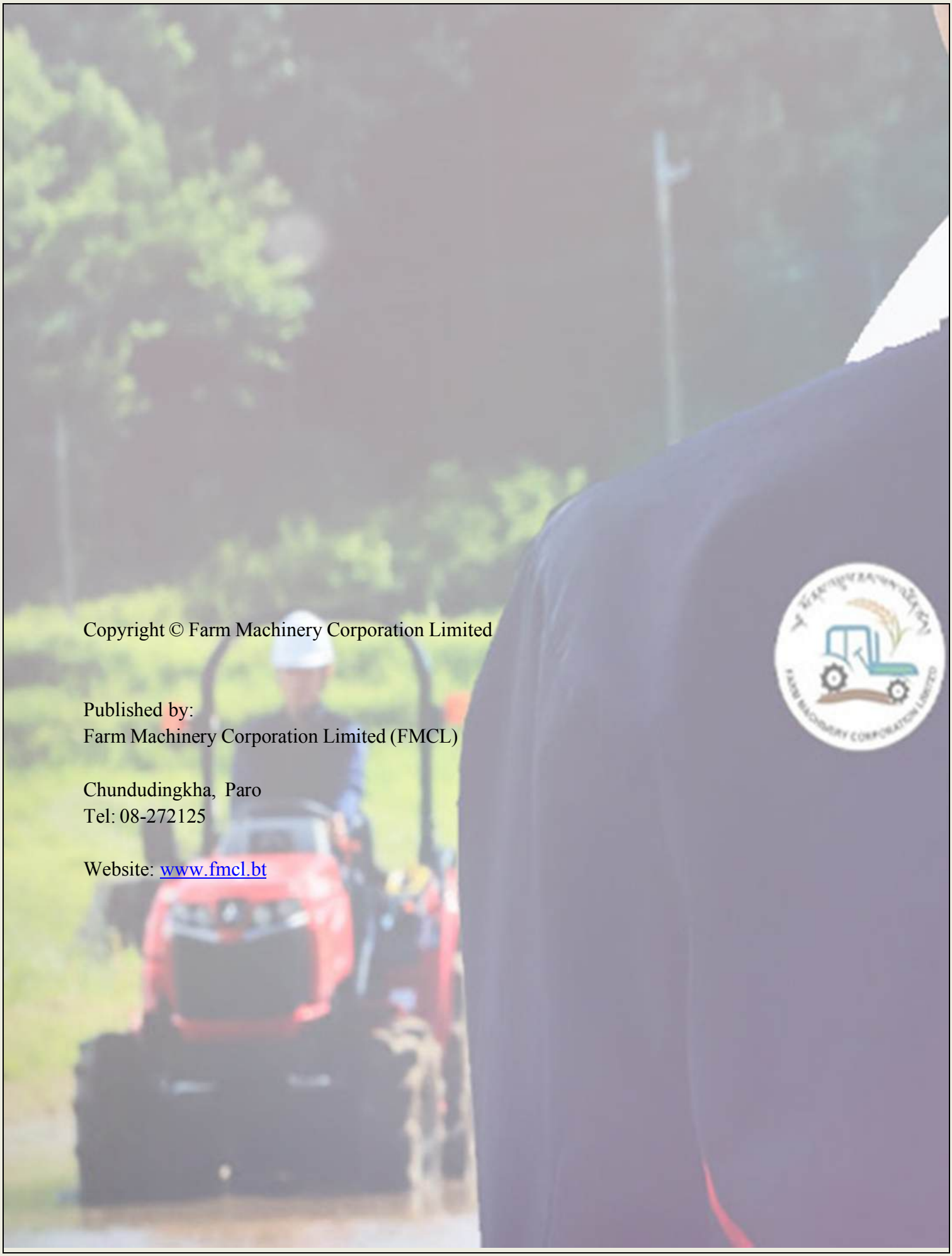
Annual Report 2023

"Making Agriculture Productive,
Profitable and Prestigious"



Copyright © Farm Machinery Corporation Limited

Published by:
Farm Machinery Corporation Limited (FMCL)

Chundudingkha, Paro
Tel: 08-272125

Website: www.fmcl.bt



Annual Report 2023

Message from Chairman

It is with great pleasure that I present to you FMCL's Annual Report for 2023. I am honored to reflect on the remarkable journey we have embarked upon over the past year and I would also like to take a moment to express my gratitude for the hard work and dedication that every one of you has put in to drive our progress forward and overcoming challenges during the year through resilience, adaptability, and unwavering commitment.

Agriculture being the primary sector in Bhutan, FMCL has always worked towards achieving significant milestones and delivering sustainable growth connecting agriculture with technologies and making agriculture productive, profitable, and prestigious.

The year 2023 was the first year in the history of FMCL to manage financing on its revenue without any hiring subsidy support and grant projects from the government since its establishment in 2016. Against the backdrop, I would like to extend my deepest appreciation to the FMCL team for implementing numerous austerity measures and revenue enhancement initiatives. These notable initiatives were instrumental in reducing the loss from Nu.40.42 M in 2022 to Nu.3.71 M in 2023.

During the year, as a part of the transformation exercise, the Central Machinery Unit (CMU) and Agriculture Machinery Training Center (AMTC) under the Department of Agriculture, MoAF were merged with FMCL on 29 December 2022. Additionally, FMCL-Bio Corporation Limited was also merged with FMCL on 7 July 2023.

Looking ahead, I extend my heartfelt gratitude to our shareholders, customers, partners, and employees for their unwavering support and dedication. It is through our collective efforts that we will continue to write the next chapter of our company's success story.

Thank you for your trust and confidence in FMCL.

Tashi Delek



(Sonam Penjor)
CHAIRMAN

Table of Contents

1. EXECUTIVE SUMMARY 1

1. COMPANY PROFILE 2
   1.1. VISION 2
   1.2. MISSION 2
   1.3. MANDATES 2
   1.4. ORGANOGRAM 3

2. BOARD OF DIRECTORS 4

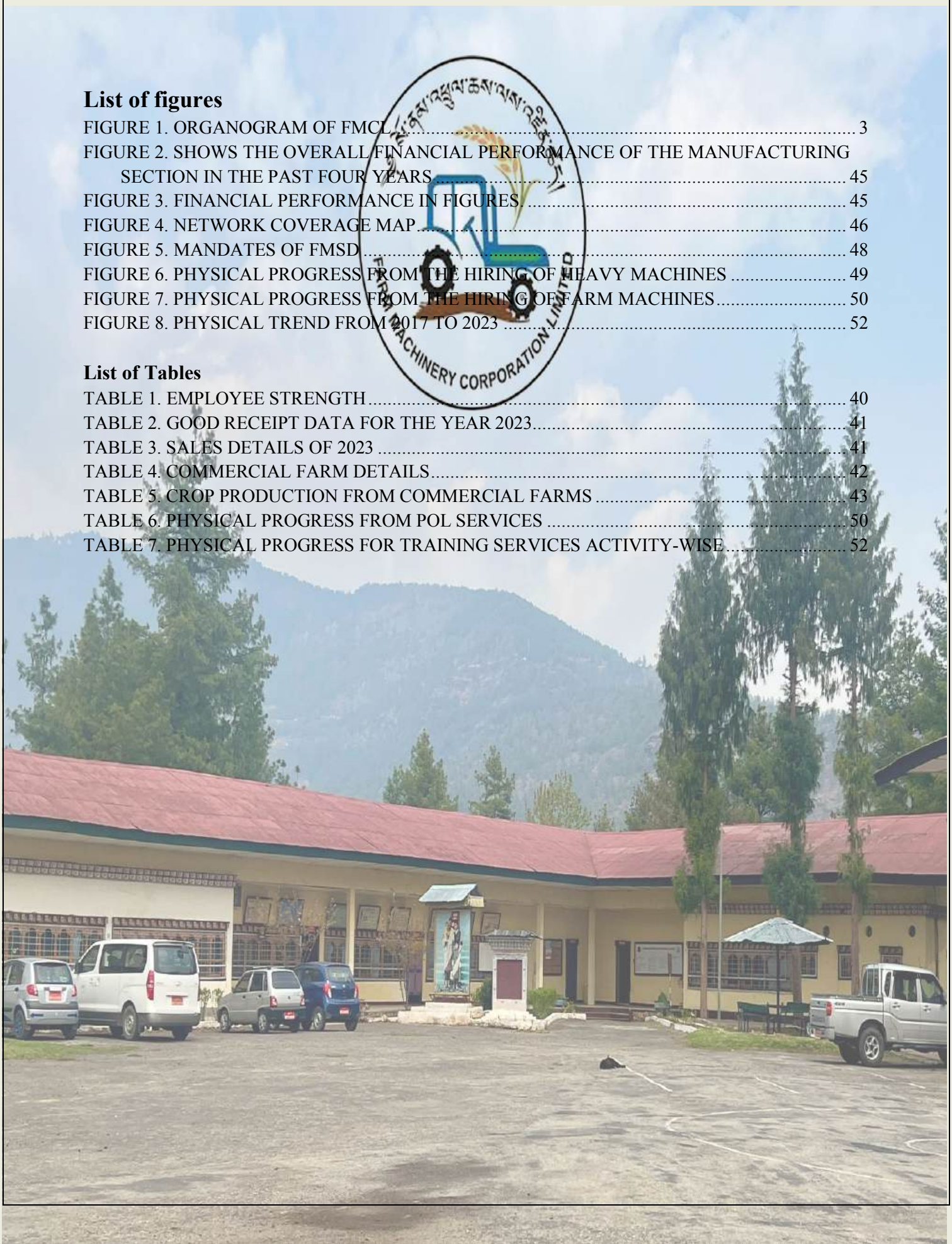
3. PHYSICAL AND FINANCIAL HIGHLIGHTS 5
   3.1. ADMINISTRATIVE AND FINANCE DEPARTMENT (AFD) 5
      3.1.1. AUDITORS' REPORT & FINANCIAL STATEMENTS 5
      3.1.2. HUMAN RESOURCES 40
      3.1.3. INFORMATION, COMMUNICATION & TECHNOLOGY 40
      3.1.4. PROCUREMENT AND INVENTORY 40
   3.2. PRODUCTION & MARKETING DEPARTMENT (PMD) 42
      3.2.1. COMMERCIAL AND CONTRACT FARM 42
      FINANCIAL PERFORMANCE 43
      3.2.2. FMCL BIO-INPUTS PLANT 43
      3.2.4. MARKETING 45
         3.2.4.1. KEY PARTNERSHIPS IN 2023 47
   3.3. FARM MECHANIZATION SERVICE DEPARTMENT (FMSD) 48
      3.3.1. MACHINERY HIRING SERVICES 48
         3.3.1.1. HEAVY MACHINERY HIRING SERVICE 48
         3.3.1.2. FARM MACHINERY HIRING SERVICE 49
      3.3.2. POL SERVICES 50
      3.3.3. FARM MACHINERY TRAINING SERVICES 51
      3.3.4. HIRING OF FARM MACHINES PHYSICAL TREND FROM THE YEAR 2017 TO 2023 52

List of figures

FIGURE 1. ORGANOGRAM OF FMCL 3
FIGURE 2. SHOWS THE OVERALL FINANCIAL PERFORMANCE OF THE MANUFACTURING SECTION IN THE PAST FOUR YEARS 45
FIGURE 3. FINANCIAL PERFORMANCE IN FIGURES 45
FIGURE 4. NETWORK COVERAGE MAP 46
FIGURE 5. MANDATES OF FMSD 48
FIGURE 6. PHYSICAL PROGRESS FROM THE HIRING OF HEAVY MACHINES 49
FIGURE 7. PHYSICAL PROGRESS FROM THE HIRING OF FARM MACHINES 50
FIGURE 8. PHYSICAL TREND FROM 2017 TO 2023 52

List of Tables

TABLE 1. EMPLOYEE STRENGTH 40
TABLE 2. GOOD RECEIPT DATA FOR THE YEAR 2023 41
TABLE 3. SALES DETAILS OF 2023 41
TABLE 4. COMMERCIAL FARM DETAILS 42
TABLE 5. CROP PRODUCTION FROM COMMERCIAL FARMS 43
TABLE 6. PHYSICAL PROGRESS FROM POL SERVICES 50
TABLE 7. PHYSICAL PROGRESS FOR TRAINING SERVICES ACTIVITY-WISE 52



1. Executive Summary

The Farm Machinery Corporation Limited (FMCL) provides farm machinery hiring services and produces cereals, oilseeds, fruits, and vegetables on commercial farms. With the transfer of mandates from the Central Machinery Unit (CMU) and Agriculture Machinery Technology Centre (AMTC) in 2023, FMCL has expanded its services including heavy machinery hiring and farm machinery training services to the public. Additionally, the company also provides sales, repair & maintenance of farm machinery, manufacturing, and POL services.

