



Securing Future Together

NATIONAL PENSION AND PROVIDENT FUND

Annual Report
2021-2022



NPPF Slogan

Securing Future Together



Vision

- A premier organization which secures the retirement lives of members through attractive income security



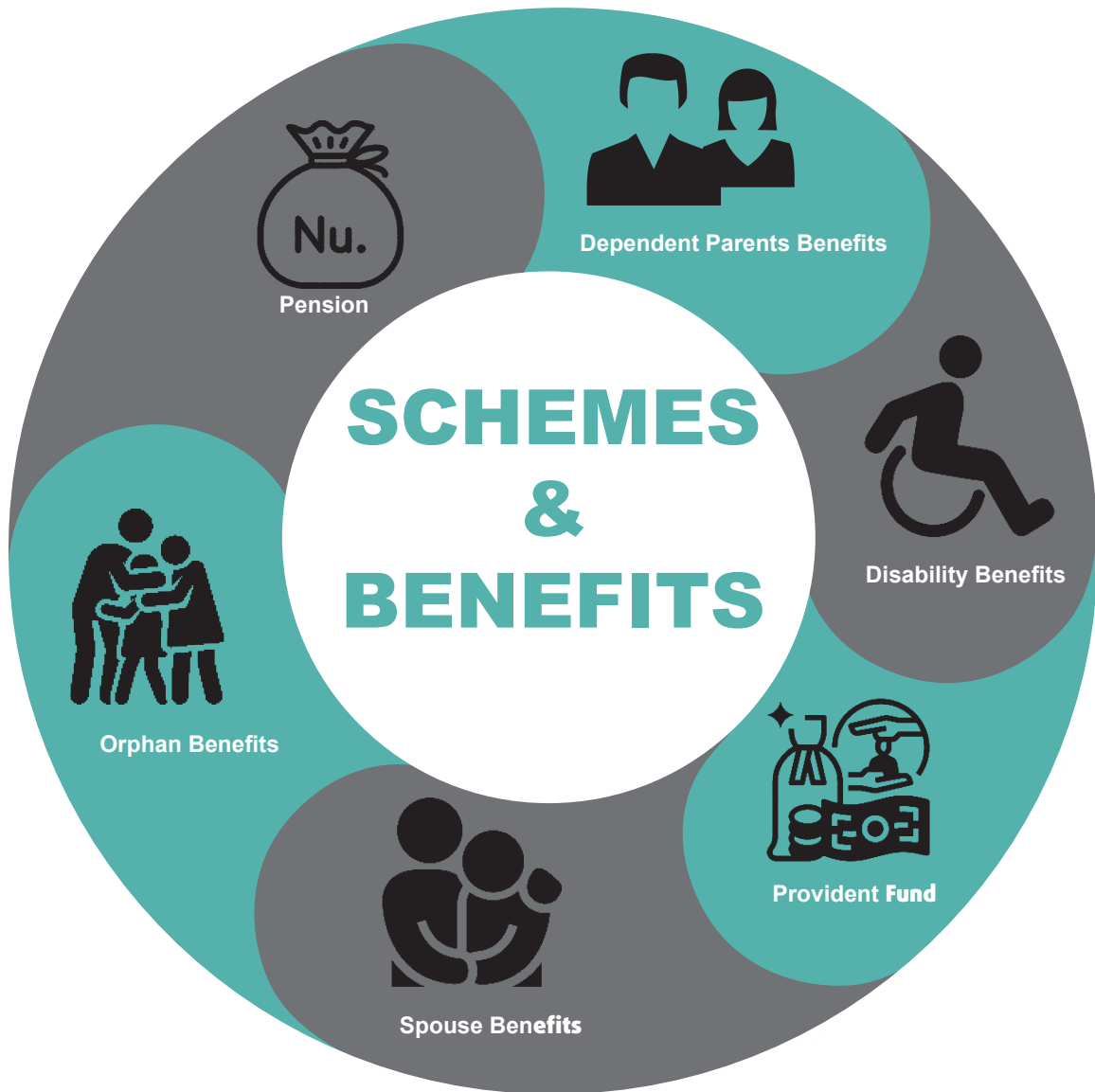
Mission

- Managing Retirement schemes, which are inclusive, adequate, innovative, and sustainable
- Managing Funds through prudent investment to enhance sustainability of the scheme

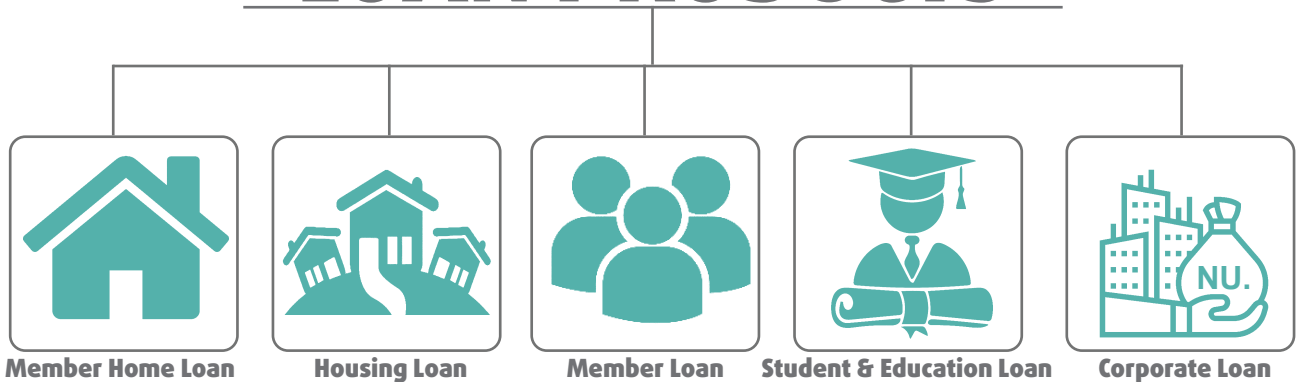


Core values

- We take ownership and responsibility - Accountability and Integrity
- We move fast- Fast service, move ahead with technology and innovation
- We are empathetic – Courteous and proactive
- We listen to improve- Open to ideas, feedback and communicate effectively
- We take care of our customers and employees – Happy employees lead to happy customers



LOAN PRODUCTS



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NPPF's Organization Profile

About NPPF

The foundation of formal retirement income security was initiated in 1962 with a gratuity scheme followed by Government Employees Provident Fund (GEPF) in 1976 that covered all civil servants, corporate employees and members of the Armed Forces.

Considering the effect of modernization and rapid socio-economic development on the overall welfare of the government employees, armed force and police personnel during old age, His Majesty the Fourth Druk Gyalpo issued a Royal Kasho to the Ministry of Finance (MoF) and Royal Civil Service Commission in 1998 to review the existing retirement benefit schemes. Accordingly, the Government Working Committee (GWC) with technical support from United Nations Development Programme (UNDP), Asian Development Bank (ADB) and World Bank, carried out the study that resulted in the separation of GEPF operation from Royal Insurance Corporation of Bhutan Ltd. (RICBL) and the establishment of National Pension and Provident Fund (NPPF).

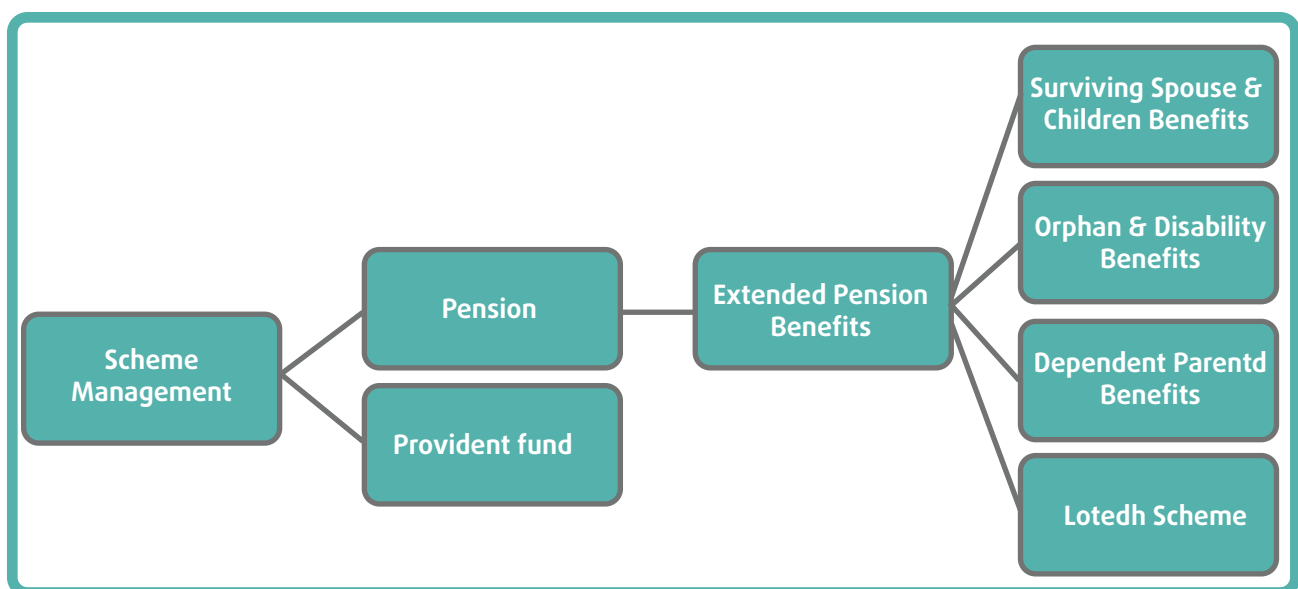
The NPPF was established as an autonomous agency on March 30th, 2000, to manage pension and provident fund schemes of civil servants, employees of state-owned corporation and theand the Armed Forces. On July 1st, 2002, the government formally launched the National Pension and Provident Fund Plan (NPPFP) through an Executive Order to provide income security to members on retirement. The Fund also provides extended benefits for surviving spouse, orphan, disability, dependent parent, and for children under 18.

The NPPF, as entrusted by the Executive Order, has two important core business functions:

i) Scheme Administration

The NPPF Schemes was introduced in 2002 as a mandatory retirement saving scheme for civil servants, employees of public corporations and enterprises and members of the Armed Forces to provide income security after retirement.

Both employees and employers make contributions to the pension and provident fund schemes. Pension benefits are paid monthly to members whereas provident fund benefits are paid in lumpsum, with accrued interest, on retirement.



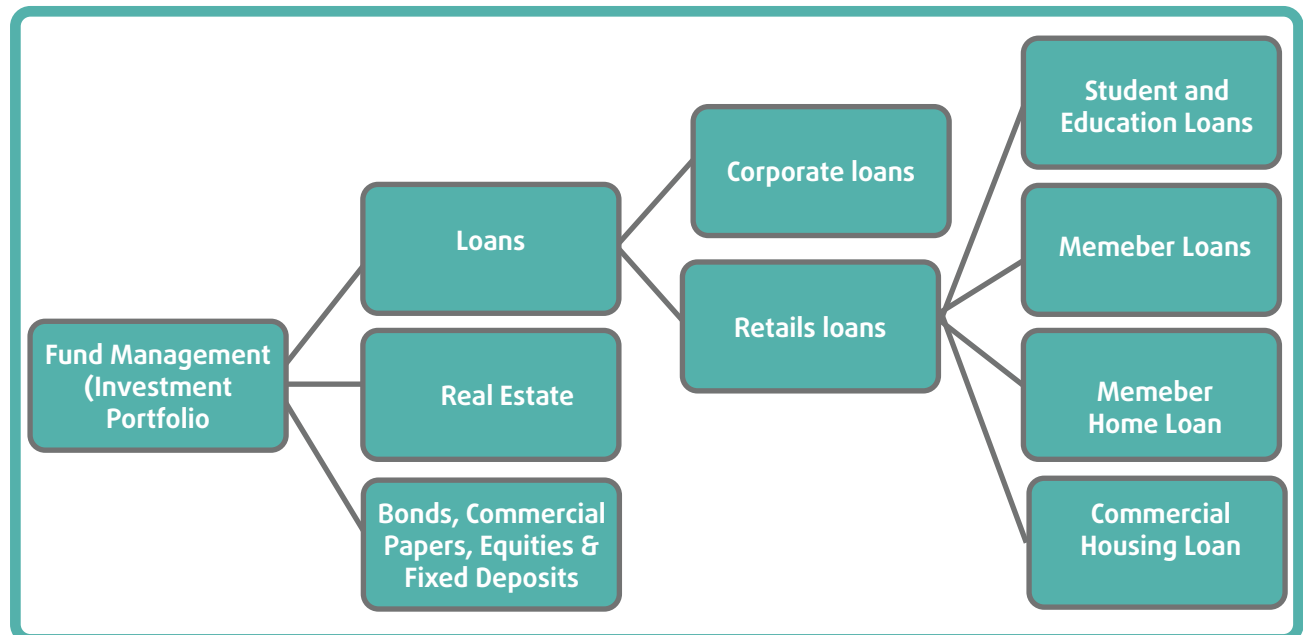
Tier I & II Features

Parameters	Civil			RBA/RBG	RBP
	Civil Servants	DHI companies and SOEs	BFA, RICBL, BNB, AWP		
Standard Contribution Rate	26%	30%	22%	30%	24%
Pension	16%	16%	16%	19%	15%
Provident Fund	11%	14%	6%	11%	9%
Type of Funding	Partially funded PAYG			Partially funded PAYG	Partially funded PAYG
Government Support	Implicit Guarantee			Implicit Guarantee	Implicit Guarantee
Minimum vesting period	Minimum 20 years in service			20 years	20years
Maximum Contributory years	30 Years			33 Years	33 Years
Normal retirement age	56,58 & 60			Rankwise retirement age	Rankwise retirement age
Benefit level	40% of last basic pay			45% of 12 months average pay	45% of 12 months average pay
Annual Pension Adjustment	CPI or 5% p.a which ever is lower			CPI or 5% p.a which ever is lower	2% pa
Minimum Pension	40% of the O4 level i.e., Nu. 5510			45% of maximum salary ceiling of the lowest rank	45% of maximum salary ceiling of the lowest rank
Maximum Pension	40% of maximum salary scale of EX1 level in the civil service			Full pension upto 27 years and 0.5% of full pension upto 33 years	Full pension upto 27 years and 0.5% of full pension upto 33 years
Spouse Pension	50% of deceased member's pension or Nu.3500, which ever is higher			30% of deceased member's pension prior to 50 years and benefit enhanced to 50% of deceased member's pension or 60% of minimum pension which ever is higher	30% of deceased member's pension prior to 50 years and benefit enhanced to 50% of deceased member's pension or 60% of minimum pension which ever is higher
Eligibility age for spouse	50 years			Benefit paid on the date of contingency	Benefit paid on the date of contingency
Children and Orphan	3 children, less than 18 years at a time Child pension Nu.1200 Orphan pension Nu. 1700			3 children less than 18 years at a time Child pension 15% of minimum pension Orphan pension 30% of minimum pension	3 children less than 18 years at a time Child pension 15% of minimum pension Orphan pension 30% of minimum pension
Dependent Parent	50% of deceased member's pension or Nu.3500, which ever is higher provided parent attained 56 years			50% of deceased member's pension or 60% of minimum pension, whichever is higher, provided parent attained 56 years	50% of deceased member's pension or 60% of minimum pension, whichever is higher, provided parent attained 56 years
Member Permanent Disability	40% of last drawn salary or Nu. 3500 whichever is higher			30% of member's pension payable under normal retirement scheme or 45% of the maximum ceiling of the salary scale of the lowest rank	30% of member's pension payable under normal retirement scheme or 45% of the maximum ceiling of the salary scale of the lowest rank

ii) Fund Management

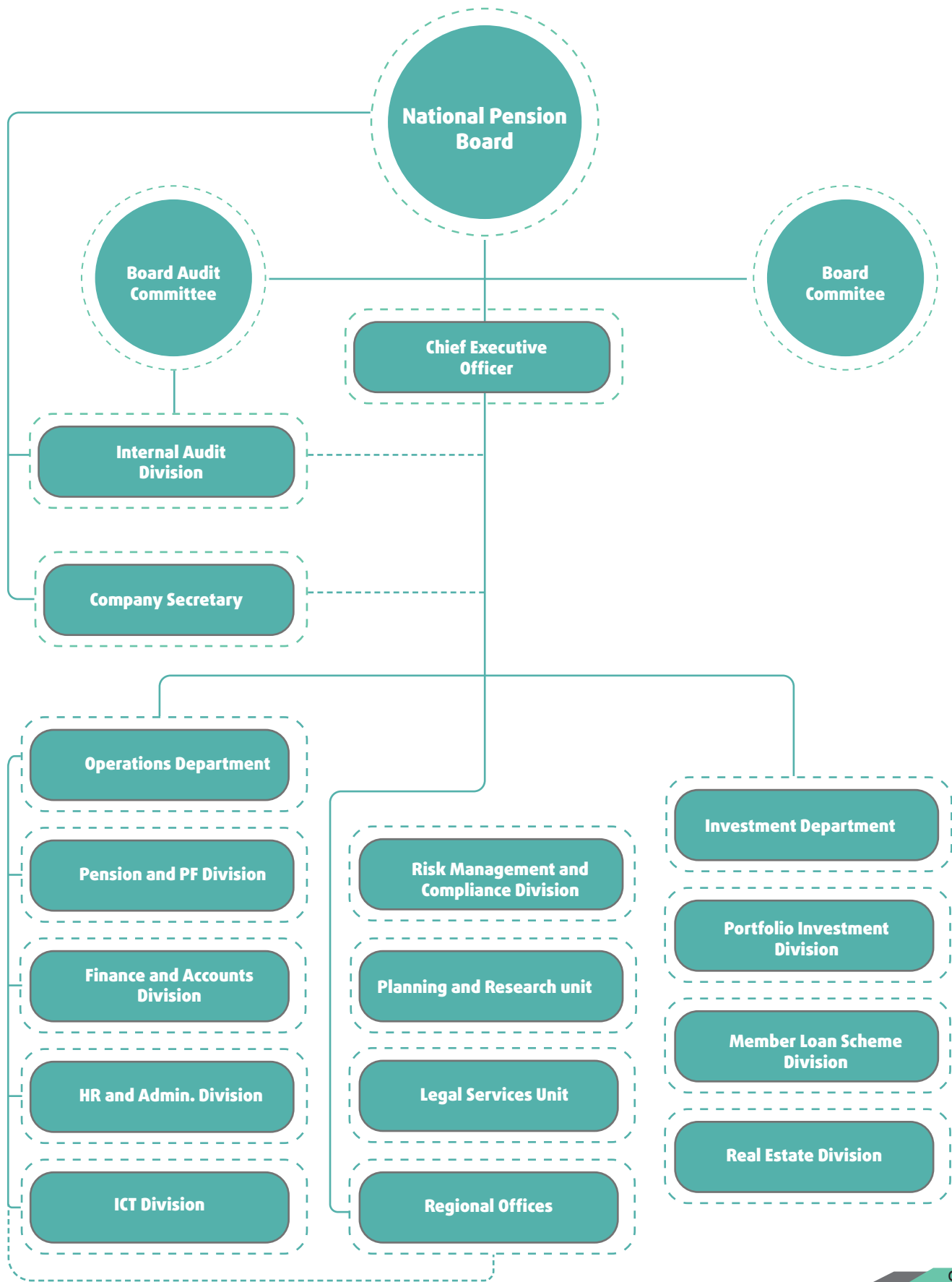
Apart from administering the schemes, NPPF has been entrusted with the fiduciary role of making prudent investment of funds. As a major non-banking financial institution, NPPF is a major source of fund contributing to the economic development of the country.

The fund's assets need prudent management to ensure retirees receive promised retirement benefits. To effectively manage the investment of a steadily increasing fund and towards improving the sustainability of the fund and providing better return to PF holders, NPPF carries out prudent management of funds guided by its investment policy. NPPF's investment portfolio comprises Corporate Loans, Equities, Bonds, Treasury Bills, Commercial papers, Member Loans, and Real Estate.

