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Farm Machinery Corporation Limited

PARO BONDEY: BHUTAN

Post Box No: 1314

*"**P**rioritizing **U**ser **S**atisfaction with **H**onesty" The **"PUSH"***

ANNUAL REPORT

Prioritizing user satisfaction with honesty

YEAR 2020

FARM MACHINERY CORPORTAION LIMITED

Paro, Bondey

FOREWARD

Farm Machinery Corporation Limited (FMCL) is pleased to come up with the annual SoE performance report for the year, 2020. We are delighted to report the actual facts and figures of various achievements while implementing the planned activities in line to the mandates assigned to the company.

The compilation of performance report is also expected to help our colleagues to reflect their positions while contributing in growth and development of the company. This would also serve as reference documents for future planning and execution of the activities.

The management of FMCL would like to extend our sincere appreciation and gratitude to all the contributors in making success of compiling progress report. In due course of time, the management will strive to attain national standard of progress reporting.

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1. Company Profile

The Farm Machinery Corporation Limited (FMCL) was incorporated as a 100% state owned enterprise (SoE) on 29th March, 2016 under the company Act of kingdom of Bhutan 2000, vide Lhengye Zhungtshogs directives vide letter no-c-3/96/219 dated 4th March 2016 and subsequent approval note from Ministry of Finance (MoF) vide letter No. MoF/PED/FMHS/2016/3347 dated 18th March 2016.

1.1 Vision

Making Farming into profitable and attractive livelihood enterprise that is socioeconomically and environmentally sustainable.



1.2 Mission

Endeavour to transform farming activity through mechanization into a vibrant and sustainable economic venture.

1.2 Mandates

FMCL is mandated to provide Farming Mechanization goods and services to the Bhutanese farming community at an affordable price with the following objectives:

1. Hiring of Farm Machinery to farmers and other stake holders throughout the country.
2. Sales of farm Machinery, implements and spare parts.
3. Repair and maintenance of farm machinery.
4. Fabricate farm machinery, implements and spare parts.
5. Sales of POL, Lubricants and others.
6. Contract and commercial farming.

1.3 Organogram

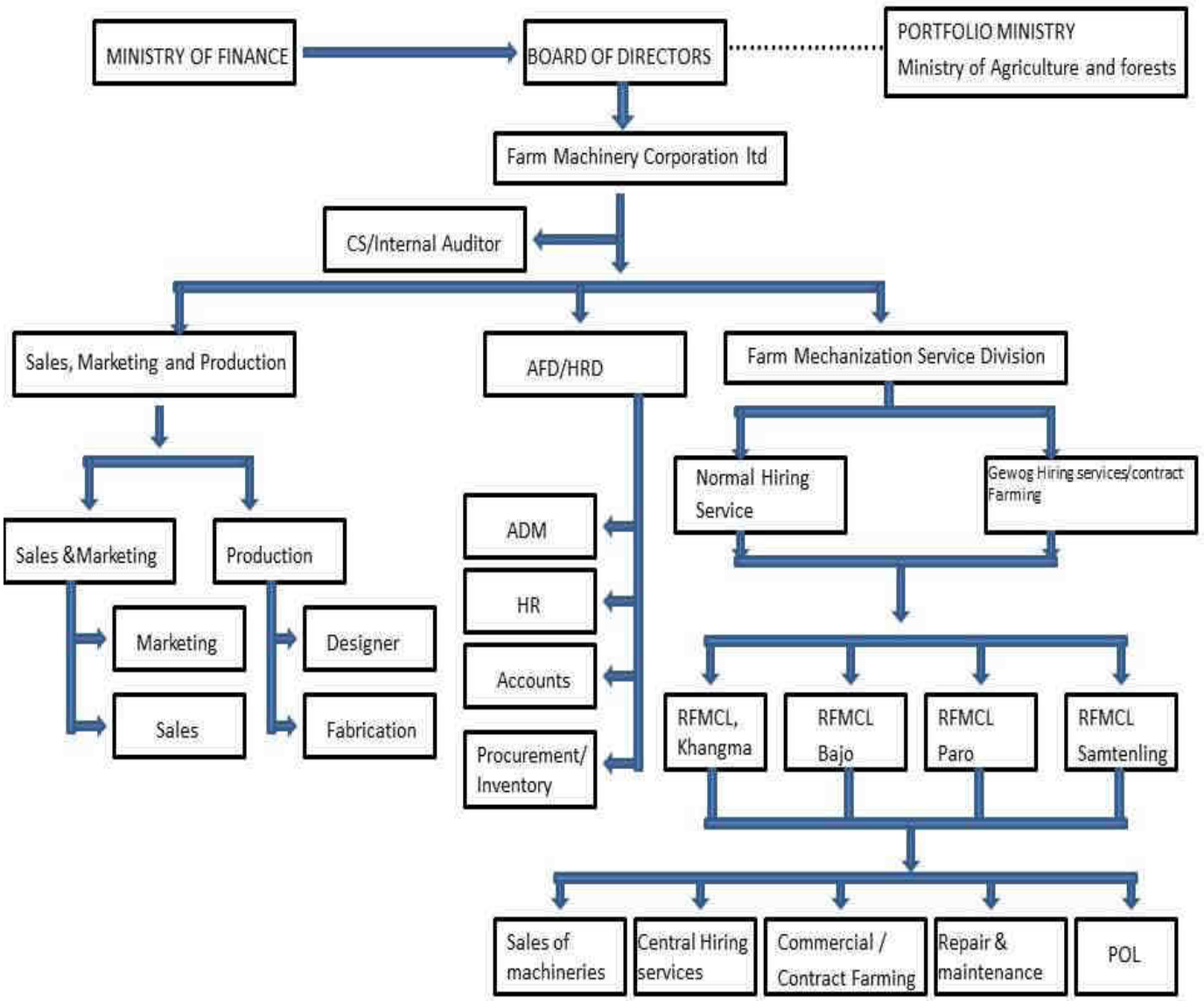


Fig 1: Organogram
Source: FMCL webpage

2. Farm Mechanization Services of FMCL



2.1 Non- Financial achievement

In today's world, agriculture have been playing crucial role for survival. The idea of food security is essentially paramount, and thus the agriculture has been a significance in the county. Ensuring that agricultural and food production is sustainable, the primary mandate 'Hiring services' have contributed as an increasingly important role for not only on environmentally sustainable in agricultural production but also have more efficient in growing crops for the company as well as for the citizen.

The mechanization of agricultural production is constantly renewing itself, depending on the time with the development of technology. For this purpose, it is necessary to make determinations periodically for the current situation of the mechanization development in an agricultural area. Considering in this dynamic scenario the Farm machinery corporation limited have been serving its communities of Bhutan for the easing accessibility of the machine and relevant services of the agriculture. As a result the company mandate have the correlation within as well as to the outsider as shown in below

2.1.1 Hiring services

Over the last few year, FMCL have exert to fulfil its economic and social benefit through hiring services with the government support. The company have received 933 units of farm machinery, covering 81,471.55 acres through hiring services, benefiting 46,614 household as of year 2020.

This services are split into two module viz central hiring and Geog hiring. The central hiring service module is catered by four Regional Centres with fleet of farm machines available with Regional Centres operated by Hiring coordinators, Technicians and Operators. The Geog hiring service module is provided either by Geog Dzongkhag focal person/PoL manager/Farm manager or by Geog power tiller operator appointed by FMCL. The service rate is being fixed by pricing committee of Ministry of Agriculture & Forests and around 50% subsidized rate are provided to end users by the Government in a form of subsidy injection to FMCL.

It is basically to enhance the accessibility of farm machineries to the farmers who cannot afford to own the machines and optimize land utilization and promote agriculture commercialization. With support from the Japan international Cooperation Agency (JICA) in supplies of farm machineries from the year 2016 till 2018 under hiring services, the agriculture production in rural place have been highly benefited. Based on this services, the annually contribution/acre coverage and its household benefit to the country are as shown in Fig 2;

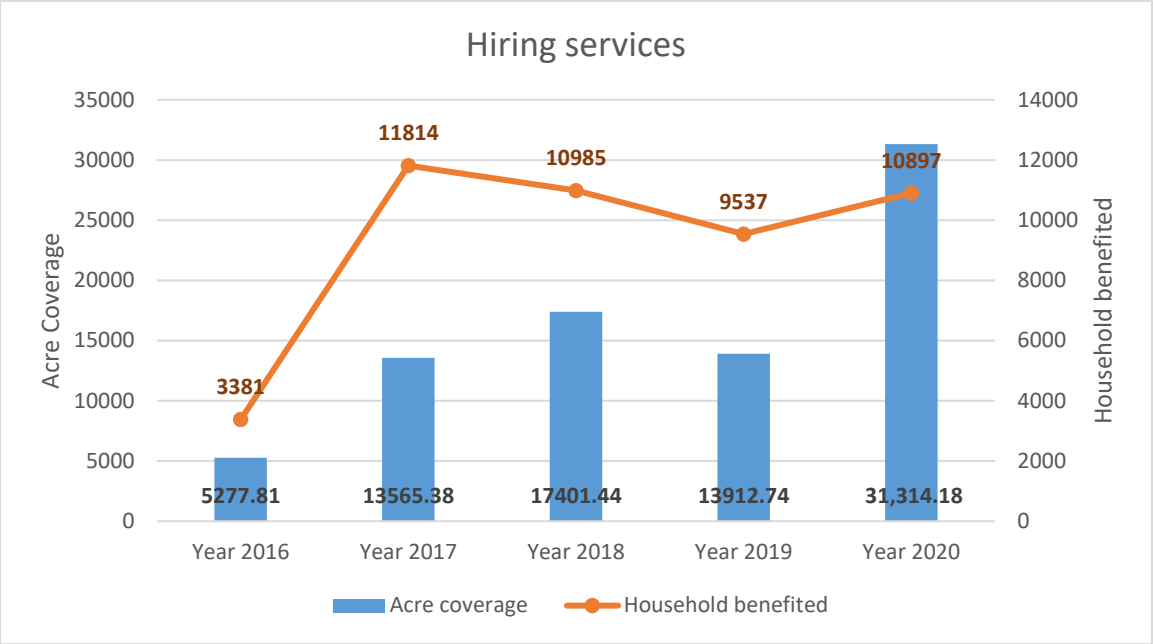


Fig 2: Central and Geog Hiring service acre coverage and household benefited
Sources: Farm mechanization service department (FMSD)

2.1.2 Sale of machinery and spare parts

The hiring services as the primary mandate brings the remaining mandate into its respective roles and contribution to the agriculture sector. To reduce the drudgery in agriculture, the company sells basic farming tools to advance equipment/machines, inclusive of spare parts (import and domestic made) which are of standard and economically affordable.

In regard to the machine and spare parts, the company mostly procures from India, Japan, and Thailand. FMCL also tenders to private firms within the country for procurement of spare parts. The four regional centres and 23 Geog service centres are the main sales outlet of the company and the price of the items is kept same throughout the country based on pricing guideline.

Thus, the annual sales of agriculture machine as of year 2020 are shown in Fig 3:

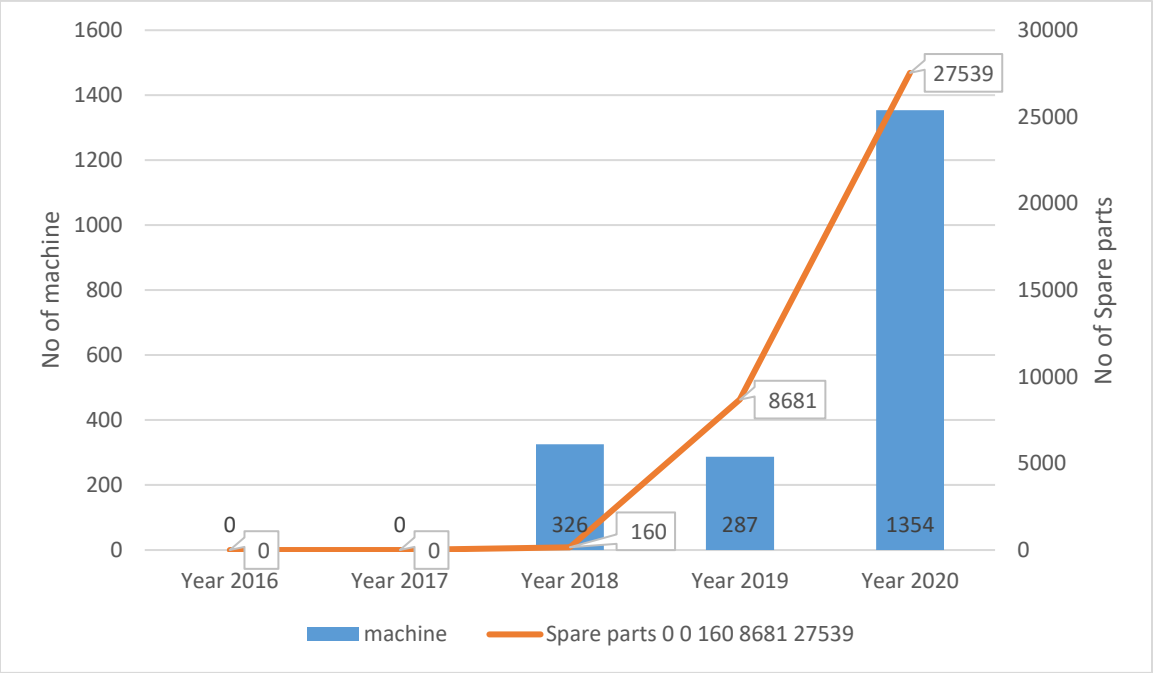


Fig 3: Trend of sale of machine in quantity
Source: Procurement section

2.1.3 Contract and commercial farming

The Farm Machinery Corporation Limited have a mandate of up scaling agriculture production through reviving of fallow land, land development for cultivation in the potential areas of Government Reserve Forest (GRF), RGoB land, institute registered land such as Dratshang land and private land. The purpose of taking up the mandate are;

1. To optimize land utilization, land intensification and promote agriculture commercialization through optimum use of farm machineries.
2. Promotion of winter cropping to reduce the import of vegetable.
3. To make attractive farming model, to take up by the youth to reduce un-employment problems & rural-urban migration.

With the strengthening of farm mechanization, the company have gradually taken some of the contract as well as given up base on the land feasibility and other factor in contributing to the self-sufficiency food of the country. The progress of acre cultivated under the contract and commercial farming mode are shown below:

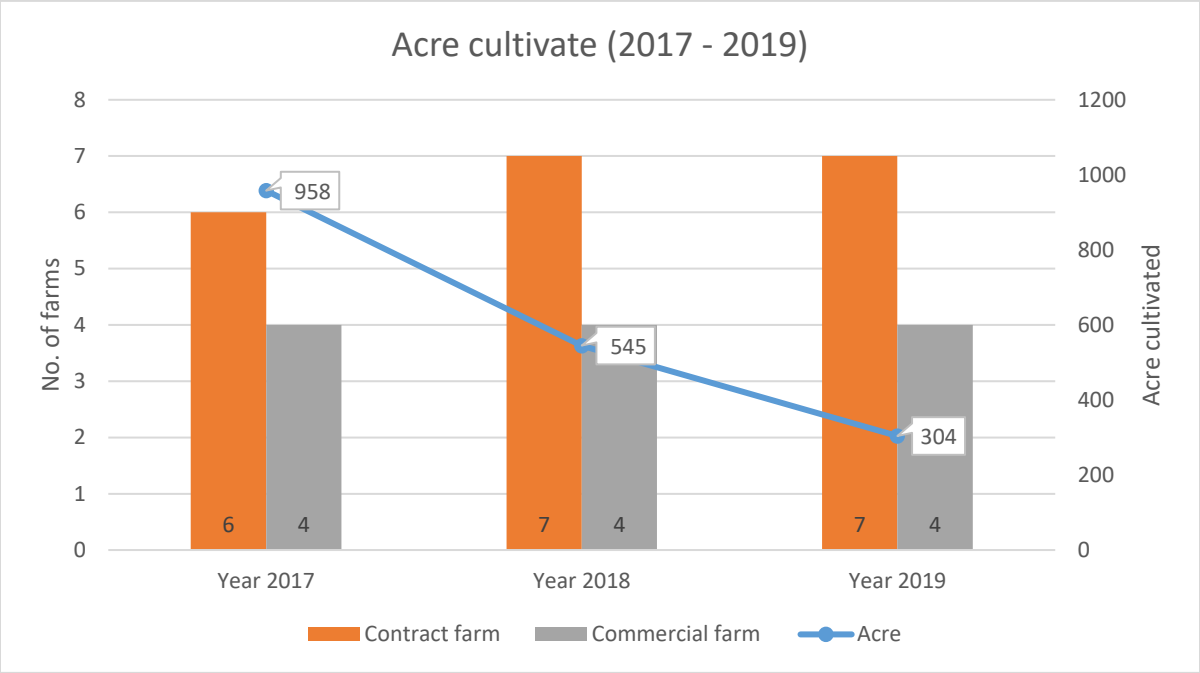


Fig 4: Farms status and progress of its acre cultivated
Source: Contract and Commercial

2.1.3.A. Acre coverage under cultivation

The company has been implementing agriculture farming modes since the past four year as shown in fig 4, which consists of thirteen farm scattered across the country in year 2020.

