

BHUTAN STATE ENTERPRISES REPORT

Annual Performance Review for Calendar Year 2020



Investment and Corporate Governance Division (ICGD)
Ministry of Finance

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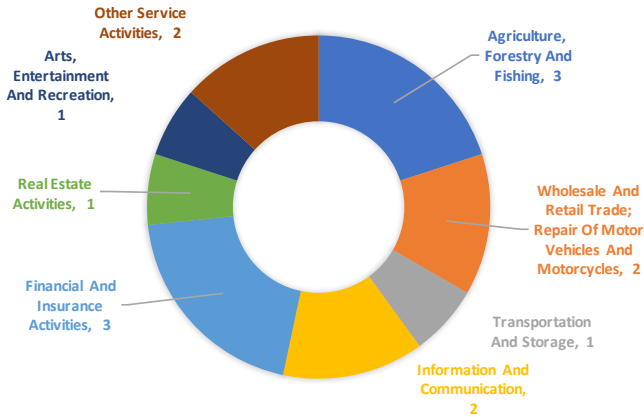
Glossary

SE	State Enterprise
ABHL	Azista Bhutan Healthcare Limited
APC	Annual Performance Compacts
BBSCL	Bhutan Broadcasting Service Corporation Limited
BDBL	Bhutan Development Bank Limited
BDFL	Bhutan Duty Free Limited
BLDCL	Bhutan Livestock Development Corporation Limited
BLL	Bhutan Lottery Limited
BPCL	Bhutan Postal Corporation Limited
CG	Corporate Governance
CIT	Corporate Income Tax
CSI	Cottage and Small Industries
DHI	Druk Holdings and Investments
DMEA	Department of Macroeconomic Affairs
FCBL	Food Corporation of Bhutan Limited
FMCL	Farm Machinery Corporation Limited
GBCL	Green Bhutan Corporation Limited
ICGD	Investment and Corporate Governance Division
LDC	Least Developed Countries
MoF	Ministry of Finance
MSPCL	Menjong Sorig Pharmaceutical Corporation Limited
NCSIDBL	National CSI Development Bank Limited
NFSR	National Food Security Reserve
NHDCL	National Housing Development Corporation Limited
NPPF	National Pension and Provident Fund
PBVI	Performance Based Variable Incentives
QPO	Queen's Project Office
RBHSL	Royal Bhutan Helicopter Services Limited
RGoB	Royal Government of Bhutan
RSEB	Royal Securities Exchange of Bhutan

A. Portfolio Overview/ Dashboard

Number of State Enterprises

Count



Incorporation Type

Number of Public Limited Companies

Number of Autonomous Bodies

14

1

Number of Listed SEs

Number of Listed companies

1

State Enterprises by Age

Formed in past 10 years

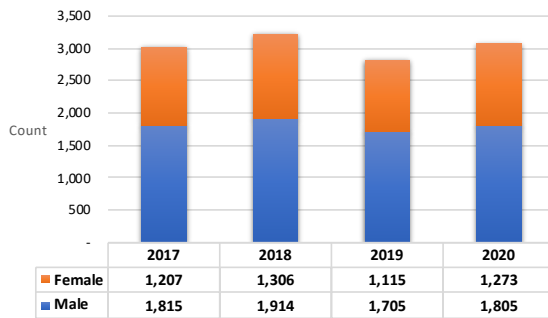
Older than 10 years

7

8

Number of Employees

Total Headcount of reporting SEs



Total Employees

No.

3,078

Gender Balance

Share of women / men (%)

41% / 59%

Board Members

Total Number of BOD (count)

83

Gender Balance

Share of women / men (%)

11% / 89%

Board Chairs

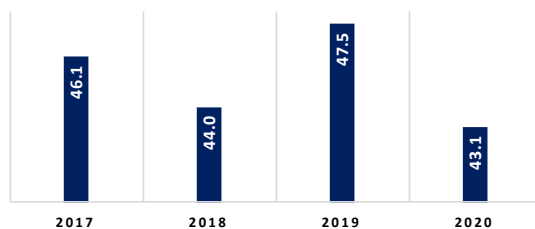
Share of women / men (%)

7% / 93%

Revenues

Year 2020

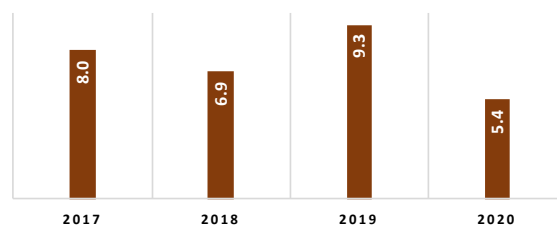
Nu. 43,119 m



Profitability

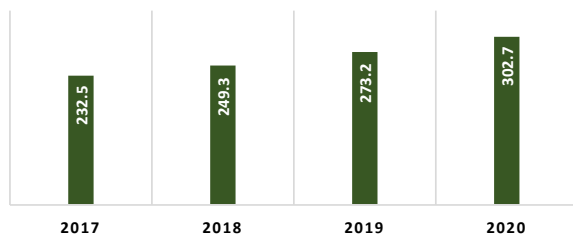
Year 2020

Nu. 5,371 m



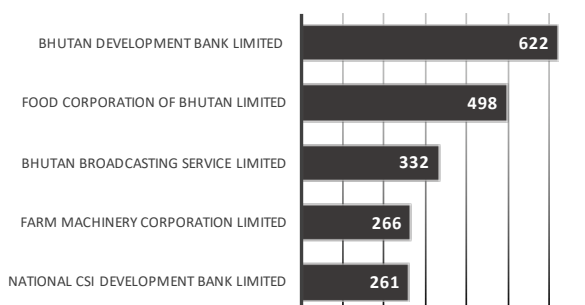
Assets
Year 2020

Nu. **302,700** m



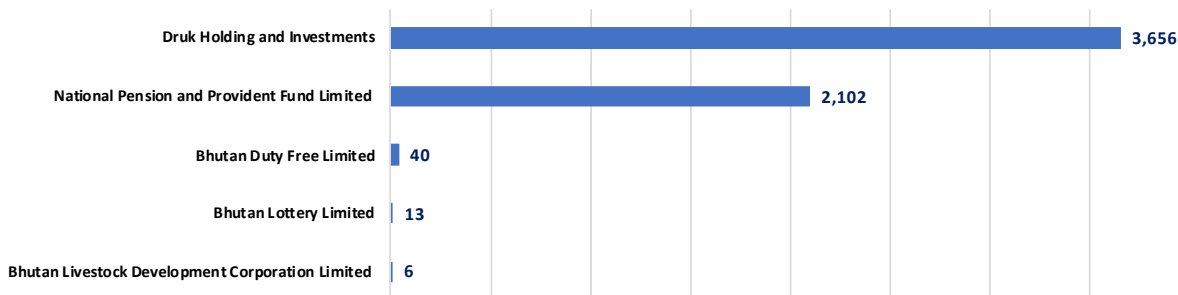
Top Employers

Top 5 SEs with highest number of employees



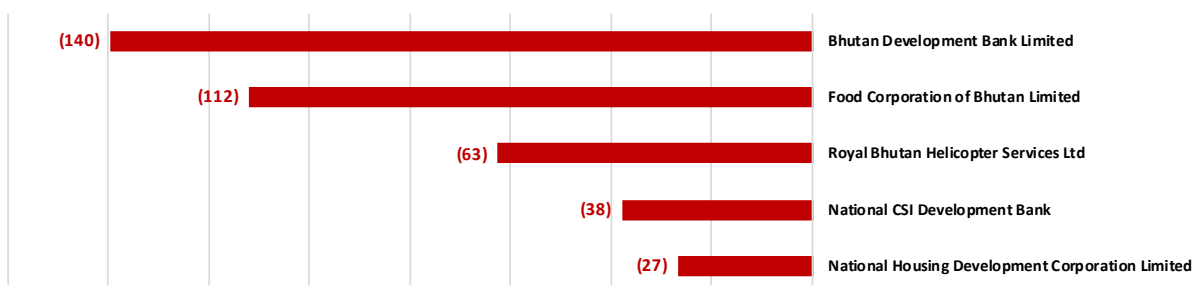
Top 5 Profit Making Companies

(in Nu. Millions)



Top 5 Loss Making Companies

(in Nu. Millions)



Dividends Paid
Year 2020

Nu. **3,369** m

Subsidies
Year 2020

Nu. **330.5** m

Equity Injection
Year 2020

Nu. **48.0** m

Outstanding Guarantees
Year 2020

Nu. **1,326** m

B. Foreword

The Ministry of Finance on behalf of the Royal Government of Bhutan (RGoB) exercises the ownership of State Enterprises (SEs) in the interest of the general public. As enshrined in the Public Finance Act, the Ministry of Finance is mandated to manage investments in the SEs to ensure long term value generation.

SEs constitute a vital component of our economy and play a strategic role in providing infrastructures and public services. SEs have a prominent presence in the key sectors of the economy, ranging from banking, energy/power generation, real estate, postal service, transport, manufacturing, telecommunication, lottery, and aviation. Besides revenue generation, SEs are actively engaged in the service delivery in the areas of rural banking, electrification, farm shops, access to rural finance and domestic air transport. It is crucial that the government effectively monitors the performance of the SE portfolio in a transparent manner.

This year's SE's Annual Performance report has been prepared following international best practices. It captures the SE landscape in Bhutan, impact of COVID-19, insights into the role of government as a shareholder, all this without compromising on disclosure of financial information. The report from data collection, compilation, and financial analysis was undertaken by the Investment and Corporate Governance Division (ICGD) of the Ministry of Finance with technical support from the World Bank. The report is intended to provide insights into the SEs operating in Bhutan, increase transparency and accountability.

As per the Public Finance Act, SEs have an important role to play in narrowing the economic gap. SEs should capitalize on the areas of economic opportunities where the private sector cannot reach. SEs need to evolve befitting the changing situation; embracing change and thinking out of box seem to be the only strategy for the SE's survival.

Strategies like introducing good corporate governance systems, and annual performance compacts are key to improving the functions of these companies, so they become self-sufficient in carrying out their social mandates. The pressure on generating revenue is increasing and with the country poised to graduate from the group of Least Developed Countries (LDC), the SEs have an important role to play.

I am immensely proud of our SEs for contributing to nation building and I am fully confident that they will continue to contribute for many years to come.



(Lekzang Dorji)

DIRECTOR GENERAL

Department of Macroeconomic Affairs, Ministry of Finance

C. Executive Summary

The Royal Government of Bhutan (RGoB)'s portfolio of State Enterprises (SE) consists of 38 companies. SEs function across multiple sectors, including energy, transport, infrastructure, communication, banking, and healthcare. SEs are grouped into two broad categories, commercially oriented SEs and socially oriented SEs with nonfinancial objectives. In view of the change of ownership policy of the government in 2007, commercially oriented SEs were transferred to Druk Holdings and Investments (DHI), a holding company formed under the Ministry of Finance (MoF). These commercially oriented SEs are owned indirectly by the MoF through DHI. The remaining SEs with mostly social mandates are owned directly by the MoF. Each SE falls under a portfolio ministry, which is responsible for technical support and monitoring of service delivery. As of 2020, 15 SEs are under the MoF (including DHI), 2 under the Queen's Project Office, and 21 under DHI.

This report has been prepared by the Investment and Corporate Governance Division (ICGD) under the Department of Macroeconomic Affairs (DMEA) of the MoF. The ICGD is responsible for reviewing and reporting on the entire SE portfolio, promote good corporate governance, and review the fiscal outflows toward the SEs. ICGD is responsible for the establishment and management of a sound governance framework for SEs and is engaged in assessing and reporting on the operational and financial performance of SEs.

This annual SE report covers the 15 SEs directly owned by the MoF (having more than 50 percent shares), including DHI. The 15 SEs under the MoF consist of 14 companies and 1 autonomous body. Kuensel Corporation Limited is the only SE owned by MoF currently listed on the Royal Securities Exchange of Bhutan (RSEB). SEs under the MoF are engaged in the implementation of government development policies and plans including financial inclusion, concessional finance to promote the agriculture and Cottage and Small Industry (CSI) sector, affordable housing, national food security reserves, universal postal services, transport and public broadcasting services, which are mostly social in nature.

The SE portfolio under the MoF has total assets of Nu. 303 billion in 2020, equivalent to 177 percent of GDP. The portfolio generated revenues amounting to Nu. 14 billion in 2020 (8 percent of GDP), a decline of 9 percent compared to 2019. The SEs employed 3,078 staff including officers and executives (excludes employment under DHI subsidiaries). The largest employer was Bhutan Development Bank Limited (BDBL), accounting for 20 percent of total employment.

In terms of profitability, the SEs have reported a net profit of Nu. 5.4 billion in 2020, a decline of 43 percent compared to 2019. While the overall profitability was positive, it was mainly driven by two companies, DHI and the National Pension and Provident Fund (NPPF). Out of the 15 SEs, 10 have reported a loss in 2020. This can be attributable to the impact of COVID-19 pandemic for some SEs. However, there are 5 SEs that have consistently reported losses from 2017 to 2020.

The fiscal outlay in 2020 to SEs under the MoF amounted to Nu. 1,502 million (0.9 percent of GDP). The SEs under the MoF rely heavily on the government for subsidies, grants, equity injection and loans for capital and recurring expenditure. This is partly a result of the SEs having social mandates. The SEs under MoF accounted for 16 percent of total SE subsidies, while the remaining subsidies are paid to SEs under DHI mainly for subsidizing electricity.

A significant step to improve governance and performance of SE's, the MoF signed the first round of Annual Performance Compacts (APC) with the SEs in 2020. The APCs link key performance indicators to financial and non-financial indicators (i.e. corporate governance incentives). As of February 2022, APCs have been signed with 14 SEs where the government has majority share. On average, the SEs achieved an overall score of 76 percent out of 100. Given that this an evolving exercise, the APCs will be improved going forward. In addition, the MoF introduced the Performance Based Variable Incentives (PBVI), a performance-based incentive system based on the achievement of targets.

