

ANNUAL REPORT 2023



Koufuku

A  Company

KOUFUKU INTERNATIONAL
LIMITED

TABLE OF CONTENT

<i>THE YEAR IN REVIEW.....</i>	<i>3</i>
<i>COMPANY PROFILE.....</i>	<i>6</i>
<i>BOARD OF DIRECTORS.....</i>	<i>9</i>
<i>MANAGEMENT TEAM.....</i>	<i>11</i>
<i>DIRECTOR'S REPORT.....</i>	<i>12</i>
<i>CORPORATE GOVERNANCE REPORT.....</i>	<i>18</i>
<i>INDEPENDENT AUDITOR'S REPORT.....</i>	<i>21</i>

THE YEAR IN REVIEW

The year 2023 has been a landmark year for Koufuku International Limited (KIL), marking a period of significant achievement despite numerous operational challenges. For the first time since our establishment in 2015, the company recorded a positive Profit After Tax (PAT) of Nu. 1.77 million. Our revenue saw an impressive growth of 19.5%, increasing from Nu. 84.51 million in 2022 to Nu. 101.03 million in 2023. Additionally, we successfully managed to reduce our actual expenditures by 13% from the planned expenditures of Nu. 112.29 million. This financial discipline and growth underscore our resilience and strategic effectiveness in navigating the complexities of our business environment.

These achievements were made possible through the timely guidance from the esteemed KIL Board, the assistance of our stakeholders, and the hard work and commitment of all KIL employees. Notably, our signature product, 'Druk Zambala Processed Cheese,' accounted for 95% of our total revenue, amounting to Nu. 113.93 million, reflecting a 17% growth. Since our formal operations in 2015, KIL has played a pivotal role in enabling farmers to generate a total income of Nu. 167.84 million through the sale of milk, with Nu. 40.98 million in 2023 alone. Furthermore, milk supply by the Farmers' Groups to KIL increased from 1061.13 MT in 2022 to 1108 MT in 2023, representing a 4% growth.

Despite these positive developments, KIL has faced persistent challenges such as frequent breakdowns of machinery and equipment, lack of critical spare parts and technical expertise for repairs, high operational costs, cross-contamination, and delayed bloating of Gouda and Processed Cheese. However, proactive measures have been implemented by the KIL Management for timely intervention and mitigation in accordance with the Risk Management framework for 2023, in close coordination and collaboration with the Board and other stakeholders.

Looking ahead to 2024, we anticipate improved performance in terms of production, revenue, expenditure, and other key performance indicators outlined in the Compact 2024. Achieving these targets will pose a significant challenge for the KIL team, and we are determined to work with renewed enthusiasm and energy to meet them, supported by the Board and other stakeholders.

We will be developing cost optimization strategies and action plans to address the high operational costs that have impacted our financial performance. Additionally, we will focus on preventive maintenance of our plant and equipment by stocking critical spare parts and ensuring timely maintenance through effective collaboration with maintenance service providers from India.

This proactive approach aims to minimize plant downtime while maintaining production levels. Additionally, we will enhance our in-house capacity through attachment programs with service providers, enabling us to conduct similar timely maintenance independently within the next 1-2 years.

Finally, we extend our heartfelt gratitude to the KIL Board, DHI, relevant stakeholders, business partners, and customers for their unwavering support and assistance in our endeavour to elevate KIL to greater heights.

Thanking you

Sincerely

A handwritten signature in black ink, appearing to read 'throwa tenzin', written in a cursive style.

Throwa Tenzin
Chief Executive Officer

THE YEAR IN PICTURE



Joining of New Chief Executive Officer, 22nd September, 2023



Annual Rimdro, 2nd December 2023

COMPANY PROFILE

Koufuku International Limited (KIL) is a Dairy Processing Company established in 2012 through a Joint Venture between Druk Holding and Investments (DHI) and its Japanese partner, Shin Nippon Biotech Laboratories (SNBL), with shareholding patterns of 30% and 70% respectively. Located in Chenangri, Trashigang, KIL sources its primary input, milk, from farmers in Eastern Bhutan. Originally launched with Gouda production in March 2015, utilizing 500 liters of milk daily from Trashigang Dzongkhag farmers, KIL initially targeted Gouda Cheese exports to Japan.

Expanding its product range, KIL introduced Processed Cheese, with its flagship brand 'Druk Zambala Cheese' in 2019, now contributing over 90% of revenues. Presently, KIL's offerings include Gouda Cheese, Processed Cheese, Yogurt, Curd, Pasteurized Butter, and Cottage Cheese, distributed nationwide through distributors and retailers.

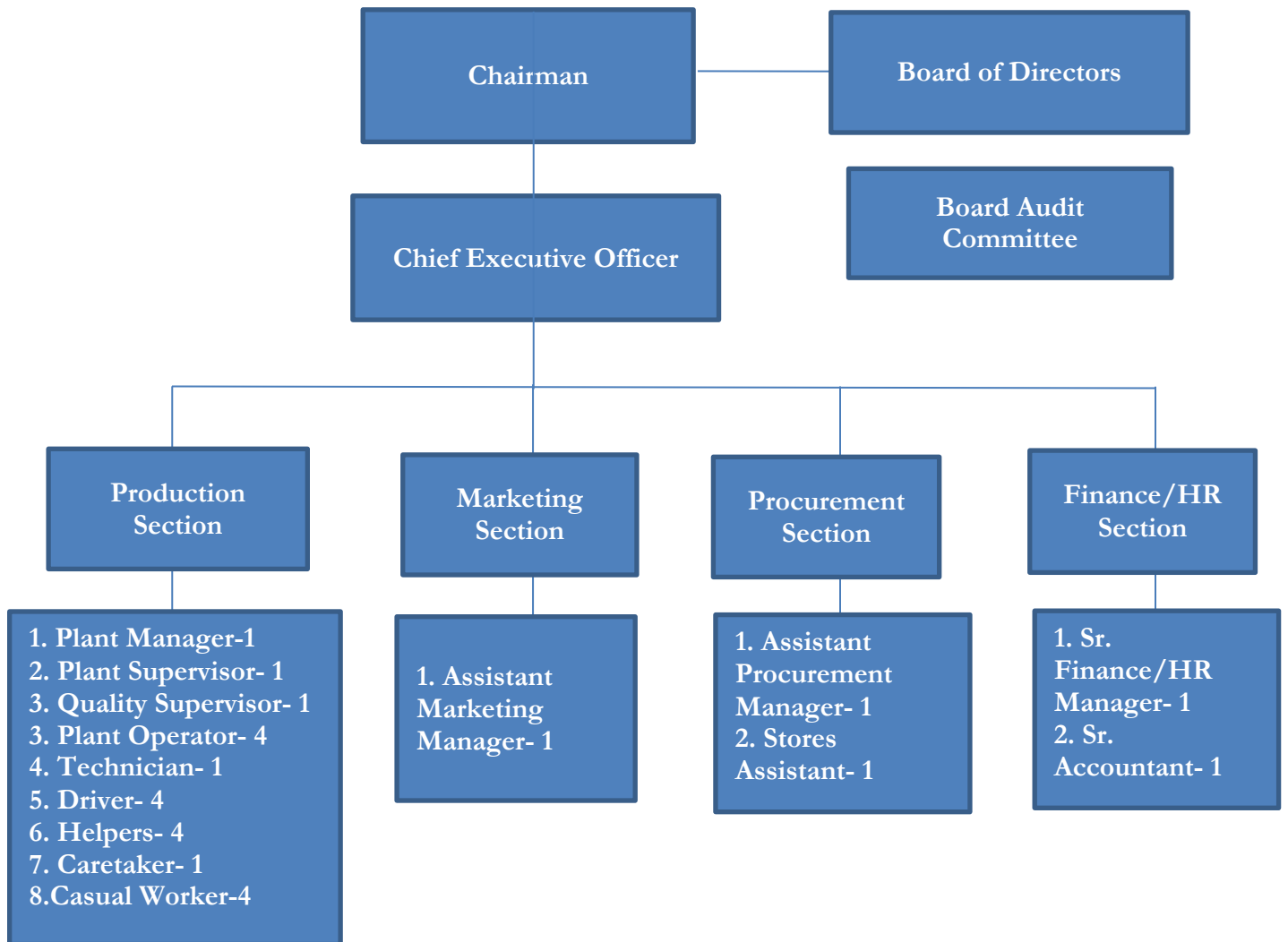
In 2017, KIL became the first Dairy Company in Bhutan to receive ISO certification, recognizing its food safety practices. The Company employs 29 officials, including plant staff. Furthermore, in January 2020, KIL transitioned to being solely owned by DHI following SNBL's exit from the Joint Venture business.

KIL plays a vital role in value addition to primary raw milk in the dairy value chain. Currently, it collaborates with 16 Milk Groups, comprising 1004 micro-farms/households across four Dzongkhags of Trashigang, Mongar, Trashiyangtse, and Samdrup Jongkhar) for raw milk supply to the plant. As such, driven by its commitment to enhancing rural livelihoods, the company has facilitated dairy farmers in earning a total income of Nu. 167.84 million since its formal operations began in 2015 up to 2023 through the sale of milk.

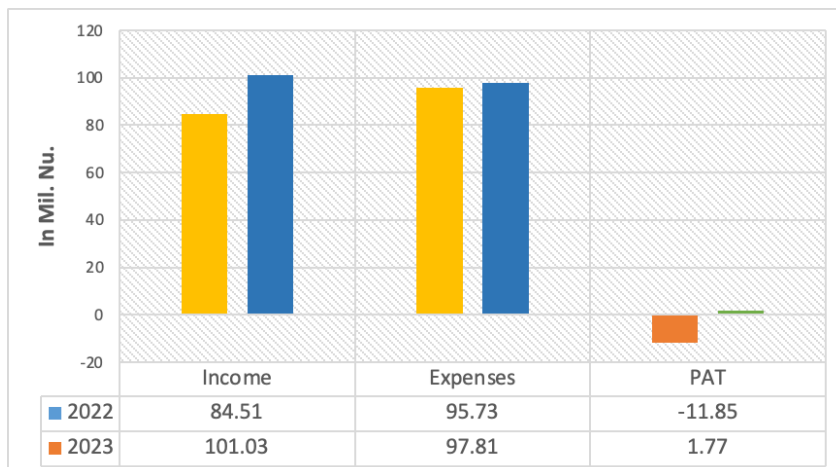
VISION, MISSION AND VALUES



ORGANIZATIONAL STRUCTURE



FINANCIAL PERFORMANCE (2022-2023)



KIL BOARD OF DIRECTORS' PORTFOLIO

Dr. Tashi Yangzome Dorji, Chairperson



Dr. Tashi Yangzome Dorji, appointed Chairperson of Koufuku International Limited (KIL) in March 2021, brings over 26 years of experience in Bhutan's government and international agencies. She began as a Veterinarian, served as Program Director for the National Biodiversity Centre, and currently directs the Department of Livestock. She holds an MSc. in Wild Animal Health from the Royal Veterinary College, University of London, and a BVM&S from Murdoch University, Perth.

