



*Securing Future Together*

# ANNUAL REPORT 2024

A detailed review of NPPF's fiscal performance, investment outcomes, and policy measures undertaken to strengthen pension sustainability and operational efficiency.



[nppf.org.bt](http://nppf.org.bt)



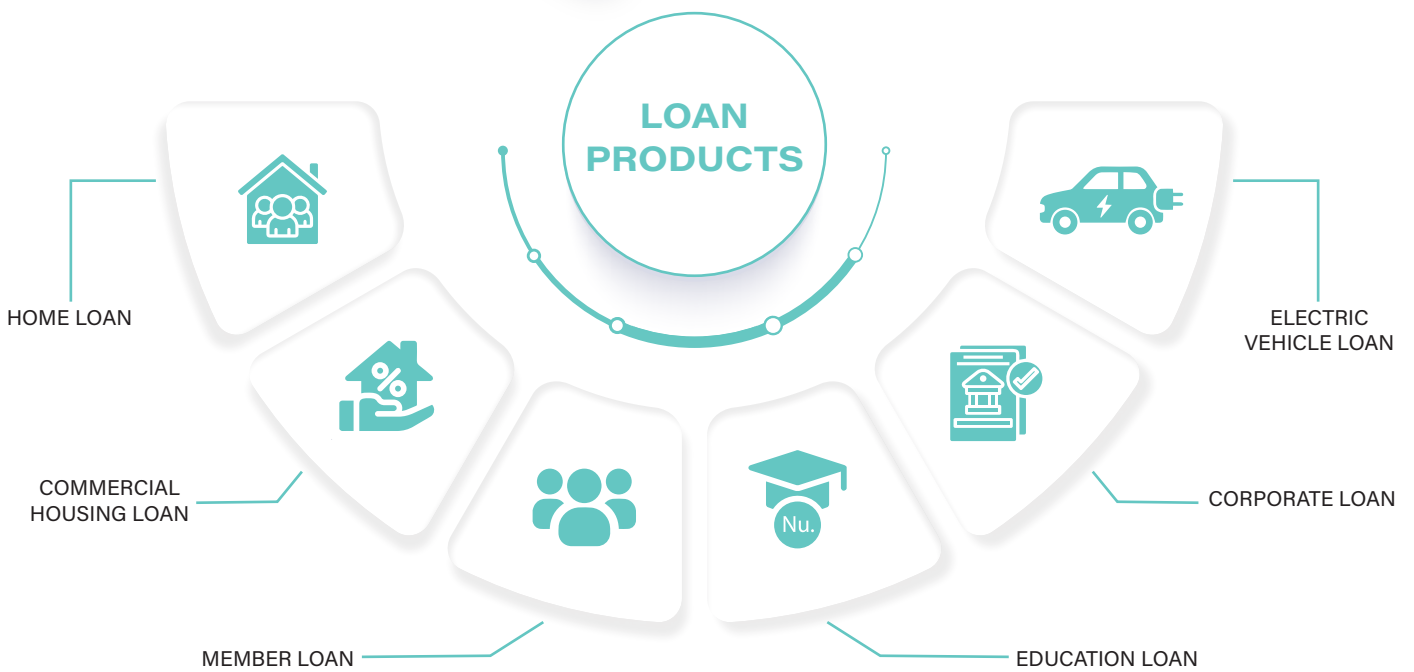


*Securing Future Together*

# Annual Report



# 2024



# CONTENTS

1	About NPPF
7	Vision, mission and core values
8	NPPF at a glance 2024
14	Board of directors Report
14	Operational Highlights Financial
20	Highlights
25	New developments

## NPPF Organization Profile

---

### About NPPF

The foundation of formal retirement income security in Bhutan dates to 1962 with the introduction of a gratuity scheme, followed by the establishment of the Government Employees Provident Fund (GEPF) in 1976. The GEPF provided retirement benefits to civil servants, corporate employees, and members of the Armed Forces.

With modernisation and rapid socio-economic development, the retirement scheme required further review. In 1998, His Majesty the Fourth Druk Gyalpo issued a Royal Kasho to the Ministry of Finance (MoF) and the Royal Civil Service Commission, emphasizing the need to reassess the existing retirement benefit schemes for the long-term welfare of government employees. Accordingly, the studies were carried out and GEPF operations separated from Royal Insurance Corporation of Bhutan Ltd. (RICBL). The National Pension and Provident Fund (NPPF) was established on 30th March 2000 to manage the GEPF taken over from RICBL. Once it was taken over by NPPF, GEPF was re-structured into hybrid model of Pension (Defined Benefit) and Provident Fund (Defined Contribution).

Demonstrating a commitment to expanding social security coverage to the whole Bhutanese citizens, NPPF introduced the Private Provident Fund (PPF) Scheme in November 2021. This initiative aims to enhance financial security for all Bhutanese who work outside the civil service, Armed Forces and public limited companies and joint venture. It also includes individuals working in the informal sector.

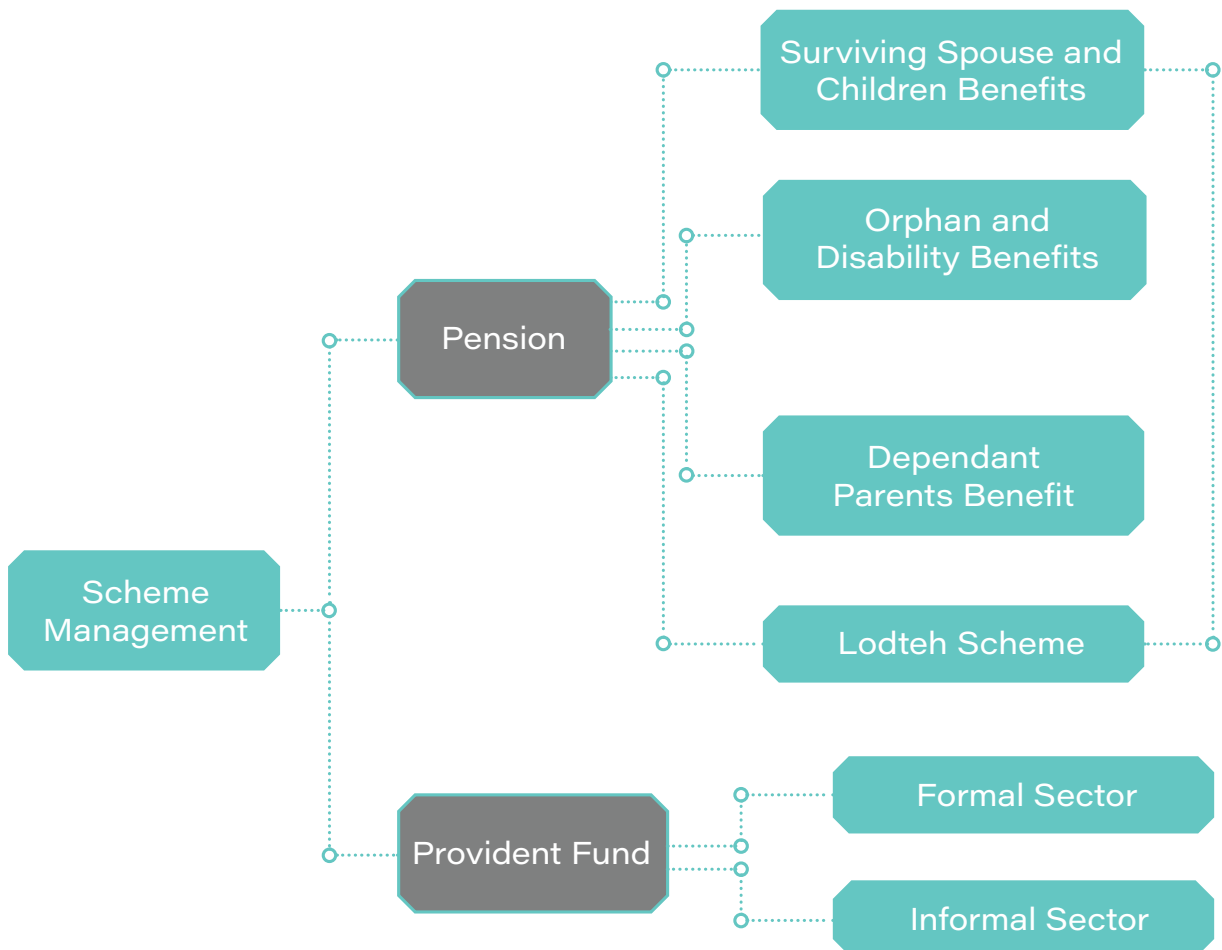
The Private Provident Fund Scheme is a strategic effort to address the challenges faced by workers without traditional employment contracts. By enabling regular contributions, it empowers individuals in the informal sector to build a secure future while promoting broader financial inclusion. As of December 31, 2024, NPPF has successfully enrolled a total of 3,439 members in the Private Provident Fund Scheme.

As mandated by the Executive Order, NPPF's core functions include:

### i) Scheme Administration

NPPF schemes were introduced in 2002 as a mandatory retirement savings plan for civil servants, employees of public corporations and enterprises, and members of the Armed Forces, aimed at ensuring income security after retirement.

Contributions to the pension and provident fund schemes are made by both employees and employers. Pension benefits are paid out monthly, while provident fund benefits are provided as a lump sum, including accrued interest, upon retirement.



## Tier I &amp; II Features

Parameters	Civil	RBA/RBG/RBP
<b>Standard Contribution Rate</b>	26%, 30%	30%
<b>Pension</b>	16%	19%
<b>Provident Fund</b>	10%, 14%	11%
	(Corporate Agencies contribute 22%, 26% and 30% based on their Pay Revision. 22%: 6% PF and 16% Pension 26%: 10% PF and 16% Pension 30%: 14% PF and 16% Pension	
<b>Type of Funding</b>	Partially funded PAYG	Partially funded PAYG
<b>Government Support</b>	Implicit Guarantee	Implicit Guarantee
<b>Minimum vesting period</b>	Minimum 23 years in service	20 years
<b>Maximum Contributory years</b>	30 years	
<b>Normal retirement age</b>	57,59,60,63	Rank wise retirement age
<b>Benefit level</b>	40% of last basic pay	55% of 3 years average pay
<b>Annual Pension Adjustment</b>	CPI or 5% p.a whichever is lower	CPI or 5% p.a whichever is lower
<b>Minimum Pension</b>	40% of the O4 level i.e. Nu. 5, 510/-	45% of maximum salary ceiling of the lowest rank
<b>Maximum Pension</b>	40% of maximum salary scale of EX1 level in the civil service	
<b>Spouse Pension</b>	50% of deceased member's pension or Nu.3, 500/-, whichever is higher	The total spousal benefit payable shall be 30% of the member's pension or 60% of the minimum pension payable, whichever is higher. Such benefits shall commence from the date of death of a member until the spouse(s) attains 50 years of age, death or remarriage whichever is earlier.  On the day the spouse(s) attains 50 years the total spousal benefits shall be enhanced to 50% of the member's pension or 60% of the minimum pension payable, whichever is higher. Such benefits shall be paid until date of death or remarriage whichever is earlier.
<b>Eligibility age for spouse</b>	50 years	Benefit paid on the date of contingency
<b>Children and Orphan</b>	3 children, less than 18 years at a time Child pension - Nu.1,200/- Orphan pension - Nu. 1, 700/-	3 children less than 18 years at a time. Child pension -15% of minimum pension Orphan pension 30% of minimum pension
<b>Dependent Parent</b>	50% of deceased member's pension or Nu.3, 500/-, whichever is higher provided that the parent attained 56 years	50% of deceased member's pension or 60% of minimum pension, whichever is higher, provided that the parent attained 56 years
<b>Member Permanent Disability</b>	40% of the last salary drawn or Nu. 3, 500/- 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

## Private Provident Fund

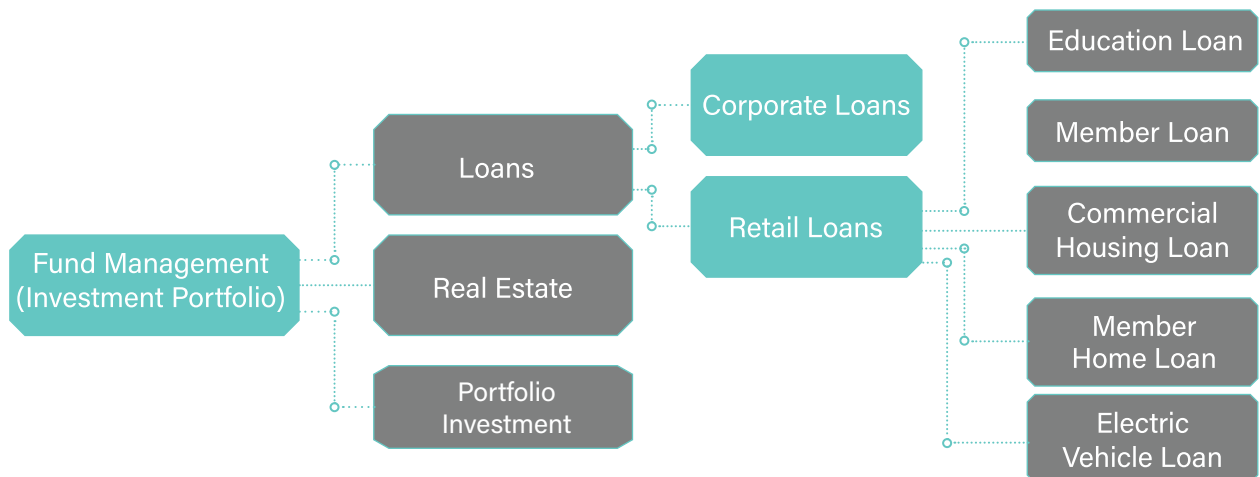
As per the Labor Act, employer contribution is 5% and employee contribution is 5% for member agencies. For self-employed/ informal sector, they can contribute from Nu. 1000 to Nu. 25,000 monthly.

\*\*\*Note: Initially, the minimum contribution for the self-employed/informal sector was Nu. 375/-, but this was increased to Nu.1,000/- in July 2024.

## ii) Fund Management

In addition to administering the schemes, NPPF has been entrusted with the fiduciary responsibility of making prudent investments of the accumulated funds. As a major non-banking financial institution, NPPF plays a key role in contributing to the country's economic development and is one of the largest players in the capital market development of Bhutan.

The fund's assets require careful management to ensure that retirees receive the promised benefits. To effectively manage the growing fund and improve its sustainability while providing better returns to Provident Fund holders, NPPF follows a prudent investment approach, guided by its investment policy. NPPF's investment portfolio includes Corporate Loans, Equities, Bonds, Treasury Bills, Commercial Papers, Retail Loans, and Real Estate.



NPPF's dual function marks a significant expansion of its operational scope, encompassing essential services such as contribution collection, recordkeeping, and benefit payments, while also extending to retirement planning. As a fund manager, NPPF has not only fulfilled its core responsibilities but has also played a key role in the development of the domestic capital market. Additionally, NPPF has demonstrated its commitment to enhancing its value proposition by introducing retail credit products.

A notable feature of NPPF's diversified credit offerings is the positive impact on members' lives. By providing access to credit for purposes such as home ownership, education, and skills development, NPPF actively supports the welfare and growth of its members and beneficiaries. This strategic approach aligns with broader societal objectives, promoting economic development and social progress.

In essence, NPPF has evolved beyond its foundational functions, becoming a dynamic force in financial services. The fund's focus on both long-term financial planning, through retirement services, and short-term empowerment, via innovative credit products, highlights its commitment to comprehensive member well-being and the continued development of the domestic financial sector.

## NPPF Slogan

Securing Future Together

- A Premier Organisation which secures the retirement lives of members through attractive security.
- Managing Retirement Schemes, which are inclusive, adequate, innovative, and sustainable.
- Managing Funds through prudent investment to enhance sustainability of the scheme.



**We take ownership and responsibility** – Accountability and Integrity

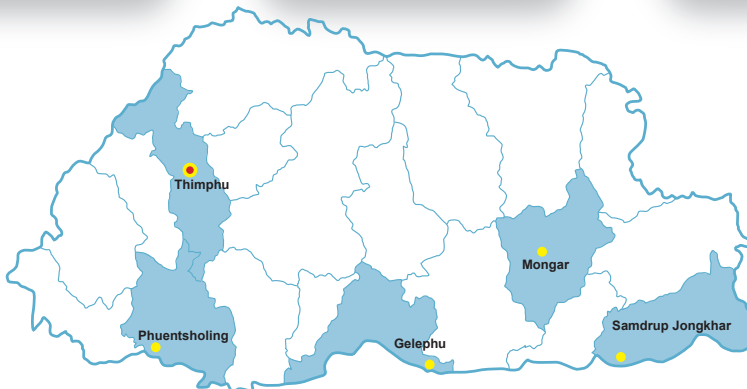
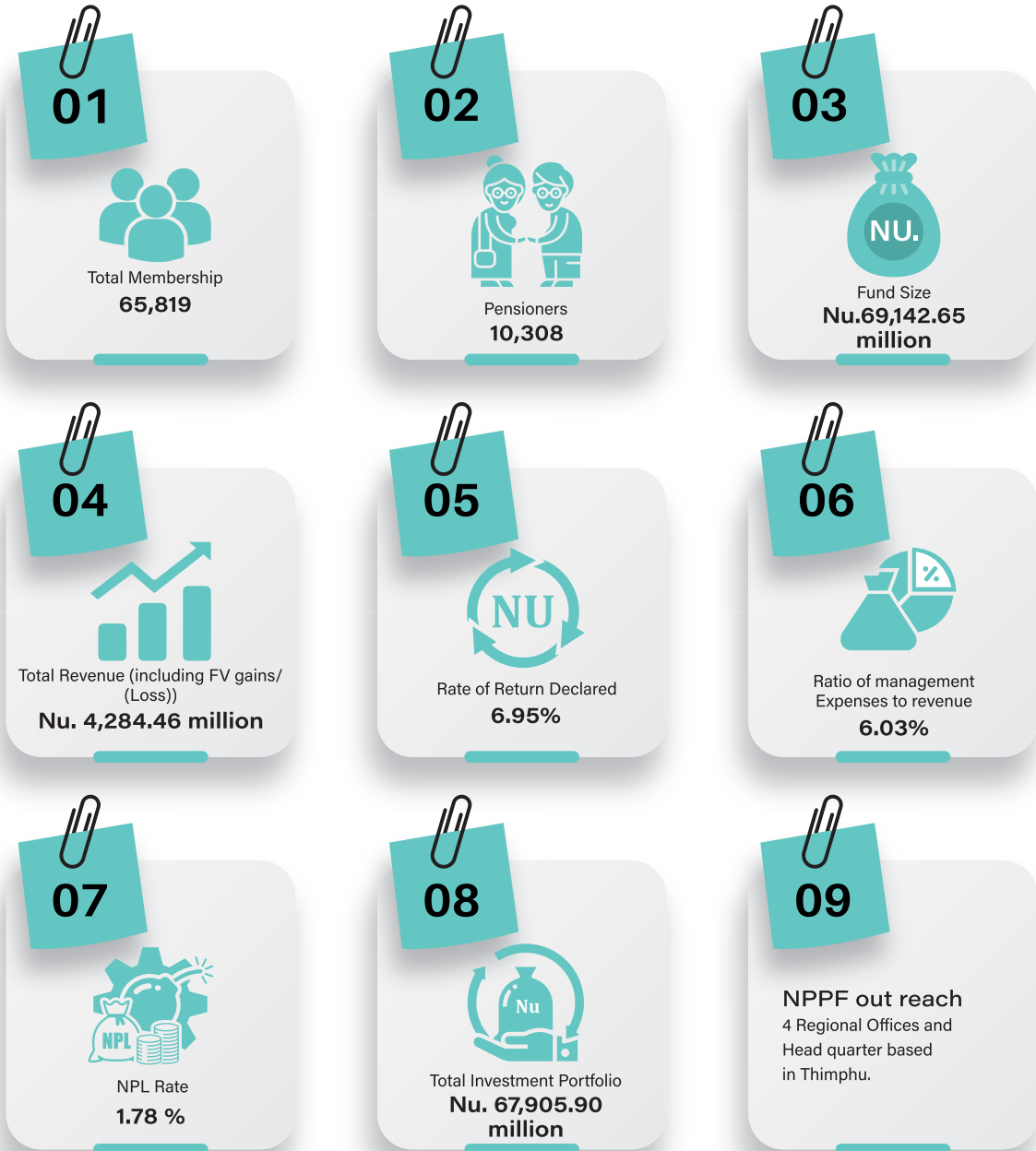
**We move fast** – Fast service, move ahead with technology and innovation

**We are empathetic** – Courteous and proactive

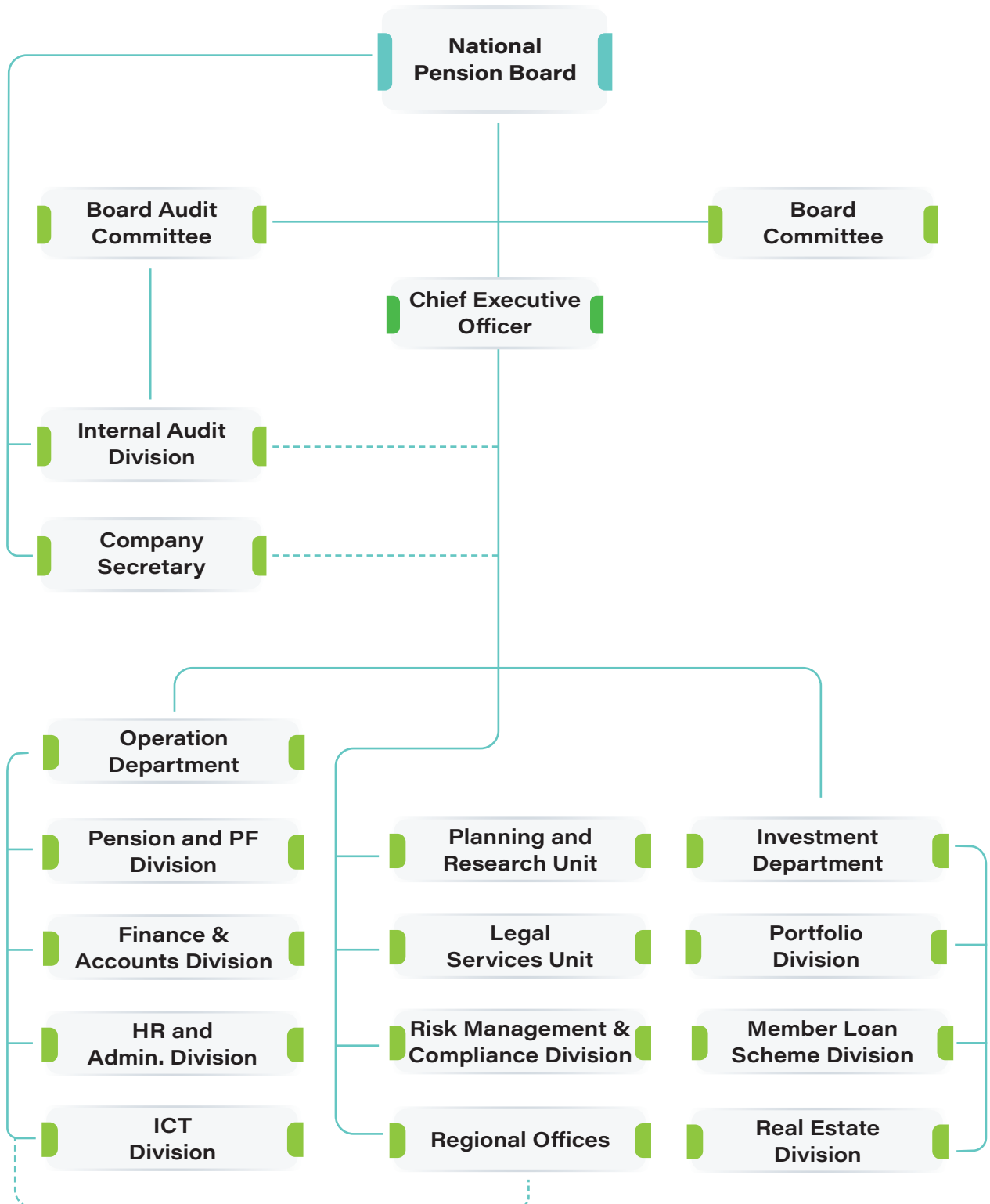
**We listen to improve** – Open to ideas, feedback and communicate effectively

**We take care of our customers and employees** – Happy employees lead to happy customers

## NPPF at a glance as of 31<sup>st</sup> December 2024



## Organogram



## Board Directors



### Dasho Karma Ngawang Ura

Karma Ura (PhD Economics) had the privilege of being a crucial team member in Planning Commission working on social and macroeconomic coherence in Bhutan's 7th, 8th, and 9th five-year plans. Since 1998, he has headed the Centre for Bhutan and GNH Studies in supporting the government and the society through various research activities, including incorporating happiness and wellbeing as the societal goal. His works offer critical analysis integrating ethics, statistics, and aesthetics.

### Chencho T Namgay



With a master's in business administration from Asian Institute of Management, Philippines, Mr. Chencho Tshering Namgay has over 22 years of experience under various capacities such as investment management, governance, strategic management, and project management.



### Kaka

Mr. Kaka has a master's degree in international and development economics with merit from the Australian National University, Canberra, Australia. With over 19 years of work experience in various organisations and fields, his expertise mainly lies in administration, planning, research, governance, and analytics, among others.



### Colonel Kinley Penjor

With a master's in business administration in HR, Colonel Kinley Penjor has served the Royal Bhutan Army for over 29 years.

### Dorji Penjor



With a master's in business administration (Specialized in corporate strategy and economic policy) from Maastricht School of Management, The Netherlands, Mr. Dorji Penjor has over 29 years of experience in banking under various capacities such as operations management, research and development, Fintech, governance, strategic management, and project management.