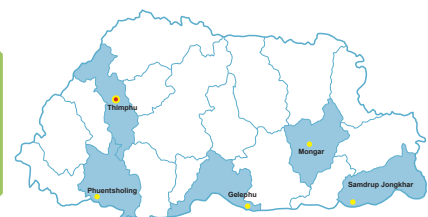
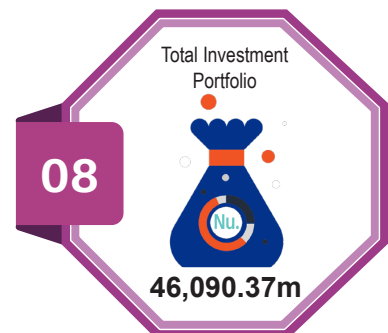
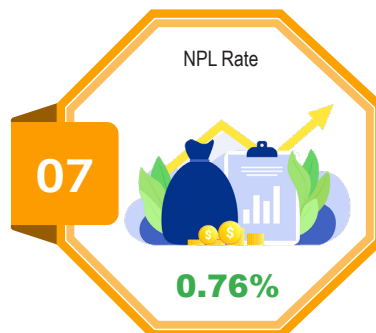
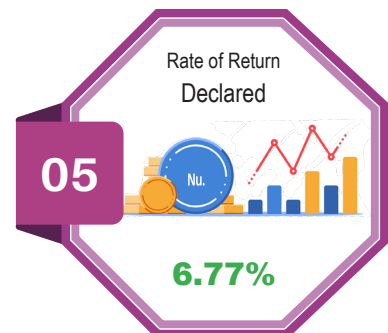
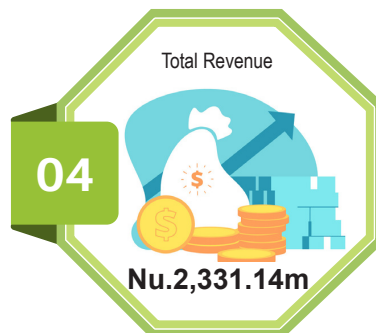
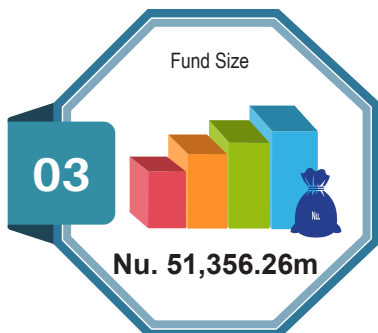
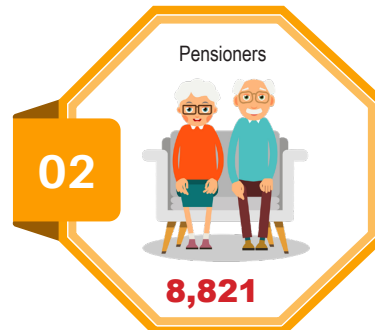


Overall, the dual function has broadened NPPF's operational scope to include retirement planning and loan services in addition to its basic services such as contribution collection, recordkeeping, and benefits payment.

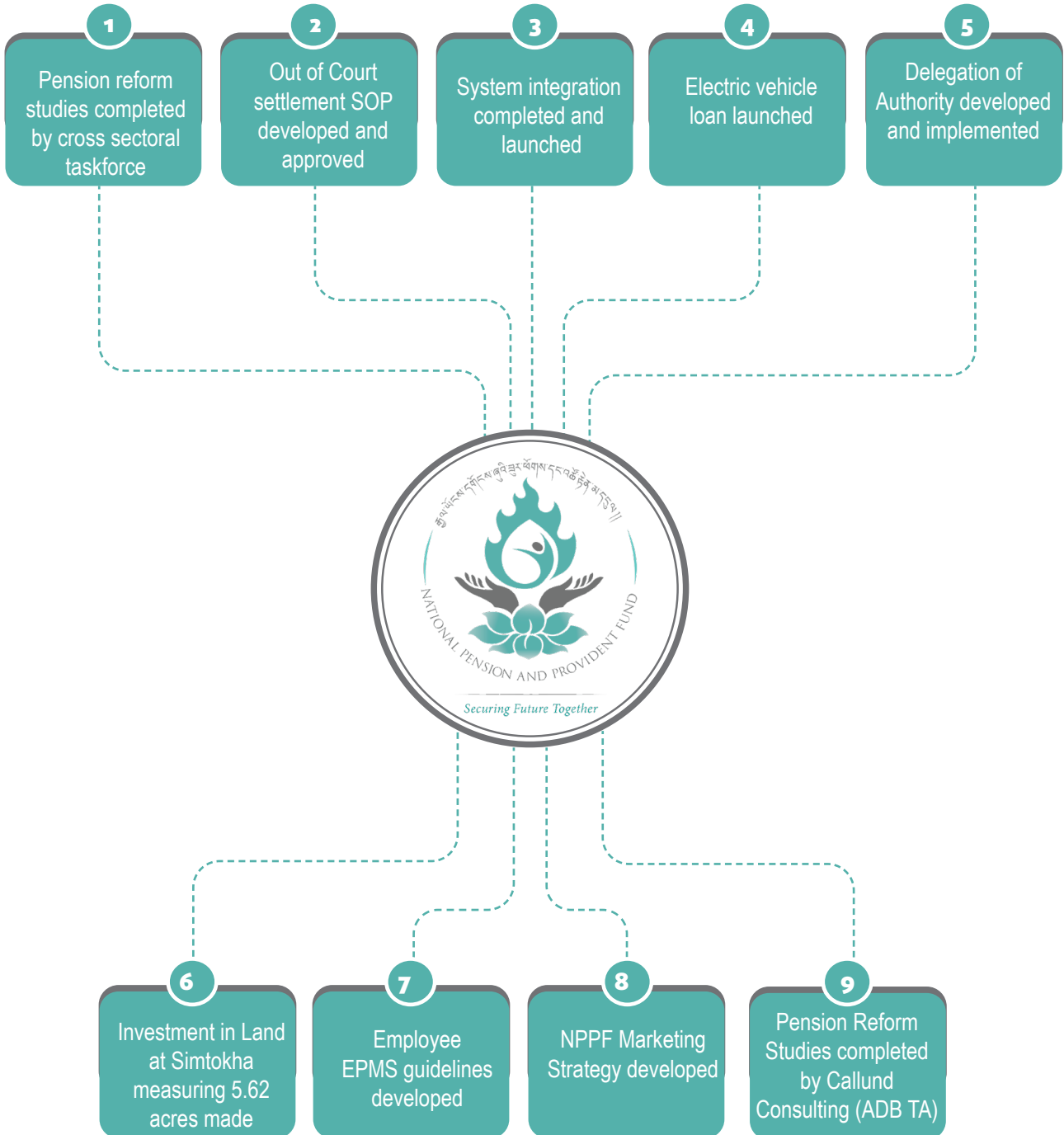
ORGANOGRAM



NPPF AT A GLANCE 2021-2022



NEW INITIATIVED AND ACTIVITIES



BOARD OF DIRECTOR



SONAM WANGCHUK
Chairman
President, College of Natural Resources



PEMA R. RINCHEN
Interim Chairperson
Zimpon Wom/Director
HOPE Project, His Majesty's
Secretariat



YONTEN NAMGYEL
Director
DG, DoI, MoEA



UGYEN NAMGYAL
Independent Director
CEO, Tangsibji Hydro
Energy Ltd.



UGYEN TSHEWANG (PhD)
Director
Commissioner, RCSC



DUNGTU DRUKPA
Director
Chief Executive Officer, NPPF

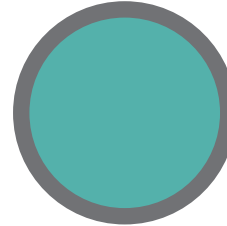
MANAGEMENT



CHIEF EXECUTIVE OFFICER



DIRECTOR,
Operations Department



DIRECTOR,
Investment Department

SENIOR MANAGEMENT



CHIEF
Human Resource
and Administration
Division



CHIEF
Finance and
Accounts
Division



CHIEF
Pension and
Provident
Fund Division



HEAD
Legal
Services
Division



ACTING CHIEF
Internal Audit
Division



OFFICIATING CHIEF
Member Loan
Division



CHIEF
Portfolio
Investment
Division



CHIEF
Real Estate
Division



CHIEF
Risk
Management
and Customer
Protection



CHIEF
Information
Communication
and Technology
Division



OFFICIATING HEAD
Planning and
Research Unit

REGIONAL OFFICE



HEAD
Phuntsholing
Region



HEAD
Samdrup Jongkhar
Region



HEAD
Mongar
Region



HEAD
Gelephu
Region

DIRECTORS' REPORT

To NPPF members and Stakeholders,

As the Chairman of the National Pension Board and on behalf of the Board of Directors and the management, it gives me immense pleasure to present the Board of Directors report for the financial year 2021-2022.

For over a period of two years in row, the COVID 19 pandemics has battered the world and its impact on the socio- economic development of nations at large is an example of the un-predictable trajectory we are living in. Covid-19 has taught us the importance of resilience and solidarity in taking measures to face any kind of stumbling blocks while we move forward. The pandemic has also been a testament to understand the importance of having a social safety net in times of distress. In our own small way NPPF has catered to delivering income security to over 8,800 pensioners. As one of the biggest institutional investors NPPF has also partaken in economic relief measures through investments.

Since its establishment, NPPF has been managing Pension and Provident Schemes for the formal sector i.e. Civil servants, members of the armed forces, state owned enterprises and Corporations covering about 10.8 % of the working age population and 8.56 % of the population. Given the low coverage NPPF has launched Provident Fund Scheme where in any licensed firm(s), private companies registered under The Companies Act of Bhutan, Civil Society Organization, Non GNon-Government Oorganizations and the Self-employed can partake. This can be seen as a measure to expand our coverage to the informal sector and maximizing the role of NPPF in extending retirement income to the uncovered.

Apart from increasing coverage of the schemes NPPF also has a big task to maintain an adequate level of funding to deliver the promised benefits to members and beneficiaries and to ensure cost effectiveness of the administration of the schemes in the long run. With the increase in number of members and simultaneously the beneficiaries, like any pension scheme maintaining financial sustainability is a key task and challenge as well.

In view of the challenges, with Ministry of Finance's directive a cross sectoral taskforce comprising members from Ministry of Finance, Royal Monetary Authority, Royal Civil Service Commission, Druk Holdings and Investments and NPPF was formed. The taskforce carried out a comprehensive study covering areas of the legal and regulatory framework, Coverage of the schemes and sustainability of the fund of the current institutional setup. In order to bring in clarity on the differences in the two systems and also to enhance the coverage of retirement system so that more Bhutanese avail benefits under different systems, . A comprehensive review of the pension and provident fund systems have carried out during 2022.



Presented below is the summary of findings of the Pension Reform Taskforce

SUMMARY OF FINDINGS

Globally, pension systems undergo review and reforms periodically to address the issues of adequacy, sustainability, and integrity to adapt to the evolving social and economic conditions globally and within the country. The current system in Bhutan were reviewed from the lenses of coverage, sustainability, and integrity which is the standard framework utilized by the World Bank and OECD. The Mercer Global Pension Index (MCGPI) which is an annual survey of Global Retirement Social Security ranks the Pension Systems around the world based on this framework too. In terms of coverage NPPF schemes today cover only 8.56% of the population. With only about 22.8% of the population covered (both Pension and PF), the current pension scheme is very exclusive to a few occupational groups and not an open scheme where a larger section of the population can partake. The absence of an overarching social security law covering all the citizens in the country impedes extension of benefits and fragments the society into have and have-nots in retirement social security terms.

Pension system reform is always painful and sometimes politically impossible. Discussion of sustainability should take place not in isolation but alongside considerations of adequacy and of how risks are shared among various stakeholders. Members contribute to the scheme across varying pay scales during active service while the pension benefit is designed on last basic pay. The pay being on an increasing trend driven by the annual increments and more so through the pay revisions, results in lower contribution but larger payouts after retirement, which makes pension payouts inherently unsustainable.

The funding deficit for the existing pension scheme for both the Civil Servants and the Armed forces stands at about Nu. 28B as per the 2019 actuarial report. The Provident Fund (defined contribution) scheme is a self-sustaining scheme. On the other hand, the pension (defined benefit) scheme poses a lot of sustainability risk as NPPF has been founded on unfunded liability. Any pay increase by the government must be scrutinized both in terms of the current cost as well as the future liabilities that are created, which is also a factor adding to the liability of the scheme. Over the next few decades, NPPF will be forced to deal with the combined effect of increased life expectancy and ageing population. The demographic changes could lead to an aging population with increased poverty in old age making the retirement systems like now irrelevant. Considering the increase in life expectancy across the world, countries are considering increasing retirement age although society resists the increase in retirement age. As of today, the perceived notion is that accrued pension liability is state guaranteed although there is no clarity on the subject in the absence of a legal framework under which NPPF functions. Challenges are going to continue, and sustainability issues will arise if timely reforms are not carried out. Also, Crucial is the pension scheme's asset allocation policy, namely how it weights portfolio in terms of equity and bonds, as it influences DB pension scheme system's risk and return profile. The aim of investment policy is to generate a sufficiently high return that helps reduce overall pension scheme costs, while at the same time controlling for capital market fluctuations that might result in substantial worst- case risks. Theoretically, for an organization like NPPF, a liability driven investment strategy needs to be adopted. Practically, NPPF is far from implementing such a strategy and currently follows a pooled investment strategy, which means that all the funds are pooled together and managed as one. Therefore, effectively there is one investment policy and strategy for both the pension fund and provident fund, whose nature of liabilities are inherently very different.

The Executive Order itself envisages the need for the bill and for the Executive Order to be an interim instrument. As per the international best practices the practice is such that entities like NPPF are established as independent legal entities backed by an Act/proper legislation. There is a need for regulations governing the management of Pension and Provident fund schemes. Tax relief is granted to NPPF by way of Executive Order today.

The recent Covid pandemic situation lucidly demonstrated the importance of social safety net especially for the vulnerable population. While the effective management of the Covid situation within the country mitigated the impact largely, the sources of income and livelihood for many were adversely and significantly affected. Had it not been for the Royal Kidu, the consequences would have been ugly for many Bhutanese. While the national vision and aspiration as enshrined in the constitution clearly point to that of a welfare state, there are no clear visions and clarity for social security in the country by way of an overarching national social security policy.

KEY HIGHLIGHTS OF FINDINGS OF THE STUDY CONDUCTED WITH ADB TECHNICAL ASSISTANCE

Apart from the study on the cross-sectional task force studies, with Asian Development Banks Technical Assistance studies on NPPF structured on Structural Reforms of the Pension System, Legal & Regulatory Framework, Asset Segregation and Investment Policy were carried out where in key issues and recommendation on the pension system, the legal and regulatory framework and investment policies were made. The following were the key points that NPPF had to work on from the overall findings;

The report highlight on the exclusivity of the scheme wherein it said, the pension system in Bhutan is mainly focused on civil servants and the armed forces. There is a desire for broader pension coverage for private-sector employees and the self-employed. The country also should consider the possibility of universal basic pension coverage for the elderly.

The Pension Funds operated for civil servants and the armed forces are in need of reform as the current cost of benefits is higher than the level of contributions being paid. Some increase in contributions or lowering in benefit costs will be needed to make the funds sustainable

The legal pension framework for pensions is also in need of updating in a number of areas. Other legislation on employment and provident funds and financial regulation needs to be addressed in the context of pension provision.

Investment of contributions into pension and provident funds need to be managed in a suitable way to deliver value to the contributors to the different funds. Investment policy should address the opportunities available in Bhutan now and in the future.

As the custodian of the members funds and in line with the study findings, it has now become imperative that we carry out appropriate reforms and work towards improving, catering and expanding the social safety net scheme towards a wider population while also working towards correcting the flaws and setbacks.

OPERATIONAL HIGHLIGHTS

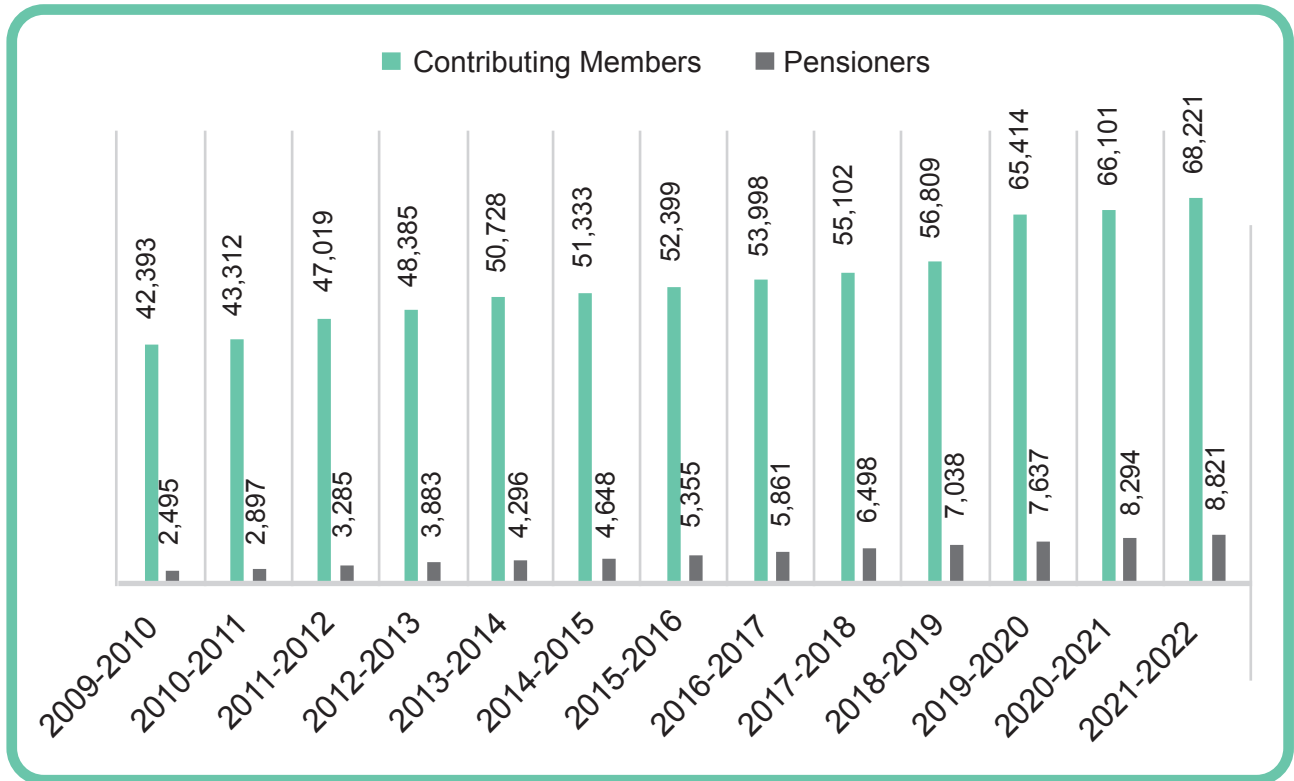
As of 30th June 2022, NPPF recorded total of 68221 active members from civil service, state-owned enterprises, Armed Forces, and Build Bhutan project and the private sector.

The number of beneficiaries of pension including its ancillary benefits like orphan, dependent parent, disability, and surviving spouse benefits, reached 8,821 against 8,294 in the previous year, a growth of 6.35%.

Benefit Category	Beneficiary Numbers
Civil Pensioners	3,692
Armed Forces Pensioners	2,744
Other Ancillary Beneficiaries	2,385
Total	8,821

TOTAL BENEFICIARIES AS ON 30TH JUNE 2021





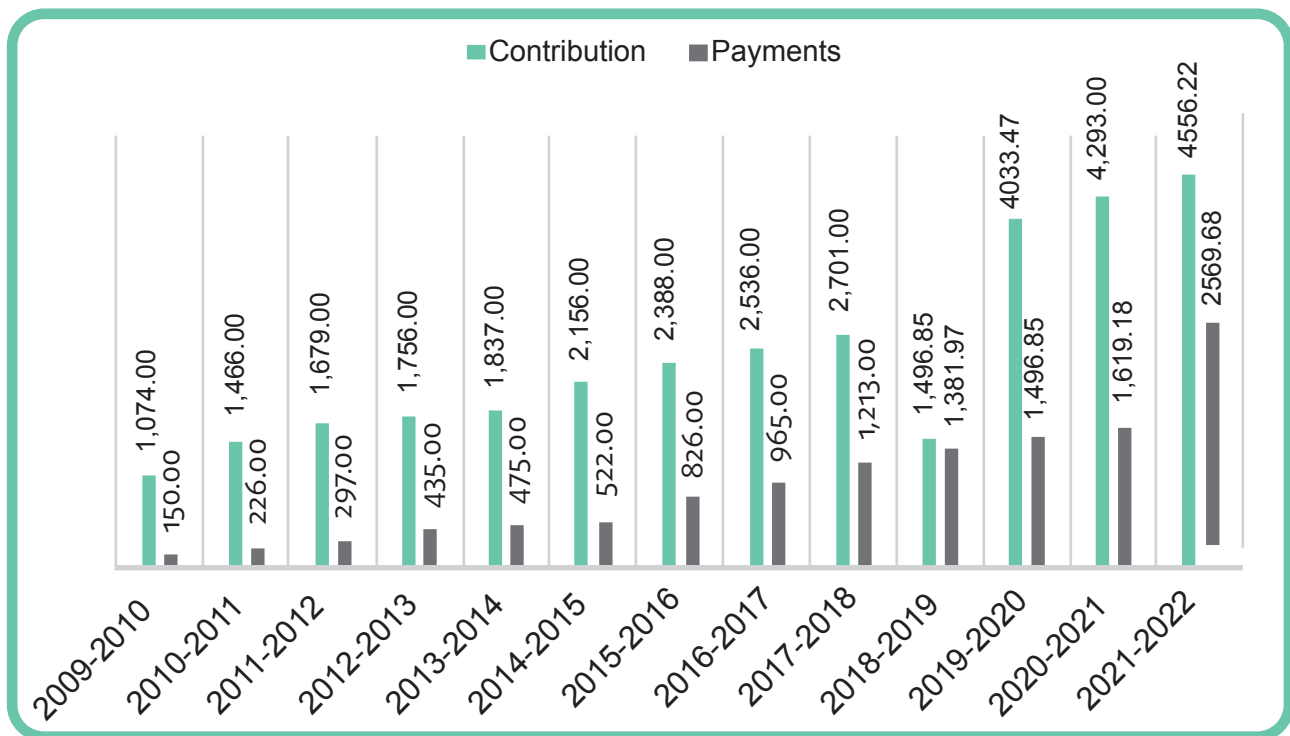
Total contributing members against beneficiaries as of 30th June 2022

While the mandatory PF scheme covers the civil servants, corporate employees and the members of the armed forces currently, through time there is a need to extend the voluntary PF scheme to those people working in private sector. The National Pension Board has approved the guidelines to extend private provident fund to the private sector and NPPF has effectively implemented the plan to extend to the private sector. NPPF has enrolled 1229 members in the Private PF scheme securing members retirement through mandatory savings.