Fundamentally the execution of the contract farming program immensely helped in the reduction of agriculture land approximately 1047 acres, out of 64,000 acres of fallow land. Which ultimately lead to the restructuring the concept of agriculture, to rejuvenate the potential for employment generation with improvement in contentment from socio-economic perspective.
So far the company under contract and commercial farming apart from the new project have covered 299.7 acre during the year 2020.

Sl.no	Category	Farm	Acre Coverage
1	Contract farming	Bajo	35.00
		Gelephu	25.00
		Mendeygang	7.00
		Norginthang	26.67
		Ramthangkha	29.00
		Tameyna	16.00
		Phaithang	0.46
		Umling	7.00
		Rubissa	11.00
		Zhengosa	10.00

2	Commercial Farming	Kana	7.00
		Nitchula	7.25
		Phuntshothang	106.75
		Tendrelthang	11.19
	Total		**299.7**

Fig 5: Acre cultivated for Crop Production (exclusive of Project)
Source: Contract and Commercial

2.1.3.B. Yeild achieved for year 2020

For decades, agriculture has been associated with the production of essential food crops. This culture have been conferred down to the generation as a survival habitual. Conversely in the year 2020 when Bhutan witness the pandemic, the company was assigned with the project known as 'Economic Contingency Plan' funded by the RGoB.

The Economic Contingency Plan was made with the objective of increasing productivity, reviving of fallow lands under crop production with trusted market access and to narrow the unemployment rates through farming activities.

Since 2016, Farm Machinery Corporation Limited (FMCL) is functioning as SOE, mandated to enhance farm mechanization and commercial production of agriculture commodities in leased large plots of land. To fill gap of nations need for a self-reliant in agricultural production and food security, FMCL will carry out production of prioritized commodities at a commercial scale and also work with farmers through a contract farming through funding source from Economic contingency plan (ECP).

Under the physical (Acres & Yield) achievement, the physical achievement of crops and cereals through Economic Contingency Plan (ECP) in the production are as followings:

Crop wise achievement, 2020.				
Sl.no	**Crop wise**	**Acres coverage**	**Production (Metric tons)**	**Remarks**
1	Paddy	202.19	88.5	Acres
2	Beans	26.21	3.3	Acres
3	Chilli	2.76	0.3	Acres
4	Maize	3.25	0.2	Acres
5	Tomato	38.00	1.1	Green House
6	Cole crops	10.42	1.1	Acres
7	Onion	0.25	0.0	Still at farm
8	Potato	0.36	0.8	Acres
9	Winter vegetables	0.30	0.1	Acres
10	Wheat	15.00	0.0	Acres
11	Sag	1.00	0.1	Acres

	Total	**299.7**	**95.3**	

Fig 6: Acre cultivate and crops
Source: Contract & Commercial

2.1.3.C. Land Development

In agriculture sector the feasibility of land for the crop have to rationalize considering numerous factors. Furthermore in the view of the Ministry of Agriculture & Forests the minister have identified the Agriculture Land Development (ALD) as one of the priority programs basically to enhance the effective use of land and crop productivity through farm mechanization, fallow land reversion and reduction in soil erosion.

In the view of forgoing FMCL have been initiating additional support to the agriculture sector in terms of developing and reviving of fallow land for various crop productions. This activity has been undertaking as an ad-hoc activity based on the instruction received from Government through the Ministry of Agriculture and Forests. So far FMCL have revived and developed area measuring to 897 acres as of 2019. The company has been dealing with this program exclusively related to the crop production /agriculture orientated. The total land development executed is a total of 50 acres being put into crop cultivation under Phaithang, Trongsa. which is developed as organic farm.

2.1.4 Production Unit

The company took the mandate of production/fabrication of machine and spare parts in order to have it readily available as and when demanded by clients at small scale. Small machines applicable to Bhutanese farming condition is also fabricated and sold to farmers. Presently, the Section is regulated with few skilled technical staffs and TTI graduates. The direct cost like cost of raw materials is procured from India and some parts are tendered out to private firms. The products that are manufactured are directly transferred to FMCL main sales store while the revenue is realized as income for the manufacturing unit. Some of the spare parts fabricated by the production unit in 2020 with the available raw material are illustrate below:

Sn	Product	Rate	Quantity
1	Rotary Blade Kubota	7370	50
2	Rotary Blade Yanmar	7045	38
3	Rotary Blade Saim Kubota	5428.75	155
4	Plow regulating arm	1663	95
5	Wheel hub assy	1725	57
6	Sole piece	711	103

7	Corn rotating tray	8600	12
8	Mini tiller rotary blade	5362	21
9	Cultivator line	230	194

Fig 8: Quantity of spare parts fabricated by production unit in year 2020
Source: Production Unit

2.2 Financial Achievement

2.2.1 Central Hiring Services

For the year, 2020, the Regional Centres had targeted to generated Nu **21.133 M,** out of which Nu **20.135 M** could be achieved in total. Meaning, **95%** of the revenue was achieved from the set target. Following graph clearly depicts region wise target & achievement of central hiring service;

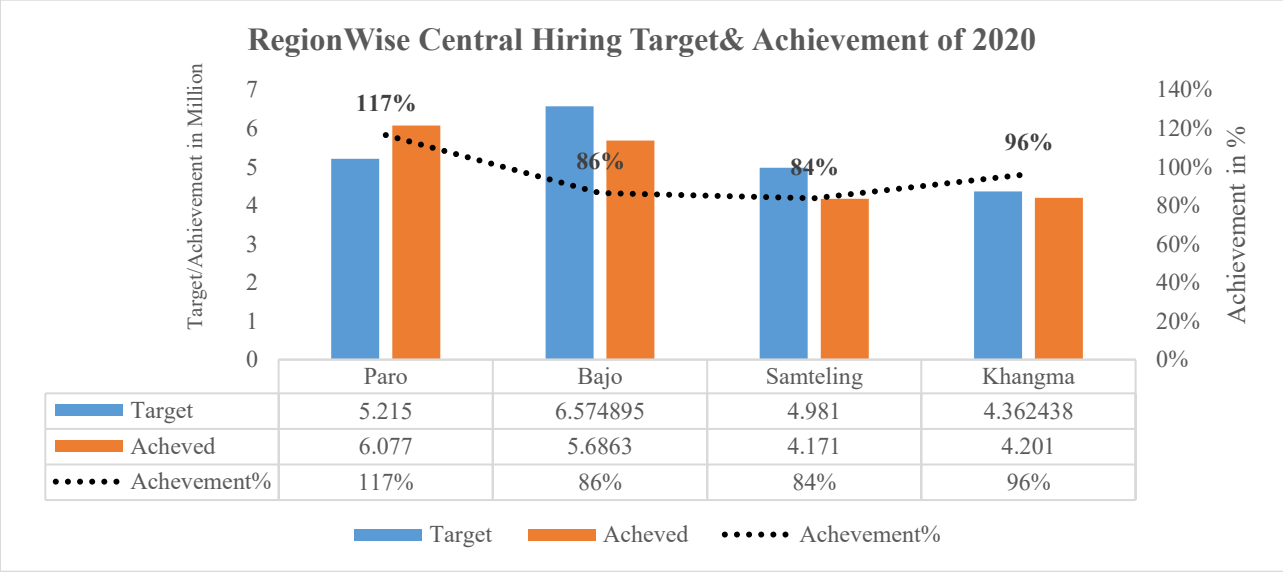


Fig 9: Regional wise central hiring revenue achievement
Source: Farm Mechanization service department

2.2.2 Geog Hiring Services

For the year, 2020, the regional Centres had targeted to generated Nu **12.862 M** through Geog hiring services**,** out of which Nu **10.057 M** could be achieved in total. Which sums up that **78%** of the revenue was achieved. Following graph clearly depicts region wise target & achievement through geog hiring service;

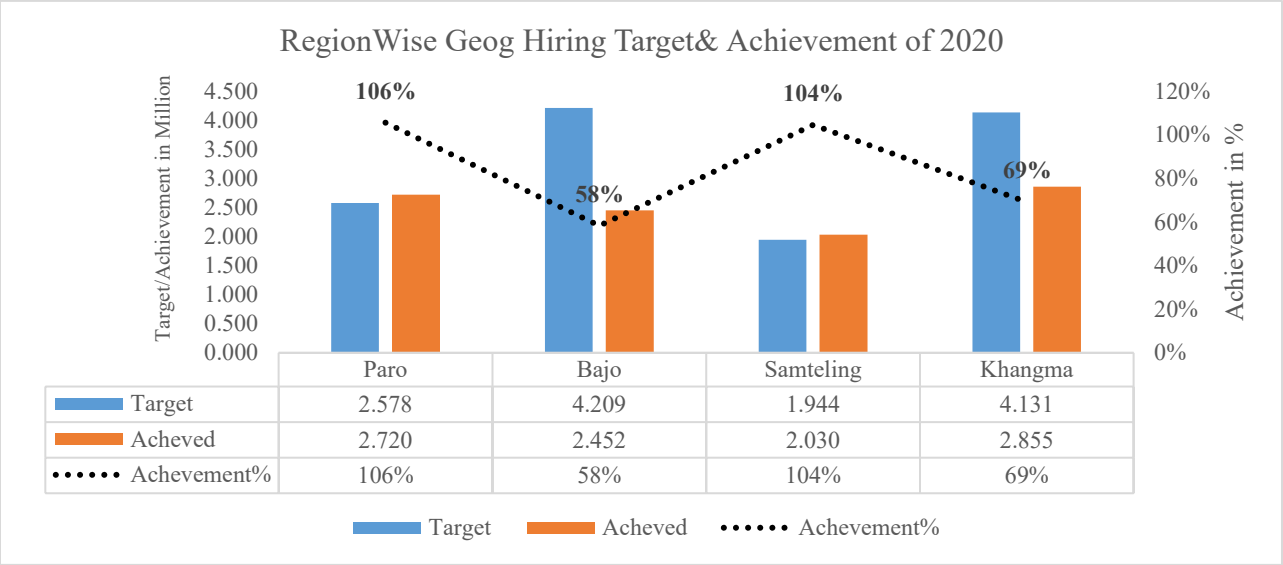


Fig 10: Regional wise Geog hiring revenue achievement
Source: Farm Mechanization service department

2.2.3 Repair& Maintenance

FMCL aside from sales it also provides backup services to assure the sales after services. The repair and maintenance services are provided to clients through four regional centres outlets. Out calls are also entertained as and when demanded by clients and in due course the regional coordinate a mobile service too. The rates for the repair and maintenance are kept same at all service outlets.

The inline to the services provide by R&M, for the year 2020, the regional Centres had targeted to generated Nu **3.559 M** through**,** Repair & Maintenance, out of which Nu **2.545 M** could be achieved in total. Which sums up that **71%** of the revenue was achieved. Following graph clearly depicts region wise target & achievement through Repair & Maintenance;

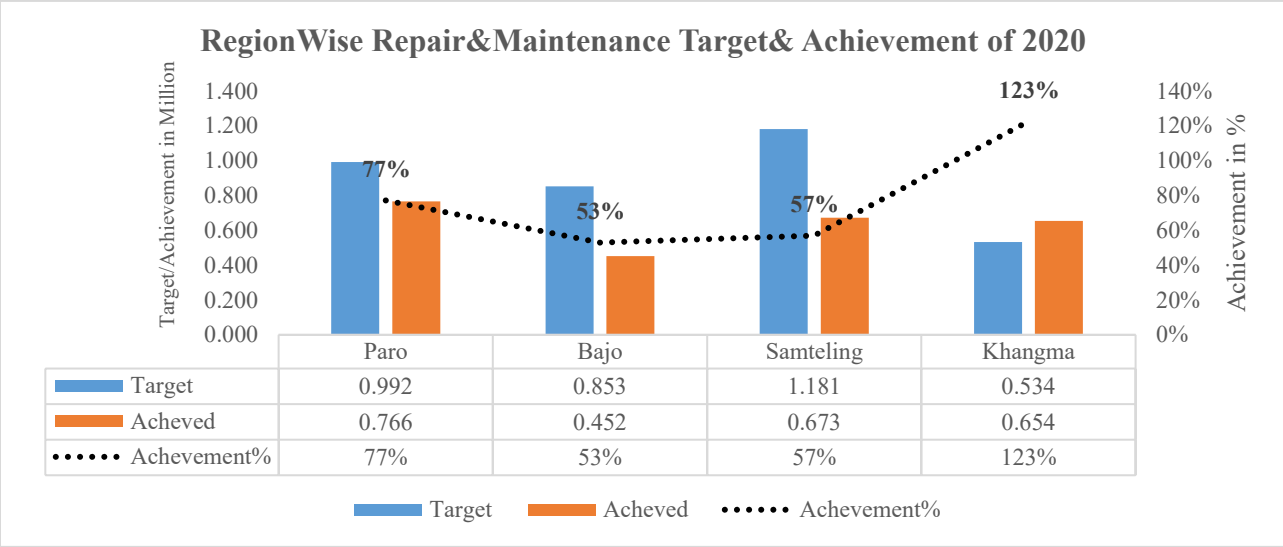


Fig 11: Regional wise repair and maintenance revenue achievement
Source: Farm Mechanization service department

2.2.4 Sales

For the year, 2020, the regional Centres had targeted to generated Nu **39.274 M** through sales**,** out of which Nu **40.467 M** could be achieved in total. Additional of **3%** of the revenue was achieved from the standard target. Following graph clearly depicts region wise target & achievement of sales;

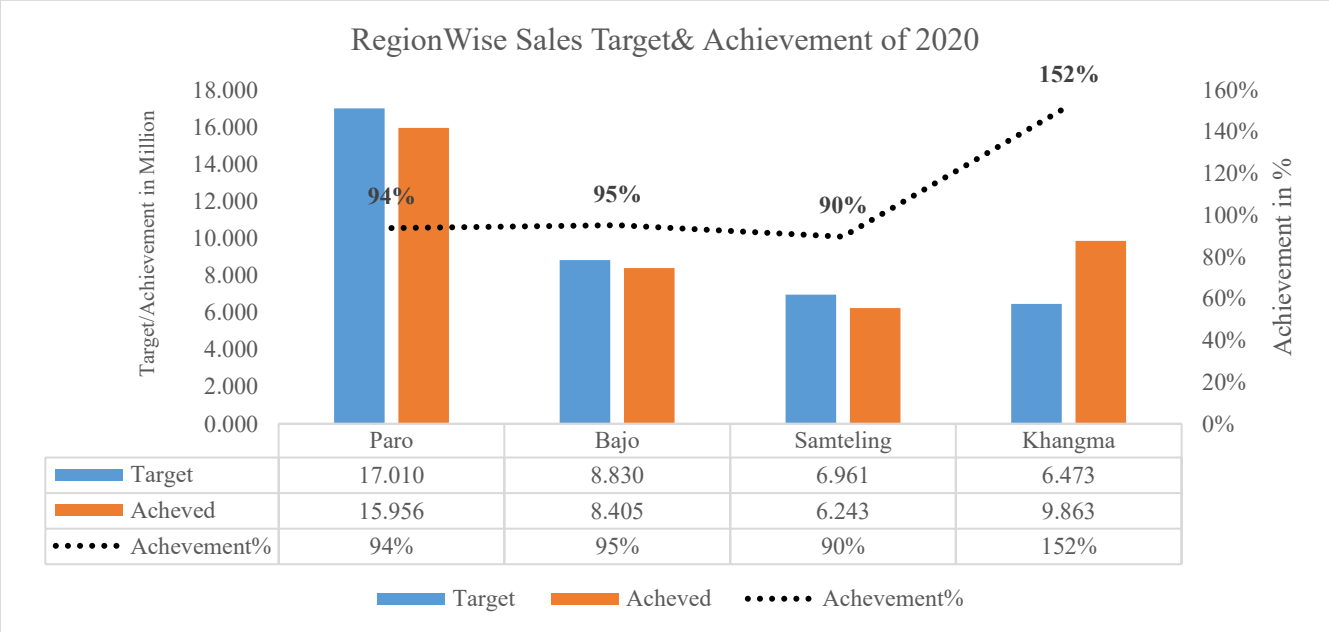


Fig 12: Regional wise Sales revenue achievement
Source: Farm Mechanization service department

2.2.5 POL

FMCL during 2018 has established and activated 41 Geog service centers to provide various services (mandate) of the company. Eventually some of the station were lead to closed base on the profit and loss of the station even after inclusive of all the supplementary services were provide. Thus for the remaining station the PoL products are procured from the nearest BoD and sold from this service centers. The clients are mostly farmers and other residing within the service centers area.

