

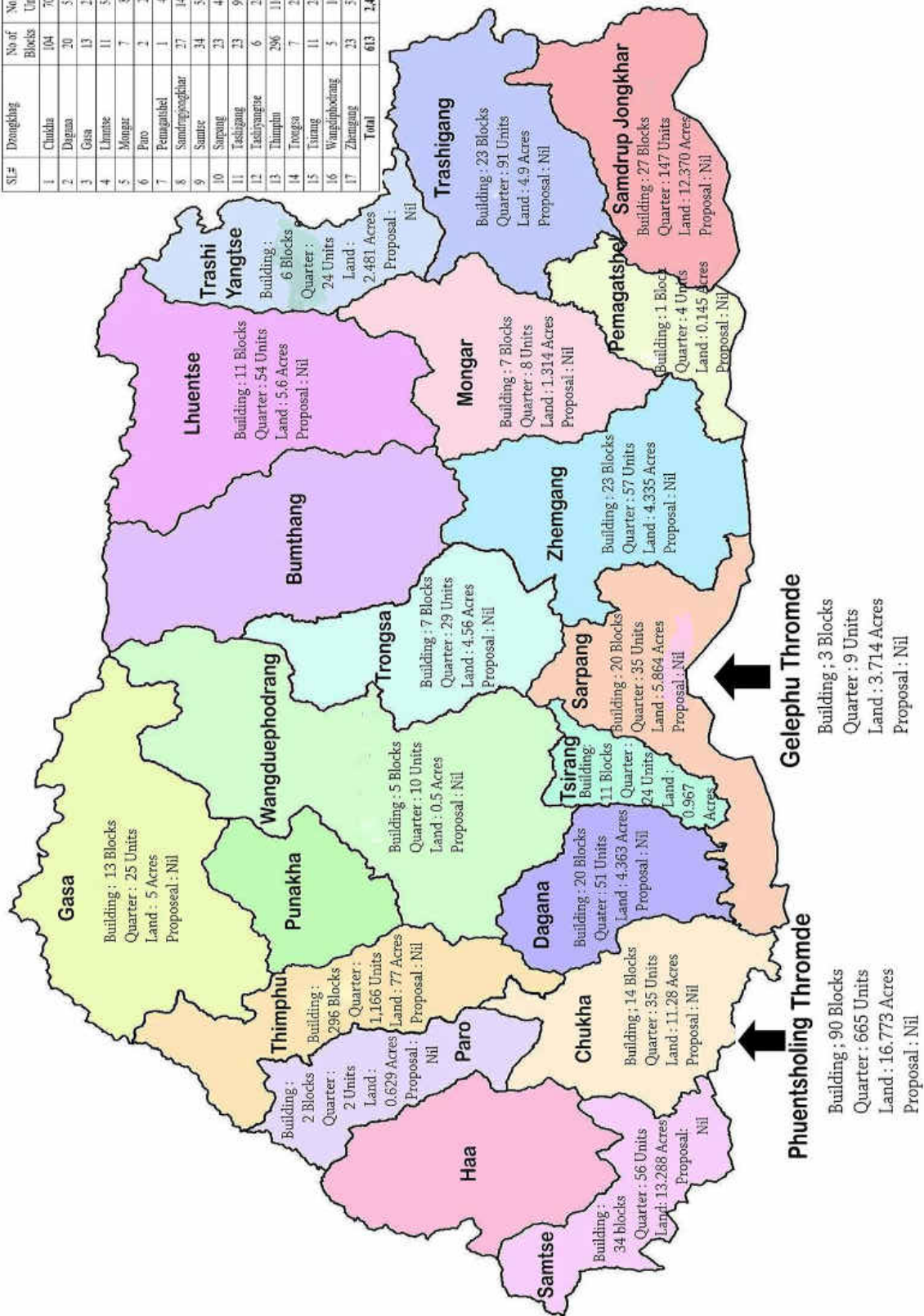
# NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED



## ANNUAL REPORT 2020 9<sup>TH</sup> ISSUE

## NHDCL ASSETS

Sl#	Droghda	No of Blocks	No. of Units	Land (Acres)
1	Chukha	104	700	28,053
2	Dagana	20	31	4,363
3	Gasa	13	35	5
4	Lhuentse	11	54	5.6
5	Mongar	7	8	1,314
6	Paro	2	2	0.629
7	Pemagatshel	1	4	0.145
8	Samdrup Jongkhar	27	147	12,370
9	Samtse	34	36	13,288
10	Sarpang	23	44	9,578
11	Tashigang	23	91	4.9
12	Tashiyangtse	6	24	2,481
13	Thimphu	296	1,166	77
14	Tongsa	7	29	4.56
15	Tzang	11	24	0.967
16	Wangphodrang	5	10	0.5
17	Zhemgang	23	57	4,335
Total		613	2,492	175,083



## Table of Contents

Company Profile: .....	3
Financial Highlights as on 31.12.2020 .....	3
Director's Report to the Shareholders .....	4
Chief Executive Officer's Message.....	11
Board of Directors.....	12
Organization Chart .....	13
Management Staff of NHDCL.....	14
Auditors Report	
1. Independent Auditor's Report.....	15
2. Minimum Audit Examination and Report.....	18
3. Financial Statements:	
3.1 Statement of Financial Position.....	26
3.2 Statement of Comprehensive Income.....	27
3.3 Statement of Changes in Equity and Retained Earnings.....	28
3.4 Statement of Cash Flow.....	29
3.5 Notes Forming Part of the Statement of Financial Position.....	30
3.6 Notes Forming Part of the Statement of Comprehensive Income.....	36
4. Significant Accounting Policies .....	39
5. Notes on Financial Statements.....	46
6. Ratio Analysis.....	79

## Company Profile:

<i>Highlights</i>	
i	Incorporated under the Companies Act of Kingdom of Bhutan, 2000 on September 7, 2010
ii	Delinked from MoWHS and became Corporation on 1, June 2011
iii	<b>Vision:</b> Shelter for All
iv	<b>Mission:</b> To be the premier institution in providing safe and affordable homes to the Bhutanese
v	<b>Corporate Values</b> <ul style="list-style-type: none"> <li>- Leadership in Housing</li> <li>- Accountability</li> <li>- Team Work</li> <li>- Professionalism</li> <li>- Service Orientation</li> <li>- Innovation</li> </ul>
vi	<b>Corporate Strategy</b> <ul style="list-style-type: none"> <li>- Strategic Theme I : Increasing housing stocks</li> <li>- Strategic Theme II: Promoting home ownership</li> <li>- Strategic Theme III: Sustaining access to affordable homes</li> <li>- Strategic Theme IV: Renovation and maintenance of existing housing stocks</li> <li>- Strategic Theme V: leading research and innovation in housing in the Country</li> </ul>

### Financial Highlights as on 31.12.2020

<i>Sl.no</i>	<i>Description</i>	<i>Figure</i>	<i>Remarks</i>
I	Total Equity & Retained earnings	Nu.3.03 Billion	
II	Net Asset Block	Nu.3.68 Billion	
III	Total Comprehensive Income	Nu.26.31 Million	
IV	Corporate Loan	Nu.96.826 Million	MOF Interest Free Loan
V	No. of Employees	171 (Including 2 contract employees)	



## DIRECTORS' REPORT TO THE SHAREHOLDERS

"On behalf of NHDCL's Board of Directors, I am pleased to present the 9<sup>th</sup> Annual Report of NHDCL. It highlights and provides explanatory overview of 2020 operating performance, corporate governance and risk management and challenges. It also presents the complete set of the audited financial statements, audit observations of the company as of 31 Dec 2020."

### Operational Performance & Achievements

NHDCL as in the past, continued with its aggressive strategies in a proactive manner to achieve its targets despite the pandemic. Some of the operational performance and achievements are highlighted below.

The work carried out by the Technical Advisory Committee board on coming up with the "Conceptual Smart Governance Framework for addressing the Affordable Housing and Home ownership program" was a major milestone for NHDCL. The report was submitted to the GNH for onward policy decisions to the Government. This document will be instrumental in planning the way forward for the advancement of the National affordable housing status.

On the Real Estate, the maintenance of the old quarters was carried out as per the annual maintenance plan and also as per the tenant's requisition on an adhoc basis depending on the urgency. Apart from the normal maintenance works, this Unit despite the pandemic were able to complete 17 deposit works with the balance major works carried forward to 2021.

The Design and Planning Services undertook Consultancy works for Agencies; some on Fee basis and some on Pro-Bono basis. Details of the major ones are highlighted as below:

#### Design and Planning works for Agencies on Consultancy fees

Sl.	Agency	Sl.	Agency
1	Design and estimate of Drasha for Chorten Ningpo	2	Design and estimate of G+2 RRCO of Paro and Bimtar
3	Design of Satellite Data control Centre for DITT	4	Design and estimate of Drasha for Toenchey Gonpa
5	Design of Kuensel Office 2 <sup>nd</sup> Phase Commercial Building	6	Design and estimate of G+1 Research Development Centre at Yusipang
7	Master Plan with 3-modelling of Jongdar Pelkhang at Simtokha		

#### Design and Planning works for important agencies on Pro-Bono

Sl.	Agency	Sl.	Agency
1	Conceptual design & 3-D modelling of 3 Gates in Lingkana Palace	2	Design and 3-D modelling of m Ludrong Park to India House
3	Design and estimates of Dema Lhakang & Drasha	4	3-D modelling of underground parking for Tashichho Dzong Garden Project

#### In-house Design and Planning Works

Sl.	Agency	Sl.	Agency
1	Design & estimate of G + 2 storied traditional house traditional building near India House	2	Design & estimate of G + 1 storied traditional house (rammed earth) at Gyesltshi Kholowa
3	Conceptual design of affordable housing in Phuentsholing at 5 locations, Samdrupjongkhar in 2 locations, Nganglam, Samtse, Tsirang Gelephu, Mongar, Trashy Yangtse and Thimphu under ADB Project.	4	Design of B + G + 2 Commercial building at Changjiji Colony

On the construction front, the construction works for Kuensel Corporation Limited, National Land Commission, office cum staff quarter for Regional Revenue & Custom Office at Bindu, Samtse, B+G+4 storied affordable residential housing and Regional Office Building in Phuentsholing were badly affected due to the pandemic. The constructions which were supposed to be completed in 2020 are still under construction. However, the works have resumed from February 2021 and are expected to be completed by 2021 or beginning of 2022.