CONTRIBUTION COLLECTION AND BENEFITS PAYMENT

With the increase in total membership the total contributions received have also increased from Nu. 4,556.22 million to Nu.4,293.04 million from the previous year reflecting a growth of 6.13%.

The pension and provident fund payout also saw an increase with Nu. 867.46 million made as pension payments and Nu. 1,702.22million paid out as provident fund and pension contribution refunds. The overall payout was Nu.2,569.68 million against Nu.1,619.18 million from the previous year, a growth of 58.70%.



Contribution collection and benefits payment (Pension and PF refunds)

PLANS FOR THE PENSION AND PROVIDENT FUND OPERATIONS

The NPPF, established through the benevolence of His Majesty Drugyal Zhigpa, has evolved to become a relevant and important institution in our country. The last 20 years of operation has firmly established the foundation of NPPF and a lot has been achieved during the period. The most important achievement has been streamlining and institutionalizing retirement benefits and contributing towards alleviating poverty in old age.

However, much remains to be done. Currently the pension and provident fund is limited to the civil service, state-owned enterprises and Armed Forces. Even with the introduction of Private Provident Fund Scheme for the informal sector, approximately 83% of the working age population and 91% of the population is still excluded from the existing schemes exposing many of them to social vulnerabilities in old age in absence of proper retirement income security.

The conventional defined benefit pension scheme suffers from inherent sustainability issues and the current demographic trends indicate that eventually there will be more pensioners than contributors leading to exhaustion of funds. The pension and provident fund management is also fragmented with schemes being administered by various institutions and by the employers without proper governance and regulatory framework. Considering these issues, there is a need to reform the current structure and address the issues as highlighted in the studies.

Information and Communication Technology

NPPF is one of the pioneers in using information technology for its internal office automation and to facilitate various processes in the management of the fund. Since its inception in 2000, it has computerized management of Fund, investments, loans, rental collections, and financial management. More recently, NPPF has also completed integration of the ICT system. The integrated new ICT system is expected to overhaul the way our services are delivered and improve service delivery along with improvement of member experience.

Human Resources and Administration

Employee PMS guidelines developed

An organization with a performance driven culture is an ambitious organization accepting that only change is constant with employees willing to learn, contribute and take calculated risks. The NPPF have in recent years successfully instituted a Performance Management System wherein long term and short-term objectives have been aligned; and team performance plans have been aligned with individual performance plans. The NPPF came up with performance incentives to reward employees focussed on achieving and contributing towards the overall success and development of the organization. NPPF employees to understand how the performance management system functions and to bring clarity to the various roles performed by the employees to ensure the successful implementation of the PMS system. This development is expected to bring about a change in employee perception of their work and also work towards building a robust performance driven organization.

Corporate Social Responsibility (CSR)

NPPF, in partnership with RICBL, initiated the Lotedh Scheme as part of its Corporate Social Responsibility to promote social values and culture. The primary objective of the scheme is to provide semso or financial support to immediate family of a Lotedh member in the event of death. During the year, 44 family members benefited from the scheme with financial payout of Nu.4.40 million. Currently, there are 1,487 Lotedh Scheme members. It is managed by Lotedh Scheme Trustees comprising representatives from pensioners who worked as civil servants and the Armed Forces. Currently Mr. Nima Wangdi, former Health Secretary, is the Chairman of the Lotedh Scheme. NPPF provides secretarial services to Lotedh Scheme Trustees and pays administrative expenses.

Enterprise Risk Management (ERM)

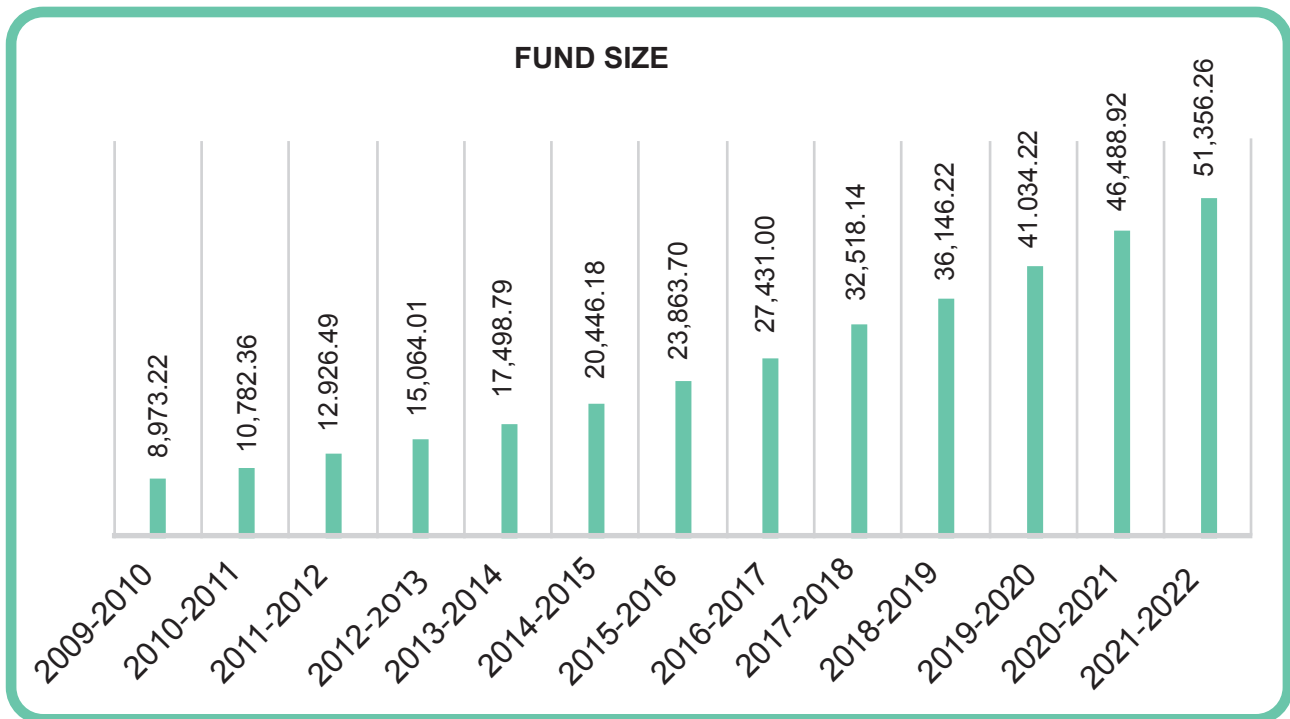
The ERM of NPPF is structured along the three-line defense model in accordance with industry best practices and regulatory requirements. The individual business units form the first line of defense while important regulatory functions like Credit Review Unit, Compliance Unit and Risk Office form the second line of defense. The internal audit division, with full independence and reporting authority to the Board Audit Committee, forms the third and final defense line as far as the structure of the risk management is concerned. NPPF has an enterprise risk management system in place which indicates risk areas and dictates mitigation plans. The risk framework is updated yearly based on the measures put in place.

FINANCIAL HIGHLIGHTS

The Covid -19 pandemic has led to a dramatic loss of human life worldwide and presented an unprecedented challenge to public health and the economy. The economic shocks imposed by the pandemic have resulted in labor shortages, closure of workplaces, restricted trade and travel and closed borders leading to complete economic slowdown. Bhutan being no exception, the slowdown has also directly impacted NPPF in terms of not having enough investment avenues, halting of major Real Estate projects and other proposed plans which impeded revenue generation. Despite the economic slowdown, NPPF's investment portfolio grew by 6.07% reaching Nu 46,090.37 million against Nu43,451.94 million in the previous year.

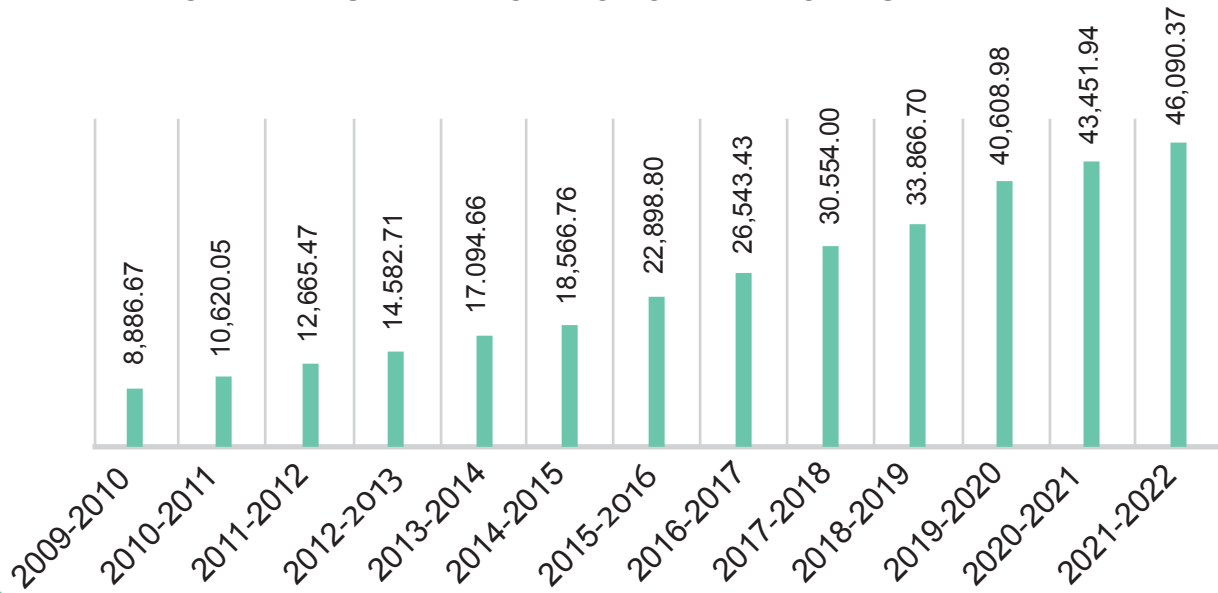
With the economic slowdown, finding investment opportunities and building a diversified investment portfolio has been increasingly challenging in view of the limited opportunity available in the market.

Despite that, NPPF assets grew from Nu. 46,488.93 million to Nu. 51,356.26 million showing a increase of 10.47% over the previous year.



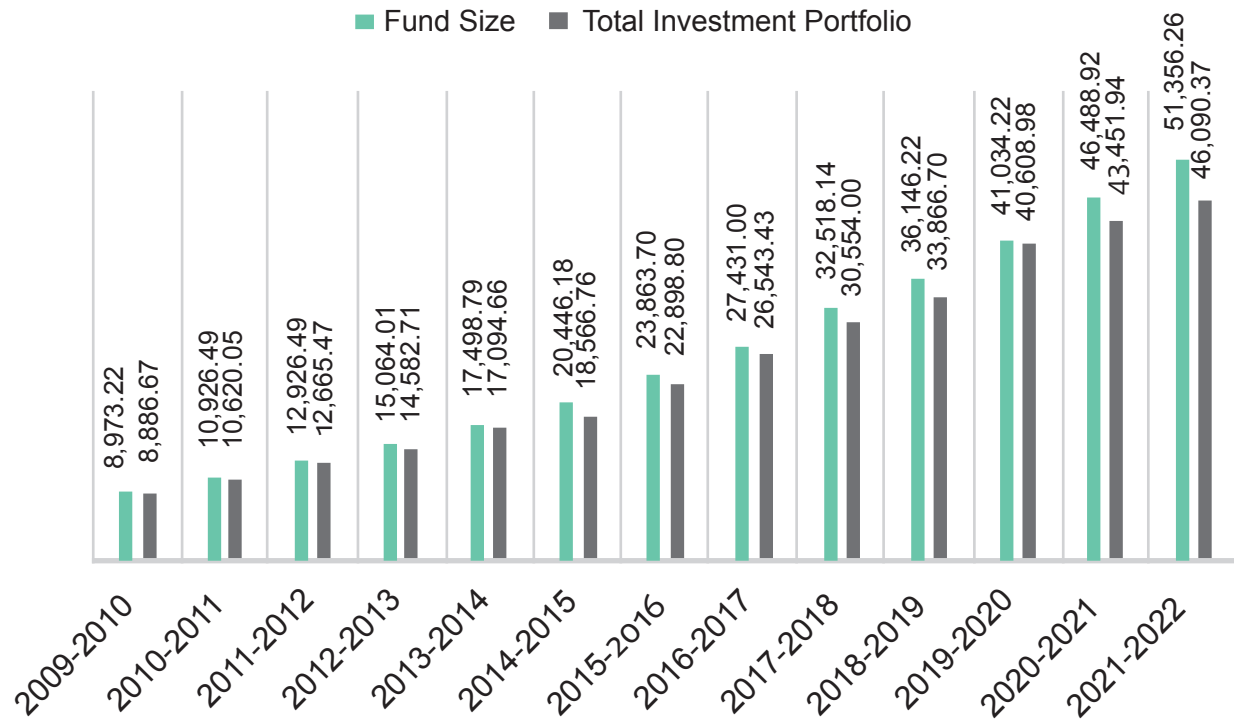
Fund size of NPPF in million Nu.

TOTAL INVESTMENT PORTFOLIO IN MILLION NU



Total investment portfolio in million Nu.

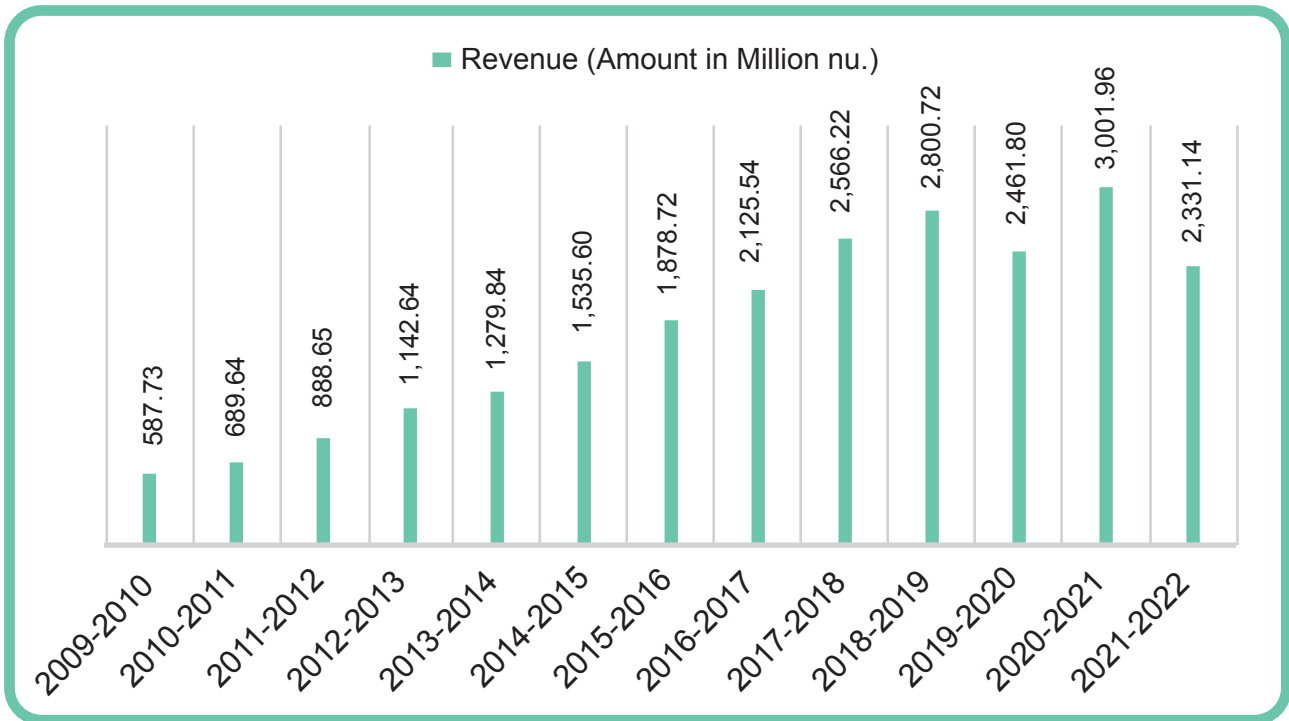
Fund Size vs Total Investment Portfolio



Investment Portfolio against fund size in Million Nu.

Revenue

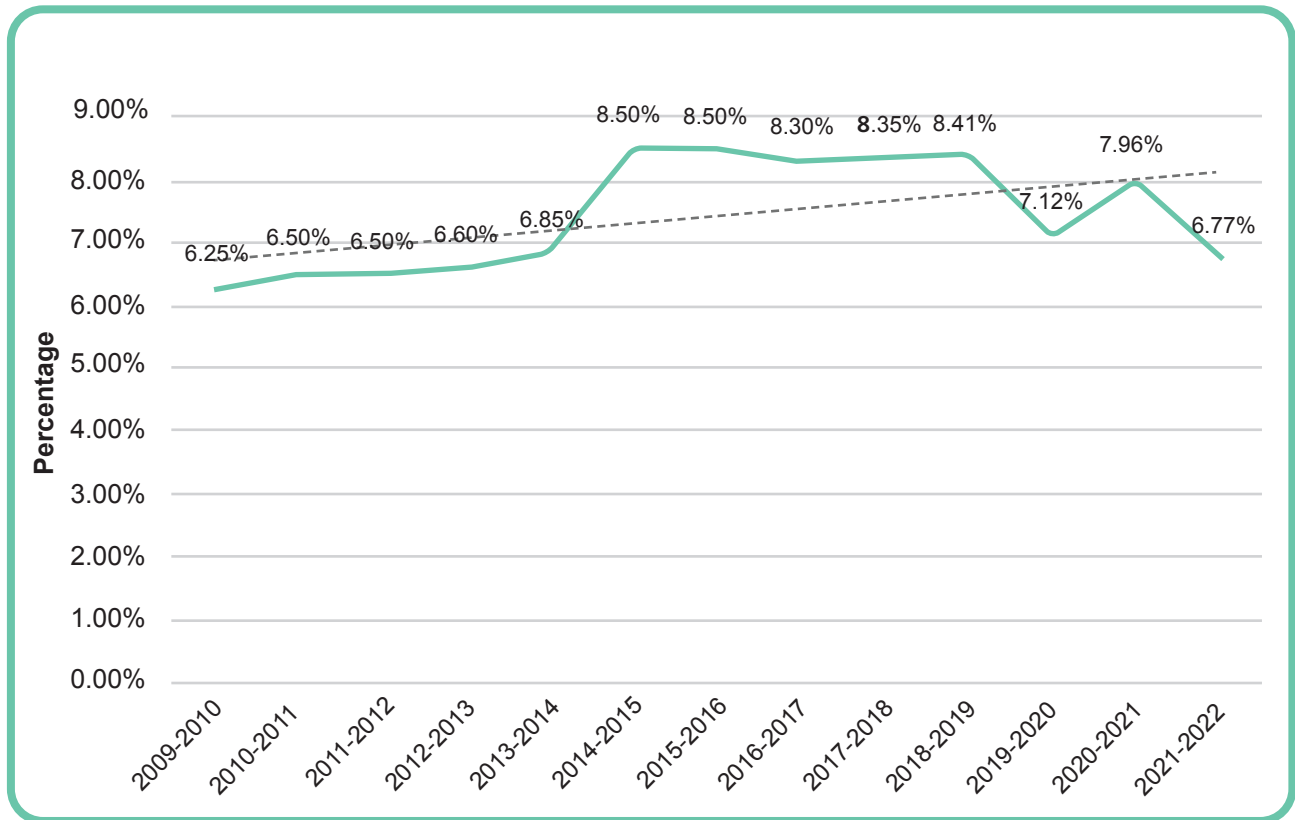
NPPF also registered a revenue of Nu. 2,331.14 million an decrease of 22.35 %, from Nu. 3,001.96 million in the previous year. The decrease can be attributed to the poor economic performance owing to the COVID-19 Pandemic and non-declaration of dividends by investee companies and fall in the fair value of equity holdings.



During the year, the total loan portfolio including corporate and member loans stood at Nu. 18,543.18 million. Bonds and commercial papers portfolio stood at Nu. 2,113.43 million, real estate portfolio at Nu. 1,189.70 million and Nu. 21,791.56 million in term deposits as of 30th June 2022.

