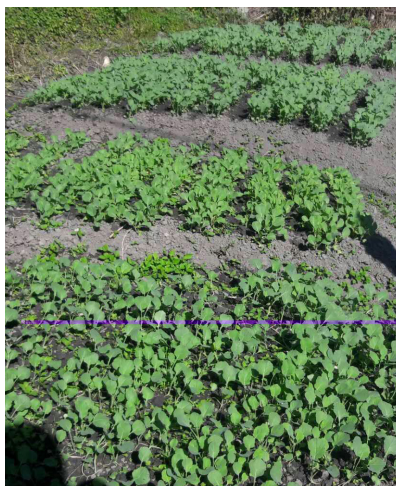




**Rural Enterprise Development Corporation Limited**



**ANNUAL REPORT  
2018**







Rural Enterprise Development Corporation Limited

Annual Report  
**2018**



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**REDCL Office**



SanMaru  
KAZAN KUTUBHANA

ATM

# COMPANY PROFILE

Rural Enterprise Development Corporation Ltd (REDCL) was launched on 21<sup>st</sup> May, 2016 through the Government Order C-2/101/303 dated 18th May, 2016 with the objective to continue the activities of Revolving Fund-II of the erstwhile Business Opportunity and Information Centre (BOiC). REDCL is incorporated as a Public Limited Company under the Companies Act of Kingdom of Bhutan, 2000 and licensed as a Microloan Institution by the Royal Monetary Authority (RMA).

## Vision

To stimulate growth of non-formal rural activities by providing necessary support, both administrative and funding support.

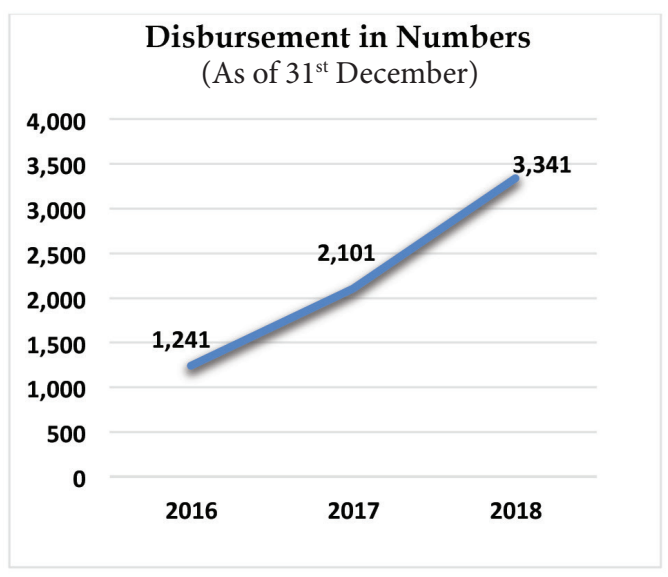
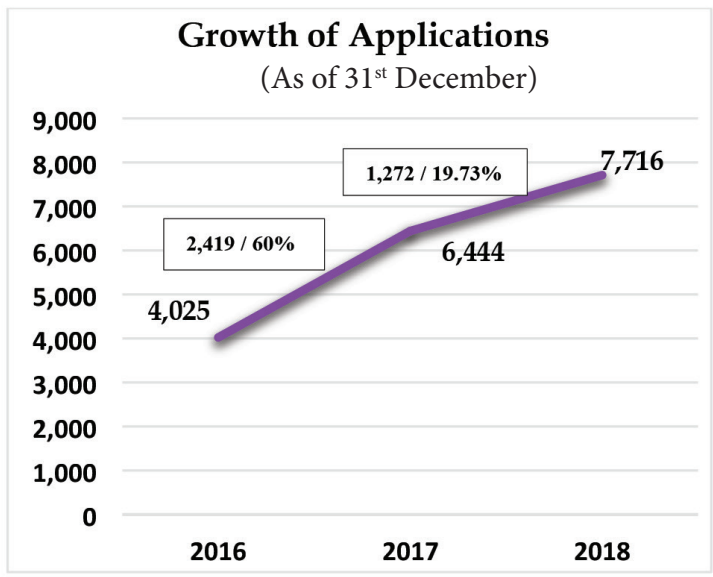
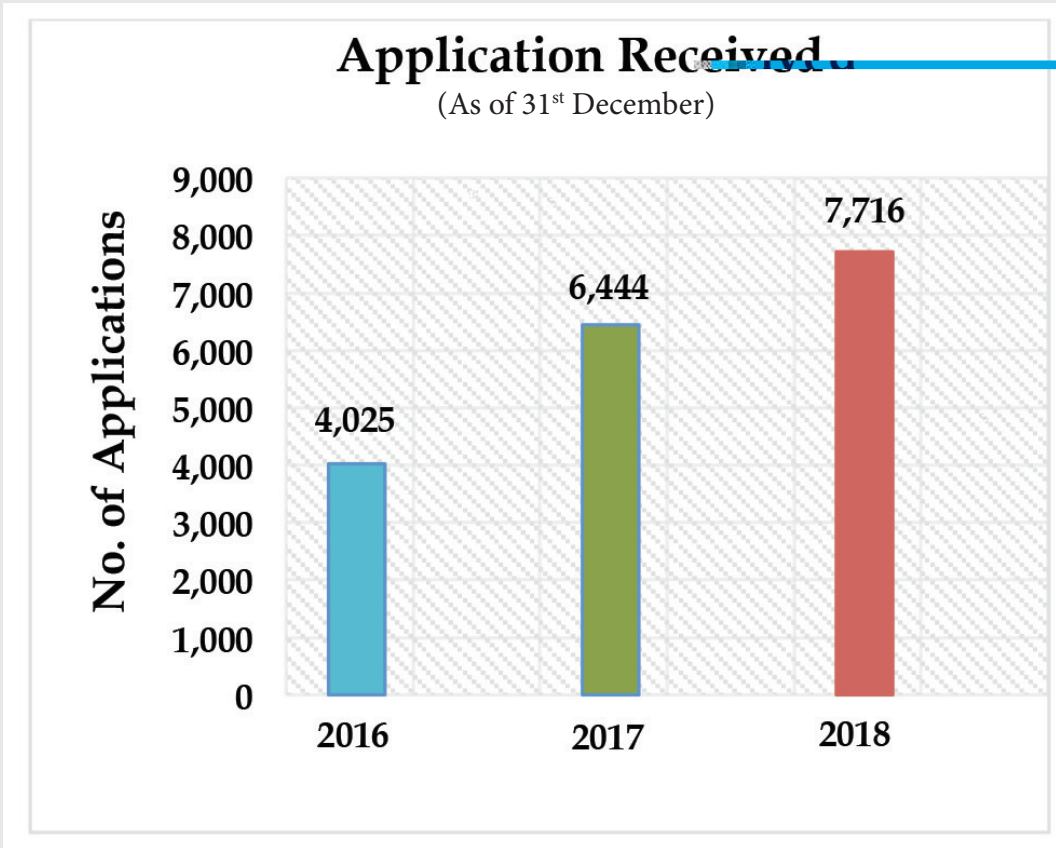
## Mission

To generate employment, substitute imports and/or promote exports by promoting non-formal rural activities through timely integrated business support.

## Objectives

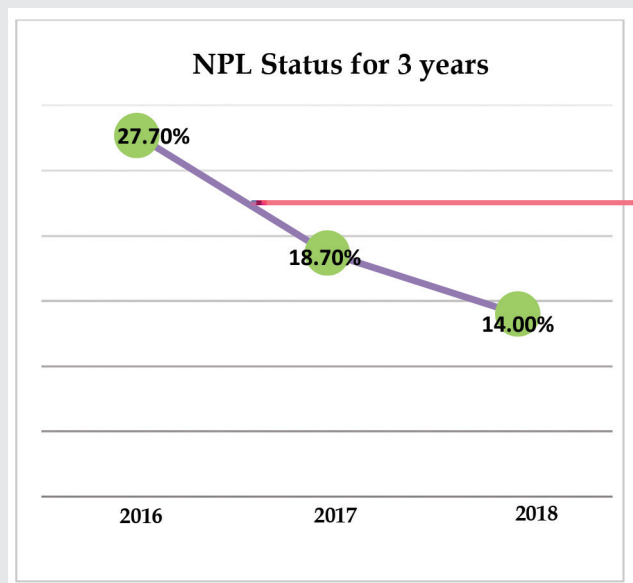
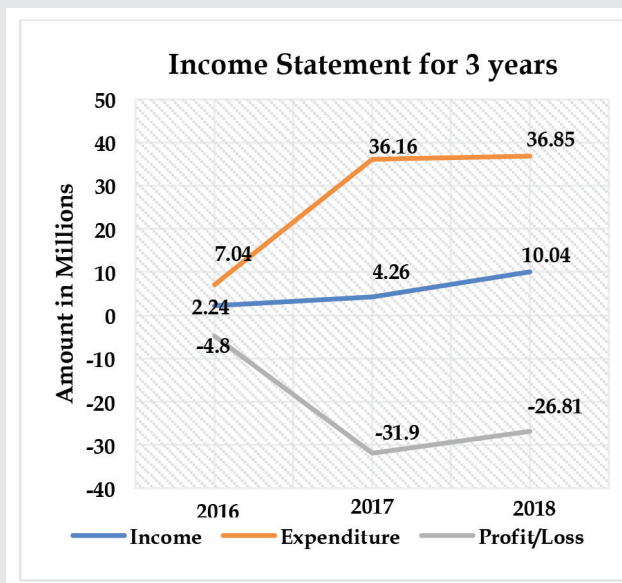
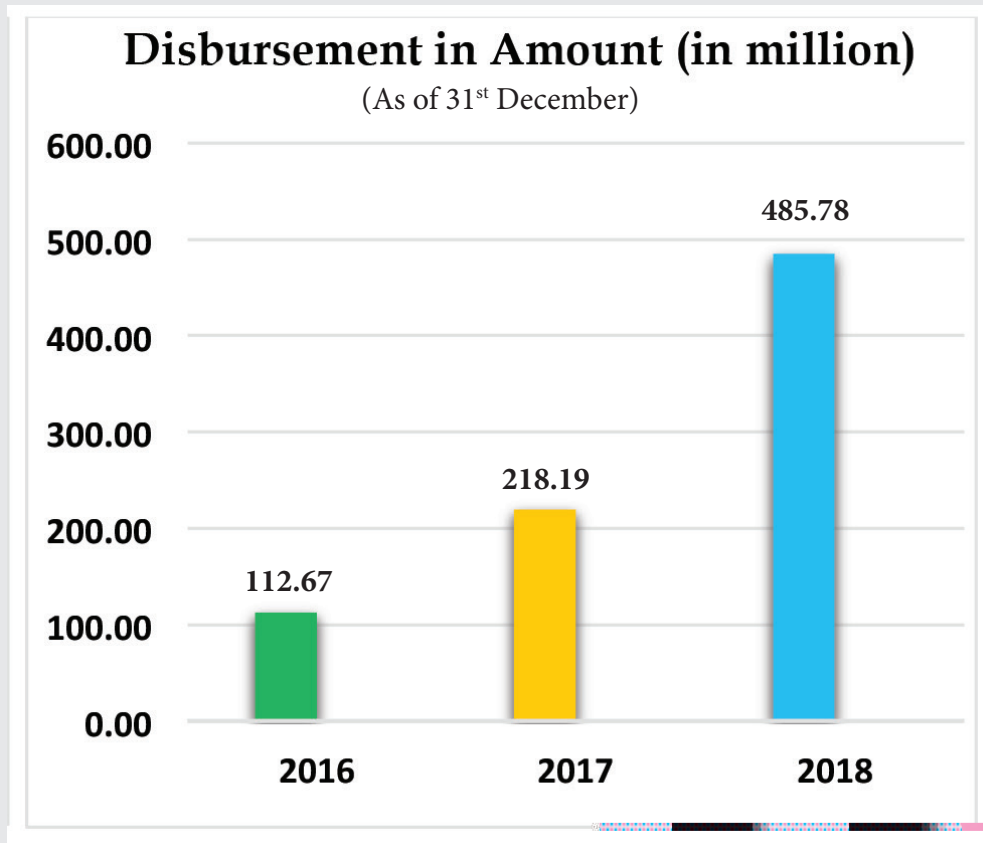
To provide access to concessional collateral- free financing for non-formal rural activities.

