

**REDCL**  

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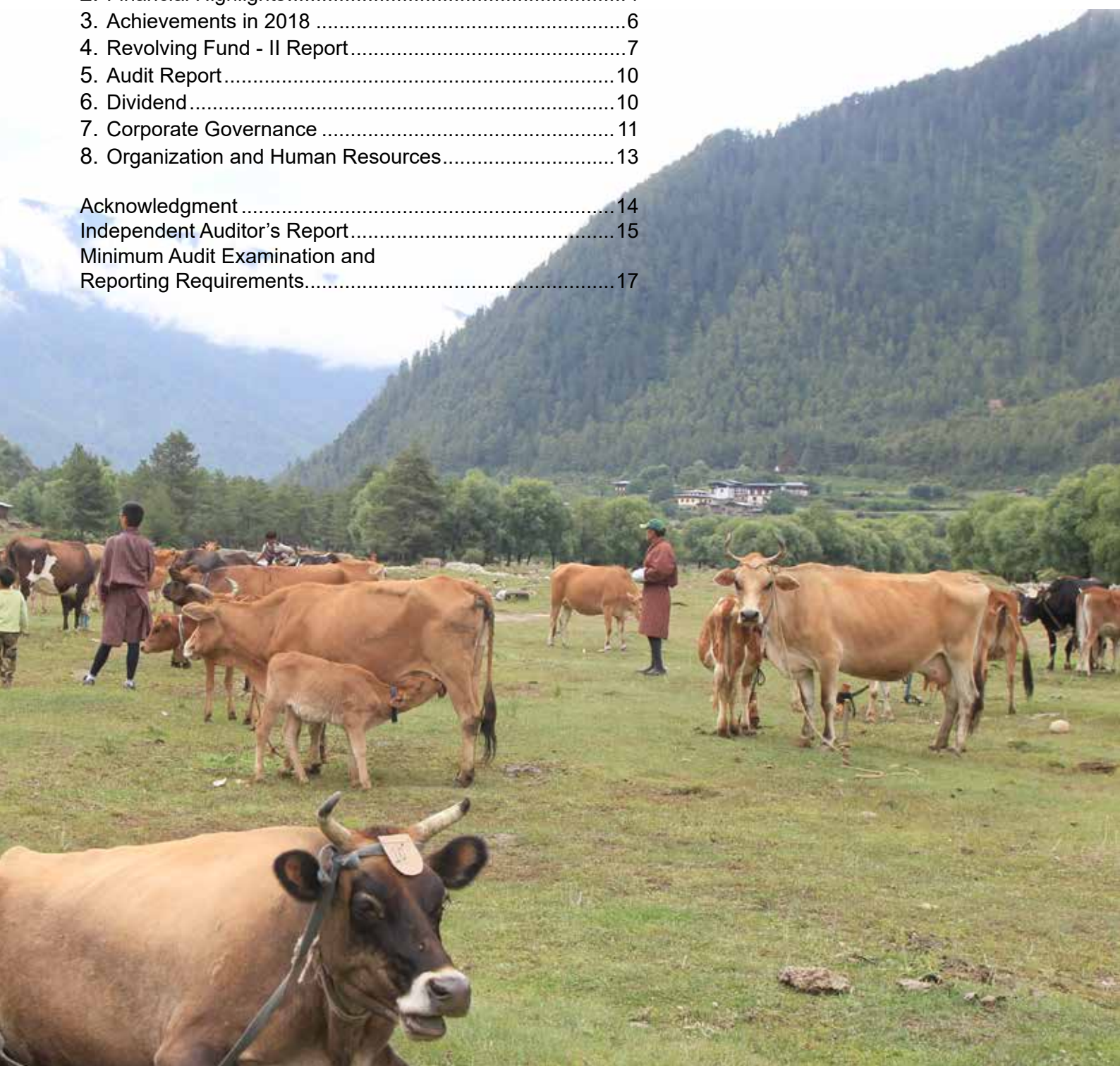
**ANNUAL  
REPORT  
2019**





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# COMPANY PROFILE

Rural Enterprise Development Corporation Ltd (REDCL) was launched on 21st 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 Micro-Loan 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

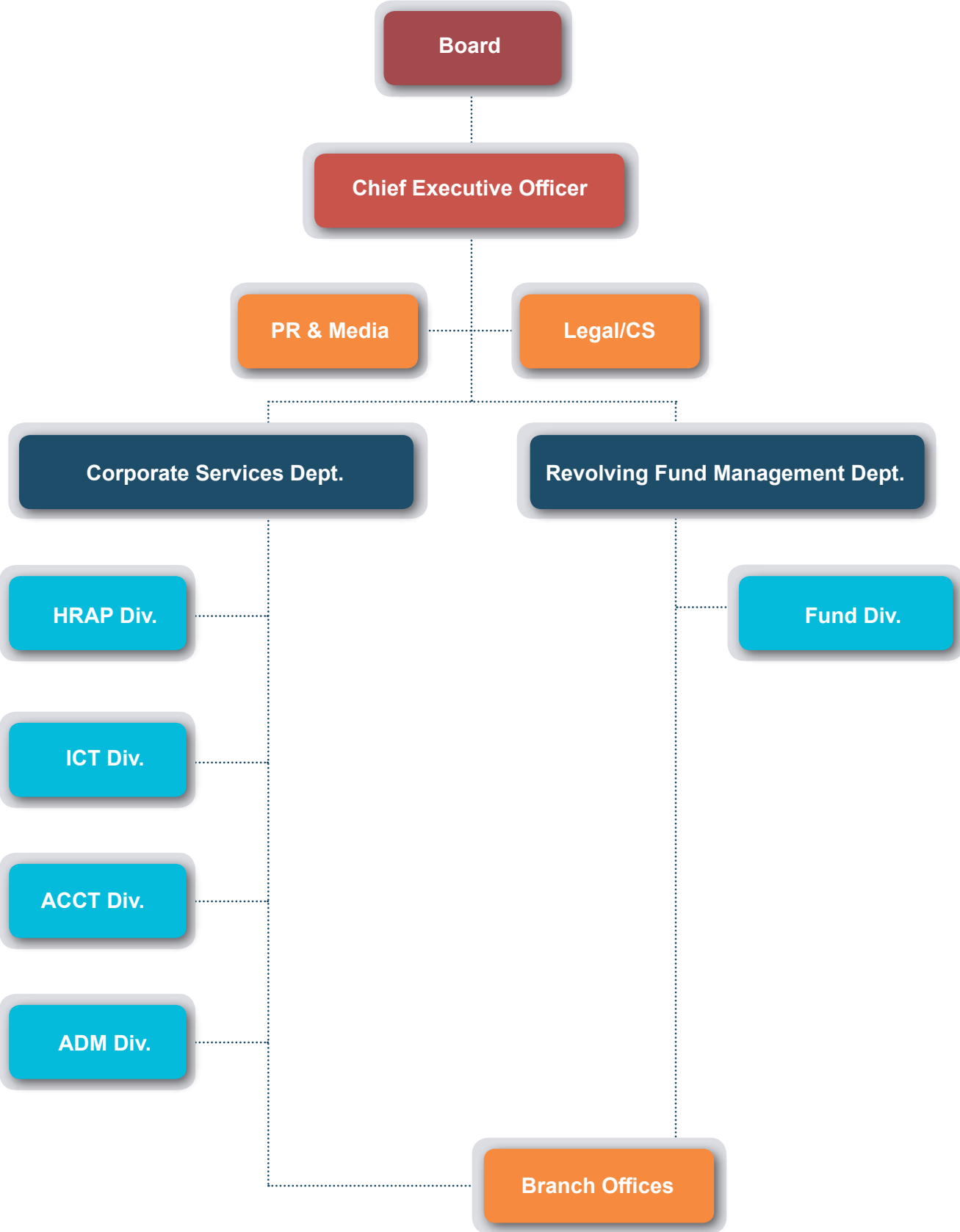
“To generate employment, substitute imports and/or promote exports by promoting non-formal rural activities through timely integrated business support”.

