total		0		3,635

Note:

20. Sales of Scrap/Spent animal

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Sales of Manure	0		1,420	
Sales of Spent Birds	979,810		893,540	
		979,810		894,960
Total		979,810		894,960



21. Other Incomes

Particulars	For the year ended December 31,		For the period from 01.10.2017	
	2019		to 31.12.2018 (Restated)	
Hire of Mini Excavator	882,013			0
Discount given by BPC	470,585			
Total		1,352,597		0

- Note:
1. Movable properties are hired out for additional income
 2. Discount received from BPC after reduction on reservation capacity of electricity



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Bhutan Livestock Development Corporation Limited

(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

22. Employee Benefit Expenses

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Arrear Payment	218,845		58,611	
Cash Handeling Allowance	11,000		0	
Communication Allowance	210,000		45,712	
Contract Allowance 40%	318,500		420,000	
Corporate Allowance 25%	3,256,215		1,616,061	
Daily Wages	154,585		142,760	
Difficult Area Allowance	1,488,000		256,828	
Honorarium	0		23,300	
House Rent Allowance 20%	420,005		0	
Leave Travel Concession (LTC)	1,354,105		367,915	
Local Conveyance Allowance	222,000		49,076	
Production Endurance Allowance 20%	3,050,643		398,214	
Provident Fund Contribution	1,693,454		565,292	
Salary	11,073,664		7,536,468	
		23,471,016		11,480,237
Gratuity		606,419.00		75,250
Leave Encashment		2,445,955.67		
Transfer grant		262,808.00		
Carriang Charges		147,393.50		
Total		26,933,592		11,555,487

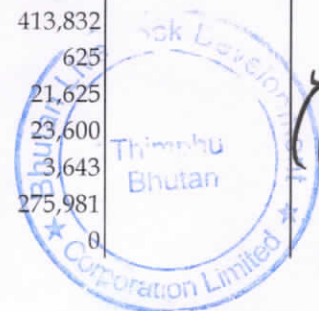
23. Actuarial Gain/(Loss) on Post Employee Benefits

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Gratuity	590,238.00		0	
Transfer grant	78,544.00		0	
Carriang Charges	97,641.00		0	
Total		766,423		0

Note: Since the Internal Service Rules of the company came into effect only after October 2018

24. Administrative Expenses

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Electricity Bill	2,449,358		803,616	
Enviroment Clearance	0		2,500	
Extension Kits	0		11,305	
Farm Stores Rent	206,916		413,832	
Fax Charges	1,050		625	
Fees & Permit	0		21,625	
Field Dress	225,440		23,600	
Games & Sports	0		3,643	
Internet/Broadband Charges	432,620		275,981	
Insurance Premium on Fixed Asset	41,757		0	



Land Tax	114,694	250,685
Loan Processing Fee	3,400	0
Maintenance of Farm Machinery	97,421	131,018
Maintenance of Plant	157,307	0
Postal Charges	2,550	5,890
Printing & Press	7,259	51,431
Renewal of License	24,010	31,400
Renewal of Vehicle Blue Book	19,635	18,840
Rent for ESP Quarter	0	5,952
Safety Kits	720	0
Semso	250	0
Services Charges	1,815	0
Sitting Fee for Board	144,950	170,000
Stationeries	150,590	368,997
Telephone Bill	32,091	149,824
Transportation/Hiring	2,806,196	2,212,380
Travel Ex-Country	54,808	23,500
Travel In Country	1,963,094	1,141,890
Uniform	0	36,395
Vehicle Emission Certificate	200	300
Vehicle Rental	53,000	0
Vehicle Running Expenses(PoL)	1,326,888	1,926,390
Visa Fee	0	8,000
Water & Sewerage Bill	8,818	3,286
	10,326,835	8,092,906
Total	10,326,835	8,092,906

25. Finance Charges

Particulars	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)
Interest on Bank Over Draft	351,201	0
Total	351,201	0

Note: Paid as interest on the overdraft facilities provided by the Bhutan Development Bank Limited during the year

26. Marketing Expenses

Particulars	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)
Announcement/Publicity	57,575	89,950
News Paper & Media Information	4,665	0
Promotional Expenses	0	20,000
Total	62,240	109,950



27. Office Expenses

Particulars	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)
Audit Expenses	276,964	12,780
Auditor's Fee	80,000	50,000
Training in country	56,914	1,429,908
Bank Charges	2,784	16,999
Chadi/Remdrow Exp.	258,405	248,407
Hospitality & Entertainment	0	116,142
Consultancy Charges/Fee	30,000	0
Office Rent	480,000	640,000
Refreshment Expenses	130,217	474,067
Rest Room Supplies	10,769	21,497
	1,326,053	3,009,800
Fines & Penalty	4,170	7,787
Donation	0	10,000
Total	1,330,223	3,027,587

