



NATIONAL PENSION AND PROVIDENT FUND

ANNUAL REPORT

2018-2019



NATIONAL PENSION AND
PROVIDENT FUND

2018-2019

ANNUAL REPORT



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NPPF IN PROVIDING ITS SERVICES IS GUIDED BY THE CORE VALUES OF

1. Courtesy

- NPPF believes in having employees who are polite, empathetic and service oriented

2. Professionalism

- NPPF believes in having employees who work with defined standards and principles

3. Skills

- NPPF believes in having employees who are experienced and proficient in carrying out their duties

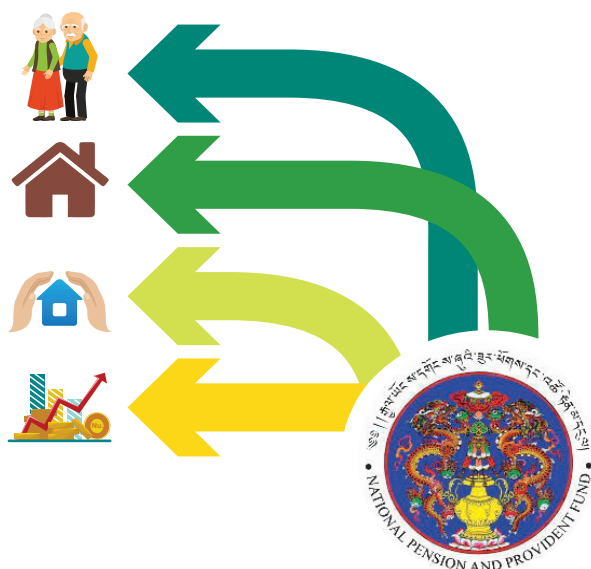
4. Integrity

- NPPF believes in having employees with honest and strong moral character

5. Accountability

- NPPF believes in having employees who are ethical and sincere

ABOUT NPPF



Apart from administering the Pension and Provident Fund Schemes, NPPF is also entrusted with the fiduciary duty of managing the fund, which entails making prudent investments of the accumulated funds of the members. Today, NPPF is one of the main sources of fund for most of the projects, entities and financial institutions, thus contributing greatly to the economic development of the country. As part of its investment portfolio, NPPF is one of the major investors in the real estate market with over 918 residential flats in major cities like Thimphu, Phuentsholing, Samdrup Jongkhar and Samtse.

The National Pension and Provident Fund (NPPF) was established in March 2000 to manage and administer the National Pension and Provident Fund Plan schemes with the objective to provide income to members upon retirement. The NPPF administers Pension and Provident Fund Schemes, which were introduced as mandatory savings scheme. The members of NPPF are civil servants, employees of state-owned enterprises, and the armed forces.

The members and their employer make contribution to the Pension and Provident Fund Scheme, and as per framework in place, the total contribution is split between the pension and provident fund accounts. For example, a civil servant contributes 11% from his monthly basic salary on which the Royal Government of Bhutan as employer contributes 15% of the monthly basic salary. Out of the total 26% contribution received, 16% is accumulated in the pension account, to be paid out as monthly pension while the remaining 10% is accumulated in the provident fund account, which will be paid out as a lumpsum amount on retirement.

In order to align with the national objectives and to ensure a secured retired life, NPPF encourage home ownership for our members through financial schemes to make home ownership attractive and affordable. NPPF also provide planning, design and advisory services at subsidized rate as part of our consolidated services to enable our members to own homes in the most convenient way.

NPPF is a growing organization with lot of opportunities as well as challenges. However, the board, management and employees of NPPF are committed to leading and reinventing the organizations, bringing innovation and services that will make meaningful differences in the lives of our members and society at large.

NPPF AT A GLANCE FOR FY 2018-2019



Total Membership as of
30th June, 2019

56,809



Pensioners and
other beneficiaries

7,038



Contributing Agencies

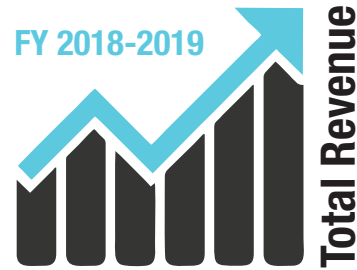
891

(Both Civil and Armed Forces)

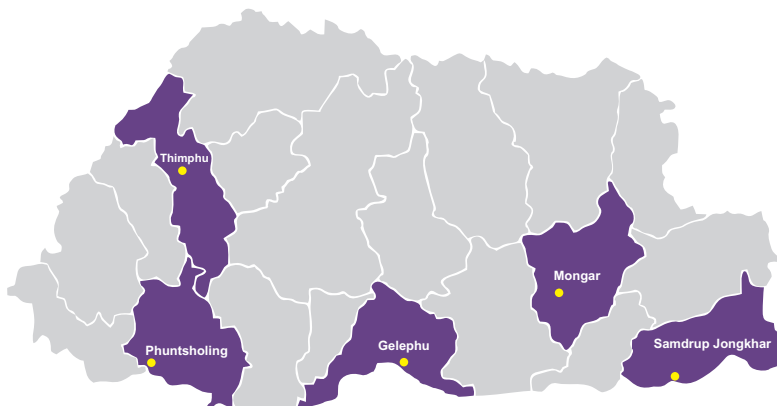
36,146.23 million



2,478.87 million



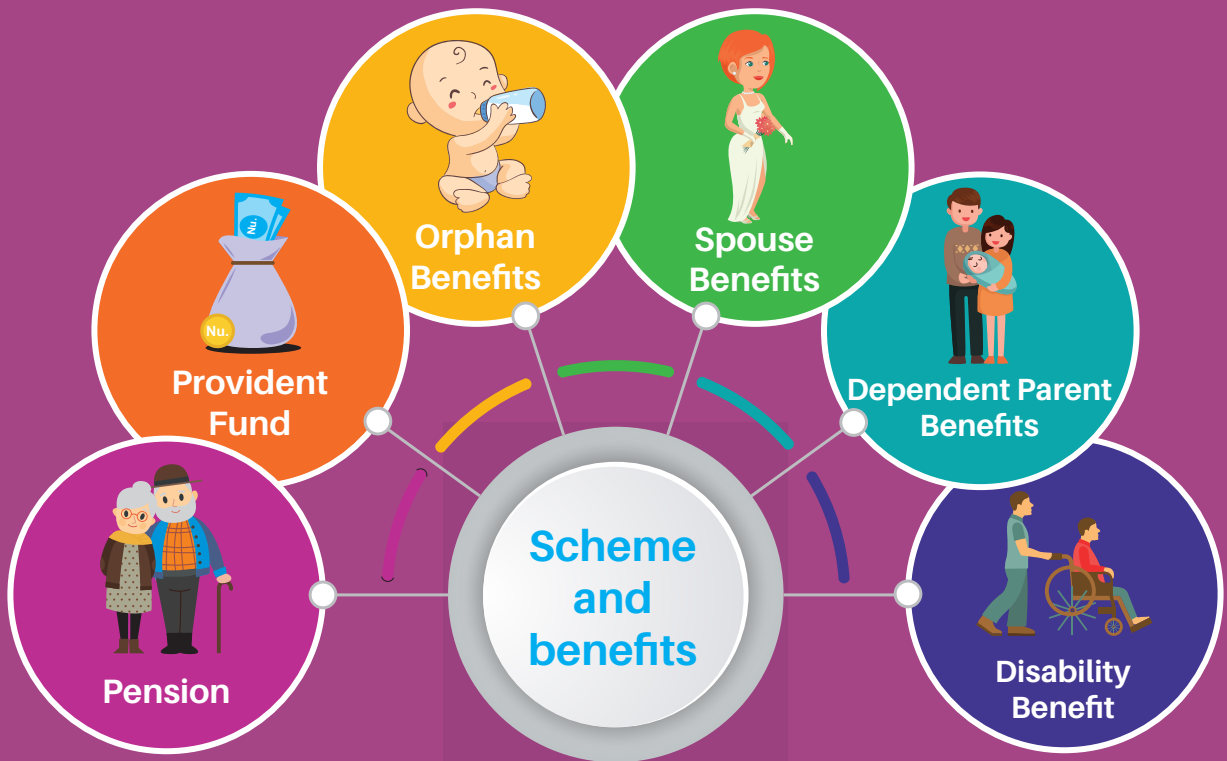
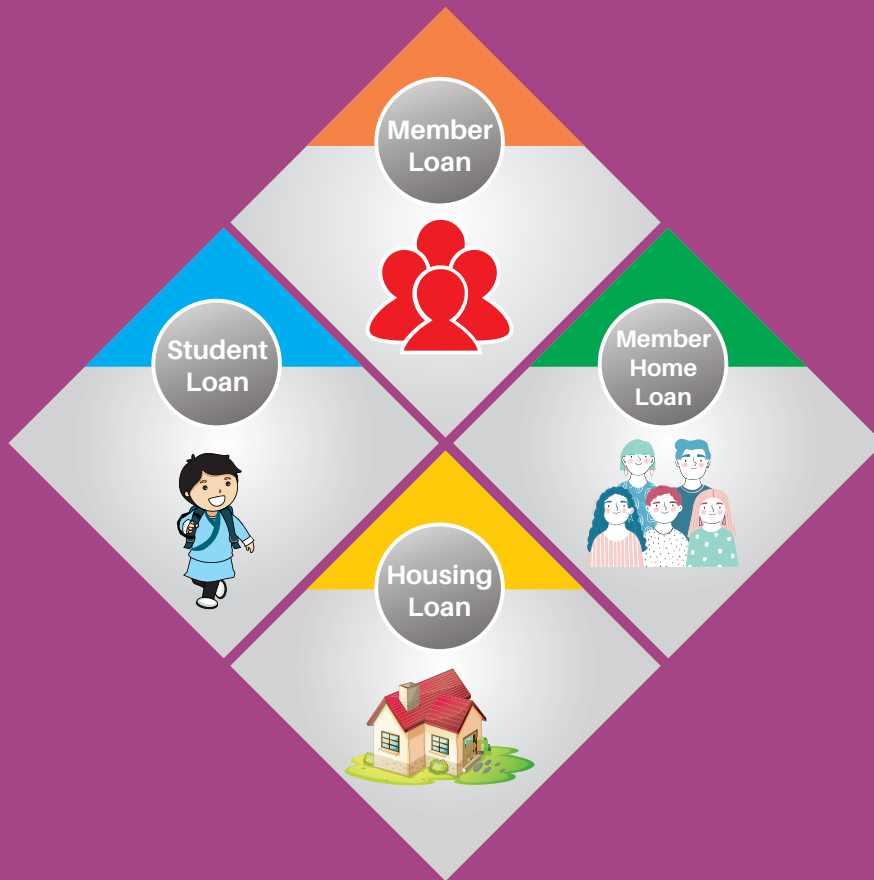
34,898.72 million



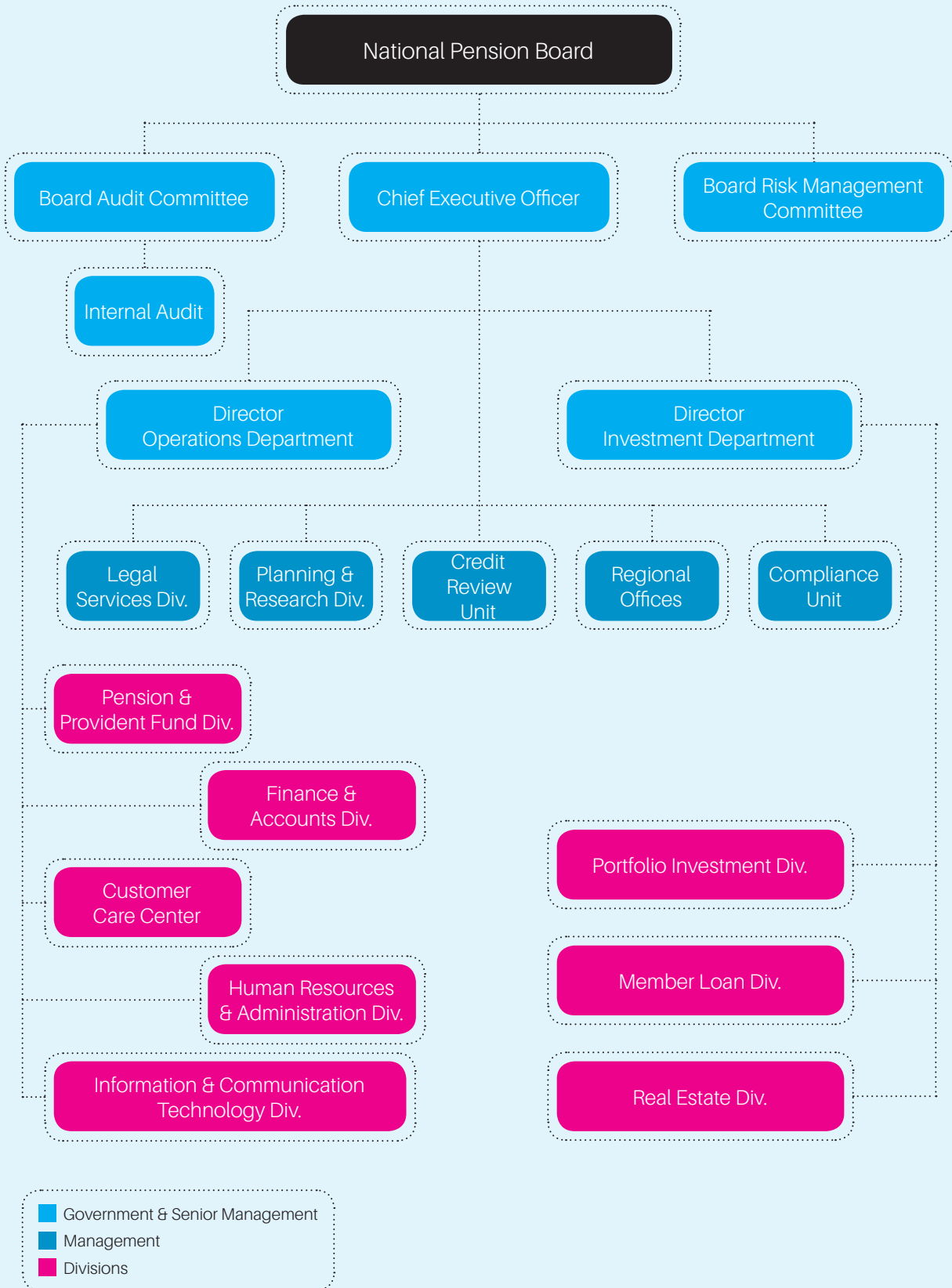
NPPF outreach

4 Regional Offices and Head
quarter based in Thimphu.

NPPF Retail Loan products



ORGANOGRAM



BOARD OF DIRECTORS



DASHO SONAM WANGCHUK

Chairman
Secretary, MoLHR



KESANG DEKI

Director
Commissioner, RCSC



COL. TSHERING NAMGYEL

Director
Royal Bhutan Army
Headquarter



YONTEN NAMGYEL

Director General
DoI, MoEA



UGYEN NAMGYAL

Director
CEO, Tangsibji Hydro
Energy Ltd.



PEMA R. RINCHEN

Director
Director, HOPE Project
His Majesty's Secretariat



DUNGTU DRUKPA

Member Secretary
Chief Executive Officer,
NPPF

MANAGEMENT STAFF



DUNGTU DRUKPA
Chief Executive Officer, NPPF

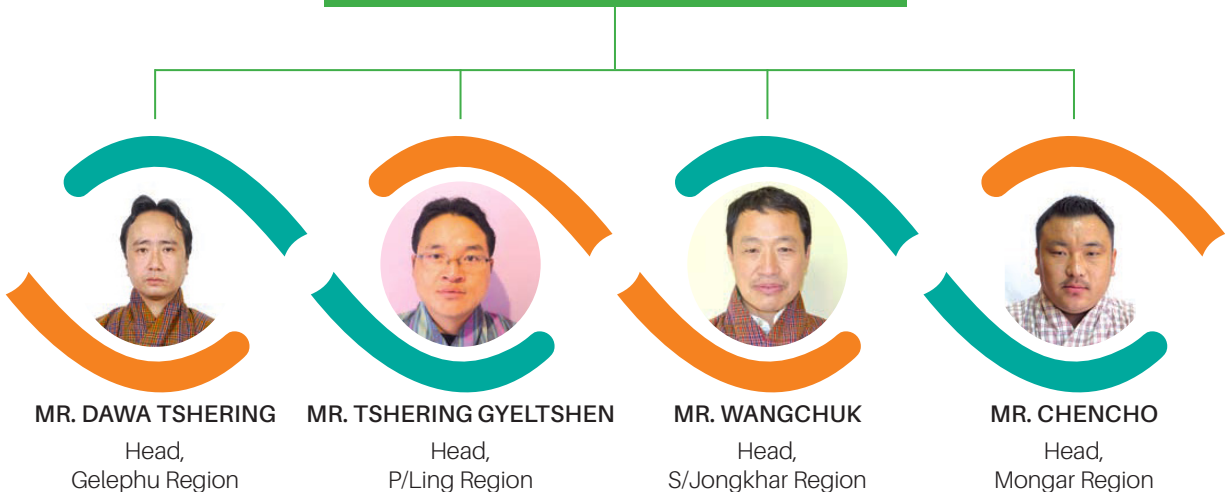


SONAM YESHEY
Director
Operations Department



LEKI WANGMO
Director
Investment Department

REGIONAL OFFICE



SENIOR MANAGEMENT



MR. TSHEWANG DORJI
Chief, Customer Care
Division



MR. PHUB DORJI
Chief, Finance &
Accounts Division



MR. TSHERING DORJI C
Chief, Pension & PF
Division



MR. KINZANG WANGDI
Chief, ICT Division



MR. DECHEN DORJI
Chief, Real
Estate Division



MS. KARMA YANGZOM
Acting Chief,
Internal Audit Division



MS. TSHERING OM
Acting Chief, Member
Loan Division



MR. TSHERING NAMGYAL
Acting Chief, HR &
Admin Division



MS. TSHOKI LHAMO
Acting Chief, Planning &
Research Division



MS. TSHERING LHAM
Acting Chief
Portfolio Investment Division



MS. NAMGAY CHODEN
Officiating Chief
Legal Services Division



MS. DEKI DRUKPA
Head Compliance/CRU



MS. KINGA DEMA
Company secretary



Chairman
National Pension Board

BOARD OF DIRECTOR'S REPORT

The National Pension Board takes immense pleasure in presenting its Annual Report for the Financial Year 2018-2019. The report highlights NPPF's achievements during the year.

On behalf of the board, I am pleased to report that NPPF had yet another successful year for which the board acknowledges the hard work put in by the management and employees throughout the year.

OPERATIONAL HIGHLIGHTS

During the year, NPPF recorded total membership of 56,809 as against 55,102 from the previous year registering 3.09% growth. The total members represent about 8.3% of the total population of the country.

Similarly, the number of pensioners and beneficiaries grew from 6,498 in 2017-2018 to 7,038 during the year. The dependency ratio of pensioners to contributing members reached at 12.38% during the year. The average age of the members was approximately 36 years and that of pensioners was 60 years.

Nu.2,755.49 million was received as contribution toward the pension and provident fund against Nu.2,447.49 million for the year, registering an increase of 12.5% from the previous year.

The pension payment, refund of provident fund increased by 17.6 % from the previous year. Nu.1,434.98 million was paid out as pension, provident fund and other benefits payments against Nu.1,220.12 million from the previous year.

FINANCIAL HIGHLIGHTS



During the year, NPPF has achieved a total revenue of Nu. 2,478.87 million.

Investment Portfolio also increased from Nu. 31,052 million in 2017-2018 to Nu. 34,898.72 million at cost.

NPPF's significance as a major source of funds in the economy has been growing steadily as it invests in numerous economic activities and projects. It has not only been contributing to socio-economic development of the country, but also been playing an active part in deepening the domestic capital market.

During the year, NPPF has disbursed around Nu.2,435 million to corporate clients and Nu.1,556 million retail loans to its members during the year. Loan to corporate entities during the year includes the financing for purchase of

new aircraft by Drukair Corporation Ltd, Druk Metallurgy Ltd., State Mining Corporation Ltd., State Trading Corporation Ltd., Thimphu Tech Park Ltd., Bhutan Hydropower Services Ltd., Tashi InfoComm Ltd., Natural Resources Development Corporation Ltd., Bhutan Ferro Alloys Ltd., and financing of Associated Transmission Systems (ATS) of Nickachhu Project under Druk Green Power Corporation Ltd.