Rate of Return

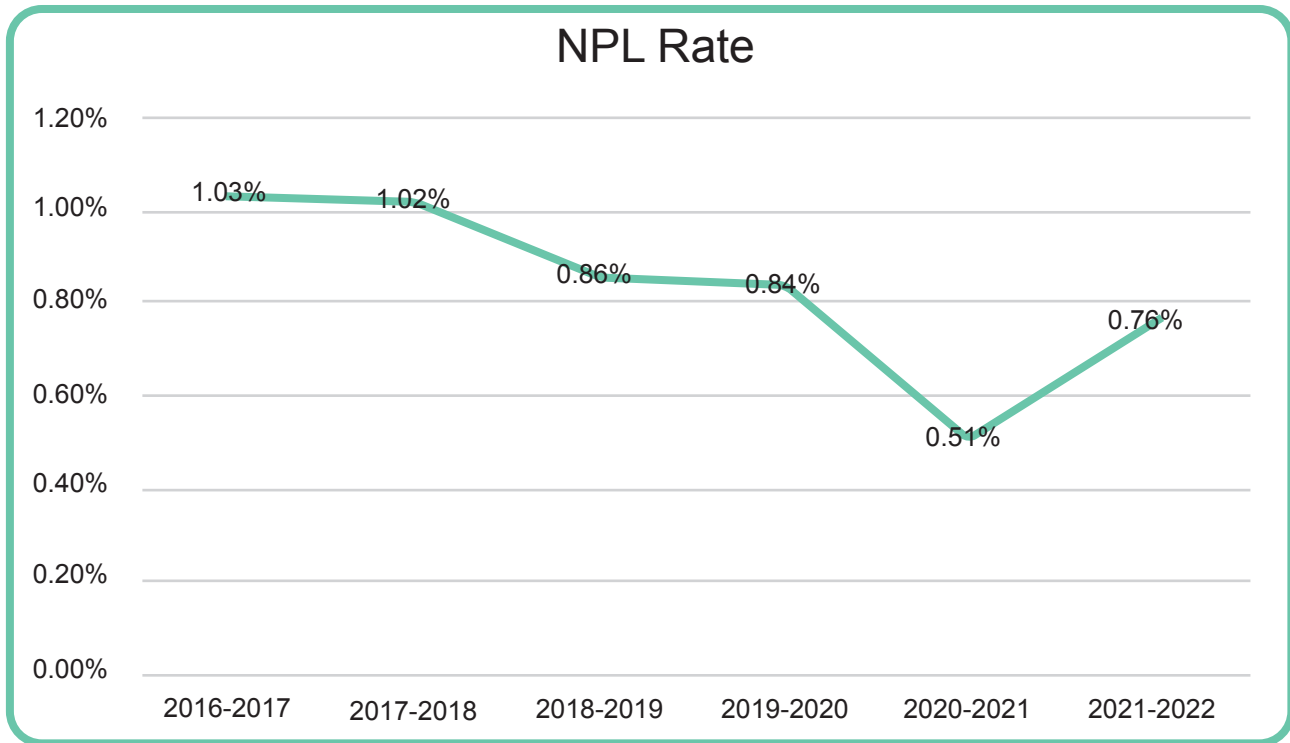
NPPF declared return of 6.77% to its members, a slight decrease from the previous year of declared return of 7.96%.



Returns declared to members

Credit Quality

The NPPF caters to a limited clientele as mandated in the Executive Order and by regulatory authorities. The clientele of NPPF are members of NPPF, i.e., civil servants, corporate employees, and members of the Armed Forces. The non-performing assets percentage stood at 0.76% against a maximum target limit of 2%. This is considered an excellent achievement despite the adverse economic conditions and the industry standard for NPL being 10%. This achievement also reflects NPPF’s robust appraisal and risk control mechanisms in place within the credit operations.



Statutory Audit

M/S Karma and Associates and M/S Tsechu and Associates based in Bhutan, appointed by the Royal Audit Authority (RAA), conducted the audit of the NPPF. The NPB is pleased to report that there were no major audit observations in the auditor's report on financial statements, except for the qualification of the audit opinion on non-implementation of BAS 26: Accounting and Reporting by Retirement Benefit Plan.

Investment

As of 30th June 2019-2020, the fund size of NPPF reached approximately Nu. 41.7 billion. Almost 45% of the fund was parked in fixed deposits, followed by around 42% in loans, 6% in Bonds, 5% in equity and 2% in real estate development. NPPF had also been in the process of delinking the entire credit operations under a separate entity to bring efficiencies and expansion in business portfolio. Considering the set-up under the Executive Order and NPPF being a Non-Bank Financial Institution (NBFI), there seemed very limited scope for loan product expansion and building customer base. Thus, establishing a separate entity by delinking the entire credit operations was expected to bring investment opportunities, economic growth, business expansion, efficiencies, and diversity.

NPPF also explored investment avenues in start-ups through the venture capital fund approved by the Board during its 129th meeting. Such a platform would allow NPPF to explore and spot emerging business opportunities in the market. It also provided mutual benefits to both start-ups as seeking fund and NPPF as investors injecting equity capital in financially viable projects with long term investment returns objectives. Despite the limited investment avenues and challenging times during the Pandemic, NPPF continued to explore investment opportunities through various means as mentioned above. For the financial year 2021-2022, NPPF initiated and conducted on a new business development proposal.

Organizational Integrity Score

The fight against corruption in the country has always been reassuring with unstinted political will of the Government and support of the stakeholders in mainstreaming anti-corruption agenda, the GPMD & GNHCS through adoption of mandatory indicators on anti-corruption measures in the APA and APT. This has not only reinforced the implementation of NIACS 2019 — 2023 the operative framework adopted by the Government to realize the indicators under the 12* NKRA — Corruption Reduced, but also provided greater impetus in making anti-corruption a part of governance system.

With just two more years left to accomplish the 12th FYP targets, it gives even more reasons to heighten the above efforts with enhanced parameters on anti-corruption interventions. Against the target of 8.5 in the national integrity score by the end of 12th FYP, the National Integrity Assessment 2019 reveals that the score as of 2019 is only 7.95 and has improved only by 0.06 in three years indicating the need for redoubling our efforts. Further, with current pandemic causing disruptions to well-considered development goals, it has become imperative to ensure that corruption does not cripple the collective efforts made to emerge with least detriment. In this regard, the Anti-Corruption Commission has submitted the mandatory indicators for the fiscal year 2021 –2022 as indicated in the target.

NPPF has implemented the mandatory indicators set by ACC and the implementation of the five MI activities has translated to an overall score of 100% which is at excellent level.

Corporate Governance

The NPPF adheres to the Royal Monetary Authority's Corporate Governance Rules and Regulations, 2020, and the MoF's Corporate Governance guidelines for the State-Owned Enterprises (SoEs). The NPPF has fully implemented all statutory requirements and board directives. The Board Human Resource Committee, Board Risk Management Committee, Board Audit Committee and Board Tender and Procurement Committee held meetings as and when required. The Board Members of NPPF, comprising 7 Board Directors including the Chief Executive Officer, are appointed by the Ministry of Finance with the RMA conducting the fit and proper test of those nominated to the Board.



1. BOARD MEETINGS

Sl#	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies	Total Remuneration
1	Mr. Sonam Wangchuk	Chairperson	Secretary, MoLHR	14	PHPA I & MHPA	112, 000
2	Mr. Yonten Namgyel	Director	Director General, DoI, MoEA	13	AWP & Dungsum Polymers Ltd	104,000
3	Mr. Ugyen Namgyal	Independent Director	CEO, THyE	19	AASBB & THyE	152, 000
4	Mr. Pema R Rinchen	Director	Zimpon Wom/Director, HOPE, HM's Secretariat, OGZ	19	NHDCL & KBCC	152, 000
5	Dr. Ugyen Tshewang	Director	Commissioner	20		160, 000
6.	Mr. Kinley Penjor	Director	RBA	8		64,000
7.	Mr. Dungtu Drukpa	Director	CEO, NPPF	20	NHDCL, DHPC & AASBB	160, 000

2. BOARD AUDIT COMMITTEE MEETINGS

Sl#	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies	Total Remuneration
1	Mr. Ugyen Namgyal	Chairperson	CEO, THyE	4	AASBB & THyE	19, 000.00
2	Dr. Ugyen Tshewang	Member	Commissioner, RCSC	4		19, 000.00
3	Mr. Kinley Penjor	Member	RBA	3		14, 000.00
4	Ms. Karma Y Tshering	Member Secretary	Chief, IAD NPPF	4		8,500.00

3. BOARD HUMAN RESOURCE COMMITTEE MEETINGS

Sl#	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies	Total Remuneration
1	Dr. Ugyen Tshewang	Chairperson	Commissioner, RCSC	6		29, 000
2	Mr. Ugyen Namgyal	Independent Director	CEO, THyE	6	AASBB & THyE	30, 000
3	Mr. Yonten Namgyel	Director	Director General, DoI, MoEA	3	AWP & Dungsum Polymers Ltd	15, 000
4	Mr. Dungtu Drukpa	Member	CEO, NPPF	11	NHDCL, DHPC & AASBB	54, 000
5	Mr. Tshen Norbu	Member Secretary, NPPD	Director, Operations	10	FITI	24, 500

4. BOARD TENDER COMMITTEE MEETINGS

Sl#	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies	Total Remuneration (After TDS)
1	Mr. Yonten Namgyel	Chairperson	Director General, DoI, MoEA	2	AWP & Dungsum Polymers Ltd	10, 000
2	Mr. Pema R Rinchen	Member	Zimpon Wom/ Director, HOPE, HM's Secretariat, OGZ	2	NHDCL	10, 000
3	Mr. Dungtu Drukpa	Member	CEO, NPPF	1	NHDCL, DHPC & AASBB	5, 000
4	Mr. Tshen Norbu	Member Secretary, NPPF	Director, Operations	1	FITI	2, 500

5. BOARD RISK MANAGEMENT COMMITTEE MEETINGS

Sl#	Name	Directorship Type/Title	Designation & Agency	Number Attended	Directorship in other companies	Total Remuneration (After TDS)
1	Mr. Pema R Rinchen	Chairperson	Zimpon Wom/ Director, HOPE, HM's Secretariat, OGZ	1	NHDCL & KBCC	5, 000
2	Mr. Ugyen Namgyal	Member	CEO, THyE	1	AWP & Dungsum Polymers Ltd	5, 000
3	Mr. Dungtu Drukpa	Member	CEO, NPPF	1	NHDCL, DHPC & AASBB	5, 000

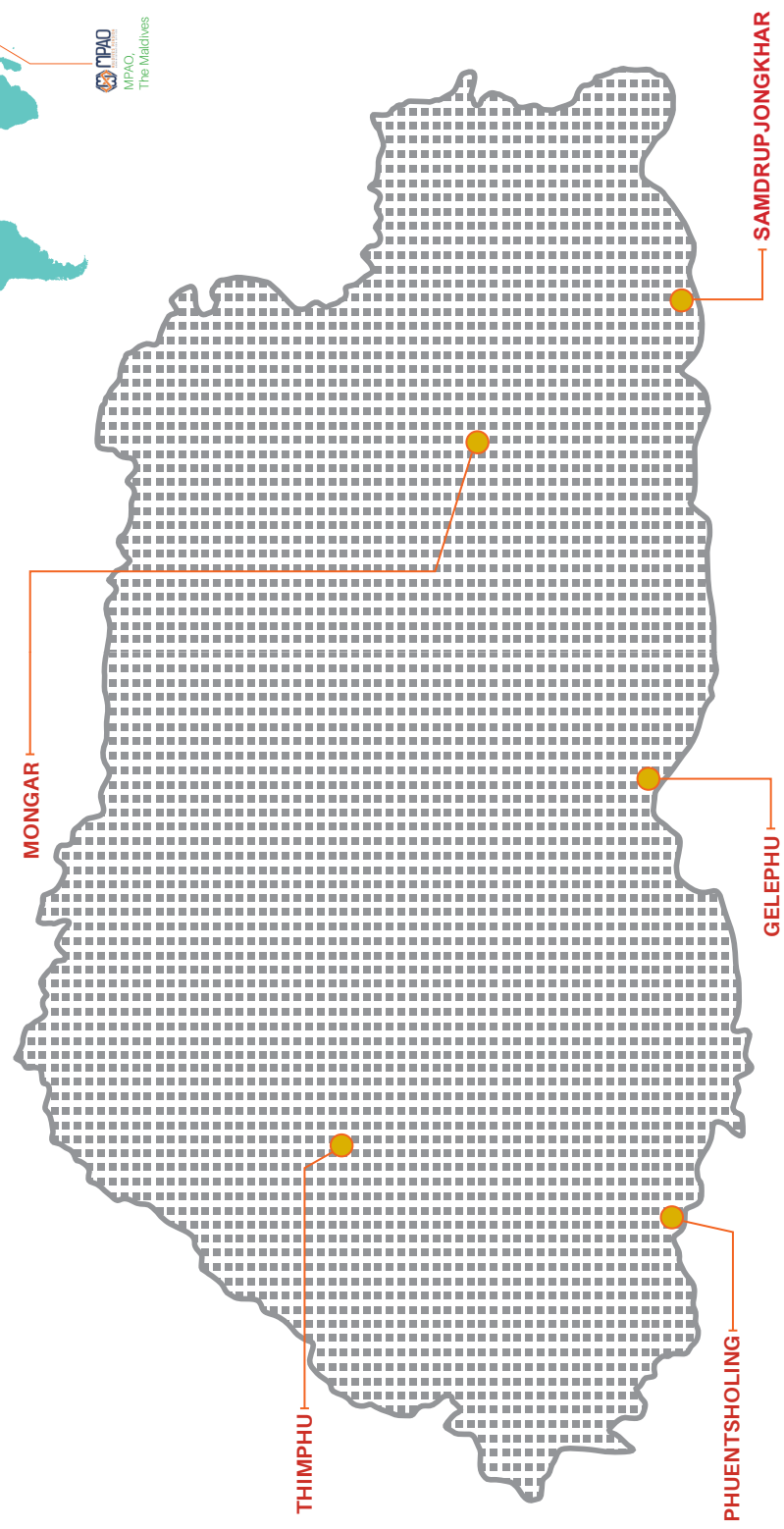
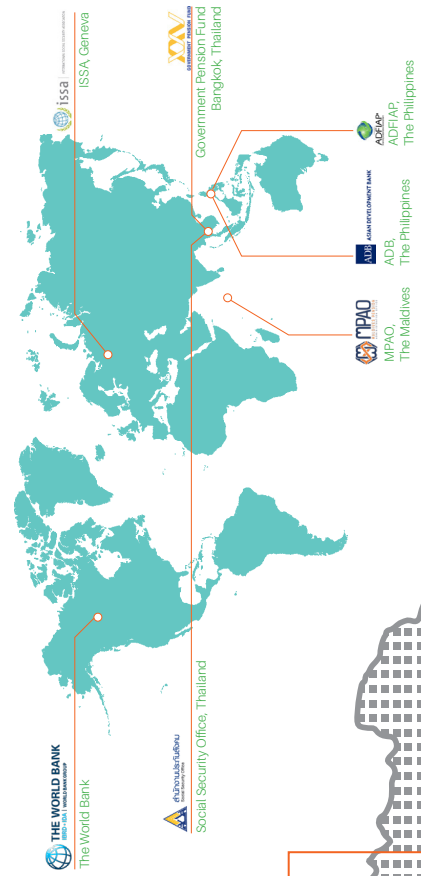
NPPF has successfully discharged its mandated responsibilities over the last 20 years securing the retired life of a portion of our working population and preventing old age poverty through institutionalized mechanisms. While we have and continue to work towards achieving our vision, the need for a thorough review, taking stock of past events have become pertinent today.

Acknowledgement

The National Pension Board and management would like to acknowledge Ministry of Finance, Royal Monetary Authority, and all other stakeholders for their continued support.

SD
Chairperson
National Pension Board

NPPF AND THE WORLD NETWORKING BEYOND BORDERS







**INDEPENDENT
AUDITOR'S REPORT**



INDEPENDENT AUDITOR'S REPORT

To
The Members of National Pension & Provident Fund (NPPF)
Thimphu

Qualified Opinion

We have audited the financial statements of **NATIONAL PENSION AND PROVIDENT FUND ("the Fund")**, which comprise the Statement of Financial Position as at 30th June 2022, and the Statement of Comprehensive Income, Statement of Changes in Reserve, and Statement of Cash Flows for the period then ended, and Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, *except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report*, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 30th June 2022, and its financial performance and its cash flows for the period then ended in accordance with Bhutanese Accounting Standards (BAS/BFRS).

Basis for Qualified Opinion

The NPPF as a reporting entity of retirement benefit plans has not complied with BAS 26 for accounting and reporting to all participants as a group. The effect on the financial statements from such non-compliance is not ascertainable.

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 this 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 ethical requirements in accordance with these requirements. We believe



that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Other Emphasis of Matter

We draw attention to the following without qualifying our opinion:

- a. The NPPF during the year had Net Members Contribution Opening balance difference of Nu. 2,794,790.87 We wish to highlight that the same variance stands in its Net Members Contribution balance presented in its financial statement 2021-22. Hence, the effect of the difference amount, if any, is not ascertainable.

Our opinion is not modified in respect of those matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BAS, and for such internal control as 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 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.

Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.



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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe actions applicable in the jurisdiction.

Auditor's Responsibilities 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 audit 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 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:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;



- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Fund to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



Report on Other Legal and Regulatory Requirements

We give in "Annexure - I" the minimum audit examination and reporting requirement

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 insofar as it 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 BAS; and
- d) The Fund has complied with other legal and regulatory requirements to the extent applicable to the Fund.

For Karma & Associates


 Chimmu Dorji, FCCA
Managing Partner
 Place: Thimphu
 Date: 21/12/2022



For Tshechu & Associates


 Tshechu FCPA, (Aust.)
 (Membership No.:9798359)
Managing Partner
 Place: Thimphu
 Date:



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MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

1. STATUS OF NPPF:

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

2. INTERNAL CONTROL:

- 2.1. In our opinion, NPPF has proper internal controls system to ensure maker checker concept to ensure completeness, accuracy and reliability of records, carrying out the operation in an orderly and efficient manner, to safeguard the assets of NPPF as well as to ensure adherence to rules/regulation and system procedures.
- 2.2. In our opinion there is a system of competitive bidding for items for value Nu. 100,000 and above for procurement of goods & services and Nu. 200,000 and above in respect of work and services, commensurate with size and the nature of its operation for purchase of goods and services including stationary, fixed assets, computers, equipment and other assets.
- 2.3. During the course of our examination of the books of account carried out in accordance with the International Standards on Auditing, 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 also suggest that the Risk Level of the observations should be categorized into (i) High Risk (ii) Medium Risk (iii) Low Risk as per the sensitivity of the rules, regulations, and policies to be followed by NPPF.

3. LIQUID RESOURCES

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

4. FIXED ASSETS

- 4.1. The organization has maintained Property, Plant & Equipment (PPE) Register showing full particulars including quantitative details and situation of PPE. As



explained to us, the fixed assets are physically verified by the management as per plan, and discrepancies, if any, has been properly dealt with in the books of accounts.

- 4.2. None of the fixed assets have been revalued during the year.
- 4.3. As explained by the Management, the Insurance coverage is only taken up for the buildings, vehicles and NPPF servers at Bhutan Telecom data Center.
- 4.4. As per the Accounting Policy, grant related to assets received are recognized as deferred income, which is credited in the Statement of Comprehensive Income over the expected useful life of the asset on a basis consistent with the depreciation policy.
- 4.5. Management has shared physical verification Report of Movable Assets and certain fixed assets only. We are informed that the physical verification were conducted at planned interval at respective region and division.

5. INVESTMENTS

- 5.1. Decisions regarding investments were made with the approval of the National Pension Board or on the basis of authority delegated by the Board.
- 5.2. During the year, there was an increase in NPPF's investment in equity shares by 14,115,506.00. The movement in equity investment is shown below:

Name of Entity	Number of shares as on		Increase (+)/ Decrease (-)
	30 th June 2021	30 th June 2022	
Penden Cement Authority Ltd.	2,154,530.00	5,904,530.00	3,750,000.00
State Trading Corporation of Bhutan Ltd.	441,000.00	441,000.00	-
Bhutan National Bank Ltd.	92,352,348.00	96,811,014.00	4,458,666.00
Kuensel Corporation Ltd.	367,500.00	367,500.00	-
Druk PNB Ltd.	3,611,717.00	5,864,207.00	2,252,490.00
TBank Ltd.	10,345.00	687,367.00	677,022.00
Bhutan Insurance Ltd.	1,500,000.00	1,537,291.00	37,291.00
Dungsam Polymers Ltd.	591.00	591.00	-
GIC-Bhutan Reinsurance Co. Ltd.	1,391,271.00	1,913,278.00	522,007.00
Royal Insurance Corporation of Bhutan Ltd.	-	1,407,600.00	1,407,600.00
Bhutan Ferro Alloys Ltd.	-	1,010,430.00	1,010,430.00
Dagachu Hydro Power Corporation Ltd.	619,800.00	619,800.00	-
Credit Information Bureau	17,500.00	17,500.00	-
Financial Institutions Training Institute Ltd.	1,200,000.00	1,200,000.00	-
Dungsam Cement Corporation Ltd.	6,156,400.00	6,156,400.00	-
Total			14,115,506.00



6. LOANS AND ADVANCES

Advance released to contractors, employees and other related parties were adjusted accordingly from their next payable amount or monthly salary, and all category of loans were sanctioned as per the RMA's prudential rules and regulations.