28. Maintenance & Operation

Particulars	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)
Farm Materials	20,710	29,230
Maintenance of Cold Storage/Store	111,914	1,031,210
Maintenance of Electricity Line	72,814	65,540
Maintenance of Farm Structure	28,410	106,190
Maintenance of Fencing	30,280	24,295
Maintenance of Fishery Pond	9,400	0
Maintenance of Irrigation & Water Line	39,024	78,816
Maintenance of Office	7,700	54,451
Maintenance of OUTLET	0	1,937,473
Maintenance of Tools & Equipment	68,421	40,655
Maintenance of Vehicle	248,061	1,170,420
Pasture Development	356,400	0
Refill Cylinder	96,824	0
Seedling & Sapling	0	92,940
Tyres & Tube	68,432	175,750
	1,158,389	4,806,970
Total	1,158,389	4,806,970

29. Animal Development Cost

Particulars	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)
Animal Health Care	53,637	31,444
Bio-Security	3,980	10,182
Brooding Exp.	5,100	0
Chemicals & Soutlions	0	17,304

Bhutan Animal Development Corporation Limited

Dairy Feed	1,795,657		1,551,838	
First Aid Kits - Animal	0		10,726	
Fishery Feed	948,340		319,960	
Forzen Semen - Dairy	0		382,870	
Goat Feed	0		122,131	
Poultry Feed	25,469,265		26,663,339	
Sawdust	1,000	28,276,979	30,800	29,140,594
Total		28,276,979		29,140,594

30. Value Additional Cost

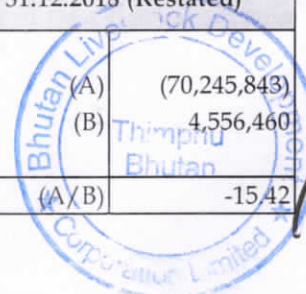
Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Agro Products	4,551,102		514,966	
Casing	1,568,750		0	
Ingredient for Value Additional	149,288		1,497,981	
Product Packaging	1,149,740		1,653,951	
Raw Meat & Fish	4,565,430		5,248,318	
Others	0		161,428	
Total		11,984,310		9,076,644

31. Pre-Operational Expenses

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Maintenance of Office			1,509	
Maintenance of Vehicle			457,730	
Tyres & Tube			24,200	
Bank Charges			50	
Chadi/Remdrow Exp.			19,689	
Hospitality & Entertainment			28,509	
Rest Room Supplies			7,005	
Announcement/Publicity			16,275	
Sitting Fee for Board			80,000	
Stationeries			30,781	
Telephone Bill			500	
Vehicle Running Expenses(PoL)			31,221	
Salary			140,000	
Contract Allowance 40%			56,000	
Total		0		893,469

32. Earnings Per Share

Particulars	For the year ended December 31, 2019		For the period from 01.10.2017 to 31.12.2018 (Restated)	
Profit/(Loss) for the period	(A)	(70,748,135)	(A)	(70,245,843)
Weighted Average No. of shares	(B)	4,692,626	(B)	4,556,460
Earnings Per Share	(A/B)	-15.08	(A/B)	-15.42



Bhutan Livestock Development Corporation Limited

(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

33. OTHER NOTES TO ACCOUNTS

i) Salary Details of CEO :-

Sl. No.	Particulars	For the period 01.01.2019 to 31.12.2019	For the period 01.10.2017 to 31.12.2018
(i)	Salary and Allowances	1,442,800	1,520,129
(ii)	Provident Fund	94,704	115,500
(iii)	Sitting Fees	30,000	75,250
	Total	1,567,504	1,745,879

ii) The Board of Director consists of 5 members, out of which one member has resigned in the year. However, with prior approval of chair the two advisors were invited for the meeting to supplement on technical matter. In total, the meeting was held consecutively 5 times and an Annual General Meeting (AGM) which incurred Nu. 150,000=00 as sitting fees during the year.

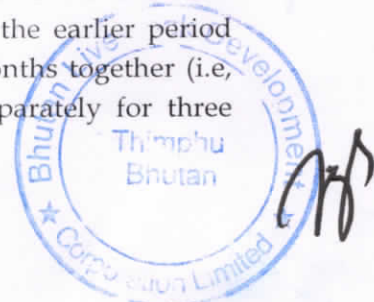
iii) Fund received from MoLHR for meeting the employee expenses under Direct Scheme and expenses incurred thereon is given hereunder:

Particulars	For the period 01.01.2019 to 31.12.2019	For the period 01.10.2017 to 31.12.2018
Opening balance	1,665,347	-
Add: Amount received	4,978,500	22,466,520
Less: Expenses incurred	6,760,512	20,801,173
Closing Balance	(116,665)	1,665,347

iv) Restatement of Financial Statements on account of errors:

a) The last audited account for the fifteen months period ended 31 December, 2018 has been restated to rectify the error with respect to violation of BAS 41 regarding valuation of biological asset which was qualified by the auditors in their audit report dated 20 February, 2019. To comply with BAS 41, previous year figures have been restated to recognize biological asset at fair value less cost to sell.

b) While submitting our financial statements to the Department of Revenue and Customs, Bhutan, it was identified that Depreciation for the earlier period was inadvertently calculated for total period of fifteen months together (i.e, from October 1, 2017 to December 31, 2018) and not separately for three



months (i.e, from October 1, 2017 to December 31, 2017) and twelve months (i.e, from January 1, 2018 to December 31, 2018). Depreciation has been recalculated separately for three months and twelve months and effect has been given in these restated financial statements.