NPPF also invested around Nu.250 million in DGPC's commercial paper series III and purchased right shares of Dungsam Cement Corporation Ltd., Dungsam Polymers Ltd. and T bank Ltd. worth of Nu.90.66 million during the year.

NPPF in accordance with the Five-Year Real Estate Investment is carrying out various construction projects, to contribute towards the national housing stock and space for office and other commercial undertakings. As on 30th June 2019, NPPF's total fund size has reached Nu. 36,146.22 million as against Nu. 32,518.14 million on 30th June 2018, registering an impressive growth of 11.15 %.

The total operating expenditure reduced to Nu. 168.75 million as compared to Nu.186.22 million in the previous year.

AUDIT REPORTS

M/S Dogar and Associates Chartered Accountants from New Delhi audited the transactions and activities of the NPPF. The National Pension Board is pleased to report that there were no major audit observations in the auditor's report on financial statements. NPPF has complied with all the critical observations made in the past years.



RATE OF RETURN

Generating a sustainable rate of return has always been one of NPPF'S priorities to ensure that the member's capitals are protected. Although generating a sustainable rate of return continues to remain challenging due to NPPF's conservative mandate and also lack of investment avenues, the NPPF had yet another good performance and as a result was able to declare a rate of return of 8.41% to all the members.

ENTERPRISE RISK MANAGEMENT (ERM)

The ERM of NPPF is structured along the three-line defense model in accordance with the industry's best practices and as per regulatory

requirements. The individual business units form the first line of defense while important regulatory functions like the Credit Review Unit, Compliance Unit and Risk Office forms the second line of defense. The Internal Audit Division with full independence and reporting authority to the Board Audit Committee forms the third and final defense line as far as the structure of risk management is concerned. NPPF has developed a comprehensive Enterprise Risk Management (ERM) system which not only indicates the risk areas, but also dictates mitigation plans for any risks to NPPF. So far, all the internal controls measure in place are deemed to be adequate as per the on-site inspection carried out by the Royal Monetary Authority and the audits carried out by the Royal Audit Authority and the Statutory Audits.

ACTUARIAL VALUATION AND PENSION SUSTAINABILITY

The National Pension Fund has been founded on unfunded Pay-as-you-go scheme and therefore, its sustainability is one of the greatest concerns for the board and management of NPPF. Since its establishment, the NPPF has engaged actuarial consultants and experts under several technical assistances (TA) of World Bank (WB) and Asian Development Bank (ADB) focusing on performing actuarial valuations and identifying areas of reform to maintain sustainability of the pension scheme as envisioned. In line with the past practice as well as to adhere to industry best practices, the NPPF has a framework by which actuarial valuation of the pension funds are carried out once in three years to analyze the situation and data for decision making. Accordingly, the actuarial valuation for the pension schemes were carried out in 2019 to determine the funding position of the Schemes and to make appropriate recommendations to address critical issues relating to sustainability.

For the Civil Pension scheme, the valuation reported an accrued past service liability of **Nu. 25,276 million** as against the accumulated plan assets of **Nu. 18,343 million**. This position represents a funding level of **72.6%** for the Scheme, leaving a funding deficit of 27.4% amounting to **Nu. 6,933 million**.

For the Armed Forces Pension Scheme, the valuation reported an accrued past service liability of **Nu. 12,436 million** as against the accumulated plan assets of Nu. 5,384 million representing a funding level of **43.3%** and leaving a funding deficit of close to 57% amounting to **Nu.7,052**

million. On an average, the two funds represent a funding level of close to 58%, leaving a deficit of over 42% amounting close to Nu. 14,000 million.

The unfunded liabilities of the pension schemes remain the greatest concern not only from the sustainability and the ability to meet the promised benefits to the future members, but also because of the risk that it imposes on the public finance.

Considering the sustainability issues, the actuarial valuation reports have recommended for parametric and systemic reforms to the pension schemes, such as increasing retirement age, segregation of assets separately between pension and provident funds as well as segregation among the two pension schemes (to avoid the issue of cross subsidization among funds), relooking at the pension design such as the pension formula etc.

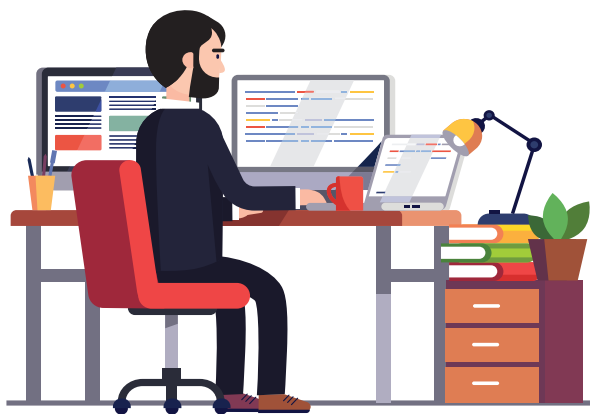
Accordingly, the management of NPPF has taken on board the recommendations made and have prioritized activities that needs to be undertaken in the annual work plan for the fiscal year 2019-2020 and forms part of the board-management annual compact.

REAL ESTATE DEVELOPMENT

In accordance with the Five-Year Real Estate Investment Plan developed, construction of two five-storied residential buildings comprising of 56 units was completed in Phuentsholing that provided additional housing stock to an area that faces acute housing shortages. These units were allotted to members based on their seniority in Provident Fund membership. Construction of two multi use buildings in Thimphu have started, which would accommodate a wide range of commercial activities such as offices, shops, restaurants and residential spaces. The constructions of commercial building in Norgay area in Phuentsholing and eight buildings consisting of 120 residential units in Gelephu would start in the next financial year, for which detailed designs have been completed and approval from regulatory authorities obtained. NPPF is also undertaking feasibility studies for the construction of residential buildings in Samdrup Jongkhar and replacement of some of the old residential buildings in Thimphu with seismically resilient buildings. All these developments in the real estate sector would not only help enhance the real estate portfolio of NPPF, but also help generate sustainable long- term returns on investments of the Fund.

HUMAN RESOURCES AND ICT

Recognizing that employees form the mainstay of the organization, NPPF has accorded highest priority in enhancing human resource development and capacity building through various training, workshops, seminars, field studies and knowledge exchange programs. Of the total budget allocated of Nu.12 million, 95% was utilized. A total of 143 employees were provided trainings inside the country and 44 employees outside the country in various fields. Despite the continued focus on capacity building, NPPF, like any other organization is challenged in recruiting and retaining key talents required for its operation. The application of ICT has enabled not only the automation of NPPF's processes, but also the transformation of operations and services, enabling improvements in the performance and service quality of NPPF. To keep pace with evolving technology and need of the organization, a new integrated ICT system is under implementation. The new system is expected to overhaul the business process and launch NPPF on the next stage of business efficiency and services



OTHER ACTIVITIES

In order to keep our members and stakeholders updated on the changes and new developments in NPPF, rigorous advocacy programs were carried out in different parts of the country. This year we covered 9 Dzongkhags namely, Paro, Haa, Zhemgang, Bumthang, Trongsa, Punakha, Wangduephodrang, Gasa and several ministries and schools in Thimphu.

Apart from that, it is important for NPPF to retain and leverage its existing customers, as well as reach out, attract new customers, provide convenience and accessibility to our members so that they can experience the benefits of being NPPF members. In view of this, NPPF carried out extensive studies on business networking with allied organizations.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

NPPF, in partnership with RICBL, initiated Lotedh Scheme as a Corporate Social Responsibility to promote social values and culture with the primary objective to provide financial support (semso) to immediate family members during demise of the Lotedh Scheme member to meet the funeral expenses. During the year, 28 family members benefited from the scheme. Currently, there are 1,311 Lotedh Scheme members. It is managed by Lotedh Scheme Trustees comprising of representatives from pensioners who worked as civil servants and in the armed forces. Currently Mr. Nima Wangdi, former Health Secretary is the Chairman of the Lotedh Scheme. NPPF provides secretarial services to Lotedh Scheme Trustees.

CORPORATE GOVERNANCE

The NPPF in adherence to the Royal Monetary Authority's Corporate Governance Rules and Regulations, 2018, is in compliance with the provisions of the rules and regulations. The NPPF has fully implemented all the directives of the Board. The Board Human Resource Committee, Board Audit Committee, Board Tender and Procurement Committee and Board Risk Management Committee held meetings as and when required.

The Board members of NPPF are appointed by the Ministry of Finance, which comprises of 7 board directors including the Chief Executive Officer.

In order to ensure good governance, the functioning of the Board is supported by the following Board Committees as per the corporate governance rules and regulations:

- Board Human Resource Committee
- Board Audit Committee
- Board Tender and Procurement Committee
- Board Risk Management Committee

THE DETAILS OF BOARD SITTINGS ARE REFLECTED AS FOLLOWS:

1. Board Meetings

Sl. No	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies
1	Mr. Sonam Wangchuk	Chairman	Secretary, MoLHR	8	PCAL
2	Ms. Kesang Deki	Director	Commissioner, RCSC	5	---
3	Mr. Yonten Namgyel	Director	DG, DOI, MoEA	8	AWP & Dungsam Polymers Ltd.
4	Mr. Ugyen Namgyal	Independent Director	CEO, THyE	7	BHSL & THyE
5	Mr. Pema R Rinchen	Director	Director, HOPE, HM's Secretariat	7	NHDCL
6	Col. Tshering Namgyel	Director	Royal Bhutan Army	6	---
7	Mr. Dungtu Drukpa	Director	CEO, NPPF	8	NHDCL, DHPC, AASBB,

2. Board Audit Committee Meetings

Sl No	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies
1	Mr. Ugyen Namgyal	Chairperson	CEO, THyE	4	BHSL & THyE
2	Col. Tshering Namgyel	Member	Colonel, RBA	3	---
3	Mr. Yonten Namgyel	Member	Director General, DOI, MoEA	1	AWP & Dungsam Polymers Ltd.
4	Ms. karma Y Tshering	Member Secretary	Acting Chief, IAD NPPF	4	---

3. Board Human Resource Committee Meetings

Sl No	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies
1	Ms. Kesang Deki	Chairperson	Commissioner, RCSC	2	
2	Mr. Yonten Namgyel	Member	Director General, DoI, MoEA	3	AWP & Dungsam Polymers Ltd.
3	Mr. Ugyen Namgyal	Member	CEO, THyE	1	BHSL & THyE

4	Mr. Pema R Rinchen	Member	Director, HOPE Project	1	NHDCL
5	Mr. Dungtu Drukpa	Member	CEO, NPPF	2	NHDCL, DHPC, AASBB,
6	Ms. Kinga Dema	Member Secretary	Company Secretary, NPPF	2	
7	Mr. Tshering Namgyal	Member Secretary	Acting Chief, HRAD, NPPF	2	

4. Board Tender and Procurement Committee Meetings

Sl No	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies
1	Mr. Yonten Namgyel	Chairperson	Director General, DoI, MoEA	5	AWP & Dungsam Polymers Ltd.
2	Mr. Pema R. Rinchen	Member	Director, HOPE Project	5	NHDCL
3	Mr. Dungtu Dukpa	Member	CEO, NPPF	5	NHDCL, DHPC, AASBB,
4	Mr. Sonam Yeshey	Member Secretary,	Operations Director, NPPF	5	FITI

5. Board Risk Management Committee Meetings

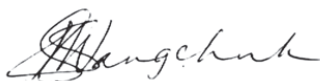
Sl No	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies
1	Mr. Pema R. Rinchen	Chairperson	Director, HOPE Project	2	NHDCL
2	Aum Kesang Deki	Member	Commissioner, RCSC	1	---
3	Mr. Dungtu Dukpa	Member	CEO, NPPF	2	NHDCL, DHPC, AASBB,
4	Mrs. Leki Wangmo	Member Secretary	Investment Director, NPPF	2	
5	Ugyen Namgyal	Member	CEO, THyE		

ACKNOWLEDGEMENT

The National Pension Board acknowledges Ministry of Finance, Royal Monetary Authority and all other stakeholders for their continued support.

Also, on behalf of the Board of Directors and the management, I would like to express our gratitude and acknowledge the contributions made as a Board Director by Aum Kesang Deki, Commissioner, RCSC. Her invaluable contributions enriched the wisdom of the National Pension Board beyond measure.

We would also like to welcome Mr. Ugyen Namgyal, CEO, Tangsibji Hydro Energy Ltd. as the new Board member. We hope to gain from his wide array of knowledge and experiences.