## Management



**DIRECTOR**  
Operations Department



**CHIEF EXECUTIVE OFFICER**



**DIRECTOR**  
Investment Department

## Senior Management



**CHIEF**  
Human Resource &  
Administration Division



**CHIEF**  
Finance and Accounts  
Division



**CHIEF**  
Member Loan  
Division



**CHIEF**  
Pension and Provident  
Fund Division



**CHIEF**  
ICT Division



**CHIEF**  
Internal Audit Division



**CHIEF**  
Real Estate Division



**CHIEF**  
Portfolio Investment  
Division



**CHIEF**  
Risk Management &  
Compliance Division



**Company Secretary**



**HEAD**  
Legal Services Unit



**HEAD**  
Planning & Research Unit

## Regional Heads



**HEAD**  
Phuntsholing Region



**HEAD**  
Samdrup Jongkhar Region



**HEAD**  
Mongar Region



**HEAD**  
Gelephu Region

## Initiatives

### A. Expense Reengineering Initiatives

- ☁ The management undertook the internal wall painting of the Thimphu Thromde office commercial building work departmentally rather than outsourcing it, leading to cost savings for Nu. 82,451.51/-. The approved budget was Nu. 389,620/-, while the total capitalized budget was Nu. 307, 168.49/-.

### B. Beautification of Head Office

- ☁ Establishment of an Executive Lounge designed as an open reading space for relaxation and productivity.
- ☁ Development of a Zen Garden on the ground floor and the 4th floor, fostering a serene and inspiring environment.
- ☁ Opening a canteen within the NPPF Complex to provide convenient dining options for employees and visitors.

### C. Enhancements of NPPF's Website

- ☁ Launch of NPPF's new website, setting a new benchmark for user experience. With improved speed, enhanced navigation, and innovative features like a media gallery, blogs, and e-newsletters, the website aims to deepen engagement with clients and stakeholders.
- ☁ Introduced a Media Center section on the NPPF website to provide updates and insights into organisational activities and milestones.
- ☁ Developed a Flat Agreement System to simplify property agreements and enhance operational efficiency, enabling the online tracking of tenant information and ensuring reliable data management for future use.

### D. Other Initiatives

1. NPPF launched loan facility for Private Provident Fund members on October 2, 2024. Members are eligible for loan approvals up to a maximum of Nu. 500,000/- based on their years of contribution to the fund and repayment capacity.
2. Following the Board's approval, significant changes were implemented to the Armed Forces pension system (Parametric Reforms for the Armed Forces):
  - ☁ Monthly pension calculations will now be indexed to the average of the last three years of salary before retirement.

- ☞ A revised pension formula for Armed Force was Introduced, Structures as Average Salary (last 3 years) × 55% × (Pension Service Limited to 31 Years)/31
  - ☞ Revised the retirement age for civilians working within the Armed Forces, as per the directive issued on May 30, 2024 (Letter No. 581/Q/BC/2024/27).
3. NPPF acquired a corporate Udemy license to promote ongoing professional development and cultivate a learning culture among its employees. For the fiscal year 2024, NPPF completed 57 courses, accumulating a total of 336.33 hours of learning.
  4. NPPF conducted a survey and analysis regarding the vesting period for civil servants, focusing on the minimum duration of service required to qualify for pension benefits.

## Board of Director's Report

---

It is with great pleasure that I present the National Pension Board's (NPB) report for the fiscal year 2024, in my capacity as Chairperson. This report embodies the collaborative efforts of the Board of Directors and the dedicated management team in fulfilling our shared mission of securing the financial future of our members.

NPPF continued to build on the momentum gained post-COVID-19, navigating challenges with resilience and agility. The experiences of the past few years have reinforced the importance of adaptability, prompting strategic shifts in how we design and deliver our services. These insights have led to key restructuring initiatives aimed at strengthening institutional resilience and optimizing member-centric service delivery.

As part of ongoing reform efforts, the Board, in close coordination with management, undertook proactive measures to streamline operations and enhance governance. These efforts remain anchored in NPPF's core mandates—particularly scheme administration and prudent fund management. Together, we reaffirmed our commitment to uphold fiduciary responsibilities with the highest standards of transparency and accountability.

The year 2024 was a year of remarkable growth and financial performance. NPPF achieved a surplus of Nu. 3,161.08 million. The Board declared a return of 6.95% to be distributed to members. The total fund size grew significantly from Nu. 65,068.42 million to 69,142.65 million, representing a 6.26% increase over the previous year. These results demonstrate our strong financial stewardship and investment strategy.

The Board remains fully committed to upholding strong corporate governance standards. Each Director continues to fulfill their role with dedication and integrity, contributing meaningfully to the Fund's long-term objectives. As we move into 2025, we are confident that NPPF is well-positioned to continue its journey of delivering sustainable growth, ensuring long-term value for members and stakeholders.

On behalf of the Board, I extend my sincere appreciation to the management and staff of NPPF for their hard work and unwavering commitment to serving our members, pensioners, beneficiaries, and partners with excellence and pride.

We look forward to another year of progress and partnership.



Dasho Karma Ngawang Ura  
Chairperson

## Chief Executive Officer's Report

---

It is a privilege to present to our members and stakeholders the key achievements of NPPF in 2024.

## Financial Highlights

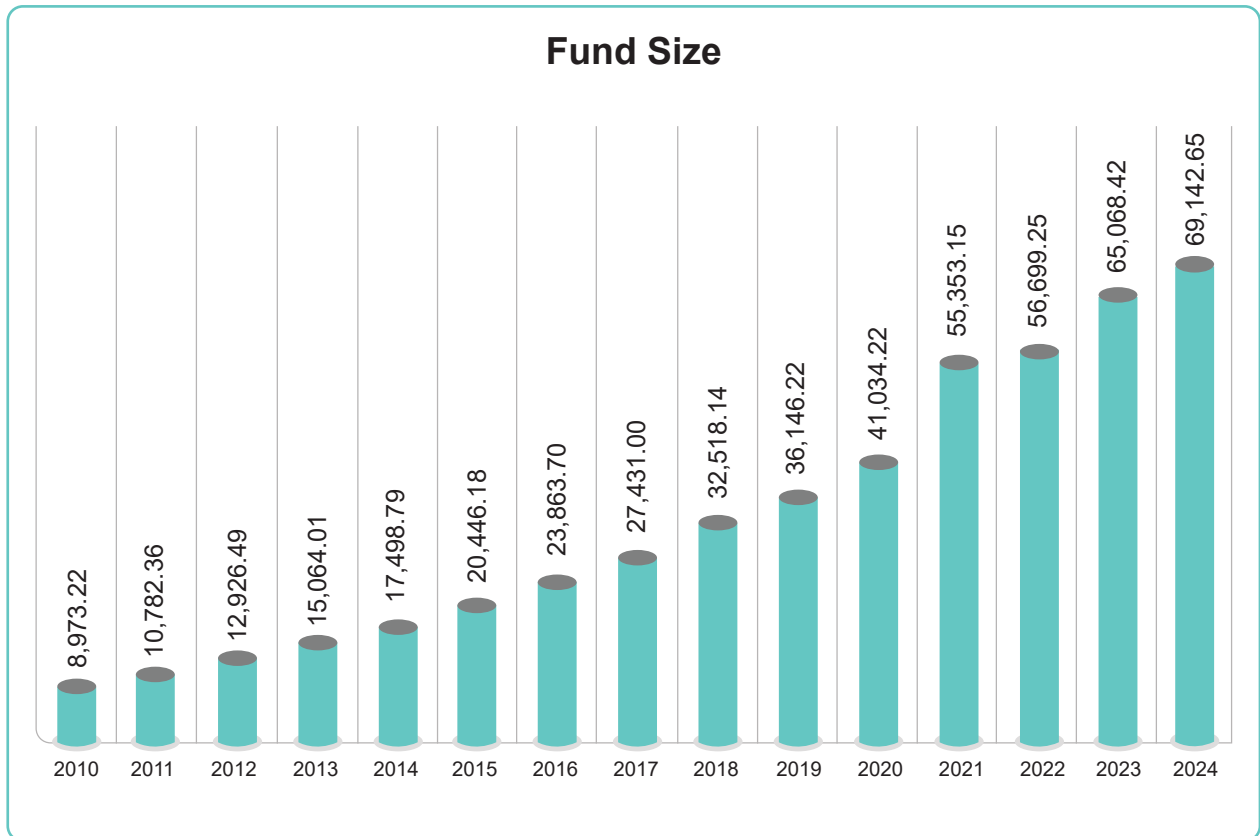
---

During the year, NPPF made significant investments, achieving a return of 6.95%, which was distributed to our members. Additionally, NPPF recorded a surplus of Nu. 3,161.08 million (surplus at cost Nu. 3,748.34 million), further strengthening its financial position. Today, NPPF stands as a key player in Bhutan's capital market, consistently delivering record-high investment returns.

In response to the evolving economic landscape, we have reviewed our Investment Policy to enhance long-term financial sustainability. This review aims to generate higher returns to help reduce overall pension scheme costs while effectively managing market fluctuations and mitigating potential risks. By maintaining a strategic balance between risk and return, NPPF strives to minimize the risk and extent of underfunding. This is essential, as pension schemes have a fiduciary responsibility to safeguard members' capital and ensure stable, long-term returns.

## Fund Size

NPPF's total assets grew from Nu. 65,068.42 million in FY 2023 to 69,142.65 million in FY 2024, marking a 6.26% increase.

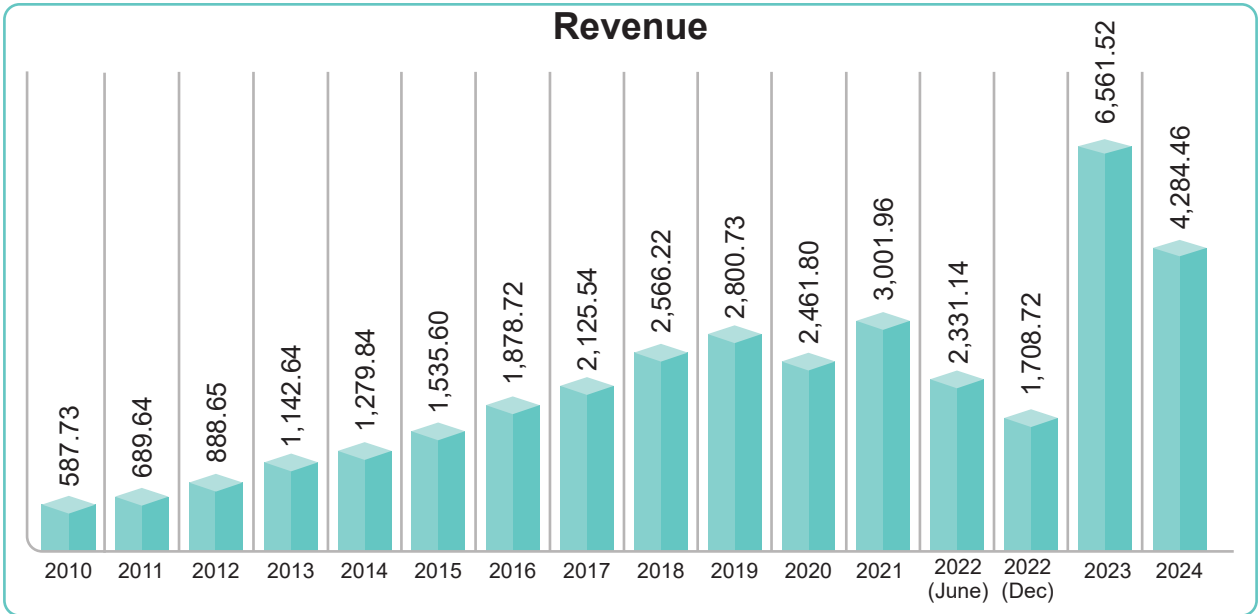


(In Million Nu)

## NPPF Revenue

NPPF's revenue comprises income from term deposits, treasury bills, bonds, loans, rental earnings, dividend income, and other sources. It also includes fluctuations in the fair value of investment properties.

Against the target revenue of Nu. 4,134.63 million for 2024, NPPF generated a total revenue of Nu.4,223.49 million at cost. At fair value, the total revenue stood at Nu. 4,284.46 million.

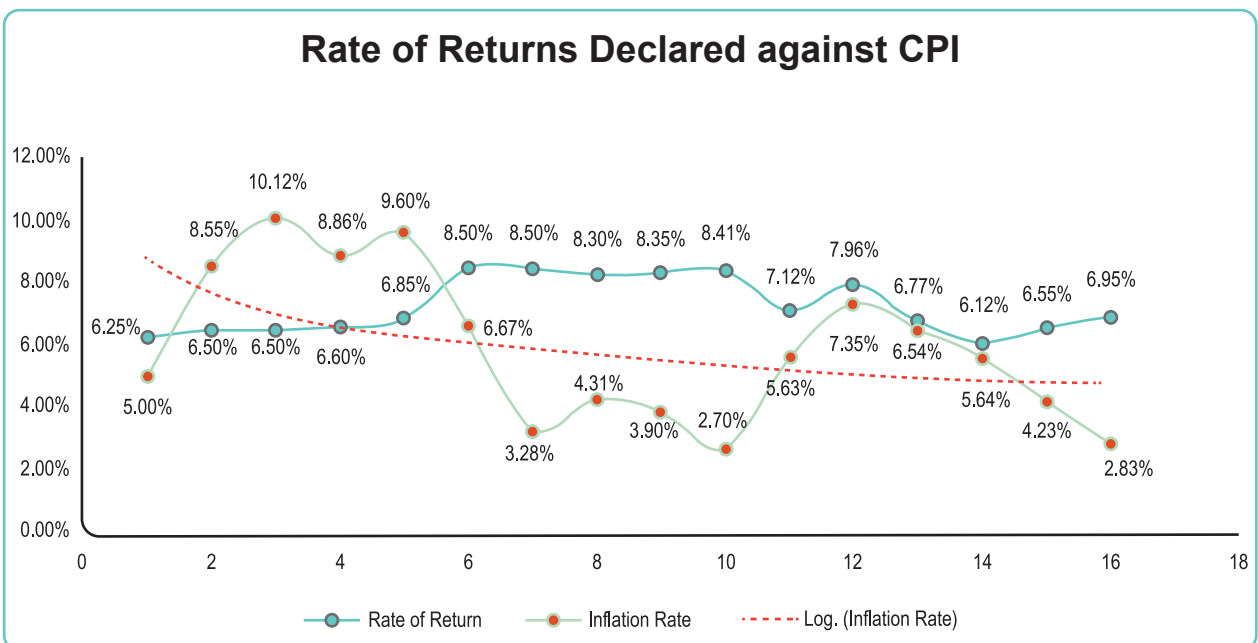


(In Million Nu)

Note\*For the year 2022 six months, interim revenue has been reflected (June and December), due to change from accounting year to calendar year.

### Rate of return

NPPF achieved a return of 6.95%, compared to the annual inflation rate of **2.83%** recorded in December 2024. Studies indicate that return on investment is a key factor in pension sustainability, with a 1% increase in the rate of return potentially extending the pension sustainability horizon by more than a year. Therefore, consistent improvement in investment revenue remains critical for NPPF, especially in the face of evolving demographic and labor market challenges beyond its control.



## Investments

Enhancing returns on investment remains a priority for NPPF, especially in the face of evolving demographic challenges beyond its control. While parametric reforms within the pension scheme are essential, a robust investment strategy is equally crucial to strengthening the fund's asset-liability balance.

At the core of NPPF's fund management approach is a careful balance between risk and reward. This involves strategically allocating assets in line with the Investment Policy to maximize returns while maintaining financial stability. Prudent fund management is achieved through regular portfolio analysis, ongoing research and development in financial analysis, cash and treasury management, corporate finance, and risk-managed investments.

## Loan Investments

As of December 31, 2024, NPPF's total loan portfolio stood at Nu.20,386.42 million, marking a growth of 13.02% from Nu.18,038.45 million recorded in 2023. This portfolio comprises both corporate and retail loans and constitutes the second largest component of NPPF's investment portfolio, representing 30.02% of total investments portfolio. The Non-Performing Loan (NPL) ratio was maintained at 1.78%, indicating a sound credit quality and prudent risk management.

## Government and Corporate Bonds

The share of government and corporate bond holdings increased by 0.39%, now representing 12.52% of the total investment portfolio. These fixed-income investments continue to provide steady returns while maintaining portfolio stability.

## Real Estate Investments

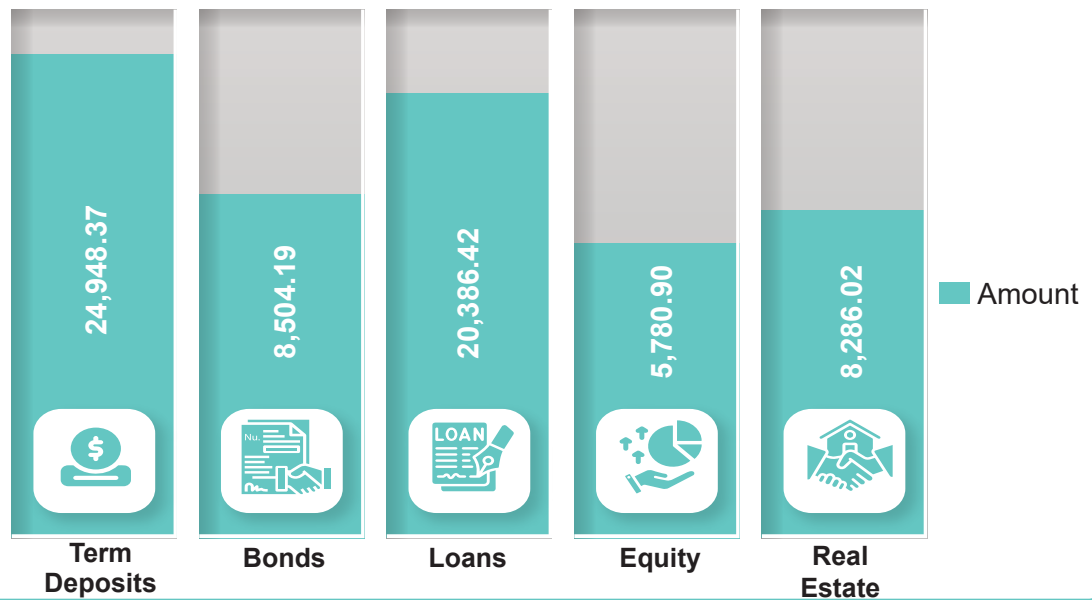
Real estate remains a crucial asset class within NPPF's investment portfolio, offering long-term financial sustainability. Given the long-term nature of pension liabilities, real estate investments align well with NPPF's Liability-Driven Investment (LDI) strategy, acting as a hedge against inflation. Beyond financial returns, real estate assets generate consistent rental income, enhancing overall fund stability.

In 2024, the share of real estate investments grew by 0.30%, now constituting 12.20% of the total investment portfolio. This share is expected to rise further with the full implementation of NPPF's 10-year real estate investment plan, which was revised in 2024. To optimize the utilization of unoccupied properties, land lease guidelines have been developed to enhance rental income. Additionally, the Real Estate Division initiated an assessment of NPPF's buildings to evaluate their value, condition, and potential opportunities for revenue growth.

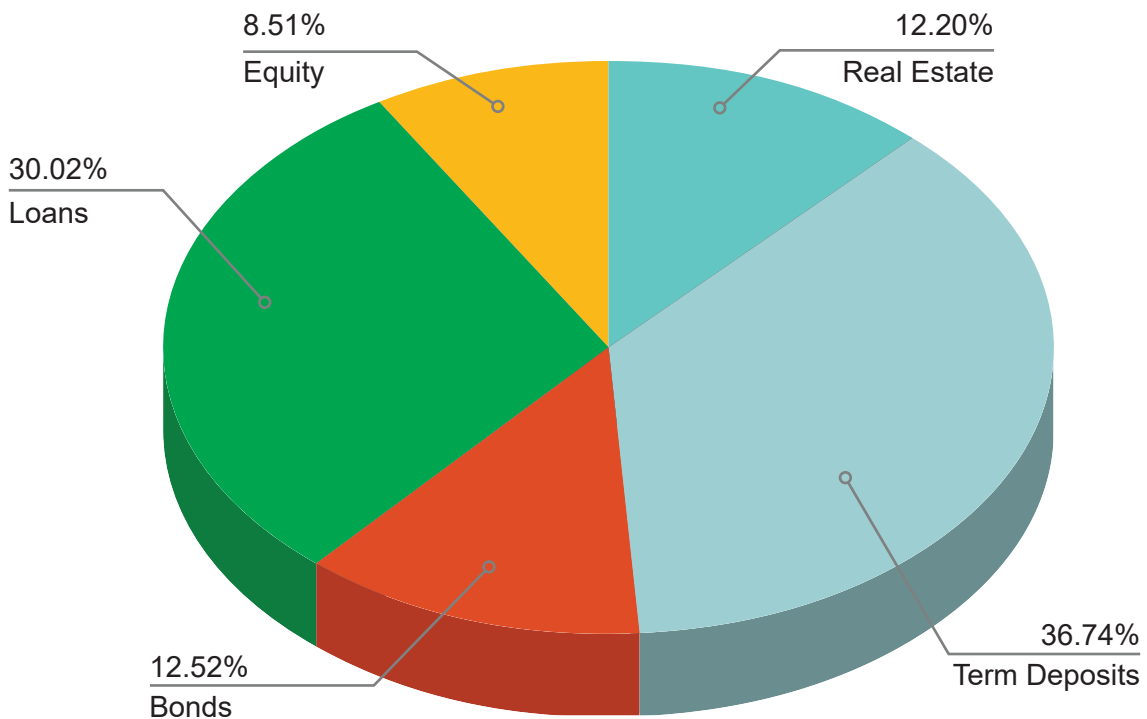
## Fixed Deposits and Short-Term Investments

The investment in Fixed deposit constitutes 36.74% of its total investment portfolio. While cash and short-term deposits are kept at minimal levels, NPPF prioritizes high-return, long-term investments. However, in the current economic climate characterized by slow growth, Fixed Deposits have proven to be a reliable revenue source, contributing significantly to overall returns.

**Portfolio Category and Amount in Million Nu**



**% to Total Investment Portfolio**



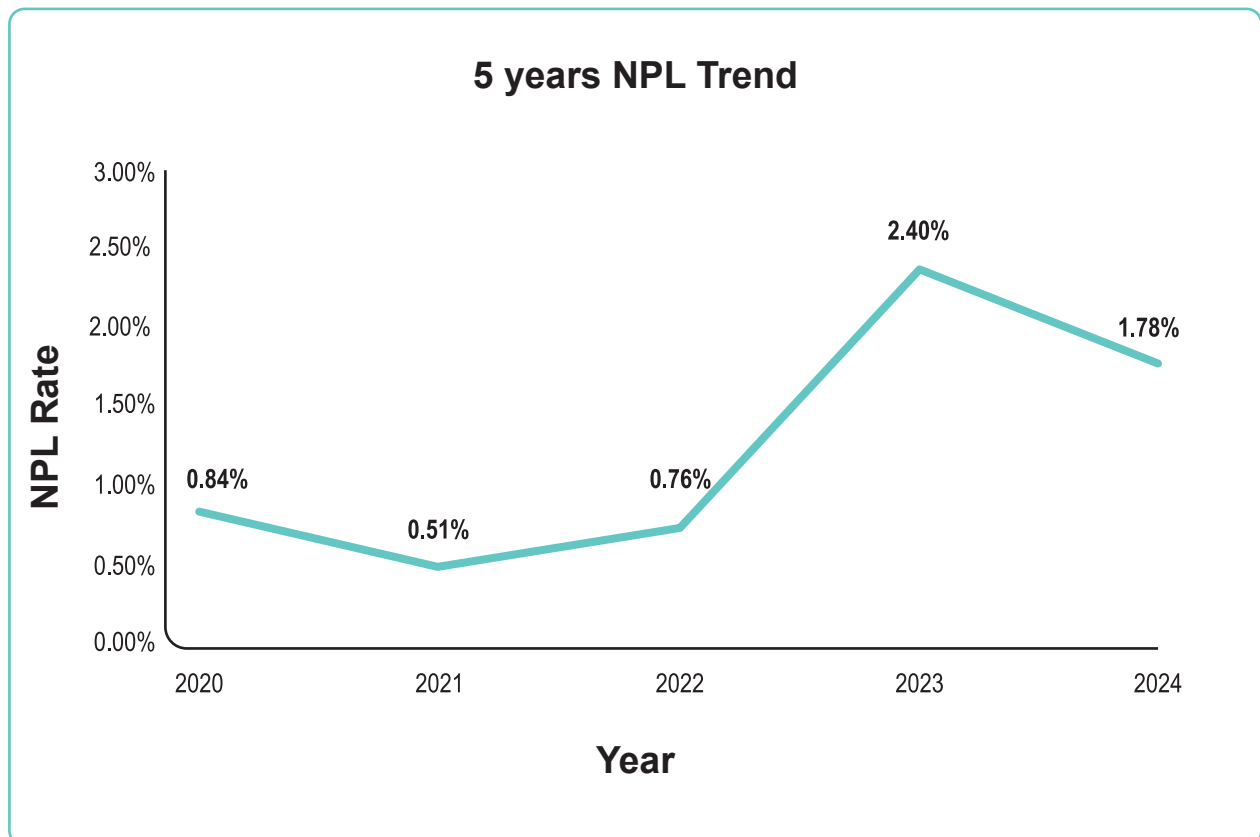
## Credit Quality

As mandated by the Executive Order and regulatory authorities, NPPF serves a limited clientele comprising civil servants, corporate employees, and members of the Armed Forces.

In 2024, non-performing assets stood at 1.78%, well below the maximum target limit of 5% as per Prompt Corrective Action framework 2022 (PCA) issued by RMA. This is a significant achievement, especially given the adverse economic conditions and the industry benchmark for NPL at 10%. This success underscores NPPF's strong credit appraisal procedure and risk management frameworks, ensuring financial stability within its lending operations.

