

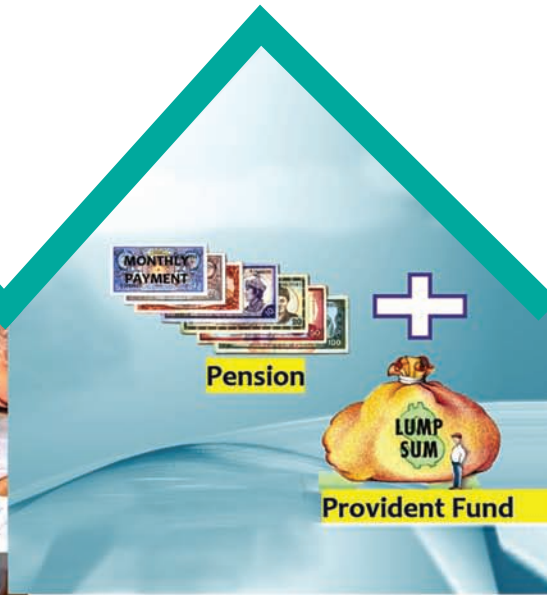


# National Pension and Provident Fund

2017-2018



# Annual REPORT



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# NATIONAL PENSION AND PROVIDENT FUND

## ANNUAL REPORT







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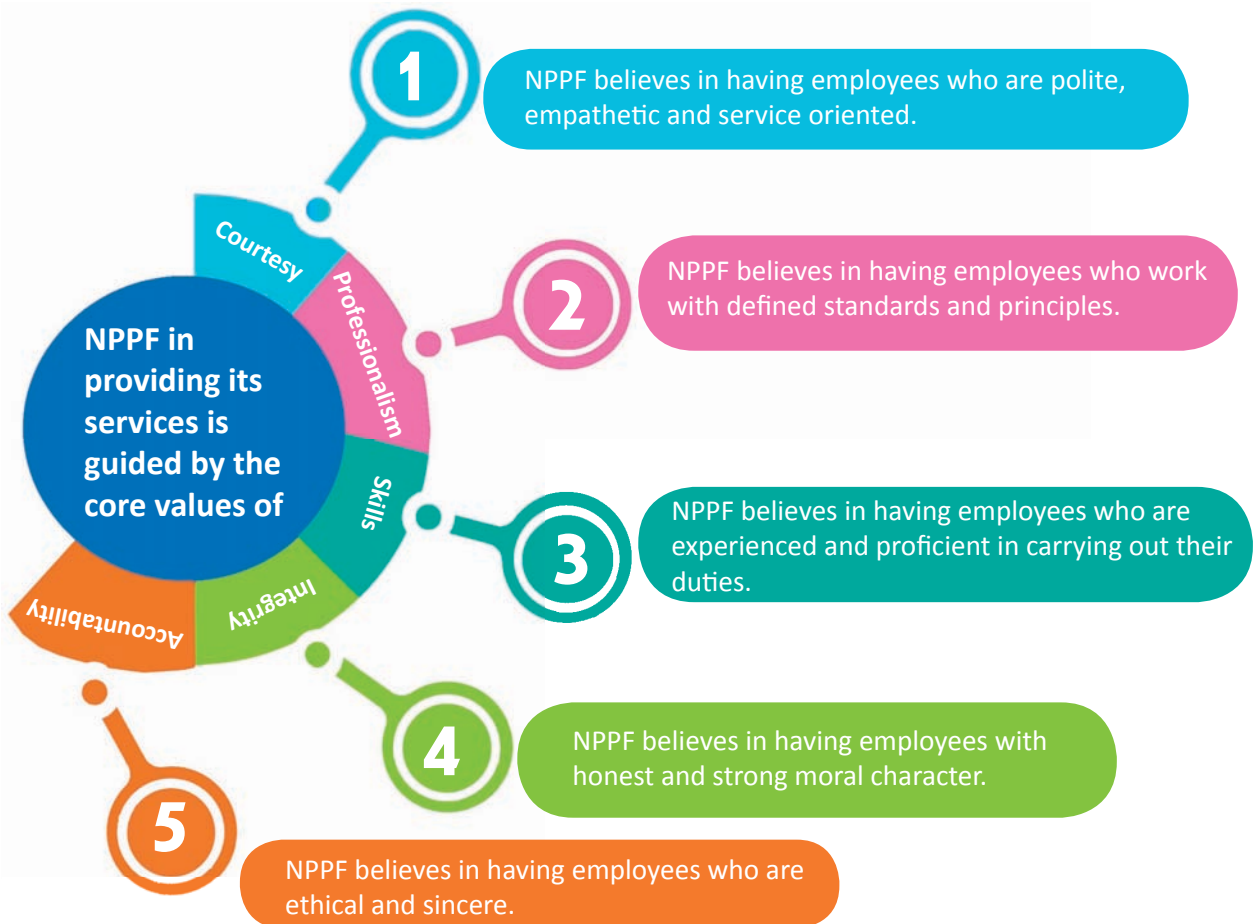
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To be the leading social security organization in the country

Managing retirement schemes which are accessible, innovative and sustainable through prudent investment.



# About NPPF

The National Pension and Provident Fund (NPPF) was established in March 2000 to manage and administer the National Pension and Provident Fund schemes with an objective to provide income to members during 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 enterprise, and the armed forces. NPPF plays a very important role in providing members and beneficiaries with relief and maintenance in case of disability, old age and death. The pension benefits also helps members in preserving the standard of living they enjoyed during their employed life and provides social safety net during retirement.

Employees of civil servants and corporate sector contribute 11% of their basic salary and a matching contribution by the employer. Of the 22% contribution, 16% is allocated to pension fund, which is paid monthly to members when they retire from the service and the remaining 6% is allocated to provident fund, which is paid in lump sum when a member retires.

The members of the Royal Bhutan Army (RBA) and the Royal Bodyguard (RBG) contribute 15% of the basic salary while the employer makes a matching contribution of 15% for each member. Of the total 30%, 19% is allocated to pension fund and the remaining 11% is allocated to provident fund scheme. The members working for Royal Bhutan Police (RBP) contributes 12% each and RBP makes a matching contribution of 12% for each member. Of the 24% contributions, 15% is allocated to pension fund and the remaining 9% is allocated to provident fund.

Apart from administering the pension and provident fund schemes, NPPF is also entrusted



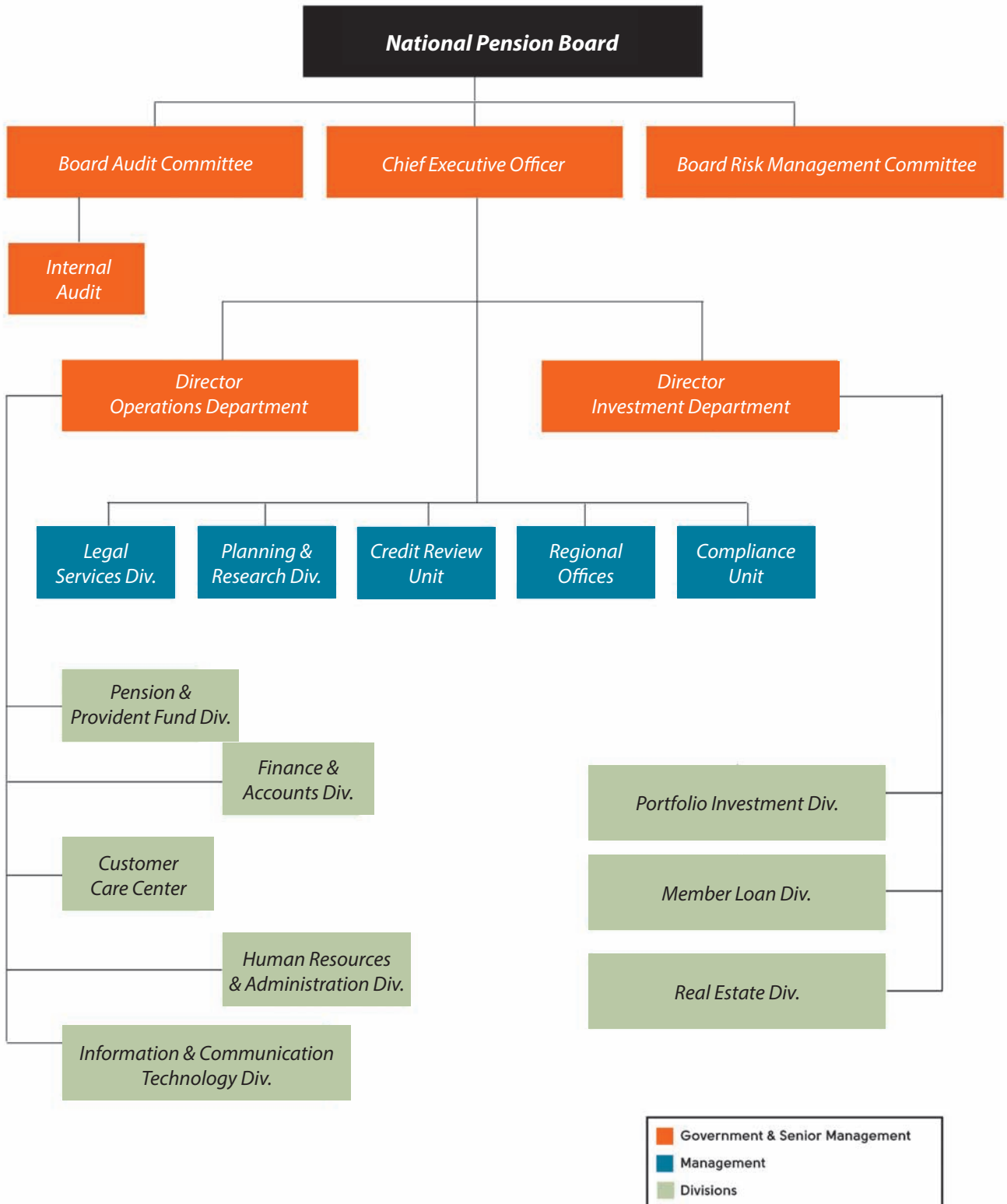
with the fiduciary duty of managing funds and making prudent investment. Today, NPPF is one of the main sources of funding for most projects and entities and has contributed greatly to the economic development of the country.

With over 904 units rented out to members at affordable rates in Thimphu, Phuentsholing, Samdrup Jongkhar and Samtse, NPPF is one of the biggest real estate developers in the country. NPPF plans to build more affordable houses and help resolving housing crisis in major cities across the country.

To provide shelter after retirement, NPPF started the Home Loan Scheme for members. Members are eligible to take loan from NPPF and invest in flats and residential apartment at minimum interest rates. Further, as a value added service, NPPF provides technical support by providing designs and drawings at competitive rates.

NPPF will continue to re-invent itself and introduce schemes that will make meaningful differences in the lives of our members.

# 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**  
Director, Department of  
Revenue & Custom



**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



**MR. DAWA TSHERING**  
Head,  
Gelephu Region



**MR. TSHERING GYELTSHEN**  
Head,  
P/Ling Region



**MR. WANGCHUK**  
Head,  
S/Jongkhar Region



**MR. CHENCHO**  
Head,  
Mongar Region

## SENIOR MANAGEMENT



**MR. TSHEWANG DORJI**  
Chief, Pension & PF  
Division



**MR. PHUB DORJI**  
Chief, Finance &  
Accounts Division



**MR. TSHERING DORJI**  
Chief, Planning &  
Research Division



**MR. KINZANG WANGDI**  
Chief, ICT Division



**MR. DECHEN DORJI**  
Chief, Real  
Estate Division



**MS. KARMA YANGZOM**  
Acting Chief,  
Internal Audit Cell



**MS. TSHERING OM**  
Acting Chief, Member  
Loan Division



**MR. TSHERING NAMGYAL**  
Acting Chief, HR &  
Admin Division



**MS. TSHOKI LHAMO**  
Acting Chief, Customer  
Care Center



**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 2017-2018. The report highlights the NPPF's achievements during the year and provides an overview on social security aspect prevalent in our country.

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 staff throughout the year.

## Operational Highlights

During the year, there were 55,102 members as against 53,998 in the previous year registering a 2.04% growth in total membership. Members represent about 8.08% of the total population of the country. The growth was mainly because of inclusion of local government officials from the 205 gewogs under the provident fund scheme during the year.

Similarly, the number of pensioners grew from 5,861 pensioners in 2016-2017 to 6,498 during the year. The dependency ratio of pensioners to contributing members reached 11.79% during the year. The average age of members is approximately 36 years and pensioners, 60 years.

Nu. 2,447.49 million was received as monthly contribution toward the pension and provident funds and Nu. 1,220.12 million was paid out as monthly pension payment, refund of provident fund and pension contributions.

## Draft National Pension and Provident Policy and Funding Policy of the Defined Benefit pension scheme

The Draft National Policy on Pension and Provident Fund Scheme was reformulated making it a more generic national policy for extending defined contribution provident fund scheme to cover large section of the workforces under a regulatory framework. Featuring inclusiveness, affordability and accessibility to all sections of the workforces from both formal and informal sectors for enhancing contractual savings as well as investment during saving period.

The government has approved the Policy in principle and shall be submitted to the next Government for approval and implementation.

In order to establish a framework for sound and prudent financial management of the assets and liabilities of the National Pension and Provident Fund Plan (NPPFP) for civil service and state enterprises; and Armed Forces Pension and Provident Fund Scheme (AFPPFS) for the

members of armed forces, (collectively referred to as the Plan), the NPPF has drafted Funding Policy during the year and the National Pension Board has endorsed it for onward submission to Ministry of Finance.

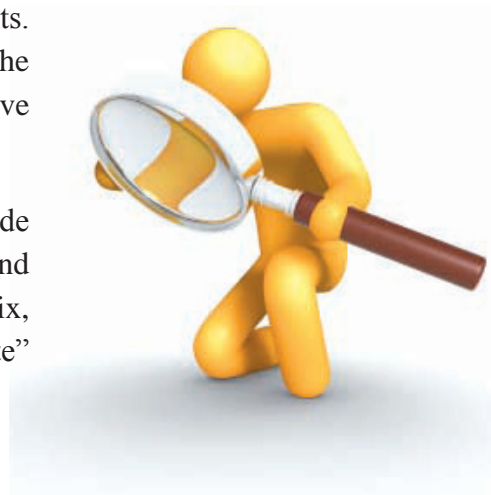
The Policy outlines plan of actions and strategies to manage the defined benefit plan liabilities by reflecting on funding risks facing the Plan, setting out priorities for orderly funding of the Plan and providing rationale for the chosen funding philosophy and practices.

The policy is intended to help plan administrators and Board in administration, prudent management and investment of funds of the Plans. In particular, it is formulated to provide guidance on the development and adoption of a funding policy to meet the promised defined benefits.

### Audit Reports

M/S KRA & CO 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 the financial statements. NPPF has complied with all the critical observations made in the past years. All the past Royal Audit Authority observations have been resolved.

Some of the significant observations and recommendations made by the statutory auditors on the accounts, internal control and operations included the organization not having a risk matrix, procurement manual and NPPF not collecting "life Certificate" from pensioners.



## Financial Highlights

During the year, NPPF achieved revenue of Nu. 2,566.22 compared with Nu. 2,828.35 million last year. The decrease in revenue was due to the impact of fair value of equity shares. The actual revenue earned during the year without the impact of fair value was Nu. 2,491.72 million compared to Nu. 2,125.58 million last year registering a growth of 17.23%. NPPF during the year made total investment of Nu. 8,342.59 million in various investment portfolios.

The total operating expenditure of NPPF was Nu. 186.22 million registering an increase of 39.13% from the previous year. However, the cash flow expenditure was reduced from Nu. 108.4 million to Nu. 100.7 million. The increase in expenditure was mainly due to provisioning (Nu. 58.4 million provisioned).

During the year, NPPF injected more than Nu. 6,552.198 million in the economy by investing in the form of loans to government and corporate entities which includes loan to National Housing Development Corporation Ltd. (NHDCL), Bhutan Ferro Alloys Ltd. (BFAL), State Mining Corporation Ltd. (SMC), Bhutan Power Corporation (BPC), Credit line loan to Bhutan Telecom (BT), Bhutan Hydro Services Ltd. (BHSL), Bhutan Development Bank (BDBL), Tashi Infocomm Ltd. (TICL), Legphel Pvt. Ltd and Credit line loan to Dungsam Cement Corporation Limited (DCCL).

NPPF also invested in right shares of Druk PNB worth Nu. 33.15 million and increased its stake from 3.13% to 4.3% in June 2018. NPPF also participated in commercial paper floated by STCBL worth Nu. 28.60 million. During the year, investment in deposit has also increased by Nu. 1,054.64 million compared to the last financial year.

NPPF has helped the government in resolving the housing crisis in Phuentsholing by financing

NHDCL's housing project and renting out to Bhutanese living across the border, in Jaigaon.



As on 30<sup>th</sup> June 2018, NPPF's total fund size was Nu. 32,518.14 million as against Nu. 28,708.29 million on 30<sup>th</sup> June 2017 registering a growth of 13.27%.

