



DIRECTORS' REPORT

2017-2018

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**BHUTAN LIVESTOCK
DEVELOPMENT CORPORATION LIMITED**

"Inspiring the growth of livestock entrepreneurs"

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1. 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 15 March 2017. It was formally launched and inaugurated on 3rd August 2017. The core mandates of BLDCL are to produce quality livestock inputs, engage in production and post- production activities (marketing) of livestock products, development of livestock farming as a business enterprise and contribute towards price stabilization of livestock inputs and products.

1.1 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.

1.2 MANDATE

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

- Complement Department of Livestock in production of quality livestock and apiculture inputs to enhance livestock productivity in the country;
- Engage in the production and post-production activities (packaging, value-addition, marketing through sale outlets, warehousing and cold storage services) of livestock products through innovative and state-of-the-art technologies;
- Engage in animal feed production and marketing, both domestic and export and import of feed and other raw materials required for feed production;
- Act as an aggregator to initiate development of livestock farming as a business enterprise through engagement of farmers and youths through contract farming by providing technical support, mechanization and farm automations; and

- Contribute towards price stabilization of livestock inputs and products.

BLDCL has already embarked on the management and operation of the company as outlined in the core mandates. As such, the overall goal of the company is to bridge the gap of inputs and products by 70% by 2023. The goal can only be achieved if the government consciously supports with the required funding.

1.3 VALUES

In order to be a sustainable and responsible entity, it is essential to have a set of guiding principles and values that reflect the aspiration of well-functioning corporate system with higher corporate social responsibilities in line with GNH principles. Following are the core values of BLDCL:

a) Integrity

- Adhere to the principles of being fair, honest and ethical in what it seeks to do and how it delivers as an organization

b) Productivity and Efficiency

- Strive for continuous development and enhanced efficiency

c) Innovation

- Be creative and innovative in improving services and technologies.

d) Teamwork

- Be personally committed and take pride in teamwork with common values and goals

e) Health and Safety

- Be meticulous in ensuring public health and safety to our people, community and environment while engaged in the production and farming BLDCL has a clear vision that will guide the implementation of its organizational goals and maintain sound financial growth based on continuous innovation, development and increased efficiency in production, value addition and marketing.

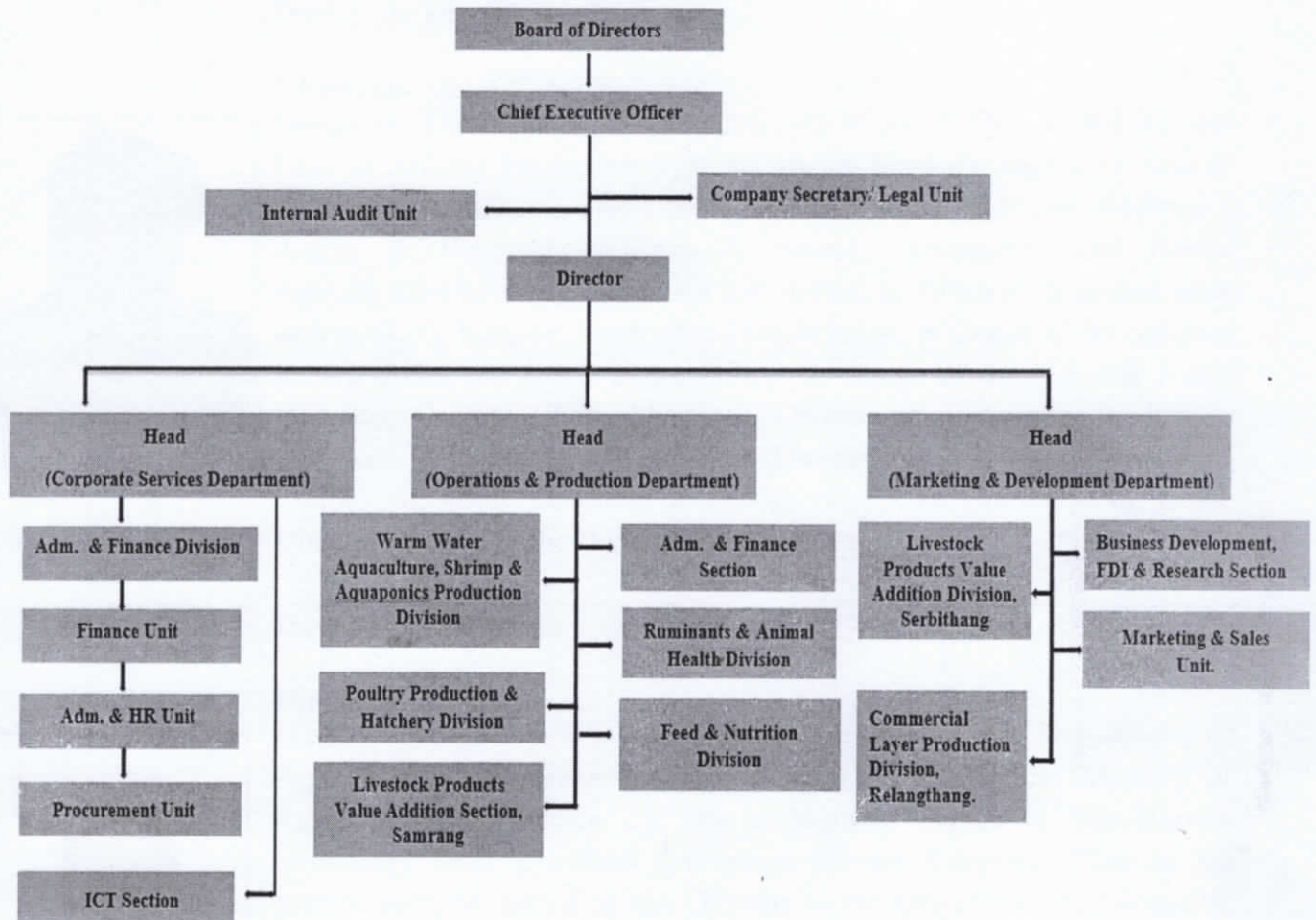
By its structural arrangements of production facilities, BLDCL has various options to position the business as a low cost, bulk-commodity producer or the customer-oriented specialty products

producer or as an efficient alliance-focused company. All three options shall be adopted with each specific commodity.




2. Launching of Bhutan Livestock Development Corporation Limited on August 3, 2017


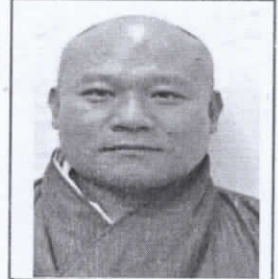


3. ORGANIZATIONAL STRUCTURE



4. BOARD OF DIRECTORS

	<p>Dasho (Dr.) Tashi Samdup</p> <p>Chairman</p> <p>Dasho Dr. Tashi Samdup is the Chairman of the BLDCL Board. He has PhD in Animal Production Systems and a Master's degree in Animal Science from Wageningen University, The Netherlands and Bachelor's degree in Veterinary Science & Animal Husbandry from Kerala Agricultural University, India. He has worked in different capacities, such 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). Currently, he is the Director General of the Department of Livestock.</p>
	<p>Dasho Ugyen Penjore</p> <p>Director</p> <p>Dasho Ugyen Penjore is the Director General of the Department of Agriculture and Marketing 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 Department of Agriculture.</p>
	<p>Dasho Phub Dorji</p> <p>Director</p> <p>Dasho 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.</p>

	<p>Mr. Dorji Dhap</p> <p>Director</p> <p>Mr. Dorji Dhap is a Chief Accounts Officer at Department of Public Accounts under Ministry of Finance. Prior to working under DPA, he served in the Wang Watershed Management Project (EU) under MoAF. He earned his Master's degree in Business Administration from University of South Australia. He also has the Post Graduate Certificate in Financial Management from Royal Institute of Management, Semtokha and Bachelor's degree in Commerce Honors from Sherubtse College, Kangkung.</p>
	<p>Mr. Jigme Wangchuk</p> <p>Member Secretary</p> <p>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 such as Dzongkhag Livestock Officer, Project Director, Program Director, and Chief Livestock Production Officer. He received his Master's degree in Agricultural Production Chain Management from Larenstein University, Deventer, The Netherlands and has Bachelor's degree in Animal Science from University of Reading, Berkshire, United Kingdom.</p>

5. BLDCL MANAGEMENT

Name	Designation
Mr. Jigme Wangchuk	Chief Executive Officer
Mr. Sithar Dorji	Director
Mr. Suraj Ghalley	Dy. Chief Finance Officer
Mr. Singye Dawa	Head of HR/ADM
Mr. Tshewang Penjore	Offtg. Head of Operation and Production Division (OPD), Samrang, Samdrup Jongkhar
Mr. Duptho Tshewang	Assistant General Manager (Commercial Layer Production Division) Relangthang, Sarpang
Mr. Dal Bdr. Mishra	Asst. General Manager, Livestock Production Value Addition Division (LPVAD) Serbithang, Thimphu
Mr. Kinzang Tshering	Asst. Manager, Farm Stores Thimphu

6. DIRECTORS' REPORT

Dear Shareholder (s),

On behalf of the Board of Directors, I am pleased to present the Directors' report on the performance and activities of Bhutan Livestock Development Corporation Limited for the financial year 2018.

I am pleased to report that although it has been only a year for Bhutan Livestock Development Corporation into the line of corporate business, BLDCL has enthused with remarkable phase. Following are some key events or achievements of BLDCL in line with its mission and core values.