Recognising the critical role of investments in ensuring fund sustainability, NPPF is focusing on strategic, liability-driven assets that generate long-term returns. To diversify its portfolio, NPPF is strengthening its business development function and conducting in-depth research to identify new investment opportunities.

Moving forward, NPPF remains committed to enhancing its Investment Policy, aligning it with prevailing economic conditions and global trends in pension sustainability. By adopting prudent, forward-looking financial strategies, NPPF aims to secure the long-term financial well-being of its members while navigating evolving economic challenges.



## Operational Highlights

### Expanding Retirement Security in Bhutan

Since its establishment, the National Pension and Provident Fund has been instrumental in managing Pension and Provident Fund (PF) schemes tailored for the formal sector, covering civil servants, members of the Armed Forces, state-owned enterprises, and corporations.

Currently, NPPF covers approximately 12.69% of the working-age population and 9.80% of the total population. However, recognising the challenges of the existing Pension Scheme, particularly in terms of sustainability and accessibility, NPPF has actively pursued initiatives to extend coverage to the informal sector. With minimum contribution options ranging from Nu. 1,000 to Nu. 25,000, this initiative aims to broaden financial security for a more diverse workforce and promote inclusive retirement planning across Bhutan.

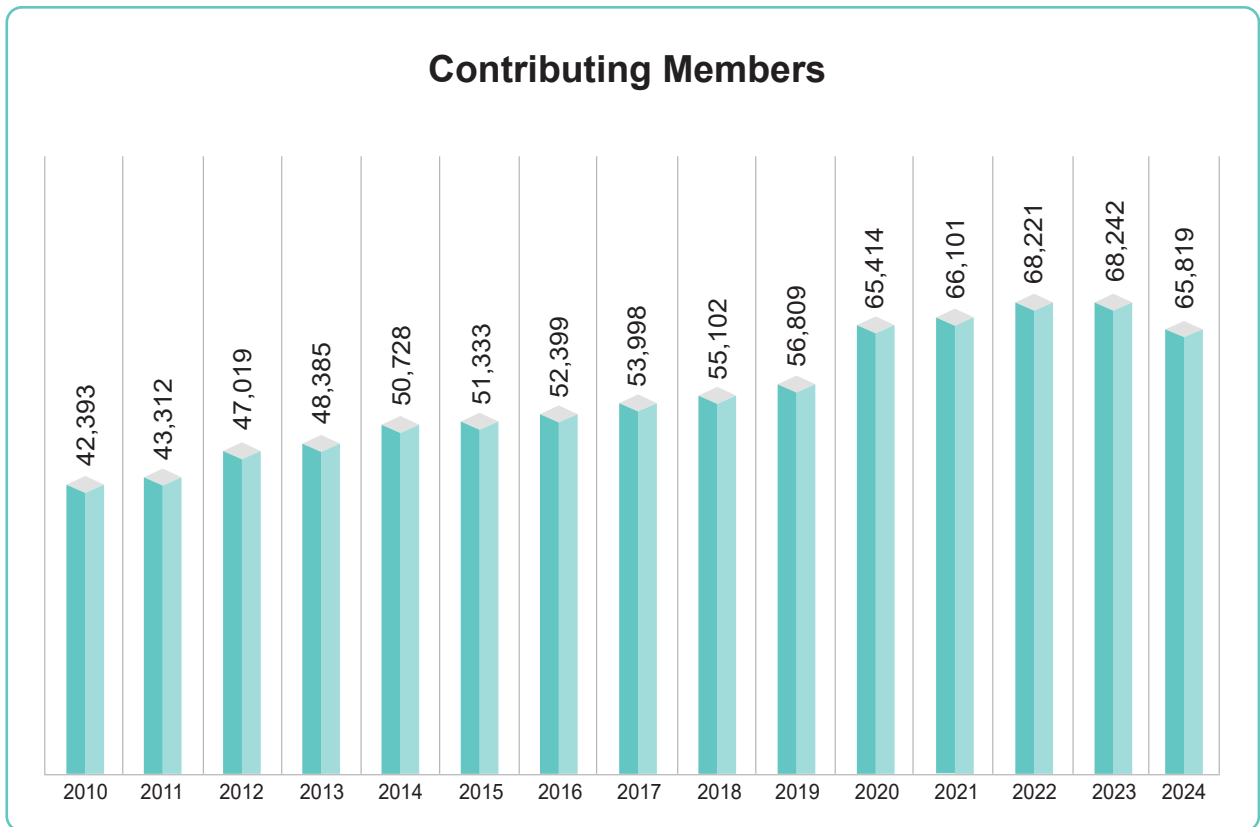
### Membership and Beneficiary Growth

As of December 31, 2024, NPPF recorded a total of 62,380 active members from the civil service, state-owned enterprises, and the Armed Forces under the formal Pension and Provident Fund Scheme. Additionally, 3,439 active members from the private sector have also been enrolled.

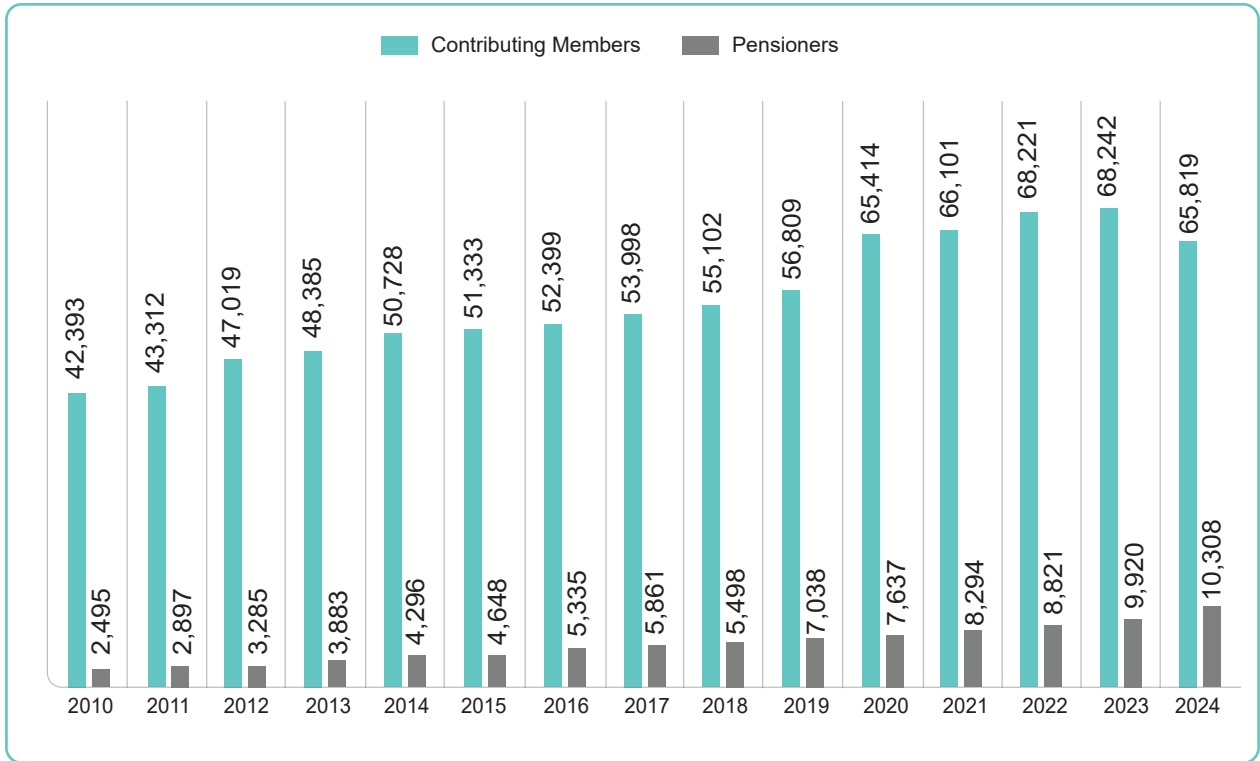
The number of pension beneficiaries, including those receiving orphanage, dependent parents, disabilities, and surviving spouse benefits, increased to 10,308 , reflecting a 3.91% growth from 9,920 beneficiaries in the previous year.

SL #	Beneficiaries Type	Count
1	Early Pension beneficiaries	2,013
2	Normal Pension beneficiaries	5,814
3	Disability benefit beneficiaries	6
4	Spouse benefit beneficiaries	1,392
5	Children benefit beneficiaries	1,034
6	Orphan benefit beneficiaries	18
7	Dependent Parent benefit beneficiaries	31
	<b>Total</b>	<b>10,308</b>

Data as of 31<sup>st</sup> December 2024



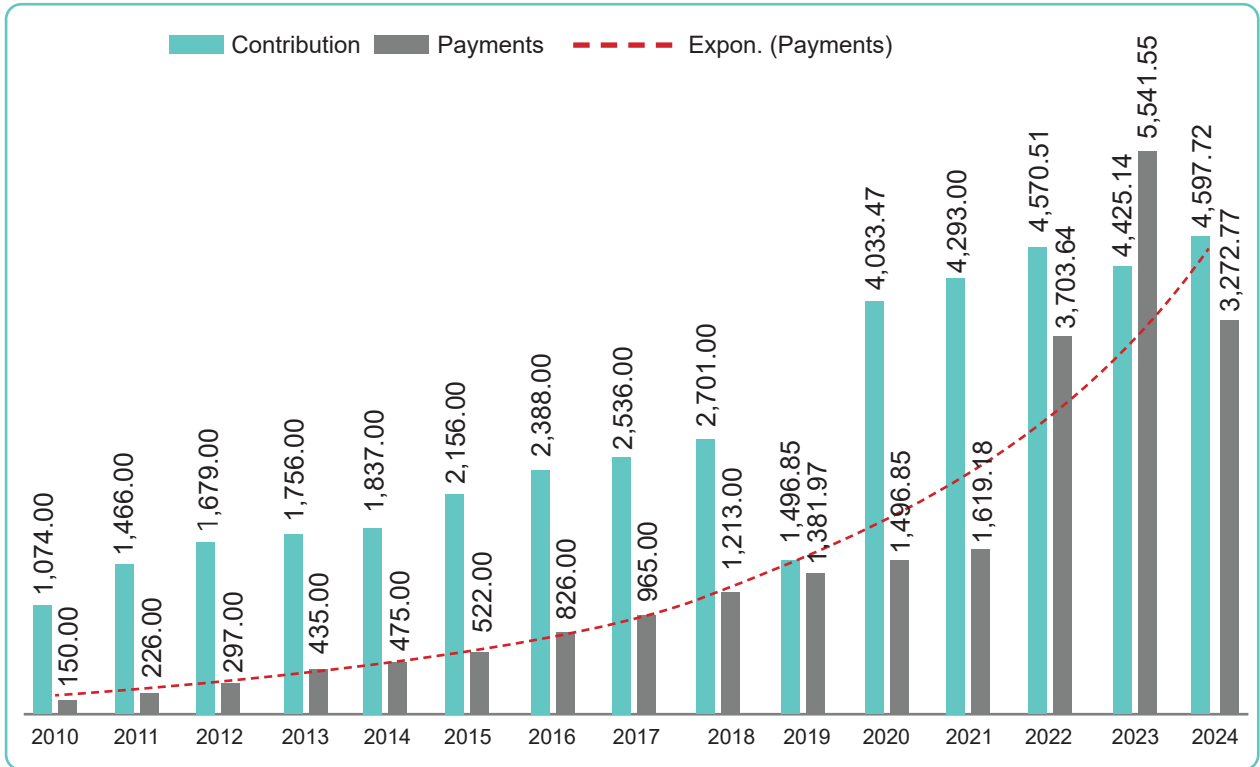
Total contributing members against beneficiaries as of 31<sup>st</sup> December 2024



### Contribution collection and benefits payment

With the increase in total membership, the total contributions received by NPPF have also risen, growing from Nu. 4,413.45 million in the previous year to Nu. 4,597.72 million, reflecting a 4.18% growth.

At the same time, pension and provident fund payouts have decreased during the year. The total payout decreased by Nu. 2,268.78 million compared to the previous year, reaching Nu. 3,272.77 million, down from Nu.5,541.55 million, marking a significant decrease of 40.94%.



Contribution collection and benefits payment (Pension and PF refunds)

### Plans for the Pension and Provident Fund Operations

Conceived under the auspices of His Majesty The Fourth King, the NPPF has grown into a vital institution over the past 24 years. One of its most commendable achievements has been the effective streamlining and institutionalisation of retirement benefits, significantly alleviating poverty among members after retirement.

However, much remains to be done. Currently, pension and provident fund schemes are limited to civil servants, state-owned enterprises, and the Armed Forces. While the introduction of the Private Provident Fund Scheme for the informal sector is a positive step forward, a substantial 88.72% of the working-age population and 91.14% of the total population remain outside these schemes. This exclusion leaves many vulnerable to financial insecurity during retirement.

Additionally, the traditional defined benefit pension scheme faces sustainability challenges due to demographic shifts, policy inconsistencies, and the absence of parametric reforms. Without necessary reforms, the dependency ratio of pensioners to contributors will continue to rise, risking fund depletion. Moreover, pension and provident fund management is fragmented, with multiple institutions and employers administering schemes in the absence of a cohesive governance and regulatory framework.

Addressing these structural challenges requires a comprehensive overhaul of the current pension and provident fund system through:

- 🌀 **Parametric Reforms** – Implementing necessary adjustments to ensure long-term sustainability.
- 🌀 **Policy Formulation** – Developing robust policies to expand coverage and improve governance.
- 🌀 **Stakeholder Consultation** – Engaging all relevant parties to build a sustainable and inclusive retirement system.

A well-structured reform initiative will help extend retirement security to a broader population, ensuring a resilient and equitable financial future for all Bhutanese.

## Expense Management and Operational Efficiency

NPPF remains committed to prudent expense management and operational efficiency, ensuring that resources are utilized optimally while maintaining high standards of service delivery. The organisation's expenditure primarily covers management costs, including depreciation and amortisation, but excludes credit expenses.

Looking ahead, NPPF is actively working to build internal capacity by reducing reliance on foreign actuarial consultants. The organisation is focused on developing a pool of certified employees with the expertise to conduct actuarial valuations and assess the health of the fund periodically and efficiently. This strategic initiative will ensure timely evaluations, enhance risk management, and contribute to long-term financial sustainability.

As a result of these collective efforts, NPPF has achieved an operational efficiency of 8.02% against a benchmark of 10%. Moving forward, the organisation remains dedicated to sustaining and further improving its operational efficiency through continuous innovation, capacity building, and cost-effective management strategies.

## Information and Communication Technology

The year 2024 marked a significant milestone in the ongoing digital transformation journey of NPPF. The Information and Communication Technology (ICT) Division continued to play a central role in modernising operations, enhancing member services, and driving internal efficiencies through innovative digital initiatives.

As part of its commitment to continuous improvement, the ICT Division undertook a comprehensive review of existing systems to assess their performance, functionality, user experience, security, and maintainability. The review revealed that current systems no longer fully met stakeholder expectations, highlighting the need for system upgrades or replacements. In response, the ICT Division began drafting a five-year ICT Roadmap aimed at advancing digital transformation,

enhancing service delivery, and fostering a data-driven organisational culture.

In 2024, NPPF also formally initiated and completed the process of upgrading its Information Security Management System from ISO/IEC 27001:2013 to ISO/IEC 27001:2022 and obtained the certification of ISO/IEC 27701, which focuses on Privacy Information Management. These initiatives reaffirm NPPF's commitment to robust data governance, regulatory compliance, and cyber resilience. Achieving these international certifications will not only strengthen NPPF's internal security posture but also bolster its reputation as a secure and trustworthy public institution in the digital era.

Furthermore, in a major step forward in digital public service delivery, the existing NPPF website was replaced with a modern, AI-integrated platform in 2024. The new website features enhanced usability, mobile responsiveness, and a built-in AI chatbot to provide members with real-time support and seamless access to services. This transformation aligns with global best practices in public sector digital services, significantly improving user satisfaction and engagement.

## Human Resources and Administration

Recognising the important role employees play in organisational success, NPPF has proactively responded to the prevalent talent exodus by implementing a series of strategic workforce initiatives. A comprehensive review of the employee retention policy was undertaken to identify and acknowledge individuals who can serve as long-term assets to the organisation. As part of this effort, a meticulous succession planning exercise was conducted to pinpoint critical positions and establish structured action plans for seamless transitions within key roles.

To ensure optimal alignment between individuals and their responsibilities, NPPF adopted a proactive approach centered around three core strategies: a thorough analysis of critical positions, the creation of a detailed talent inventory, and the development of a robust talent management framework. This structured approach aims to enhance operational efficiency by ensuring the right talent is placed in the right role, fostering both professional growth and institutional stability.

**In response to the challenges of talent attraction and retention**, NPPF also introduced the High Potential (HiPo) Program, a strategic initiative designed to identify and nurture high-potential employees. This program offers a unique value proposition by recognising and incentivizing top talent, strengthening critical functions, and fostering a culture of professional excellence. Given the increasing difficulty in attracting and retaining skilled professionals, this initiative has become a key priority in NPPF's human capital strategy.

As part of its commitment to continuous learning and professional development, NPPF has also prioritized employee upskilling by sponsoring six employees annually for continuing education programs. In 2024, as part of its e-learning platform, NPPF procured Udemy Business licenses,

giving employees access to thousands of online courses to learn at their own pace and stay relevant in a rapidly evolving work environment.

To further motivate and recognise staff contributions, the Employee of the Year Award was institutionalized as a way of honoring individuals who have demonstrated exceptional performance, dedication, and embodiment of NPPF's core values. This recognition program is intended to boost morale, inspire excellence, and cultivate a high-performance culture within the organisation.

These collective measures are expected to fortify NPPF's workforce resilience, ensuring the organisation continues to fulfill its mandates with professionalism, efficiency, and the highest standards of service delivery.

### Enterprise Risk Management (ERM)

The Enterprise Risk Management (ERM) framework at NPPF is structured in alignment with the three lines of defense model, adhering to industry best practices and regulatory requirements. The first line of defense comprises individual business units, which are responsible for managing operational risks at their respective levels. The second line of defense includes critical regulatory functions such as the Credit Review Unit, Compliance Unit, and Risk Office, which provide oversight and ensure adherence to risk management policies. The Internal Audit Division, operating with full independence and direct reporting authority to the Board Audit Committee, serves as the third and final line of defense, offering an additional layer of scrutiny and assurance.

NPPF has established a comprehensive enterprise risk management system that identifies key risk areas and outlines mitigation strategies. This framework is reviewed and updated annually to incorporate evolving risks and regulatory requirements, ensuring that risk management measures remain robust and effective in safeguarding the organisation's financial stability and operational efficiency.

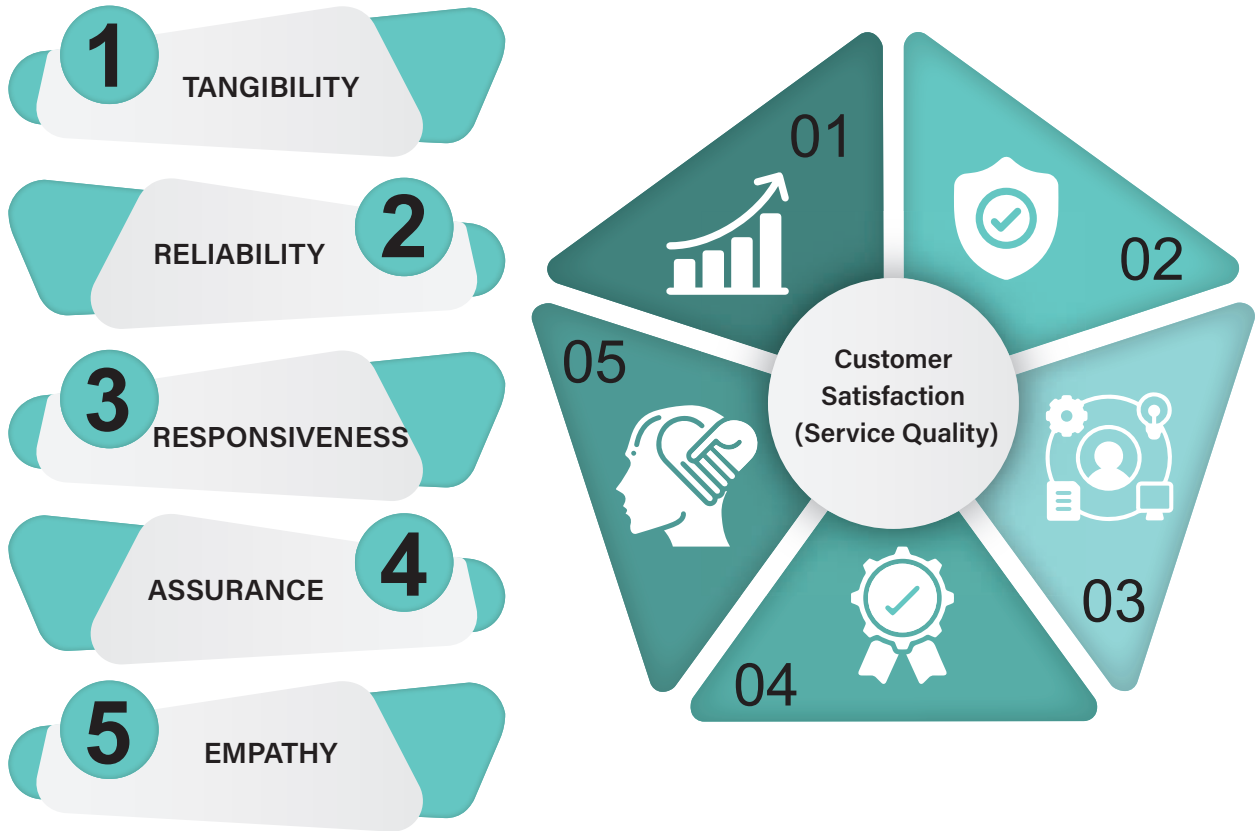
### Customer Satisfaction Survey

The Customer Satisfaction Survey 2024 served as a vital tool in identifying both ongoing and emerging challenges and opportunities that impact service delivery and member experience. The survey continues to inform a strategic roadmap for targeted improvements, helping NPPF remain agile and responsive to member needs while fostering a culture of continuous enhancement.

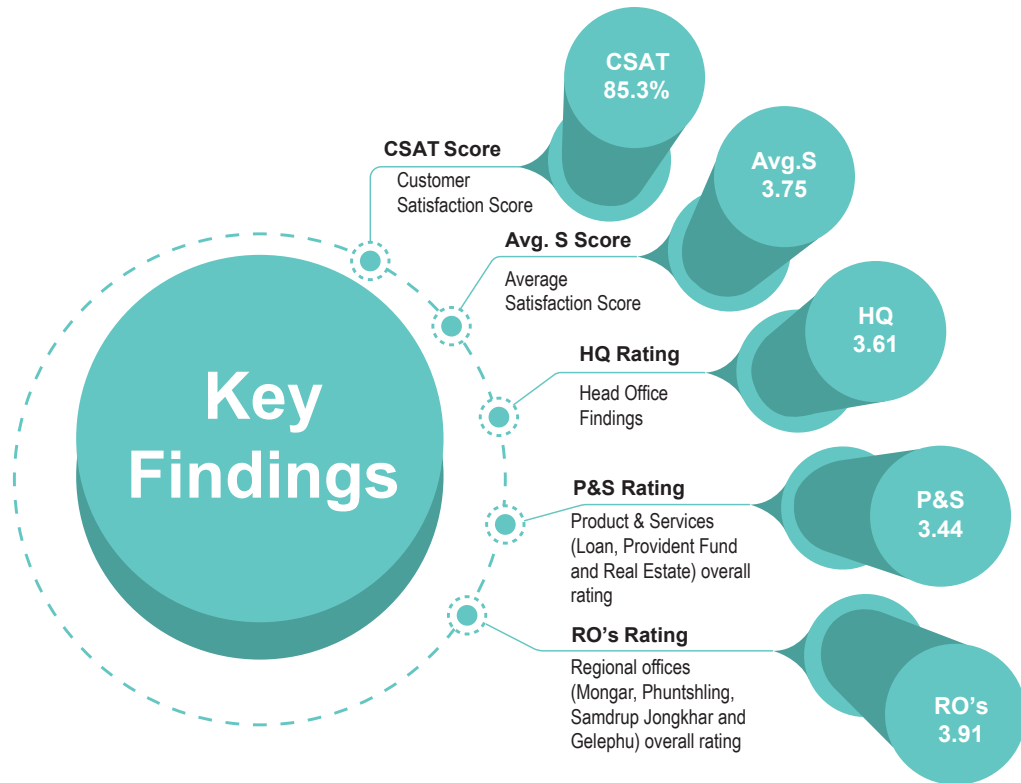
The primary objective of the survey was to gauge the level of satisfaction among members regarding NPPF's branding, products and services, and overall customer support. It also aimed to identify issues encountered by members, enabling the organisation to address and resolve them effectively. The insights gained from the survey are critical in shaping strategies that enhance service quality, thereby benefiting both the organisation and its members.

The survey provided an overall measure of satisfaction, reported by members, known as the Customer Satisfaction Index (CSI). This index reflects a composite judgment based on eight

key result areas (KRAs), including five core attributes of the SERVQUAL model—Reliability, Assurance, Tangibles, Empathy, and Responsiveness—as well as additional dimensions such as Loyalty. Each of these KRAs was assessed using defined Key Performance Indicators (KPIs) to ensure measurable and actionable outcomes.



While the organisation was initially required to report only on the Customer Satisfaction (CSAT) score, NPPF acknowledged the importance of a broader understanding of member sentiment. As such, the survey also incorporated additional metrics, including the Net Promoter Score (NPS), Loyalty Score, and Customer Effort Score (CES). These indicators offer a comprehensive view of member satisfaction and engagement, supporting data-driven decision-making and continuous service refinement.



## Corporate Social Responsibility (CSR)

As part of its Corporate Social Responsibility (CSR), NPPF, in collaboration with Royal Insurance Corporation of Bhutan Limited initiated the Lotedh Scheme to uphold social values and cultural traditions. The scheme primarily aims to provide Semso (financial support) to the immediate family members of a Lotedh member in the event of their passing.