Mr. Nim Tshering, Director



Mr. Nim Tshering, appointed Deputy Chamberlain by His Majesty The King in November 2020. He served as Principal Secretary to the Second Prime Minister and as Chief Program Officer at the Prime Minister's Office. Currently, he heads the Queen's Project Office at His Majesty's Secretariat. He holds a Master of Business (Public Relations) from Queensland University of Technology and a Postgraduate Certificate in Development Management from the Royal Institute of Management.

Mr. Roshan Sharma, Director



Mr. Roshan Sharma holds an Engineering Degree in Computers from Netaji Subhas Institute of Technology, India and a Master's in Business Administration from Amity University, Noida, India. With 20 years of experience, he has worked with organizations including the Royal Monetary Authority of Bhutan, UNICEF, Huawei Technologies Pvt. Limited, MONUSCO (D.R Congo, UN Peacekeeping), and Selise Pvt. Ltd Bhutan. Currently, he serves as the CEO of Crawfish Himalayan Ltd.

Mr. Tashi Penjor, Director



Mr. Tashi Penjor, appointed Board Director of Koufuku International Limited (KIL) in March 2021, serves as the Director for the Department of Human Settlement, Ministry of Infrastructure and Transport. With more than 20 years of experience, he specializes in human settlement policies, land-use planning, and community development projects. Tashi holds a Master of Urban Design from the University of New South Wales, Sydney, Australia, and a Bachelor of Architecture from the National Institute of Technology, Tiruchirappalli, India.

Mr. Throwa Tenzin, Chief Executive Officer



Mr. Throwa Tenzin is the Chief Executive Officer of the Koufuku International Limited since September 2023. He has an MA in Economics from University of Pune, India. He served in the Royal Government of Bhutan for about 20 years. He last served as Chief Industries Officer, Foreign Direct Investment Division, Department of Industry under the erstwhile Ministry of Economic Affairs.

MANAGEMENT TEAM

Mr. Throwa Tenzin, Chief Executive Officer



Mr. Throwa Tenzin is the Chief Executive Officer of the Koufuku International Limited since September 2023. He has an MA in Economics from University of Pune, India. He served in the Royal Government of Bhutan for about 20 years. He last served as Chief Industries Officer, Foreign Direct Investment Division, Department of Industry under the erstwhile Ministry of Economic Affairs.

Mr. Gyem Tshering, HR/Finance Manager



Mr. Gyem Tshering, as the Human Resources officer, leads the planning, development, and execution of the company's people strategy to support its business goals and People First Culture. He oversees KIL's financial operations and develops strategies for profitable growth. Gyem holds a Bachelor's Degree in Commerce from Royal Thimphu College, Bhutan.

Mr. Younten Tshering, Assistant Marketing Manager



Mr. Younten Tshering leads the marketing, sales, and commercial efforts, overseeing strategy development, market research, and maintaining distributor relations since 2019. Utilizing his IT skills, he creates media packs and edits sales materials. He holds a BBA in Marketing from Gedu College of Business Studies.

Mr. Kunzang Chophel, Assistant Procurement Manager



Mr. Kunzang Chophel holds a Bachelor of Commerce with a major in Finance from Gedu College of Business Studies. He currently serves as the Assistant Procurement Manager at Koufuku International Ltd since May 1, 2020, where he oversees the procurement section for KIL.

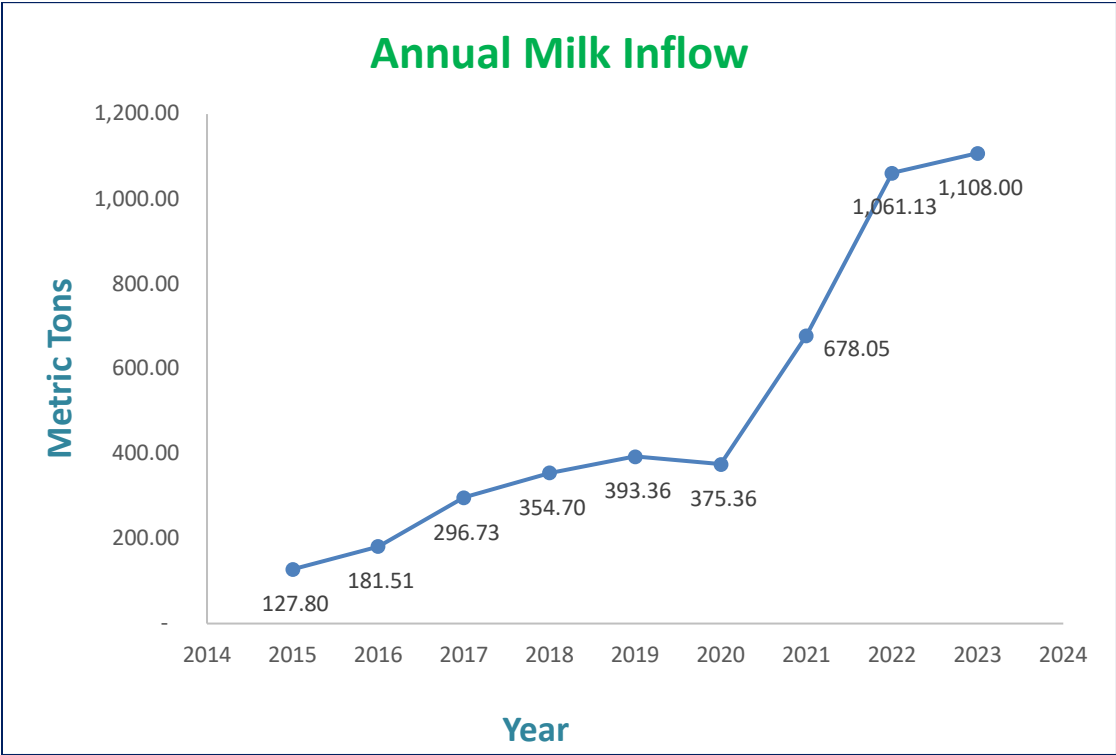
DIRECTOR'S REPORT

INTRODUCTION

On behalf of the KIL Board and Management, I extend a warm welcome to Dasho Chair & Board Directors, DHI and officials from the Corporate Performance Department to the 12th Annual General Meeting of Koufuku International Limited. I am pleased to present the company's performance for the period from January 1st, 2023 to December 31st, 2023.

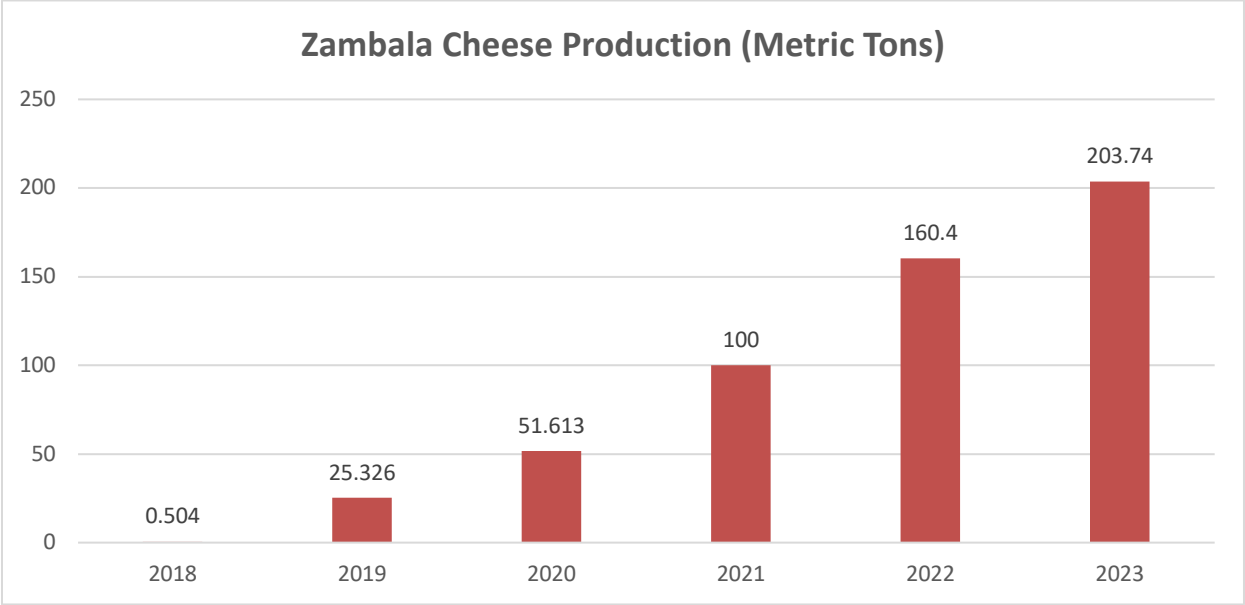
OPERATIONAL HIGHLIGHTS

Despite facing over 8 years of unprecedented challenges and issues, 2023 brought about a renewed spirit of hope and optimism for KIL and the dairy industry as a whole. KIL reached a remarkable milestone by establishing a new benchmark in its financial performance. The audited report for 2023 reveals a substantial profit of Nu.1.77 million reflecting the resilience and hard work of our dedicated team.



A key factor contributing to our success is the substantial increase in milk procurement, with the company acquiring 1,108 metric tons of milk during the year. This surge, compared to the 1,061.113 metric tons collected in 2022, reflects an impressive growth of 4.43% in milk acquisition. This

increase not only denotes an expansion in our operational capacity but also highlights the growing trust and active participation of our valued stakeholders in the dairy ecosystem.

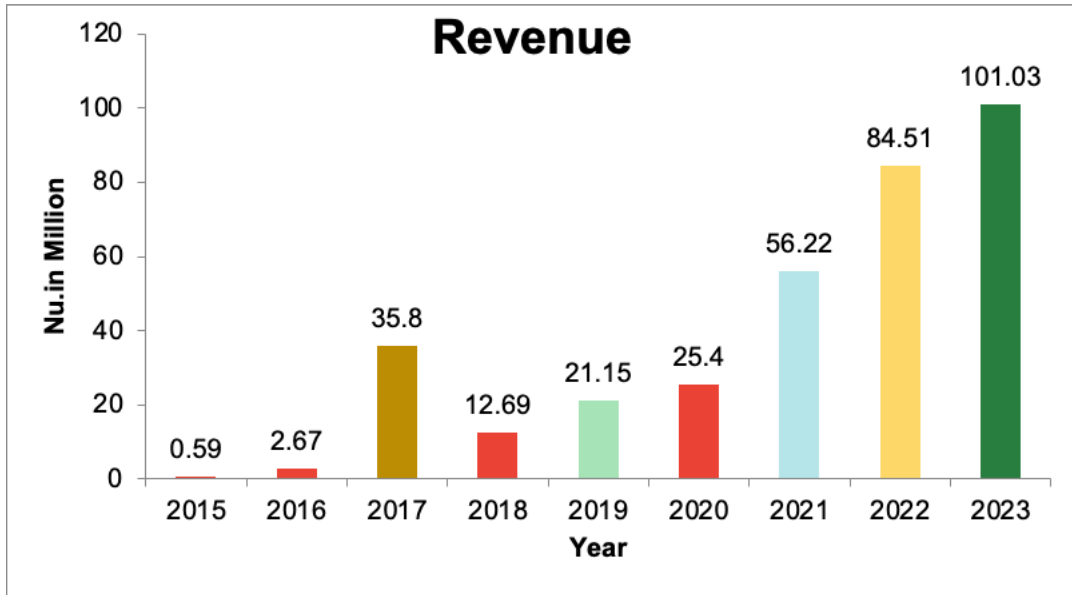


The production of Zambala Processed Cheese also experienced a notable upswing, escalating from 160.4 metric tons in 2022 to 203.74 metric tons in 2023. This represents a remarkable 27% increase in Zambala Cheese Production. It serves as evidence of KIL's pivotal role in substituting imported processed cheese within the country, achieved through close collaboration with key stakeholders in the dairy ecosystem. Notably, we have secured at least a 14% share of the total market for processed cheese in the country.