6.1 Internal Process

1. Developed and implemented Internal Service Rules and Regulations 2018
2. Developed draft Sustainable Corporate Strategy 2018-2023
3. Developed Draft Guidelines on Corporate Social Responsibility (CSR)
4. Developed Staff Welfare Scheme (SWFS)

6.2 HR Capacity Building

In order to enrich the productivity, knowledge and skills of employees, BLDCL has initiated the following HR capacity trainings:

1. Store and Inventory Management
2. Front Office Management
3. Client or customer care
4. Green Office Management
5. Change Management
6. Training on processing with resource persons from Thailand
7. Finance for Non- Finance
8. Hands on training on meat processing
9. Campus Network
10. Food Handling
11. Change Management

12. Result Based Management
13. Hands on Training for OPD staff on dairy, poultry and fishery
14. Art of communication, Presentation and public speaking

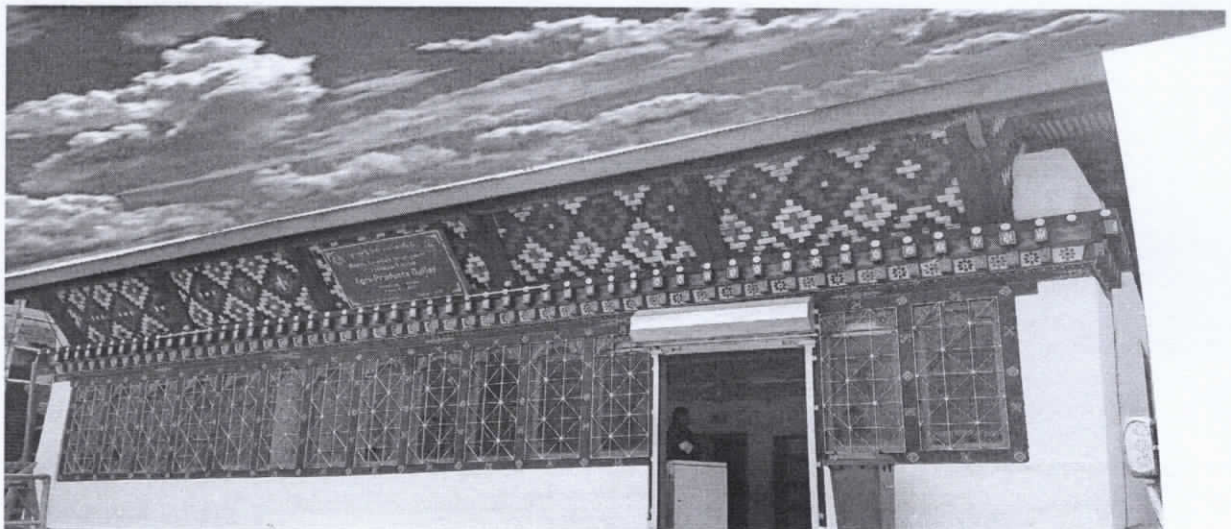
6.3 Products and Services

The primary products are the live inputs for the farmers such as heifers, milking cows, breeding bulls, pullets, day old chicks, bucks, fingerlings and piglets with fresh milk, fresh fish and table eggs.

The current value added products are chicken local sausage, chicken frankfurter sausage, pork local sausage, pork herbs sausage, pork frankfurter sausage, chicken breast, chicken wings, drumsticks, bacon, ham and pork chips. Livestock Product Value Addition Division (LPVAD) at Serbithang, Thimphu does all these by collecting raw materials from farmers from different places in the country.

6.4 Farm Stores

BLDCL has two Farm Stores (outlets); in Changkhorlo and Norzin Lam Thimphu. These farm stores market the value added products processed from Livestock Product Value Addition Division (LPVAD) and also support individual farmers, farmers groups and cooperatives by marketing wide range of local livestock and agricultural products.



Farm Stores at Norzin Lam, Thimphu.

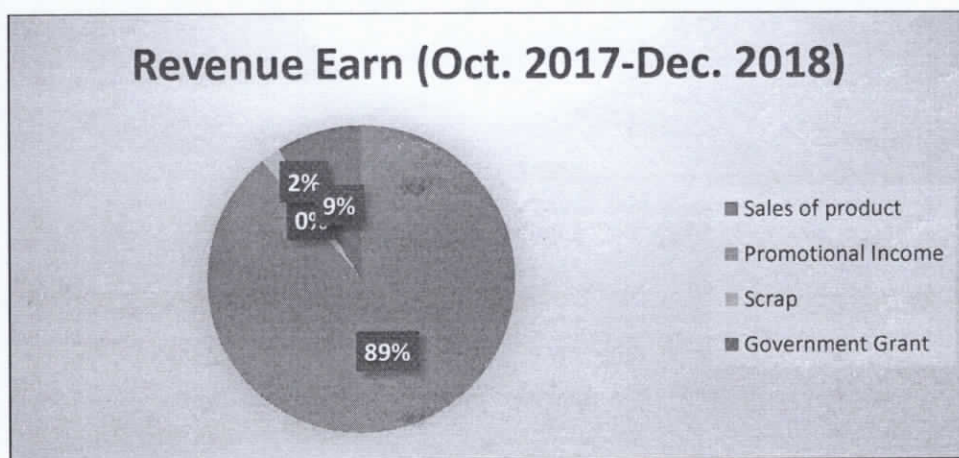


Farm Stores at Changkhorlo, Thimphu.

6.5 Financial Performance

i. Revenue

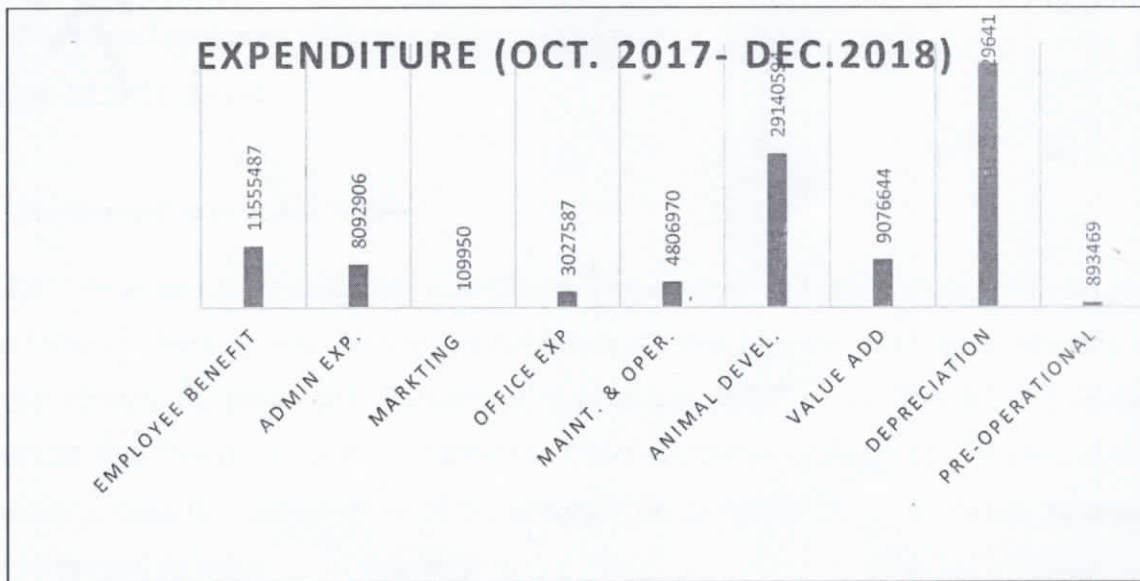
The company has earned gross revenue of Nu. 42.687 million, in its first fifteen months from the date of commencement into business operation (October 2017 till December 2018). The company could not bring out their comparative discloser with its historical data being their initial period of operation.



ii. Expenditure

The company incurred a total expenditure of Nu. 112.933 million in its first fifteen months of operation by the end of 2018. The reason for incurring huge amount of expenses in the initial period are due to:

1. The company was granted 422.312 million worth of plant, property and equipment (PPE) in the form of Equity from which depreciation and amortization stands at 41% from total expenses.
2. Accordingly the company had to invest in some of the asset to bring it into its usable condition where maintenance and operation stands at 5% from the total expenses.
3. The company by its mandate having to deal with various livestock animals which are capital intensive due to their longer gestation period stands at 26% for their development cost from total expenses.



iii. Net Profit:

The company's profit stands at negative Nu. 70.245 million in its first fifteen months of operation at the end of 2018.

6.6 Statutory Audit Report

The statutory audit was carried out by B M Chatrath & Co LLP, Kolkata from 5th to 22nd February 2019. The firm audited the accounts from 1st October 2017 to 31st December 2018 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.

7. Acknowledgement

On behalf of the Board Directors and the Management of BLDCL, I would like to express my sincere gratitude to the Ministry of Finance, Ministry of Economic Affairs, Ministry of Agriculture and Forests, Ministry of Human and Labor Resource and all other valued agencies and stakeholders for your continued support and faith in us.

Tashi Delek!

(Dasho. Dr. Tashi Samdup)

Chairman, BLDCL Board

8. Corporate Governance Report

The BLDCL corporate governance and management are adopted and implemented with support from the Office of the Registrar, Ministry of Economic Affairs; Ministry of Finance; Ministry of Labor and Human Resource and Ministry of Agriculture and Forests. The BLDCL Board constitutes of five Board Directors including the Chief Executive Officer. The BLDCL Board met nine times since the incorporation of the company on 15 March 2017, to provide guidance and review the performance of the company.

8.1 Board of Directors

Sl.No.	Name	Address	Date of Appointment	Status	Term
1	Dasho Dr. Tashi Samdup	Director General, DoL, Ministry of Agriculture and Forests, Thimphu	12 th December 2016	Independent	First

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2	Dasho Ugyen Penjore	Director General, DAMC, Ministry of Agriculture and Forests, Thimphu	12 th December 2016	Independent	First
3	Dasho Phub Dorji	Chief Executive Officer, BDBL, Thimphu	12 th December 2016	Independent	First
4	Mr. Rinchen Tshering	Sr. Program Officer, ICGD, DMEA, MoF	12 th December 2016	Independent	First/ Retired
5	Mr. Dorji Dhap	Chief Accounts Officer, DPA, Ministry of Finance, Thimphu	26 th June 2018	Independent	First
6	Mr. Jigme Wangchuk	Chief Executive Officer, BLDCL, Thimphu	12 th December 2016		

8.2 Board Meetings

Nine Board Meetings were held from 2017 - 2018.

The details of the Board attendance are as follows:

Board Meeting No.	Date	Members Present	Leave of Absence
1	11 th January 2017	1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Mr. Rinchen Tshering 5. Mr. Tshewang Tashi	None
2	29 th March 2017	1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Mr. Rinchen Tshering 5. Mr. Tshewang Tashi	None

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3	19 th July 2017	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Ugyen Penjore 3. Mr. Phub Dorji 4. Rinchen Tshering 5. Jigme Wangchuk 	None
4	16 th November 2017	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Phub Dorji 3. Mr. Ugyen Penjore 4. Mr. Jigme Wangchuk 	1. Mr. Rinchen Tshering
5	21 st December 2017	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Phub Dorji 3. Mr. Ugyen Penjore 4. Mr. Jigme Wangchuk 	1. Mr. Rinchen Tshering
6	27 th April 2018	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Phub Dorji 3. Mr. Ugyen Penjore 4. Mr. Jigme Wangchuk 	1. Mr. Rinchen Tshering
7	19 th and 20 th July 2018	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Phub Dorji 3. Mr. Ugyen Penjore 4. Mr. Jigme Wangchuk 	1. Mr. Dorji Dhap
8	26 th July 2018	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Phub Dorji 3. Mr. Ugyen Penjore 4. Mr. Jigme Wangchuk 	1. Mr. Dorji Dhap
9	26 th October 2018	<ol style="list-style-type: none"> 1. Dr. Tashi Samdup 2. Mr. Phub Dorji 3. Mr. Dorji Dhap 4. Mr. Jigme Wangchuk 	1. Mr. Ugyen Penjore

AUDITOR'S REPORT

BHUTAN LIVESTOCK DEVELOPMENT CORPORATION LIMITED

Audit for the period covering 1st October, 2017 to 31st December, 2018

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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.