## Rate of return

Over the past three years, NPPF has been achieving an average return of 8.0% on investments as compared to an average of 7.08% over the last 10-years. Similarly, during the year, NPPF declared and distributed 8.35% as Rate of Return (ROR) to all the members.



## Real Estate

As of date, NPPF owns 50 acres of land and 93 buildings across the country and provides 904 residential flats, offices and commercial units. The total rental income generated during the year was Nu 58.31 million. During the year, a Five-Year Real Estate Investment Plan was developed and approved to expand investments in real estate to generate sustainable long-term returns on investments.

## Human Resource and Administration

Recognizing that employees form the mainstay of the organization, NPPF has accorded the highest priority in enhancing human resource development and capacity building through various training, workshops, seminars, field studies and knowledge exchange programs. A total of Nu.7.45 million was invested in training and developing 98 employees inside the country and 33 employees outside the country.

## Finance and Accounts

NPPF became the third financial institution to adopt and implement the Bhutanese Accounting Standards (BAS) where the financial statements for 2017-18 has been prepared based on it although the adoption of standards time frame was up to 2019-2020.

## Information and Communications Technology

Over the last 18 years since the commencement of NPPF, ICT has played a strategic role in carrying out its operations. 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.

Most of NPPF systems were functioning on a stand-alone basis making it inefficient and ineffective in the operation. In order to overcome this shortcoming and more importantly to keep pace with the evolving technology and need of the organization, a situational analysis and a way forward for a new integrated ICT system for NPPF has been completed during the previous year. During the year Phase-I of the integrated ICT system for NPPF was successfully completed. The Phase-I activities included studying functional requirements, finalization of RFP and TOR and drafting of NPPF ICT policy and strategies.



## Advocacy on NPPF schemes and services

NPPF carried out rigorous advocacy program for its members on its products and services in 9 Dzongkhags. Video documentary on the NPPF was featured for public viewing on Bhutan Broadcasting Service, NPPF website and social media. The documentary provides information on pension and provident fund schemes and other products and services.

## Corporate Social Responsibility (CSR)

NPPF, in partnership with RICBL, initiated Lotedh Scheme as a Corporate Social Responsibility to promote social values and culture. The primary objective of the scheme was to provide semso or financial support to the immediate family members of a Lotedh member during the demise of family members. During the year, 22 family members benefited from the scheme. Currently, there are 1054 Lotedh Scheme members. It is managed by Lotedh Scheme Trustees comprising of representatives from pensioners who worked as civil servants and 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

NPPF complies with the provisions of the Corporate Governance Rules and Regulations of the Royal Monetary Authority, 2018. The Ministry of Finance appoints the members of the Board, which comprises of seven Board directors including the Chief Executive Officer.

In order to ensure good governance, the function of the Board is supported by the following Board Committees as per the Corporate Governance Rules and Regulations:

1. Board Risk Management Committee
2. Board Audit Committee
3. Board Human Resource Committee
4. Board Tender and Procurement Committee

The details of Board sittings are reflected as follows:

## 1. Board Meetings

SL No	Name	Designation	Agency	Number attended	Directorship in other companies
1	Mr. Kinzang Wangdi	Chairman	Secretary, Cabinet Secretariat	5	Bhutan Helicopter Services Ltd. Bhutan Broadcasting Service Ltd.
2	Mr. Phuntsho Wangdi	Director	Secretary	6	Tangsibji Hydro Energy Ltd.
3	Mr. Lam Dorji	Independent Director	Former Secretary, MoF	2	-
4	Col. Kinzang Wangdi	Director	RBA	4	-
5	Col. Tshering Namgyal	Director	RBA	1	-
6	Mr. Yonten Namgyel	Director	Director, DRC	6	Dungsam Cement Corporation Ltd. Army welfare project Ltd.
7	Mr. Pema R Rinchen	Director	Director, HOPE, HM's Secretariat	5	National Housing Development Corporation Ltd. Bhutan Care Credit Unit Ltd.
8	Mr. Dungtu Drukpa	Member Secretary	CEO, NPPF	6	Bhutan Ferro Alloys Ltd. Dagachhu Hydro Power Corporation Ltd. Tashi Infocomm Ltd. National Housing Development Corporation Ltd. Accounting and Auditing Standard Board of Bhutan (AASBB)

Note: Col. Kinzang Wangdi resigned in March and was replaced by Col. Tshering Namgyal  
Mr. Lam Dorji resigned as Board Director after attending two Board meetings.

## 2. Board Audit Committee Meetings

SL No	Name	Designation	Agency	Number Attended
1	Mr. Lam Dorji	Independent Director	Ex- Finance Secretary	3
2	Col. Kinzang Wangdee	Director	Colonel, RBA	3

### 3. Board Human Resource Committee Meetings

SL No	Name	Designation	Agency	Number Attended
1	Mr. Pema R Rinchen	Chairperson	Director, Hope Project, HM's Secretariat	1
2	Mr. Yonten Namgyal	Board Director	Director, Department of Revenue & Custom, RGoB.	1
3	Mr. Dungtu Drukpa	Board Director	CEO, NPPF.	1
4	Mr. Tshering Namgyal	Member Secretary	Acting Chief, HRD	1

### 4. Board Level Tender Committee Meetings

SL No	Name	Designation	Agency	Number Attended
1	Dasho Phuntsho Wangdi	Chairperson	Secretary, MOWHS	2
2	Colonel Kinzang Wangdee	Member	RBA	2
3	Mr. Dungtu Drukpa	Member	CEO, NPPF.	2
4	Mr. Tshewang Dorji	Member Secretary	Chief, RED	1

## Challenges and Outlook

Like in many countries around the world, Bhutan too is beginning to feel the consequences of demographic changes. The cumulative effect of increase in number of pensioners relative to the number of contributors, increase in life expectancy of the pensioners are beginning to effect NPPF as the pension payout are growing every year.

The Population and Housing Census Report 2018 indicates that there is a significant increase in life expectancy of average Bhutanese from 66 years in 2005 to nearly 70 years in 2017 while there is a sharp decline in the fertility rate. A longer life expectancy raises the length of inactive period that needs to be financed while the decrease in fertility rate affects the number of contributors as it impacts the labor market putting financial stress on pension scheme. Old-age dependency ratio will remain high because fertility is projected to remain well below the replacement level of 2.1 and life expectancy is expected to rise further. This is a matter of concern because problem caused by old age would continue to persist even if dependency ratio become stable although at a higher level.

Investment plays an important role in sustaining the pension systems across the world. The impact of lesser returns do not begin to show immediately because contribution received from large number

of members and relatively less pension payment could cover or overshadow the deficiencies of lesser returns during the initial years. However, as the pension system matures over the years, the returns on investment become extremely important to match contributions received required paying pensioners.

However, investment scenario in Bhutan has been unpredictable and unexpected driven by the market conditions. Given the lack of vibrant financial market and limited investment avenues in Bhutan, NPPF makes Investment in industries approved by the government.

A good investment performance helps in meeting the promised benefits. The main aim of investment is to generate a sufficiently high return that helps in meeting the pension cost. Through adequate balancing of risk and return, pension funds can ensure that the risk of becoming underfunded and magnitude of underfunding do not get too large.

## Governance and challenges

NPPF was established on 1<sup>st</sup> July 2002 following the Executive Order issued by the then Lhengye Zhuntshog. The Executive order outlines its mandate, functions, powers and membership.

As per the Executive Order, NPPF was established as an autonomous public organization with perpetual succession and a common seal. It was vested with power to:

- Enter into contract and issue obligations;
- Sue and be sued in its own name; and
- Acquire, hold and dispose property, whether movable or immovable and to pledge and mortgage the same.

Under the Executive Order, a mandatory National Pension and Provident Fund Plan (NPPFP) for civil servants and employees of Government owned and joint sector corporations and a separate Armed Forces Pension and Provident Fund Scheme (AFPPFS) for the members of the armed forces were approved and implemented. All the benefits promised to the members under NPPFP and AFPPFS were guaranteed by the Government as per the rules and regulations developed pursuant to the Executive Order.

In the absence of a clear legal framework within which NPPF functions, NPPF is regulated like a State Owned Enterprises (SoEs) under the Ministry of Finance (MoF). The MoF takes the lead in governance matter such as appointment of Board Directors, Chief Executive Officer (CEO) and fixing the remuneration framework for all employees. The cabinet on recommendation by the MoF approves the appointment of Board and CEO. The salary structure of all employees are also line with the MoF.

Matters relating to the interpretation of the Executive Order are also referred to the MoF. While finance ministry is the liaising agency for the matters referred above, the appointment of Board of Directors, CEO and other key decisions are referred to and taken by the Cabinet. This is because as per the Executive Order, such decisions are the prerogative of the Royal Government of Bhutan. The RMA also plays a quasi-regulatory role since NPPF is categorized as a financial institution. Therefore, all Board and CEO are appointed after issuing of “Fit and Proper” test. For some of the business

aspects, such as loans, the operations is regulated by all applicable laws and regulations issued applied by RMA. Therefore, the following are some of the issues/challenges:

- The legitimacy of NPPF in absence of relevant act.
- Two reporting authorities with quasi regulations by both in certain areas and limited or no regulation in some areas. Therefore there is a requirement to come up with relevant act and governance structure.
- The disclosure of contingent or accrued liability for the pension scheme by relevant authority/entity. Every three years, NPPF carries out actuarial valuation and the report is submitted to the MoF. Non-disclosure of a liability in the long run can distort and seriously impact the fiscal health of the country.

## Conclusion

The National Pension and Provident Fund handles a very complex set of functions that has both short term and long terms socio-economic impact, especially on the fiscal health of the country. Often, NPPF is perceived as a cash rich organization with its only function to receive contribution and pay back as retirement benefits with no risk in between. From a sovereign asset -liability management framework, NPPF's contingent liability forms a critical part of the equation and its management requires multiple stakeholders' involvement with multi- pronged strategy.

In summary, NPPF faces huge challenges due to:

- i. Changes in demographic factors like increase in life expectancy, decrease in fertility rates, and other associated factor relating to the ageing population.
- ii. A defined benefit pension scheme design that has inherent sustainability issues that requires reform.
- iii. Challenges in finding appropriate long term investment avenues to match the liability profile.
- iv. The legal framework and the legitimacy of the operations of NPPF.
- v. Lack of awareness on the critical role of the organization and commensurate capacity to handle the complexity.
- vi. Further, the lack of a proper supervisory and regulatory authority, especially in the case of pension schemes, have left NPPF vulnerable.

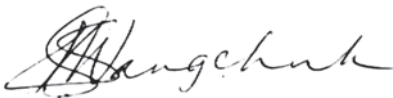
The NPPF has been established with a noble vision of securing the retired life of a portion of our working population and preventing old age poverty through an institutionalized mechanism. While it has successfully discharged its mandate and responsibility over the last 17 years, it is perhaps time to conduct a thorough review keeping in mind the lessons learnt from the last many years of operations, changing socio-economic dynamics, expectations of the people, future affordability and inter-generational equity amongst others.

# 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 by Chairman Dasho Kinzang Wangdi, Former Cabinet Secretary, as BoardChairman. Dasho Phuntsho Wangdi, Former Secretary, MoWHS, Mr. Lam Dorji, Former secretary, MOF and Col. Kinzang Wangdi, RBA as Directors. Their invaluable contributions enriched the wisdom of the National Pension Board.

We would also like to welcome Col. Tshering Namgyel, RBA, Dasho Kesang Deki, Commissioner, RCSC, as new Board members. We hope to gain from their wide array of knowledge and experiences.



Sonam Wangchuk  
Chairman  
National Pension Board

# Chief Executive Officer's Report



2017-2018 was a challenging but a successful year for NPPF. With dedicated and hard work put in from the management and staffs and proper guidance from the Board, NPPF's performance on the financial as well as operational front has been exceptional. In order to provide a sustainable retirement income to our members, NPPF has been constantly in pursuit of its short-term and long-term strategic plans and operational approaches set through the Corporate Strategic Plan 2017-2020. A year into the implementation of Corporate Strategic Plan of NPPF, we are pleased to report that NPPF has successfully achieved the set targets both financial and non-financial for the year.


The NPPF collaborated with MoF in formulating the Draft National Policy on Pension and Provident Fund Scheme of Bhutan making it a more generic national policy for extending defined contribution provident fund scheme to cover large section of the workforces under a regulatory framework which the last government has approved in principle and shall be submitted to the next Government for approval and implementation.

To establish a framework for sound and prudent financial management of the assets and liabilities of the Pension Fund, NPPF has drafted Funding Policy during the year, which the Board has endorsed and submitted to the Ministry of Finance.

In addition, the NPPF has initiated drafting a reform paper during the year based on the challenges and opportunities observed in the last two decades of its operation. The study was carried out to emphasize the reform initiatives necessary for improving the NPPF's compliance with major objectives of a pension scheme.

Since its establishment, the National Pension Board (NPB) and the Management have continuously taken due consideration in assessment of the scheme to ensure its sustainability. 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.

We believe a social protection scheme that is sustainable, affordable, accessible, inclusive and broad-based can only be achieved by expanding access and coverage through introduction of additional schemes and by ensuring that the schemes offered also include those who are not currently members of any retirement benefit scheme. Further, the introduction of more appropriate and prudent schemes



is expected to ensure the financial sustainability. The retirement benefit schemes will not only provide security during old age, but can also be used for meeting basic needs during pre-retirement period through investments in education and home ownership, thereby expanding the scope of retirement savings.

Statistically, NPPF as of 30<sup>th</sup> June 2018 recorded a total membership of 55,102 from 786 registered employers registered with NPPF representing about 8.08% of the population.

During the year, NPPF's revenue growth was negative 9.27%, translating to Nu. 2,566.22 million from Nu. 2,828.35 million from the previous FY 2016-2017. The decrease in revenue is attributed to the movement of fair valuation of equity shares. NPPF, during the year made an investment of Nu. 8,342.59 million in various portfolios. Subsequently, NPPF's total fund size as of 30<sup>th</sup> June 2018 has reached Nu. 32,518.13 million from Nu. 28,708.29 million, registering a growth of 13.27%.

With the present trend of increasing fund size and limited corresponding investment avenues, real estate development and management is one of the best alternative options for the NPPF to invest its fund.

Thus, a Five-year Real Estate Investment Plan was prepared as a framework to guide investment in the real estate sector to recognize the need to diversify NPPF's investment portfolio and match the nature of asset and liability.

In conformance with the Five year Real Estate Investment Plan a commercial center that is expected to function as a mini commercial hub with facilities such as movie theatre, shopping center, stationary mart, offices and service apartment would be constructed in Phuentsholing. The pilot project near the YDF center in Thimphu was also completed and the rental income from the pilot project amounts to Nu 27.8 million annually.

Construction of a commercial complex at NPPF colony in Thimphu worth Nu. 213.81 million started in May 2018. NPPF has also signed an agreement with Ministry of Health and Gelephu Regional Referral Hospital for construction of 8 residential buildings for hospital staff.

In order to remunerate and incentivize the staffs at par with other organizations, the NPPF Service Rules and Regulations 2014 were revised and implemented with effect from 1<sup>st</sup> July 2018. The maternity leave for female employees was increased from three months to six months and all other provisions were revised in line with Bhutan Civil Service Rules and Regulations (BCSR).

To provide a systematic and efficient service to its members and stakeholders Service Delivery Standards (SDS) of NPPF products and services and Standard Operating Procedures (SOP) for six divisions and the Internal Audit Charter were developed. These standards are expected to improve service quality and customer satisfaction.

Recognizing that the New Member Loan Scheme benefitted only certain group, the New Member Loan scheme was amended to Member Loan to cater to active members who do not have children besides new members. Following this, the member loan portfolio increased drastically with Nu 238.10 million disbursed as of June 30<sup>th</sup> 2018 after the amendment.

The NPPF in order to garner feedback and assess its effectiveness and efficiency of all its products and services to our members and stakeholders conducted a customer satisfaction survey capturing the Financial Years 2016 to 2018. It revealed that NPPF achieved 70.25% falling in the verbal rating of good. In comparison to companies who conducted similar surveys NPPF's results were on higher scale.

Similarly, Organizational Climate Survey capturing the Financial Years 2016-2018 was carried out to assess employee satisfaction wherein NPPF achieved 75.6% falling in the verbal rating of good. The Institute of Management Studies, Thimphu, carried out both the studies. The studies have been valuable in providing a third eye view of the issues NPPF could relook into to improve and also a reminder to the management on the things we need to prioritize.

NPPF strives to work harder learning from our past experiences and keeping up with industry best practices in mind. We would like to express our sincere appreciation for all the support and cooperation we have received from our members and stakeholders in making our endeavors a successful one.