The company has incurred a loss of Nu. 40.42 M in 2022. However, with prudent spending and implementing austerity measures, the loss has been brought down to Nu. 3.71 M in 2023. The total expenditure incurred in 2023 was Nu. 171.67 M which is 39.47 % less than the expenditure of 2022. The overall value of the Company stands for Nu. 392.80 M after the transfer of assets and inventories from the Central Machinery Unit and Agriculture Machinery Technology Centre (AMTC) in 2023.

FMCL has 11 commercial farms with a total area of 1170 acres and about 287.87 acres of land has been used for cultivation of cereals, oilseeds, fruit crops, and vegetables. Production from these commercial farms increased by more than 100% in 2023 compared to the previous year.

Farm machinery hiring services are imperative for enhancing agricultural productivity, cost reduction, addressing labor shortage issues, and promoting farm mechanization. The hiring services have benefited more than 63,000 households and brought over 100,000 acres under mechanization from 2017 to 2023. During the year 2023, FMCL covered an area of more than 7393.01 acres, and compared to the previous year, there was a substantial drop in the hiring coverage by 59% and revenue by 63% due to due to the withdrawal of hiring subsidy from July 2022.

1. Company Profile

The Farm Machinery Corporation Limited (FMCL)was incorporated as a 100% State Owned Enterprise (SoE) on 29th March 2016 under the Companies Act of the Kingdom of Bhutan 2000, vide Lhengye Zhungtshog's directives letter No.-C-3/96/219 dated 4th March 2016 and subsequent approval note from the Ministry of Finance (MoF) vide letter No. MoF/PED/FMHS/2016/3347 dated 18th March 2016.



1.1. Vision

Dynamic and creative agro-based enterprise committed to offering reliable products and services at competitive prices.

1.2. Mission

- Transform as a financially sustainable agro-based enterprise by 2026.
- Provide efficient machinery hiring services to farming communities across the country to address labor shortage issues and enhance agricultural productivity.
- Make available adequate stock of quality machinery, tools, spare parts, and other inputs.
- Develop IT-based, automated, and mechanized commercial farms to enhance national food security.

1.3. Mandates

- Hiring of farm machinery to farmers and other stakeholders throughout the country
- Sales of farm machinery implements, and spare parts
- Repair and maintenance of farm machinery
- Fabricate farm machinery, implements, and spare parts
- Sales of Petroleum Oil and Lubricant (POL) and others
- Commercial and contract farming
- Agriculture land development services
- Training on farm machinery and other agriculture-allied programs
- Production and distribution of Bio inputs

1.4. Organogram

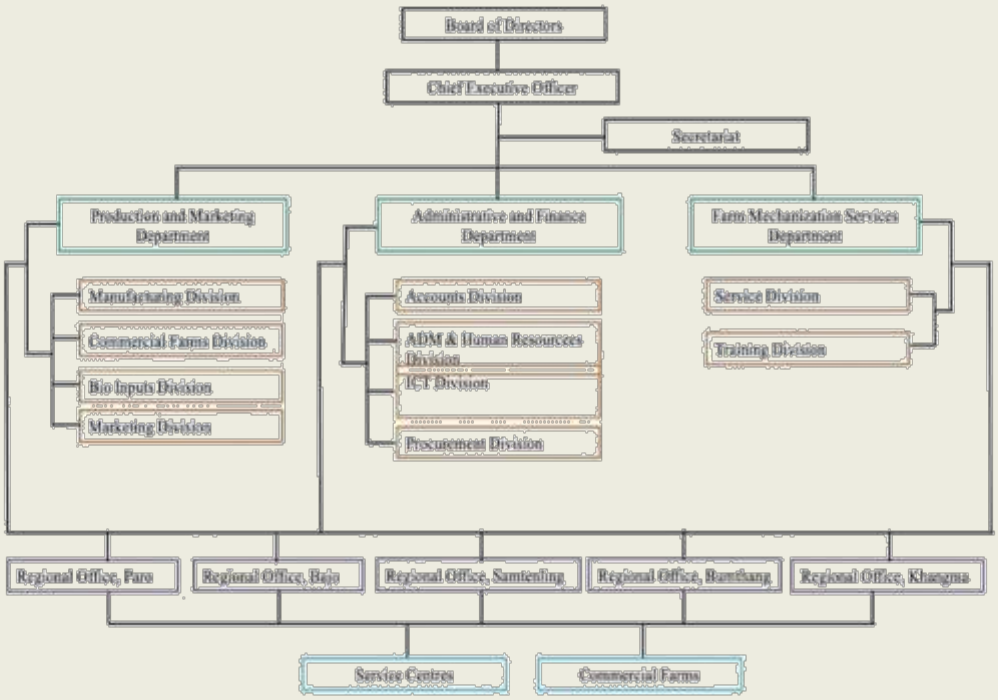


Figure 1. Organogram of FMCL

2. Board of Directors



Name: Mr. Sonam Penjor (Chairman)
Designation: Director, Department of Media, Creative Industry and Intellectual Property
Agency Name: Ministry of Industry, Commerce and Employment



Name: Mr. Jambay Dorji (Board Director)
Designation: CEO of Bhutan Alpine
Agency Name: Bhutan Alpine Seeds



Name: Ms. Rinzin Pemo (Board Director)
Designation: CPO, ICGD
Agency Name: DMDF, Ministry of Finance



Name: Dr. Pema Dorji (Board Director)
Designation: Program Officer
Agency Name: DMDF, Ministry of Finance



Name: Wangda Dukpa
Designation: Chief Executive Officer (CEO)
Agency Name: Farm Machinery Corporation Limited, Paro

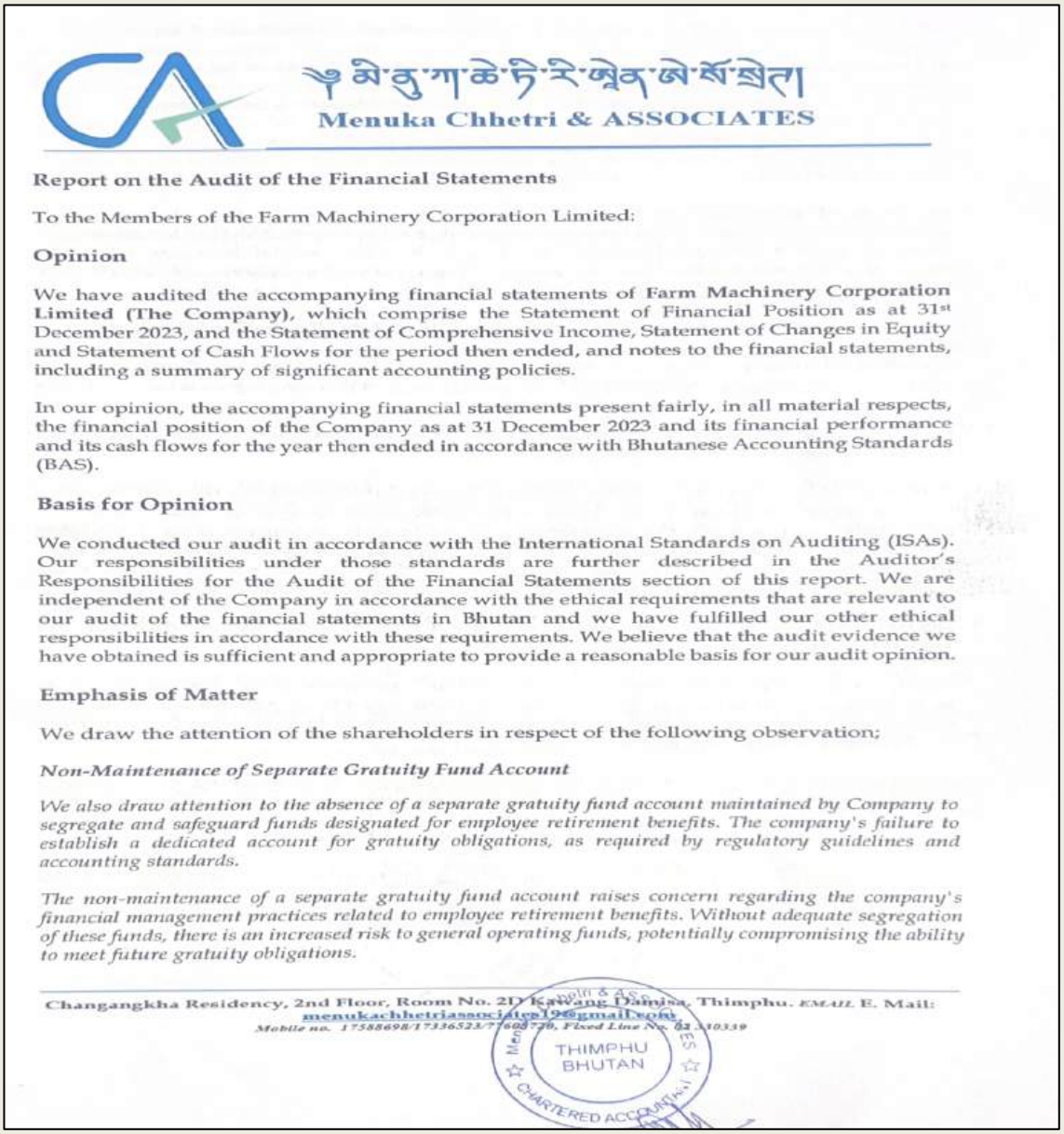
3. Physical and Financial Highlights

3.1. Administrative and Finance Department (AFD)

The Administrative and Finance Department (AFD) comprises four divisions, namely Accounts, ADM & HR, ICT, and Procurement. Its function is to regulate and administratively manage the company.

3.1.1. Auditors' Report & Financial Statements

Independent Auditor's report



Menuka Chhetri & ASSOCIATES

Report on the Audit of the Financial Statements

To the Members of the Farm Machinery Corporation Limited:

Opinion

We have audited the accompanying financial statements of **Farm Machinery Corporation Limited (The Company)**, which comprise the Statement of Financial Position as at 31st December 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with 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 this 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 reasonable basis for our audit opinion.

Emphasis of Matter

We draw the attention of the shareholders in respect of the following observation;

Non-Maintenance of Separate Gratuity Fund Account

We also draw attention to the absence of a separate gratuity fund account maintained by Company to segregate and safeguard funds designated for employee retirement benefits. The company's failure to establish a dedicated account for gratuity obligations, as required by regulatory guidelines and accounting standards.

The non-maintenance of a separate gratuity fund account raises concern regarding the company's financial management practices related to employee retirement benefits. Without adequate segregation of these funds, there is an increased risk to general operating funds, potentially compromising the ability to meet future gratuity obligations.

Changangkha Residency, 2nd Floor, Room No. 2D Kawang Damsa, Thimphu. EMAIL E. Mail: menukachhetriassociates196@gmail.com

Mobile no. 17588698/17336523/77608720, Fixed Line No. 02 330339

THIMPHU BHUTAN

CHARTERED ACCOUNTANTS

While this matter does not affect the fairness of the presentation of the financial statements, it is considered significant due to its potential impact on the company's compliance with regulatory requirements and its obligations to employees upon retirement. We have included this emphasis of matter paragraph to highlight the importance of establishing and maintaining proper controls over gratuity funds and to encourage management to address this deficiency in a timely manner.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters (KAM) are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended 31st December 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have nothing to report under the KAM.

Information other than the Financial Statements and Auditor's Report thereon

The other information comprises the information included in the Director's Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as the management determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance, whether the financial statements as a whole are free from material misstatement, 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 the users based on these financial statements.

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

a) 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 basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

b) 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 purpose of expressing an opinion on the effectiveness of the Company's internal control;

c) Evaluate the appropriateness of accounting policies used and also the reasonableness of the accounting estimates and related disclosures made by management;

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that the material uncertainty exists, we are required to draw attention in our audit 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 audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current

THIMPHU BHUTAN

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 Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as *Appendix-I* with statements on the matters specified therein to the extent applicable.

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

1. We have obtained all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purposes of our audit.
2. In our opinion, proper books of account as required by law have been kept by the company so far as it appears from our examination of the books.
3. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of accounts.
4. In our opinion, the company has complied with other legal and regulatory requirements.

For **Menuka Chhetri & ASSOCIATES**

Chartered Accountants
Firm Registration No.:331825E
Address: Room No. 2D, 2nd Floor, Changankha Residency,
Kawang Damisa, Lower Motithang, Thimphu.

Menuka Chhetri
Managing Partner
Membership No.: 534365

Menuka Chhetri & Associates
THIMPHU
BHUTAN
CHARTERED ACCOUNTANTS

Place: Thimphu, Bhutan
Date: 17. July. 2024

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

Our audit was carried out by applying the International Standards on Auditing (ISA) as adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

The statutory audit report was prepared under the Companies Act of Bhutan, 2016 and other relevant Acts and regulatory norms in examining the accounts of the company containing *inter alia*, the following:
General:

a) The Companies audited adhere to the Corporate Governance Guidelines and Regulations as applicable to them.
b) The governing board/authority pursues 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) The mandatory obligations social entrusted are being fulfilled.
g) The amount of tax is computed correctly and reflected in the financial statements.