B M CHATRATH & CO LLP

(FORMERLY B M CHATRATH & CO)

CHARTERED ACCOUNTANTS

LLPIN : AAJ-0582

REGD OFFICE : CENTRE POINT, 4th FLOOR, Suite No. 440

21, HEMANTA BASU SARANI, KOLKATA - 700 001

TEL : 2248-4575/4667/6810/6798, 2210-1385, 2248-9934

E-mail : bmccai@bmchatrath.in

website : www.bmchatrath.com

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 financial statements of Bhutan Livestock Development Corporation Limited (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 1st October 2017 to 31st December 2018, 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, 2018, and its financial performance and its cash flows for the period then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Qualified Opinion

Attention is drawn to following Notes whose impact on the company's loss is not presently ascertainable: -

- 1) *BAS 41 requires biological assets to be measured at fair value less costs to sell at the end of each reporting period whereas the company has measured the same at cost and no gain or loss on change in fair value has been recognized in the profit or loss for the period [refer Note No. 28 (vi)]; and*
- 2) *Note no 28(vii) regarding departure from BAS 19 on provisioning of Employee Benefit of Earned Leave Encashment and provision for Gratuity wherein it is required that an entity shall use the projected unit credit method to determine the present value of its defined benefit obligation and the related current service cost. No provision has been made in the Financial Statement for the period under review using this method.*

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



NOIDA - D-26, 2nd Floor, Sector - 3, Noida - 201301 (Uttar Pradesh). Ph No - 0120-4593360, 0120-4593361

DELHI - Flat No. - 10, 45 Friends Colony East, New Delhi 110065

MUMBAI - A/9, Sai Prasad, 2nd Floor, Rajshree Shahu Maharaj Cross Road (Tolly Gulley Cross Road).

Andheri East, Mumbai- 400069, Ph. - 022-32231382

HYDERABAD - H No. 8-2-618/2/2, Flat No. - 1B, 1st Floor, R. K. Residency, Road No. - 11 Pin 500033, Ph 040-26832264

JAIPUR - B-269, Janta Colony, Jaipur-302004, Ph. 0141-2601727

Emphasis of Matter

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

- (i) Based on the Company's financial statements for the fifteen months period ended on 31 December 2018 audited by us, the Company has incurred loss of Nu. 70.25 million thereby eroding net worth of the company by around 15%. However, this being company's first year of operation and there are no such identified events or conditions that cast significant doubt on the entity's ability to continue as a going concern; we are of the view that the financial performance would improve in the subsequent years; and
- (ii) Note No. 28 (ix) regarding value of Property, Plant & Equipment which as per letter dated 28/09/2017 signed by the Company & MoAF is Nu. 411.927 million but same has been considered as Nu. 422.313 million while preparing Financial Statements based on calculation done by the Company. This amount is subject to review by Ministry of Finance.

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.

Additional responsibilities of the Auditor have been given in Annexure - I.



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-II a Statement on the matters specified therein to the extent applicable.

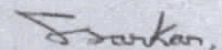
As required by Section 265 of the Act, we report that:

- 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.
- 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 Sanjay Sarkar.

For B M Chatrath & Co LLP
(Chartered Accountants)

Firm Registration No. 301011E/E300025

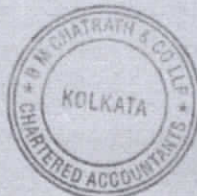


CA Sanjay Sarkar
(Partner)

M. No. 064305

Place: Thimphu, Bhutan

Date: 20.02.2019



BHUTAN LIVE STOCK DEVELOPMENT CORPORATION LIMITED

Additional Responsibilities of the Auditor:

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 a basis for our opinion. The risk of not detecting a 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.
- 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 the 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 a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's



report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For B M Chatrath & Co LLP
(Chartered Accountants)
Firm Registration No. 301011E/E300025

Place: Thimphu, Bhutan
Date: 20.02.2019

S. Sarkar
CA Sanjay Sarkar
(Partner)
M. No. 064305



Annexure - II**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. *However physical verification of Fixed Assets has not been conducted during the fifteen months period ended on 31st December, 2018.*
2. None of the fixed asset has been revalued during the fifteen months ended on 31st December, 2018.
3. *According to information and explanations given to us no physical verification was conducted at reasonable intervals in respect of finished goods, stores, spares parts and raw materials.*
4. *According to information and explanations given to us there was no procedure of physical verification of stocks followed by the management hence reasonableness and adequacy of such in*



relation to the size of the company and the nature of its business cannot be commented upon by us.

5. *There was no procedure of physical verification of stocks followed by the management, hence nothing can be commented upon on any material discrepancies noticed on physical verification of stocks as compared to the book records and its adjustment in the books of accounts.*
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. *There is no quantitative reconciliation 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. *According to information and explanations given to us, the Company has determined the obsolete, damaged, slow moving and surplus goods/inventories. As the value was not significant, no provisions were made for the fifteen months ending as on 31st December, 2018.*
9. *The obsolete inventories (Sale of Scrap/Spent Birds) were disposed off 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. *On the basis of our examination of stock records, we observed that the valuation of stock is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB).*
12. *The clause 12 is not applicable to the Company as the Company has not taken any loan during the period of our audit.*
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.*
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 not established any 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.*



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. As informed to us there was no unserviceable or damaged store, raw materials or finished goods is determined, and no provision for loss has been made in the accounts.
21. According to information and explanations given to us, there is a 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. so that responsibility could be fixed and compensation sought from those responsible.
22. As informed to us, the company is not maintaining reasonable records for production of finished goods, by-products but 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 regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. The requirement for making provision for corporate tax is not necessary 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. *As informed to us the Company has no written credit sales policy and credit rating of customers are not carried out.*
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. *But no age-wise analysis of outstanding amounts is carried out for management information and follow-up action.*
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 accounts. As the Company has not taken any loan, the question of excess withdrawal of loan amount does not arise.
33. According to the information and explanations given to us and on the basis of examination of books and records on test check basis, the activities carried out by the Company are in our opinion 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 not established any 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. According to the information and explanations given to us, 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 not maintaining any 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.

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. In our opinion and according to the information and explanations given to us the data migration during change over to new system are effectively managed to ensure completeness and integrity of data as well as smooth operation of the system.

Facts to be stated for unfavorable/qualified answers:

1. *In relation to Clause 1 applicable to manufacturing, mining or processing company, the physical verification of Fixed Assets has not been conducted during the fifteen months period ended on 31st December, 2018. It is assured by the Management that it will be implemented in the coming year.*
2. *In relation to Clause 3 applicable to manufacturing, mining or processing company, the company had not carried out physical verifications of finished goods, stores, spares parts and raw materials at reasonable intervals as the Company has just started its operations.*



3. In relation to Clause 4 applicable to manufacturing, mining or processing company, there were no procedures of physical verification of stocks followed by the management. It is stated by the Management that it will be implemented soon.
4. In relation to Clause 5 applicable to manufacturing, mining or processing company, the management does not have any procedures of physical verification of stocks hence material discrepancies if any remain undetected. It is stated by the Management that it will be implemented soon.
5. 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 in the coming year.
6. In relation to Clause 7 applicable to manufacturing, mining or processing company, the company did not carry out quantitative reconciliation in respect of all major items of inventories i.e. finished goods and raw materials. It is assured by the Management that it will be implemented in the coming year.
7. 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 was not up-to date.
8. In relation to Clause 22 applicable to manufacturing, mining or processing company, the company is not maintaining reasonable records for production of finished goods, by-products. It is assured by the Management that it will be implemented in the coming year.
9. 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 it will be implemented in the coming year.
10. In relation to Clause 29 applicable to manufacturing, mining or processing company, the Company has no written credit sales policy and credit rating of customers are not carried out. It is assured by the Management that it will be implemented in the coming year.
11. In relation to Clause 31 applicable to manufacturing, mining or processing company, no age-wise analysis of outstanding debtor amount is carried out by the Company for management information and follow-up action. It is assured by the Management that it will be implemented in the coming year.
12. In relation to Clause 35 applicable to manufacturing, mining or processing company, The Company had not prepared any Operational, Functional Budget or Departmental Budget for the year. The absence of Budgetary Control will adversely affect the performance of the company. It is assured by the Management that it will be implemented in the coming year.



13. In relation to Clause 40 applicable to manufacturing, mining or processing company, the Company is not maintaining any proper records for inter unit transactions/services. It is assured by the Management that it will be maintained in the coming year.

Other requirements:

1. Going concern problems

Based on the Company's financial statements for the fifteen months period ended on 31st December, 2018 audited by us, though the Company has incurred loss but there are no such events or conditions that have been identified which may cast significant doubt on the entity's ability to continue as a going concern.

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

S. Sarkar

CA Sanjay Sarkar
(Partner)

M. No. 064305

Place: Thimphu, Bhutan

Date: 20.02.2019



Bhutan Livestock Development Corporation Limited

Statement of Financial Position as at 31 December, 2018

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

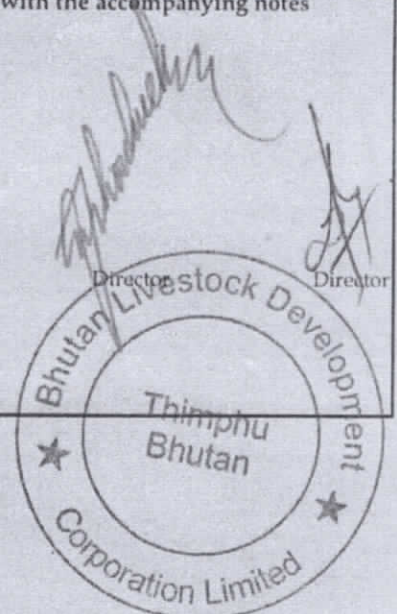
Particulars	Notes	As at December 31, 2018
ASSETS		
Non-current assets		
Property, plant and equipment	2	393,097,535
Intangible assets	3	92,083
Capital Work in Progress	4	3,221,875
Long-term loans & advances	5	457,175
Other non-current assets	6	7,868,532
Total non-current assets		404,737,199
Current assets		
Inventories	7	3,038,780
Trade & other receivables	8	738,756
Short-term loans & advances	9	662,834
Cash and cash equivalents	10	1,772,289
Total current assets		6,212,658
Total Assets		410,949,858
EQUITY AND LIABILITIES		
Equity		
Share Capital	11	455,645,974
Retained earnings & Reserves		(70,245,843)
Total equity		385,400,131
Non-current liabilities		
Deferred Government Grants	12	14,035,395
Long Term Provisions	13	75,250
Total non-current liabilities		14,110,645
Current liabilities		
Trade & other payables	14	11,071,166
Short Term Provisions	15	367,915
Total current liabilities		11,439,081
Total Equity and Liabilities		410,949,858