Corresponding to the remaining station for the year 2020, the regional Centres had targeted to generated Nu **19.537M** through POL**,** out of which Nu **15.789 M** could be achieved in total. Only **81%** of the revenue was achieved from the standard target. Following graph clearly depicts region wise target & achievement of POL;

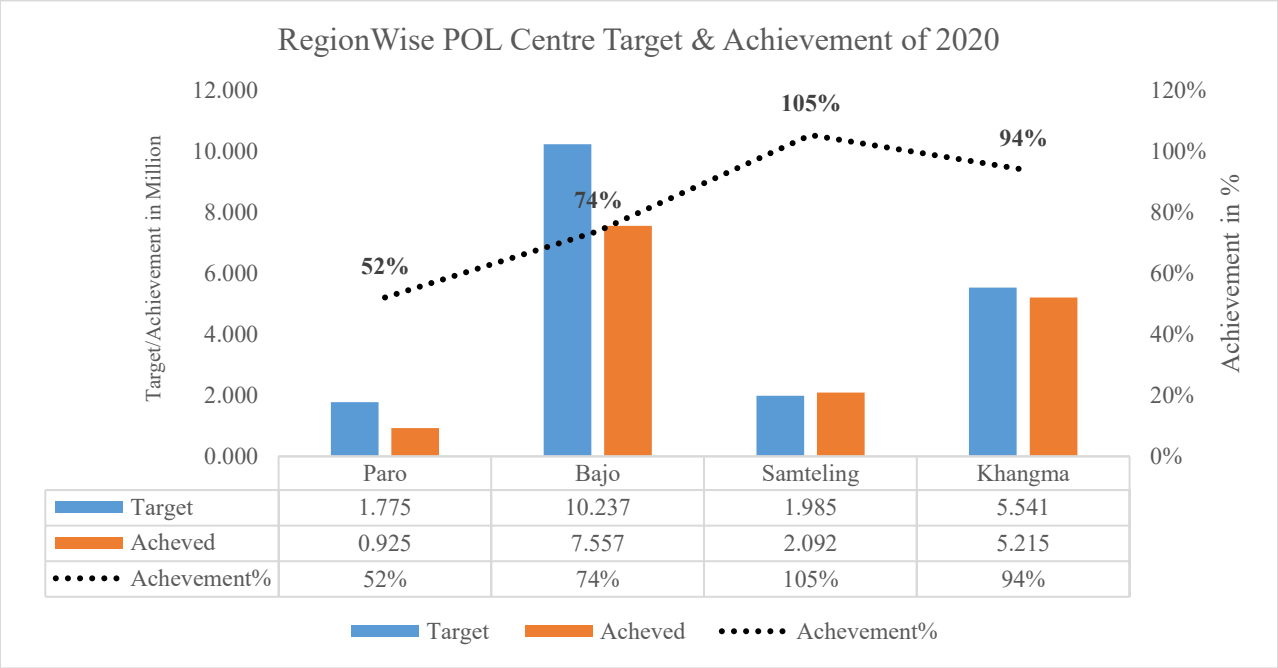


Fig 13: Regional wise PoL revenue achievement
Source: Farm Mechanization service department

2.2.6 Farms

For the year 2020, the Regional Centres had targeted to generated Nu **10.257M** through Farms**,** out of which Nu **4.564 M** could be achieved in total. Only **44%** of the revenue was achieved from the set target. Following graph clearly depicts region wise target & achievement of farms;

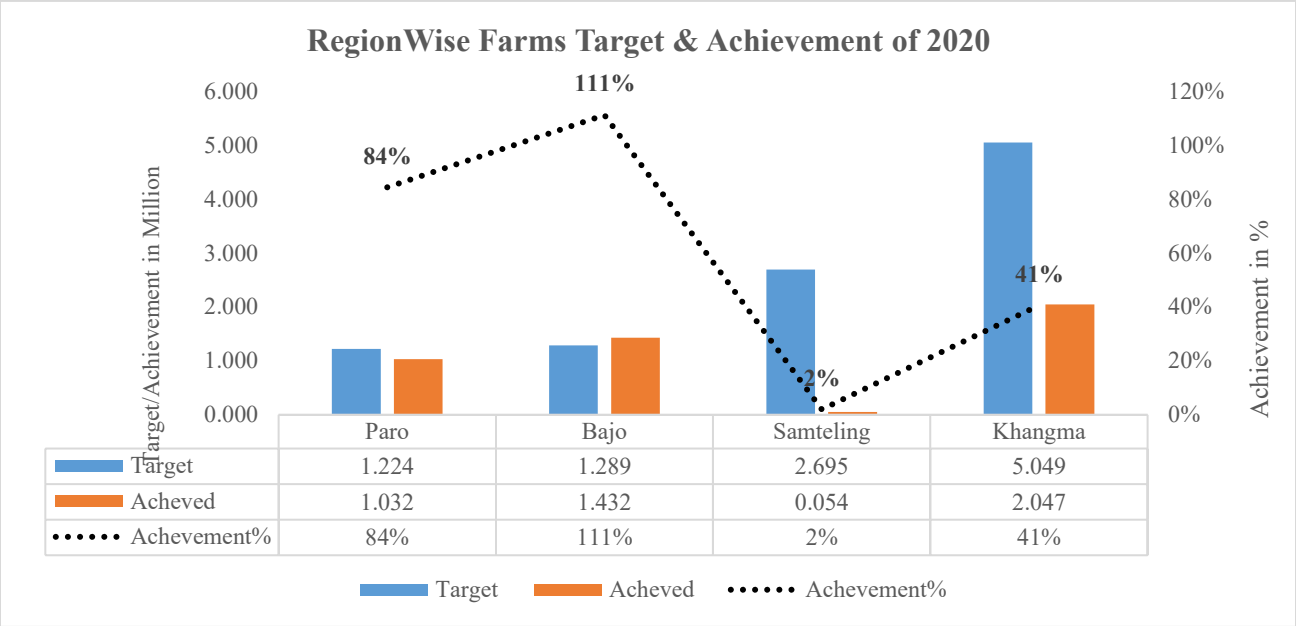


Fig 14: Regional wise Farms revenue achievement
Source: Farm Mechanization service department

2.2.7 Rice Mill

The company have three huge rice mill transferred from the FBCL, which is located at Chuzergang in Samtenling Region, Phuntshothang in Khangma Region and one in Bajo Region to enhance and activate the paddy collections from farmers. Further it is also for the purpose of milling the paddy collected from company's own contract and commercial farms and in return expect to generate revenue for the Company.

In the year 2020, from the composition of the three rice mill, the company had targeted to generated Nu **2.358 M** through Farms out of which Nu **1.064 M** could be achieved in total. Only **45%** of the revenue was achieved from the set target. Following graph clearly depicts region wise target & achievement of Rice mill;

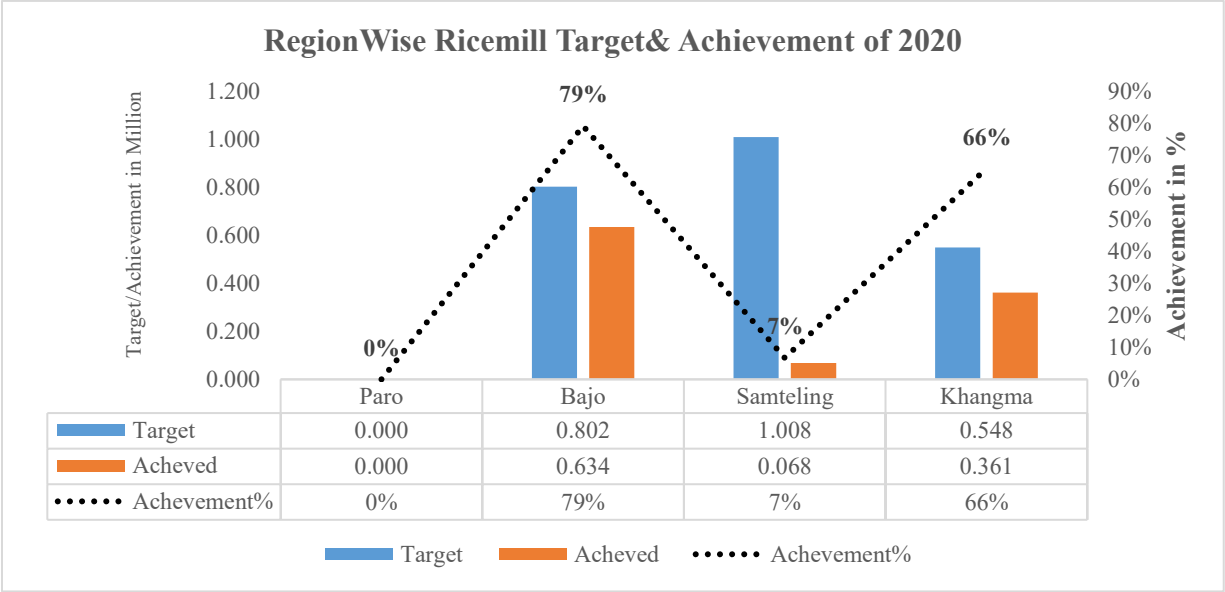


Fig 15: Regional wise Rice Mill revenue achievement
Source: Farm Mechanization service department

2.3 Marketing

Marketing section plays an important role in the organisation where they promote and drive sales of products and services. For the year 2020, following activities were carried out despite pandemic situation:

1. Demonstration: As per the requirement of new product and customer, marketing section carried out demonstration to clients, FMCL staff and others.
2. Participation in sales campaign: Just before COVID, marketing section could participate in Southern Food hill program along with regional office. This was an opportunity to showcase our product, company and also sell our farm produce.
3. Designing and distribution of catalogues: to reach out more customers, we carried out distribution of FMCL farm machineries and equipment's catalogue to all the potential institutes, regional offices and customers.
4. Mushroom Project: under the concept of studying and creating an entrepreneur, Oyster mushroom project was taken up and assigned. From start till marketing of the finished goods, the project was complete package and the focal had to meet her expenditure and salary from the revenue. However, after meeting just the expenditure the project lost the structure to fire accident.
5. Facilitating sales of farm produce and machineries: to facilitate sales of farm produce and machineries, marketing section was responsible for value addition of farm produce, search market, linking with potential customers, linking with potential suppliers, study of new product and getting it to the customers.

6. Chilli process: With imposing of national lockdown and restrictions of importing, FMCL carried out processing of dried chillies from the surplus chilli supply from farmers.



Demonstration of potato processing machine



sales campaign participation

2.4 Human Resources

The Human Resources statistic of the company over the years are as presented below:

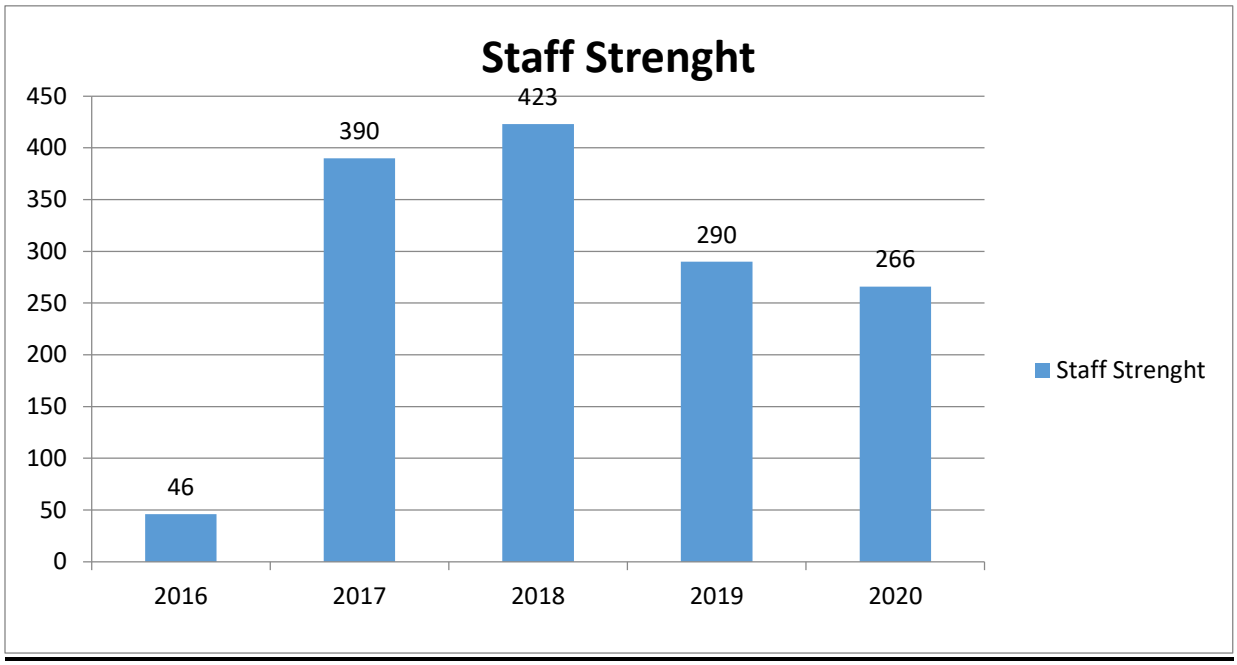


Fig 16: Human resource till year 2020
Source: Human resource department

Since its inception in 2016, FMCL was entrusted under the leadership of Mr. Karma Thinley, the incumbent Chief Executive Officer. The company running its 5th year of operation by now headed by the CEO is focusing more on initiating various policies and strengthening the mandates. The Management is also coming up with better and effective plans to shape Human Resources within the company. Today, FMCL is manned by 266 employees consisting of employees on contract, regular and elementary service Personnel. The company started its first operation with 46 staffs and steadily increased for two consecutive years 2017-2018 because of the development of several commercial Farms and establishment of 48 PoL services spread out across the gewogs. However, Human resources declined for the year 2019 to 2020 due to closure of the most of the PoL services owing to economic viability and two years contract completion of Staffs recruited through Direct Employment Scheme (DES) of Ministry of labour & Human Resource.

Subsequently, the Farm Machinery Corporation Limited employees, those who have received technical training and know how knowledge of respective employees are been implement not only within the company but also to the outside as a corporate social responsibility. Thus some of the support provided during the year are as follows:

Support provide from FMCL to client

Sn	Support/Services	Client

1	Mushroom (technical support from marketing section)	RBP Namjo
2	Mushroom (technical support from marketing section)	RBA Air port
3	Mushroom (technical support from marketing section)	Farmer Lango
4	Mushroom (technical support from marketing section)	Entrepreneur Wangsisi

3 Company Milestone



3.1 Company Breakthrough

The Farm Machinery Corporation address the essential progress/achievement on contributing the company worth Nu…….. by the end of year 2020. In order to outstretch to that worth some of the significant moments of accomplishment that marked the company's development and growth as of now are as shown below.

Year 2017	• 291 numebr of Youth employment in the company in collobration with MoLHR
Year 2017	• monitoring of Hiring services in colloboration with SFaMPH-II
Year 2017	• Launching of internal Service rules and Procurement manule
Year 2017	• Implelemtation of Talley EPR-9
Year 2018	• Cultivation of Spring Paddy
Year 2016- 2020	• 1139 Acre of Land Development
Year 2018	• Implementation of Ineventory and HR Database

Year 2018	• Additonal company Mandate (PoL) in colloboration with Departmenr of Trade, MoEA
Year 2018	• FMCL business strategy and plan (2018-2022)
Year 2018	• Grand from Japan (Received 353 sami Kubota and127 of mini tiller no of machine)
Year 2018	• Memorandum of Understannding between CSI and FMCL on the purchase of Machine through loan for the customer
Year 2019	• Annual Performacne Compact signing between Ministry of Finance, Board and FMCL
Year 2019	• Implementation of Pricing guidelines

Year 2020	• Way forward of project document
Year 2020	• Collaboration with RGoB in execution of School and Hospital Feeding Program

4 Board Directors and its meeting



4.1 Composition of Board Member

The company complied with the requirement of the Companies Act of Kingdom of Bhutan 2016 and other requirement. The FMCL Board consists of four Directors including the chairperson and the CEO as member secretary assisted by Company Secretary. The CEO report to the Board on the Company operations, management and performance during the board meetings.