FINANCIAL HIGHLIGHTS

Revenue:

In 2023, the company achieved a turnover of Nu.101.03 million, marking a significant increase from Nu.84.51 million in 2022, an impressive growth of 19.54%. Despite this notable achievement, it fell short of reaching its annual target of Nu. 113.57 million. Noteworthy is that more than 95% of the revenue was generated from Zambala Processed Cheese sales, with the remaining 5 % attributed to other products such as yogurt, butter, and cottage cheese. The revenue trend since the establishment of the company in 2015 is illustrated in the figure below.



Expenditure:

In 2023, the company's expenditure amounted to Nu. 97.81 million, showcasing a 2.17% increase compared to the Nu. 95.73 million reported in 2022. This increase is due to the rise in raw material consumption, particularly in the case of milk and other ingredients. Depreciation and finance expenses remained consistent with the previous year, 2022. Nevertheless, there was a notable reduction in operational and employee costs during the year.

Profit after Tax (PAT)

In terms of PAT performance, the company has achieved a remarkable Nu. 1.77 million, surpassing its annual target of Nu. 0.89 million by an impressive 99%. This substantial overachievement is primarily credited to enhanced operational efficiency resulting from the rigorous implementation of cost-cutting measures and optimization. This stands in stark contrast to the substantial loss of Nu. 11.85 million incurred in 2022. Consequently, there has been a notable reduction in both operational and employee costs throughout the year. This achievement marks a significant milestone for KIL, setting a new benchmark in its financial performance with a PAT of Nu. 1.77 million.

Marketing & Sales Highlights

KIL effectively expanded its presence into new geographic markets, encompassing Lhuentse, Bumthang, Dagana, and Zhemgang Dzongkhags. Additionally, a comprehensive brand awareness campaign was initiated, leading to a notable 20% surge in brand recognition. This encompassed strategic sponsorships of significant events like the educational show "Rangi Ngotak" and collaborations with influencers to amplify brand visibility and reach. The Market Analysis Study was carried out to analyze KIL product accessibility in the market and assess brand awareness.

AUDIT HIGHLIGHTS

Statutory Audit

Based on the appointment made by RAA, M/s Dilli Yok & Associates (Chartered Accountants) Thimphu, Bhutan audits the books of the company for the FY 2023. The management is pleased to inform that there is no qualified report for FY 2023. There was no qualified opinion by the Auditors for FY 2023.

Royal Audit Authority

The Royal Audit Authority audited the books of accounts of KIL, covering FY 2022 in June 2023 and there were no major observations.

CORPORATE GOVERNANCE

KIL has consistently operated in accordance with established Corporate Governance principles, demonstrating a commitment to upholding ethical values throughout its business operations. Furthermore, the company ensures that all aspects of its business activities comply with relevant statutory requirements, reflecting a dedication to meeting legal obligations and maintaining a responsible and compliant operational framework.

COMPLIANCE

The Company has diligently ensured compliance with all applicable laws and regulations within the country to the best of its knowledge for its operations. KIL has successfully met the requirements of ISO/BAFRA [GHP/GMP] during recertification and obtained a renewed ISO 22000:2018 FSMS certificate, valid until 2026.

CORPORATE SOCIAL RESPONSIBILITIES

- The company, driven by its commitment to enhancing rural livelihoods, facilitated dairy farmers in earning Nu. 40.98 million from milk sales to KIL in 2023, compared to Nu. 37.93 million in 2022.
- Additionally, an income of Nu.3.84 million was generated by engaging vehicles owned by the farmers/dairy groups in collecting milk from various collection points.
- Since its formal operations commenced in 2015 up to 2023, KIL has played a pivotal role in enabling farmers to generate a total income of Nu. 167.84 million through the sale of milk.

- KIL's positive impact was evident in the linkages with 16 grassroots community/dairy groups in Trashigang, Trashy Yangtse, Mongar, and Samdrup Jongkhar Dzongkhags during the year.
- A noteworthy achievement includes providing an opportunity for a total of 1004 households to market their milk to the Koufuku Dairy Processing Plant.
- The company contributed significantly to rural livelihoods by generating direct employment for 8 milk collectors/transporters, deployed to collect and transport milk from the farmers.

KEY CHALLENGES

- **High landing price of Milk:** The present landing price for raw milk stands at approximately Nu. 45/liter, whereas farmers receive only Nu. 37/liter. This elevated landing price is primarily attributed to the substantial transportation costs due to the use of large milk tankers for fetching relatively small quantities of milk, owing to the absence of smaller tankers.
- **Non-availability of technical experts and spare parts:** Technical expertise for major maintenance of equipment is not available coupled by the time consuming in exploring spare parts. This is due to the equipment being manufactured a decade ago.
- **Unsuitable Plant Layout:** The processing of Gouda, processed cheese, and yogurt occurs within the same facility. The present layout not only falls short of recommended standards but also significantly contributes to cross-contamination, leading to compromised quality and increased waste and recalls.
- **Aging Machines and equipment:** There is a significant risk of machine breakdown and resulting in the downtime of the plant due to the old machines and equipment.

OUTLOOK FOR 2024

- KIL envisions a positive trajectory for 2024, leveraging successes and strategies from previous years.
- To ensure seamless production and uphold product quality, the plant is placing a strong emphasis on preventive maintenance of its equipment, supported by comprehensive Annual Maintenance Contracts. These contracts ensure three periodic maintenances of the aging machinery and equipment, including the replacement of critical spare parts.


- In order to optimize the high landing price of milk, the company is deploying smaller tankers to longer-distance milk collection centers. Additionally, there is a focus on preventive maintenance of tankers to reduce maintenance costs.
- Additionally, there is a strategic focus on increasing milk intake from local dairy farmers to meet rising demand by fostering positive relationships with them. This approach aligns with the company's commitment to sustainable and mutually beneficial partnerships within the dairy ecosystem.
- The company is committed to expanding its market presence by venturing into new markets and improving the distribution network for Koufuku products.
- The company will establish separate production lines for processing Gouda and processed cheese, significantly reducing cross-contamination. This initiative will lead to improved quality and decreased waste and product recalls.
- KIL Upgradation/Expansion is anticipated in 2024 with funding support from the CARLEP project (Nu. 77 million), aiming to reduce the risk of machine breakdown due to aging machinery and equipment.
- These strategic initiatives are anticipated to significantly contribute to KIL's financial success, aiding the company in meeting its financial targets and achieving its Profit After Tax (PAT) goals.

ACKNOWLEDGEMENT

The Board of Koufuku International Limited extends its sincere appreciation to Druk Holding & Investments, the Department of Livestock and Livestock Sectors in Trashigang, Mongar, Trashi Yangtse, and Samdrup Jongkhar, RLDC Kanglung, Project Office, CARLEP, Wengkhar, BFDA, and all other stakeholders for their continued support. Furthermore, I would like to express our deep gratitude for the contributions made by all board directors. Their invaluable insights and dedication have significantly enriched the wisdom of the Koufuku International Board, playing a pivotal role in the company's success.

Tashi Delek

For and on behalf of KIL Board



(Dr. Tashi Yangzome Dorji)
Chairperson, KIL Board

CORPORATE GOVERNANCE

CONSTITUTION OF THE BOARD

As per the approval of the Annual General Meeting (AGM), the following senior officials have been appointed as the Board of Directors for the Koufuku International Limited (KIL).

Sl. No.	Board of Directors	Category	Address	Tenure/Appointment
1	Dr. Tashi Yangzome Dorji	Chairperson	Director, DoL, MoAL	Re-appointed on 16 th March, 2023
2	Mr. Nim Tshering	Board Director	Zimpon Wom, OGZ	
3	Mr. Tashi Penjor	Board Director	Director, DHS, MoIT	
4	Mr. Roshan Sharma	Board Director	CEO, Crawfish Himalayan Limited	
5	Mr. Throwa Tenzin	CEO	Koufuku International Limited	Appointed on 1 st Sept, 2023

BOARD MEETINGS

Board Meeting No.	Date	Members Present	Leave of Absence
46	24 th January, 2023	Mr. Nim Tshering Mr. Tashi Penjor Mr. Roshan Sharma	Dr. Tashi Yangzome Dorji
50	9 th march, 2023	Dr. Tashi Yangzome Dorji Mr. Nim Tshering Mr. Tashi Penjor Mr. Roshan Sharma	None
51	8 th September, 2023	Dr. Tashi Yangzome Dorji Mr. Nim Tshering Mr. Tashi Penjor Mr. Roshan Sharma	None
52	22 nd November, 2023	Dr. Tashi Yangzome Dorji Mr. Nim Tshering Mr. Tashi Penjor Mr. Roshan Sharma	None

BOARD REMUNERATION

As per the CG standards, the board directors are entitled for certain remuneration for every board meeting as sitting fees. The details of the remunerations paid for the board directors:

	2023	2022
Chief Executive Officer		
Salaries	513,750.00	945,000.00
Contribution to Provident Fund	69,750.00	141,756.00
Leave Encashment & LTC	30,500.00	76,469.00
Allowances	458,550.00	708,756.00
Board Sitting Fees	24,000.00	48,000.00
Travelling expenses	58,500.00	195,000.00
Total	1,155,050.00	2,114,981.00
Remuneration for Directors		
Non-Executive Directors		
Board sitting fees	266,000.00	152,000.00

ANNUAL GENERAL MEETING (AGM)

The 12th AGM for the financial year ended 2023 was convened on 15th March 2024 in the DHI Board Room. The following agenda were deliberated during the 12th AGM.

Agenda 12.1	Welcome and adoption of Agenda
Agenda 12.2	Ratification and Adoption of the Minutes of 11 th Annual General Meeting
Agenda 12.3	Directors' Report
Agenda 12.4	Consideration of Audited Accounts for the financial year ended 31 st December 2023 along with Auditor's Report
Agenda 12.5	Declaration of Dividend, if any
Agenda 12.6	Review and Assessment of Annual Compact 2023
Agenda 12.7	Appointment and Retirement of Directors
Agenda 12.8	Remuneration of the Chief Executive Officers and Directors
Agenda 12.9	Appointment and Fixing the Remuneration of Auditors
Agenda 12.10	Any other Business

RISK MANAGEMENT SYSTEM

The KIL Risk management framework was implemented in 2023. A risk register template was developed and distributed by DHI to the DHI Companies to encourage enterprise risk management

within the company. KIL has assigned and designated a Risk Officer who is assigned to compile a risk report for management's information and action.