## OBJECTIVES

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



# 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  
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 Staff at Head Office

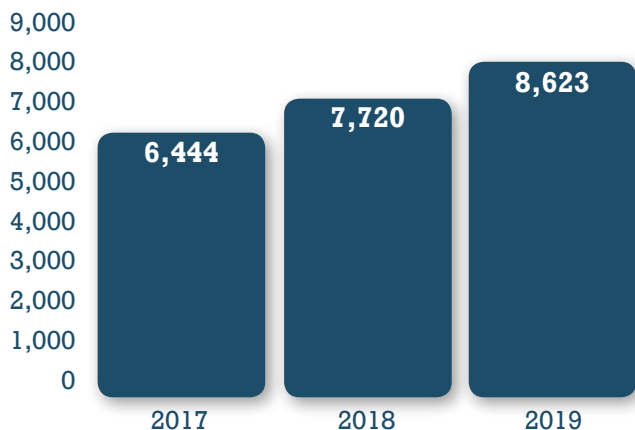
Sl No.	Name	Designation	Contact No.
1	Tandin Phuntsho	Manager, HR & Procurement	17934952
2	Sonam Tobgay	Dy. Manager-IT	17934781
3	Kezang Choden	Dy. Manager - Legal/Company Secretary	17343061
4	Kezang Wangmo	Accounts Officer	17582186
5	Siddharth Lama	Internal Auditor	16912517
6	Tshering Dema	Project Officer	17538841
7	Tshering Choden	Project Officer	17503785
8	Tendriel Wangmo	Project Officer	17971564
9	Choney	Project Officer	17891353
10	Sonam Dema	Project Officer	17286105
11	Tandin Dema	Project Officer	17447971
12	Chador Wangmo	Project Officer	17636945
13	Karma Tshering	Project Officer	17618375
14	Alisha Mukhia	Project Officer	17536745
15	Pema Dendup	Legal Assistant	17589651
16	Sonam Choden	PA to CEO	17626723
17	Tshering Seldon	Receptionist	17624663
18	Ngawang Namgyel	Driver	77286135
19	Dawa Tshering	Driver	17933491

## REDCL Dzongkhag Project Officers

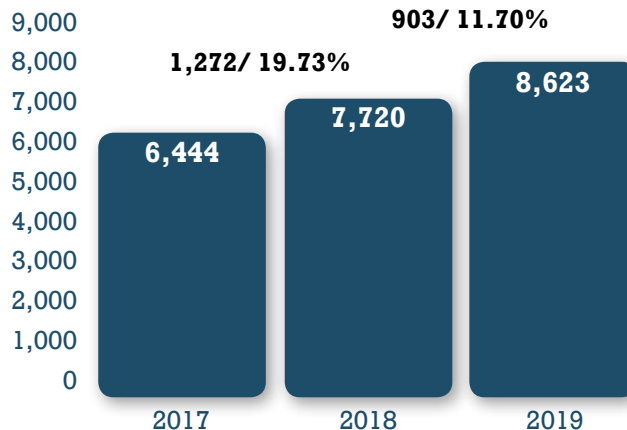
Sl no.	Name	Dzongkhag	Contact no.	Email ID
1	Kinley Wangdi	Dagana	17521992	kinley.wangdi@csibank.bt
2	Tandin Wangmo	Chukha	17310067	tandin.wangmo@csibank.bt
3	Milam Tashi Tamang	Tsirang	17317219	milam.tamang@csibank.bt
4	Karma Wangchuk	Punakha/Gasa	17887034	karma.wangchuk@csibank.bt
5	Tshendrup Wangmo	S/Jongkhar	17841448	tshendrup.wangmo@csibank.bt
6	Karma Tenzin	Trongsa	17636945	karma.tenzin@csibank.bt
7	Rinchen Lhamo	T/Yangtse	17736189	rinchen.lhamo@csibank.bt
8	Namgay Wangmo	Haa	08-375362	namgay.wangmo@csibank.bt
9	Tsherin Choden	Wangdue	17915120	tshering.choden@csibank.bt
10	Rinzin Dema	Bumthang	17789838	rinzin.dema@csibank.bt
11	Jamyang Dema	Pema Gatshel	07-471148	jamyang.dema@csibank.bt
12	Tashi Tshering	Lhuntse	17389313	tashi.tshering@csibank.bt
13	Deki Tshomo	Mongar	04-641111	deki.tshomo@csibank.bt
14	Ugyen Wangchuk	Samtse	17370348	ugyen.wangchuk@csibank.bt
15	Tshering Namgay	Gelephu/Zhemgang	77201899	tshering.namgay@csibank.bt
16	Tshering Choki	Trashigang	04-521337	tshering.choki@csibank.bt
17	Dechen Cheki	Paro	17418915	dechen.cheki@csibank.bt
18	Chador Wangmo	Thimphu	17636945	chador.wangmo@csibank.bt