**Tashi Delek**



**(Dangtu Drukpa)**

**Chief Executive Officer**

# Member loan schemes

*“Extending Services to Member”*

## 1. Member Loan

- Available to members of NPPF
- Interest rate: 9.50%
- Loan Amount: Nu. 500,000
- Term: 5 years
- Repayment: From salary
- Security: Guarantor/Loan Care Insurance

## 2. Education Loan

- Available to members of NPPF
- Loan term in years                      Interest Rate
  - 1 – 5 years                                      9.50%
  - 5.01 – 10 years                                9.70%
  - 10.01 – 15 years                               10%
- Loan Amount:
  - Upto Nu. 500,000/- Provident Fund balance/Loan Care Insurance (if PF balance is not sufficient)
  - More than Nu. 500,000/- upto Nu. 1,500,000-PF balance and fixed assets (land and building)
- Repayment: From salary

## 3. Student Loan

- Interest rate: 8% during study period and 9% thereafter
- Loan Amount: Nu. 1,000,000
- Term: 15 years
- Repayment: Deducted from guarantors salary
- Security: Guaranteed by members of NPPF and immovable property (land and building)



## 4. Home Loan (Self Occupancy)

- Available to members of NPPF
- Interest rate: 9.25%
- Loan Amount: Nu. 5,000,000 (Depends on the value of property and repayment capacity)
- Term: 20 years
- Gestation period: maximum 1 year
- Repayment: From salary
- Security: Land and building that is being financed
- Financing Ratio: 80:20 (80% by NPPF and 20% by loanee)
- Disbursement: After completion of the plinth level in phase manner



## 5. Commercial Housing Loan

- Available to members of NPPF
- Interest rate: 10.50%
- Loan Amount: Depends on the value of property and repayment capacity)
- Term: 20 years
- Gestation period: maximum 3 years
- Repayment: Rental Income
- Security: Land and building that is being financed
- Disbursement: After completion of the plinth level in phase manner
- Financing Ratio:

Loan Amount	Financing Limit	
	CH loan	Second hand Assets
Upto Nu. 5 million	70%	60%
Nu. 5 million above but below or equal to Nu. 20 million.	60%	50%
Above Nu. 20 million	50%	40%
Repairs (Asset should be more than 10 years old)		
Upto 10 million	50%	

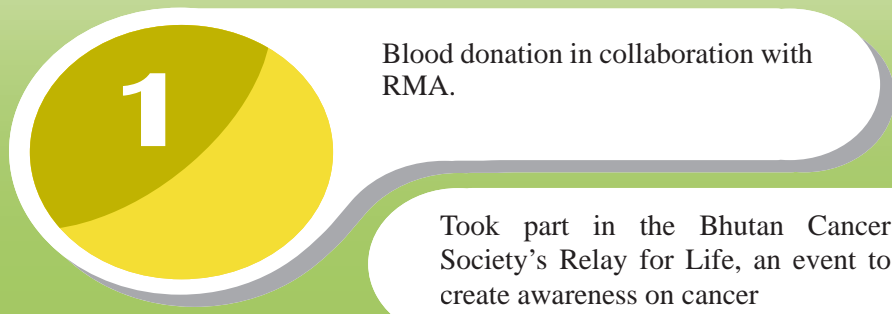


## Social Club of NPPF - Contributing to Society

The Social Club was initiated on 1<sup>st</sup> August 2015 to promote the spirit of volunteerism. Since its initiation, the Club has been actively serving as the focal point between the management and NPPF staff as well as coordinating volunteer services outside the organization.

The Social Club has been involved in coordinating office Rimdos, recreational activities and attending to welfare in times of sickness and death of staff and their family members. The club has also built and promoted good relationship with other organizations and rendered support services, wherever necessary. The club always strives to connect communities through social activities for a better society.

### List of activities undertaken by Social Club: 2017 – 2018

- 

1 Blood donation in collaboration with RMA.
- 

2 Mass cleaning campaign in collaboration with Clean Bhutan Project to mark the World Environment Day.
- 

3 Organized office picnic, Rimdro and Ku Sung Mendrel offerings at Kuensel Phodrang.
- 

4 Took part in the Bhutan Cancer Society's Relay for Life, an event to create awareness on cancer
- 

5 Support during sickness and demise of family members of staff



Offering of Ku Sung Mendrel at Kanjur Lung recitations



Social Club of NPPF in Uniform



Tree Plantation on Social Forestry Day



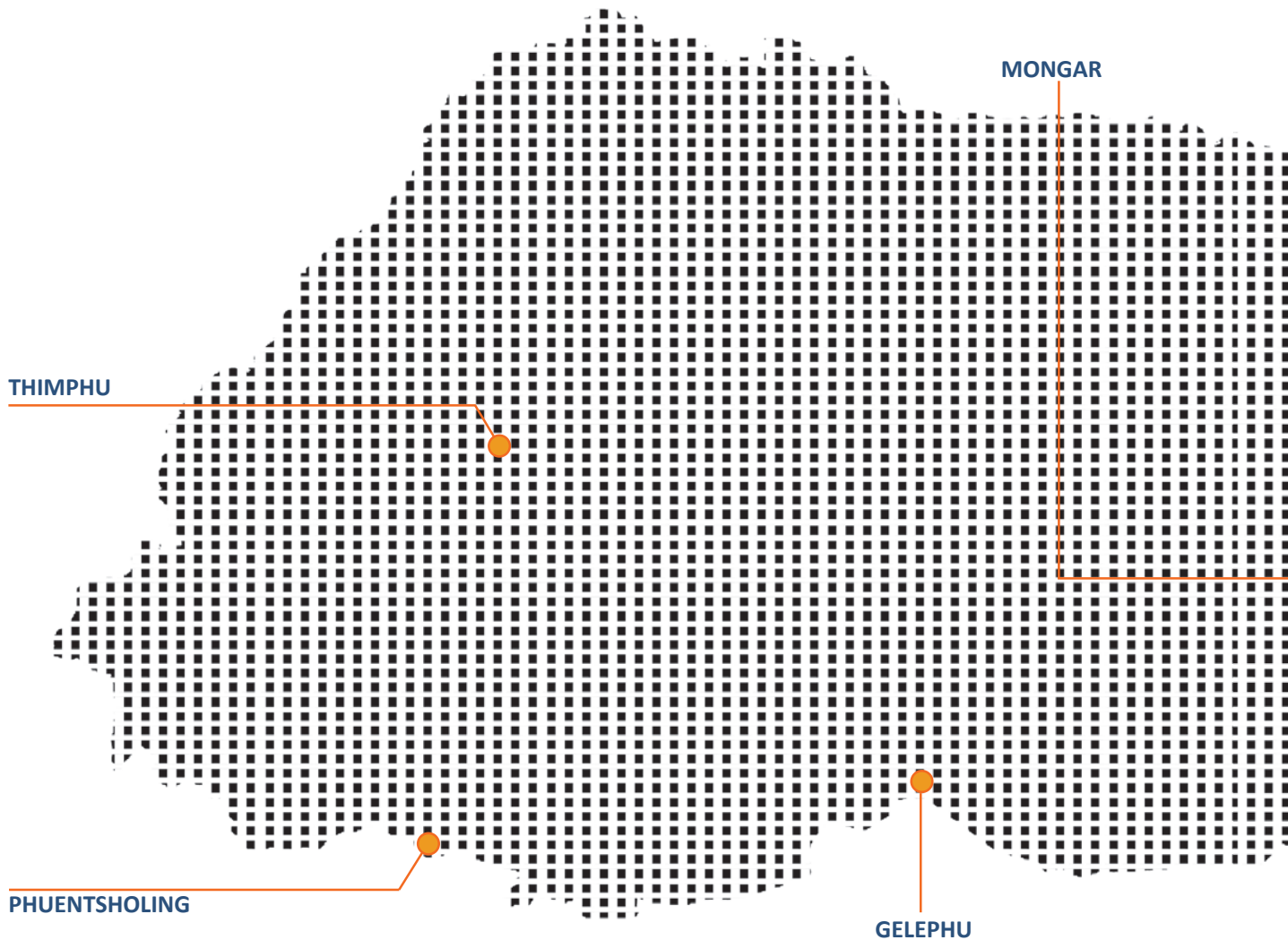
Offering of Butter Lamps for all sentient beings



Blood donation

# 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



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



## **Approval of the Financial Statements**

The Board Audit Committee (BAC) reviewed the Financial Statements for the financial year ended 30<sup>th</sup> June 2018 during its 28<sup>th</sup> meeting held on 11<sup>th</sup> September 2018, 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 101<sup>st</sup> meeting held on 26<sup>th</sup> September 2018.

The NPB during the meeting declared return of 8.35% (previous year 8.30%) to the members.



H -1/208, Garg Tower, Netaji Subhash Place, Pitampura, New Delhi -110034

**INDEPENDENT AUDITOR'S REPORT**

**TO THE NATIONAL PENSION BOARD OF NATIONAL PENSION & PROVIDENT FUND**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of **NATIONAL PENSION AND PROVIDENT FUND (The Fund)**, which comprise the Statement of Financial Position as at 30<sup>th</sup> June 2018, 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 30<sup>th</sup> June 2018, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

**Basis for Opinion**

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

**Emphasis of Matter**

We draw attention to Note 2(i) of the financial statement, which describes following effects:

1. BAS 26 "Accounting and Reporting by Retirement Benefit Plans" is applicable to The Fund starting financial year 2017-18. However, The Fund has decided to defer the implementation of BAS 26 pending directives from the Ministry of Finance on the pension obligation. Implementation of BAS 26 without definitive directives from the Ministry of Finance is considered not appropriate by the management.
2. The Fund is in the process of implementing BFRS 9 (Financial instruments) starting 2017-18 using Effective Interest Rate (EIR) method for assets carried at amortized cost except for the housing loan. The EIR method could not be applied on housing loan as the current system is not fully prepared to compute the EIR correctly. The Fund expects to fully implement the BFRS 9 within the timeframe prescribed by the Accounting and Auditing Standards Board of Bhutan.

Our opinion is not modified in respect of these matters



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

Management is responsible for the preparation and fair presentation of the financial in accordance with Bhutanese Accounting Standards (BAS), 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

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

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

### 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 appears from our examination of the books.
- 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 other applicable laws and regulations.

For K R A & CO.

FRN 020266N

Chartered Accountants



Rajat Goyal

Partner

Membership No. 503150

Place: New Delhi

Dated: 12-11-2018

## NATIONAL PENSION AND PROVIDENT FUND (NPPF)

### THIMPHU- BHUTAN

Annexure "A" as referred to under " Other Legal and Regulatory Requirements" of our report of even date for the year 2017-2018

#### MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

##### 1. STATUS OF NPPF:

The Status of NPPF has been categorized as Autonomous Public Organization and it is not a profit making organization of its own.

##### 2. INTERNAL CONTROL:

2.1 In our opinion, NPPF has established internal control to 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 and printing 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. We have obtained Internal Audit reports for the period under audit. As explained, certain corrective actions have been taken based on those reports.



### **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.

### **4. FIXED ASSETS**

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

4.2 As per 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.

### **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 The NPPF has carried out fair valuation of equity investment as at June 30, 2018, and owing to such valuation fair value for one of the equity investment "Dungsam Cement Corporation Ltd." has reduced from 304,590,385 as at June 30, 2017, to 208,520,000 as at June 30, 2018.

### **6. LOANS AND ADVANCES.**

Advance given for Nu 30.79 million for 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 and their relatives are at prevailing rate of Interest and reported in Note No. 36 of Financial Statements.

### **8. STATUTORY DUES**

8.1 According to records of NPPF, Provident Fund, Health Contribution and GIS dues of the NPPF have been regularly deposited during the year with appropriate authorities.

8.2 Gratuity Fund is invested in Fixed Deposits with Banks. It is suggested that a separate trust may be created for Gratuity Fund.

8.3 Gratuity Liability of Nu. 14.33 million as on 30<sup>th</sup> June 2018 is less than the corresponding amount of Gratuity Investment of Nu. 22.94million.



8.4 Tax deducted at sources from Salary and Suppliers has been regularly deposited to appropriate authority.

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.

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.

10.2 NPPF owns and lets out flats to its members. Prevailing Market rate are considered for fixation of rents, in respect of Members, as appeared to us.

10.3 NPPF has an established and effective budgetary control system.

10.4 NPPF has maintained adequate documents and records for granting Loans and Advances.

10.5 There had been timely maintenance of records in case of transaction in the matter of trading in shares, securities and other investments.

10.6 Reasonable records were maintained for funds collected from members and for returns credited and payments made to members.

10.7 The details of remuneration and other payments made in cash or kind to the Chief Executive Officer have been disclosed in Note 36 of the notes to the financial statements.

10.8 In our opinion, the directive of the Board have been complied with during the year.

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.

11. **COMPUTERISED ACCOUNTING ENVIRONMENTS.**

11.1 NPPF has installed Ascend Banking System (ABS) and it is in full-fledged operation since July 2010. In our opinion the organization's system development controls and other internal controls are adequate taking into account the size and nature of its computer installations. Interest on loans to Corporate and Commercial loans are computed manually.

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.



- 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.
- 11.3 Operational controls are generally adequate to ensure correctness and validity of input data and output information.
- 11.4 There are adequate preventive measures against unauthorized access over computer installation and files.

For K R A & CO.

FRN 020266N

Chartered Accountants



Rajat Goyal

Partner

Membership No. 503150

Place: New Delhi

Dated: 12-11-2018

## Statement of Financial Position as at 30<sup>th</sup> June 2018

Particulars	Note	30-Jun-18	30-Jun-17	30-Jun-16
<b>Assets</b>				
Cash and cash equivalents	4	546,907,673	1,044,294,701	1,472,022,745
Trade receivables	5	7,056,259	3,910,885	3,602,443
Term deposits	6	11,379,618,764	10,306,537,704	6,234,173,160
Investments in bonds and commercial papers	7	4,406,821,100	4,958,624,209	4,790,197,297
Loans	8	12,190,581,280	8,570,206,110	8,858,796,703
Investments in equity shares	9	3,216,098,180	3,096,824,575	2,402,010,898
Inventories	10	642,396	541,892	310,473
Investment property	11	568,039,820	519,185,535	471,358,858
Property plant and equipment	12	180,365,244	188,244,657	185,081,528
Intangible assets	13	4,821,569	7,349,525	12,202,495
Other receivables	5	835,977	827,377	825,557
Other assets	14	16,349,127	11,751,575	11,459,952
<b>Total Assets</b>		<b>32,518,137,387</b>	<b>28,708,298,745</b>	<b>24,442,042,108</b>
<b>Liabilities</b>				
Trade and other payables	15	129,678,673	122,075,399	125,354,353
Other liabilities	16	341,698	15,145	198,407
Employee benefit obligations	17	20,467,048	25,486,960	23,590,523
Grant liability		3,815,830	4,769,788	5,723,745
Lapsed fund	18	9,620,242	10,198,423	9,792,167
Reserve		1,782,756,390	1,676,498,922	954,402,404
Net Member's Defined Contribution(DC) plan	19	6,260,183,514	5,629,465,964	4,993,357,466
Net returns credited to Member's DC plan	20	3,784,398,038	3,233,770,851	2,725,087,626
Net Member's Defined Benefit (DB) plan	21	20,526,875,955	18,006,017,295	15,604,535,416
<b>Total liabilities</b>		<b>32,518,137,387</b>	<b>28,708,298,745</b>	<b>24,442,042,108</b>

For KRA & Co  
FRN020266N  
Chartered Accountants

  
  
**Rajat Goyal**  
Partner

Membership No. 503150

Place: New Delhi

Dated: 4/10/18

  
**Phub Dorji**  
Chief, F&A Division

  
**Dungk Drakpa**  
Chief Executive Officer

  
**Dasho Sonam Wangchuk**  
Chairperson

## Statement of Comprehensive Income for the year ended 30<sup>th</sup> June 2018

Particulars	Note	30-Jun-18	30-Jun-17
<b>Income</b>			
Income from term deposits		935,577,101	682,836,012
Income from loans	22	926,343,227	853,635,256
Income from bonds	23	401,087,784	415,534,155
Rental income	24	58,310,104	54,509,716
Dividend income	25	147,258,182	123,771,839
Other income/(loss)	26	97,639,263	698,058,587
<b>Total Income</b>		<b>2,566,215,661</b>	<b>2,828,345,564</b>
<b>Operating expenses</b>			
DC management expenses	27	34,280,492	36,911,700
DB management expenses	27	66,419,086	71,483,798
Depreciation	12	24,630,636	23,291,837
Amortization of intangible assets	13	2,489,788	2,156,764
Provisions for diminution of equity share	9	-	-
Provisions for loans as per the RMA PR	28	58,401,977	-
<b>Total operating expenses</b>		<b>186,221,980</b>	<b>133,844,099</b>
<b>Surplus for the year</b>		<b>2,379,993,682</b>	<b>2,694,501,466</b>
<b>Other Comprehensive Income</b>			
Remeasurements of post-employment benefit obligations	29abc	4,965,612	100,267
<b>Total Other Comprehensive Income</b>		<b>4,965,612</b>	<b>100,267</b>
<b>Total Comprehensive Income for the year</b>		<b>2,384,959,294</b>	<b>2,694,601,733</b>