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

For B M Chatrath & Co LLP
(Chartered Accountants)
Firm Registration No.301011E/E300025

Sanjay
CA Sanjay Sarkar
(Partner)
Membership No. 064305

Date: 20.02.2019
Place: Thimphu



Bhutan Livestock Development Corporation Limited

Statement of Comprehensive Income for the period from 1st October 2017 to 31st December 2018

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

Particulars	Notes	For the period from 01.10.2017 to 31.12.2018
Revenue		
Revenue from Operations		
Sale of Product	16	37,969,781
Promotional Income	17	3,635
Other Income		
Scrap sale/ sale of Spent birds	18	894,960
Government Grants	12	3,819,027
Total Revenue	A	42,687,404
Expenditure		
Employee benefits expense	19	11,555,487
Administration Expenses	20	8,092,906
Marketing Expenses	21	109,950
Office Expenses	22	3,027,587
Maintenance & Operation	23	4,806,970
Animal Development Cost	24	29,140,594
Value Additional	25	9,076,644
Depreciation and Amortisation Expenses	2 & 3	46,229,641
Pre-Operational Cost	26	893,469
Total Expenditure	B	112,933,247
Profit/(Loss) before tax	C=(A-B)	(70,245,843)
Tax Expenses		
Current Tax		-
Deferred Income Tax	28 (ix)	-
Profit/ (Loss) for the Period		(70,245,843)
Other comprehensive income/(loss)		
Actuarial gain		-
Total comprehensive Income/ (Loss) for the year		(70,245,843)
Earnings per Share	27	(15.42)

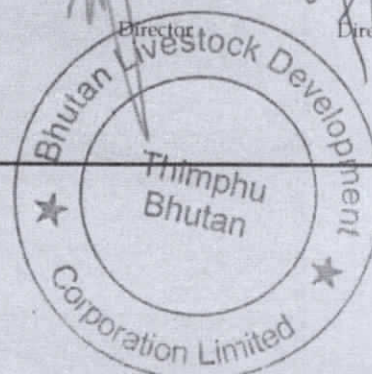
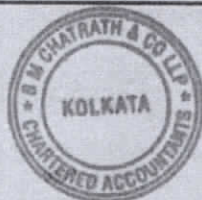
The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

For B M Chatrath & Co LLP
(Chartered Accountants)
Firm Registration No.301011E/E300025

Sarkar

CA Sanjay Sarkar
(Partner)
Membership No. 064305

Date: 20.02.2019
Place: Thimphu



Bhutan Livestock Development Corporation Limited

Statement of Cash Flow for the period from 1st October 2017 to 31st December 2018

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

PARTICULARS	For the period from 01.10.2017 to 31.12.2018 (Nu.)
<u>Cash Flow from Operating Activities</u>	
Profit & (Loss) before tax	(70,245,843)
Add: Depreciation	46,229,641
Actuarial gain	-
Operating Profit before working Capital Changes	(24,016,203)
Changes in Working Capital	
(Increase)/ Decrease in Inventories, loans & advance and trade and other receivables	(12,766,076)
Increase/ (Decrease) in Trade & other payables and other liabilities	25,549,727
	12,783,651
Net Cash Flow from Operating Activities	(11,232,552)
	A
<u>Cash Flows from Investing Activities</u>	
Purchase of Property, plant and equipment and Intangible Assets (net)	(17,106,284)
Increase in Capital Work in Progress	(3,221,875)
Net Cash Flows from Investing Activities	(20,328,159)
	B
<u>Cash Flows from Financing Activities</u>	
Proceeds from equity shares (net)	33,333,000
Net Cash Flows from Financing Activities	33,333,000
	C
Net Increase in Cash & Cash Equivalents	1,772,289
Add: Opening Cash & Cash Equivalents	-
Closing Cash & Cash Equivalents	1,772,289
<u>Note to Cash flow statement :</u>	
Components of Cash & Cash Equivalents are as under:	
Cash & cash equivalents	
- Cash in Hand	476,534
- Cheques in Hand	75,600
- Balance with Banks	1,220,155
	1,772,289

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

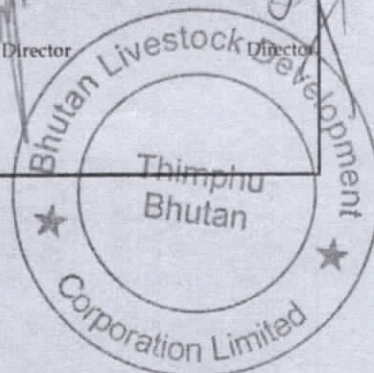
For B M Chatrath & Co LLP
(Chartered Accountants)
Firm Registration No.301011E/E300025

S. Sarkar

CA Sanjay Sarkar
(Partner)
Membership No. 064305

Date: 20.02.2019
Place: Thimphu

Director



Bhutan Livestock Development Corporation Limited

Statement of Changes in Equity as on December 31, 2018

(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 October 2017	-	-	-	-	-	-
Add: Shares issued during the year	4,556,460	100	455,645,974	-	-	455,645,974
Add: Profit/ (Loss) for the period from 01.10.2017 to 31.12.2018	-	-	-	(70,245,843)	-	(70,245,843)
Add: Other Comprehensive Income/Loss	-	-	-	-	-	-
Closing Balance as on 31st December 2018	4,556,460	100	455,645,974	(70,245,843)	-	385,400,131

For B M Chatrath & Co LLP
(Chartered Accountants)
Firm Registration No.301011E/E300025

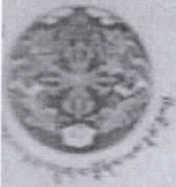
S. Sarkar
CA Sanjay Sarkar
(Partner)
Membership No. 064305

Date: 20.02.2019
Place: Thimphu

[Signature]
Director

[Signature]
Director





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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.).

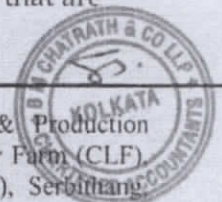
1C.3 Cash and cash equivalents

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.

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

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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:

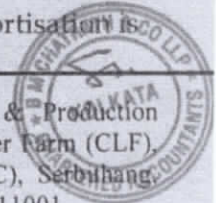
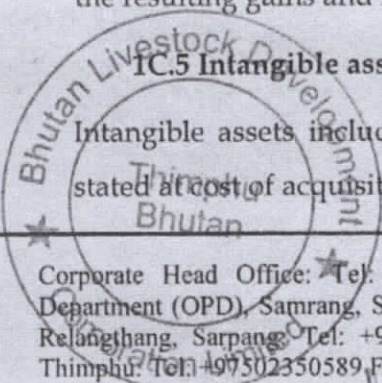
Buildings & Transformer	30 years
Semi-permanent buildings	10 years
Irrigation structures and facilities	7 years
Tools	2 years
Farm machinery and equipment	5 years
Computers & Office Equipment	5 years
Vehicles	15 years
Furniture and Fixtures	10 years

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

IC.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

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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.

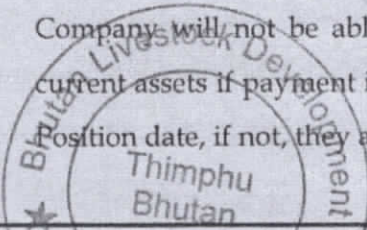
1C.6.1 Trade and other receivables

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

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.

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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.

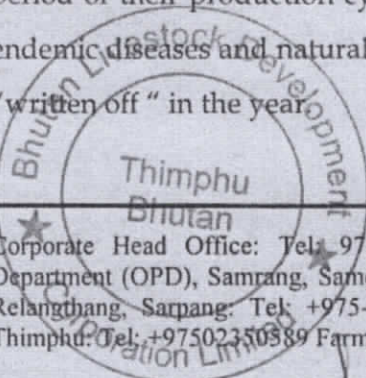
1C.7 Biological Assets

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 animal species' present conditions/stages with the value worked out at cost less accumulated impairment losses, if any. However, the Company shall derive its fair value on internationally accepted measurement instrument "animal units" from 2019 onwards. This measurement and estimation would be more reliable and consistent.

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. In case of mortalities due to pandemic, endemic diseases and natural old age, 'Biological Assets' attributable to the respective farms are "written off" in the year

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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'.

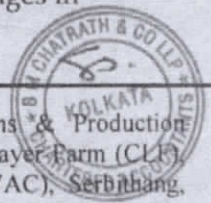
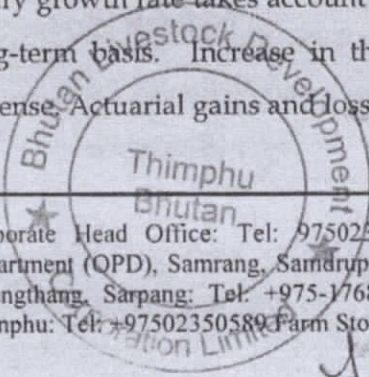
Inventories of Finished value added products are stated at the cost of production.

1C.9 Employee benefits

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

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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.

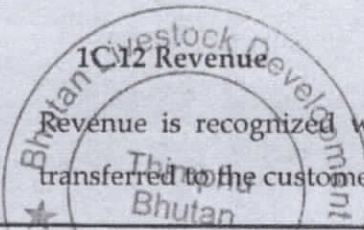
1C.11 Provisions and Contingent Liabilities

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

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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 recognised 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 recognised in profit or loss on a systematic basis over the periods in which the Company recognises 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 recognised in profit or loss on a systematic basis over the useful life of the related assets.

1C.14 Taxes on Income

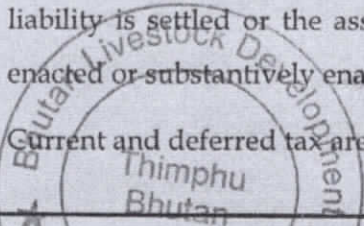
Taxes on income comprises of current taxes and deferred taxes.

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 respect of previous years.

Deferred Tax is recognised 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 recognised 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 realised. 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 realised, 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 recognised in profit or loss, except when they relate to items

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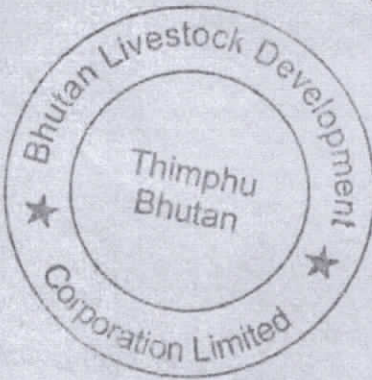
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that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity net of tax respectively.