The restated and reported figures of 2017 are as follows:

Balance Sheet (Abstract)	31 December, 2018 (Reported)	Restatement Adjustment	31 December, 2018 (Restated)
Retained Earnings	(70,245,843)	15,016,503	(55,229,340)
Biological Asset	7,868,532	13,708,092	21,576,624
Property, Plant & Equipment	393,097,535	1,308,739	394,406,274
Intangible Asset	92,083	(328)	91,754

Statement of Profit & Loss (Abstract)	Fifteen months period ended 31 December, 2018 (Reported)	Restatement Adjustment	Fifteen months period ended 31 December, 2018 (Restated)
Gain on initial recognition of biological Asset	-	13,708,092	13,708,092
Depreciation and Amortisation expense	46,229,641	(1,308,411)	44,921,232
Total Comprehensive income for the year	(70,245,843)	15,016,503	(55,229,340)

v) Deferred Tax Asset on carry forward of unused tax losses has not been recognized as there is no certainty that sufficient future taxable profit will be available against which the unused tax losses will be realized.

vi) Previous year's figures have been regrouped/ restated wherever necessary.

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Bhutan Livestock Development Corporation Limited
Notes forming part of the Financial Statements

Statement of Ratio Analysis

S. No.	Ratios	For the year ended December 31, 2019	For the period from 01.10.2017 to 31.12.2018 (Restated)	Remarks
1	Total Earnings per share (Nu per Share) (Loss for the period / No.of shares issued)	-15.08	-15.42	Reflecting Financial Loss for the period per Equity Share
2	Net Profit Ratio (%) (Net Profit / Turnover * 100)	-158.63%	-97.93%	Reflecting Loss with respect to Turnover
3	Return on Assets (%) (Net Profit / Total Assets *100)	-17.71%	-12.97%	Reflecting Loss with respect to Total Assets
4	Return on Equity (%) (Net Profit / Owner's Equity *100)	-20.38%	-13.79%	Reflecting Financial Loss for the period on total Owner's Equity
5	Dividend Coverage Ratio (%) (Net Profit available to equity shareholders / Dividend paid to Equity shareholders)	Nil	Nil	Reflecting no Dividend was paid during the period
6	Dividend Payout Ratio (%) (Dividend per share / Earnings per share *100)	Nil	Nil	Reflecting no Dividend was paid during the period
7	Current Ratio (Times) (Current assets / Current Liabilities)	0.23	0.54	Reflecting Current Assets with respect to Current Liabilities for the period

Note: Net profit has been considered as net profit after tax, excluding other comprehensive income

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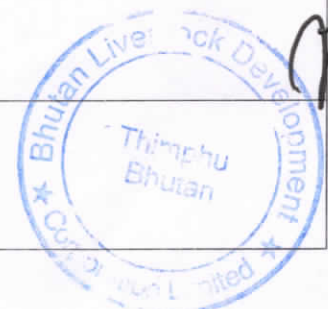


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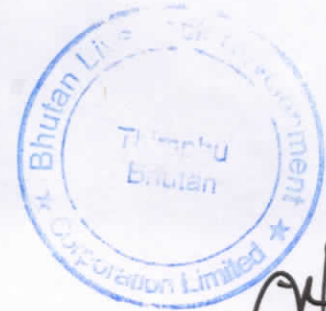
COMPLIANCE CALANDAR & COMPLIANCECHECKLIST

COMPLIANCECALANDAR

Sl. No.	Activity	Section		Remarks
1	Submission of Annual Return	267		
a)	Companies listed with Royal Securities Exchange of Bhutan Limited		On or before 31st May	a) As per Annual Return Form for a period relating to financial year ended on 31st December.
b)	All unlisted companies includes: i) Duly filled form as per Annual Return Form ii) Balance sheet iii) Profit & Loss Account iv) Cash flow statement v) Auditor's report vi) Directors' report.		On or before 31st July	b) Should be duly authenticated by at least one director and the Chief Executive Officer
2	Annual General Meeting	177		
a)	Listed Companies		On or before 30th April	To be conducted once a year besides other meetings Board Cum AGM
b)	Unlisted Companies		On or before 30th June	
c)	Government Companies		Same timing	
3	Notice Calling General Meetings	185	21 days before the AGM	NA to PVT. LTD
4	Payment of Dividend	204	Within 30 days of declaration in AGM	
5	Presentation of B/S, P&L A/c and Cash Flow Statement at every AGM	244		By BoD
6	Filing of Documents with Register	267		
7	Appointment of auditor GCC & GC Reappointment Removal Resignation	251 260-262	Every AGM Notify the Registrar within 15 days from passing the resolution Convene the EGM within 14 days to discuss resignation.	Every year at AGM from panel of auditors-RAA AG of Bhutan. Not more than 3 years
8	Consent to act as directors	140	Within 30 days of appointment or reappointment with the	



			registrar	
9	Board Meetings 1 st BM 2 nd BM 3 rd BM 4 th BM	146 & 14 9	3 months after last BM 3 months after last BM 3 months after last BM 3 months after last BM	Quorum: 2/3 of total directors or 2 directors which ever is higher.
10	Appointment of CEO	210	Every 5 years	At General Meeting
11	Power of Regulatory Authority to accord approval	412	Approval of Regulatory Authority	Prescribing forms, Payments of fees, generally for the purpose of this Act.
12	Appointment of Company Secretary	213	As per prescribed by MTI	Listed companies+ Companies with more than Nu.100,000,000 as paid up capital
13	Statutory Record and Inspection	228	All times	