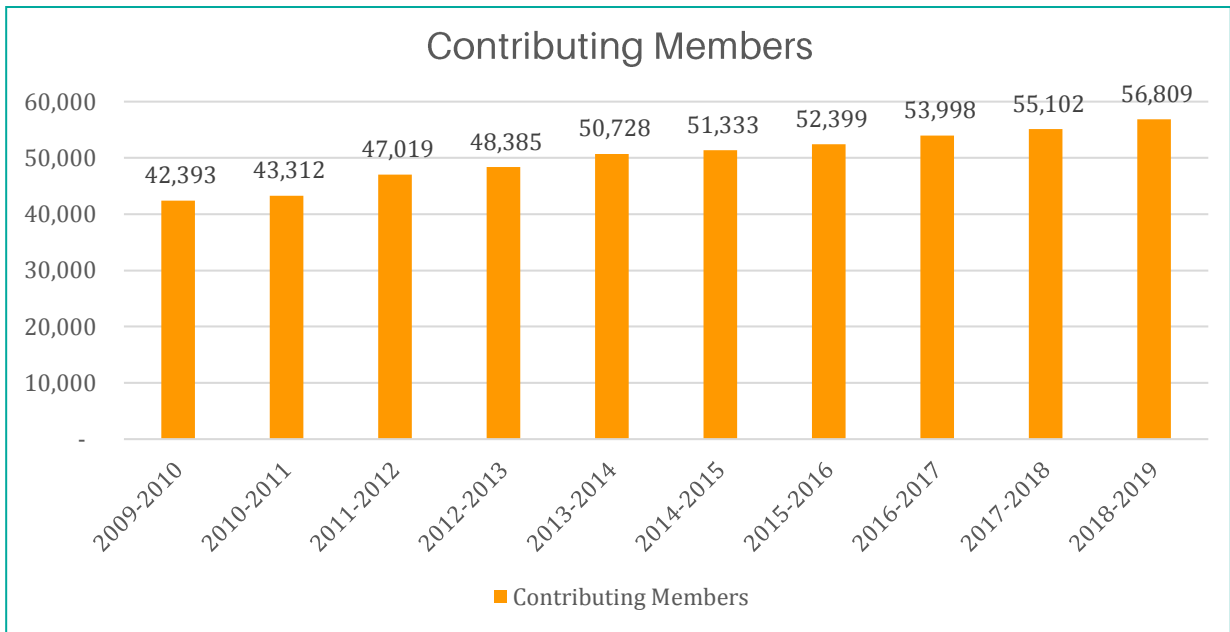
Sonam Wangchuk

Chairman

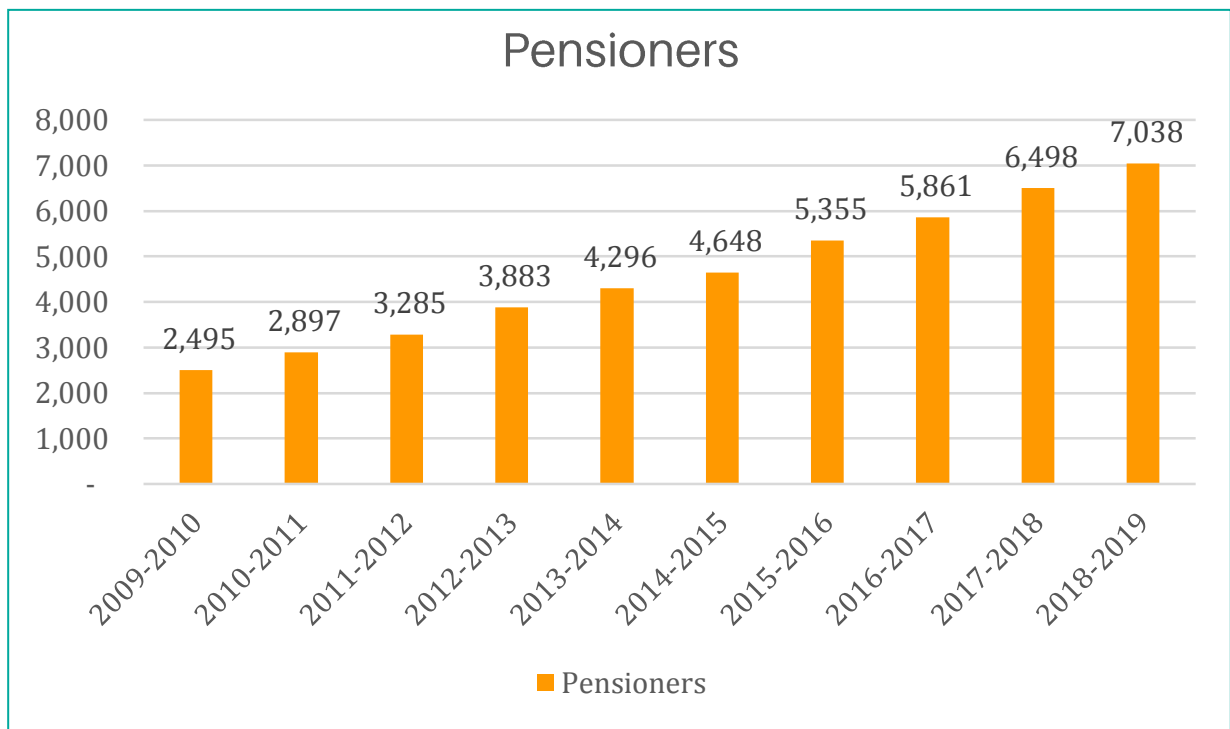
National Pension Board

NPPF IN NUMBERS FOR PAST 10 YEARS

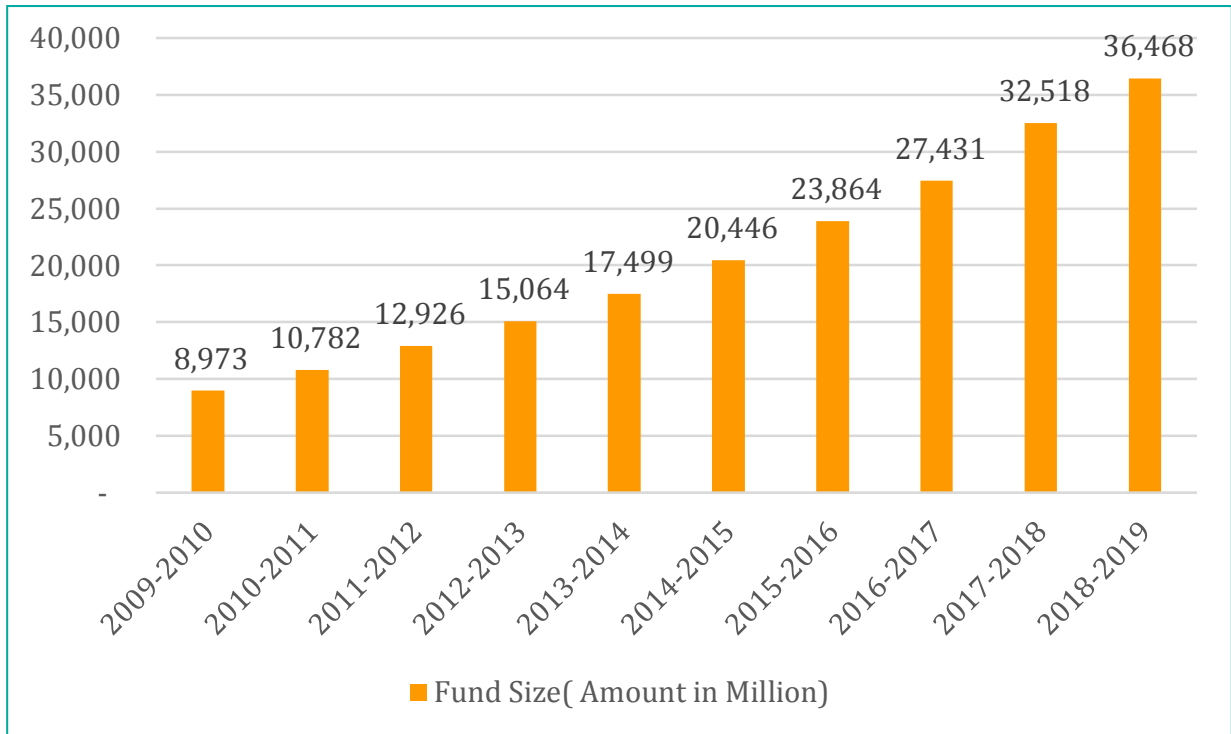
1. No of members



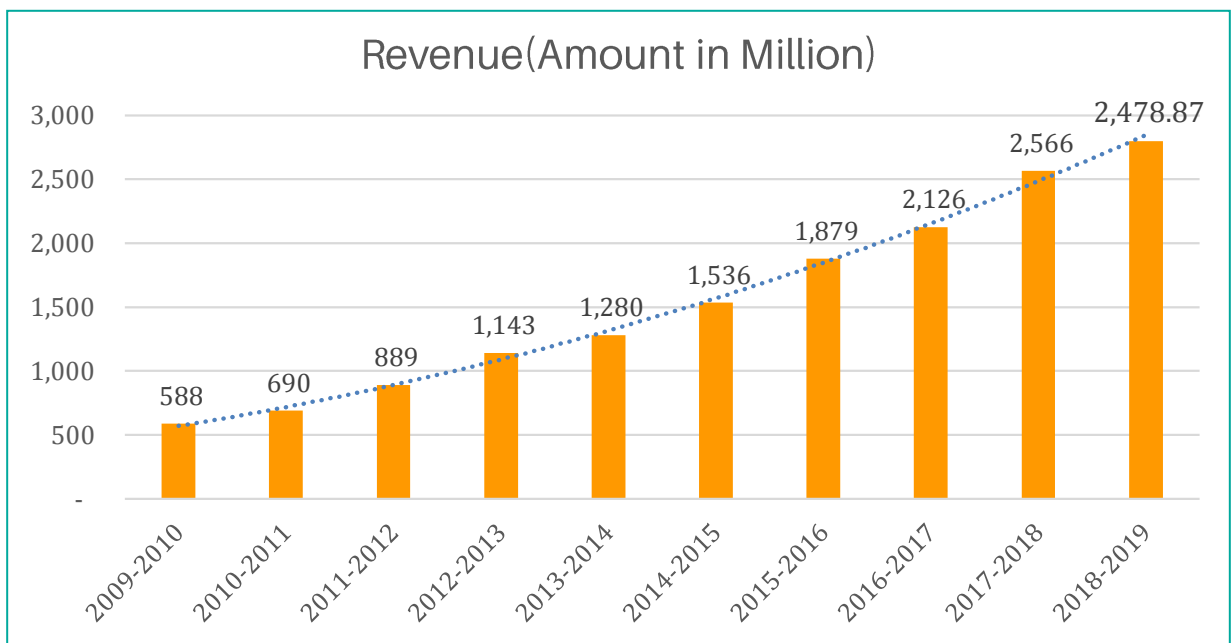
2. No. of Pensioners



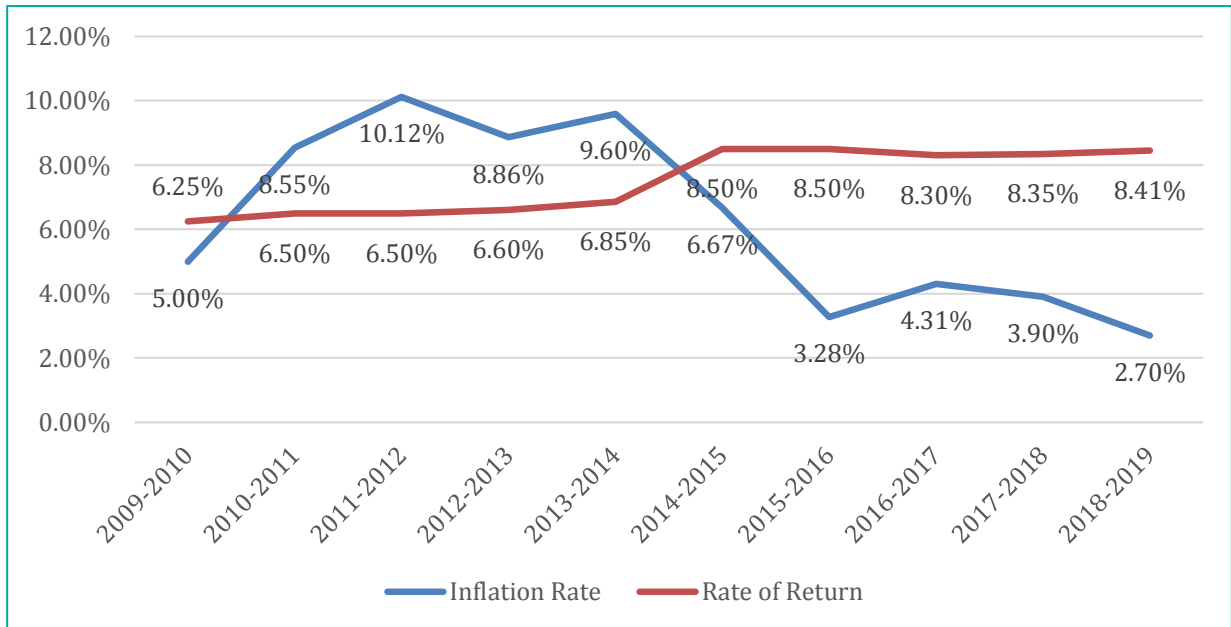
3. Fund Size



4. Revenue

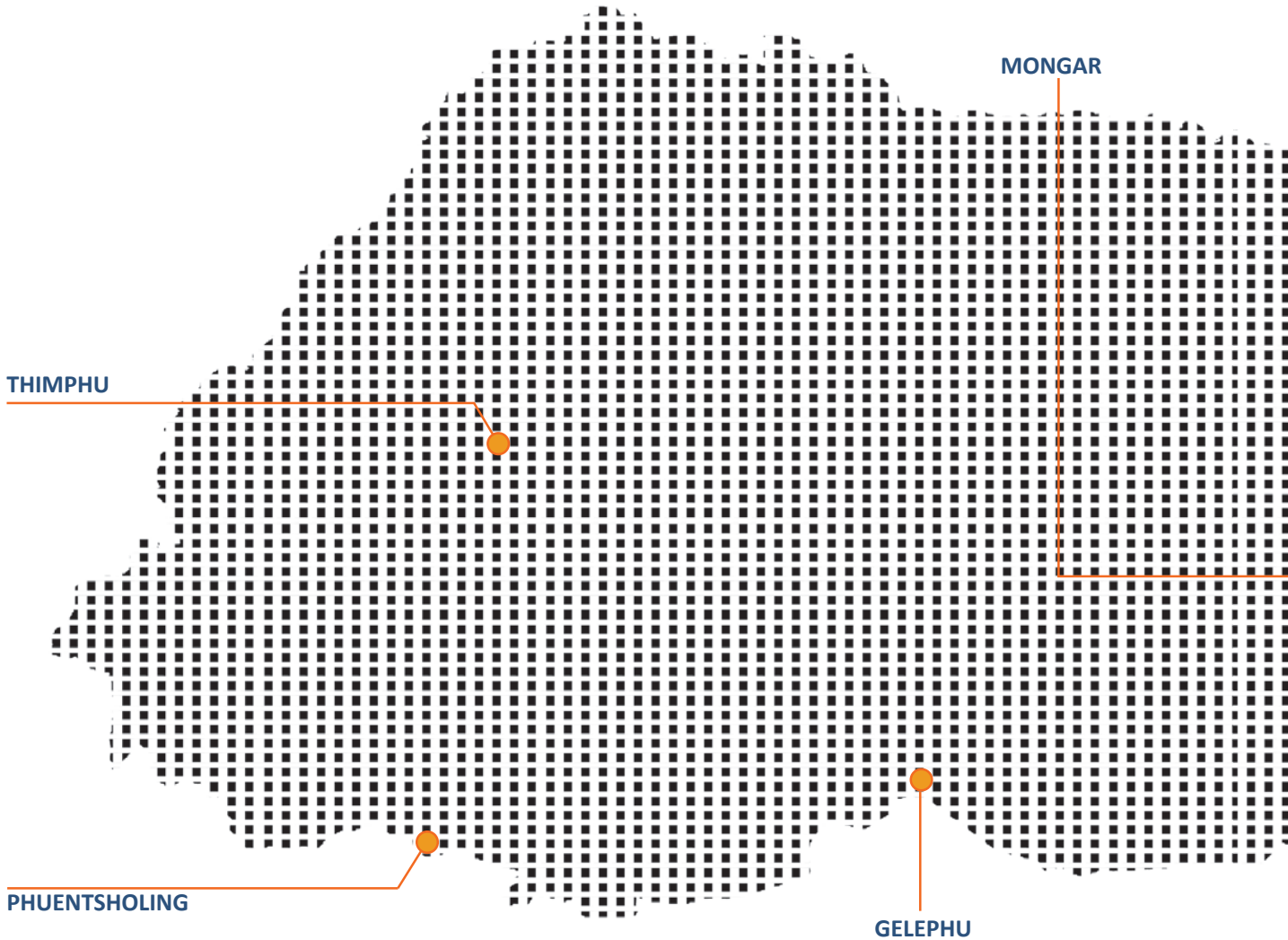


5. Rate of return against inflation rate



NPPF AND THE WORLD

NETWORKING BEYOND BORDERS



Extension of services and benefits through the Regional Offices

THIMPHU REGION

1. Paro
2. Gasa
3. Wangduephodrang
4. Punakha
5. Haa

PHUENTSHOLING REGION

1. Chhukha
2. Samtse
3. Dorokha
4. Sipsoo



THE WORLD BANK



ISSA, GENEVA



SOCIAL SECURITY OFFICE, THAILAND



MPAO, THE MALDIVES



ADFIAP, THE PHILIPPINES



ADB, THE PHILIPPINES

Government Pension Fund
Bangkok, Thailand



SAMDRUP JONGKHAR

in all 20 districts of Bhutan

MONGAR REGION

1. Trashigang
2. Lhuntse
3. Trashiyangtse
4. Mongar

GELEPHU REGION

1. Tsirang
2. Sarpang
3. Dagana
4. Zhemgang
5. Bumthang
6. Trongsa

SAMDRUPJONGKHAR REGION

1. Pemagatshel
2. Wamrong
3. Thrimshing

FINANCIAL STATEMENTS

Approval of the Financial Statements

The Board Audit Committee (BAC) reviewed the Financial Statements for the financial year ended 30th June 2019 during its 31st meeting held on 15th October 2019, prepared in compliance with the Bhutanese Accounting Standards wherever applicable.

Based on the above, the National Pension Board (NPB) approved the Financial Statements during its 113th meeting held on 16th October 2019.

The NPB during the meeting declared return of 8.41% (previous year 8.35%) to the members.

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

DOOGAR & ASSOCIATES

CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF NATIONAL PENSION & PROVIDENT FUND,
THIMPU, BHUTAN

Opinion

We have audited the financial statements of **NATIONAL PENSION AND PROVIDENT FUND ("the Fund")**, which comprise statement of financial position as at 30th June 2019, and the statement of comprehensive income, statement of changes in reserve and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30th June, 2019 and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Emphasis of Matter

Attention is drawn to following:

1. As per the Prudential Regulations 2017, issued by the Royal Monetary Authority per Section 5 "**Regulations on Liquidity Management**" Sub Section 5.4.2 Statutory Liquidity Requirement Ratio, Non-Bank Financial Institution shall, at all times, maintain minimum liquidity in the form of quick assets, in a ratio of not less than 10 percent of total liabilities excluding capital fund and liabilities to the RMA.

As explained to us the NPPF is specifically exempted to maintain the above mentioned required SLR only if they categorized their assets separately for Defined Benefit and Defined Contribution which is not being done and the policy for the said segregation is pending to be submitted with the Regulatory Authority.

2. The National Land Commission (NLC) upon assessment of Government land allotment granted in 1985 are not eligible for any registration of ownership as per their letter dated 2nd July 2019.

On the date of reporting, NPPF has 39.54 acres of land in different parts of the country. Based on the land certificate issued by National Land Commission, 25.40 acres of land held by NPPF is categorized as "Use Right Certificate/Land Use Certificate"

As of 30th June 2019, the cost of land including land development under Use Right Certificate/Land Use Certificate is Nu. 19.81 million (Fair value Nu. 2,638.61 million). The NPPF has landed property worth of Nu. 600.21 million in book value (fair value Nu. 1,021.48 million) including NPPF Corporate Office (Book value Nu.139 million) categorized under Property plant and equipment constructed on the Use Right Certificate/Land Use Certificate will be de-recognised from the Statement

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of Financial Position which will have serious and cascading effects on the strength of the Statement of Financial Position and many financial ratios (including funding ratio) and growth of the NPPF in the coming year.

As explained by the Management, the NPPF is not contesting the above said NLC ruling and it has addressed their concern through Ministry of Finance (MoF), Royal Government of Bhutan as per MoF letter dated 5 August, 2019. The NLC is studying the concern raised by the MoF. No adjustment has been made in the books of accounts, pending final outcome.

3. The NPPF is required to follow BAS 26 "Accounting and Reporting by Retirement Benefit Plans" from financial year 2017-18 onwards. However, the NPPF has deferred application of BAS-26 for want of clarifications from the Ministry of Finance, Royal Government of Bhutan, while preparing their financial statement for current year. This has resulted into non-compliance with the prescribed financial reporting standards (Refer Note 2(i) of financial statement).
4. The NPPF has implemented BFRS 9 (Financial instruments) starting 2017-18. The standard requires that all assets carried at amortized cost should be valued using EIR (Effective Interest Rate) method. However, the fund has not applied the EIR method on housing loan granted to borrowers other than the employee of the organization (Refer Note 2(i) of financial statement).

Our opinion is not modified in respect of these matters.

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

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

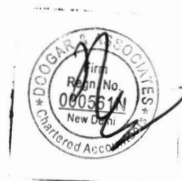
In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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financial statements.

As part of an Audit in accordance with ISA's, we exercise professional judgment and maintained professional skepticism throughout the audit. We also:

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

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

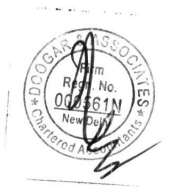
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

We report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Fund so far as it appears from our examination of the books.

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DOOGAR & ASSOCIATES

CHARTERED ACCOUNTANTS

- c) The statement of financial position, the statement of comprehensive income, the statement of changes in reserve and the statement of cash flows dealt with by this report have been prepared in accordance with Bhutanese Accounting Standards and other applicable laws and regulations, and are in agreement with the books of accounts.
- d) We give in "Annexure A" the minimum audit examination and reporting requirement.
- e) In our opinion, the Fund has complied with all the other applicable laws and regulations.

For Doogar & Associates
Chartered Accountants
FRN 000561N




MUKESH GOYAL

Partner

Membership No. 081810

UDIN: 20081810AAAAAB53824

Place: New Delhi

Date: 18th February, 2020

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REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

NATIONAL PENSION AND PROVIDENT FUND (NPPF)

THIMPU- BHUTAN

Annexure "A" as referred to under "Other Legal and Regulatory Requirements" of our report of even date for the year 2018-2019

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

1. **STATUS OF NPPF:**

The Status of NPPF has been categorized as Autonomous Public Organization and it is Non- profit organization of its own.

2. **INTERNAL CONTROL:**

2.1 In our opinion, NPPF requires to strengthen in certain divisions internal controls and to ensure maker checker concept is followed so as to further ensure completeness, accuracy and reliability of accounting records, carrying out the operation in an orderly and efficient manner, to safeguard the assets of NPPF as well as to ensure adherence to rules/regulation and system procedures.

2.2 In our opinion there is a system of competitive bidding for items for value Nu. 100,000 and above for procurement of goods & services and Nu. 200,000 and above in respect of work and services, commensurate with size and the nature of its operation for purchase of goods and services including stationary, fixed assets, computers, equipment and other assets.

2.3 During the course of our examination of the books of account carried out in accordance with the Generally Accepted Auditing Practices, we have not come across any personal expenses (other than contractual obligations) which have been charged to Statement of Comprehensive Income, nor have we been informed if any such case by the management.

2.4 In our opinion NPPF has reasonable system of recording receipts and issues of consumable stores commensurate with its size and the nature of its operations.

2.5 There is a separate Internal Audit Cell supervised by the Audit Committee of the Board. They function in line with the role and responsibilities as defined by the Internal Audit Charter. In our opinion the Internal Audit Cell needs to be strengthened and has to increase the scope of the audit and ensure that adherence of Standard and Operating Procedures and Policies approved by the Board of a particular division are followed. We have not found in many of their Internal Audit reports, Division/Unit Head/Chief comments on their observations. There are certain memos which are being followed up and not complied as at 30 June, 2019, therefore observations by Internal Audit Cell needs to be taken on priority and seriously to resolve the issues raised. We also suggest that the Risk Level of the observations should be categorized

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CONTINUATION SHEET.....

into (i) High Risk (ii) Medium Risk (iii) Low Risk as per the sensitivity of the rules, regulations and policies to be followed by NPPF.

3. LIQUID RESOURCES

In our opinion, the management of liquid resources particularly cash, bank and short term deposits etc. are adequate and that excessive amounts were not generally lying idle in non-interest bearing accounts except where in certain situations the Banks are having excess funds, they negotiate with the NPPF for the interest and period.

4. FIXED ASSETS

4.1 None of fixed assets have been revalued during the year.

4.2 As explained by the Management, the Insurance coverage is only taken up for the Buildings and not for other fixed assets i.e. Diesel Generator, Road Network, Retention Wall, Computer and accessories, High end Server, Other Office Equipment, Furniture, Communication Equipment which is a cause of concern (Refer note to financial statements 11 & 12).

4.3 As per the Accounting Policy capital grant received are recognized as deferred income which is credited in the Statement of Comprehensive Income over the expected useful life of the asset on a basis consistent with the depreciation policy.

4.4 The NPPF has lands in Bhutan, Samtse measuring 10.37 and 199.68 decimals, Gelephu lands measuring 25, 103, 16, and 88 decimals, National Land Commission had decided to issue Land Use Certificate/Use Right Certificate as these lands were allotted in 1985 together with lands in Thimphu and Phuentsholing, which were also issued LUC/URC certificates. For the 240 decimals land in Paro and 754 decimals land in Bumthang, due to some problems with the land holdings and precinct planning respectively, these lands are yet to be transacted.

4.5 Management has shared physical verification Report of Movable Assets and certain fixed assets only. We suggest that the NPPF should have the phase wise physical verification program to cover the entire fixed assets over a period to be decided by the Board.

4.6 We found the lack of coordination between Administration Division where the fixed assets were disposed off and auction till 30 June, 2018 but was accounted in this financial year 2018-19 after Auditor requested for confirmation of the IT assets and equipment from the Fixed Asset Register. Those pertaining to previous year disposal Gross Block were amounting to Nu. 4,727,970 and Accumulated Depreciation Nu. 4,562,036.



5. **INVESTMENTS**

5.1 Decisions regarding investments were made with the approval of the National Pension Board or on the basis of authority delegated by the Board.

5.2 During the year the NPPF has increased its investment in equity shares by 906,400 shares, by subscribing the right shares allotted by the investee company at Nu. 100 and the fair valuation of equity investments as at June 30, 2019 is Nu. 47.72 (previous year Nu. 39.72).

6. **LOANS AND ADVANCES.**

Advance given for Nu. 30.79 million during the year 2015 for the purchase of land for which ownership has not yet been transferred in favor of NPPF due to freezing of land transaction.

7. **INTERESTED PARTIES:**

We observe that housing/education loans, remuneration and sitting fees are given to the members of the National Pension Board, other Committees and their relatives are at prevailing rate of Interest and reported in Note 37 of the Financial Statement.