This annual SE report is based on a comprehensive data collection and provides deeper insights into the government's portfolio of companies. After deliberating upon the key findings and insights from this exercise, the following suggestions have been identified for betterment of SEs and improving role of government as a shareholder:

- i. Explore needs to refine the ownership policy, as the government continues to provide significant fiscal outflow towards the SEs under DHI.
- ii. Expand and improve on the APCs signed with the SEs. There is a need to review the methodology as the SEs achieved an average score of 76 percent (out of 100), while 10 out of 15 SEs were making a loss in 2020. Further enhance transparency of the APC and PBVI mechanism, and explore the possibility of including targets for productivity gains at the SE level.
- iii. Strengthening the SE monitoring function of the MoF, both through increased staffing at the ICGD and by developing more advanced management information systems to support decision making of the MoF. The acute shortage of staff in carrying out the exercise is not sustainable.
- iv. Mapping of the public service obligations (PSO) undertaken by SEs based on standing instructions or periodic instructions, capturing PSOs and their costs will help government effectively contain the associated fiscal risk.

A key priority will be a comprehensive review of loss-making SEs under the MoF (excluding DHI and NPPF), considering the poor performance and fiscal risks stemming from these 13 SEs. While these SEs rely heavily on government operational support through grants, subsidies and guarantees, they do not manage to break even. Going forward, it will be important to assess the financial soundness of these loss-making SEs on a regular basis, to identify and mitigate fiscal risks. Among other, the analysis will assess drivers of profitability of these SEs. The scope of the SEs reporting will be expanded in 2021, to include SEs under DHI. This will improve transparency and will help the RGoB to make informed decisions as a responsible owner.

D. Significant Events in 2020

The COVID-19 pandemic has created an unprecedented impact on livelihoods and the economy, including on SEs. SEs in the agriculture and trade sectors were affected by supply chain disruptions and recurrent lockdowns. Mobility restrictions adversely impacted the Farm Machinery Corporation Ltd (FMCL)'s extension services to farmers, including hiring, maintenance and sales of machinery and parts as most markets and international border posts were closed. The Bhutan Livestock Development Corporation Ltd (BLDCL) had to dispose meat products during the lockdown due to lack of processing and cold storage facilities in the dzongkhags. Similarly, the Food Corporation of Bhutan Ltd (FCBL) lost 1,000 MT of perishable

agricultural produce due to transport disruptions. The National Housing Development Corporation Ltd (NHDCL), an SEs in the construction sector, was heavily affected by (foreign) labor shortages and high prices of raw materials. As a result, several construction projects have been delayed. Several SEs were affected by the border closure and travel restrictions to inbound tourists. Bhutan Duty Free Ltd (BDFL) closed duty-free shops at the Paro International Airport, which have been a major source of revenue for the SE, accounting for more than half of BDFL's total sales prior to the pandemic. Bhutan Postal Corporation Ltd (BPCL)'s international courier services were affected by disruptions in air travel and the lack of tourists, while domestic bus services were affected by the two nationwide lockdowns. The latter also heavily impacted sales of Bhutan Lottery Ltd (BLL).

During the outbreak of COVID-19, the government has involved SEs by leveraging their capacities and delivery platform. The services provided by the SEs formed an integral part of the Government's response to the pandemic. During the national lockdowns, the SEs assisted the Government in the delivery of essential commodities to the public, ensuring food security. FCBL managed the National Food Security Reserve (NFSR), and the implementation of the NFSR emergency action plan to stockpile essential non-perishable commodities. Together with private wholesalers and the BLDCL, it delivered essential commodities and livestock products to households and 362 schools (under the school feeding program) during the lockdowns. SEs also played an important role in facilitating logistics and transportation. To assure market access for agricultural produce, the FCBL operated facilitation centers at various strategic locations across the country. The Royal Bhutan Helicopter Services Ltd (RBHSL) supported the collection and distribution of COVID-19 samples and the rollout of the vaccination program in remote areas. Kuensel and Bhutan Broadcasting Service Corporation Ltd (BBSCL) disseminated COVID-19 information nationwide and aired online education programs when schools were closed during the pandemic. Finally, BDBL and the National CSI Development Bank Ltd (NCSIDBL) supported the implementation of monetary measures, including the interest waiver (of which 50 percent was borne by the banks), and loan repayment deferment. NCSIDBL further supported access to financing to the CSI sector and small retail businesses through the extension of soft short-term loans, including for a winter vegetable program to enhance the domestic production of vegetables.

The MoF introduced APCs and PBVI in 2020. The MoF signed APCs with 14 SEs in 2020 (see section F. Government's Strategy and Targets for more information). The performance-based culture was initiated to enable and encourage SEs to resort to innovative ways in providing services and come up with innovative products, with the objective of achieving the set targets, improving the performance of the SE and promoting a good corporate governance culture. In addition, the corporate allowances of SEs were replaced with PBVIs, ranging from 15-50 percent of the revised basic salary to enhance performance of SEs. The government approved a 15 percent PBVI for the income year 2020, considering the adverse impact of the pandemic on SEs and APC targets in 2020.¹

The ownership of Menjong Sorig Pharmaceutical Corporation Ltd. (MSPCL) was transferred from MoF to DHI in January 2021. This was considering the opportunities for synergies in research and development activities in the allopathic pharmaceutical business area with 'Azista Bhutan Healthcare Ltd (ABHL)', a Joint Venture Company of DHI and Azista Industries Ltd, India.

¹ <https://www.mof.gov.bt/wp-content/uploads/2021/04/PBVINotification1904202101.pdf>

E. Year in Review

This section reports on the performance of the SE portfolio directly held by the MoF, covering 15 SEs (including DHI consolidated results). These SEs function across evenly distributed sectors, including agriculture, wholesale trade, transport, financial institutions, and other services (see Table 1). Individual SE level one-page reports are available at Annex 1, featuring their basic information, annual highlights, financial statements, and other indicators. The assumptions, methodology and limitations for the report have been listed in Annex 2.

Table 1. SE portfolio under the MoF

	SE Name	Shareholding (percent)
I	Manufacturing	
1	National Housing Development Corporation Ltd. (NHDCL)	100
2	Kuensel Corporation Ltd.	51
3	Bhutan Livestock Development Corporation Ltd. (BLDCL)	100
II	Trading	
4	Food Corporation of Bhutan Ltd. (FCBL)	100
5	Bhutan Lottery Ltd. (BLL)	100
6	Bhutan Duty Free Ltd. (BDFL)	100
III	Services	
7	Bhutan Postal Corporation Ltd. (BPCL)	100
8	Bhutan Broadcasting Service Corporation Ltd. (BBSCL)	100
9	Royal Bhutan Helicopter Services Ltd. (RBHSL)	100
10	Farm Machinery Corporation Ltd. (FMCL)	100
11	Green Bhutan Corporation Ltd. (GBCL)	100
IV	Financial Institutions	
12	Bhutan Development Bank Ltd. (BDBL)	96.62
13	National CSI Development Bank Ltd. (NCSIDBL)	100
V	Autonomous bodies/holding company	
14	National Pension and Provident Fund (NPPF)	100
15	Druk Holding and Investments (DHI)	100

a. Performance Overview and Trend Analysis

The overall SE portfolio performance is driven by DHI and NPPF, the two largest SEs under the MoF. DHI and NPPF account for 87 percent to of assets, 86 percent of revenues, and drive 100 percent of the portfolio's profitability. These two SEs are distinct in nature of business: NPPF is the only autonomous body responsible for managing pension and provident fund schemes of civil servants, SEs and armed forces; and DHI was established as a holding company having multiple large subsidiaries. The financial statement of the entire SE portfolio under the MoF (including DHI and NPPF) is summarized in Table 2, while Table 3 shows the portfolio performance of SEs excluding DHI and NPPF.

Total revenues of SEs under the MoF declined in 2020, mainly due to COVID-19 disruptions affecting their operations. The 15 SEs under the MoF generated Nu. 43 billion in revenues (25 percent of GDP), with DHI accounting for 80 percent (Table 2). Total revenues have mostly stayed stagnant from 2017 to 2019, before declining by 9 percent in 2020. The drop in revenues in 2020 is mainly due to COVID-19-related challenges, including lockdowns and a change in demand patterns. FCBL is the only company whose revenues have grown by 113 percent since 2017 (to Nu. 2.25 billion in 2020).

In terms of value creation, the SE portfolio has earned a 5.1 percent Return on Equity (ROE) and 1.8 percent Return on Assets (ROA) in 2020, indicating that value creation is not a priority for the SEs. Further, the returns have been on a declining trend. If the government creates SEs and incurs major capital investments, there should be an obligation for SEs to generate a minimum acceptable return on those assets.

Figure 1. Average Return on Equity and Return on Assets (percent)

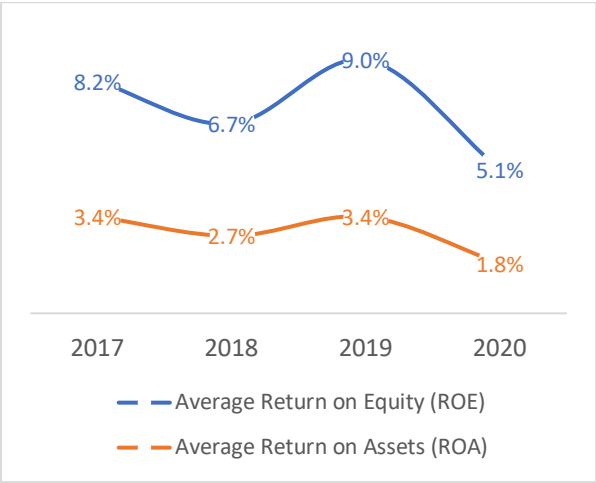


Figure 2. Revenue and Profitability trends (Nu. Billion)

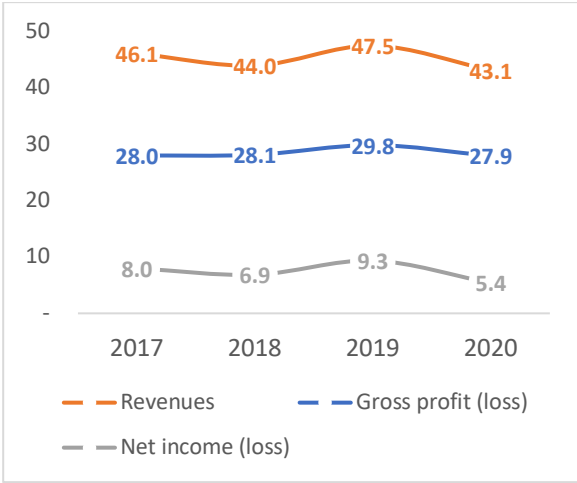
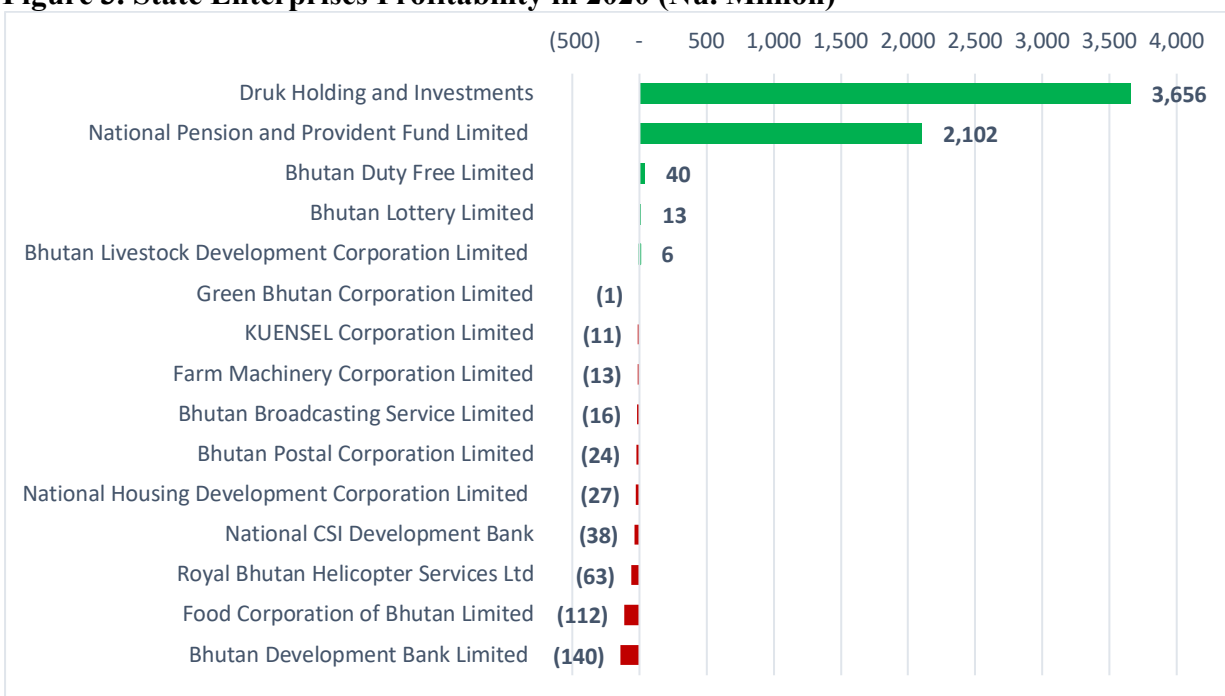


Figure 3. State Enterprises Profitability in 2020 (Nu. Million)



While overall profitability was positive in 2020, driven by DHI and NPPF, only one third of SEs under the MoF was profit-making. The SEs reported collectively Nu. 5.4 billion in profits in 2020, a decline of 43 percent vis-à-vis 2019. Profitability is primarily driven by DHI and NPPF, which contributed Nu. 3.7 billion and Nu. 2.1 billion in 2020, respectively. Out of the 15 SEs, only 5 SEs reported a profit in 2020 (see Figure 3). Even before the COVID-19 pandemic, 5 SEs have consistently reported losses in the past 4 years (from 2017 to 2020).