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COMPLIANCE CHECK LIST (Extracts from the Companies Act of Bhutan2016)

Instruction to auditors- Please check in appropriate column with TICK MARK based on your verification of compliance to Sections referred below from the Companies Act of Bhutan:

CHECK LIST FOR COMPLIANCE OF PROVISION OF THE COMPANIES ACT OF BHUTAN, 2016

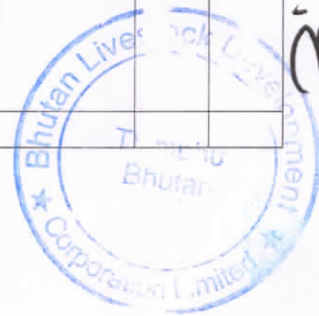
NAME OF COMPANY: REGISTERED NO:	Bhutan Livestock Development Corporation Limited U20170315THI0561	COMPLIANCE CHECKLIST		REMARKS
		YES	NO	
No.	INCORPORATION OF A COMPANY			
	SECURITIES			
1	28 Changes to Articles/Approval *	✓		
2	47 Change of name/ Approval	✓		
3	123 Increase or consolidation of share capital	✓		There has been increase in Share Capital of Nu. 18.2 million, by transfer of balances from Government Grant.
4	124 Reduction of share capital	✓		
5	82 License Copy and Share Certificate filing	✓		License no. 4009368 valid upto.19.03.2020.
6	107 Public offer of shares & Debentures- ROC Approval	✓		



MANAGEMENT & ADMINISTRATION							
7	217	Registered Office of Company	✓				Taba, Thimpu, Post Box No - 2078
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	✓				
9	241	Financial Year of Companies as of 31st Dec.	✓				
	242	Extension upto 15 months - ROC approval		✓			
	243	Extension upto 18 months - Authority's approval		✓			
	245	Financial Statements to follow BAS	✓				Except for disclosure Requirement as required in BFRS-15, BFRS-13, BFRS-7, BAS-19, BAS-24, BAS-41, and Valuation of Inventories as per BAS-2. Submitted on 22/07/2019.
10	267	Annual Return Submission On/ before 31st May for listed; others 31st July	✓				
11	177	Annual General Meeting (Minutes)	✓				AGM was held on 26/04/2019 and minutes have been documented.
12	180	Extraordinary General Meeting (Minutes)		✓			
13	185	Notice for calling general meeting listed Co. - written as well as in media				✓	
	187	Public Co/Private Co.-Written Notice	✓				



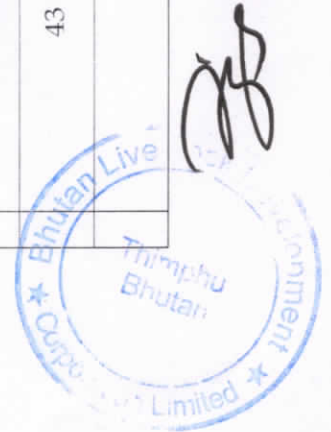
14	190	Chairman of meeting (CEO cannot chair)	✓				
15	192	Representation of corporations at meetings (appointed by Board Directors)	✓				
16	193	Ordinary and special resolutions	✓				
17	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	✓				
18	199	Declaration and payment of dividend(199-209)	✓				
19	232	Books of account to be kept by company (location & time period)	✓				Location - At registered office situated at Taba, Thimpu, Post Box No - 2078 Time Period - From October 2017 onwards
20		Board's report (signed by Chairman)	✓				
21	252	Appointment and removal of Auditors re-appoint annually(251-259)	✓				
22	260	Resignation of Auditors from office (Annual Resignation)	✓				
23	266	Auditing standards (Audit using Auditing Standards)	✓				



			issued by AASBB)						
24	133		Number of directors (Minimum No. & retirement on rotation)	✓					At present, the Company has four directors.
25	139		Additional directors		✓				
26	140		Consent to act as directors	✓					
27	141		Certain persons not to be appointed as Directors	✓					
28	142		Resignation by a director	✓					Mr. Dorji Dhap resigned as a director vide mail dated 15/08/2019.
29	143		Removal of directors		✓				
30	146		Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	✓					Five Board Meetings have been held in the financial Year 2019
31	152		General powers of the board	✓					
32	156		Restriction on powers of Board	✓					
33	210		Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)	✓					Appointment has been done for 3 years.