8. **STATUTORY DUES**

8.1 According to records of NPPF, Provident Fund, Health Contribution, and GIS dues of the NPPF have regularly deposited during the year with the appropriate authorities except in the month of July, 2018, there was a delay in the payment of Health contribution.

8.2 The NPPF has investments in Fixed Deposits as at 30th June, 2019 amounting to Nu. 24,618,912 (including interest accrued) which is currently allocated for Gratuity but can also be used for other purpose and the management has not considered in fair value of plan assets for Gratuity valuation from Actuarial.

8.3 Gratuity Liability of Nu. 22,689,950 as at 30th June 2019 (previous year Nu. 14,330,003) is currently less than the corresponding amount of Investment in fixed deposits of Nu. 24,618,912.

8.4 Tax deducted at sources from Salary, Pension and Contractors has been regularly deposited to the appropriate authority except in the month of July and September, 2018, where there were delays in the payment of TDS.

9. **RATES, TAXES AND OTHERS:**

There were no amounts due in respect of undisputed rates and other statutory dues, which have not been deposited with the appropriate authorities within the stipulated date.

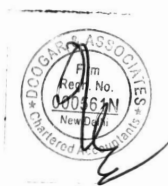


DOOGAR & ASSOCIATES

CHARTERED ACCOUNTANTS

10. MANAGEMENT

- 10.1 According to the information and explanations given and the records examined by us, in our opinion, activities carried out by the NPPF during the year were lawful and within the Rules and Regulations of the Fund, however, certain matters such as maintenance of Statutory Liquidity Ratio (SLR) and certain issues on lands with National Land Commission (NLC) are in discussion with Royal Monetary Authority and Ministry of Finance.
- 10.2 NPPF owns and let-out flats to its members. As explained by the Management, prevailing market rates are considered for fixation of rents, in respect of Members, we have not seen the record of maintenance of prevailing market rate for the verification of the same and the same has been relied upon by us.
- 10.3 NPPF has an established and effective budgetary control system. We suggest that the budget variance report should have remarks of the Division/Unit Head and reason for the variances shall be documented.
- 10.4 NPPF has maintained adequate documents and records for granting Loans and Advances. We suggest that the NPPF should have Central Registry for the documents and records.
- 10.5 NPPF has timely maintained records in case of transactions in the matter of trading in shares, securities and other investments. We suggest that the NPPF should have a defined comprehensive format for the master details of each category of the Investments.
- 10.6 NPPF has maintained reasonable records for funds collected from members and for returns credited and payments made to members. We suggest that the NPPF should further strengthen the internal controls in the Pension and Provident Fund division.
- 10.7 The details of remuneration and other payments made in cash or kind to the Chief Executive Officer have been disclosed in Key Management Personnel (KMP) in Note 37 of the notes to the financial statements.
- 10.8 As explained by the Management, in our opinion, mostly all the directives of the Board have been complied during the year except the followings which remain pending as at 30 June, 2019:
- (i) Treatment of the lapsed fund transfer.
 - (ii) Recognition of the backdated surplus – awaiting for the reply from AASB, Bhutan.
 - (iii) Information and Communication Technology Division -ICT Policies and Guidelines dated 22 January, 2019 are stated to be under implementation process.
 - (iv) Development of Enterprise Risk Management Program for NPPF has been assigned to the consultant.
- 10.9 We are neither aware, if the officials of the Fund have transmitted any price sensitive information to their relatives/friends/associates or close persons which would directly or indirectly benefited themselves and prejudicial to the interest of the Fund nor we have been informed of any such case by the management.



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CONTINUATION SHEET.....

DOOGAR & ASSOCIATES

CHARTERED ACCOUNTANTS

11. COMPUTERISED ACCOUNTING ENVIRONMENTS.

11.1 NPPF has installed Ascend Banking System (ABS) in Finance and Accounts Division and Member Loan Division it is in full-fledged operation. In our opinion, the organization's system development controls and other internal controls needs further strengthening taking into account the size and nature of NPPF operations. Mostly each division for their functions has an independent ERP also and post entries for accounting in ABS ERP.

All the functions of the Portfolio and Investment are done manually and No ERP is implemented in one of the critical division of NPPF. ABS were not set up to suit varying terms and condition of Corporate Loan agreements, particularly in respect of charging interest in terms of monthly rest, quarterly rest, half yearly rest and yearly rest etc. Even Interest on loans to Corporate and Commercial loans are computed manually.

11.2 We have been informed that NPPF transfers daily back up data at Data Centre at IT Park, Thimphu and Disaster Recovery at Phuentsholing. We observed that no back up of the Laptops provided to the staff and no control and monitoring on the working of the Laptops.

11.3 Operational controls needs further strengthening to ensure correctness and validity of input data and output information. Specifically we suggest in Member Loan Division and Pension and Provident Fund Division.

11.4 There are adequate preventive measures against unauthorized access over computer installation and files. We suggest that the ICT division shall conduct surprise checks on the Computers and the Laptops. No pen drive/external storage devices access should be there and ensure that certain limit of the data can only be shared on e-mails and weekly/monthly monitoring of the e-mails by the ICT Division should be there. We also suggest that system audit be introduced in the ICT Division.

11.5 In our opinion, the Management should take adequate steps to maintain the data security of the NPPF and ensure it by regular checks, as the NPPF data is very sensitive, private and confidential.

For Doogar & Associates
Chartered Accountants
FRN 000561N



MUKESH GOYAL
Partner
Membership No. 081810
UDIN : 20081810AAAABS3824

Place: New Delhi
Date: 18th February, 2020

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CONTINUATION SHEET.....

Statement of Financial Position as at 30th June 2019

Particulars	Note	30-Jun-19	30-Jun-18
Assets			
Cash and cash equivalents	4	356,234,889	546,907,673
Trade receivables	5	6,214,626	7,056,259
Term deposits	6	14,341,621,949	11,379,618,764
Investments in bonds and commercial papers	7	4,069,132,481	4,406,821,100
Loans	8	13,499,784,430	12,190,581,280
Investments in equity shares	9	3,068,385,762	3,216,098,180
Inventories	10	1,001,845	642,396
Investment property	11	605,119,674	568,039,820
Property plant and equipment	12	168,518,327	180,365,244
Intangible assets	13	7,644,817	4,821,569
Other receivables	5	1,352,110	835,977
Other assets	14	21,215,408	16,349,127
Total Assets		36,146,226,318	32,518,137,387
Liabilities			
Trade and other payables	15	121,812,491	129,678,673
Other liabilities	16	38,278	341,698
Employee benefit obligations	17	29,795,142	20,467,048
Grant liability		2,861,873	3,815,830
Lapsed fund	18	9,214,442	9,620,242
Reserve		1,510,452,585	1,782,756,390
Net Member's Defined Contribution(DC) plan	19	6,882,385,762	6,260,183,514
Net returns credited to Member's DC plan	20	4,426,432,694	3,784,398,038
Net Member's Defined Benefit (DB) plan	21	23,163,233,051	20,526,875,955
Total liabilities		36,146,226,318	32,518,137,387

For Doogar & Associates
FRN 000561N
Chartered Accountants



Mukesh Goyal
Partner

Membership No. 08180

Place: New Delhi

Dated: 18th Feb, 2020



Phub Dorji
Chief, F&A Division



Dungtu Drukpa
Chief Executive Officer



Sonam Wangchuk
Chairperson

Statement of Comprehensive Income for the year ended 30th June 2019

Particulars	Note	30-Jun-19	30-Jun-18
Income			
Income from term deposits	22	1,035,944,176	935,577,101
Income from loans	23	1,120,723,074	926,343,227
Income from bonds	24	396,599,444	401,087,784
Rental income	25	63,092,788	58,310,104
Dividend income	26	95,243,375	147,258,182
Other income/(loss)	27	(232,724,459)	97,639,263
Total Income		2,478,878,398	2,566,215,661
Operating expenses			
DC management expenses	28b	37,401,126	34,280,492
DB management expenses	28b	75,864,119	66,419,086
Depreciation	11&12	28,199,993	24,630,636
Amortization of intangible assets	13	2,358,288	2,489,788
Provisions for loans as per the RMA PR	29	24,927,805	58,401,977
Total operating expenses		168,751,331	186,221,980
Surplus for the year		2,310,127,067	2,379,993,682
Other Comprehensive Income			
Remeasurements of post-employment benefit obligations	30abc	-	
DC		(2,252,861)	1,631,505
DB		(4,603,895)	3,334,107
Total Other Comprehensive Income		(6,856,756)	4,965,612
Total Comprehensive Income for the year		2,303,270,311	2,384,959,294

For Doogar & Associates
FRN 000561N
Chartered Accountants



Mukesh Goyal
Partner

Membership No. 08180

Place: New Delhi

Dated: 18th Feb, 2020



Phub Dorji
Chief, F&A Division



Dzunga Drukpa
Chief Executive Officer



Sonam Wangchuk
Chairperson

Statement of Cash Flows for the year ended 30th June 2019


Particulars	30-Jun-19	30-Jun-18
Cash Flow from Operating Activities		
Receipts from:		
Interest from term deposits	779,621,258	1,003,171,910
Interest from loans	1,106,892,135	928,729,208
Rental income	63,553,003	57,999,902
Other Income	5,651,238	16,477,943
Payments for:		
DC & DB management expenses	(118,816,339)	(100,950,388)
Security deposit (to)/from suppliers	1,005,929	971,139
Security deposit (to)/from tenants	1,636,983	703,694
	1,839,544,208	1,907,103,407
(Increase)/decrease in operating assets		
(Increase)/decrease in term deposits with commercial banks	(2,704,000,000)	(1,139,000,000)
(Increase)/decrease loans and receivables from Loan to entities	(1,145,708,094)	(3,077,372,396)
(Increase)/decrease loans and receivables from member loan scheme	(190,223,740)	(601,794,374)
(Increase)/decrease in investment property (Including Capital work in progress)	(47,517,712)	(64,906,752)
	(4,087,449,546)	(4,883,073,522)
Increase/(decrease) in operating liabilities-Member transactions		
Receipts from:		
Contributions to the NPPFP - DC	715,274,774	691,094,414
- DB	1,424,789,320	1,341,274,567
Contributions to the AFPPFS - DC	228,636,370	223,896,374
- DB	386,791,318	381,286,766
Payments of refunds and pensions:		
NPPFP - DC	(409,689,665)	(383,581,774)
- DB	(713,435,161)	(575,601,292)
AFPPFS - DC	(128,586,372)	(110,941,574)
- DB	(183,271,743)	(149,998,513)
	1,320,508,840	1,417,428,967
Net Receipts from Operating Activities	(927,396,498)	(1,558,541,148)
Cash Flow from Investing Activities		
Receipts from:		
Income from bonds	388,556,421	409,725,075
Dividend income	95,243,375	147,398,986
Payments for:		
(Increase)/decrease in equity shares	(90,663,282)	(33,146,672)
(Increase)/decrease in bonds and commercial papers	347,842,422	543,165,819
(Increase)/decrease in purchase of fixed assets	(4,255,222)	(5,989,088)
Net Cash Flow from Investing Activities	736,723,714	1,061,154,119
Net movement in cash and cash equivalents	(190,672,784)	(497,387,028)
Opening cash and cash equivalents	546,907,673	1,044,294,701
Closing cash and cash equivalents	356,234,889	546,907,673

For Doogar & Associates
FRN 000561N
Chartered Accountants


Mukesh Goyal
Partner

Membership No. 08180


Phub Dorji
Chief, F&A Division


Dungtu Drukpa
Chief Executive Officer


Sonam Wangchuk
Chairperson

Place: New Delhi

Dated: 18th Feb 2020

ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

Statement of Changes in Reserve for the year ended 30th June 2019

Particulars	Reserve				Total
	Lapsed Fund ¹	Remeasurement of employee benefit gains/(loss)	Valuation reserve ²	General reserve ³	
Balance as at 1st July 2018	14,625,954	5,984,086	1,331,325,035	430,821,315	1,782,756,390
Transferred during the year (Note 32)	4,504,359	-	(269,951,408)	-	(265,447,049)
Adjustment during the year	-	-	5,036,950	(5,036,950)	-
<i>Items of other comprehensive income</i>					
Remeasurements of post-employment benefit obligation (Note 32)	-	(6,856,756)			(6,856,756)
Balance as at 30th June 2019	19,130,313	(872,670)	1,066,410,577	425,784,365	1,510,452,585

Particulars	Reserve				Total
	Lapsed Fund ¹	Remeasurement of employee benefit gains/(loss)	Valuation reserve ²	General reserve ³	
Balance as at 1st July 2017	11,391,710	1,018,474	1,271,659,832	392,428,905	1,676,498,922
Transferred during the year (Note 32)	3,234,244	-	59,665,203	38,392,410	101,291,857
Adjustment during the year	-	-	-	-	-
<i>Items of other comprehensive income</i>					
Remeasurements of post-employment benefit obligation (Note 32)	-	4,965,612			4,965,612
Balance as at 30th June 2018	14,625,954	5,984,086	1,331,325,035	430,821,315	1,782,756,390

Note:

- Lapsed fund consist of employer's contribution of the members who have gone out of the scheme before contributing for twelve months or terminated from service. The amount is transferred to lapsed fund reserve after lapsed of three years reckoned from the date of transfer to the lapsed fund account.
- Valuation reserve consist of gains or loss on the fair valuation of equity investment and EIR value of other financial instruments.
- General reserve consist of surplus retained prior to 30th June 2019 after distribution of returns to members.



1. General information

The National Pension & Provident Fund (NPPF) was established in March 2000 to manage and administer the National Pension and Provident Fund Plan program (NPPFP). It was formed vide Executive Order No.MoF/Pension/4841 dated 30th March, 2000 issued by Hon'ble Minister of Finance, subsequent to which a communication No.COM/03/02/787 dated 8th April, 2002 was issued by the Cabinet Secretary, that the NPPF would be formally established through a Government Executive Order. The Executive Order was issued by the Chairman, Lhengye Zhungtshog vide order No.LZ/02/02/15 dated 1st July, 2002 containing various objectives and working rules of NPPF.

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). Royal Government of Bhutan guaranteed the payment of pension to employees by virtue of adoption of National Pension and Provident Fund Plan Rules & Regulations of the Kingdom of Bhutan 2002 (as amended in 2010).

The employee of civil servants and corporate sector contributes 11% and a matching contribution by the employer. Of the 22% contribution, 6% is allocated to Defined Contribution (DC) plan and the 16% to the Defined Benefit (DB) plan. The Armed Forces excluding Royal Bhutan Police (RBP) contribute 15% each by employee and employer. Of the 30%, 11% is allocated to DC plan and the 19% to the DB plan. The RBP contributes 12% each by employee with matching contribution by the employer. Of the 24%, 9% is allocated to DC plan and 15% to DB plan.

The NPPF provides retail credits to its members for housing, education and loan to new member. It also provides project loans to entities. NPPF participates in bonds and equity shares in the domestic market. Any excess fund is parked in term deposits with the commercial banks to earn returns.

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 has also commercial buildings which are rented out for office and business premises.

NPPF is a non-profit making autonomous public organization and domiciled in Bhutan and is a tax exempted organization.

The Head Office is located at Chubachu, Thimphu and has regional office in Phuentsholing, Samdrup Jongkhar, Gelephu and Mongar.

2. Basis of preparation of Financial Statements

i. Compliance with BAS/BFRS

These financial statement has been prepared in accordance with Bhutanese Accounting Standards (BAS)/Bhutanese Financial Reporting Standards (BFRS) Phase I, Phase II and Phase III standards.

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt International Financial Reporting Standards in phase manner with minor changes. As per the roadmap issued by AASBB a total of 18 standards are to be implemented in first phase (Phase I) commencing in 2013 for a period of 3 years, while 9 standards will be implemented in second phase (Phase II) and 10 standards in



third phase (Phase III) from 2016 and 2018 respectively. NPPF has adopt all the applicable Standards from 1 July 2016.

NPPF has deferred BAS 26 – Accounting and Reporting by Retirement Benefit Plans for want of clarifications from the Regulatory Authority.

Further, requirement of BFRS 9 financial instruments in relation to application of EIR method has not been followed for housing loan granted to individual other than the employee of the Fund. Implementation Expected Credit Loss model has been deferred by AASBB.

ii. Historical cost convention and going concern convention

The financial statements are prepared under the going concern convention and historical cost basis except for the following-

- For those the financial assets and liabilities –measured at fair value
- Employee benefit plans – measured as per the actuarial valuation

iii. Presentation of financial statements

NPPF presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 30.

iv. Accrual basis

The financial statements are prepared on accrual basis. Interest on delayed receipt of rent from tenants and penal interest on delayed receipt of contribution from agencies are recorded when it becomes probable that such payments are going to flow.

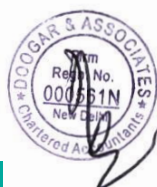
v. Critical estimates, judgements and errors

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

- a) *Property, plant and equipment/Intangible assets:* Accounting estimates are used to determine the useful life of property, plant and equipment/intangible assets based on various factors such as the present condition of asset, technological advances, regulation, and the past experience of using similar assets.

The recoverable amount of property, plant and equipment is based on estimates and assumptions, in particular the expected market outlook and future cash flows associated with any changes in these assumptions may have a material impact on the measurement of the recoverable amount resulting in impairment.

- b) *Actuarial valuation of employee benefits:* Employee benefit obligations pertaining to gratuity, leave encashment and terminal benefits are measured on the basis of actuarial assumptions concerning future developments in discount rates, the rate of salary increase and the inflation rate.



- c) *Apportionment of common expenses:* Accounting estimates have been used to apportion the common expenses incurred in the operation based on the members' fund (net members' DC plan, net members' DB plan and net returns credited to members' DC plan) at the beginning of the financial year. For the year ended June 2019, 67% of the expense incurred has been debited to DB plan and the remaining 33% has been debited to DC plan.
- d) *Fair valuation of equity shares:* The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. NPPF uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for discount rates, income earning potential, etc. Refer note 3(c).
- e) *Impairment of assets:* RMA prudential norms are used to determine whether provision should be made on financial assets (for detailed refer note 3(c)). For non-financial assets, cash flow projections based on forecasts and industry reports are used to test any impairment loss. Refer note 3(p).

3. Significant Accounting Policies

a. Foreign currency translation

i) *Functional and presentation currency*

These financial statements are presented in Bhutanese Ngultrum (BTN) which is NPPF's functional currency.

ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition. Non-monetary items measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

b. Defined contribution plan and defined benefit plan

The employers' and employees' contribution to DC plan and DB plan are accounted from the date of deposit of the contribution to the designated NPPF bank accounts maintained with the commercial banks up to the last date of the financial year.



c. Investment and other financial assets**i. Initial recognition**

At initial recognition, financial assets are measured at its fair value plus, in the case of a financial asset not at fair value through statement of comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of comprehensive income are expensed in statement of comprehensive income.

ii. Subsequent measurement

The subsequent measurement of financial asset depends on the classification of financial asset.

NPPF holds financial assets in the form of debt and equity instruments.

Debt instruments- Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Equity instruments- Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Classification - the financial assets are classified in the following categories:

- financial assets at fair value through profit or loss (FVPL), or
- financial assets at fair value through other comprehensive income (FVOCI), or
- amortized cost.

Debt instruments

Classification and subsequent measurement of debt instruments depend on:

- (a) business model for managing the asset; and
- (b) the cash flow characteristics of the asset.

Based on these factors, the debt instruments are classified into following measurement category:

Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortized cost. The carrying amount of these assets is adjusted by incurred credit loss allowance recognised and measured as described in 'impairment of financial assets'. Interest income from these financial assets is included in 'interest income' using the Effective Interest Rate (EIR) method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss



previously recognised in OCI is reclassified from equity to statement of comprehensive income. Interest income from these financial assets is included in 'interest income' using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in statement of comprehensive income and presented in the statement of comprehensive income. Interest income from these financial assets is included in 'interest income' using the EIR method.

Business model: The business model reflects how NPPF manages the assets in order to generate cash flows. That is, whether NPPF's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by NPPF in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, NPPF assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, NPPF considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through statement of comprehensive income.

The debt investments are reclassified when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity investments are subsequently measured at fair value through statement of comprehensive income, except where the management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to statement of comprehensive income, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in statement of comprehensive income as other income when right to receive payments is established.