7. INTERESTED PARTIES

We observe that housing/education loans, remuneration and sitting fees are given to the members of the National Pension Board, other Committees and their relatives are at prevailing rate of Interest and reported in Note 34 of the Financial Statement.

8. STATUTORY DUES

- 8.1. According to records of NPPF, Provident Fund, Health Contribution, and GIS dues of the NPPF have regularly deposited during the year with the appropriate authorities.
- 8.2. NPPF Employee Gratuity Fund Liability is Nu. 23,821,099.00 as at 30 June 2022 (previous year Nu. 27,965,092.00) which is currently less than the corresponding amount of NPPF Employee Gratuity Fund investment in fixed deposits of Nu. 30,467,215.00.
- 8.3. Tax deducted at sources from Salary, Pension and Contractors has been regularly deposited to the appropriate authority.

9. RATES, TAXES AND OTHERS

The undisputed amounts payable in respect of rates, taxes, duties, royalties, provident funds, and other statutory deductions are as follows:

(Amount in Nu.)

Sl. No.	Particular	30-Jun-22	30-Jun-21
1	TDS 2%	98,657.82	55,096.00
2	TDS on Salary	-	146,151.00
3	Health Contribution	-	51,809.00
Total		98,657.82	253,056.00

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 let-out flats to its members. The Management informed us that Housing Committee considers prevailing market rates for fixation of rents, in respect of Members.
- 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, and contribution collections and refunds.
- 10.5. NPPF has timely maintained records in case of transactions in the matter of trading in shares, securities and other investments.
- 10.6. NPPF has maintained reasonable records 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 Key Management Personnel (KMP) in Note 30 of the notes to the financial statements.
- 10.8. As explained by the Management, in our opinion, all the directives of the Board have been complied 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 Azentio's Orion ERP, Premia for Pension and Provident fund, Kastle for loan, and MFund for portfolio investment. All the systems are integrated with Orion ERP and is in full operation w.e.f from 1st July 2021. In our opinion, the organization's system development controls and other internal controls are adequate to the size and nature of NPPF operations.
- 11.2. Although the new system was in full operation, some of the division requires to manually verify data to ensure accuracy of data in the new system. For instance, while MFund system was installed for the Portfolio and Investment Division, all the reports are checked manually to confirm the correctness. Similarly, Rental System under Real Estate Division has no adequate Management information report in the system and Pension and Provident Fund Division should have accurate member data in the system.
- 11.3. NPPF has adequate safeguard measures and daily back up data at Data Centre at IT Park, Thimphu and Disaster Recovery at Phuentsholing.
- 11.4. Operational controls are found adequate to ensure correctness and validity of input data and output information except for some divisions who are not fully operating in the new system.



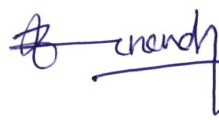
11.5. There are adequate preventive measures against unauthorized access over computer installation and files. We suggest that system audit be introduced in the ICT Division.


For Karma & Associates


Chimmi Dorji, FCCA
Managing Partner
Place: Thimphu
Date: 21/12/2022



For Tshechu & Associates


Tshechu, FCPA (Aust.)
(Membership No.:9798359)
Managing Partner
Place: Thimphu
Date:



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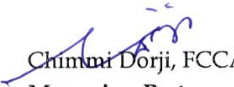
FINANCIAL STATEMENT

Statement of Financial Position as at 30 June 2022

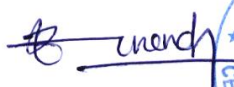
Particulars	Note	30-Jun-22	30-Jun-21
Assets			
Cash and cash equivalents	4	4,647,473,711	2,700,580,290
Trade receivables	5	309,911,463	8,582,789
Term deposits	6	21,791,568,058	20,071,568,346
Investments in bonds and commercial papers	7	2,113,427,566	2,547,838,540
Loans	8	18,543,178,626	17,622,785,029
Investments in equity shares	9	2,452,502,936	2,442,551,674
Inventories	10	717,917	774,263
Investment property	11	1,189,696,196	767,195,528
Property plant and equipment	12	196,557,712	147,034,766
Intangible assets	13	86,595,286	64,377,558
Other receivables	5	1,374,370	1,374,370
Other assets	14	23,253,440	114,261,574
Total Assets		51,356,257,280	46,488,924,727
Liabilities			
Trade and other payables	15	968,357,651	188,324,108
Other liabilities	16	1,999,411	1,813,586
Employee benefit obligations	17	1,996,151	36,970,277
Grant liability		-	953,958
Lapsed fund	18	20,369,000	12,053,916
Total Liabilities		992,722,213	240,115,844
Net assets for member's		50,363,535,067	46,248,808,883
Member Fund			
Net Member's Defined Contribution(DC) plan	19	11,577,993,304	10,153,371,388
Net returns credited to Member's DC plan	20	6,645,282,682	5,884,104,778
Net Member's Defined Benefit (DB) plan	21	32,102,490,926	29,198,669,060
Reserve		37,768,155	1,012,663,657
Total Member's Fund		50,363,535,067	46,248,808,883


For Statutory Auditors


For National Pension & Provident Fund


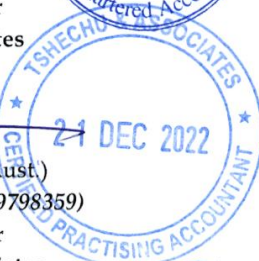

 Chimmi Dorji, FCCA
 Managing Partner
 Karma & Associates


 Dasho Karma Ngawang Ura
 Chairperson


 Tshechu, FCPA (Aust.)
 (Membership No. 9798359)
 Managing Partner
 Tshechu & Associates


 Tshen Norbu
 Offtg. Chief Executive Officer


 Phub Dorji
 Chief
 F&A Division

Statement of Comprehensive Income for the year ended 30 June 2022


Particulars	Note	30-Jun-22	30-Jun-21
Income			
Income from term deposits and treasury bills	22	1,553,710,258	1,438,014,604
Income from loans	23	1,448,905,280	1,498,976,133
Income from bonds	24	220,565,525	252,834,015
Rental income	25	72,612,575	70,061,144
Dividend income	26	14,626,841	-
Other income	27	18,771,435	7,414,916
Gain/(loss) from changes in fair value of investment in equity instrument	27	(998,047,759)	(265,338,888)
Total Income		2,331,144,155	3,001,961,923
Operating expenses			
DC management expenses	28b	35,511,794	49,682,806
DB management expenses	28b	64,654,636	89,069,472
Depreciation	11&12	51,695,475	30,783,929
Amortization of intangible assets	13	8,717,723	5,115,409
1% interest rebate on regular loan payment		28,632,548	44,139,220
Impairment charges for loans	29	11,328,214	(37,382,422)
Total operating expenses		200,540,391	181,408,414
Surplus for the year		2,130,603,764	2,820,553,508
Other Comprehensive Income			
Remeasurements of post-employment benefit obligations	30abc		
DC		(859,540)	(446,049)
DB		(1,564,924)	(856,529)
Total Other Comprehensive Income		(2,424,464)	(1,302,578)
Total Comprehensive Income for the year		2,128,179,300	2,819,250,930

For Statutory Auditors

For National Pension & Provident Fund

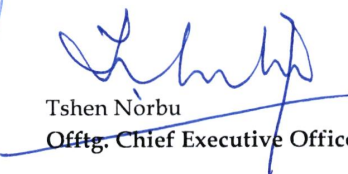

Chimani Dorji FCCA
Managing Partner
Karma & Associates




Dasho Karma Ngawang Ura
Chairperson


Tshechu, FCPA (Aust.)
(Membership No. 9798359)
Managing Partner
Tshechu & Associates




Tshen Norbu
Offtg. Chief Executive Officer


Phub Dorji
Chief
F&A Division

Statement of Cash Flows for the year ended 30 June 2022

Particulars	30-Jun-22	30-Jun-21
Cash Flow from Operating Activities		
Receipts from:		
Interest from term deposits	1,504,657,937	1,147,629,993
Interest from loans	1,448,529,270	1,396,805,785
Income from bonds	259,391,090	294,112,620
Rental income	72,852,220	72,617,696
Dividend income	14,626,841.13	-
Other Income	16,346,971	6,112,338
Payments for:		
DC & DB management expenses	(233,830,640)	(149,471,705)
Security deposit (to)/from suppliers	(12,675,031)	6,347,166
Security deposit (to)/from tenants	321,816	1,788,377
Net Receipts from Operating Activities	3,070,220,474	2,775,942,269
Cash Flow from Investing Activities		
Payments for:		
(Increase)/decrease in deposits	(1,700,000,000)	(3,455,000,000)
(Increase)/decrease in loans to entities	216,566,525	795,811,723
(Increase)/decrease in equity shares	(1,007,999,021)	(39,351,788)
(Increase)/decrease in bonds and commercial papers	379,795,000	551,677,224
(Increase)/decrease in member loan scheme	(546,763,613)	(585,220,447)
(Increase)/decrease in purchase of fixed assets (Including Capital work in progress)	(459,965,799)	(108,729,188)
Net Cash Flow from Investing Activities	(3,118,366,907)	(2,840,812,475)
Cash Flow from Financing Activities (Member Transactions)		
Receipts from:		
Contributions to the NPPFP - DC	1,825,613,252	1,706,079,715
- DB	1,893,198,033	1,740,931,875
Contributions to the AFPPFS - DC	304,973,077	266,868,367
- DB	510,655,819	521,006,958
Contributions to the Private PF - DC	30,277,408	7,416,525.00




Statement of Cash Flows for the year ended 30 June 2022

cont/-

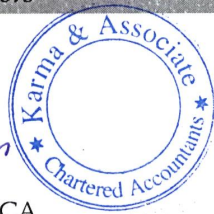

Particulars	30-Jun-22	30-Jun-21
Payments of refunds and pensions:		
NPPFP - DC	(1,008,450,614)	(513,677,978)
- DB	(1,164,372,415)	(780,427,206)
AFPPFS - DC	(89,809,347)	(99,964,229)
- DB	(302,940,346)	(225,062,628)
Refund of Private PF - DC	(4,105,012.95)	(50,434)
Net Cash Flow from Financing Activities	1,995,039,854	2,623,120,965
Net movement in cash and cash equivalents	1,946,893,421	2,558,250,759
Opening cash and cash equivalents	2,700,580,290	142,329,530
Closing cash and cash equivalents	4,647,473,711	2,700,580,290

For Statutory Auditors

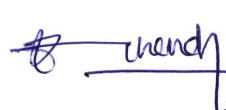
For National Pension & Provident Fund



Chimmi Dorji, FCCA
Managing Partner
Karma & Associates

Dasho Karma Ngawang Ura
Chairperson



Tshechu, FCPA (Aust.)
(Membership No. 9798359)
Managing Partner
Tshechu & Associates




Tshen Norbu
Offtg. Chief Executive Officer



Phub Dorji
Chief
F&A Division

Statement of Changes in Reserve for the year ended 30 June 2022

Particulars	Reserve				Total
	Lapsed Fund ¹	Remeasurement of employee benefit gains/(loss)	Valuation reserve ²	General reserve ³	
Balance as at 1st July 2021	24,246,196	(789,657)	356,184,022	633,023,096	1,012,663,657
Transferred during the year (Note 32)	4,098,559	-	(1,012,408,869)	-	(1,008,310,310)
Adjustment during the year (provision adjustment) (Note 32)				35,839,272	35,839,272
Items of other comprehensive income					
Remeasurements of post-employment benefit obligation (Note 32)		(2,424,464)			(2,424,464)
Balance as at 30th June 2022	28,344,755	(3,214,121)	(656,224,847)	668,862,368	37,768,154
Balance as at 1st July 2020	21,590,133	512,921	640,588,192	637,924,836	1,300,616,082
Transferred during the year (Note 32)	2,656,063		(284,404,170)		(281,748,107)
Adjustment during the year (provision adjustment) (Note 32)				(4,901,740)	(4,901,740)
Items of other comprehensive income					
Remeasurements of post-employment benefit obligation (Note 32)	-	(1,302,578)			(1,302,578)
Balance as at 30th June 2021	24,246,196	(789,657)	356,184,022	633,023,096	1,012,663,657

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. Valuation reserve consist of gains or loss on the fair valuation of equity investment and EIR value of other financial instruments.
3. General reserve consists of surplus retained prior to 30th June 2019 for the purpose of smoothing the distribution of return to the members in the event of low performance. From the financial year 2018-19, the actual returns earned from the investment after adjusting the operation cost are distribution to the members without retaining any surplus into the general reserve.

For Statutory Auditors

For National Pension & Provident Fund



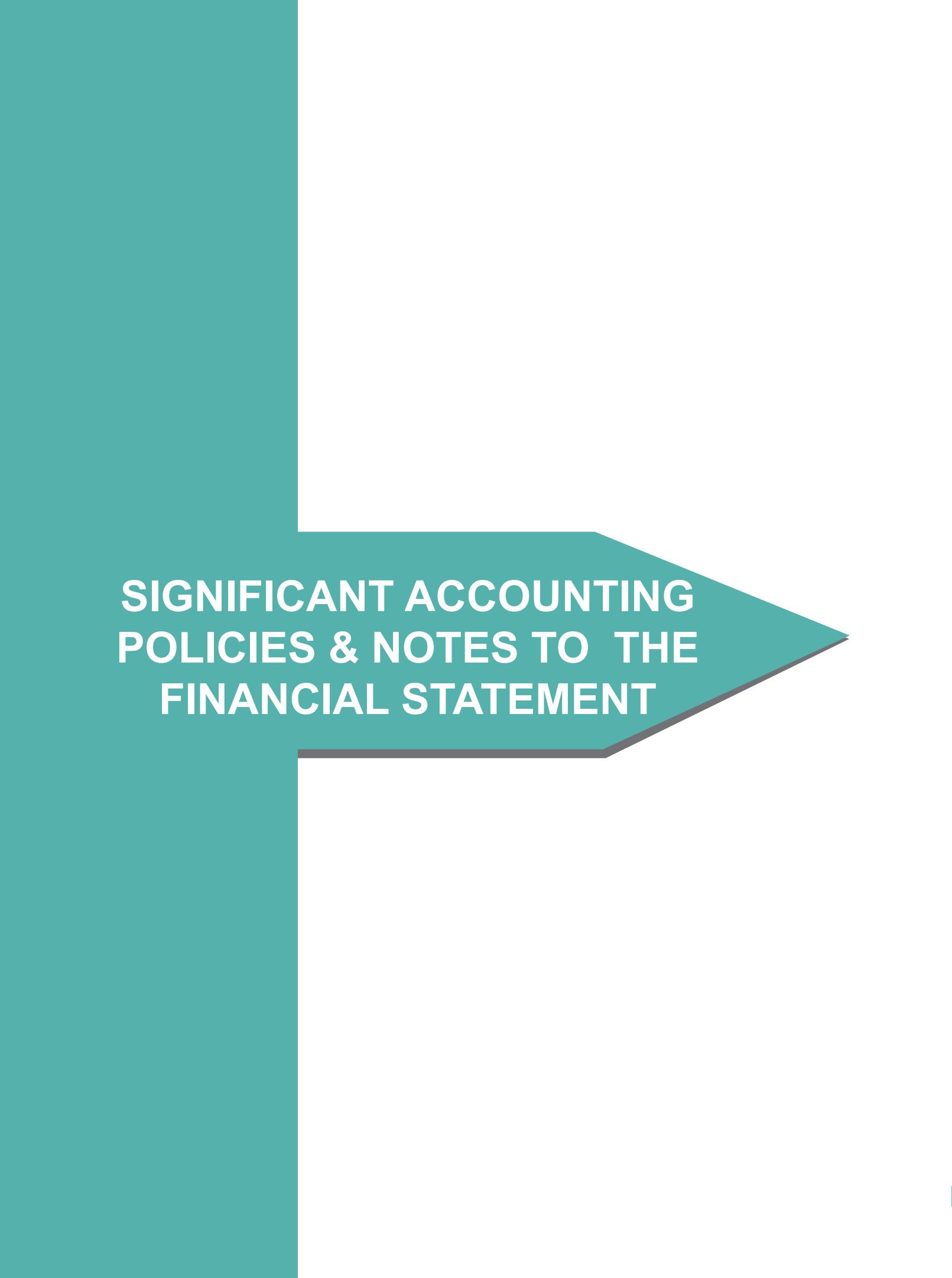
Chimmi Dorji

Chimmi Dorji FCCA & Tshachu, FCPA (9798359)
Managing Partner
Karma & Associates

Dasho Karma Ngawang Ura
Chairperson

Tshen Norbu
Offg. Chief Executive Officer

Phub Dorji
Chief, F&A Div.

A large teal graphic element that starts as a vertical bar on the left and transitions into a horizontal arrow pointing to the right. The text is centered within the arrow's shaft.

**SIGNIFICANT ACCOUNTING
POLICIES & NOTES TO THE
FINANCIAL STATEMENT**

1. General information

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

The main function of the NPPF is to assure a minimum level of income to the civil servants, members of the Armed Forces and State-owned Enterprises who are aged, disabled as well as pay benefits to the surviving families. NPPF manages the partially funded Defined-Benefit Pay-As-You-Go Pension System and fully funded Defined Contribution (Provident Fund). Royal Government of Bhutan guaranteed the payment of pension to employees by virtue of adoption of National Pension and Provident Fund Plan Rules & Regulations of the Kingdom of Bhutan 2002 (as amended in 2010).

The employee of civil servants and some corporate sector contributes 11% and 15% contribution by the employer and some of the corporate sector contribute 15% and matching contributions by the employer. Of the total contribution 16% is allocated towards Defined Benefit (DB) plan and the rest to Defined Contribution (DC) 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.

Lhengye Zhungtshog vide order no. C-3/66/2020/618 dated 3rd July 2020 has approved to extent Provident Fund Scheme to Private sector to be piloted with the employees under Build Bhutan Project. In line with the order issued by Lhengye Zhungtshog, the Royal Monetary Authority of Bhutan vide letter no. RMA/DFRS/19/2021-2022/1763 dated 4th November 2021, accorded its approval to extent the provident fund coverage to private sectors. The scheme is extended to all the members working in the private sectors if they are not covered under the National Pension and Provident Fund Plan 2002 and Armed Forces Pension and Provident Fund Scheme 2022. The provident fund scheme for private sector is a defined-contribution (DC) scheme under which a lump sum benefit equivalent



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

to the accumulated contributions, together with returns thereon, is paid on the date of his/her retirement or upon his/her disability or death while in service. The employees of any agencies contribute minimum 5% of the employee's basic salary or 5% of the total income for the particular period with matching contribution by the employer. The self-employed, entrepreneur, owner of the firm, private or any other individual who are not defined as employee can contribute minimum of 5% of the total income of the particular period.

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

NPPF is one of the biggest real estate developers in the country. It deals with the construction of residential buildings and rent out to its members. It also has commercial buildings which are rented out for office and business premises.

NPPF is a non-profit making autonomous public organization, 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 statements have been prepared in accordance with Bhutanese Accounting Standards (BAS)/Bhutanese Financial Reporting Standards (BFRS) wherever applicable, except for,

BAS 26 - Accounting and Reporting by Retirement Benefit Plans. NPPF will implement BAS 26 during the financial year 2022-23. The actuarial liability has been disclosed as a note (refer note 21) to the financial statements.

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 31.

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 increase in salary 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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

members' DC plan) at the beginning of the financial year. For the year ended June 2021, 65% of the expense incurred has been debited to DB plan and the remaining 35% 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:* Incurred loss method is 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 recognized 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:



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- (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 recognized 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 amortized cost which are recognized in statement of comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized 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 amortized 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 recognized 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

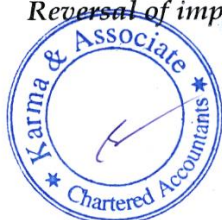
Equity investments are subsequently measured at fair value through statement of comprehensive income, except where the management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. When this election is used, fair value gains and losses are recognized 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 recognized 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 recognized based on the incurred loss model. 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 recognized impairment loss is recognized 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 derecognized and recognizes a 'new' asset at fair value and recalculates a new EIR for the asset. Differences in the carrying amount are also recognized 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 recognizes 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 derecognized 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 recognized for the consideration received for the transfer. In subsequent periods, NPPF recognizes any expense incurred on the financial liability, when continuing involvement approach applies

- Financial guarantee contracts and loan commitments
- ii) *Derecognition*-Financial liabilities are derecognized 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 recognized amounts and there is an intention to settle on a net basis or realize 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 are measured initially at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequently, the property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment loss.

Property, plant, and equipment are recognized 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 recognized 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 derecognized 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 derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

derecognition is recognized in the statement of comprehensive income in the year the asset is derecognized.

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

Asset class	Useful life (Years)
1. Building (Permanent structure)	
a. Civil structure	50
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
2. Building (Semi permanent structure)	
a. Civil structure	25
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
3. Diesel generator (Electrical)	20
4. Road network	5
5. Retention wall	30
6. Computer and accessories	5
7. High end server	8
8. Other office equipment	5
9. Furniture	10
10. Communication equipment	7
11. Motor vehicle	10 years with 20% residual value
12. Carpet	5

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

The residual values of property, plant and equipment are estimated at nil value except



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

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

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

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

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

g. Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by NPPF, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing costs. Subsequently, the investment property is carried at cost less accumulated depreciation and accumulated impairment loss.

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 derecognized.