In 2024, the scheme extended financial support to 14 bereaved families, disbursing a total of Nu.1.4 million. Currently, the scheme has a membership base of 2,595 members, managed by the Lotedh Scheme Trustees, which includes representatives of pensioners who served in the civil service and the Armed Forces. The total Fund under the scheme as of December 31, 2024, stands at Nu.7.14 million.

The Lotedh Scheme is chaired by Mr. Nima Wangdi, former Health Secretary, and NPPF continues to provide secretarial services to the Trustees, while also covering administrative expenses associated with managing the scheme.

## Audit Reports

NPPF engaged M/S. T R Chadha & Co LLP to audit its business transactions and financial activities for the fiscal year 2024. NPPF is pleased to report that the auditor's report on the financial statements did not identify any major audit observations.

Over the years, NPPF has diligently addressed all critical observations highlighted in previous audits. Notably, all Royal Audit Authority (RAA) observations from past years have been attended to and fully resolved.

In the latest audit, some of the significant observations and emphasis of matter raised by the auditors include the recording of defined benefit obligation deficit of Nu. 21,581.94 million under matter of emphasis in the independent audit report.

## Report on Corporate Governance

NPPF adheres to the Royal Monetary Authority's (RMA) Corporate Governance rules and regulations and MoF Corporate Governance guidelines for state-owned enterprises (SoEs). NPPF has fully implemented all statutory requirements and board directives, ensuring compliance with regulatory and governance standards.

The Board Committees—Board Human Resource Committee, Board Risk Management Committee, Board Audit Committee, and Board Tender and Procurement Committee—convened as required to oversee critical functions and uphold corporate governance principles.

The NPPF Board of Directors, consisting of five members, including the Chief Executive Officer CEO, is appointed by MoF. RMA conducts the fit and proper test to assess the suitability of nominees before their appointment to the Board, reinforcing governance integrity and accountability.

## Board of Directors

The Board of Directors holds a fiduciary duty to provide strategic direction and oversee the management of NPPF. As mandated by the Executive Order, the Board has absolute authority in determining investments and making major operational decisions to safeguard and enhance the long-term sustainability of the Fund.

Throughout the financial year 2024, all responsibilities were executed according to the terms of reference.

### 1. Board Meetings

Sl#	Name	Directorship Category	Total Amount in Nu.	Directorship in other organisations	TDS	Net Amount in Nu.
1	Dasho Karma Ngawang Ura	Chairperson	56,000.00	Nil	1,120.00	54,880.00
2	Col. Kinley Penjor	Director	56,000.00	Nil	1,120.00	54,880.00
3	Chencho T Namgay	Director	56,000.00	Bhutan Telecom	1,120.00	54,880.00
4	Kaka	Director	56,000.00	Nil	1,120.00	54,880.00
5	Dorji Penjor	Director	56,000.00	BFAL and DHPC	1,120.00	54,880.00
6	Kinga Dema	Company Secretary	28,000.00	Tashi InfoCom Pvt. Ltd	560.00	27,440.00

### 2. Board Audit Committee Meetings

SL#	Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Chonga Zangpo	Chairperson	4,000.00	80.00	3,920.00
2	Chencho T Namgay	Chairperson	12,000.00	240.00	11,760.00
3	Col. Kinley Penjor	Member	16,000.00	320.00	15,680.00
4	Karma Dorji	Member Secretary	8,000.00	160.00	7,840.00

### 3. Board Human Resource Committee Meetings

SL#	Board Member Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Dasho Kaka	Chairperson	16,000.00	320.00	15,680.00
2	Dorji Penjor	Member	16,000.00	320.00	15,680.00
3	Tshen Norbu	Member	8,000.00	160.00	7,840.00
4	Chonga Zangpo	Director	4,000.00	80.00	3,920.00

## 4. Board Tender and Procurement Committee Meetings

SL#	Board Member Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Kaka	Chairperson	12,000.00	240.00	11,760.00
2	Chencho T Namgay	Member	8,000.00	160.00	7,840.00
3	Dorji Penjor	Member	12,000.00	240.00	11,760.00
4	Tshen Norbu	Member Secretary	2,000.00	40.00	1,960.00
5	Phurba Thinley	Member Secretary	4,000.00	80.00	3,920.00

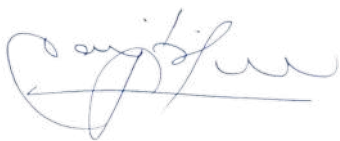
## 5. Board Risk Management Committee Meetings

SL#	Board Member Name	Directorship Category	Total Amount in Nu.	TDS Amount in Nu.	Net Amount in Nu.
1	Col. Kinley Penjor	Member	12,000.00	240.00	11,760.00
2	Chencho T Namgay	Chairperson	12,000.00	240.00	11,760.00
3	Deki Drukpa	Member Secretary	6,000.00	120.00	5,880.00

Over the past 24 years, NPPF has successfully fulfilled its mandated responsibilities, ensuring retirement security for a significant portion of the working population and mitigating old-age poverty through institutionalised mechanisms. While we remain steadfast in our commitment to achieving our vision, the need for a comprehensive review and reflection on past progress has become more critical than ever. This evaluation will guide us in strengthening our strategies and adapting to emerging challenges, ensuring a sustainable future for all our members.

### Acknowledgement

On behalf of the National Pension Board and the management, I would like to express my sincere gratitude to the MoF, RMA, and all our stakeholders for their unwavering support and collaboration. Your continued commitment has been instrumental in strengthening our mission and ensuring the long-term sustainability of NPPF.



(Dorji Penjor)

Chief Executive Officer

National Pension and Provident Fund



**INDEPENDENT  
AUDITOR'S REPORT**



# T R Chadha & Co LLP

Chartered Accountants



## INDEPENDENT AUDITOR'S REPORT

To

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

### Opinion

We have audited the financial statements of **NATIONAL PENSION AND PROVIDENT FUND ("the Fund")**, which comprise the Statement of Financial Position as at 31st December 2024, 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 and other explanatory information (hereinafter referred to as "financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by National Pension and Provident Fund Plan Rules and Regulations of the Kingdom of Bhutan 2002 as amended from time to time and the Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 ("Rules" or/and "Regulations") in the manner so required and give a true and fair view in conformity with the accordance with Bhutanese Accounting Standards (BAS/BFRS), of the state of affairs of the Fund as at December 31, 2024 and its surplus and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) adopted and issued by the Accounting and Auditing Standards Board of Bhutan (AASBB). 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.

### Emphasis of Matter

We draw attention to the following without qualifying our opinion:

Attention is drawn to note no.23(1) of the financial statements which discloses the deficit of Nu 21,581,938,914 between the liability of the Fund towards defined benefit and Net Asset available for defined benefits, the liability to the extent of Nu. 21,581,938,914 is not provided for in these Financial Statements considering the guarantee given by the Royal Government of Bhutan as per Section 113 of the National Pension and Provident Fund Plan Rules and Regulations 2002 and as per Section 82 of The Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and amendment thereto.

Our opinion is not modified in respect of those matters.





## T R Chadha & Co LLP

Chartered Accountants



### 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 Funds 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 Funds financial reporting process.

### 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 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.

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:





## T R Chadha & Co LLP

Chartered Accountants



- 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 Funds 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 managements 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 Funds 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.

### Report on Other Legal and Regulatory Requirements

We give in "Annexure I" the minimum audit examination and reporting requirement to the extent applicable to the Fund.

We further 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;





# T R Chadha & Co LLP

Chartered Accountants



- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Reserve and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and
- d) The Fund has complied with other legal and regulatory requirements to the extent applicable to the Fund.

For T R Chadha & Co LLP  
Chartered Accountants  
Firm Regn. No: 006711N / N500028

Aashish Gupta  
Partner

Membership No. 097343  
UDIN: 25097343BMOGBR4735



Place: New Delhi  
Date : 29.04.2025





**MINIMUM AUDIT  
EXAMINATION &  
REPORTING  
REQUIREMENT**



# T R Chadha & Co LLP

Chartered Accountants



## ANNEXURE 1

### MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

In accordance with Minimum Audit Examination and Reporting Requirements specified by Royal Audit Authority, Bhutan, and on the basis of such procedures as considered appropriate, and according to the information as provided to us, to the extent applicable on the Fund, we report, to best of our knowledge that,

1. We have not come across any instance to state that the Fund has not pursued a prudent and sound financial management practice in managing the affairs of the Fund.
2. 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.
3. None of the fixed assets have been revalued during the year, except for investment properties.
4. The physical verification was conducted at planned interval at respective region and division and the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Fund and the nature of its business. There was no material discrepancy was observed during the physical verification of inventory as per physical verification Report provided to us by the Management.
5. The Fund has not availed any loans, secured or unsecured, therefore the clause regarding the rate of interest and the other terms and conditions of loans availed, and whether the same are *prima facie* not prejudicial to the interest of the Fund, is not applicable.
6. The Fund has not granted any loans to other companies, firms or other parties, except the loans given in the normal course of its business, therefore, granting loans are not *ultra-vires* to the relevant Acts and regulations.
7. Loans and advances granted by the Funds to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance were found where excessive/frequent of advances or accumulation of large advance against particular individual has been noted during our test verification.
8. 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. The Fund has adopted, and follow, the policies and system and procedures, as approved by the Board or other higher authorities to ensure the existence of a prudent and sound financial management in managing the affairs of the Fund.





## T R Chadha & Co LLP

Chartered Accountants



9. 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 & services, commensurate with size and the nature of its operation for purchase of goods and services including stationery, fixed assets, computers, equipment and other assets.
10. During the course of our examination of the books of account on test check basis, we observed that the expenses charged to the Fund accounts represent legitimate business expenses and have not come across any instance wherein 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.
11. 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.
12. 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 NPPF for the interest and period.
13. Transactions of advancing of loans and for purchase of services, etc., made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested have been made at prices, which are reasonable having regard to the prevailing market rates/prices for such loans or services or at rates/prices at which the transactions for similar loans or services have been made with other parties.
14. In our opinion, the Fund is regular in depositing rates, taxes, duties, royalties, provident funds, and other statutory dues with the appropriate authorities, and has been appropriately disclosed in the financial statements.
15. There was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the year-end other than tax deducted at source (TDS) which was paid later on within the stipulated time period as detailed below:

(Amount in Nu.)

SI. NO.	Particulars	31-Dec-24	31-Dec-23
1	Deduction at source	933	1,401,423
<b>Total</b>		933	<b>1,401,423</b>

16. 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.





## T R Chadha & Co LLP

Chartered Accountants



17. Decisions regarding investments were made with the approval of the National Pension Board or on the basis of authority delegated by the Board.
18. In our opinion, the Fund has established an effective budgetary control system.
19. Directives of the Board have been found to be complied with by the Fund.
20. 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 34 of the notes to the financial statements.
21. 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.
22. In our opinion and to the best of our knowledge, it was observed that there was a proper documentation of all the records and details in case; where the Fund has granted loans and advances and also adequate agreements were drawn for respective loans and advances.
23. NPPF has maintained reasonable records for funds collected from members and for returns credited and payments made to members.
24. In our opinion and to the best of our knowledge, proper records of the transactions and contracts for dealing and trading in shares, securities and other investments have been maintained and timely entries have been made therein.
25. In our opinions, provisions towards diminution, in the value of investments is made wherever, required and considered necessary.
26. To the best of our knowledge, the fund has complied with all the regulations issued by the Royal Monetary Authority of Bhutan (RMAB).
27. In our opinions, the Fund has generally complied with requirements relating to provisioning of the non-performing assets including loans and advances as per BAS.
28. In our opinion, the assets hypothecated and mortgaged against loans and advances is generally physically verified by the Fund, valued and Mortgage Deeds executed, wherever required, and the Fund has ensured that the assets are free of any prior lien or charges.
29. To the best of our information, the Fund has a system of monitoring of Projects for which loans have been provided to ensure that the loan amounts are used for the specified purposes and project activities are progressing satisfactorily.
30. To the best our information, the Fund has a system of calling for open/sealed bids for disposal of assets taken over for repayment defaults.





## T R Chadha & Co LLP

Chartered Accountants



31. In our opinion, rescheduling of loans are carried out in accordance with the provisions of Prudential Regulations issued by RMA.
32. In our opinion, the Fund has a system to ensure that additional loans are not granted to those who have defaulted payments of previous advances.
33. 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.
34. **Computerized Accounting Environment:**
  - a. National Pension and Provident Fund (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 operations w.e.f. from 1st July 2021. In our opinions, the organization's system development controls and other internal controls are adequate to the size and nature of NPPF operations.
  - b. NPPF has adequate safeguard measures and daily back up data at Data Centre at IT Park, Thimphu and Disaster Recovery at Phuentsholing.
  - c. 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.
  - d. There are adequate preventive measures against unauthorized access over computer installation and files.

### General

#### 35. Going Concern Problems

Based on the net asset position reflected in the Statement of Financial Position as at December 31<sup>st</sup> 2024, audited by us in accordance with the ISAs and on basis of such other tests, as we considered necessary in this regard, we have no reason to believe that the Fund is not a Going Concern on the date of Statement of Financial Position and is not likely to become sick in near future. However, refer to emphasis of matter to our main report, the deficit of Nu 21,581,938,914 between the liability of the Fund towards defined benefit and Net Asset available for defined benefits, the liability to the extent of Nu. 21,581,938,914 is not provided for in these Financial Statements considering the guarantee given by the Royal Government of Bhutan as per Section 113 of the National Pension and Provident Fund Plan Rules and Regulations 2002 and as per Section 82 of The Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and amendment thereto.

#### 36. Ratio Analysis (attached separately)

Significant ratios indicating the financial health and performance of the Fund provided in the financial statements.





# T R Chadha & Co LLP

Chartered Accountants



### 37. Adherence to Laws, Rules and Regulations

The audit of the Fund is governed by the National Pension and Provident Fund Plan Rules and Regulations of the Kingdom of Bhutan 2002 as amended from time to time and the Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and the scope of audit is limited to examination and reviews of the financial statements as produced to us by the Management.

In the course of the audit, we have considered the compliance of provisions of the said Rules and Regulations applicable to Fund, its Articles of Incorporation and applicable BAS.

For T R Chadha & Co LLP  
Chartered Accountants  
Firm Regn. No: 006711N / N500028

Aashish Gupta  
Partner

Membership No. 097343  
UDIN: 25097343BMOGGBR4735



Place: New Delhi  
Date : 29.04.2025



# **FINANCIAL STATEMENTS**

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

Particulars	Note	31-Dec-24	31-Dec-23
<b>Assets</b>			
Cash and cash equivalents	7	938,975,983	145,535,694
Term deposits	8	24,948,370,293	24,097,151,581
Investment in bonds and commercial papers	9	8,504,190,039	8,250,404,135
Loans	10	20,386,419,717	18,038,457,726
Investment in equity shares	11	5,780,896,040	6,063,808,315
Other assets	12	66,770,652	96,470,449
Inventories	13	829,513	652,445
Investment property	14	8,286,021,987	8,093,880,166
Property plant and equipment	15	166,581,425	178,928,585
Right of Use Assets	16.1	109,073	338,013
Net Employee benefit obligations surplus	19	-	5,901,876
Intangible assets	17	63,486,021	96,890,226
<b>Total Assets</b>		<b>69,142,650,741</b>	<b>65,068,419,211</b>
<b>Liabilities</b>			
Lease Liability	16.2	115,904	346,778
Other Liabilities and payables	18	467,510,097	537,172,256
Net Employee benefit obligations deficit	19	6,232,073	-
Lapsed fund	20	82,472,042	39,613,657
<b>Total Liabilities</b>		<b>556,330,116</b>	<b>577,132,691</b>
<b>Net assets for member's</b>		<b>68,586,320,626</b>	<b>64,491,286,520</b>
<b>Member Fund</b>			
Net Member's Defined Contribution(DC) plan	21	14,108,558,914	12,612,710,721
Net returns credited to Member's DC plan	22	8,314,853,957	7,296,768,906
Net Member's Defined Benefit (DB) plan	23	36,685,559,146	34,126,205,370
Reserve		9,477,348,608	10,455,601,523
<b>Total Member's Fund</b>		<b>68,586,320,626</b>	<b>64,491,286,520</b>

For T R Chadha & Co LLP  
Chartered Accountants  
FRN No: 006711N/N500028

For National Pension & Provident Fund

(Aashish Gupta)  
Partner

Membership No: 097343

Place: New Delhi

Date: April 29<sup>th</sup>, 2025



*(Signature)*

Dasho Karma Ngawang Ura  
Chairperson

*(Signature)*  
Dorji Penjor  
Chief Executive Officer

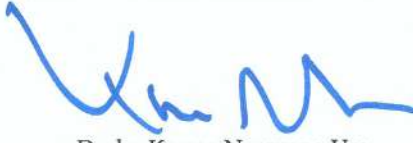
*(Signature)*  
Phub Dorji  
Chief F&A Division


## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

Particulars	Note	31-Dec-24	31-Dec-23
<b>Income</b>			
Interest Income	24	3,865,860,953	3,592,593,469
Rental income	25	82,125,411	76,739,062
Dividend income	26	255,974,554	193,753,692
Gain/(loss) from changes in fair value of investment property	27.1	60,969,274	2,687,592,642
Other income	28	19,530,299	10,840,521
<b>Total Income</b>		<b>4,284,460,492</b>	<b>6,561,519,386</b>
<b>Operating expenses</b>			
DC management expenses	29b	94,896,413	69,508,917
DB management expenses	29b	163,508,771	122,070,400
Depreciation	15 & 16.1	29,199,928	29,970,254
Amortization of intangible assets	17	34,877,239	29,403,769
Financing cost		164,010,974	39,048,397
Impairment charges	30	636,882,493	97,551,537
<b>Total operating expenses</b>		<b>1,123,375,818</b>	<b>387,553,273</b>
<b>Surplus</b>		<b>3,161,084,674</b>	<b>6,173,966,113</b>
<b>Other Comprehensive Income</b>			
Gain/(loss) from changes in fair value of investment in equity shares	27.2	(378,986,926)	3,497,987,295
Remeasurements of post-employment benefit obligations			
DC	19.1;19.2	(4,425,986)	(1,273,116)
DB	&19.3	(7,586,441)	(2,231,011)
<b>Total Other Comprehensive Income</b>		<b>(390,999,353)</b>	<b>3,494,483,168</b>
<b>Total Comprehensive Income</b>		<b>2,770,085,321</b>	<b>9,668,449,281</b>

For T R Chadha & Co LLP  
Chartered Accountants  
FRN No: 006711N/N500028

For National Pension & Provident Fund

  
Dasho Karma Ngawang Ura  
Chairperson


  
(Aashish Gupta)  
Partner

Membership No: 097343

Place: New Delhi

Date: April 29<sup>th</sup>, 2025



  
Dorji Penjor  
Chief Executive Officer

  
Phub Dorji  
Chief F&A Division

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

Particulars	31-Dec-24	31-Dec-23
<b>Cash Flow from Operating Activities</b>		
<b>Receipts from:</b>		
Interest Income	3,561,394,281	3,085,433,056
Rental income	82,254,942	76,698,315
Dividend income	255,974,554	193,753,692
Other Income	19,530,299	10,840,521
<b>Payments for:</b>		
DC & DB management expenses	(304,913,304)	(251,744,698)
Security deposit (to)/from suppliers	12,757,415	(321,988)
Security deposit (to)/from tenants	1,719,426	(2,014,797)
<b>Net Receipts from Operating Activities</b>	<b>3,628,717,613</b>	<b>3,112,644,101</b>
<b>Cash Flow from Investing Activities</b>		
<b>Payments for:</b>		
(Increase)/decrease in deposits	(771,000,000)	(900,000,000)
(Increase)/decrease in loans to entities	(3,106,785,693)	112,231,299
(Increase)/decrease in equity shares	(96,074,650)	(113,318,085)
(Increase)/decrease in bonds and commercial	(48,757,200)	(4,725,000,000)
(Increase)/decrease in member loan scheme	(65,203,343)	(226,631,409)
(Increase)/decrease in purchase of fixed assets (Including Capital work in progress)	(115,562,253)	(119,367,569)
<b>Net Cash Flow from Investing Activities</b>	<b>(4,203,383,139)</b>	<b>(5,972,085,764)</b>
<b>Cash Flow from Financing Activities (Member Transactions)</b>		
<b>Receipts from:</b>		
Contributions to the NPPFP - DC	1,790,246,102	1,725,778,631
- DB	1,789,021,754	1,767,924,017
Contributions to the AFPPFS - DC	355,116,916	332,307,218
- DB	603,982,449	559,185,388
Contributions to the Private PF - DC	59,592,277	39,938,994



## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024 CONT/-

Particulars	31-Dec-24	31-Dec-23
<b>Payments of refunds and pensions:</b>		
NPPFP - DC	(914,408,883)	(2,035,636,045)
- DB	(1,777,198,037)	(3,035,087,532)
AFPPFS - DC	(126,926,348)	(122,722,109)
- DB	(390,711,794)	(337,316,310)
Refund of Private PF - DC	(20,601,016)	(10,786,263)
<b>Net Cash Flow from Financing Activities</b>	<b>1,368,113,420</b>	<b>(1,116,414,012)</b>
Net movement in cash and cash equivalents	793,447,895	(3,975,855,675)
Opening cash and cash equivalents	145,536,903	4,121,392,578
Closing cash and cash equivalents	938,984,799	145,536,903

For T R Chadha & Co LLP  
Chartered Accountants  
FRN No: 006711N/N500028

For National Pension & Provident Fund

  
(Aashish Gupta)  
Partner

Membership No: 097343  
Place: New Delhi

Date: April 29th, 2025





Dasho Karma Ngawang Ura  
Chairperson



Dorji Penjor  
Chief Executive Officer

Phub Dorji  
Chief F&A Division

## STATEMENT OF CHANGES IN RESERVE FOR THE YEAR ENDED 31 DECEMBER 2024

Particulars	Reserve				Total
	Lapsed Fund <sup>1</sup>	Remeasurement of employee benefit gains/(loss)	Valuation reserve <sup>2</sup>	General reserve <sup>3</sup>	
Balance as at 1st January 2024	33,059,901	(6,323,876)	9,739,578,349	689,287,150	10,455,601,523
Transferred during the year (Note 31)	3,240,211	-	(453,852,821)	23,375,000	(427,237,610)
Adjustment during the year (provision adjustment) (Note 31)	-	-	-	(539,002,878)	(539,002,878)
Items of other comprehensive income	-	-	-	-	-
Remeasurements of post-employment benefit obligation (Note 31)	-	(12,012,427)	-	-	(12,012,427)
Balance as at 31st December 2024	36,300,112	(18,336,303)	9,285,725,528	173,659,272	9,477,348,608
Balance as at 1st January 2023	28,344,755	(2,819,749)	3,536,270,519	555,617,818	4,117,413,343
Transferred during the year (Note 31)	4,715,146	-	6,203,307,830	36,759,589	6,244,782,565
Adjustment during the year (provision adjustment) (Note 31)	-	-	-	96,909,743	96,909,743
Items of other comprehensive income	-	-	-	-	-
Remeasurements of post-employment benefit obligation (Note 31)	-	(3,504,127)	-	-	(3,504,127)
Balance as at 31st December 2023	33,059,901	(6,323,876)	9,739,578,349	689,287,150	10,455,601,523

1. Lapsed fund consists 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 consists of gains or loss on the fair valuation of equity investment and investment properties.
3. General reserve consists of surplus retained prior to 30<sup>th</sup> 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 distributed to the members without retaining any surplus into the general reserve.

For T R Chadha &amp; Co LLP

Chartered Accountants

FRN No: 006711N/N500028



(Aashish Gupta)


Partner

Membership No: 097343

Place: New Delhi

Date: April 29<sup>th</sup>, 2025Phub Dorji  
Chief, F&A DivisionDorji Penjor  
Chief Executive OfficerDasho Karma Ngawang Ura  
Chairperson

For National Pension &amp; Provident Fund



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

Note to Financial Statements

*(All amount in BTN, unless otherwise stated)*

## 1. CORPORATE INFORMATION

### 1.1. General

The National Pension & Provident Fund (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 offices in Phuentsholing, Samdrup Jongkhar, Gelephu and Mongar.

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

### 1.2. Principal Activities and Nature of Operations

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).

Lhengye Zhungtshog vide order no. C-3/66/2020/618 dated 3<sup>rd</sup> 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 4<sup>th</sup> 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 (as amended in 2010) 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 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 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 commercials 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.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

## 2. BASIS OF PREPARATION

The financial statements of NPPF have been prepared in accordance with BAS 2020 as issued by the Accounting and Auditing Standards Board of Bhutan and more specifically the financial statements are established applying the requirement of BAS 26 'Accounting and Reporting by Retirement Benefit Plans'. Where explicit guidance for measurement of assets and liabilities is absent, the NPPF has referred to the respective standards in the Framework for the Preparation and Presentation of Financial Statements and has elected accounting policies in line with BAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Further, assets used in the operations of the fund have been accounted for in accordance with the applicable accounting standards.

Further, the financial statements are prepared on an 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.

The NPPF has prepared its financial statement on the basis that it will continue to operate as a going concern (Note 3.5).

## 3. BASIS OF ACCOUNTING

### 3.1. Statement of Compliance

The financial statements of NPPF have been prepared in accordance with Bhutanese Accounting Standards (BAS) and Bhutanese Financial Reporting Standards (BFRS) issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

### 3.2. Responsibility of the Management

The Management is responsible for the preparation and presentation of the financial statements as per the provisions of the Royal Monetary Authority and Bhutanese Accounting Standards.