Assets of the SE portfolio amounted to Nu. 303 billion in 2020, which is equivalent to 177 percent of GDP. Three SEs account for the majority of total assets, including DHI (consolidated position, 74 percent), NPPF (14 percent), and BDBL (9 percent) (see Figure 4). Overall assets increased by 11 percent (y-o-y), driven by an increase in assets in DHI through major hike in ‘short term deposits’.

The size of the asset base has increased in 2020 (11 percent, y-o-y), while the revenue generation capacity declined (-9 percent, y-o-y). Additionally, the overall portfolio has a debt/equity ratio of 1.8, suggesting that SEs are heavily leveraged, dependent on borrowings to stay afloat.

Table 1Figure 4. SE Total Assets (Nu. Billion)

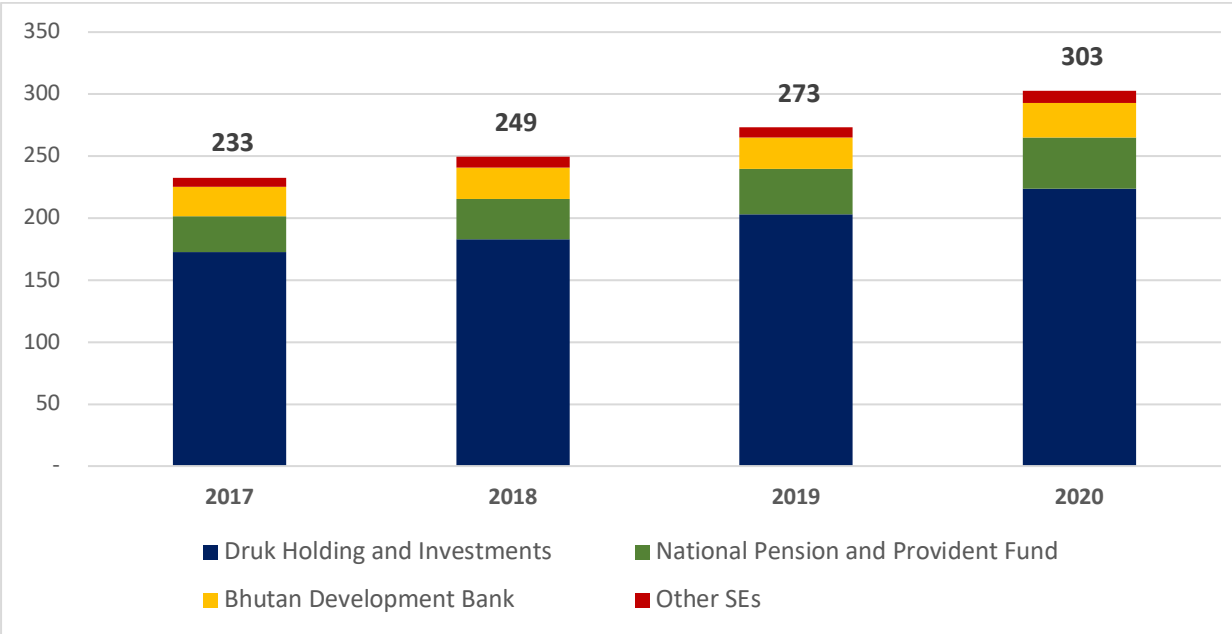


Table 2. Portfolio Financial Statements of SEs under the MoF (Nu. Million)

Income Statement	2017	2018	2019	2020	Change (percent, y-o-y)
Revenues	46,104	43,959	47,482	43,119	-9%
Cost of sales	(18,107)	(15,829)	(17,639)	(15,194)	-14%
Gross profit	27,997	28,130	29,843	27,925	-6%
Administrative expenses	(369)	(438)	(431)	(434)	1%
Other expenses	(7,669)	(7,637)	(7,052)	(9,049)	28%
Depreciation and amortization	(5,934)	(6,277)	(6,423)	(6,977)	9%
Operating profit	14,025	13,779	15,936	11,465	-28%
Interest expense	(6)	(7)	(9)	(468)	5100%
Interest income	38	49	46	54	17%
Profit (loss) from affiliated companies	(34)	(7)	(118)	(59)	-50%
Profit (loss) before income tax	14,023	13,814	15,856	10,992	-31%
Tax	(6,043)	(6,964)	(6,512)	(5,621)	-14%
Net profit / (loss)	7,979	6,851	9,343	5,371	-43%

Balance Sheet	2017	2018	2019	2020	Change (percent, y-o-y)
Non-current assets	163,565	173,951	198,825	206,713	4%
Current assets	68,979	75,344	74,362	95,987	29%
Total assets	232,544	249,296	273,187	302,700	11%
Equity	96,871	101,878	103,913	105,306	1%
Non-current liabilities	98,802	111,002	134,146	160,150	19%
Current liabilities	36,871	36,416	35,128	37,244	6%
Total liabilities	135,673	147,418	169,274	197,393	17%
Total equity + liabilities	232,544	249,296	273,187	302,700	11%

Table 3. Portfolio Financial Statements of SEs under the MoF, excluding DHI and NPPF (Nu. Million)

Income Statement	2017	2018	2019	2020	Change (percent y-o-y)
Revenues	4,440	4,956	5,366	5,981	11%
Cost of Sales	3,139	3,386	3,654	4,833	32%
Gross Profit	1,301	1,570	1,712	1,148	-33%
Administrative Expenses	(302)	(374)	(355)	(348)	-2%
Other Expenses	(1,333)	(567)	(895)	(553)	-38%
Depreciation and amortisation	(241)	(276)	(316)	(321)	1%
Operating Profit	(574)	353	146	(74)	-150%
Interest expense	(6)	(7)	(9)	(288)	3054%
Interest Income	38	49	46	54	16%
Profit (loss) from affiliated companies	(29)	(33)	(30)	(15)	-49%
Profit (loss) before income tax	(572)	362	153	(323)	-311%
Tax	(154)	(28)	41	(63)	-255%
Net Profit / (Loss)	(726)	334	194	(386)	-299%

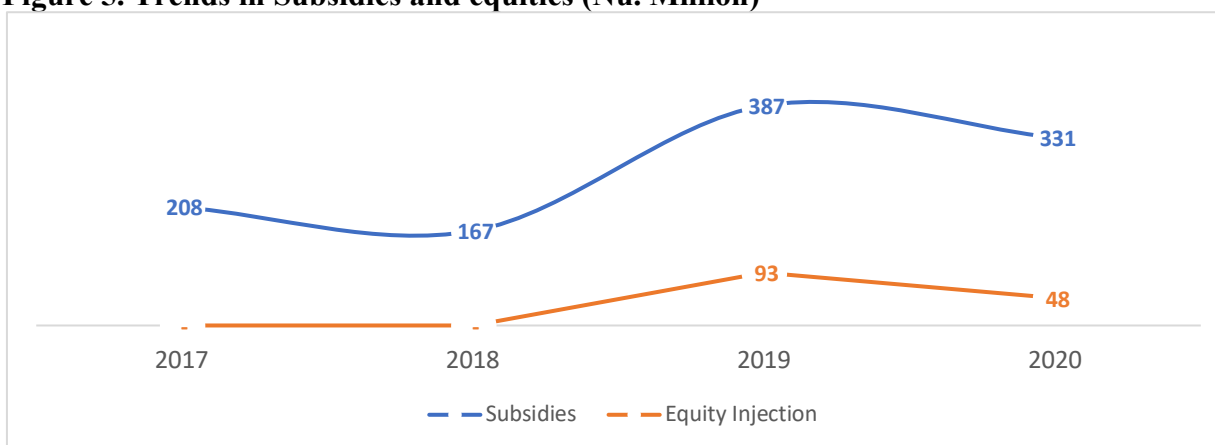
Balance Sheet	2017	2018	2019	2020	Change (percent y-o-y)
Non Current Assets	9,410	11,907	10,900	13,564	24%
Current Assets	21,701	21,713	22,798	24,363	7%
Total Assets	31,111	33,620	33,698	37,927	13%
Equity	7,154	8,380	7,849	9,413	20%
Non Current Liabilities	2,528	3,205	3,088	3,751	21%
Current Liabilities	21,430	22,035	22,762	24,763	9%
Total Liabilities	23,957	25,240	25,850	28,514	10%
Total Equity + Liabilities	31,111	33,620	33,698	37,927	13%

b. Fiscal Analysis

Total subsidies provided for SEs under the MoF declined in FY19/20 by 15 percent, to Nu. 331 million (0.2 percent of GDP). The central government provides recurring subsidies to SEs for operational support, purchase of equipment and repayment of interest and principal on loans. Subsidies for SEs under the MoF accounted for 16 percent of total subsidies; the remaining subsidies are paid to SEs under DHI, mainly for subsidizing electricity. Overall subsidies to SEs under MoF have increased by 59 percent from 2017 (Nu. 208 million) to 2020 (331 million) (Figure 5).

Equity injections and grants amounted to Nu. 1,171 million (0.7 percent of GDP) in 2020 (Table 4). The government also invests equity and provides grants to SEs for undertaking various government schemes, provide operational and capital expenditure support. These are one off in nature, as there is no recurring trend in recent years. Equity investments amounted to Nu. 48 million in 2020 (0.03 percent of GDP) and one large grant of Nu. 802 million was provided to FCBL for the National Food Security Reserve (NFSR) followed by BLDCL, which was given a grant of Nu. 321 million (0.7 percent of GDP), covering the Economic Contingency Plan (Nu. 199 million) and School and Hospital Feeding Program (Nu. 122 million).

Figure 5. Trends in Subsidies and equities (Nu. Million)



The total direct fiscal outlay (payment of subsidies, grants, and equity) towards the 15 SEs under the MoF amounted to Nu. 1,502 million, equivalent to 0.9 percent of GDP and 2.3 percent of total expenditure in FY19/20. The SEs under the MoF mostly rely on these direct payments rather than borrowing, while SEs under DHI have a larger portion of government guaranteed borrowing. The subsidies in 2020 were provided to 7 companies under the MoF, of which 6 reported a loss. This suggests that there is an urgent need to address the underlying causes for the leakages and improve performance of these SEs, to effectively utilize the support given and avoid increasing the exposure moving forward.

The government also has an outstanding exposure (outstanding loans and guarantees) against these SEs to the tune of Nu. 1,326 million, equivalent to 0.8 percent of GDP in 2020. The current exposure is against 3 SEs for various government initiatives, including the National Credit Guarantee Scheme under the NCSIDBL, the affordable housing project of the NHDCL, and the youth loan program under the BDBL. The risk profile of such exposure needs to be evaluated

to determine if the projects are able to repay the borrowed amount without need of additional support.

The SEs contributed Nu. 9.0 billion (5 percent of GDP) to the central government in 2020 in the form of dividends, and Corporate Income Taxes (CIT). The SEs paid dividends in the amount of Nu. 3.4 billion in 2020, with the majority coming from the commercially oriented SEs under DHI. SEs further paid Nu. 5.6 billion (3 percent of GDP) in CIT in 2020, which is 51 percent of the profit before taxes (see Table 2). The CIT rate applicable to SEs is 30 percent. Other revenues include payment of sales tax, customs duty on various products and royalties paid by commercial SEs.

Table 4. Fiscal outlay and fiscal exposure components of SEs under the MoF, 2020

FY2019-20 (All figures in Nu. Million)	Fiscal Outlay (Annual outflow toward SEs)					Fiscal Exposure (Exposure against liabilities)	
	Subsidies	Grants	Equity	Loans	Guarantees	Outstanding Loans	Outstanding Guarantees
Bhutan Broadcasting Service Corporation Limited	161.3						
Bhutan Development Bank Limited							226.7
Bhutan Duty Free Limited							
Bhutan Livestock Development Corporation Limited		321					
Bhutan Lottery Limited							
Bhutan Postal Corporation Limited	27.5						
Druk Holdings and Investments Limited*							
Farm Machinery Corporation Limited	44.9		15.0				
Food Corporation of Bhutan Limited	7.3	802	33.0				
Green Bhutan Corporation Limited							
Kuensel Corporation Limited							
National CSI Development Bank Limited	5.4						314.7
National Housing Development Corporation Limited	66.2						784.7
National Pension and Provident Fund Limited							
Royal Bhutan Helicopter Services Limited							
Total	331	1,123	48.0	-	-	-	1,326.1
Total (% of GDP)			0.9%				0.8%
	*DHI Standalone does not receive government support, the majority of the government support goes toward its subsidiaries						

c. Analysis of Non-Financial Information

The 15 SEs under the MoF employed 3,078 staff in 2020, including officers and executives. Total employment in SEs has remained relatively stable, with a slight increase of 2 percent from 2017 to 2020 (Figure 6). The female workforce increased by a decent 5 percent in the same period. BDBL is the largest employer under these SEs, accounting for 20 percent of total employment. In 2020, the top 5 employers had 1,951 staff (69 percent of the total employment). The SEs with the largest number of employees also reported the highest losses in 2020 (Figure 7 and Figure 8). The top 5 employers collectively reported Nu. 319 million losses in 2020.