34	414	Appointment of selling or buying agents (govt. Approval obtained or not)			✓	
35	157	No loans to directors (only for Public Co.)		✓		
36	53	Inter-corporate investments (investments to be disclosed) apply old rule			✓	
37	158	Contracts in which directors are interested		✓		
38	161	Companies to have secretaries		✓		
39		Standard of care required by directors (Reckless decision)		✓		
		STATUTORY RECORD AND INSPECTION				
40	228	Statutory record and inspection		✓		
41	(a)	Register of buy-back of shares			✓	
42	(b)	Register of transfers			✓	
43	(c)	Register of charges			✓	
	(d)	Register of inter-corporate loans			✓	



44	(e)	Register of inter-corporate investments		✓	
45	(f)	Register of contracts in which directors are interested		✓	
46	(g)	Register of directors	✓		
47	(h)	Register of directors' shareholding		✓	

OTHERS

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CA Priya Agarwal
 Partner
For B M Chatrath & Co LLP
 (Chartered Accountants)

SIGN NAME

COMPANY REPRESENTATIVE



BHUTAN LIVESTOCK DEVELOPMENT CORPORATION LIMITED

MANAGEMENT REPORT

FOR THE YEAR ENDED 31st DECEMBER, 2019

To the Members of Board of Bhutan Livestock Development Corporation Limited

We have conducted the audit of the financial statements of Bhutan Livestock Development Corporation Limited for the period ended 31stDecember 2019. We familiarized ourselves with Articles of Incorporation, the documents related to the projects under implementation, the minutes of the meetings of the Board of Directors and that of the shareholders, the internal guidelines and circulars applicable during this period under review. We also reviewed the business of the Company and evaluated the accounting systems and related controls of the Company in order to plan and perform our audit.

In planning and performing our audit of the books of account of Bhutan Livestock Development Corporation Limited (The Company) for the period ended December 31st, 2019, in accordance with International Standards on Auditing and generally accepted accounting practices including Bhutanese Accounting Standards (BAS), we have considered the Company's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting.

Our consideration of internal controls over financial reporting would not necessarily identify all deficiencies in internal control over financial reporting. We have performed certain audit procedures on test check basis.

The responsibility of the management, inter alia, includes the maintenance of adequate accounting records and internal controls for safeguarding of the assets of the company and for preventing and detecting fraud or other irregularities.

In terms of the generally accepted auditing standards, the purpose of this report is to communicate appropriately with those charged with governance and management deficiencies in internal control that we have identified during our audit and that in our professional judgment are of sufficient importance and merit their respective attentions.

Brief Description of the Company:

Bhutan Livestock Development Corporation Limited (the 'Company') was incorporated and registered under The Companies Act of Bhutan, 2016 on March 15, 2017 with limited liability of Nu. 1000 million of which 60% is owned by Ministry of Finance. The registered corporate head office is located at Taba, Thimphu with its production units at Samrang, Samdrup Jongkhar; Relangthang, Sarpang and Serbithang, Thimphu.

The main mandate of the company is to complement the developmental needs of the livestock sector in the country to enhance livestock production and achieve self-sufficiency in inputs and products through business principles and stratagem. Besides the production of livestock inputs, BLDCL will embark on value addition, internal marketing and export of products of the farmers and youth entrepreneurs through contract farming system.

Based on our audit, we state as follows:

1. Lapses in Internal Control (AIMS 5.15.1 & 5.5.5)

We reviewed the internal control of BLDCL and have observed lapses of internal control in certain areas as enumerated below:

- i. The procedure of quantitative reconciliation of good sent from the production units and received by the sales units was not in practice. As a result
 - losses arise during transit cannot be ascertained.
 - any mishandling of inventories by the outlet staffs at the time of receipt cannot be detected.
- ii. The procedure of quantitative reconciliation of goods receipt, sales and closing stock of inventories in the outlet are not done. As a result: -
 - inclusion of damaged/obsolete inventories in closing inventories cannot be detected which may mislead the valuation of closing inventories.
 - any mishandling of inventories by the outlet staffs cannot be detected.

Management's Response

The management would like to thank the Auditors for this observation as it gives the management an opportunity to streamline and strengthen loopholes and rectify shortcomings. Some of the shortcomings may be corrected by various production and product SOPs for all field

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units and sales outlets and it also provides an avenue to incorporate in the SOPs, which will be implemented in March or April 2020. In addition to SOPs, a proper recording system will be put in place to improve the system which the management is aware. The management would be grateful if the esteemed auditors could suggest and recommend some workable mechanisms to make it efficient and effective.

Further Comments of the Auditors

As discussed with the management it should start the procedure of monthly reconciliation as stated above with immediate effect.

Accountability

Direct Accountability	Name: Kinzang Tshering EID: 201801008, Designation: Asst. Sales Manager, Citizen ID No.: 10906000240
Supervisory Accountability	Name: Sithar Dorji EID: 201801002, Designation: Director, Citizen ID No.: 11913000021

2. Non Insurance (AIMS 5.9.16)

The main operating assets of the company is livestock and they are certainly prone to contagious diseases; however the company has not taken any insurance to cover up the losses in the event of epidemic.

Management's Response

The management has approached the Royal Insurance Corporation of Bhutan Ltd. (RICBL) and Bhutan Insurance Private Ltd. on such account of losses with the prior notification to the board. But it was learnt that our Bhutanese insurance companies do not have such insurance policies in place as of now. RICBL indeed had insurance policy for dairy animals earlier for imported animals but it was discontinued due to huge losses incurred to the company. However, the management shall again discuss with the two insurance companies and work out a way forward but it will be dependent on the two insurance companies at the end.

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Further Comments of the Auditors

The management is advised to take up the matter with concerned authorities in order to better protection of its assets.