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Bhutan Livestock Development Corporation Limited
(All amounts are in Bhutanese Ngultrum (Nu.) unless stated otherwise)
Note 2: Property, Plant & Equipment

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

Particulars	Gross Block				Depreciation				Net Block As at 31.12.2018 Nu.
	Opening 01.10.2017 Nu.	Additions/ Adjust. Nu. (Refer Note)	Deletion/ Adjust. Nu.	As at 31.12.2018 Nu.	Opening 01.10.2017 Nu.	Additions/ Adjust. Nu.	Deletion/ Adjust. Nu.	As at 31.12.2018 Nu.	
Building	-	185,838,108	-	185,838,108	-	6,965,110	-	6,965,110	178,872,997
Transformer	-	10,364,623	-	10,364,623	-	388,460	-	388,460	9,976,162
Irrigation & Water Source	-	68,015,444	-	68,015,444	-	11,896,181	-	11,896,181	56,119,263
Road, Drain & Fencing	-	63,807,993	-	63,807,993	-	2,391,474	-	2,391,474	61,416,519
Tools & Temporary	-	3,065,246	-	3,065,246	-	1,604,483	-	1,604,483	1,460,763
Farm Equipments	-	80,305,396	-	80,305,396	-	18,798,653	-	18,798,653	61,516,744
Computer & Office Equipments	-	2,828,507	-	2,828,507	-	565,404	-	565,404	2,263,103
Vehicles	-	23,758,210	-	23,758,210	-	3,510,136	-	3,510,136	20,248,074
Furniture & Fixtures	-	1,327,132	-	1,327,132	-	102,822	-	102,822	1,224,309
Total	-	439,310,258	-	439,310,258	-	48,212,722	-	48,212,722	391,097,535

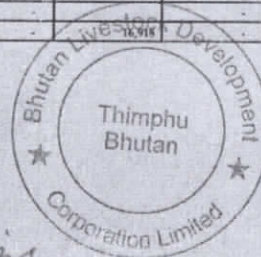
Note: Property, Plant & Equipment amounting to Nu. 422,312,974 have come along with Government Equity

Note 3: Intangible assets

Particulars	Gross Block				Amortisation				Net Block As at 31.12.2018 Nu.
	Opening 01.10.2017 Nu.	Additions/ Adjust. Nu.	Deletion/ Adjust. Nu.	As at 31.12.2018 Nu.	Opening 01.10.2017 Nu.	Additions/ Adjust. Nu.	Deletion/ Adjust. Nu.	As at 31.12.2018 Nu.	
Software Applications	-	109,000	-	109,000	-	16,918	-	16,918	92,082
Land User Right Certificate	-	1	-	1	-	-	-	-	1
Total	-	109,001	-	109,001	-	16,918	-	16,918	92,083

Note 4: Capital Work in Progress

Particulars	Gross Block			
	Opening 01.10.2017 Nu.	Additions/ Adjust. Nu.	Deletion/ Adjust. Nu.	As at 31.12.2018 Nu.
Upgradation of Transformer	-	2,223,100	-	2,223,100
Internet Installation	-	998,775	-	998,775
Total	-	3,221,875	-	3,221,875



Bhutan livestock Development Corporation Limited

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

Note 5: Long-term loans & advances

Particulars	As at December 31, 2018
Advance to Employees	194,915
Security Deposits	262,260
Total	457,175

Note 6: Other non-current assets

Particulars	As at December 31, 2018
Biological Assets	7,868,532
Total	7,868,532

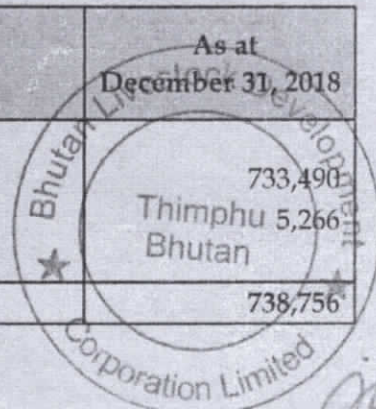
Note 7: Inventories

Particulars	As at December 31, 2018
Agriculture Products	498,502
Resalable Products	53,525
Value added Products	640,331
Stores & spares	1,846,422
Total	3,038,780

1.1 Refer note 3.9 for method used for valuation of inventories.

Note 8: Trade & other receivables

Particulars	As at December 31, 2018
Trade Receivables	733,490
Others	Thimphu 5,266 Bhutan
Total	738,756

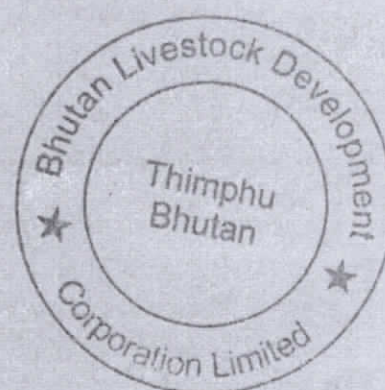


Note 9: Short-term loans & advances

Particulars	As at December 31, 2018
Advance to suppliers, contractors and others	651,127
Prepaid expenses	11,707
Total	662,834

Note 10: Cash & cash equivalents

Particulars	As at December 31, 2018
Cash in hand (As certified by the Management)	476,534
Cheque in hand	75,600
Balance with banks	1,220,155
Total	1,772,289



Bhutan Livestock Development Corporation Limited

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

Note 11: Share Capital

Particulars	As at December 31, 2018	
	No. of Shares	Amount
Authorised shares 1000,000,000 equity shares of Nu. 100 each		1,000,000,000
Issued, subscribed and fully paid-up shares 4,556,460 equity shares of Nu. 100 each		455,645,974
Total		455,645,974

11.1 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

11.2 Details of shareholders

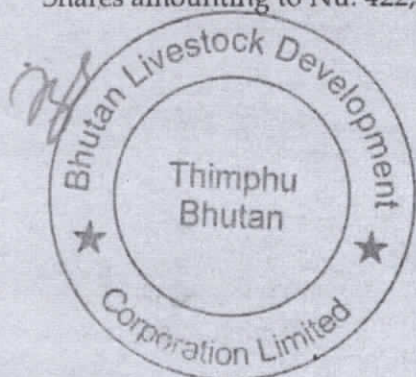
Name of the Shareholder	As at December 31, 2018	
	No. of Shares	% held
Ministry of Finance, Royal Government of Bhutan	4,556,460	100
Total	4,556,460	100

11.3 Reconciliation of number of shares outstanding

Particulars	As at December 31, 2018	
	No. of Shares	Amount
At the beginning of the period		
Add: Issued during the period	4,556,460	455,645,974
At the end of the period	4,556,460	455,645,974

11.4 Shares issued for consideration other than cash

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



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

Note 12: Deferred Government Grants

Particulars	As at December 31, 2018
Grant from MoAF	
At the beginning of the year	-
Add: Received during the year	17,854,423
Less: Transferred to Statement of Total Comprehensive Income	3,819,027
Total	14,035,395

Note 13: Long Term Provisions

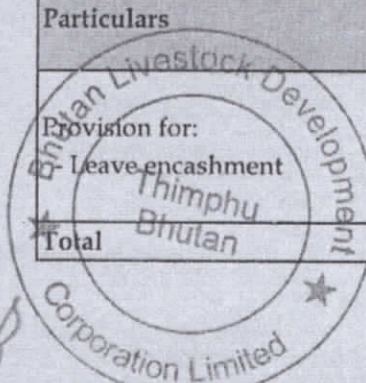
Particulars	As at December 31, 2018
Provision for:	
- Gratuity	75,250
Total	75,250

Note 14: Trade & other payables

Particulars	As at December 31, 2018
Trade payables	10,049,961
Statutory liabilities	120,231
Audit fees payable	50,000
Employees' payables	370,437
Accrued expenses	471,132
Miscellaneous payables	9,406
Total	11,071,166

Note 15: Short Term Provisions

Particulars	As at December 31, 2018
Provision for:	
Leave encashment	367,915
Total	367,915



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

16. Sales of Product

Particulars		For the period from 01.10.2017 to 31.12.2018
Sales from BCOOP	16,165,318	
Sales from ILF Samrang	10,801,600	
Sales from Relangthnag	3,535,445	
Sales for Chnagkhorolo	6,153,522	
Sales from LPVAC	362,337	
Sales of Buck	473,653	
Sales of Jersey/Heifer	34,050	
Sales of Pullet	153,000	
		37,678,925
Other Income		290,856
Total		37,969,781

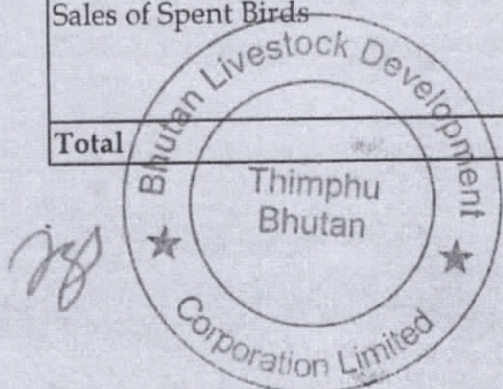
17. Promotional Income

Particulars		For the period from 01.10.2017 to 31.12.2018
Sales of Value added Product		3,635
Total		3,635

Revenues identified from promotional activities like taking part

18. Sales of Scrap/Spent animal

Particulars		For the period from 01.10.2017 to 31.12.2018
Sales of Manure	1,420	
Sales of Spent Birds	893,540	
		894,960
Total		894,960



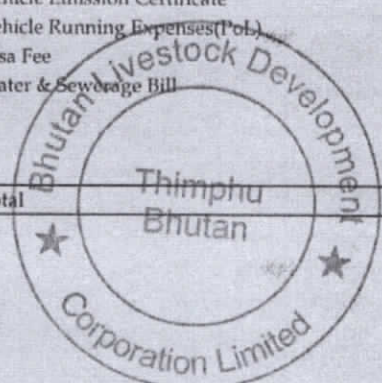
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19. Employee Benefit Expenses

Particulars		For the period from 01.10.2017 to 31.12.2018
Arrear Payment	58,611	
Communication Allowance	45,712	
Contract Allowance 40%	420,000	
Corporate Allowance 25%	1,616,061	
Daily Wages	142,760	
Difficult Area Allowance	256,828	
Honorarium	23,300	
Leave Travel Concession (LTC)	367,915	
Local Conveyance Allowance	49,076	
Production Endurance Allowance 20%	398,214	
Provident Fund Contribution	565,292	
Salary	7,536,468	
		11,480,237
Provision for Gratuity		75,250
Total		11,555,487