For KRA & Co  
FRN020266N  
Chartered Accountants


Rajat Goyal  
Partner

Membership No. 503150

Place: New Delhi

Dated: 4/10/18

  
Phub Dorji  
Chief, F&A Division

  
Dingtso Drukpa  
Chief Executive Officer

  
Dasno Sonam Wangchuk  
Chairperson

## Statement of Cash Flows for the year ended 30<sup>th</sup> June 2018

Particulars	30-Jun-18	30-Jun-17
<b>Cash Flow from Operating Activities</b>		
<b>Receipts from:</b>		
Interest from term deposits	1,003,171,910	546,354,328
Interest from loans	928,729,208	839,189,214
Income from bonds	409,725,075	421,934,755
Rental income	57,999,902	54,420,620
Dividend income	147,398,986	123,631,035
Other Income	16,477,943	2,796,004
<b>Payments for:</b>		
DC & DB management expenses	100,950,388	100,910,720
Security deposit to/(from) suppliers	(971,139)	206,958
Security deposit to/(from) tenants	(703,694)	(959,891)
<b>Net Receipts from Operating Activities</b>	<b>2,464,227,468</b>	<b>1,888,168,168</b>
<b>Cash Flow from Investing Activities</b>		
<b>Payments for:</b>		
Increase/(decrease) in deposits	1,139,000,000	3,933,000,000
Increase/(decrease) in loans to entities	3,077,372,396	1,166,931
Increase/(decrease) in shares and bonds	(183,196,681)	(181,943,353)
Increase/(decrease) in commercial papers	(326,822,466)	355,265,753
Increase/(decrease) in member loan scheme	601,794,374	(307,452,236)
Increase/(decrease) in purchase of fixed assets (Including Capital work in progress)	70,895,840	83,430,983
<b>Net Cash Flow from Investing Activities</b>	<b>(4,379,043,464)</b>	<b>(3,883,468,079)</b>
<b>Cash Flow from Financing Activities (Member Transactions)</b>		
<b>Receipts from:</b>		
Contributions to the NPPFP - DC	691,094,414	619,472,157
- DB	1,341,274,567	1,303,951,679
Contributions to the AFPPFS - DC	223,896,374	226,269,384
- DB	381,286,766	382,602,800
<b>Payments of refunds and pensions:</b>		
NPPFP - DC	383,581,774	275,520,903
- DB	110,941,574	475,481,007
AFPPFS - DC	575,601,292	90,232,851
- DB	149,998,513	123,489,391
<b>Net Cash Flow from Financing Activities</b>	<b>1,417,428,967</b>	<b>1,567,571,867</b>
Net movement in cash and cash equivalents	<b>(497,387,028)</b>	<b>(427,728,044)</b>
Opening cash and cash equivalents	1,044,294,701	1,472,022,745
Closing cash and cash equivalents	546,907,673	1,044,294,701

For KRA & Co  
FRN020266N  
Chartered Accountants

  
**Rajat Goyal**  
Partner  
Membership No. 503150

  
**Phun Dorji**  
Chief, F&A Division

  
**Dungen Drukpa**  
Chief Executive Officer

  
**Dasho Sonam Wangchuk**  
Chairperson

Place: New Delhi

Dated: 7/1/18

### Statement of Changes in Reserve for the year ended 30<sup>th</sup> June 2018

Particulars	Reserve			Total
	Lapsed Fund <sup>1</sup>	Remeasurement of employee benefit gains/(loss)	Fair valuation reserve <sup>2</sup>	
Balance as at 1st July 2017	11,391,710	1,018,474	1,271,659,832	1,676,498,922
Retained surplus	-	-	38,392,410	38,392,410
Transferred during the year	3,234,244	-	59,665,203	62,899,447
Items of other comprehensive income				
Remeasurements of post-employment benefit obligation	-	4,965,612		4,965,612
<b>Balance as at 30th June 2018</b>	<b>14,625,954</b>	<b>5,984,086</b>	<b>1,331,325,035</b>	<b>1,782,756,390</b>

### Statement of Changes in Reserve for the year ended 30th June 2017

Particulars	Reserve			Total
	Lapsed Fund <sup>1</sup>	Remeasurement of employee benefit gains/(loss)	Fair valuation reserve <sup>2</sup>	
Balance as at 1st July 2016	9,338,146	918,207	575,203,777	954,402,404
Retained surplus	-	-	23,486,631	23,486,631
Transferred during the year	2,053,564	-	696,456,056	698,509,620
Items of other comprehensive income				
Remeasurements of post-employment benefit obligation	-	100,267		100,267
<b>Balance as at 30th June 2017</b>	<b>11,391,710</b>	<b>1,018,474</b>	<b>1,271,659,832</b>	<b>1,676,498,922</b>

Note:

1. 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.
2. Fair valuation reserve consist of gains or loss on the fair valuation of financial instruments
3. General reserve consists of surplus amount transferred from the statement of comprehensive income.



## 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 30<sup>th</sup> 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 1<sup>st</sup> 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 provides affordable housing 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 decided to adopt all the applicable Standards from 1 July 2016.

For all periods up to the year ended 30 June 2017, financial statements was prepared in accordance with BAS Phase I with the adoption of BAS19: Employee Benefits and BAS38: Intangible Assets which are in BAS phase II. These financial statements for the year ended 30 June 2018 are the first financial statements prepared in accordance with all BAS standards. Refer to note 37 for information on how NPPF adopted BAS/BFRS standards.

NPPF has decided to defer 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.

**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 2018, 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 componentised 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 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 return on Members' DC and DB account is decided by the National Pension Board and credited accordingly.



**4 Cash and cash equivalents**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
Cash at bank	103,889,146	100,274,817	296,003,446
Cash in hand	18,527	19,884	19,299
Deposits with banks	443,000,000	944,000,000	1,176,000,000
<b>Total</b>	<b>546,907,673</b>	<b>1,044,294,701</b>	<b>1,472,022,745</b>

**5 Trade and other receivables**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
<b>Trade receivable</b>			
Rent receivable	3,773,778	3,463,576	3,374,480
Other receivable	3,282,481	447,309	227,963
	<b>7,056,259</b>	<b>3,910,885</b>	<b>3,602,443</b>
<b>Other receivables</b>			
Security deposit (power/rent)	772,977	764,377	762,557
Security deposit (water meter)	63,000	63,000	63,000
	<b>835,977</b>	<b>827,377</b>	<b>825,557</b>
<b>Total</b>	<b>7,892,236</b>	<b>4,738,262</b>	<b>4,428,000</b>

**6 Term Deposits**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
<i>Term Deposits with</i>			
Bhutan National Bank Ltd.	5,463,200,796	5,496,281,963	2,450,399,101
TBank Ltd	400,000,000	315,000,000	-
Bhutan Development Bank Ltd.	3,455,904,653	3,925,904,653	3,350,904,653
Bank of Bhutan Ltd.	760,000,000	-	-
Druk PNB Ltd.	800,000,000	-	-
Interest accrued but not due on deposits	500,513,315	569,351,088	432,869,406
<b>Total</b>	<b>11,379,618,764</b>	<b>10,306,537,704</b>	<b>6,234,173,160</b>

Note: Term deposits includes Nu. 22,938,645 during 30<sup>th</sup> June 2018, Nu. 21,262,776 during 30<sup>th</sup> June 2017, and Nu. 17,281,858 during 30<sup>th</sup> June 2016 with various commercial banks to be used towards the payment of gratuity obligation of the NPPF employees.



**7 Investments in bonds and commercial papers**

Particulars	Coupon rate	No. of Scrips	30-Jun-18	30-Jun-17	30-Jun-16
<b>Investment in Bonds</b>					
Druk Air Corporation Bond Series I	9.00%	148,132	148,132,388	172,821,041	197,509,694
Druk Air Corporation Bond Series II	9.00%	200,227	200,226,902	228,830,802	257,434,702
Druk Air Corporation Bond Series III	8.50%	1,141,356	1,141,355,398	1,304,406,198	1,467,456,998
Royal Insurance Corporation of Bhutan Ltd. Bond Series III	9.50%	500,000	500,000,000	500,000,000	500,000,000
Royal Insurance Corporation of Bhutan Ltd. Bond Series IV	9.50%	879,795	879,795,000	879,795,000	879,795,000
Druk PNB Ltd. Bond	7.50%	104,000	104,000,000	104,000,000	104,000,000
Dungsam Cement Corporation Ltd. Bond Series I	10.00%	500,000	500,000,000	500,000,000	500,000,000
Dungsam Cement Corporation Ltd. Bond Series II	9.00%	350,000	350,000,000	350,000,000	350,000,000
Tashi Air Pvt. Ltd. Bond Series I	9.00%	125,000	125,000,000	125,000,000	125,000,000
Zimdra Foods Pvt. Ltd. Bond Series I	9.35%	246,945	246,945,000	246,945,000	246,945,000
RSA Pvt. Ltd. Bond series I	9.35%	34,400	34,400,000	34,400,000	-
<b>Investment in Commercial papers</b>					
DGPC Commercial papers	5%	3,600	-	355,265,753	-
STCBL Commercial papers	4%		28,443,288	-	
<b>Interest accrued but not due</b>					
On bonds and commercial papers			148,523,123	157,160,413	162,055,902
<b>Total</b>			<b>4,406,821,100</b>	<b>4,958,624,209</b>	<b>4,790,197,297</b>



**8 Loans**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
<b>Loan to manufacturing &amp; industries sector</b>			
Bhutan Ferro Alloys Ltd. <sup>1</sup>	211,179,592	131,877,780	137,314,437
Druk Ferro Alloys Ltd. <sup>2</sup>	-	2,777,447	8,573,100
Dagachu Hydro Power Corporation Ltd. <sup>3</sup>	699,294,827	723,987,407	754,468,384
Dungsam Cement Corporation Ltd. <sup>4</sup>	1,101,061,459	985,402,960	1,143,157,634
Dungsam Polymers Ltd. <sup>5</sup>	114,094,676	116,467,174	120,403,766
State Mining Corporation Ltd. <sup>16</sup>	40,046,027	-	-
Wood Craft Centre Ltd.	-	-	2,240,396
<b>Total</b>	<b>2,165,676,581</b>	<b>1,960,512,769</b>	<b>2,166,157,717</b>
<b>Loan to service &amp; tourism sector</b>			
Tashi Infocom Ltd. <sup>6</sup>	323,606,987	157,688,312	207,077,368
Druk Doethjung Resort <sup>7</sup>	53,784,297	54,857,024	52,864,649
Bhutan Power Corporation Ltd. <sup>8</sup>	2,309,981,392	323,720,401	367,041,988
Natural Resource Development Corporation Ltd. <sup>9</sup>	60,475,702	74,791,323	32,007,252
Manidheepa Moshin Resort <sup>10</sup>	-	87,405,550	78,865,777
Bhutan Hydro Service Ltd. <sup>15</sup>	220,000,000	-	-
Legphel Hotel Pvt. Ltd. <sup>17</sup>	32,551,979	-	-
State Trading Corporation Ltd.	-	-	100,000,000
<b>Total</b>	<b>3,000,400,358</b>	<b>698,462,610</b>	<b>837,857,034</b>
<b>Loan to institutions</b>			
Bhutan Development Bank Ltd. <sup>11</sup>	496,267,548	100,000,000	210,000,000
Royal Insurance Corporation of Bhutan Ltd. <sup>12</sup>	494,439,186	974,522,394	517,854,841
<b>Total</b>	<b>990,706,734</b>	<b>1,074,522,394</b>	<b>727,854,842</b>
<b>Loan to housing</b>			
Yangphel Real Estate <sup>13</sup>	-	226,553,218	229,112,903
Ministry of Health <sup>14</sup>	48,346,886	58,407,318	67,772,237
National Housing Development Corporation Ltd. <sup>18</sup>	890,000,000	-	-
<b>Total</b>	<b>938,346,886</b>	<b>284,960,536</b>	<b>296,885,140</b>
<b>Loan to members</b>			
Housing	2,191,330,601	2,315,671,196	2,589,148,268
Education	2,584,828,808	2,044,042,581	2,146,690,430
Student loan	84,812,433	89,407,437	79,352,260
Staff housing loan	31,602,668	26,630,333	33,830,829
Staff vehicle loan	7,505,775	8,926,608	5,579,644
Staff Incentive Loan	18,140,214	-	-
Member loan	399,912,621	227,515,777	132,808,941
<b>Total</b>	<b>5,318,133,121</b>	<b>4,712,193,931</b>	<b>4,987,410,372</b>
<b>Total loans</b>	<b>12,413,263,679</b>	<b>8,730,652,240</b>	<b>9,016,165,104</b>
Provision as per the RMA PR-(Note 28 of the notes to Financial Statements)	(222,682,399)	(160,446,130)	(157,368,402)
<b>Loans after provision</b>	<b>12,190,581,280</b>	<b>8,570,206,110</b>	<b>8,858,796,703</b>



**Loans**

**Continued**

Notes

- 1 The loan is secured by company assets
- 2 The loan is secured by mortgage of the land, factory building and plant & machinery of the Company. The Loan is fully repaid during the year.
- 3 The loan is secured by company assets
- 4 The loan is secured by company assets
- 5 The loan secured by company assets
- 6 The loan is secured by company assets, additional collateral of property (Land) and personal guarantee of the promoters.
- 7 The loan is secured by company assets and additional collateral of property (Land and building)
- 8 The loan is secured by mortgage of the 220kV double circuit transmission lines and DHI Guarantee.
- 9 The loan is secured by Land and Building of the company and with DHI Guarantee.
- 10 The loan is secured by company assets. The Loan is closed on October 12<sup>th</sup>, 2017.
- 11 The current loan is guaranteed by the Government and the earlier loan was fully repaid.
- 12 The loan is secured by receivables, land and buildings of the company.
- 13 The loan is secured by land and building of the company. The Loan is liquidated during the year.
- 14 The loan is guaranteed by the Government.
- 15 The loan is secured by company assets
- 16 The loan is guaranteed by DHI.
- 17 The loan is secured by company assets.
- 18 The loan is guaranteed by the Government.



9 Investment in equity shares

Particulars	30-Jun-18			30-Jun-17			30-Jun-16		
	No of shares	Cost	Fair value	No of shares	Cost	Fair value	No of shares	Cost	Fair value
<b>1. Quoted</b>									
Penden Cement Authority Ltd.	2,154,530	14,450,563	155,790,000	2,154,530	14,450,563	136,948,020	2,154,530	14,450,563	148,060,088
State Trading Corporation Ltd.	441,000	490,000	11,460,000	441,000	490,000	10,946,336	441,000	490,000	9,422,783
Bhutan National Bank Ltd.	76,960,290	583,411,978	2,060,170,000	76,960,290	583,411,978	1,955,306,104	76,960,290	583,411,978	1,286,277,803
Kuensei Corporation Ltd.	367,500	3,675,000	17,920,000	367,500	3,675,000	17,849,409	367,500	3,675,000	13,164,560
Druk PNB Ltd.	3,009,764	75,377,872	72,860,000	1,408,040	42,231,200	37,465,223	1,408,040	42,231,200	22,508,690
TBank Ltd.	7,324	51,700	82,420	5,170	51,700	71,921	5,170	51,700	46,645
Bhutan Insurance Ltd.	1,000,000	29,500,000	41,250,000	1,000,000	29,500,000	24,266,029	1,000,000	29,500,000	21,764,354
Dungsam Polymers Ltd.	320	5,280	5,760	320	5,280	5,120	320	5,280	3,213
<b>Total quoted</b>		<b>706,962,393</b>	<b>2,359,538,180</b>		<b>673,815,721</b>	<b>2,182,858,162</b>		<b>673,815,721</b>	<b>1,501,248,136</b>
<b>2. Unquoted</b>									
Dagachu Hydro Power Corporation Ltd.	619,800	619,800,000	623,670,000	619,800	619,800,000	592,195,086	619,800	619,800,000	517,396,557
Credit Information Bureau	17,500	1,750,000	5,530,000	17,500	1,750,000	3,262,980	17,500	1,750,000	2,984,450
Financial Institutions Training Institute Ltd.	119,970	11,997,000	18,840,000	119,970	11,997,000	13,917,962	119,970	11,997,000	13,561,642
Dungsam Cement Corporation Ltd.	5,250,000	525,000,000	208,520,000	5,250,000	525,000,000	304,590,385	5,250,000	525,000,000	366,820,113
<b>Total unquoted</b>		<b>1,158,547,000</b>	<b>856,560,000</b>		<b>1,158,547,000</b>	<b>913,966,413</b>		<b>1,158,547,000</b>	<b>900,762,762</b>
<b>Total investments in equity share</b>		<b>1,865,509,393</b>	<b>3,216,098,180</b>		<b>1,832,362,721</b>	<b>3,096,824,575</b>		<b>1,832,362,721</b>	<b>2,402,010,898</b>

10 Inventories

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
Consumables and spares	642,396	541,892	310,473
<b>Total</b>	<b>642,396</b>	<b>541,892</b>	<b>310,473</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