# REDCL'S PERFORMANCE

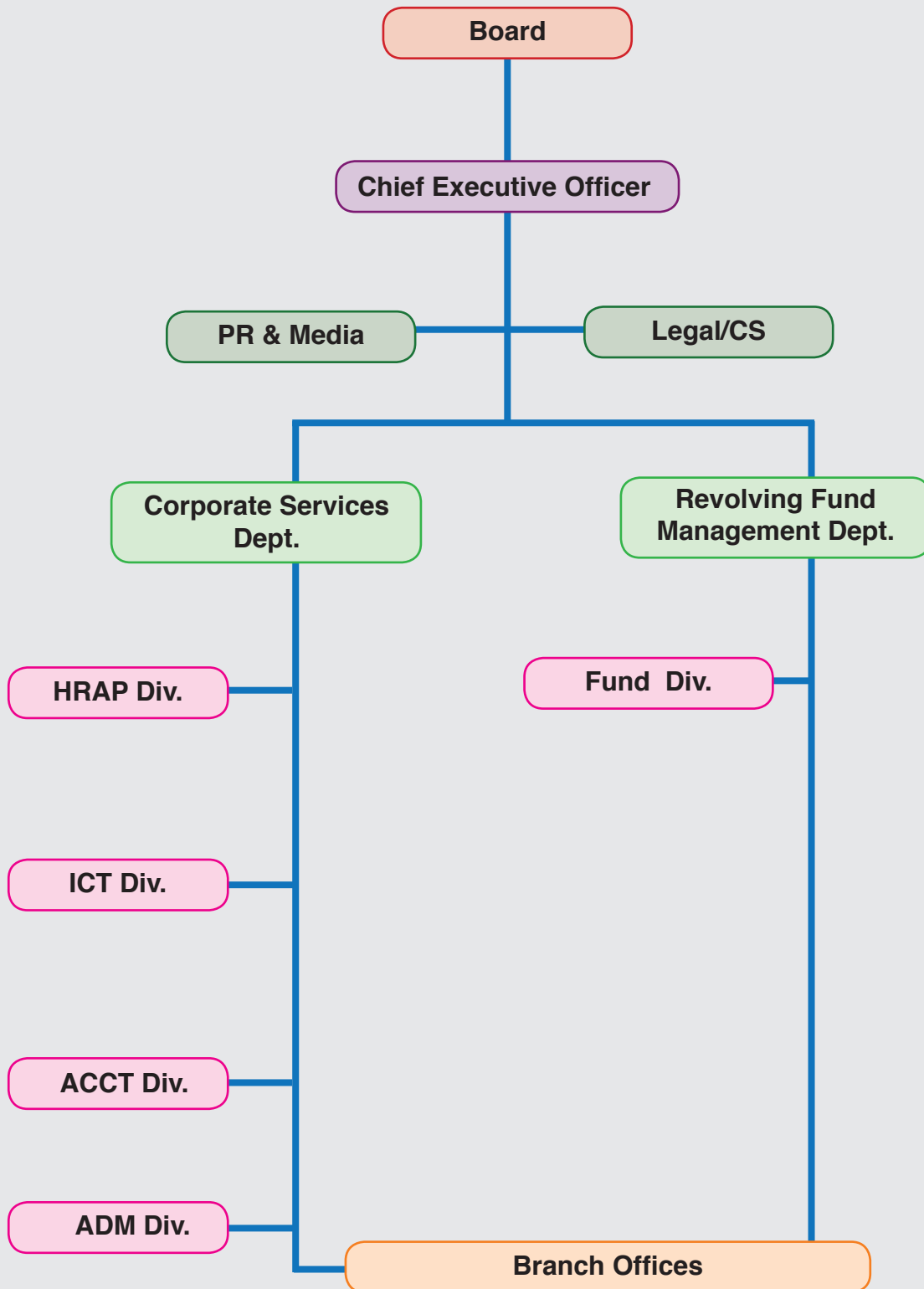




# AT A GLANCE



# ORGANOGRAM



# BOARD OF DIRECTORS



**Chairman**  
Loday Tsheten  
Director  
Department of National Budget  
Ministry of Finance



**Director**  
Kinlay Tshering  
Director  
Department of Agriculture  
Ministry of Agriculture and Forests



**Director**  
Dr. Kuenga Namgay  
Chief Livestock Officer  
Department of Livestock  
Ministry of Agriculture and  
Forests



**Director**  
Thinlay Palden  
Chief Industries Officer  
Department of Cottage and Small  
Industry  
Ministry of Economic Affairs



**Member Secretary**  
Pema Wangdi  
Chief Executive Officer  
Rural Enterprise Development  
Corporation Limited



# MANAGEMENT TEAM



**Pema Wangdi**  
Chief Executive Officer  
Rural Enterprise Development  
Corporation Limited



**Dorji Tshering**  
Dy. Director  
Corporate Services Department



**Sonam Choden**  
Dy. Director  
Public Relations & Media



**Sirjana Sunwar**  
Dy. Director  
Revolving Fund Management  
Department

## OTHER STAFFS AT HEAD OFFICE

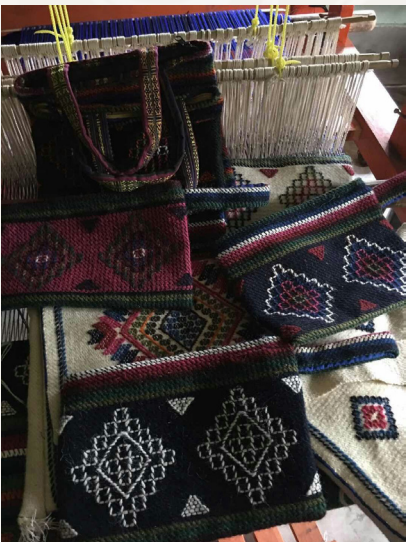
SI No.	Name	Designation
1	Tandin Phuntsho	Manager, HR & Procurement
2	Sonam Tobgay	Dy. Manager-IT
3	Kezang Choden	Dy. Manager - Legal/Company Secretary
4	Kezang Wangmo	Accounts Officer
5	Tshering Dema	Project Officer
6	Tshering Choden	Project Officer
7	Tendriel Wangmo	Project Officer
8	Choney	Project Officer
9	Sonam Dema	Project Officer
10	Tandin Dema	Project Officer
11	Chador Wangmo	Project Officer
12	Tshering Choden-A	Project Officer
13	Karma Tshering	Project Officer
14	Alisha Mukhia	Project Officer
15	Sonam Choden	PA to CEO
16	Tshering Seldon	Receptionist
17	Ngawang Namgyel	Driver

## REDCL Dzongkhag Project Officers

SI No.	Name	Dzongkhag	Contact No.	Email ID
1	Kinley Wangdi	Dagana	17521992	kwangdi@redcl.gov.bt
2	Tandin Wangmo	Chukha	17310067	twangmo1@redcl.gov.bt
3	Milam Tashi Tamang	Tsirang	17317219	mtashi@redcl.gov.bt
4	Karma Wangchuk	Punakha	17887034	kwangchuk@redcl.gov.bt
5	Tshendrup Wangmo	S/Jongkhar	17841448	twangmo2@redcl.gov.bt
6	Karma Tenzin	Trongsa	17636945	ktenzin@redcl.gov.bt
7	Rinchen Lhamo	T/Yangtse	17736189/77736189	rlhamo@redcl.gov.bt
8	Sangay Lhamu	Zhemgang	17680060	slhamu@redcl.gov.bt
9	Namgay Wangmo	Haa	08-375362	nwangmo@redcl.gov.bt
10	Tsherin Choden	Wangdue	17915120	tchoden2@redcl.gov.bt
11	Rinzin Dema	Bumthang	17789838	rdema@redcl.gov.bt
12	Jamyang Dema	Pema Gatshel	07-471148	jdema@redcl.gov.bt
13	Tashi Tshering	Lhuntse	17389313	ttshering@redcl.gov.bt
14	Deki Tshomo	Mongar	04-641111	dtshomo@redcl.gov.bt
15	Siddharth Lama	Samtse	16912517	slama@redcl.gov.bt
16	Tshering Namgay	Gelephu	77201899	tnamgay@redcl.gov.bt
17	Tshering Choki	Trashigang	04-521337	tchoki@redcl.gov.bt
18	Dechen Cheki	Paro	17418915	

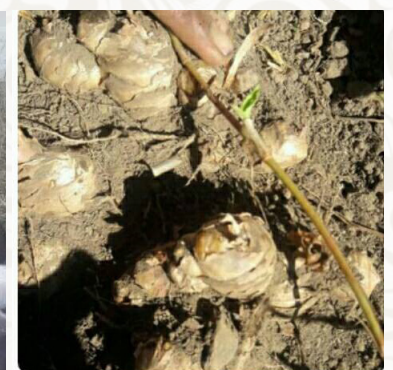


# Some of the Successful REDCL





# Funded Projects on Ground





## DIRECTOR'S REPORT

To the Shareholders of REDCL,

As the Chairman of the Board of Directors of Rural Enterprise Development Corporation

Limited (REDCL), I, on behalf of the Board of Directors and the management would like to present the Directors' Report for the year ending 31<sup>st</sup> December 2018.