Sl. No.	Identified Risk	Mitigation Measures	Risk Owner
1	Frequent break down of the existing old machineries and equipment	<ul style="list-style-type: none"> Daily checking of the machines Minor Maintenance of the machines Source critical components of the machines 	Head, Production section
2	No Reliability, accessibility and poor quality of product or services	<ul style="list-style-type: none"> Perform quality control of products through basic laboratory tests Quality check by marketing official before dispatching 	Head, Marketing section
3	Supplier failing to meet delivery schedules and quality standards of the raw materials	<ul style="list-style-type: none"> Constantly following up with the suppliers and working collaboratively to address issues 	Head, Procurement section
4	Delay in credit recovery from customers within stipulated time	<ul style="list-style-type: none"> Timely follow up with customers 	Head, Marketing section
5	Dead Stock of finished goods	<ul style="list-style-type: none"> Monthly Inventory Verification 	Head, Marketing section

POLICIES AND PRACTICE OF CEO AND BOARD EVALUATION

The evaluation of CEO and the Board is coordinated and carried out by DHI as per their guidelines.

INDEPENDENT AUDITOR'S REPORT

DILLI YOK
&
ASSOCIATES
(CHARTERED ACCOUNTANTS)

Third Floor, JoJo's Building, Thimphu, Bhutan

Email: cabhutan@yahoo.com / cabhutan@gmail.com

Contact No: +975-17258738 / +97577849148

**AUDIT REPORT ON THE
FINANCIAL STATEMENTS OF
KOUFUKU INTERNATIONAL
LIMITED**

PERIOD: JANUARY 1, 2023 to DECEMBER 31, 2023

March 2024

TITLE SHEET

Title	:	Audit Report on the financial Statements of Koufuku International Limited
AIN:		
Head of the Agency	:	Dr. Tashi Yangzome Dorji (Chairperson), KIL Board Mr. Throwa Tenzin (Chief Executive Officer), KIL
Finance Personnel	:	Mr. Gyem Tshering (Sr. Manager. Finance & HR Manager) CID No. 11211000245
Period Audited	:	Jan. 1, 2023 - Dec. 31, 2023
Schedule of Audit	:	Planning: Jan. 10-22 Jan 2024 Actual: 11Jan - 23 Jan 2024 Reporting: March, 2024
Composition of Audit Team	:	<u>Team Leader:</u> 1. CA Dilli Ram Bista CID No. 11810002939 2. Yok Bahadur Karki CID No. 10302003793 <u>Team Members:</u> 1. Passang Tobgay CID No. 11505002480 2. Anu Pradhan CID No.10311001523 3. Deki Peldon CID No. 10715001233 4. Dorji Wangmo CID No. 1151200550
Supervising Officer	:	Yok Bahadur Karki, Managing Partner
Engagement Letter	:	RAA(SA-44)/COAD/2023/797 dated 6 November 2023
Focal Person	:	CA Dilli Ram Bista Email: cabhutan@yahoo.com Phone: 17258738/17420185

Contents

INDEPENDENT AUDITOR'S REPORT	1
REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS	6
FINANCIAL STATEMENTS	11
ACCOUNTING POLICIES	16
NOTES TO ACCOUNTS.....	24
RATIO ANALYSIS	33
COMPLIANCE CALENDAR AND CHECKLIST	35
MANAGEMENT APPRAISAL REPORT	39
PRIOR YEAR AUDIT FOLLOWUP REPORT	42

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

To
The Members
Koufuku International Limited
Trashigang, Bhutan

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of **Koufuku International Limited** (Company) which comprise the statement of Financial Position as at 31 December 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and statement of Cash flows for the year ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.



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 International Standards on Auditing and General Terms of Reference in Bhutan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's



report. However, future events or conditions may cause the Company to cease to continue as a going concern.

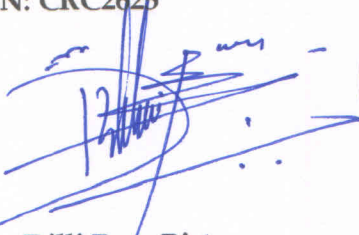
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Dilli Yok & Associates
Chartered Accountants
FRN: CRC2625



CA. Dilli Ram Bista
Membership No. 542831
Place: *Thimphu*
Date: *04/04/24*

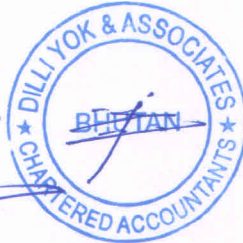
Report on Other Legal and Regulatory Requirements

As required by the section 266 of the Companies Act of Bhutan, 2016, we enclose in the *Appendix-II hereto* statement on the 'Minimum Audit Examination and Reporting Requirements' to the extent applicable.

As required by section 265 of the Companies Act of Bhutan, 2016, we report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- c) The statement of financial position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows dealt with in this report are in agreement with books of account.
- d) Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements.

For Dilli Yok & Associates
Chartered Accountants
FRN: CRC2526



CA. Dilli Ram Bista
Membership No. 542831
Place: *Thimphu*
Date: *2021/04/24*

**REPORT ON MINIMUM AUDIT EXAMINATION
REQUIREMENTS**

KOUFUKU INTERNATIONAL LIMITED
Appendix II
Report on 'Minimum Audit Examination and Reporting Requirements'
(To the Extent Applicable)

As required under the "Minimum Audit Examination and Reporting Requirements" referred to in Section 266 of The Companies Act of Bhutan, 2016 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:

General:

- a) During the course of audit, we have not come across any instance of violation by the Company of the Corporate Governance Guidelines and Regulations.
- b) Generally, the governing board/authority pursued a prudent and sound financial management practice in managing the affairs of the company.
- c) The financial statements are prepared using the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).
- d) Proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.
- e) Adequate records as specified under Section 228 of the Companies Act of Bhutan 2016 have been maintained.
- f) We have not come across any non-compliance of mandatory obligations, social or otherwise, that have been entrusted to the Company.
- g) Amount of tax has been computed correctly and reflected in the financial statements for FY 2023.

In the case of a manufacturing, mining or processing company:

1. The Company has maintained Register of the property, plant & equipment and updated properly showing quantitative details and situation of fixed assets. Further the company has codified the assets. As explained to us, the property, plant & equipment have been physically verified by the management physical verification report has been provided to us & we have no comment on any discrepancies in verification of fixed assets.
2. None of the property, plant & equipment has been revalued during the year.
3. As explained to us the physical verification is being conducted weekly by the company for finished goods and monthly for stores, spares and raw materials.
4. The procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
5. No Material discrepancies were noticed in the physical stock and as per the books of account.
6. The company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. As per the Explanations, quantitative reconciliation is carried out at the end of accounting year in respect of all major items of inventories i.e., finished goods and raw materials



8. On our verification, no as such obsolete, damaged, slow moving and surplus inventories has been determined and No as such Provision in the books of Account had been made.
9. The company had not determined the obsolete and surplus inventories, so the question of disposal doesn't arise.
10. As per the explanation, approval of Board/appropriate authority is obtained for writing off amounts due to material loss/discrepancies in physical/book balances of inventories including finished goods and raw materials.
11. On the basis of our examination of stock records, we are of the opinion that the valuation of stock is fair and proper in accordance with the normally accepted accounting principles.
12. According to the information and explanations given to us the rate of interest and other terms and conditions of loans availed by the company are prima facie not prejudicial to the interest of the company.
13. The Company has not granted any loans, secured or unsecured, to other companies, firms, or other parties and/or to the companies under the same management during the year under our review, except advances granted to suppliers of raw materials in the normal course of business and to the officers/employees of the Company.
14. Advances given to staff are being recovered in the normal process. Interest free advances given to suppliers for purchasing materials are being adjusted in due course against the supply of materials.
15. The internal control of the company has improved to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner and to safeguard assets of the company as well as to ensure adherence to the rules/regulations, system and procedures.
16. There is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labor to jobs.
17. There is a system of competitive bidding commensurate with the size of the company and the nature of its business for the purchase of goods and services including stores, equipment and other assets.
18. (a) On the examination, the procurement and sales division have their own procedure to be followed. No such involvement of directors is been recorded nor found any other party/parties related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested have been made at prices, which are unreasonable 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 are recorded.
(b) Our examination reveals that, no transactions entered into by the company wherein the directors are directly or indirectly interested are prejudicial to the interest of the other shareholders and the company.
19. The expenses charged to the company accounts represent legitimate business expenses and no personal expenses are charged to the company.
20. As explained to us, there are no unserviceable or damaged stores or raw materials.
21. There is a reasonable system of ascertaining and identifying the point of occurrence of breakage/ damage in respect of raw materials, packing materials and finished goods but the amount is not material and the loss is being borne by the company only.
22. The company is not maintaining reasonable records for production of finished goods by-product; adequate physical safeguard exists to prevent unauthorized or irregular movement of goods from the company.



23. The company is maintaining a reasonable record of sales, saleable by-product and disposable scrap.
24. The company has been regular in depositing rates and taxes, provident fund and other statutory dues with appropriate authority.
25. The undisputed amount payable in respect of rates, taxes, duties, provident funds and statutory deductions payable at the last day of the financial year ending 31st December 2023 are as follows: -

Sl. No.	Particulars	Amount (in Nu)
1	TDS	80,967.45
2	Health Contribution	89,355.80
3	Salary Tax	48,425.00

26. The company has a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size and nature of its business.
27. The company fixes the price of its product (yogurt, butter, cheese etc.) after taking into account the cost of production and prevalent market conditions.
28. The Company has formulated a standard credit sales policy endorsed by the Board.
29. The Company has not appointed any commission agents for selling its products during the period under Audit.
30. In our opinion, there is a reasonable system for continuous follow-up with debtors and other parties for recovery of outstanding amounts. Also, age-wise analysis of outstanding amounts is carried out for management information and follow-up actions.
31. The management of liquid resources particularly cash/ bank balances and short-term deposits etc. are adequate and there are no such excessive amounts lying idle in non-interest-bearing accounts.
32. In our opinion and according to the information and explanations given to us, the activities carried out by the management are lawful and intra-vires to the Articles of Incorporation of the Company.
33. According to the information and explanations given to us investment decisions are made subject to prior approval of the Board. However, no investments in new projects have been made by the company during the year under audit.
34. The company has started the system of budgetary control.
35. The company is yet to introduce the system of standard costing. Hence carrying out variance analysis on the basis of standard costing is not applicable.
36. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the chief executive officer by the company directly or indirectly are disclosed in Notes on Accounts.
37. On the basis of our examination of minutes of the meetings of the Board of Directors, made available to us, the directive of the Board appears to have been complied with.
38. In our opinion and according to the information and explanation given to us the officials of the company have not transmitted any price sensitive information which is not made publicly available, un-authorized to their relatives/ friends/associates or close persons which would directly or indirectly benefit themselves.
39. The clause is not applicable.
40. As per the information and explanation given to us and based on our review of the lease agreement, we are of the opinion that the proper agreements are executed and the terms are reasonable.