1. The Company has maintained proper records of fixed assets in the Fixed Assets Register (FAR) in the ERP Tally Prime system showing full particulars including quantitative details of the fixed assets. The fixed assets register is available with the asset custodian for recording of existing as well as new procured assets. As explained, the custodians usually updated the register maintained in the system for both procurement and location of assets.
2. As explained to us, the fixed assets are physically verified by the respective custodian of assets semiannually and verification statement submitted to the management, which in our opinion is reasonable having regard to the size of the Company and nature of assets.
3. The fixed assets of the company haved not been revalued during the year.
4. As informed to us by the management, they had conducted physical verification of the inventories twice a year in 2023. Thus, considering the size and frequency of the moment of inventories, the verification conducted twice a year is adequate.
5. The inventories records are adequately maintained by the Company. The method of valuation of inventory for the company is adequate and commensurate with the size and nature of business.

Menuka Chhetri & Associates
THIMPHU
BHUTAN
Chartered Accountant

6. In our opinion and according to information and explanations given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

7. During the course of physical verification of stores and spares inventory done by the audit team formed by the management, no such major discrepancy having material impact on the financial statements was noticed. As per the prevailing practice, adjustments of such discrepancies if any have been adjusted in the books of accounts.

8. On the basis of explanation from the management of records, we are of the opinion that there is a reasonable system of recording receipts, issues and consumption of materials of stores and allocating materials consumed to the respective jobs, commensurate with the size and nature of its business.

9. Based on the information provided to us, the quantitative reconciliation is carried out at the end accounting year in respect of all major items of inventories, i.e.., finished goods, and raw materials.

10. *The audit team appointed by the management has verified that a substantial number of assets are non-functional and have been dormant in the stores for an extended period by the close of 2023.*

11. *Due to the considerable volume of obsolete inventory throughout the year, there was a need to dispose of such materials.*

12. In our opinion the method of valuation of stock is fair and proper in line with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB).

13. The Basis of Valuation of Stock is adequate and no deviation from the preceding financial year has been observed.

14. According to the information and explanations given to us, the Company has not taken secured/unsecured loans from 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.

15. The company has not granted any loans to the other parties, which are ultra-vires to the Articles of Incorporation and other relevant Acts and regulations.

16. Advances granted to officers/staff are generally in accordance with the provisions of the service rules and no excessive/frequent advances are granted and accumulation of large advances against any particular individual is avoided.

17. In our opinion and according to the information and explanations given to us in the course of this audit, the Company has generally established a reasonably adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules / regulations and systems and procedures.

18. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorisation at proper levels and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of Materials and labours to jobs.



19. In our opinion and according to the information and explanations given to us, there is an adequate system of competitive bidding, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets, and for the sale of goods and services.

20. (a). As explained to us, the procurement and sales division have their own procedure to be foolowed. No such involvement of directors is been recorded nor found any other party/ parties related to the director(s) or with company or firms in which the director(s) are directly or indirectly interested have been made at prices, which are unreasonable having regard to the prevailing market prices for such goods or services orr at prices at which the transactions for similar goods or services have been made with other parties are recorded.

    (b). According to the information and explanation given to us, the company has not entered transactions wherein the directors are directly or indirectly interested are prejudicial to the interest of the other shareholders and the company.

21. According to the information and explanation given to us, and on the basis of our checking of the accounts and records, to the best of our knowledge, no personal expenses have been debited to the Statement of Comprehensive Income.

22. The Company, in general, has an adequate system of ascertaining and identifying unserviceable or damaged inventories and loss, if any, on the sale of the same, which needs to be duly accounted for/charged in these accounts.

23. As per information, 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.

24. As per information and explanations given to us and on our examination, the management is maintaining reasonable records for sales and disposal of realizable by-products and scraps which are applicable.

25. According to the records maintained by the company and produced to us, the Company has generally been regular in depositing rates and taxes, provident fund and other statutory dues with the appropriate authorities. In our opinion, the provision for Corporate Tax is adequate and necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan - 2001.

26. According to the information and explanations provided to us, the company has a reasonable system of allocating man hours utilised to the respective jobs, commensurate with the size and nature of its business.

27. In our opinion, there is a reasonable system of price fixation taking into account the cost of production and market conditions. However, it needs to be further strengthened to incorporate all Fixed Production Overhead.

28. According to the information and explanation given to us, the Company does not allow credit to parties.

Menuka Chhetri & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

29. Since the Company is not earning revenue through commission agents, this clause is not applicable.

30. The Company, in general, has a system of following up with debtors and other parties for recovery of outstanding dues. It was stated to us that Debtors and other parties which are few in numbers are being monitored for payment without actually doing the age wise analysis of outstanding claim. As explained to us, age wise analysis of the debtors is regularly carried out and follow-up actions undertaken, *however the system needs to be further strengthened and improved to recover the dues older than one year.*

31. In our opinion, and on the basis of information and explanations given to us, the management of liquid resources, particularly cash/bank etc. are, in generally, reasonably 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.

33. We are given to understand that capital investment decisions are made with prior approval of the Board and investments in new projects are made only after ascertaining the technical and economic feasibility of such new projects.

34. The present system of budgeting, in our opinion, is generally reasonable.

35. The Company does not have a system of standard costing but operational variances are analysed at periodic intervals against budgeted norms.

36. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Company, directly or indirectly, are disclosed of the Notes to the Accounts.

37. In our opinion and on the basis of examination of books and records, generally the directives of the Board issued have been complied.

38. According to information provided to us, we are given to understand by the management that the officials of the Company are refrained from transmitting any sensitive information which is not publicly available, unauthorized to their relatives/friends/associates or close persons which will directly or indirectly benefit them. We have however relied on the management assertion on the same and cannot independently verify the same.

39. According to the information and explanations given to us, the company maintains proper records for inter unit transactions/services and arrangement for services made with other agencies engaged in similar activities.

40. According to the information and explanations given to us, proper agreements are executed and that the terms and conditions of lease are reasonable and the same are applied if machinery and equipment are acquired on lease or leased out to others.

Menuka Jhelri & Associates
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company has working in computerized accounting environment using "Tally software, Tally Prime". In our opinion, organizational, and system development controls and other internal controls appears to be generally adequate relative to the size and nature of computer installation.
2. The Company appears to have taken adequate measures and back up of data separate drive is being kept under the custody of the IT Manager.
3. The Company is yet to introduce the system of backup facilities and disaster recovery measures including keeping files in different and remote locations.
4. The operational control in the Company requires further improvement to ensure correctness and validity of input data and output information.
5. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.

GENERAL

a) Going Concern Issues:

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

b) Ratio Analysis:

Financial and Operational Results of the Company have been given in Annexure to this report.

c) Compliances with the Companies Act of Bhutan, 2016

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Company Officials, the Company has generally complied with the provisions of The Companies Act of Bhutan, 2016.

Our observations in this regard are given below: -

i. The Company has filed annual return as required by Section 267 of the Act.

ii. The Company has held annual general meeting as required by Section 177 of the Act.

iii. The Company is following the accrual basis of accounting as required under Section 235(b) of the Act.



d) 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 statements, as produced to us by the management. In the course of audit, we have reviewed compliance to the Companies Act and its Articles of Association and as explained to us, the Company has been generally complying with appropriate laws, rules and regulations, systems, procedures and practices.

For **Menuka Chhetri & ASSOCIATES**

Chartered Accountants
Firm Registration No.:331825E
Address: Room No. 2D, 2nd Floor, Changankha Residency,
Kawang Damisa, Lower Motithang, Thimphu.

Menuka Chhetri
Managing Partner
Membership No.: 531865

Place: Thimphu, Bhutan
Date: 17. July. 2024

FINANCIAL STATEMENTS

FARM MACHINERY CORPORATION LIMITTED
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2023

(Amounts in Nu.)

Particulars	Notes	31-Dec-23	31-Dec-22
ASSETS			
Non-Current Assets			
Fixed Assets			
(a) Property, Plant & Equipments	3	185,535,111.29	85,814,227.97
(b) Intangble Assets	3A	392,766.72	471,320.06
(c) WIP		-	1,616,794.81
Other Non-Current Assets			
Long-Term Investment			
(a) Cash Value of Investment	9	-	20,578,929.80
Total Non-Current Assets		185,927,878.02	108,481,272.64
Current Assets			
(a) Inventories	4	184,287,791.98	154,022,399.91
(b) Sundry Debtors	5	18,287,256.10	70,768,237.82
(c) Cash & Cash Equivalents	6	417,742.73	29,061.22
(e) Loans & Advances	7	3,882,951.31	5,243,362.57
Total Current Assets		206,875,742.12	230,063,061.52
TOTAL ASSETS		392,803,620.14	338,544,334.16
EQUITY & LIABILITIES			
Shareholders' Equity			
(a) Share Capital	1	90,422,000.00	90,422,000.00
(b) Capital Reserves	2	192,881,172.39	77,006,352.10
(c) Retained Earning	2	(73,829,876.17)	(70,123,208.16)
Total Shareholders' Equity		209,473,296.22	97,305,143.94
Non- Current Liabilities			
(a) Deferred Grants	10	42,815,596.52	39,885,816.91
(b) Defined Benefit Obligation	12	11,145,996.09	8,738,224.78
(c) Deferred Tax Liabilities (Net)	8	2,211,736.28	2,205,216.59
Current Liabilities & Provisions			
(a) Deferred Grants	11	-	18,659,767.35
(b) Defined Benefit Obligation	13	898,550.34	749,470.00
(b) Other Current Liabilities	14	126,258,444.69	171,000,694.59
Total Current Liabilities & Provisions		183,330,323.92	241,239,190.22
TOTAL SHAREHOLDERS'S EQUITY & LIABILITIES		392,803,620.14	338,544,334.16

Significant Accounting Policies & Notes on Accounts
The Schedules referred to above form an integral part of the Statement of Financial Position

For **Menuka Chhetri & ASSOCIATES**
Chartered Accountants
Firm Registration No. 331825E

Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place:- Thimphu, Bhutan
Date: 17 July, 2024

On behalf of Board

Chairman — Chief Executive Officer

Sonam Penjor — Wangda Dukpa

FARM MACHINERY CORPORATION LIMITED

FARM MACHINERY CORPORATION LIMITED
STATEMENT OF COMPREHENSIVE INCOME AS AT 31ST DECEMBER 2023

(Amounts in Nu)

Particulars	Notes	31-Dec-23	31-Dec-22
INCOME			
Revenue	15	96,325,707.58	193,496,955.30
Change in inventories	16	30,265,392.07	24,821,072.18
Other Income	17	41,369,660.49	24,254,900.08
TOTAL INCOME		**167,960,760.14**	**242,572,927.56**
EXPENDITURE			
Purchase of Materials	18	13,921,395.31	118,625,609.75
Operating Cost	19	32,990,204.01	50,407,214.66
Employees Cost	20	86,899,253.03	72,684,914.59
Administration Expenses & General Charges	21	5,803,117.54	11,866,951.40
Repairs & Maintenance	22	4,915,230.92	5,948,218.74
Project Expenditure	23	1,497,895.00	1,555,152.31
Depreciation & ammortization Expenses	3	25,640,664.52	21,908,580.79
TOTAL EXPENDITURE		**171,667,760.33**	**282,996,642.24**
Operating Profit / (Loss) for the year		(3,707,000.19)	(40,423,714.68)
Profit/(Loss) before Tax		**(3,707,000.19)**	**(40,423,714.68)**
Less: Provision for Taxation		-	-
- Current Tax		-	-
- Deferred Tax	8	(6,519.69)	(2,349,351.90)
Profit/(Loss) after Taxation		**(3,713,519.88)**	**(42,773,066.58)**
Other Comprehensive Income			
a) Item that will not be recycled to Profit & Loss account			
- Loss on remeasurement of Define Benefit Obligation		1,056,883.93	(29,279.00)
30% Tax on OCI		317,065.18	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(2,973,701.13)**	**(42,802,345.58)**

Significant Accounting Policies & Notes on Accounts
The Schedules referred to above form an integral part of the Statement of Comprehensive Income

For **Menuka Chhetri & ASSOCAITES**
Chartered Accountants
Firm Registration No. 331825E

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place:- Thimphu, Bhutan
Date: 17 July 2024

On behalf of Board

Chairman — Sonam Penjor

Chief Executive Officer — Wangda Dukpa

FARM MACHINERY CORPORATION LIMITTED

STATEMENT OF CHANGES IN EQUITY FOR THE ENDED 31ST DECEMBER 2023

(Amounts in Nu)