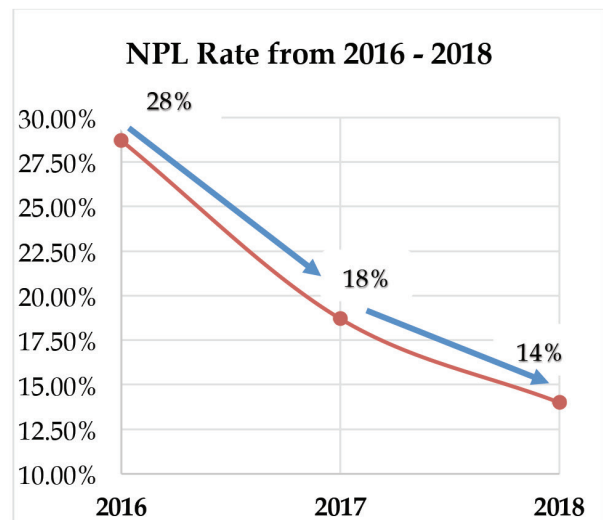
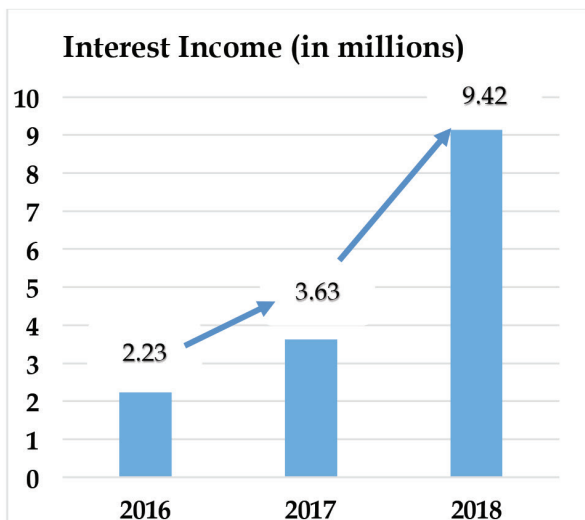
### 1. PERFORMANCE HIGHLIGHTS

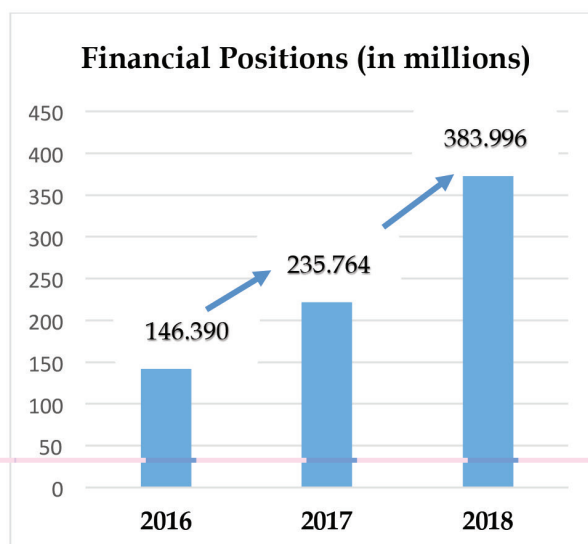
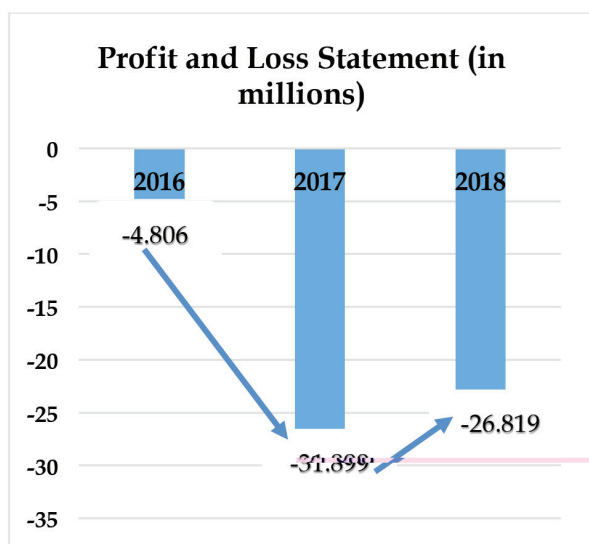
As of 31<sup>st</sup> December 2018, 7,716 applications were received as against 6,444 in the previous year registering a growth by 1,272 applications or 19.74%. The growth was mainly because of the financial awareness conducted in the gewogs, low interest rate of 4% and non-requirement of collaterals to avail the loan from REDCL.

Out of the total 7,716 applications received, 4,012 applications were received for agriculture sector, 3,066 for livestock and the remaining of 638 applications for manufacturing sector. In terms of the approved applications, 3,964 applications were approved as of 31<sup>st</sup> December 2018 for which the fund disbursed was Nu.485.782 million.

Some of the performance highlights of 2018 is presented in the table below;

SI No.	Particulars	Annual Target	Achievement	% Achievement
1	Interest Income	Nu. 3.5 – 3.99 million	Nu. 9.42 million	236.09%
2	Principal Fund Flow Back	Nu. 25 - 30 million	Nu. 80.65 million	268.83%
3	Fund Disbursement	Nu. 160 - 179 million	Nu.267 million	149.16%
4	NPL Rate	25% – 30%	14%	100%





## 2. FINANCIAL HIGHLIGHTS

M/s R Bose and Associates Chartered Accountants based in Siliguri, India, was appointed as the Statutory Auditors of REDCL by the Royal Audit Authority (RAA) to conduct statutory audit for the year ending 31<sup>st</sup> December, 2018. Accordingly, they conducted the audit from 11<sup>th</sup> to 19<sup>th</sup> February 2019 and submitted their report during the exit meeting with RAA

on 19<sup>th</sup> February 2019. I am pleased to inform that as reported in the auditor's report, REDCL has completed and presented the financial statements in accordance with the requirements of the Bhutan Accounting Standards (BAS). There were no key audit findings in the report and all past observations were also fully complied and resolved.

Some of the financial highlights from the auditor's report in 2018 is presented below (in millions);

Sl. No.	Particulars	2018	2017	Variance	% Variance
1	Share Capital	430.54	260.30	170.24	65.40
2	Loans and Advances	323.00	141.42	181.58	128.40%
<b>3</b>	<b>Total Assets and Liabilities</b>	<b>383.99</b>	<b>235.76</b>	<b>148.19</b>	<b>62.87%</b>
4	Interest Income	9.42	3.63	5.79	159.50%
5	Other Income	0.62	0.63	-0.01	-1.6%
<b>6</b>	<b>Total Income (4+5)</b>	<b>10.04</b>	<b>4.26</b>	<b>5.78</b>	<b>135.68%</b>
7	Total Expenditure	36.85	36.16	0.69	1.91%
<b>8</b>	<b>Profit/Loss before Tax (6-7)</b>	<b>(26.82)</b>	<b>(31.90)</b>	<b>-5.08</b>	<b>-15.92%</b>
9	Corporate Income Tax	0	0	0	0
<b>10</b>	<b>Profit After Tax</b>	<b>(26.82)</b>	<b>(31.90)</b>	<b>-5.08 m</b>	<b>-15.92%</b>



## 2.1 Financial Position as of 31 Dec, 2018

The net asset and liabilities of the company as on 31.12.2018 has increased by 62.87% i.e. from Nu.235.76 million in 2017 to Nu. 383.99 million in 2018 mainly because of the equity injection of Nu.170.239 million by the government in 2018 and also due to increase in the amount of loans and advances by Nu. 181.58 million.

## 2.2 Revenue

The company registered 135.68% increase in its total revenue i.e., by Nu. 5.78 million in 2018 (from Nu. 4.26 million in 2017 to Nu. 10.04 million in 2018). This increase was mainly due to increase in the disbursement of funds and vigorous recovery strategies implemented by REDCL in 2018 as compared to the previous year.

## 2.3 Expenditure

The total expenditure for the year 2018 was Nu.36.85 million as compared to Nu.36.16 million in the previous year, an increase by Nu.0.69

million or 1.91%. This is attributed mainly to the increase in the 2% service fee payable to BDBL in 2018 which is Nu.6.73 million as compared to Nu.2.97 million in 2017.

## 2.4 Profit/Loss in 2018

In 2018, the company registered a -15.92% decrease in its total loss i.e., by Nu.5.08 million in 2018 (from Nu. 31.90 million in 2017 to Nu. 26.82 million in 2018). The decrease in the overall loss was mainly due to the increase in the interest income and strict monitoring of expenses in 2018.

## 2.5 Transfer to Reserves

As the books of accounts show loss of Nu.26.82 million for the financial year 2018, there are no undistributed profits to be transferred to reserves.

The Board would like to highlight that despite the books of accounts showing loss, the amount of loss has been decreasing and the performance of the company on the whole in 2018 was commendable.

### 3. ACHIEVEMENTS IN 2018

#### 3.1 Projects Funded and Employment Created

REDCL is bound by the Annual Performance Agreement (APA) signed between the Chairman of the Board and the Chief Executive Officer. As per APA document 2018, REDCL was required to approve 899 number of RF-II projects in 2018

and based on the ESP document, 1 approved project is assumed to create 1 employment opportunity, the number of employment created to be 899. REDCL approved a total of 1,074 projects as compared to the target of 899 projects thereby exceeding the target by 175 projects, achieving 119.47%.

Fund Type	Target No. of projects	Target Employment	Achievement	% Achieved
RF-II	899	899	1,074	119.47%

The target and achievement of number of projects and employment is shown as under;

#### 3.2 Interest Income Earned

In 2018, REDCL office earned an interest income of Nu. 9.42 million. An amount of Nu.3.63 million was earned in 2017. The increase in income from 2017 to 2018 was Nu. 5.79 million or 159.51%.

#### 3.3 Non-Performing Loan (NPL)

One of the major activities of REDCL for the year 2018 was to bring down the NPL rate from 18.7% to 15% for excellent performance. However, the NPL rate of 18.7% was still below the allowable limits of 30% as authorized by the Royal Government. In order to achieve this target, REDCL formulated and implemented various recovery strategies. As a result of it, the NPL rate was reduced to 14.0% from 18.7% which is a big achievement for REDCL.