20. Administrative Expenses

Particulars		For the period from 01.10.2017 to 31.12.2018
Electricity Bill	803,616	
Environment Clearance	2,500	
Extension Kits	11,305	
Farm Stores Rent	413,832	
Fax Charges	625	
Fees and Permit	21,625	
Games & Sports	23,600	
Insurance Premium on Fixed Asset	3,643	
Internet/Broadband Charges	275,981	
Land Tax	250,685	
Maintenance of Farm Machinery	131,018	
Postal Charges	5,890	
Printing & Press	51,431	
Renewal of License	31,400	
Renewal of Vehicle Blue Book	18,840	
Rent for ESP Quarter	5,952	
Sitting Fee for Board	170,000	
Stationeries	368,997	
Telephone Bill	149,824	
Transportation/Hiring	2,212,380	
Travel Ex-Country	23,500	
Travel In Country	1,141,890	
Uniform	36,395	
Vehicle Emission Certificate	300	
Vehicle Running Expenses (Pol)	1,926,390	
Visa Fee	8,000	
Water & Sewerage Bill	3,286	
		8,092,906
Total		8,092,906



21. Marketing Expenses

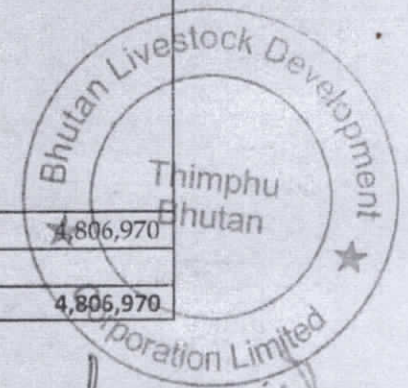
Particulars		For the period from 01.10.2017 to 31.12.2018
Announcement/Publicity	89,950	
Promotional Expenses	20,000	
Total		109,950

22. Office Expenses

Particulars		For the period from 01.10.2017 to 31.12.2018
Audit Expenses	12,780	
Auditor's Fee	50,000	
Training In-Country	1,429,908	
Bank Charges	16,999	
Chadi/Remdrow Exp.	248,407	
Hospitality & Entertainment	116,142	
Office Rent	640,000	
Refreshment Expenses	474,067	
Rest Room Supplies	21,497	
		3,009,800
Fines & Penalty		7,787
Donation		10,000
Total		3,027,587

23. Maintenance & Operation

Particulars		For the period from 01.10.2017 to 31.12.2018
Farm Materials	29,230	
Maintenance of Cold Storage	1,031,210	
Maintenance of Electricity Line	65,540	
Maintenance of Farm Structure	106,190	
Maintenance of Fencing	24,295	
Maintenance of Irrigation & Water Line	78,816	
Maintenance of Office	54,451	
Maintenance of OUTLET	1,937,473	
Maintenance of Tools & Equipment	40,655	
Maintenance of Vehicle	1,170,420	
Seedling & Sapling	92,940	
Tyres & Tube	175,750	
		4,806,970
Total		4,806,970



24. Animal Development Cost

Particulars		For the period from 01.10.2017 to 31.12.2018
Animal Health Care	31,444	
Bio-Security	10,182	
Chemicals & Solutions	17,304	
Dairy Feed	1,551,838	
First Aid Kits - Animal	10,726	
Fishery Feed	319,960	
Forzen Semen - Dairy	382,870	
Goat Feed	122,131	
Poultry Feed	26,663,339	
Sawdust	30,800	29,140,594
Total		29,140,594

25. Value Additional Cost

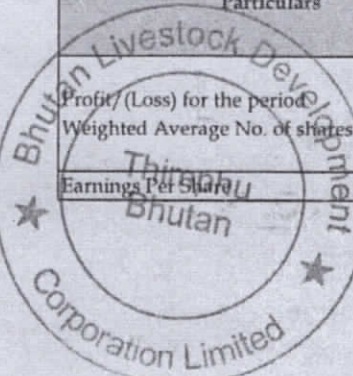
Particulars		For the period from 01.10.2017 to 31.12.2018
Agro Products	514,966	
Ingredient for Value Additional	1,497,981	
Product Packaging	1,653,951	
Raw Meat & Fish	5,248,318	
Others	161,428	
Total		9,076,644

26. Pre-Operational Expenses

Particulars		For the period from 01.10.2017 to 31.12.2018
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		893,469

27. Earnings Per Share

Particulars		For the period from 01.10.2017 to 31.12.2018
Profit/(Loss) for the period	(A)	(70,245,843)
Weighted Average No. of shares	(B)	4,556,460
Earnings Per Share	(A/B)	(15.42)

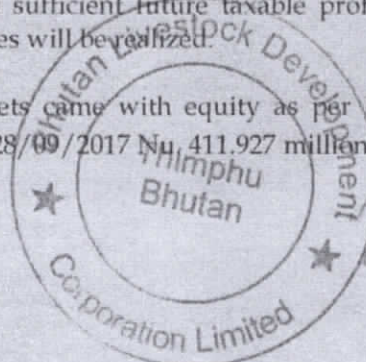


28. OTHER NOTES TO ACCOUNTS

i) Salary Details of CEO :-

Sl. No.	Particulars	For the period 01.10.2017 to 31.12.2018 Amount (Nu.)
(i)	Salary and Allowances	1,520,129
(iii)	Provident Fund	115,500
(iv)	Gratuity (Provisional)	75,250
(v)	Sitting Fees	35,000
	Total	1,745,879

- ii) Pre - Operational Expenses incurred during the period 15th March 2017 to 30th September 2017 amounting to Nu.893, 469/- have been shown as a single line item in the Statement of Comprehensive Income.
- iii) There is no such transaction for purchase and sales of Goods, services and others receipts and payments made with company or firm in which the Directors or parties related to Directors directly or indirectly interested.
- iv) The Financial Statements of the company is being prepared for period of 15 Months i.e. from 1st October 2017 to 31st December 2018.
- v) As per Sec 243 of the Companies Act of Bhutan 2016, the first financial year of a company may be extended to eighteen months. However the first accounts have been prepared for the period of 22 months ending on 31st December 2018 as the Company was incorporated on 15th March, 2017.
- vi) The valuation of the Biological assets was done at cost instead of Fair value and also no gain/losses were recognized as per BAS 41 on "Agriculture".
- vii) No short term employee benefits was recognized in the Financial Statements and also the provision made for long term employee benefit was done ignoring the Actuarial valuation as per BAS 19 on "Employee Benefits".
- viii) Fund received from MoLHR for meeting the employee expenses under Direct Scheme for the period 01st October 2017 to 31st December 2018 amounting to Nu. 22,466,50/- and expend for the same period was N.U 20,801,173/- and the balance fund outstanding as on 31/12/2018 was Nu. 1,665,347/-.
- ix) 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.
- x) The amount of fixed assets came with equity as per Letter dated BLDCL/GEN-16/2017-2018/095 Dated 28/09/2017 Nu. 411.927 million. However the total value of

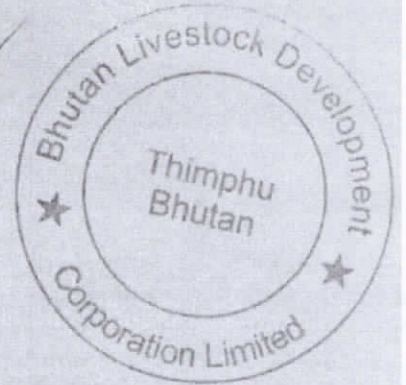


assets considered while preparing the financial statement amounted to Nu. 422.313 million. This amount is however subject to review by Ministry of Finance.

- xi) Previous year's figures are not comparable as the Financial Statements was prepared for the first time.



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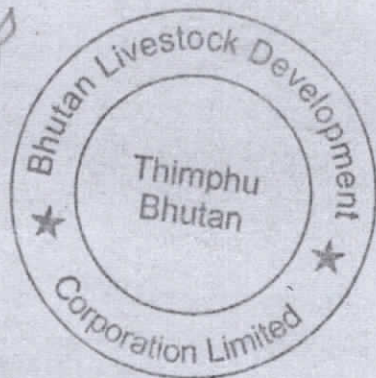


Bhutan Livestock Development Corporation Limited
Notes forming part of the Financial Statements

Statement of Ratio Analysis

S. No.	Ratios	For the period from 01.10.2017 to 31.12.2018	Remarks
1	Total Earnings per share (Nu per Share) (Loss for the period / No.of shares issued)	-15.42	Reflecting Financial Loss for the period per Equity Share
2	Net Profit Ratio (%) (Net Profit / Turnover * 100)	-164.56%	Reflecting Loss with respect to Turnover
3	Return on Assets (%) (Net Profit / Total Assets *100)	-17.09%	Reflecting Loss with respect to Total Assets
4	Return on Equity (%) (Net Profit / Owner's Equity *100)	-18.23%	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	Reflecting no Dividend was paid during the period
6	Dividend Payout Ratio (%) (Dividend per share / Earnings per share *100)	Nil	Reflecting no Dividend was paid during the period
7	Current Ratio (Times) (Current assets / Current Liabilities)	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

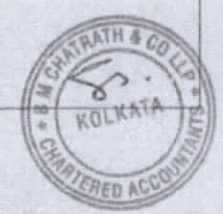
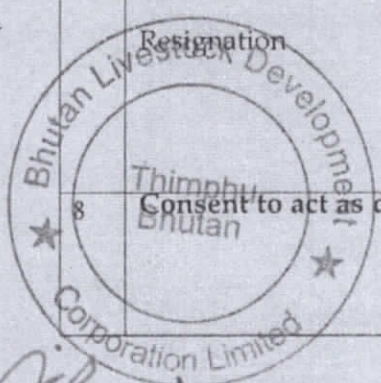


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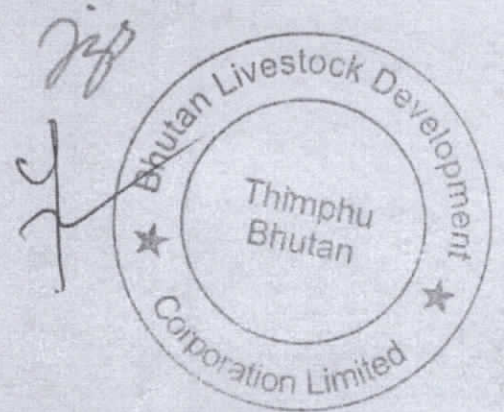
COMPLIANCE CALANDAR & COMPLIANCECHECKLIST