Computerized Accounting Environment

- i. The company is maintaining its accounts in Tally System but the inventory records are maintained in Excel as well as in tally which needs improvement. We suggest integrated software should be used for recording of accounts, invoicing and inventory transactions.
- ii. Adequate safeguard measures and backup facilities exist and backups are taken at regular intervals.
- iii. There is no disaster recovery policy in the company.
- iv. The operational controls are not adequate to ensure correctness and validity of input data and output information.
- v. There is no adequate preventive measure to prevent unauthorized access over the computer installations and files.

GENERAL

1. Going Concern

On the basis of the Financial Statements as at 31 December 2023 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

2. Ratio Analysis (Annexure I)

Refer Exhibit I

3. Compliance with the Companies Act of Bhutan

According to the information and explanations given to us and based on the Compliance Checklist compiled by the Company, the Company has complied with the provisions of the Companies Act of Bhutan, 2016 except for the remarks/observations mentioned in the checklist therein.

4. Adherence to Laws, Rules and regulations

The audit of the company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examination and review of the Financial Statement as produced to us by the management.

In the course of the audit, we have considered the compliance of provisions of the said Companies Act, its Articles of Incorporation and applicable Bhutanese Accounting Standards and we are unable to state that the company has been complying with other applicable laws (other than the Companies Act of Bhutan, 2016), rules and regulation, systems, procedures and practices.

For Dilli Yok & Associates
Chartered Accountants
Firm Regn No.: CRC2625

CA Dilli Ram Bista
Membership No. 542831

Place: *Thimphu*

Date: *04/04/24*



FINANCIAL STATEMENTS

KOUFUKU INTERNATIONAL LIMITED
Statement Of Financial Position As At 31.12.23

	Notes	As at 31-12-2023	As at 31-12-2022
ASSETS			
Non-current assets			
Property, plant and equipment	1	51,065,095.31	58,406,236.01
Other Intangible assets		114,403.27	150,655.27
ROU Assets		163,674.14	172,767.15
Total non-current assets		51,343,172.72	58,729,658.43
Current assets			
Inventories	2	13,074,746.16	6,854,526.75
Trade and other receivables	3	11,932,153.31	16,953,056.11
Cash & cash equivalents	4	419,357.68	74,821.61
Total current assets		25,426,257.15	23,882,404.47
Total assets		76,769,429.87	82,612,062.90
EQUITY & LIABILITIES			
Equity			
Equity share capital	5	89,130,200.00	89,130,200.00
Retained earnings	6	(50,548,970.11)	(53,044,319.47)
Total equity		38,581,229.89	36,085,880.53
Liabilities			
Non-current liabilities			
Long term Borrowings	7	14,116,447.18	12,617,617.31
Employee benefit obligations	8	1,261,681.03	1,444,623.00
Deferred tax liability (net)	8A	5,102,404.36	3,658,572.11
Lease Liability		160,185.90	163,744.14
Total non-current liabilities		20,640,718.47	17,884,556.56
Current liabilities			
Short term Borrowings	9	9,368,878.01	12,239,270.68
Trade and other payables	10	6,447,912.72	13,958,432.21
Employee benefit obligations	11	535,080.87	1,567,278.93
Other current liabilities	12	1,195,609.91	876,643.98
Total current liabilities		17,547,481.51	28,641,625.80
Total liabilities		38,188,199.98	46,526,182.36
Total equity and liabilities		76,769,429.87	82,612,062.90

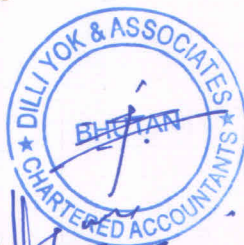
The above Statement of Financial Position should be read in conjunction with the accompanying notes.

For Dilli Yok & Associates

Chartered Accountants
Firm Regn. No.CRC2625

CA Dilli Ram Bista
Membership No.542831

Place: *Thimphu*
Date: *04/04/24*



For Koufuku International Ltd

(Dr. Tashi Yangzome Dorji)
Chairperson, KIL

(Throwa Tenzin)

Chief executive Officer

(Gyem Tshering)

Finance & HR Manager

KOUFUKU INTERNATIONAL LIMITED

Statement Of Comprehensive Income As At 31stDecember, 2023

Particulars	Notes	As at 31.12.23	As at 31.12.22
REVENUE			
Sales (Net of Discount)	13	100,919,531.50	84,159,637.09
Other Income	14	119,267.41	352,760.04
Total Revenue		101,038,798.91	84,512,397.13
EXPENDITURE			
(Increase)/Decrease in Finished Goods	15	(2,652,617.27)	(313,857.75)
Raw Material Consumed	16	63,084,839.10	52,949,332.58
Employees' Remuneration and Benefits	17	9,744,097.24	10,208,200.03
Operating and Other Expenses	18	17,532,918.35	22,862,394.94
Finance Costs	19	1,887,072.39	1,779,158.37
Depreciation and Amortization Expenses	1	8,220,785.70	8,246,386.97
Total Expenditure		97,817,095.51	95,731,615.14
Profit/(Loss) Before Tax		3,221,703.40	(11,219,218.01)
Current tax			-
Deferred tax	8A	1,443,832.25	631,642.65
Profit/(Loss) After Tax		1,777,871.15	(11,850,860.66)
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations	20	717,478.21	93,337.00
Total comprehensive income		2,495,349.36	(11,757,523.66)
Earnings per share			
- Basic and Diluted earnings per Share	21	1.99	(13.30)

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

For Dilli Yok & Associates

Chartered Accountants
Firm Regn. No. GRC2625

CA Dilli Ram Bista
Membership No. 542831
Place: *Thimphu*
Date: *04/04/24*



For Koufuku International Ltd

(Dr. Tashi Yangzome Dorji)
Chairperson, KIL

(Throwa Tenzin)
Chief Executive Officer

(Gyem Tshering)
Finance & HR Manager

Statement Of Cash Flow As At 31 st December, 2023		
Particulars	As at 31.12.2023	As at 31.12.2022
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net loss before Tax/ Operating loss	2,495,349.36	(11,757,523.66)
Add: Depreciation charged to Profit and Loss	8,220,785.70	8,246,387.06
Finance cost	1,887,072.39	1,779,158.37
Gain On remeasurement of Employee Benefit Obligation	(717,478.21)	-
(Increase)/Decrease in stock	(6,220,219.41)	(823,625.47)
(Increase)/Decrease in Trade and other receivables	5,020,902.80	1,622,091.54
Increase/(Decrease) in Current Liabilities	(8,223,751.62)	4,210,396.45
Long-term employee benefit obligation	(182,941.97)	771,147.18
Increase/(Decrease) in Non-current Liabilities	1,443,832.25	631,642.65
Net cash flow from operating activities	3,723,551.29	4,679,674.12
B. CASH FLOW FROM INVESTING ACTIVITIES		
(Increase)/Decrease in Other Tangibles Assets	-	(173,800.00)
(Increase)/Decrease in Property, Plant & Equipment	(834,300.00)	(4,845,569.81)
Net cash inflow/ (outflow) from investing activities	(834,300.00)	(5,019,369.81)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Share Capital	-	-
Increase/(Decrease) in Long Term Borrowings	1,498,829.87	826,704.61
Increase/(Decrease) in Short term borrowings	(2,152,914.46)	82,120.91
Payment of Interest	(1,887,072.39)	(1,779,158.37)
Repayment of lease Liability	(3,558.24)	(3,264.53)
Net cash inflow/ (outflow) from financing	(2,544,715.22)	(873,597.38)
Net Increase/ (Decrease) in Cash & Cash Equivalents	344,536.07	(1,213,293.07)
ADD: Opening Balance	74,821.61	1,288,114.68
Cash & Cash Equivalents as on 31.12.2023	419,357.68	74,821.61
Closing Cash Balance as on 31.12.2023	419,357.68	74,821.61

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

For Dilli Yok & Associates
Chartered Accountants
Firm Regn. No. CRC2526

CA Dilli Ram Bista
Membership No. 542831
Place: Thimphu
Date: 04/04/24



(Dr. Tashi Yangzome Dorji)
Chairperson, KIL

(Throwa Tenzin)
Chief Executive Officer, KIL

(Gyem Tshering)
Finance & HR Manager

Statement of Changes in Equity for the year ended 31st December 2023

	Ordinary Shares				Retained Earnings	Total
	No. of Shares (issued and fully paid up)	Par value per Share	Total Value of Shares	Total Value of Shares		
Balance as at 1 January 2022	891,302	100	89,130,200.00	89,130,200.00	(41,286,795.81)	47,843,404.19
Profit after income-tax					(11,850,860.66)	(11,850,860.66)
Other comprehensive income					93,337.00	93,337.00
Balance as at 31 December 2022	891,302.00	100	89,130,200.00	89,130,200.00	(53,044,319.47)	36,085,880.53
Balance as at 01.01. 2023	891,302.00	100.00	89,130,200.00	89,130,200.00	(53,044,319.47)	36,085,880.53
Profit after income-tax					1,777,871.15	1,777,871.15
Other comprehensive income					717,478.21	717,478.21
Balance As at 31.12.2023	891,302.00	100.00	89,130,200.00	89,130,200.00	(50,548,970.11)	38,581,229.89



ACCOUNTING POLICIES

Note -22: Significant Accounting Policy and Notes to Accounts

Preparation of Financial Statements in compliance with the Bhutanese Accounting Standards for Small & Medium Enterprises

Financial Statements have been prepared in compliance with the Bhutanese Accounting Standards.

I. Significant Accounting Policies

a) Basis of Presentation and Statement of Compliance

The financial statements present the company's balance sheet as at December 31, 2023. The financial statements of the company have been prepared in accordance with Bhutanese Accounting Standard.

b) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the historical cost convention and are based on assumptions of going concern, consistency and accrual basis in the Statement of Comprehensive Income, and the Cash Flow Statement.

c) Basic Financial Instruments

Debt assets and liabilities that have no stated interest rate and are classified as current assets or current liabilities have been measured at an undiscounted amount minus any repayments of the principal. Financial liability on account of bank borrowing is booked based on the effective interest rate charged by the bank. Loans and receivables have been recognized as basic financial instruments having fixed or determinable payments that are not quoted in an active market.

d) Inventories:

Inventories are valued at lower cost or net realizable value. The cost is measured using the first in first out method.

e) Property, Plant and Equipment

Property, Plant and Equipment are valued at cost less accumulated depreciation and any accumulated impairment losses. Major spare parts and stand-by equipment with expected life expectancy exceeding 12 months have been classified as Property, Plant and Equipment. Similarly, machine specific spare parts and servicing equipment have been capitalized and considered as addition to Property, Plant and Equipment instead of accounting as revenue expenditure.

f) Depreciation

As of the reporting date, the depreciation on Property, Plant and Equipment (PPE) is provided on a straight-line method as per the rates as per the Companies Act of Bhutan, 2016.



g) Intangible Assets

Acquired tally software is capitalized on the basis of the costs incurred to acquire and bring it to use the specific software.

h) Financial Assets

The company's current assets comprise 'inventories', 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet

i) Current Assets and Non - current assets

The company presents assets in the statement of financial position based on current/non - current classification.