#### 3.4 Fund Flow Back and Repayment

Out of the total principal outstanding of Nu. 149 million in 2017, it was projected that the principal amount of Nu. 25 - 30 million will be recovered in 2018. However, the fund flow back of principal repayment was Nu. 80.65 million which surpassed the initial target by more than 50 million or there was a growth of 168.83%.

#### 3.5 Minimization of Losses

Another big achievement in 2018 was the minimization of the overall losses. From Nu.31.90 million losses in 2017, it was reduced to 26.82 million in 2018. In monetary terms, the loss was minimized by 5.08 million or 15.92%. The reduction was mainly due to the cost saving and austerity measures adopted in the organization.

## 4. REVOLVING FUND- II REPORT

In 2018, REDCL received a total application of 1,272 out of which 690 applications were closed due to non-fulfillment of the REDCL requirements. A total of 1,074 applications were approved and 93 applications is still pending which will be completed in the coming months. In terms of the amount of disbursement, the

total fund disbursed was Nu. 267,587,969.49 from January - December 2018.

The table below shows the summary of the fund report for Jan – Dec, 2018 and also the consolidated report as of 31<sup>st</sup> Dec, 2018;

Particulars	RF II Report for 1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec, 2018	RF-II Report as of 31 <sup>st</sup> December, 2018
Application Received (Nos.)	1,272	7,716
Approved Application (Nos.)	1,074	3,964
Pending Application (Nos.)	93	93
<b>Total Fund Disbursed (Nu.)</b>	<b>267,587,969.49</b>	<b>485,781,901.96</b>

### 4.1 Projects Registered - Dzongkhag-Wise

As of 31<sup>st</sup> December 2018, Paro Dzongkhag topped the list on the number of applications registered with 938 applications out of the total

7,716 applications representing about 12.16%. This was followed by Mongar Dzongkhag with 712 applications and Bumthang Dzongkhag with 665 applications.

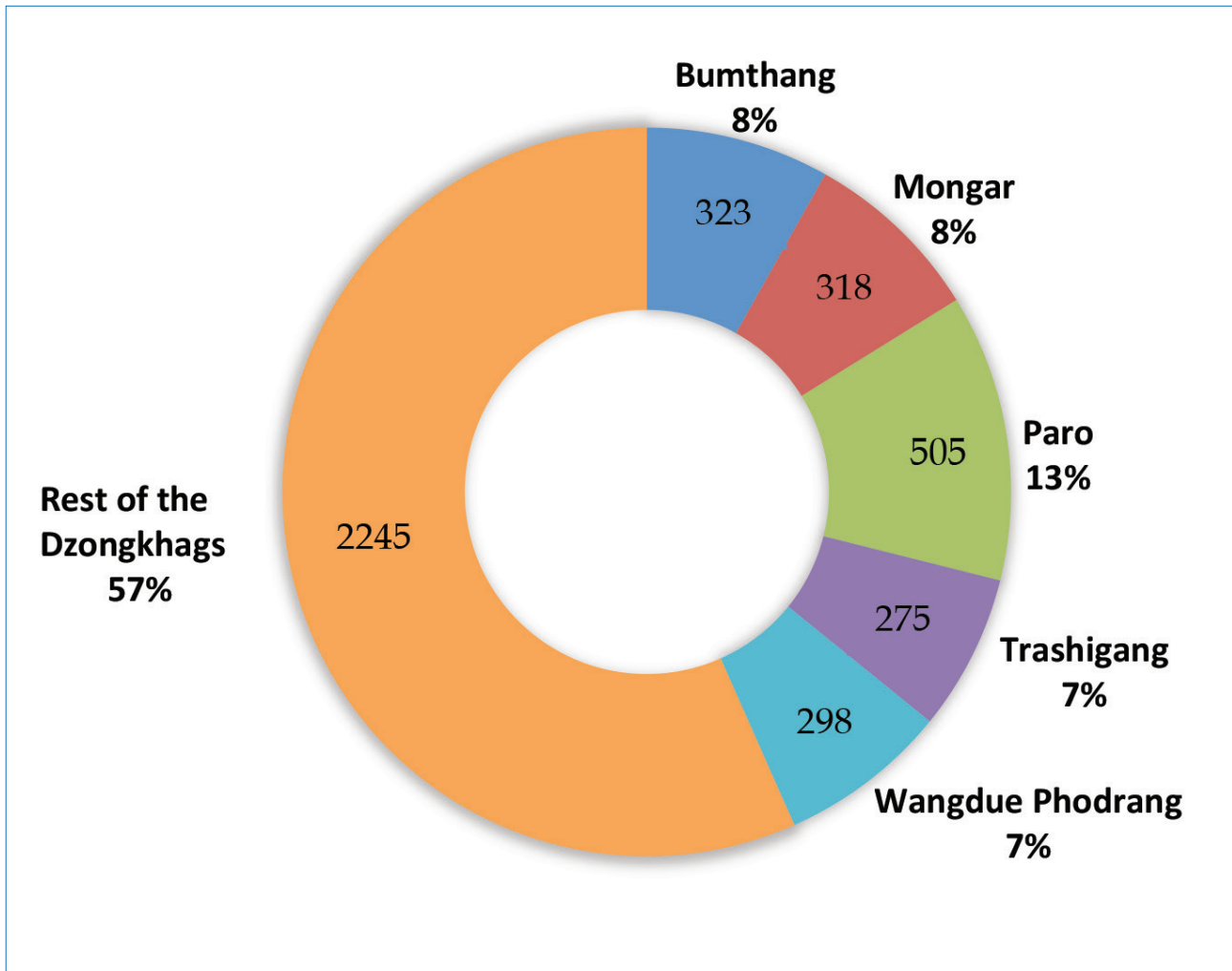
The detailed Dzongkhag-wise applications registered is shown below;

Applications Received as of 31 <sup>st</sup> Dec, 2018		
SI No.	Dzongkhag	Total
1	Bumthang	665
2	Chukha	387
3	Dagana	457
4	Gasa	16
5	Haa	413
6	Lhuentse	514
7	Mongar	712
8	Paro	938
9	Pemagatshel	244
10	Punakha	260
11	Samdrup Jongkhar	400
12	Samtse	195
13	Sarpang	283
14	Thimphu	222
15	Trashigang	515





### Top 5 Dzongkhags with Approved Projects



### 1.3 Projects Approved - Sector wise

In terms of the sector-wise approved projects, 1,985 projects of agriculture sector were approved, 1,651 for livestock sector and the

remaining of 328 projects of manufacturing and production were approved as of 31<sup>st</sup> December 2018.

The table below shows the summary of the sector-wise approved applications;

Sector-wise approved application as of 31 <sup>st</sup> Dec, 2018						
SI No.	Dzongkhag	Livestock	Agriculture	Manufacturing	Others	Total
1	Bumthang	96	197	30	0	323
2	Chukha	58	154	2	1	215
3	Dagana	93	147	0	0	240
4	Gasa	1	5	0	0	6
5	Haa	199	31	0	0	230
6	Lhuntse	76	61	101	0	238
7	Mongar	90	214	14	0	318
8	Paro	274	227	2	2	505
9	Pemagatshel	45	40	55	1	141
10	Punakha	35	115	3	0	153
11	Samtse	60	23	2	5	90
12	Sarpang	61	66	8	0	135
13	Samdrup Jongkhar	137	12	4	9	162
14	Thimphu	80	34	1	0	115
15	Trashigang	67	164	38	6	275
16	Trashiyangtse	62	81	38	0	181
17	Trongsa	15	66	1	0	82
18	Tsirang	39	41	1	0	81
19	Wangduephodrang	119	175	4	0	298
20	Zhemgang	44	132	0	0	176
	<b>TOTAL</b>	<b>1,651</b>	<b>1,985</b>	<b>304</b>	<b>24</b>	<b>3,964</b>

## 5. AUDIT REPORT

The statutory audit of REDCL was audited by R Bose and Associates., Chartered Accountants, Siliguri, India. We are pleased to report that the company had complied with all of the observations of the Auditors on the

Corporation's accounts of the previous year. As such, for the year 2018, the auditors had not made any adverse observations on REDCL accounts, except for some suggestions and recommendations for further improvement.

## 6. DIVIDEND

No dividend was declared for the financial year 2018.

## 7. CORPORATE GOVERNANCE

It was the Board's and company's continuing endeavor to engage in good corporate governance practices to achieve greater results. Accordingly, the company complied with the requirements of the Companies Act of the Kingdom of Bhutan, 2016 and other statutory requirements.

### 7.1 Board of Directors

The Board of Directors was entrusted with the fundamental responsibility of managing the general affairs of the company, providing strategic direction and evaluating the performance of REDCL. In order to execute their responsibilities and duties effectively, the Board was vested with the requisite powers, authorities and duties. The management of REDCL was headed by

the Chief Executive Officer and had department heads as its members who look after the day-to-day affairs of the company.

The REDCL Board was comprised of five Board Directors, including the Chairman and the CEO. None of the Directors held more than a total of three directorships in other companies. The CEO reported to the Board on the operation, management and performance of the company. Other members of the management team also attended as and when required in order to provide the board with required information. The Board was assisted by a Company Secretary who was not a member of the Board.

Details on the composition of the Board and attendance in 2018 is given below in the table;

Name of Director	Category	Profile	Date of appointment	No. of Board meetings attended
Mr. Loday Tsheten	Chairman	Director, Department of National Budget, MoF	22/12/2017	4
Mrs. Kinlay Tshering	Board Director	Director, Department of Agriculture, MoAF	25/01/2017	4
Mrs. Thinlay Palden	Board Director	Chief Industries Officer, DCSI, MoEA	27/11/2017	4
Dr. Kuenga Namgay	Board Director	Chief Livestock Officer, Department of Livestock, MoAF	26/06/2018	2
Mr. Pema Wangdi	Member Secretary	CEO, REDCL	01/09/2016	4

Four Board meetings were conducted in 2018, maintaining the quorum requirements and notices including agenda with the necessary information and reference materials were sent to Board Directors before the meetings in keeping with the requirements of the CG guidelines.

### 7.2 Annual General Meeting

The Annual General Meeting was held on 19<sup>th</sup> March 2018. No Extraordinary General Meeting was convened during the year.

### 7.3 Board Remuneration

Each board directors received sitting fees and reimbursement for reasonable costs related to their participation in board meetings.



## 8. ORGANIZATION AND HUMAN RESOURCES

REDCL had a total of 37 employees (36 regular and 1 contract) managing the day-to-day affairs at the Head office and the Dzongkhag offices covering the whole country.