Gains and losses on equity investments at FVPL are included in the 'Other income/ (loss)' in the statement of comprehensive income.



iii. Impairment of financial assets

Provisions on loans are recognised based on the classification and the rates as per the Prudential Regulations issued by the Royal Monetary Authority of Bhutan (RMA). The interest outstanding on non-performing loans are credited to interest suspense accounts.

Reversal of impairment

If, in a subsequent period, the amount of the impairment loss decreases as computed based on prudential norms, the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

iv. Modification of loans

NPPF sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, NPPF assesses whether or not the new terms are substantially different to the original terms.

If the terms are substantially different, the original financial asset is derecognised and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. Differences in the carrying amount are also recognised in statement of comprehensive income as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the management recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in statement of comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

v. Derecognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) NPPF transfers substantially all the risks and rewards of ownership, or (ii) NPPF neither transfers nor retains substantially all the risks and rewards of ownership and NPPF has not retained control.

d. Financial liabilities

i) *Initial and subsequent measurement*- All financial liabilities are measured initially at their fair value. Financial liabilities are classified as subsequently measured at amortized cost, except for:

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, NPPF recognises any expense incurred on the financial liability; when continuing involvement approach applies
- Financial guarantee contracts and loan commitments

i) *Derecognition*-Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).



e. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of NPPF or the counterparty.

f. Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property, plant and equipment are recognised from the date when the particular asset has been put to use or from the date on which the asset has been deemed completed its construction or development. Land cost is inclusive of the expenses incurred for land development.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to NPPF and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to statement of comprehensive income during the reporting period in which they are incurred.

An item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition is recognised in the statement of comprehensive income in the year the asset is derecognised.

An item of property, plant and equipment is componentized and is depreciated using straight-line method on their depreciable amount over their estimated useful life as follows:

Asset class	Useful life (Years)
1. Building (Permanent structure)	
a. Civil structure	50
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
2. Building (Semi permanent structure)	
a. Civil structure	25
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
3. Diesel generator (Electrical)	20
4. Road network	5
5. Retention wall	30
6. Computer and accessories	5
7. High end server	8



8. Other office equipment	5
9. Furniture	10
10. Communication equipment	7
11. Motor vehicle	10 years with 20% residual value
12. Carpet	5

The depreciation for the property, plant and equipment purchased/constructed during the year is pro-rated based on the calendar days from the date an asset has been put to use or from the date of its completion.

The residual values of property, plant and equipment are estimated at nil value except vehicles. The useful life has been estimated based on the expected usage of the assets and expected wear and tear. The assets residual values and useful lives are reviewed at the end of each reporting period.

Capital work in progress is stated at cost incurred including provision for outstanding bills up to the date of the statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in statement of comprehensive income.

The assets (except furniture) valuing up to Nu. 1,500 is considered as consumables and charged off to Statement of comprehensive income during the incurrence period.

g. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by NPPF, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to NPPF and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Capital work in progress is stated at cost incurred including provision for outstanding bills up to the date of the statement of financial position.

An item of investment property is depreciated using straight line method on their depreciable amount over their estimated useful life as mentioned in note 3(f).

h. Intangible assets

Intangible assets consist of application software procured of the shelf and application designed and developed by the NPPF and other software. An intangible asset is recognised when it is probable that future economic benefit associated with the asset will flow to the NPPF and the cost of the asset can be measured reliably. Recognised intangible assets are measured at cost less accumulated amortization. The subsequent maintenance costs are expensed to the Statement of comprehensive income as and when incurred.



Intangible assets are written off when no future economic benefits are expected from their use. The loss on the write off of the intangible assets is recognised in the Statement of comprehensive income in the period the asset was derecognised.

Intangible assets are amortized using the straight line method to write down the cost over their useful economic lives. The useful lives of intangible assets has been considered at from 3 to 5 years. The useful economic lives of the intangible assets are reviewed at least at each reporting date.

The IT development work in progress is stated at cost incurred including provision for outstanding bills up to the date of the statement of financial position. Amortization of the asset begins when development is complete and the asset is available for use.

i. Inventory

Inventories are valued at lower of cost or net realisable value. Cost includes purchase price and cost incurred in bringing the inventories to their present location and condition. Weighted average method as prescribed under BAS 2 is used to measure the cost of inventories.

j. Government grants

Grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the NPPF will comply with the conditions attached with the grant.

(i) Capital grants

Grants related to assets are recognised as deferred income which is credited in the statement of comprehensive income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

(ii) Revenue grants

Grants related to income are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

k. Employees benefits

(i) Short-term obligations

Liabilities for wages and salaries, provident fund contribution, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted



using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in statement of comprehensive income.

The obligations are presented as current liabilities in the statement of financial position if the NPPF does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

NPPF operates post-employment schemes, such as gratuity and terminal benefits for the employees of the NPPF.

Gratuity obligations

The liability or asset recognised in the statement of financial position in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in reserve and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in statement of comprehensive income as past service cost.

Terminal benefit obligations

NPPF also provides terminal benefits to its employee i.e. carriage allowance and transfer grant & travelling expense which can be availed at the time of termination of employment. It is considered as defined benefit obligation and is unfunded. The obligation is recognised as per the actuarial valuation report.

I. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the NPPF.



(i) Interest income

Interest income is calculated by applying the EIR to the gross carrying amount of financial assets. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

(ii) Other fee and income

Income earned from the provision of services is recognised as revenue as the services are provided.

(iii) Dividends

Dividends are recognised in statement of comprehensive income only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to NPPF, and the amount of the dividend can be measured reliably.

m. Cash and cash equivalents

Cash and cash equivalent includes cash in hand, cash at current accounts maintained with the commercial banks and term deposit maturing within three months or less from the date of acquisition.

n. Provisions, contingent liabilities

Provisions are recognised when NPPF has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of NPPF. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Contingent liabilities are disclosed on the basis of judgment of management/ independent experts. These are reviewed at each reporting date and are adjusted to reflect the current management estimate.

o. Leases**As a lessee**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to NPPF are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of comprehensive income on a straight-line basis over the period of the lease.

As a lessor

Leases in which significant portion of risks and rewards of ownership are not transferred from NPPF to the lessees are classified as operating leases. The income from operating leases where the NPPF is a

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lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature and depreciated over their useful life.

p. Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

q. Return to Members'

The actual surplus earned during the year is distributed to the Members' DC and DB account after adjusting notional gains/loss from financial assets.



4 Cash and cash equivalents

Particulars	30-Jun-19	30-Jun-18
Cash at bank	236,219,956	103,889,146
Cash in hand	14,933	18,527
Deposits with banks	120,000,000	443,000,000
Total	356,234,889	546,907,673

5 Trade and other receivables

Particulars	30-Jun-19	30-Jun-18
Trade receivable		
Rent receivable	3,313,563	3,773,778
Other receivable	2,901,063	3,282,481
	6,214,626	7,056,259
Other receivables		
Security deposit (power/rent)	1,289,110	772,977
Security deposit (water meter)	63,000	63,000
	1,352,110	835,977

6 Term Deposits

Particulars	30-Jun-19	30-Jun-18
<i>Term Deposits with</i>		
Bhutan National Bank Ltd.	7,860,200,796	5,463,200,796
TBank Ltd	400,000,000	400,000,000
Bhutan Development Bank Ltd.	3,164,405,371	3,455,904,653
Bank of Bhutan Ltd.	760,000,000	760,000,000
Druk PNB Ltd.	1,400,000,000	800,000,000
Interest accrued but not due on deposits	757,015,782	500,513,315
Total	14,341,621,949	11,379,618,764

Note: Term deposits includes Nu. 24,618,912 as on 30th June 2019 (previous year Nu. 22,938,645) with various commercial banks to be used towards the payment of gratuity obligation of the NPPF employees and can be used for general operations pending the creation of gratuity trust fund. As such it is not considered as the plan assets for NPPF gratuity valuation Note 30a.



7 Investments in bonds and commercial papers

Particulars	Coupon rate	No. of Scrips	30-Jun-19	No. of Scrips	30-Jun-18
Investment in Bonds					
Druk Air Corporation Bond Series I	9.00%	123,443	123,443,735	148,132	148,132,388
Druk Air Corporation Bond Series II	9.00%	171,623	171,623,002	200,227	200,226,902
Druk Air Corporation Bond Series III	8.50%	978,304	978,304,598	1,141,356	1,141,355,398
Royal Insurance Corporation of Bhutan Ltd. Bond Series III	9.50%	500,000	500,000,000	500,000	500,000,000
Royal Insurance Corporation of Bhutan Ltd. Bond Series IV	9.50%	879,795	879,795,000	879,795	879,795,000
Druk PNB Ltd. Bond			-	104,000	104,000,000
Dungsam Cement Corporation Ltd. Bond Series I	10.00%	500,000	500,000,000	500,000	500,000,000
Dungsam Cement Corporation Ltd. Bond Series II	9.00%	350,000	350,000,000	350,000	350,000,000
Tashi Air Pvt. Ltd. Bond Series I	9.00%	125,000	125,000,000	125,000	125,000,000
Zindra Foods Pvt. Ltd. Bond Series I			-	246,945	246,945,000
RSA Pvt. Ltd. Bond series I	9.35%	34,400	34,400,000	34,400	34,400,000
Investment in Commercial papers					
DGPC Commercial papers	3.50%	2,500	250,000,000		-
STCBL Commercial papers					28,443,288
Interest accrued but not due					
On bonds and commercial papers			156,566,146		148,523,123
Total			4,069,132,481		4,406,821,100



8 Loans

Particulars	30-Jun-19	30-Jun-18
Loan to manufacturing & industries sector		
Bhutan Ferro Alloys Ltd. ¹	219,843,185	211,179,592
Dagachu Hydro Power Corporation Ltd. ²	655,138,542	699,294,827
Dungsam Cement Corporation Ltd. ³	694,807,011	1,101,061,459
Dungsam Polymers Ltd. ⁴	73,197,637	114,094,676
State Mining Corporation Ltd. ⁵	75,337,771	40,046,027
Druk Metallurgy Ltd. ⁶	326,683,001	-
Total	2,045,007,147	2,165,676,581
Loan to service & tourism sector		
Tashi Infocom Ltd. ⁷	746,341,381	323,606,987
Kuensel Corporation Ltd. ⁸	14,156,000	-
Druk Doethjung Resort ⁹	52,651,966	53,784,297
Bhutan Power Corporation Ltd. ¹⁰	2,299,180,794	2,309,981,392
Natural Resource Development Corporation Ltd. ¹¹	93,569,716	60,475,702
Bhutan Hydro Service Ltd. ¹²	581,267,200	220,000,000
Legphel Hotel Pvt. Ltd. ¹³	35,711,280	32,551,979
Bhutan Telecom Ltd. ¹⁴	43,963,237	-
Druk Air Corporation Ltd. ¹⁵	601,114,463	-
DGPC-Nikachu ATS ¹⁶	332,279,784	-
Thimphu Tech Park Ltd. ¹⁷	21,222,232	-
State Trading Corporation of Bhutan Ltd. ¹⁸	50,000,000	-
Total	4,871,458,053	3,000,400,358
Loan to institutions		
Bhutan Development Bank Ltd. ¹⁹	404,071,316	496,267,548
Royal Insurance Corporation of Bhutan Ltd.	-	494,439,186
Total	404,071,316	990,706,734
Loan to housing		
Ministry of Health ²⁰	37,533,623	48,346,886
National Housing Development Corporation Ltd. ²¹	869,299,007	890,000,000
Total	906,832,630	938,346,886
Loan to members		
Housing	1,932,339,527	2,191,330,601
Education	2,717,630,963	2,584,828,808
Student loan	84,296,763	84,812,433
Staff housing loan	34,856,041	31,602,668
Staff vehicle loan	3,885,839	7,505,775
Staff Incentive Loan	43,275,692	18,140,214
Member loan	700,329,693	399,912,621
Total	5,516,614,518	5,318,133,121
Total loans	13,743,983,664	12,413,263,679
Provision as per the RMA PR-(Note 28 of the notes to Financial Statements)	(244,199,234)	(222,682,399)
Loans after provision	13,499,784,430	12,190,581,280



Loans

Continued

Notes

- 1 The loan is secured by company assets
- 2 The loan is secured by company assets
- 3 The loan is secured by company assets
- 4 The loan secured by company assets
- 5 The loan is 100% guaranteed by Druk Holding and Investments (DHI)
- 6 The loan is secured by company assets including movable assets
- 7 The loan is secured by company assets, additional collateral of property (Land) and personal guarantee of the promoters
- 8 The loan is secured by office building and machineries
- 9 The loan is secured by company assets and additional collateral of property (Land and building)
- 10 The loan is secured by mortgage of the 220kV double circuit transmission lines and DHI Guarantee.
- 11 The loan is secured by Land and Building of the company and with DHI Guarantee.
- 12 The loan is secured by company assets
- 13 The loan is secured by company assets
- 14 The loan is secured by the company property plant and equipment
- 15 The loan is 100% guaranteed by DHI
- 16 The Loan is secured by Power House- Plant and Machinery- Runners of Chukha Hydro Power Plants
- 17 The loan is 100% guaranteed by DHI
- 18 The loan is secured by trade and accounts receivables
- 19 The current loan is 100% guaranteed by the Government and the earlier loan was fully repaid.
- 20 The loan is 100% guaranteed by the Government
- 21 The loan is 100% guaranteed by the Government



9 Investment in equity shares

Particulars	30-Jun-19			30-Jun-18			
	No. of shares	Face value	Cost	Fair value	No. of shares	Cost	Fair value
1. Quoted							
Penden Cement Authority Ltd.	2,154,530	10	14,450,563	155,158,568	2,154,530	14,450,563	155,790,000
State Trading Corporation of Bhutan Ltd.	441,000	10	490,000	13,487,066	441,000	490,000	11,460,000
Bhutan National Bank Ltd.	92,352,348	10	583,411,978	1,894,885,699	76,960,290	583,411,978	2,060,170,000
Kuensel Corporation Ltd.	367,500	10	3,675,000	17,912,792	367,500	3,675,000	17,920,000
Druk PNB Ltd.	3,009,764	10	75,377,872	140,736,565	3,009,764	75,377,872	72,860,000
TBank Ltd.	10,345	10	72,270	141,554	7,324	51,700	82,420
Bhutan Insurance Ltd.	1,500,000	10	29,500,000	48,661,513	1,000,000	29,500,000	41,250,000
Dungsam Polymers Ltd.	591	10	7,990	12,485	320	5,280	5,760
Total quoted			706,985,673	2,270,996,242		706,962,393	2,359,538,180
2. Unquoted							
Dagachu Hydro Power Corporation Ltd.	619,800	1000	619,800,000	485,601,784	619,800	619,800,000	623,670,000
Credit Information Bureau	17,500	100	1,750,000	5,687,823	17,500	1,750,000	5,530,000
Financial Institutions Training Institute Ltd.	1,200,000	10	11,997,000	12,316,505	1,200,000	11,997,000	18,840,000
Dungsam Cement Corporation Ltd.	6,156,400	100	615,640,000	293,783,408	5,250,000	525,000,000	208,520,000
Total unquoted			1,249,187,000	797,389,520		1,158,547,000	856,560,000
Total investments in equity share			1,956,172,673	3,068,385,762		1,865,509,393	3,216,098,180

10 Inventories

Particulars	30-Jun-19	30-Jun-18
Consumables and spares	1,001,845	642,396
Total	1,001,845	642,396



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

11 Investment property

Particulars	Gross block				Accumulated depreciation			Net block	
	01-Jul-18	Additions during the year	Adjustments	30-Jun-19	01-Jul-18	Depreciation during the year	Adjustments	30-Jun-19	30-Jun-18
R E land	76,985,937	-	-	76,985,937	-	-	-	76,985,937	76,985,937
R E building	447,735,376	122,806,451	(683,437)	569,858,390	138,698,624	11,718,562	(366,316)	419,807,520	309,036,752
R E building(Semi-Permanent Structure)	3,227,124	-	-	3,227,124	491,946	130,704	-	2,604,474	2,735,178
Road network	9,430,289	-	-	9,430,289	7,556,978	714,084	-	1,159,227	1,873,311
Retention wall	2,192,352	1,513,634	-	3,705,986	311,331	118,113	-	3,276,542	1,881,021
Capital work in progress	168,702,720	43,945,529	(111,362,275)	101,285,974	-	-	-	101,285,974	168,702,720
Capital stores	6,824,902	-	(6,824,902)	-	-	-	-	-	6,824,902
Total	715,098,700	168,265,614	(118,870,614)	764,493,700	147,058,879	12,681,463	(366,316)	605,119,674	568,039,821

Note 1: The NPPF building property including semi-permanent structures are fully insured.

Note 2: On the date of reporting, NPPF has 39.54 acres of land in different parts of the country. Based on the land certificate issued by National Land Commission, 25.40 acres of land held by NPPF is categorized as "Use Right Certificate/Land Use Certificate" with following conditions.

1. Any land that is given under Use Land Certificate is prohibited for land transaction, lease or mortgage.
2. No compensation will be made for construction expenses incurred, after expiry or termination of Use Land Certificate.
3. A person holding Use Land Certificate, have to pay the same land tax as per the present land tax rate.
4. If any of the following points arises, the Government will forfeit the use land.
 - a. Land not used for three years, from the date of issuance of use land certificate.
 - b. Not fully utilized and kept carelessly.
 - c. Land not used as per the approval.
 - d. Not paid land tax for continues three years.
 - e. A person who have use land certificate expires.

As of 30th June 2019, the cost of land including land development under Use Right Certificate/Land Use Certificate is Nu. 19.81 million (Fair value Nu. 2,638.61 million). The NPPF has landed property worth of Nu. 600.21 million in book value (fair value Nu. 1,021.48 million) including NPPF Corporate Office (Book value Nu.139 million) categorized under Property plant and equipment constructed on the Use Right Certificate/Land Use Certificate. Based on the certificates, the recognition and the measurement of the investment property and depreciation will have impact in the coming year.



(i) Fair value of investment property carried at cost

Particulars	30-Jun-2019	30-Jun-2018
Fair value of investment property	3,513,915,000	3,178,469,000

Estimation of fair value

NPPF obtains independent valuations for its investment properties on regular basis. Valuation has been done using the following approach;

- Market approach:* Estimate value based on instances of sales/quotes of similar assets in the market
- Cost approach:* Estimate values based on the replacement cost of an asset of equivalent utility and depreciation including obsolescence
- Income approach:* Estimate values based on expectation of present value of its projected future benefits.

(ii) Amounts recognized in statement of comprehensive income for investment properties

Particulars	Nu.	
	30-Jun-2019	30-Jun-2018
Rental income	58,608,414	53,849,800
Direct operating expenses from property that generated rental income	(4,789,058)	(4,660,790)
	53,819,356	49,189,010

Note: The rental income in note 24 includes Nu. 4,484,374 earned from renting of NPPF corporate office space, which is being categorized as Property Plant and Equipment under note 12. The above rental income is excluding the rental income earned from NPPF corporate office.