The Management are required to confirm that the financial statements have been prepared:

- Using appropriate accounting policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and are
- Presented in accordance with the Bhutanese Accounting Standards; and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and

These financial statements include the following components:

- Statement of Comprehensive Income (SOI) – which provides the information on the financial performance of the NPPF for the year under review.
- Statement of Financial Position (SOF) – which provides information on the financial position of the NPPF as at the year end.
- Statement of Changes in Reserves – which depicts all changes in shareholders' funds during the year under review of the NPPF.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- Statement of Cash Flows – which provides information to the users, on the ability of the NPPF to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the financial statements comprising Significant Accounting Policies and other explanatory information.

### 3.3. Approval of financial statements by the Board of Directors

The financial statements of the NPPF for the period ended December 31, 2024 (including comparatives for year ended December 31, 2023, were approved, and authorized for issue by the Board of Directors in accordance with Resolution of the Directors on 14<sup>th</sup> April 2025.

### 3.4. Basis of Measurement

The Financial statements of the NPPF have been prepared on the historical cost basis except for the investment in equities, investment properties and employee benefit obligation are measured at fair value.

### 3.5. Going Concern Basis of Accounting

NPPF's management has made an assessment of NPPF's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon NPPF's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

## 4. 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 33

### 4.1. Rounding

The figures in the financial statements have been rounded-off to the nearest Ngultrum, except where otherwise indicated as permitted by the Bhutanese Accounting Standard on "Presentation of Financial Statements" (BAS 1).

### 4.2. Off setting

Income and expenses are not offset in the Statement of Comprehensive Income, unless required or permitted by an Accounting Standard or Interpretation and as specifically disclosed in the Significant Accounting Policies of the Entity.

### 4.3. Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Bhutanese Accounting Standard – BAS 1 on 'Presentation of financial statements. Notes to the financial statements are presented in a systematic manner, which



Note to Financial Statements

*(All amount in BTN, unless otherwise stated)*

ensures the understandability and comparability of financial statements of the NPPF. Understandability of the financial statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

#### 4.4. Comparative Information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous period in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter period comparability. The presentation and classification of the financial statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

### 5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ASSUMPTIONS AND ESTIMATES

In preparing the financial statements of the NPPF in conformity with BFRS and BAS, the Management has made judgements, estimates and assumptions which affect the application of Accounting Policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized prospectively. Significant areas of critical judgements, assumptions, and estimation uncertainty, in applying the Accounting Policies that have most significant effects on the amount recognized in the financial statements of the NPPF are as follows:

#### 5.1. Fair value of Equity Shares

The majority of equity shares are traded on the Royal Securities Exchange of Bhutan with readily available active prices on a regular basis. NPPF assumes market value is fair value and as such these shares are classified as Level 1 (Note 32.iii).

The fair value of equity shares 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, fair value is determined using Net Asset Approach.

#### 5.2. Fair value of Investment Properties

Investment properties are measured initially at cost, and subsequent to initial recognition, investment properties are stated at fair value.

The fair value of investment properties 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, fair value is determined using cost approach.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

### 5.3. Impairment Losses on Financial Assets

As accounting for Plan Assets under BAS 26 does not cover the requirements of Credit Losses, NPPF has referred to the requirements of BFRS 9 Financial Instruments for transparency and better financial reporting purposes. The measurement of impairment losses under BFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

NPPF's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- NPPF's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Defaults (PD), Exposure at Default (EAD) and Loss Given Defaults (LGD).
- Selection of forward-looking macroeconomic scenarios and their probability distributions and weightings.

It is NPPF's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Management evaluates the adequacy of the allowance for financial assets on a periodic basis and determines the amount, if any, of the provision for losses on financial assets to be recorded. The evaluation of the adequacy of the allowance includes a review of the delinquency rates, historic write-offs, liquidity, and financial and operational strength.

The management of NPPF determines the adequacy of the allowance for loan losses. The adequacy is determined by evaluating the aged outstanding balances of Loan receivable and recording a provision for loan loss as necessary. The provisions are based on NPPF's past experience and historical performance of the portfolio. Loans deemed uncollectible (write-offs) are removed from the outstanding loan portfolio and deducted from the allowance. The ultimate recovery of all loans is susceptible to future market factors often beyond the Organization's control.

The organization evaluates the credit quality of its loan portfolio based on qualitative and environmental factors as well as on the aging of loans. Loans over 30 days past due and/or a significant increase in credit risk are considered to be underperforming. Loans that have



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

objective evidence of incurred loss and/or aged over 90 days are considered to be non-performing. The organization evaluates its loan receivables collectively for impairment.

#### 5.4. Property, Plant and Equipment, and Intangible Assets

Accounting estimates are used to determine the useful life of property, plant and equipment and of the 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.

#### 5.5. BFRS 16 Judgments for Leases

##### 5.5.1 Determination of the Leases and Lease Terms

NPPF uses its judgment to determine whether a lease contract qualifies for recognition of right-of-use assets. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. Further, the NPPF applies judgement in evaluating whether it is reasonably certain to renew or terminate the lease at the end of the lease term. That is, it considers all relevant factors that create an economic benefit for it to exercise, either the renewal or termination option.

##### 5.5.2 Estimating the Incremental Borrowing Rate

As the NPPF cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure the lease liabilities. The IBR is the rate of interest that the NPPF would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. As there aren't any borrowings, NPPF uses the market rates at which the loans are granted. The NPPF estimates the IBR using observable inputs when available and is required to make certain entity-specific adjustments.

#### 5.6. 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 attrition rate.

#### 5.7. Apportionment of Common Expenses

Accounting estimates have been used to apportion the common expenses incurred in the operation based on the members' fund (net members' DC plan, net members' DB plan and net returns credited to members' DC plan) at the beginning of the financial year. For the year



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

ended December 2024, 63% of the expense incurred has been debited to DB plan and the remaining 37% has been debited to DC plan.

### 5.8. Provisions and Other Contingent Liabilities

The NPPF may during its ordinary course of business enter into litigations, arbitrations, and regulatory investigations.

When NPPF can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the NPPF records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, contingent liability is disclosed.

However, when NPPF is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the NPPF does not include detailed, case-specific disclosures in its financial statements. Given the subjectivity and uncertainty of determining the probability and amount of losses, the NPPF takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

## 6. SIGNIFICANT ACCOUNTING POLICIES

### 6.1. Defined Contribution Plan and Defined Benefit Plan

The employers' and employees' contribution to Defined Contribution (DC) Plan and Defined Benefit (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. The DC Plan consists of the Civil, Armed Forces, and Private Provident Fund, and the DB Plan consists of the Civil and Armed Forces. Planned Assets are accounted for under BAS 26 'Accounting and Reporting by Retirement Benefit Plans' as discussed in Note 2.

### 6.2. Recognition of Income

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Fund and revenue can be measured reliably.

#### 6.2.1. Interest Income

NPPF earns interest income from its investments in fixed deposits, treasury bills, bonds and commercial papers, and loans. As these securities have a fixed redemption value and have been acquired to match the obligations of the plan, or specific parts thereof, they are carried at an amount based on their ultimate redemption value assuming a constant rate of return to maturity.

#### 6.2.2. Other Fee and Income

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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

### 6.2.3. Dividends

Dividends are recognized in the 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.

## 6.3. Financial Assets

### 6.3.1. Recognition of Financial Assets

In line with the requirements of BAS 26, NPPF recognizes marketable securities at fair value. Transaction costs of those assets are expensed in statement of comprehensive income. Securities (refer Note 6.2.1) that have a fixed redemption value and that have been acquired to match the obligations of the plan, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. Where plan investments are held for which an estimate of fair value is not possible, disclosure is provided of the reason why fair value is not used.

Where BAS 26 does not provide specific guidance, other standards in the framework have been referred to as discussed in Note 2. In particular, NPPF applies BFRS 9 for guidance on impairment of financial assets and the fund applies BAS 26 to measure the Plan Assets (Refer 6.3.3.1). Therefore, initial, and subsequent measurement (other than impairment) of financial assets and classification of financial assets as per BFRS 9 Financial Instruments is not directly applicable to NPPF.

### 6.3.2. 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. Equity Instruments are measured at fair value in line with BAS 26 as discussed in Note 5.1. The resulting gain or loss is accounted for in the Other Comprehensive Income.

Dividends, when representing a return on such investments, continue to be recognized in the Statement of Comprehensive Income when the right to receive payments is established.

### 6.3.3. Impairment of Financial Assets

#### 6.3.3.1. Overview of the ECL Principles

NPPF records an allowance for ECL for all loans and other debt financial assets not held at FVPL. Equity instruments are not subject to impairment under BFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses), unless there has been no Significant Increase in Credit Risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).



## Note to Financial Statements

*(All amount in BTN, unless otherwise stated)*

The 12mECL is the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime ECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. NPPF's groups financial assets on a collective basis by considering the homogeneous risk characteristics of the customers.

NPPF has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, NPPF groups its loans into Stage 1, Stage 2 and Stage 3, as described below:

**Stage 1:** When loans are first recognized, NPPF recognizes an allowance based on 12mECL. ECL is computed based on the delinquency method where all facilities which are less than or equal to 30 days past due is considered under Stage 1.

**Stage 2:** When a loan has shown a significant increase in credit risk since origination, NPPF records an allowance for the Lifetime ECL. The definition of a significant deterioration is subject to assessment on an ad-hoc/annual basis. Lifetime losses are computed for all accounts classified as Stage 2. The NPPF compute ECLs based on the delinquency method where all facilities which are between 30 days past due and 90 days past due is considered under Stage 2.

**Stage 3:** Loans are considered credit impaired, NPPF records an allowance for the Lifetime ECL. ECL is computed based on the delinquency method where all facilities which are greater than 90 days past due are considered as stage 3 facilities.

The ECL allowance is only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the NPPF has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

#### 6.3.3.2. The Calculation of ECL

NPPF calculates ECL based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

*i. The Probability of Default (PD):*

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

*ii. The Exposure at Default (EAD):*

The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

*iii. The Loss Given Default (LGD):*

Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral or credit enhancements that are integral to the loan and not required to be recognized separately. It is usually expressed as a percentage of the EAD.

When estimating the ECL, NPPF considers three scenarios (best, base, and worse). Each of these is associated with different PDs, EADs and LGDs, as stated above. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarized below:

Stage 1: The 12mECL is calculated as the portion of Lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. NPPF calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

Stage 2: When a loan has shown a significant increase in credit risk since origination, NPPF records an allowance for the Lifetime ECL. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For loans considered credit impaired, NPPF recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

**6.3.3.3. Forward Looking Information**

In its ECL models, NPPF relies on a broad range of forward-looking information as economic inputs, such as:



## Note to Financial Statements

*(All amount in BTN, unless otherwise stated)*

- GDP growth
- Inflation
- Interest Rate
- Exchange Rate
- Unemployment rates

Detailed information about these inputs and sensitivity analysis are provided in Note 10.7.

#### 6.3.3.4. Credit enhancements: collateral valuation and financial guarantees.

To mitigate its credit risks on financial assets, NPPF seeks to use collateral, where possible. The collateral comes in various forms, such as real estate and other securities. Collateral in the form of real estate, unless repossessed, is not recorded on NPPF's statement of financial position. Cash flows expected from credit enhancements which are not required to be recognized separately by BFRS standards and which are considered integral to the contractual terms of a debt instrument which is subject to ECL, are included in the measurement of those ECL.

To the extent possible, NPPF uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data obtained from third parties including brokers.

#### 6.3.4. 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.

#### 6.4. Return To Members'

The actual surplus earned during the year is distributed to the Members' DC and DB account after adjusting loan impairment between expected credit loss (ECL) and RMA Prudential regulation provision and notional gains/loss from financial assets.

#### 6.5. Cash and Cash Equivalents

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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

## 6.6. Foreign Currency Translation

### 6.6.1. Functional and presentation currency

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

### 6.6.2. Transactions and Balances

NPPF has foreign currency exposure only in Indian rupee (INR). However, as the BTN is pegged to INR the values are constantly equal.

If and when there are transactions in foreign currency, they 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 the 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 value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined.

## 6.7. Leases

BFRS 16 supersedes BAS 17 - "Leases", IFRIC 4 - "Determining whether an Arrangement Contains a Lease", SIC-15 - "Operating Leases-Incentives" and SIC-27 - "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under BFRS 16 is substantially unchanged under BAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in BAS 17. Therefore, BFRS 16 did not have an impact for leases where the NPPF is the lessor.

BFRS 16 became applicable for annual reporting periods beginning 1<sup>st</sup> January 2022. NPPF has adopted BFRS 16 using the modified retrospective method of adoption with the date of initial application of 1<sup>st</sup> July 2022. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

NPPF assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

## 6.8. NPPF as a Lessee

NPPF applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Leases in which a significant portion of the risks



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

and rewards of ownership are not transferred to NPPF are classified as operating leases. NPPF recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### 6.8.1. Right-of-Use Assets

NPPF recognizes Right-of-Use (RoU) assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). RoU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of RoU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. RoU assets are depreciated on a straight-line basis over the lease term.

Under the modified retrospective method NPPF has selected to measure the ROU asset, an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Statement of Financial Position immediately before the date of initial application.

The RoU assets are presented within Note 16.1.

#### 6.8.2. Lease Liabilities

At the commencement date of the lease, NPPF recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by NPPF and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

#### 6.9. NPPF as a Lessor

Leases in which NPPF does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of Statement of Comprehensive Income. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. The respective leased assets are included in the statement of financial position based on their nature and depreciated over their useful life.

Preceding the fiscal year starting 1<sup>st</sup> July 2022, NPPF had pre-emptively implemented the international accounting standard BAS 17.



## Note to Financial Statements

*(All amount in BTN, unless otherwise stated)***6.10. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**6.11. Property, Plant, and Equipment**

All property, plant and equipment are measured initially at historical cost. The cost of an item of PPE is recognized only if 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. Cost includes expenditure that is directly attributable to the acquisition of the items and cost incurred subsequently to add to, replace part of an item of property, plant and equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable for bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. 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.

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 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)	



## Note to Financial Statements

*(All amount in BTN, unless otherwise stated)*

Asset Class	Useful life (Years)
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 Nu.1 (one) except for 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 the statement of comprehensive income.

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

Changes in the expected useful life are accounted for by changing the amortization period or methodology as appropriate, and treated as changes in accounting estimates.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.



Note to Financial Statements

*(All amount in BTN, unless otherwise stated)***6.12. Investment Properties**

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. Expenditure is capitalized when and 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.

Investment properties are measured initially at cost, including transaction costs, and where applicable borrowing costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of Comprehensive Income in the period in which they arise. Fair values are determined based on an annual valuation performed in-house based on the management approved method of valuation.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Similarly, when part of an investment property is replaced, the carrying amount of the replaced part is derecognized. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the Statement of Comprehensive Income in the period of derecognition.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the NPPF accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Capital work in progress is stated at cost incurred including provision for outstanding bills up to the date of the Statement of Financial Position.

**6.13. Intangible Assets**

Intangible assets consist of application software procured off the shelf and applications 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 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 with finite lives are amortized using straight line method over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful lives of intangible assets has been considered at from 3 to 5 years depending on its nature. The useful economic lives of the intangible assets are



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

reviewed at least at each reporting date. The amortization expense on intangible assets with finite lives is recognized in the Statement of Comprehensive Income in the expense category that is consistent with the function of the intangible assets.

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.

#### 6.14. 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.

#### 6.15. Employees Benefits

##### 6.15.1. 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.

##### 6.15.2. 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.

##### 6.15.3. Post-Employment Obligations

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

##### 6.15.3.1. 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



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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 remeasurement of employee benefit gains/(loss) 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 the statement of comprehensive income as past service cost.

#### 6.15.3.2. Terminal Benefit Obligations

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

#### 6.16. Provisions and 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 the 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 an 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)

**7. Cash and Cash Equivalents**

Particulars	31-Dec-24	31-Dec-23
Cash in hand	37,728	43,017
Cash at bank	938,947,071	145,493,887
<b>Total for cash and cash equivalents</b>	<b>938,984,799</b>	<b>145,536,904</b>
Less: Impairment allowance for cash at bank and cash equivalents	(8,816)	(1,210)
<b>Total</b>	<b>938,975,983</b>	<b>145,535,694</b>

**8. Term Deposits**

Particulars	31-Dec-24	31-Dec-23
<i>Term Deposits with</i>		
Bhutan National Bank Ltd.	14,089,000,000	14,374,000,000
TBank Ltd	400,000,000	400,000,000
Bhutan Development Bank Ltd.	1,869,000,000	2,133,000,000
Bank of Bhutan Ltd.	3,610,000,000	2,810,000,000
Druk PNB Ltd.	3,160,000,000	2,660,000,000
Micro Finance Bhutan Private Ltd.	30,000,000	10,000,000
Interest accrued but not due on term deposits	1,790,598,394	1,710,364,295
<b>Sub Total</b>	<b>24,948,598,394</b>	<b>24,097,364,295</b>
Less: Impairment allowance for term deposits	(228,101)	(212,714)
<b>Total</b>	<b>24,948,370,293</b>	<b>24,097,151,581</b>

**9. Investments in bonds and commercial papers**

Particulars	31-Dec-24	31-Dec-23
<b>Investment in Government bonds</b>		
Royal Government of Bhutan	1,389,666,000	2,189,666,000
<b>Total (A)</b>	<b>1,389,666,000</b>	<b>2,189,666,000</b>
<b>Investment in Corporate bonds and commercial papers</b>		
Druk Air Corporation	624,341,409	840,684,759
Dungsam Cement Corporation Ltd	-	350,000,000
Druk Technology Fund	3,000,000,000	3,000,000,000
RSA Pvt Ltd	-	34,400,000
Tashi Air Pvt Ltd	275,980,000	225,000,000
Tbank Ltd	405,000,000	55,000,000
Bank of Bhutan Ltd.	1,000,000,000	1,000,000,000
Druk Wang Alloys Ltd.	250,000,000	250,000,000
Bhutan National Bank Ltd.	1,000,000,000	-
Druk Wang Alloys Ltd.	48,520,550	-
Interest accrued but not due on bonds	529,903,574	305,671,000
Less: Impairment allowance for investment in bonds	(19,221,493)	(17,624)
<b>Total</b>	<b>8,504,190,039</b>	<b>8,250,404,135</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**10. Loans**

Particulars	31-Dec-24	31-Dec-23
Corporate Loans	13,282,194,894	10,412,543,262
Education and Student Loans	2,605,162,855	2,546,000,877
Housing Loans	1,370,572,081	1,356,797,526
Member Loans	3,974,832,614	4,009,241,707
Vehicle Loans	50,162,730	30,306,393
Staff incentive Loans	88,108,245	85,756,798
<b>Total loans</b>	<b>21,371,033,419</b>	<b>18,440,646,563</b>
Interest suspense on Stage 3 loans	(52,725,735)	(83,667,461)
Impairment allowance for loans and advances	(931,887,967)	(318,521,376)
<b>Loans after provision</b>	<b>20,386,419,717</b>	<b>18,038,457,726</b>

**10.1 Stage wise analysis of loans amortized at cost.**

	31-Dec-24			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	8,447,521,436	4,090,471,253	744,202,205	13,282,194,894
Education and Student Loans	2,482,849,043	93,001,602	29,312,210	2,605,162,855
Housing Loans	698,249,229	475,719,567	196,603,285	1,370,572,081
Member Loans	3,846,520,532	103,614,830	24,697,252	3,974,832,614
Vehicle loans	46,031,951	4,130,778	-	50,162,730
Staff Incentive Loans	88,108,245	-	-	88,108,245
	<b>15,609,280,436</b>	<b>4,766,938,029</b>	<b>994,814,953</b>	<b>21,371,033,419</b>

	31-Dec-23			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	4,896,292,139	5,266,321,928	249,929,196	10,412,543,262
Education and Student Loans	1,452,816,502	1,022,219,934	70,964,442	2,546,000,877
Housing Loans	547,707,136	564,792,509	244,297,881	1,356,797,526
Member Loans	2,331,425,654	1,599,807,038	78,009,015	4,009,241,707
Vehicle loans	30,306,393	-	-	30,306,393
Staff Incentive Loans	85,756,798	-	-	85,756,798
	<b>9,344,304,621</b>	<b>8,453,141,408</b>	<b>643,200,534</b>	<b>18,440,646,563</b>

**10.2 Impairment allowances for loans**

Impairment allowance for loans	31-Dec-24	31-Dec-23
Opening balance	318,521,376	220,917,514
Credit loss expense for the year	613,366,591	97,603,862
Closing balance	<b>931,887,967</b>	<b>318,521,376</b>

*Made up of:*

Individually impaired	-	-
Collectively impaired	931,887,967	318,521,376
<b>Total impairment</b>	<b>931,887,967</b>	<b>318,521,376</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**10.3 Impairment allowances based on staging approach of BFRS 9**

	31-Dec-24			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
<b>Delinquency grades</b>				
Current	89,248,834	-	-	89,248,834
1-30 days passed due	97	-	-	97
31-60 days passed due	-	318,598,920	-	318,598,920
61-90 days passed due	-	5,096,366	-	5,096,366
90 days & above	-	-	452,980,765	452,980,765
Individually impaired	-	-	-	-
Additional impairment allowance to match 1% impairment allowance on Stage 1 loan	65,962,985	-	-	65,962,985
	<b>155,211,916</b>	<b>323,695,286</b>	<b>452,980,765</b>	<b>931,887,967</b>

	31-Dec-23			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
<b>Delinquency grades</b>				
Current	25,096,972	-	-	25,096,972
1-30 days passed due	348	-	-	348
31-60 days passed due	-	169,387,824	-	169,387,824
61-90 days passed due	-	4,151,195	-	4,151,195
90 days & above	-	-	119,885,036	119,885,036
Individually impaired	-	-	-	-
	<b>25,097,320</b>	<b>173,539,019</b>	<b>119,885,036</b>	<b>318,521,376</b>

**10.4 Loan stage wise analysis of impairment allowances**

	31-Dec-24			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	80,870,980	282,211,758	355,231,137	718,313,875
Education and Student Loans	1,278,945	1,246,340	3,301,634	5,826,919
Housing Loans	6,253,094	39,676,468	93,844,936	139,774,498
Member Loans	467,719	316,725	603,058	1,387,501
Vehicle loans	378,194	243,995	-	622,190
Additional impairment allowance to match 1% impairment allowance on Stage 1 loan	65,962,985	-	-	65,962,985
	<b>155,211,916</b>	<b>323,695,286</b>	<b>452,980,765</b>	<b>931,887,967</b>

	31-Dec-23			
	Stage 1 Nu.	Stage 2 Nu.	Stage 3 Nu.	Total Nu.
Corporate Loans	20,706,462	129,316,771	56,685,680	206,708,912
Education and Student Loans	899,994	15,981,999	6,130,233	23,012,227
Housing Loans	2,573,144	21,054,844	55,408,458	79,036,446
Member Loans	780,739	7,185,405	1,660,665	9,626,810
Vehicle loans	136,981	-	-	136,981
	<b>25,097,320</b>	<b>173,539,019</b>	<b>119,885,036</b>	<b>318,521,376</b>



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**10.5 Movement in allowance for impairment during the period as follows:**

	31-Dec-24			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
Balance as at 1st January 2024	25,097,320	173,539,019	119,885,036	318,521,376
New assets originated	13,534,697	1,003,344	153,280	14,691,321
Closures / net settlements / write offs	165,747,544	150,978,475	281,949,252	598,675,270
Transfers from Stage 1	(50,166,017)	14,902,089	35,263,928	-
Transfers from Stage 2	473,206	(30,017,366)	29,544,160	-
Transfers from Stage 3	525,166	13,289,725	(13,814,891)	-
<b>Balance as at 31st December 2024</b>	<b>155,211,916</b>	<b>323,695,286</b>	<b>452,980,765</b>	<b>931,887,967</b>

	31-Dec-23			Total
	Stage 1 Collective	Stage 2 Collective	Stage 3 Ind/Coll	
Balance as at 01st July 2023	12,100,762	172,818,009	35,998,744	220,917,514
New assets originated	6,656,974	313,580	219,506	7,190,060
Closures / net settlements / write offs	11,618,242	(948,521)	79,744,081	90,413,802
Transfers from Stage 1	(10,287,444)	4,184,245	6,103,199	-
Transfers from Stage 2	2,263,180	(3,948,862)	1,685,682	-
Transfers from Stage 3	2,745,607	1,120,568	(3,866,175)	-
<b>Balance as at 31st December 2023</b>	<b>25,097,320</b>	<b>173,539,019</b>	<b>119,885,036</b>	<b>318,521,376</b>

**10.6 Reconciliation of impairment between RMA PR and ECL as per BFRS 9**

	31-Dec-24	31-Dec-23
Provision as per RMA PR	<b>619,836,794</b>	<b>545,473,082</b>
Impairment on loan as per ECL	<b>931,887,967</b>	<b>318,521,376</b>
Movement in Provision as per RMA	74,363,713	194,431,636
Movement in Provision as per BFRS 9 ECL	613,366,591	97,603,862
<b>Adjustment of Provision</b>	<b>539,002,878</b>	<b>(96,827,773)</b>



### 10.7 Sensitivity of impairment provision on loans

The Entity has estimated the impairment allowance on loans and advances subject to various assumptions. The changes to such assumptions may lead to changes in inputs used for the computation of the impairment provision.

The following table demonstrates the sensitivity of the impairment allowance of the Entity to a reasonably possible change in PDs, LGDs and forward-looking information.