Figure 6. Employment trends (Number of employees)

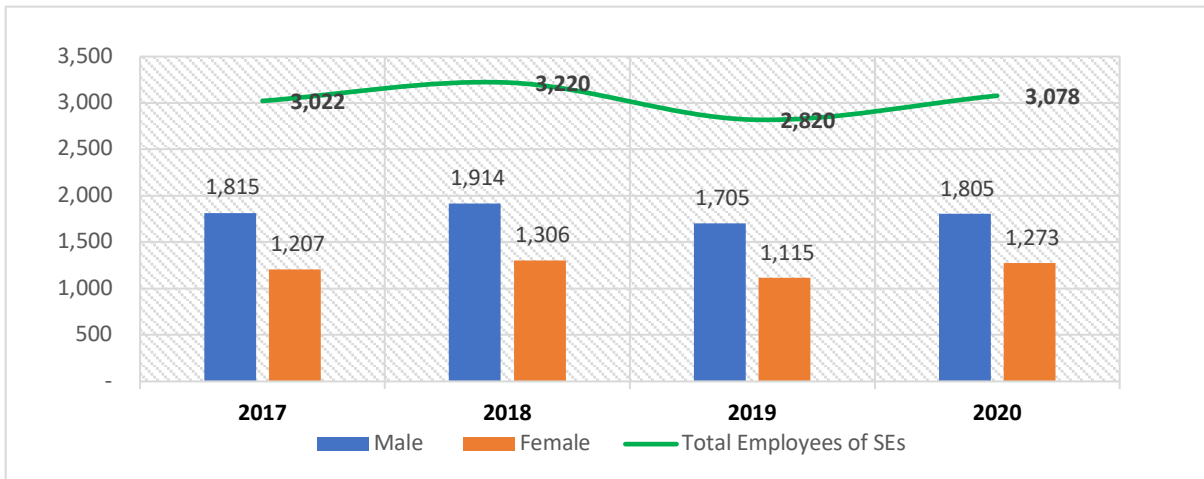


Figure 7. Profitability in Top 5 Employers (Nu. Million)

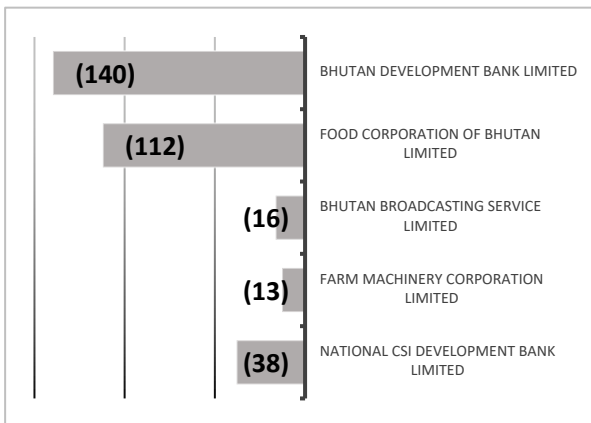
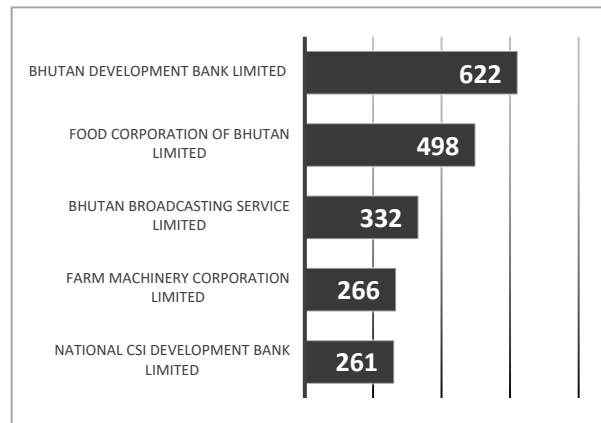


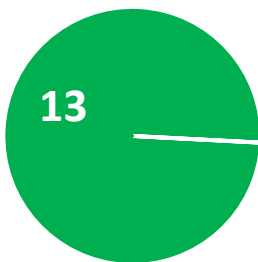
Figure 8. Top 5 Employers (Number of employees)



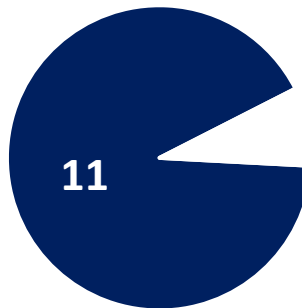
The SEs were also asked to provide qualitative information on some general governance aspects during the data collection exercise. It is important to note that not all SEs have answered all the questions. The following insights can be drawn:

- i. 85 percent of SEs claim that they publish their results publicly; while all the boards undertake an annual performance review of the company and all SEs that responded have been audited by an external auditor. This is a positive step towards accountability and transparency.
- ii. Only 10 SEs have a functional internal audit department.
- iii. Audit opinions for 5 SEs have been qualified.
- iv. All SEs with exception of Kuensel Corporation Limited have signed an APC with the MoF.
- v. 11 SEs function in regulated sectors and have an independent regulatory body over them.
- vi. 4 SEs have standing instructions from the government that incur cost, these can be in form of Public Service Obligations (PSOs).

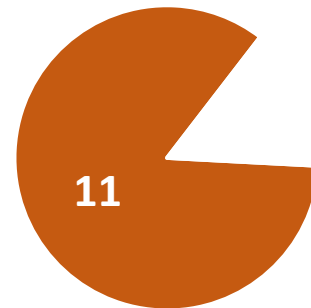
SEs Audited by independent External Auditor (No.)



SEs that have independent regulatory agency (No.)



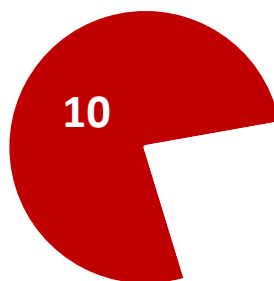
Number of SEs that publish results publicly (No.)



SEs with qualified audit reports (No.)



SEs with functional Internal audit department (No.)



SEs with standing instructions from the government (No.)



F. Government's Strategy and Targets

a. State's Ownership Policy

The ultimate purpose of the RGoB's ownership in the SEs is to maximize value for society through an efficient allocation of resources. SEs under the MoF operate under broad social mandates and primarily fulfill noncommercial social objectives through the delivery of public goods and services. Each SE falls under a portfolio ministry, which is responsible for policy making, technical support and monitoring of service delivery (see Annex 4). As such, SEs under the MoF engage in the implementation of Government development policies and plans including financial inclusion, concessional finance to promote the agriculture and CSI sector, affordable housing, national food security, universal postal services, transport, and public broadcasting services, which are social in nature. The commercially viable SEs are managed by DHI, the investment arm of the government. The Royal Charter of 2007 outlines DHI's ownership policy.²

The MoF issued Corporate Governance (CG) Guidelines in 2019, to promote good corporate governance and ensure uniform application of corporate governance standards across SEs. As mandated by the Public Finance Act 2007 (Amendments 2012), the MoF is responsible for the monitoring and reporting of SE performance, and ensures that SEs meet the purpose of their establishment. Promoting good corporate governance has become key for enhancing operational performance of the SEs and increasing shareholder value. The '2019 Corporate Governance Guidelines for State Enterprises' lay out the ownership structures, oversight functions of the Government, and roles and responsibilities of the Board.³ The guidelines apply for all SEs under the MoF and DHI. Previously, only SEs under DHI were subject to the Corporate Governance Code.

As part of the SEs' continuing effort to strengthen and promote good corporate governance and management, APCs were introduced in 2020. The APC links key performance indicators to financial and non-financial indicators (i.e., corporate governance). In addition, the MoF introduced the PBVI, a performance-based incentive system based on the achievement of targets. The PBVI will range from 15 percent of the basic pay per annum (satisfactory category) to 50 percent (excellent category). The APC and PBVI form a critical component of a good corporate governance system. The first APC was signed between the MoF and SEs under the MoF in April 2020. Until 2020, annual performance monitoring arrangements were signed between the SE Board and the management.

The 2007 Public Finance Act lays out the framework for the establishment, divestment and privatization of SEs. The government may establish an SE to undertake commercial activities under certain conditions: (i) if the activity is not catered for by the private sector; (ii) if the business should be undertaken for reasons of social policy or security; or (iii) if the activity could be categorized as a natural monopoly. SEs can be formed as a company under the Companies Act 2016 or through special enactment (e.g Executive Order). No new SEs have

² The objectives of state ownership are to accelerate socioeconomic development; achieve the goals of gross national happiness; safeguard and enhance national wealth; and build a strong economy, enhance international economic partnerships, and prevent corruption.

³ The guidelines were developed by the MoF, in close consultation with relevant agencies and was reviewed by a technical committee and external experts including the World Bank Group.

been created in 2020. The Public Finance Act also lays out the framework for divesting and privatizing SEs.

The remuneration of SE board directors and other senior officials is guided by the 2016 Companies Act, the 2019 CG Guidelines, and the MoF pay scale for SEs. The appointment of SE board directors is governed by the 2016 Companies Act and 2019 CG Guidelines. Board directors shall receive sitting fees and other entitlements for their participation in the Board and committee meetings and official duties in their capacity as a Board Director. The sitting fees of SE under the MoF are Nu. 5,000 per sitting. The MoF revised the last pay scale for SEs in December 2019, when the PBVI was introduced. The pay scale applied for all SEs, covering the pay for the CEO (NPPF and BDBL, other SEs) and regular employees (grade 1-19), provisions for PBVI (CEOs are also eligible), and allowances, including for house rent.⁴

The 2016 Companies Act and the 2007 Public Finance Act set reporting standards for SEs under the MoF. Internal reporting of SEs is in accordance with the provisions of the 2016 Companies Act. All SEs have to report to the MoF as per the Corporate Governance Guidelines 2019. External reporting is in accordance with the Public Finance Act, whereby all SEs are required to prepare an annual report including audited financial statements. In addition, the MoF has to report to the Parliament on the entire SE sector. The Royal Charter of 2007 set reporting standards for SEs under DHI. In 2020, there were several delays in the internal and external reporting of SEs, given that most SEs are relying on external auditors from India, which could not travel to Bhutan due to the pandemic.

b. Review of Annual Performance Compact (APC)

The APCs have been developed in a consultative process with portfolio ministries and the MoF. Table 5 shows the status of APCs with the different SEs under the MoF. All SEs that are directly controlled by the MoF have signed an APC as of May 2020. The APCs are discussed at the SE management and the Board level, closely aligned with the SE's strategic plan. Subsequently, the portfolio ministries and the MoF set the targets for each SE. The APC performance is being reviewed by the Board, and subsequently vetted by the MoF. Some SEs also requested their statutory auditors to review the performance, which the MoF considers best practice. Going forward, the MoF intends to publish compact and performance reviews of SEs to ensure transparency.

The average APC score of SEs under the MoF (excluding DHI) was 76 out of 100 in 2020, whereby SEs performed better in non-financial targets. The total APC score consists of financial and non-financial indicators. For SEs under the MoF, an equal weight is assigned to both categories, whereas DHI has a higher weight for non-financial indicators (70 percent). For SEs under DHI, a higher weight is assigned for financial indicators (minimum 60 percent), which are considered more important to DHI's overall objectives. The SE performance against the APC is shown in Table 5 below. Four SEs scored above 90, including the NPPF (98); DHI (97); BDBL (93); and GBCL (92). Two SEs have scored relatively low, the BPCL (47); and the BLL (53), mainly due to poor performance in financial targets, reflecting the impact of the COVID-19 pandemic.

APCs do not always seem to be directly linked with overall performance of SEs. For instance, BDBL scored 92 in the APC score overall, but it was the worst performing SE in terms

⁴ <https://www.mof.gov.bt/wp-content/uploads/2019/12/SoEPayRevision2019.pdf>

of profitability in 2020 (see Figure 3). Similarly, BLL was one of the few profit-making SEs 2020, but scored only 10 out of 50 in financial targets.

Table 5. APC status and performance in 2020

No.	SE Name	Major Shareholder	Annual Performance Compat	APC Signing Date	Revenue (Million BTN)		APC Score			PBVI %
		MOF/DHI	Yes/No	DD/MM/YY	Target	Achieved	Financial targets (out of 50)	Non-financial targets (out of 50)	Overall APC Score (out of 100)	
1	Bhutan Broadcasting Service Ltd	MoF	Yes	19 May 2020	47	49	48%	40%	88%	15%
2	Bhutan Development Bank Ltd	MoF	Yes	19 May 2020	2,058	2,342	49%	44%	93%	15%
3	Bhutan Duty Free Ltd	MoF	Yes	19 May 2020	77	135	46%	40%	86%	15%
4	Bhutan Livestock Development Corporation Ltd	MoF	Yes	19 May 2020	57	125	35%	34%	69%	15%
5	Bhutan Lottery Ltd	MoF	Yes	19 May 2020	220	140	10%	43%	53%	15%
6	Bhutan Postal Corporation Ltd	MoF	Yes	19 May 2020	201	135	0%	47%	47%	15%
7	Farm Machinery Corporation Ltd	MoF	Yes	19 May 2020	186	172	47%	41%	89%	15%
8	Food Corporation of Bhutan Ltd	MoF	Yes	19 May 2020	1,749	2,530	35%	40%	75%	15%
10	Kuensel Corporation Ltd	MoF	No	NA	NA	NA	NA	NA	NA	15%
9	Green Bhutan Corporation Ltd	MoF	Yes	19 May 2020	50	56	50%	42%	92%	15%
11	National CSI Development Bank Ltd	MoF	Yes	19 May 2020	50	64	41%	23%	63%	15%
12	National Housing Development Corporation Ltd	MoF	Yes	19 May 2020	210	200	23%	40%	63%	15%
13	National Pension and Provident Fund	MoF	Yes	19 May 2020	3,366	3,250	50%	48%	97%	15%
14	Royal Bhutan Helicopter Service Ltd	MoF	Yes	19 May 2020	191	76	30%	49%	78%	15%
	Average APC score, excluding DHI						36%	41%	76%	
15	Druk Holding Investments	MoF	Yes	April 2020	63% of consolidated PAT attributable to shareholders 2/	75% of consolidated PAT attributable to shareholders 2/	30% (out of 30)	67% (out of 70)	97% (out of 100)	15%

1/ The government approved a 15 percent PBVI for all SEs for the income year 2020, considering the adverse impact of the pandemic on SEs and APC targets.