(iii) Leasing arrangements

Some of the investment properties are leased to tenants under operating leases with rentals payable monthly. All such leases are cancellable at the option of lessor or the lessee. The lease arrangements of residential investment properties are renewed after every 2 years.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

12 Property Plant and Equipment

Particulars	Gross block			Accumulated depreciation		Net block			
	01-Jul-18	Additions during the year	Adjustments	30-Jun-19	01-Jul-18	Depreciation during the year	Adjustments	30-Jun-19	30-Jun-18
Office building	182,363,297	103,220	(46,344)	182,420,173	36,797,998	7,723,181	(15,997)	44,505,182	137,914,991
Diesel Generator (Electrical)	3,310,518	-	-	3,310,518	893,392	156,344	-	1,049,736	2,260,782
Road network	677,255	-	-	677,255	588,369	74,438	-	662,807	14,448
Retention wall	1,465,060	-	-	1,465,060	219,422	48,925	-	268,347	1,196,713
Computer & accessories	25,588,281	-	-	23,767,463	16,615,397	3,276,566	(3,140,372)	16,751,591	1,245,638
High end server	1,172,165	1,317,170	(3,137,988)	1,304,165	1,172,162	9,810	-	1,181,972	122,193
Other office equipment	14,361,836	132,000	(1,073,334)	14,726,307	9,442,536	1,851,890	(1,020,606)	10,273,820	4,452,487
Furniture	9,127,494	1,322,056	(445,871)	10,003,679	4,357,649	697,364	(373,006)	4,682,007	5,321,672
Communication equipment	790,015	6,600	(60,466)	736,149	643,472	24,311	(39,227)	628,556	107,593
Motor vehicles	8,463,969	-	-	8,463,969	592,175	677,118	-	1,269,293	7,194,676
Carpet	322,036	-	(10,313)	311,723	240,792	24,625	(8,722)	256,695	55,028
Capital work in progress	470,850	-	(470,850)	-	-	-	-	-	-
Sub total (A)	248,112,776	4,318,851	(5,245,166)	247,186,461	71,563,364	14,564,572	(4,597,930)	81,530,006	165,656,455
Capital grant									
Integrated data center	7,631,660	-	-	7,631,660	3,815,830	953,958	-	4,769,788	2,861,872
Sub total (B)	7,631,660	-	-	7,631,660	3,815,830	953,958	-	4,769,788	2,861,872
Total (A+B)	255,744,436	4,318,851	(5,245,166)	254,818,121	75,379,194	15,518,530	(4,597,930)	86,299,794	168,518,327
									180,365,242

Note: The NPPF office building and the motor vehicles are fully insured. Other assets are not insured since the net block of the uninsured assets are not material.



13 Intangible assets

Particulars	Application software	Other software	Development in progress	Total
Cost				
Opening as at 1st July 2018	24,685,873	2,052,314	28,126	26,766,313
Additions	515,681	676,115	3,989,741	5,181,537
Closing as at 30th June 2019	25,201,554	2,728,429	4,017,867	31,947,850
Accumulated amortization				
Opening as at 1st July 2018	19,892,431	2,052,314	-	21,944,745
Amortization for the year	2,188,718	169,570	-	2,358,288
Closing as at 30th June 2019	22,081,149	2,221,884	-	24,303,033
Net carrying amount as at 30th June 2019	3,120,405	506,545	4,017,867	7,644,817
Cost				
Opening as at 1st July 2017	22,870,844	2,052,314	1,881,324	26,804,482
Additions	1,815,029	-	28,126	1,843,155
Adjustment	-	-	(66,295)	(66,295)
Capitalization of development in progress	-	-	(1,815,029)	(1,815,029)
Closing as at 30th June 2018	24,685,873	2,052,314	28,126	26,766,313
Accumulated amortization				
Opening as at 1st July 2017	17,806,849	1,648,108	-	19,454,957
Amortization for the year	2,085,582	404,206	-	2,489,788
Closing as at 30th June 2018	19,892,431	2,052,314	-	21,944,745
Net carrying amount as at 30th June 2018	4,793,443	-	28,126	4,821,569

14 Other Assets

Particulars	30-Jun-19	30-Jun-18
Prepaid expenses	3,999,528	3,772,127
Unamortized employee cost	17,139,032	12,411,989
Advance to staff	76,848	165,011
Total	21,215,408	16,349,127



15 Trade and other payables

Particulars	30-Jun-19	30-Jun-18
Stale cheque	1,571,216	1,498,768
Interest received in advance	2,206,605	95,825
Unidentified deposit	2,369,731	2,399,731
Earnest money	1,112,713	108,213
Security deposit (contractor)	5,540,515	2,414,862
Performance guarantee deposit	2,062,384	2,137,648
Security deposit (rent)	10,688,990	8,504,014
Excess member contribution	643,294	632,713
Security deposit - power / tenant	497,917	529,777
Housing / education loan closed A/c - credit balance	26,046,963	26,488,101
Unclaimed contribution	48,462,218	48,536,600
Other payables	20,609,945	36,332,422
Total	121,812,491	129,678,673

16 Other liabilities

Particulars	30-Jun-19	30-Jun-18
Tax deducted at source (TDS) payable	38,278	341,698
Total	38,278	341,698

17 Employee benefit obligations

Particulars	30-Jun-19	30-Jun-18
Gratuity liability	22,689,950	14,330,003
Leave encashment	3,202,391	3,185,017
Terminal benefits	3,902,801	2,952,028
Total	29,795,142	20,467,048



18 Lapsed Fund*

Particulars	Civil	Armed Force	Total
As at 1st July 2018	6,194,078	3,426,164	9,620,242
Addition during the year	1,034,254	3,064,305	4,098,559
Transferred to reserve-Lapsed Fund	(3,260,477)	(1,243,882)	(4,504,359)
As at 30th June 2019	3,967,855	5,246,587	9,214,442
As at 1st July 2017	5,408,370	4,790,053	10,198,423
Addition during the year	1,840,432	815,631	2,656,063
Transferred to reserve-Lapsed Fund	(1,054,724)	(2,179,520)	(3,234,244)
As at 30th June 2018	6,194,078	3,426,164	9,620,242

*Lapsed fund consist of employer's contribution of the members who have gone out of the scheme before contributing for twelve months or terminated from service.



19. Net Member's Defined Contribution (DC) plan

Particulars	Civil		Armed Forces		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
Accumulated contribution					
As at 1st July 2018	3,223,570,183	3,223,743,465	1,071,920,089	1,072,160,943	8,591,394,680
Adjustment of scheme	(5,024)	(5,024)	-	-	(10,048)
Adjusted opening balance	3,223,565,159	3,223,738,441	1,071,920,089	1,072,160,943	8,591,384,632
Contribution during the year	357,646,335	357,646,335	114,318,184	114,318,185	943,929,039
As at 30th June 2019 (A)	3,581,211,494	3,581,384,776	1,186,238,273	1,186,479,128	9,535,313,671
Accumulated refund					
As at 1st July 2018	913,767,426	913,869,654	251,744,952	251,829,133	2,331,211,165
Refunds during the year	126,795,049	126,794,815	34,063,440	34,063,440	321,716,744
As at 30th June 2019 (B)	1,040,562,475	1,040,664,469	285,808,392	285,892,573	2,652,927,909
Net contribution as at 30th June 2019 (A-B)	2,540,649,019	2,540,720,307	900,429,881	900,586,555	6,882,385,762
Accumulated contribution					
As at 1st July 2017	2,876,792,585	2,876,965,867	959,281,694	959,522,547	7,672,562,693
Adjustment of scheme	(2,379,576)	(2,379,576)	-	-	(4,759,152)
Adjusted opening balance	2,874,413,009	2,874,586,291	959,281,694	959,522,547	7,667,803,541
Contribution during the year	349,157,174	349,157,174	112,638,395	112,638,395	923,591,139
As at 30th June 2018 (A)	3,223,570,183	3,223,743,465	1,071,920,089	1,072,160,943	8,591,394,680
Accumulated refund					
As at 1st July 2017	799,267,852	799,370,335	222,187,180	222,271,361	2,043,096,729
Refunds during the year	114,499,574	114,499,319	29,557,772	29,557,772	288,114,437
As at 30th June 2018 (B)	913,767,426	913,869,654	251,744,952	251,829,133	2,331,211,166
Net contribution as at 30th June 2018 (A-B)	2,309,802,757	2,309,873,810	820,175,137	820,331,809	6,260,183,514



20. Net returns credited to Member's Defined Contribution (DC) Plan

Particulars	Civil		Armed Forces		Total
	Interest on member's contribution	Interest on employer's contribution	Interest on member's contribution	Interest on employer's contribution	
Accumulated returns credited					
As at 1st July 2018	1,901,786,518	1,876,370,219	723,429,438	722,100,796	5,223,686,971
Adjustment of scheme	(581)	(581)	-	-	(1,162)
Adjusted opening balance	1,901,785,937	1,876,369,638	723,429,438	722,100,796	5,223,685,809
Returns credited during the year	311,157,431	311,175,757	118,113,132	118,148,791	858,595,111
Total accumulated returns credited as at 30th June 2019 (A)	2,212,943,368	2,187,545,395	841,542,570	840,249,587	6,082,280,920
Accumulated returns refund					
As at 1st July 2018	568,740,610	543,178,986	164,476,070	162,893,267	1,439,288,933
Refund during the year	78,050,507	78,049,294	30,242,483	30,217,009	216,559,293
Total accumulated returns refund as at 30th June 2019 (B)	646,791,117	621,228,280	194,718,553	193,110,276	1,655,848,226
Net returns credited as at 30th June 2019 (A-B)	1,566,152,251	1,566,317,115	646,824,017	647,139,311	4,426,432,694
Accumulated returns credited					
As at 1st July 2017	1,627,271,554	1,601,838,793	619,450,137	618,090,388	4,466,650,872
Adjustment of scheme	(501,416)	(501,416)	-	-	(1,002,832)
Adjusted opening balance	1,626,770,138	1,601,337,377	619,450,137	618,090,388	4,465,648,040
Returns credited during the year	275,016,380	275,032,842	103,979,301	104,010,408	758,038,931
Total accumulated returns credited as at 30th June 2018 (A)	1,901,786,518	1,876,370,219	723,429,438	722,100,796	5,223,686,971
Accumulated returns refund					
As at 1st July 2017	491,441,043	465,895,672	138,556,453	136,986,854	1,232,880,021
Refund during the year	77,299,567	77,283,314	25,919,617	25,906,413	206,408,911
Total accumulated returns refund as at 30th June 2018 (B)	568,740,610	543,178,986	164,476,070	162,893,267	1,439,288,932
Net returns credited as at 30th June 2018 (A-B)	1,333,045,908	1,333,191,233	558,953,367	559,207,529	3,784,398,038



21. Net Member's Defined Benefit (DB) plan

Particulars	Civil	Armed Forces	Total
Accumulated contributions and returns credited			
As at 1st July 2018	18,499,581,316	5,696,232,871	24,195,814,187
Adjustment of scheme	(19,374)	-	(19,374)
Adjusted opening balance	18,499,561,942	5,696,232,871	24,195,794,813
Contribution during the year	1,371,793,247	386,791,318	1,758,584,565
Returns credited during the year	1,331,176,453	390,306,911	1,721,483,364
As at 30th June 2019 (A)	21,202,531,642	6,473,331,100	27,675,862,742
Accumulated pension payments			
As at 1st July 2018	1,427,520,793	785,000,580	2,212,521,373
Pension payment during the year	360,198,867	165,107,157	525,306,024
As at 30th June 2019 (B)	1,787,719,660	950,107,737	2,737,827,397
Accumulated pension fund refund			
As at 1st July 2018	1,202,954,076	253,462,784	1,456,416,860
Refund from pension fund during the year	300,220,848	18,164,586	318,385,434
As at 30th June 2019 (C)	1,503,174,924	271,627,370	1,774,802,294
Net accumulated contributions and returns credited as at 30th June 2019 (A-B-C)	17,911,637,058	5,251,595,993	23,163,233,051
Accumulated contributions and returns credited			
As at 1st July 2017	15,980,228,931	4,969,126,792	20,949,355,722
Adjustment of scheme	5,750,778	(0)	5,750,778
Adjusted opening balance	15,985,979,708	4,969,126,791	20,955,106,500
Contribution during the year	1,335,523,789	381,286,766	1,716,810,555
Returns credited during the year	1,178,077,819	345,819,314	1,523,897,133
As at 30th June 2018 (A)	18,499,581,316	5,696,232,871	24,195,814,188
Accumulated pension payments			
As at 1st July 2017	1,120,885,543	646,609,732	1,767,495,275
Pension payment during the year	306,635,250	138,390,848	445,026,098
As at 30th June 2018 (B)	1,427,520,793	785,000,580	2,212,521,373
Accumulated pension fund refund			
As at 1st July 2017	933,988,034	241,855,119	1,175,843,153
Refund from pension fund during the year	268,966,042	11,607,665	280,573,707
As at 30th June 2018 (C)	1,202,954,076	253,462,784	1,456,416,860
Net accumulated contributions and returns credited as at 30th June 2018 (A-B-C)	15,869,106,447	4,657,769,508	20,526,875,955

22. Income from term deposits

Particulars	30-Jun-19	30-Jun-18
Bhutan National Bank Ltd.	573,247,554	473,255,205
TBank Ltd	34,000,000	29,810,942
Bhutan Development Bank Ltd.	277,638,009	350,949,309
Bank of Bhutan Ltd.	68,400,000	40,290,411
Druk PNB Ltd.	82,658,613	41,271,233
Total	1,035,944,176	935,577,101



23. Income from loans

Particulars	30-Jun-19	30-Jun-18
A. Interest income from loan to manufacturing & industries sector		
Bhutan Ferro Alloys Ltd.	19,279,312	13,990,311
Druk Ferro Alloys Ltd.	-	78,508
Dagachu Hydro Power Corporation Ltd.	61,935,624	66,162,316
Dungsam Cement Corporation Ltd.	81,397,755	89,212,012
Dungsam Polymers Ltd.	10,061,430	11,493,610
State Mining Corporation Ltd.	5,047,372	46,027
Druk Metallurgy Ltd.	2,683,001	-
Total	180,404,494	180,982,785
B. Interest income from loan to service & tourism sector		
Tashi Infocom Ltd.	40,540,558	33,903,700
Kuensel Corporation Ltd.	899,817	-
Druk Doethjung Resort	5,377,626	5,466,101
Yangphel Real Estate	-	20,023,910
Bhutan Power Corporation Ltd.	184,471,418	55,553,675
Natural Resource Development Corporation Ltd.	5,311,637	5,617,900
Manidheepa Moshin Resort	-	2,210,817
Bhutan Telecom Ltd.	3,136,745	315,068
Bhutan Hydro Service Ltd.	34,608,083	9,054,959
Legphel Hotel Pvt. Ltd.	3,159,301	1,551,979
Druk Air Corporation Ltd.	15,597,328	-
DGPC-Nikachu ATS	13,299,784	-
Thimphu Tech Park Ltd.	222,232	-
State Trading Corporation of Bhutan Ltd.	4,113,699	-
Total	310,738,228	133,698,111
C. Interest income from loan to institutions/RGOB		
Bhutan Development Bank Ltd.	32,271,910	11,262,665
Royal Insurance Corporation of Bhutan Ltd.	15,932,399	78,689,689
Ministry of Health	3,360,439	4,113,269
National Housing Development Corporation Ltd.	63,937,032	37,610,616
Total	115,501,780	131,676,240
D. Interest income from loan to members		
Housing	203,667,080	217,287,100
Education	251,414,927	222,078,622
Student loan	6,637,329	7,855,910
Staff Housing loan	3,035,545	2,552,904
Staff Vehicle loan	532,748	980,906
Staff Incentive Loan	2,527,914	977,533
Member Loan	46,263,029	28,253,116
Total	514,078,572	479,986,092
Total (A+B+C+D)	1,120,723,074	926,343,227



24. Income from bonds and commercial papers

Particulars	30-Jun-19	30-Jun-18
Dungsam Cement Corporation Ltd.	81,500,000	81,500,000
Druk Air Corporation Ltd.	120,913,827	139,569,475
Tashi Air Ltd.	11,250,000	11,250,000
Royal Insurance Corporation of Bhutan Ltd.	131,080,525	131,080,525
Druk PNB Ltd.	1,153,972	7,800,000
Zimdra Foods Pvt. Ltd.	46,914,205	23,089,358
RSA Pvt. Ltd.	3,216,400	3,216,400
Commercial papers	570,515	3,582,027
Total	396,599,444	401,087,784

Note: Income from term deposits (note 22), income from loans (note 23) and income from bonds and commercial papers (note 24) are from financial assets measured at amortized cost.

25. Rental income

Location	30-Jun-19	30-Jun-18
Thimphu	39,971,512	38,438,370
Phuentsholing	17,401,456	14,289,638
Samdrup Jongkhar	5,049,535	4,931,456
Samtse	670,285	650,640
Total	63,092,788	58,310,104

26. Dividend income

Particulars	30-Jun-19	30-Jun-18
Penden Cement Authority Ltd.	12,927,180	15,081,710
State Trading Corporation Ltd.	926,100	882,000
Bhutan National Bank Ltd.	76,960,290	125,830,074
Kuensel Corporation Ltd.	441,000	624,750
Druk PNB Ltd.	3,638,805	1,689,648
Bhutan Insurance Ltd.	350,000	3,150,000
Total Income from dividend	95,243,375	147,258,182

Note: Dividend income are from financial assets measured at fair value through Statement of Comprehensive Income.

27. Other income/(Loss)

Particulars	30-Jun-19	30-Jun-18
Loan Processing fees	833,200	942,800
Gain/(loss) on financial assets measured at fair value through Statement of Comprehensive Income	(238,375,698)	86,126,933
Miscellaneous income	4,818,039	10,569,531
Total	(232,724,459)	97,639,263



28. DC and DB management expenses

a. Apportionment of common expenses to DC and DB management expenses

Particulars	Sr. Mgt. expenses	Admin. Expenses	Finance expenses	Investment expenses	IT expenses	RE expenses	Grand Total	DB - 67%	DC - 33%
Employee remuneration & benefits									
Salaries and wages	5,433,523	9,262,050	2,445,925	7,271,337	3,042,646	11,274,263	38,729,744	26,004,670	12,725,074
Defined contribution(PF)	413,876	696,449	214,641	611,137	246,808	892,501	3,075,412	2,064,952	1,010,460
Ex-gratia	-	9,272,144	-	-	-	-	9,272,144	6,225,681	3,046,463
Long term employee benefit(gratuity)	-	2,008,973	-	-	-	-	2,008,973	1,348,903	660,070
Terminal benefit	-	1,070,853	495,746	-	-	-	1,566,599	1,051,876	514,723
Medical expenses	35,550	151,842	29,235	108,880	27,750	151,109	504,366	338,651	165,715
Leave encashment	-	2,110,927	9,353	-	-	-	2,120,280	1,423,639	696,641
Leave travel concession	105,000	416,014	126,250	327,225	120,000	488,583	1,583,072	1,062,937	520,135
Other employee benefits	-	-	-	1,796,500	-	-	1,796,500	1,206,241	590,259
HRD expenses	-	10,504,454	-	-	-	-	10,504,454	7,053,103	3,451,351
Sub total (A)	5,987,949	35,493,706	3,321,150	10,115,079	3,437,204	12,806,456	71,161,544	47,780,653	23,380,891
Other operating expenses									
Communication/information charges	170,474	835,114	10,800	94,613	2,785,945	171,728	4,068,674	2,731,867	1,336,807
Books and periodicals	-	51,354	-	-	-	-	51,354	34,481	16,873
Travelling expenses	469,122	778,034	30,625	880,011	111,176	593,752	2,862,720	1,922,143	940,577
Office maintenance	-	2,280,913	-	-	94,656	424,083	2,799,652	1,879,796	919,856
RE routine maintenance	-	-	-	-	-	4,789,058	4,789,058	3,215,561	1,573,497
Office rent	-	250,800	-	-	-	-	250,800	168,397	82,403
IT expenses/AMC	-	670,328	-	-	3,001,903	1,500	3,673,731	2,466,687	1,207,044
Audit fees & expenses	-	-	495,616	-	-	-	495,616	332,776	162,840
Bank charges	-	-	26,513	-	-	-	26,513	17,802	8,711
Membership fees and subscription	226,500	279,385	-	-	-	-	505,885	339,671	166,214
Consultancy charges	2,458,432	930,000	(24,522)	-	(493,280)	-	2,870,630	1,927,454	943,176
Sitting fees and expenses	1,020,473	-	-	-	-	-	1,020,473	685,186	335,287
Hospitality expenses	429,254	1,027,444	9,683	53,788	19,669	69,339	1,609,177	1,080,465	528,712
Printing and stationery	303,509	515,058	129,276	745,783	88,456	250,477	2,032,559	1,364,740	667,819
Advertisement	442,830	474,920	-	426,727	-	52,316	1,396,793	937,862	458,931
Rates and taxes	-	-	-	-	-	2,547,824	2,547,824	1,710,709	837,115
Amortization of prepaid expenses	-	-	-	-	-	698,376	698,376	468,917	229,459
CIB report expenses	-	-	-	1,234,850	-	-	1,234,850	829,127	405,723
Miscellaneous expenses	54,217	860	1,213	-	-	-	56,290	37,795	18,495
Loss on sale of assets/derecognition	-	165,933	-	-	-	-	165,933	279,562	136,800
Write-off of loans	-	-	-	45,836	-	250,429	416,362	30,776	15,060
Sub Total (B)	5,574,811	8,260,143	679,204	3,481,608	5,608,525	9,848,882	33,453,173	22,461,774	10,991,399
Total (A+B)	11,562,760	43,753,849	4,000,354	13,596,687	9,045,729	22,655,338	104,614,717	70,242,427	34,372,290