	31 December 2024				Sensitivity effect on Statement of Profit or Loss
	Stage 1	Stage 2	Stage 3	Total	
	Sensitivity effect on Statement of Financial Position [Increase / (Decrease) in impairment allowance]				
PD 1% increase across all age buckets	64,656,797	2,702,089	-	67,358,886	(67,358,886)
PD 1% decrease across all age buckets	-64,656,797	-2,702,089	-	(67,358,886)	67,358,886
LGD 5% increase	13,227,553	6,047,575	45,990,535	65,265,663	(65,265,663)
LGD 5% decrease	-13,227,553	-6,047,575	-45,990,535	(65,265,663)	65,265,663
<b>Probability weighted Economic Scenarios</b>					
- Best case 5% increase and worst case 5% decrease	-229,067	-119,918	-	(348,986)	348,986
- Best case 5% decrease and worst case 5% increase	229,067	119,868	-	348,935	(348,935)
	31 December 2023				Sensitivity effect on Statement of Profit or Loss
	Stage 1	Stage 2	Stage 3	Total	
	Sensitivity effect on Statement of Financial Position [Increase / (Decrease) in impairment allowance]				
PD 1% increase across all age buckets	12,522,445	13,859,534	-	26,381,979	(26,381,979)
PD 1% decrease across all age buckets	(12,522,445)	(13,859,534)	-	(26,381,979)	26,381,979
LGD 5% increase	6,284,099	52,723,194	19,936,422	78,943,714	(78,943,714)
LGD 5% decrease	(6,284,099)	(52,723,194)	(19,936,422)	(78,943,714)	78,943,714
<b>Probability weighted Economic Scenarios</b>					
- Best case 5% increase and worst case 5% decrease	55,650	526,898	-	582,548	(582,548)
- Best case 5% decrease and worst case 5% increase	(49,270)	(528,085)	-	(577,355)	577,355





### 11. Investment in equity shares

Particulars	31-Dec-24			31-Dec-23		
	No. of shares	Face value	Fair value	No. of shares	Face value	Fair value
<b>1. Quoted</b>						
Penden Cement Authority Ltd.	10,391,973	10	393,751,857	6,494,983	10	560,826,943
State Trading Corporation of Bhutan Ltd.	661,500	10	33,253,605	441,000	10	32,186,461
Bhutan National Bank Ltd.	121,013,768	10	3,618,311,663	121,013,768	10	3,575,517,524
Kuensel Corporation Ltd.	367,500	10	3,675,000	367,500	10	15,080,274
Druk PNB Ltd.	11,728,414	10	325,197,850	11,728,414	10	585,081,690
TBank Ltd.	907,325	10	29,861,238	756,104	10	28,302,259
Bhutan Insurance Ltd.	3,074,582	10	31,737,460	3,074,582	10	192,305,635
GIC-Bhutan Reinsurance Co. Ltd.	2,385,448	10	67,681,260	2,385,448	10	66,104,040
Royal Insurance Corporation of Bhutan Ltd.	1,608,746	10	98,758,624	1,608,746	10	113,793,052
Bhutan Ferro Alloys Ltd.	1,010,430	10	114,916,204	1,010,430	10	106,057,899
<b>Total quoted</b>			<b>1,926,109,417</b>			<b>5,275,255,777</b>
<b>2. Unquoted</b>						
Dagachu Hydro Power Corporation Ltd.	619,800	1000	619,800,000	619,800	1,000	676,708,911
Credit Information Bureau	17,500	100	1,750,000	17,500	100	5,595,225
Financial Institutions Training Institute Ltd.	1,200,000	10	11,997,000	1,200,000	10	10,463,651
Dungsam Cement Corporation Ltd.	8,692,357	100	653,259,800	6,156,400	100	95,784,751
<b>Total unquoted</b>			<b>1,286,806,800</b>			<b>788,552,538</b>
<b>Total investments in equity share</b>			<b>3,212,916,217</b>			<b>6,063,808,315</b>

Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**12. Other assets**

Particulars	31-Dec-24	31-Dec-23
Rent receivable	578,145	707,676
Other receivable	13,849,287	15,198,100
Deposit with RMA	100,000	100,000
Security deposit (power/water/rent)	1,374,370	1,433,603
Prepaid expenses	16,269,925	15,422,906
Advance	38,688,551	62,969,264
Asset pending foreclosure	199,415	638,900
Less: Impairment allowance for Other Assets	(4,289,041)	-
<b>Total</b>	<b>66,770,652</b>	<b>96,470,449</b>

**13. Inventories**

Particulars	31-Dec-24	31-Dec-23
Consumables and spares	829,513	652,445
<b>Total</b>	<b>829,513</b>	<b>652,445</b>

**14. Investment property**

Particulars	31-Dec-24	31/12/2023
Opening balance	8,093,880,166	5,291,538,064
Net Addition/(Deletion) during the year	105,079,696	97,021,566
Adjustment of gain/(loss) from fair value movement	87,062,125	2,705,320,535
<b>Total</b>	<b>8,286,021,987</b>	<b>8,093,880,166</b>

(i) *Fair value of investment properties.*

Particulars	31/12/2024	31/12/2023
Fair value of Land	6,760,496,980	6,643,041,116
Fair value of Landed property (Buildings)	1,525,525,007	1,450,839,049
<b>Total</b>	<b>8,286,021,987</b>	<b>8,093,880,166</b>

Note 1: The NPPF landed properties including semi-permanent structures are fully insured.

**Estimation of fair value**

The valuations of investment properties are done in-house using the method approved by the Management. Valuation has been done using the following approach.

- a. *Market approach:* Estimate value based on instances of sales/quotes of similar assets in the market.



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- b. *Cost approach:* Estimate values based on the replacement cost of an asset of equivalent utility and depreciation including obsolescence.

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

Particulars	31-Dec-24	31-Dec-23
Rental income	79,729,606	73,492,657
Direct operating expenses from property that generated rental income	(2,856,274)	(1,846,522)
	<b>76,873,332</b>	<b>71,646,135</b>

Note: The rental income in note 25 includes Nu. 2,395,805- earned from renting of NPPF corporate office space, which is categorized as Property Plant and Equipment under note 15. The above rental income excludes 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 cancelable at the option of lessor or the lessee. The lease arrangements of residential investment properties are renewed after every 2 years.

(iv) *Reconciliation of Investment Property between historical cost and fair value movement*

	31-Dec-24	31-Dec-23
Opening balance at cost (Net of depreciation)	1,301,268,565	1,204,246,999
Addition/(Derecognition)	131,172,547	114,749,459
Depreciation	(26,092,851)	(17,727,893)
<b>Closing balance at cost (Net of depreciation)</b>	<b>1,406,348,261</b>	<b>1,301,268,565</b>
<b>Fair value on the date of reporting</b>	<b>8,286,021,987</b>	<b>8,093,880,166</b>
Movement between FV and cost	6,879,673,726	6,792,611,601
Gain/(loss) from changes in fair value (Note 27.1)	60,969,274	2,687,592,642.09
Adjustment of Depreciation	26,092,851	17,727,893
<b>Adjustment of gain/(loss) from fair value movement (Note 14)</b>	<b>87,062,125</b>	<b>2,705,320,535</b>



## 15. Property Plant and Equipment

Particulars	Gross block			Accumulated depreciation			Net block			
	01-Jan-24	Additions during the year	31-Dec-24	Adjustments	31-Dec-24	01-Jan-24	Depreciation during the year	Adjustments	31-Dec-24	31-Dec-23
Office building	184,976,151	3,561,963	188,538,114	-	188,538,114	79,300,163	5,071,368	-	84,371,532	104,166,582
Diesel Generator (Electrical)	3,310,518	-	3,310,518	-	3,310,518	1,753,284	156,344	-	1,909,628	1,400,890
Road network	677,255	-	677,255	-	677,255	677,253	-	-	677,253	2
Retention wall	1,465,060	-	1,465,060	-	1,465,060	488,510	48,925	-	537,434	927,626
Computer & accessories	22,402,929	2,093,700	18,195,237	(6,301,392)	18,195,237	14,376,613	2,725,773	(6,816,637)	10,285,748	7,909,489
High end server	21,433,346	-	21,163,971	(269,375)	21,163,971	6,847,099	2,532,644	(269,374)	9,110,370	12,053,601
Other office equipment	100,645,742	5,686,859	99,594,789	(6,737,812)	99,594,789	64,939,202	15,823,068	(6,023,414)	74,738,855	24,855,934
Furniture	14,943,714	3,081,354	16,851,425	(1,173,643)	16,851,425	7,943,144	1,327,932	(1,044,928)	8,226,149	8,625,276
Communication equipment	837,966	241,371	936,697	(142,640)	936,697	326,206	107,447	(131,342)	302,311	634,386
Motor vehicles	8,463,969	-	8,463,969	-	8,463,969	4,908,800	677,118	-	5,585,917	2,878,052
Carpet	1,589,580	2,336,680	3,766,459	(158,801)	3,766,459	256,375	530,438	(149,939)	636,874	3,129,585
<b>Sub total (A)</b>	<b>360,745,232</b>	<b>17,001,927</b>	<b>362,863,494</b>	<b>(14,783,664)</b>	<b>362,863,494</b>	<b>181,816,648</b>	<b>29,001,057</b>	<b>(14,435,634)</b>	<b>196,382,071</b>	<b>166,581,424</b>
Capital grant	-	-	-	-	-	7,631,660	-	-	7,631,659	1
Integrated data center	7,631,660	-	7,631,660	-	7,631,660	7,631,659	-	-	7,631,659	1
<b>Sub total (B)</b>	<b>7,631,660</b>	<b>-</b>	<b>7,631,660</b>	<b>-</b>	<b>7,631,660</b>	<b>7,631,659</b>	<b>-</b>	<b>-</b>	<b>7,631,659</b>	<b>1</b>
<b>Total (A+B)</b>	<b>368,376,892</b>	<b>17,001,927</b>	<b>370,595,154</b>	<b>(14,783,664)</b>	<b>370,595,154</b>	<b>189,448,307</b>	<b>29,001,057</b>	<b>(14,435,634)</b>	<b>204,013,730</b>	<b>166,581,425</b>

Particulars	Gross block			Accumulated depreciation			Net block			
	01-Jan-23	Additions during the year	31-Dec-23	Adjustments	31-Dec-23	01-Jan-23	Depreciation during the year	Adjustments	31-Dec-23	31-Dec-22
Office building	182,831,246	2,144,905	184,976,151	-	184,976,151	71,636,701	7,663,462	-	79,300,163	111,194,544
Diesel Generator (Electrical)	3,310,518	-	3,310,518	-	3,310,518	1,596,940	156,344	-	1,753,284	1,557,234
Road network	677,255	-	677,255	-	677,255	677,253	-	-	677,253	2
Retention wall	1,465,060	-	1,465,060	-	1,465,060	439,585	48,925	-	488,510	976,551
Computer & accessories	18,351,212	5,242,159	22,402,929	(1,190,442)	22,402,929	13,027,997	2,395,180	(1,046,564)	14,376,613	8,026,317
High end server	14,984,982	6,448,364	21,433,346	-	21,433,346	4,670,728	2,176,371	-	6,847,099	10,314,254
Other office equipment	95,268,620	6,519,244	100,645,742	(1,142,122)	100,645,742	50,762,473	15,318,831	(1,142,102)	64,939,202	44,506,148
Furniture	11,694,874	3,285,177	14,943,714	(36,337)	14,943,714	7,031,642	944,006	(32,504)	7,943,144	7,000,570
Communication equipment	675,476	162,490	837,966	-	837,966	219,080	107,126	-	326,206	511,761
Motor vehicles	8,463,969	-	8,463,969	-	8,463,969	4,062,403	846,397	-	4,908,800	3,555,170
Carpet	282,800	1,305,781	1,588,580	-	1,588,580	219,336	37,039	-	256,375	4,401,567
<b>Sub total (A)</b>	<b>338,006,012</b>	<b>25,108,120</b>	<b>360,745,232</b>	<b>(2,368,900)</b>	<b>360,745,232</b>	<b>154,344,136</b>	<b>29,695,682</b>	<b>(2,221,170)</b>	<b>181,816,648</b>	<b>178,928,584</b>
Capital grant	-	-	-	-	-	7,631,660	-	-	7,631,659	1
Integrated data center	7,631,660	-	7,631,660	-	7,631,660	7,631,659	-	-	7,631,659	1
<b>Sub total (B)</b>	<b>7,631,660</b>	<b>-</b>	<b>7,631,660</b>	<b>-</b>	<b>7,631,660</b>	<b>7,631,659</b>	<b>-</b>	<b>-</b>	<b>7,631,659</b>	<b>1</b>
<b>Total (A+B)</b>	<b>345,637,672</b>	<b>25,108,120</b>	<b>368,376,892</b>	<b>(2,368,900)</b>	<b>368,376,892</b>	<b>161,975,795</b>	<b>29,695,682</b>	<b>(2,221,170)</b>	<b>189,448,307</b>	<b>185,661,877</b>

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 (2): The fair value of office building is Nu. 139,019,321.00 (previous year Nu. 152,098,637)



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**16. Right of Use Assets and Lease Liability****16.1 Right of Use Assets**

Note: 16.1 Right of Use Assets

Particulars	Amount
Opening as at 1st January 2024	338,013
Addition/(adjustment) during the year	(30,068)
Advance payments for leases	-
Less: Depreciation during the year	(198,871)
<b>Net book value as at 31st December 2024</b>	<b>109,073</b>
Opening as at 1st January 2023	287,365
Addition/(adjustment) during the year	327,220
Advance payments for leases	-
Less: Depreciation during the year	(276,572)
<b>Net book value as at 31st December 2023</b>	<b>338,013</b>

**16.2 Lease Liability**

Particulars	Amount
Opening as at 1st January 2024	346,778
Addition/(adjustment) during the year	(30,068)
Interest expense recognized in SOCI	15,131
Repayment of liability	(215,937)
<b>Closing balance as at 31st December 2024</b>	<b>115,904</b>
Opening as at 1st January 2023	293,970
Addition/(adjustment) during the year	327,220
Interest expense recognized in SOCI	26,137
Repayment of liability	(300,548)
<b>Closing balance as at 31st December 2023</b>	<b>346,778</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**17. Intangible assets**

Particulars	Application software	Other software	Development in progress	Total
<b>Cost</b>				
Opening as at 1st January 2024	139,936,757	43,469,745	419,925	183,826,427
Additions			451,605	451,605
Adjustment	(860,158)	-	-	(860,158)
Capitalization of development in progress	2,301,510		(419,925)	1,881,586
<b>Closing as at 31st December 2024</b>	<b>141,378,110</b>	<b>43,469,745</b>	<b>451,605</b>	<b>185,299,460</b>
<b>Accumulated amortization</b>				
Opening as at 1st January 2024	56,962,442	29,973,759	-	86,936,201
Amortization for the year	28,044,518	6,832,721	-	34,877,239
<b>Closing as at 31st December 2024</b>	<b>85,006,960</b>	<b>36,806,480</b>	<b>-</b>	<b>121,813,440</b>
<b>Net carrying amount as at 31st December 2024</b>	<b>56,371,150.07</b>	<b>6,663,265</b>	<b>451,605</b>	<b>63,486,021</b>
<b>Cost</b>				
Opening as at 1st January 2023	127,133,273	40,885,737	12,803,485	180,822,495
Additions	-	2,584,008	419,924	3,003,932
Capitalization of development in progress	12,803,485	-	(12,803,485)	-
<b>Closing as at 31st December 2023</b>	<b>139,936,757</b>	<b>43,469,745</b>	<b>419,925</b>	<b>183,826,427</b>
<b>Accumulated amortization</b>				
Opening as at 1st January 2023	35,478,505	22,053,927	-	57,532,432
Amortization for the year	21,483,936	7,919,832	-	29,403,769
<b>Closing as at 31st December 2023</b>	<b>56,962,442</b>	<b>29,973,759</b>	<b>-</b>	<b>86,936,201</b>
<b>Net carrying amount as at 31st December 2023</b>	<b>82,974,315.57</b>	<b>13,495,986</b>	<b>419,925</b>	<b>96,890,226</b>

**18. Other liabilities and Payables**

Particulars	31-Dec-24	31-Dec-23
Interest received in advance	383,238	383,238
Unidentified deposit	83,189	2,741,292
Security deposit third party	32,508,840	19,751,425
Security deposit (rent)	13,911,706	12,467,072
Security Deposit (Lease)	150,692	74,200
Excess member contribution	2,943,113	2,869,286
Security deposit - power meter	303,386	303,386
Housing / education loan closed A/c - credit balance	24,782,406	24,782,406
Loan EMI Parking	312,905,193	366,847,231
Contribution Parking	381,453	381,452
Deduction at source payable	933	1,401,423
APF Reserve for Loan loss	199,415	638,900
Other payables	78,956,533	104,530,944
<b>Total</b>	<b>467,510,097</b>	<b>537,172,256</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**19. Net Employee benefit obligations**

Particulars	Note	31-Dec-24	31-Dec-23
<b>NPPF employee gratuity</b>			
Gratuity Liability	19.1	26,276,572	17,981,889
Gratuity Investment		35,520,940	33,391,106
<b>Net Defined Benefit Asset/(Liability)</b>		<b>9,244,368</b>	<b>15,409,217</b>
<b>Other employee benefit</b>			
Leave encashment		4,409,204	4,996,722
Terminal benefits	19.2 & 19.3	11,067,236	4,510,619
<b>Total</b>		<b>15,476,440</b>	<b>9,507,341</b>
<b>Net employee benefit obligation surplus/(deficit)</b>		<b>(6,232,073)</b>	<b>5,901,876</b>

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

A	Movement in present value of Defined Benefit Obligation	31-Dec-24	31-Dec-23
1	DBO at end of prior year	17,981,889	20,798,877
2	Current service cost	3,272,378	2,107,530
3	Past service cost	-	-
4	Interest cost	1,127,704	1,251,596
5	Benefits paid by the plan	-	-
6	Benefits paid directly by the employer	(3,743,670)	(5,837,881)
7	Actuarial (gain)/loss due to plan experience	7,030,187	2,199,424
8	Actuarial (gain)/loss - demographic assumptions	608,084	(2,537,656)
9	Actuarial (gain)/loss - financial assumptions	-	-
	<b>DBO at end of the year</b>	<b>26,276,572</b>	<b>17,981,889</b>
B	Movement in fair value of plan assets	31-Dec-24	31-Dec-23
1	Fair value at the beginning of the year	33,391,106	31,441,569
2	Contribution paid to the plan	-	1,948,708
3	Expected return on plan assets	2,337,377	2,269,115
4	Benefits paid from plan	-	-
5	Return on plan assets greater or (less) than discount rate	(207,544)	(2,268,286)
	<b>Fair value at end of the year</b>	<b>35,520,939</b>	<b>33,391,106</b>
C	Composition of plan asset	31-Dec-24	31-Dec-23
1	Bonds(Government/Corporate)		
2	Gratuity savings/deposits in banks/insurance companies	35,520,939	33,391,106
3	Equities		
	<b>Total</b>	<b>35,520,939</b>	<b>33,391,106</b>
D	Statement of Profit & Loss	31-Dec-24	31-Dec-23
1	Current service cost	3,272,378	2,107,530
2	Past service cost	-	-
3	Net interest cost on net defined benefit liability / (asset)	1,127,704	1,251,596
4	Expected interest on plan asset	(2,337,377)	(2,269,115)
	<b>Net Cost for the year recognized in P&amp;L</b>	<b>2,062,705</b>	<b>1,090,010</b>



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

E Other Comprehensive Income ( OCI )		31-Dec-24	31-Dec-23
1	Actuarial (gain)/loss due to liability experience	7,030,187	2,199,424
2	Actuarial (gain)/loss due to liability assumption changes	608,084	(2,537,656)
3	Return on plan assets (greater)/less than discount rate	207,544	2,268,286
<b>Remeasurement (Gain) or Loss Recognized in OCI at year end</b>		<b>7,845,815</b>	<b>1,930,054</b>
F Development of Net Financial Position		31-Dec-24	31-Dec-23
1	Defined Benefit Obligation (DBO)	(26,276,572)	(17,981,889)
2	Fair Value of Plan Assets (FVA)	35,520,939	33,391,106
3	Funded Status (Surplus/(Deficit))	9,244,367	15,409,217
<b>Net Defined Benefit Asset/(Liability)</b>		<b>9,244,367</b>	<b>15,409,217</b>
G Reconciliation of Net Balance Sheet Position		31-Dec-24	31-Dec-23
1	Net defined benefit asset/ (liability) at end of prior year	15,409,217	10,642,692
2	Amount recognized in Profit & Loss	(2,062,705)	(1,090,010)
3	Amount recognized in OCI	(7,845,815)	(1,930,054)
4	Contributions paid into the plan	-	1,948,708
5	Benefit paid by the employer	3,743,670	5,837,881
<b>Net defined benefit asset/ (liability) at end of the year</b>		<b>9,244,367</b>	<b>15,409,217</b>
H Expected benefit payments for the year ending		31-Dec-24	31-Dec-23
1	Less than a year	5,697,972	10,648,587
2	Between 1- 2 years	4,998,406	7,114,190
3	Between 2-5 years	6,556,511	14,959,688
4	Over 5 years	10,692,665	18,390,754

- i. Expected employer expense for the year ending 31 December 2025 is Nu. 4,895,092
- ii. Weighted average duration of defined benefit obligation is 7.92 years (31<sup>st</sup> December 2023-3.51 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.



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

## iv. Significant estimates: actuarial assumptions and sensitivity

a	Discount Rate	31-Dec-24	31-Dec-23
	Discount Rate	7%	7%
	Effect on DBO due to 0.5% increase in discount rate	(739,190)	(226,423)
	Effect on DBO due to 0.5% decrease in discount rate	782,579	234,598
b	Salary escalation rate	31-Dec-24	31-Dec-23
	Salary escalation rate	7%	7%
	Effect on DBO due to 1% increase in salary escalation rate	1,592,327	291,079
	Effect on DBO due to 1% decrease in salary escalation rate	(1,451,076)	(284,045)
c	Attrition rate	31-Dec-24	31-Dec-23
	Attrition rate	10%	25%
	Effect on DBO due to 1% increase in attrition rate	(53,526)	(64,173)
	Effect on DBO due to 1% decrease in attrition rate	58,265	65,694

## 19.2 Disclosure as per BAS 19: "Employee benefit" as regards defined benefit scheme (Carriage charges)

A	Movement in present value of Defined Benefit Obligation	31-Dec-24	31-Dec-23
1	DBO at end of prior year	1,894,478	1,322,810
2	Current service cost	1,318,797	489,461
3	Past service cost	-	-
4	Interest cost	114,887	66,369
5	Benefits paid by the plan	-	-
6	Benefits paid directly by the employer	(506,477)	(749,377)
7	Actuarial (gain)/loss due to plan experience	2,697,990	826,015
8	Actuarial (gain)/loss - demographic assumptions	(136,618)	(60,799)
9	Actuarial (gain)/loss - financial assumptions	-	-
	<b>DBO at end of the year</b>	<b>5,383,057</b>	<b>1,894,478</b>
B	Statement of Profit & Loss	31-Dec-24	31-Dec-23
1	Current service cost	1,318,797	489,461
2	Past service cost	-	-
3	Net interest cost on net defined benefit liability / (asset)	114,887	66,369
	<b>Net Cost for the year recognized in P&amp;L</b>	<b>1,433,684</b>	<b>555,829</b>
C	Other Comprehensive Income ( OCI )	31-Dec-24	31-Dec-23
1	Actuarial (gain)/loss due to liability experience	2,697,990	826,015
2	Actuarial (gain)/loss due to liability assumption changes	(136,618)	(60,799)
3	Return on plan assets (greater)/less than discount rate	-	-
	<b>Remeasurement (Gain) or Loss Recognized in OCI at year end</b>	<b>2,561,372</b>	<b>765,216</b>



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

D Development of Net Financial Position		31-Dec-24	31-Dec-23
1	Defined Benefit Obligation (DBO)	(5,383,057)	(1,894,478)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(5,383,057)	(1,894,478)
Net Defined Benefit Asset/(Liability)		(5,383,057)	(1,894,478)
E Reconciliation of Net Balance Sheet Position		31-Dec-24	31-Dec-23
1	Net defined benefit asset/ (liability) at end of prior year	(1,894,478)	(1,322,810)
2	Amount recognized in Profit & Loss	(1,433,684)	(555,829)
3	Amount recognized in OCI	(2,561,372)	(765,216)
4	Contributions paid into the plan	-	-
5	Benefit paid by the employer	506,477	749,377
Net defined benefit asset/ (liability) at end of the year		(5,383,057)	(1,894,478)
F Expected benefit payments for the year ending		31-Dec-24	31-Dec-23
1	Less than a year	1,664,803	2,079,574
2	Between 1- 2 years	1,007,326	1,284,562
3	Between 2-5 years	1,226,853	2,028,677
4	Over 5 years	1,653,783	1,489,424

- i. Expected employer expense for the year ending 31 December 2025 is Nu. 299,964
- ii. Weighted average duration of defined benefit obligation is 5.93 years (31<sup>st</sup> December 2023- 2.38 years)
- iii. Significant estimates: actuarial assumptions and sensitivity

a Discount Rate		31-Dec-24	31-Dec-23
Discount Rate		7.00%	7.00%
Effect on DBO due to 0.5% increase in discount rate		(144,021)	(15,019)
Effect on DBO due to 0.5% decrease in discount rate		153,413	15,476
b Carriage growth rate		31-Dec-24	31-Dec-23
Carriage growth rate		5%	5%
Effect on DBO due to 1% increase in carriage inflation rate		320,312	27,457
Effect on DBO due to 1% decrease in carriage inflation rate		(287,022)	(22,062)
c Attrition rate		31-Dec-24	31-Dec-23
Attrition rate		10%	25%
Effect on DBO due to 1% increase in attrition rate		28,747	(2,776)
Effect on DBO due to 1% decrease in attrition rate		(34,126)	2,763



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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