The construction of River side walkway development along Wangchu has been completed and handed over to Tashichho Dzong Garden Project, HM Secretariat. The construction of the single-story material Library at Head Office and the construction of Thangka Conservation Centre at Hejo, Thimphu are still under progress and will be completed in 2021.

The manufacturing Unit at Bjemina was inaugurated and had commenced its operation from August 2019. Apart from the daily production of the concrete bricks, paver blocks and wood products, the unit had been engaged in providing fabrication and supplying of MS Rabsey and window Sample, timber Rabsey including double bho and phana samples for Gyalsung Project, Fabrication of MS toilet, bathroom, kitchen, water tank platform for Desuung water flagship program.

#### Audit Reports

The company was audited by M/s. Mitra Roy & Datta Chartered Accountants based in Kolkata, India as the Statutory Auditors for three years' term. Due to Covid-19 pandemic, this year's statutory audit was conducted virtually and for the physical verification of stocks and assets, a local auditing firm Ms. Tshechu & Associates was appointed. Though the Company has set up Internal Audit unit for proper checks and balances for internal controls, Risk Based Internal Audit process is yet to be effectively implemented to ensure coverage of all critical areas as observed by the Statutory Auditors.

The Board is pleased to report that there are no major audit observations in the auditor's report on the financial statements and that most of the critical qualifications for the past



years have been compiled and action taken. The observation on land and building ownership transfer was noted and will be carried out by 2021.

### **Financial Performance**

The company has prepared its financial statements in accordance with Bhutanese Accounting Standards. The operating income for the year 2020 is Nu. 199.71 million, which is an increase of Nu.18.84 million or 10% as compared to Nu.180.87 million in the year 2019. The increase is from the Income received from the special housing units with the allocation of all 506 units from the Bjemina manufacturing unit.

This year, due to Covid-19 the maintenance grants of Nu. 10 million from Ministry of Finance was not disbursed. The total operating expenditure of the company increased by 46% or Nu.145.48 million in 2020 from Nu. 99.54 million in 2019 (excluding depreciation and finance cost). The huge increase in expenditure were mainly from the employee cost and Operating & Maintenance. The employee cost increase was due to the regularization of 69 GEP employees. Other components that attributed to the increase in O & M were from the building maintenance and the Deposit works expenditure.

The net block of company's assets stands at Nu. 3,682.76 million as on 31<sup>st</sup> December 2020 as against Nu. 3,700.89 million in 2019. The decrease is mainly due to sale of old assets and assets being fully depreciated. With the implementation of the ERP Next software, the net intangible asset has increased to Nu. 2.55 million from Nu.0.51 million.

The loss before tax for the year ended 31st December 2020 amounted to Nu. 36.53 million as compared to the profit of Nu. 17.27 million reported in the previous year. With Nu. 0.34 million as remeasurement gain on gratuity recognized in other comprehensive income, the total comprehensive loss for the year accounts to Nu. 23.84 million.

### **Corporate Social Responsibility**

1. NHDCL corporate responsibility impacts on all aspects of society, community and environment. Due to Covid-19, whilst it could not initiate campaigns on disasters, cleanliness, fire hazards, youth and crime issues in the housing colonies, it contributed Nu. 0.21 million as part of its CSR. Besides this, it also assisted in the monetary transaction to a few Organizations.

Of the total expenditure of Nu.2,052,725/- the pool vehicle running expenses of Nu.97,614.49 was incurred while the pool vehicles were on Covid duty during the 1<sup>st</sup> and 2<sup>nd</sup> lockdown. Rent to the tune of Nu.595,170 has been waived for three commercial Units in Thimphu which were affected by the Covid-19 pandemic. Again due to the Covid-19 situation, 10% increment in rent after every two years as per the Tenancy agreement was not implemented for all the tenants who were liable for the same. This amounts to Nu. 3,406,283.16 (from July to December 2020). NHDCL also provided accommodation without rent to front line workers i.e. NLCS, Desups, and Police in Phuentsholing amounting to Nu. 442,800/- Furthermore, NHDCL constructed seven Observation Post (OPs) along the border area from Pasakha to Phuntsholing Town in the month of June and July 2020. Two

numbers of Driver shelters were also constructed in the MDP area in the month of August 2020. Its contribution for the two structures were in the form of free labour.

## Corporate Governance

The company had adhered to the Corporate Governance Guideline for State Enterprises 2019 issued by Ministry of Finance and the Companies Act of the Kingdom of Bhutan 2016. NHDCL had fully implemented all the directives of the Board. The Board Human Resource Committee and Board Audit Committee held meetings as and when required. The Board of Directors as the apex body of the company had been constituted by the Directors appointed by the Ministry of Finance for overseeing the overall functioning of the company. The Board had provided timely strategic direction to the company in terms of management, policies and evaluation and their effectiveness ensuring the long-term interests of the shareholders.

In order to ensure good governance, the functioning of the Board is supported by the following Committees as per the Corporate Governance requirement:

- Board Human Resource Committee
- Board Audit Committee
- Board Technical Advisory Committee

The details of Board Sitzings:

### 1. Board Meetings

Name	39 <sup>th</sup>	40 <sup>th</sup>	41 <sup>st</sup>	Total
Dasho Pema Chewang	•	•	•	3
Mr. Lodey Tsheten	•	•	•	3
Mr. Dungtu Drukpa	•			1
Mr. Pema R.Rinchen		•		1
Mr. Tashi Tobgay	•	•		2
Mr. Karma Sonam			•	1
Mr. Thinley Dorji	•	•	•	3

### 2. Annual General Meeting

Name	8 <sup>th</sup>	Total
Mr. Pema R Rinchen	•	1
Mr. Lodey Tsheten	•	1
Mr. Tashi Tobgay	•	1



Mr. Rinchen Dorji, IGCD, DMEA, MOF	•	1
Mr. Thinley Dorji	•	1
Mr. Pradeep Katwal	•	1

### 3. Board Audit Committee Meeting

Name	1 <sup>st</sup>	Total
Mr. Dungtu Dukpa (Chairman)	•	1
Mr. Lodey Tsheten (Member)	•	1
Mr. Thinley Dorji (Member)	•	1
Mrs. Dorji Dema (Member Secretary)	•	1

### 4. Board Human Resource Committee Meeting

Name	1 <sup>st</sup>	Total
Mr. Tashi Tobgay (Chairman)	•	1
Mr. Lodey Tsheten (Member)	•	1
Ms. Kuenzang Choden (Member)	•	1
Ms. Tashi Dema (Member Secretary)	•	1

### 5. Board Technical Advisory Committee

Name	20 <sup>th</sup>	Total
Mr. Pema R Rinchen (Chairman)	•	1
Mr. Karma Sonam (Member)	•	1
Ms. Thinley Dorji (Member)	•	1
Mrs Kuenzang Choden (Member)	•	1
Mrs Sonam Choden (Member)	•	1
Mr. Pradeep Katwal (Member Secretary)	•	1

### Challenges and Future Outlook



Since the start of commercial operation of Bjemina manufacturing Unit, the company had made gradual progress in terms of plant stabilization, production, sales and marketing, and other facets and dimensions of its day-to-day functions. However, certain key challenges still remain to be addressed so that the company achieves its full potential.

On the housing front, while fulfilling the social mandates, the company had faced numerous challenges of not being able to cater to the housing needs of the clients. Despite the challenges, NHDCL had been able to complete the construction of 506 housing units in Phuentsholing and allotted to the tenants successfully. Considering the inherent needs, the Company established the manufacturing unit at Bjemina, which started functioning from August 2019. This is expected to ease the delivery of materials on time and also improve efficiency. In 2019, the construction of five storeyed Regional Office and four storeyed residential buildings commenced and now are in full construction mode.

The management expects to execute bigger projects with the approval of the National Housing Policy and the pledges made by the Government for 2,500 units. The execution of this project will be a challenging task considering the size of project and number of units. However, with this upcoming project, it is expected to ease the housing pressure.

In 2020, NHDCL was identified as the Implementing Agency for the ADB affordable housing project and the design and planning works for the project targeted to achieve 1000 housing units for the low-income group. This has now reached an advanced stage and design discussions are underway. The funds for the project will be from ADB through loan and grant. Phuentsholing has been identified as the prioritized area for the project due to the urgent need to re-locate the residents (1000 households) from the temporary shelters in Amochu. Due to the limited state land available in Phuentsholing, NHDCL is not able to achieve the desired numbers in Phuentsholing. We are able to achieve only 764 units in Phuentsholing. Other than Phuentsholing, the housing units under the Phase I project of ADB are proposed in SamdrupJongkhar, Nanglam, Tashiyangtse and Thimphu, taking the total housing units to 1028. The project is expected to kick start construction in the first quarter of 2022. After completion, this will go long way in social and economic upliftment of economically and socially disadvantaged groups of our citizen which in turn will immensely contribute in fulfilling the millennium goals. This project will help in achieving the National Key Result Area (NKRA) 15 of the 12<sup>th</sup> Five Year Plan which is the 'Sustainable Human Settlements'. This NKRA aims to improve livability, safety and sustainability of human settlements through access to adequate affordable housing, efficient and effective municipal services, and clean and green public spaces for social engagement

For 2021, apart from the ADB affordable housing project, NHDCL proposes to increase the housing stock in some of the Dzongkhags. The in-house construction activities to be undertaken in 2021 are construction of two storied traditional rammed earth building near the Milk booth along Norzin Lam, construction of composite traditional structure of three storeyed near India House gate and construction of commercial building at Changjiji Housing Colony. Despite all the challenges, the company will continue to mobilize resources including from RGoB and the financial institutions and come up with the affordable housing projects in the country.



## ACKNOWLEDGEMENT

On behalf of the Board of Directors and the company, I would like to express my deep appreciation and gratitude to the tenants for all the support, guidance, feedbacks and encouragement, which enabled the company achieved its goals and objectives for the year 2020.

The Board would like to thank the Ministry of Finance, National Land Commission, Dzongkhag Administrations, Thromdes and the local NGOs for their continued support and guidance provided to the company.

The Board would also like to thank the management and the employees for working hard despite the Covid-19 pandemic.

The Board looks forward to the next stage of our shared success.

On behalf of the Board of Directors.

TashiDelek!



(Dasho Pema Chewang)

**Chairman**

Management Board

Chairman

Management Board

National Housing Development Corporation Ltd



## Chief Executive Officer's Message

I am honored to present the 9<sup>th</sup> Annual Report of NHDCL.