The Board of Directors is entrusted with the ultimate responsibility of guiding the strategic direction and performance of management to achieve its mandate, supporting executive duties, and ensuring the company has adequate, well-managed resources at its disposal. The management of FMCL is headed by the CEO and had functional heads as its member who look after the day to day affairs of the company.

As per the 'Corporate Governance Guideline for States Enterprise 2019' the company have to conducted board meeting four times per year thus in year 2021 the company held 6 board meeting inclusive of annual general meeting. Underneath are the details of the meeting held in the year 2021 for resolution in making the smooth operational of an organization.

4.1.1 Board meeting held in 2020.

Sl No	Meeting	No of meeting held
1	Annual General Meeting	1
2	Board Meeting	5
3	Board Audit Committee Meeting	4

Fig 17: Board and audit committee meeting
Source: Company Secretary and Internal auditor

4.1.2 Board member

3. Mrs. Kuenzang L Sangey, Board member

- Chief Planning Officer, Gross National Happiness Commission

4. Mr. Karma Thinley, Member secetary

- Chief Executive Officer, Farm Machinery Corporation Limited

1. Mrs. Kinlay Tshering, Chair person

- Director (Department of Agricultire)

2. Mr. Tandin Tshering, Board member

- Director General, Department of small and cottage industry

5. Mrs. Thinley Wangmo, Company representative

- Company Secatary, Farm Machinery Corporation Limited

4.2 Composition of Board Sub Committee

The formation of Board audit committee and the execution of the committee was in the year 2019 has been enhancing the Board in making decision by providing recommendation as specified in schedule IV of corporate governance. The Member secretary of Board audit committee, presents the quarterly financial statement and compliance, internal and external audit matter to the board audit members for the ratification and further to be presented to the Board for the endorsement.

Subsequently in the Year 2021 the Board audit committee was conducted four times in a year. Following are the details of the Board audit committee consisting of three members with internal audit as member secretary

4.2.1 Board Audit committee member

1. Mr. Tandin Tshering, Board audit member

- Director General, Department of small and cottage industry

2. Mrs. Kuenzang L Sangey, Board member

- Chief Planning Officer, Gross National Happiness Commission

5. Mrs. Deki Tshomo, Member secetary

- Internal Auditor, Farm Machinery Corporation Limited

5 Annual Performance Compact 2020



5.1 Annual compact

As per the Corporate governance guideline mention under 'the part IV the board, annual performance compact' signing of the compact has been an annual important event for the company since its establishment in year 2016. It has immensely helped in rating the performance of the individuals in the delivery of services to the farming communities across the country. Since then, management ensured to signed individual compacts although not formalized until year 2020 between the Board, CEO and Ministry of Finance.

The Annual Performance Compact consisted of financial and Non-financial indicator with 50% respectively. Further, the Non-financial indicator was cascaded to Core actives (35%) and organization Management /Corporate governance with the (15%). Along with the activities agreed in the compact, each individual activity has its own key performance indicator with the risk associated to cover the external/ uncontrollable forces. For the past three years, the company has been consistently improving in terms of the performance from 65% in year 2018 to 76.85% in year 2019 and 89% in year 2020 despite of all the odds and constraints confronted during the implementation period.

In due course of executing the activities planned and proposed for the year 2020, the country was declared national lock down affecting most of the activities. The major activities were kept on halt for at least two months. However, measures and alternatives were placed in all regional offices and farms to ensure the continuity of the planned activities considering profound COVID protocols. The staffs were quarantined in the office premises and made to execute various activities in the interest of farming communities. One such initiative was rescuing rotting of huge green chili measuring to at least 20 MT collected from the farmers of Paro Dzongkhag. Similar initiatives were carried out from the regional offices, service centres and farms established across the country.

FARM MACHINERY CORPORATION LTD.

"Prioritizing User Satisfaction with Honesty "The "PUSH"

ANNUAL PERFORMANCE COMPACT 2020

Reporting Period: 1st January – 31st December 2020

ANNUAL PERFORMANCE COMPACT 2020

Company: FARM MACHINERY CORPORATION LTD.
Reporting Period: January – December 2020

Section 1: Financial and Non-Financial Indicators.

I. Financial Targets (50% Weightage):

s.n	Financial Indicator	2019 Actual (Nu. M)	2020 Target (Nu. M)	Weight (50%)
1	Revenue	179.117	185.586	19%
2	Revenue per employee	0.616	0.267	2%
3	Containment of Controllable expenses	-	20%	5%
4	Meet all expenses from Revenue	-	80%	5%

II. Non-Financial Target (50 % Weightage)

a. Core Activities (35%)

s.n	Performance indicator	Units	2019 Actual	2020 Target	Weight (%)
1	Area covered under Hiring services (central and Gewog Hiring services)	Acres	13,912.73	22,149.601	15%
2	Area cultivated under Commercial Farming	Acres	425.65	415.20	15%
3	Inventory turnover ratio	Ratio	0.389	0.595	5%

b. Organization Management/Corporate Governance (15%)

s.n	Performance indicator	Target/Output	Deadline	Weight (%)
1	New Initiatives	Any new initiatives implemented	December	5%
2	Comply and resolve all the statutory audit observation of 2019	Statutory Audit observation on compliance and issues of 2019 if any.	December	1%
3	Comply and resolve all the RAA observation of 2018	RAA observation and issue of 2018.	December	1%
4	Quarterly Accounts submitted	Quarterly Accounts submitted to Ministry of Finance	Within a month of quarter end	2%

5	Provisional Accounts submitted	Provisional Accounts of 2019 submitted to Ministry of Finance	February 2020	1%
6	Audited Accounts submitted	Audited Financial Statements for 2019 submitted to Ministry of Finance	June 2020	2%
7	Annual Performance Report submitted	Annual Performance Report of 2020 submitted to Ministry of Finance	March 2021	2%
8	Digital Transformation	Digital transformation implemented	December	1%

(Chief Executive Officer)
FMCL

(Chairperson)
FMCL Board

(Minister of Finance)
Ministry of Finance

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5.2 Evaluation of annual performance compact

Financial Targets (50% Weightage):

s.n	Financial Indicator	2020 Target (Nu. M)	Achievement	Weight (50%)
1	Revenue	185.586	211.128	19%
2	Revenue per employee	0.267	0.791	2%
3	Containment of Controllable expenses	20%	15%	5%
4	Meet all expenses from Revenue	80%	74%	5%
	Convert to 50%		**50%**	**47.379%**

Non-Financial Target (50 % Weightage)

Core Activities (35%)

s.n	Performance indicator	Unit	2020 Target	Achievement	Weight %
1	Area covered under Hiring services (central and Gewog Hiring services)	Acres	22,149.601	16,873.71	11.46%
2	Area cultivated under Commercial Farming	Acres	415.20	260.71	12.13%
3	Inventory turnover ratio	Ratio	0.595	0.603	5%

B. Organization Management/Corporate Governance

s.n	Performance indicator	Target/Output	Deadline	Achievement	Weight %
1	New Initiatives	Any new initiatives implemented	December	New Farm project (Phaithang farm) Proposal of Bio Fertilizer Mega greenhouse installation Initiative taken during 1st lockdown on processing dry chill from the CFM	5%
2	Comply and resolve all the statutory audit observation of 2019	Statutory Audit observation on compliance and issues of 2019 if any.	December	Replied to all the memo and under process of management approval	0%
3	Comply and resolve all the RAA observation of 2018	RAA observation and issue of 2018.	December	Completed	0%

4	Quarterly Accounts submitted	Quarterly Accounts submitted to Ministry of Finance	Within a month of quarter end	1st Qtr. submitted on 25th May and 2nd Qtr. submitted on 17th July 3rd Qtr. Submitted on 10th December	2%
5	Provisional Accounts submitted	Provisional Accounts of 2019 submitted to Ministry of Finance	February 2020	Submitted to MoF on February 13th 2020	1%
6	Audited Accounts submitted	Audited Financial Statements for 2019 submitted to Ministry of Finance	June 2020	Submitted on October, 2020	2%
7	Annual Performance Report submitted	Annual Performance Report of 2020 submitted to Ministry of Finance	March 2021	Submitted on March 16th 2020 to the MoF.	2%
8	Digital Transformation	Digital transformation implemented	December	Upgrade of inventory database	1%

Fig 18: Evaluation of Annual performance compact (2020)
Source: Monitoring and Evaluation



Picture 1: Annual compact signing between MoF, Board and FMCL on May 20, 2020

6. Activities carried out during Pandemic



6.1. Creation of Employment Opportunities

As the world was hit hard by COVID-19 Pandemic from late 2019, Service sector was the worst affected amongst which tourism service was at total standstill around the globe and Bhutan's tourism business too was inevitable.

Our company was directed to increase the vegetable production with development of commercials farms under School and Hospital Feeding program (SHFP). Under the SHFP, we could provide employment opportunities to around **10 laid off tourist guides** at the daily wage rate of Nu. 620/- (Six Hundred and twenty only). They were also provided with opportunity to continue working with the company at the given wage rate or can leave for better opportunity if an individual is blessed with.

Further, we also provided technical support/advices for numerous groups and individuals laid off employees who were taking up vegetable farming. We remain committed for providing such support if approached in coming days too.

6.2. Mega Green House

The design and construction of mega green house was initiated base for mass production of crops. Fundamentally, the greenhouse were designed for the protection of tender or off season plants against excessive cold or heat. Especially large greenhouses were important in agriculture and horticulture. Therefore, the company designed and constructed the mega green house by FMCL in Bhutan probably for the first time. The mega greenhouse is designed and constructed mainly for mass production of

The concept of mega greenhouse appeared when FMCL planned to produce mass production of vegetables to substitute imports from other countries, as normal greenhouses constructed in Bhutan have constraints like minimal spacing for use of farm machineries, multiple structures has to be constructed at one field and farm workers have to move from one structure to another.

So a trail mega greenhouse was constructed at Norzinthang Farm, Tashigang in October, 2020.





Source: Production Unit

Beside Norzingthang mega greenhouse a new mega greenhouse were designed and modified at Bajo, Wangduephodrang. The mega greenhouse were constructed in a prototype of other mega greenhouse to be kept as a sample for future reference if demand.

6.3. Phaitang Farms Contribution during the Lock Down

With the announcement of first National Lock down in the country on 10th August, 2020, the staffs of commercial farms continued to work on various agriculture activities in their respective confined area. The strict protocols on the COVID were made to practice daily. The entry of public was strictly prohibited from visiting the farm.

However, as a social corporative responsibility, the management of Phaitang commercial farm under Trongsa Dzongkhag has supported the Dzongkhag Task Force Member with following activities:

1. The Excavator machine from Phaitang was deployed to various farm roads under the Nubi geog to ensure smooth transportation of essential goods. The most of the farm roads were damaged with heavy rainfall.
   The geog connectivity road of Nubi geog connecting to Simphu, Kaba, Daba and Bemji- 17 km (200 households benefited), Bji Zam to Bji Trong – 4 km (24 households benefited) and Bji Paam – 3 km (20 Households benefited) farm roads were some of the roads maintained under the initiative of Phaitang farm.

2. Single cabin bolero and farm tractor was deployed to reach essential goods to every nock and corner of Nubi geog to support the Dzongkhag Task Force Member in a little manner we could in the service of farming communities.

3. The farm was in the process of developing into terraces during the announcement of lock down. However, the farm initiated to grow beans and chili in the open field and tomato under protective structure to supplement to the market with whatever quantity we could manage with the newly developed land. Following are the quantity produced during the lock down and made available to Trongsa Dzongkhag.
   - Beans – 579 kg
   - Tomato –1328 kg
   - Chili – 169 kg
   - Water melon – 49 kg

The labor payment for the labour deployed during the development of commercial farm was made available with the farmers during the lock down through M-BOB. Little more than 0.5 million was disbursed during the lock down period which has immensely helped them to buy essential goods and services during the lock down.


Fig 1: Single Cabin Bolero


Fig 2: Farm Road Maintenance



Fig 3: Tomato Supply



Fig 4: Tractor on duty for essential good supply



Fig 5: Beans Production during lock down



Fig 6: Water Melon

6.4. Dry Chilli Processing

On August 10th 2020 Bhutan was declared as national lockdown for 21 days due to the outbreak of community transmission that has not only been the threat to the health but for the economic and business growth of the country. As a result of the outbreak, the government have impose movement restriction which hampered the company revenue generation as the services were being halt.

During the period FMCL have initiated to work alongside with the Centenary Farmers Market in chilli processing as an ad hoe activity to process the surplus chilli available from farmers of Paro and those delivered by CFM. In the course of the procedure the head quarter and the Paro regional office employees came to the conclusion to be office quarantine during the national lockdown for the chilli processing lead by COVID focal person in collaboration with marketing section




The



following are the details of FMCL & CFM Chilli received or purchased with the processed detail:

Sn	Purchase	Qty	Segregated Qty				Difference	Shrinkage %
			Green/shukam	Black/hokam	Red	Spoiled		
1	FMCL	13,989.16	7,962.72	1,221.57	2,978.22	1,493.3	333.35	2.38%
2	CFM	5,684.8	2,065.8	632	792	1,134	1,061	18.66%
	Total	**19,673.96**	**10,028.52**	**1,853.57**	**3,770.22**	**2,627.3**	**1,394.35**	

Fig 19: Yield of dry chill process

Source: Marketing Section

7. Strengthening Farm Mechanization Project Phase II (SFaMPH2)



7.1 Project Summary

The Project "Strengthening Farm Mechanization Project Phase 2 (SFaMP2)", was planned as of August 2014 to August 2017. However the actual project have been extended for one year by considering the separation of organization into two; Agriculture machinery centre and Farm Machinery Corporation limited.

In consideration of the agriculture production contribution to the country in Gross domestic product, progress has been steadily low due to the steep geographic terrain. Beside the sturdy process on agriculture, the rural and urban migration have been challenges in enhancing the farming.

In consequence the Royal Government of Bhutan (RGoB) in collaboration with Japan international Cooperation Agency (JICA) have implemented "Strengthening Farm Mechanization Project" aiming the strengthening the capacity of AMC and FMCL towards sustainable farm mechanization. In overall the goal and purpose of the project was to let farmer have the better access to appropriated farm machinery in the sites.

The project have 4 outputs to be monitored and headed by the Project Management Unit (PMU) with the assist from the Project Coordination Working Group (PCWG) for updating the progress of activities. Out of 4 outputs "hiring services module" has been carried out by the Farm Machinery Corporation Limited.

The guidance and assistance received from the JICA has helped enhancing the project and upgrading hiring services as illustrated below:

7.1.1 General support

Sn	Support	Division
1	Project hired an IT consulting firm on the development of online database system in 2016.	Stores
2	Japanese part catalogue have been translated into English and shared with the company	Stores
3	Short term expert dispatch (Die mould making and production management)	Production Unit
4	Technical advices by the long term Japanese expert on repairing farm machineries	Repair and maintenance

Fig 20: General support by JICA to FMCL
Source: SFaMPH2 report

7.1.2 Human resource development support

Sn	Training	Date	Country	Participant

1	ICT for Agriculture information use	February – May 2017	Japan	Procurement officer
2	ICT for Agriculture information use	February – May 2018	Japan	Store In-charge, Central store
3	Die mould making training and production management	October 2017	AMC	Production Unit (3 staff)
4	Enhancing SMEs support capacity through learning quality and productivity improvement (KAIZEN)	September – October 2017	Japan	Production ground in-charge
5	KAIZEN training	2017	Bhutan	10 staff
6	Client care training	September 2016 – August 2017	Bhutan	163 staff (8 batches)
7	Advance office management training	March – August 2017	Bhutan	56 staff (5 batches)
8	Sustainable rural development by Biomass training	2017	Japan	4 staff
9	Technical training	2016	Japan	4 staff
10	Quality and productivity improvement training	2017	Japan	1 Staff
11	Auto CAD training	2016 - 2017	Bhutan	3 staff
	Total			**247 staffs**

Fig 21: Training support by SFaMPH2
Source: human resource section

7.1.3 Machine/fixed assets support

Sn	Machine/ assets	Division
1	Two desktop computer of AMC later transfer to FMCL	Head quarter
2	Ex. Shearing machine and plasma cutting	Production Unit

3	Tool sets and some special service tools	Repair and maintenance
4	12 units of motorbikes were procured	HQ and regionals
5	Photo copy machine	Samtenling and Paro
6	5 set of desktop and laptop	4 regionals, Paro R&M, Hiring coordinator

Fig 22: Support on Fixed asset and machine provide by SFaMPH2
Source: SFaMPH2 Report

7.2 Japanese General Grand Aid

Correspondingly in the year 2015, Geog hiring services was commenced in 70 Geogs in the eastern Bhutan which later improved as the project activity. This program was initiated by the MoAF and further received 887 units of power tiller including machine purchase by RGoB fund and 353 units of SAIM KUBOTA power tiller provided by the Japanese General Grand Aid.