PARTICULARS	Equity Share Capital	Capital Reserve	Retained Earning	Total Shareholders Equity
Opening Balance at 1st January 2022	68,322,000.00	74,946,352.10	(26,043,136.79)	117,225,215.31
NetProfit/(Loss) for the year	-	-	(42,773,066.58)	(42,773,066.58)
Other Comprehensive Income	-	-	(29,279.00)	(29,279.00)
Add: Current Year Adjustment	-	-	(1,277,725.79)	(1,277,725.79)
Issue of Share Capital	22,100,000.00	2,060,000.00	-	24,160,000.00
Balance at 31st December 2022	90,422,000.00	77,006,352.10	(70,123,208.16)	97,305,143.94
Opening Balance at 1st January 2023	90,422,000.00	77,006,352.10	(70,123,208.16)	97,305,143.94
Net Profit/(Loss) for the year	-	-	(3,713,519.88)	(3,713,519.88)
Other Comprehensive Income	-	-	1,056,883.93	1,056,883.93
Add: Current Year Adjustment	-	-	(1,050,032.06)	(1,050,032.06)
Capital Reserve	-	115,874,820.29	-	115,874,820.29
Balance at 31st December 2023	90,422,000.00	192,881,172.39	(73,829,876.17)	209,473,296.22

Significant Accounting Policies & Notes on Accounts

The Schedules referred to above form an integral part of the Statement of Changes in Equity

For Menuka Chhetri &ASSOCAITES
Chartered Accountants
Firm Registration No. 387825E

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place:- Thimphu, Bhutan
Date: 17. July. 2024

On behalf of Board

Chairman — Sonam Penjor

Chief Executive Officer — Wangda Dukpa

FARM MACHINERY CORPORATION LIMITED
STATEMENT OF CASH FLOW AS AT 31ST DECEMBER 2023

(Amounts in Nu)

Particulars	31-Dec-23	31-Dec-22
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit/(Loss) before Tax	(3,707,000.19)	(40,423,714.68)
Adjustments for:	-	-
Depreciation	25,640,664.52	21,908,580.79
Loss on Disposal/Surrender/Fire	(275,494.68)	(3,580,563.61)
Gain/loss on other long term employee benefits	1,056,883.93	(29,279.00)
Deferred Grant Income	(15,729,987.74)	(16,519,767.35)
Grant Income recognised during the year	-	(1,808,249.83)
Operating Profit before Working Capital Changes	**6,985,065.84**	**(40,452,993.68)**
Adjustments for:		
(Increase)/Decrease in Sundry Debtors	52,480,981.72	(29,612,441.30)
(Increase)/Decrease in Inventories	(30,265,392.07)	(24,821,072.18)
(Increase)/Decrease in Loans & Advances	1,360,411.26	9,814,867.88
Increase/(Decrease) in Other Current Liabilities	5,337,550.92	(103,696,908.74)
Increase/(Decrease) in Other Non-Current Liabilities	6,519.69	-
Increase/(Decrease) in Current Liabilities & Provisions	(63,252,936.91)	110,829,143.58
CASH GENERATED FROM OPERATIONS	**(27,347,799.55)**	**(77,939,404.44)**
Less Tax paid	-	
NET CASH FROM OPERATING ACTIVITIES	**(27,347,799.55)**	**(77,939,404.44)**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets (NET)	(99,642,329.99)	(5,102,789.35)
Expenditure on Capital Work in Progress	1,616,794.81	1,526,478.09
Cash Value of Investment	-	(20,578,929.80)
NET CASH USED IN INVESTING ACTIVITIES	**(98,025,535.18)**	**(24,155,241.06)**
C. CASH FLOW FROM FINANCING ACTIVITIES	-	
Increase/Decreses in Share Capital	-	22,100,000.00
Increas/Decrease in Capital Reserve	125,762,016.23	2,060,000.00
NET CASH FROM FINANCING ACTIVITIES	**125,762,016.23**	**24,160,000.00**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS	**388,681.51**	**(77,934,645.50)**
CASH AND CASH EQUIVALENTS - AT THE BEGNING OF THE YEAR	29,061.22	77,963,706.72
CASH AND CASH EQUIVALENTS - AT THE END OF THE YEAR	**417,742.73**	**29,061.22**

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

For **Menuka Chhetri & ASSOCAITES**
Chartered Accountants
Firm Registration No. 331825

MENUKA CHHETRI & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

CA. Menuka Chhetri
(Managing Partner)
Membership No. 534365
Place:- Thimphu, Bhutan
Date: 17 July. 2024

On behalf of Board

Chairman — Chief Executive Officer

Wangda Dukpa

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

a. General Information:

I. 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 Bhutan; 2016. These financial statements relate to the year ended 31 December 2023.

b. Disclosure of Significant Accounting Policies:

I. 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 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.

1. 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.

Menuka Pradhan & Associates THIMPHU BHUTAN CHARTERED ACCOUNTANTS

2. 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.

3. 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.

4. Property, plant and equipment

All property, plant and equipment are 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	Items	Life
1	Vehicle & Vessels	15
2	Computer & Peripherals	5
3	Office Equipment	5
4	Furniture & Fixtures	10
5	Plant & Machinery	10

5. 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.

6. 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).

7. 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).

8. 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.

9. 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.

10. 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.

11. 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 computations 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.

12. 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

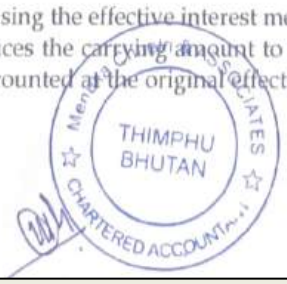
Other benefits such as leave encashment and bonus are accrued.

13. 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, taxes, and royalties collected on behalf of the government. The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring 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. The incremental cost incurred by the company for obtaining a contract with the customer is recognized as an asset 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.

14. 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 loans and receivables is recognized using the original effective interest rate.

15. Comparative Information

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



Schedule No.: 3: Property, Plant & Equipments

Particulars	Useful Life	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Opening as on 01.01.2023	Additions	Adjustments	Closing as on 31.12.2023	Opening as of 01.01.2023	Year Dep.	Adjustments	Closing as on 31.12.2023	As on 31.12.2023	As on 31.12.2022
Computer & Peripherals	5	5,469,192.92	143,520.00	3,747,443.80	1,865,269.12	4,044,834.12	617,887.66	3,769,019.91	893,701.87	971,567.25	1,424,358.80
Furniture & Fixtures	10	1,803,781.00	-	-	1,803,781.00	733,377.92	180,378.10	-	913,756.02	890,024.98	1,070,403.08
Land & Building	30	1,886,212.70	20,624,279.41	-	22,510,492.11	253,880.93	278,796.80	-	532,677.73	21,977,814.38	1,632,331.77
Office Equipments	5	3,910,280.67	106,640.00	2,204,195.42	1,812,725.25	2,794,731.85	432,931.29	2,204,195.42	1,023,467.72	789,257.53	1,115,548.82
Plant & Equipments	10	61,469,813.86	26,958,924.70	542,710.94	87,886,027.62	23,231,798.32	6,425,935.55	542,710.94	29,115,022.94	58,771,004.69	38,238,015.54
Vehicle & Vessels	15	15,103,928.00	-	-	15,103,928.00	3,216,962.15	1,006,928.53	-	4,223,890.68	10,880,037.32	11,886,965.85
Fixed Assets Transfer from AMTC	10	-	13,257,747.91	-	13,257,747.91	-	889,903.63	-	889,903.63	12,367,844.28	-
Fixed Assets Transfer from CMU	10	-	64,121,087.25		64,121,087.25	-	4,304,018.19	-	4,304,018.19	59,817,069.06	-
Fixed Assets Transferred from AMC	10	38,926,969.24	-	-	38,926,969.24	20,587,728.07	3,933,941.35	-	24,521,669.42	14,405,299.82	18,339,241.17
Semi-Permanent Shed (Green House)	3	21,057,417.23	-	5,005,892.50	16,051,524.73	9,734,624.52	6,701,245.86	5,005,892.50	11,429,977.87	4,621,546.86	11,322,792.71
Semi-Permenant Shed-POL	5	8,250,343.56	49,324.00	8,250,343.56	49,324.00	7,465,773.33	790,144.23	8,250,238.70	5,678.87	43,645.13	784,570.22
TOTAL		157,877,939.18	125,261,523.27	19,750,586.21	263,388,876.23	72,063,711.21	25,562,111.19	19,772,057.46	77,853,764.94	185,535,111.29	85,814,227.97

Schedule No.: 3a: Intangibles

Particulars	Useful Life	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Opening as on 01.01.2023	Additions	Adjustments	Closing as on 31.12.2023	Opening as on 01.01.2023	Year Dep.	Year Adjustments	Closing as on 31.12.2023	Net Block as on 31.12.2023	Net Block as on 31.12.2022
Inventory Management System	10	218,164.93	-	-	218,164.93	87,265.97	21,816.49	-	109,082.46	109,082.47	130,898.96
Tally ERP-9 System	10	177,130.58	-	-	177,130.58	70,852.23	17,713.06	-	88,565.29	88,565.29	106,278.35
Website	10	81,669.86	-	-	81,669.86	32,667.91	8,166.99	-	40,834.90	40,834.97	49,001.95
HR & Administration Data Base	10	308,568.00	-	-	308,568.00	123,427.20	30,856.80	-	154,284.00	154,284.00	185,140.80
TOTAL		785,533.37	-	-	785,533.37	314,213.31	78,553.34	-	392,766.65	392,766.72	471,320.06
Grand Total		158,663,472.55	125,261,523.27	19,750,586.21	264,174,409.60	72,377,924.52	25,640,664.52	19,772,057.46	78,246,531.58	185,927,878.02	86,285,548.03

Menon Gohain & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

NOTES FORMING AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

SCHEDULE NO.: 1: SHARE CAPITAL

Particulars	31-Dec-23	31-Dec-22
Authorised		
1,000,000 Equity shares of Nu 100 each	100,000,000.00	100,000,000.00
Issued, Subscribed and Paid -up		
683,220 Equity shares of Nu 100 each fully paid	90,422,000.00	68,322,000.00
Issued 200,000 shares of 100 each	-	22,100,000.00
Total	**90,422,000.00**	**90,422,000.00**
a. Reconciliation of the number of Equity Shares outstanding		
At the beginning of the year	904,220.00	683,220.00
Shares allotted during the year	-	221,000.00
No of shares outstanding as on 31.12.2023	**904,220.00**	**904,220.00**

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-Dec-23		31-Dec-22
	No. of Shares	% age	No. of shares
Ministry of Finance, Royal Government of Bhutan	904,220	100.00%	904,220.00

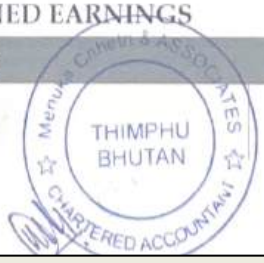
d. No Shares have been reserved for issue under options and contracts/commitments for the sale of shares/ disinvestment as at the Balance Sheet date.

SCHEDULE NO.: 2b: RESERVES & SURPLUS

Particulars	31-Dec-23	31-Dec-22
A. CAPITAL RESERVE		
Capital Reserve	192,881,172.39	77,006,352.10
(a)	192,881,172.39	77,006,352.10
Less: Transfer to Profit & Loss		
(b)	-	-
Total (a-b)	192,881,172.39	77,006,352.10

SCHEDULE NO.: 2c: RETAINED EARNINGS

Particulars	31-Dec-23	31-Dec-22
Profit/(Loss) Brought Forward	(70,123,208.16)	(26,043,136.79)
Profit /(Loss) for the Year	(3,713,519.88)	(42,773,066.58)



Add: Current Year Adjustment	(1,050,032.06)	(1,277,725.79)
Other Comprehensive Income	1,056,883.93	(29,279.00)
Total	(73,829,876.17)	(70,123,208.16)

SCHEDULE NO.: 4: INVENTORIES

Particulars	31-Dec-23	31-Dec-22
Inventories-Accessories, Machinery, tools etc.	180,354,371.33	147,639,735.50
Inventory Farm Produce	1,162,640.00	1,424,695.20
POL Inventory	579,228.52	2,408,363.19
Raw Materials Inventory	2,191,552.13	2,549,606.02
Total	184,287,791.98	154,022,399.91

SCHEDULE NO.: 5: SUNDRY DEBTORS

Particulars	31-Dec-23	31-Dec-22
(Unsecured, Considered Good)		
Trade Receivables	14,861,390.52	70,019,789.50
Other Receivables	3,425,865.58	748,448.32
Total	18,287,256.10	70,768,237.82

SCHEDULE NO.: 6: CASH AND CASH EQUIVALENTS

Particulars	31-Dec-23	31-Dec-22
Cash in Hand		
Normal	22,165.78	-
Balances with Banks		
BoB CD-200137006(Revenue)	999,851.98	183,396.95
BoB CD-200137017 (Operation)	(1,140,156.85)	(1,804,602.62)
BoB CD-200657037(PoL)	186,966.26	12,532.88
BoB CD- 200307387(SBA)	427.27	963,855.81
BDBL Account	35,526.05	426,016.80
Regional CD Account	302,755.69	3,133.85
SHFP CD Account	5,889.07	9,836.07
PNB-550010083428	4,317.48	234,891.48
Total	417,742.73	29,061.22