<https://www.mof.gov.bt/wp-content/uploads/2021/04/PBVINotification1904202101.pdf>

2/ DHI pays the dividend to its shareholder based on 63 percent of consolidated profit after tax attributable to shareholder.

G. Reforms and Way Forward

The portfolio of SEs has increased significantly over the past years, which will require strengthened SE monitoring and management by the ICGD. With growing complexities in the governance of SEs, the responsibility of the ICGD as the nodal agency is becoming more crucial. The role of the ICGD has become even more complex and increased manifold especially in terms of monitoring and evaluating performance and providing support to SEs in terms of financing, investment, and corporate governance. Given the limited capacity of the ICGD with a small number of staff, the unit developed data collection tools and an excel-based database model, to collect information and monitor SEs at the aggregate level, and conduct forward-looking scenario analysis and stress testing. The ICGD will further improve these advanced management information systems to support the decision making of the MoF. It will also be important to increase the number of staffing at ICGD, as the acute shortage of staff in carrying out the exercise is not sustainable.

The annual SE report for the calendar year 2021 will expand the coverage of SEs included in the report. The report for the calendar year 2021 will include SEs managed under the MoF and DHI. The objective is to produce a single reporting for all SEs, independently from the authority they report to, and to provide a full overview of the SE portfolio in Bhutan, according to international best practice.

Going forward, the MoF will refine the APC process with SEs and portfolio ministries. While the MoF has introduced APCs for the first time in 2020, there are already some lessons learnt. For instance, the APC score is not always reflecting the overall performance of an SE (for instance in the case of BDBL and BLL). Also, the weights for financial and non-financial targets for SEs under the MoF may have to be revised, to better reflect the social mandate of these SEs. Similarly, the PBVI, which will start in 2021, should take into consideration that most SEs with a social mandate may not be profit making. The MoF, in collaboration with SEs and portfolio ministries, will further refine the APCs and methodology applied. In addition, the MoF will enhance transparency of the APC and PBVI mechanism, and explore the possibility of including targets for productivity gains at the SE level.

The MoF will further conduct a study to assess drivers of profitability of loss-making SEs (excluding DHI and NPPF), considering the poor performance and fiscal risks stemming from these SEs. As highlighted in the performance overview, subsidies in 2020 were provided to 7 companies under the MoF, of which 6 reported a loss. Even before the pandemic, 5 SEs have been reporting losses consistently (2017-2020). One reason for this could be that the size of subsidies may not cover the SE's social mandate for providing basic goods and services on behalf of the RGoB. There is a need to address the underlying causes for the leakages and improve performance of these SEs, to effectively utilize the support given and avoid increasing the exposure moving forward.

Going forward, it will also be important to analyze public service obligations (PSOs) of SEs. In Bhutan, SEs carry out PSOs, for instance by providing mail, or electricity at stipulated prices, and are subject to broader social policy goals, especially SEs under the MoF. A PSO analysis would help map, compute and finance the true cost of PSOs for SEs (through analysis of cost drivers, cost covering mechanisms, cross-subsidy mechanisms and price setting dynamic),

which could help identify potential driver of improved profitability of SEs and help contain related fiscal risks.

Annex-1 – Individual SE reporting

One-page snapshots for individual SEs are available on the following pages in the below order:

Sr. No.	SE Name	Short
1	Bhutan Broadcasting Service Corporation Limited	BBSCCL
2	Bhutan Development Bank Limited	BDBL
3	Bhutan Duty Free Limited	BDFL
4	Bhutan Livestock Development Corporation Limited	BLDCL
5	Bhutan Lottery Limited	BLL
6	Bhutan Postal Corporation Limited	BPCL
7	Druk Holdings and Investments Limited	DHI
8	Farm Machinery Corporation Limited	FMCL
9	Food Corporation of Bhutan Limited	FCBL
10	Green Bhutan Corporation Limited	GBCL
11	Kuensel Corporation Limited	KCL
12	National CSI Development Bank Limited	NCSIDBL
13	National Housing Development Corporation Limited	NHDCL
14	National Pension and Provident Fund Limited	NPPF
15	Royal Bhutan Helicopter Services Limited	RBHSL

1 Bhutan Broadcasting Service Corporation Limited

State Enterprises Annual Report 2020

Company Information

Nature of Business

The Bhutan Broadcasting Service is Public Service Broadcaster (PSB). Its primary responsibility like any other PSB anywhere in the world is to inform, educate and entertain the Bhutanese public. To inform the public, the BBS provides news and current affairs programmes on an hourly basis on the radio as well TV, maintaining a bureau office in every district throughout the country. To educate and entertain the public, it produces a countless number of radio and TV programmes on a daily basis covering a wide range of issues and topics.

Year Established

1973

Company Type

Public Sector Company

Sector

INFORMATION AND COMMUNICATION

Chief Executive Officer

Kaka Tshering

Shareholding Pattern

Ministry of Finance

100%

Other State Enterprises

0%

Private Sector

0%

Annual Highlights

- ◇ Disseminated COVID-19 information nationwide and it amounts of Nu. 33.515 million.
- ◇ Documented and aired online education programs when schools were closed during the pandemic.
- ◇ Launched and broadcasted an entertainment show called "Chikthuen".

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	167
Grants	-
Loans / Gurantees	-
Total	167

Employment

Year	Female	Male
2020	93	239
2019	99	241
2018	95	235
2017	103	238

Board of Directors

Name	Position	Gender	DOA
1 Dasho Kinley Dorji	Chairman	Male	01/03/2020
2 Karma Pemba	Member	Male	01/03/2020
3 Aum Rinchen Choden	Member	Female	01/03/2020
4 Mr. Tashi Penjore	Member	Male	01/03/2020
5 Mr. Chencho Tshering	Member	Male	01/03/2020
6 Mr. Kaka Tshering	CEO	Male	01/10/2020
7			
8			
9			
10			

Income Statement

	2020	2019	2018	2017
Revenues	115.0	101.1	109.0	140.6
Cost of Sales	(202.1)	(179.2)	(161.5)	(162.2)
Gross Profit	(87.1)	(78.1)	(52.5)	(21.6)
Administrative Expenses	(31.4)	(14.0)	(14.8)	(13.5)
Other Expenses	(93.0)	(91.6)	(96.0)	(121.5)
Interest Income	19.3	19.4	19.7	19.6
Affiliated companies	-	-	-	-
Tax	13.7	5.3	0.8	0.8
Net Profit / (Loss)	(16.4)	(10.1)	(4.3)	(2.7)

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	437.5	463.0	483.4	497.5
Current Assets	116.1	134.6	124.5	140.7
Total Assets	553.6	597.6	607.9	638.2
Equity	11.9	27.3	103.2	79.1
Non Current Liabilities	324.5	360.8	382.2	378.8
Current Liabilities	217.2	209.5	122.5	180.3
Total Liabilities	541.7	570.3	504.7	559.1
Total Equity + Liabilities	553.6	597.6	607.9	638.2

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-138.1%	-37.0%	-4.2%	-3.5%
Return on Assets (ROA)	-3.0%	-1.7%	-0.7%	-0.4%
Current Ratio	0.5	0.6	1.0	0.8
Debt/Equity Ratio	45.52	20.89	4.89	7.07

2 Bhutan Development Bank Limited

State Enterprises Annual Report 2020

Company Information

Nature of Business

BDB functions as a domestic development bank. It is the only Bank that gives focus to the rural farmers and runs the nation-wide credit program, which mainly provide seasonal, small and medium term loans to the country's small farmers. It had also commenced its Industrial Lending operations providing term finance and working capital for industrial and Agro-based ventures. Other Mandates:

Enhance income of the people thereby improve standard of living through provisions of financial services.

Alleviate poverty; Provide technical and advisory services to the enterprises; Mobilize external and internal funds for investments.

Year Established

1988

Company Type

Public Sector Company

Sector

FINANCIAL AND INSURANCE ACTIVITIES

Chief Executive Officer

Phub Dorji

Shareholding Pattern

Ministry of Finance

97%

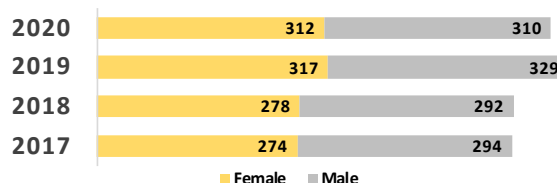
Other State Enterprises

2%

Private Sector

1%

Employment



Annual Highlights

- Waived the interest for three months amounting to Nu. 259.58 million benefiting over 52,000 loan account holders.
- Disbursed a total of Nu. 4,269.85 million to 9,751 borrowers during the financial year 2020.
- Invested in ICT infrastructure to digitalize essential banking services, embracing the nation's drive to promote digitalization.

Board of Directors

Name	Position	Gender	DOA
1 Mr. Lekzang Dorji	Chairman	Male	24/01/2018
2 Mr. Nima Wangdi	Member	Male	18/05/2017
3 Mr. Ugyen Penjore	Member	Male	09/08/2010
4 Mr. Phub Tshering	Member	Male	21/03/2014
5 Mr. Pema Wangdi	Member	Male	10/04/2016
6 Mr. Dhak Tshering	Member	Male	27/06/2018
7 Mr. Phub Dorji	CEO	Male	31/03/2016
8			
9			
10			

Income Statement

	2020	2019	2018	2017
Revenues	2,327.8	2,411.6	2,173.8	2,009.3
Cost of Sales	(1,726.0)	(1,539.7)	(1,682.0)	(1,574.8)
Gross Profit	601.8	871.9	491.8	434.5
Administrative Expenses	-	-	-	-
Other Expenses	(668.0)	(786.1)	(283.1)	(1,210.1)
Interest Income	-	-	-	-
Affiliated companies	(15.4)	(30.0)	(27.4)	(28.9)
Tax	(72.8)	53.2	5.4	(130.1)
Net Profit / (Loss)	(139.7)	127.5	217.7	(921.2)

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	6,483.7	4,766.2	5,355.9	3,961.6
Current Assets	21,409.5	20,993.1	19,895.1	20,074.8
Total Assets	27,893.2	25,759.3	25,251.0	24,036.4
Equity	2,544.8	2,733.7	2,621.5	2,193.4
Non Current Liabilities	1,677.4	1,203.4	1,389.5	1,054.4
Current Liabilities	23,671.0	21,822.3	21,240.0	20,788.6
Total Liabilities	25,348.4	23,025.7	22,629.5	21,843.0
Total Equity + Liabilities	27,893.2	25,759.3	25,251.0	24,036.4

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-5.5%	4.7%	8.3%	-42.0%
Return on Assets (ROA)	-0.5%	0.5%	0.9%	-3.8%
Current Ratio	0.9	1.0	0.9	1.0
Debt/Equity Ratio	9.96	8.42	8.63	9.96

3 Bhutan Duty Free Limited

State Enterprises Annual Report 2020

Company Information

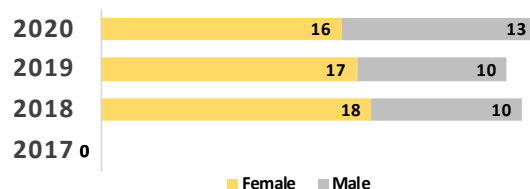
Nature of Business	Year Established	Company Type
	2016	Public Sector Company
	Sector	
	WOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	
	Chief Executive Officer	
	Karma Loday	

Bhutan Duty Free Limited (BDFL) is a trading company which deals in import and sale of high end duty free goods to privileged persons and diplomats.

Shareholding Pattern



Employment



Annual Highlights

- ◇ Supported the government's initiatives to strategically address the illegal cross border trade of tobacco products to reduce the risk of importation and transmission of COVID-19

Board of Directors

Name	Position	Gender	DOA
1 Dasho Nim Dorji	Chairman	Male	18/05/2017
2 Mr. Sonam Tenzin	Member	Male	18/09/2015
3 Mr. Karma Wangchuk	Member	Male	18/05/2017
4 Mr. Chhime Tshering	Member	Male	12/01/2017
5 Mr. Karma Loday	CEO	Male	12/09/2019
6			
7			
8			
9			
10			

Income Statement

	2020	2019	2018	2017
Revenues	135.0	209.3	181.5	160.4
Cost of Sales	(86.6)	(119.8)	(106.9)	(96.9)
Gross Profit	48.4	89.5	74.6	63.4
Administrative Expenses	(9.9)	(12.0)	(8.7)	(9.4)
Other Expenses	(7.9)	(8.9)	(7.8)	(8.7)
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	9.0	19.8	17.5	13.6
Net Profit / (Loss)	39.6	88.4	75.6	59.0

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	13.6	13.9	12.1	10.2
Current Assets	177.1	201.5	180.1	161.3
Total Assets	190.7	215.5	192.2	171.5
Equity	177.2	195.6	175.7	155.0
Non Current Liabilities	1.1	0.6	0.6	-
Current Liabilities	12.4	19.2	15.9	16.6
Total Liabilities	13.5	19.8	16.5	16.6
Total Equity + Liabilities	190.7	215.5	192.2	171.5

Transfers to Government

	2020
Dividends Paid	13

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	22.4%	45.2%	43.0%	38.1%
Return on Assets (ROA)	20.8%	41.0%	39.3%	34.4%
Current Ratio	14.3	10.5	11.3	9.7
Debt/Equity Ratio	0.08	0.10	0.09	0.11

Company Information

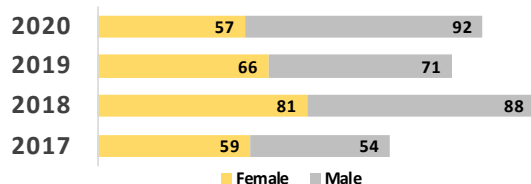
Nature of Business
BLDC is a SOE that works toward food security, particularly in livestock products by engaging in production, aggregation, value addition and marketing. The company currently has production farms like dairy, poultry, fishery and piggery in Samrang Samdrup Jongkhar, Relangthang Sarpang, Haa, Yusipang Thimphu and a value addition centre in Serbithang. The company has its retail outlets in strategic locations in Thimphu and franchise/ agents through private entrepreneurs in other dzongkhags. The company by its nature of business requires to work closely with individual farmers, farmers' groups and cooperatives, Department of Livestock and BAFRA.