11 Investment property

Particulars	Gross block			Accumulated depreciation			Net block		
	01-Jul-17	Additions during the year	Adjustments	30-Jun-18	01-Jul-17	Depreciation during the year	Adjustments	30-Jun-18	30-Jun-17
	R.E land	76,347,937	638,000	-	76,985,937	-	-	-	76,985,937
R.E building	447,364,255	4,795,535	(4,424,414)	447,735,376	134,258,099	8,631,921	(4,191,396)	309,036,752	313,106,156
R.E building(Semi-Permanent Structure)	2,420,278	806,846	-	3,227,124	358,943	133,003	-	2,735,178	2,061,335
Road network	7,896,690	1,533,599	-	9,430,289	6,689,687	867,291	-	1,873,310	1,207,003
Retention wall	2,192,352	-	-	2,192,352	238,135	73,196	-	1,881,021	1,954,217
Capital work in progress	114,457,122	61,381,578	(7,135,980)	168,702,720	-	-	-	168,702,720	114,457,122
Capital stores	10,051,766	820,963	(4,047,827)	6,824,902	-	-	-	6,824,902	10,051,766
<b>Total</b>	<b>660,730,399</b>	<b>69,976,522</b>	<b>(15,608,222)</b>	<b>715,098,699</b>	<b>141,544,864</b>	<b>9,705,411</b>	<b>(4,191,396)</b>	<b>147,058,879</b>	<b>519,185,535</b>

Particulars	Gross block			Accumulated depreciation			Net block		
	01-Jul-16	Additions during the year	Adjustments	30-Jun-17	01-Jul-16	Depreciation during the year	Adjustments	30-Jun-17	30-Jun-16
	R.E land	76,347,937	-	-	76,347,937	-	-	-	76,347,937
R.E building	413,584,867	35,077,300	(1,297,912)	447,364,255	126,897,311	8,365,356	(1,004,568)	313,106,156	286,687,556
R.E building(Semi-Permanent Structure)	2,420,278	-	-	2,420,278	260,513	98,430	-	2,061,335	2,159,765
Road network	7,830,756	65,934	-	7,896,690	5,640,709	1,048,978	-	6,689,687	2,190,047
Retention wall	2,041,974	150,378	-	2,192,352	167,753	70,382	-	1,954,217	1,874,221
Capital work in progress	98,294,173	37,464,958	(21,302,010)	114,457,122	-	-	-	114,457,122	98,294,173
Capital stores	3,805,159	6,246,607	-	10,051,766	-	-	-	10,051,766	3,805,159
<b>Total</b>	<b>604,325,144</b>	<b>79,005,177</b>	<b>(22,599,922)</b>	<b>660,730,399</b>	<b>132,966,286</b>	<b>9,583,146</b>	<b>(1,004,568)</b>	<b>141,544,864</b>	<b>471,358,858</b>

The fund has constructed a new office building in Thimphu housing colony departmentally. The total cost of building as at 30<sup>th</sup> June 2018, is Nu. 37,598,866. The Building was handed over completely to the Real Estate Department in September '17 / October'2017 and the same was rented from these months itself. However, the building has not yet been capitalized in books of accounts because of certain reconciliation pending for stock and consumables. The building is currently included under capital work in progress.



**(i) Fair value of investment property carried at cost**

Particulars	30-Jun-2018	30-Jun-2017	30-Jun-2016
Fair value of investment property	3,178,469,000	3,103,248,000	2,991,266,000
	<b>3,178,469,000</b>	<b>3,103,248,000</b>	<b>2,991,266,000</b>

**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 recognised in statement of comprehensive income for investment properties**

Particulars	30-Jun-2018	30-Jun-2017
Rental income	53,849,800	49,684,112
Direct operating expenses from property that generated rental income	(4,660,790)	(5,433,216)
Corporate Social Responsibility expenses	-	(3,735,734)
	<b>49,189,010</b>	<b>40,515,162</b>

**(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.



12 Property Plant and Equipment

Particulars	Gross block				Accumulated depreciation			Net block	
	01-Jul-17	Additions during the year	Adjustments	30-Jun-18	01-Jul-17	Depreciation during the year	Adjustments	30-Jun-18	30-Jun-17
	Office building	182,349,482	13,815	-	182,363,297	29,110,682	7,687,316	-	36,797,998
Diesel Generator (Electrical)	3,310,518	-	-	3,310,518	737,048	156,344	-	893,392	2,517,126
Road network	677,255	-	-	677,255	440,173	148,196	-	588,369	237,082
Retention wall	1,465,060	-	-	1,465,060	170,497	48,925	-	219,422	1,245,638
Computer & accessories	25,272,281	316,000	-	25,588,281	13,458,945	3,156,452	-	16,615,397	11,813,336
High end server	1,172,165	-	-	1,172,165	1,152,781	19,381	-	1,172,162	3
Other office equipment	12,872,857	1,488,979	-	14,361,836	7,793,882	1,648,644	-	9,442,536	4,919,300
Furniture	7,865,145	1,262,349	-	9,127,494	3,796,794	560,855	-	4,357,649	4,068,351
Communication equipment	742,045	47,970	-	790,015	615,542	27,930	-	643,472	126,503
Motor vehicles	5,198,362	4,538,802	(1,273,195)	8,463,969	1,135,558	475,172	(1,018,555)	592,175	7,871,794
Carpet	276,424	45,612	-	322,036	198,739	42,053	-	240,792	77,685
Capital work in progress	883,925	470,850	(883,925)	470,850	-	-	-	470,850	883,925
<b>Sub total (A)</b>	<b>242,085,520</b>	<b>8,184,377</b>	<b>(2,157,120)</b>	<b>248,112,777</b>	<b>58,610,650</b>	<b>13,971,268</b>	<b>(1,018,555)</b>	<b>71,563,363</b>	<b>176,549,414</b>
Capital grant	7,631,660	-	-	7,631,660	2,861,873	953,958	-	3,815,830	4,769,788
Integrated data center	7,631,660	-	-	7,631,660	2,861,873	953,958	-	3,815,830	4,769,788
<b>Sub total (B)</b>	<b>249,717,181</b>	<b>8,184,377</b>	<b>(2,157,120)</b>	<b>255,744,438</b>	<b>61,472,523</b>	<b>14,925,225</b>	<b>(1,018,555)</b>	<b>75,379,193</b>	<b>180,365,244</b>
<b>Total (A+B)</b>									

Particulars	Gross block				Accumulated depreciation			Net block	
	01-Jul-16	Additions during the year	Adjustments	30-Jun-17	01-Jul-16	Depreciation during the year	Adjustments	30-Jun-17	30-Jun-16
	Office building	180,796,609	1,552,873	-	182,349,482	21,458,040	7,676,821	(24,179)	29,110,682
Diesel Generator (Electrical)	3,310,518	98,800	(98,800)	3,310,518	580,704	156,344	-	737,048	2,573,470
Road network	677,255	-	-	677,255	291,977	148,196	-	440,173	237,082
Retention wall	1,465,060	-	-	1,465,060	121,572	48,925	-	170,497	1,294,563
Computer & accessories	19,187,105	6,172,610	(87,434)	25,272,281	10,886,765	2,596,470	(24,290)	13,458,945	8,300,340
High end server	1,172,165	-	-	1,172,165	1,091,700	61,081	-	1,152,781	19,384
Other office equipment	10,165,548	2,739,009	(31,700)	12,872,857	6,344,322	1,456,032	(6,462)	7,793,892	5,078,965
Furniture	6,269,575	1,595,570	-	7,865,145	3,372,730	424,064	-	3,796,794	4,068,351
Communication equipment	696,002	87,033	(40,990)	742,045	591,740	30,925	(7,123)	615,542	126,503
Motor vehicles	1,273,195	3,925,167	-	5,198,362	1,018,556	117,002	-	1,135,558	254,639
Carpet	262,721	13,703	-	276,424	159,866	38,873	-	198,739	77,685
Capital work in progress	-	883,925	-	883,925	-	-	-	-	883,925
<b>Sub total (A)</b>	<b>225,275,753</b>	<b>17,068,691</b>	<b>(258,924)</b>	<b>242,085,520</b>	<b>45,917,971</b>	<b>12,754,733</b>	<b>(62,054)</b>	<b>58,610,650</b>	<b>183,474,870</b>
Capital grant	7,631,660	-	-	7,631,660	1,907,915	953,958	-	2,861,873	4,769,788
Integrated data center	7,631,660	-	-	7,631,660	1,907,915	953,958	-	2,861,873	4,769,788
<b>Sub total (B)</b>	<b>232,907,414</b>	<b>17,068,691</b>	<b>(258,924)</b>	<b>249,717,181</b>	<b>47,825,886</b>	<b>13,708,691</b>	<b>(62,054)</b>	<b>61,472,523</b>	<b>185,081,528</b>
<b>Total (A+B)</b>									



**13 Intangible assets**

Particulars	Application software	Other software	Development in progress	Total
<b>Cost</b>				
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)
<b>Closing as at 30th June 2018</b>	<b>24,685,873</b>	<b>2,052,314</b>	<b>28,126</b>	<b>26,766,313</b>
<b>Accumulated amortization</b>				
Opening as at 1st July 2017	17,806,849	1,648,108	-	19,454,957
Adjustment	-	-	-	-
Amortization for the year	2,085,582	404,206	-	2,489,788
<b>Closing as at 30th June 2018</b>	<b>19,892,431</b>	<b>2,052,314</b>	<b>-</b>	<b>21,944,745</b>
<b>Net carrying amount as at 30th June 2018</b>	<b>4,793,443</b>	<b>-</b>	<b>28,126</b>	<b>4,821,569</b>
<b>Cost</b>				
Opening as at 1st July 2016	20,522,427	2,052,314	6,974,547	29,549,288
Additions	2,348,417	-	1,556,257	3,904,674
Adjustment	-	-	(4,301,063)	(4,301,063)
Capitalization of development in progress	-	-	(2,348,417)	(2,348,417)
<b>Closing as at 30th June 2017</b>	<b>22,870,844</b>	<b>2,052,314</b>	<b>1,881,324</b>	<b>26,804,482</b>
<b>Accumulated amortization</b>				
Opening as at 1st July 2016	16,084,273	1,262,520	-	17,346,793
Adjustment	-	(48,600)	-	(48,600)
Amortization for the year	1,722,576	434,188	-	2,156,764
<b>Closing as at 30th June 2017</b>	<b>17,806,849</b>	<b>1,648,108</b>	<b>-</b>	<b>19,454,957</b>
<b>Net carrying amount as at 30th June 2017</b>	<b>5,063,995</b>	<b>404,206</b>	<b>1,881,324</b>	<b>7,349,525</b>

**14 Other Assets**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
Prepaid expenses	3,772,127	2,246,709	3,764,187
Unamortized employee cost	12,411,989	9,373,783	7,631,635
Advance to staff	165,011	131,083	64,131
<b>Total</b>	<b>16,349,127</b>	<b>11,751,575</b>	<b>11,459,952</b>



**15 Trade and other payables**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
Stale cheque	1,498,768	1,485,766	1,357,244
Interest received in advance	95,825	95,825	518,027
Unidentified deposit	2,399,731	2,399,731	2,301,067
Earnest money	108,213	715,900	689,137
Security deposit (contractor)	2,414,862	4,786,859	3,901,781
Performance guarantee deposit	2,137,648	558,822	792,542
Security deposit (rent)	8,504,014	7,786,460	6,820,984
Excess member contribution	632,713	370,032	5,033,926
Security deposit - power / tenant	529,777	535,037	538,802
Housing / education loan closed A/c - credit balance	26,488,101	20,108,148	13,898,836
Unclaimed contribution	48,536,600	48,544,224	48,544,224
Other payables	36,332,422	34,688,595	40,957,784
<b>Total</b>	<b>129,678,673</b>	<b>122,075,399</b>	<b>125,354,353</b>

**16 Other liabilities**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
Tax deducted at source (TDS) payable	341,698	15,145	198,407
<b>Total</b>	<b>341,698</b>	<b>15,145</b>	<b>198,407</b>

**17 Employee benefit obligations**

Particulars	30-Jun-18	30-Jun-17	30-Jun-16
Gratuity liability	14,330,003	17,242,270	15,839,196
Leave encashment	3,185,017	4,173,967	4,193,588
Terminal benefits	2,952,028	4,070,723	3,557,739
<b>Total</b>	<b>20,467,048</b>	<b>25,486,960</b>	<b>23,590,523</b>



**18 Lapsed Fund\***

Particulars	Civil	Armed Force	Total
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 general reserve	(1,054,724)	(2,179,520)	(3,234,244)
<b>As at 30th June 2018</b>	<b>6,194,078</b>	<b>3,426,164</b>	<b>9,620,242</b>
As at 1st July 2016	5,326,718	4,465,449	9,792,167
Addition during the year	1,093,169	1,366,651	2,459,820
Transferred to general reserve	(1,011,517)	(1,042,047)	(2,053,564)
<b>As at 30th June 2017</b>	<b>5,408,370</b>	<b>4,790,053</b>	<b>10,198,423</b>
As at 1st July 2015	3,237,380	3,699,492	6,936,872
Addition during the year	3,260,477	1,243,882	4,504,359
Transferred to general reserve	(1,171,139)	(477,925)	(1,649,064)
<b>As at 30th June 2016</b>	<b>5,326,718</b>	<b>4,465,449</b>	<b>9,792,167</b>

\*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	
<b>Accumulated contribution</b>					
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
<b>As at 30th June 2018 (A)</b>	<b>3,223,570,183</b>	<b>3,223,743,465</b>	<b>1,071,920,089</b>	<b>1,072,160,943</b>	<b>8,591,394,680</b>
<b>Accumulated refund</b>					
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
<b>As at 30th June 2018 (B)</b>	<b>913,767,426</b>	<b>913,869,654</b>	<b>251,744,952</b>	<b>251,829,133</b>	<b>2,331,211,166</b>
<b>Net contribution as at 30th June 2018 (A-B)</b>	<b>2,309,802,757</b>	<b>2,309,873,810</b>	<b>820,175,137</b>	<b>820,331,809</b>	<b>6,260,183,514</b>
<b>Accumulated contribution</b>					
As at 1st July 2016	2,564,799,982	2,564,973,264	846,313,953	846,554,806	6,822,642,005
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	2,564,799,982	2,564,973,264	846,313,953	846,554,806	6,822,642,005
Contribution during the year	311,992,603	311,992,603	112,967,741	112,967,741	849,920,688
<b>As at 30th June 2017 (A)</b>	<b>2,876,792,585</b>	<b>2,876,965,867</b>	<b>959,281,694</b>	<b>959,522,547</b>	<b>7,672,562,693</b>
<b>Accumulated refund</b>					
As at 1st July 2016	717,346,967	717,449,694	197,201,848	197,286,029	1,829,284,539
Refunds during the year	81,920,885	81,920,641	24,985,332	24,985,332	213,812,190
<b>As at 30th June 2017 (B)</b>	<b>799,267,852</b>	<b>799,370,335</b>	<b>222,187,180</b>	<b>222,271,361</b>	<b>2,043,096,729</b>
<b>Net contribution as at 30th June 2017 (A-B)</b>	<b>2,077,524,733</b>	<b>2,077,595,531</b>	<b>737,094,514</b>	<b>737,251,186</b>	<b>5,629,465,964</b>



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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

Particulars	Interest on member's contribution	Interest on employer's contribution	Interest on member's contribution	Interest on employer's contribution	Total
<b>Accumulated returns credited</b>					
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
<b>Total accumulated returns credited as at 30th June 2018 (A)</b>	<b>1,901,786,518</b>	<b>1,876,370,219</b>	<b>723,429,438</b>	<b>722,100,796</b>	<b>5,223,686,971</b>
<b>Accumulated returns refund</b>					
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
<b>Total accumulated returns refund as at 30th June 2018 (B)</b>	<b>568,740,610</b>	<b>543,178,986</b>	<b>164,476,070</b>	<b>162,893,267</b>	<b>1,439,288,932</b>
<b>Net returns credited as at 30th June 2018 (A-B)</b>	<b>1,333,045,908</b>	<b>1,333,191,233</b>	<b>558,953,367</b>	<b>559,207,529</b>	<b>3,784,398,038</b>
<b>Accumulated returns credited</b>					
As at 1st July 2016	1,388,064,826	1,362,619,617	528,345,714	526,959,734	3,805,989,891
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	1,388,064,826	1,362,619,617	528,345,714	526,959,734	3,805,989,891
Returns credited during the year	239,206,728	239,219,176	91,104,423	91,130,654	660,660,981
<b>Total accumulated returns credited as at 30th June 2017 (A)</b>	<b>1,627,271,554</b>	<b>1,601,838,793</b>	<b>619,450,137</b>	<b>618,090,388</b>	<b>4,466,650,872</b>
<b>Accumulated returns refund</b>					
As at 1st July 2016	435,571,608	410,049,538	118,407,546	116,873,574	1,080,902,265
Refund during the year	55,869,435	55,846,134	20,148,907	20,113,280	151,977,756
<b>Total accumulated returns refund as at 30th June 2017 (B)</b>	<b>491,441,043</b>	<b>465,895,672</b>	<b>138,556,453</b>	<b>136,986,854</b>	<b>1,232,880,021</b>
<b>Net returns credited as at 30th June 2017 (A-B)</b>	<b>1,135,830,511</b>	<b>1,135,943,121</b>	<b>480,893,684</b>	<b>481,103,535</b>	<b>3,233,770,851</b>