SCHEDULE NO.: 7: LOANS AND ADVANCES

Particulars	31-Dec-23	31-Dec-22
Advance to Suppliers	1,255,030.33	431,454.64
Advance to Staffs	2,627,920.98	4,811,907.93
Total	3,882,951.31	5,243,362.57

SCHEDULE NO.: 8: DEFERRED TAX LIABILITIES

Particulars	31-Dec-23	31-Dec-22
Balance As on 31.12.2023	(2,205,216.59)	144,135.31
Charge to Statement of Comprehensive Income	(6,519.69)	(2,349,351.90)
Total	(2,211,736.28)	(2,205,216.59)



SCHEDULE NO.: 9: LONG-TERM INVESTMENT

Particulars	31-Dec-23	31-Dec-22
Bio-Company Establishment	-	20,578,929.80
Total	-	20,578,929.80

SCHEDULE NO.: 10: NON-CURRENT LIABILITIES- GRANT

Particulars	31-Dec-23	31-Dec-22
Grant from AMC	14,446,545.20	14,446,545.20
Grant from MoEA	104.87	(890,775.04)
Grant from MoAF	215,093.77	316,194.07
Grant from JICA	7,071,480.99	7,071,480.99
Grant from Phaithang Project & SHFP	15,651,907.77	15,651,907.77
Grant from Tangsibji Project (UNDP)	5,430,463.92	3,290,463.92
Total	42,815,596.52	39,885,816.91

SCHEDULE NO.: 11: CURRENT LIABILITIES- GRANT

Particulars	31-Dec-23	31-Dec-22
Grant from AMC	-	3,892,696.92
Grant from MoEA	-	1,675,345.26
Grant from MoAF	-	4,744,999.66
Grant from JICA	-	1,756,800.00
Grant from Phaithang Project & SHFP	-	2,403,478.69
Grant from Tangsibji Project (UNDP)	-	4,186,446.82
Total	-	18,659,767.35

SCHEDULE NO.: 12: NON-CURRENT LIABILITIES- DEFINED BENEFIT OBLIGATION

Particulars	31-Dec-23	31-Dec-22
Provision for Travel Allowance	240,035.11	199,267.00
Provision for Carriage Charges	93,954.53	58,507.00
Provision for Gratuity	5,671,962.95	4,379,147.00
Provision for Leave Encashment.	4,900,008.39	3,902,036.78
Provision for Leave Tranfer grant	240,035.11	199,267.00
Total	11,145,996.09	8,738,224.78

SCHEDULE NO.: 13: CURRENT LIABILITIES- DEFINED BENEFIT OBLIGATION

Particulars	31-Dec-23	31-Dec-22
Travel Allowance	180,373.34	153,842.00
Carriage Charges	118,836.61	94,578.00
Gratuity	91,987.95	76,546.00
Leave Encashment.	326,979.10	270,662.00
Transfer grant	180,373.34	153,842.00
Total	898,550.34	749,470.00

Menuka Chhetri & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

SCHEDULE NO.: 14: CURRENT LIABILITIES

Particulars	31-Dec-23	31-Dec-22
Sundry Creditors	104,235,421.00	40,000,000.00
Provision for taxes	947,586.54	2,170,684.08
Provision For Bad Debts	746,078.00	108,026,365.03
Other Current Liabilities	-	474,286.33
Provision for Dead Stock	20,329,359.15	20,329,359.15
Total	**126,258,444.69**	**171,000,694.59**

SCHEDULE NO.: 15: REVENUE

Particulars	31-Dec-23	31-Dec-22
Revenue from Contract farming	5,037,863.55	2,039,542.25
Revenue from Geog Powertiller	4,306,552.69	16,838,659.50
Revenue from hiring	20,553,345.47	50,405,520.76
Revenue from Production	3,333,446.36	20,886,033.68
Revenue from Repair &Maintenance	1,866,428.67	3,032,686.00
Revenue from Rice Milling Charges	794,677.79	1,341,779.00
Revenue from sale of machineries	9,947,693.46	65,600,713.31
Revenue from sales of spare parts	24,748,866.84	18,278,277.18
Revneue from POL	2,269,242.23	15,073,743.62
Revenue from Hiring Excavator	23,231,628.52	-
Revenue FromTraining	235,962.00	-
Total	**96,325,707.58**	**193,496,955.30**

SCHEDULE NO.: 16: CHANGES IN INVENTORIES

Particulars	31-Dec-23	31-Dec-22
Change in Inventories	32,714,635.83	32,414,236.01
Change in farm produce	(262,055.20)	(1,372,101.60)
Change in POL Inventories	(1,829,134.67)	(383,653.89)
Change in Production Raw Materials	(358,053.89)	(5,837,408.34)
Total	**30,265,392.07**	**24,821,072.18**

SCHEDULE NO.: 17: OTHER INCOME

Particulars	31-Dec-23	31-Dec-22
Deffered income	15,729,987.74	16,519,767.35
Revenue from Admin Section	437,306.10	168,962.00
Revenue from sales of Empty Cylinder	286,400.00	-
Revenue from sale of tender Doc	40,000.00	6,000.00
Revenue from Other	6,948,966.00	4,260,764.73
Other income from Project	1,885,353.28	3,299,406.00
Revenue from Auction and Scrap	16,041,647.37	-
Total	**41,369,660.49**	**24,254,900.08**

SCHEDULE NO.: 18: PURCHASES OF MATERIALS

Particulars	31-Dec-23	31-Dec-22
Purchase of Raw Materials	2,738,544.80	6,301,101.79
Purchase of Machineries	6,444,233.24	59,403,589.31
Purchase of Spare Parts	2,947,182.73	38,847,396.81

Menuka Chhetri & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

Purcahse of POL	1,791,434.54	14,073,521.84
Total	**13,921,395.31**	**118,625,609.75**

SCHEDULE NO.: 19: OPERATING COST

Particulars	31-Dec-23	31-Dec-22
Maintenance of Property - Plantation	6,166,820.15	7,523,577.38
Maintenance of Property - Machineries and Spare Parts (CHS)	15,290,435.30	28,897,129.09
Maintenance of property - Machineries and Spare Parts (GPT)	2,885,734.07	12,008,807.03
Maintenance of property - Machineries and spare Parts (R&M)	849,077.72	58,828.50
Op. Exp - Items for processing and manufacturing (Rice Mill)	44,191.00	1,326,840.03
Op. Exp - Taxes, Royalities and Charges	21,313.57	12,300.27
Other Personal Emolument	58,548.00	579,732.36
Excavator Hiring Expenses	7,574,550.80	-
Expenditure on Training	99,533.40	-
Total	**32,990,204.01**	**50,407,214.66**

SCHEDULE NO.: 20: EMPLOYEE COST

Particulars	31-Dec-23	31-Dec-22
Gain/Loss on Employee benefits	3,335,863.04	-
Pay & Allowances	68,148,619.39	53,087,668.60
Provident Fund from Employer	5,538,959.00	4,599,938.00
Traveling Expenses	9,801,771.60	9,187,213.99
Training in country	74,040.00	5,810,094.00
Total	**86,899,253.03**	**72,684,914.59**

SCHEDULE NO.: 21: ADMINISTRATIVE EXPENSES AND GENERAL EXPENSES

Particulars	31-Dec-23	31-Dec-22
Allowances- Board and Audit Fees	341,677.00	359,282.00
Hospitality and Entertainment Expenses	227,952.00	720,143.00
Allowances- Audit Fees	235,000.00	359,580.00
Licence Renewal Expenses	229,579.28	55,719.70
Op. Exp -Advertising	49,210.00	114,144.08
Op. Exp - Bank Charges	36,657.63	140,908.91
Op. Exp - Energy/Propulsion Charges	-	29,209.35
Op. Exp - In Country Meeting and Celebration	1,050,805.50	1,398,286.00
Op. Exp - Transportation	512,604.75	1,927,328.15
General Tools and Equiptments	38,056.47	1,345,559.83
Professional Services	30,000.00	44,000.00
Rental Charges on Land	236,326.70	228,532.76
S&M - Office Supplies Printing & Publication	447,611.48	408,351.31
S&M -Uniforms, Extension Kits, Linens	1,450.00	1,030,010.12
Utilities - Electricity, Water, & Sewrage	442,858.64	428,067.76
Utilities - Telegram, wireless Transmission & Postage	1,576.76	2,160.00
Utilities - Telephones, Telex, Fax, E-Mail & Internet	900,178.65	766,011.75
Loss on fire & Pol station station surrender	275,494.68	2,195,494.68
Bad Debts Expenses	746,078.00	314,162.00
Total	**5,803,117.54**	**11,866,951.40**

Menuka Chhetri & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

SCHEDULE NO.: 22: REPAIR AND MAINTENANCE

Particulars	31-Dec-23	31-Dec-22
R & M- Building	563,066.45	782,896.22
R/M – Computer	14,600.00	41,830.00
R/M- Equipments	345,340.87	611,936.85
R/M- Vehicles	3,776,445.59	3,784,863.09
R/M- Irrigation Channels	138,972.01	685,672.58
R/M- Machineries Shed	63,040.00	36,140.00
R/M- Road	13,766.00	4,880.00
Total	**4,915,230.92**	**5,948,218.74**

SCHEDULE NO.: 23: PROJECT EXPENDITURE

Particulars	31-Dec-23	31-Dec-22
Project Expenses:	1,497,895.00	1,555,152.31
Total	**1,497,895.00**	**1,555,152.31**

Menuka Chhetri & ASSOCIATES
THIMPHU
BHUTAN
CHARTERED ACCOUNTANT

Notes on Accounts

1. Farm Machinery Corporation Limited was incorporated as wholly Owned Company of Royal Government of Bhutan on 29th March 2016 under the Companies Act of Kingdom of Bhutan; 2016.The entity is primarily engaged in following activities:

   a) Hiring of Farm Machinery to the farmers and other stakeholders.
   b) Sale of Farm Machinery, implements and spare parts.
   c) Repairs and maintenance of farm machinery.
   d) Fabricate Farm Machinery, implements and spare parts.
   e) Sale of Petroleum, Oil and Lubricant (POL) and others.
   f) Commercial and contract farming
   g) Agriculture land development services
   h) Training on farm machineries and other agriculture allied programs.
   i) Production and dis

2. During the year the company received grants from different government authorities as narrated in Annexure-I, attached herewith.

3. During the year the company has recognized revenue from POL of Nu. **2,269,242.23** as against purchase of POL of Nu. **1,791,434.54** which is exclusive of employee cost.

4. The company has generated revenue from contract farming of Nu. **5,037,863.55** (inclusive of closing stock amounted to Nu. **1,162,640.00**) in respect of which the company has incurred an expenditure of Nu. **6,211,011.15** as crops plantation, resulting in a profit of Nu. **784,170.19** after inclusive of inventory.

5. Inventory includes items worth Nu. **180,354,371.33** grant- in - kind received from AMC in the year 2017. Out of which the stock worth of Nu. **13,078,980.29** in the year 2017 and before, Nu. **15,339,047.48** in the year 2018, Nu. **3,321,544.39** in the year 2019, Nu. **15.175** M in the year 2020, and Nu. **0.234** M in year 2021 and from AMTC Nu. **77.604** M and **50.425** M from CMU in 2023.

6. The department of Macro Economic Affairs, Ministry of Finance verified and valued some of the assets at Nu. **77,378,835.16** transferred from AMTC and CMU, whose transfer details and corresponding cost were available and accordingly incorporated in the books of account as on 31.12.2023. Further, during the year 2023 the asset was depreciated by of Nu. **5,193,921.8**.

7. The cash value of the investment amounting to Nu. 20,578,929.80 was utilized for the construction of FMCL BIO Company in 2022 and in subsequent year 2023, it was capitalized and booked under capital reserve and surplus.

8. Under reserve and surplus, the amount has increased to Nu. 192,881,172.39 in 2023 with Nu. 74,946,352.10 in 2022 as detailed below:

Sl	Particulars	Amount
1	Opening balance (2022)	74,946,352.10
2	Trasfer of fixed assets from CMU	64,121,087.25
3	Transfer of fixed assets from AMTC	13,257,747.91

Mahindra Chhetri & ASSOCIATES THIMPHU BHUTAN CHARTERED ACCOUNTANT

4	Transfer o fixed assets from FMCL Bio Company	40,555,985.13
	Closing balance (2023)	**192,881,172.39**

a. During integration with CMU, FMCL received fixed assets including office structures, heavy machinery, and others worth of Nu. 64.12 million.

b. After taking over of AMTC, FMCL also received fixed assets worth Nu. 13.26 million.

c. The Bio-Fertilizer Company was initially started as a subsidiary of FMCL, registered as an FDI company partnered with B & B Korea to invest 48% of the total investments. FMCL received Nu. 22.1 million from MoF as part of equity to start the Bio-Fertilizer Company's construction and establishment. The company's establishment incurred expenses of Nu. 53.4 million. FMCL integrated Bio Company's work as part of its activities, adding Nu. 40.56 million worth of fixed assets to FMCL as a transfer from Bio Company.