This distribution was initially received by AMC and was later on transfer to FMCL. Fundamentally the machine received are all distributed to the Geogs on enhancing the accessibility of farm machines to the farmers monitored by the Dzongkhag Focal Person/Farm Manger/PoL Manager controlled from regional as exhibited below:

Geog power tiller distribution

Sn	Region	1 supply (2015)	2 supply (2016)	3 supply (2017)	4 supply (2018)	Total
1	Bajo	39	31	36	60	166
2	Khangma	70	18	83	167	338
3	Paros	50	0	35	107	192
4	Samtenling	46	3	44	98	191
	Total	**205 units**	**52 units**	**198 units**	**353 units**	**887 units**

Fig 23: Grand Aid for the hiring services by JICA, Source: SFaMPH2 Report

Independent statutory audit report



DILLI YOK & ASSOCIATES

CHARTERED ACCOUNTANTS

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Thimphu, Bhutan

Contact No: 17258738/17420185

AUDIT ON THE FINANCIAL STATEMENTS OF FARM MACHINERY CORPORATION LIMITED

PERIOD: JANUARY 1, 2020 to DECEMBER 31, 2020

June 2021

TITLE SHEET

Title	:	Audit Report on the financial statements of Farm Machinery Corporation Limited
AIN:		
Head of the Agency	:	Mr. Karma Thinley
Finance Personnel	:	Mr. Kelzang Namgay, CID No. 11513001731
Period Audited	:	Jan. 1, 2020 – Dec. 31, 2020
Schedule of Audit	:	6th April to 17th April 2021
Composition of Audit Team	:	Team Leader: **1. CA Dilli Ram Bista** CID No. 11810002939 **2. Yok Bhadur Karki ,** CID No. 10302003793 Team Members: **1. Premika Sharma** CID No. Dha(DCRC-28)2019/284 **2. Ugyen Dema** **CID No. 11401000358**
Supervising Officer	:	Yok Bahadur Karki
Engagement Letter	:	Appointment letter dated Dec. 7, 2020
Focal Person	:	CA Dilli Ram Bista Email: cabhutan@yahoo.com Phone No. 17258738
Date of Exit Conference	:	23rd April 2021

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITORS' REPORT

To,

The Shareholders

Farm Machinery Corporation Limited

Paro, Bhutan.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Firm Machinery Corporation Limited ("the Company"), which comprise the Statement of Financial Position as at December 31, 2020, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects of the financial position of the Company as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with applicable Bhutanese Accounting Standards for Small and Medium Enterprises (BAS for SMEs).

Basis for Opinion

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

Emphasis of Matters

We draw attention to Statement of Comprehensive Income which presents net loss of Nu. 12,731,851.61 for the year ended 31 December 2020 as against Nu. 4,182,550.31 for the previous year. As disclosed in notes to account 17, the loss of Nu 4.602 million was on account of POL stations surrendered to the gewogs and balance being the operational loss.

Our opinion is not modified in respect of this matter.

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

The management is responsible for the preparation and fair representation of the financial statements in accordance with the BAS for SMEs 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 Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing and terms of reference for audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them

all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other Legal and Regulatory Requirements

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

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

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 in so far as it appears from our examination of those books.

c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Cash Flows and the Statement of Changes in Equity dealt with by this report are in agreement with the books of account.

d) In our opinion, the Company has complied with other legal and regulatory requirements.

Dilli Yok& Associates
Chartered Accountant
Firm License No: 1041252

CA Dilli Ram Bista
Membership No.542831
Place: Thimphu
Date: 10/08/2021

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

ANNEXURE A

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 applying 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 the FY 2020.

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

1. The Company has been maintaining proper records showing particulars including quantitative details and situation of the fixed assets. As explained to us, all the fixed assets have been physically verified. Therefore, discrepancies as such could not be identified on our examination.

2. The fixed assets of the Company have not been revalued during the year.

3. The Physical verifications were conducted at reasonable intervals in respect of finished goods, stores, spares parts and raw materials. On examination, the management of the Company had taken the responsibility in forming the appropriate compact and included the responsibility of the person to verify the finished goods, stores, spares parts and raw materials and discrepancy if any has been adjusted in the books of accounts.

4. In our opinion and according to information and explanation given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business. No, such inadequacies in such procedures were found doing the audit.

5. No, discrepancies have been noticed on physical verification of stocks as compared to the book records. As per the prevailing practice, adjustments of such discrepancies if any have been adjusted in the books of accounts.

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. The quantitative reconciliation is carried out at the end of the accounting year in respect of all major items of inventories, i.e. finished goods, raw materials. Except for POL inventories

8. The obsolete, damaged, slow moving and surplus inventories has been determined during the internal verification by the internal audit and other appropriate teams member of the company and the value of dead stock is determined as 20329359.15 and the provision for same is been recorded at Nu. 20,329,359.15 In the books.

9. No obsolete and surplus inventories are disposed off and proceeds from such disposals are accounted appropriately with the discussion with the management. On the further discussion with the management, management had discussed and decided to submit the dead stock report to the Regional Revenue & Customs Office (RRCO) and to take further course of action.

10. According to the information and explanations given to us, the Company has a system of obtaining approval of the Board/ appropriate authority for writing off amounts due to material loss/ discrepancies in physical/book balances of stores and spares.

11. As per the examination and information provided by the management about the inventories, including the finished goods, raw materials, work in progress and stores and consumables is appropriate in accordance with generally accounting principal. The method adopted in the previous year was followed during the year

12. The Company has not granted any loan. Hence prejudice in interest and other terms and conditions of the loan etc. are not applicable.

13. The Company has not granted any loans, secured or unsecured, to other companies, firms, or other parties 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 granted to officers/staff are generally adjusted in keeping with the provisions of service rules and no excessive/ frequent advances are granted and there is no accumulation of large advances against any particular individual.

15. The company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures.

16. There is a reasonable system of authorization at proper levels in respect of issue of stores and allocation of materials and labour to jobs wherever applicable. There is systematic procedure on issue of stores and allocation of materials and labour to jobs.

17. On the examination, there is a system of competitive biddings, commensurate with the size of the company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services except for international transactions where MOU are in place.

18. (a) On the examination, the procurement and sales division have their own procedure to be followed. No such involvement of directors are 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. According to the information and explanations given to us, and on the basis of our checking of the accounts and other books and records, to the best of our knowledge, no personal expenses have been debited to the Statement of Comprehensive Income.

20. As explained to us, unserviceable, damaged stores and finished goods items are determined and verified by a committee and on their recommendations; provisions have been made generally in the accounts periodically with the approval of Competent Authority.

21. There is a reasonable system of ascertaining and identifying point of occurrence of breakage/damages raw materials, packaging materials and finished products i.e. while in transit, during processing, during loading/ unloading, in storage and during handling etc. so that responsibility could be fixed and compensation sought from those responsible but if in case the disaster happens by the unforeseen circumstances, no disaster recovery plan such as insurance of the raw material, packing material and finished products to get in the regular operations.

22. As informed, the company is maintaining reasonable records for production of finished goods, by-products and they have maintained the adequate physical safeguards exist to prevent unauthorized or irregular movement of goods from the company.

23. As per information and explanations given to us and on our verification The Company is maintaining reasonable records for sales and disposal of realizable by-products and scraps which are applicable.

24. The company isregular in depositing rates and taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authority. The provision for corporate tax is adequate and that necessary adjustments have been made to compute amount of tax

as per the prevailing tax laws, rules and regulations of Bhutan. *Except payment of TDS on Bhutanese contract*

25. As per the records made available to us, there was undisputed amount payable in respect of rates, taxes, provident funds and other statutory dues, which are outstanding as on the last day of the financial year.

Sl No	Nature of due	Amount
1	TDS on Bhutanese contact	559,074.14

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. The company have work plan for the individual and have compact rules 2019 to be followed by the individual possible.

27. There is a reasonable system of price fixation taking into account the cost of production and market conditions. *However it needs to be further strengthen to incorporate all Fixed Production Overhead*

28. As per the Explanations made to us the company doesn't allow credit to parties.

39. All sales are made directly by the Company and no commission agent has been engaged by the Company.

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 action.

31. We noted that the management of liquid resources particularly cash/bank and short term deposits etc. have been adequate considering the present suitability.

32. In our opinion and to the extent our examination reveals, the business activities carried out by the Company are lawful and intra-vires to its Articles of Incorporation of the Company.

33. In our opinion and according to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decision.

34. The Company has a formal budgetary control system which requires to be strengthened.

35. *Standard costing system and variance analysis based on the standard costing system is yet to be introduced.*

36. The remuneration paid to the Managing Director consisting of sitting fees and other benefits paid to the Managing Director is disclosed in Note No. 2 of Notes on Accounts. Since our checking is restricted to Board Minutes, and while checking the said Board Minutes, we have not come across any cases of disclosure of interest where payments

have been made in cash or in kind to any of the Director's relatives (including spouse(s) and child/children) by the Company directly or indirectly.

37. To the best of our knowledge we have not come across any instance of the directives of the Board that has not been complied with.

38. On the basis of information received from the Management, and on the basis of our verification of records and documents, price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Company, to any other person with the intent to benefit themselves.

39. Necessary records are being maintained for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

40. There are no machinery/equipment that have been acquired on lease or leased out to others.

COMPUTARIZED ACCOUNTING ENVIRONMENT:

1. The Company uses tally software, Tally ERP 9.

2. Backup of data in separate drive is being kept under the custody of the IT Manager.

3. The Company is yet to introduce the system of back-up facilities and disaster recovery measures including keeping files in different and remote locations.

4. In our opinion and according to the information and explanations given to us, the operational controls require further improvement to ensure correctness and validity of input data and output information.

5. In our opinion and according to the information and explanations given to us, the measures taken by the Company to prevent unauthorized access over the computer installations and files are adequate.

GENERAL

1.Going Concern:

The Company's present operational and financial data indicates that the Company is financially healthy and we have no reason to believe that the Company is not a going concern entity. Accordingly, the financial statements have been prepared on the going concern assumption.

2.Ratio analysis:

Refer to Annexure – 1

3.Compliance with the Companies Act of Bhutan, 2016

As confirmed by the Management and as verified from accounts and information provided, we are of the opinion that the Company has complied with provisions of The Companies Act of Bhutan 2016, *except issue of Share Certificate in respect of its shares and as mentioned in Compliance Calendar and Compliance Checklist.*

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 audit, we have considered the compliance of provisions of the Act relevant to the financial statements and we are unable to state whether the Company has been complying with applicable laws (other than the Act), rules and regulation, systems, procedures and practices.

Dilli Yok& Associates
(Chartered Accountants)
Firm License No: 1041252

CA Dilli Ram Bista

Membership No: 542831

Place: Thimphu.

Date: 10/08/2021

FINANCIAL STATEMENTS

FARM MACHINERY CORPORATION LIMITED
Statement Of Financial Position at 31st December, 2020

Particulars	No.	As at 31.12.2020	As at 31.12.2019
ASSETS			
Non-Current Assets			
Fixed Assets			
Property, Plant &Equipments	3	135,342,490.59	113,808,120.59
Other Non-Current Assets			
Deferred Tax Assets (Net)	8	(263,112.92)	697,118.04
Total Non-Current Assets		**135,079,377.67**	**114,505,238.63**
Current Assets			
(a) Inventories	4	121,433,231.14	130,494,218.29
(b) Sundry Debtors	5	28,911,184.02	58,422,062.39
(c) Cash & Cash Equivalents	6	145,982,676.20	(215,069.57)
(e) Loans & Advances	7	12,298,312.64	4,901,628.41
Total Current Assets		**308,625,404.00**	**193,602,839.52**
TOTAL ASSETS		**443,704,781.67**	**308,108,078.15**
Equity & Liabilities			
Shareholders' Equity			
(a) Share Capital	1	48,322,000.00	48,322,000.00
(b) Capital Reserves	2	300,651,306.03	148,859,534.76
(c) Retained Earning	2	(23,003,959.28)	(10,158,674.67)
Total Shareholders' Equity		**325,969,346.75**	**187,022,860.09**
Non- Current Liabilities			
Provision for Gratuity	9	2,457,405.00	1,450,894.00
Current Liabilities & Provisions			
(a) Current Liabilities	10	115,278,029.92	119,634,321.06
Total Current Liabilities & Provisions		**117,735,434.92**	**121,085,218.06**
Total Shareholders' Equity & Liabilities		**443,704,781.67**	**308,108,078.15**

Significant Accounting Policies & Notes on Accounts
The Schedules referred to above form an integral part of the Balance Sheet
As per our attached Report of even date

For Dilli Yok & Associates
Chartered Accountants
Firm License No: 1041252

CA Dilli Ram Bista
Membership No: 542831
Place: Thimphu, Bhutan
Dated: 10/06/2021

Chairperson FMCL Board

Board of Directors FMCL Board

Chief Executive Officer

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FARM MACHINERY CORPORATION LIMITTED

Statement Of Comprehensive Income for the year ended 31st December, 2020

Particulars	Schedule No:	31.12.2020	31.12.2019
Income			
Revenue	11	180,808,419.25	85,292,492.37
Closing inventories	12	(9,060,987.15)	4,032,238.07
Other Income	13	32,197,135.00	95,160,406.15
Operating Income		**203,944,567.10**	**184,485,136.59**
Expenditure			
Purchase of Materials	14	86,938,356.11	40,192,200.67
Operating Cost	15	30,481,773.45	38,544,718.15
Employees Cost	16	60,390,023.31	62,209,365.06
Administration Expenses & General Charges	17	14,800,596.00	25,325,005.95
Repairs & Maintenance	18	9,957,361.01	6,526,143.71
Depreciation & amortization Expenses		13,148,077.87	17,065,690.06
Operating Expenses		**215,716,187.75**	**189,863,123.60**
Operating Profit / (Loss) for the year		(11,771,620.65)	(5,377,987.01)
Profit/(Loss) before Tax		**(11,771,620.65)**	**(5,377,987.01)**
Deferred Tax		(960,230.96)	1,195,436.70
Profit/(Loss) after Taxation		**(12,731,851.61)**	**(4,182,550.31)**
Other Comprehensive Income		-	-
Loss on re-measurement of Defined benefit Obligation		(113,433.00)	-
Total comprehensive income for the year		(12,845,284.61)	(4,182,550.31)
Profit/(Loss) brought forward		(10,158,674.67)	(5,976,124.36)
Transfer to Balance Sheet		**(23,003,959.28)**	**(10,158,674.67)**

Significant Accounting Policies & Notes on Accounts
The Schedules referred to above form an integral part of the Balance Sheet
As per our attached Report of even date
For Dilli Yok & Associates
Chartered Accountants
Firm License No: 1041252

Chairperson, FMCL Board

CA Dilli Ram Bista
Membership No: 542831
Place: Thimphu, Bhutan
Dated: 10/06/2021

Board of Directors, FMCL Board

Chief Executive Officer

FARM MACHINERY CORPORATION LIMITED

Cash Flow Statement as of 31st December, 2020

Particulars	31.12.2020	31.12.2019
A.CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(11,771,620.65)	(5,377,987.01)
Adjustments for:		-
Depreciation	13,148,077.87	17,065,690.06
Foreign Exchange Gain	(16,078.86)	-
Loss on Disposal/Surrender	4,865,670.61	
Gain/loss on other long term employee benefit	1,342,896.00	
Deferred Grant Income	(13,160,528.98)	-
Grant Income recognized during the year	(26,888,670.58)	
Interest Income	(589,740.00)	
Operating Profit before Working Capital Changes	(33,069,994.59)	11,687,703.05
Adjustments for:		
(Increase)/Decrease in Sundry Debtors	28,550,647.41	(28,424,826.41)
(Increase)/Decrease in Inventories	9,060,987.15	(6,591,749.20)
(Increase)/Decrease in Loans and Advances	(7,396,684.23)	(1,933,578.23)
Increase/(Decrease) in Current Liabilities & Provisions	(4,356,291.14)	37,217,189.26
CASH GENERATED FROM OPERATIONS	(7,211,335.40)	11,954,738.47
Less: Tax paid	-	1,472,673.42
NET CASH FROM OPERATING ACTIVITIES	(7,211,335.40)	10,482,065.05
B.CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (NET)	(28,492,408.81)	(14,747,952.06)
Interest from Temporary Investment	589,740.00	
NET CASH USED IN INVESTING ACTIVITIES	(27,902,668.81)	(14,747,952.06)
C.CASH FLOW FROM FINANCING ACTIVITIES	-	
Increase/Decrease in Share Capital	-	15,000,000.00
Increase/Decrease in capital Reserve(Net)	181,311,749.98	(12,383,451.55)
NET CASH FROM FINANCING ACTIVITIES	181,311,749.98	2,616,548.45
Net Increase/Decrease In Cash And Cash Equivalents	146,197,745.77	(1,649,338.56)
Cash And Cash Equivalents - At The Begning Of The Year	(215,069.57)	1,434,268.99
Cash And Cash Equivalents - At The End Of The Year	145,982,676.20	(215,069.57)

Significant Accounting Policies & Notes on Accounts. The Schedules referred to above form an integral part of the Balance Sheet.