Some of the significant achievements during the financial year 2020 were as follow:

- i. The operating income was Nu. 199.71 million whereas in the previous year it was Nu. 180.87 million. The revenue increased by 10 percent.
- ii. The net loss of Nu. 26.30 million were mainly due to non-receipt of maintenance grant, increased in depreciation provision and the interest cost of Phuentsholing Housing Project
- iii. The net block of the assets stands at Nu. 3,685.31 million as on 31<sup>st</sup> December 2020 against Nu. 3,701.41 million of the previous year.
- iv. As the Corporate Social Responsibility, NHDCL had made the deferment of rental revision for affordable housing project in Phuentsholing amounted to Nu. 3.41 million. This has eased the rental burden for those who were affected by the pandemic. Also NHDCL had been able to support the frontline workers through provision of rent free accommodation amounted to Nu. 0.44 million during the financial year.
- v. The Design and Planning Services (DPS) had executed the architectural design works, where the clients had appreciated the quality. This additional revenue strings had contributed Nu. 6.34 million to our operating income. DPS had also done design and planning works for important agencies on pro-bono basis.
- vi. Despite the pandemic situation, NHDCL had been able to discuss the conceptual design and financial plan on the ADB affordable housing project for five Dzongkhags.
- vii. On the capital project front, the construction had been a major challenge. The COVID-19 pandemic had affected the construction on two areas mainly the timely mobilisation of labourers and materials.
- viii. For 2021, NHDCL will continue to work on the finalisation of ADB affordable housing project and valuation of land and buildings. The upcoming project expects to add 1,028 units to the stocks.

Lastly, I take this opportunity to put on record and express my appreciation to all the employees for their hard work and dedication. Despite the COVID-19 pandemic, we always look forward to put an extra mile for the growth and sustainability of the organisation.

Tashi Delek!



(Thinley Dorji)  
Chief Executive Officer

## Board of Directors



Chairman  
Dashi Pema Chewang, Secretary,  
National Land Commission Secretariat



Mr. Lotey Tsheten, Director,  
Department of National Budget  
Ministry of Finance



Mr. Duntso Drukpa,  
Chief Executive Officer,  
National Pension & Provident Fund



Mr. Pema R Rinchen,  
Project Director,  
Home Ownership Project Endowment



Mr. Tashi Tobgay, Director,  
Department of Civil Registration &  
Census,  
Ministry of Home & Cultural Affairs

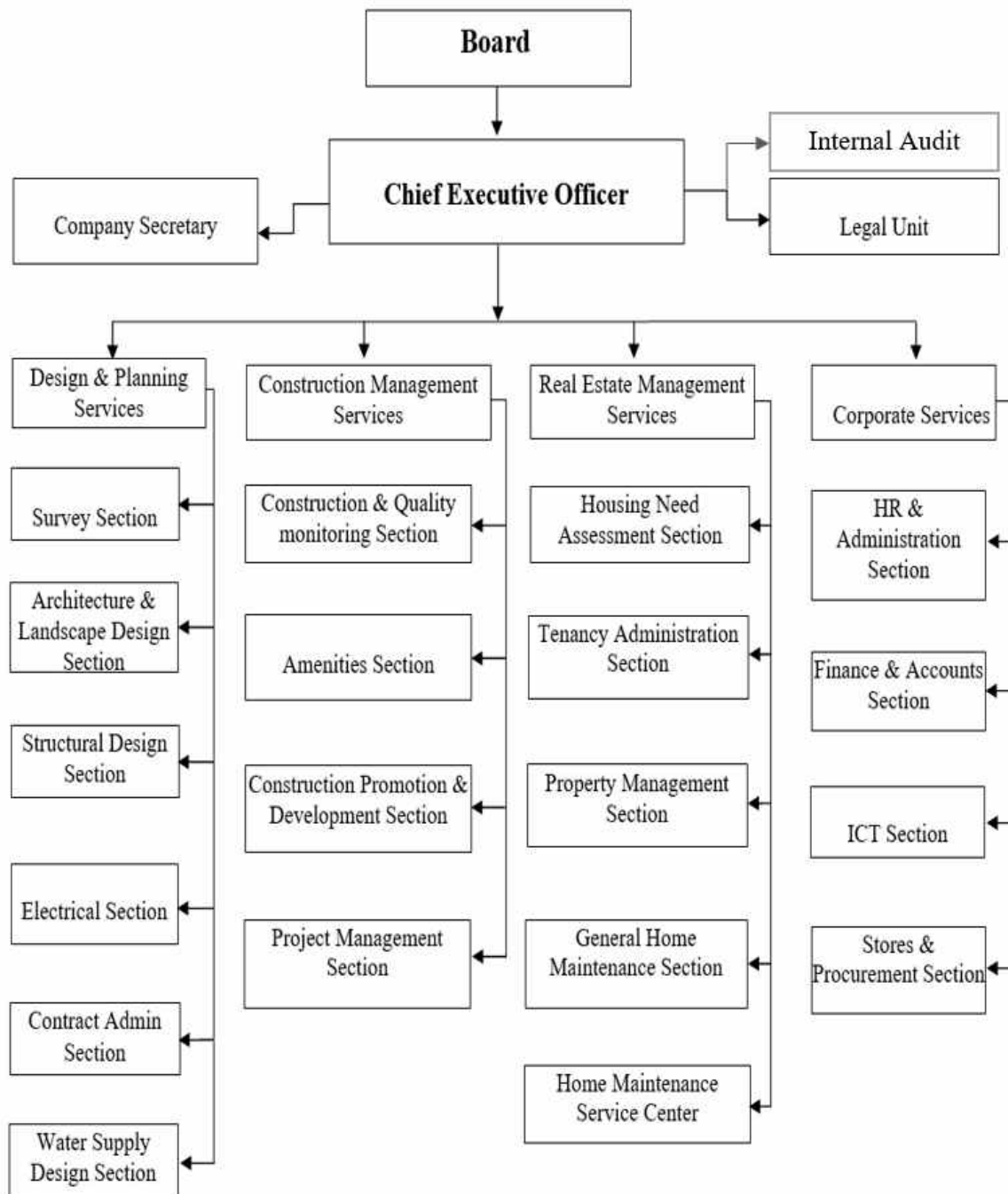


Mr. Karma Sonam  
Director  
Department of Human Settlement  
Ministry of Work and Human Settlement



Member Secretary  
Mr. Thinley Dorji, Chief Executive Officer,  
National Housing Development Corporation

## Organization Chart





## Management Staff of NHDCL

Mr. Thinley Dorji

CHIEF EXECUTIVE OFFICER

### Head Office

General Manager

Design & Planning Services

Ms. Sonam Choden

General Manager

Corporate Services

Ms. Kuenzang Choden

General Manager (Offtg)

Real Estate Management Services

Mr. Dechen Wangdi

General Manager (Offtg)

Construction Management Services

Mr. Tashi Tobgay

Company Secretary

Mr. Pradeep Katwal

### Regional Office

Phuentsholing

Liaison Officer

Mr. Sangay Khandu

Samdrupjongkhar

Liaison Officer

Mr. Buddham Rai

### Statutory Auditors

Mitra Roy & Datta

Chartered Accountants

11C, Raja Basanta Roy Road

Kolkata-700 026



## INDEPENDENT AUDITOR'S REPORT

To the Shareholders  
National Housing Development Corporation Limited  
Thimphu, Bhutan

### Report on the Audit of the Financial Statements

#### Qualified Opinion

We have audited the financial statements of National Housing Development Corporation Limited, Thimphu, Bhutan ("the Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of Comprehensive Income, Statement of Changes in Equity & Retained Earnings and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements, give a true and fair view of the financial position of the Company as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BASs).

#### Basis for Qualified Opinion

The Company appointed Independent Registered Valuer has submitted the revaluation report for its immovable properties i.e. Land & Building (Under Process of Transfer of ownership), Owner Occupied Property and Investment Properties certifying the revaluation position as on 31st December, 2019. The valuation does not include the value of the land component as the land was under process of transfer of ownership in favour of the Company. The Company in its Board Meeting dated 21<sup>st</sup> March 2020 resolved for adjustment of revaluation effect in the accounts of 2020. Subsequently, in its Board meeting dated 30<sup>th</sup> March, 2021 it has been resolved to reverse the earlier decision for adjustment of revaluation effect in the accounts of 2020 due to absence of value of land in the said revaluation report. The LUC of the Land on which Buildings are built have not been received from Royal Govt. of Bhutan as on 31<sup>st</sup> December, 2020. Due to non-adjustment of the value of building that included in the value of Land and Building (Under Process of Transfer of Ownership) for Nu.2,191,751,916 appearing in Note No. 1A for Property, Plant & Equipment, the loss of the Company for the year is understated by Nu. 987,941,894.12 and the Owner Occupied Property and Investment Properties together is overstated by that amount.

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

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Hooghly Branch : 89/3/A, K. C. Ash Lane, Paul Complex, 2<sup>nd</sup> Floor. Flat - 5, Rishra, Pin - 712248  
E-mail : mitraroydatta@gmail.com, mitraroydatta1994@gmail.com





### **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 BASs 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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E-mail : mitraroydatta@gmail.com, mitraroydatta1994@gmail.com







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

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

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

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

#### Report on Other Legal and Regulatory Requirements

As required under Section 266 of the Companies Act of Bhutan, 2016, we enclose a statement as "Minimum Audit Examination and Report" on the matters specified therein to the extent applicable in Annexure- A to this Report.

As required by Section 265 of the Act, we report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the company as far as appears from our examination of the books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity & Retained Earnings and the Statement of Cash Flows dealt with in this report are in agreement with the books of account.
- d) In our opinion, and on the basis of our examination of records and the information and explanation provided to us, the company has complied with other legal and regulatory requirements.

For MITRA ROY & DATTA

Chartered Accountants

FRN: 322477E

RAA Empanelment No: KK-19

KINGSUK DATTA

Partner

Membership No. 053121

UDIN: 21053121AAAADF7485

Dated: 20<sup>th</sup> April 2021

Place : Kolkata, India



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**ANNEXURE "A" to the INDEPENDENT AUDITORS' REPORT ON THE  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020**

**(Referred to in Paragraph 1 under "Report on Other Legal and Regulatory  
Requirements" Section of our Report of even date)**

**Minimum Audit Examination and Reporting Requirement**

**(In Terms of Section 266 of The Companies Act of Bhutan 2016)**

- a) The Ministry of Finance, Royal Government of Bhutan has issued the Corporate Governance Guidelines, 2019 ("the Guidelines") which became effective from 1<sup>st</sup> January 2020 as revised by MoF. As observed the Company has maintained the time schedule for filing the financial and non-financial reports to MoF in accordance with the Schedule II for Monitoring and Reporting Framework of the Guidelines except the budget.
- b) In our opinion the Board of Directors and management of the Company has pursued a prudent and sound financial management practice in managing the affairs of the Company as it revealed from our audit.
- c) The financial statements of the Company are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB), as applicable to the Company.
- d) The Company has maintained proper books of accounts and the financial statements for the year ended 31<sup>st</sup> December 2020 are in agreement with the underlying accounting records.
- e) The Company has maintained the registers as specified under Section 228 of the Companies Act of Bhutan 2016.
- f) The Company has fulfilled its obligation social and otherwise as entrusted to it.
- g) The Company has computed the amount of tax correctly and the same has been reflected in the financial statements.