<b>A</b>	<b>Movement in present value of Defined Benefit Obligation</b>	<b>31-Dec-24</b>	<b>31-Dec-23</b>
1	DBO at end of prior year	2,616,141	2,399,176
2	Current service cost	2,149,565	755,199
3	Past service cost		-
4	Interest cost	153,713	116,709
5	Benefits paid by the plan		-
6	Benefits paid directly by the employer	(840,480)	(1,463,800)
7	Actuarial (gain)/loss due to plan experience	1,255,828	930,507
8	Actuarial (gain)/loss - demographic assumptions	349,412	(121,649)
9	Actuarial (gain)/loss - financial assumptions		-
	<b>DBO at end of the year</b>	<b>5,684,179</b>	<b>2,616,141</b>
<b>B</b>	<b>Statement of Profit &amp; Loss</b>	<b>31-Dec-24</b>	<b>31-Dec-23</b>
1	Current service cost	2,149,565	755,199
2	Past service cost		
3	Net interest cost on net defined benefit liability / (asset)	153,713	116,709
	<b>Net Cost for the year recognized in P&amp;L</b>	<b>2,303,278</b>	<b>871,908</b>
<b>C</b>	<b>Other Comprehensive Income ( OCI )</b>	<b>31-Dec-24</b>	<b>31-Dec-23</b>
1	Actuarial (gain)/loss due to liability experience	1,255,828	930,507
2	Actuarial (gain)/loss due to liability assumption changes	349,412	(121,649)
3	Return on plan assets (greater)/less than discount rate		
	<b>Remeasurement (Gain) or Loss Recognized in OCI at year end</b>	<b>1,605,240</b>	<b>808,857</b>
<b>D</b>	<b>Development of Net Financial Position</b>	<b>31-Dec-24</b>	<b>31-Dec-23</b>
1	Defined Benefit Obligation (DBO)	(5,684,179)	(2,616,141)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(5,684,179)	(2,616,141)
	<b>Net Defined Benefit Asset/(Liability)</b>	<b>(5,684,179)</b>	<b>(2,616,141)</b>
<b>E</b>	<b>Reconciliation of Net Balance Sheet Position</b>	<b>31-Dec-24</b>	<b>31-Dec-23</b>
1	Net defined benefit asset/ (liability) at end of prior year	(2,616,141)	(2,399,176)
2	Amount recognized in Profit & Loss	(2,303,278)	(871,908)
3	Amount recognized in OCI	(1,605,240)	(808,857)
4	Contributions paid into the plan	-	
5	Benefit paid by the employer	840,480	1,463,800
	<b>Net defined benefit asset/ (liability) at end of year</b>	<b>(5,684,179)</b>	<b>(2,616,141)</b>
<b>F</b>	<b>Expected benefit payments for the year ending</b>	<b>31-Dec-24</b>	<b>31-Dec-23</b>
1	Less than a year	1,956,547	2,639,223
2	Between 1- 2 years	1,395,171	1,785,755
3	Between 2-5 years	1,675,039	2,835,076
4	Over 5 years	2,553,667	2,135,084



## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- i. Expected employer expense for the year ending 31 December 2025 is Nu. 2,329,386
- ii. Weighted average duration of defined benefit obligation is 7 years (31<sup>st</sup> December 2023- 2.52 years)
- iii. Significant estimates: actuarial assumptions and sensitivity

a Discount Rate	31-Dec-24	31-Dec-23
<b>Discount Rate</b>	7.00%	7.00%
Effect on DBO due to 0.5% increase in discount rate	(159,261)	(23,822)
Effect on DBO due to 0.5% decrease in discount rate	169,713	24,571
b Salary escalation rate	31-Dec-24	31-Dec-23
<b>Salary escalation rate</b>	7%	7%
Effect on DBO due to 1% increase in salary escalation rate	347,398	33,282
Effect on DBO due to 1% decrease in salary escalation rate	(311,694)	(32,654)
c Attrition rate	31-Dec-24	31-Dec-23
<b>Attrition rate</b>	10%	25%
Effect on DBO due to 1% increase in attrition rate	(23,516)	(4,211)
Effect on DBO due to 1% decrease in attrition rate	23,745	4,242

## 20. Lapsed Fund\*

Particulars	Civil	Armed Force	Total
As at 1st January 2024	30,641,433	8,972,224	39,613,657
Addition during the year	14,700,450	31,398,146	46,098,596
Transferred to other Income	(1,671,861)	(1,568,350)	(3,240,211)
<b>As at 31st December 2024</b>	<b>43,670,023</b>	<b>38,802,019</b>	<b>82,472,042</b>
As at 1st January 2023	22,973,987	7,499,847	30,473,834
Addition during the year	10,905,740	2,949,228	13,854,969
Transferred to other Income	(3,238,294)	(1,476,852)	(4,715,146)
<b>As at 31st December 2023</b>	<b>30,641,433</b>	<b>8,972,224</b>	<b>39,613,657</b>

\*Lapsed fund consists of employer's contribution of the members who have gone out of the scheme before contributing for twelve months or terminated from service. Based on the NPPF reserve policy, the lapsed fund outstanding for more than or equal to three years are transferred to lapsed fund general reserve through statement of comprehensive income.





Note to Financial Statements

(All amount in BTN, unless otherwise stated)

### 21. Net Member's Defined Contribution (DC) plan

Particulars	Civil		Armed Forces		Private Provident Fund		Total
	Members' Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	Member's Contribution	Government's Contribution	
<b>Accumulated contribution</b>							
As at 1st January 2024	6,574,448,453	8,364,653,651	1,868,886,210	1,869,398,790	51,184,020	12,868,375	18,765,502,475
Adjustment of scheme	(181,495)	(181,496)					(362,991)
Adjusted opening balance	6,574,266,958	8,364,472,155	1,868,886,210	1,869,398,790	51,184,020	12,868,375	18,765,139,484
Contribution during the year	700,702,125	1,089,935,079	177,446,726	177,670,189	46,682,957	-	2,205,107,376
<b>As at 31st December 2024 (A)</b>	<b>7,274,969,083</b>	<b>9,454,407,235</b>	<b>2,046,332,936</b>	<b>2,047,068,979</b>	<b>97,866,978</b>	<b>12,868,375</b>	<b>20,970,246,859</b>
<b>Accumulated refund</b>							
As at 1st January 2024	2,514,589,851	2,820,894,901	397,660,301	397,833,887	9,251,256	9,150,992	6,152,791,754
Refunds during the year	264,438,831	345,397,153	39,986,188	40,104,248	12,367,994	366,350	708,896,192
<b>As at 31st December 2024 (B)</b>	<b>2,779,028,682</b>	<b>3,166,292,054</b>	<b>437,646,489</b>	<b>437,938,135</b>	<b>21,619,250</b>	<b>9,517,342</b>	<b>6,861,687,946</b>
<b>Net contribution as at 31st December 2024 (A-B)</b>	<b>4,495,940,401</b>	<b>6,288,115,180</b>	<b>1,608,686,447</b>	<b>1,609,130,845</b>	<b>76,247,728</b>	<b>3,351,033</b>	<b>14,108,558,914</b>
<b>Accumulated contribution</b>							
As at 1st January 2023	5,910,253,716	7,311,912,813	1,703,591,033	1,703,859,125	21,538,460	12,527,750	16,679,163,175
Adjustment of scheme							
Adjusted opening balance	5,910,253,716	7,311,912,813	1,703,591,033	1,703,859,125	21,538,460	12,527,750	16,679,163,175
Contribution during the year	664,194,737	1,052,740,838	165,295,177	165,539,665	29,645,560	340,625	2,086,339,300
<b>As at 31st December 2023 (A)</b>	<b>6,574,448,453</b>	<b>8,364,653,651</b>	<b>1,868,886,210</b>	<b>1,869,398,790</b>	<b>51,184,020</b>	<b>12,868,375</b>	<b>18,765,502,474</b>
<b>Accumulated refund</b>							
As at 1st January 2023	1,909,781,472	2,037,939,784	366,194,290	366,367,852	4,008,387	6,690,767	4,691,813,654
Refunds during the year	604,808,379	782,953,117	31,466,011	31,466,035	5,242,869	2,460,225	1,460,978,099
<b>As at 30th June 31st December 2023 (B)</b>	<b>2,514,589,851</b>	<b>2,820,894,901</b>	<b>397,660,301</b>	<b>397,833,887</b>	<b>9,251,256</b>	<b>9,150,992</b>	<b>6,152,791,753</b>
<b>Net contribution as at 31st December 2023 (A-B)</b>	<b>4,059,858,603</b>	<b>5,543,758,750</b>	<b>1,471,225,909</b>	<b>1,471,564,903</b>	<b>41,932,764</b>	<b>3,717,383</b>	<b>12,612,710,721</b>

Note to Financial Statements

(All amount in BTN, unless otherwise stated)

## 22. 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	
<b>Accumulated returns credited</b>							
As at 1st January 2024	3,870,298,412	4,102,915,706	1,464,646,372	1,463,552,031	2,636,863	1,519,619	10,906,712,465
Adjustment of scheme	(14,005)	(14,107)					(28,113)
Adjusted opening balance	3,870,284,407	4,102,901,599	1,464,646,372	1,463,552,031	2,636,863	1,519,619	10,906,684,352
Returns credited during the year	455,747,087	583,205,247	184,614,279	184,674,965	3,934,957	1,620,712	1,414,078,831
As at 31st December 2024 (A)	4,326,031,493	4,686,106,846	1,649,260,651	1,648,226,996	6,571,820	3,140,331	12,320,763,183
<b>Accumulated returns refund</b>							
As at 1st January 2024	1,495,267,413	1,508,259,108	303,458,344	301,837,390	432,846	136,688	3,609,943,558
Refund during the year	151,618,672	166,050,043	38,321,663	38,344,045	929,993	634,762,03	395,965,668
As at 31st December 2024 (A)	1,646,886,085	1,674,309,151	341,780,007	340,181,435	1,362,839	771,450	4,005,909,226
Net returns credited as at 31st December 2024 (A-B)	2,679,145,408	3,011,797,695	1,307,480,643	1,308,045,561	5,208,981	2,368,881	8,314,853,957
<b>Accumulated returns credited</b>							
As at 1st January 2023	3,494,440,782	3,634,306,880	1,308,351,726	1,307,203,578	883,223	457,808	9,746,537,008
Adjustment of scheme							
Adjusted opening balance	3,494,440,782	3,634,306,880	1,308,351,726	1,307,203,578	883,223	457,808	9,746,537,009
Returns credited during the year	375,857,630	468,608,825	156,294,646	156,348,453	1,753,639	1,061,811	1,160,175,455
As at 31st December 2023 (A)	3,870,298,412	4,102,915,706	1,464,646,372	1,463,552,031	2,636,863	1,519,619	10,906,712,463
<b>Accumulated returns refund</b>							
As at 1st January 2023	1,183,645,750	1,172,008,221	273,563,268	271,942,403	210,216	20,227	2,901,777,239
Refund during the year	311,621,663	336,250,887	29,895,076	29,894,987	222,630	116,461	708,166,319
As at 31st December 2023 (A)	1,495,267,413	1,508,259,108	303,458,344	301,837,390	432,846	136,688	3,609,943,558
Net returns credited as at 31st December 2023 (A-B)	2,375,030,999	2,594,656,598	1,161,188,028	1,161,714,641	2,204,016	1,382,931	7,296,768,906



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**Disclosure of net assets available for benefit (Defined contribution) based on the requirement of BAS 26 "Accounting and reporting by retirement benefit plan".**

**Basis of segregation of assets and liabilities to DC plan.**

The members' funds are recorded based on the nature of membership type, namely defined contribution, and defined benefit. The reserve (refer statement of changes in reserve), except for the remeasurement of employee benefit gains/(loss) reserve and some portion of general reserve, are considered as reserve for defined benefits.

Investment in equity shares and investment properties are assumed as long-term investment to match the defined benefit. Thus, it is considered as the plan assets of defined benefit.

The other remaining assets and liabilities in the statement of financial positions are distributed between the defined contribution and defined benefit in a ratio that is determined after adjusting the investment in equity shares, investment properties, and reserve.

Similarly, the returns, gains/(loss) from the market value from the investment in equity shares and investment properties, and the expenses related to the management of these assets are charged to defined benefit. The remaining income and expenses are apportioned in the ratio determined above.

The above method to segregate assets and liabilities is not an actual segregation of the assets and liabilities to the DC fund. This method is used as a basis to fulfill disclosure requirement of assets and liabilities for DC plan. This method is based on the study recommended by Callund Consulting Limited, a study conducted on 25<sup>th</sup> March 2022, on the Pension Reform in Bhutan. The disclosure of statement of net assets available for benefit and the statement of changes in the net assets available for benefit has no impact of the actual distribution of returns to the individual members.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**1. Statement of Net Assets Available for Benefit (DC)**

	31-Dec-24	31-Dec-23
<b>Assets</b>		
Cash and cash equivalents	383,867,397	57,819,927
Term deposits	10,199,266,155	9,573,565,756
Investments in bonds	3,476,639,822	3,277,805,936
Loans	8,334,272,668	7,166,505,161
Investments in equity shares	-	-
Other assets	27,296,839	38,326,778
Inventories	339,117	259,210
Investment property	-	-
Property plant and equipment	68,100,973	71,086,600
Right of Use Assets	44,591	134,289
Net Employee benefit obligations surplus	-	2,344,758
Intangible assets	25,954,033	38,493,552
<b>Total Assets</b>	<b>22,515,781,594</b>	<b>20,226,341,967</b>
<b>Liabilities</b>		
Lease liability	47,383	137,772
Trade and other payables	191,125,106	213,413,353
Lapsed fund	33,715,802	15,738,124
<b>Total Liabilities</b>	<b>227,436,055</b>	<b>229,289,248</b>
<b>Net Assets available for benefit</b>	<b>22,288,345,539</b>	<b>19,997,052,719</b>

**2. Statement of changes in Net Assets Available for Benefit (DC)**

	31-Dec-24	31-Dec-23
Member Balance as at 1st January	19,909,479,627	18,832,109,290
Adjustments	(391,104)	0
Contributions	2,205,107,376	2,086,339,300
Interest Credited	1,414,078,831	1,160,175,455
Transfer values (Refunds)	(1,104,861,860)	(2,169,144,418)
<b>Member Balance as at 31st December</b>	<b>22,423,412,871</b>	<b>19,909,479,627</b>
Investment income	1,580,421,659	1,427,302,712
Other Income	7,984,278	4,306,835
Management expenses	(439,909,602)	(139,458,789)
<b>Net Income</b>	<b>1,148,496,336</b>	<b>1,292,150,758</b>
Less interest Credited to members Account	(1,414,078,831)	(1,160,175,455)
Adjustment of Reserve	130,515,164	(44,402,211)
<b>Net reserve</b>	<b>(135,067,332)</b>	<b>87,573,092</b>
<b>Total</b>	<b>22,288,345,539</b>	<b>19,997,052,719</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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

Particulars	Civil	Armed Forces	Total
<b>Accumulated contributions and returns credited</b>			
As at 1st January 2024	35,918,574,738	10,799,393,741	46,717,968,479
Adjustment of scheme	391,203	-	391,203
Adjusted opening balance	35,918,965,941	10,799,393,741	46,718,359,682
Contribution during the year	1,788,630,551	603,982,449	2,392,613,000
Returns credited during the year	1,750,645,330	583,614,074	2,334,259,405
<b>As at 31st December 2024 (A)</b>	<b>39,458,241,823</b>	<b>11,986,990,264</b>	<b>51,445,232,087</b>
<b>Accumulated pension payments</b>			
As at 1st January 2024	4,377,014,850	2,063,361,540	6,440,376,390
Pension payment during the year	812,496,665	319,423,052	1,131,919,717
<b>As at 31st December 2024 (B)</b>	<b>5,189,511,515</b>	<b>2,382,784,592</b>	<b>7,572,296,107</b>
<b>Accumulated pension fund refund</b>			
As at 1st January 2024	5,790,633,170	360,753,549	6,151,386,719
Refund from pension fund during the year	964,701,372	71,288,743	1,035,990,115
<b>As at 31st December 2024 (C)</b>	<b>6,755,334,542</b>	<b>432,042,292</b>	<b>7,187,376,834</b>
<b>Net accumulated contributions and returns credited as at 31st December 2024 (A-B-C)</b>	<b>27,513,395,765</b>	<b>9,172,163,381</b>	<b>36,685,559,146</b>
<b>Accumulated contributions and returns credited</b>			
As at 1st January 2023	32,513,149,105	9,707,624,323	42,220,773,428
Adjustment of scheme	-	-	-
Adjusted opening balance	32,513,149,105	9,707,624,323	42,220,773,428
Contribution during the year	1,767,924,017	559,185,388	2,327,109,405
Returns credited during the year	1,637,501,616	532,584,030	2,170,085,646
<b>As at 31st December 2023 (A)</b>	<b>35,918,574,738</b>	<b>10,799,393,741</b>	<b>46,717,968,479</b>
<b>Accumulated pension payments</b>			
As at 1st July 1st January 2023	3,620,885,936	1,774,654,352	5,395,540,288
Pension payment during the year	756,128,914	288,707,188	1,044,836,102
<b>As at 31st December 2023 (B)</b>	<b>4,377,014,850</b>	<b>2,063,361,540</b>	<b>6,440,376,390</b>
<b>Accumulated pension fund refund</b>			
As at 1st January 2023	3,511,674,551	312,144,426	3,823,818,978
Refund from pension fund during the year	2,278,958,618	48,609,122	2,327,567,741
<b>As at 31st December 2023 (C)</b>	<b>5,790,633,170</b>	<b>360,753,549</b>	<b>6,151,386,719</b>
<b>Net accumulated contributions and returns credited as at 31st December 2023 (A-B-C)</b>	<b>25,750,926,718</b>	<b>8,375,278,652</b>	<b>34,126,205,370</b>

**Disclosure of net assets available for benefit (DB) based on the requirement of BAS 26 "Accounting and reporting by retirement benefit plan".**

**Basis of segregation of assets and liabilities to DB plan.**

The members' funds are recorded based on the nature of membership type, namely defined contribution, and defined benefit. The reserve (refer statement of changes in reserve), except for the remeasurement of employee benefit gains/(loss) reserve and some portion of general reserve, are considered as reserve for defined benefit.



Note to Financial Statements

*(All amount in BTN, unless otherwise stated)*

Investment in equity shares and investment properties are assumed as long-term investment to match the defined benefit. Thus, it is considered as the plan assets of defined benefit.

The other remaining assets and liabilities in the statement of financial positions are distributed between the defined contribution and defined benefit in a ratio that is determined after adjusting the investment in equity shares, investment properties, and reserve.

Similarly, the returns, gains/(loss) from the market value from the investment in equity shares and investment properties, and the expenses related to the management of these assets are charged to defined benefit. The remaining income and expenses are apportioned in the ratio determined above.

The above method to segregate assets and liabilities is not an actual segregation of the assets and liabilities to DB fund. This method is used as a basis to fulfill disclosure requirements of assets and liabilities to DB as per BAS 26 disclosure. This method is based on the study recommended by Callund Consulting Limited, a study conducted on 25<sup>th</sup> March 2022, on the Pension Reform in Bhutan. The disclosure of statements of net assets available for benefit and the statement of changes in the net assets available for benefit has no impact of the actual distribution of returns to the individual members.

### **Funding Policy**

The funding policy of the NPPF highlights the technical plan of actions and strategies to manage the pension liabilities. The NPPF as a fund manager has identified Plan Assets to pay off all the pension benefits and the related expenses whenever they are due. The Plan Assets allows pension commitments to be managed in a prudent and structured manner, benefiting from returns on investments made specifically for the purposes of meeting the liabilities.

The investment of the Plan Assets is in accordance with the Investment Policy of the NPPF aimed at generating higher return for the defined benefit. The valuation of the Plan Assets is done at regular times by the Actuarial Valuers to match the defined benefit obligation and the funding deficit as on that date is determined. The Funding Policy also highlights that the NPPF must also put in place a proper reform measure, where there is a funding deficit, so that the plan can be expected to improve certain funding level within an acceptable timeframe or maintain reasonable funding level.

The Royal Government of Bhutan provides the guarantee of defined benefits as per the as per sections 113 and 82 of the National Pension and Provident Fund Plan and Armed Forces Pension and Provident Fund Scheme Rules and Regulations 2002 and amendment thereto.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**1. Statement of Net Assets Available for Benefit (DB)**

	31-Dec-24	31-Dec-23
<b>Assets</b>		
Cash and cash equivalents	555,108,586	87,715,767
Term deposits	14,749,104,138	14,523,585,826
Investments in bonds	5,027,550,218	4,972,598,199
Loans	12,052,147,049	10,871,952,565
Investments in equity shares	5,780,896,040	6,063,808,315
Other assets	39,473,813	58,143,671
Inventories	490,395	393,235
Investment property	8,286,021,987	8,093,880,166
Property plant and equipment	98,480,452	107,841,985
Right of Use Assets	64,483	203,724
Net Employee benefit obligations surplus	-	3,557,118
Intangible assets	37,531,988	58,396,675
<b>Total Assets</b>	<b>46,626,869,147</b>	<b>44,842,077,244</b>
<b>Liabilities</b>		
Lease liability	68,521	209,007
Trade and other payables	276,384,992	323,758,903
Lapsed fund	48,756,240	23,875,533
<b>Total Liabilities</b>	<b>328,894,061</b>	<b>347,843,443</b>
<b>Net Assets available for benefits</b>	<b>46,297,975,086</b>	<b>44,494,233,801</b>

**Disclosure on Defined Benefit Obligation (DBO)**

Disclosure of Defined Benefit obligation	31-Dec-24	31-Dec-23
Defined Benefit Obligation	67,879,914,000	65,200,000,000
Surplus/ (Deficit)	(21,581,938,914)	(20,705,766,199)
Funding ratio	68.21%	68.24%

**2. Statement of changes in the Net Assets Available for Benefit (DB)**

	31-Dec-24	31-Dec-23
Member Balance as at 1st January	34,126,205,370	33,001,414,162
Adjustments	391,203	-
Contributions	2,392,613,000	2,327,109,405
Interest Credited	2,334,259,404.53	2,170,085,645.71
Transfer values (Refunds)	(1,035,990,115)	(2,327,567,741)
Benefits paid	(1,131,919,717)	(1,044,836,102)
<b>Member Balance as at 31st December</b>	<b>36,685,559,146</b>	<b>34,126,205,370</b>
Investment income	2,684,508,533	5,123,376,153
Other Income	11,546,022	6,533,687
Management expenses	(683,466,216)	(248,094,484)
<b>Net Income</b>	<b>2,012,588,338</b>	<b>4,881,815,356</b>
Less: interest Credited to members Account	(2,334,259,405)	(2,170,085,646)
Adjustment of Reserve	9,934,087,007	7,656,298,721
<b>Net reserve</b>	<b>9,612,415,940</b>	<b>10,368,028,431</b>
<b>Total</b>	<b>46,297,975,086</b>	<b>44,494,233,801</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**24. Interest Income**

Particulars	Note	31-Dec-24	31-Dec-23
Interest income from Term Deposits	24.1	1,680,920,675	1,727,354,774
Interest income from Treasury Bills		-	10,624,600
Interest income from Bonds	24.2	520,035,687	441,988,765
Interest Income from Commercial Papers		3,502,329	10,475,834
Interest income from Loans	24.3	1,661,402,262	1,402,149,495
<b>Total</b>		<b>3,865,860,953</b>	<b>3,592,593,469</b>

**24.1 Interest income from Term Deposits**

Particulars	31-Dec-24	31-Dec-23
Bhutan National Bank Ltd.	989,446,598	1,064,587,021
TBank Ltd	34,000,000	35,265,753
Bhutan Development Bank Ltd.	183,026,467	196,464,500
Bank of Bhutan Ltd.	281,713,525	243,025,000
Druk PNB Ltd.	190,269,399	187,100,000
Microfinance Bhutan Ltd.	2,464,686	912,500
<b>Total</b>	<b>1,680,920,675</b>	<b>1,727,354,774</b>

**24.2 Interest income from Bonds**

Particulars	31-Dec-24	31-Dec-23
Royal Government of Bhutan	109,308,846	118,158,073
Druk Air Corporation	58,153,036	72,400,612
Dungsam Cement Corporation Ltd	26,687,500	31,500,000
Druk Technology Fund	165,000,000	136,733,819
RSA Pvt Ltd	214,427	3,216,400
Tashi Air Pvt Ltd	15,931,463	16,518,750
Tbank Ltd	18,833,333	4,950,000
Bank of Bhutan Ltd.	74,250,000	51,977,083
Bhutan National Bank Ltd.	32,407,083	-
Druk Wang Alloys Ltd.	19,250,000	6,534,028
<b>Total</b>	<b>520,035,687</b>	<b>441,988,765</b>

**24.3 Interest income from Loans**

Particulars	31-Dec-24	31-Dec-23
Corporate loan	968,695,929	747,692,365
Education and Student Loans	237,126,198	240,200,004
Housing Loans	104,682,254	113,810,889
Member Loans	343,144,899	293,511,298
Vehicle Loan	3,455,204	295,223
Staff incentive Loans	4,297,776	6,639,716
<b>Total</b>	<b>1,661,402,262</b>	<b>1,402,149,495</b>



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**25. Rental income**

Location	31-Dec-24	31-Dec-23
Thimphu	47,560,355	47,673,670
Phuentsholing	20,008,137	22,140,517
Samdrup Jongkhar	6,204,664	6,065,785
Samtse	872,755	859,090
Gelephu	7,479,500	-
<b>Total</b>	<b>82,125,411</b>	<b>76,739,062</b>

**26. Dividend income**

Particulars	31-Dec-24	31-Dec-23
State Trading Corporation of Bhutan Ltd.	-	1,102,500
Bhutan National Bank Ltd.	186,361,203	133,599,199
Kuensel Corporation Ltd.	183,750	-
Druk PNB Ltd.	17,592,621	8,796,311
TBank Ltd.	-	618,630
Bhutan Insurance Ltd.	6,456,622	3,074,582
GIC-Bhutan Reinsurance Co. Ltd.	2,385,448	1,657,886
Bhutan Ferro Alloys Limited	10,104,300	35,365,050
Royal Insurance Corporation of Bhutan Ltd.	5,669,221	-
Dagachu Hydro Power Corporation Ltd.	27,221,390	9,539,534
<b>Total Income from dividend</b>	<b>255,974,554</b>	<b>193,753,692</b>

**27. 1 Gain/(Loss) from changes in Fair Value of Investment Property**

Particulars	31-Dec-24	31-Dec-23
Gain/(loss) from changes in fair value of investment in Investment properties	60,969,274	2,687,592,642
	<b>60,969,274</b>	<b>2,687,592,642</b>