# REDCL'S PERFORMANCE AT A GLANCE (as per 2019)

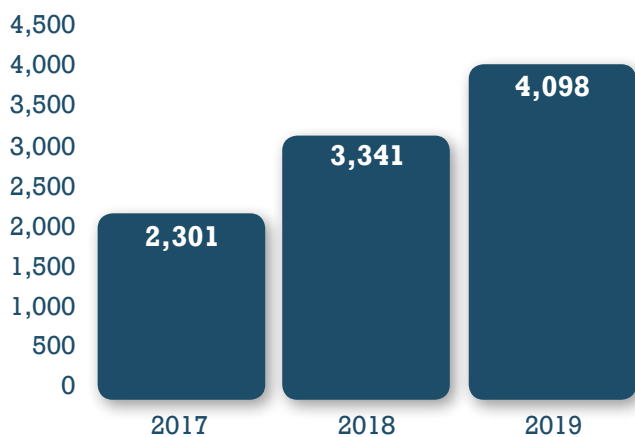
### Application Received



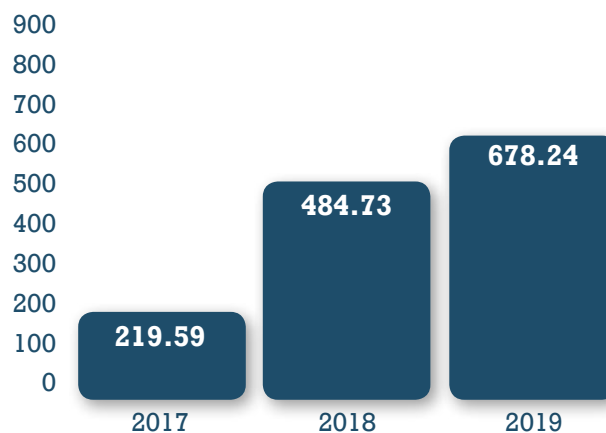
### Growth of Application



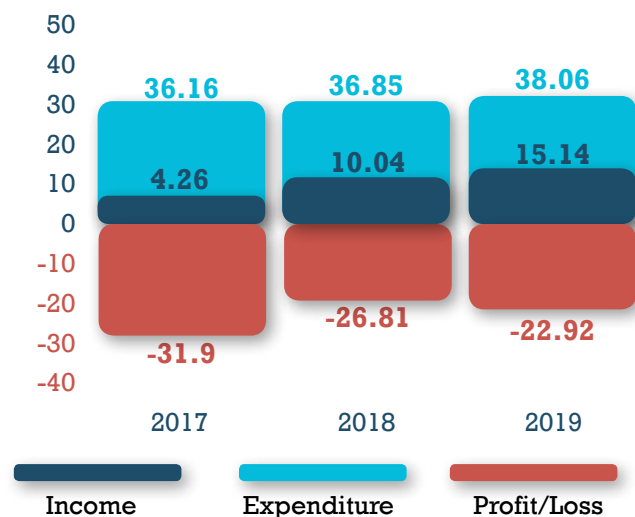
### Disbursement in Numbers



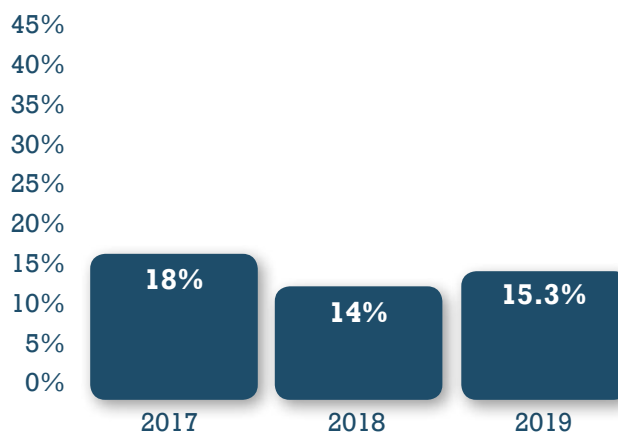
### Disbursement in Amount (in million)



### Income Statement for 3 years (in million)



### NPL Status for 3 years







# DIRECTOR'S REPORT

To the Shareholders of REDCL,

As the New Chairman of the Board of Directors of National CSI Development Bank Limited, formerly the Rural Enterprise Development Corporation Limited (REDCL), I, on behalf of the Board and the Management would like to present the Directors' Report for the year ending 31<sup>st</sup> December 2019.



# 01. PERFORMANCE HIGHLIGHTS

As of 31<sup>st</sup> December 2019, 8,623 applications were received as against 7,720 in the previous year registering a growth by 903 applications or 11.70%. 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.

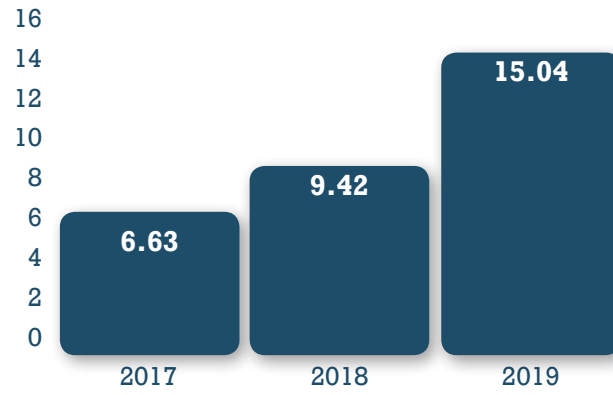
Out of the total 8,623 applications received, 4,232 applications were received for agriculture sector, 3,378 for livestock, 1,013 applications for manufacturing and other activities. In terms of the approved applications, 4,666 applications were approved as of 31<sup>st</sup> December 2019 for which the fund disbursed was Nu. 675.791 million.

Some of the performance highlights of 2019 is presented in the table below;

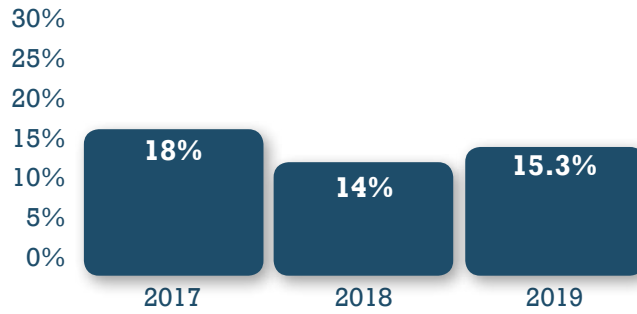
Sl No.	Particulars	Annual Target	Achievement	% Achievement
1	Interest Income	Nu. 6 – 6.49 million	Nu. 15.04 million	231.74%
2	Principal Fund Flow Back	Nu. 60 - 64.9 million	Nu. 109.10 million	168.10%
3	Fund Disbursement	Nu. 160 – 179.9 million	Nu. 190.01 million	105.62%
4	NPL Rate	20% - 24.9%	15.3%	100%



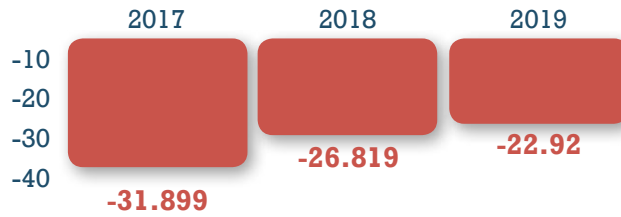
**Interest Income  
(in millions)**



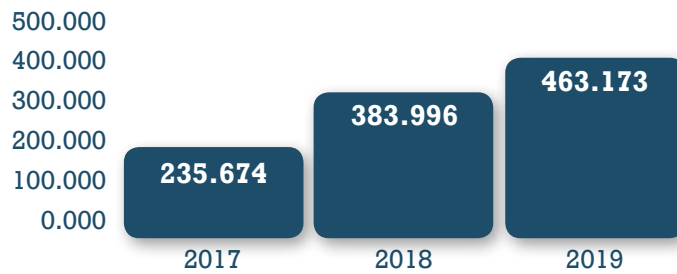
**NPL Rate  
(in %)**



**Profit and Loss  
Statement  
(in millions)**



**Financial Position  
(in millions)**





## 02. 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, 2019. Accordingly, they conducted the audit from 10<sup>th</sup> to 19<sup>th</sup> February 2019 and submitted their report during the exit meeting with RAA on 20<sup>th</sup> February 2020. 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 2019 is presented below (in millions);

Sl. No.	Particulars	2019	2018	Variance	% Variance
1	Share Capital	530.54	430.54	99.99	23.23%
2	Loans and Advances	393.80	323.00	70.80	21.92%
<b>3</b>	<b>Total Assets and Liabilities</b>	<b>463.17</b>	<b>383.99</b>	<b>79.18</b>	<b>20.62%</b>
4	Interest Income	15.04	9.42	5.62	59.70%
5	Other Income	0.10	0.62	(0.52)	-83.95%
<b>6</b>	<b>Total Income (4+5)</b>	<b>15.14</b>	<b>10.04</b>	<b>5.10</b>	<b>50.83%</b>
7	Total Expenditure	38.06	36.85	1.21	3.29%
<b>8</b>	<b>Profit/Loss before Tax (6-7)</b>	<b>(22.92)</b>	<b>(26.82)</b>	<b>3.90</b>	<b>-14.54%</b>
9	Corporate Income Tax	-	-	-	-
<b>10</b>	<b>Profit After Tax</b>	<b>(22.92)</b>	<b>(26.82)</b>	<b>3.90</b>	<b>-14.54%</b>



## **2.1 FINANCIAL POSITION AS OF 31 DEC, 2019**

The net asset and liabilities of the company as on 31.12.2019 has increased by 23.23% i.e. from Nu.383.99 million in 2018 to Nu. 463.17 million in 2019 mainly because of the equity injection of Nu. 100 million by the government in 2019 and also due to increase in the amount of loan disbursements by Nu. 190 million.