**Report for the Service Sector Companies:**

- 1.1. *The fixed assets register maintained by the Company, in our opinion, is not adequate to give the required information. The register maintained needs to be improved to provide all the information of the fixed assets as per requirement that includes the quantitative details, values, locations, identifications etc.*

*The assets of the company have been verified at the time of revaluation on 31<sup>st</sup> December, 2020 though the effect of such verification has not been incorporated in the accounts of 2020.*

*The Company does not have any policy, approved or written, for verification of its fixed assets on regular intervals.*





- 1.2. *The Fixed assets namely buildings classified as Investment Properties and Owners Occupied Properties has been revalued during the period by the independent registered valuer appointed by the Company and the effect of such revaluation has not been considered in the Financial Statements for the year.*
- 1.3. *The Company has conducted the verification of the materials and stores and spares during the year at Head Office and Bjemina. It has been explained by the management that the physical verification of the materials, stores and spares at Projects has been conducted during the year but neither the verification report has been produced for our audit nor the short/excess have been adjusted in the accounts.*
- 1.4. *The Company shall have system of verification of its materials, stores and spares and other items periodically with laid down procedures commensurate with its size and nature. At present there is no such practice for verification of its materials, stores and spares at it's all the locations, except as reported in paragraph no 1.3 hereinabove. This year an assignment was given to a firm for verification of stocks at it's all the site but in our opinion the coverage of such verification was insufficient so far we received the information. It has been explained by the management that due to Covid-19 Pandemic situation, the verification at all the sites could not be carried out.*
- 1.5. *The excess/shortages of the materials have been dealt with and the provisions for the damaged stocks have been considered in the accounts and records on the basis of the verification report for the year at Head Office and Bjemina.*
- 1.6. *The Company records the transactions of receipts, issues of the material and stores with allocations thereof to the respective jobs.*
- 1.7. *Quantitative reconciliation of major items of stock has been carried out during the year for the materials.*
- 1.8. *The Company has not identified and determined obsolete, damaged, slow moving and surplus stock (except at HO and Bjemina store) and not considered adequate provision thereof.*
- 1.9. *There was no disposal of the obsolete or surplus inventories during the year.*
- 1.10. *The excess/shortage in physical verification of inventories has been adjusted by the General Manager, Corporate Services on the basis of the reports submitted on verification of the inventories, stores and spares at Head Office and Bjemina.*
- 1.11. *The company has followed the Weighted Average Method for pricing the issue and valuation of its stock in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). However, there are certain deficiencies in application of Weighted Average Method due to sequence of recording the receipts and issues of the store items that led to application of incorrect rates as observed by us. The basis of valuation is same as in the preceding year.*
- 1.12. *In our opinion, the terms and conditions including the rate of interest for the loans, both secured and unsecured, availed by the Company are prima facie not prejudicial to its interest.*
- 1.13. *The Company has not granted any loan to the other parties which are ultra-vires to the Articles of Incorporation and other relevant Acts and regulations.*



- 1.14. The advances granted by the Company to the officers/staffs are in accordance with the provisions of its service rules and no excessive/frequent advance generally has been granted and accumulation of large advances against particular individual has been avoided.
- 1.15. In our opinion, formed on the basis of our audit, records and explanations given by the Company, it has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard its assets as well as to ensure adherence to the rules/regulations and system and procedures. *However we give below the areas of shortcomings/deficiencies to be taken care for further strengthening the system of internal control for the purposes referred hereinabove:*
- 1.15.1. *The Company should strengthen its internal audit system commensurate to its size and nature of business.*
- 1.15.2. *The Company should maintain proper records for the stock in Wood & Bricks Manufacturing Unit stores showing the quantitative (including value) movement of stores items.*
- 1.16. In our opinion, the systems of authorization at appropriate level for and internal control on issue of stores and allocation of materials and labour to jobs are reasonable and commensurate to the size of the Company and its nature of business.
- 1.17. The Company in general has followed the system of competitive biddings, commensurate to its size and the nature of its business for purchase of goods (*with major exception for payment of 100% advance to Lhaki Steel & Rolling Pvt. Ltd. without observing the system of competitive bidding*) and services including stores, plant and machinery, equipment and other assets other than for awarding the contracts for construction of buildings.

In respect to our observation on awarding contract to Lhaki Steel & Rolling Pvt. Ltd. the management explained that:

*"the procurement of steel for the works of RRCO (Paro), Drashas (Kabji Chorten Ningpo & Tenchey Goenpa), Dem Lhakhang, GK, Composite structure near India House and Changijji. This decision was made considering the volatile steel prices and changes happening every week.*

The main reasons are attributed to the followings:

- i. Lhaki being the sole and consortium steel supplier in the country.
- ii. To take advantage of locking the steel price and benefit the volume discount.
- iii. It was always paid based on the invoice after the formal negotiation.
- iv. The delivery schedule is not made deliberately considering the storage space a sites.





v. Supply of steel made Just-In-Time (JIT) so that works are not hampered due to shortage of raw materials.

vi. The price was negotiated by NHDCL management where the team consisted of CEO, CS, LO and Store Officer.

vii. The advance payment was made in the last week of November 2020 and from 20th December 2020, there was nationwide lockdown.

viii. It was able to lift the steel only for the Thangka conservation Center site.

ix. In 2021, most of the above works have been awarded and soon the advance made will be fully liquidated and even further advance payment has to be made.

The management did the same advance payment for 1,001 tons of steel for the special affordable housing project, where 506 units were constructed from 2016 to 2019. Even in the advance payment made earlier, NHDCL had to pay an additional Nu. 2 million plus for the delay in locking the steel price by a week. By making the upfront payments for steel and cement, NHDCL has been able to save millions from the projects."

- 1.18. (a) The Company has maintained separate register for disclosure of interest of directors in contract and/or arrangement. Hence, our comment is based on the register maintained as well as minutes of the meetings of the Board of Directors held during the year where the declarations of all the directors present at those meetings of their conflicts of interests on the agenda transacted there have been recorded. On the basis of our examination of the record referred herein, we report that the Company has not purchased or sold goods or services during the year in pursuance of contracts or arrangement with the directors or any other party/parties related to directors or with company or firms in which the directors are directly or indirectly interested.
- 1.18. (b) On the basis of the register maintained and the documents referred in paragraph 18(a), we report that the Company has not entered into any transaction wherein the directors of the Company are directly or indirectly interested which are prejudicial to it.
- 1.19. In our opinion, the expenses charged to the Company accounts represent legitimate business expenses and we have not found any personal expense charged to the Company.
- 1.20. The Company has determined the unserviceable or damaged stores, *except for stores at Projects*, to provide for loss in the account.
- 1.21. Since the Company is engaged in rendering services and construction works the clause is not applicable.
- 1.22. Since the Company is not engaged in production, the clause is not applicable.
- 1.23. Since the Company is not engaged in production, the clause is not applicable.



- 1.24. On the basis of our audit we report that the Company has been regular in depositing its liabilities for rates and taxes, duties, provident funds and other statutory dues.

In our opinion, the provision for corporate tax is adequate and necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan. Since, there was loss for the year and therefore no corporate tax liability.

- 1.25. There was no outstanding towards undisputed statutory liabilities as on 31<sup>st</sup> December 2020.

- 1.26. The nature of the operations and business of the Company does not call for the system of allocation of man-hours utilized to the jobs. However, the expenditure incurred for construction jobs are allocated to the cost of construction of the respective projects.

- 1.27. Deleted (Removed)

- 1.28. The Company follows the prevailing rates for the rent as were determined by the Ministry of Finance before incorporation of the Company without any revision therefrom. Due to Covid pandemic there was no revision of rent during the year which were due for revision as per the practice of revision of rent by 10% after every two years.

- 1.29. The Company follows the credit policy as per the provisions of the Tenancy Act of Bhutan 2015. The Company has not carried out any credit rating exercise of its customers.

- 1.30. The Company does not engage any Sales or Commission Agent for renting or leasing out its properties.

- 1.31. The Company has a system of follow up with its debtors and other parties for recovery of outstanding. However, the Company should strengthen the system of follow up and to maintain the age-wise analysis of outstanding amounts for management information and follow up actions.

- 1.32. In our opinion, the management of liquid resources in the form of cash and bank balance and short-term deposits etc. was adequate.

- 1.33. The activities carried out by the Company are lawful and intra-vires to the Article of Incorporation of the Company as observed on the basis of our audit and information provided and explanations given by the management.

- 1.34. According to the information provided and explanation given to us and on the basis of our examination, in our opinion, the Company has a system of approval of the Board of Directors for all capital investment. Also, the investments in new projects are made only after ascertaining the technical and economic feasibility of the investment concerned.





- 1.35. The Company has established a budgetary control system and prepares annual budgets and compares the actuals with the budgets on annual basis. In our opinion, the system of budgetary control should be further strengthened by introducing interim analysis of performance and revision of budget if required for better control.
- 1.36. The Company has started producing the wooden frames, doors and window for captive consumption and production of bricks during the year of audit. *There is no system of standard costing in operation to determine the variance between the input and output for corrective action as required.*
- 1.37. The Company has paid sitting fee to the Directors for attending the meetings of the Board of Directors and no other payment has been made to the Directors. The remuneration and other payments made to the CEO have been disclosed in the Notes to the Accounts. As the audit has been conducted by remote access we could not verify the register maintained for recording disclosure of interest of directors and Board.
- 1.38. According to the information provided and explanations given by the Company, the directives of the Board of Directors have been complied with during the year.
- 1.39. According to the information and explanations given to us there was no incidence of transmission by the official(s) to their relatives, friends or associates or close persons of any price sensitive information other than publicly available.
- 1.40. The Company maintains the records for the inter-units transactions and services and also for the arrangements for services with other agencies engaged in similar activities.
- 1.41. In our opinion the Company has proper agreements and the terms and conditions of leases are reasonable. The Company has neither acquired on lease nor leased out to the other any machinery/equipment.
1. Due to the nature of activities and business of the Company, in our opinion, it does not require maintaining system of costing to ascertain the cost of service it renders to make pricing decisions.
2. The clause has already been dealt with in our report in paragraph 1.40 above.
3. The clause has already been dealt with in our report in paragraph 1.41 above.