These additions led to a total closing amount of Nu. 192,881,172.93 in the financial year 2023.

9. Over the past financial years, FMCL received government grants, the amounts were recorded as non-current liabilities in the balance sheet. This approach ensured that the grants were not prematurely recognized as income, maintaining financial accuracy and compliance with accounting standards.

9.1. Closing of balance grant:

Particulars	31-Dec-23	31-Dec-22
Grant from AMC	14,446,545.20	18,339,242.12
Grant from MoEA	104.87	784,570.22
Grant from MoAF	215,093.77	5,061,193.73
Grant from JICA	7,071,480.99	8,828,280.99
Grant from Phaithang & SHFP	15,651,907.77	18,055,386.46
Grant from UNDP	5,430,463.92	7,476,910.74
	42,815,596.52	**58,545,584.26**

In the current financial year 2023, FMCL expensed out Nu. 15,729,987.74, reflecting the actual costs incurred in carrying out the specified activities funded by the grants. This expense reduced the liability recorded in previous years. The expensed amount was then recognized as deferred income in the comprehensive income statement under the "other income" head. This treatment signifies that the funds were utilized as intended, and the related activities were performed, thereby fulfilling the conditions of the grants.

9.2. Deffered grant income

Particulars	31-Dec-23
Grant from AMC	3,892,696.92
Grant from MoEA	784,465.35
Grant from MoAF	4,846,099.96
Grant from JICA	1,756,800.00

Meruka Chhetri & ASSOCIATES
THIMPHU BHUTAN
CHARTERED ACCOUNTANT

Grant from Phaithang & SHFP	2,403,478.69
Grant from Tangsibji Project (UNDP)	2,046,446.82
	15,729,987.74

10. Due to non-availability of cost price and year of purchase and other specific details each item of other asset has been valued at Nu.1.

11. As per BAS 2: Inventories the management has measured the inventories at cost or net realizable value whichever is lower. Detail shown in annexure II.

12. Purchase includes Nu. **13,921,395.31** inter unit transfer and sales includes in similar account with corresponding effect on sundry debtors and creditors.

13. 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 III attached herewith.

14. Remuneration of Key Managerial Personnel (BAS)

Particulars	Amount (Nu)
Gross Remuneration paid to Key Managerial Employee	1,386,000.00
PF Contribution	135,000.00
Directors Sitting Fees	170,000.00

15. As per BAS 19, the valuation of Gratuity and Leave Encashment was provisioned with gratuity amounting to Nu. **5,763,950.90** Leave Encashment Nu. **5,025,284.77** and Other Compressive Income (OCI) to Nu. **1,056,883.93** in the 2023 financial statement.

16. As on reporting date, 90,422.00 shares of face value at Nu. 100 each were outstanding and no additional shares were issued during the accounting the year. Therefore, the company has 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.

17. The Company has earned gross income of Nu. **41.370** Million by carrying out other ad-hoc/additional activities as specified in *annexure IV*.

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

a) During the year the company has recognized revenue from POL of Nu. **2.269** M (inclusive of closing stock amounted to Nu. **0.580** M) against the purchase of POL amounted to Nu. **1.791** M which is exclusive of employee cost.

b) The company has generated revenue from contract farming of Nu. **5.832** M (inclusive of closing stock amounted to Nu. **1.162** M) in respect of which the company has incurred an expenditure of Nu. **6.270** (exclusive of employee cost).

c) Inventory items worth Nu. **77.605** M was grant-in-kind received from AMC in the year 2017. Out of which the stock worth of Nu. **13.079** M was sold in the year 2017 and before Nu.

Meyn Chhetri & Associates THIMPHU BHUTAN CHARTERED ACCOUNTANTS

15.339 M in the year 2018, Nu. **3.321** M in the year 2019, Nu. **15.175** M in the year 2020, and Nu. **80.917** M in 2021, Nu. **89.428** in 2022 and in 2023 Nu. **35.503.**

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 2023, the asset was depreciated by Nu. **25.691** M.

e) Due to the non-availability of cost price and year of purchase and other specific details each item of other asset has 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 is shown in Annexure I*

Annexure I Valuation of Inventories Closing Stock

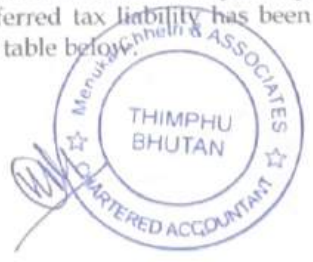
Row Labels	Closing Balance	Net Realizable Value
Accessories	3,705,954.85	4,261,848.08
Implements	2,064,626.00	2,374,319.90
Machinery	64,836,626.34	74,562,120.29
Others	1,082,609.18	1,245,000.56
Spare Parts	99,800,408.89	114,770,470.22
Tool	8,64,146.07	10,193,767.98
Grand Total	**180,354,371.33**	**207,407,527.03**

g. As per Executive Order No. DOA/ADM/01/139 dated 5th October 2016 of the Ministry of Agriculture &Forest, the following programs/ projects under the Department of Agriculture were handed over to the Farm Machinery Corporation Limited. Further, as per executive order No.C-2/2019/288 dated 18th September 2019 two farms Phabthang and Wangray Commercial Farm was developed:

Program/Project	Area (Acres)
Nichula	200
Gangtokha Agriculture Land 18.95	18.95
Phuntshothang Agriculture Rehabilitation	523
Tendrelthang	17
Dechenphug	16
Kana Citrus Plantation Site	101
Phabthang	70
Wangray48	48
Nyelsephu	4.05

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 the timing difference in the admissibility of depreciation as per the provisions of the Income-tax of Bhutan, deferred tax liability has been created in the accounts as per the computation shown in the table below:



Particulars	Carrying Amount	Tax Base	Taxable (-) / Deductible Temporary difference
Property Plant & Equipment	185,927,878.0	175,658,700.0	(10,269,178.1)
Defined Benefit Obligation-Travel Allowance	240,035.1	180,373.3	59,661.8
Defined Benefit Obligation-Carriage Charges	93,954.5	118,836.6	(24,882.1)
Defined Benefit Obligation-Gratuity	5,671,963.0	91,988.0	5,579,975.0
Defined Benefit Obligation-Leave Encashment	4,900,008.4	326,979.1	4,573,029.3
Defined Benefit Obligation-Transfer	240,035.1	180,373.3	59,661.8
	197,073,874.1	**176,557,250.3**	**(21,732.3)**
Deferred tax			(6,519.7)

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

l) As per BAS 19, the valuation of Gratuity and Leave Encashment was provisioned with gratuity amounting to Nu. **5,763,950.90** Leave Encashment Nu. **5,025,284.77** and Other Compressive Income (OCI) to Nu. **1,056,883.93** in the 2023 financial statement.

m) As on reporting date, 904,220 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.

i) Related Party Transaction

The Company was incorporated as a 100% State Owned Enterprise under the Ministry of Finance. Hence, MoF holds a 100% share of the company, as a related party for the purpose of disclosures required by BAS 24.

Remuneration of Key Managerial Personnel

Particulars	Amount (Nu)
Gross Remuneration paid to Key Managerial Employees	2,069,268.00
PF Contribution	198,644.00
Directors Sitting Fees	125,000.00

i. Particulars of Key Management Personnel (KMP):

KMPs are those persons having authority and responsibility for planning, directing, and controlling the activities of the Company directly or indirectly including any Director whether executive or otherwise.

Menuka Chhetri & Associates THIMPHU BHUTAN CHARTERED ACCOUNTANT

a. Remuneration of Chief Executive Officer

Particulars	2023 (Nu.)	2022 (Nu.)
Salary including Allowances	1,305,000.00	1,025,250.00
Contribution to GPF	112,500.00	79,628.00
Leave Encashment	75,000.00	86,250.00
LTC	15000.00	15000.00
Travel Administration	102,000.00	40,000.00
Total		**1,246,128.00**
Board Sitting Fees		**30,000.00**

iv. Remuneration for other KMPs

As the post for the Directors are vacant, remuneration of the General Managers is disclosed.

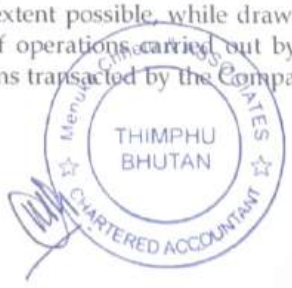
Particulars	GM (AFD)		DGM (FMSD)	
	2023(Nu)	2022 (Nu.)	2023(Nu)	2022(Nu.)
Salary including allowance	639,516.00	537,966.00	124,752.00	3,975,586.00
Contribution to GPF	70,644.00	48,113.00	15,500.00	310,020.00
Leave Encashment	39,245.00	37,200.00	34,665.00	33,820.00
LTC	15,000.00	15,000.00	-	15,000.00
Travel Administration	62,000.00	177,684.00	49,000.00	128,656.00
Total	**826,405.00**	**815,963.00**	**223,917.00**	**4,463,082.00**

As the liabilities for gratuity are provided on actuarial basis for the company as a whole, the amounts pertaining to KMP not disclosed separately and as such could not be included above.

v. Remuneration for the Board of Directors

Sl. No	Name	2023			2022		
		Sitting Fees	Mileage	Total	Sitting Fees	Mileage	Total
1	Mr. Sonam Penjor	25,000.00	-	25,000.00	42,500.00	-	42,500.00
2	Ms. Rinzin Pemo	25,000.00	-	25,000.00	42,500.00	-	42,500.00
3	Mr. Jambay Dorji	25,000.00	-	25,000.00	47,500.00	9,216.00	56,716.00
4	Mr. Karma Thinley	-		-	30,000.00	-	30,000.00
5	Mr. Namgay Thinley	25,000.00	-	25,000.00	37,500.00	-	37,500.00
6	Mr. Jitshen Wangchuk	5,000.00	-	5,000.00	10,000.00	-	10,000.00
7	Mr. Wangda Dukpa	20,000.00	-	20,000.00	-	-	-
	Total Amount:	**125,000.00**	**-**	**125,000.00**	**210,000.00**	**9,216.00**	**219,216.00**

While transitioning to the applicable IAS, considerations have been made in respect of appropriate provisions, to the extent possible, while drawing up these financial statements, considering the current level of operations carried out by the Company, its share holding pattern and nature of transactions transacted by the Company at this stage only as of the date



3.1.2. Human Resources

In 2023, there were 260 employees including 223 males and 37 females (Table 1). Throughout the year, the company experienced significant changes in its workforce. Specifically, 27 employees chose to resign voluntarily, 2 were superannuated, 5 contract terms terminated while 15 individuals were promoted to higher positions within the organization including 5 appointments of 5 employees to strategic positions. Four new employees were recruited to fulfill the specific needs of the company. Additionally, 33 employees were transferred to various regions and farms to optimize human resource utilization.

FMCL has sent 30 employees on a Long-Term Training Program focused on Agricultural Capacity Building at Agro Studies in Israel

Table 1. Employee Strength

SL. No.	HQ/ Regions	Male	Female	Total No. of Staff
1	Corporate Headquarters	16	10	26
2	RFMCL, Paro	33	10	43
3	RFMCL, Bajo	30	3	33
4	RFMCL, Bumthang	37	2	39
5	RFMCL, Khangma	67	4	71
6	RFMCL, Samtenling	40	8	48
Total		**223**	**37**	**260**

3.1.3. Information, Communication & Technology

Through significant advancements in digitization, the company has enhanced efficiency and transparency in planning and reporting systems. Notably, we have automated the dispatch system eliminating manual coordination and improving logistics. The implementation of standardized planning templates has further facilitated strategic decision-making and communication.

Looking ahead, we are committed to continuing our digital transformation, including the integration of mechanized farming techniques and efficient digital monitoring of machinery and equipment.

3.1.4. Procurement and Inventory

The Procurement Division facilitates the procurement of inventory and its subsequent distribution to Regional Offices for trading purposes.

During the year 2023, FMCL procured 16.558 M of inventory stock and received stock worth of Nu. 50.425 M from the Central Machinery Unit of heavy machinery inventory (Table 2). The company generated a revenue of Nu.35.504 M from selling different machines and spare parts (Table 3).

Table 2. Good Receipt Data for the year 2023

Particular	CMU Migration (in MM)	FMCL Purchase (in MM)
Accessories	-	0.421
Machinery spare parts	32.231	13.720
Others parts	0.063	-
Spare Parts	17.869	2.359
Tools	-	0.057
Vehicle parts	0.263	-
Total in Nu.	**50.425**	**16.558**

Table 3. Sales Details of 2023

Particulars	Amount (in M)
Accessories	0.683
Implements	0.276
Machinery	20.818
Others	0.057
Spare Parts	11.808
Tools	1.790
Vehicle Parts	0.072
Grand Total	**35.504**

3.2. Production & Marketing Department (PMD)

The Production and Marketing Department (PMD) oversees various critical aspects which include commercial and contract farms, manufacturing, bio inputs, and marketing. Its primary responsibility is to efficiently manage and direct production processes while formulating effective marketing strategies to maximize sales of products and services. By coordinating production activities and aligning them with market demands, PMD plays a pivotal role in ensuring the success and profitability of the organization...