## **2.2 REVENUE**

The company registered 50.83% increase in its total revenue i.e., by Nu. 5.10 million in 2019 (from Nu. 10.04 million in 2018 to Nu. 15.14 million in 2019). This increase was mainly due to increase in the disbursement of funds and vigorous recovery strategies implemented by REDCL in 2019 as compared to the previous year.

## **2.3 EXPENDITURE**

The total expenditure for the year was Nu. 38.06 million as compared to Nu. 36.85 million in the previous year, an increase by Nu. 1.21 million or 3.29%. This is attributed mainly to the increase in the 2% service fee payable to BDBL in 2019, which is Nu. 8.35 million as compared to Nu. 6.73 million in 2018.

## **2.4 PROFIT/LOSS IN 2019**

The company registered a -14.54% decrease in its total loss i.e., by Nu. 3.9 million in 2019 (from Nu. 26.82 million in 2018 to Nu. 22.92 million in 2019). The decrease in the overall loss was mainly due to the increase in the interest income and strict monitoring of expenses in 2019.

## **2.5 TRANSFER TO RESERVES**

As the books of accounts show loss of Nu. 22.92 million for the financial year 2019, 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 2019 was commendable.



# 03. ACHIEVEMENTS IN 2019

## 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 2019, REDCL was required to approve 799 number of RF-II projects in 2019 and based on the ESP document, 1 approved project is assumed to create 1 employment opportunity, the number of employment created to be 799. REDCL approved **628** projects as compared to the target of **799** projects thereby falling short of the target by **171** projects, achieving **78.60 %**.

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

Fund Type	Target No. of projects	Target Employment	Achievement	% Achieved
RF-II	799	799	628	78.60 %

## 3.2 INTEREST INCOME EARNED

In 2019, REDCL office earned an interest income of Nu. 15.04 million. An amount of Nu. 9.42 million was earned in 2018. The increase in income from 2018 to 2019 was Nu. 5.62 million or 159.66%.

## 3.3 NON-PERFORMING LOAN (NPL)

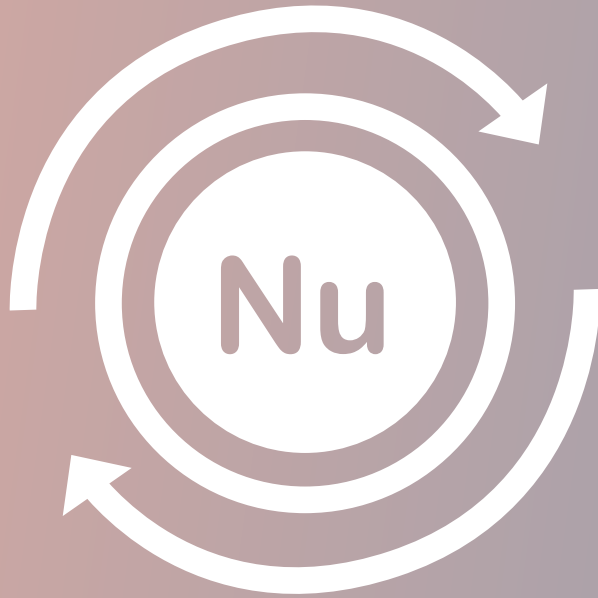
As in the past, bringing down the NPL rate is one of the focus of REDCL as it provides collateral free loans to the rural people. Since the loans are collateral free and it is given to the rural people, the allowable NPL limit is 30%. In 2019, the NPL rate was reduced to 15.30% which is a big achievement for REDCL.

## 3.4 FUND FLOW BACK AND REPAYMENT

Out of the total principal outstanding of Nu. 336.49 million in 2018, it was projected that the principal amount of Nu. 60 – 64.9 million will be recovered in 2019. However, the fund flow back of principal repayment was Nu. 109.10 million which surpassed the initial target by more than Nu. 44.2 million or there was a growth of 168.10%.

## 3.5 MINIMIZATION OF LOSSES

Another big achievement in 2019 was the minimization of the overall losses. From Nu. 26.82 million losses in 2018, it was reduced to 22.92 million in 2019. In monetary terms, the loss was minimized by Nu. 3.90 million or 14.54%. The reduction was mainly due to the cost saving and austerity measures adopted by the company.



## 04. REVOLVING FUND- II REPORT

In 2019, REDCL received a total application of 903 out of which 148 applications were closed due to non-fulfillment of the REDCL requirements. A total of 624 applications were approved and 131 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. 190,009,105.71 from January - December 2019. The table below shows the summary of the fund report for Jan – Dec, 2019 and also the consolidated report as of 31<sup>st</sup> Dec, 2019;

Particulars	RF II Report for 1 <sup>st</sup> Jan – 31 <sup>st</sup> Dec, 2019 (As per MIS record)	RF-II Report as of 31 <sup>st</sup> December, 2019 (As per MIS record)
Application Received (Nos.)	903	8,623
Approved Application (Nos.)	624	4,666
Pending Application (Nos.)	131	176
<b>Total Fund Disbursed (Nu.)</b>	<b>190,009,105.71</b>	<b>675,791,007.67</b>





### 4.3 PROJECTS APPROVED - SECTOR WISE

In terms of the sector-wise approved projects, 2,145 projects of agriculture sector were approved, 1,898 for livestock sector and the remaining of 623 projects of manufacturing and productions were approved as of 31<sup>st</sup> December 2019.

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

Sl. No.	Dzongkhag	Livestock	Agriculture	Manufacturing	Total
1	Bumthang	99	197	30	326
2	Chukha	67	166	2	235
3	Dagana	104	158	9	271
4	Gasa	1	5	0	6
5	Haa	221	32	2	255
6	Lhuntse	95	68	178	341
7	Mongar	97	221	43	361
8	Paro	293	235	3	531
9	Pemagatshel	67	45	120	232
10	Punakha	39	137	14	190
11	Samtse	62	24	9	95
12	Sarpang	75	69	13	157
13	Samdrup Jongkhar	144	14	23	181
14	Thimphu	109	36	1	146
15	Trashigang	69	170	59	298
16	Trashiyangtse	80	88	108	276
17	Trongsa	16	76	1	93
18	Tsirang	66	53	3	122
19	Wangduephodrang	150	217	5	372
20	Zhemgang	44	134	0	178
<b>Total</b>		<b>1,898</b>	<b>2,145</b>	<b>623</b>	<b>4,666</b>



## 05. AUDIT REPORT

The statutory audit of REDCL was audited by R.Bose and Associates., Chartered Accountants from 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 2019, the auditors had not made any adverse observations on REDCL accounts, except for some suggestions and recommendations for further improvement.



## 06. DIVIDEND

No dividend was declared for the financial year 2019.