**27.2 Gain/(Loss) from changes in Fair Value of investment in equity shares**

Particulars	31-Dec-2024	31-Dec-2023
Gain/(loss) from changes in fair value of investment in equity instrument	(378,986,926)	3,497,987,295
	<b>(378,986,926)</b>	<b>3,497,987,295</b>

**28. Other Income**

Particulars	31-Dec-24	31-Dec-23
Loan Processing fees	1,855,840	3,337,496
Transferred from lapsed Fund (3 years or more)	3,240,211	4,715,146
Miscellaneous income	14,434,248	2,787,879
<b>Total</b>	<b>19,530,299</b>	<b>10,840,521</b>





## 29. 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 - 63%	DC - 37%
Employee remuneration & benefits	10,808,405	54,508,310	7,465,765	14,690,633	10,037,676	29,197,664	126,708,453	80,022,649	46,685,803
Employee compensation & benefit expenses	-	23,397,721	-	5,000	(406,208)	-	22,996,513	14,523,435	8,473,079
HRD expenses	10,808,405	77,906,031	7,465,765	14,695,633	9,631,468	29,197,664	149,704,966	94,546,084	55,158,882
<b>Total</b>									
Other operating expenses	-	44,610	-	-	-	-	44,610	28,173	16,437
Premise expenses	188,729	421,701	-	-	-	-	610,430	385,517	224,913
Motor vehicle expenses	3,371	20,368	10,385	2,148	33,476,264	32,876	33,545,412	21,185,585	12,359,827
Information technology expenses	12,467	3,754,168	2,623	24,139	145,795	2,643,475	6,582,666	4,157,279	2,425,387
Office maintenance	-	222,524	-	-	3,262	2,630,488	2,856,274	1,803,878	1,052,396
RE routine maintenance	218,349	1,379,355	12,640	465,596	5,352,089	1,210,958	8,638,987	5,455,947	3,183,040
Travelling expenses	153,699	202,722	31,440	6,970	-	-	394,831	249,355	145,476
Meeting expenses	17,629	4,611,351	41,782	130,972	104,940	366,047	5,272,721	3,329,984	1,942,737
Staff welfare and engagement expenses	-	236,250	87,377	-	-	-	323,627	204,386	119,241
Audit fees & expenses	140,260	846,786	76,455	217,672	30,959	143,420	1,455,551	919,252	536,299
Printing and stationery	550,199	244,793	-	-	-	-	794,992	502,077	292,915
Board of Directors' expenses	70,000	-	-	-	-	-	70,000	44,208	25,792
Donations and Corporate social responsibility	226,887	49,617	-	-	-	42,158	318,662	201,250	117,411
Hospitality expenses	-	2,700,675	40,000	-	3,532,125	312,500	6,585,299	4,158,942	2,426,357
Consultancy charges	-	-	-	-	-	3,882,649	3,882,649	2,452,085	1,430,564
Taxes	-	-	-	-	162,547	2,139,828	2,302,375	1,454,064	848,312
Insurance	-	-	-	-	-	445,373	445,373	281,275	164,098
Amortization of prepaid expenses	522,297	4,427,316	101,935	172,748	5,218,479	1,281,305	11,724,079	7,404,335	4,319,744
Other General & administration expenses	-	1	-	361,041	-	-	361,042	228,016	133,026
Write-off	-	-	-	-	-	-	-	-	-
<b>Sub Total (B)</b>	<b>2,103,886</b>	<b>19,162,236</b>	<b>404,637</b>	<b>1,381,285</b>	<b>48,026,460</b>	<b>15,131,076</b>	<b>86,209,581</b>	<b>54,445,608</b>	<b>31,763,972</b>
<b>Total (A+B)</b>	<b>12,912,291</b>	<b>97,068,267</b>	<b>7,870,402</b>	<b>16,076,919</b>	<b>57,657,928</b>	<b>44,328,741</b>	<b>235,914,547</b>	<b>148,991,692</b>	<b>86,922,854</b>



## DC and DB management expenses

continued

Particulars	DC Management expenses			DB Management expenses			Total expenses	
	DC Mgt. expenses	31-Dec-24		DB Mgt. expenses	31-Dec-24		For the year ended 31-Dec-2024	For the year ended 31-Dec-2023
		37% of common expenses	For the year ended 31-Dec-2023		63% of common expenses	For the year ended 31-Dec-2023		
Employee remuneration & benefits	4,494,031	51,179,834	37,492,001	8,182,069	80,022,649	88,204,718	65,922,932	139,384,552
HRD expenses	-	8,473,079	6,683,996	-	14,523,435	14,523,435	11,713,044	22,996,514
<b>Total</b>	<b>4,494,031</b>	<b>55,158,882</b>	<b>44,175,997</b>	<b>8,182,069</b>	<b>94,546,084</b>	<b>102,728,153</b>	<b>77,635,976</b>	<b>162,361,066</b>
Other operating expenses	-	16,437	21,871	-	28,173	28,173	38,328	44,610
Premise expenses	-	224,913	185,332	-	385,517	385,517	324,775	610,430
Motor vehicle expenses	-	12,359,827	6,470,820	2,113	21,185,585	21,187,698	11,339,474	33,548,686
Information technology expenses	1,161	2,425,387	2,247,740	13,339	4,157,279	4,170,618	3,938,942	6,603,331
Office maintenance	7,326	1,052,396	670,877	-	1,803,878	1,803,878	1,175,645	2,856,274
RE routine maintenance	-	3,183,040	2,593,854	(6,394)	5,455,947	5,449,553	4,560,240	8,629,081
Travelling expenses	(3,512)	145,476	71,244	-	249,355	249,355	124,847	394,831
Meeting expenses	-	1,942,737	1,640,998	144,297	3,329,984	3,474,281	2,879,476	5,496,273
Staff welfare and engagement expenses	79,255	119,241	98,454	-	204,386	204,386	172,532	323,627
Audit fees & expenses	96,760	536,299	519,734	176,167	919,252	1,095,419	915,690	1,728,478
Printing and stationery	9,675	292,915	638,835	17,615	502,077	519,692	1,122,896	822,282
Board of Directors' expenses	-	25,792	105,363	-	44,208	44,208	184,637	70,000
Donations and Corporate social responsibility	-	117,411	103,904	-	201,250	201,250	182,081	318,661
Hospitality expenses	-	2,426,357	3,600,475	-	4,158,942	9,352,410	6,309,477	14,631,299
Consultancy charges	2,852,532	1,430,564	1,665,691	5,193,468	2,452,085	2,452,085	2,918,960	3,882,649
Taxes	-	848,312	860,034	-	1,454,064	1,454,064	1,507,125	2,302,376
Insurance	-	164,098	163,662	-	281,275	281,275	286,802	445,373
Amortization of prepaid expenses	-	4,319,744	2,729,664	794,405	7,404,335	8,198,740	4,797,586	12,954,814
Other General & administration expenses	436,330	133,026	200,560	-	228,016	228,016	351,461	361,042
Write-off	-	-	743,808	-	-	-	1,303,450	2,047,258
Impairment	-	-	-	-	-	-	-	-
<b>Sub total (B)</b>	<b>3,479,528</b>	<b>31,763,972</b>	<b>25,352,920</b>	<b>6,335,010</b>	<b>54,445,608</b>	<b>60,780,618</b>	<b>44,434,423</b>	<b>96,024,118</b>
<b>Total (A+B)</b>	<b>7,973,559</b>	<b>86,922,854</b>	<b>69,508,917</b>	<b>14,517,079</b>	<b>148,991,692</b>	<b>163,508,771</b>	<b>122,070,400</b>	<b>258,405,184</b>
								<b>191,579,317</b>

**30. Impairment charge/(reversal)**

Particulars	For the period ended 31.12.2024			
	Stage 1	Stage 2	Stage 3	Total
Impairment charge on cash at bank and cash equivalents	7,605	-	-	7,605
Impairment charge on term deposits	15,387	-	-	15,387
Impairment charge on investment in bonds	40,806	-	19,163,063	19,203,869
Impairment charge on Other Assets (receivables)	4,289,041	-	-	4,289,041
Impairment charge on loans and advances	130,114,595	150,156,266	333,095,729	613,366,591
<b>Total</b>	<b>134,467,435</b>	<b>150,156,266</b>	<b>352,258,792</b>	<b>636,882,493</b>

Particulars	For the period ended 31.12.2023			
	Stage 1	Stage 2	Stage 3	Total
Impairment charge on cash at bank and cash equivalents	(40,374)	-	-	(40,374)
Impairment charge on term deposits	(13,852)	-	-	(13,852)
Impairment charge on investment in bonds	1,901	-	-	1,901
Impairment charge on Other Assets (receivables)	-	-	-	-
Impairment charge on loans and advances	12,996,559	721,010	83,886,293	97,603,862
<b>Total</b>	<b>12,944,234</b>	<b>721,010</b>	<b>83,886,293</b>	<b>97,551,537</b>

**Reconciliation of Provision between RMA Prudential Regulation and Bhutanese Accounting Standards**

Particulars	31-Dec-24	31-Dec-23
Provision as per RMA PR	619,836,794	545,473,082
Impairment on loan as per ECL	931,887,967	318,521,376

Provision charged to SOCI as per RMA PR	74,363,713	194,431,636
Impairment charged to SOCI as per ECL	613,366,591	97,603,862
<b>Adjustment of RMA provision to match ECL impairment</b>	<b>539,002,878</b>	<b>(96,827,774)</b>

Impairment charges for other financial Assets	23,747,451	231,548
Impairment charged to SOCI	23,515,903	(52,325)
<b>Total Impairment charged to SOCI</b>	<b>636,882,493</b>	<b>97,551,537</b>

**31. Distribution of surplus**

Particulars	31-Dec-24	31-Dec-23
Return on member's DC plan -Civil	1,038,952,334	844,466,455
Return on member's DC plan -Armed Forces	369,289,243	312,643,099
Return on member's DC plan -Private	5,837,254	3,065,900
Return on member's DB plan -Civil	1,750,645,330	1,637,501,616
Return on member's DB plan -Armed Forces	583,614,074	532,584,030
Transferred to general reserve (retained earning)	23,375,000	36,759,589
Transferred to lapsed fund reserve	3,240,211	4,715,146
Transferred to fair valuation reserve	(453,852,821)	6,203,307,830
Transferred to general reserve (adjustment of impairment charges and other BFRS adjustments )	(539,002,878)	96,909,743
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit	(12,012,427)	(3,504,127)
<b>Total</b>	<b>2,770,085,321</b>	<b>9,668,449,281</b>





32. Fair value measurements  
Financial instruments by category

Particulars	31-Dec-24			31-Dec-23		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
<i>Financial assets</i>						
Cash and cash equivalents			938,975,983			145,535,694
Term deposits			24,948,370,293			24,097,151,581
Investments in bonds			8,504,190,039			8,250,404,135
Loans			20,386,419,717			18,038,457,726
Investments in equity shares		5,780,896,040			6,063,808,315	
Other assets			15,801,802			17,339,379
<b>Total financial assets</b>	-	<b>5,780,896,040</b>	<b>54,793,757,833</b>	-	<b>6,063,808,315</b>	<b>50,548,888,515</b>
<i>Financial liabilities</i>						
Interest received in advance			383,238			383,238
Unidentified deposit			83,189			2,741,292
Security deposit third party			32,508,840			19,751,425
Security deposit (rent)			13,911,706			12,467,072
Security Deposit (Lease)			150,692			74,200
Excess member contribution			2,943,113			2,869,286
Security deposit - power meter			303,386			303,386
Housing / education loan closed A/c - credit balance			24,782,406			24,782,406
Loan EMI Parking			312,905,193			366,847,231
Contribution Parking			381,453			381,452
Deduction at source payable			933			1,401,423
APF Reserve for Loan loss			199,415			638,900
Other payables			78,956,533			104,530,944
Lease Liability			115,904			346,778
Lapsed Fund			82,472,042			39,613,657
<b>Total financial liabilities</b>			<b>550,098,043</b>			<b>577,132,691</b>

Note to Financial Statements

(All amount in BTN, unless otherwise stated)

**(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.

*Level 2:* The fair value of financial instruments that are not traded in an active market is determined by 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 valuations.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

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

Particulars	31-Dec-24			31-Dec-23		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Investments in equity shares</i>						
Penden Cement Authority Ltd.	393,751,857	-	-	560,826,943	-	-
State Trading Corporation of Bhutan Ltd.	33,253,605	-	-	32,186,461	-	-
Bhutan National Bank Ltd.	3,618,311,663	-	-	3,575,517,524	-	-
Kuensel Corporation Ltd.	13,046,250	-	-	15,080,274	-	-
Druk PNB Ltd.	386,568,525	-	-	585,081,690	-	-
TBank Ltd.	38,053,211	-	-	28,302,259	-	-
Bhutan Insurance Ltd.	195,328,194	-	-	192,305,635	-	-
Dungsam Polymers Ltd.	-	-	-	-	-	-
GIC-Bhutan Reinsurance Co. Ltd.	61,449,140	-	-	66,104,040	-	-
Royal Insurance Corporation of Bhutan Ltd.	138,352,156	-	-	113,793,052	-	-
Bhutan Ferro Alloys Ltd.	160,597,744	-	-	106,057,899	-	-
Dagachu Hydro Power Corporation Ltd.	-	-	635,040,882	-	-	676,708,911
Credit Information Bureau	-	-	6,395,375	-	-	5,595,225
Financial Institutions Training Institute Ltd.	-	-	10,260,000	-	-	10,463,651
Dungsam Cement Corporation Ltd.	-	-	90,487,436	-	-	95,784,751
	<b>5,038,712,346</b>	<b>-</b>	<b>742,183,693</b>	<b>5,275,255,777</b>	<b>-</b>	<b>788,552,538</b>

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

- Fair value of corporate loans, retail loans, term deposit and other 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.
- The carrying amounts of all other financial assets and financial liabilities are considered to be the same as their fair values, due to their short-term nature.
- NPPF values 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.



Note to Financial Statements

(All amount in BTN, unless otherwise stated)

- *Asset approach-net asset value:* For non-traded equity, total value is based on the sum of net asset value.

The fair value of equity shares was on the basis of inputs used to value. Their level of classification depends on the input used to value..

**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.

**33. Additional disclosures**

The status of current/non-current assets/liabilities in the Statement of Financial Position on the basis of residual maturity is as follows :

Particulars	31-Dec-24		31-Dec-23		Current		Non-Current	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>Assets</b>								
Cash and cash equivalents	938,975,983	-	145,535,694	-	145,535,694	-	-	-
Term deposits	24,948,370,293	23,108,370,293	24,097,151,581	23,108,370,293	2,056,068,631	22,041,082,950	2,056,068,631	22,041,082,950
Investment in bonds and commercial papers	8,504,190,039	8,179,689,489	8,250,404,135	8,179,689,489	688,918,570	7,561,485,565	688,918,570	7,561,485,565
Loans	20,386,419,717	15,997,931,796	18,038,457,726	15,997,931,796	2,918,540,083	15,119,917,643	2,918,540,083	15,119,917,643
Investment in equity shares	5,780,896,040	5,780,896,040	6,063,808,315	5,780,896,040	-	6,063,808,315	-	6,063,808,315
Other assets	66,770,652	50,946,099	96,470,449	15,824,552	80,947,543	15,522,906	80,947,543	15,522,906
Inventories	829,513	829,513	652,445	-	652,445	-	652,445	-
Investment property	8,286,021,987	8,286,021,987	8,093,880,166	8,286,021,987	-	8,093,880,166	-	8,093,880,166
Property plant and equipment	166,581,425	166,581,425	178,928,585	166,581,425	-	178,928,585	-	178,928,585
Right of Use Assets	109,073	109,073	338,013	-	228,939	109,073	228,939	109,073
Net Employee benefit obligations surplus	-	-	5,901,876	-	-	5,901,876	-	5,901,876
Intangible assets	63,486,021	63,486,021	96,890,226	63,486,021	-	96,890,226	-	96,890,226
<b>Total Assets</b>	<b>69,142,650,741</b>	<b>61,598,801,603</b>	<b>65,068,419,211</b>	<b>61,598,801,603</b>	<b>5,890,891,905</b>	<b>59,177,527,306</b>	<b>5,890,891,905</b>	<b>59,177,527,306</b>





## Note to Financial Statements

(All amount in BTN, unless otherwise stated)

Particulars	31-Dec-24		31-Dec-23		Current		Non-Current	
	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current
<b>Liabilities</b>								
Lease Liability	115,904	-	346,778	-	230,875	115,904	230,875	115,904
Other Liabilities and payables	467,510,097	-	537,172,256	-	537,172,256	-	537,172,256	-
Net Employee benefit obligations deficit	6,232,073	6,232,073	-	6,232,073	-	-	-	-
Lapsed fund	82,472,042	82,472,042	39,613,657	82,472,042	-	39,613,657	-	39,613,657
<b>Total Liabilities</b>	<b>556,330,116</b>	<b>88,704,114</b>	<b>577,132,691</b>	<b>88,704,114</b>	<b>537,403,130</b>	<b>39,729,561</b>	<b>537,403,130</b>	<b>39,729,561</b>
<b>Net assets for member's</b>	<b>68,586,320,626</b>	<b>7,076,223,137</b>	<b>64,491,286,520</b>	<b>61,510,097,489</b>	<b>5,353,488,775</b>	<b>59,137,797,745</b>	<b>5,353,488,775</b>	<b>59,137,797,745</b>
<b>Member Fund</b>								
Net Member's Defined Contribution(DC) plan	14,108,558,914	13,158,262,785	12,612,710,721	13,158,262,785	1,812,530,000	10,800,180,721	1,812,530,000	10,800,180,721
Net returns credited to Member's DC plan	8,314,853,957	7,889,317,467	7,296,768,906	7,889,317,467	800,670,000	6,496,098,906	800,670,000	6,496,098,906
Net Member's Defined Benefit (DB) plan	36,685,559,146	2,168,435,865	34,126,205,370	34,517,123,282	2,061,450,000	32,064,755,370	2,061,450,000	32,064,755,370
Reserve	9,477,348,608	9,477,348,608	10,455,601,523	9,477,348,608	-	10,455,601,523	-	10,455,601,523
<b>Total Member's Fund</b>	<b>68,586,320,626</b>	<b>3,544,268,483</b>	<b>64,491,286,520</b>	<b>65,042,052,143</b>	<b>4,674,650,000</b>	<b>59,816,636,521</b>	<b>4,674,650,000</b>	<b>59,816,636,521</b>

### 34. 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	31-Dec-24	31-Dec-23
<b>Loans to related parties and key management personnel</b>		
Beginning of the financial year	15,885,585	15,602,607
Loans disbursed during the year	-	-
Loan repayment received	3,806,496	1,239,260
Interest charged	787,324	747,400
<b>End of the year</b>	<b>12,866,414</b>	<b>15,110,746</b>

*Note: Due to changes in the composition of the KMP, the opening balance of the new KMP is considered for the purpose of reporting.*

#### 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.

#### 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.

Sl.No.	Particulars	31-Dec-24	31-Dec-23
a)	Short- term employee benefits	8,851,393	6,211,361
b)	Post- employment benefits (PEB)	262,280	101,109
c)	Other long- term benefits (OLTb)	268,445	269,061
	<b>Total</b>	<b>9,382,118</b>	<b>6,581,531</b>



### 35. Capital commitment and contingencies.

#### a) Commitments

Particulars	31-Dec-24	31-Dec-23
Capital expenditure for Real Estate development.	152,616,888	103,222,769
Loan	1,293,940,109	3,085,720,117

#### b) Operating lease-as lessor

NPPF has given a portion of office building under cancelable 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	31-Dec-24	31-Dec-23
Total rental income relating to operating leases	2,395,805	3,246,405

### 36. Financial Risk management

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

#### (A) Credit risk

Credit risk is the risk that a 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 a 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



61

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.

#### *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 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 10. For exposure relating to off-balance sheet commitment refer note 35.a.

Loans to customers analyzed by segmentation are reflected in note 10. The loan segment is categorized in following categories;

- Corporate loan
- Retail loan
  - a) Housing loan
  - b) Education and Student loan
  - c) Member loan
  - d) Vehicle loan
- Staff loan

Particulars	31-Dec-24		31-Dec-23	
	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*
Corporate Loan	13,282,194,894	22,884,320,167	10,412,543,262	21,368,468,597
Education and Student Loans	2,605,162,855	2,328,001,215	2,546,000,877	2,533,682,463
Housing Loans	1,370,572,081	4,571,011,167	1,356,797,526	4,138,302,833
Member Loans	3,974,832,614	230,178,427	4,009,241,707	280,391,263
Vehicle Loan	50,162,730	77,298,888	30,306,393	43,632,000
Staff incentive Loans	88,108,245	122,978,942	85,756,798	126,122,420
<b>Net exposure of the loan</b>	<b>21,371,033,419</b>	<b>30,213,788,806</b>	<b>18,440,646,563</b>	<b>28,490,599,577</b>

\* Value collateral is as on the date of sanction except for loan guaranteed by Ministry of Finance and DHL.



Particulars	31-Dec-24		31-Dec-23	
	Loan amount	Provision	Loan amount	Provision
Total Loan	21,371,033,419	931,887,967	18,440,646,563	318,521,376
<b>Total</b>	<b>21,371,033,419</b>	<b>931,887,967</b>	<b>18,440,646,563</b>	<b>318,521,376</b>

### Aging analysis of loans

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

Loan category	Current	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 31-Dec-2024
Corporate Loan	13,067,652,281	-	-	-	214,542,613	13,282,194,894
Education and Student Loans	2,527,925,681	-	32,854,194	16,570,720	27,812,260	2,605,162,855
Housing Loans	1,084,022,891	-	93,924,056	76,350,800	116,274,334	1,370,572,081
Member Loans	3,881,389,951	237,328	45,908,024	22,600,059	24,697,252	3,974,832,614
Vehicle Loan	46,031,952	-	4,130,778	-	-	50,162,730
Staff incentive Loans	88,108,245	-	-	-	-	88,108,245
<b>Grand Total</b>	<b>20,695,131,001</b>	<b>237,328</b>	<b>176,817,053</b>	<b>115,521,579</b>	<b>383,326,458</b>	<b>21,371,033,419</b>

Loan category	Current	< 30 days	31 - 60 days	61 - 90 days	More than 90 days	Total as at 31-Dec-2023
Corporate Loan	10,162,614,066	-	-	-	249,929,196	10,412,543,262
Education and Student Loans	2,448,524,704	-	49,345,928	13,962,198	34,168,047	2,546,000,877
Housing Loans	1,067,636,711	-	135,326,482	45,037,795	108,796,538	1,356,797,526
Member Loans	3,886,731,463	263,264	56,787,858	17,799,123	47,659,998	4,009,241,707
Vehicle Loan	30,306,393	-	-	-	-	30,306,393
Staff incentive Loans	85,756,798	-	-	-	-	85,756,798
<b>Grand Total</b>	<b>17,681,570,135</b>	<b>263,264</b>	<b>241,460,269</b>	<b>76,799,115</b>	<b>440,553,779</b>	<b>18,440,646,563</b>

### Impairment of loan

The loans are impaired based on the staging bucket refer note 11. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no Significant Increase in Credit Risk (SICR) since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL).

Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. NPPF's groups financial assets on a collective basis by considering the homogeneous risk characteristics of the customers.

### 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	31-Dec-24		31-Dec-23	
	Amount	%	Amount	%
% of 10 largest loan exposure to fund size	10,224,059,845	14.79%	8,477,355,870	13.03%

## 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 Division. 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 the 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.

### (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.

### 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 less than 1 year	31-Dec-24	31-Dec-23
Interest received in advance	383,238	383,238
Unidentified deposit	83,189	2,741,292
Security deposit third party	32,508,840	19,751,425
Security deposit (rent)	13,911,706	12,467,072
Security Deposit (Lease)	150,692	74,200
Excess member contribution	2,943,113	2,869,286
Security deposit - power meter	303,386	303,386
Housing / education loan closed A/c - credit balance	24,782,406	24,782,406
Loan EMI Parking	312,905,193	366,847,231
Contribution Parking	381,453	381,452
Deduction at source payable	933	1,401,423
APF Reserve for Loan loss	199,415	638,900
Other payables	78,956,533	104,530,944
Lease Liability	115,904	346,778
Lapsed Fund	82,472,042	39,613,657
<b>Total financial liabilities</b>	<b>550,098,043</b>	<b>577,132,691</b>

### (C) Interest rate risk

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

The NPPF's fixed rate financial assets are carried at 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	
	31-Dec-24	31-Dec-23
Increase by 5%	289,044,802	303,190,416
Decrease by 5%	(289,044,802)	303,190,416

**(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.

**37. Capital Management**

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

***Statutory Liquidity Ratio***

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

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

***Limit on single largest and ten largest borrowers***

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

***Restrictions on investment***

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

***Asset Allocation***

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



## RATIO ANALYSIS



## Appendix - II

## Significant Ratio

Sl.No	Ratios	31-Dec-24	31-Dec-23
1	% of Equity investment to fund size	8.36%	9.32%
2	% of Fixed Income to fund size	89.85%	89.87%
3	% of increase in fund size	6.26%	*
4	% of management expenses to revenue	6.03%	2.92%
5	Rate of return (%)	6.95%	6.55%
6	% of pension payment to annual DB Contribution	47.31%	44.90%
7	% increase in pension payout	8.33%	*
8	% Gross NPL	1.78%	2.40%
9	% Net NPL	0.17%	0.29%

Note: \* Certain ratios are not disclosed for the year ending 31<sup>st</sup> December 2023 as the ratios will be misleading and will not be comparable to 31<sup>st</sup> December 2024 as these ratios are computed for of six months period ending 31<sup>st</sup> December 2023. Wherever possible, the ratios are computed and disclosed.





# National Pension & Provident Fund



324140 | 325758 | 337064



1039 [Toll Free]



[nppf.org.bt](http://nppf.org.bt)



Thimphu : Bhutan | P.O. Box: 1046