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

DC and DB management expenses

b. DC and DB management expenses after allotment of common expenses

continued

Particulars	DC Management expenses 30-Jun-19			DB Management expenses 30-Jun-19			Total expenses		
	DC Mgt. expenses	33% of common expenses	For the year ended 30-Jun-2019	DB Mgt. expenses	67% of common expenses	For the year ended 30-Jun-2019	For the year ended 30-Jun-2018	For the year ended 30-Jun-2019	For the year ended 30-Jun-2018
Employee remuneration & benefits									
Salaries and wages	2,563,280	12,725,074	15,288,354	2,237,160	26,004,670	28,241,830	24,965,950	43,530,184	38,975,399
Defined contribution(PF)	214,682	1,010,460	1,225,142	185,925	2,064,952	2,250,877	1,994,025	3,476,019	3,132,491
Ex-gratia	-	3,046,463	3,046,463	-	6,225,681	6,225,681	3,442,243	9,272,144	5,333,311
Long term employee benefit(gratuity)	-	660,070	660,070	-	1,348,903	1,348,903	529,324	2,008,973	789,877
Terminal benefit	-	514,723	514,723	-	1,051,876	1,051,876	1,848,562	1,566,599	2,758,494
Medical expenses	32,700	165,715	198,415	21,900	338,651	360,551	284,845	558,968	471,250
Leave encashment	-	696,641	696,641	-	1,423,639	1,423,639	1,202,126	2,120,280	1,793,857
Leave travel concession	149,255	520,135	669,390	83,750	1,062,937	1,146,687	1,087,424	1,816,077	1,698,021
Other employee benefits	-	590,259	590,259	-	1,206,241	1,206,241	901,592	1,796,500	1,345,390
HRD expenses	-	3,451,351	3,451,351	-	7,053,103	7,053,103	4,993,190	10,504,454	7,451,025
Sub total (A)	2,959,917	23,380,891	26,340,808	2,528,735	47,780,653	50,309,388	41,249,282	76,650,196	63,749,115
Other operating expenses									
Communication/information charges	10,949	1,336,807	1,347,756	40,408	2,731,867	2,772,275	1,078,590	4,120,031	1,597,172
Books and periodicals	-	16,873	16,873	-	34,481	34,481	9,627	51,354	14,366
Travelling expenses	48,710	940,577	989,287	46,952	1,922,143	1,969,095	1,656,669	2,956,362	2,480,730
Office maintenance	-	919,856	919,856	-	1,879,796	1,879,796	1,674,349	2,799,652	2,498,527
RE routine maintenance	-	1,573,497	1,573,497	-	3,215,561	3,215,561	3,123,357	4,789,058	4,660,790
Office rent	-	82,403	82,403	-	168,397	168,397	154,533	250,600	230,600
IT expenses/AMC	-	1,207,044	1,207,044	-	2,466,687	2,466,687	4,283,738	3,673,731	6,392,354
Audit fees & expenses	-	162,840	162,840	-	332,776	332,776	218,353	495,616	325,835
Bank charges	-	8,711	8,711	-	17,802	17,802	30,607	1,026,513	45,673
Membership fees and subscription	-	166,214	166,214	-	339,671	339,671	1,417,628	505,885	1,612,431
Consultancy charges	-	943,176	943,176	-	1,927,454	1,927,454	4,393,949	4,508,000	6,556,816
Sitting fees and expenses	-	335,287	335,287	-	685,186	685,186	434,724	1,020,473	648,712
Hospitality expenses	9,260	528,712	537,972	56,384	1,080,465	1,138,849	927,054	1,676,621	1,372,885
Printing and stationery	-	667,819	667,819	-	1,364,740	1,674,583	1,528,518	2,342,402	2,192,294
Advertisement	-	458,931	458,931	-	937,862	937,862	949,682	1,396,793	1,417,152
Rates and taxes	-	837,115	837,115	-	1,710,709	1,710,709	1,222,237	2,547,824	1,823,867
Amortization of prepaid expenses	-	229,459	229,459	-	468,917	468,917	914,608	698,376	1,364,813
CIB report expenses	-	405,723	405,723	-	829,127	829,127	923,211	1,234,850	1,377,650
Miscellaneous expenses	-	18,495	18,495	-	37,795	37,795	70,218	56,280	104,782
Loss on sale of assets/derecognition	-	136,800	136,800	-	279,562	279,562	156,151	416,362	233,015
Write-off of loans	-	15,060	15,060	-	30,776	30,776	-	45,836	-
Sub total (B)	68,919	10,991,399	11,060,318	3,092,957	22,461,774	25,554,731	25,169,805	36,615,049	36,950,463
Total (A+B)	3,028,836	34,372,290	37,401,126	5,621,692	70,242,427	75,864,119	66,419,086	113,265,245	100,699,578



29. Provision for loans as per RMA Prudential Regulations

Particulars	Provision charged to Loans	Provision charged to Statement of Comprehensive Income	Interest suspense charged to Interest Income from loans
A. Provision on standard assets			
Provision as at 1st July 2018	122,224,265		
Provision as at 30th June 2019	135,415,144		
Charged to Statement of Comprehensive Income		13,190,879	
B. Provision on Non-Performing Loan			
Provision as at 1st July 2018	85,768,598		
Provision as at 30th June 2019*	97,505,524		
Charged to Statement of Comprehensive Income		11,736,926	
C. Interest suspense			
Interest suspense as at 1st July 2018	14,689,536		
Interest suspense as at 30th June 2019	11,278,566		
Charged to Interest Income			(3,410,970)
Total as on 30th June 2019	244,199,234	24,927,805	(3,410,970)
A. Provision on standard assets			
Provision as at 1st July 2017	87,823,881		
Provision as at 30th June 2018	122,224,265		
Charged to Statement of Comprehensive Income		34,400,385	
B. Provision on Non-Performing Loan			
Provision as at 1st July 2017	61,767,006		
Provision as at 30th June 2018	85,768,598		
Charged to Statement of Comprehensive Income		24,001,592	
C. Interest suspense			
Interest suspense as at 1st July 2017	10,855,243		
Interest suspense as at 30th June 2018	14,689,536		
Charged to Interest Income			3,834,293
Total as on 30th June 2018	222,682,399	58,401,977	3,834,293

Note:* Includes additional provision of Nu. 28,284,029 as suggested by Royal Monetary Authority during its onsite inspection.



30. (a) Disclosure as per BAS 19: "Employee benefit" as regards defined benefit scheme (Gratuity)

A Movement in present value of Defined Benefit Obligation	30-06-2019	30-Jun-18
1 DBO at end of prior year	14,330,001	17,242,270
2 Current service cost	1,681,913	1,604,298
3 Past service cost	-	-
3 Interest cost	1,146,400	1,295,005
4 Benefits paid by the plan	-	-
4 Benefits paid directly by the employer	(819,340)	(2,109,426)
5 Actuarial (gain)/loss due to plan experience	6,350,976	(1,065,767)
6 Actuarial (gain)/loss - demographic assumptions	-	28,745
7 Actuarial (gain)/loss - financial assumptions	-	(2,665,124)
DBO at end of the year	22,689,950	14,330,001
B Statement of Profit & Loss	30-06-2019	30-Jun-18
1 Current service cost	1,681,913	1,604,298
2 Past service cost	-	-
2 Net interest cost on net defined benefit liability / (asset)	1,146,400	1,295,005
Net Cost for the year recognized in P&L	2,828,313	2,899,303
C Other Comprehensive Income (OCI)	30-06-2019	30-Jun-18
1 Actuarial (gain)/loss due to liability experience	6,350,976	(1,065,767)
2 Actuarial (gain)/loss due to liability assumption changes	-	(2,636,379)
3 Return on plan assets (greater)/less than discount rate	-	-
Remeasurement (Gain) or Loss Recognized in OCI at year end	6,350,976	(3,702,146)
D Development of Net Financial Position	30-06-2019	30-Jun-18
1 Defined Benefit Obligation (DBO)	(22,689,950)	(14,330,001)
2 Fair Value of Plan Assets (FVA)	-	-
2 Funded Status (Surplus/(Deficit))	(22,689,950)	(14,330,001)
Net Defined Benefit Asset/(Liability)	(22,689,950)	(14,330,001)
E Reconciliation of Net Balance Sheet Position	30-06-2019	30-Jun-18
1 Net defined benefit asset/ (liability) at end of prior year	14,330,001	17,242,270
2 Amount recognized in Profit & Loss	2,828,313	2,899,303
3 Amount recognized in OCI	6,350,976	(3,702,146)
4 Contributions paid into the plan	-	-
4 Benefit paid by the employer	(819,340)	(2,109,426)
Net defined benefit asset/ (liability) at end of the year	22,689,950	14,330,001
F Expected benefit payments for the year ending	30-06-2019	30-Jun-18
1 Less than a year	2,140,036	1,563,193
2 Between 1- 2 years	1,648,441	1,639,442
3 Between 2-5 years	8,957,497	9,738,521
4 Over 5 years	16,332,441	15,711,195
Total		

- i. Expected employer expense for the year ending 30 June 2020 is Nu. 4,426,293
- ii. Weighted average duration of defined benefit obligation is 10 years (30th June 2018- 12.91 years)



iii. Risk Exposure

Through its defined benefit plans, NPPF is exposed to a number of risks, the most significant of which are detailed below. The actuarial valuations are based on certain assumptions, which are dynamic in nature and vary over time. As such NPPF is exposed to various risks as follows;

- a) *Salary Increase*: Actual salary increase will increase NPPF's liability. Increase in salary increase rate assumption in future valuations will also increase the liability.
- b) *Discount Rate*: Reduction in discount rate in subsequent valuations can increase NPPF's liability
- c) *Mortality Rate*: Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

iv. Significant estimates: actuarial assumptions and sensitivity

a Discount Rate	30-Jun-19	30-Jun-18
Discount Rate	8.00%	8.00%
Effect on DBO due to 0.5% increase in discount rate	(930,953)	(570,268)
Effect on DBO due to 0.5% decrease in discount rate	1,001,698	610,481
b Salary escalation rate	30-Jun-19	30-Jun-18
Salary escalation rate	7%	7%
Effect on DBO due to 0.5% increase in salary escalation rate	876,509	695,455
Effect on DBO due to 0.5% decrease in salary escalation rate	(862,258)	(724,646)
c Attrition rate	30-Jun-19	30-Jun-18
Attrition rate	5%	5%
Effect on DBO due to 0.5% increase in attrition rate	876,509	(59,897)
Effect on DBO due to 0.5% decrease in attrition rate	(99,849)	48,857



30. (b) Disclosure as per BAS 19: "Employee benefit" as regards defined benefit scheme (Carriage charges)

A	Movement in present value of Defined Benefit Obligation	30-Jun-19	30-Jun-18
1	DBO at end of prior year	1,299,405	1,553,128
2	Current service cost	191,888	189,486
3	Interest cost	120,667	115,733
4	Benefits paid by the plan	-	-
4	Benefits paid directly by the employer	(111,941)	(212,934)
5	Actuarial (gain)/loss due to plan experience	(214,191)	(333,574)
6	Actuarial (gain)/loss - demographic assumptions	-	(12,434)
7	Actuarial (gain)/loss - financial assumptions	-	-
	DBO at end of the year	1,285,828	1,299,405
B	Statement of Profit & Loss	30-Jun-19	30-Jun-18
1	Current service cost	191,888	189,486
2	Past service cost	-	-
2	Net interest cost on net defined benefit liability / (asset)	120,667	115,733
	Net Cost for the year recognized in P&L	312,555	305,219
C	Other Comprehensive Income (OCI)	30-Jun-19	30-Jun-18
1	Actuarial (gain)/loss due to liability experience	(214,191)	(333,574)
2	Actuarial (gain)/loss due to liability assumption changes	-	(12,434)
4	Return on plan assets (greater)/less than discount rate	-	-
	Remeasurement (Gain) or Loss Recognized in OCI at year end	(214,191)	(346,008)
D	Development of Net Financial Position	30-Jun-19	30-Jun-18
1	Defined Benefit Obligation (DBO)	(1,285,828)	(1,299,405)
2	Fair Value of Plan Assets (FVA)	-	-
2	Funded Status (Surplus/(Deficit))	(1,285,828)	(1,299,405)
	Net Defined Benefit Asset/(Liability)	(1,285,828)	(1,299,405)
E	Reconciliation of Net Balance Sheet Position	30-Jun-19	30-Jun-18
1	Net defined benefit asset/ (liability) at end of prior year	1,299,405	1,553,128
2	Amount recognized in Profit & Loss	312,555	305,219
3	Amount recognized in OCI	(214,191)	(346,008)
4	Contributions paid into the plan	-	-
4	Benefit paid by the employer	(111,941)	(212,934)
	Net defined benefit asset/ (liability) at end of the year	1,285,828	1,299,405
F	Expected benefit payments for the year ending	30-Jun-19	30-Jun-18
1	Less than a year	206,912	348,423
2	Between 1- 2 years	185,621	308,229
3	Between 2-5 years	729,735	1,300,282
4	Over 5 years	1,072,428	1,607,708

- i. Expected employer expense for the year ending 30 June 2020 is Nu. 304,702
- ii. Weighted average duration of defined benefit obligation is 10 years (30th June 2017- 10.02 years)



iii. Significant estimates: actuarial assumptions and sensitivity

	30-Jun-19	30-Jun-18
a Discount Rate		
Discount Rate	8.00%	8.00%
Effect on DBO due to 0.5% increase in discount rate	(37,302)	(46,274)
Effect on DBO due to 0.5% decrease in discount rate	39,661	49,528
b Carriage growth rate		
Carriage growth rate	5%	5%
Effect on DBO due to 0.5% increase in carriage inflation rate	40,689	111,884
Effect on DBO due to 0.5% decrease in carriage inflation rate	(38,559)	(99,124)
c Attrition rate		
Attrition rate	5%	5%
Effect on DBO due to 0.5% increase in attrition rate	40,689	24,240
Effect on DBO due to 0.5% decrease in attrition rate	(43,233)	(13,103)



**30. (c) Disclosure as per BAS 19: "Employee benefit" as regards defined benefit scheme
(Transfer grant and travelling expenses)**

A	Movement in present value of Defined Benefit Obligation	30-Jun-19	30-Jun-18
1	DBO at end of prior year	1,652,622	2,517,594
2	Current service cost	247,040	245,939
3	Interest cost	152,609	186,221
4	Benefits paid directly by the employer	(155,270)	(379,674)
5	Actuarial (gain)/loss due to plan experience	719,971	(189,616)
6	Actuarial (gain)/loss - demographic assumptions	-	(5,300)
7	Actuarial (gain)/loss - financial assumptions	-	(722,542)
	DBO at end of the year	2,616,972	1,652,622
B	Statement of Profit & Loss	30-Jun-19	30-Jun-18
1	Current service cost	247,040	245,939
2	Past service cost		
2	Net interest cost on net defined benefit liability / (asset)	152,609	186,221
	Net Cost for the year recognized in P&L	399,649	432,160
C	Other Comprehensive Income (OCI)	30-Jun-19	30-Jun-18
1	Actuarial (gain)/loss due to liability experience	719,971	(189,616)
2	Actuarial (gain)/loss due to liability assumption changes	-	(727,842)
3	Return on plan assets (greater)/less than discount rate		
	Remeasurement (Gain) or Loss Recognized in OCI at the year end	719,971	(917,458)
D	Development of Net Financial Position	30-Jun-19	30-Jun-18
1	Defined Benefit Obligation (DBO)	(2,616,972)	(1,652,622)
2	Funded Status (Surplus/(Deficit))	(2,616,972)	(1,652,622)
	Net Defined Benefit Asset/(Liability)	(2,616,972)	(1,652,622)
E	Reconciliation of Net Balance Sheet Position	30-Jun-19	30-Jun-18
1	Net defined benefit asset/ (liability) at end of prior year	1,652,622	2,517,594
2	Amount recognized in Profit & Loss	399,649	432,160
3	Amount recognized in OCI	719,971	(917,458)
4	Contributions paid into the plan	-	-
4	Benefit paid by the employer	(155,270)	(379,674)
	Net defined benefit asset/ (liability) at end of year	2,616,972	1,652,622
F	Expected benefit payments for the year ending	30-Jun-19	30-Jun-18
1	Less than a year	413,158	364,137
2	Between 1- 2 years	321,415	341,540
3	Between 2-5 years	1,414,754	1,593,318
4	Over 5 years	1,968,053	2,019,897

- i. Expected employer expense for the year ending 30 June 2020 is Nu. 595,758
- ii. Weighted average duration of defined benefit obligation is 10 years (30th June 2018- 11.21 years)



iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	30-Jun-19	30-Jun-18
	Discount Rate	8.00%	8.00%
	Effect on DBO due to 0.5% increase in discount rate	(81,701)	(62,067)
	Effect on DBO due to 0.5% decrease in discount rate	87,253	66,582
b	Salary escalation rate	30-Jun-19	30-Jun-18
	Salary escalation rate	7%	7%
	Effect on DBO due to 0.5% increase in salary escalation rate	87,823	147,034
	Effect on DBO due to 0.5% decrease in salary escalation rate	(82,954)	(129,855)
c	Attrition rate	30-Jun-19	30-Jun-18
	Attrition rate	5%	5%
	Effect on DBO due to 0.5% increase in attrition rate	87,823	10,329
	Effect on DBO due to 0.5% decrease in attrition rate	(66,360)	(11,493)

31. Additional information

The status of current/non-current assets/liabilities in the statement of financial position on the basis of residual maturity is as follows:

Assets

Particulars	30-06-2019	30-Jun-18
Current Assets		
Cash and cash equivalents	356,234,889	546,907,673
Trade receivables	6,214,626	7,056,259
Term deposits	2,740,948,643	3,199,558,631
Investments in bonds and commercial papers	622,909,499	497,309,763
Loans	1,653,343,231	2,012,162,244
Inventories	1,001,845	642,396
Other assets	2,669,078	1,529,823
Total current assets	5,383,321,811	6,265,166,790
Non-current assets		
Term deposits	11,600,673,306	8,180,060,133
Investments in bonds and commercial papers	3,446,222,982	3,909,511,336
Loans	11,846,441,199	10,178,419,036
Investments in equity shares	3,068,385,762	3,216,098,180
Investment property	605,119,674	568,039,820
Property plant and equipment	168,518,327	180,365,244
Intangible assets	7,644,817	4,821,569
Other receivables	1,352,110	835,977
Other assets	18,546,330	14,819,303
Total current assets	30,762,904,507	26,252,970,597
Total assets	36,146,226,318	32,518,137,387



Liabilities

Particulars	30-06-2019	30-Jun-18
Current Liabilities		
Trade and other payables	121,812,491	129,678,673
Employee benefit obligations	2,760,106	2,275,753
Other liabilities	38,278	341,698
Net Member's Defined Contribution(DC) plan*	628,844,498	635,792,600
Net returns credited to Member's DC plan*	596,832,919	530,156,622
Net Member's Defined Benefit (DB) plan*	2,575,742,177	2,458,294,881
Total current liabilities	3,926,030,469	3,756,540,227
Non- current liabilities		
Employee benefit obligations	27,035,036	18,191,295
Grant liability	2,861,873	3,815,830
Lapsed fund	9,214,442	9,620,242
Net Member's Defined Contribution(DC) plan*	6,253,541,264	5,624,390,914
Net returns credited to Member's DC plan*	3,829,599,775	3,254,241,416
Net Member's Defined Benefit (DB) plan*	20,587,490,874	18,068,581,074
Total non-current liabilities	30,709,743,264	26,978,840,771
Total liabilities	34,635,773,733	30,735,380,998

*The current portion (settled within 12 months) are calculated based on the average of two years contribution and payout since exact contribution and settlement within 12 months cannot be determined.