Year Established	Company Type
2017	Public Sector Company
Sector	
AGRICULTURE, FORESTRY AND FISHING	
Chief Executive Officer	
Jigme Wangchuk	

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
100%	0%	0%

Employment



Annual Highlights

- ◇ Delivered livestock products during the national lockdowns from various Dzongkhags to urban areas.
 - Lockdown 1: Nu. 71.907 million supplies aggregated from 17 Dzongkhags
 - Lockdown 2: Nu. 5.904 million supplies aggregated from eight Dzongkhags.
- ◇ Formally launched the website of the company.
- ◇ Opened one outlet shop in Babesa that sells livestock products.

Board of Directors

Name	Position	Gender	DOA
1 Ms. Tashi Yangzome Dorji	Chairman	Female	03/05/2021
2 Mr. Tshewang Tashi	Member	Male	03/05/2021
3 Bhim Prasad Neopanay	Member	Male	03/05/2021
4 Mr. Sonam Dorji	Member	Male	03/05/2021
5 Mr. Jigme Wangchuk	CEO	Male	01/08/2020
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Income Statement

	2020	2019	2018	2017
Revenues	233.8	44.6	56.4	-
Cost of Sales	(179.1)	(67.2)	(49.8)	-
Gross Profit	54.7	(22.6)	6.6	-
Administrative Expenses	(15.2)	(11.7)	(11.1)	-
Other Expenses	(34.0)	(36.6)	(50.7)	-
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	-	-	-	-
Net Profit / (Loss)	5.5	(70.9)	(55.2)	-

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	385.9	391.1	419.8	-
Current Assets	255.0	8.5	6.2	-
Total Assets	640.9	399.6	426.0	-
Equity	352.6	347.1	400.4	-
Non Current Liabilities	242.7	15.2	14.1	-
Current Liabilities	45.6	37.3	11.5	-
Total Liabilities	288.3	52.5	25.6	-
Total Equity + Liabilities	640.9	399.6	426.0	-

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	-
Grants	278
Loans / Gurantees	-
Total	278

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	1.6%	-20.4%	-13.8%	-
Return on Assets (ROA)	0.9%	-17.7%	-13.0%	-
Current Ratio	5.6	0.2	0.5	-
Debt/Equity Ratio	0.82	0.15	0.06	-

5 Bhutan Lottery Limited

State Enterprises Annual Report 2020

Company Information

Nature of Business	Year Established	Company Type
Operation of different lottery products like preprinted paper lotteries, scratch card games, bumper lotteries, lotto Jackpot and interactive games (Crosswords and Bingo games). Beneficiaries: Public players Government's role in SoE: Shareholder and appointment of Board	2015	Public Sector Company
	Sector	
	ARTS, ENTERTAINMENT AND RECREATION	
	Chief Executive Officer	
	Mr. Phenphay R Drukpa	

Shareholding Pattern



Annual Highlights

- ◇ Introduced a tax on lottery earnings of 20 percent.
- ◇ Bought back expired or used tickets amounting to Nu. 0.7 million as corporate social responsibility.
- ◇ Introduced e-lottery.

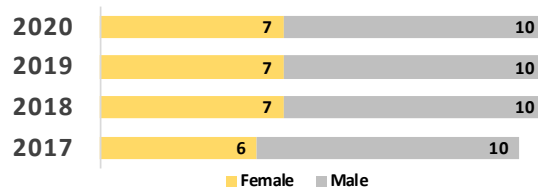
Transfers to Government

	2020
Dividends Paid	6

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Employment



Board of Directors

Name	Position	Gender	DOA
1 Dasho Nim Dorji	Chairman	Male	21/10/2016
2 Mr. Tashi Penjore	Member	Male	21/10/2016
3 Mr. Sonam Tenzin	Member	Male	21/10/2016
4 Mr. Phenphay R Drukpa	CEO	Male	18/04/2016
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Income Statement

	2020	2019	2018	2017
Revenues	140.7	224.0	229.0	104.7
Cost of Sales	(8.6)	(6.9)	(5.8)	(5.0)
Gross Profit	132.1	217.1	223.2	99.7
Administrative Expenses	(7.9)	(11.0)	(5.9)	(3.2)
Other Expenses	(111.5)	(171.4)	(175.4)	(77.2)
Interest Income	6.2	3.3	3.6	0.8
Affiliated companies	-	-	-	-
Tax	(6.1)	(12.2)	(14.5)	(6.3)
Net Profit / (Loss)	12.8	25.8	31.0	13.8

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	98.3	102.8	79.5	45.6
Current Assets	30.6	42.8	54.0	36.0
Total Assets	128.9	145.6	133.5	81.6
Equity	112.2	118.1	101.9	69.8
Non Current Liabilities	1.8	1.2	0.7	-
Current Liabilities	14.9	26.3	30.9	11.8
Total Liabilities	16.7	27.5	31.6	11.8
Total Equity + Liabilities	128.9	145.6	133.5	81.6

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	11.4%	21.8%	30.5%	19.8%
Return on Assets (ROA)	10.0%	17.7%	23.2%	16.9%
Current Ratio	2.1	1.6	1.7	3.1
Debt/Equity Ratio	0.15	0.23	0.31	0.17

Company Information

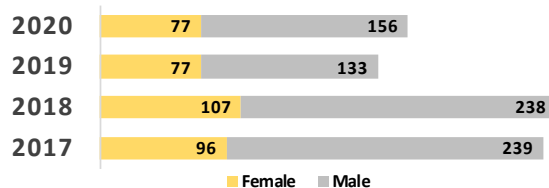
Nature of Business	Year Established	Company Type
	1996	Public Sector Company
Sector		
OTHER SERVICE ACTIVITIES		
Chief Executive Officer		
Karma Nidup		

To deliver high quality postal and related services that will enhance the well-being of the Bhutanese people, thereby making Gross National Happiness (GNH) a reality

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
100%	0%	0%

Employment



Annual Highlights

- ◇ Introduced BNB agency banking. Bhutan Post in collaboration with Bhutan National Bank Ltd. provided financial and non-financial services through the post offices across the country. The banking service “NGOTSHAB” was officially launched on 11th March 2020.
- ◇ Introduced digital marketing. Bhutan Post resorted to social media marketing and created an official Facebook page in July 2020 and it is currently followed by about 6,000 users.
- ◇ Facilitated delivery of medicines during the national lockdowns.
- ◇ Facilitated medicine imports from Jaigoan.

Board of Directors

Name	Position	Gender	DOA
1 Dasho Phuntsho Tobgay	Chairman	Male	13/03/2020
2 Mr. Jigme Namgyel	Member	Male	13/03/2020
3 Ms. Rinchen Lhazom	Member	Female	13/03/2020
4 Mr. Dilli Ram Dhungyel	Member	Male	13/03/2020
5 Mr. Karma Nidup	CEO	Male	13/03/2020
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Income Statement

	2020	2019	2018	2017
Revenues	123.5	184.0	215.3	150.1
Cost of Sales	(91.4)	(82.4)	(85.9)	(76.0)
Gross Profit	32.1	101.6	129.4	74.1
Administrative Expenses	(50.7)	(59.6)	(67.8)	(48.3)
Other Expenses	(17.2)	(24.6)	(18.5)	(15.6)
Interest Income	11.4	7.7	8.2	7.0
Affiliated companies	(0.0)	(0.0)	(5.9)	(0.3)
Tax	-	(12.1)	(13.0)	(6.4)
Net Profit / (Loss)	(24.3)	13.1	32.4	10.6

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	281.4	249.8	213.0	149.2
Current Assets	182.4	230.8	221.6	180.9
Total Assets	463.8	480.6	434.6	330.1
Equity	182.4	205.8	201.2	164.5
Non Current Liabilities	175.2	139.0	87.7	52.7
Current Liabilities	106.2	135.8	145.7	112.9
Total Liabilities	281.3	274.9	233.5	165.7
Total Equity + Liabilities	463.8	480.6	434.6	330.1

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	27
Grants	-
Loans / Gurantees	-
	27

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-13.3%	6.4%	16.1%	6.4%
Return on Assets (ROA)	-5.2%	2.7%	7.5%	3.2%
Current Ratio	1.7	1.7	1.5	1.6
Debt/Equity Ratio	1.54	1.34	1.16	1.01

Company Information

Nature of Business

A holding company for the Government Linked Companies (GLCs), DHI's primary mandates are to strengthen Corporate Governance (CG), enhance performance of the GLCs by making them responsible and accountable for their performance, raise funds for investments and maximize return on investments. DHI's portfolio spreads across sectors such as energy and resources; communication and transportation; financial services; real estate and construction; and trading. Currently holds shares in 21 portfolio companies.

Year Established	Company Type
2007	Public Sector Company
Sector	
FINANCIAL AND INSURANCE ACTIVITIES	
Chief Executive Officer	
Dasho Karma Yezer Raydi	

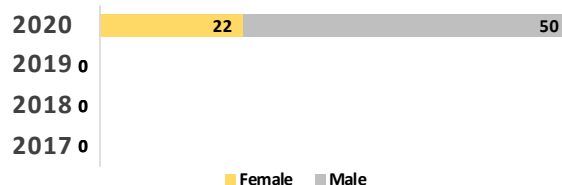
Shareholding Pattern



Annual Highlights

- ◇ The DHI and group contributed Nu. 1,500 million for the COVID-10 Relief Fund
- ◇ Nu. 18 million was also made through voluntarily contributions from DHI and Group employees
- ◇ At the end of FY2020, the Investments Abroad figures increased by Nu. 1,192 M with placements in Private Equity and Venture Capital, Public Equities and in Actively Managed funds.

Employment



Board of Directors

Name	Position	Gender	DOA
1 Dasho Ugen Chewang	Chairman	Male	27/07/2018
2 Mr. Nim Dorji	Member	Male	21/07/2016
3 Dasho Pema Chewang	Member	Male	17/11/2018
4 Mr. Thinley Namgyel	Member	Male	17/11/2018
5 Mr. Kinga Tshering	Member	Male	17/11/2018
6 Mr. Dechen Dorji	Member	Male	17/11/2018
7 Dasho Karma Yezer Raydi	CEO	Male	27/11/2015
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Income Statement

	2020	2019	2018	2017
Revenues	34,676.5	39,632.9	36,436.6	38,835.1
Cost of Sales	(10,361.1)	(13,985.2)	(12,443.0)	(14,968.1)
Gross Profit	24,315.4	25,647.7	23,993.7	23,867.1
Administrative Expenses	-	-	-	-
Other Expenses	(15,058.0)	(12,301.0)	(12,952.7)	(11,962.8)
Interest Income	-	-	-	-
Affiliated companies	(43.7)	(87.9)	26.3	(4.5)
Tax	(5,557.6)	(6,552.9)	(6,935.9)	(5,889.0)
Net Profit / (Loss)	3,656.1	6,706.0	4,131.4	6,010.8

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	172,071.0	170,044.4	145,262.1	140,430.7
Current Assets	51,667.7	33,163.0	37,895.6	32,293.5
Total Assets	223,738.7	203,207.3	183,157.7	172,724.1
Equity	95,893.6	96,064.8	93,498.3	89,717.0
Non Current Liabilities	115,411.4	94,818.3	75,312.6	67,606.6
Current Liabilities	12,433.7	12,324.2	14,346.8	15,400.5
Total Liabilities	127,845.1	107,142.6	89,659.4	83,007.1
Total Equity + Liabilities	223,738.7	203,207.3	183,157.7	172,724.1

Transfers to Government

	2020
Dividends Paid	3,350

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	3.8%	7.0%	4.4%	6.7%
Return on Assets (ROA)	1.6%	3.3%	2.3%	3.5%
Current Ratio	4.2	2.7	2.6	2.1
Debt/Equity Ratio	1.33	1.12	0.96	0.93

8 | Farm Machinery Corporation Limited

State Enterprises Annual Report 2020

Company Information

Nature of Business

FMCL is mandated to provide farm mechanization goods and services to the Bhutanese farming community at an affordable price. Specifically the FMCL has to carry out the following activities;

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;

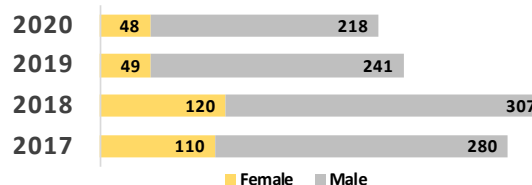
Commercial / Contract Farming.

Year Established	Company Type
2016	Public Sector Company
Sector	
AGRICULTURE, FORESTRY AND FISHING	
Chief Executive Officer	
Karma Thinley	

Shareholding Pattern



Employment



Annual Highlights

- ◇ Processed 19.7 metric tons of chili from centenary farmer's market and from farmers during the first national lockdown.
- ◇ Deployed excavator machines and operators to complete four kilometers of farm road and two kilometers of access road in Trongsa benefiting around 244 households.
- ◇ Brought around 70 acres of land under cultivation through revival of fallow land and barren land.