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

Particulars	Civil	Armed Forces	Total
<b>Accumulated contributions and returns credited</b>			
As at 1st July 2017	15,980,228,931	4,969,126,792	20,949,355,722
Adjustment of scheme	5,750,777.90	(0)	5,750,777.81
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
<b>As at 30th June 2018 (A)</b>	<b>18,499,581,316</b>	<b>5,696,232,871</b>	<b>24,195,814,188</b>
<b>Accumulated pension payments</b>			
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
<b>As at 30th June 2018 (B)</b>	<b>1,427,520,793</b>	<b>785,000,580</b>	<b>2,212,521,373</b>
<b>Accumulated pension fund refund</b>			
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
<b>As at 30th June 2018 (C)</b>	<b>1,202,954,076</b>	<b>253,462,784</b>	<b>1,456,416,860</b>
<b>Net accumulated contributions and returns credited as at 30th June 2018 (A-B-C)</b>	<b>15,869,106,447</b>	<b>4,657,769,508</b>	<b>20,526,875,955</b>
<b>Accumulated contributions and returns credited</b>			
As at 1st July 2016	13,660,146,533	4,288,756,913	17,948,903,445
Adjustment of scheme	-	-	-
Adjusted opening balance	13,660,146,533	4,288,756,913	17,948,903,445
Contribution during the year	1,303,951,679	382,602,800	1,686,554,479
Returns credited during the year	1,016,130,719	297,767,079	1,313,897,798
<b>As at 30th June 2017 (A)</b>	<b>15,980,228,931</b>	<b>4,969,126,792</b>	<b>20,949,355,722</b>
<b>Accumulated pension payments</b>			
As at 1st July 2016	862,619,022	532,423,094	1,395,042,116
Pension payment during the year	258,266,521	114,186,638	372,453,159
<b>As at 30th June 2017 (B)</b>	<b>1,120,885,543</b>	<b>646,609,732</b>	<b>1,767,495,275</b>
<b>Accumulated pension fund refund</b>			
As at 1st July 2016	716,773,548	232,552,366	949,325,914
Refund from pension fund during the year	217,214,486	9,302,753	226,517,239
<b>As at 30th June 2017 (C)</b>	<b>933,988,034</b>	<b>241,855,119</b>	<b>1,175,843,153</b>
<b>Net accumulated contributions and returns credited as at 30th June 2017 (A-B-C)</b>	<b>13,925,355,353</b>	<b>4,080,661,941</b>	<b>18,006,017,295</b>



**22. Income from loans**

Particulars	30-Jun-18	30-Jun-17
<b>A. Interest income from loan to manufacturing &amp; industries sector</b>		
Bhutan Ferro Alloys Ltd.	13,990,311	19,336,404
Druk Ferro Alloys Ltd.	78,508	724,347
Dagachu Hydro Power Corporation Ltd.	66,162,316	74,064,984
Dungsam Cement Corporation Ltd.	89,212,012	100,440,806
Dungsam Polymers Ltd.	11,493,610	11,885,577
State Mining Corporation Ltd.	46,027	-
<b>Total</b>	<b>180,982,785</b>	<b>206,578,930</b>
<b>B. Interest Income from loan to service &amp; tourism sector</b>		
Tashi Infocom Ltd.	33,903,700	18,846,621
Druk Doethjung Resort	5,466,101	5,418,875
Yangphel Real Estate	20,023,910	22,782,345
Bhutan Power Corporation Ltd.	55,553,675	29,737,082
Natural Resource Development Corporation Ltd.	5,617,900	3,619,109
Manidheepa Moshin Resort	2,210,817	8,539,774
Bhutan Telecom Ltd.	315,068	-
Bhutan Hydro Service Ltd.	9,054,959	-
Legphel Hotel Pvt. Ltd.	1,551,979	-
State Trading Corporation Ltd.	-	7,724,892
<b>Total</b>	<b>133,698,111</b>	<b>96,668,699</b>
<b>C. Interest income from loan to institutions/RGOB</b>		
Bhutan Development Bank Ltd.	11,262,665	12,668,934
Royal Insurance Corporation of Bhutan Ltd.	78,689,689	75,600,677
Ministry of Health	4,113,269	4,808,782
National Housing Development Corporation Ltd.	37,610,616	-
<b>Total</b>	<b>131,676,240</b>	<b>93,078,393</b>
<b>D. Interest income from loan to members</b>		
Housing	217,287,100	238,405,346
Education	222,078,622	192,352,040
Student loan	7,855,910	6,368,755
Staff Housing loan	2,552,904	3,014,114
Staff Vehicle loan	980,906	836,702
Staff Incentive Loan	977,533	-
Member Loan	28,253,116	16,332,277
<b>Total</b>	<b>479,986,092</b>	<b>457,309,234</b>
<b>Total ( A+B+C+D)</b>	<b>926,343,227</b>	<b>853,635,256</b>



**23. Income from bonds and commercial papers**

Particulars	30-Jun-18	30-Jun-17
Dungsam Cement Corporation Ltd.	81,500,000	81,500,000
Druk Air Corporation Ltd.	139,569,475	158,225,122
Tashi Air Ltd.	11,250,000	11,250,000
Royal Insurance Corporation of Bhutan Ltd.	131,080,525	131,111,433
Druk Punjab National Bank Ltd.	7,800,000	7,800,000
Zimdra Foods Pvt. Ltd.	23,089,358	23,089,358
RSA Pvt. Ltd.	3,216,400	1,374,681
Commercial papers	3,582,027	1,183,562
<b>Total</b>	<b>401,087,784</b>	<b>415,534,155</b>

Note: Income from term deposits, income from loans and income from bonds and commercial papers are from financial assets measured at amortized cost.

**24. Rental income**

Location	30-Jun-18	30-Jun-17
Thimphu	38,438,370	36,769,071
Phuentsholing	14,289,638	13,676,005
Samdrup Jongkhar	4,931,456	3,443,460
Samtse	650,640	621,180
<b>Total</b>	<b>58,310,104</b>	<b>54,509,716</b>

**25. Dividend income**

Particulars	30-Jun-18	30-Jun-17
Penden Cement Authority Ltd.	15,081,710	15,081,710
State Trading Corporation Ltd.	882,000	793,800
Bhutan National Bank Ltd.	125,830,074	103,126,789
Kuensel Corporation Ltd.	624,750	661,500
Druk Punjab National Bank Ltd.	1,689,648	1,408,040
Bhutan Insurance Ltd.	3,150,000	2,700,000
<b>Total Income from dividend</b>	<b>147,258,182</b>	<b>123,771,839</b>

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

**26. Other income/(Loss)**

Particulars	30-Jun-18	30-Jun-17
Loan Processing fees	942,800	623,620
Gain/(loss) on financial assets measured at fair value through profit or loss	86,126,933	694,813,677
Miscellaneous income	10,569,531	2,621,290
<b>Total</b>	<b>97,639,263</b>	<b>698,058,587</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

27. 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%
<b>Employee remuneration &amp; benefits</b>									
Salaries and wages	5,221,325	8,683,705	2,836,018	6,799,047	2,972,533	7,932,444	34,445,072	23,082,835	11,362,237
Defined contribution(PF)	398,924	663,492	240,881	575,909	249,360	625,505	2,754,071	1,845,598	908,473
Ex-gratia	-	4,711,371	-	-	-	-	4,711,371	3,157,253	1,554,118
Long term employee benefit(gratuity)	-	789,877	-	-	-	-	789,877	529,324	260,553
Terminal benefit	-	2,758,134	-	-	-	360	2,758,494	1,848,562	909,932
Medical expenses	25,200	108,600	34,800	84,600	28,800	98,588	380,588	255,045	125,543
Leave encashment	-	1,603,737	15,150	47,470	26,175	101,325	1,793,857	1,202,126	591,731
Leave travel concession	75,595	348,005	132,300	366,945	120,000	427,306	1,470,151	985,199	484,952
Other employee benefits	-	-	-	1,345,390	-	-	1,345,390	901,592	443,798
HRD expenses	-	7,451,025	-	-	-	-	7,451,025	4,993,190	2,457,835
<b>Sub total (A)</b>	<b>5,721,044</b>	<b>27,117,946</b>	<b>3,259,149</b>	<b>9,219,361</b>	<b>3,396,868</b>	<b>9,185,528</b>	<b>57,899,897</b>	<b>38,800,725</b>	<b>19,099,172</b>
<b>Other operating expenses</b>									
Communication/information charges	137,577	808,529	9,461	79,051	380,057	150,011	1,564,687	1,048,551	516,136
Books and periodicals	6,270	2,890	-	600	-	4,606	14,366	9,627	4,739
Travelling expenses	447,497	546,206	7,000	771,819	77,728	546,719	2,396,969	1,606,292	790,677
Office maintenance	-	2,177,569	-	2,460	153,499	164,999	2,498,527	1,674,349	824,177
RE routine maintenance	-	-	-	-	-	4,660,790	4,660,790	3,123,357	1,537,433
Office rent	-	230,600	-	-	-	-	230,600	154,533	76,067
IT expenses/AMC	-	-	-	-	5,034,801	1,357,553	6,392,354	4,283,738	2,108,616
Audit fees & expenses	-	-	325,835	-	-	-	325,835	218,353	107,482
Bank charges	-	-	45,673	-	-	-	45,673	30,607	15,066
Membership fees and subscription	325,080	265,473	-	-	-	-	590,553	395,750	194,803
Consultancy charges	1,061,375	-	3,512,691	437,750	1,545,000	-	6,556,816	4,393,949	2,162,867
Sitting fees and expenses	575,072	61,640	-	12,000	-	-	648,712	434,724	213,988
Hospitality expenses	233,770	929,024	20,036	77,614	23,879	56,862	1,341,185	898,774	442,410
Printing and stationery	258,012	609,953	101,776	532,985	35,979	441,729	1,980,432	1,327,156	653,276
Advertisement	756,188	338,053	-	261,696	-	61,215	1,417,152	949,682	467,469
Rates and taxes	-	-	-	-	-	1,823,867	1,823,867	1,222,237	601,631
Amortization of prepaid expenses	-	1,364,813	-	-	-	-	1,364,813	914,608	450,204
CIB report expenses	-	-	-	1,377,650	-	-	1,377,650	923,211	454,439
Miscellaneous expenses	104,565	-	217	-	-	-	104,782	70,218	34,564
Loss on sale of assets/derecognition	-	-	-	-	-	233,015	233,015	156,151	76,864
<b>Sub Total (B)</b>	<b>3,905,405</b>	<b>7,334,749</b>	<b>4,022,689</b>	<b>3,553,625</b>	<b>7,250,943</b>	<b>9,501,366</b>	<b>35,568,777</b>	<b>23,835,868</b>	<b>11,732,908</b>
<b>Total (A+B)</b>	<b>9,626,449</b>	<b>34,452,696</b>	<b>7,281,838</b>	<b>12,772,986</b>	<b>10,647,810</b>	<b>18,686,894</b>	<b>93,468,673</b>	<b>62,636,594</b>	<b>30,832,080</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

DC and DB management expenses

continued

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

Particulars	DC Management expenses				DB Management expenses			Total expenses	
	30-Jun-18		For the year ended 30-Jun-2018		DB Mgt. expenses	67% of common expenses.	For the year ended 30-Jun-2018		For the year ended 30-Jun-2017
	DC Mgt. expenses	33% of common expenses	For the year ended 30-Jun-2018	For the year ended 30-Jun-2017			For the year ended 30-Jun-2018	For the year ended 30-Jun-2017	
Employee remuneration & benefits									
Salaries and wages	2,647,212	11,362,237	14,009,449	13,106,369	1,883,114	23,082,835	24,965,950	23,114,272	38,975,399
Defined contribution(PF)	229,993	908,473	1,138,466	1,085,144	148,427	1,845,598	1,994,025	1,873,699	3,132,491
Ex-gratia	336,950	1,554,118	1,891,068	1,813,184	284,990	3,157,253	3,442,243	3,248,023	5,061,207
Long term employee benefit(gratuity)	-	260,553	260,553	520,882	-	529,324	529,324	1,057,548	789,877
Terminal benefit	-	909,932	909,932	781,286	-	1,848,562	1,848,562	2,136,327	2,758,494
Medical expenses	60,862	125,543	186,405	187,579	29,800	255,045	284,845	319,941	471,250
Leave encashment	-	591,731	591,731	860,315	-	1,202,126	1,202,126	1,698,222	1,793,857
Leave travel concession	125,645	484,952	610,597	530,182	102,225	985,199	1,087,424	878,903	1,698,021
Other employee benefits	-	443,798	443,798	295,336	-	901,592	901,592	599,621	1,345,390
HRD expenses	-	2,457,835	2,457,835	4,446,435	-	4,993,190	4,993,190	9,027,610	7,451,025
<b>Sub total (A)</b>	<b>3,400,662</b>	<b>19,099,172</b>	<b>22,499,834</b>	<b>23,626,711</b>	<b>2,448,556</b>	<b>38,800,725</b>	<b>41,249,282</b>	<b>43,954,166</b>	<b>63,749,115</b>
Other operating expenses									
Communication/information charges	2,447	516,136	518,582	938,492	30,039	1,048,551	1,078,590	1,924,509	1,597,172
Books and periodicals	-	4,739	4,739	8,771	-	9,627	9,627	17,807	14,366
Travelling expenses	31,384	790,677	822,061	715,286	52,377	1,606,292	1,658,669	1,471,202	2,480,730
Office maintenance	-	824,177	824,177	847,753	-	1,674,349	1,674,349	1,721,196	2,498,527
RE routine maintenance	-	1,537,433	1,537,433	3,025,754	-	3,123,357	3,123,357	6,143,197	4,660,790
Office rent	-	76,067	76,067	72,468	-	154,533	154,533	147,132	230,600
IT expenses/AMC	-	2,108,616	2,108,616	1,742,915	-	4,283,738	4,283,738	3,538,646	6,392,354
Audit fees & expenses	-	107,482	107,482	116,410	-	218,353	218,353	236,347	325,835
Bank charges	-	15,066	15,066	13,874	-	30,607	30,607	353,169	45,673
Membership fees and subscription	-	194,803	194,803	1,008,874	1,021,878	395,750	1,417,628	2,048,319	1,612,431
Consultancy charges	-	2,162,867	2,162,867	1,188,526	-	4,393,949	4,393,949	2,404,998	6,556,816
Sitting fees and expenses	-	213,988	213,988	325,184	-	434,724	434,724	665,155	648,712
Hospitality expenses	3,420	442,410	445,830	581,759	28,280	898,774	927,054	1,218,057	1,372,885
Printing and stationery	10,500	653,276	663,776	488,396	201,362	1,327,156	1,528,518	1,151,858	2,192,294
Advertisement	-	467,469	467,469	717,177	-	949,682	949,682	1,456,087	1,417,152
Rates and taxes	-	601,631	601,631	553,764	-	1,222,237	1,222,237	1,124,308	1,823,867
Amortization of prepaid expenses	-	450,204	450,204	450,388	-	914,608	914,608	914,424	1,364,813
CIB report expenses	-	454,439	454,439	272,283	-	923,211	923,211	552,817	1,377,650
Miscellaneous expenses	-	34,564	34,564	39,893	-	70,218	70,218	80,995	120,888
Loss on sale of assets/derecognition	-	76,864	76,864	165,190	-	156,151	156,151	335,365	233,015
Write-off of loans	-	-	-	11,832	-	-	-	24,023	35,855
<b>Sub total (B)</b>	<b>47,751</b>	<b>11,732,908</b>	<b>11,780,659</b>	<b>13,284,989</b>	<b>1,333,936</b>	<b>23,835,868</b>	<b>25,169,805</b>	<b>27,529,632</b>	<b>36,950,463</b>
<b>Total (A+B)</b>	<b>3,448,413</b>	<b>30,832,080</b>	<b>34,280,492</b>	<b>36,911,700</b>	<b>3,782,493</b>	<b>62,636,594</b>	<b>66,419,086</b>	<b>71,483,798</b>	<b>100,699,578</b>
									<b>40,814,621</b>
									<b>108,395,498</b>



**28. 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
<b>A. Provision on standard assets</b>			
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>B. Provision on Non-Performing Loan</b>			
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	
<b>C. Interest suspense</b>			
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
<b>Total as on 30th June 2018</b>	<b>222,682,399</b>	<b>58,401,977</b>	<b>3,834,293</b>
<b>A. Provision on standard assets</b>			
Provision as at 1st July 2016	95,849,034		
Provision as at 30th June 2017	87,823,881		
Charged to Statement of Comprehensive Income		(8,025,154)	
<b>B. Provision on Non-Performing Loan</b>			
Provision as at 1st July 2016	53,741,852		
Provision as at 30th June 2017	61,767,006		
Charged to Statement of Comprehensive Income		8,025,154	
<b>C. Interest suspense</b>			
Interest suspense as at 1st July 2016	7,777,515		
Interest suspense as at 30th June 2017	10,855,243		
Charged to Interest Income			3,077,728
<b>Total as on 30th June 2017</b>	<b>160,446,130</b>	<b>0.00</b>	<b>3,077,728</b>