Recognizing the importance of human resources in the organization, REDCL places the highest priority to providing appropriate capacity development training and welfare to its employees. With a compact workforce of 37 staffs, various programs such as the annual retreat, foundation day celebration, annual rimdo, in-country and ex-country trainings were initiated by the management. In particular, 18 employees underwent various in-country and

ex-country trainings to enhance their productivity and efficiency.

The year 2018 also started off with the signing of the Annual Performance Agreement (APA) between the Chairman of the Board representing the Board and the Chief Executive Officer representing the Management to set targets for 2018. Subsequently, the performance compact was signed between the concerned supervisor and the individual employees to set individual targets in alignment with the APA targets to reward hardworking, dedicated and deserving employees.

## ACKNOWLEDGEMENT

The Board of Directors would like to express its deepest appreciation and sincere gratitude to the Royal Government, Ministry of Finance (MoF), Ministry of Agriculture and Forests (MoAF), Ministry of Economic Affairs (MoEA), Department of Macroeconomic Affairs (DMEA), Department of National Budget (DNB), Department of Agriculture, Department of Livestock, Dzongkhag administrations and local governments, rural communities and other concerned government and private agencies for their guidance, continued cooperation and support, feedback and encouragement which have been valuable for providing efficient and effective services to the rural communities.

Furthermore, the Board would also like to acknowledge the hard work and efforts of the management team and employees of REDCL and thank them for their unfailing dedication and commitment towards achievement of the Company's vision, goals and objectives.

**For and on behalf of the Board.**



(Loday Tsheten)  
**CHAIRMAN OF BOARD**  
REDCL Board

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rural Enterprise Development Corporation Limited,  
Thimphu, Bhutan

### Opinion

We have audited the financial statements of Rural Enterprise Development Corporation Limited ("the Company"), which comprises the Statement of Financial Position as at December 31, 2018, and the Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and of its financial performance, and its cash flows for the year then ended in accordance with BAS.

### Basis for Opinion

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

### Emphasis of Matter

The net worth of the company has been eroded by about 15% in the last two years due to low interest income abetted by high operating cost and high percentage of Non-Performing Assets. However, we believe that the performance of the company would improve based on the review of management's effort in pursuing with Ministry of Finance on the need for either interest subvention or revision of lending rates.

### Key Audit Matters

In our professional judgment there is no Key Audit Matters to be communicated in our report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standards, 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.

## Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of the Kingdom of Bhutan, 2016 (the Minimum Audit Examination and Reporting Requirements), we enclose in the Annexure a statement on the matters specified therein to the extent applicable.



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

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
- ii) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of the books.
- iii) The financial statement prepared by the management agrees with the books of accounts and returns.
- iv) In our opinion, the Company has complied with other legal and regulatory requirements.

### For R Bose and Associates

Chartered Accountants

Firm Registration No.: 0322734E



**Debnarayan Biswas**

Partner

Membership No:061715

Place: Thimphu, Bhutan

Date:09.05.2019



## MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS (TO THE EXTENT APPLICABLE)

As a requirement by section 266 of the Companies Act of Kingdom of Bhutan, 2016 and its enabling provisions relating to Clause II of Schedule XIV of the erstwhile Companies Act of Kingdom of Bhutan, 2000 thereto (the Minimum Audit Examination and Reporting Requirements) and required by the Royal Audit Authority of Bhutan vide its Letter No. RAA(SA-41)/CFID/2018/3064 dated 25th October, 2018 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report as follows:

1. The Company is maintaining records showing full particulars including quantitative details of fixed assets, situation of fixed assets and descriptions thereof.
2. The physical verification of Fixed Assets is being conducted by the management. The deviation, if any, on completion of physical verification of Fixed Assets will be accounted for on completion thereof.
3. None of the fixed assets of the Company have been re-valued during the year under audit.
4. The Company has not taken secured / unsecured loans from companies, firms or other parties and /or from the companies under the same management.
5. The Company has not granted any loans secured or unsecured, to companies, firms and other parties and/or to the companies under the same management.
6. Advances have been granted to officers/ staff generally in keeping with the provisions of service rules. No excessive/frequent advances are granted and/or accumulation of large advances against any particular individual which are generally avoided.
7. In our opinion and according to the information and explanations given to us in course of the audit, the Company has generally established reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules / regulations and systems and procedures.
8. In our opinion and according to the information and explanations given to us, there is a reasonable system of obtaining competitive biddings/ quotations from the parties in respect of purchase of fixed assets and services commensurate with the size of the company and the nature of its business. The Company is neither engaged in manufacturing or trading activities nor providing any services. Hence the question of purchasing or selling goods and services does not arise.
9. According to the information and explanations given to us, the Company has a process of obtaining confirmation from all Directors with respect to transactions for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the directors or any other parties related to the directors or with company or firms in which the directors 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 at prices at which the transactions for

similar goods or services have been made with other parties.

10. According to the records maintained by the company and produced to us, the company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities. Provision for corporate tax for the year 2018 as required has been duly made in the accounts keeping in mind the relevant provisions of the related enactment, during the year under audit.
11. According to the information and explanations given to us, the expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.
12. The company is regular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. The undisputed outstanding amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the year-end was as follows:

Particulars	Amount (Nu.)
TDS on Rent (5%)	4,850.10
TDS on Supplies (2%)	4,669.15
TDS on Salary	29,340.00
TDS on Leave encashment	293.00

13. The provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan.
14. According to the information and explanations given to us, no any undisputed amounts are payable in respect of rates, taxes, duties, royalties, provident funds

and other statutory deductions were outstanding, as per the last day of the financial year concerned.

15. According to the information and explanations given to us the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest bearing accounts as on 31<sup>st</sup> December 2018.
16. Further, according to the information and explanations given to us the company has not avail any loan from outside. Therefore, withdrawals of loan, assessment the requirements of funds from time to time and the question of withdrawal of excess amounts to avoidable interest burden on the company does not arise.
17. According to the information and explanations given to us, and on the basis of available records and information, we are of the opinion that the financial activities carried out by the Company during the year are prima facie lawful and intra-vires to the Articles of Association of the Company.
18. No investment has been made during the year ended 31<sup>st</sup> December, 2018. Hence the question of technical and economic feasibility study and Board Approval does not arise.
19. The present system of budgeting, in our opinion is generally reasonable.
20. The Directors have not been paid any remuneration other than sitting fees. The details of remuneration and other payments to the Managing Director/ CEO are disclosed in the accounts, in Note 23. Based on the review of the records relating to the performance of the Board meetings, we have not come across any cases of disclosure of interest where payments



have been made in cash or in kind to any of the directors and their relatives (including spouse(s) and child/ children) by Company directly or indirectly, other than those mentioned above, nor have we been informed any of such case by the management.

21. According to the information and explanations given to us, the directives of the Board have been complied with.
22. According to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

#### **In the case of Finance and Investment Company**

1. As per the explanations and according to the information given to us and as per the examination of the documents, the company has maintained adequate documents and records for the loans and advances granted and that appropriate agreements have been drawn up.
2. The company is not dealing or trading in shares, securities and other investments. Therefore, keeping and maintaining of the transactions and contract records does not arise.
3. The Company is not accepting any deposits from the customers. Therefore, maintenance of records for deposits of customers and interest payment thereof does not arise.
4. The Company is not investing in shares as revealed from the examination of books of accounts for the financial year 2018. Therefore, the question of provisioning for permanent diminution in the value of investment (shares) does not arise.
5. The Company has complied with the requirements of Financial Services Act of Bhutan 2011 and any other applicable laws, rules and regulations and guidelines including prudential regulations issued by the Royal Monetary Authority of Bhutan (RMA).
6. The Company has complied with the requirements relating to provisioning for the non-performing assets including loans and advances.
7. As per the explanations and according to the information given to us, the Company is granting loans without obtaining the hypothecation of the assets. Therefore, the question of physical verification, valuation, execution of mortgage deed of hypothecated assets ensuring that the assets are free of any prior lien or charges does not arise.
8. As per the explanations and according to the information given to us, the Company have a system of monitoring the projects for which loans have been provided to ensure that loan amounts are used for the specified purpose and project activities are progressing satisfactorily.
9. As per the explanations and according to the information given to us, the Company is granting the loans without obtaining the hypothecation of the assets. Therefore, the questions of disposal of assets taken over for repayment defaults etc. through open/ sealed bids does not arise.
10. As per the explanations and according to the information given to us, the rescheduling of loans wherever required is carried out in accordance with the provisions of Prudential Regulations 2016.
11. As per the explanations and according to the information given to us, the Company has a proper system and policy to ensure that



additional loans are not granted to those who have defaulted payments of previous loans.

12. As per the explanations and according to the information given to us, proper procedures including Board's approval have been followed /obtained for write-off of loans during the year as may be applicable Further, no amounts of loan has been written off during the year.

### Computerized Accounting Environment

1. The Company has implemented "TALLY", which in our opinion is fully stabilized to ensure effective internal control over operations. The annual accounts for the year ended 31<sup>st</sup> December, 2018 have been prepared on the basis of Tally Accounting package.
2. Adequate safeguard measures and backup facilities are in existence in relation to the computer system.

3. As regards back up facilities and disaster recovery measures, we are given to understand that the backup of files is being maintained in emails and external hard drives. No facility was available for maintaining backup of files at different locations.

4. The operational controls are found to be improved to ensure correctness and validity of input data and output information.

5. As per the explanations and according to the information given to us, the measures taken by the company to prevent unauthorized access over the computer installation and files are adequate.

6. As per the explanations and according to the information given to us, no data migration was conducted during the financial year ended 31<sup>st</sup> December 2018. Therefore, effective management to ensure completeness and integrity of data as well as smooth operation of the system does not arise.

## OTHER REQUIREMENTS:

### 1. Going Concern Problem

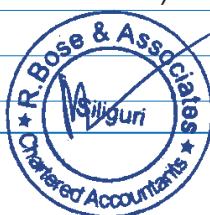
On review of the state of affairs as reflected by the Company's statement of Financial Position as at 31<sup>st</sup> December, 2018 and audited by us in accordance with the International Auditing Standards, considering

the growth potential and on the basis of the information given to us by the management of being a 100% government owned organization, we have no reason to believe that the Company is not a going concern on the balance sheet date i.e. 31<sup>st</sup> December, 2018.