3.2.1. Commercial and Contract Farm

The Commercial and Contract Farm (CCF) mandate has made considerable strides in operational performance over the past years, backed by our unwavering dedication to agriculture and our targeted efforts to contribute to the food basket for the country. We have eleven farms, covering a total area of 1170 acres, with 287.87 acres under cultivation (Table 4).

Table 4. Commercial Farm Details

Sl. No.	Farms	Altitude	Total area (Ac)	Cultivated area (Ac)
1	Wangrey	1700-1900	48.00	2.50
2	Phebthang	2100-2300	54.00	10.70
3	Gangtokha	700-800	18.95	12.30
4	Lomtsheykha	1300-1500	40.00	0.00
5	Kana	900-1010	118.00	25.00
6	Phuntshothang	350-400	622.00	110.32
7	Membrang	600-800	17.00	0.00
8	Nitchula	200-600	200.00	100.00
9	Nysephu	2500-2600	4.05	4.05
10	Tendrelthang	2400	25.00	10.00
11	Dechenphug	2600-2700	23.00	13.00
Total			**1170.00**	**287.87**

The production outcomes for 2023 were particularly commendable across various crops, underlining the effectiveness of our farming practices and the resilience of our operations. Notable achievements include a substantial 49 MT of paddy and 29 MT of tomatoes produced within our greenhouses, showcasing our ability for mass production (Table 5). Other crops such as sesame, chili, potato, cole crops (in the greenhouse), and citrus also saw healthy yields, contributing to our portfolio's diversity and resilience against market fluctuations.

Table 5. Crop production from commercial farms

Sl. No	Farm produce	Area	Revenue	Quantity
1	Rice	91	4,279,956.4	49,193.93
2	Sesame	19	270,900.0	1,700.00
3	Chili	5	25,580.0	425.00
4	Tomato (in Green House)	58	878,253.0	31,870.00
5	Potato	8	230,322.0	18,864.00
6	Cole crops (in Green House)	3	24,620.0	1,207.00
7	Citrus		69,910.0	2,260.00

Financial Performance

The period from 2020 to 2023 has been marked by a series of financial challenges for our commercial and contract farming operations. Despite efforts to stabilize and improve financial health, our journey encountered significant hurdles. The gross margin saw an initial steady state with slight growth from 2020 to 2021, before experiencing a substantial loss in 2022, indicating operational costs significantly outweighing revenue. A modest recovery was noted in 2023.

3.2.2. FMCL Bio-Inputs Plant

FMCL Bio Corporation Limited was started as a subsidiary company under FMCL) to manufacture bio-fertilizers, organic fertilizers, and feed supplements. It is a joint venture between FMCL & B&B Korea Co. Ltd, a business idea committed to fulfilling the nation's aspiration of becoming 100% organic in agriculture to ensure safety & nutrition security. Officially inaugurated on 4th April 2022 by Honorable Member of Parliament of Athang-Tshethso, Wangduephodrang. On June 2023 the construction of the BIO factory, land development & other office structures were completed with a total investment of Nu. 53.96 million.



The first production of Bio-fertilizer was started in March 2023 with three productions that are 1000 liters of liquid growth fertilizer, 800 liters of feed supplement & 500 liters of bio-pesticides. For the second production, only liquid growth fertilizer had been manufactured worth 500 Liters. From the total production, 1251 liters of liquid growth fertilizer, 113 liters of feed supplement &

30.5 liters of bio-pesticides had been issued to farmers, agents, departments & within FMCL farms for efficacy trial and are currently being assessed.

With the withdrawal of the main investor from M/s B&B Korea, the 7th Board Meeting of FMCL Bio Corporation Limited held on 13th September 2023 and the subsequent 49th Board Meeting of FMCL held on 13th December 2023 has decided to merge FMCL Bio Corporation Limited with FMCL and function as one of the Divisions. The FMCL management has put up a letter to the Ministry of Industry, Commerce & Trade for the dissolution of FMCL Bio Corporation Limited on 22nd December 2023.

3.2.3. Manufacturing

Our manufacturing section specializes in fabricating machines, spare parts, repairing machines, and producing mega greenhouses. We operate across five different locations in Bhutan: Bumthang, Bajo, Samtenling, Khangma, and Paro, with our largest facilities located in Paro. We take pride in being the sole manufacturer of mega greenhouses in Bhutan. The section was created to fulfill the local demand for spare parts, reduce dependency on imports, and scale our manufacturing operations to a commercial level.

The products manufactured by our dedicated teams are transferred to our stores for sale or directly to customers depending on the products. The prices of the products are set according to pricing guidelines. This distribution model has allowed us to maintain a strong connection with our customer base, ensuring that their needs and feedback directly influence our manufacturing processes and innovation.

Financial Performance Overview

The financial performance of the manufacturing section showed fluctuations over 2020-2023. In 2020-2021, negative gross margins and net losses indicated operational costs surpassing revenue. A significant turnaround occurred in 2022, marked by a positive gross margin of Nu.14.59 M and net income reaching Nu.10.00 M, reflecting successful cost management and revenue generation. However, in 2023, both gross margin and net income decreased slightly, potentially indicating challenges. These figures underscore the dynamic nature of the manufacturing sector's financial landscape, influenced by strategic decisions, market conditions, and operational efficiencies, shaping its profitability over the evaluated period.

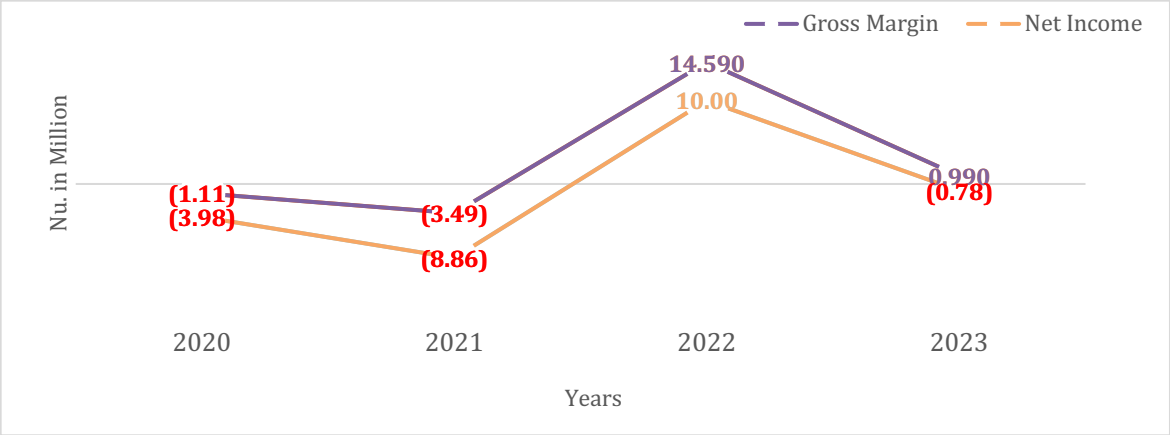


Figure 2. Shows the overall financial performance of the manufacturing section in the past four years

In 2023, the business faced a challenging financial situation, with revenue of Nu.3.33M against operational costs amounting to 70.31% of this revenue, resulting in a gross margin of Nu.0.989M. Despite achieving a positive gross margin, the total overhead costs consumed over half of the revenue (53.01%), ultimately leading to a net loss of Nu.0.776M for the year.

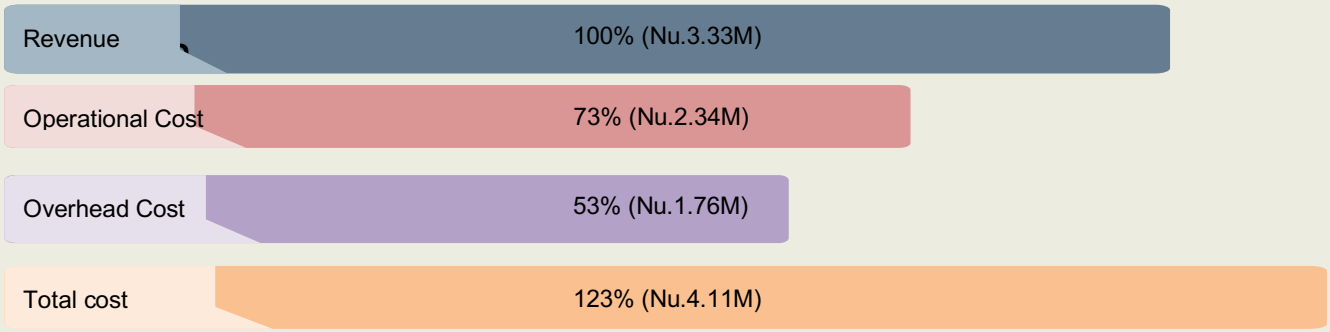


Figure 3. Financial Performance in figures.

3.2.4. Marketing

The Marketing Section of FMCL is at the forefront of promoting our diverse portfolio of products and services. Our strategic focus has been to transition towards a market-led production approach, emphasizing the alignment of our farm products, sales items, and manufactured products with market demands and customer preferences. This approach ensures that our production is driven by market needs, enhancing efficiency and profitability.

Expansive Network Coverage: A cornerstone of our marketing strategy is our extensive network coverage. FMCL has 5 regional offices strategically located in Wangduephodrang, Bumthang,

Trashigang, Sarpang, and Paro. This wide-reaching network is strengthened by 11 commercial farms and 9 Service Centers spread across different Dzongkhags (Figure 5).



Figure 4. Network Coverage Map

3.2.4.1. Key Partnerships in 2023

A significant milestone achieved in 2023 was the signing of Memorandums of Understanding (MoUs) with two major partners:

Gensum Pasta Production Private Limited: We have agreed to the supply of durum wheat, catering to the specific needs of pasta production. This partnership underscores our commitment to market-led production, ensuring that our agricultural practices meet the precise requirements of the pasta industry.





Food Corporation of Bhutan Limited: Our collaboration with FCBL for the supply of Khamti rice is another example of our market-oriented approach. This agreement allows us to target specific rice varieties that are in demand, ensuring that our production efforts are both efficient and aligned with market needs.

The year 2023 has been a pivotal one for the Marketing Section of FMCL, marked by strategic partnerships and a steadfast commitment to our marketing-led production philosophy. As we look to the future, we are excited about the possibilities that lie ahead. Our focus will remain on strengthening our market position, enhancing our product and service offerings, and ultimately contributing to the overall success and growth of FMCL.

3.3. Farm Mechanization Service Department (FMSD)

The Farm Mechanization Service Department (FMSD) is responsible for providing hiring services for farm machinery, equipment, and earth-moving machinery to the farmers/clients and overseeing the training programs on farm machinery and other agriculture-related training (Figure 6). It plays a crucial role in promoting mechanized farming practices, improving agricultural productivity, and ensuring the efficient utilization of farm machinery, equipment, and earth-moving machinery.

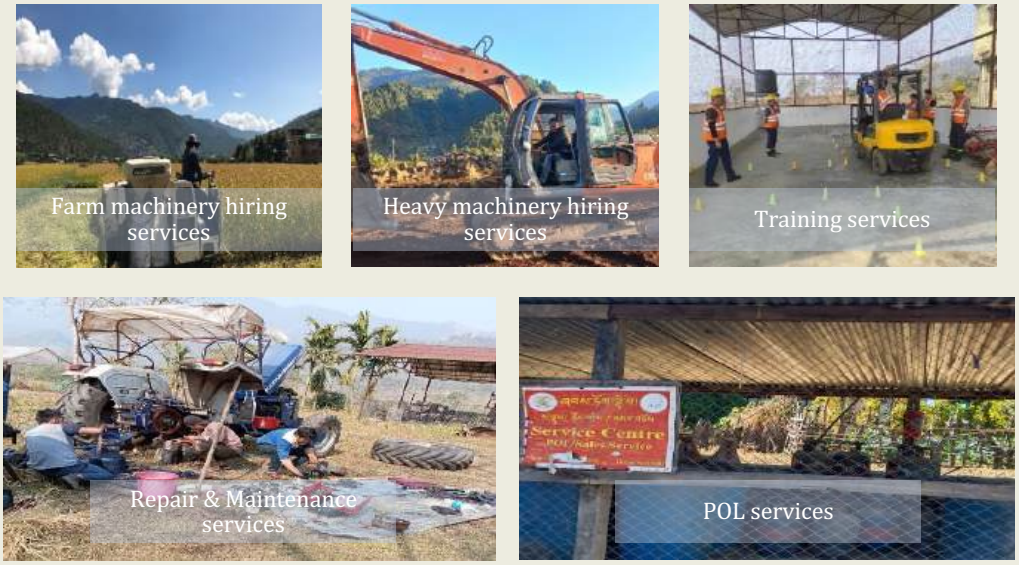


Figure 5. Mandates of FMSD

3.3.1. Machinery Hiring Services

FMCL provides hiring services for heavy machinery and farm machinery (Power tillers, mini tillers, tractors, paddy transplanters, combine harvesters, reapers, and water pumps) in the pursuit of farm mechanization. After the withdrawal of the farm machinery hiring subsidy by the government with effect from July 2022, FMCL is providing hiring services at full commercial hiring rates. The services are provided from the regional offices, Service Centres, and Gewogs. Further, guidelines on hiring services were developed to provide efficient and effective hiring services to the farming communities.