#### **Computerised Accounting Environment:**

1. The Company has been working in computerised accounting environment using "Tally ERP9" software for accounting and "ERP Next" software for payroll processing.
2. *The Company has not introduced safeguard measures and there is no backup facility as yet.*
3. In view of our comment in 2 above under this section this clause is not applicable.



4. In our opinion the operational control is adequate to ensure the correctness and validity of input data and output information.
5. In our opinion to prevent unauthorised access over the computer installation and files, access control system is required to be followed strictly.
6. This clause will be applicable in the event of change over to new system. However, the system of accounting, the Company is now using is compatible to facilitate the data migration.

### **Other Requirements:**

#### **1. Going Concern Problem:**

The net worth of NHDCL was Nu.3,030,323,499.94 as on 31<sup>st</sup> December 2020 (Previous year Nu.3,009,424,750.10). There is no potential threat of erosion of its net worth as on date. Also, there is no external factor that may affect the assumption of going concern for the Company in foreseeable future. On the basis of the facts and considering the factors, we have no reason to believe that the Company is not a going concern as on the date of Financial Statements.

#### **2. Ratio Analysis**

We have carried out the ratio analysis of the Company as we considered necessary to determine its financial health and profitability. The relevant analysis of ratios has been given in the Section of Ratio Analysis of the Annual Report, 2020. Based on our analysis we conclude that in general the operations of the Company have been managed efficiently to ensure its profitability and stability.

#### **3. Compliance with the Companies Act of Bhutan 2016**

The Company has complied with the relevant provisions of the Companies Act of Bhutan 2016 (Act) for conducting meetings, filling requirements, maintenance of records, issue of shares, and raising of loan.

(The details of compliance has been given in the Compliance Calendar Check List)





#### 4. Adherence to Laws, Rules & Regulations:

The Company has been incorporated by the Companies Act of Bhutan 2000 and governed by said Act followed by the provisions of the Companies Act of Bhutan 2016 (the Act). We are of the opinion that Company has complied with the various provisions of the Companies Act 2016 and directives issued under the provisions of the Act from time to time. The Company has also followed the provisions of the Tenancy Act of Bhutan 2015 and Allotment Rules and Regulations -2014 (Residential Quarters) and Allotment Rules and Regulations -2014 (Commercial Units) for leasing its property. On the basis of our audit we further report that the Company has complied with the provisions of other statutes as applicable to the Company for operations and doing its business.

For MITRA ROY & DATTA

Chartered Accountants

FRN: 322477E

RAA Empanelment No: KK-19








KINGSUK DATTA




Membership No. 053121

Dated: 20th April 2021

Place : Kolkata, India








<p style="text-align: center;"><b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b>  <b>THIMPHU, BHUTAN</b>  <b>STATEMENT OF FINANCIAL POSITION</b>  <b>AS AT 31ST DECEMBER 2020</b></p>			
	NOTES	AS AT 31ST DECEMBER 2020	AS AT 31ST DECEMBER 2019
<b>ASSETS:</b>		<b>Nu.</b>	<b>Nu.</b>
<b>NON-CURRENT ASSETS</b>			
Property, Plant & Equipment	1A	2,410,243,209.05	2,419,245,751.32
Investment Property	1B	1,272,520,118.47	1,281,646,974.19
Intangible Asset	1C	2,550,826.48	518,822.44
Capital Work in Progress	1D	26,902,856.03	37,624,944.00
Trade & Other Receivables	3A	-	-
Other Non-Current Assets	4A	238,783,652.70	309,703,727.29
<b>TOTAL NON-CURRENT ASSETS</b>	<b>A</b>	<b>3,951,000,662.74</b>	<b>4,048,740,219.24</b>
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalent	2	28,932,312.48	4,114,155.79
Trade & Other Receivables	3B	32,205,668.05	31,148,694.62
Other Current Assets	4B	153,797,668.44	80,086,767.08
Inventories	5	10,627,059.08	21,061,154.56
Financial Assets	6	38,198,651.26	53,006,357.10
<b>TOTAL CURRENT ASSETS</b>	<b>B</b>	<b>263,761,359.31</b>	<b>189,417,129.15</b>
Deferred Tax Asset	7	8,221,624.57	-
<b>Total Tax Assets</b>	<b>C</b>	<b>8,221,624.57</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>A+B+C</b>	<b>4,222,983,646.62</b>	<b>4,238,157,348.23</b>
<b>EQUITY AND LIABILITIES:</b>			
Equity attributable to owners			
Share Capital	8	2,733,060,887.96	2,727,961,000.00
Retained Earnings	9	111,796,424.75	138,309,638.37
Other Reserves	10	185,466,187.23	143,154,111.73
<b>TOTAL EQUITY</b>	<b>D</b>	<b>3,030,323,499.94</b>	<b>3,009,424,750.10</b>
<b>NON-CURRENT LIABILITIES</b>			
Long Term Debt	11	796,826,466.54	858,614,516.58
Financial Liabilities	12	251,192,534.14	251,354,848.25
Payables	13A	16,920,432.26	16,544,840.10
Provisions	14A	43,619,083.04	36,682,556.08
<b>TOTAL NON- CURRENT LIABILITIES</b>	<b>E</b>	<b>1,108,558,515.98</b>	<b>1,163,196,761.01</b>
<b>CURRENT LIABILITIES</b>			
Payables	13B	78,926,956.28	57,038,819.73
Provisions	14B	5,174,675.00	2,801,166.00
<b>TOTAL CURRENT LIABILITIES</b>	<b>F</b>	<b>84,101,631.28</b>	<b>59,839,985.73</b>
Provision for CIT	15	-	4,238,571.70
Deferred Tax Liabilities	16	-	1,457,279.69
<b>Total Tax Liabilities</b>	<b>G</b>	<b>-</b>	<b>5,695,851.39</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>D+E+F+G</b>	<b>4,222,983,646.62</b>	<b>4,238,157,348.23</b>
<p>Significant Accounting Policies &amp; other Notes 25</p> <p>Signed in terms of our attached report of even date</p> <p>For Mitra Roy &amp; Datta</p> <p>Chartered Accountants</p> <p>(FRN: 322477E)</p> <p>RAA Empanelment No.KK-19</p> <p>  Kingsuk Datta  Partner  M.No.053121  Place: Kolkata India  Date: 20th April 2021</p> <p></p> <p>  (Dasho Pema Chewang)  Chairman</p> <p>  (Thinley Dorji)  Chief Executive Officer</p> <p></p>			


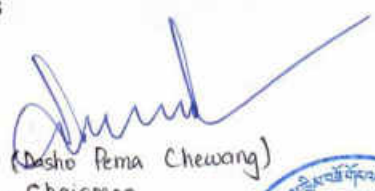


<b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b> <b>THIMPHU, BHUTAN</b> <b>STATEMENT OF COMPREHENSIVE INCOME</b> <b>FOR THE YEAR ENDED 31ST DECEMBER 2020</b>			
PARTICULARS	NOTES	FOR THE YEAR ENDED 31ST DECEMBER 2020	FOR THE YEAR ENDED 31ST DECEMBER 2019
<b>INCOME:</b>		<b>NU.</b>	<b>NU.</b>
REVENUE	17	133,182,787.12	115,125,142.51
OTHER INCOME	18	63,495,066.44	65,910,459.32
CHANGE IN STOCK		3,032,402.77	(157,357.79)
<b>TOTAL OPERATING INCOME</b>		<b>199,710,256.33</b>	<b>180,878,244.04</b>
<b>EXPENDITURE:</b>			
EMPLOYEE COST	19	74,833,937.12	50,174,183.83
OPERATION & MAINTENANCE	20	61,806,175.84	40,023,723.34
ADMINISTRATIVE EXPENSES	21	5,608,195.82	8,573,746.48
CONSUMABLES	22	3,231,735.51	776,614.28
<b>TOTAL OPERATING EXPENSES</b>		<b>145,480,044.29</b>	<b>99,548,267.93</b>
DEPRECIATION	1	67,964,741.51	61,387,593.62
<b>OPERATING PROFIT/(LOSS)</b>		<b>(13,734,529.47)</b>	<b>19,942,382.49</b>
FINANCE COST	23	22,803,190.41	2,664,765.31
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>(36,537,719.88)</b>	<b>17,277,617.18</b>
<b>TAX EXPENSES:</b>			
CURRENT TAX EXPENSE	24	-	4,565,939.30
DEFERRED TAX	24	(9,782,584.86)	2,574,325.15
<b>TOTAL TAX EXPENSE</b>		<b>(9,782,584.86)</b>	<b>7,140,264.45</b>
<b>PROFIT/(LOSS) AFTER TAX</b>		<b>(26,755,135.02)</b>	<b>10,137,352.73</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>			
REMEASUREMENT GAINS/(LOSSES) OF GRATUITY RECOGNISED IN OCI		345,602.00	(10,730,184.00)
INCOME TAX RELATING TO COMPONENT FOR OCI		(103,680.60)	
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>(26,305,852.42)</b>	<b>(592,831.27)</b>
Basic Earning Per Share		(9.81)	3.72
Significant Accounting Policies & other Notes		25	
Signed in terms of our attached report of even date			
<b>For Mitra Roy &amp; Datta</b> Chartered Accountants (FRN: 322477E) RAA Empanelment No.KK-19   Kingsuk Datta Partner M.No.053121 Place: Kolkata India Date: 20 April 2021		 (Da-sho Pema Chewang) Chairman	  (Thimley Dorji) Chief Executive Officer