### 2. Ratio Analysis. Financial and operational Ratio Analysis in respect of the Company has been given below:

Financial and Operational Ratio Analysis in respect of the Company are given in below:

Ratios	Basis	2018	2017
Earnings per share	(Profit After Tax/ No. of shares issued)	-8.95	-10.63
Net Profit Ratio	(Net Profit/ Turnover)	-2.67	-7.48
Return on Assets	(Net Profit/ Total Assets)	-0.07	-1.14



Ratios	Basis	2018	2017
Return on Equity	(Net Profit/ Owner's Equity)	-0.06	-0.91
Current Ratio	(Current Assets/ Current Liability)	39.34	47.17
Employee Remuneration to Sales Ratio	(Personnel Costs /Turnover)	1.81	4.33
Fixed Assets Turnover Ratio	(Property, Plant & Equipment / Turnover)	0.62	1.63
Government subsidy	Cash or in kind	NIL	NIL

### 3. Compliance with the Companies Act of Bhutan 2016

The audit of the company is governed by the Companies Act of Bhutan, 2016 and the scope of work is limited to the examination and review of the financial statements as provided to us by the management. In the course of our audit, we have considered the compliance of the provisions of the said Companies Act and its Articles of Incorporation concerning conducting of meetings, filing requirements, maintenance of records, issue of shares, raising of loans and all other matters specified in the said Act.

### 4. Adherence to Laws, Rules and Regulations

In the course of our audit, we have considered the compliance of the provisions of the said Companies Act and its Articles of Incorporation. It is not possible for us to comment as regards adherence to all laws, rules and regulations, systems, procedures and practices by the company as a comprehensive compliance

reporting and recording system of the company is currently not in place. However, any non-compliance or departure from accepted practice and approved systems /procedures having effect on financial statements that came to our notice during the course of our audit is properly impacted / disclosed in the accounts.

**For R. Bose & Associates**  
Chartered Accountants  
Firm Registration No.: 0322734E




**CA. Debnarayan Biswas**  
Partner  
Membership No:061715

Place: Thimphu, Bhutan  
Date: 09.05.2019

**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER, 2018**

*(All figures in Bhutanese Ngultrums unless otherwise stated)*

Particulars	Notes	As at 31 <sup>st</sup> December, 2018	As at 31 <sup>st</sup> December, 2017
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	3	6,301,588.00	6,965,486.00
Non-current Assets	4	322,699,197.00	59,502.00
<b>Total Non-current Assets</b>		<b>329,000,785.00</b>	<b>7,024,988.00</b>
<b>Current Assets</b>			
Short-term Loan and Advances	5	360,500.00	141,420,801.00
Other Current Assets	6	908,254.00	866,244.00
Cash and Bank Balances	7	53,727,233.00	86,451,984.00
<b>Total Current Assets</b>		<b>54,995,987.00</b>	<b>228,739,029.00</b>
<b>Total Assets</b>		<b>383,996,772.00</b>	<b>235,764,017.00</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital (RF & Operation)	8	430,535,000.00	35,000,000.00
Revolving Fund II	9	-	225,296,000.00
Capital Reserve	10	6,820,252.00	6,820,252.00
Retained Earnings	11	<b>(63,525,121.00)</b>	<b>(36,705,822.00)</b>
<b>Total Equity</b>		<b>373,830,131.00</b>	<b>230,410,430.00</b>
<b>Non-Current Liabilities</b>			
Employee Benefits Liabilities	12	567,691.00	506,697.00
<b>Total Non-Current Liabilities</b>		<b>567,691.00</b>	<b>506,697.00</b>
<b>Current Liabilities</b>			
Trade and Other Payables	13	6,773,334.00	3,051,264.00
Other Current Liabilities	14	270,300.00	219,377.00
Employee Benefits Liabilities	12	2,555,315.00	1,576,249.00
<b>Total Current Liabilities</b>		<b>9,598,950.00</b>	<b>4,846,890.00</b>
<b>Total Equity and Liabilities</b>		<b>383,996,772.00</b>	<b>235,764,017.00</b>

In terms of our report of even date

**For R. Bose & Associates**  
**(Chartered Accountants)**

FRN No.: 0322734E

**DEBNARAYAN BISWAS**  
**(PARTNER)**

Membership No.: 061715

Place: Thimphu, Bhutan

Date: 09.05.2019



On behalf of the Board

Chairman

Chief Executive Officer



**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Statement of Comprehensive Income for the year ended 31<sup>st</sup> December 2018**

*(All figures in Bhutanese Ngultrums unless otherwise stated)*

Particulars	Notes	For the year ended 31 <sup>st</sup> December 2018	For the year ended 31 <sup>st</sup> December 2017
<b>INCOME</b>			
Income from Micro Financing Activities	15	9,422,612.00	3,634,880.00
Other Income	16	612,990.00	628,616.00
<b>Total Income</b>		<b>10,035,601.00</b>	<b>4,263,496.00</b>
<b>EXPENDITURE</b>			
Operation and Maintenance Expenses	17	9,098,280.00	5,536,268.00
Employee Benefit Expenses	18	18,188,505.00	18,454,783.00
Other Expenses	19	2,724,161.00	2,702,126.00
Depreciation Expenses	3	1,223,554.00	1,239,135.00
Loan Impairment Expenses	20	5,620,399.00	8,230,378.00
<b>Total Expenditure</b>		<b>36,854,900.00</b>	<b>36,162,690.00</b>
<b>Profit/(Loss) Before Tax</b>		<b>(26,819,298.00)</b>	<b>(31,899,194.00)</b>
<b>Tax Expense:</b>			
Current Tax	22	-	-
<b>Profit/(Loss) After Tax</b>		<b>(26,819,298.00)</b>	<b>(31,899,194.00)</b>
Other Comprehensive Income			-
<b>Total Comprehensive Income - Balance carried over</b>		<b>(26,819,298.00)</b>	<b>(31,899,194.00)</b>
Basic and Diluted Earnings per Share	21	<b>(8.94)</b>	<b>(10.63)</b>

In terms of our report of even date

**For R. Bose & Associates**  
**(Chartered Accountants)**

On behalf of the Board

FRN No.: 0322734E



**DEBNARAYAN BISWAS**  
(PARTNER)  
Membership No.: 061715  
Place: Thimphu, Bhutan  
Date: 09.05.2019

 Chairman  
 Chief Executive Officer

**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Statement of Changes in Equity for the year ended 31<sup>st</sup> December 2018**

*(All figures in Bhutanese Ngultrums unless otherwise stated)*

Particulars	Share Capital	Retained Earnings	Capital Reserve	Total Shareholders' Equity
<b>Balance as at 1 January 2017</b>	<b>142,296,000.00</b>	<b>(4,806,629.00)</b>	<b>6,820,252.00</b>	<b>144,309,624.00</b>
Issue of Share Capital	20,000,000.00	-	-	20,000,000.00
Profit/(Loss) After Tax	-	<b>(31,899,194.00)</b>	-	<b>(31,899,194.00)</b>
Capital Reserve on transfer of assets & liabilities from BOIC	-	-	-	-
Revolving Fund II on account of handing taking from BOIC	98,000,000.00	-	-	98,000,000.00
<b>Balance as at 31 December 2017</b>	<b>260,296,000.00</b>	<b>(36,705,823.00)</b>	<b>6,820,252.00</b>	<b>230,410,430.00</b>

Particulars	Share Capital	Retained Earnings	Capital Reserve	Total Shareholders' Equity
<b>Balance as at 1 January 2018</b>	<b>260,296,000.00</b>	<b>(36,705,823.00)</b>	<b>6,820,252.00</b>	<b>230,410,430.00</b>
Issue of Share Capital	28,000,000.00	-	-	28,000,000.00
Profit/(Loss) After Tax	-	<b>(26,819,298.00)</b>	-	<b>(26,819,298.00)</b>
Capital Reserve on transfer of assets & liabilities from BOiC	-	-	-	-
Revolving Fund II on account of handing taking from BOiC	142,239,000.00	-	-	142,239,000.00
<b>Balance as at 31 December 2018</b>	<b>430,535,000.00</b>	<b>(63,525,121.00)</b>	<b>6,820,252.00</b>	<b>373,830,131.00</b>

In terms of our report of even date

**For R. Bose & Associates**  
**(Chartered Accountants)**

FRN No.: 0322734E

**DEBNARAYAN BISWAS**  
**(PARTNER)**

Membership No.: 061715

Place: Thimphu, Bhutan

Date: 09.05.2019



On behalf of the Board

Chairman

Chief Executive Officer

**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Cash Flow Statement for the year ended 31<sup>st</sup> December 2018**

*(All figures in Bhutanese Ngultrums unless otherwise stated)*

Particulars	For the year ended 31 <sup>st</sup> December 2018	For the year ended 31 <sup>st</sup> December 2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	<b>(26,819,298.00)</b>	<b>(31,899,194.00)</b>
<b>Adjustment for:</b>		
Depreciation Expenses	1,223,554.00	1,239,135.00
Contribution for gratuity	-	551,329.00
<b>Operating profit before working capital changes</b>	<b>(25,595,744.00)</b>	<b>(30,108,729.00)</b>
<b>Adjustment for:</b>		
Trade and Other Receivables	(322,681,705.00)	(211,903.00)
Trade and Other Payables	4,813,054.00	2,721,641.00
<b>Cash generated from Operations</b>	<b>(343,464,396.00)</b>	<b>(27,598,991.00)</b>
Taxes Paid		
<b>Net cash generated from operations (A)</b>	<b>(343,464,396.00)</b>	<b>(27,598,991.00)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(559,656.00)	(6,259,166.00)
Movement in Loans and Advances	141,060,301.00	(57,372,405.00)
<b>Net cash used in investing activities (B)</b>	<b>140,500,645.00</b>	<b>(63,631,571.00)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Share Capital	395,535,000.00	20,000,000.00
Capital Reserve on transfer of assets & liabilities from BOIC	-	-
Revolving Fund II on account of handing taking from BOIC	(225,296,000.00)	98,000,000.00
<b>Net cash used in financing activities (C)</b>	<b>170,239,000.00</b>	<b>118,000,000.00</b>
<b>Net increase/ (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(32,724,751.00)</b>	<b>26,769,438.00</b>
Opening cash and cash equivalents	<b>86,451,984.00</b>	<b>59,682,547.00</b>
Closing cash and cash equivalents	53,727,233.00	86,451,984.00
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>(32,724,751.00)</b>	<b>26,769,438.00</b>

In terms of our report of even date

**For R. Bose & Associates**  
**(Chartered Accountants)**  
**FRN No.: 0322734E**

**DEBNARAYAN BISWAS**  
(PARTNER)  
Membership No.: 061715  
Place: Thimphu, Bhutan  
Date: 09.05.2019



*[Signature]*  
Chairman

*[Signature]*  
Chief Executive Officer



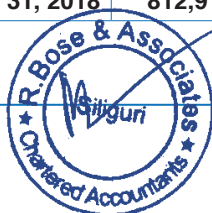
**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Notes Forming Part of the Financial Statements**