As per our attached Report of even date

For Dilli Yok & Associates
Chartered Accountants
Firm License No: 1041252

CA Dilli Ram Bista
Membership No: 542831
Place: Thimphu, Bhutan
Dated: 10/06/2021

Chairperson, FMCL Board

Board of Directors,
FMCL Board

Chief Executive Officer

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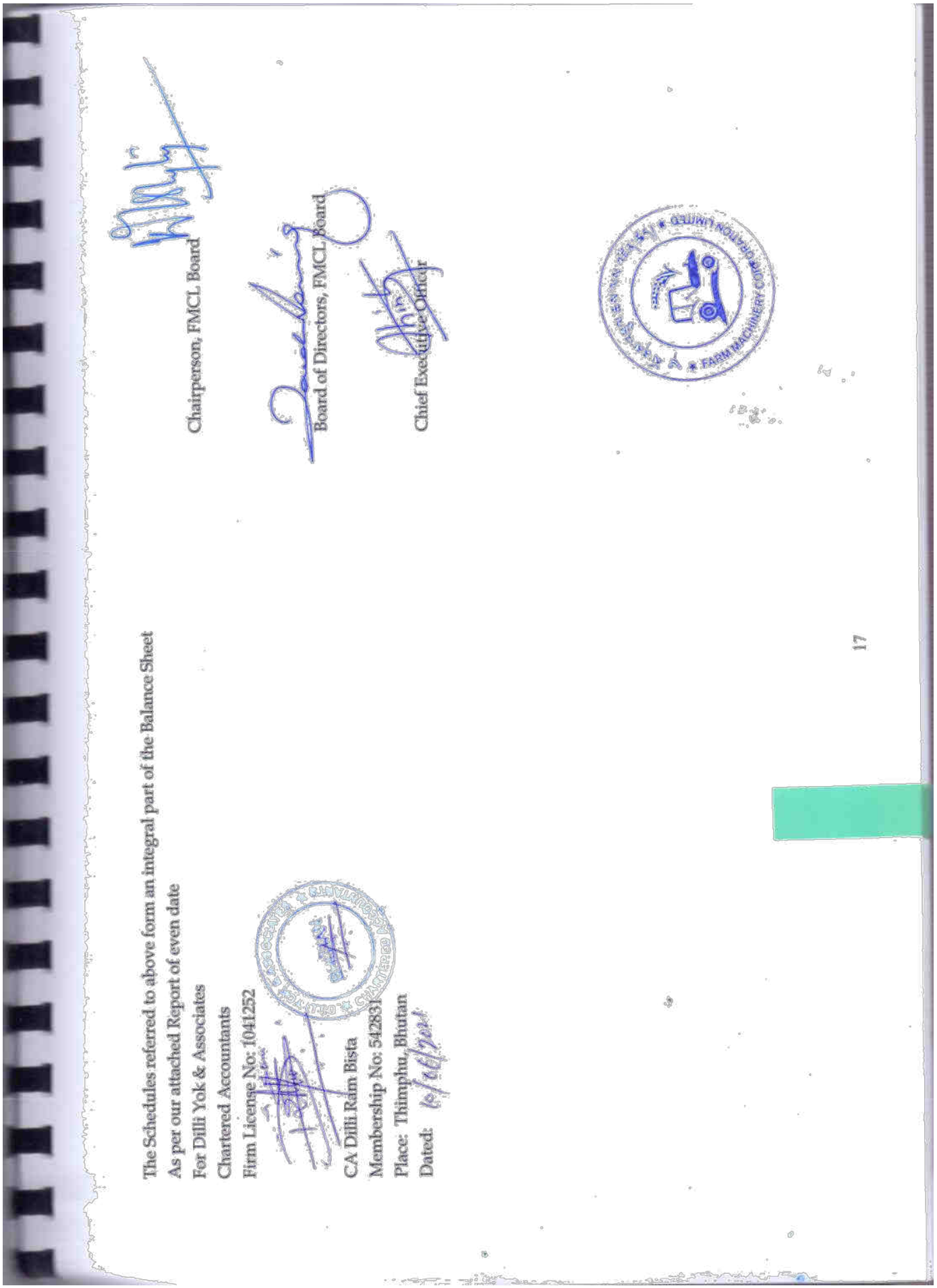
Farm Machinery Corporation Limited
PARO BONDEY: BHUTAN
Post Box No: 1314
"Prioritizing User Satisfaction with Honesty" The "PUSH"

FARM MACHINERY CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE ENDED 31st December, 2020

PARTICULARS	Equity Share Capital	Capital Reserve	Retained Earning	Total Equity
Balance at 1 Jan 2019	**33,322,000.00**	**162,438,423.01**	**(5,976,124.36)**	**189,784,298.65**
Net Profit for the Year				-
Net Profit/(Loss) for the year		-	(4,182,550.31)	(4,182,550.31)
Transfer to Reserve				
Grant Received from MOAF		20,353,000.00		20,353,000.00
Transferred to Profit & Loss Account		(33,931,888.25)		(33,931,888.25)
Provision For Stock				
Issue of Share Capital	15,000,000.00	-	-	15,000,000.00
Balance at 31 December 2019	**48,322,000.00**	**148,859,534.76**	**(10,158,674.67)**	**187,022,860.09**
Net Profit for the Year				-
Net Profit/(Loss) for the year		-	(12,731,851.61)	(12,731,851.61)
Comprehensive Income for the year			(113,433.00)	(113,433.00)
Transfer to Reserve		-		-
Grant Received from MOAF		-		-
Transferred to Profit & Loss Account		216,243,404.25		216,243,404.25
		(64,451,632.98)		(64,451,632.98)
				-
Balance at 31 December 2020	**48,322,000.00**	**300,651,306.03**	**(23,003,959.28)**	**325,969,346.75**

Significant Accounting Policies & Notes on Accounts


Chairperson, FMCL Board
Board of Directors, FMCL Board
Chief Executive Officer
FARM MACHINERY CORPORATION LIMITED
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The Schedules referred to above form an integral part of the Balance Sheet
As per our attached Report of even date
For Dilli Yok & Associates
Chartered Accountants
Firm License No: 1041252
CA Dilli Ram Bista
Membership No: 542831
Place: Thimphu, Bhutan
Dated:

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Accounting Policies:

1.Reporting Entity

The principal activities of Farm Machinery Corporation Limited (the "Company" or "FMCL.") cover all significant operations that have taken place in Bhutan and the Zonal Offices in four Dzongkhag Paro, Wangdue, Sarpang and Trashigang. The Company is incorporated as wholly Owned Company of Royal Government of Bhutan on 29th March 2016 under the Companies Act of Kingdom of Bhutan; 2016. These financial statements relate to the year ended 31 December 2020.

2.Basis of preparation

The financial statements of the Company have been prepared in accordance with Bhutanese Accounting Standards. The statements have been prepared under the accrual, historical cost and going concern conventions.

The preparation of financial statements in conformity with BAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

1 Fixed assets: critical judgments are expected period of use, condition of the asset, technological advances, regulation, and residual values.

2 Actuarial valuation of employee benefits: expected uptake of the gratuities and the discount rate used in the valuation. The functional currency of preparation is in Bhutanese Ngultrum.

3.Application of Bhutanese Accounting Standards

The Financial Statements have been prepared in line with Bhutanese Accounting Standards. The summarized impact of the introduction of BAS is:

a) The company has presented Statements of Comprehensive Income and Changes in Equity as required by BAS 1. These statements show information that was previously disclosed in the schedules to the financial statements. Generally the disclosure norms adopted by the company is as per function which is in confirmation with group accounting policies.

b) Depreciation has been calculated using an assumed useful life of Fixed Assets including additions during the year using the rates applicable as per BAS 16.

c) Employee retirement benefits are valued on an actuarial basis which reflects the estimated liability at balance sheet date.

4.Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who are responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

5.Foreign currency translation

a) Foreign currency transactions that are completed within the accounting period are translated into Bhutan Ngultrum using the exchange rates prevailing at the date of settlement. Monetary assets and liabilities in foreign currencies at balance sheet date are translated at the rates of exchange ruling at balance sheet date.

b) Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Income.

6. Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment, if any. Costs includes purchase price, taxes and duties, labour cost, direct financing costs, direct overheads for self-constructed assets, borrowing costs, other direct costs incurred up to the date the asset is ready for its intended use including initial estimate of dismantling and site restoration cost. Subsequent costs are included in the assets carrying amount of assets or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

a) Land is not depreciated. Depreciation on other Assets has been calculated using an assumed useful life of Fixed Assets including additions during the year using the rates applicable as per BAS 16. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other Income" or "Other expenses" as the case may be, in the income statement.

Accounting Policy followed for useful life

Sl.no	Item	Life
1	Vehicle & Vessels	15
2	Computer & Peripherals	5
3	Office Equipment	5
4	Furniture & Fixtures	10
5	Plant & Machinery	10

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7. Intangible assets

a) Costs associated with maintaining computer software programmer are recognized as an expense incurred.

b) The Company does not recognize the internally generated technical knowhow and hence recognition criteria and amortization policy is not defined by the entity.

8.Receivables and advances.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise "loans to customers", "trade and other receivables" and "cash & cash equivalents" in the Statement of Financial Position (notes: 5, 3).

9.Inventories

Inventories are stated at cost or net realizable value whichever is lower. Costs are determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity).

10. Trade and other receivables

Trade and other receivables are initially recognized at the fair value of the amounts to be received. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Receivables are reviewed regularly for impairment.

Cash and cash equivalents

In the Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

11. Trade and other payables

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

12. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in Other Comprehensive Income and in this case, the tax is also recognized in other Comprehensive

income. The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in Bhutan. Management periodically evaluates computation made in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions wherever appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

13. Employee benefits

a. Retirement Benefits

Defined Contribution Scheme

Employees belong to a defined contribution benefit plan managed by a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees, the benefits relating to employee service in the current and prior periods.

Defined Benefit Scheme

The company makes retirement payments based on the final salary and years of service. The gratuity is accrued on the basis of actuarial valuation. Changes in service and interest are charged to the Profit and Loss Account. Changes to actuarial valuation are charged to the Statement of Comprehensive Income.

b. Other benefits

Other benefits such as leave encashment and bonus are accrued.

14. Revenue recognition

Revenue is measured at the amount entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government. The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised goods or services to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the group. An asset is assumed to be transferred to a customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the company for obtaining as contract with customer is recognized as assets if the recovery of such cost is expected. Such assets are amortized on a systematic basis that is consistent with the transfer to the customer of the goods to which the asset relates.

15. Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument. Interest income on impaired loan and receivables is recognized using the original effective interest rate.

16. Comparative information

Where necessary certain comparative information has been reclassified in order to provide a more appropriate basis for comparison, comparative information has been updated to comply with the introduction of Bhutanese Accounting Standards.

Notes on Accounts:

a) During the year the company has recognized revenue from POL of Nu.18, 851,262.6(inclusive of closing stock amounted to Nu.3, 151,858.00) against purchase of POL of Nu.13, 537,390.19 which is exclusive of employee cost.

b) The company has generated revenue from contract farming of Nu.10, 829,371.9(inclusive of closing stock amounted to Nu.2, 347,488.00) in respect of which the company has incurred an expenditure of Nu. 4,909,967.36 (exclusive of employee cost) as crops plantation generating the profit amounted to Nu.5,919,404.9

c) Inventory includes items worth Nu.77, 604,891.80 grants- in - kind received from AMC in the year 2017. Out of which the stock worth of Nu.13, 078,980.29 was sold in the year 2017 and before, Nu.15,339,047.48 in the year 2018, Nu.3,321,544.39 in the year 2019 and Nu.15,174,899.60 in the year 2020.

d) The department of Macro Economic Affairs, Ministry of Finance verified and valued some of the assets at Nu.39, 122,197.60, transferred from AMC at the time of corporatization, whose purchase details and corresponding cost were available and accordingly incorporated in the books of account as on 31.12.18. Further, during the year 2020 the asset was depreciated by of Nu.3, 893,947.31.

e) Due to non-availability of cost price and year of purchase and other specific details each items of other asset have been valued at Nu.1

f) As per BAS 2: Inventories the management has measured the inventories at cost or net realizable value whichever is lower. *Detail shown in Annexure I*

Annexure I Valuation of Inventories Closing Stock

Row Labels	Sum of Amount	Sum of Net Realizable Value
Accessories	6,114,654.96	7,031,853.20
Implements	3,010,400.21	3,461,960.24
Machinery	23,877,566.99	27,459,202.04
Others	98,661.92	113,461.21
Spare Parts	80,744,594.26	92,856,283.40
Tool	778,659.20	895,458.08
Grand Total	**114,624,537.54**	**131,818,218.17**

g) As per Executive Order No. DOA/ADM/01/139 dated 5th October,2016 of the Ministry of Agriculture &Forest, the following program/ projects under Department of Agriculture were handed over to the Farm Machinery Corporation Limited:

Program/Project	Area (Acres)
Nichula/Gangtokha Agriculture Land	200
Phuntshothang Agriculture Rehabilitation	662 projects
Tendrelthang	17
Dechenphug	16
Kana Citrus Plantation Site	101

i) However, as of now FMCL has limited control over this land and hence does not meet recognition criteria as set out under BAS-16 Property Plant and Equipment. Therefore it has not been accounted for.

j) Due to timing difference in admissibility of depreciation as per the provisions of the Income tax of the Bhutan, deferred tax liability has been created in the accounts as per computation shown in ***annexure II*** attached herewith.

Annexure II

Computation of Deferred Tax for the year ended 31.12.2020

	Carrying Amount	Tax Base	Difference
Property Plant & Equipment	99,088,992.13	98,211,949.07	877,043.06
Deferred Tax Liability			263,112.92

k) Biological Assets and Bearer Plants has not been accounted by Company since most of these assets are stationed in contract and commercial farm which may be taken by private individual or government at any time as the ownership is not under FMCL.

l) Remuneration of Key Managerial Personnel (BAS)

Particulars	Amount (Nu)
Gross Remuneration paid to Key Managerial Employee	2,393,976.00
PF Contribution	287,617.00
Directors Sitting Fees	142,000.00

m) As per BAS 19, the valuation of Gratuity and Leave Encashment was provisioned with amounting to Nu.893, 078.00 Leave Encashment Nu.2, 272,926.00 and Other Compressive Income (OCI) to Nu.113, 433.00 in the 2020 financial statement.

n) As on reporting date, 483,220 shares of face value at Nu.100 each were outstanding and no additional shares were issued during the accounting the year. Since shares of the company are not listed in stock exchange, the company has not presented in the statement of profit & loss basic and diluted earnings per share in accordance Para 9 and 30 of BAS-33 Earnings per Share.

o) The Company has earned net income of Nu.13.193 Million by carrying out other ad-

Annexure IV

Additional work carried out by FMCL

Activities	Revenue	Expenditure	Net Income
Dzongkhag Administration, Paro	50,000.00	50,610.20	-610.2
SHFP Project	9,704,474.05	4,621,595.75	5,082,878.30
HaaDzongkhag Land Development Project	1,000,000.00	500,760.90	499,239.10
Economic Contingency Plan	15,722,121.70	9,927,291.65	5,794,830.05
Phobjekha Land Development Fund	304,304.00	241,867.72	62,436.28
Dryer Machine	181,927.33	504,338.83	-322,411.50
Hiring of Excavator	2,446,240.00	468,423.74	1,977,816.26
Partition Work at REDCL	42,728.00	18,590.00	24,138.00
Tagtse Land Development	613,000.00	538,140.00	74,860.00
Grand Total	**30,064,795.08**	**16,871,618.79**	**13,193,176.29**

p) **Loss on Fire:** The unforeseen fire incident was occurred at Farm Machinery Corporation Limited on dated 10th November, 2020. It destroyed or damaged overall worth of Nu 1.531 M raw materials and assets. Accordingly, same effect has been shown in books of accounts for the year.

q) **Loss on Surrender:** During the year the Company has surrendered some of the POL Station to Gewog which includes semi-permanent shed and asset worth of Nu.4.603 Million.

r) Previous year figures have been regrouped and rearranged wherever necessary to make them comparable to those of current year.

s) During the year the Loss on re-measurement of Defined benefit Obligation on the account of gratuity was determined as Nu.113,433.00 as per the valuation Report.