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 31 st May	a) As per Annual Return Form for a period relating to financial year ended on 31 st December.
b)	All unlisted companies includes: i) Duly filled form as per Annual Return Form ii) Balancesheet iii) Profit & Loss Account iv) Cash flow statement v) Auditor's report vi) Directors' report.		On or before 31 st 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 30 th April	To be conducted once a year besides other meetings Board Cum AGM
b)	Unlisted Companies		On or before 30 th 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	251	Every AGM Notify the Registrar within 15 days from passing the resolution	Every year at AGM from panel of auditors-RAA AG of Bhutan. Not more than 3 years
	Resignation	260-262	Convene the EGM within 14 days to discuss resignation.	
8	Consent to act as directors	140	Within 30 days of appointment or reappointment with the	



			registrar	
9	Board Meetings 1st BM 2nd BM 3rd BM 4th 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	



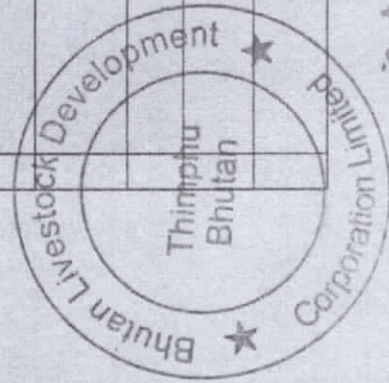
COMPLIANCE CHECK LIST (Extracts from the Companies Act of Bhutan 2016)

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

Date:

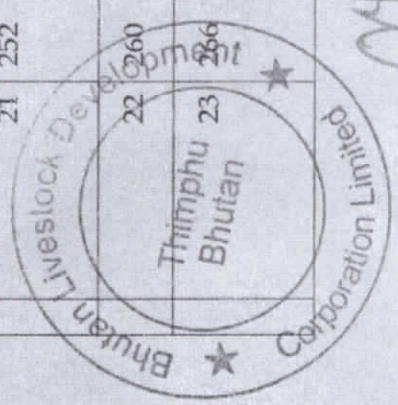
No.	Ss.	NAME OF COMPANY: REGISTERED NO:	Bhutan Livestock Development Corporation Limited U20170315THI0561	COMPLIANCE CHECKLIST		REMARKS
				YES	NO	
			INCORPORATION OF A COMPANY & SECURITIES			
1	28		Changes to Articles/ Approval		✓	
2	47		Change of name/ Approval		✓	
3	123		Increase or consolidation of share capital		✓	
4	124		Reduction of share capital		✓	
5	82		License Copy and Share Certificate filing	✓		License no. 4009368 dt.20.03.2018.
6	107		Public offer of shares & Debentures- ROC Approval		✓	



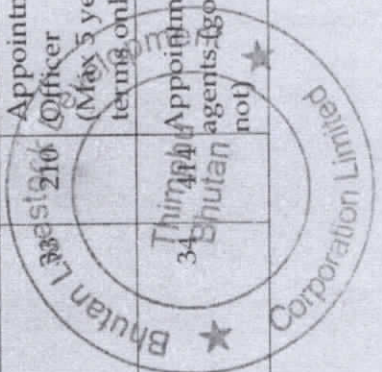
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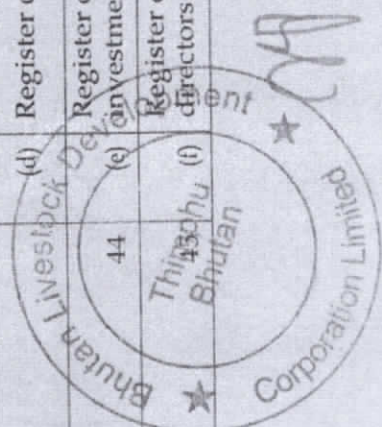
14	190	Chairman of meeting (CEO cannot chair)	✓			
15	192	Representation of corporations at meetings (appointed by Board Directors)		✓		
16	193	Ordinary and special resolutions		✓		
17	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	✓			
18	199	Declaration and payment of dividend(199-209)		✓		
19	232	Books of account to be kept by company (location & time period)	✓			Location - At registered office situated at Taba, Thimphu, 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 Five 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		✓		
29	143	Removal of directors		✓		
30	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	✓			Four Board Meetings have been held in the financial Year 2018
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	211	Approval of selling or buying agents to 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)		✓		
40	228	STATUTORY RECORD AND INSPECTION 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			✓	
	(e)	Register of inter-corporate investments			✓	
44	(f)	Register of contracts in which directors are interested		✓		



46	(g)	Register of directors	✓			
47	(h)	Register of directors' shareholding		✓		

OTHERS

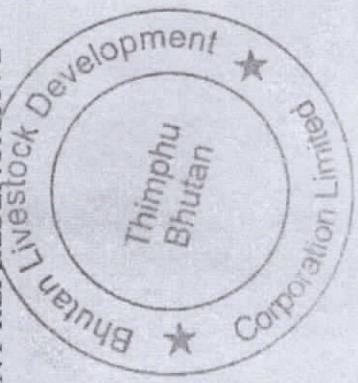
48	243	Extension of Financial Year to Eighteen Months	✓			As per Sec 243 of the Companies Act of Bhutan 2016, the first financial year of a company may be extended to eighteen months where special permission has been granted in that behalf by the regulatory authority on payment of prescribed fee. However the first accounts have been prepared for the period of 22 months ending on 31st December 2018 as the Company was incorporated on 15 th March, 2017.
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S. Sarkar.
SIGNATURE/SEAL
CA Sanjay Sarkar
NAME OF AUDITOR
For B M Chatrath & Co LLP.
 (Chartered Accountants)



SIGN NAME
COMPANY REPRESENTATIVE

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BHUTAN LIVESTOCK DEVELOPMENT CORPORATION LIMITED**MANAGEMENT REPORT****FOR THE PERIOD ENDED 31st DECEMBER, 2018****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 31st December 2018. 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, 2018, 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 strategem. Besides the production of livestock inputs,



NOIDA - D-26, 2nd Floor, Sector - 3, Noida - 201301 (Uttar Pradesh), Ph. No - 0120-4593360, 0120-4593361

DELHI - Flat No. - 10, 45 Friends Colony East, New Delhi 110065

MUMBAI - A/9, Sai Prasad, 2nd Floor, Rajshree Shahu Maharaj Cross Road. (Tolly Gulley-Cross Road),

Andheri East, Mumbai- 400069, Ph. 022-32231382

HYDERABAD - H No. B-2-618/2/2, Flat No. - 1B, 1st Floor, R K Residency, Road No. - 11, Pin 500033, Ph 040-26832264

JAIPUR - B-269, Janta Colony, Jaipur-302004, Ph 0141-2601727

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:

Detailed Observations

1. No internal audit has been conducted during the year

The Internal Audit of the Company has not been carried out during the period October 2017 to December 2018.

Hence, in case material discrepancy, if any occurred within the period of these fifteen (15) months will remain undetected and accordingly it will not be possible to initiate corrective measures.

Management's Response

This is to apprise the Auditors that the company was instituted when the current farms/production units at Samrang, Relanhang and LPVAC were all new and many were not even operational, in terms of stocking parent stock animals, required facilities and appropriate human resources when it was handed over to BLDCL.

As the production of quality livestock inputs and products is the core business component of the company, the management was fully engaged in completing the remaining activities of the farms to stock parent stock animals with necessary tools/equipment and appropriate HR. These farms require specialist human resources on livestock farming and production and the company could only recruit them from January 2018. As such, the management could not either recruit or outsource internal auditor to carry out internal auditing. However, the management will definitely carry out timely internal auditing from 2019 onwards.

Further Comments of the Auditors

Realized the practical difficulties of the Company and hope that it will be complied in 2019.

Accountability

Direct Accountability	Name: Singay Dawa EID: 201801007, Designation: HR Officer, Citizen ID No.: 12002001214
Supervisory Accountability	Name: Jigme Wangchuk EID: 201708001, Designation: Chief Executive Officer, Citizen ID No.: 11503000055

2. Physical Verification of Inventory and Fixed Assets have not been carried out during the year

Physical verification of Fixed Assets, Inventory of livestock, finished goods and other consumables were not done at regular intervals.



Hence, in case material discrepancy, if any occurred within the period of these fifteen (15) months will remain undetected and accordingly it will not be possible to initiate corrective measures.

Management's Response

As apprised in 1st memo that the company was fully engaged in operationalization of the farms with limited human resources due to very limited fund, the company was unable to timely carry out the physical verification of Fixed Assets, inventory of livestock, finished goods and other consumables. Since January 2018, we had technical people in each farm units overseeing the daily operation of farms and all required records are noted but the management could not carry verifications from the Head office regularly. As such, the management will carry out physical verification of inventory on half yearly basis from 2019 and of Fixed Assets on yearly basis.

Further Comments of the Auditors

The Company must carry out physical verification of fixed assets, inventory of livestock, finished goods and other consumables in 2019.

Accountability

Direct Accountability	Name: Tshewang Penjor EID: 20181003, Designation: AGM, Citizen ID No.: 10709004176
	Name: Kinzang Tshering EID: 201801008, Designation: Asst. Sales Manager , Citizen ID No.: 10906000240
	Name: Dal Bdr. Mishra EID: 201801128, Designation: Plant Manager , Citizen ID No.: 10305000631
	Name: Duptho Tshewang EID: 201801005, Designation: AGM, Citizen ID No.: 11512005153
Supervisory Accountability	Name: Suraj Ghalley EID: 201801006, Designation:, DCFO Citizen ID No.: 11301000181
	Name: Jigme Wangchuk EID: 201708001, Designation: Chief Executive Officer, Citizen ID No.: 11503000055

3. Non-accounting of credit sales

Sales were made from different units of the company on cash and credit basis. But the recording of such were done at H.O. only when the respective units deposited the cash collection from sales into Bank as intimated by such units to H.O. Thus credit sales were not booked at the time of Sales.

Debtors Ledger maintained by the company was not up-to date.

Management's Response



The management has failed to take cognizance of the importance of recording credit sales. As such, the company shall adopt and implement appropriate credit sales procedures.

Henceforth all the credit sales will be updated as and when the transaction is occurred within a week period from the date of occurrence and reconciliation would be on quarter wise for all credit sales commencing from 2019.

Further the observation has been corrected in the debtor's ledger in the books of accounts.

Further Comments of the Auditors

The Company must account for credit sales as and when the transactions are occurred.

Accountability

Direct Accountability	Name: Kinzang Tshering EID: 201801008, Designation: Asst. Sales Manager , Citizen ID No.: 10906000240
	Name: Dal Bdr. Mishra EID: 201801128, Designation: Plant Manager , Citizen ID No.: 10305000631
	Name: Duptho Tshewang EID: 201801005, Designation: AGM, Citizen ID No.: 11512005153
	Name: Tshewang Penjor EID: 20181003, Designation: AGM, Citizen ID No.: 10709004176
Supervisory Accountability	Name: Suraj Ghalley EID: 201801006, Designation: Dy. Chief Finance Officer, Citizen ID No.: 11301000181

4. Unidentified Revenue

There was unidentified revenue amounting to Nu. 290,856/- for the year 2017.