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

<b>A</b>	<b>Movement in present value of Defined Benefit Obligation</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	DBO at end of prior year	17,242,270	15,839,196
2	Current service cost	1,604,298	2,041,171
3	Past service cost	-	-
3	Interest cost	1,295,005	1,200,602
4	Benefits paid by the plan	-	-
4	Benefits paid directly by the employer	(2,109,426)	(1,663,345)
5	Actuarial (gain)/loss due to plan experience	(1,065,767)	(141,431)
6	Actuarial (gain)/loss - demographic assumptions	28,745	(33,923)
7	Actuarial (gain)/loss - financial assumptions	(2,665,124)	-
	<b>DBO at end of the year</b>	<b>14,330,001</b>	<b>17,242,270</b>
<b>B</b>	<b>Statement of Profit &amp; Loss</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Current service cost	1,604,298	2,041,171
2	Past service cost	-	-
2	Net interest cost on net defined benefit liability / (asset)	1,295,005	1,200,602
	<b>Net Cost for the year recognized in P&amp;L</b>	<b>2,899,303</b>	<b>3,241,773</b>
<b>C</b>	<b>Other Comprehensive Income ( OCI )</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Actuarial (gain)/loss due to liability experience	(1,065,767)	(141,431)
2	Actuarial (gain)/loss due to liability assumption changes	(2,636,379)	(33,923)
3	Return on plan assets (greater)/less than discount rate	-	-
	<b>Remeasurement (Gain) or Loss Recognized in OCI at year end</b>	<b>(3,702,146)</b>	<b>(175,354)</b>
<b>D</b>	<b>Development of Net Financial Position</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Defined Benefit Obligation (DBO)	(14,330,001)	(17,242,270)
2	Fair Value of Plan Assets (FVA)	-	-
2	Funded Status (Surplus/(Deficit))	(14,330,001)	(17,242,270)
	<b>Net Defined Benefit Asset/(Liability)</b>	<b>(14,330,001)</b>	<b>(17,242,270)</b>
<b>E</b>	<b>Reconciliation of Net Balance Sheet Position</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Net defined benefit asset/ (liability) at end of prior year	17,242,270	15,839,196
2	Amount recognized in Profit & Loss	2,899,303	3,241,773
3	Amount recognized in OCI	(3,702,146)	(175,354)
4	Contributions paid into the plan	-	-
4	Benefit paid by the employer	(2,109,426)	(1,663,345)
	<b>Net defined benefit asset/ (liability) at end of the year</b>	<b>14,330,001</b>	<b>17,242,270</b>
<b>F</b>	<b>Expected benefit payments for the year ending</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Less than a year	1,563,193	2,890,297
2	Between 1- 2 years	1,639,442	3,476,145
3	Between 2-5 years	9,738,521	9,520,475
4	Over 5 years	15,711,195	18,514,810
	<b>Total</b>	<b>28,652,351</b>	<b>34,401,727</b>



- i. Expected employer expense for the year ending 30 June 2019 is Nu. 2,828,313
- ii. Weighted average duration of defined benefit obligation is 12.91 years (30th June 2017- 11.69 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

<b>a Discount Rate</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>
<b>Discount Rate</b>	8.00%	8.00%	8.00%
Effect on DBO due to 0.5% increase in discount rate	(570,268)	(583,965)	(583,965)
Effect on DBO due to 0.5% decrease in discount rate	610,481	622,405	633,983
<b>b Salary escalation rate</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>
<b>Salary escalation rate</b>	7%	11%	11%
Effect on DBO due to 1% increase in salary escalation rate	695,455	547,826	515,402
Effect on DBO due to 1% decrease in salary escalation rate	(724,646)	(559,551)	(531,998)
<b>c Attrition rate</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>
<b>Attrition rate</b>	5%	5.5%	5.1%
Effect on DBO due to 1% increase in attrition rate	(59,897)	(89,137)	(67,202)
Effect on DBO due to 1% decrease in attrition rate	48,857	69,328	48,583



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

<b>A</b>	<b>Movement in present value of Defined Benefit Obligation</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	DBO at end of prior year	1,553,128	1,271,906
2	Current service cost	189,486	319,001
3	Interest cost	115,733	90,859
4	Benefits paid by the plan	-	-
4	Benefits paid directly by the employer	(212,934)	(272,330)
5	Actuarial (gain)/loss due to plan experience	(333,574)	133,806
6	Actuarial (gain)/loss - demographic assumptions	(12,434)	9,886
7	Actuarial (gain)/loss - financial assumptions	-	-
	<b>DBO at end of the year</b>	<b>1,299,405</b>	<b>1,553,128</b>
<b>B</b>	<b>Statement of Profit &amp; Loss</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Current service cost	189,486	319,001
2	Past service cost	-	-
2	Net interest cost on net defined benefit liability / (asset)	115,733	90,859
	<b>Net Cost for the year recognized in P&amp;L</b>	<b>305,219</b>	<b>409,860</b>
<b>C</b>	<b>Other Comprehensive Income ( OCI )</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Actuarial (gain)/loss due to liability experience	(333,574)	133,806
2	Actuarial (gain)/loss due to liability assumption changes	(12,434)	9,886
4	Return on plan assets (greater)/less than discount rate	-	-
	<b>Remeasurement (Gain) or Loss Recognized in OCI at year end</b>	<b>(346,008)</b>	<b>143,692</b>
<b>D</b>	<b>Development of Net Financial Position</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Defined Benefit Obligation (DBO)	(1,299,405)	(1,553,128)
2	Fair Value of Plan Assets (FVA)	-	-
2	Funded Status (Surplus/(Deficit))	(1,299,405)	(1,553,128)
	<b>Net Defined Benefit Asset/(Liability)</b>	<b>(1,299,405)</b>	<b>(1,553,128)</b>
<b>E</b>	<b>Reconciliation of Net Balance Sheet Position</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Net defined benefit asset/ (liability) at end of prior year	1,553,128	1,271,906
2	Amount recognized in Profit & Loss	305,219	409,860
3	Amount recognized in OCI	(346,008)	143,692
4	Contributions paid into the plan	-	-
4	Benefit paid by the employer	(212,934)	(272,330)
	<b>Net defined benefit asset/ (liability) at end of the year</b>	<b>1,299,405</b>	<b>1,553,128</b>
<b>F</b>	<b>Expected benefit payments for the year ending</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1	Less than a year	348,423	615,924
2	Between 1- 2 years	308,229	489,013
3	Between 2-5 years	1,300,282	1,109,610
4	Over 5 years	1,607,708	1,505,057

- i. Expected employer expense for the year ending 30 June 2019 is Nu. 312,554
- ii. Weighted average duration of defined benefit obligation is 10.02 years (30th June 2017- 9.02 years)



iii. Significant estimates: actuarial assumptions and sensitivity

	30-Jun-18	30-Jun-17	30-Jun-16
<b>a Discount Rate</b>			
<b>Discount Rate</b>	8.00%	8.00%	8.00%
Effect on DBO due to 0.5% increase in discount rate	(46,274)	(41,471)	(38,912)
Effect on DBO due to 0.5% decrease in discount rate	49,528	44,220	41,571
<b>b Carriage growth rate</b>			
<b>Carriage growth rate</b>	5%	5%	5%
Effect on DBO due to 1% increase in salary escalation rate	111,884	102,906	95,376
Effect on DBO due to 1% decrease in salary escalation rate	(99,124)	(92,137)	(84,928)
<b>c Attrition rate</b>			
<b>Attrition rate</b>	5%	5.5%	5.1%
Effect on DBO due to 1% increase in attrition rate	24,240	20,451	19,715
Effect on DBO due to 1% decrease in attrition rate	(13,103)	(22,597)	(40,821)



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

<b>A Movement in present value of Defined Benefit Obligation</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1 DBO at end of prior year	2,517,595	2,285,833
2 Current service cost	245,939	507,022
3 Interest cost	186,221	167,885
4 Benefits paid directly by the employer	(379,674)	(374,540)
5 Actuarial (gain)/loss due to plan experience	(189,616)	(51,275)
6 Actuarial (gain)/loss - demographic assumptions	(5,300)	(17,330)
7 Actuarial (gain)/loss - financial assumptions	(722,542)	-
<b>DBO at end of the year</b>	<b>1,652,623</b>	<b>2,517,595</b>
<b>B Statement of Profit &amp; Loss</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1 Current service cost	245,939	507,022
2 Past service cost	-	-
2 Net interest cost on net defined benefit liability / (asset)	186,221	167,885
<b>Net Cost for the year recognized in P&amp;L</b>	<b>432,160</b>	<b>674,907</b>
<b>C Other Comprehensive Income ( OCI )</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1 Actuarial (gain)/loss due to liability experience	(189,616)	(51,275)
2 Actuarial (gain)/loss due to liability assumption changes	(727,842)	(17,330)
3 Return on plan assets (greater)/less than discount rate	-	-
<b>Remeasurement (Gain) or Loss Recognized in OCI at the year end</b>	<b>(917,458)</b>	<b>(68,605)</b>
<b>D Development of Net Financial Position</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1 Defined Benefit Obligation (DBO)	(1,652,622)	(2,517,595)
2 Funded Status (Surplus/(Deficit))	(1,652,622)	(2,517,595)
<b>Net Defined Benefit Asset/(Liability)</b>	<b>(1,652,622)</b>	<b>(2,517,595)</b>
<b>E Reconciliation of Net Balance Sheet Position</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1 Net defined benefit asset/ (liability) at end of prior year	2,517,595	2,285,833
2 Amount recognized in Profit & Loss	432,160	674,907
3 Amount recognized in OCI	(917,458)	(68,605)
4 Contributions paid into the plan	-	-
4 Benefit paid by the employer	(379,674)	(374,540)
<b>Net defined benefit asset/ (liability) at end of year</b>	<b>1,652,623</b>	<b>2,517,595</b>
<b>F Expected benefit payments for the year ending</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
1 Less than a year	364,137	731,952
2 Between 1- 2 years	341,540	593,950
3 Between 2-5 years	1,593,318	1,486,710
4 Over 5 years	2,019,897	2,481,011

- i. Expected employer expense for the year ending 30 June 2019 is Nu. 399,649  
 ii. Weighted average duration of defined benefit obligation is 11.21 years (30th June 2017- 12.16 years)



iii. Significant estimates: actuarial assumptions and sensitivity

	30-Jun-18	30-Jun-17	30-Jun-16
<b>a Discount Rate</b>			
Discount Rate	8.00%	8.00%	8.00%
Effect on DBO due to 0.5% increase in discount rate	(62,067)	(90,800)	(91,994)
Effect on DBO due to 0.5% decrease in discount rate	66,582	97,841	99,222
<b>b Salary escalation rate</b>			
Salary escalation rate	7%	11%	11%
Effect on DBO due to 1% increase in salary escalation rate	147,034	209,923	211,035
Effect on DBO due to 1% decrease in salary escalation rate	(129,855)	(184,925)	(185,354)
<b>c Attrition rate</b>			
Attrition rate	5%	5.5%	5.1%
Effect on DBO due to 1% increase in attrition rate	10,329	(35,203)	(36,034)
Effect on DBO due to 1% decrease in attrition rate	(11,493)	39,896	40,822

30. 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-Jun-18	30-Jun-17	30-Jun-16
<b>Current Assets</b>			
Cash and cash equivalents	546,907,673	1,044,294,701	1,472,022,745
Trade receivables	7,056,259	3,910,885	3,602,443
Term deposits	3,199,558,631	1,543,516,702	1,552,138,399
Investments in bonds and commercial papers	497,309,763	728,769,520	378,399,255
Loans	2,012,162,244	2,012,575,088	2,122,396,706
Inventories	642,396	541,892	310,473
Other assets	1,529,823	2,470,697	2,257,940
<b>Total current assets</b>	<b>6,265,166,790</b>	<b>5,336,079,485</b>	<b>5,531,127,960</b>
<b>Non-current assets</b>			
Term deposits	8,180,060,133	8,763,021,002	4,682,034,761
Investments in bonds and commercial papers	3,909,511,336	4,229,854,689	4,411,798,042
Loans	10,178,419,036	6,557,631,022	6,736,399,997
Investments in equity shares	3,216,098,180	3,096,824,575	2,402,010,898
Investment property	568,039,820	519,185,535	471,358,858
Property plant and equipment	180,365,244	188,244,657	185,081,528
Intangible assets	4,821,569	7,349,525	12,202,495
Other receivables	835,977	827,377	825,557
Other assets	14,819,303	9,280,878	9,202,013
<b>Total current assets</b>	<b>26,252,970,597</b>	<b>23,372,219,260</b>	<b>18,910,914,149</b>
<b>Total assets</b>	<b>32,518,137,387</b>	<b>28,708,298,745</b>	<b>24,442,042,108</b>



<b>Liabilities</b>			
<b>Particulars</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>
<b>Current Liabilities</b>			
Trade and other payables	129,678,673	122,075,399	125,354,353
Employee benefit obligations	2,275,753	8,412,140	5,425,290
Other liabilities	341,698	15,145	198,407
<b>Total current liabilities</b>	<b>132,296,124</b>	<b>130,502,684</b>	<b>130,978,051</b>
<b>Non- current liabilities</b>			
Employee benefit obligations	18,191,295	17,074,820	18,165,233
Grant liability	3,815,830	4,769,788	5,723,745
Lapsed fund	9,620,242	10,198,423	9,792,167
Net Member's Defined Contribution(DC) plan*	6,260,183,514	5,629,465,964	4,993,357,466
Net returns credited to Member's DC plan*	3,784,398,038	3,233,770,851	2,725,087,626
Net Member's Defined Benefit (DB) plan*	20,526,875,955	18,006,017,295	15,604,535,416
<b>Total non-current liabilities</b>	<b>30,603,084,874</b>	<b>26,901,297,140</b>	<b>23,356,661,653</b>
<b>Total liabilities</b>	<b>30,735,380,998</b>	<b>27,031,799,824</b>	<b>23,487,639,703</b>

\*The current portion (settled within 12 months) cannot reliably be measured, hence NPPF has classified entire amount as non-current.

### 31. Distribution of Surplus

<b>Particulars</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
Return on member's DC plan -Civil	550,049,228.00	478,425,904
Return on member's DC plan -Armed Forces	207,989,708.56	182,235,077
Return on member's DB plan -Civil	1,178,077,819.14	1,016,130,719
Return on member's DB plan -Armed Forces	345,819,313.60	297,767,079
Transferred to general reserve	38,392,410	23,486,631
Transferred to fair valuation reserve	59,665,203	696,456,056
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit	4,965,612	100,267
<b>Total</b>	<b>2,384,959,294</b>	<b>2,694,601,733</b>



### 32. Fair value measurements

#### Financial instruments by category

Particulars	30-Jun-18			30-Jun-17			30-Jun-16		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
<b>Financial assets</b>									
Cash and cash equivalents	-	-	546,907,673	-	-	1,044,294,701	-	-	1,472,022,745
Term deposits	-	-	11,379,618,764	-	-	10,306,537,704	-	-	6,234,173,160
Trade receivables	-	-	7,056,259	-	-	3,910,885	-	-	3,602,443
Investments in equity shares	3,216,098,180	-	-	3,096,824,575	-	-	2,402,010,898	-	-
Investments in bonds and commercial papers	-	-	4,406,821,100	-	-	4,958,624,209	-	-	4,790,197,297
Loans	-	-	12,190,581,280	-	-	8,570,206,110	-	-	8,858,796,703
Other receivables	-	-	835,977	-	-	827,377	-	-	825,557
<b>Total financial assets</b>	<b>3,216,098,180</b>	<b>-</b>	<b>28,531,821,052</b>	<b>3,096,824,575</b>	<b>-</b>	<b>24,884,400,986</b>	<b>2,402,010,898</b>	<b>-</b>	<b>21,359,617,904</b>
<b>Financial liabilities</b>									
State cheque	-	-	1,498,768	-	-	1,485,766	-	-	1,357,244
Interest received in advance	-	-	95,825	-	-	95,825	-	-	518,027
Unidentified deposit	-	-	2,399,731	-	-	2,399,731	-	-	2,301,067
Earnest money	-	-	108,213	-	-	715,900	-	-	689,137
Performance guarantee deposit	-	-	2,137,648	-	-	558,822	-	-	792,542
Security deposits	-	-	11,448,653	-	-	13,108,357	-	-	11,261,567
Excess member contribution	-	-	632,713	-	-	370,032	-	-	5,033,926
Housing / education loan closed A/c - credit balance	-	-	26,488,101	-	-	20,108,148	-	-	13,898,836
Unclaimed contribution	-	-	48,536,600	-	-	48,544,224	-	-	48,544,224
Other payables	-	-	36,332,422	-	-	34,688,595	-	-	40,957,784
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>129,678,673</b>	<b>-</b>	<b>-</b>	<b>122,075,399</b>	<b>-</b>	<b>-</b>	<b>125,354,353</b>



#### (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.

*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

## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

### (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 2018			As at 30 June 2017			As at 30 June 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Investments in equity shares</b>									
Penden Cement Authority Ltd.	-	-	155,790,000	-	-	136,948,020	-	-	148,060,088
State Trading Corporation Ltd.	-	-	11,460,000	-	-	10,946,336	-	-	9,422,783
Bhutan National Bank Ltd.	-	-	2,060,170,000	-	-	1,955,306,104	-	-	1,286,277,803
Kuensel Corporation Ltd.	-	-	17,920,000	-	-	17,849,409	-	-	13,164,560
Druk PNB Ltd.	-	-	72,860,000	-	-	37,465,223	-	-	22,508,690
TBank Ltd.	-	-	82,420	-	-	71,921	-	-	46,645
Bhutan Insurance Ltd.	-	-	41,250,000	-	-	24,266,029	-	-	21,764,354
Dungsam Polymers Ltd.	-	-	5,760	-	-	5,120	-	-	3,213
Dagachu Hydro Power Corporation Ltd.	-	-	623,670,000	-	-	592,195,086	-	-	517,396,557
Credit Information Bureau	-	-	5,530,000	-	-	3,262,980	-	-	2,984,450
Financial Institutions Training Institute Ltd.	-	-	18,840,000	-	-	13,917,962	-	-	13,561,642
Dungsam Cement Corporation Ltd.	-	-	208,520,000	-	-	304,590,385	-	-	366,820,113
	-	-	<b>3,216,098,180</b>	-	-	<b>3,096,824,575</b>	-	-	<b>2,402,010,898</b>

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

- 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.
- 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.
- 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.
- 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.