## 07. 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 2019 is given below in the table;

<b>Name of Director</b>	<b>Category</b>	<b>Profile</b>	<b>Date of appointment</b>	<b>No. of Board meetings attended</b>
Mr. Loday Tsheten	Chairman	Director, Department of National Budget, MoF	22/12/2018	7
Mrs. Kinlay Tshering	Board Director	Director, Department of Agriculture, MoAF	25/01/2018	6
Mrs. Thinlay Palden	Board Director	Chief Industries Officer, DCSI, MoEA	27/11/2018	3
Dr. Kuenga Namgay	Board Director	Chief Livestock Officer, Department of Livestock, MoAF	26/06/2019	7
Mr. Pema Wangdi	Member Secretary	CEO, REDCL	01/09/2016	7

Seven Board meetings were conducted in 2019, 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 29<sup>th</sup> April, 2019. 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.



## 08. ORGANIZATION AND HUMAN RESOURCES

REDCL had a total of 38 employees (37 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 38 staffs, various programs such as the annual retreat, foundation day celebration, annual rimdo, in-country and ex-country trainings were initiated by the management.

The year 2019 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 2019. 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 all the relevant individuals, government, corporate and private agencies for their guidance, continued cooperation 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.**



(Kipchu Tshering)  
**CHAIRPERSON**  
NCSIDBL Board

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Rural Enterprise Development Corporation Limited,  
Paro, 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, 2019, 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, 2019, 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.

### **Key Audit Matters**

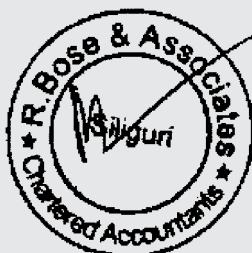
In our professional judgment there is no Key Audit Matters to be communicated in our report.

### **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 (APPENDIX I)**

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.

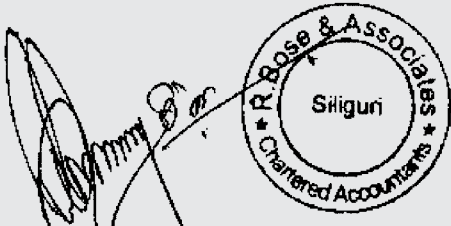
As required by Section 265 of the Act, we report that:

- 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 statements 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



**Deb Narayan Biswas**

Partner

Membership No: 061715

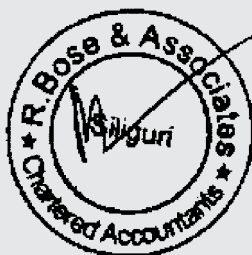
Place: Paro, Bhutan

**Date:** 10.04.2020

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

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/2019/2646 dated 30th October, 2019 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 advances are granted and/or accumulation of large advances against any particular individual 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.

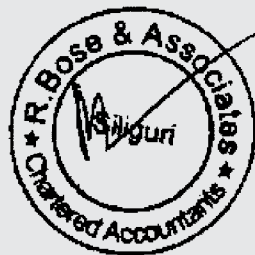




9. According to the information and explanations given to us, the Company has a process of obtaining confirmation from all Directors with respect to transactions for purchases and sales of goods and services made in pursuance of contracts or arrangement entered into with the directors or any other parties 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 or 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 2019 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 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%)	2,375.10
TDS on Supplies (2%)	657.82

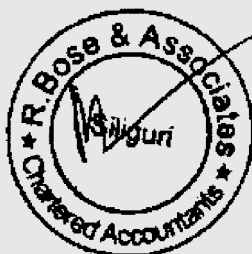
13. According to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest bearing accounts as on 31<sup>st</sup> December 2019.
14. Further, according to the information and explanations given to us, the company has not availed any loan from outside. Therefore, withdrawals of loan, assessment of 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.
15. 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.
16. No investment has been made during the year ended 31<sup>st</sup> December, 2019. Hence the question of technical and economic feasibility study and Board Approval does not arise.
17. The present system of budgeting, in our opinion is generally reasonable.



18. 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.
19. According to the information and explanations given to us, the directives of the Board have been complied with.
20. 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 2019. 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.

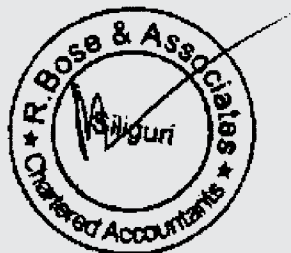
### **Computerized Accounting Environment**

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, 2019 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.

### **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 31st December, 2019 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. 31st December, 2019.



## 2. 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	2019	2018
Earnings per share	(Profit After Tax/ No. of shares issued)	(7.64)	(8.95)
Net Profit Ratio	(Net Profit/ Turnover)	(1.51)	(2.67)
Return on Assets	(Net Profit/ Total Assets)	(0.05)	(0.07)
Return on Equity	(Net Profit/ Owner's Equity)	(0.04)	(0.06)
Current Ratio	(Current Assets/ Current Liability)	5.12	5.73
Employee Remuneration to Sales Ratio	(Personnel Costs /Turnover)	1.19	1.81
Fixed Assets Turnover Ratio	(Property, Plant & Equipment / Turnover)	0.41	0.62

## 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.

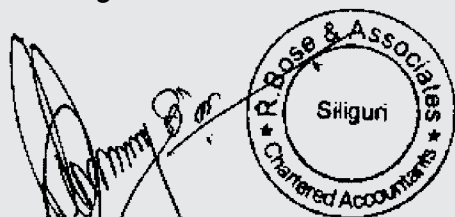
## 4. Adherence to Laws, Rules and Regulations

In the course of our audit, we have considered the compliance of the provisions of the said Companies Act and its Articles of Incorporation. 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: Paro, Bhutan

Date: 10.04.2020



**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 2019**

(All figures in Bhutanese Ngultrums unless otherwise stated)

Particulars	Notes	As at 31st Decem- ber, 2019	As at 31st December, 2018
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, Plant and Equipment	3	6,235,859.00	6,301,588.00
Non-current Assets	4	398,802,517.00	322,699,197.00
<b>Total Non-current Assets</b>		<b>405,038,376.00</b>	<b>329,000,785.00</b>
<b>Current Assets</b>			
Short-term Loan and Advances	5	477,557.00	360,500.00
Other Current Assets	6	1,280,628.00	908,254.00
Cash and Bank Balances	7	56,376,470.00	53,727,233.00
<b>Total Current Assets</b>		<b>58,134,655.00</b>	<b>54,995,987.00</b>
<b>Total Assets</b>		<b>463,173,031.00</b>	<b>383,996,772.00</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital (RF & Operation)	8	530,535,000.00	430,535,000.00
Capital Reserve	9	6,994,526.00	6,820,252.00
Retained Earnings	10	<b>(86,445,488.00)</b>	<b>(63,525,121.00)</b>
<b>Total Equity</b>		<b>451,084,038.00</b>	<b>373,830,131.00</b>
<b>Non-Current Liabilities</b>			
Employee Benefits Liabilities	11	733,771.00	567,691.00
<b>Total Non-Current Liabilities</b>		<b>733,771.00</b>	<b>567,691.00</b>
<b>Current Liabilities</b>			
Trade and Other Payables	12	8,373,010.00	6,773,334.00
Other Current Liabilities	13	452,594.00	270,300.00
Employee Benefits Liabilities	11	2,529,618.00	2,555,315.00
<b>Total Current Liabilities</b>		<b>11,355,222.00</b>	<b>9,598,950.00</b>
<b>Total Equity and Liabilities</b>		<b>463,173,031.00</b>	<b>383,996,772.00</b>