Board of Directors

Name	Position	Gender	DOA
1 Mr. Sonam Penjor	Chairman	Male	05/03/2021
2 Mr. Jambay Dorji	Member	Male	05/03/2021
3 Mr. Namgay Thinley	Member	Male	05/03/2021
4 Ms. Rinzin Pemo	Member	Female	05/03/2021
5 Mr. Karma Thinley	CEO	Male	05/03/2021
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Income Statement

	2020	2019	2018	2017
Revenues	203.9	184.5	321.4	325.0
Cost of Sales	-	-	-	-
Gross Profit	203.9	184.5	321.4	325.0
Administrative Expenses	(75.2)	(87.5)	(94.3)	(67.4)
Other Expenses	(140.5)	(102.3)	(217.3)	(258.2)
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	(1.0)	1.2	(3.9)	-
Net Profit / (Loss)	(12.7)	(4.2)	5.9	(0.7)

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	135.1	114.5	99.4	15.5
Current Assets	308.6	193.6	158.3	177.7
Total Assets	443.7	308.1	257.7	193.2
Equity	326.0	187.0	189.8	156.3
Non Current Liabilities	2.5	1.5	-	-
Current Liabilities	115.2	119.6	67.9	36.9
Total Liabilities	117.7	121.1	67.9	36.9
Total Equity + Liabilities	443.7	308.1	257.7	193.2

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	45
Grants	-
Loans / Gurantees	-
	45

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-3.9%	-2.2%	3.1%	-0.4%
Return on Assets (ROA)	-2.9%	-1.4%	2.3%	-0.3%
Current Ratio	2.7	1.6	2.3	4.8
Debt/Equity Ratio	0.36	0.65	0.36	0.24

9 | Food Corporation of Bhutan Limited

State Enterprises Annual Report 2020

Company Information

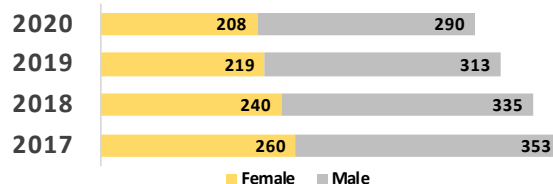
Nature of Business
Food Corporation of Bhutan Limited (FCBL) with aim to have centralized procurement and distribution system for supply of essential food across the country also involved in fast moving consumer goods (FMCG) business. It has 23 depots, five retail outlets and 173 farm shops catering business and services to relevant clients across the country.
Key Functions:
Maintaining adequate essential food reserves for the nation at all times.
Trading essential food and fast moving commodities.
Support marketing of agricultural products at fair price.
Facilitating the School Feeding Program of the Royal Government of Bhutan.

Year Established	Company Type
1974	Public Sector Company
Sector	
OLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYC	
Chief Executive Officer	
Naiten Wangchuk	

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
100%	0%	0%

Employment



Annual Highlights

- ◇ Maintained the National Food Security Reserve (NFSR) for 50 percent of the population for a period of 6 months.
- ◇ Distributed 119 MT of vegetables, 224 MT food grains and essential goods and fast-moving consumer goods worth Nu. 8.5 million to 7,447 households during the national lockdowns.
- ◇ Opened points of collection at various strategic locations across the country for farm produce and coordinated with various Dzongkhags and Department of Agricultural Marketing and Co-operatives (DAMC) to fix the price.

Board of Directors

Name	Position	Gender	DOA
1 Dasho Sangay Duba	Chairman	Male	03/05/2021
2 Ms. Kinley Tshering	Member	Female	03/05/2021
3 Mr. Sonam Tshering Dorji	Member	Male	03/05/2021
4 Mr. Naiten Wangchuk	CEO	Male	03/05/2021
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Income Statement

	2020	2019	2018	2017
Revenues	2,253.6	1,487.1	1,151.1	1,055.8
Cost of Sales	(2,348.6)	(1,480.1)	(1,145.2)	(1,062.8)
Gross Profit	(95.0)	7.0	6.0	(7.0)
Administrative Expenses	(26.7)	(32.9)	(47.3)	(38.5)
Other Expenses	(35.9)	(22.4)	(19.0)	(19.9)
Interest Income	3.4	2.5	4.1	3.7
Affiliated companies	-	-	-	-
Tax	-	(2.0)	-	(1.1)
Net Profit / (Loss)	(112.0)	(8.5)	(15.8)	(27.4)

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	175.1	176.3	187.9	189.4
Current Assets	1,367.4	533.4	491.1	411.8
Total Assets	1,542.5	709.8	679.0	601.2
Equity	952.8	306.5	290.0	305.8
Non Current Liabilities	143.3	137.3	118.2	123.7
Current Liabilities	446.3	266.0	270.8	171.7
Total Liabilities	589.6	403.3	389.0	295.4
Total Equity + Liabilities	1,542.5	709.8	679.0	601.2

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	7
Grants	109
Loans / Gurantees	-
	116

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-11.8%	-2.8%	-5.5%	-9.0%
Return on Assets (ROA)	-7.3%	-1.2%	-2.3%	-4.6%
Current Ratio	3.1	2.0	1.8	2.4
Debt/Equity Ratio	0.62	1.32	1.34	0.97

Company Information

Nature of Business	Year Established	Company Type
The core mandates of GBCL include, carry out all plantation program across the country, landscape development and greening including reclamation of degraded environment, plantation of medicinal and ornamental plants, collaborate with private sector/FDI in executing landscape development and commercial plantation, floriculture, providing awareness on environment policies and programs.	2017	Public Sector Company
	Sector	
	AGRICULTURE, FORESTRY AND FISHING	
	Chief Executive Officer	
	Damber Singh Rai	

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
100%	0%	0%

Annual Highlights

- ◇ Created 171.7 hectares of plantation across the country
- ◇ Completed maintenance of 741.21 hectares of plantation
- ◇ Completed landscape development works and beautification of town
- ◇ Printed and distributed the Ministry of Education's Self Learning Instruction Manual for all schools
- ◇ Printed and distributed about 5.2 million books free of charge to 32,000 students

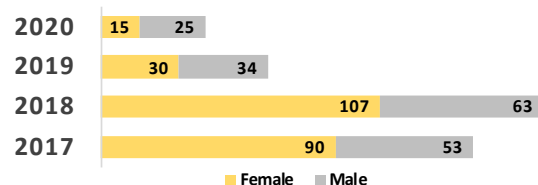
Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Employment



Board of Directors

Name	Position	Gender	DOA
1 Mr. Dorji Dhradhul	Chairman	Male	03/05/2021
2 Dr. Lam Dorji	Member	Male	03/05/2021
3 Mr. Rikesh Gurung	Member	Male	03/05/2021
4 Mr. Kinley Tshering	Member	Male	03/05/2021
5 Mr. Damber Singh Rai	CEO	Male	01/12/2021
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Income Statement

	2020	2019	2018	2017
Revenues	55.7	38.5	74.9	45.6
Cost of Sales	-	-	-	-
Gross Profit	55.7	38.5	74.9	45.6
Administrative Expenses	(7.0)	(7.3)	(7.8)	(4.9)
Other Expenses	(49.7)	(34.9)	(57.8)	(38.9)
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	-	-	-	-
Net Profit / (Loss)	(1.0)	(3.7)	9.3	1.8

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	21.2	22.7	22.7	11.9
Current Assets	34.8	27.0	38.8	45.0
Total Assets	56.0	49.7	61.5	56.9
Equity	48.8	47.0	49.9	42.6
Non Current Liabilities	1.4	-	-	-
Current Liabilities	5.8	2.7	11.6	14.3
Total Liabilities	7.2	2.7	11.6	14.3
Total Equity + Liabilities	56.0	49.7	61.5	56.9

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-2.0%	-7.9%	18.6%	4.2%
Return on Assets (ROA)	-1.8%	-7.4%	15.1%	3.2%
Current Ratio	6.0	10.0	3.3	3.1
Debt/Equity Ratio	0.15	0.06	0.23	0.34

Company Information

Nature of Business	Year Established	Company Type
	1967	Public Sector Company
Sector		
INFORMATION AND COMMUNICATION		
Chief Executive Officer		
Ugyen Penjor		

Kuensel is the national newspaper of the Kingdom of Bhutan. It was the only local newspaper available in Bhutan until 2006 when two more newspapers were launched.

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
51%	7%	42%

Annual Highlights

- ◇ Printed and distributed the Ministry of Education's Self Learning Instruction Manual for all schools
- ◇ Printed and distributed about 5.2 million books free of charge to 32,000 students

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Employment

2020	49	114
2019	47	119
2018	51	118
2017	53	117

■ Female ■ Male

Board of Directors

Name	Position	Gender	DOA
1 Dasho Karma Tshering	Chairman	Male	11/04/2020
2 Ms. Kuenzang Lham Sangey	Member	Female	30/04/2020
3 Ms. Tsedon Lhamu Dorji	Member	Female	30/04/2020
4 Mr. Phub Dorji	Member	Male	30/04/2020
5 Dr. Tshering Cigay Dorji	Member	Male	28/07/2021
6 Mr. Ugyen Penjor	CEO	Male	12/12/2020
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Income Statement

	2020	2019	2018	2017
Revenues	144.7	202.7	184.5	202.3
Cost of Sales	(47.9)	(65.2)	(53.1)	(66.7)
Gross Profit	96.8	137.5	131.4	135.5
Administrative Expenses	(84.5)	(78.0)	(78.1)	(77.0)
Other Expenses	(22.8)	(33.9)	(35.7)	(28.0)
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	(0.5)	8.9	5.2	9.4
Net Profit / (Loss)	(11.0)	34.6	22.8	39.9

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	149.1	146.2	143.5	133.3
Current Assets	143.3	185.0	152.6	158.2
Total Assets	292.5	331.3	296.1	291.5
Equity	190.8	220.1	212.0	205.5
Non Current Liabilities	70.7	63.7	55.3	42.7
Current Liabilities	30.9	47.5	28.8	43.2
Total Liabilities	101.7	111.2	84.1	86.0
Total Equity + Liabilities	292.5	331.3	296.1	291.5

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-5.8%	15.7%	10.8%	19.4%
Return on Assets (ROA)	-3.8%	10.5%	7.7%	13.7%
Current Ratio	4.6	3.9	5.3	3.7
Debt/Equity Ratio	0.53	0.51	0.40	0.42

Company Information

Nature of Business	Year Established	Company Type
Formerly known as Rural Enterprise Development Corporation Limited (REDCL). The National Cottage and Small Industry (CSI) Development Bank is a government undertaking non-deposit Bank established to promote the growth of Cottage and Small Industries (CSI) in the country. The Bank is expected to narrow the gap in availing financial support for start-ups and entrepreneurs, which otherwise face difficulty in availing loans from other commercial Banks instead of collateral.	2020	Public Sector Company
	Sector	
	FINANCIAL AND INSURANCE ACTIVITIES	
	Chief Executive Officer	
	Kinzang	

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
100%	0%	0%

Annual Highlights

- ◇ Enhanced access to financing through extended credit support to the CSI sector and small retail businesses engaged in trading domestically produced goods.
- ◇ Initiated a winter vegetables programme to enhance the domestic production of vegetables.
- ◇ Initiated the financial assistance in the form of loan at 2 percent interest to vendor

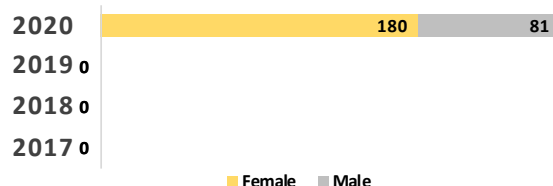
Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	5
Grants	-
Loans / Gurantees	-
	<u>5</u>

Employment



Board of Directors

Name	Position	Gender	DOA
1 Mr. Kipchu Tshering	Chairman	Male	31/01/2020
2 Mr. Chencho	Member	Male	31/01/2020
3 Ms. Chencho Lham	Member	Female	31/01/2020
4 Mr. Norbu Dhendup	Member	Male	31/01/2020
5 Mr. Tshewang Tashi	Member	Male	31/01/2020
6 Mr. Leki Dawa	Member	Male	31/01/2020
7 Mr. Kiinzang	CEO	Male	09/01/2020
8			
9			
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Income Statement

	2020	2019	2018	2017
Revenues	48.0	15.1	10.0	4.3
Cost of Sales	-	-	-	-
Gross Profit	48.0	15.1	10.0	4.3
Administrative Expenses	(22.8)	(18.0)	(18.2)	(18.5)
Other Expenses	(63.1)	(20.0)	(18.7)	(17.7)
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	-	-	-	-
Net Profit / (Loss)	(37.9)	(22.9)	(26.8)	(31.9)

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	1,424.0	405.0	329.0	148.4
Current Assets	73.9	58.1	55.0	87.4
Total Assets	1,497.9	463.2	384.0	235.8
Equity	1,482.8	451.1	373.8	230.4
Non Current Liabilities	1.7	0.7	0.6	0.5
Current Liabilities	13.4	11.4	9.6	4.8
Total Liabilities	15.1	12.1	10.2	5.4
Total Equity + Liabilities	1,497.9	463.2	384.0	235.8

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-2.6%	-5.1%	-7.2%	-13.8%
Return on Assets (ROA)	-2.5%	-4.9%	-7.0%	-13.5%
Current Ratio	5.5	5.1	5.7	18.0
Debt/Equity Ratio	0.01	0.03	0.03	0.02

Company Information

Nature of Business	Year Established	Company Type
	2006	Public Sector Company
Sector		
REAL ESTATE ACTIVITIES		
Chief Executive Officer		
Thinley Dorji		

Functions: Increasing Housing Stock, look after the government housing quarters, Promote home ownership. Products: Concrete bricks, paver & Edging blocks, wood products like doors & windows, furnitures

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
100%	0%	0%

Annual Highlights

- Submitted a report on Conceptual Smart Governance Framework for addressing the Affordable Housing and Home Ownership Program to GNHC.
- Deferred the rental revision for the affordable housing project in Phuntsholing amounting to Nu. 3.4 million.
- Completed the construction of the riverside walkway development along Wangchu and handed it over to Tashichho Dzong garden project.