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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.

## **33. 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.

## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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-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	3,001,100,504	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	5,327,416,488	9,333,464,691
<b>Net exposure of the loan</b>	<b>12,423,247,194</b>	<b>52,325,585,086</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Particulars	30-Jun-17	
	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*
Loan to manufacturing & industries sector	1,960,512,769	39,656,304,000
Loan to service & tourism sector	698,462,610	3,769,887,000
Loan to institutions	1,074,522,394	1,705,347,395
Loan to housing	284,960,536	2,786,170,000
Loan to members	4,719,242,162	9,961,563,943
<b>Net exposure of the loan</b>	<b>8,737,700,471</b>	<b>57,879,272,338</b>



Particulars	30-Jun-16	
	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*
Loan to manufacturing & industries sector	2,166,157,717	30,521,907,000
Loan to service & tourism sector	837,857,034	2,859,547,000
Loan to institutions	727,854,842	1,705,347,395
Loan to housing	296,885,140	1,896,170,000
Loan to members	4,993,399,050	9,927,628,565
<b>Net exposure of the loan</b>	<b>9,022,153,782</b>	<b>46,910,599,960</b>

\* 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.

## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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-18		30-Jun-17		30-Jun-16	
	Loan amount	Provision	Loan amount	Provision	Loan amount	Provision
Total corporate loan	7,095,130,559	70,500,256	4,018,458,309	41,918,502	4,028,754,732	122,822,623
Total member loan	5,318,133,121	137,492,608	4,719,242,162	107,672,385	4,993,399,050	26,768,264
Interest suspense		14,627,855		10,777,922		7,697,292
<b>Total</b>	<b>12,413,263,679</b>	<b>222,620,719</b>	<b>8,737,700,471</b>	<b>160,368,808</b>	<b>9,022,153,782</b>	<b>157,288,178</b>

## 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 2018
Housing Loan	1,713,492,272	246,446,968	140,066,220	53,540,608	76,729,761	2,230,275,830
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	7,806,792	484,885	-	-	-	8,291,677
Staff Incentive loan	21,108,720	504,149	-	-	-	21,612,870
Student Loan Scheme	56,799,004	10,849,170	7,073,019	3,005,586	4,767,905	82,494,683
Manufacturing/Industry	2,165,676,581					2,165,676,581
Service & Tourism	3,001,100,504					3,001,100,504
Housing-Corporate	938,346,886					938,346,886
Institutional Loans	990,706,734					990,706,734
<b>Grand Total</b>	<b>11,720,214,296</b>	<b>334,121,223</b>	<b>175,705,803</b>	<b>70,852,092</b>	<b>122,353,780</b>	<b>12,423,247,194</b>



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Loan category	Not due	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 30 June 2017
Housing Loan	1,768,409,381	238,100,046	137,481,677	37,861,128	168,242,257	2,350,094,489
Education Loan	1,940,825,278	50,612,900	20,318,857	10,322,877	21,962,669	2,044,042,581
Members Loan	219,096,404	4,792,736	2,234,800	663,990	727,847	227,515,777
Staff Vehicle Loan	10,023,469	-	-	-	-	10,023,469
Student Loan Scheme	61,604,391	7,973,880	6,749,020	3,696,082	7,542,473	87,565,846
Manufacturing/Industry	1,960,512,769	-	-	-	-	1,960,512,769
Service & Tourism	643,605,586	-	54,857,024	-	-	698,462,610
Housing-Corporate	284,960,536	-	-	-	-	284,960,536
Institutional Loans	1,074,522,394	-	-	-	-	1,074,522,394
<b>Grand Total</b>	<b>7,963,560,208</b>	<b>301,479,561</b>	<b>221,641,379</b>	<b>52,544,077</b>	<b>198,475,246</b>	<b>8,737,700,471</b>

Loan category	Not due	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 30 June 2016
Education Loan	2,016,342,232	58,394,142	25,657,944	10,183,631	36,112,481	2,146,690,430
Housing Loan	2,025,787,760	198,223,724	90,491,398	123,309,365	191,742,524	2,629,554,770
Members Loan	127,088,707	3,273,292	1,008,097	196,930	1,241,916	132,808,941
Staff Vehicle Loan	5,666,257	219,992	-	410,179	-	6,296,428
Student Loan Scheme	63,118,103	5,813,292	3,847,923	1,156,966	4,112,198	78,048,480
Manufacturing/Industry	2,166,157,717	-	-	-	-	2,166,157,717
Service & Tourism	837,857,034	-	-	-	-	837,857,034
Housing-Corporate	296,885,140	-	-	-	-	296,885,140
Institutional Loans	727,854,842	-	-	-	-	727,854,842
<b>Grand Total</b>	<b>8,266,757,791</b>	<b>265,924,441</b>	<b>121,005,361</b>	<b>135,257,071</b>	<b>233,209,119</b>	<b>9,022,153,782</b>

### 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.



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

### 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-18		30-Jun-17		30-Jun-16	
	Amount	%	Amount	%	Amount	%
% of 10 largest loan exposure to fund size	6,865,993,000	22.03%	3,827,624,900	13.95%	3,786,031,475	15.87%

### 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	1,131,345,000	1,614,714,689		1,483,795,000	
Commercial paper		28,443,288			
Loans (gross)	2,165,676,581	3,000,400,358	938,346,886	990,706,734	5,318,133,121
Investment in equity share	987,985,760	53,750,000		2,174,362,420	
Bank balances and term deposits				11,908,065,562	



**(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.

<b>Contractual maturities of financial liabilities 30 June 2018</b>	<b>Less than 1 year</b>	<b>Total</b>
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
<b>Total financial liabilities</b>	<b>129,678,673</b>	<b>129,678,673</b>
<b>Off balance sheet commitment (loan)</b>	<b>111,800,000</b>	<b>111,800,000</b>

<b>Contractual maturities of financial liabilities 30 June 2017</b>	<b>Less than 1 year</b>	<b>Total</b>
Stale cheque	1,485,766	1,485,766
Interest received in advance	95,825	95,825
Unidentified deposit	2,399,731	2,399,731
Earnest money	715,900	715,900
Security deposit (contractor)	4,786,859	4,786,859
Performance guarantee deposit	558,822	558,822
Security deposit (rent)	7,786,460	7,786,460
Excess member contribution	370,032	370,032
Security deposit - power / tenant	535,037	535,037
Housing / education loan closed A/c - credit balance	20,108,148	20,108,148
Unclaimed contribution	48,544,224	48,544,224
Other payables	34,688,595	34,688,595
<b>Total financial liabilities</b>	<b>122,075,399</b>	<b>122,075,399</b>



<b>Contractual maturities of financial liabilities 30 June 2016</b>	<b>Less than 1 year</b>	<b>Total</b>
Stale cheque	1,357,244	1,357,244
Interest received in advance	518,027	518,027
Unidentified deposit	2,301,067	2,301,067
Earnest money	689,137	689,137
Security deposit (contractor)	3,901,781	3,901,781
Performance guarantee deposit	792,542	792,542
Security deposit (rent)	6,820,984	6,820,984
Excess member contribution	5,033,926	5,033,926
Security deposit - power / tenant	538,802	538,802
Tax deducted at source (TDS) payable	-	-
Housing / education loan closed A/c - credit balance	13,898,836	13,898,836
Unclaimed contribution	48,544,224	48,544,224
Other payables	40,957,784	40,957,784
<b>Total financial liabilities</b>	<b>125,354,353</b>	<b>125,354,353</b>
<b>Off balance sheet commitment</b>	<b>200,000,000</b>	<b>200,000,000</b>

### (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 only at fixed interest rate 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-18	30-Jun-17	30-Jun-16
Increase by 5%	160,804,909	154,841,229	120,100,545
Decrease by 5%	(160,804,909)	(154,841,229)	(120,100,545)

### (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.

### 34. 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).

#### **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.



**35. Other disclosure****a) Commitments**

Particulars	30-Jun-18	30-Jun-17
Capital expenditure for Real Estate development.	191,709,543	25,500,000
For acquisition of land for Home Ownership Scheme	1,240,000	1,240,000
Loan	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-18	30-Jun-17
Total rental expense relating to operating leases	230,600	219,600

**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-18	30-Jun-17
Total rental income relating to operating leases	4,460,304	4,825,604

**36. 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-18	30-Jun-17	30-Jun-16
<b>Loans to related parties</b>			
Loans to key management personnel			
<b>Beginning of the year</b>	<b>15,662,666</b>	<b>14,379,268</b>	35,192,241
Loans advanced	2,248,899	4,263,385	3,898,452
Loan repayment received	2,318,600	2,797,662	7,233,829
Interest charged	1,309,371	1,299,898	3,593,600
<b>End of the year</b>	<b>16,902,336</b>	<b>17,144,889</b>	<b>35,450,463</b>

**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.

SI.No.	Particulars	30-Jun-18	30-Jun-17	30-Jun-16
a)	Short- term employee benefits	5,615,042	3,585,799	4,125,335
b)	Post- employment benefits (PEB)	514,084	503,584	551,799
c)	Other long- term benefits (OLTB)	262,467	121,325	192,817
	<b>Total</b>	<b>6,391,593</b>	<b>4,210,709</b>	<b>4,869,951</b>

**37. First-time adoption of BFRS****Transition to BFRS**

These are NPPF's first financial statements prepared in accordance with BFRS.

The accounting policies set out in Note 1, have been applied in preparing the financial statements from the year ended 30 June 2018, the comparative information presented in these financial statements for the year ended 30 June 2017 and in the preparation of an opening BFRS statement of financial position at 1 July 2016 (the date of transition). In preparing its opening BFRS statement of financial position, NPPF has adjusted the amounts reported previously in financial statements prepared in accordance with the Bhutanese Accounting Standards (BAS) Phase I and Phase II and interpretations issued by AASBB to the extent is applicable to the companies reporting under BAS. An explanation of how the transition from previous GAAP to BFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

**A. Exemptions and exceptions availed**

Set below are the applicable BFRS optional exemptions and mandatory exceptions applied in the transition from previous GAAP to BFRS.

**A.1 BFRS optional exemptions****A.1.1 Property, plant and equipment**

A first-time adopter that subsequently measures property, plant and equipment and intangible assets at cost, may measure such property, plant and equipment and intangible assets at cost (determined in accordance with BAS 16 and BAS 38 respectively) or fair value in its opening BFRS statement of financial position. This exemption can also be availed for investment property covered under BAS 40, if an entity elects to use the cost model per BAS 40.

Accordingly, NPPF has elected to measure all of its property, plant and equipment, intangible assets and investment property as per BAS 16, BAS 38 and BAS 40 respectively, at cost.

**A.1.2 Fair value measurement of financial assets or financial liabilities at initial recognition**

A first time adoptor that measures financial instruments at initial recognition, is required to recognise the day 1 gain or loss at initial recognition of financial instrument. However BFRS 1 permits the first time adoptor to apply this requirement of BFRS 9 prospectively to transactions entered into on or after the date of transition to BFRS.

Accordingly NPPF has elected to recognise the day one gain or loss on initial recognition of financial instruments prospectively from the date of transition.

## A.2 BFRS mandatory exceptions

### A.2.1 Estimates

An entity's estimates in accordance with BFRS at the date of transition to BFRS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

BFRS estimates as at 1 July 2016 are consistent with the estimates as at the same date made in conformity with previous GAAP.

### A.2.2 Classification and measurement of financial assets

BFRS 1 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exists at the date of transition to BFRS.

## B. Reconciliation

Reconciliation of reserve as at 30 June 2016		
Particulars	Notes	Amount (in Nu.)
Total equity as per previous GAAP		430,899,556
<b>Adjustments</b>		
Investment in term deposits recognised as per EIR	1	(8,527,323)
Interest on loans recognised as per EIR	2	(4,936,951)
Amortisation of employee cost	2	6,499,684
Reversal of dimunition in equity shares recognised in previous gaap	3	17,162,360
Fair valuation of equity shares	3	569,648,177
Employee benefit recognised as per actuarial report	4	(5,552,345)
Transfer of unclaimed contribution & monies to trade and other payables	5	(50,790,754)
<b>Total Adjustments</b>		<b>523,502,848</b>
<b>Balance of reserve as on 30 June 2016 under BFRS</b>		<b>954,402,404</b>



**Reconciliation****continued****Reconciliation of reserve as at 30 June 2017**

Particulars	Notes	Amount (in Nu.)
<b>Total equity as per previous GAAP</b>		<b>456,288,232</b>
<b>Adjustments</b>		
Investment in term deposits recognised as per EIR	1	(3,250,044)
Interest on loans recognised as per EIR	2	(3,356,497)
Amortisation of employee cost	2	5,604,728
Reversal of dimunition in equity shares recognised in previous gaap	3	13,254,480
Fair valuation of equity shares	3	1,264,461,854
Employee benefit recognised as per actuarial report	4	(5,757,482)
Transfer of unclaimed contribution & monies to trade and other payables	5	(50,746,349)
<b>Total Adjustments</b>		<b>1,220,210,690</b>
<b>Balance of reserve as on 30 June 2017 under BFRS</b>		<b>1,676,498,922</b>

**Reconciliation of total comprehensive income for the year ended 30 June 2017**

Particulars	Notes	Amount (in Nu.)
<b>Total comprehensive income as per previous GAAP</b>		<b>1,997,820,957</b>
<b>Adjustments</b>		
Investment in term deposits recognised as per EIR	1	5,277,279
Investment in loans recognised as per EIR	2	1,580,454
Amortisation of employee cost	2	(894,956)
Reversal of dimunition in equity shares recognised in previous gaap	3	(3,907,880)
Fair valuation of equity shares	3	694,813,677
Employee benefit recognised as per actuarial report	4	(87,799)
<b>Total adjustments</b>		<b>696,780,776</b>
<b>Balance of total comprehensive income 2017 under BFRS</b>		<b>2,694,601,733</b>

**C: Notes to first-time adoption:****Note 1: Investments**

Under the previous GAAP, interest accrued (where interest is only paid at the maturity period) and investments on fixed deposits are recorded at their transaction value. Under BFRS 9, all financial assets are required to be recognised at fair value at initial recognition. Accordingly, the Company has fair valued these investment under BFRS at initial recognition. Difference between the fair value and transaction value of the investments has been recognised under reserve. Subsequently interest is recognised as per effective interest rate in statement of comprehensive income.

**Note 2: Loans**

Under the previous GAAP, all loans are recorded at their transaction value. Under BFRS 9, all financial assets are required to be recognised at fair value at initial recognition. Accordingly, the Company has fair valued the staff loans and student loans under BFRS at initial recognition. Difference between the fair value and transaction value of the investments has been recognised under unamortised employee cost and reserve respectively. Subsequently interest is recognised as per effective interest rate in statement of

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comprehensive income. Employee cost has been amortised over the tenure of the loan and charged to statement of comprehensive income.

**Note 3: Investment in equity shares**

The company also holds investment in equity shares of entities other than subsidiaries, associate and joint venture. Under previous GAAP such investments were measured at cost.

Under BFRS, these investments has been measured at fair value. The company has categorised these investments as fair value through statement of comprehensive income (FVTPL) and any changes in fair value of those investment has been recognised in the statement of comprehensive income.

**Note 4: Employee benefit obligation**

Under GAAP, NPPF had recognised employee benefit obligations as per the management estimates. However under BFRS employee benefit obligations have been accounted for as per the requirement of BAS 19 and the actuarial valuation report.

**Note 5: Unclaimed monies**

An essential characteristic of a liability is that the entity has a present obligation. Hence the unclaimed contribution/refund is recognised as liability since NPPF is not relieved from the obligation of settling the unclaimed contribution/refund.

**Note 6: Reserve**

Reserve as at 1 July 2016 has been adjusted consequent to the above BFRS transition adjustments.

**Note 7: Statement of cash flows**

The transition from Local GAAP to BFRS has no material impact on the statement of cash flows.





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