Accountability

Direct Accountability	Name: Kinzang Tshering EID: 201801008, Designation: Asst. Sales Manager, Citizen ID No.: 10906000240
	Name: Dal Bahadur Mishra, EID: 201801128 Designation: AGM, Citizen ID No.: 10305000631
	Name: Dal Bahadur EID: 201801004, Designation: AGM, Citizen ID No.: 11216003587
	Name: Duptho Tshewang EID: 201801005, Designation: AGM, Citizen ID No.: 11512005153
	Name: Tshewang Penjor EID: 20181003, Designation: AGM, Citizen ID No.: 10709004176
	Name: Dorji Khandu EID: 201812169, Designation: AGM, Citizen ID No.: 10711000869
Supervisory Accountability	Name: Suraj Ghalley EDI: 201801006, Designation: Dy. Chief Finance Officer, Citizen ID No.: 11301000181

3. Non Maintenance of Scrap / Damage Register (AIMS 5.2.19)

As informed by the management the outlet units did not maintain any register or records reflecting the damaged product and also the scrap sale register in respect of Egg Cartoon and Egg Tray. In the absence of non-maintaining of both the register any revenue attributable on such transactions can't be traceable.

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Management's Response

It is true that FS outlets had not maintained a separate register to record the damaged products and scrap sales so far and they were also not directed to do so as the management has not realized about it. However, the management shall ensure that such recording systems are in place with visual evidences as far as possible. More so, with implementation of write-off guideline of the company, such recordings would be emphasized more.

FS Outlets sell eggs in both cartons as well as in trays. During the sale of eggs in trays (loose form), carton is used as the packaging capping when eggs are sold in loose (in tray systems) whereas trays go with the eggs when sold in loose. Such methods of repacking ensure minimal risk of breakage and also provide comfort to the customers while being carried to destination.

Further Comments of the Auditors

It is advised to the management to introduce the above mentioned registers in its outlets for better control purpose.

Accountability

Direct Accountability	Name: Kinzang Tshering EID: 201801008, Designation: Asst. Sales Manager, Citizen ID No.: 10906000240
	Name: Dal Bahadur Mishra, EID: 201801128 Designation: AGM, Citizen ID No.: 10305000631
Supervisory Accountability	Name: Suraj Ghalley, EID: 201801006, Designation: Dy. Chief Finance Officer, Citizen ID No. 11301000181

4. Improper Valuation and Fixation of Price**i. Accounting Perspective (AIMS 4.3.22 & 5.3.1)**

As per BAS 2, inventories of value-added products are to be valued at cost or Net realizable value whichever is lower. Cost includes cost of purchases, cost of conversion and other costs that are incurred in bringing the inventory to the present condition and location.

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Documents relating to calculation of cost of production have not been made available to us for verification. The valuation of these products was done at management estimated value.

ii. Operation Perspective (AIMS 5.3.11 & 3.1.16)

We checked the profit margin set by the company for its different products and compare it with overall gross profit (excluding depreciation and indirect costs) earned by it during 2019, and have observed that the company earned a gross profit margin of 4.75% without considering indirect cost and depreciation (excerpt of gross profit given below) and a net loss margin of 172.86% after considering all costs as compared to the net margin set by the company ranging between 2%-39%.

Particulars	Amount (Nu. in million)
Revenue generated from direct sales	42.27
Less: Animal Development Cost	28.28
Less: Value Addition and other incidental cost relating to sale	11.98
Profit without considering the other direct/indirect overheads	2.01
% of Gross Profit on sales	4.75%
Other indirect cost	40.16
Depreciation & Fair value loss (Non cash expenses)	34.92
Net loss	73.07
% of Net loss on sales	172.86%

Although expenses of some of the units which are still under development phase has been included here as no separate data has been maintained for the same, even then loss

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incurred by the company is much more than costs incurred in those units. Hence from the above it can be safely assume that the price set by the company was not properly planned and inappropriate; and certainly missed out the overhead costs.

Note: Detailed analysis cannot be possible as the calculation for determination of prices of various products could not be made available to us.

Management's Response

- i. The cost of production of value-added products were considered based on the proper discussion on the excel sheet costing within the house. However, we cannot verify properly whose file we worked on. If the Auditors consider, we will discuss again when all officers are back to office and submit accordingly.
- ii. The observations by auditors cannot be denied since BLDCL is the only livestock-based entity operating at the commercial level. However, it is also important to note that livestock farming has complexities with varied parameters while working out a cost of production. With that, the company being new with the new, young staff whereas most senior staff are with livestock background.

As such, costing of products or price fixation may have been little mistaken but definitely not without planning. The price revisions were thoroughly discussed in the excel sheet which all of us remember. But we may have failed to keep a copy of the excel sheet saved.

New revisions were also discussed in the recent months with provisional prices. For this we have worked out in the Microsoft excel which will closely connected to the audit's observation and keep the hard copy of the work out of the new pricing. This new price would be implemented in March or April 2020 after the Board's endorsement.

The management will also be mindful of your observations and ensure that it is not repeated.

Further Comments of the Auditors

- i. It is advisable to the management to do the valuation of the stock of inventories as per the requirements of BAS-2 i.e. in addition to the cost of purchases for value added products the costs relating to conversion and other costs that were incurred in bringing the inventory to the present condition and location should also to be considered.
- ii. It is advisable to the management to revise its price structure in order to curtail its losses. We further suggest

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- i. while setting out the price of the different product a reasonable basis to be identified for allocation of head office expenses to each of the product be sold.
- ii. to prepare product wise statement of profit and loss for each of its major product variants to asses any income & losses attributable to such products.