Current Assets include:

- Trade and other receivable

Trade and other receivables are initially recognized at the fair value of the amounts to be received. They are presented as current assets.

- Inventories
- Cash and cash equivalent

Non-current includes PPE and other intangible assets.

j) Current Liabilities and Non - current liabilities

The company presents liabilities in the statement of financial position based on current/non-current classification.

Current liabilities include:

- Trade and other payables: Trade and other payables are initially recognized at the fair value of the amounts to be paid.
- Short term borrowings
- Non-current includes long term borrowings

k) Revenue Recognition

Sales are recognized when goods are supplied. Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and the revenue can be reliably measured after taking into account the amount of any trade discounts, prompt settlement discounts and volume rebates allowed. All amounts such as sales taxes, goods and services taxes and value added taxes etc. collected on behalf of third parties are excluded from sales.

l) Leases

The company assesses all lease contracts at inception whether it contains a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-to-use asset is recognized, and lease liability is recognized for all future lease payments. The standard provides exemption for short-term. less than 12 months and low value leases.



Initial Recognition and Measurement.

Lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments in the Statement of Financial Position.

Lessee measures right-of-use assets similarly to other non-financial assets (such as Property, Plant and Equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognizes amortization of the right-of-use asset and interest on the lease liability. Assets and liabilities arising from a lease are initially measured on a present value basis. The initial lease asset equals the lease liability in most cases.

A lease commencement, a lessee accounts for two elements:

I. Right-of-use asset: Initially, a right-of-use asset is measured in the amount of the lease liability and initial direct costs. Then it is adjusted by the lease payments made before or on commencement date, lease incentives received, and any estimate of dismantling and restoration costs.

II. Lease Liability: The lease liability is in fact all payments not paid at the commencement date discounted to present value using the interest rate implicit in the lease or incremental borrowing rate if the implicit rate cannot be determined. These payments may include fixed payments, variable payments, payments under residual value guarantees, purchase price if purchase option will be exercised.

Subsequent Measurement

After the commencement date, the lessee needs to adjust both elements recognized initially. Lessee accretes the lease liability to reflect interest and reduce the liability to reflect lease payments made. The subsequent measurement of right-of-use, the standard provides choice to adopt cost model or revaluation model, or fair value model. The company will do subsequent measurement based on the cost model for leases recognized.

Right-of-Use Asset: Lessee shall measure the right-of-use asset using a cost model under BAS 16-“Property, Plant and Equipment” and to depreciate the asset over the lease term on a straight-line basis. The resulted depreciation amount is charged to the Profit or Loss.

Lease Liability: Lessee shall recognize an interest on the lease liability and the lease payments are recognized as a deduction of the lease liability. Interest on lease liability is charged to the Profit or Loss.

BRFS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.



m) Impairment of Assets

The recoverable amount of cash generating units is compared against the carrying amount of such assets only in case where there is indication of any asset being impaired. Impairment of inventories is assessed by comparing the carrying amount with its selling price less costs to complete and sell.

n) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/ loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o) Foreign Currency Translation

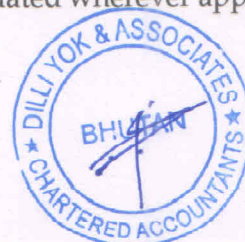
Bank Balance in Foreign Currency Account has been converted at the close of the year into Ngultrum at the rates of exchange prevailing on the closing date as per balance confirmation from Company's Bankers and the foreign exchange difference is dealt with in the accounts accordingly.

p) Post Balance Sheet Events

Material events occurring after Balance Sheet date are taken into consideration.

q) Comparative Information

Comparative information for prior years has been updated wherever applicable to provide a more appropriate basis for comparison.



r) Employee Benefits

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

i. Defined Contribution Plan (Pension and Provident Fund)

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to the Fund becomes due.

ii. Defined Benefit Plans (Gratuity)

In accordance with the DHI service rule, the company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the company. The company's net obligation in respect of the gratuity plan is calculated by estimating the number of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in profit or loss and invested in the form of deposits with financial institutions of Bhutan. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income and presented within equity.

iii. Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

iv. Earned Leave Encashment

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per DHI service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The company's net obligation in respect of the earned leave is calculated by



estimating the number of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and the amount of obligation is provided in profit or loss. The plan is unfunded.

II. Notes on Accounts

a) Koufuku International Limited was incorporated on 22nd December, 2011 with registration number U20111222TRA0292. The company based at Chenary, Trashigang is set up for manufacturing and marketing dairy related products.

b) In the year 2021, in its 9th AGM the KIL management and Board proposed for endorsement of restructuring the company ownership as per the companies Act 2016.

c) The authorized share capital of the company is Nu.300, 000,000 (300,000 equity shares @ Nu.100 each). The issued share capital is Nu. 89,130,200 (891,302 @ Nu. 100 each). The present shareholding of the company is summarized as:

Particulars	No. of Shares	Amount (Nu)	Percentage
Equity shares held by DHI	891,302	89,130,200	100%
Total			100%

d) All the statutory records and books of account are maintained at its registered office at Chenary, Trashigang, Bhutan.

e) The land occupied by the company was leased from the government covering 4.2 acres with an agreement to pay Nu.18, 295.20 per annum for a period of 30 years.

f) Current balance of Loans & Advances, Trade receivables and current liabilities are subject to confirmation, reconciliation and adjustments in this respect shall be carried out as and when amount thereof, if any, are ascertained

g) The company is mainly engaged in a single business segment of producing dairy related products.

h) Related Party Disclosures

Related parties and transactions with them as identified by the Management are given below:

- 1) Key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the company;
 - i. Dr. Tashi Yangzome Dorji, Director/DoL - Chairperson
 - ii. Mr. Nim Tshering, Zimpon Wogma/OGZ - Director
 - iii. Mr. Roshan Sharma, Associate Director/DHI - Director
 - iv. Mr. Tashi Penjor/ Director, DHS/ Director
- i) All financial instruments held are basic financial instruments. No financial asset or liability is being held that requires amortization against maturity amount. None of the financial assets has been considered as requiring impairment.



j) Auditor's Remuneration

Particulars	Amount (Nu.)	
	2023	2022
Audit fees	55,000	55,000

- k) Assessment carried out does not reveal any indication of any item of asset being impaired. Similarly, the exercise carried out does not reveal the carrying amount of any inventory to be higher than its selling price less costs to complete and sell.
- l) The company adopted BFRS 16 Leases by applying transition provision in accordance with paragraph C5 (b) giving effect of initially applying the standard as an adjustment to the opening balance of retained earnings at the date of initial application. Following are the related disclosures in terms of Leases for the financial year 2023

Particulars	Amount
Depreciation recognized during the year	9,093.01
Interest expense recognized during the year	14,736.97
Total cash outflow for leases	18,295.2

- m) Previous year figures have been regrouped or restated where ever necessary.



NOTES TO ACCOUNTS

Depreciation As Per Companies Act

2023	GROSS BLOCK					Depreciation		Net Block	
	1/1/2023	addition/ Deletion	12/31/2023	1/1/2023	Dep for the Year	12/31/2023	12/31/2023	12/31/2022	
Computer & Office Equipment	3,761,347.18	96,800.00	3,858,147.18	2,885,466.57	129,739.57	3,015,206.14	842,941.04	875,880.61	
Furniture & Fixture	1,241,764.14	38,000.00	1,279,764.14	817,759.20	130,485.82	948,245.02	331,519.12	424,004.94	
Vehicle	6,185,161.02	-	6,185,161.02	2,774,518.88	947,227.39	3,721,746.27	2,463,414.75	3,410,642.14	
Plant and Machinery	58,190,937.99	475,000.00	58,665,937.99	40,791,979.1	5,513,826.71	46,305,805.8	12,360,132.1	17,398,958.8	
Building	40,945,308.42	-	40,945,308.42	8,300,323.94	1,108,115.53	9,408,439.47	31,536,868.9	32,644,984.4	
Electrical Equipment	431,136.32	224,500.00	655,636.32	346,037.91	77,718.05	423,755.96	231,880.36	85,098.41	
Tools and Equipment	2,148,738.47	-	2,148,738.47	1,097,331.50	136,835.30	1,234,166.79	914,571.68	1,051,406.97	
Civil Structure	2,629,846.40	-	2,629,846.40	114,586.83	131,492.32	246,079.15	2,383,767.25	2,515,259.57	
Total	115,534,239.9 4	834,300.00 4	116,368,539.9 4	57,128,003.9 3	8,175,440.70 3	65,303,444.6 3	51,065,095.3 1	58,406,236.0 1	

Software	279,397.00	-	279,397.00	128,741.73	36,252.00	164,993.73	114,403.27	150,655.27
----------	------------	---	------------	------------	-----------	------------	------------	------------

Right of use asset-Land	181,860.16	-	181,860.16	9,093.01	9,093.01	18,186.02	163,674.14	172,767.15
-------------------------	------------	---	------------	----------	----------	-----------	------------	------------



Schedule Forming Parts of the Statement of Financial Position:

Particulars	12/31/2023	12/31/2022
NOTE 2: INVENTORIES		
Finished Goods		
a) Others (finished Goods)	1,591,632.31	876,510.56
b) Processed cheese	3,292,292.09	1,160,766.66
c) yogurt (Finished goods)	62,549.62	256,579.53
Raw Materials		
a) Detergents/Chemicals	300,714.32	153,825.04
b) Milk	-	17,945.16
c) Other Ingredients	663,812.12	510,294.84
d) Other Stock	-	14,400.00
e) Packaging Materials	1,941,264.28	2,495,051.27
f) Processed cheese Ingredients	5,222,481.42	1,369,153.69
Total	13,074,746.16	6,854,526.75

Particulars	12/31/2023	12/31/2022
NOTE 3: TRADE AND OTHER RECEIVABLES		
Trade Receivables		
Amounts due from Related Parties	-	246,010.16
Amounts due from other parties	13,512,112.91	18,045,441.39
Less: Allowance for Credit Loss	(2,576,555.09)	(2,338,632.00)
	10,935,557.82	15,952,819.55
Less: Allowance for Credit Loss		
Loans and Advances		
Advance to Suppliers	456,899.31	468,932.01
Advance to Staff	161,064.00	211,643.33
Travel Advance	-	(5,250.00)
Advance to Others	-	121,796.50
Advance TDS	249,245.98	184,819.52
Security Deposit (Land Lease)	18,295.20	18,295.20
Prepaid Expenses	111,091.00	-
	996,595.49	1,000,236.56
Total	11,932,153.31	16,953,056.11

Particulars	12/31/2023	12/31/2022
NOTE 4: CASH & CASH EQUIVALENTS		
Cash in Hand	132,340.00	33,752.00
With Scheduled Banks	287,017.68	41,069.61
Total	419,357.68	74,821.61