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FRAM MACHINERY CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS

		As at 31.12.2020	As at 31.12.2019
SCHEDULE NO.1 : SHARE CAPITAL			
Authorized			
5,000,000 Equity shares of Nu 100 each		500,000,000.00	500,000,000.00
Issued, Subscribed and Paid –up			
483,220 Equity shares of Nu 100 each fully paid fully paid up in cash		48,322,000.00	48,322,000.00
		48,322,000.00	48,322,000.00
a. Reconciliation of the number of Equity Shares outstanding			
At the beginning of the year		483,220	333,220
Shares allotted during the year		-	150,000.00
		483,220	483,220

b. Terms/Rights attached to Equity Shares

The Company has only one class of ordinary shares ('Equity Shares') having a par value of Nu. 100 each. Each holder of ordinary shares ('Equity Shareholders') is entitled to one vote per share. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company after distribution of all preferential amounts, in the proportion to their shareholdings.

c. Shares held by Entities in the aggregate shares in the Company

Shareholders	31.12.2020		31.12.2019
	No. of shares	% age	No. of shares
Ministry of Finance, Royal Government of Bhutan	483,220	100.00%	483,220

d. No Shares have been reserved for issue under options and contracts/commitments for the sale of shares/ disinvestment as at the Balance Sheet date.

SCHEDULE NO.2 : RESERVES & SURPLUS		
A. CAPITAL RESERVE	**2020**	**2019**
Capital Reserve	105,209,014.61	126,179,898.18
Grant from MoAF	17,186,538.75	8,580,955.59
Grant from JICA	12,341,880.99	14,098,680.99
Grant from Phaithang Project	50,118,345.73	-
Gant for SHFP Project	5,795,525.95	-
Grant from Tangsibji Project	110,000,000.00	-
(a)	300,651,306.03	148,859,534.76

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FIXED ASSETS SCHEDULE AS ON 31.12.2020

Schedules to the Accounts

SCHEDULE NO. 3: FIXED ASSETS

Particulars	Useful life	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Opening as on 01.01.2020	Additions	Adjustments	Closing as on 31.12.2020	Opening as on 01.01.2020	Depreciation	Adjustments	Closing as on 31.12.2020	Net Block as on 31.12.2020	Net Block as on 31.12.2019
Vehicle & Vessels	15	9,700,407.02	3,561,608.00	0.00	13,262,015.02	2,294,434.37	824,233.06	0.00	3,118,667.43	10,143,347.59	7,405,972.65
Computer & Peripherals	5	5,522,043.80	354,486.00	499,190.00	5,377,339.80	1,878,377.29	1,062,302.83	118,910.26	2,821,769.86	2,555,569.94	3,643,666.51
Office Equipment	5	3,049,668.21	855,957.00	286,448.00	3,619,177.21	1,050,897.68	560,372.19	88,868.38	1,522,401.49	2,096,775.72	1,998,770.53
Furniture & Fixtures	10	1,577,569.00	56,450.00	168,355.00	1,465,664.00	291,274.59	145,365.67	37,809.23	398,831.03	1,066,832.97	1,286,294.41
Plant & Machinery	10	39,867,828.75	18,658,015.31	0.00	58,525,844.06	6,529,887.71	4,357,253.49	0.00	10,887,141.20	47,638,702.86	33,337,941.04
Assets transferred from AMC		39,122,197.60	0.00	211,728.36	38,910,469.24	8,932,517.20	3,893,947.31	24,131.23	12,802,333.28	26,108,135.96	30,189,680.40
Intangible Assets		785,533.37	0.00	0.00	785,533.37	78,553.30	78,553.34	0.00	157,106.64	628,426.73	706,980.07
Sub-Total		**99,625,247.75**	**23,486,516.31**	**1,165,721.36**	**121,946,042.70**	**21,055,942.14**	**10,922,027.89**	**269,719.10**	**31,708,250.93**	**90,237,791.77**	**78,569,305.61**
Semi-Permanent Shed (POL)		14,182,891.41	0.00	5,792,336.02	8,390,555.39	4,141,865.21	1,933,331.30	1,822,667.67	4,252,528.85	4,138,026.54	10,041,026.20
Semi Perment Sheds-Green House			5,005,892.50	0.00	5,005,892.50	0.00	292,718.69	0.00	292,718.69	4,713,173.81	0.00
TOTAL		**113,808,120.59**	**28,492,408.81**	**6,958,057.38**	**135,342,490.59**	**25,197,807.35**	**13,148,077.87**	**2,092,386.77**	**36,253,498.46**	**99,088,992.13**	**88,610,313.24**

DILLI YOK & ASSOCIATES CHARTERED ACCOUNTANTS BHUTAN

FARM MACHINERY CORPORATION LIMITED

B. PROFIT & LOSS ACCOUNT			
Profit/ (Loss) Brought Forward		(10,158,674.67)	(4,182,550.31)
Profit /(Loss) for the Year		(12,845,284.61)	(5,976,124.36)
Retain earning		(23,003,959.28)	(10,158,674.67)
Total Reserve and Surplus	(a+b)	277,647,346.75	138,700,860.09

FRAM MACHINERY CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS

	As at 31.12.2020	As at 31.12.2019
SCHEDULE NO.4 : INVENTORIES		
Inventories	114,624,537.54	122,610,719.60
Inventory of Farm Produce	2,347,488.00	3,294,755.19
POL Inventory	3,151,858.00	3,913,872.00
Raw Materials Inventory	1,309,347.60	674,871.50
	121,433,231.14	130,494,218.29
SCHEDULE NO.5 : SUNDRY DEBTORS		
Within	28,911,184.02	58,422,062.39
	28,911,184.02	58,422,062.39
SCHEDULE NO.6 : CASH AND CASH EQUIVALENTS		
Cash in Hand		
Normal	-	-
Revenue	-	-
Balances with Banks		
BoB CD-200137006(Revenue)	3,388,499.49	131,973.34
BoB CD-200137017(Operation)	3,417,092.07	(782,470.41)
BoB CD-200657037(PoL)	1,783,862.15	799,964.58
BoB CD- 200307387(SBA)	14,489,121.15	(879,357.52)
BDBL Account	5,408,489.93	286,862.66
Regional CD Account	3,865,637.59	227,957.78
SHFP CD Account	13,040,233.82	-
PNB-550010083428	100,589,740.00	-
	145,982,676.20	(215,069.57)
SCHEDULE NO.7 : LOANS AND ADVANCES		
Advance to Suppliers	10,792,878.43	3,468,464.46
Advance to Staffs	1,505,434.21	1,433,163.95
	12,298,312.64	4,901,628.41
SCHEDULE NO.8: Deferred Tax Assets/ Liabilities		
Balance as on 31.12.2019	697,118.04	(498,318.66)
Charge to statement of Comprehensive Income	(960,230.96)	1,195,436.70

	(263,112.92)	697,118.04
SCHEDULE NO.9: NON CURRENT LIABILITIES		
Provision for Gratuity	2,457,405.00	1,450,894.00
	2,457,405.00	1,450,894.00
SCHEDULE NO.10 : CURRENT LIABILITIES		
Sundry Creditors	20,000,000.00	17,076,958.60
Provision for depreciation	36,253,498.46	25,197,804.34
Provision for taxes	2,170,684.08	2,170,684.08
Liabilities for expenses	33,173,825.09	63,774,771.04
Other Current Liabilities	651,074.14	(2,000.00)
Provision for Leave Encashment	2,699,589.00	1,416,103.00
Provision for Dead Stock	20,329,359.15	10,000,000.00
	115,278,029.92	119,634,321.06

FRAM MACHINERY CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS

	As at 31.12.2020	As at 31.12.2019
SCHEDULE NO.11 : REVENUE		
Revenue from Contract farming	7,471,749.05	1,634,309.56
Revenue from GeogPower Tiller	23,857,247.96	7,467,623.40
Revenue from hiring	52,831,341.14	17,333,898.50
Revenue from Production	5,808,332.13	4,208,789.52
Revenue from Repair &Maintenance	2,560,317.00	2,426,870.50
Revenue from Rice Milling Charges	1,010,134.82	640,962.90
Revenue from sale of machineries	50,491,187.08	20,142,697.92
Revenue from Marketing Section		963,963.25
Revenue from sales of spare parts	21,078,708.48	23,011,195.36
Revenue from POL	15,699,401.59	7,462,181.46
	180,808,419.25	85,292,492.37
SCHEDULE NO.12 : CHANGES IN INVENTORIES		
Change in Inventories	(7,986,182.06)	2,443,467.38
Change in farm produce	(947,267.19)	1,070,228.74
Change in POL Inventories	(762,014.00)	176,869.41
Change in Production Raw Materials	634,476.10	341,672.54
	(9,060,987.15)	4,032,238.07
SCHEDULE NO.13 : OTHER INCOME		
Deferred Grand Income	13,160,528.98	1,712,519.01
DPA Hiring Subsidy		48,204,773.32
Revenue from Admin Section	59,123.00	
Revenue from Cancellation of Tender Document	100,100.00	

Revenue from ECP	2,653,105.00	
Fund from DPA	-	10,000,000.00
Fund from MoLHR for Contract staff Salary	-	21,823,500.00
Revenue from sales of Chili	501,351.50	-
Revenue from sales of Mushroom	116,505.00	-
Revenue from sales of Barrel	186,402.80	-
Revenue from sales of Charcoal	9,300.00	-
Revenue from sales of Empty Cylinder	796,301.50	-
Revenue from sale of tender Doc	29,000.00	19,000.00
Revenue from sales of Vegetables	786,422.07	
Revenue from Other	605,818.86	10,841,102.69
Revenue grant	-	2,559,511.13
Other Income from Project	13,193,176.29	-
	32,197,135.00	**95,160,406.15**
SCHEDULE NO.14 : PURCHASES OF MATERIALS		
Purchase of Raw Materials	6,921,850.68	5,912,500.28
Purchase of Machineries	54,973,832.54	13,623,631.98
Purchase of Spare Parts	9,937,732.07	15,441,059.84
Purcahse of POL	13,537,390.19	5,215,008.57
Goods in Transit	1,567,550.63	0.00
	86,938,356.11	**40,192,200.67**
SCHEDULE NO.15 : OPERATING COST		
Maintenance of Property – Plantation	4,909,967.36	8,457,959.74
Maintenance of property - Machineries and Spare parts(CHS)	15,183,196.33	29,905,237.58
Maintenance of property - Machineries and Spare parts(GPT)	8,629,034.89	181,520.83
Maintenance of property - Machineries and spare parts(R&M)	11,993.65	-
Op. Exp - Taxes, Royalities and Charges	873,806.22	-
Other Personal Emolument	873,775.00	-
	30,481,773.45	**38,544,718.15**
SCHEDULE NO.16 : EMPLOYEE COST		
Gain/Loss on other long term employee benefits	1,342,896.00	-
HRA Withhold	(18,400.00)	-
Leave Encashment	1,278,005.00	1,416,103.00
OCI Gratuity	893,078.00	1,450,894.00
Other Deduction	(8,597.33)	-
Special Allowance	-	60,000.00
Pay & Allowances	46,945,634.87	57264729.74

Provident Fund from Employer	3,046,620.20	1,416,157.00
Refund by Staff	(40,632.00)	-
Training Expenses	260,414.00	601,481.32
Traveling Expenses	6,691,004.57	-
	60,390,023.31	62,209,365.06

FRAM MACHINERY CORPORATION LIMITED
NOTES TO FINANCIAL STATEMENTS

	As at 31.12.2020	As at 31.12.2019
Schedule No.17 : Administrative Expenses And General Expenses		
Allowances- Board and Audit Fees	355,155.00	418,500.00
COVID Expenses	104,757.87	-
Exp. On Rental charges	36,500.00	-
S&M medicine and laboratory consumable	-	815.00
Hospitality and Entertainment Expenses	424,422.57	889,203.50
Late Fees Expenses	3,925.66	6,132.78
License Renewal Expenses	69,374.81	28,440.00
Op.Exp-Advertising	103,507.00	102,121.60
Op.Exp - Bank Charges	45,902.47	5,734.00
Op. Exp - Energy/Propulsion Charges	99,598.30	63,422.45
Op. Exp - In country meeting and celebration	845,704.00	1,682,667.19
Op. Exp- Transportation	422,026.14	508,852.79
Over time expenses	-	1,488,513.74
General Tools and equipments	1,145,873.84	20,551.30
Professional Services	55,120.00	207,952.00
Rates, Loyalties and Taxes	-	23,917.91
Refund of 10% Performance Securities	(160,300.00)	-
Rental Charges on Land	496,500.00	638,000.00
Rental Charges on Vehicle	2,100.00	10,000.00
S&M - Office Supplies Printing & Publication	453,987.13	691,668.87
S&M -Uniforms , Extension kits, Linens	2,500,673.00	1,515,900.00
Utilities - Electricity, Water,& Sewerage	672,113.66	442,294.02
Utilities - Telegram, wireless Transmission & Postage	17,692.00	790,864.00
Utilities - Telephones, Telex, Fax, E-Mail & Internet	880,698.80	-
Loss on fire & POL station surrender	6,225,263.75	-
Traveling Expenses		7,332,909.44
Construction of chain link fencing		1,798,169.12

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Construction of Gate		222,678.00
Hiring of excavator		488,400.00
Moelam Chenmo Expenditure		5,214,098.77
Queens project expenditure		733,199.47
	14,800,596.00	25,325,005.95
SCHEDULE NO : 18 REPAIR AND MAINTENANCE		
R & M- Building	1,027,421.11	615,681.98
R/M – Computer	13,480.00	-
R/M- Equipments	5,455,438.72	274,000.70
R/M- Vehicles	3,461,021.18	5,630,516.03
R/M Road and others		5,945.00
	9,957,361.01	6,526,143.71

RATIO ANALYSIS

FARM MACHINERY CORPORATION LIMITED
Exhibit 1
Ratio Analysis as of 31st December, 2020

Sl. No.	Particulars	31.12.2020	31.12.2019
1	**Return on Capital Employed: Capital Employed**		
	Share Capital	48,322,000.00	48,322,000.00
	Reserve & Surplus	300,651,306.03	148,859,534.76
		348,973,306.03	**286,141,774.37**
	Profit/(Loss) Before Tax	**-11,771,620.65**	**-5,377,987.01**
	Return on Capital Employed	**-3.37%**	**-1.88%**
2	**Current Ratio:**		
	Current Assets	308,625,404.00	193,602,839.52
	Current Liabilities	117,735,434.92	121,085,218.06
	Current Ratio	**2.62**	**1.6**
3	**Quick Ratio:**		
	Current Assets except inventory	187,192,172.86	63,108,621.23
	Current Liabilities	117,735,434.92	121,085,218.06
	Quick Ratio	**1.59**	**0.52**
4	**PBT/Gross Income:**		
	Profit/(Loss) Before Tax	-11,771,620.65	-5,377,987.01
	Gross Income	203,944,567.10	184,485,136.59
	PBT/Gross Income	**-5.77%**	**-2.92%**
5	**PAT/Gross Income:**		
	Profit/(Loss) After Tax	-12,731,851.61	-4,182,550.31
	Gross Income	203,944,567.10	184,485,136.59
	PAT/Gross Income	**-6.24%**	**-2.27%**
6	**Employee Cost/Gross Income:**		
	Employee Cost	60,390,023.31	62,209,365.00
	Gross Income	203,944,567.10	184,485,136.59
	Employee Cost/Gross Income	**29.61%**	**33.72%**
7	**Stores Consumption/Gross Income:**		
	Stores Consumption	95,999,343.26	36,159,962.60
	Gross Income	203,944,567.10	184,485,136.59
	Stores Consumption/Gross Income	**47.07%**	**19.60%**
8	**Average Debtors/Monthly sales:**		
	Average Debtors	43,666,623.21	44,209,649.12
	Monthly sales	15,067,368.27	7,107,707.70
	Average Debtors/Monthly sales	**2.9**	**6.22**
9	**Total Income/Fixed Assets:**		
	Fixed Assets (Net Block)	99,088,992.13	88,610,313.25
	Total Income	203,944,567.10	184,485,136.59
	Total Income/Fixed Assets	**2.06**	**2.08**
10	**Revenue/Fixed Assets:**		
	Fixed Assets	99,088,992.13	88,610,313.25
	Revenue	203,944,567.10	184,485,136.59
	Revenue/Fixed Assets	**2.06**	**2.08**