# STATEMENT OF CHANGES IN EQUITY AND RETAINED EARNINGS

<b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b> <b>THIMPHU, BHUTAN</b> <b>STATEMENT OF CHANGES IN EQUITY AND RETAINED EARNINGS DURING THE YEAR 2020</b>				
	SHARE CAPITAL	RETAINED EARNINGS	OTHER RESERVES	TOTAL
	Nu.	Nu.	Nu.	Nu.
Balance as on 1st January 2019	2,727,961,000.00	138,902,469.64	79,374,504.40	2,946,237,974.04
Total Comprehensive Income for the year 2019				
Profit/(Loss) for the year 2019		10,137,352.73		10,137,352.73
Other Comprehensive Income		(10,730,184.00)		(10,730,184.00)
Previous Years Tax		-		-
Capital Grant for SHP		-	63,779,607.33	63,779,607.33
Balance as on 31st December 2019	2,727,961,000.00	138,309,638.37	143,154,111.73	3,009,424,750.10
Total Comprehensive Income for the year 2020				
Profit/(Loss) for the year (Net of Tax)		(26,755,135.02)		(26,755,135.02)
RRCO Seed money transferred to Share capital				
Other Comprehensive Income	5,099,887.96	241,921.40	-	5,099,887.96
Capital Grant for SHP		-		241,921.40
Balance as on 31st December 2020	2,733,060,887.96	111,796,424.75	185,466,187.23	3,030,323,499.94
<b>Significant Accounting Policies &amp; other Notes</b> Signed in terms of our attached report of even date <b>For Mitra Roy &amp; Datta</b> Chartered Accountants (FRN: 322477E) RAA Empanelment No.KK-19  <b>Kingsuk Datta</b> Partner M.No.053121 Place: Kolkata India Date: 20.12.2020 				
<b>25</b>  <b>(Dashi Pema Chewang)</b> Chairman   <b>(Thimley Dorji)</b> Chief Executive Officer				



<b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b> <b>THIMPHU, BHUTAN</b> <b>STATEMENT OF CASH FLOW</b> <b>FOR THE YEAR ENDED 31ST DECEMBER 2020</b>		
	<b>YEAR 2020</b>	<b>YEAR 2019</b>
	<b>Nu.</b>	
<b>Cash Flows from Operating Activities</b>		
Profit/ (Loss) for the year	(26,305,852.42)	(592,831.27)
<b>Adjustments for Non-Cash Income &amp; Expenses</b>		-
Depreciation Expense	67,355,061.51	60,087,150.62
Financial Liabilities	14,645,391.73	11,088,988.08
	<b>55,694,600.82</b>	<b>70,583,307.43</b>
<b>Changes in Working Capital:</b>		
(Increase)/ Decrease in Other current Assets	(73,710,901.36)	(4,164,281.32)
(Increase)/ Decrease in Other Non-Current Assets	70,920,074.59	(26,948,705.01)
(Increase)/ Decrease in Trade & Other Receivables	(1,056,973.43)	14,738,865.86
(Increase)/ Decrease in Inventories	10,434,095.48	2,495,972.49
Increase/ (Decrease) in Current Liabilities-Payables	21,888,136.55	(5,087,340.98)
Increase/ (Decrease) in Non-Current Liabilities-Payables	375,592.16	(16,316,968.94)
Increase/ (Decrease) in Provisions	9,310,035.96	15,194,847.08
Current Tax Expense	(4,238,571.70)	(4,854,843.48)
Deferred Tax Expenses	(9,886,265.46)	2,574,325.16
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>79,729,823.61</b>	<b>48,215,178.29</b>
<b>Cash Flows from Investing Activities</b>		
Capital Work in Progress	10,722,087.97	774,040,511.06
Purchase of Fixed Assets	(49,462,031.31)	(979,121,518.71)
Sale of Fixed Assets	784,680.00	1,300,443.00
Purchase of Intangible Assets	(2,580,317.00)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(40,535,580.34)</b>	<b>(203,780,564.65)</b>
<b>Cash Flows from Financing Activities</b>		
Increase/ (Decrease) in Long Term Debt	(61,788,050.04)	(21,237,833.92)
Increase/ (Decrease) in Other Reserves	42,312,075.50	63,779,607.33
Increase/ (Decrease) in Share Capital	5,099,887.96	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(14,376,086.58)</b>	<b>42,541,773.41</b>
<b>Cash &amp; Cash Equivalent</b>		
Increase/ (Decrease) in Cash & Cash Equivalent for the year	24,818,156.69	(113,023,612.95)
Opening Cash & Cash Equivalent	4,114,155.79	117,137,768.59
<b>Closing Cash &amp; Cash Equivalent</b>	<b>28,932,312.48</b>	<b>4,114,155.79</b>
<b>Significant Accounting Policies &amp; other Notes</b> Signed in terms of our attached report of even date  <b>For Mitra Roy &amp; Datta</b> Chartered Accountants (FRN: 322477E) RAA Empanelment No.KK-19   Kingsuk Datta Partner M.No.053121 Place: Kolkata India Date:		
25   (Dasho Pema Chewang) Chairman   (Thinley Dorji) Chief Executive Officer  		

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED  
THIMPHU, BHUTAN  
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION  
AS AT 31ST DECEMBER 2020

NOTE NO-1A: PROPERTY, PLANT & EQUIPMENT

Particulars	GROSS BLOCK			DEPRECIATION			Adjustment of during the year 2020	Accumulated Depreciation as on 31.12.2020	NET BLOCK	
	Gross Block as on 01.01.2020	Additions during the year(31.12.2020)	Sold/Adjusted during the year 2020	Balance as on 31.12.2020	Accumulated Depreciation as on 01.01.2020	Dep For the Year			Net Block as on 31.12.2020	Net Block as on 31.12.2019
Land & Building/Under Building	2,191,751,916.00	-	-	2,191,751,916.00	-	-	-	-	2,191,751,916.00	2,191,751,916.00
Owner Occupied Property: Roads & Buildings	37,276,313.07	6,267,270.30	-	43,543,583.45	8,841,528.00	7,480,186.77	10,367.12	16,311,347.66	27,622,235.79	28,934,285.07
Calverts/Parking/Beta Inaug Wall	131,196,477.84	2,800,276.01	27,688,922.23	106,307,832.52	1,745,145.73	3,175,591.95	(70,879.94)	4,991,617.62	101,316,214.90	129,451,332.11
Storm water drain /Chorten	5,637,652.52	1,035,657.64	(27,688,922.23)	34,362,232.39	209,847.33	1,014,268.08	(228,120.66)	1,652,236.07	32,909,996.32	32,909,996.32
Recreation Park	4,979,567.61	-	-	4,979,567.61	1,055,821.09	147,887.63	-	1,203,708.72	3,775,858.89	3,775,858.89
Furniture & Fixtures	3,240,140.58	172,044.00	-	3,412,184.58	1,640,636.77	401,771.75	-	2,042,408.52	1,369,786.06	1,369,786.06
Office Equipments	9,014,642.73	519,103.00	-	9,533,745.73	4,589,979.96	950,934.10	-	5,540,914.06	3,992,831.67	3,992,831.67
Vehicles	37,587,886.00	2,880,368.55	609,680.00	39,858,574.55	15,649,170.34	5,660,066.66	609,680.00	20,708,557.00	19,150,017.55	21,936,715.66
Tools & Equipments	4,253,734.53	281,774.00	-	4,535,508.53	3,109,966.96	547,534.19	-	3,657,501.15	878,007.38	1,143,767.57
Power System	12,563,006.91	-	-	12,563,006.91	894,954.15	628,180.35	-	1,523,134.50	11,040,472.41	11,668,652.76
Plant & Machinery	20,280,933.33	484,420.53	-	20,765,353.86	2,523,956.20	3,055,311.83	-	5,579,348.02	15,186,005.84	17,796,997.13
Watch Tower	1,335,516.38	65,975.00	-	1,401,491.38	61,678.65	40,065.49	-	101,744.14	1,299,747.24	1,279,837.73
Total	2,699,568,816.50	14,506,890.01	719,680.00	2,475,355,626.51	40,322,465.18	23,110,796.79	321,046.52	63,112,417.46	2,412,243,209.05	2,419,245,751.32
Previous Year	2,296,265,304.75	164,601,574.75	1,300,443.00	2,459,566,416.50	25,160,676.73	16,462,431.46	1,300,443.00	40,322,465.18	2,419,245,751.32	2,271,104,608.02

NOTE NO-1B: INVESTMENT PROPERTY

Investment Property	34,955,141.30	165,342,288.92	44,317,942.25	300,945.23	209,339,285.94	1,273,530,118.47	1,281,646,974.19
Total	34,955,141.30	165,342,288.92	44,317,942.25	300,945.23	209,339,285.94	1,273,530,118.47	1,281,646,974.19
Previous Year	814,517,343.96	-	-	1,446,989,263.11	105,342,288.92	1,281,646,974.19	511,654,160.39

NOTE NO-1C: INTANGIBLE ASSETS

Software	1,612,298.02	2,580,317.00	-	4,192,615.02	1,093,476.28	548,312.25	1,641,298.54	3,550,826.48	518,821.74
Total	1,612,298.02	2,580,317.00	-	4,192,615.02	1,093,476.28	548,312.25	1,641,298.54	2,550,826.48	518,821.74
Previous Year	1,612,298.02	-	-	1,612,298.02	893,463.58	300,012.70	1,093,476.28	518,821.74	718,834.44



NOTE NO. 10 CAPITAL WORK IN PROGRESS

Sr. No	CAPITAL WORK IN PROGRESS	As on 31st December 2020	As on 31st December 2019
1	Pasakha Fabrication Unit		21,749.00
2	Regional Office-Pling	16,761,368.59	11,073,631.68
3	Construction of retaining wall/tse wall, penmaling		742,816.34
4	Departmental Construction, Penmaling		12,536,474.49
5	Construction : near Rabten workshop, Pling	10,088,987.44	6,522,871.57
6	B+Q+4 Storied Building, Category II, Pling		10,032.00
7	Bjemina Factory Deposit Work (HMLU)		4,267,814.95
8	Bjemina Industrial State		2,268,336.97
9	ERP System	52,500.00	181,217.00
10	District housing project-Samdruk Jongkhar	26,902,856.03	37,624,944.00

Depreciation Rate:	
Buildings, Roads & Culverts, Recreational Park	3%
Buildings-Temporary/Semi Permanent Building	20%
Furniture & Fixtures	15%
Office Equipment	15%
Vehicles	15%
Tools & Equipments	15%
Software Applications	15%
Power System	5%