Accountability

i.

Direct Accountability	Name: Pema Khandu, EID: 201710040 Designation: Asst. Marketing Officer, Citizen ID No. : 11511002438
Supervisory Accountability	Name: Sithar Dorji EID: 201801002, Designation: Director, Citizen ID No.: 11913000021

ii.

Direct Accountability	Name: Duptho Tshewang EID: 201801005, Designation: AGM, Citizen ID No.: 11512005153
	Name: Tshewang Penjor EID: 20181003, Designation: AGM, Citizen ID No.: 10709004176
	Name: Dorji Khandu EID: 201812169, Designation: AGM, Citizen ID No.: 10711000869
	Name: Dal Bahadur EID: 201801004, Designation: AGM, Citizen ID No.: 11216003587
Supervisory Accountability	Name: Jigme Wangchuk EID: 201708001, Designation: Chief Executive Officer, Citizen ID No.: 11503000055

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5. Funds received from Government (AIMS 5.2.19)

During the year Company has received Nu. 16039000 from the Government as follows:-

Grant received for	Amount (Nu.)	Accounting treatment
Day to day Operations	10,000,000	Transferred to Government equity
For structure of egg powdering machine	5,000,000	Transferred to Government equity
Generator (in kind)	1,039,000	Shown as deferred government grant.

No document has been made available to us for verification as to why Nu. 15 million has been transferred to equity and Nu. 1.03 million has been kept under deferred government grant.

Further, an amount of Nu. 3.2 million from previous year has been transferred to equity during the year for which no document has been made available to us for verification.

No accounting treatment has been done for balance government grant of Nu. 11.87 million, which was shown as deferred government grant during previous year.

Management's Response

The management shall process and rectify at the earliest retrospectively with due diligence in close consultation with relevant departments of the MoF and MoEA.

The management would be grateful if the Auditors could give us some directives on this case.

Further Comments of the Auditors

It is advisable to the management to obtain proper documentation regarding funds received from government and as well as treatment of such fund.

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Direct Accountability	Name: Yeshi Wangchuk, Designation: Asst. Finance Officer, Citizen ID Card: 10716001425
Supervisory Accountability	Name: Suraj Ghalley, Designation : Dy. Chief Finance Officer, Citizen ID Card: 11301000181

For B M Chatrath & Co LLP

(Chartered Accountants)

Firm Registration No.301011E/E300025

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Priya Agarwal

(Partner)

Membership No. 303874

UDIN - 20303874AAAAAI4558

Date: 11 May, 2020

Place: Kolkata

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BHUTAN LIVESTOCK DEVELOPMENT CORPORATION LTD.**Follow-up report on previous years' Management Reports**

Accounting Year	Total No. of recommendations	No. of recommendations implemented	No. of recommendations partially implemented	Balance recommendations to be implemented
2018	11	7	2	2

Detailed Follow-up Report for the year ended December 31, 2018

Point No	Observations in brief	Management's response - Current status	Status of Compliance <i>(to be provided by auditors based on the review of the current status)</i>
Management Audit Report Point 1	Internal Audit The Internal Audit of the Company has not been carried out during the period October 2017 to December 2018.	The management sought approval from the Board to recruit an Internal Auditor and was announced in the media twice (13 th May 2019 and 8 th June 2019). Most of the applicants failed to fulfill the requirements and the management could not recruit as planned.	(Not Implemented) Auditor's comment in 2018: Any material discrepancy if occurs during 1 st October 2017 to 31 st December 2018 will remain undetected. Follow Up comment in 2019: No Internal Audit has been conducted for the period 1 st January 2019 to 31 st December, 2019.

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Management Audit Report Point 2	Physical Verification of Inventory and Fixed Assets Physical verification of Fixed Assets, Inventory of livestock, finished goods and other consumables were not done at regular intervals.	BLDCL has decided to implement an agreed system to carry out physical verification of Fixed and Biological Assets for a minimum of once a year before financial closing to a maximum of twice a year. Intervals for verifications shall be before half yearly closing or before financial year closing.	(Implemented) Auditor's comment in 2018: Any material discrepancy if occurs during 1 st October 2017 to 31 st December 2018 will remain undetected. Follow Up comment in 2019: The company has conducted the physical verification of Fixed Assets and Livestock during the year 2019.
Management Audit Report Point 3	Non Accounting of Credit Sales Cash and Credit sales made from the unit was not updated in the books at the time of sales and debtors Ledger maintained by the company was not up-to date.	BLDCL has an integrated accounting system where the branch units input records of sales, purchases and internal transfer of goods daily and regularly and the head office has administration authority to generate reports from the system for verification and reconciliation purposes. BLDCL also has an inventory system to capture transactions of sales, purchases and internal transfer of goods between two units to maintain transparency and accountability.	(Partially Implemented) Auditor's comment: The company maintains the credit and cash sales in the unit but is being updated in the books of accounts maintains in HO only when the amount of sales is being deposit in the bank account. Follow Up comment in 2019: The same process of accounting has been followed except the updation frequency has been changed from yearly to half-yearly. But we strongly recommend that it should be updated at reasonable regular intervals i.e on fortnightly basis and if it is not possible then atleast on monthly basis.