Unidentified revenue reflecting in the books of accounts showing that there were lapses in Internal Control Procedure to identify the correct sources of revenue.

Management's Response

While the company had the daunting task of operationalizing the new farms in one hand, the company, in the other hand, was engaged in whatever little revenue generation it possibly could from the sales of products especially table eggs from Samrang and Relangthang by our unit in-charges and fellow workers. In due course of time in 2018, the company realized the importance of transparency and accountability in handling cash. As such, the company recognized its lapses and accordingly appointed focal persons in each farm units to verify and record the transaction of revenues.

However, for the year 2017 amounting to Nu. 290,856/- was unable to be identified the source of generation form where the amount was deposited, therefore the amount was credited with unidentified income.



Further Comments of the Auditors

The Management should try to identify from whom Nu. 290,856/- was received and in future, the Company should look into the matter.

Accountability

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

5. Non-preparation of budget

The Company had not prepared any Operational Budget, Functional Budget or Departmental Budget for the period.

The absence of Budgetary Control will adversely affect the performance of the company.

Management's Response

We fully and unequivocally accept our shortcomings in the lack of any Operational Budget, Functional Budget or Departmental Budget for the period. This is because the management could only recruit finance personnels from January 2018. Till then, the Department of Livestock had been kind enough to depute one accounts officer periodically to look after the finances. The Board was also aware about the absence of budgeting. Although the company lacked the budgeting system, the management was cautious and judicious in its resource use and it is used for those that required it. However, the company has now developed the budgeting guidelines and it will be implemented from 2019 with the approval from the Board on March 2019. All unit Managers are sensitized about this system.

Further Comments of the Auditors

The Company must develop budgeting guideline and implement it from 2019.



Accountability

Direct Accountability	Name: Suraj Ghalley EID: 201801006, Designation: Dy. Chief Finance Officer, Citizen ID No.: 11301000181
Supervisory Accountability	Name: Sithar Dorji EID: 201801002, Designation: Director, Citizen ID No.: 11913000021

6. Inter Unit Transfer of Stock of Finished Goods

There was no record maintained by the Company regarding inter unit transfer of finished stocks to retail units and no quantitative reconciliation was done by the Company regarding such transfer.

Management's Response

The management has begun recording of inter unit transfer of finished stocks but it will be strengthened further. Any suggestions from the auditors to put an appropriate system in place and implement are welcome.

Further Comments of the Auditors

Hope next year we will observe improvement in this matter.

Accountability

Direct Accountability	Name: Kinzang Tshering EID: 201801008, Designation: Asst. Sales Manager , Citizen ID No.: 10906000240
	Name: Dal Bdr. Mishra EID: 201801128, Designation: Plant Manager , Citizen ID No.: 10305000631
	Name: Duptho Tshewang EID: 201801005, Designation: AGM, Citizen ID No.: 11512005153
	Name: Tshewang Penjor EID: 20181003, Designation: AGM, Citizen ID No.: 10709004176
Supervisory Accountability	Name: Sithar Dorji EID: 201801002, Designation: Director, Citizen ID No.: 11913000021

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/- the amount was utilized as follows:-



Sl	Particulars	Amount (Nu.)
1	Amount released to BPC as deposit work for up gradation of Transformer at LPVAC as deposit work voucher No. 0375 Dated: 15/06/2018	2,223,100
2	Amount paid to Karma Tshongkhang against Invoice No. KT/TH/INV/2018/79 Dt: 28/06/2018 for purchasing of ISO Form Panel 6 inch amounting to Nu. 605910/- and Compressor Nu. 375000/- which is not related to the Up gradation of transformer that is related to the Electrical Cooling System.	980,910
3	Amount paid to Goutam Poultry Equipments and General Shop for procuring of De Beaker Machine (3 nos) Nu. 11,400/- Heavy Duty search torch (8 nos) Nu. 14,800/- Digital High Pressure Pump (1 set.) Nu. 68,000/-	92,316

From the above it was observed that the Government Grant amounting to Nu. 1,073,226/-(980910+92316) had been diverted for other work rather than specific purpose.

Management's Response

The esteemed auditors are very much aware of the dire situation the company is with regard to financial status and its lack of it. The Company is finding it very hard to even pay the suppliers for goods and services and not to mention the salaries of the staff. The company needs every chetrum now. With this, the following are the responses:

With regard to diversion Nu. 1,073,226/-(980910+92316) of Government Grant to other work rather than specific purpose -the diversion has happened only because of the very limited and small equity injection. The other reason is that, LPVAC had the immediate requirement of a cold chain facility for the products to enable BLDCL to increase the quantity of value added products to ultimately enhance revenue generation which is now fully utilized for product storage. Basically, the diversion of fund was to meet the immediate requirements of the farm units and at no point of time did the management divert the grant out of luxury.

Further Comments of the Auditors

The Management is bound to comply with the conditions attached with the release of grant and they should ensure with the Ministry whether they can use the fund for some other work.



Accountability

Direct Accountability	Name: Suraj Ghalley EID: 201801006, Designation: Dy. Chief Finance Officer, Citizen ID No.: 11301000181
Supervisory Accountability	Name: Jigme Wangchuk EID: 201708001, Designation: Chief Executive Officer, Citizen ID No.: 11503000055

8. Salary Advance not recovered

We observed that in case of the following employees, no deduction was made against the salary advances:-

Name	Employee Id	Amount (Nu.)	Not Recovered Since
DorjiKhandu	201707124	2000	November 2018
Rangshar R. Wangdhen	201710032	5000	October 2018

Management's Response

These employees have resigned from the company in 2018 and most of them are absorbed in the civil service. Thus, BLDCL can recover the outstanding balance from them in 2019. The Management has also followed up for the repayment for unsettled outstanding balance too. Their status:

Name	Employee Id	Amount (Nu.)	Status
Dorji Khandu	201707124	2000	Will come for settlement
Rangshar R. Wangdhen	201710032	5000	Will come for settlement

Further Comments of the Auditors

Management must recover the money at the earliest.

Accountability

Direct Accountability	Name: Suraj Ghalley EDI: 201801006, Designation: Dy. Chief Finance Officer, Citizen ID No.: 11301000181
Supervisory Accountability	Name: Sithar Dorji EID: 201801002, Designation: Director, Citizen ID No.: 11913000021



9. 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 in accordance with BAS-19 as follows:

- Earned Leave Encashment and
- Retirement Benefit i.e. Gratuity except for the contractual employee (CEO) amounting to Nu. 75,250/-.

Management's Response

The employee benefits were not provisioned in 2018 in accordance with BAS-19 because there was no basis for such benefits. The Company's Internal Service Rules and Regulations were in draft stage then and not approved by the Board. Moreover, company had limited fund. However, if the auditors insist, the company shall disburse the benefits as arrears.

Further Comments of the Auditors

The Management must comply with BAS - 19.

Accountability

Direct Accountability	Name: Suraj Ghalley EID: 201801006, Designation: Dy Chief Finance Officer, Citizen ID No.: 11301000181
Supervisory Accountability	Name: Jigme Wangchuk EID: 201708001, Designation: Chief Executive Officer, Citizen ID No.: 11503000055

10. Non Maintenance of 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. So the correct figure of consumption of material, conversion cost of raw product into finished product and furthermore the quantitative details of inventory cannot be ascertained at one place.

Management's Response

At the onset, from the experience of almost one and half years, livestock enterprise is a complex system consisting of myriad of production and reproduction parameters to be taken account of with different animals and fish species. Therefore, the Company has followed financial accounting initially but with the financial analysis of each farm and unit being worked on by a consultant, the management looks forward to adopt an appropriate integrated system of accounting as observed.

Further Comments of the Auditors

The management must adopt an appropriate integrated system of accounting at the earliest.



Accountability

Direct Accountability	Name: Suraj Ghalley EID: 201801006, Designation: Dy Chief Finance Officer, Citizen ID No.: 11301000181
Supervisory Accountability	Name: Jigme Wangchuk EID: 201708001, Designation: Chief Executive Officer, Citizen ID No.: 11503000055

11. Improper Value of Fixed Assets in the Fixed Asset Register

The following points are noticed while checking of the Fixed Asset Register:

- i. The company was given fixed assets by the Government as equity but there were many assets for which value was assigned Nu. 1 despite of remaining of useful life of the asset.
- ii. The amount of fixed assets came with equity as per Letter dated BLDCL/GEN-16/2017-2018/095 Dated 28/09/2017 Nu. 411.927 million. However as per fixed asset register the total value of assets comes along with equity amounted to Nu. 422.281 million.

Management's Response

- i. The value of Nu. 1 is considered to track and account the asset in the Company's books of account. Most of such values are seen in the assets which came in with Equity and grants where the values are not coded. So the management couldn't decide the prevailing values of the asset which includes the series of procedure to determine the cost of these assets depending on their remaining useful life. However management will revalue the cost of asset in the commencing years.
- ii. On the observation of differing values of fixed assets between Nu. 411.927 million and Nu. 422.281 million, the management shall definitely reconcile the figures since some of the amounts were left out from the list during handing taking over from the Ministry of Agriculture and Forests. The management will again process the new equity value with the Ministry as soon as possible.

Further Comments of the Auditors

The Company must revalue the cost of asset in 2019.

Accountability

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12. Violation of BAS - 41 for Valuation of Live Stock

The valuation of livestock is not done properly as per BAS 41 i.e., according to BAS the livestock should be measured at fair value and gain/loss should be



ascertained at the end of each accounting period. However the company is in practice to book its livestock at cost and no loss / gain has been recognized as required by BAS.

Management's Response

Currently, the 'Biological Assets' is valued at the fair value on existing animals based on the animal species' present conditions/stages with the value worked out at cost. However, the Company shall derive its fair value on internationally accepted measurement instrument "animal units" from 2019 onwards per production cycle and cost of production. This measurement and estimation would be more reliable and consistent. For the current period the cost module is followed since BLDCL deals in varieties of animals having different live cycles with their different parameters to be considered for measurement in terms of Fair values.

Further Comments of the Auditors

Hope in future the Company will comply with BAS 41.

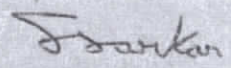
Accountability

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For B M Chatrath & Co LLP
(Chartered Accountants)

Firm Registration No. 301011E/E300025

Place: Thimphu, Bhutan
Date: 20.02.2019


CA Sanjay Sarkar
(Partner)
M. No. 064305