Particulars	12/31/2023	12/31/2022
NOTE 5: EQUITY FUND		
SHARE CAPITAL		
(i) AUTHORISED		
30,00,000 Equity Shares of Nu 100/- each (Previous Year 55,00,000 Equity Shares of Nu 100/- each)	300,000,000.00	300,000,000.00
(ii) ISSUED, SUBSCRIBED AND PAID-UP		
8,91,302 Equity Shares of Nu 100/- each, fully paid-up	89,130,200.00	89,130,200.00
Total Share Capital	89,130,200.00	89,130,200.00

Particulars	12/31/2023	12/31/2022
NOTE 6: RETAINED EARNINGS		
(i) Add: Balance brought forward from previous year	(53,044,319.47)	(41,301,647.40)
Adjustment to Opening Stock	-	-
(ii) Adjustment Lease	-	14,851.59
(ii) Profit/(Loss) After Tax	1,777,871.15	(11,850,860.66)
(iii) Add: Items of Other Comprehensive Income	717,478.21	93,337.00
Total Retained Earnings	(50,548,970.11)	(53,044,319.47)

Particulars	12/31/2023	12/31/2022
NOTE 7: LONG TERM BORROWINGS		
SECURED LOANS		
Advance from SNBL	619,228.81	619,228.81
Loan from NPPF	13,497,218.37	11,998,388.50
Total Long-Term Borrowings	14,116,447.18	12,617,617.31

Particulars	12/31/2023	As at 31.12.2022
NOTE 8: EMPLOYEE BENEFIT OBLIGATION-LONG TERM		
Provision for Gratuity	1,138,389.75	1,173,515.00
Provision for Leave Encashment	-	-
Provision for Repatriation Allowance	46,847.52	75,121.00
Provision for Carriage Charge Allowance	29,596.24	67,610.00
Provision for Transfer Grant	46,847.52	128,377.00
Total	1,261,681.03	1,444,623.00

Particulars	12/31/2023	As at 31.12.2022
NOTE 8A: DEFERRED TAX LIABILITY		
Opening Balance	3,658,572.11	3,026,929.46
Charged to Income Statement	1,443,832.25	631,642.65
Total	5,102,404.36	3,658,572.11



Particulars	12/31/2023	As at 31.12.2022
NOTE 9: SHORT TERM BORROWINGS		
SECURED LOANS		
OD Loan from BoBL	8,749,649.20	11,620,041.87
Loan from DHI	619,228.81	619,228.81
Total Short Term Borrowings	9,368,878.01	12,239,270.68

Particulars	12/31/2023	As at 31.12.2022
NOTE 10: TRADE AND OTHER PAYABLES		
Trade Payable to Related Parties	131,109.53	67,521.76
Trade Payable to Other Suppliers	5,677,871.98	13,835,910.45
Audit Fee Payable	81,580.00	55,000.00
Audit Recovery Payable	557,351.21	-
Total	6,447,912.72	13,958,432.21

Particulars	12/31/2023	31.12.2022
NOTE 11: EMPLOYEE BENEFIT OBLIGATION-SHORT TERM		
Provision for Gratuity	88,019.39	387,113.00
Provision for Leave Encashment	118,018.00	531,333.00
Provision for Repatriation Allowance	11,933.36	87,284.00
Provision for Transfer Grant	11,933.36	87,284.00
Provision for Carriage Charge Allowance	11,867.76	68,738.00
LTC	270,759.00	-
Employee Related other payables	22,550.00	405,526.93
Total	535,080.87	1,567,278.93

Particulars	12/31/2023	As at 31.12.2022
NOTE 12: OTHER CURRENT LIABILITIES		
Provision for Revenue Expenditure	15,405.18	475,947.90
Security Deposit (BSMT)	250,000.00	250,000.00
O/S Liabilities	58,380.28	53,130.28
Security Deposit (B D Commercial)	6,100.00	6,100.00
Security Deposit (Karma Tshongkhang)	1,620.00	1,620.00
TDS 2% & 5%	80,967.45	89,355.80
Security Deposit	726,890.00	490.00
Health Contribution	7,822.00	-
Salary Tax	48,425.00	-
Total	1,195,609.91	876,643.98



Schedules forming part of the Comprehensive Income:

Particulars	31.12.2023	31.12.2022
NOTE 13: INCOME FROM SALE OF GOODS		
Income From Sale of Process Cheese	78,934,407.00	58,369,053.00
Income From Sale of Processed Cheese (500g)	11,532,458.00	10,105,248.00
Income From Sale of Cup Yogurt (100 Gms)	2,166,493.00	2,638,622.00
Income From Sale of Process Cheese (Cover)	4,817,925.00	6,247,684.00
Income From Sale of Non-Salted Butter	1,175,050.50	1,734,523.50
Income From Sale of Cheese	817,772.00	1,585,040.00
Income From Sale of Premium Curd 400ML	393,300.00	400,470.00
Income from sale of milk	366,165.00	707,586.50
Income From Sale of Gouda Cheese	42,596.00	172,970.09
Income From Sale of Process Cheese (Cover 500g)	534,170.00	1,180,090.00
Income on Sale of Ja Mey Ga Yogurt	57,590.00	837,585.00
Income From Sale of Butter Milk	41,925.00	8,140.00
Income From Sale of Strawberry Yogurt (90ML)	39,680.00	172,625.00
Total	100,919,531.50	84,159,637.09

Particulars	31.12.2023	31.12.2022
NOTE 14: OTHER INCOME		
Liability Written off	(135,938.06)	-
Other Incomes	224,705.47	262,560.04
Staff Quarter Rent	28,300.00	31,200.00
Income From Sale of Tender Document	2,200.00	11,400.00
Penalty Income	-	47,600.00
Total	119,267.41	352,760.04

Particulars	31.12.2023	31.12.22
NOTE 15: INCREASE/(DECREASE) IN FINISHED GOODS		
Opening Inventory	2,293,856.75	1,979,999.00
Closing Inventory	4,946,474.02	2,293,856.75
Total	(2,652,617.27)	(313,857.75)

Particulars	31.12.2023	31.12.22
NOTE 16: RAW MATERIAL CONSUMED		
Raw Material		
Opening Raw material	4,655,965.42	4,050,902.28
Add: Purchase	66,684,176.26	53,554,395.72
Total	71,340,141.68	57,605,298.00
Less: Closing Raw material	8,255,302.58	4,655,965.42
Raw Material Consumed	63,084,839.10	52,949,332.58



Particulars	31.12.2023	31.12.2022
NOTE 17: EMPLOYEES' REMUNERATION AND BENEFITS		
Basic Salary (Factory)	3,262,257.00	3,871,735.00
Basic Salary (Office)	1,835,214.00	2,271,984.00
PF Matching Contribution	709,429.00	873,855.00
Allowance(Contract, Offg, Corporate, Fixed)	1,861,588.00	1,919,730.00
Remeasurement of Earned Leaves	-	227,622.00
Communication Allowance	36,000.00	59,100.00
Training-Human Resource Development	-	19,800.00
Leave Encashment	351,780.00	-
Overtime Expenses	313,738.13	111,689.03
Leave TC	270,759.00	-
Current Service Cost (Carriage Charges)	21,106.93	6,838.00
Current Service Cost (Earned Leave)	-	63,256.00
Current Service Cost (Gratuity)	280,966.10	382,586.00
Current Service Cost (Repatriation Allowance)	27,795.08	7,648.00
Current Service Cost (Transfer Grant)	27,795.08	52,058.00
Interest Cost (Carriage Charges)	9,307.84	7,063.00
Interest Cost (Earned Leave)	-	(17,723.00)
Interest Cost (Gratuity)	111,288.64	92,313.00
Interest Cost (Repatriation Allowance)	12,992.32	-
Interest Cost (Transfer Grant)	11,297.12	8,846.00
Wages	600,783.00	249,800.00
Total	9,744,097.24	10,208,200.03



Particulars	31.12.2023	31.12.2022
NOTE 18: OPERATING & OTHER EXPENSES		
Transportation Charges (Milk)	3,842,995.00	3,908,045.67
Transportation Charges	4,676.00	40,125.00
Traveling Expenses -in Country	746,884.00	1,500,663.20
Maintenance of Vehicle (Factory)	1,211,176.00	963,343.74
Electricity Expenses	502,714.00	692,104.00
Hiring Charges	894,127.50	1,324,087.00
Running & Maintenance of Factory*	1,153,001.50	1,502,932.67
Other Expenses	-	2,936,029.05
Insurance (Factory)	27,856.00	-
Fuel Expenses (office Vehicle)	191,928.70	212,934.32
Fuel Expenses (Factor DG))	433,400.00	603,631.40
Fuel Expenses (Milk Tankers+ Marketing Van)	2,629,059.38	3,547,914.55
Office Supplies - Stationeries	60,300.00	137,268.00
Maintenance Office Vehicle	465,498.00	523,041.00
Miscellaneous Expenses	-	91,291.00
Hospitality & Entertainment	560,674.86	548,325.41
Internet & Telephone	89,659.15	180,601.68
Audit Fees	81,580.00	158,679.00
Audit Expenses	94,796.17	133,119.00
Marketing Expenses	1,429,527.00	97,941.00
Audit Recovery Expenses	98,108.09	-
Rent	78,664.12	92,718.00
Advertisement& Publicity	63,920.00	125,060.00
Insurance (Motor Vehicle)	6,447.00	15,643.00
Loss on Damaged Stock	1,864,480.00	
Consulting Charges	64,000.00	115,000.00
Tax Payment	48,594.20	184,800.26
Postage	2,800.00	3,665.00
Allowance for Trade Receivables	237,923.09	2,338,632.00
License Processing Fee	152,465.84	2,700.00
Board Fees & Expenses	282,000.00	306,520.00
Freight Charges	82,534.00	30,234.00
Penalty	19.22	703.02
Corporate Guarantee Fee	131,109.53	221,509.55
Traveling Expenses- Out Country	-	227,880.00
Write down of inventory to NRV	-	95,253.42
Total	17,532,918.35	22,862,394.94

Particulars	31.12.2023	31.12.2022
NOTE 19: FINANCE COST:		
Bank Charges (BOB)	10,116.11	4,813.13
Interest on Loan	1,862,219.31	1,759,314.47
Interest Expenses on lease	14,736.97	15,030.77
Total	1,887,072.39	1,779,158.37



Particulars	31.12.2023	31.12.2022
NOTE 20: REMEASUREMENT OF POST EMPLOYEE BENEFITS		
Remeasurement Of Carriage Charge	85,298.77	7,017.00
Remeasurement of Gratuity	387,433.60	68,178.00
Remeasurement of Repatriation Allowances	144,410.52	9,071.00
Remeasurement of Transfer Grant	100,335.32	9,071.00
Total	717,478.21	93,337.00

Particulars	31.12.2023	31.12.2022
NOTE 21: EARNINGS PER SHARE		
(a) Basic earnings per share		
Basic earnings per share attributable to the equity holders of the Company (b/c)	1.99	(13.30)
(b) Reconciliations of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basis earnings per share	1,777,871.15	(11,850,860.66)
(c) Weighted average number of equity shares used as the denominator		
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	891,302.00	891,302.00