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Management Audit Report Point 4	Unidentified Revenue There was unidentified revenue amounting to Nu. 290,856/- for the year 2017.	The lapse in recording the transactions had occurred, during the period of handing-taking over of units from the Department of Livestock (DoL, MoAF) to BLDCL due to changes in employees. Upon due verification, the sources of unidentified revenue were traced and reconciled. These unidentified revenues were actually collections of credit sales from debtors who directly deposited the payments into BLDCL current account.	(Implemented) Auditor's comment in 2018: Unidentified revenue reflecting in the books of accounts showing that there were lapses in Internal Control Procedure to identify the correct sources of revenue. Follow Up comment in 2019: The Management has identified the source of revenue and recognized it as direct transfer of fund against credit sales by the customers in the bank account.
Management Audit Report Point 5	Non-preparation of budget The Company had not prepared any Operational Budget, Functional Budget or Departmental Budget for the period 01/10/2017 to 31/12/2018.	Implemented	(Implemented) Auditor's comment in 2018: The absence of Budgetary Control will adversely affect the performance of the company. Follow Up comment in 2019: Budget for the Financial Year 2019 was prepared.

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Jaipur :- B-269, Janta Colony, Jaipur – 302004 Tel. No. 0141-2601727

B M CHATRATH & CO LLP

(FORMERLY B M CHATRATH & CO.)
CHARTERED ACCOUNTANTS
LLPIN: AAJ-0682

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Management Audit Report Point 6	Inter Unit Transfer of Stock of Finished Goods No record was maintained for inter unit stock transfer.	Partially Implemented	(Partially Implemented) Auditor's comment in 2018: No record for inter unit stock transfer was maintained and no quantitative reconciliation was done. Follow Up comment in 2019: Record for transfer of goods from different units was made available but no quantitative reconciliation was done during the year.
Management Audit Report Point 7	Use of Government Grants on other than specified purpose Grant Received from MoAF for up gradation of transformer of LPVAC amounting to Nu. 3,300,000, was use for the same as well as for other purposes.	The Ministry of Agriculture and Forests has accorded an ex-post facto approval to utilize the balance grant of Nu. 1,073,226=00 to other important activities, which will benefit the company its operational efficiency.	(Implemented) Auditor's comment in 2018: It was observed that the Government Grant amounting to Nu. 1,073,226/- out of Nu 3,300,000 had been diverted for other work rather than specific purpose. Follow Up comment in 2019: The company has taken approval from MoAF (DoL) for the amount spent of Nu. 1.073 million for other than specified purpose vide Approval note no. DoL/MoAF-31/2019-20/57 dated 26 July 2019.

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Management Audit Report Point 8	Unrecovered Salary Advances There were some unrecovered advances in case of two employees.	Advances were duly recovered.	(Implemented) Auditor's comment in 2018: It was observed that there were unrecovered salary advances from employee during the year. Follow Up comment in 2019: The advances were duly recovered and no such cases were observed in the current year.
Management Audit Report Point 9 and also mentioned in the Basis for qualified Opinion in the Independent Auditor's Report	Non Provisioning of the Employee Benefits in accordance with BAS-19 The Company did not provide any provision in the accounts with respect to Employee Benefit.	BLDCL shall avail services from a certified actuary to work on to create provisions for employment benefits of earned leave encashment and for gratuity to bring into financial report as per BAS 19.	(Implemented) Auditor's comment in 2018: The company didn't provide provision for Gratuity and Leave encashment as required by BAS-19. Follow Up comment in 2019: The company has done the actuarial valuation as required by BAS 19 and also made provision for the Employee Benefits in the financial statement dated 31/12/2019.

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Management Audit Report Point 10	Integrated System of Accounting The Company is engaged in development, processing and trading activity on livestock. In spite of following the integrated system of accounting, it has followed only the financial accounting.	BLDCL has implemented the integrated accounting system in two of its unit offices. Periodic checks are carried out on the system by reconciling the reports quarterly in order to make it error free for transparency and accountability.	(Not Implemented) Auditor's comment: The correct data regarding consumption of material, conversion cost of raw product into finished. Follow Up comment in 2019: Though the system was implemented initially but stopped suddenly during the year.
Management Audit Report Point 12 and also mentioned in the Basis for qualified Opinion in the Independent Auditor's Report	Valuation of Live Stock The valuation of livestock is not done properly as per BAS 41.	Valuation as per BAS 41 has been done as required.	(Implemented) Auditor's comment: The company is in practice to book its livestock at cost and no loss / gain has been recognized as required by BAS-41. Follow Up comment in 2019: The company has valued its Biological Assets for the current year and for the previous year in accordance with BAS-41 and the same has been reflected in the Financial Statement for the financial year 2019 and restated financial statement for the financial year 2018.

For B M Chatrath & Co LLP
(Chartered Accountants)

Firm Registration No.301011E/E300025

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by priya agarwal
Date: 2020.05.11
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Priya Agarwal

(Partner)

Membership No. 303874

UDIN - 20303874AAAAAI4558

Date: 11 May, 2020

Place: Kolkata

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