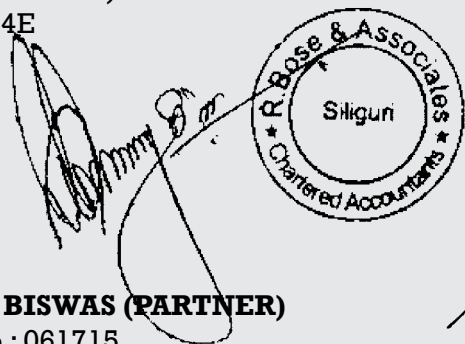
In terms of our report of even date

**For R. Bose & Associates**

(Chartered Accountants)

FRN No.: 0322734E

**On behalf of the Board**



**DEBNARAYAN BISWAS (PARTNER)**

Membership No.: 061715

Place: Paro, Bhutan

Date: 10.04.2020



**Chairman**

**Chief Executive Officer**

**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2019**

(All figures in Bhutanese Ngultrums unless otherwise stated)

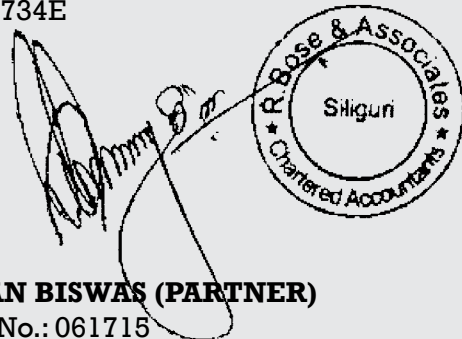
Particulars	Notes	For the year ended 31st December 2019	For the year ended 31st December 2018
<b>INCOME</b>			
Income from Micro Financing Activities	14	15,044,105.00	9,422,612.00
Other Income	15	99,529.00	612,990.00
<b>Total Income</b>		<b>15,143,634.00</b>	<b>10,035,601.00</b>
<b>EXPENDITURE</b>			
Operation and Maintenance Expenses	16	10,260,130.00	9,098,280.00
Employee Benefit Expenses	17	18,042,526.00	18,188,505.00
Other Expenses	18	3,198,881.00	2,724,161.00
Depreciation Expenses	3	1,603,377.00	1,223,554.00
Loan Impairment Expenses	19	4,959,087.00	5,620,399.00
<b>Total Expenditure</b>		<b>38,064,001.00</b>	<b>36,854,900.00</b>
<b>Profit/(Loss) Before Tax</b>		<b>(22,920,367.00)</b>	<b>(26,819,298.00)</b>
<b>Tax Expense:</b>			
Current Tax		-	-
<b>Profit/(Loss) After Tax</b>		<b>(22,920,367.00)</b>	<b>(26,819,298.00)</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income - Balance carried over</b>		<b>(22,920,367.00)</b>	<b>(26,819,298.00)</b>
Basic and Diluted Earnings per Share	20	<b>(7.64)</b>	<b>(8.94)</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: Paro, Bhutan

Date: 10.04.2020

**On behalf of the Board**



**Chairman**

**Chief Executive Officer**

**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Cash Flow Statement For the year ended 31st December 2019**

(All figures in Bhutanese Ngultrums unless otherwise stated)

Particulars	For the year ended 31st December 2019	For the year ended 31st December 2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	<b>(22,920,367.00)</b>	<b>(26,819,298.00)</b>
<b>Adjustment for:</b>		
Depreciation Expenses	1,603,377.00	1,223,554.00
Contribution for gratuity	-	-
<b>Operating profit before working capital changes</b>	<b>(21,316,990.00)</b>	<b>(25,595,744.00)</b>
<b>Adjustment for:</b>		
Trade and Other Receivables	(76,475,694.00)	(322,681,705.00)
Trade and Other Payables	1,922,353.00	4,813,054.00
<b>Cash generated from Operations</b>	<b>(95,870,332.00)</b>	<b>(343,464,396.00)</b>
Taxes Paid		
<b>Net cash generated from operations (A)</b>	<b>(95,870,332.00)</b>	<b>(343,464,396.00)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(1,363,374.00)	(559,656.00)
Movement in Loans and Advances	(117,057.00)	141,060,301.00
<b>Net cash used in investing activities (B)</b>	<b>(1,480,431.00)</b>	<b>140,500,645.00</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of Share Capital	100,000,000.00	395,535,000.00
Capital Reserve on transfer of assets & liabilities from BOIC	-	-
Revolving Fund II on account of handing taking from BOIC	-	(225,296,000.00)
<b>Net cash used in financing activities (C)</b>	<b>100,000,000.00</b>	<b>170,239,000.00</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		
<b>(A+B+C)</b>	<b>2,649,237.00</b>	<b>(32,724,751.00)</b>
Opening cash and cash equivalents	53,727,233.00	86,451,984.00
Closing cash and cash equivalents	56,376,470.00	53,727,233.00
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>2,649,237.00</b>	<b>(32,724,751.00)</b>

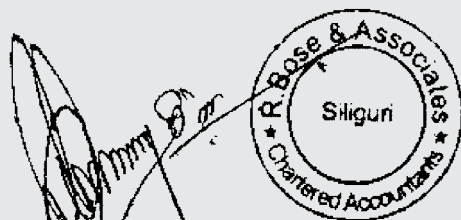
In terms of our report of even date

**For R. Bose & Associates**

(Chartered Accountants)

FRN No.: 0322734E

**On behalf of the Board**



**DEBNARAYAN BISWAS (PARTNER)**

Membership No.: 061715

Place: Paro, Bhutan

Date: 10.04.2020

**Chairman**

**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)

<b>Particulars</b>	<b>Furniture and Fittings</b>	<b>Computer and Hardware</b>	<b>Office Equipment</b>	<b>Vehicle</b>	<b>Total</b>
<b>Balance as at January 1, 2018-</b>					
Cost	1,169,909.00	2,249,511.00	439,995.00	4,548,705.00	8,408,120.00
Accumulated Depreciation	(291,522.00)	(413,748.00)	(93,133.00)	(644,231.00)	(1,442,634.00)
<b>Book Value as at January 1, 2018</b>	<b>878,387.00</b>	<b>1,835,763.00</b>	<b>346,862.00</b>	<b>3,904,474.00</b>	<b>6,965,486.00</b>
<b>Changes in book value during the year</b>					
Additions	<b>74,867.00</b>	<b>375,400.00</b>	<b>109,389.00</b>	<b>0.00</b>	<b>559,656.00</b>
Deletion/Adjustments	0.00	0.00	0.00	0.00	0.00
Depreciation on Deletion/Adjustments	41,729.00	53,739.00	23,073.00	0.00	118,541.00
Depreciation for the year	<b>(182,066.00)</b>	<b>(392,164.00)</b>	<b>(85,559.00)</b>	<b>(682,306.00)</b>	<b>(1,342,095.00)</b>
<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	2,624,911.00	549,384.00	4,548,705.00	8,967,776.00
Accumulated depreciation	(431,859.00)	(752,173.00)	(155,619.00)	(1,326,537.00)	(2,666,188.00)
<b>Book value as at December 31 2018</b>	<b>812,917.00</b>	<b>1,872,738.00</b>	<b>393,765.00</b>	<b>3,222,168.00</b>	<b>6,301,588.00</b>
<b>Balance as at January 1, 2019-</b>					
Cost	1,244,776.00	2,624,911.00	549,384.00	4,548,705.00	8,967,776.00
Accumulated depreciation	(431,859.00)	(752,173.00)	(155,619.00)	(1,326,537.00)	(2,666,188.00)
<b>Book Value as at January 1, 2019</b>	<b>812,917.00</b>	<b>1,872,738.00</b>	<b>393,765.00</b>	<b>3,222,168.00</b>	<b>6,301,588.00</b>
<b>Changes in book value during the year-</b>					
Additions	<b>217,412.00</b>	<b>55,878.00</b>	<b>79,950.00</b>	<b>1,189,300.00</b>	<b>1,542,540.00</b>
Deletion/Adjustments	6,226.00	1,761.00	0.00	0.00	7,987.00
Depreciation on Deletion/Adjustments	2,413.00	682.00	0.00	0.00	3,095.00
Depreciation for the year	<b>(281,724.00)</b>	<b>(405,669.00)</b>	<b>(91,190.00)</b>	<b>(824,794.00)</b>	<b>(1,603,377.00)</b>
<b>Total changes</b>	<b>490,497.00</b>	<b>459,104.00</b>	<b>171,140.00</b>	<b>2,014,094.00</b>	<b>3,134,835.00</b>
<b>Balance as at December 31, 2019-</b>					
Cost	1,455,962.00	2,679,028.00	629,334.00	5,738,005.00	10,502,329.00
Accumulated depreciation	(711,170.00)	(1,157,160.00)	(246,809.00)	(2,151,331.00)	(4,266,470.00)
<b>Book value as at December 31, 2019</b>	<b>744,792.00</b>	<b>1,521,868.00</b>	<b>382,525.00</b>	<b>3,586,674.00</b>	<b>6,235,859.00</b>