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 recognized when it is probable that future economic benefit associated with the asset



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

will flow to the NPPF and the cost of the asset can be measured reliably. Recognized 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 recognized in the Statement of comprehensive income in the period the asset was derecognized.

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 realizable value. Cost includes purchase price and cost incurred in bringing the inventories to their present location and condition. First In First Out (FIFO) method as prescribed under BAS 2 is used to measure the cost of inventories.

j. Government grants

Grants are recognized 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) Grants related to assets

Grants related to assets are recognized 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) Grants related to income

Grants related to income are deferred and recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized as per the actuarial valuation report.

1. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized 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 recognized as revenue as the services are provided.

(iii) Dividends

Dividends are recognized 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 include cash in hand, cash at current accounts maintained with the commercials banks and term deposit maturing within three months or less from the date of acquisition.

n. Provisions, contingent liabilities

Provisions are recognized 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 recognized 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.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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 recognized 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 recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

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

q. Return to Members'

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

4 Cash and cash equivalents

Particulars	30-Jun-22	30-Jun-21
Cash at bank	1,648,326,865	700,578,556
Cash in hand	4,346	1,734
RGOB Treasury Bills	2,999,142,500	2,000,000,000
Total	4,647,473,711	2,700,580,290



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

5 Trade and other receivables

Particulars	30-Jun-22	30-Jun-21
<i>Trade receivable</i>		
Rent receivable	1,076,312	1,331,002
Other receivable	308,835,152	7,251,788
	309,911,463	8,582,789
<i>Other receivables</i>		
Security deposit (power/water/rent)	1,374,370	1,374,370
	1,374,370	1,374,370

6 Term Deposits

Particulars	30-Jun-22	30-Jun-21
<i>Term Deposits with</i>		
Bhutan National Bank Ltd.	12,888,000,000	11,308,583,689
TBank Ltd	400,000,000	400,000,000
Bhutan Development Bank Ltd.	2,133,000,000	2,134,348,281
Bank of Bhutan Ltd.	2,810,000,000	2,810,000,000
Druk PNB Ltd.	2,360,000,000	2,260,000,000
Micro Finance Bhutan Private Ltd.	5,000,000	5,000,000
Interest accrued but not due on deposits	1,195,568,058	1,153,636,376
Total	21,791,568,058	20,071,568,346



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

7 Investments in bonds and commercial papers

Particulars	Coupon rate	No. of Scrips	30-Jun-22	No. of Scrips	30-Jun-21
Investment in Bonds					
Druk Air Corporation Bond Series I	9.00%	98,754	74,065,959	98,754	74,065,959
Druk Air Corporation Bond Series II	9.00%	143,019	114,415,600	143,019	114,415,600
Druk Air Corporation Bond Series III	8.50%	815,254	652,203,200	815,254	652,203,200
Royal Insurance Corporation of Bhutan Ltd. Bond Series III	9.50%	500,000	-	500,000	500,000,000
Royal Insurance Corporation of Bhutan Ltd. Bond Series IV	9.50%	379,795	-	379,795	379,795,000
Dungsam Cement Corporation Ltd. Bond Series II	9.00%	350,000	350,000,000	350,000	350,000,000
Tashi Air Pvt. Ltd. Bond Series I	9.00%	125,000	125,000,000	125,000	125,000,000
RSA Pvt. Ltd. Bond series I	9.35%	34,400	34,400,000	34,400	34,400,000
T Bank Ltd.(subordinated term debt)	9.00%	55,000	55,000,000	55,000	55,000,000
Royal Government of Bhutan Bond series I (GB001)	6.50%	164,666	164,666,000		164,666,000
Royal Government of Bhutan Bond series I (G030)		55,000	500,000,000		
Investment in Commercial papers					
Interest accrued but not due:					
On Bonds			43,676,807		98,292,782
Total			2,113,427,566		2,547,838,540



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

8 Loans

Particulars	30-Jun-22	30-Jun-21
Loan to manufacturing & industries sector		
Bhutan Ferro Alloys Ltd. ¹	92,982,351	193,403,112
Dungsam Cement Corporation Ltd. ³	1,956,663,559	1,671,856,972
Dungsam Polymers Ltd. ⁴	54,151,670	59,429,044
State Mining Corporation Ltd. ⁵	54,381,340	60,959,889
Druk Metallurgy Ltd. ⁶	721,809,265	656,700,875
Penden Cement Authority Ltd. ²²	411,206,676	286,133,510
Koufuku International Ltd. ²³	12,254,326	11,427,623
Army Welfare Project ²⁴	173,784,350	
Total loan to manufacturing & industries sector	3,477,233,537	2,939,911,024
Loan to service & tourism sector		
Tashi Infocom Ltd. ⁷	761,426,656	700,484,655
Kuensel Corporation Ltd. ⁸	15,429,651	14,297,172
Druk Doethjung Resort ⁹	60,470,924	55,266,910
Bhutan Power Corporation Ltd. ¹⁰	937,119,620	1,635,821,428
Natural Resource Development Corporation Ltd. ¹¹	153,757,995	78,309,088
Bhutan Hydro Service Ltd. ¹²	629,512,377	593,229,360
Legphel Hotel Pvt. Ltd. ¹³	43,958,774	39,871,293
Bhutan Telecom Ltd. ¹⁴	-	25,906,817
Druk Air Corporation Ltd. ¹⁵	2,972,295,819	2,779,775,613
DGPC-Nikachu ATS ¹⁶	616,810,306	508,134,268
Thimphu Tech Park Ltd. ¹⁷	30,170,211	32,278,956
State Trading Corporation of Bhutan Ltd. ¹⁸	98,417,897	105,035,110
Total loan to service & tourism sector	6,319,370,229	6,568,410,671
Loan to institutions		
Bhutan Development Bank Ltd. ¹⁹	117,106,812	230,514,805
Total loan to institutions	117,106,812	230,514,805
Loan to housing		
Ministry of Health ²⁰		13,416,658
National Housing Development Corporation Ltd. ²¹	730,517,869	768,699,441
Total loan to housing	730,517,869	782,116,099
Loan to members		
Housing	1,739,662,516	1,794,694,466
Education	2,931,741,519	2,770,614,666
Student loan	70,825,033	62,491,689
Member loan	3,172,127,150	2,474,451,619
Staff Incentive loan	86,141,786	81,519,275
Total loan to members	8,000,498,004	7,183,771,715
Total loans	18,644,726,451	17,704,724,315
Impairment charges for loans(Note 29 of the notes to Financial Statements)	(101,547,825)	(81,939,286)
Loans after provision	18,543,178,626	17,622,785,029



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Notes

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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

9 Investment in equity shares

Particulars	30-Jun-22			30-Jun-21		
	No. of shares	Face value	Cost	No. of shares	Face value	Cost
1. Quoted						
Penden Cement Authority Ltd.	5,904,530	10	464,450,563	2,154,530	10	14,450,563
State Trading Corporation of Bhutan Ltd.	441,000	10	490,000	441,000	10	490,000
Bhutan National Bank Ltd.	96,811,014	10	730,886,369	92,352,348	10	583,411,978
Kuensel Corporation Ltd.	367,500	10	3,675,000	367,500	10	3,675,000
Druk PNB Ltd.	5,864,207	10	225,506,331	3,611,717	10	75,377,872
TBank Ltd.	687,367	10	29,861,238	10,345	10	72,270
Bhutan Insurance Ltd.	1,537,291	10	31,737,460	1,500,000	10	29,500,000
Dungsam Polymers Ltd.	591	10	7,990	591	10	7,990
GIC-Bhutan Reinsurance Co. Ltd.	1,913,278	10	54,046,705	1,391,271	10	39,351,788
Royal Insurance Corporation of Bhutan Ltd.	1,407,600	10	98,758,624			
Bhutan Ferro Alloys Ltd.	1,010,430	10	114,916,204			
Total quoted			1,754,336,483			746,337,462
2. Unquoted						
Dagachu Hydro Power Corporation Ltd.	619,800	1000	619,800,000	619,800	1,000	619,800,000
Credit Information Bureau	17,500	100	1,750,000	17,500	100	1,750,000
Financial Institutions Training Institute Ltd.	1,200,000	10	11,997,000	1,200,000	10	11,997,000
Dungsam Cement Corporation Ltd.	6,156,400	100	615,640,000	6,156,400	100	615,640,000
Total unquoted			1,249,187,000			1,249,187,000
Total investments in equity share			3,003,523,483			1,995,524,462
						2,442,551,674
						1,619,903,123
						550,883,446
						6,229,172
						11,863,633
						253,672,300
						822,648,551
						2,442,551,674

10 Inventories

Particulars	30-Jun-22	30-Jun-21
Consumables and spares	717,917	774,263
Total	717,917	774,263



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

11 Investment property

Particulars	Gross block			Accumulated depreciation			Net block			
	01-Jul-21	Additions during the year	Adjustments	30-Jun-22	01-Jul-21	Depreciation during the year	Adjustments	30-Jun-22	30-Jun-22	30-Jun-21
R.E land	109,201,314	327,337,875	-	436,539,189	-	-	-	-	436,539,189	109,201,314
R.E building	567,929,655	675,066	(689,124)	567,915,597	175,702,054	14,079,478	(689,124)	189,092,408	378,823,189	392,227,601
R.E building(Semi-Permanent Structure)	4,121,604	-	-	4,121,604	960,224	166,483	-	1,126,707	2,994,898	3,161,380
Site Development	17,460,516	1,715,095	(1,715,095)	19,175,611	10,884,227	842,091	-	11,726,318	7,449,293	6,576,289
Capital work in progress	256,028,944	109,535,779	(1,715,095)	363,869,627	-	-	-	-	363,869,627	256,028,944
Total	954,742,032	439,303,815	(2,404,220)	1,391,641,627	187,546,504	15,088,051	(689,124)	201,945,432	1,189,696,196	767,195,528

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

Note 2: On the date of reporting, NPPF has 54.23 acres of land in different parts of the country.

(i) Fair value of investment property carried at cost

Particulars	30-Jun-2022	30-Jun-2020
Fair value of Land	4,045,190,000	2,970,980,000
Fair value of Landed property	1,172,013,000	1,067,976,000
Total Fair value of investment property	5,217,203,000	4,038,956,000

Estimation of fair value

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

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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Particulars	30-Jun-22	30-Jun-21
Rental income	69,024,520	65,865,634
Direct operating expenses from property that generated rental income	(8,797,423)	(8,056,499)
	60,227,097	57,809,135

Note: The rental income in note 25 includes Nu.3,588,055.00 earned from renting of NPPF corporate office space, which is being categorized as Property Plant and Equipment under note 12. The above rental income is excluding the rental income earned from NPPF corporate office.

(iii) Leasing arrangements

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

12 Property Plant and Equipment

Particulars	Gross block		Accumulated depreciation		Net block	
	01-Jul-21	30-Jun-22	01-Jul-21	30-Jun-22	30-Jun-22	30-Jun-21
Office building	182,738,276	182,831,246	59,997,605	67,756,153	115,075,092	122,740,671
Diesel Generator (Electrical)	3,310,518	3,310,518	1,362,424	-	1,518,768	1,948,094
Road network	677,255	677,255	677,253	-	677,253	2
Retention wall	1,465,060	1,465,060	366,197	48,925	415,122	1,049,938
Computer & accessories	15,052,179	18,281,812	11,419,891	1,383,611	12,230,287	6,051,525
High end server	1,304,165	14,984,982	1,214,972	2,592,453	3,807,425	89,193
Other office equipment	27,307,870	94,528,620	21,618,202	21,917,187	43,295,117	51,233,503
Furniture	10,789,082	11,456,860	5,789,135	875,493	6,584,552	4,999,947
Communication equipment	236,587	575,476	139,811	40,721	174,563	96,776
Motor vehicles	8,463,969	8,463,969	2,792,807	846,397	3,639,204	4,824,765
Carpet	282,800	282,800	168,655	33,787	202,442	80,357
Sub total (A)	251,627,761	336,858,598	105,546,952	35,653,468	140,300,887	146,080,809
Capital grant						
Integrated data center	7,631,660	7,631,660	6,677,703	953,956	7,631,659	953,957
Sub total (B)	7,631,660	7,631,660	6,677,703	953,956	7,631,659	953,957
Total (A+B)	259,259,421	344,490,258	112,224,655	36,607,424	147,932,546	147,034,766

Note(1): The NPPF office building, motor vehicles and ICT servers are fully insured. Other assets are not insured since the net block of the uninsured assets are not material.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Note (2): The capital grant is non-monetary grant received from Asian Development Bank (ADB) by NPPF for the procurement of high-end server in the year 2015 and is recognized as deferred income which is credited in the statement of comprehensive income over the expected useful life of the related assets on a basis consistent with the depreciation policy. The equivalent grant received is treated as grant liability and debited over the expected economic life of the assets.

Note (3): The fair value of office building is Nu. 186,024,000.00 (previous year Nu. 177,761,000.00)

13 Intangible assets

Particulars	Application software	Other software	Development in progress	Total
Cost				
Opening as at 1st July 2021	25,201,554	20,527,996	53,370,034	99,099,585
Additions		20,357,741	10,577,710	30,935,451
Closing as at 30th June 2022	25,201,554	40,885,737	63,947,744	130,035,036
Accumulated amortization				
Opening as at 1st July 2021	24,914,971	9,807,056	-	34,722,027
Amortization for the year	286,583	8,431,140	-	8,717,723
Closing as at 30th June 2022	25,201,554	18,238,196	-	43,439,750
Net carrying amount as at 30th June 2022	0.00	22,647,541	63,947,744	86,595,286
Cost				
Opening as at 1st July 2020	25,201,554	20,321,996	23,780,892	69,304,442
Additions	-	206,000	29,589,143	29,795,143
Capitalization of development in progress	-	-	-	-
Closing as at 30th June 2021	25,201,554	20,527,996	53,370,034	99,099,585
Accumulated amortization				
Opening as at 1st July 2020	23,696,451	5,910,167	-	29,606,618
Amortization for the year	1,218,520	3,896,889	-	5,115,409
Closing as at 30th June 2021	24,914,971	9,807,056	-	34,722,027
Net carrying amount as at 30th June 2021	286,583	10,720,940	53,370,034	64,377,558

14 Other Assets

Particulars	30-Jun-22	30-Jun-21
Prepaid expenses	1,849,770	2,553,237
Unamortized employee cost	19,350,753	19,728,019
Advance	151,892	90,419,787
Asset pending foreclosure*	1,901,024	1,560,530
Total	23,253,438	114,261,574

Note: *Asset pending foreclosure (APF) is as a counter-cyclical policy response to covid -19 pandemic as an interim measure with the objective to provide one-time facility for reclassification of non-performing loans (NPLs) as "other assets" to provide temporary relief to both borrowers and financial institutions during the pandemic as per guideline issued by RMA on the reclassification of old non-performing loans 2022. The specific provision and interest -in- suspense kept against the APF is



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

reflected as liability in the statement of financial position as "reserve for loan loss". This guideline is applicable to NPLs as of 31st March 2020 on fulfilling the conditions laid in the guideline.

Disclosure on assets pending foreclosure

Year	Number of Accounts	Loan Outstanding	Recovery	Balance Outstanding
2020-2021	3	1,560,530	200,000	1,360,530
2021-2022	3	540,494		540,494
Total	6	2,101,024	200,000	1,901,024

15 Trade and other payables

Particulars	30-Jun-22	30-Jun-21
Interest received in advance	383,238	479,239
Unidentified deposit	2,765,258	2,674,510
Security deposit third party	14,488,950	27,163,981
Security deposit (rent)	12,068,030	14,425,609
Security Deposit (Lease)	44,200	-
Excess member contribution	2,334,670	1,455,213
Security deposit - power / tenant	303,701	453,986
Housing / education loan closed A/c - credit balance	24,791,406	66,860,955
Loan EMI Parking	844,115,414	-
Other payables*	67,062,782	74,810,613
Total	968,357,651	188,324,108

Note: *Includes provision of 1% interest rebate for regular loan repayment amounting to Nu. 28,632,548 as on 30th June 2022 (previous year Nu. 41,976,306) to be credited to client's account in July 2022. This rebate is calculated in line with the RMA SOP for the implementation phase II monetary measure 2020.

16 Other liabilities

Particulars	30-Jun-22	30-Jun-21
Tax deducted at source (TDS) payable	98,388	253,056
APF Reserve for Loan loss	1,901,024	1,560,530
Total	1,999,411	1,813,586



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

17 Employee benefit obligations

Particulars	30-Jun-22	30-Jun-21
NPPF employee gratuity		
Gratuity Investment	30,467,215	-
Gratuity Liability	23,821,100	27,965,092
Net Defined Benefit Asset/(Liability)	6,646,115	(27,965,092)
Other employee benefit		
Leave encashment	5,280,104	5,083,729
Terminal benefits	3,362,162	3,921,456
Total	8,642,266	9,005,185
Net employee benefit obligation	1,996,151	36,970,277

18 Lapsed Fund*

Particulars	Civil	Armed Force	Total
As at 1st July 2021	5,944,409	6,109,507	12,053,916
Addition during the year	8,972,956	3,440,687	12,413,643
Transferred to other Income	(1,034,254)	(3,064,305)	(4,098,559)
As at 30th June 2022	13,883,111	6,485,889	20,369,000
As at 1st July 2020	6,112,980	5,356,788	11,469,768
Addition during the year	1,671,861	1,568,350	3,240,211
Transferred to other Income	(1,840,432)	(815,631)	(2,656,063)
As at 30th June 2021	5,944,409	6,109,507	12,053,916

*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.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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

Particulars	Civil		Armed Forces		Private Provident Fund		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	Members' Contribution	Employer's Contribution	
Accumulated contribution							
As at 1st July 2021	4,863,309,038	5,645,323,128	1,474,017,377	1,474,258,230	2,472,175	4,944,350	13,464,324,298
Adjustment of scheme							
Adjusted opening balance	4,863,309,038	5,645,323,128	1,474,017,377	1,474,258,230	2,472,175	4,944,350	13,464,324,298
Contribution during the year	701,178,437	1,115,351,286	151,784,908	151,811,788	13,565,254	6,254,866	2,151,369,163
As at 30th June 2022 (A)	5,564,487,475	6,760,674,414	1,625,802,285	1,626,070,018	16,037,429	11,199,216	15,615,693,461
Accumulated refund							
As at 1st July 2021	1,311,479,100	1,327,800,237	335,769,479	335,853,660	11,548	38,886	3,310,952,910
Refunds during the year	309,349,693	369,696,583	21,841,651	21,923,628	1,316,561	2,619,131	726,747,246
As at 30th June 2022 (B)	1,620,828,793	1,697,496,820	357,611,130	357,777,288	1,328,109	2,658,017	4,037,700,156
Net contribution as at 30th June 2022 (A-B)	3,943,658,682	5,063,177,594	1,268,191,155	1,268,292,730	14,709,320	8,541,199	11,577,993,304
Accumulated contribution							
As at 1st July 2020	4,187,779,277	4,563,793,442	1,340,988,823	1,341,229,678	-	-	11,433,791,220
Adjustment of scheme	(265,488)	(363,167)	(13,113,364)	(13,113,367)	-	-	-
Adjusted opening balance	4,187,513,789	4,563,430,275	1,327,875,459	1,328,116,311	-	-	11,406,935,834
Contribution during the year	675,795,248	1,081,892,853	146,141,919	146,141,919	2,472,175	4,944,350	2,049,971,939
As at 30th June 2021 (A)	4,863,309,038	5,645,323,128	1,474,017,377	1,474,258,230	2,472,175	4,944,350	13,464,324,298
Accumulated refund							
As at 1st July 2020	1,167,765,419	1,171,715,058	310,313,762	310,397,943	-	-	2,960,192,182
Refunds during the year	143,713,681	156,085,179	25,455,717	25,455,717	11,548	38,886	350,710,294
As at 30th June 2021 (B)	1,311,479,100	1,327,800,237	335,769,479	335,853,660	11,548	38,886	3,310,952,910
Net contribution as at 30th June 2021 (A-B)	3,551,829,938	4,317,522,891	1,138,247,898	1,138,404,570	2,460,627	4,905,464	10,153,371,388



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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