COMPLIANCE CALENDAR AND CHECKLIST

COMPLIANCE CALENDER - FMCL
Check List for Compliance to Provision of the Companies Act of Bhutan, 2016

No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval		✔		
2	47	Change of name/Approval		✔		
3	123	Increase or consolidation of share capital		✔		
4	124	Reduction of share capital		✔		
5	82	License Copy and Share Certificate filing	✔			No share certificate
6	107	Public offer of shares & Debentures-ROC Approval		✔		
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company	✔			The Registered Office of FMCL is at Bondey, Paro
		(Postal Address & Contact Number)	✔			Contact Number: +975-17676525
8	221	Publication of name by Company	✔			Company has letterhead and seal printed on all official documents
		(Letter Head, Seals and Sign Board)	✔			
9	241	Financial Year of Companies as of 31st Dec	✔			January 1 - December 31
	242	Extension up to 15 months - ROC approval		✔		
	243	Extension up to 18 months - Authority's approval		✔		
10	245	Financial Statements to follow BAS	✔			Yes, compliant
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	✔			Submitted on 27th November, 2020 after prior approval from RAA and Department of Company Register on late submission
12	177	Annual General Meeting (Minutes)	✔			16th July, 2020
13	180	Extraordinary General Meeting (Minutes)		✔		
14	185	Notice for calling general meeting	✔			
15	187	listed Co. - written as well as in media	✔			
		Public Co/Private Co. - Written Notice			✔	

16	190	Chairman of meeting (CEO cannot chair)	✔			Madam, KinleyTshering
17	192	Representation of corporations at meetings (appointed by Board Directors)	✔			
18	193	Ordinary and special resolutions (Minutes)	✔			
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	✔			Maintained
20	199	Declaration and payment of dividend (199-209)		✔		Since no dividend was declared
21	232	Books of account to be kept by company (location & time)		✔		
22		Board's report (signed by Chairman)	✔			Report maintained
23	252	Appointment and removal of Auditors	✔			Appointment of the Auditors is made by the Royal Audit Authority
		Need to re-appoint annually (251-259)				RAA will appoint on an annual basis
24	260	Resignation of Auditors from office (Annual Resignation)		✔		No resignation
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	✔			International Standards on Auditing
26	133	Number of directors	✔			3
27	134	One third of all Public Companies shall be independent	✔			The company has appointed independent directors as per requirement under Sec 134 of the Companies Act 2016
28	138	(Minimum No. & retirement on rotation)	✔			
29	139	Additional directors	✔			
30	140	Consent to act as directors	✔			None of the director were appointed or reappointed during the year
31	141	Certain persons not to be appointed as Directors		✔		
32	142	Resignation by a director		✔		
33	143	Removal of directors		✔		
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	✔			Conducted
35	152	General powers of the board	✔			
36	156	Restriction on powers of Board	✔			
37	210	Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only)	✔			The CEO was appointed by the Board

38	213	Company Secretary required in all Public Companies	✔			
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)		✔		
40	157	No loans to directors (only for Public Co.)		✔		

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

		STATUTORY RECORD AND INSPECTION	YES	NO	NA	REMARKS
40	228	Statutory record and inspection	✔			
41	(a)	Register of buy-back of shares		✔		Since no buy back of shares took place during the year ended 31.12.2020
42	(b)	Register of transfers			✔	No transfer of shares took place during the period.
43	(c)	Register of charges		✔		No charges were created during the year
	(d)	Register of inter-corporate loans			✔	
44	(e)	Register of inter-corporate investments			✔	
45	(f)	Register of contracts in which directors are interested	✔			There was no contracts in which directors are interested
46	(g)	Register of directors	✔			
47	(h)	Register of directors' shareholding			✔	None of the directors held shares during the year

For Dilli Yok & Associates
Chartered Accountants

CA Dilli Ram Bista
M. No. 542831
Place: Thimphu
Date: 10/08/2021

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MANAGEMENT REPORT

1. Non recovery of Trade Receivable (3.3.34)

As on reporting date sum of Nu 1, 919,852.50 was due from Ministry of Agriculture & Forest shown under trade receivables. This amount relates to supply of power tillers to gewogs during financial year 2017-2018.

As per the explanation and information provided to us management is regularly following up with the ministry, however due to short booking of budget same is not recovered up to the date of audit.

Management Response:

This amount pertains to the pending bills for the distribution of power tillers and mini tillers with accessories to various gewogs during the FY 2017-18. The total bills of Nu. 70.610 million Were submitted to Ministry of Agriculture & Forests (MoAF) and received payment amounting to Nu. 68.677 Million With remaining balance of Nu. 1.933 million Receivable from MoAF.

The follow up letter on the payment of balance amount with MoAF was sought repeatedly vide letter no: FMCL/Proc-20/2018/1250 dated 3rd April, 2018 and FMCL/Proc-20/2019/801 dated 20th may, 2019 respectively. However, the allocated budget for the payment of above machineries has provisioned about Nu. 68.677 And has completed the budget with Ministry during the fiscal year. There is no possibility from MoAF to meet the balance outstanding amount and has still left outstanding in FMCL books of account.

Therefore, by looking into the numbers of machineries supported to FMCL in terms of machines and generating the revenue, FMCL would like to seek write off approval from Board and take away the receivable amount from the FMCL books of account.

Further Comments of the Auditors:

As per the explanation provided, during the Board Meeting management may seek approvable from the board to write off the same from books of account, since the amount pertains to financial year 17-18 and it is confirmed that same will not be realized.

Who is accountable?

Direct Accountability (Name)	Designation	CID
Mr. KelzangNamgay	General Manager	11513001731
Supervisory Accountability (Name)		
Mr. Karma Thinley	Chief Executive Officer	11503003616

2. Delay in deposit of utility Bills (2.1.22)

There were instances of no deposit of electricity dues on time at the regional level. Monthly budget were released on time by the Headquarter to regions.

Further it is the policies of headquarter to recover the penalties for delay payment from the employees responsible for making payment. However these penalties were not recovered during the period under audit.

Fines and penalties are controllable expenses and by making regular payments on time same can be avoided. Further had these penalties being incurred due to non-availability of funds it can be considered in such circumstances. The below table shows, instances of delay payment of electricity bills

Sl.No	Invoice No	Bill Date	Bill amount	Outstanding	Fines	Total
1	16845974		1,904.08		19.99	1,925.00
2	16847470		9,718.14		102.93	9,821.07
3	16847795		1,203.72		7.73	1,211.45
4	11182721-3256316		648.00	85.86	1.72	735.58
5	18765587	04.12.2020	75.60	1,159.20	23.03	1,257.83
6	18521258	05.11.2020	1,040.40	3,165.33	62.38	4,268.11
7	1700476	14.03.2020	1,780.68	4,535.93	89.53	6,406.14
8	17980806	10.03.2020	824.67	1,852.26	37.05	2,713.98
9	17262492	03.04.2020	110.67	97.79	1.92	210.38
10	17259794	03.04.2020	435.54	562.77	10.71	1009.02
11	16777208	04.02.2020	766.48	1687.11	33.57	2487.16
12	16842248	05.02.2020	514.08	898.95	17.98	1431.01
13	16845121	05.02.2020	32.13	24.75	0.5	57.38
14	16838496	08.02.2020	660.45	2235.82	44.2	2940.47
15	17496457	05.05.2020	439.11	58.1	1.14	498.35
16	17514717	07.05.2020	549.78	545.95	10.92	1106.65
17	17494893	05.05.2020	139.23	413.25	8.07	560.55
18	2480	14.04.2020	1292.34	7184.31	139.73	8616.38
19	17302485	14.04.2020	196.35	995.46	19.34	1211.15
20	17277741	06.04.2020	35.7	124.77	2.5	162.97
21	17278618	06.04.2020	64.26	184.8	3.74	252.8
22	17278670	06.04.2020	152.76	293.85	5.88	452.49
23	17278610	30.04.2020	239.19	323.97	6.48	569.64
24	17281894	14.03.2020	1870.68	4535.93	89.53	6496.14
25	17262492	03.04.2020	110.67	97.79	1.92	210.38
26	17259794	03.04.2020	435.54	562.77	10.71	1009.02
27	16842248	05.02.2020	514.08	898.95	17.98	1431.01
28	16838496	08.02.2020	660.4	2235.82	44.2	2940.42
29	17277741	06.04.2020	35.7	124.77	2.5	162.97
30	17278618	06.04.2020	64.26	184.8	3.7	252.76
31	17278670	06.04.2020	152.76	293.85	5.88	452.49
32	17278610	06.04.2020	239.19	323.97	6.48	569.64
33	17302480	14.04.2020	1292.34	7184.31	139.73	8616.38
34	17302485	14.04.2020	196.35	995.46	19.34	1211.15

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35	1811265	07.05.2020	1517.25	1412.86	28.26	2958.37
	Bajo Region					
36	16775199	03.02.2020	2220.54	1820.48	36.41	4077.43
37	16801382	29.02.2020	4683.84	6604	132.08	11419.92
38	17388701	02.05.2020	1381.59	1605.71	32.11	3019.41
39		02.05.2020	1526.43	5942.35	116.51	7585.29
40		27.03.2020	642.6	3897.83	77.1	4617.53
41	130021423	21.02.2020	199.92	406.64	8.05	614.61
42	Bp no. 2705801	not clear	2784	3141.25	62.83	5988.08
43		not clear	1713.6	2141.4	42.83	3897.83
44		not clear	428.4	1507.49	29.98	1965.87

Management Response:

The late payment in electricity bill is mainly due to consecutive lockdown during the year 2020 and the bills are not submitted on time by the BPC. The late submission of bills is incurred at Regional Office Khangma and Bajo. Moreover, Regional Accounts personnel in three Region Paro, Bajo and Khangma are being newly recruited in the year 2020 and they were not aware that such penalty must be recovered from individuals.
However, as per the observation shown the penalty amounted to Nu.1,559.17 will be recovered from concern individuals and further, in-order to avoid such lapses in future, the management will issue officer order and notification to all the Regional Managers and Regional Accountants to remit the bills on time and if there is any penalty being imposed due to late settlement of bills, the concerned should recover the penalty.

Further Comments of the Auditors:

In the view of measures taken and management intention to strictly adhere to their official order there is no further comment to offer

Who is accountable?

Direct Accountability (Name)	Designation	CID No.
Ms. Kinley Wangmo	Finance Officer	1050500367
Supervisory Accountability	Designation	CID No.
Mr. KelzangNamgay	General Manager	11513001731

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PRIOR YEAR AUDIT FOLLOWUP REPORT

Follow-up Report of 2017, 2018 and 2019 Audit report

Accounting Year	Total No. of recommendations provided	No. of recommendation implemented	No. of recommendation partially implemented	Balance recommendations to be implemented
2017	02	01	01	0
2018	07	07	0	0
2019	05	02	02	01

Detailed Follow-up Report for the year ended 31 December, 2017

Para No.	Observation in brief	Management's response- Current status	Status of compliance
1.	Internal Control	i. From year 2018 the FMCL has pass separate entries and maintained separate voucher for each regions. ii. Proposal put up to Secretary of MoF to wave up the tax for transfer ownership and the case is forwarded to RRCO. From 2021 the ownership is transferred to FMCL and blue book renewal completed. iii. From 2018 all the regional centres including HQ has maintained Fixed Asset Register. However it's not fully completed since final fixed asset list is still not finalized. iv. All the transaction is tracked and monitoring is done in timely basis by M & E officer.	Implemented Implemented Implemented Implemented
2.	Transfer of Asset from AMC	i. The documentation for transfer of asset from AMC to FMCL and valuation has been completed ii. Not issued due to some issues.	Implemented Not Implemented

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

Para No.	Observation in brief	Management's response- Current status	Status of compliance
1.	**Fixed Asset**	Depreciation for fixed asset received from AMC has been calculated and incorporated in financial statement.	Implemented
2.	**Capital Reserve**	As per the recommendation from the statutory auditors the FMCL management has segregated the amount of stock sold from the inventories worth of Nu.77.17 million with the help of external experts. Accordingly the proportionate amount of grant utilized has been recognizing as revenue in financial statement for the year 2019. Disclosure made in notes to accounts.	Implemented
3.	**Inventory**	The management has segregated the dead stock and accordingly the provision for dead stock is made accordingly.	Implemented

4.	Cash and Cash Equivalent	As an internal control measures, the Management has opened individual regional account at their respective region and issued office order vide FMCL/Accounts/2017/1180 dated 14th July, 2017 to compulsory deposit the cash if amount exceeds Nu.100.000.	Implemented
5.	Revenue	As a follow up to statutory audit observation, on 25th Board meeting the management has presented the financial projection for next three years and following resolution were made: • The target reflected as per budget of 2020 has to be achieved, considering the losses of contract farming. • The crop diversification strategies including engaging in all year-round crop cultivation to be formulated and implemented with immediate effect. • There should be improvements in management practices to improve contract farming. • The Board directed the management that the financial performance of the contract farming activities should be seriously reviewed to ensure that the activities are at least financially sustainable.	Implemented
		Regarding loss incurred from POL service centers the management has presented the POL analysis report in 24th board meeting and accordingly following resolution were made. • The Board approved the proposing PoL stations for closure. • The Board also declared to close the PoL stations immediately if the service runs into loss even after negotiation on price hikes. • The management is also instructed to update the status of PoL Service on half yearly basis. Accordingly 15 POL Station was closed out of 40 POL Service Centre.	Implemented
6.	Provision for Gratuity	The management with the help of consultancy farm, the provision for gratuity was calculated as per BAS and incorporated in 2019 financial statement.	Implemented
7.	General Observation	The audit committee was formed as mention in observation. Till date we have completed 4 BAC meeting.	Implemented

Detailed Follow-up Report for the year ended 31st December, 2019

Para No.	Observation in brief	Management's response- Current status	Status of compliance
1.	Normal and abnormal loss	The treatment of normal and abnormal loss will be incorporated in audited financial statement for the year 2020 with the support from Statutory auditors.	Not Implemented
2.	POL station License Renewal	Out of 25 PoL station, license for 20 stations has been renewed and 5 stations has been cancelled since the loss is more than 20 Percent (%).	Implemented
3.	Unreconciled of POL Revenue	Only left with the case of two stations. However, the case was put up at Trongsa court for Korphu and at Bumthang court for Ura on dated 15th and 16th March, 2021 as per the resolution of Board.	In the process
4.	Accounting for Agriculture Produce and Biological Asset	The management has assigned account section for necessary treatment of Agriculture produce and Biological asset. As informed, it will be incorporated in 2020 financial statement with the advice and guidance from statutory auditors during 2020 audit.	Not Recommendable. Since none of the Biological assets are under the control of company
5.	General Observation Allocation of expenses	Management is still under process of segregating employee cost under separate activity since most of the employee in regional centers carry out multiple of activity at a same time. For instance, POL manager of Buli provides POL service, GPT service and R&M service to the customers. In such case it's very difficult to allocate employee cost under particular activity. However, the management is sourcing a way to segregate employee cost with the help of ICT.	In the process

Acknowledgment

I would like to acknowledge the support of:

Mr. Kelzang Namgay, Dy. General Manger (AFD)

Mr. Chogyal, Dy. General Manager (FMSD)

Mr. Jitshen Wangchuk, Project Director (SHFP)

Mr. Lhakpa Dorji, Production head (Production Unit)

Mr. Sandip Raj Gurrung, Procurement Officer

Ms. Tshering Lhaden, Human Resource Officer

Ms. Yangchen Pelmo, Marketing Officer

Ms. Deki Tshomo, Internal Auditor

Ms. Thinley Wangmo, Company Secretary

Ms. Dawa Dem, Asst. to Head Contract and Commercial

Ms. Leki Dema, Ms. Deepa rai FMSD Head Quarter

Ms. Yeshey choden (RFMCL Paro Regional Manager)

Mr. Leki Dung (RFMCL Khangma Regional Manager)

Mr. Jurmi Tenzin (RFMCL Bajo Regional Manager)

Overall Mentoring: Mr. Karma Thinley, Chief Executive Officer

Author: Ms. Choki Wangmo, Monitoring and Evaluation Officer