3.3.1.1. Heavy Machinery Hiring Service

Heavy machinery includes excavators, wheel loaders, backhoes, mini excavators, and others such as air compressors, rock breakers, and heavy vehicles. During the year 2023, a total of 254.64 acres of agricultural land was developed by hiring heavy machines and a total of 2,173.48 days of heavy machinery and others were deployed Figure 7). Out of 254.64 acres, Bumthang Region covered

the highest acreage followed by Samtenling Region while Paro Region covered the least as under Paro Region there were only two machines.

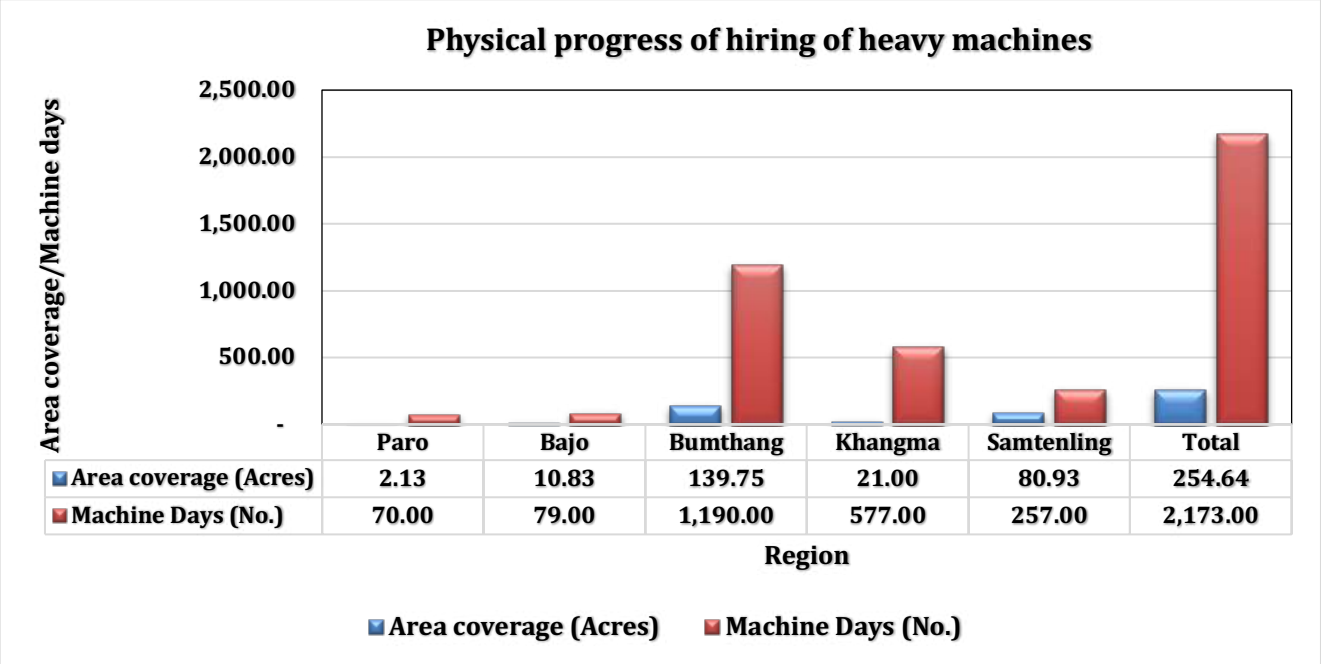


Figure 6. Physical progress from the hiring of heavy machines

3.3.1.2. Farm Machinery Hiring Service

FMCL provides hiring services for farm machinery like power tillers, mini tillers, tractors, combine harvesters, transplanters, threshers, reapers, water pumps, etc. In 2023, 6,113 households benefited from the hiring of farm machinery hiring services, with a total area coverage of 7,393.01 acres (Figure 8). The government provided subsidy support for farm machinery hiring services from the establishment of FMCL in 2016 till June 2022. However, the Government has withdrawn the total subsidy for the hiring services with effect from July 2022. With the withdrawal of the hiring subsidy, FMCL levying full commercial hiring rates to the farmers which are higher than the subsidized rate. This has resulted in a decrease in demand for farm machinery hiring services and recorded a sharp drop in revenue.

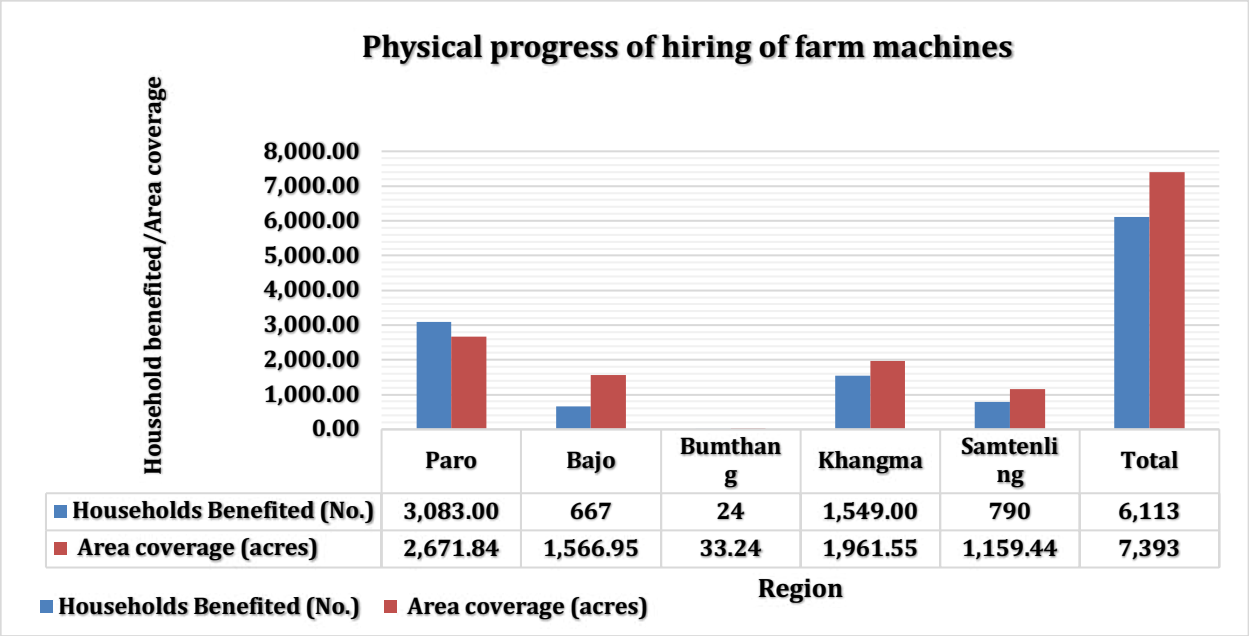


Figure 7. Physical progress from the hiring of farm machines

3.3.2. POL Services

The POL service includes sales of HSD (Diesel), MS (Petrol), LPG (Subsidized LPG), and other lubricants (engine oil, gear oil, 2T, etc.). During the year 2023, there were 15 Service Centers across the country and by the end of the year, only six centers (Yoeseltse, Naja, Ngatsang, Saling, Tangmochu, and Kherigenpa) were continuing with the services. The other nine centers were closed due to non-generation of revenue. A total of 10,629.50 liters of diesel, 7,698 liters of petrol, 493 numbers filled cylinders, 6 liters of engine oil, and 190 packets of 2T were sold during the year 2023 (Table 10).

Table 6. Physical progress from PoL services

Centers	HSD-Diesel (ltr.)	MS-Petrol (ltr)	LPG-Cylinders (No.)	E. Oil (ltr)	2T (Pkt)	Remarks
Yoeseltse FMSC	1,305.00	635.00	97.00		100.00	Continue
Naja FMSC						Continue
Kana FMSC	279.00	55.00	7.00			PoL Closed
Tangsibjee FMSC	600.00	936.00	48.00			Closed
Ngatsang FMSC	1,289.00	1,026.00	71.00		25.00	Continue
Saling FMSC	915.00	379.00	53.00			Continue

Tangmochu FMSC	574.00	409.00	40.00		28.00	Continue
Kherigenpa FMSC	3,240.00	2,413.00	86.00		37.00	Continue
Buli FMSC	1,647.50	1,370.00	70.00			PoL Closed
Chuzeygang FMSC	341.00		2.00			PoL Closed
Dremetse FMSC	5.00					Closed
Kangpara FMSC			5.00			Closed
Thrimshing FMSC	434.00	475.00	14.00	6.00		Closed
Udzorong FMSC						Closed
Trashiyangtse FMSC						Closed
Total	**10,629.50**	**7,698.00**	**493.00**	**6.00**	**190.00**	

3.3.3. Farm Machinery Training Services

The Training Division plays a critical role in the company by developing and implementing comprehensive farm machinery training programs to enhance the knowledge and skills as per the requirement. The division is responsible for ensuring the effective design, delivery, and evaluation of training initiatives that align with the company's strategic objectives.

Underlining the necessity of equipping end users with the necessary skills and knowledge to optimize farming operations, FMCL is providing comprehensive and industry-relevant farm machinery and allied agricultural certificate training programs that enable individuals to excel in their roles within the agriculture sector. It includes a direct test of power tiller and tractor, care & maintenance of farm machinery, installation & testing of post-harvest machines, and forklift operation.

From the training services of various farm machines, a total of 93 people benefited through 205 days of training program (Table 7). Samtenling Region rendered the highest training services to the clients in the year. Maximum participants attended a direct test for power tillers (37) followed by a tractor direct test and operation of forklift with 28 people each in the year 2023.

Table 7. Physical progress for training services activity-wise

Activity	No. of Trainees	No. of Days
Direct Test - Power Tiller	37	37
Direct Test – Tractor	28	28
Care & Maintenance - Power Tiller	-	-
Forklift Operation	28	140
Brush Cutter	-	-
Greenhouse Installation	-	-
Total	**93**	**205**

3.3.4. Hiring of Farm Machines Physical Trend from the year 2017 to 2023

There was a decline in the overall acres from the mechanization services compared to the past seven years which is attributed to the withdrawal of farm machinery hiring subsidy (Figure 9).

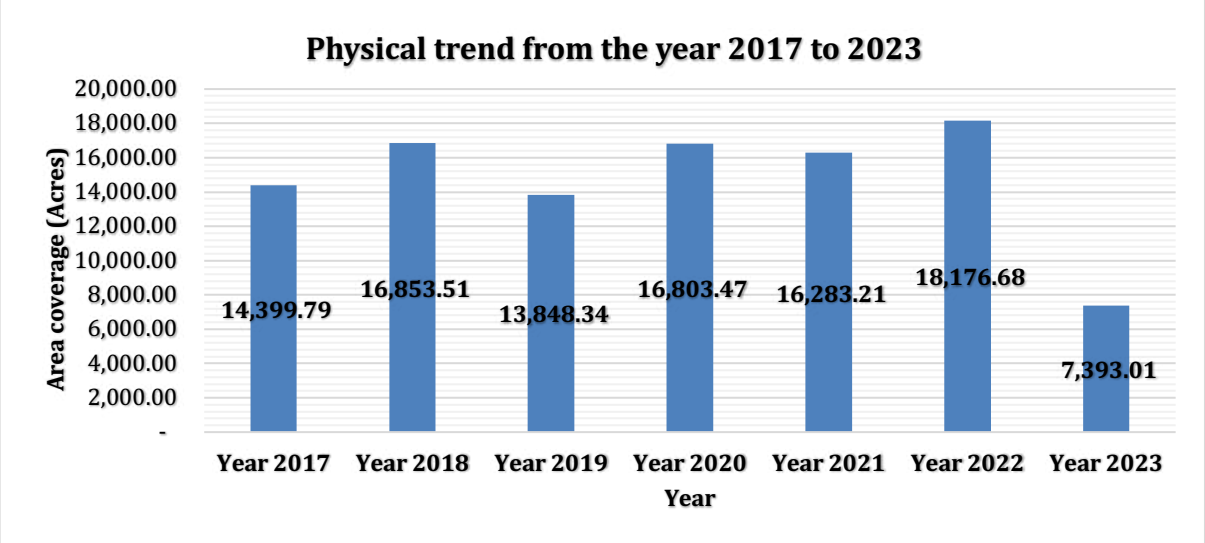


Figure 8. Physical trend from 2017 to 2023

Published by:

Farm Machinery Corporation Limited

Chundudingkha, Paro

Tel # 08-272125

Website: wwwfmcl.bt