Particulars	Civil		Armed Forces		Private Provident Fund		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
Accumulated returns credited							
As at 1st July 2021	2,908,471,111	2,940,225,082	1,098,616,706	1,096,398,428	34,306	-	8,043,814,245
Adjustment of scheme	-	-	-	1,000,000	-	-	1,000,000
Adjusted opening balance	2,908,471,111	2,940,225,082	1,098,616,706	1,097,398,428	34,306	-	8,044,814,245
Returns credited during the year	393,813,999	461,534,325	1,39,696,061	1,39,744,560	354,845	61,924	1,135,795,633
As at 30th June 2022 (A)	3,302,285,110	3,401,759,407	1,238,312,767	1,237,142,989	389,151	61,924	9,180,609,878
Accumulated returns refund							
As at 1st July 2021	850,384,477	825,685,962	242,630,796	241,008,232	-	-	2,159,709,467
Refund during the year	161,494,254	167,910,085	23,020,678	23,023,390	56,405	-	375,617,729
As at 30th June 2022 (A)	1,011,878,731	993,596,047	265,651,474	264,031,622	56,405	-	2,535,327,196
Net returns credited as at 30th June 2022 (A-B)	2,290,406,379	2,408,163,361	972,661,293	973,111,367	332,746	61,924	6,645,282,682
Accumulated returns credited							
As at 1st July 2020	2,519,238,380	2,505,902,547	955,160,241	953,901,041	-	-	6,934,202,209
Adjustment of scheme	(0)	(0)	13,213	13,211	-	-	26,424
Adjusted opening balance	2,519,238,380	2,505,902,547	955,173,454	953,914,252	-	-	6,934,228,633
Returns credited during the year	389,232,731	434,322,535	143,443,253	142,484,176	34,306	-	1,109,585,613
As at 30th June 2021 (A)	2,908,471,111	2,940,225,082	1,098,616,706	1,096,398,428	34,306	-	8,043,814,245
Accumulated returns refund							
As at 1st July 2020	743,816,289	718,375,032	218,100,490	216,485,743	-	-	1,896,777,554
Refund during the year	106,568,188	107,310,930	24,530,306	24,522,489	-	-	262,931,913
As at 30th June 2021 (A)	850,384,477	825,685,962	242,630,796	241,008,232	-	-	2,159,709,467
Net returns credited as at 30th June 2021 (A-B)	2,058,086,634	2,114,539,120	855,985,910	855,390,196	34,306	-	5,884,104,778



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

Particulars	Civil	Armed Forces	Total
Accumulated contributions and returns credited			
As at 1st July 2021	27,404,718,892	8,260,721,964	35,665,440,856
Adjustment of scheme	(773,466)	(226,534)	(1,000,000)
Adjusted opening balance	27,403,945,426	8,260,495,430	35,664,440,856
Contribution during the year	1,893,971,499	510,882,353	2,404,853,852
Returns credited during the year	1,521,918,652	445,362,123	1,967,280,774
As at 30th June 2022 (A)	30,819,835,577	9,216,739,906	40,036,575,482
Accumulated pension payments			
As at 1st July 2021	2,698,908,655	1,354,504,007	4,053,412,662
Pension payment during the year	579,144,491	288,313,562	867,458,053
As at 30th June 2022 (B)	3,278,053,146	1,642,817,569	4,920,870,715
Accumulated pension fund refund			
As at 1st July 2021	2,121,047,335	292,311,799	2,413,359,134
Refund from pension fund during the year	585,227,924	14,626,784	599,854,708
As at 30th June 2022 (C)	2,706,275,259	306,938,583	3,013,213,842
Net accumulated contributions and returns credited as at 30th June 2022 (A-B-C)	24,835,507,172	7,266,983,753	32,102,490,926
Accumulated contributions and returns credited			
As at 1st July 2020	24,118,666,869	7,287,217,411	31,405,884,279
Adjustment of scheme	89,914	26,200,308	26,290,222
Adjusted opening balance	24,118,756,783	7,313,417,718	31,432,174,501
Contribution during the year	1,740,841,961	494,806,651	2,235,648,612
Returns credited during the year	1,545,120,148	452,497,595	1,997,617,742
As at 30th June 2021 (A)	27,404,718,892	8,260,721,964	35,665,440,856
Accumulated pension payments			
As at 1st July 2020	2,203,440,972	1,140,012,760	3,343,453,732
Pension payment during the year	495,467,683	214,491,247	709,958,930
As at 30th June 2021 (B)	2,698,908,655	1,354,504,007	4,053,412,662
Accumulated pension fund refund			
As at 1st July 2020	1,836,087,812	281,740,418	2,117,828,230
Refund from pension fund during the year	284,959,523	10,571,381	295,530,904
As at 30th June 2021 (C)	2,121,047,335	292,311,799	2,413,359,134
Net accumulated contributions and returns credited as at 30th June 2021 (A-B-C)	22,584,762,902	6,613,906,158	29,198,669,060

Note: Based on the actuarial valuation report as at 30th June 2019;

1. The past service liability on the date of valuation for Civil Pension Scheme was Nu. 38,576 million against the plan assets of Nu. 20,208 million leaving a funding deficit of Nu. 18,368 million.
2. The past service liability on the date of valuation for Armed Forces Pension Scheme was Nu. 16,124 million against the plan assets of Nu. 5,925 million leaving a funding deficit of Nu. 10,199 million.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

22. Income from term deposits

Particulars	30-Jun-22	30-Jun-21
Bhutan National Bank Ltd.	913,298,052	805,584,972
TBank Ltd	34,000,000	41,852,053
Bhutan Development Bank Ltd.	186,129,601	191,029,938
Bank of Bhutan Ltd.	243,025,000	237,055,024
Druk PNB Ltd.	175,185,910	162,278,304
Microfinance Bhutan Ltd.	487,500	150,925
RGOB Treasury Bills	1,584,194	63,389
Total	1,553,710,258	1,438,014,604

23. Income from loans

Particulars	30-Jun-22	30-Jun-21
A. Interest income from loan to corporate		
Manufacturing & industries sector	257,788,920	256,377,038
Service & tourism sector	463,459,318	522,794,017
Institutions/RGOB	11,801,657	18,615,219
Housing Corporate	53,709,203	59,984,925
Total	786,759,099	857,771,198
B. Interest income from loan to members		
Housing	160,096,160	177,619,763
Education	262,920,247	271,753,100
Student loan	4,550,136	5,899,260
Member loan	229,367,212	181,000,303
Staff Incentive loan	5,212,427	4,932,508
Total	662,146,182	641,204,934
Total (A+B)	1,448,905,280	1,498,976,133

24. Income from bonds and commercial papers

Particulars	30-Jun-22	30-Jun-21
Dungsam Cement Corporation Ltd.	31,500,000	31,565,925
Druk Air Corporation Ltd.	72,406,446	83,729,391
Tashi Air Ltd.	11,250,000	11,276,113
Royal Insurance Corporation of Bhutan Ltd.	85,817,167	109,889,479
RSA Pvt. Ltd.	3,216,400	3,235,493
T Bank Ltd.	4,950,000	4,961,490
RGOB Bond	11,425,512	8,176,124
Total	220,565,525	252,834,015

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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

25. Rental income

Location	30-Jun-22	30-Jun-21
Thimphu	45,063,670	43,615,594
Phuentsholing	21,044,440	20,220,410
Samdrup Jongkhar	5,720,985	5,477,500
Samtse	783,480	747,640
Total	72,612,575	70,061,144

26. Dividend income

Particulars	30-Jun-22	30-Jun-21
State Trading Corporation of Bhutan Ltd.	1,102,500	-
Bhutan Ferro Alloys Limited	3,238,913	-
Dagachu Hydro Power Corporation Ltd.	10,285,429	-
Total Income from dividend	14,626,841	-

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

27. Other income/(Loss)

Particulars	30-Jun-22	30-Jun-21
Other Income		
Loan Processing fees	1,104,693	752,100
Transferred from lapsed Fund (3 years or more)	4,098,559	2,656,063
Miscellaneous income	13,568,183	4,006,753
	18,771,435	7,414,916
Gain/(loss) from changes in fair value of investment in equity instrument		
Gain/(loss) on financial assets measured at fair value through Statement of Comprehensive Income	(998,047,759)	(265,338,888)
	(998,047,759)	(265,338,888)



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

28. DC and DB management expenses

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

Particulars	Sr. Mgt. expenses	Admin. Expenses	Finance expenses	Investment expenses	IT expenses	RE expenses	Grand Total	DB - 65%	DC - 35%
Employee remuneration & benefits									
Salaries and wages	4,622,863	14,302,118	3,644,998	8,421,217	2,840,640	8,046,787	41,878,623	27,031,482	14,847,141
Defined contribution(PF)	471,138	1,625,156	406,035	979,994	420,009	906,569	4,808,700	3,103,882	1,704,818
Ex-gratia	511,516	(18,483,206)	2,103,559	1,092,064	489,461	745,842	(13,540,765)	(8,740,186)	(4,800,579)
Long term employee benefit(gratuity)	-	(86,921)	-	-	-	-	(86,921)	(56,105)	(30,816)
Terminal benefit	-	1,267,376	-	-	-	-	1,267,376	818,056	449,320
Medical expenses	-	307,799	-	-	-	-	307,799	198,676	109,123
Leave encashment	-	4,801,684	-	-	-	-	4,801,684	3,099,353	1,702,331
Leave travel concession	66,250	495,222	147,583	333,583	61,855	767,015	1,871,508	1,208,006	663,502
Other employee benefits	-	-	-	1,954,465	-	-	1,954,465	1,261,553	692,912
HRD expenses	-	5,272,817	-	-	-	-	5,272,817	3,403,456	1,869,361
Sub total (A)	5,671,767	9,502,045	6,302,174	12,781,322	3,811,965	10,466,013	48,535,287	31,328,173	17,207,113
Other operating expenses									
Communication/information charges	6,680	654,358	11,465	187,562	4,484,835	83,443	5,428,343	3,503,844	1,924,499
Books and periodicals	-	69,848	-	-	-	-	69,848	45,085	24,763
Travelling expenses	321,817	903,043	3,388	99,040	(30,800)	311,578	1,608,066	1,037,962	570,104
Office maintenance	-	2,463,448	-	-	-	181,428	2,644,877	1,707,194	937,683
RE routine maintenance	-	-	-	-	-	8,797,423	8,797,423	5,678,491	3,118,932
Office rent	-	280,877	-	-	-	-	280,877	181,298	99,579
IT expenses/AMC	-	210,260	-	-	7,625,308	-	7,835,568	5,057,640	2,777,927
Audit fees & expenses	-	-	386,498	-	-	-	386,498	249,474	137,024
Bank charges	-	-	33,444	-	-	-	33,444	21,587	11,857
Membership fees and subscription	2,235,230	50,600	-	100,000	-	-	2,385,830	1,539,987	845,843
Consultancy charges	977,766	506,000	-	-	500,000	-	1,983,766	1,280,466	703,300
Sitting fees and expenses	1,491,753	-	-	-	-	-	1,491,753	962,885	528,868
Hospitality expenses	260,343	891,797	(9,060)	140,290	71,157	184,736	1,539,263	993,551	545,712
Printing and stationery	48,140	559,257	48,002	246,679	31,225	122,019	1,055,322	681,181	374,141
Advertisement	-	1,002,819	-	26,855	-	64,029	1,093,703	705,955	387,748
Rates and taxes	-	36,535	-	0	-	3,587,839	3,624,374	2,339,432	1,284,942
Amortization of prepaid expenses	-	-	-	-	-	698,376	698,376	450,782	247,594
CIB report expenses	-	-	-	-	-	-	-	-	-
Miscellaneous expenses	71,320	349,076	(27)	(8)	-	1	420,362	271,332	149,030
Loss on sale of assets/derecognition	-	(18,187)	-	-	-	(1)	(18,188)	(11,740)	(6,448)
Write-off of loans	-	-	-	1,046,614	-	-	1,046,614	675,560	371,054
Sub Total (B)	5,413,050	7,959,731	473,711	1,847,031	12,681,725	14,030,872	42,406,119	27,371,966	15,034,152
Total (A+B)	11,084,817	17,461,776	6,775,885	14,628,354	16,493,690	24,496,885	90,941,406	58,700,139	32,241,265



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

DC and DB management expenses

continued

Particulars	DC Management expenses			DB Management expenses			Total expenses	
	after allotment of common expenses			after allotment of common expenses				
	DC Mgt. expenses	30-Jun-22 35% of common expenses	For the year ended 30-Jun-2021	DB Mgt. expenses	30-Jun-22 65% of common expenses	For the year ended 30-Jun-2021	For the year ended 30-Jun-2022	For the year ended 30-Jun-2021
Employee remuneration & benefits	2,453,458	14,847,141	19,676,933	4,466,895	27,031,482	31,498,377	48,798,976	51,010,515
Salaries and wages	263,056	1,704,818	2,159,871	478,934	3,103,882	3,434,928	5,530,690	5,594,799
Defined contribution(PF)	292,792	(4,800,579)	9,317,690	533,073	(8,207,113)	17,892,336	(12,714,900)	27,210,026
Ex-gratia	-	(30,816)	573,208	-	(56,105)	1,100,705	(86,921)	1,673,913
Long term employee benefit(gratuity)	-	449,320	1,278,155	-	818,056	2,454,383	1,267,576	3,732,538
Terminal benefit	-	109,123	49,750	-	198,676	95,532	307,799	145,282
Medical expenses	-	1,702,331	1,348,426	-	3,099,320	4,801,684	3,897,746	4,801,684
Leave encashment	106,358	663,502	769,860	193,642	1,208,006	1,401,648	990,105	1,520,716
Leave travel concession	-	692,912	43,198	-	1,261,553	82,951	1,954,465	126,149
Other employee benefits	-	1,869,361	258,735	-	3,403,456	496,837	5,272,817	755,573
HRD expenses	-	17,207,113	20,322,778	5,672,543	31,328,173	37,000,716	60,470,680	95,707,258
Sub total (A)	3,115,665	17,207,113	35,236,577	10,161	3,503,844	3,514,005	3,785,589	5,749,619
Other operating expenses	5,581	1,924,499	1,964,030	-	45,085	32,771	69,848	49,837
Communication/information charges	-	24,763	17,066	-	1,037,962	1,037,962	1,608,066	1,503,413
Books and periodicals	-	570,104	534,655	-	1,707,194	1,501,632	2,644,877	2,283,629
Travelling expenses	-	937,683	781,997	-	5,678,491	5,297,665	8,797,423	8,056,499
Office maintenance	-	3,118,932	2,758,835	-	181,298	172,729	280,877	262,680
RE routine maintenance	-	99,579	89,951	-	5,057,640	5,057,640	7,835,567	8,116,245
Office rent	-	2,777,927	2,779,979	-	249,474	158,462	386,498	240,984
IT expenses/ AMC	-	137,024	82,521	-	21,587	520,769	33,444	531,584
Audit fees & expenses	-	11,857	10,816	-	1,539,987	1,394,716	2,385,830	2,121,034
Bank charges	-	845,843	726,318	-	1,280,466	1,293,102	2,003,342	4,456,469
Membership fees and subscription	6,940	703,300	1,526,055	12,636	962,885	675,045	1,516,753	1,026,585
Consultancy charges	8,863	528,868	331,540	16,137	993,551	1,089,546	775,847	1,687,984
Sitting fees and expenses	52,726	545,712	356,938	95,995	681,181	827,259	1,306,348	1,824,332
Hospitality expenses	80,234	374,141	454,375	146,078	705,955	706,776	1,094,975	848,207
Printing and stationery	451	387,748	290,456	821	2,339,432	2,339,432	3,624,374	2,681,925
Advertisement	-	1,284,942	918,388	-	450,782	450,782	698,376	349,188
Rates and taxes	-	247,594	119,575	-	-	1,076,493	1,637,092	61,025
Amortization of prepaid expenses	69	149,030	20,897	126	271,332	271,458	420,557	47,045
CTB report expenses	-	(6,448)	16,110	-	(11,740)	30,935	(18,188)	47,045
Miscellaneous expenses	-	371,054	21,520	-	675,560	41,524	1,046,614	62,843
Loss on sale of assets/derecognition	-	-	-	-	-	-	-	-
Write-off of loans	-	154,864	14,446,228	281,954	27,371,966	28,598,792	42,842,936	43,045,020
Sub total (B)	3,270,529	32,241,265	49,682,806	5,954,497	58,700,139	64,654,636	100,166,431	138,752,278
Total (A+B)								



29. Provision for loans

Particulars	Provision charged to Loans	Provision charged to Statement of Comprehensive Income	Interest suspense charged to Interest Income from loans
A. Provision on Non-Performing Loan			
Provision as at 1st July 2021	67,838,265		
Provision as at 30th June 2022	78,625,986		
Adjustment of NPL due to Asset Pending Foreclosure Charged to Statement of Comprehensive Income		540,494	
		10,787,720	
B. Interest suspense			
Interest suspense as at 1st July 2021	14,101,021		
Interest suspense as at 30th June 2022	22,921,840		
Charged to Interest Income			8,820,819
Total as on 30th June 2022	101,547,825	11,328,214	8,820,819
A. Provision on Non-Performing Loan			
Provision as at 1st July 2020	106,781,217		
Provision as at 30th June 2021	67,838,265		
Adjustment of NPL due to Asset Pending Foreclosure Charged to Statement of Comprehensive Income		1,560,530	
		(38,942,952)	
B. Interest suspense			
Interest suspense as at 1st July 2020	15,743,077		
Interest suspense as at 30th June 2021	14,101,021		
Charged to Interest Income			(1,642,056)
Total as on 30th June 2021	81,939,286	(37,382,422)	(1,642,056)

Reconciliation of Provision between RMA Prudential Regulation and Bhutanese Accounting Standards

Particulars	30-06-2022	30-06-2021
Provision as per RMA Prudential Regulation (PR)	321,703,989	275,076,996
Adjustment of Standard provision as per RMA PR*	(243,078,003)	(207,238,731)
Provision as per Bhutanese Accounting Standards	78,625,986	67,838,265

Note: * The standard provision includes Nu. 80,884,049.27 additional provision kept on selected borrowers by RMA (Previous year Nu. 35,384,712.60).



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

A	Movement in present value of Defined Benefit Obligation	30-06-2022	30-06-2021
1	DBO at end of prior year	27,965,092	25,281,563
2	Current service cost	2,703,275	2,731,330
3	Past service cost	-	-
4	Interest cost	1,345,839	1,904,066
5	Benefits paid by the plan	-	-
6	Benefits paid directly by the employer	(8,738,816)	(2,961,483)
7	Actuarial (gain)/loss due to plan experience	(1,039,778)	1,009,616
8	Actuarial (gain)/loss - demographic assumptions	(792,282)	-
9	Actuarial (gain)/loss - financial assumptions	2,377,769	-
	DBO at end of the year	23,821,099	27,965,092
B	Movement in fair value of plan assets	30-06-2022	30-06-2021
1	Fair value at the beginning of the year	-	-
2	Contribution paid to the plan	30,467,215	-
3	Expected return on plan assets	2,132,705	-
4	Benefits paid from plan	-	-
5	Return on plan assets greater or (less) than discount rate	(2,132,705)	-
	Fair value at end of the year	30,467,215	-
C	Composition of plan asset	30-06-2022	30-06-2021
1	Bonds(Government/Corporate)	-	-
2	Gratuity savings/deposits in banks/insurance companies	30,467,215	-
3	Equities	-	-
	Total	30,467,215	-
D	Statement of Profit & Loss	30-06-2022	30-06-2021
1	Current service cost	2,703,275	2,731,330
2	Past service cost	-	-
3	Net interest cost on net defined benefit liability / (asset)	1,345,839	1,904,066
4	Expected interest on plan asset	(2,132,705)	-
	Net Cost for the year recognized in P&L	1,916,409	4,635,396
E	Other Comprehensive Income (OCI)	30-06-2022	30-06-2021
1	Actuarial (gain)/loss due to liability experience	(1,039,778)	1,009,616
2	Actuarial (gain)/loss due to liability assumption changes	1,585,487	-
3	Return on plan assets (greater)/less than discount rate	2,132,705	-
	Remeasurement (Gain) or Loss Recognized in OCI at year end	2,678,414	1,009,616
F	Development of Net Financial Position	30-06-2022	30-06-2021
1	Defined Benefit Obligation (DBO)	(23,821,099)	(27,965,092)
2	Fair Value of Plan Assets (FVA)	30,467,215	-
3	Funded Status (Surplus/(Deficit))	6,646,116	(27,965,092)
	Net Defined Benefit Asset/(Liability)	6,646,116	(27,965,092)



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

G Reconciliation of Net Balance Sheet Position		30-06-2022	30-06-2021
1	Net defined benefit asset/ (liability) at end of prior year	27,965,092	25,281,563
2	Amount recognized in Profit & Loss	1,916,409	4,635,396
3	Amount recognized in OCI	2,678,414	1,009,616
4	Contributions paid into the plan	-	-
5	Benefit paid by the employer	(8,738,816)	(2,961,483)
Net defined benefit asset/ (liability) at end of the year		23,821,099	27,965,092

H Expected benefit payments for the year ending		30-06-2022	30-06-2021
1	Less than a year	3,440,460	7,187,237
2	Between 1- 2 years	3,181,293	2,275,368
3	Between 2-5 years	10,375,913	9,823,898
4	Over 5 years	24,526,563	26,754,448
Total			

- i. Expected employer expense for the year ending 30 June 2023 is Nu. 1,958,992
- ii. Weighted average duration of defined benefit obligation is 13.63 years (30 June 2021-13.66 years)
- iii. Risk Exposure

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

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

a Discount Rate	30-Jun-22	30-Jun-21
Discount Rate	7.00%	8.00%
Effect on DBO due to 0.5% increase in discount rate	(1,113,597)	(1,116,425)
Effect on DBO due to 0.5% decrease in discount rate	1,204,017	1,202,838
b Salary escalation rate	30-Jun-22	30-Jun-21
Salary escalation rate	7%	7%
Effect on DBO due to 0.5% increase in salary escalation rate	1,261,528	1,289,983
Effect on DBO due to 0.5% decrease in salary escalation rate	(1,176,664)	(1,207,559)
c Attrition rate	30-Jun-22	30-Jun-21
Attrition rate	6%	5%
Effect on DBO due to 0.5% increase in attrition rate	(358,112)	(320,078)
Effect on DBO due to 0.5% decrease in attrition rate	382,719	340,583