**Note 3. Property, Plant and Equipment**

*(All figures in Bhutanese Ngultrums unless otherwise stated)*

Particulars	Furniture and Fittings	Computer and Hardware	Office Equipment	Vehicle	Total
<b>Balance as at January 1, 2017-</b>					
Cost	954,925.00	919,506.15	274,523.25	-	2,148,954.41
Accumulated Depreciation	(95,142.99)	(78,228.06)	(30,127.79)	-	(203,498.85)
<b>Book Value as at January 1, 2017</b>	<b>859,782.01</b>	<b>841,278.09</b>	<b>244,395.47</b>	<b>-</b>	<b>1,945,455.56</b>
<b>Changes in book value during the year</b>					
Additions	214,984.00	1,330,005.00	165,472.00	4,548,704.73	6,259,165.73
Deletion/Adjustments	-	-	-	-	-
Depreciation on Deletion/Adjustments	-	-	-	-	-
Depreciation for the year	(196,379.28)	(335,519.59)	(63,005.14)	(644,231.17)	(1,239,135.17)
<b>Total changes</b>	<b>411,363.28</b>	<b>1,665,524.59</b>	<b>228,477.14</b>	<b>5,192,935.90</b>	<b>7,498,300.90</b>
<b>Balance as at December 31, 2017-</b>					
Cost	1,169,909.00	2,249,511.15	439,995.25	4,548,704.73	8,408,120.14
Accumulated depreciation	(291,522.27)	(413,747.65)	(93,132.93)	(644,231.17)	(1,442,634.02)
<b>Book value as at December 31 2017</b>	<b>878,386.73</b>	<b>1,835,763.50</b>	<b>346,862.33</b>	<b>3,904,473.56</b>	<b>6,965,486.12</b>

Particulars	Furniture and Fittings	Computer and Hardware	Office Equipment	Vehicle	Total
<b>Balance as at January 1, 2018-</b>					
Cost	1,169,909.00	2,249,511.15	439,995.25	4,548,704.73	8,408,120.14
Accumulated depreciation	(291,522.26)	(413,747.65)	(93,132.93)	(644,231.17)	(1,442,634.01)
<b>Book Value as at January 1, 2018</b>	<b>878,386.74</b>	<b>1,835,763.50</b>	<b>346,862.33</b>	<b>3,904,473.56</b>	<b>6,965,486.13</b>
<b>Changes in book value during the year-</b>					
Additions	74,867.00	375,400.00	109,389.00	-	559,656.00
Deletion/Adjustments	-	-	-	-	-
Depreciation on Deletion/Adjustments	41,729.00	53,739.00	23,073.00	-	118,541.00
Depreciation for the year	(182,066.00)	(392,164.00)	(85,559.00)	(682,306.00)	(1,342,095.00)
<b>Total changes</b>	<b>215,204.00</b>	<b>713,825.00</b>	<b>171,875.00</b>	<b>682,306.00</b>	<b>1,783,210.00</b>
<b>Balance as at December 31, 2018-</b>					
Cost	1,244,776.00	2,624,911.15	549,384.25	4,548,704.73	8,967,776.14
Accumulated depreciation	(431,859.26)	(752,172.65)	(155,618.93)	(1,326,537.17)	(2,666,188.01)
<b>Book value as at December 31, 2018</b>	<b>812,916.74</b>	<b>1,872,738.50</b>	<b>393,765.33</b>	<b>3,222,167.56</b>	<b>6,301,588.13</b>



**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Notes Forming Part of the Financial Statements**

**Note 4. Other Non-Current Assets**

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Loans and advances given under micro financing activities	336,490,472.00	
Less: Provision for Loan Impairment	(13,850,777.00)	
Advances net of provision	<b>322,639,695.00</b>	
Security deposit*	59,502.00	59,502.00
Other Asset: RF II		
Repayment Amount reversed		
<b>Total</b>	<b>322,699,197.00</b>	<b>59,502.00</b>

\*Security deposit comprises of security deposit of Rent of Office for REDCL in Thimphu and Gelephu.

**Note 5. Short-term Loan and Advances**

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Advances given under micro financing activities*		149,553,179.00
Less: Provision for Loan Impairment		(8,230,378.00)
Advances net of provision		<b>141,322,801.00</b>
Advance payments to Supplier	10,000.00	13,000.00
Advance POL		
Advance payments to Employees	350,500.00	85,000.00
<b>Total</b>	<b>360,500.00</b>	<b>141,420,801.00</b>

\*From 2018, the RF-II loan has been classified as Non-current Asset and clubbed in Note 4: Non-current asset

**Note 6. Other Current Assets**

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Interest Outstanding	841,612.00	495,261.00
PF Recoverable From BIL	3,812.00	3,812.00
TDS Recoveries From RRCO		-
CIB Charges Recoverable	35,750.00	315,719.00
Interest Receivable on FD		24,071.00
TDS Deduction on FD	27,080.00	27,381.00
<b>Total</b>	<b>908,254.00</b>	<b>866,244.00</b>





Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Amount (in Nu.)		-
<b>At the end of the year</b>		
Number of shares	3,000,000.00	3,000,000.00
Amount (in Nu.) (Nu 21 per share on 3 million Equity Shares)	63,000,000.00	35,000,000.00

#### Note 9. Revolving Fund II

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Revolving Fund II*		225,296,000.00
<b>Total</b>	-	<b>225,296,000.00</b>

#### Note 10. Capital Reserve

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Capital Reserve*		
-Revolving Fund II	2,520,816.00	2,520,816.00
-Operational Account	4,299,436.00	4,299,436.00
<b>Total</b>	<b>6,820,252.00</b>	<b>6,820,252.00</b>

#### Note 11. Retained Earnings

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
<b>Surplus/(Deficit) in the Statement of Comprehensive Income</b>		
Balance at the beginning of the period	(36,705,822.00)	(4,806,629.00)
Add: Profit/(Loss) during the period	(26,819,298.00)	(31,899,194.00)
<b>Total</b>	<b>(63,525,121.00)</b>	<b>(36,705,822.00)</b>





## Note 12. Employee Benefits Liabilities

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Provision for:		
- Gratuity	567,691.00	320,606.00
- Leave Encashment	839,659.00	386,180.00
- Performance Bonus	1,715,656.00	1,376,160.00
<b>Total</b>	<b>3,123,006.00</b>	<b>2,082,946.00</b>
Employee benefit liabilities analyzed as follows:		
Current Portion	2,555,315.00	1,576,249.00
Non-Current Portion	567,691.00	506,697.00
<b>Total</b>	<b>3,123,006.00</b>	<b>2,082,946.00</b>

## Note 13. Trade and Other Payables

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
CIB Charges Payable	26,900.00	46,700.00
Post-sanction Service Fee Payable	6,729,809.00	2,991,064.00
Advertisement Charges Payable	16,625.00	13,500.00
<b>Total</b>	<b>6,773,334.00</b>	<b>3,051,264.00</b>

## Note 14. Other Current Liabilities

Particulars	As at 31 <sup>st</sup> December 2018	As at 31 <sup>st</sup> December 2017
	(Nu.)	(Nu.)
Statutory Liabilities	48,210.00	13,429.00
Bid Security Refundable	61,000.00	61,000.00
Communication Expenses Payable	51,225.00	87,385.00
Audit Fee Payable	55,000.00	50,000.00
Other Expenses Payable	54,865.00	7,563.00
<b>Total</b>	<b>270,300.00</b>	<b>219,377.00</b>



**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Notes Forming Part of the Financial Statements**

**Note 15. Income from Micro Financing Activities**

Particulars	31 <sup>st</sup> December, 2018	31 <sup>st</sup> December, 2017
	(Nu.)	(Nu.)
Interest Income from Micro Financing Activities	9,242,989.00	4,361,165.00
Add/(Less): Interest Adjustment on NPL Accounts	179,623.00	(726,285.00)
	<b>9,422,612.00</b>	<b>3,634,880.00</b>

**Note 16. Other Income**

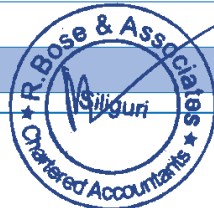
Particulars	31 <sup>st</sup> December, 2018	31 <sup>st</sup> December, 2017
	(Nu.)	(Nu.)
Sale of Tender Documents	29,000.00	6,700.00
Other income	66,458.00	50,225.00
Interest on FD	517,532.00	571,692.00
<b>Total</b>	<b>612,990.00</b>	<b>628,616.00</b>

**Note 17. Operation and Maintenance Expenses**

Particulars	31 <sup>st</sup> December, 2018	31 <sup>st</sup> December, 2017
	(Nu.)	(Nu.)
Communication, internet and telephone charges	964,368.00	933,083.00
Post-sanction Service Fee	6,729,809.00	2,970,332.00
Repairs and Maintenance	121,585.00	80,096.00
CIB Report Generation Charges	93,870.00	346,931.00
Electricity charges	50,664.00	47,159.00
Rent, Rates & Taxes	1,137,984.00	1,158,666.00
<b>Total</b>	<b>9,098,280.00</b>	<b>5,536,268.00</b>

**Note 18. Employee Benefit Expenses**

Particulars	31 <sup>st</sup> December, 2018	31 <sup>st</sup> December, 2017
	(Nu.)	(Nu.)
Salaries, bonus and allowances	12,718,957.00	12,202,665.00
Contribution to provident fund	904,961.00	875,331.00
Staff Training & Recruitment Expenses	2,491,756.00	3,341,212.00
<b>Total</b>	<b>18,188,505.00</b>	<b>18,454,783.00</b>



### Note 19. Other Expenses

Particulars	31 <sup>st</sup> December, 2018	31 <sup>st</sup> December, 2017
	(Nu.)	(Nu.)
Publicity and Advertisement expenses	186,841.00	309,760.00
Board meeting expenses and sitting fees	130,850.00	152,821.00
Recruitment and training cost	20,601.00	48,271.00
Printing and stationery	380,464.00	338,197.00
Office Expenses	127,383.00	119,841.00
Miscellaneous expenses	61,678.00	22,787.00
Vehicle Expense	277,812.00	169,957.00
Travelling Expenses	1,352,517.00	1,355,691.00
Payment to the Auditors		
-Statutory Audit Fee	55,000.00	50,000.00
-Other Audit Expenses	131,017.00	134,801.00
<b>Total</b>	<b>2,724,161.00</b>	<b>2,702,126.00</b>