32. Distribution of Surplus

Particulars	30-Jun-19	30-Jun-18
Return on member's DC plan -Civil	622,333,188	550,049,228
Return on member's DC plan -Armed Forces	236,261,923	207,989,709
Return on member's DB plan -Civil	1,331,176,453	1,178,077,819
Return on member's DB plan -Armed Forces	390,306,911	345,819,314
Transferred to general reserve	-	38,392,410
Transferred to fair valuation reserve	(269,951,408)	59,665,203
Transferred to actuarial gains/(loss) reserve on NPPF employee	(6,856,756)	4,965,612
Total	2,303,270,311	2,384,959,294



33. Fair value measurements

Financial instruments by category

Particulars	30-Jun-19			30-Jun-18		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Cash and cash equivalents			356,234,889	-	-	546,907,673
Term deposits			14,341,621,949	-	-	11,379,618,764
Trade receivables			6,214,626	-	-	7,056,259
Investments in equity shares	3,068,385,762			3,216,098,180		-
Investments in bonds and commercial papers			4,069,132,481	-	-	4,406,821,100
Loans			13,499,784,430	-	-	12,190,581,280
Other receivables			1,352,110	-	-	835,977
Total financial assets	3,068,385,762	-	32,274,340,485	3,216,098,180	-	28,531,821,052
Financial liabilities						
Stale cheque	-	-	1,571,216	-	-	1,498,768
Interest received in advance	-	-	2,206,605	-	-	95,825
Unidentified deposit	-	-	2,369,731	-	-	2,399,731
Earnest money	-	-	1,112,713	-	-	108,213
Performance guarantee deposit	-	-	2,062,384	-	-	2,137,648
Security deposits	-	-	16,727,422	-	-	11,448,653
Excess member contribution	-	-	643,294	-	-	632,713
Housing / education loan closed A/c - credit balance	-	-	26,046,963	-	-	26,488,101
Unclaimed contribution	-	-	48,462,218	-	-	48,536,600
Other payables	-	-	20,609,945	-	-	36,332,422
Total financial liabilities	-	-	121,812,491	-	-	129,678,673

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, NPPF has classified its financial instruments into the three levels prescribed under the accounting standard.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.
 Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
 Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- The fair value of the financial instruments other than equity shares is determined using discounted cash flow analysis.
- The fair value of financial instruments in the form of investment in equity shares is determined using multiple valuation techniques by independent valuer.

(iii) Financial assets and liabilities measured at fair value - recurring fair value measurements

Particulars	As at 30 June 2019			As at 30 June 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments in equity shares						
Penden Cement Authority Ltd.	-	-	155,158,568	-	-	155,790,000
State Trading Corporation of Bhutan Ltd.	-	-	13,487,066	-	-	11,460,000
Bhutan National Bank Ltd.	-	-	1,894,885,699	-	-	2,060,170,000
Kuensel Corporation Ltd.	-	-	17,912,792	-	-	17,920,000
Druk PNB Ltd.	-	-	140,736,565	-	-	72,860,000
TBank Ltd.	-	-	141,554	-	-	82,420
Bhutan Insurance Ltd.	-	-	48,661,513	-	-	41,250,000
Dungsam Polymers Ltd.	-	-	12,485	-	-	5,760
Dagachu Hydro Power Corporation Ltd.	-	-	485,601,784	-	-	623,670,000
Credit Information Bureau	-	-	5,687,823	-	-	5,530,000
Financial Institutions Training Institute Ltd.	-	-	12,316,505	-	-	18,840,000
Dungsam Cement Corporation Ltd.	-	-	293,783,408	-	-	208,520,000
	-	-	3,068,385,762	-	-	3,216,098,180



(iv) Fair value of financial assets and liabilities measured at amortised cost

- a) Fair value of corporate loans, term deposit and investments is approximately equal to the carrying amount as the interest rate charged is approximately same as the market rate of interest at reporting date.
- b) NPPF cannot reliably determine the fair value of member loans hence it has not been disclosed. It is process of developing its system to incorporate the disclosure in future.
- c) The carrying amounts of all other financial assets and financial liabilities are considered to be the same as their fair values, due to their short-term nature.
- d) NPPF obtains independent valuations for its equity shares on regular basis. Valuation of equity shares in done on the following basis;
 - *Market approach-market price:* The best evidence of fair value is determined by considering the market price of the company based on movement of share prices on stock exchange where the company's share are most frequently traded.
 - *Market approach-comparable companies:* The value is determined based on market multiples of publically traded comparable companies engaged in same or similar line of business as the subject companies
 - *Asset approach-net asset value:* Total value is based on the sum of net asset value as recorded on the statement of financial position.

The fair value of equity shares was on the basis of inputs used by a certified valuer and other financial instruments were calculated based on cash flows discounted using current market rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. NPPF uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see 32(ii) above.

34. Financial Risk management

The NPPF's activities expose it to credit risk, liquidity risk and market risk. This note explains the sources of risk which NPPF is exposed to and how it manages the risk and the impact of it in the financial statements. The National Pension Board (NPB) oversees the governance structure, control and management system and risk mitigation measures. The NPPF identifies risks that it might be exposed to and has built risk mitigation procedures to minimize the risks

(A) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. NPPF is exposed to credit risk from its operating activities including deposits with banks and financial institutions, loans to members and corporates and renting of properties to members.

1) Loans (incl. loan commitments)

The estimation of credit exposure for risk management purpose is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and passage of time. The Investment Department is responsible for establishing credit risk management policies and monitoring the quality of credit assets. NPPF has different Division for catering to different categories of loan i.e. corporate



loan and member loan (retail loan). It has system in place for post-lending monitoring and policy for credit approval.

Pre-lending evaluations is done by NPPF's Investment Department based on internal rating criteria and assessing the risks with respect to the loan. NPPF through its membership in Credit Information Bureau (CIB) assesses the credit worthiness of the applicant. Income level, credit history, and repayment ability of the applicant is also used for determining the loan to be given. Credit approvals are granted based on the NPPF's Delegation of Authority and also on the basis of credit report and rating of the customer. Any adverse events that may significantly affect a borrower's repayment ability are reported timely.

To mitigate risks, NPPF requires the customers to provide collateral and guarantees for the loan given. NPPF monitors borrowers' repayment ability, the status of collateral and any changes to collateral value. Once a loan becomes overdue, it starts the recovery process according to recovery procedures.

Particulars	30-Jun-19	
	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*
Loan to manufacturing & industries sector	2,045,007,147	30,438,936,000
Loan to service & tourism sector	4,871,458,053	14,299,047,000
Loan to institutions	404,071,316	521,300,000
Loan to housing (corporate)	906,832,630	965,060,000
Loan to members	5,516,614,518	9,075,746,553
Net exposure of the loan	13,743,983,664	55,300,089,553

Particulars	30-Jun-18	
	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*
Loan to manufacturing & industries sector	2,165,676,581	29,637,886,000
Loan to service & tourism sector	3,000,400,358	10,310,527,000
Loan to institutions	990,706,734	2,078,647,395
Loan to housing (corporate)	938,346,886	965,060,000
Loan to members	5,318,133,121	9,333,464,691
Net exposure of the loan	12,413,263,679	52,325,585,086

* Value as on the date of sanction



Maximum credit risk exposure

In respect of the financial assets recognised in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after deducting for any impairment allowance. The maximum exposure to credit risk as at the end of the reporting period without taking into consideration any collateral held or other credit enhancement is in note 8. For exposure relating to off-balance sheet commitment refer note 34.

Loans to customers analysed by sector concentrations is reflected in note 8. The loan is categorised in following categories;

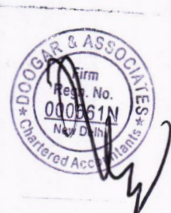
- Corporate loan
 - a) Loan to manufacturing & industries sector
 - b) Loan to service & tourism sector
 - c) Loan to institutions
 - d) Loan to housing (Corporate)
- Retail loan
 - e) Loan to member

Particulars	30-Jun-19		30-Jun-18	
	Loan amount	Provision	Loan amount	Provision
Total corporate loan	8,227,369,146	81,702,002	7,095,130,559	70,500,255
Total member loan	5,516,614,518	151,218,666	5,318,133,121	137,492,608
Interest suspense		11,278,566		14,689,536
Total	13,743,983,664	244,199,234	12,413,263,679	222,682,399

Aging analysis of loans

The following aging analysis is carried by NPPF for regularly monitoring the loan recoveries.

Loan category	Not due	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 30 June 2019
Housing Loan	1,542,169,028	172,104,023	64,884,063	96,930,427	56,251,986	1,932,339,527
Education Loan	2,588,209,017	55,885,844	20,288,593	6,966,111	46,281,398	2,717,630,963
Members Loan	675,533,693	10,895,025	4,964,312	2,258,701	6,677,962	700,329,693
Staff Incentive loan	72,484,918	7,514,436	2,018,218	-	-	82,017,572
Student Loan Scheme	57,541,249	11,356,291	7,520,138	2,819,644	5,059,440	84,296,762
Manufacturing/Industry	2,045,007,147					2,045,007,147
Service & Tourism	4,871,458,053					4,871,458,053
Housing-Corporate	906,832,630					906,832,630
Institutional Loans	404,071,316					404,071,316
Grand Total	13,163,307,052	257,755,618	99,675,324	108,974,884	114,270,786	13,743,983,664



Loan category	Not due	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 30 June 2018
Housing Loan	1,706,149,712	246,446,968	140,066,220	53,540,608	76,729,761	2,222,933,270
Education Loan	2,439,273,596	69,000,169	26,965,641	11,849,296	37,740,105	2,584,828,808
Members Loan	385,903,207	6,835,881	1,600,923	2,456,602	3,116,008	399,912,621
Staff Vehicle Loan	7,020,889	484,885	-	-	-	7,505,775
Staff Incentive loan	17,636,065	504,149	-	-	-	18,140,214
Student Loan Scheme	56,799,004	10,849,170	7,073,019	3,005,586	7,085,654	84,812,432
Manufacturing/Industry	2,165,676,581					2,165,676,581
Service & Tourism	3,000,400,358					3,000,400,358
Housing-Corporate	938,346,886					938,346,886
Institutional Loans	990,706,734					990,706,734
Grand Total	11,707,913,032	334,121,223	175,705,803	70,852,092	124,671,529	12,413,263,679

Impairment of loan

The overdue balance are considered for impairment. The overdue loans are categories into following categories-

- Standard - amount due up to 30 days
- Watch - amount not paid within 30 days and overdue till 90 days
- Non performing - amount overdue for more than 90 days

For impairment recognised as at the reporting period, please refer note 28.

Concentration of credit risks

NPPF proactively adopted a series of measures to prevent large exposure concentration risk, including further tightening lending criteria, adjusting business structure, etc. controlling the credit granting.

Particulars	30-Jun-19		30-Jun-18	
	Amount	%	Amount	%
% of 10 largest loan exposure to fund size	7,511,380,000	20.78%	6,865,993,000	22.02%

2) Term deposits, bonds, cash and cash equivalents and other receivables

NPPF is required to invest the members' contribution as per the investment policy formed by the Board. As per the investment policy of NPPF, 30% of the investment can be in equity shares and 70% in fixed income investments. The investment policy framed by the Board is reviewed regularly.

Credit risk from balances with banks and financial institutions is managed by the NPPF's Portfolio Investment Department. Investments of member contributions are made only with approved counterparties in accordance with the NPPF's policy. The counterparties are accordingly governed by the regulatory authorities to mitigate financial loss during failure to make payment.

The NPPF evaluates the risk as low since majority of the investments in the form of term deposits, bonds and CPs are made in government controlled banks and entities. Other receivables are considered to be of good quality and there is no significant credit risk.



Industry Analysis

	Loan to manufacturing & industries sector	Loan to service & tourism sector	Loan to housing	Loan to institutions/RGOB	Loan to members
Bonds	884,400,000	1,398,371,335		1,379,795,000	
Commercial paper	250,000,000				
Loans (gross)	2,045,007,147	4,871,458,053	906,832,630	404,071,316	5,516,614,518
Investment in equity share	934,556,245	31,399,858		2,102,429,659	
Bank balances and term deposits				13,940,841,056	

(B) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The consequence may be the failure to meet obligations to repay members and creditors.

Prudent liquidity risk management implies maintaining sufficient cash to meet obligations when due. The current ongoing obligations are met through contributions from members, rental income from investment property and interest income from funds invested in loans, deposit and bonds.

The National Pension and Provident Fund Plan is comprised of two funds: pension and provident fund.

A member of pension fund who has made a minimum of 120 monthly contributions shall be entitled to a monthly pension on his/her retirement, or on his/her permanent disability. On his/her death, a monthly benefit shall be payable to his/her surviving children and surviving spouse.

A member of provident fund shall be paid accumulated contributions credited to provident fund account along with returns credited thereon.

Management monitors rolling forecasts of NPPF's liquidity position and cash and cash equivalents on the basis of expected cash flows through preparation of "fund gap analysis" monthly. In addition, NPPF's liquidity management policy involves projecting cash flows on monthly basis and considering the level of liquid assets necessary to meet the creditors and obligations towards members.

Further payment of pension obligations to members are guaranteed by Royal Government of Bhutan.

(i) Maturities of financial liabilities

The tables below depicts NPPF's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months are equal to their carrying balances as the impact of discounting is not significant.



Contractual maturities of financial liabilities 30 June 2019	Less than 1 year	Total
Stale cheque	1,571,216	1,571,216
Interest received in advance	2,206,605	2,206,605
Unidentified deposit	2,369,731	2,369,731
Earnest money	1,112,713	1,112,713
Security deposit (contractor)	5,540,515	5,540,515
Performance guarantee deposit	2,062,384	2,062,384
Security deposit (rent)	10,688,990	10,688,990
Excess member contribution	643,294	643,294
Security deposit - power / tenant	497,917	497,917
Housing / education loan closed A/c - credit balance	26,046,963	26,046,963
Unclaimed contribution	48,462,218	48,462,218
Other payables	20,609,945	20,609,945
Total financial liabilities	121,812,491	121,812,491
Off balance sheet commitment (loan)	2,202,224,836	2,202,224,836

Contractual maturities of financial liabilities 30 June 2018	Less than 1 year	Total
Stale cheque	1,498,768	1,498,768
Interest received in advance	95,825	95,825
Unidentified deposit	2,399,731	2,399,731
Earnest money	108,213	108,213
Security deposit (contractor)	2,414,862	2,414,862
Performance guarantee deposit	2,137,648	2,137,648
Security deposit (rent)	8,504,014	8,504,014
Excess member contribution	632,713	632,713
Security deposit - power / tenant	529,777	529,777
Housing / education loan closed A/c - credit balance	26,488,101	26,488,101
Unclaimed contribution	48,536,600	48,536,600
Other payables	36,332,422	36,332,422
Total financial liabilities	129,678,673	129,678,673
Off balance sheet commitment (loan)	111,800,000	111,800,000

(C) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates. NPPF gives loans at fixed interest rate and floating rate (reset after 5 years) hence, it is not exposed to interest rates risks on loans. Further other financial instruments invested in term deposits, bonds and CPs, are also at fixed rate of interest.



The NPPF's fixed rate financial assets are carried at amortised cost. They are therefore not subject to interest rate risk as defined in BFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(D) Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The company's exposure to equity securities price risk arises from investments held by the company in equity securities and classified in the statement of financial position as at fair value through statement of comprehensive income. The table below summarizes the impact of increases/decreases of the prices of respective securities on company's equity and total other comprehensive income for the period. The analysis is based on the assumption that the market price of the respective securities had increased by 5% or decreased by 5%:

Particulars	Impact on total comprehensive income	
	30-Jun-19	30-Jun-18
Increase by 5%	153,419,288	160,804,909
Decrease by 5%	(153,419,288)	(160,804,909)

(E) Foreign currency risk

NPPF has foreign currency exposure only in INR, however the value of Ngultrum is constantly equal to Indian rupee (INR). Hence NPPF is not exposed to any foreign currency risk relating to receivable/payable in INR on the date of reporting.

35. Capital management

NPPF's schemes were introduced as a mandatory retirement savings scheme for civil servants, employees of public corporations and the Armed Forces. NPPF is entrusted with the responsibility of administering the social security plan and fiduciary duty of managing funds in the form of portfolio investments, real estate investments and member (retail) loans. To manage these objectives of NPPF, it takes following risk management measures:

Statutory Liquidity Ratio

As provided by the Prudential Regulations, every non-banking financial institution shall, at all times, maintain minimum liquidity in the form of quick assets at 10% of total liabilities excluding capital fund and liabilities to the Royal Monetary Authority (RMA).



The RMA has considered waiver of SLR requirement on the condition that the institution segregate its assets and maintain sufficient fund to cover all payments it is obliged to make for both defined benefit and defined contribution schemes. The relaxation will continue till the time RMA comes up with Pension and Provident Fund Rules and Regulations.

Limit on single largest and ten largest borrowers

As required by Royal Monetary Authority, NPPF shall not extend its credit to a single borrower exceeding 30% of total loan portfolio and to ten largest borrowers exceeding 30% of the fund size.

Restrictions on investment

NPPF has formed an investment policy by virtue of which it is explicitly restricted from making investments not more than 15% with any one issuer.

Asset Allocation

NPPF has framed an asset allocation policy based on risk appetite of the fund and the available investment opportunities. The assets will broadly be allocated according to the most appropriate mix as determined by the Board of the NPPF from time to time. This allocation shall be subject to thorough review as and when necessary. Keeping in view of the present market conditions, the overall asset allocation by asset class aimed at 30:70 - equities vs. fixed income. NPPF invests the members' contribution as per the investment policy approved by the Board.

36. Other disclosure

a) Commitments

Particulars	30-Jun-19	30-Jun-18
Capital expenditure for Real Estate development.	149,640,476	191,709,543
For acquisition of land for Home Ownership Scheme	1,240,000	1,240,000
Loan	2,202,224,836	111,800,000

b) Operating leases-as lessee

NPPF has taken property under cancellable operating leases expiring within two years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Rental expense relating to operating leases		
Particulars	30-Jun-19	30-Jun-18
Total rental expense relating to operating leases	250,800	230,600

c) Operating lease-as lessor

NPPF has given a portion of office building under cancellable operating leases expiring within five years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.



Rental Income relating to operating leases

Particulars	30-Jun-19	30-Jun-18
Total rental income relating to operating leases	4,484,374	4,460,304

37. Related party disclosure

NPPF was formed by Royal Government of Bhutan for administering the social security plans in Bhutan by managing funds in the form of portfolio investments, real estate investments and retail loans.

Transactions with related parties

The following transactions occurred with related parties:

Nature of transaction with related party	30-Jun-19	30-Jun-18
Loans to/from related parties and Loans to key management personnel		
Beginning of the year	9,402,770	15,662,666
Loans advanced	6,301,991	2,248,899
Loan repayment received	3,408,673	2,318,600
Interest charged	831,034	1,309,371
End of the year	13,127,121	16,902,336

Terms and conditions

Loan given to related party are on same terms and conditions that applied to other borrower. These loan are secured and repaid as per the contractual repayment schedule.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. As such Key management personnel of the company for the purpose of disclosure of compensation include NPB's executive and non-executive directors and their close family members.

Sl.No.	Particulars	30-Jun-19	30-Jun-18
a)	Short- term employee benefits	6,359,213	5,615,042
b)	Post- employment benefits (PEB)	553,862	514,084
c)	Other long- term benefits (OLTb)	299,038	262,467
	Total	7,212,113	6,391,593



RATIO ANALYSIS

SIGNIFICANT RATIO

	Ratios	2018-19		2017-18	
		GAAP	BAS	GAAP	BAS
	Funded ratio				
1	% of Equity investment to fund size	5.58%	8.49%	5.98%	9.89%
	SLR Ratio				
2	% of Fixed Income to fund size	92.80%	89.96%	91.56%	87.78%
3	% Growth in revenue	10.25%	-3.40%	17.23%	-9.27%
4	% of increase in fund size	12.50%	11.16%	13.67%	13.27%
5	% of management expense to revenue	4.06%	4.57%	3.98%	3.92%
6	% of non-performing loan	0.86%		1.02%	
7	% Growth in Surplus	11.19%	-2.94%	16.13%	-11.67%
8	Rate of return achieved	8.45%		8.51%	
9	% of pension payment to annual DB contribution	29.87%	29.87%	25.92%	25.92%
10	% increase in Pension payout	18.04%	18.04%	19.49%	19.49%





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