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

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

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Loans and advances given under micro financing activities*	417,398,007.00	336,490,472.00
Less: Provision for Loan Impairment	-18,809,864.00	-13,850,777.00
Advances net of provision	<b>398,588,142.00</b>	<b>322,639,695.00</b>
Security deposit*	214,375.00	59,502.00
Other Asset: RF II		
Repayment Amount reversed		
<b>Total</b>	<b>398,802,517.00</b>	<b>322,699,197.00</b>

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

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

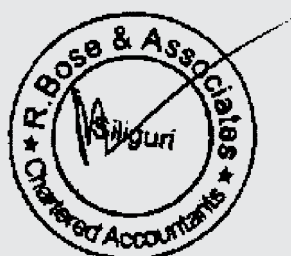
Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Advance payments to Supplier	81,807.00	10,000.00
Advance POL	20,000.00	
Advance payments to Employees	375,750.00	350,500.00
<b>Total</b>	<b>477,557.00</b>	<b>360,500.00</b>

**Note 6. Other Current Assets**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Interest Outstanding	1,153,836.00	841,612.00
PF Recoverable From BIL	3,812.00	3,812.00
TDS Recoveries From RRCO	27,080.00	27,080.00
CIB Charges Recoverable	95,900.00	35,750.00
<b>Total</b>	<b>1,280,628.00</b>	<b>908,254.00</b>

**Note 7. Cash and Bank Balances**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Cash -in-hand - As certified by management	60,672.00	65,612.00
Bank balances in Current Accounts	56,315,798.00	53,661,621.00
<b>Total</b>	<b>56,376,470.00</b>	<b>53,727,233.00</b>



## Note 8. Share Capital

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
<b>Authorized Share Capital</b>		
7,000,000 Equity (Ordinary) Shares of Nu. 100 each	700,000,000.00	700,000,000.00
5,000,000 Equity (Ordinary) Shares of Nu. 100 each		
<b>Issued Capital, Subscribed and Paid-up Capital</b>		
RF-II	447,535,000.00	<b>367,535,000.00</b>
Operation	83,000,000.00	63,000,000.00
<b>Total</b>	<b>530,535,000.00</b>	<b>430,535,000.00</b>

1. All ordinary shares are ranked equally. Each equity shares carry one vote per share and carry the right to dividends.

Entire share capital is held by the Ministry of Finance, Royal Government of Bhutan.

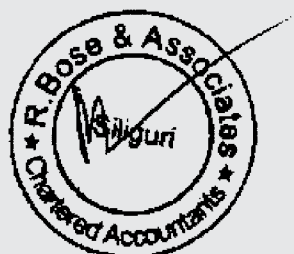
## 2. Reconciliation of Equity Shares Outstanding

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
<b>At the beginning 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
<b>Add: issued during the year</b>		
Number of shares		-
Amount (in Nu.) (Nu 6.67 per share received on 3 million Equity Shares)	20,000,000.00	28,000,000.00
<b>Less: Redeemed during the year</b>		
Number of shares		-
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 27.67 per share on 3 million Equity Shares)	83,000,000.00	63,000,000.00

## Note 9. Capital Reserve

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Capital Reserve*		
- Revolving Fund II	2,520,816.00	2,520,816.00
- Operational Account	4,473,710.00	4,299,436.00
<b>Total</b>	<b>6,994,526.00</b>	<b>6,820,252.00</b>

\* Capital Reserve has been created on account of transferred of all the assets and liabilities of the erstwhile BOIC to REDCL.



**Note 10. Retained Earnings**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
<b>Surplus/(Deficit) in the Statement of Comprehensive Income</b>		
Balance at the beginning of the period	(63,525,121.00)	(36,705,822.00)
Add: Profit/(Loss) during the period	(22,920,367.00)	(26,819,298.00)
<b>Total</b>	<b>(86,445,488.00)</b>	<b>(63,525,121.00)</b>

**Note 11. Employee Benefits Liabilities**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Provision for:		
- Gratuity	733,771.00	567,691.00
- Leave Encashment	973,698.00	839,659.00
- Performance Bonus	1,555,920.00	1,715,656.00
<b>Total</b>	<b>3,263,389.00</b>	<b>3,123,006.00</b>

**Employee benefit liabilities analyzed as follows:**

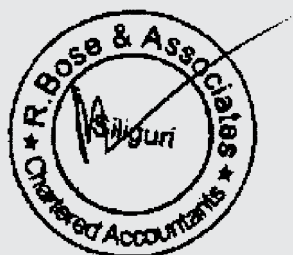
Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Current Portion	2,529,618.00	2,555,315.00
Non-Current Portion	733,771.00	567,691.00
<b>Total</b>	<b>3,263,389.00</b>	<b>3,123,006.00</b>

**Note 12. Trade and Other Payables**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
CIB Charges Payable	14,050.00	26,900.00
Post-sanction Service Fee Payable	8,347,960.00	6,729,809.00
Felicitation Charges Payable	11,000.00	16,625.00
<b>Total</b>	<b>8,373,010.00</b>	<b>6,773,334.00</b>

**Note 13. Other Current Liabilities**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Statutory Liabilities	3,033.00	48,210.00
Bid Security Refundable	61,000.00	61,000.00
Communication Expenses Payable	44,793.00	51,225.00
Audit Fee Payable	110,000.00	55,000.00
Other Expenses Payable	233,768.00	54,865.00
<b>Total</b>	<b>452,594.00</b>	<b>270,300.00</b>



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

**Note 14. Income from Micro Financing Activities**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Interest Income from Micro Financing Activities	15,845,168.00	9,242,989.00
Add/(Less): Interest Adjustment on NPL Accounts	-801,063.00	179,623.00
	<b>15,044,105.00</b>	<b>9,422,612.00</b>