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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

A Movement in present value of Defined Benefit Obligation		30-Jun-22	30-Jun-21
1	DBO at end of prior year	1,343,814	1,246,959
2	Current service cost	195,981	187,657
3	Past service cost	-	-
4	Interest cost	58,715	75,322
5	Benefits paid by the plan	-	-
6	Benefits paid directly by the employer	(505,031)	(305,429)
7	Actuarial (gain)/loss due to plan experience	(15,013)	139,305
8	Actuarial (gain)/loss - demographic assumptions	14,447	-
9	Actuarial (gain)/loss - financial assumptions	85,707	-
	DBO at end of the year	1,178,620	1,343,814
B Statement of Profit & Loss		30-Jun-22	30-Jun-21
1	Current service cost	195,981	187,657
2	Past service cost	-	-
3	Net interest cost on net defined benefit liability / (asset)	58,715	75,322
	Net Cost for the year recognized in P&L	254,696	262,979
C Other Comprehensive Income (OCI)		30-Jun-22	30-Jun-21
1	Actuarial (gain)/loss due to liability experience	(15,013)	139,305
2	Actuarial (gain)/loss due to liability assumption changes	100,154	-
3	Return on plan assets (greater)/less than discount rate	-	-
	Remeasurement (Gain) or Loss Recognized in OCI at year end	85,141	139,305
D Development of Net Financial Position		30-Jun-22	30-Jun-21
1	Defined Benefit Obligation (DBO)	(1,178,620)	(1,343,814)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(1,178,620)	(1,343,814)
	Net Defined Benefit Asset/(Liability)	(1,178,620)	(1,343,814)
E Reconciliation of Net Balance Sheet Position		30-Jun-22	30-Jun-21
1	Net defined benefit asset/ (liability) at end of prior year	1,343,814	1,246,959
2	Amount recognized in Profit & Loss	254,696	262,979
3	Amount recognized in OCI	85,141	139,305
4	Contributions paid into the plan	-	-
5	Benefit paid by the employer	(505,031)	(305,429)
	Net defined benefit asset/ (liability) at end of the year	1,178,620	1,343,814
F Expected benefit payments for the year ending		30-Jun-22	30-Jun-21
1	Less than a year	444,256	624,196
2	Between 1- 2 years	320,714	278,537
3	Between 2-5 years	1,022,173	948,490
4	Over 5 years	1,666,233	1,690,703



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- i. Expected employer expense for the year ending 30 June 2023 is Nu. 241,867
- ii. Weighted average duration of defined benefit obligation is 9.49 years (30 June 2021- 9.53 years)
- iii. Significant estimates: actuarial assumptions and sensitivity

a Discount Rate	30-Jun-22	30-Jun-21
Discount Rate	7.00%	8.00%
Effect on DBO due to 0.5% increase in discount rate	(40,494)	(40,215)
Effect on DBO due to 0.5% decrease in discount rate	44,501	43,042
b Carriage growth rate	30-Jun-22	30-Jun-21
Carriage growth rate	5%	5%
Effect on DBO due to 0.5% increase in carriage inflation rate	48,570	48,320
Effect on DBO due to 0.5% decrease in carriage inflation rate	(45,662)	(45,538)
c Attrition rate	30-Jun-22	30-Jun-21
Attrition rate	6%	5%
Effect on DBO due to 0.5% increase in attrition rate	6,748	8,978
Effect on DBO due to 0.5% decrease in attrition rate	(7,061)	(9,426)



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

A Movement in present value of Defined Benefit Obligation		30-Jun-22	30-Jun-21
1	DBO at end of prior year	2,577,641	2,363,797
2	Current service cost	354,742	316,242
3	Past service cost		
4	Interest cost	160,477	171,982
5	Benefits paid by the plan		
6	Benefits paid directly by the employer	(570,227)	(428,037)
7	Actuarial (gain)/loss due to plan experience	(505,878)	153,657
8	Actuarial (gain)/loss - demographic assumptions	(3,171)	-
9	Actuarial (gain)/loss - financial assumptions	169,958	-
DBO at end of the year		2,183,542	2,577,641
B Statement of Profit & Loss		30-Jun-22	30-Jun-21
1	Current service cost	354,742	316,242
2	Past service cost		
3	Net interest cost on net defined benefit liability / (asset)	160,477	171,982
Net Cost for the year recognized in P&L		515,219	488,224
C Other Comprehensive Income (OCI)		30-Jun-22	30-Jun-21
1	Actuarial (gain)/loss due to liability experience	(505,878)	153,657
2	Actuarial (gain)/loss due to liability assumption changes	166,787	-
3	Return on plan assets (greater)/less than discount rate		
Remeasurement (Gain) or Loss Recognized in OCI at year end		(339,091)	153,657
D Development of Net Financial Position		30-Jun-22	30-Jun-21
1	Defined Benefit Obligation (DBO)	(2,183,542)	(2,577,641)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/ (Deficit))	(2,183,542)	(2,577,641)
Net Defined Benefit Asset/(Liability)		(2,183,542)	(2,577,641)
E Reconciliation of Net Balance Sheet Position		30-Jun-22	30-Jun-21
1	Net defined benefit asset/ (liability) at end of prior year	2,577,641	2,363,797
2	Amount recognized in Profit & Loss	515,219	488,224
3	Amount recognized in OCI	(339,091)	153,657
4	Contributions paid into the plan	-	-
5	Benefit paid by the employer	(570,227)	(428,037)
Net defined benefit asset/ (liability) at end of year		2,183,542	2,577,641
F Expected benefit payments for the year ending		30-Jun-22	30-Jun-21
1	Less than a year	735,377	1,068,125
2	Between 1- 2 years	539,370	419,764
3	Between 2-5 years	1,611,578	1,466,090
4	Over 5 years	2,974,853	2,962,160

i. Expected employer expense for the year ending 30 June 2023 is Nu. 489,067



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- ii. Weighted average duration of defined benefit obligation is 10.52 years (30 June 2021- 10.54years)
- iii. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	30-Jun-22	30-Jun-21
	Discount Rate	7.00%	8.00%
	Effect on DBO due to 0.5% increase in discount rate	(81,338)	(82,386)
	Effect on DBO due to 0.5% decrease in discount rate	87,474	88,350
b	Salary escalation rate	30-Jun-22	30-Jun-21
	Salary escalation rate	7%	7%
	Effect on DBO due to 0.5% increase in salary escalation rate	93,239	96,673
	Effect on DBO due to 0.5% decrease in salary escalation rate	87,508	(91,011)
c	Attrition rate	30-Jun-22	30-Jun-21
	Attrition rate	6%	5%
	Effect on DBO due to 0.5% increase in attrition rate	(1,239)	3,012
	Effect on DBO due to 0.5% decrease in attrition rate	1,457	(3,081)

31. Additional information

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

Assets

Particulars	30-06-2022	30-06-2021
Current Assets		
Cash and cash equivalents	4,647,473,711	2,700,580,290
Trade receivables	309,911,463	8,582,789
Term deposits	2,516,447,684	1,112,665,763
Investments in bonds and commercial papers	43,676,807	314,636,135
Loans	696,876,303	193,733,120
Inventories	717,917	774,263
Other assets	3,902,686	96,479,924
Total current assets	8,219,006,570	4,427,452,283



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Assets

Particulars	30-06-2022	30-06-2021
Non- current assets		
Term deposits	19,275,120,375	18,958,902,583
Investments in bonds and commercial papers	2,069,750,759	2,233,202,406
Loans	17,846,302,323	17,429,051,909
Investments in equity shares	2,452,502,936	2,442,551,674
Investment property	1,189,696,196	767,195,528
Property plant and equipment	196,557,712	147,034,766
Intangible assets	86,595,286	64,377,558
Other receivables	1,374,370	1,374,370
Other assets	19,350,755	17,781,650
Total current assets	43,137,250,710	42,061,472,443
Total assets	51,356,257,280	46,488,924,727

Liabilities

Particulars	30-06-2022	30-06-2021
Current Liabilities		
Trade and other payables	968,357,651	188,324,108
Employee benefit obligations	-	1,946,370
Grant Liability	-	953,958
Other liabilities	1,999,411	1,813,586
Net Member's Defined Contribution(DC) plan*	1,424,621,916	1,706,627,736
Net returns credited to Member's DC plan*	(375,616,124)	588,989,376
Net Member's Defined Benefit (DB) plan*	937,541,091	1,230,158,779
Total current liabilities	2,956,903,946	3,718,813,911
Non- current liabilities		
Employee benefit obligations	1,996,151	35,023,907
Lapsed fund	20,369,000	12,053,916
Net Member's Defined Contribution(DC) plan*	10,153,371,388	8,446,743,652
Net returns credited to Member's DC plan*	5,885,104,778	5,295,115,402
Net Member's Defined Benefit (DB) plan*	29,197,669,060	27,968,510,282
Total non-current liabilities	45,258,510,377	41,757,447,159
Total liabilities	48,215,414,322	45,476,261,070

*The current portion (settled within 12 months) are provided based on the current contribution received and payout since exact contribution and settlement within 12 months cannot be determined.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

32. Distribution of Surplus

Particulars	30-Jun-22	30-Jun-21
Return on member's DC plan -Civil	855,348,325	823,555,266
Return on member's DC plan -Armed Forces	279,440,621	285,927,429
Return on member's DC plan -Private	1,005,083	102,918
Return on member's DB plan -Civil	1,521,918,652	1,545,120,148
Return on member's DB plan -Armed Forces	445,362,123	452,497,595
Transferred to general reserve (retained earning)	-	-
Transferred to lapsed fund reserve	4,098,559	2,656,063
Transferred to fair valuation reserve	(1,012,408,869)	(284,404,170)
Transferred to general reserve (adjustment of provision)	35,839,272	(4,901,740)
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit	(2,424,464)	(1,302,578)
Total	2,128,179,300	2,819,250,930

33. Fair value measurements**Financial instruments by category**

Particulars	30-Jun-22			30-Jun-21		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Cash and cash equivalents			4,647,473,711	-	-	2,700,580,290
Term deposits			21,791,568,058	-	-	20,071,568,346
Trade receivables			309,911,463	-	-	8,582,789
Investments in equity shares	2,452,502,936			2,442,551,674	-	-
Investments in bonds and commercial papers			2,113,427,566	-	-	2,547,838,540
Loans			18,543,178,626	-	-	17,622,785,029
Other receivables			1,374,370	-	-	1,374,370
Gratuity investment			-	-	-	-
Total financial assets	2,452,502,936	-	47,406,933,794	2,442,551,674	-	42,952,729,365
Financial liabilities						
Interest received in advance			383,238	-	-	479,239
Unidentified deposit			2,765,258	-	-	2,674,510
Security deposit third party			14,488,950	-	-	27,163,981
Security deposit (rent)			12,068,030	-	-	14,425,609
Security Deposit (Lease)			44,200	-	-	-
Excess member contribution			2,334,670	-	-	1,455,213
Security deposit - power / tenant			303,701	-	-	453,986
Housing / education loan closed A/c - credit balance*			24,791,406	-	-	66,860,955
Loan EMI Parking			844,115,414	-	-	-
Contribution Parking			-	-	-	-
Other payables			67,062,782	-	-	74,810,613
Total financial liabilities	-	-	968,357,651	-	-	188,324,108

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized 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.



Note to Financial Statements

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

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

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

Particulars	As at 30 June 2022			As at 30 June 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investments in equity shares						
Penden Cement Authority Ltd.	-	97,365,700	-	-	66,934,031	-
State Trading Corporation of Bhutan Ltd.	-	11,161,710	-	-	12,332,848	-
Bhutan National Bank Ltd.	-	1,186,903,032	-	-	1,369,773,859	-
Kuensel Corporation Ltd.	-	13,520,325	-	-	16,852,378	-
Druk PNB Ltd.	-	67,379,738	-	-	71,613,915	-
TBank Ltd.	-	5,258,358	-	-	149,661	-
Bhutan Insurance Ltd.	-	72,252,677	-	-	43,340,409	-
Dungsam Polymers Ltd.	-	2,051	-	-	9,112	-
GIC-Bhutan Reinsurance Co. Ltd.	-	23,303,726	-	-	38,896,910	-
Royal Insurance Corporation of Bhutan Ltd.	-	98,758,624	-	-	-	-
Bhutan Ferro Alloys Ltd.	-	128,324,610	-	-	-	-
Dagachu Hydro Power Corporation Ltd.	-	578,273,400	-	-	550,883,446	-
Credit Information Bureau	-	4,582,550	-	-	6,229,172	-
Financial Institutions Training Institute Ltd.	-	11,568,000	-	-	11,863,633	-
Dungsam Cement Corporation Ltd.	-	153,848,436	-	-	253,672,300	-
	-	2,452,502,936	-	-	2,442,551,674	-

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

- a) Fair value of corporate loans, term deposit and investments is approximately equal to the carrying amount as the interest rate charged is approximately same as the market rate of interest at reporting date.



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

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

Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. NPPF uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see 33(ii) above.

34. Financial Risk management

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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

(A) Credit risk

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

1) Loans (incl. loan commitments)

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

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

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

Particulars	30-Jun-22		30-Jun-21	
	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*	Loan outstanding at the end of reporting period	Collateral received for the loan sanctioned*
Loan to manufacturing & industries sector	3,477,233,537	16,150,608,000	2,939,911,024	25,664,496,000
Loan to service & tourism sector	6,319,370,229	9,216,022,000	6,568,410,671	13,671,536,000
Loan to institutions	117,106,812	521,300,000	230,514,805	521,300,000
Loan to housing (corporate)	730,517,869	890,000,000	782,116,099	965,060,000
Loan to members	8,000,498,004	8,865,349,721	7,183,771,715	8,480,498,453
Net exposure of the loan	18,644,726,451	35,643,279,721	17,704,724,315	49,302,890,453

* Value as on the date of sanction

Maximum credit risk exposure

In respect of the financial assets recognized in the statement of financial position, the maximum exposure to credit risk is represented by the carrying amount after



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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 36.a.

Loans to customers analyzed by sector concentrations is reflected in note 8. The loan is categorized 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-22		30-Jun-21	
	Loan amount	Provision	Loan amount	Provision
Total corporate loan	10,644,228,447		10,520,952,600	-
Total member loan	8,000,498,004	78,625,986	7,183,771,715	67,838,265
Interest suspense		22,921,840	-	14,101,021
Total	18,644,726,451	101,547,825	17,704,724,315	81,939,286

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 2022
Housing Loan	1,366,613,453.99	261,467,835.20	24,469,214.56	1,897,416.41	85,214,595.62	1,739,662,516
Education Loan	2,772,878,341.18	127,776,181.94	10,594,283.23	5,975,602.09	14,517,110.39	2,931,741,519
Members Loan	2,667,976,406.39	389,527,569.35	57,448,092.75	21,084,408.70	36,090,672.97	3,172,127,150
Staff Incentive loan	84,920,236.27	302,859.73	364,579.38	554,110.64	-	86,141,786
Student Loan Scheme	62,910,280.59	3,185,862.24	1,448,570.53	991,932.03	2,288,387.93	70,825,033
Manufacturing/Industry	3,477,233,537.00	-	-	-	-	3,477,233,537
Service & Tourism	6,319,370,229.20	-	-	-	-	6,319,370,229
Housing-Corporate	730,517,869.14	-	-	-	-	730,517,869
Institutional Loans	117,106,811.69	-	-	-	-	117,106,812
Grand Total	17,599,527,165	782,260,308	94,324,740	30,503,470	138,110,767	18,644,726,451



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 2021
Housing Loan	1,653,942,093	47,910,465	18,557,347	2,662,191	71,622,370	1,794,694,466
Education Loan	2,735,253,682	19,540,408	1,978,238	1,295,224	12,547,113	2,770,614,666
Members Loan	2,444,398,628	21,898,191	3,926,883	1,044,682	3,183,234	2,474,451,619
Staff Incentive loan	81,519,275	-	-	-	-	81,519,275
Student Loan Scheme	57,709,753	1,337,698	1,747,366	814,566	882,307	62,491,689
Manufacturing/Industry	2,939,911,024	-	-	-	-	2,939,911,024
Service & Tourism	6,568,410,671	-	-	-	-	6,568,410,671
Housing-Corporate	782,116,099	-	-	-	-	782,116,099
Institutional Loans	230,514,805	-	-	-	-	230,514,805
Grand Total	17,493,776,030	90,686,763	26,209,834	5,816,663	88,235,024	17,704,724,315

Impairment of loan

The loan outstanding which are overdue for more than 90 days are considered for impairment. For impairment recognized as at the reporting period, please refer note 29.

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-22		30-Jun-21	
	Amount	%	Amount	%
% of 10 largest loan exposure to fund size	9,504,860,995	18.51%	9,833,887,797	21.15%

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.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Industry Analysis

Particulars	Manufacturing & industries sector	Service & tourism sector	Housing Corporate	Institutions/RGOB	Members
Bonds	390,606,273	996,789,841		726,031,452	
Commercial paper					
Loans (gross)	3,477,233,537	6,319,370,229	730,517,869	117,106,812	8,000,498,004
Investment in equity share	957,814,196	40,832,585		1,453,856,154	
Bank balances and term deposits				26,439,037,423	

(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: (1) Pension fund, and (2) Provident fund.

1. A member of pension fund who has made 240 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.
2. 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 monthly "fund gap analysis". 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.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Maturities of financial liabilities

The tables below depict NPPF's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months are equal to their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities 30 June 2022	Less than 1 year	Total
Interest received in advance	383,238	383,238
Unidentified deposit	2,765,258	2,765,258
Security deposit third party	14,488,950	14,488,950
Security deposit (rent)	12,068,030	12,068,030
Security Deposit (Lease)	44,200	44,200
Excess member contribution	2,334,670	2,334,670
Security deposit - power / tenant	303,701	303,701
Housing / education loan closed A/c - credit	24,791,406	24,791,406
Loan EMI Parking	844,115,414	844,115,414
Contribution Parking	-	-
Other payables	67,062,782	67,062,782
Total financial liabilities	968,357,651	968,357,651

Contractual maturities of financial liabilities 30 June 2021	Less than 1 year	Total
Interest received in advance	479,239	479,239
Unidentified deposit	2,674,510	2,674,510
Security deposit third party	27,163,981	27,163,981
Security deposit (rent)	14,425,609	14,425,609
Security Deposit (Lease)	-	-
Excess member contribution	1,455,213	1,455,213
Security deposit - power / tenant	453,986	453,986
Housing / education loan closed A/c - credit	66,860,955	66,860,955
Loan EMI Parking	-	-
Contribution Parking	-	-
Other payables	74,810,613	74,810,613
Total financial liabilities	188,324,108	188,324,108

(C) Interest rate risk

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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

The NPPF's fixed rate financial assets are carried at amortized 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-22	30-Jun-21
Increase by 5%	122,625,147	122,127,584
Decrease by 5%	(122,625,147)	(122,127,584)

(E) Foreign currency risk

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

35. Capital management

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



Note to Financial Statements

*(All amount in BTN, unless otherwise stated)****Statutory Liquidity Ratio***

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

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

Limit on single largest and ten largest borrowers

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

Restrictions on investment

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

Asset Allocation

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

36. Other disclosure**a) Commitments**

Particulars	30-Jun-22	30-Jun-21
Capital expenditure for Real Estate development.	294,163,500	424,695,095
Loan	1,271,321,045	545,844,500



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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.

Particulars	30-Jun-22	30-Jun-21
Total rental expense relating to operating leases	280,877	262,680

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.

Particulars	30-Jun-22	30-Jun-21
Total rental income relating to operating leases	3,588,055	4,195,510

37. Related party disclosure

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

Transactions with related parties

The following transactions occurred with related parties:

Nature of transaction with related party	30-Jun-22	30-Jun-21
Loans to related parties and key management personnel		
Beginning of the financial year	12,142,410	18,714,066
Loans disbursed during the year	1,500,000	3,580,000
Loan repayment received	2,284,298	3,552,964
Interest charged	1,027,323	2,226,500
End of the year	12,385,434	20,967,602

Terms and conditions

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



Note to Financial Statements

*(All amount in BTN, unless otherwise stated)***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 includes NPB's executive and non-executive directors and their close family members.

Particulars	30-Jun-22	30-Jun-21
Short- term employee benefits	7,269,795	6,751,432
Post- employment benefits (PEB)	642,997	643,036
Other long- term benefits (OLTB)	431,987	411,557
Total	8,344,779	7,806,024



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RATIO ANALYSIS

Significant Ratio

Sl.No.	Ratios	2021-22	2020-21
	Funded ratio		
1	% Of Equity investment to fund size	4.78%	5.25%
2	% Of Fixed Income to fund size	82.65%	88.21%
3	% Growth in revenue	-22.35%	21.94%
4	% Of increase in fund size	10.47%	13.29%
5	% Of management expense to revenue	4.30%	4.62%
6	% Growth in Surplus	-24.46%	34.37%
7	% Of Rate of return	6.77%	7.96%
8	% Of pension payment to annual DB Contribution	36.07%	31.76%
9	% Increase in pension payout	22.18%	17.23%
10	% Gross NPL	0.76%	0.51%
11	% Net NPL	0.21%	0.05%