### Note 20. Loan Impairment Expenses

Particulars	31 <sup>st</sup> December, 2018	31 <sup>st</sup> December, 2017
	(Nu.)	(Nu.)
Provision on Loan Impairment	5,620,399.00	8,230,378.00
<b>Total</b>	<b>5,620,399.00</b>	<b>8,230,378.00</b>

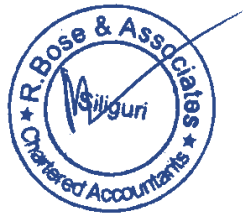
### Note 21. Earnings Per Share

Particulars	31 <sup>st</sup> December, 2018	31 <sup>st</sup> December, 2017
	(Nu.)	(Nu.)
Operating Profit / (Loss) after Tax	(26,864,058.00)	(31,899,194.00)
Weighted Average Shares	3,000,000.00	3,000,000.00
Basic and Diluted Earnings Per Share	(8.94)	(10.63)



## Note 22: Income Tax Expenses

Particulars	IY 2018	IY 2017
<b>Turnover</b>	<b>10,035,601.00</b>	<b>4,263,496</b>
Net profit/Loss before Tax	(26,819,298.00)	(31,899,194)
ADD: HRD Expenses	2,487,939.00	3,892,002
ADD: Performance Bonus	1,443,020.00	1,103,524
ADD: Advertisement and publicity		309,760
ADD: Interest outstanding	1,388,470.00	1,205,376
ADD: Other Audit Expenses	119,367.00	134,801
ADD: Loan Impairment	5,620,399.00	8,230,378
<b>Total Disallowances</b>	<b>11,059,195.00</b>	<b>14,875,841</b>
<b>Revised Net profit/(Loss)</b>	<b>(15,760,104.00)</b>	<b>(17,023,353)</b>
LESS: HRD Expenses	2,141,963.00	1,304,356
Advertisement and publicity		85,270
<b>Taxable net profit/(Loss)</b>	<b>(17,902,067.00)</b>	<b>(18,412,979)</b>
30% CIT payable/(refundable)	-	-
Less: TDS Paid	(27,080.00)	(27,381.00)
<b>Refundable/Payable</b>	<b>(27,080.00)</b>	<b>(27,381.00)</b>





**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Notes to financial statements for the year ended 31<sup>st</sup> December 2018**

**1. CORPORATE INFORMATION**

Rural Enterprise Development Corporation Limited (herein after “the Company” or “REDCL”) has been constituted as a separate autonomous entity under the Ministry of Finance, Royal Government of Bhutan with effect from 26th April, 2016 with the formal closure of the erstwhile Business Opportunity & Information Center (herein after “BOIC”) through the Government Order No. C-2/101/303 dated May 18, 2016. The company is engaged in the business of Micro Financing Activities. The main objective is to carry out the activities related to Revolving Fund II of the Economic Stimulus Plan (ESP) Funds.

**2. SIGNIFICANCE OF ACCOUNTING POLICIES**

**A. BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with the applicable Bhutanese Accounting Standards (BAS) issued by “The Accounting and Auditing Standards Board of Bhutan (AASBB)” and in compliance with The Companies Act of Bhutan, 2016.

The said financial statements have been prepared on accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company’s accounting policies and the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates.

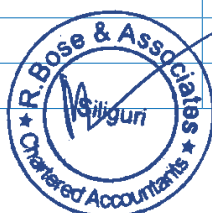
These financial statements are presented in Ngultrum (Nu.), which is both the reporting and functional currency of the Company, unless otherwise stated.

**B. PROPERTY, PLANT AND EQUIPMENT(PPE)**

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment.

Depreciation is generally provided using the straight-line method to write off the cost over the useful life of the asset. The estimated useful lives vary according to the class of the asset, but are typically:

Machinery/Equipment and Vehicles	6.67 years
Furniture	6.67 years
Office Equipment	6.67 years



**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Notes to financial statements for the year ended 31<sup>st</sup> December 2018**

**C. IMPAIRMENT OF ASSETS**

The carrying amounts of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Based on the above, Directors have made an assessment and are of the opinion that there is no impairment of assets as at 31 December 2018.

**D. REVENUE RECOGNITION**

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

- i. Interest Income on loan given is recognized at the rate of 4% per annum as specified in Revolving Fund II of the Economic Stimulus Plan (ESP) Funds. Income on non-performing assets is recognized only when realized and any such income recognized before the asset became non-performing and remaining unrealized is reversed.
- ii. Interest income on deposits with bank is recognized on a time proportion accrual basis considering the outstanding and interest applicable.
- iii. All other income is recognized on accrual basis.

**E. LOANS AND ADVANCES**

Loans and advances under Micro Financing Activities are classified under current assets. Loans and advances to others are classified under current assets if payment is recoverable within one year or less as at Statement of Financial Position date, otherwise they are classified under non-current assets.

**F. CLASSIFICATION OF LOAN PORTFOLIO**

- i. Portfolio loans can be classified as follows

Asset Classification	Arrear period
<b>Standard assets</b>	Overdue up to 30 days
<b>Watch assets</b>	Overdue for 31 days to 90 days
<b>Sub Standard assets</b>	Overdue for 91 days to 180 days
<b>Doubtful assets</b>	Overdue for 181 days to 365 days
<b>Loss assets</b>	Overdue for more than 365 days

“Overdue” refers to interest and/or installments remaining unpaid from the day it became receivable.

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**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Notes to financial statements for the year ended 31 December 2018**

**G. PROVISIONING POLICY FOR LOAN PORTFOLIO**

- i. Provisioning policy for loan for impairment allowance is 30% of principal outstanding of Sub Standard, Doubtful and Loss assets on 31st December for RF-II.

**H. TRADE AND OTHER PAYABLES**

Trade and other payables are initially recognized at the fair value of the amounts to be paid. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**I. CASH AND BANK BALANCES**

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and balance at bank.

**J. CURRENT INCOME-TAX**

Current tax is the amount of income tax expected to be paid in respect of the taxable profits using the tax rates that have been enacted or substantively enacted at the balance sheet date.

**K. EMPLOYEE BENEFITS**

Contribution to Provident Fund administered by National Pension and Provident Fund is charged to Statement of Comprehensive Income as and when they fall due.

Retirement benefit liabilities are recognized when the Company has a present obligation (legal or constructive) as a result of past event, 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.

Gratuity and Leave encashment are provided for based on actuarial valuation as at the Statement of Financial Position date. Retirement benefit liabilities are discounted to present value applying the pre-tax rate of return on Government bonds of similar tenure and currency. Increase in the liability due to passage of time is recognized as interest expense.

The expected cost of Performance Based Incentive and Variable Allowances is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate of the obligation can be made.



**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Notes Forming Part of the Financial Statements**

**Note 23: Related Party Disclosures**

**a) Related Parties**

**State Owned Enterprise:**

Ministry of Finance (MoF), Royal Government of Bhutan

**Present-**

Mr. Loday Tsheten, Chairman  
Ms. Kinlay Tshering, Director  
Dr. Kuenga Namgay, Director  
Mr. Pema Wangdi, Member Secretary  
Ms. Thinlay Palden, Director  
Ms. Kezang Choden, Company Secretary

**Former-**

Mr. Lekzang Dorji, Chairman  
Mr. Naiten Wangchuk, Director  
Mr. Jambay Yeshi, Director  
Mr. Phuntsho Wangdi, Member Secretary  
Ms. Sonam Choden, Company Secretary

**b) Details of transactions with related parties for the year ended December 31, 2018**

Particulars	State Owned Enterprise		Key Management Personnel	
	For the Year ended 31 <sup>st</sup> December 2018	For the Year ended 31 <sup>st</sup> December 2017	For the Year ended 31 <sup>st</sup> December 2018	For the Year ended 31 <sup>st</sup> December 2017
<b>Transactions during the period</b>				
<b>Equity Contribution</b>				
<b>Received:</b>				
Ministry of Finance (MoF)	28,000,000.00	20,000,000.00	-	-
<b>Remuneration:</b>				
Pema Wangdi	-	-	1,450,283.00	1,228,198.00
<b>Directors' Sitting Fees/</b>				
<b>Honorarium:</b>				
Loday Tsheten			20,000.00	
Lekzang Dorji	-	-	-	27,000.00
Kinlay Tshering	-	-	20,000.00	15,000.00
Kuenga Namgay	-	-	10,000.00	-
Thinlay Palden			20,000.00	





Particulars	State Owned Enterprise		Key Management Personnel	
	For the Year ended 31 <sup>st</sup> December 2018	For the Year ended 31 <sup>st</sup> December 2017	For the Year ended 31 <sup>st</sup> December 2018	For the Year ended 31 <sup>st</sup> December 2017
Jambay Yeshe	-	-	-	19,000.00
Naiten Wangchuk	-	-	-	20,000.00
Pema Wangdi	-	-	20,000.00	25,000.00
Sonam Choden	-	-	7,500.00	10,000.00
Kezang Choden	-	-	2,500.00	
Dorji Tshering	-	-	2,500.00	
Karma Lhuntshi	-	-	2,500.00	
Ugyen Dema	-	-	2,500.00	

In terms of our report of even date

**For R. Bose & Associates**  
**(Chartered Accountants)**  
**FRN No.: 0322734E**

On behalf of the Board

**DEBNARAYAN BISWAS**  
**(PARTNER)**  
 Membership No.: 061715  
 Place: Thimpu, Bhutan  
 Date: 09.05.2019




Chairman

Chief Executive Officer

**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**RATIO ANALYSIS**

Ratios	Basis	2018	2017
Earnings per share	(Profit After Tax/ No. of shares issued)	(8.94)	(10.63)
Net Profit Ratio	(Net Profit/ Turnover)	(2.67)	(7.48)
Return on Assets	(Net Profit/ Total Assets)	(0.07)	(0.14)
Return on Equity	(Net Profit/ Owner's Equity)	(0.06)	(0.91)
Current Ratio	(Current Asset/ Current Liability)	5.73	47.19
Employee			
Remuneration to	(Personnel Costs /Turnover)	1.81	4.33
Sales Ratio			
Fixed Assets Turnover Ratio	(Property, Plant & Equipment / Turnover)	0.63	1.63





**Rural Enterprise Development Corporation Limited**

**P.O.BOX: 1512**

**NORZIN LAM, CHUBACHU TRAFFIC JUNCTION**

**BUILDING ON PLOT A1**

**THIMPHU BHUTAN**

**PABX: 02-339240 / 339241 / 339245 / 329023 / 329024 / 329025**

**Fax No: 02-329026**

**info@redcl.gov.bt**

**www.redcl.gov.bt**