RATIO ANALYSIS

Exhibit I

RATIOS	2023	2022
Current Ratio (Current Assets/Current Liabilities)	1.45	0.83
Quick Ratio {Current Assets - (Inventories + Prepaid Expenses)}/ (Current Liabilities - Bank Borrowings)	1.51	1.04
Fixed Assets Turnover Ratio (Sales/Fixed Asset)	1.97	1.43
Profit on Capital Employed Ratio (EBIT/Capital Employed)	3%	-13%
Debt Equity Ratio {(Long Term Debt/ (Shareholders Fund + Long Term Debt))}	0.12	0.12
Interest Coverage Ratio (EBIT/Interest)	2.71	-5.31
Net Profit Ratio (Net Profit / (Loss)/Sales)	2%	-14%

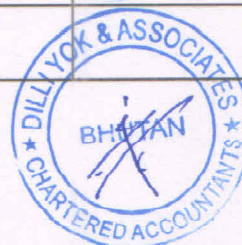


COMPLIANCE CALENDAR AND CHECKLIST

COMPLIANCE CALENDAR

Checklist for Compliance to Provision of the Companies Act of Bhutan, 2016

No.	Ss.	INCORPORATION OF COMPANY & SECURITIES	A	YES	NO	NA	Remark
1	28	Changes to Articles/ Approval			<input type="checkbox"/>		
2	47	Change of name/ Approval			<input type="checkbox"/>		No change in the name of the company
3	123	Increase or consolidation of share capital			<input type="checkbox"/>		No increase in the share capital
4	124	Reduction of share capital			<input type="checkbox"/>		No share capital reduction
5	82	License Copy and Share Certificate filing		<input type="checkbox"/>			
6	107	Public offer of shares & Debentures- ROC Approval				<input type="checkbox"/>	No shares were issued during the auditing period
		MANAGEMENT & ADMINISTRATION		YES	NO	NA	
7	217	Registered Office of Company (Postal Address & Contact Number)		<input type="checkbox"/>			Chenary, Trashigang, East Bhutan P.Box No 164. Phone No:04521351
8	221	Publication of name by Company (Letterhead, Seals and Sign Board)		<input type="checkbox"/>			Koufuku International Limited
9	241	Financial Year of Companies as of 31st Dec		<input type="checkbox"/>			Yes the company is following the same financial year which ends on 31st Dec.
	242	Extension up to 15 months - ROC approval			<input type="checkbox"/>		
	243	Extension up to 18 months - Authority's approval			<input type="checkbox"/>		
10	245	Financial Statements to follow BAS		<input type="checkbox"/>			Yes, company is following the BAS while making the financial statements
11	267	Annual Return Submission On/before 31st May for listed; others 31st July		<input type="checkbox"/>			
12	177	Annual General Meeting (Minutes)		<input type="checkbox"/>			AGM was held 16/3/2023
13	180	Extraordinary General Meeting (Minutes)			<input type="checkbox"/>		No extraordinary General Meeting was conducted.
14	185	Notice for calling general meeting		<input type="checkbox"/>			The Notice was issued
15	187	listed Co. - written as well as in media Public Co/Private Co. - Written Notice				<input type="checkbox"/>	
16	190	Chairman of meeting (CEO cannot chair)		<input type="checkbox"/>			Dasho Karma YezerRaydi DHI
17	192	Representation of corporations at meetings (appointed by Board			<input type="checkbox"/>		



		Directors)				
18	193	Ordinary and special resolutions (Minutes)		<input type="checkbox"/>		
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	<input type="checkbox"/>			Yes, every minute of the board and AGM is maintained and is signed.
20	199	Declaration and payment of dividend (199-209)		<input type="checkbox"/>		The dividend was not declared for the year due to excessive losses during the year.
21	232	Books of account to be kept by company (location & time)	<input type="checkbox"/>			Books of accounts are being kept at the registered office
22		Board's report (signed by Chairman)	<input type="checkbox"/>			Yes, it was signed by the chairman
23	252	Appointment and removal of Auditors Need to re-appoint annually (251-259)	<input type="checkbox"/>			The Appointment and Reappointment is done annually by RAA.
24	260	Resignation of Auditors from office (Annual Resignation)			<input type="checkbox"/>	
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	<input type="checkbox"/>			
26	133	Number of directors	<input type="checkbox"/>			Five (5) Directors including chairperson.
27	134	One third of all Public Companies shall be independent				
28	138	(Minimum No. & retirement on rotation)	<input type="checkbox"/>			Six (6) Directors. Retirement by rotation
29	139	Additional directors		<input type="checkbox"/>		No Additional Directors were appointed.
30	140	Consent to act as directors		<input type="checkbox"/>		
31	141	Certain persons not to be appointed as Directors			<input type="checkbox"/>	
32	142	Resignation by a director		<input type="checkbox"/>		
33	143	Removal of directors		<input type="checkbox"/>		
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt.)	<input type="checkbox"/>			
35	152	General powers of the board	<input type="checkbox"/>			
36	156	Restriction on powers of Board	<input type="checkbox"/>			
37	210	Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)	<input type="checkbox"/>			
38	213	Company Secretary required in all Public Companies	<input type="checkbox"/>			Company having paid up capital of over Nu.100 M shall appoint a company secretary
39	414	Appointment of selling or buying		<input type="checkbox"/>		There is no Buying or Selling



		agents (govt. Approval obtained or not)				Agent.
40	157	No loans to directors (only for Public Co.)		<input type="checkbox"/>		
41	53	Inter-corporate investments (investments to be disclosed) apply old rule		<input type="checkbox"/>		
42	158	Contracts in which directors are interested		<input type="checkbox"/>		
43		Companies to have secretaries		<input type="checkbox"/>		No company secretaries but the head of finance is represented as the Secretary of the company.
44	161	Standard of care required by directors (Reckless decision)	<input type="checkbox"/>			

CHECKLIST FOR COMPLIANCE OF PROVISION OF THE COMPANIES ACT OF BHUTAN, 2016

		STATUTORY RECORD AND INSPECTION	YES	NO	NA	Remark
45	228	Statutory record and inspection				
	(a)	Register of buy-back of shares			<input type="checkbox"/>	
	(b)	Register of transfers		<input type="checkbox"/>		
	(c)	Register of charges		<input type="checkbox"/>		
	(d)	Register of inter-corporate loans	<input type="checkbox"/>			
	(e)	Register of inter-corporate investments		<input type="checkbox"/>		
	(f)	Register of contracts in which directors are interested			<input type="checkbox"/>	
	(g)	Register of directors	<input type="checkbox"/>			
	(h)	Register of directors' shareholding	<input type="checkbox"/>			



MANAGEMENT APPRAISAL REPORT

1. Non-adjustment of trade and other payables

On review of the trade and other payables, it was observed that the trade and other payables of Nu.1,858,817.74 had remained unadjusted in the books of account for past two years. The details are shown in the table below.

Sl. No.	Nature of outstanding	Amount (Nu)
1	Advance from SNBL	619,228.81
2	Kurichu Plant	362,150.12
3	Security deposit-BD Commercial	6,100.00
4	Security Deposit Karma Tshongkhang	1,620.00
5	Security Deposit	250,000.00
6	Security Deposit	490.00
7	Inter Corporate Borrowing-DHI	619,228.81
	Total	1,858,817.74

On enquiry to the management, it was mentioned that these are balances not claimed by the parties despite follow-up. Therefore, the KIL should review in detail and ascertain whether or not the company has to pay off these outstanding balances and accordingly take appropriate action after obtaining approval from the Board.

Management Response

We appreciate your diligence in conducting the recent audit, and we acknowledge the observation regarding the non-adjustment of trade and other payables outstanding for a considerable period. Our management has thoroughly reviewed the findings, and we would like to provide you with additional information and clarification on the matter.

Firstly, we would like to assure you that the trade and other payables outstanding are currently under review and initiation for reconciliation. We acknowledge that there have been delays, and we are actively working towards cleaning up our books of accounts. Some adjustment entries have already been reflected in the books due to ongoing accounting processes.

Regarding the advance security deposits, our management has diligently followed up with the respective suppliers. However, we encountered challenges as some suppliers have not responded to our inquiries, and tracking down the necessary information has proven to be challenging. Therefore, we would like to request the audit team for the liability write off since it has been long due, we did not hear back from the concerned suppliers regarding the security deposit claims.

Furthermore, the payable to DGPC has been a point of discussion with DHI, and the management has been in talks regarding the possibility of a write-off. Due to our high operational costs, we are currently facing difficulties in making the payment. We are actively pursuing a resolution and



request the audit team to consider this exceptional circumstance when assessing our liabilities. Once we get a response from DHI management, we will inform the audit team for further course of action.

Advance from SNBL and IC loan from DHI, is just for the book's adjustment, since we do not have any payables as such with these two related parties and we would like to request the audit team for liability write off for consideration.

The observation was later discussed during the 53rd Board meeting held on 15th March 2024, as a separate agenda (agenda No.53.9.1). During the meeting the Board endorsed and directed to make the necessary accounting adjustments by following due procedures with consultation with the audit team. The Board acknowledged that since the amounts are old untraceable it was noted and approved for long term liabilities write-off in the financial year 2024.

The observation was treated as settled

Based on the write off approval obtained in the 53rd board meeting held on 13th March 2023, the observation is treated as settled.

Compliance

The KIL should strengthen follow-up mechanism to avoid such lapses in future.



PRIOR YEAR AUDIT FOLLOWUP REPORT

**Follow-up report on previous years' management reports
Summary of Follow-up Report**

Accounting year	Total No. of recommendations provided	No. of recommendations implemented	No. of recommendations partially implemented	Balance recommendations to be implemented
2022	02	02	0	0

Detailed Follow-up Report for the year ended 31 December 2022

Para No	Observations in Brief	Management's response- current status	Auditors Comments (Comments to be provided by auditors based on the review of the current status)	Status Compliance
1	Non deduction of TDS The company is required to deduct TDS on payments made and deposit the same with the RRCO	The company had deducted the necessary TDS as per the directives of the auditor and there are no pending TDS issues.	Based on the compliance made by the management the said observation is treated as settled.	Complied



Para No	Observations in Brief	Management's response- current status	<i>Auditors Comments (Comments to be provided by auditors based on the review of the current status)</i>	Status Compliance
2	<p>Outstanding advances</p> <p>The company's credit policy allows the debtors to make payments within months from the date of invoice. However, the company failed to collect the dues within the period of months.</p>	<p>The management has taken action against the Debtors and some of the amounts have been recovered through Court with court verdict. The management has also come up with a Credit policy which was duly endorsed by the KIL Board and there are no significant receivables for the year ending 2023.</p>	<p>Based on the explanation made by the management and the recovery made from the debtors, the observation is treated as settled since there were no major overdue in sales collection for the year.</p>	Complied



FOLLOW US On



<https://www.facebook.com/bhutandairyproducts?mibextid=ZbWKwL>



<https://www.instagram.com/koufukudairy?igsh=bWk2dWdsMmU0NWZ2>



<https://www.kil.bt>



Koufuku International Limited

Chenangri, Trashigang

Post Box No: 164

Tel: +975-16929219

Email Id: Koufukucustomercare@gmail.com