**Note 15. Other Income**

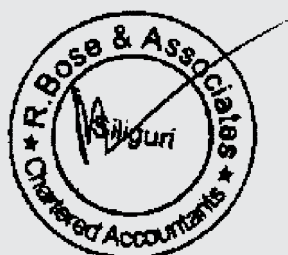
Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Sale of Tender Documents	19,000.00	29,000.00
Other income	80,529.00	66,458.00
Interest on FD	-	517,532.00
<b>Total</b>	<b>99,529.00</b>	<b>612,990.00</b>

**Note 16. Operation and Maintenance Expenses**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Communication, internet and telephone charges	703,958.00	964,368.00
Post-sanction Service Fee	8,347,960.00	6,729,809.00
Office Operating Cost		
Repairs and Maintenance	36,931.00	121,585.00
CIB Report Generation Charges	73,600.00	93,870.00
Electricity and water charges	60,411.00	50,664.00
Rent, Rates & Taxes	1,037,270.00	1,137,984.00
<b>Total</b>	<b>10,260,130.00</b>	<b>9,098,280.00</b>

**Note 17. Employee Benefit Expenses**

Particulars	As at 31st December 2019 (Nu.)	As at 31st December 2018 (Nu.)
Salaries, bonus and allowances	11,827,821.00	12,718,957.00
Contribution to provident fund	953,692.00	904,961.00
Contribution for gratuity and leave encashment	1,135,486.00	1,484,504.00
Staff Welfare	1,106,868.00	588,327.00
Staff Training & Recruitment Expenses	3,018,659.00	2,491,756.00
<b>Total</b>	<b>18,042,526.00</b>	<b>18,188,505.00</b>





**Note 18. Other Expenses**

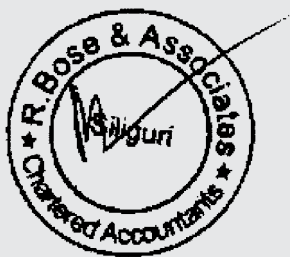
<b>Particulars</b>	<b>As at 31st December 2019 (Nu.)</b>	<b>As at 31st December 2018 (Nu.)</b>
Publicity and Advertisement expenses	175,400.00	186,841.00
Board meeting expenses and sitting fees	178,635.00	130,850.00
Recruitment and training cost	-	20,601.00
Printing and stationery	149,522.00	380,464.00
Office Expenses	282,114.00	127,383.00
Miscellaneous expenses	40,038.00	61,678.00
Vehicle Expense	219,132.00	277,812.00
Travelling Expenses	2,010,644.00	1,352,517.00
Payment to the Auditors		
- Statutory Audit Fee	55,000.00	55,000.00
- Other Audit Expenses	88,396.00	131,017.00
<b>Total</b>	<b>3,198,881.00</b>	<b>2,724,161.00</b>

**Note 19. Loan Impairment Expenses**

<b>Particulars</b>	<b>As at 31st December 2019 (Nu.)</b>	<b>As at 31st December 2018 (Nu.)</b>
Provision on Loan Impairment	4,959,087.00	5,620,399.00
<b>Total</b>	<b>4,959,087.00</b>	<b>5,620,399.00</b>

**Note 20. Earnings Per Share**

<b>Particulars</b>	<b>As at 31st December 2019 (Nu.)</b>	<b>As at 31st December 2018 (Nu.)</b>
Operating Profit / (Loss) after Tax	(22,920,367.00)	(26,819,298.00)
Weighted Average Shares	3,000,000.00	3,000,000.00
Basic and Diluted Earnings Per Share	(7.64)	(8.94)



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

**Note 21: 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. Kezang Choden, Company Secretary

**Former-**

Ms. Thinlay Palden, Director

**b. Details of transactions with related parties for the year ended December 31, 2019**

Particulars	State Owned Enterprise		Key Management Personnel	
	For the Year ended 31st December 2019	For the Year ended 31st December 2018	For the Year ended 31st December 2019	For the Year ended 31st December 2018
<b>Transactions during the period:</b>				
<b>Equity Contribution Received:</b>				
Ministry of Finance (MoF)	20,000,000	28,000,000	-	-
<b>Remuneration:</b>				
Pema Wangdi	-	-	1,267,300	1,450,283
<b>Directors' Sitting Fees/ Honorarium:</b>				
Loday Tsheten			35,000	20,000
Kinley Tshering	-	-	20,000	20,000
Kuenga Namgay	-	-	35,000	10,000
Thinlay Palden			10,000	20,000
Pema Wangdi	-	-	35,000	20,000
Kezang Choden	-	-	17,500	2,500
Yeshey Dhendup	-	-	2,500	-
Ugyen Dema	-	-	2,500	2,500

In terms of our report of even date

**For R. Bose & Associates**

(Chartered Accountants)

FRN No.: 0322734E

**DEBNARAYAN BISWAS (PARTNER)**

Membership No.: 061715

Place: Paro, Bhutan

Date: 10.04.2020

**On behalf of the Board**

**Chairman**                      **Chief Executive Officer**

**RURAL ENTERPRISE DEVELOPMENT CORPORATION LIMITED**  
**Statement of Changes in Equity for the year ended 31st December 2019**

(All figures in Bhutanese Ngultrums unless otherwise stated)

<b>Particulars</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Capital Reserve</b>	<b>Total Shareholders' Equity</b>
<b>Balance as at 1 January 2018</b>	<b>260,296,000</b>	<b>(36,705,823)</b>	<b>6,820,252</b>	<b>144,309,624</b>
Issue of Share Capital	28,000,000	-	-	28,000,000
Profit/(Loss) After Tax	-	(26,819,298)	-	(26,819,298)
Capital Reserve on transfer of assets & liabilities from BOIC	-	-	-	-
Revolving Fund II on account of handing taking from BOIC	142,239,000	-	-	142,239,000
<b>Balance as at 31 December 2018</b>	<b>430,535,000</b>	<b>(63,525,121)</b>	<b>6,820,252</b>	<b>373,830,131</b>
<b>Particulars</b>	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Capital Reserve</b>	<b>Total Shareholders' Equity</b>
<b>Balance as at 1 January 2019</b>	<b>430,535,000</b>	<b>(63,525,121)</b>	<b>6,820,252</b>	<b>373,830,131</b>
Issue of Share Capital	20,000,000	-	-	20,000,000
Profit/(Loss) After Tax	-	(22,920,367)	-	(22,920,367)
Capital Reserve on transfer of assets & liabilities from BOiC	-	-	174,274	174,274
Revolving Fund II on account of handing taking from BOiC	80,000,000	-	-	80,000,000
<b>Balance as at 31 December 2019</b>	<b>530,535,000</b>	<b>(86,445,488)</b>	<b>6,994,526</b>	<b>451,084,038</b>

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: Paro, Bhutan

Date: 10.04.2020

**Chairman**

**Chief Executive Officer**

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

<b>Ratios</b>	<b>Basis</b>	<b>2019</b>	<b>2018</b>
Earnings per share	(Profit After Tax/ No. of shares issued)	-7.64	-8.94
Net Profit Ratio	(Net Profit/ Turnover)	-1.51	-2.67
Return on Assets	(Net Profit/ Total Assets)	-0.05	-0.07
Return on Equity	(Net Profit/ Owner's Equity)	-0.04	-0.06
Current Ratio	(Current Asset/ Current Liability)	5.12	5.73
Employee Remuneration to Sales Ratio	(Personnel Costs /Turnover)	1.19	1.81
Fixed Assets Turnover Ratio	(Property, Plant & Equipment / Turnover)	0.41	0.63