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN			
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020			
		As at 31st December 2020	As at 31st December 2019
		Nu.	Nu.
<b>NOTE NO: 2</b>			
<b>CASH AND CASH EQUIVALENT</b>			
Cash in hand		71,227.00	159,725.00
Phuentsholing BoBL A/c # 201614515		4,995,970.14	360,465.00
Bank A/C with BNBL, Thimphu			
CD A/C No.0000062864013-Current Account		3,095,880.81	2,945,440.97
Bank A/C with BOBL, Thimphu			
Thimphu BOB A/c -100930599		14,384,100.18	121,789.96
Thimphu BoB A/c No 100909089 (Pilot House A/c)		742,361.40	896.40
Thimphu BOBL A/c # 100912424		5,642,772.95	525,838.46
	<b>Current</b>	<b>28,932,312.48</b>	<b>4,114,155.79</b>
<b>NOTE NO: 3</b>			
<b>TRADE &amp; OTHER RECEIVABLES</b>			
<b>TRADE RECEIVABLES</b>			
HMU Deposit Work (Receivable)		315,193.88	419,364.89
Rent Receivable		6,213,044.49	5,051,900.05
<b>OTHER RECEIVABLES</b>			
Changji Community Lhakhang		25,677,429.68	25,677,429.68
	<b>3</b>	<b>32,205,668.05</b>	<b>31,148,694.62</b>
	<b>Non-Current-3A</b>	<b>-</b>	<b>-</b>
	<b>Current-3B</b>	<b>32,205,668.05</b>	<b>31,148,694.62</b>
<b>NOTE NO: 4</b>			
<b>OTHER ASSETS</b>			
<b>DEPOSITS</b>			
Security Deposit		227,144.00	145,714.00
	<b>A</b>	<b>227,144.00</b>	<b>145,714.00</b>
	<b>Non-Current</b>	<b>210,834.00</b>	<b>145,714.00</b>
	<b>Current</b>	<b>16,310.00</b>	<b>-</b>
<b>ADVANCES</b>			
Advances to Contractors (Mobilisation Advance)		6,504,358.55	6,814,144.03
Advance to Contractors (Secured Advance)		300,000.00	685,464.87
Advance to Suppliers		22,828,669.05	10,097,168.13
Advances for Maintenance		30,140.00	485,468.23
Advances for Tour		89,108.00	123,132.00
Advance to others		172,100.20	259,868.52
	<b>B</b>	<b>29,924,375.80</b>	<b>18,465,245.78</b>
	<b>Non-Current</b>	<b>-</b>	<b>-</b>
	<b>Current</b>	<b>29,924,375.80</b>	<b>18,465,245.78</b>





NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN			
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020			
		As at 31st December 2020	As at 31st December 2019
<b>FIXED DEPOSITS</b>		<b>Nu.</b>	<b>Nu.</b>
Fixed Deposits with Bank of Bhutan Limited No.202403455		25,000,000.00	-
BNBL FD A/c No. 7000062864004		-	40,000,000.00
BNBL_Th-FD A/C No-70000628364003		25,000,000.00	25,000,000.00
Gratuity Fund Management (RICBL)		35,721,785.56	18,587,276.28
Gratuity Fund-Bhutan Insurance Ltd		35,695.58	487,439.90
Annuity Policy with RICBL			
RICBL-FA/2016/1236		110,000,000.00	110,000,000.00
RICBL-FA/2018/3915		75,000,000.00	75,000,000.00
RICBL-FA/2016/1724		1,800,000.00	1,800,000.00
RICBL(FA/2017/3437)		75,000,000.00	75,000,000.00
	<b>C</b>	<b>347,557,481.14</b>	<b>345,874,716.18</b>
	<b>Non-Current</b>	<b>235,721,785.56</b>	<b>305,874,716.18</b>
	<b>Current</b>	<b>111,835,695.58</b>	<b>40,000,000.00</b>
<b>OTHERS</b>			
Interest Accrued But Not Due		5,648,248.69	3,912,544.20
Other Receivables		9,224,071.51	21,392,274.21
	<b>D</b>	<b>14,872,320.20</b>	<b>25,304,818.41</b>
	<b>Non-Current</b>	<b>2,851,033.14</b>	<b>3,683,297.11</b>
	<b>Current</b>	<b>12,021,287.06</b>	<b>21,621,521.30</b>
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>A+B+C+D</b>	<b>392,581,321.14</b>	<b>389,790,494.37</b>
	<b>Non-Current</b>	<b>4A</b>	<b>238,783,652.70</b>
	<b>Current</b>	<b>4B</b>	<b>153,797,668.44</b>
<b>NOTE NO.5</b>			
Inventories		10,627,059.08	21,061,154.56
<b>Total Inventories</b>		<b>10,627,059.08</b>	<b>21,061,154.56</b>
<b>NOTE NO.6</b>			
<b>Financial Assets</b>			
Fair Value adj. for Loan		32,657,125.00	47,349,301.00
Fair Value Adjustment Reserve Annuity with RICBL		-	405,243.00
Fair Value Adjustment Reserve Security Deposit Refundable - Changji		125,030.00	132,162.00
Fair Value Adjustment Reserv Security Deposit Refundable		5,416,496.26	5,119,651.10
<b>Total Financial Assets</b>		<b>38,198,651.26</b>	<b>53,006,357.10</b>
<b>NOTE NO.7</b>			
Deferred Tax Asset		8,221,624.57	-
<b>Total Tax Assets</b>		<b>8,221,624.57</b>	<b>-</b>
<b>NOTE NO.8</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised Capital:</b>			
Ngultrum each		10,000,000,000.00	10,000,000,000.00
<b>Subscribed &amp; Paid up Capital of RGoB</b>			
Equity (or Ordinary) Shares		2,733,060,887.96	2,727,961,000.00
(Previous year 2,727,961) of 1,000 Ngultrum each		2,733,060,887.96	2,727,961,000.00



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN			
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020			
		As at 31st December 2020	As at 31st December 2019
		Nu.	Nu.
<b>NOTE NO: 9</b>			
<b>RETAINED EARNINGS</b>			
Net Accumulated Profit from past years		138,309,638.37	138,902,469.64
Profit/(Loss) for the year( Net of Tax)		(26,755,135.02)	10,137,352.73
Other Comprehensive Income		241,921.40	(10,730,184.00)
Previous Year Tax		-	-
		<b>111,796,424.75</b>	<b>138,309,638.37</b>
<b>NOTE NO: 10</b>			
<b>OTHER RESERVES</b>			
RRCO (Seed Money)		-	5,099,887.96
Capital Grant for SHP from MoF		-	-
At the beginning		138,054,223.77	74,274,616.44
Addition during the year		53,324,361.24	69,480,980.53
Less: Transferred to Statement of Comprehensive Income		5,912,397.78	5,701,373.20
		<b>185,466,187.23</b>	<b>138,054,223.77</b>
		<b>185,466,187.23</b>	<b>143,154,111.73</b>
<b>NOTE NO: 11</b>			
<b>LONG TERM DEBT</b>			
Corporate Term Loan		796,826,466.54	858,614,516.58
		<b>796,826,466.54</b>	<b>858,614,516.58</b>
<b>NOTE NO: 12</b>			
<b>Financial Liabilities</b>			
Secured Loan Interest Free		250,000,000.00	250,000,000.00
fair Valuation Adjustment for sale of recoveries		1,192,534.14	1,354,848.25
		<b>251,192,534.14</b>	<b>251,354,848.25</b>
<b>NOTE NO: 13</b>			
<b>PAYABLES</b>			
Sundry Creditors (Suppliers)	13.1	5,500,131.38	514,184.80
Retention Money (Contractors)	13.2	5,561,186.54	5,315,870.79
Liabilities for Expenses	13.3	460,137.42	751,907.57
Other Liabilities	13.4	84,325,933.20	67,001,696.67
		<b>95,847,388.54</b>	<b>73,583,659.83</b>
Non-Current	13A	16,920,432.26	16,544,840.10
Current	13B	78,926,956.28	57,038,819.73
<b>NOTE NO: 13.1</b>			
<b>SUNDRY CREDITORS</b>			
Trade Payables (Suppliers)		3,796,801.18	489,184.80
Trade Payables (Contractors)		1,703,330.20	25,000.00
		<b>5,500,131.38</b>	<b>514,184.80</b>
Non-Current	13.1A	-	-
Current	13.1B	5,500,131.38	514,184.80
<b>NOTE NO: 13.2</b>			
<b>RETENTION MONEY</b>			
Retention Money (Contractors)		5,561,186.54	5,315,870.79
		<b>5,561,186.54</b>	<b>5,315,870.79</b>
Non-Current	13.2A	-	-
Current	13.2B	5,561,186.54	5,315,870.79



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN			
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2020			
		As at 31st December 2020	As at 31st December 2019
		Nu.	Nu.
<b>NOTE NO: 13.3</b>			
<b>LIABILITIES FOR EXPENSES</b>			
Salary & Wages Payable		-	515,507.00
Actuarial Fees		35,000.00	15,000.00
Auditors' Fee		86,550.00	66,550.00
Bhutan Oil Distributors		118,541.92	24,947.57
Bhutan Power Corporation Limited		109,932.50	88,044.00
Bhutan Telecom Limited		101,470.00	39,510.00
Thimphu Thromde		8,643.00	2,349.00
		<b>460,137.42</b>	<b>751,907.57</b>
	Non-Current	13.3A	-
	Current	13.3B	460,137.42
<b>NOTE NO: 13.4</b>			
<b>OTHER LIABILITIES</b>			
Security Deposits (Performance)		3,200.00	3,200.00
Security Deposits (House Rent)		16,716,951.26	16,341,359.10
Security Deposits (Pilot Housing)		203,481.00	203,481.00
Rent Received in Advance		137,547.00	313,586.00
Advance From Customers		41,243,222.71	38,789,800.74
Other Payables		26,021,531.23	11,350,269.83
		<b>84,325,933.20</b>	<b>67,001,696.67</b>
	Non-Current	13.4A	16,920,432.26
	Current	13.4B	67,405,500.94
<b>NOTE NO: 14</b>			
<b>PROVISION</b>			
Provision Employee Gratuity Fund		39,028,742.86	34,695,720.90
Provision for Leave Encashment		5,838,852.18	4,788,001.18
Provision for Carriage Charges		848,765.00	-
Provision for Travel Grant		1,538,699.00	-
Provision for Travel Allowance		1,538,699.00	-
		<b>48,793,758.04</b>	<b>39,483,722.08</b>
	Non-Current	14A	43,619,083.04
	Current	14B	5,174,675.00
<b>NOTE NO: 15</b>			
Provision for CIT		-	4,238,571.70
Total Current Tax		-	4,238,571.70
<b>NOTE NO: 16</b>			
Deferred Tax Liability		-	1,457,279.69