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	66
Grants	-
Loans / Guarantees	-
	66

Employment

2020	74	97
2019	77	97
2018	91	120
2017	48	83

Female Male

Board of Directors

Name	Position	Gender	DOA
1 Dasho Pema Chewang	Chairman	Male	14/05/2015
2 Dasho Pema Rinchen	Member	Male	24/08/2015
3 Mr. Dungtu Dukpa	Member	Male	18/05/2017
4 Mr. Loday Tsheten	Member	Male	18/05/2017
5 Mr. Tashi Tobgye	Member	Male	18/05/2017
6 Mr. Karma Sonam	Member	Male	26/06/2018
7 Mr. Thinley Dorji	CEO	Male	21/12/2015
8			
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Income Statement

	2020	2019	2018	2017
Revenues	133.2	115.1	89.5	86.0
Cost of Sales	(78.1)	(50.9)	(47.3)	(51.8)
Gross Profit	55.1	64.2	42.1	34.2
Administrative Expenses	(5.6)	(8.6)	(9.9)	(12.2)
Other Expenses	(152.6)	(104.1)	(98.2)	(68.6)
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	9.8	(7.1)	(7.2)	(14.1)
Net Profit / (Loss)	(26.8)	10.2	1.6	91.3

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	3,959.2	4,048.7	3,910.3	3,667.0
Current Assets	263.8	189.3	234.6	106.4
Total Assets	4,223.0	4,238.1	4,144.9	3,773.3
Equity	3,030.3	3,009.4	2,946.2	2,873.0
Non Current Liabilities	1,108.6	1,164.6	1,126.6	858.7
Current Liabilities	84.2	64.0	72.1	41.7
Total Liabilities	1,192.7	1,228.6	1,198.7	900.4
Total Equity + Liabilities	4,223.0	4,238.1	4,144.9	3,773.3

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-0.9%	0.3%	0.1%	3.2%
Return on Assets (ROA)	-0.6%	0.2%	0.0%	2.4%
Current Ratio	3.1	3.0	3.3	2.6
Debt/Equity Ratio	0.39	0.41	0.41	0.31

14 National Pension and Provident Fund Limited

State Enterprises Annual Report 2020

Company Information

Nature of Business

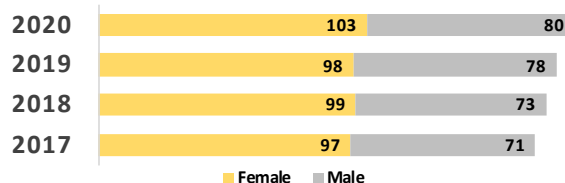
The main function of the NPPF is to assure a minimum level of income to the civil servants, members of the Armed Forces and State-owned Enterprises who are aged, disabled as well as pay benefits to the surviving families. NPPF manages the partially funded Defined-Benefit Pay-As-You-Go Pension System and fully funded Defined Contribution (Provident Fund). The NPPF manages funds by providing credit facilities. It provides retail credits to its members for housing, education, and member loan. It also provides project loans to entities. NPPF is one of the biggest real estate developers in the country. It deals with the construction of residential buildings and rent out to its members. It also has commercial buildings which are rented out for office and business premises.

Year Established	Company Type
2000	Public Sector Company
Sector	
OTHER SERVICE ACTIVITIES	
Chief Executive Officer	
Dungtu Drukpa	

Shareholding Pattern



Employment



Annual Highlights

- Obtained ISO certification for information security management system and data security.
- Developed a general reserves policy whereby the accumulative reserve will be exclusively kept, enhancing the sustainability of the pension plan.
- Obtained NPPF venture capital fund to invest in innovative and viable start-ups. The fund will be invested in exchange for a certain equity stake in the selected start-up companies.
- Introduced online self-learning modules for employees to upgrade their knowledge and skills.
- Initiated mobile banking for pension disbursement

Board of Directors

Name	Position	Gender	DOA
1 Dasho Sonam Wangchuk	Chairman	Male	15/08/2018
2 Col. Kinley Penjor	Member	Male	11/03/2021
3 Mr. Yonten Namgyel	Member	Male	09/06/2016
4 Mr. Ugyen Namgyal	Member	Male	26/06/2018
5 Mr. Pema R. Rinchen	Member	Male	31/07/2015
6 Mr. Dungtu Drukpa	CEO	Male	08/01/2016
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Income Statement

	2020	2019	2018	2017
Revenues	2,461.8	2,483.4	2,566.2	2,828.3
Cost of Sales	-	-	-	-
Gross Profit	2,461.8	2,483.4	2,566.2	2,828.3
Administrative Expenses	(85.9)	(76.7)	(63.7)	(67.6)
Other Expenses	(264.8)	(74.0)	(59.1)	(66.2)
Interest Income	-	-	-	-
Affiliated companies	-	-	-	-
Tax	-	-	-	-
Net Profit / (Loss)	2,101.7	2,443.2	2,385.0	2,694.6

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	21,078.0	17,880.5	16,782.6	13,724.4
Current Assets	19,956.2	18,401.2	15,735.6	14,983.9
Total Assets	41,034.2	36,281.6	32,518.1	28,708.3
Equity	-	-	-	-
Non Current Liabilities	40,987.3	36,239.7	32,483.9	28,667.8
Current Liabilities	47.0	41.9	34.3	40.5
Total Liabilities	41,034.2	36,281.6	32,518.1	28,708.3
Total Equity + Liabilities	41,034.2	36,281.6	32,518.1	28,708.3

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-	-	-	-
Return on Assets (ROA)	5.1%	6.7%	7.3%	9.4%
Current Ratio	424.9	439.1	459.4	370.3
Debt/Equity Ratio	-	-	-	-

Company Information

Nature of Business	Year Established	Company Type
Provides helicopter services during emergency and natural disasters termed as "HELI Emergency Services" and for transport of passengers and cargo to various parts of Bhutan are termed as "HELI Charter Services."	2015	Public Sector Company
	Sector	
	TRANSPORTATION AND STORAGE	
	Chief Executive Officer	
	Mr. Chewang Gyeltshen	

Shareholding Pattern

Ministry of Finance	Other State Enterprises	Private Sector
100%	0%	0%

Annual Highlights

- ◇ Arranged 84 helicopter services for Helicopter Emergency Medical Services (HEMS).
- ◇ Arranged flights to distribute COVID vaccines to the eastern and southern regions.
- ◇ Arranged 2 flights for Airlifting of COVID-19 samples.
- ◇ Arranged flights to airlift medical doctors to the highlands for the national wide COVID-19 vaccination program.
- ◇ Airlifted 230 Kgs of medical supplies to Lingshi BHU.
- ◇ Casualty evacuation of 6 patients and 10 dead bodies from the landslide effected area between Gasa and Lingshi Dungkhag.
- ◇ Airlifted polling officials from Gasa Dzongkhag to Lunana for the third Local Government Election.
- ◇ During the 114th National Day, RBHSL was awarded the Druk Thukeseby by His Majesty for its service to the nation.

Transfers to Government

	2020
Dividends Paid	-

Annual Government Support

	2020
Subsidies	-
Grants	-
Loans / Gurantees	-

Employment

2020	12	30
2019	12	29
2018	12	25
2017	11	23

■ Female ■ Male

Board of Directors

Name	Position	Gender	DOA
1 Dasho Sangay Duba	Chairman	Male	14/05/2020
2 Mr. Ugen Dophu	Member	Male	29/08/2015
3 Mr. Karma Wangchuk	Member	Male	27/07/2015
4 Mr. Norbu Dendup	Member	Male	16/09/2016
5 Mr. Chewang Gyeltshen	CEO	Male	05/07/2021
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Income Statement

	2020	2019	2018	2017
Revenues	66.3	148.3	159.7	156.1
Cost of Sales	(65.1)	(62.7)	(48.1)	(42.6)
Gross Profit	1.2	85.6	111.5	113.5
Administrative Expenses	(10.9)	(14.1)	(10.2)	(8.9)
Other Expenses	(51.0)	(55.6)	(56.6)	(49.5)
Interest Income	13.5	13.4	13.3	6.6
Affiliated companies	-	-	-	-
Tax	(15.4)	(14.2)	(17.9)	(20.1)
Net Profit / (Loss)	(62.6)	15.0	40.0	41.5

Balance Sheet

	2020	2019	2018	2017
Non Current Assets	-	-	650.2	580.3
Current Assets	-	-	101.4	121.1
Total Assets	-	-	751.6	701.5
Equity	-	-	714.2	678.4
Non Current Liabilities	-	-	29.9	16.0
Current Liabilities	-	-	7.5	7.1
Total Liabilities	-	-	37.4	23.1
Total Equity + Liabilities	-	-	751.6	701.5

Key Indicators

	2020	2019	2018	2017
Return on Equity (ROE)	-	-	5.6%	6.1%
Return on Assets (ROA)	-	-	5.3%	5.9%
Current Ratio	-	-	13.5	17.2
Debt/Equity Ratio	-	-	0.05	0.03

Annex 2 – Assumptions, Methodology and Limitations

Data Integrity

This report is based on the data provided by the SEs directly to the ICGD under the DMEA of the MoF. The collection of information is a long and tedious process and this being first of its kind exercise in Bhutan there have been instances where some information received is either incomplete or is not duly supported by the relevant documents/audited financial statements. ICGD undertakes due exercise of data validation through follow-ups from SEs directly or secondary sources.

In presence of above difficulties and complications in data collection and cleaning, the possibility of omission cannot be ruled out. Despite all care and caution exercised to ensure integrity of the data, any error in the data is regretted and the concerned SEs or portfolio ministries are requested to indicate any mistake in the reporting so same can be rectified in the future versions.

The Database Model

The information collected from the SEs is entered into an excel based database model, which has been developed with technical support from The World Bank. The database model is a dynamic database, that generates the required dashboards, company snapshots and aggregate reporting numbers which helps in the annual SE reporting process.

Limitations

Due to the time constraints the data collection exercise was only completed for SEs under the MoF, in the future rounds, SEs under the Druk Holding and Investments will also be covered.

Data Collection Template

The State Enterprises (SE) were sent a standard data collection template, which will be used to feed the company level information into the SEs database. The template contained the following information:

	Item	Information Collected
1	Company Information	<ul style="list-style-type: none">○ Company Legal Name○ Sector○ Incorporation type○ Shareholding and stock exchange listing information○ Company objects○ Focal Person
2	Financial Information	Income Statement and Balance sheet
3	Government Support	Subsidies, Loans, Guarantees, Equity etc.
4	Human Resources	Number of Employees (by gender, by level and by age), Employee Turnover
5	Board of Directors Information	<ul style="list-style-type: none">○ Board Members (Names, board position, date of appointment, gender),○ Details of Board committees and their meetings
6	Corporate governance practices questionnaire	Yes/No questions on governance practices

7	Performance Indicators	Company specific operational data
8	Procurement Information	Details of procurement practices, details of contract awards

Annex 3 – List of SEs/Regulatory bodies not covered in the report

The SEs have tried to capture maximum universe of the SEs created under the Companies Act 2016 and one SE created via Executive Order. The following SEs have not been covered in the current issue due to the stated reasons:

	State Enterprise/ Company/ Autonomous body / Others	Reasons
1	State-run educational institutes and hospitals	Non-profits / local government?
2	Security Agencies	Non-profits / local government?
3	Regulatory Bodies	Regulatory Functions
4	Army Welfare Project	Transferred to Queen’s Project Office
5	Bhutan Agro Industries Ltd	Transferred to Queen’s Project Office
6	Azista Bhutan Healthcare Ltd	SE under Druk Holding and Investments (DHI)
7	Bank of Bhutan	SE under DHI
8	Bhutan Board Products Ltd	SE under DHI
9	Bhutan Ferro Alloys Ltd	SE under DHI
10	Bhutan National Bank Ltd	SE under DHI
11	Bhutan Power Corporation Ltd	SE under DHI
12	Bhutan Telecom Ltd	SE under DHI
13	Construction Development Corporation Ltd	SE under DHI
14	Druk Air Corporation Ltd	SE under DHI
15	Druk Green Power Corporation Ltd	SE under DHI
16	Druk Metallurgy Ltd	SE under DHI
17	Dungsam Cement Corporation Ltd	SE under DHI
18	Dungsam Polymers Ltd	SE under DHI
19	Koufuku International Ltd	SE under DHI
20	Natural Resources Development Corporation Ltd	SE under DHI
21	Penden Cement Authority Ltd	SE under DHI
22	Royal Insurance Corporation of Bhutan	SE under DHI
23	State Mining Corporation Ltd	SE under DHI
24	State Trading Corporation of Bhutan Ltd	SE under DHI
25	Thimphu Tech Park Ltd	SE under DHI

Annex 4 – SE Listing and Sectors

SE Name	Sector	Portfolio Ministry
Royal Bhutan Helicopter Services Limited (RBHSL)	Transportation and Storage	Ministry of Information and Communications
Bhutan Lottery Limited (BLL)	Arts, Entertainment and Recreation	Ministry of Finance
Bhutan Duty Free Limited (BDFL)	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Ministry of Finance
Kuensel Corporation Limited	Information and Communication	Ministry of Information and Communications
National CSI Development Bank Limited (NCSIDBL)	Financial and Insurance Activities	Ministry of Finance
National Pension and Provident Fund Limited (NPPFL)	Other Service Activities	Ministry of Finance
Bhutan Livestock Development Corporation Limited (BLDCL)	Agriculture, Forestry and Fishing	Ministry of Agriculture and Forests
Farm Machinery Corporation Limited (FMCL)	Agriculture, Forestry and Fishing	Ministry of Agriculture and Forests
Bhutan Development Bank Limited	Financial and Insurance Activities	Ministry of Finance
Food Corporation of Bhutan Limited (FCBL)	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	Ministry of Agriculture and Forests
National Housing Development Corporation Limited (NHDCL)	Real Estate Activities	Ministry of Works and Human Settlement
Bhutan Postal Corporation Limited (BPCL)	Other Service Activities	Ministry of Information and Communications
Bhutan Broadcasting Service Limited (BBSL)	Information and Communication	Ministry of Information and Communications
Green Bhutan Corporation Limited (GBCL)	Agriculture, Forestry and Fishing	Ministry of Agriculture and Forests
Druk Holding and Investments Limited (DHI)	Financial and Insurance Activities	Ministry of Finance