<p style="text-align: center;">NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2020</p>		
	For the year ended 31st December 2020	For the year ended 31st December 2019
	Nu.	Nu.
<b>NOTE NO: 17</b>		
<b>REVENUE:</b>		
<b>RENTAL INCOME</b>		
Rental Income (Received from Dzongkhags)	1,103,725.00	1,390,901.84
Rental Income-Commercial	8,794,545.40	8,296,956.00
Rental Income-Residential	81,829,435.00	80,450,484.26
Rental Income (Lease )	537,047.25	482,852.41
Rental Income (SHP)	32,864,190.00	24,503,948.00
Revenue from Manufacturing Unit	8,053,844.47	
	<b>133,182,787.12</b>	<b>115,125,142.51</b>
<b>NOTE NO: 18</b>		
<b>OTHER INCOME</b>		
Miscellaneous Income	800,810.64	1,161,606.83
Income from Depository Work	28,989,120.95	10,916,018.99
Adjustment of Depreciation for Capital Grant	5,912,397.78	5,701,373.20
RGoB Housing Maintenance( Revenue Grant)	-	10,000,000.00
Govt. Grant for concessional borrowings at fair value	(14,692,176.00)	(13,698,998.00)
Interest on Fixed Deposits	28,060,475.16	27,643,549.13
Audit Recoveries	147,324.17	39,700.00
Income From Hiring Charges	785,180.98	655,660.55
Income from Consultancy Services	6,345,615.77	7,635,520.00
Interest Income(Pilot Housing)	329,213.87	369,089.50
Income from Fines & Penalties	1,690,707.36	2,810,700.96
Income from Operations of SHP	4,696,395.76	
Gain on Sale of Assets	430,000.00	12,676,238.16
	<b>63,495,066.44</b>	<b>65,910,459.32</b>
<b>NOTE NO.19</b>		
<b>PERSONNEL EMOLUMENTS</b>		
Salary & Wages	40,570,526.00	26,370,146.00
Bonus	5,669,402.00	3,301,913.00
Contribution to Provident Fund	5,808,241.00	2,403,380.00
Contribution to Gratuity Fund	3,404,653.00	3,265,114.00
House Rent Allowance	7,891,870.00	4,913,420.00
Group Health Insurance	-	534,378.00
Group Personal Accident Insurance	149,940.00	158,760.00
Leave Travel Concession	1,384,952.00	1,147,555.00
Leave Encashment	3,190,674.00	2,038,683.00
Retirement Benefit	4,385,039.09	302,811.88
Conveyance Allowance	135,800.00	130,850.00
Communication Allowance	195,400.00	152,900.00
Cash Handling Allowance	16,500.00	17,000.00
Employee Training Expenses	176,086.00	3,745,616.89
Working Uniform/Liveries	976,442.00	794,116.00
Other Employee Costs	878,412.03	897,540.06
<b>A</b>	<b>74,833,937.12</b>	<b>50,174,183.83</b>



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED  
THIMPHU, BHUTAN  
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31ST DECEMBER 2020

	For the year ended 31st December 2020	For the year ended 31st December 2019
	Nu.	Nu.
<b>NOTE NO.20</b>		
Operation & Maintenance		
Maintenance of Property	28,977,399.33	19,960,771.80
Expenses for Depository Works	24,724,509.14	9,853,349.57
Vehicle running Expenses	2,052,725.81	2,106,318.71
Water & Sewerage	135,399.00	44,044.00
Cost of Production for Brick Manufacturing Unit	51,256.42	613,905.00
Cost of Production for Wood Manufacturing Unit	896,104.71	790,083.69
Annual Maintenance Chagres-Software	1,053,560.00	194,560.00
Insurance on Building	944,278.00	1,795,485.00
Registration/Insurance/Tax /R&M of Pool Vehicles	788,929.00	1,070,154.80
Registration/Insurance/Tax of Land	2,028,699.94	3,509,300.77
Registration/Insurance/Tax of Equipment/Machinery	153,314.49	85,750.00
<b>B</b>	<b>61,806,175.84</b>	<b>40,023,723.34</b>
<b>NOTE NO: 21</b>		
<b>ADMINISTRATIVE EXPENSES</b>		
Advertisement	95,520.00	145,184.00
Office Expenses	50,300.00	236,231.00
Board Members Sitting Fees	130,000.00	192,500.00
Electricity Charges	1,221,909.02	1,031,906.54
Postage & Courier	6,135.00	90,618.00
Hiring Charges	13,491.00	16,000.00
Telephone, Fax & Internet Charges	567,523.10	597,948.00
Travel Expenses	1,096,627.78	2,019,705.49
Printing	32,365.00	44,045.59
Books & Periodicals	24,915.00	-
Auditors' Fee & Expenses	427,220.50	390,268.00
Fees for Actuary/Valuation	35,000.00	465,000.00
Discretionary Grant Expenses	200,000.00	200,000.00
Hospitality & Entertainment	200,116.62	569,321.00
License Fees/Reg.	262,310.00	153,350.00
Fines & Penalties		378,591.03
Corporate Social Responsibility Expenses	215,009.05	1,011,083.65
Bank Charges	10,850.80	14,890.01
Lease Rent	276,712.00	219,063.00
Meeting and Seminar	36,080.00	-
Honorarium Expenses	132,000.00	159,000.00
Miscellaneous Expenses	40,752.99	361,629.39
Consultancy services Expenses	217,403.00	277,411.78
Loading/Unloading/Custom Expenses	315,954.96	
	<b>5,608,195.82</b>	<b>8,573,746.48</b>



<p style="text-align: center;">NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2020</p>		
	For the year ended 31st December 2020	For the year ended 31st December 2019
	Nu.	Nu.
<b>NOTE NO: 22</b>		
<b>CONSUMABLES</b>		
Consumption of Office Equipment	-	9,140.00
Consumption of Equipment Spares	120.00	792.00
Consumption of Printing & Stationeries	618,914.80	529,162.28
Consumption of Vehicle Spares	126,412.00	237,520.00
Consumption of Civil Materials(Brick)	288,807.66	-
Consumption of Civil Materials (Wood)	2,197,481.05	-
	<b>3,231,735.51</b>	<b>776,614.28</b>
<b>NOTE NO: 23</b>		
<b>FINANCE COST</b>		
Finance Charge on Financial Instruments	(46,784.27)	(2,610,009.92)
Interest on Loan	22,849,974.68	5,274,775.23
	<b>22,803,190.41</b>	<b>2,664,765.31</b>
<b>NOTE NO: 24</b>		
<b>TAX EXPENSE</b>		
Current Period Tax Expense	-	4,565,939.30
Deferred Period Tax Expense	(9,678,904.26)	2,574,325.15
	<b>(9,678,904.26)</b>	<b>7,140,264.46</b>





**NOTE 25:**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS**

**NOTE NO.: 25-A**

**CORPORATE INFORMATION**

National Housing Development Corporation Limited ("the Company") was incorporated as a public corporation under the Companies Act of Bhutan, 2000 on 07 September, 2010. The Shares of the company is held by the single shareholder, MoF of the Royal Government of Bhutan. The Company is engaged in providing housing facilities to the civil servants and providing affordable home ownership solutions in Bhutan.

**SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted by the company in the preparation and presentations of the accounts are given below: -

**1. Basis of Preparation:**

The financial statements of the company have been prepared on historical cost convention following Going Concern concept. Both income and expenditure are recognized in the accounts on accrual basis following the Bhutanese Accounting Standard (BAS).

**2. Use of Estimates**

In preparing the financial statements the management has applied judgments, assumptions and estimates that affect the reported amounts of income and expenses of the period, the balances of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements. Differences between the actual results and the estimates are recognized in the year in which the results are known or materialized.

**3. Property, Plant & Equipment**

- 3.1. PPE is recognized when it is probable that the future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.
- 3.2. Investment Property and Owner Occupied Property are stated at their carrying cost less depreciation and impairment losses.
- 3.3. Cost includes purchase price and directly attributable expenses including installation expenses, taxes & duties etc. up to the date when the asset is ready for its intended use.
- 3.4. Subsequent costs are recognized as a separate asset only when it is probable that the future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.



- 3.5. Carrying amount of an asset or part of an asset replaced, disposed off, scrapped etc.; are derecognized.
- 3.6. Costs of fixed assets not ready for their intended use at the Statement of Financial Position date together with all related expenses are shown as Capital Work -in-Progress.
- 3.7. Capital Work in Progress is recorded as fixed assets only when it starts generating economic benefits and its costs ascertained based on the completion certificate issued by the concerned authority.
- 3.8. The assets valuing up to Nu.2000 is considered as consumables and charged off to Statement of Income.

#### 4. Depreciation

- 4.1. Depreciation is provided on straight line method.
- 4.2. Depreciation on Investment Property, Owner Occupied Property, and Intangible Assets acquired during the current financial year is charged on Pro- rata days' basis from the date of capitalization or putting into use.
- 4.3. For assets treated as Investment Property, Owner Occupied Property and Intangible Assets, the company should have been allocated as per BAS-16 the depreciable amount on a systematic basis over its useful life. In view of the cost and time involved for technical evaluation of useful life of Investment Property and Owner Occupied Property, the company has adopted the life given in Schedule II of the Income Tax Act of Kingdom of Bhutan, 2001 and used the rates specified in the Rules in the Income Tax Act of Kingdom of Bhutan, 2001 (Annexure- II) and as shown below:

Particulars	Rates
Buildings, Roads & Culverts, Recreational Park	3%
Storm drains and drains	3%
Buildings-Temporary/Semi Permanent Building	20%
Furniture & Fixtures	15%
Office Equipment	15%
Vehicles	15%
Tools & Equipment	15%
Software Applications	15%
Power System	5%

#### 5. Intangible Assets

- 5.1. Only the acquired Intangible assets are recognized as asset and capitalized on the basis of costs incurred to acquire and bring it to the intended use.
- 5.2. The capitalized costs of intangible assets are amortized using the straight-line method to write down cost over their estimated useful lives.





5.3. Costs associated with maintaining the computer software programs are recognized as an expense.

## 6. Inventories

Inventories are stated at cost. Cost is determined using the weighted average cost method. Cost of inventories included cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and conditions.

## 7. Financial instruments – initial recognition and subsequent measurement

7.1. All financial instruments are initially recognized on the date when the Company becomes a party to the contractual provisions of the instrument.

7.2. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Currently the Company does not have any Financial Assets classified as held for trading or Financial Instruments designated as Fair Value through Profit or Loss.

7.3. All Financial assets including dues from banks, loans & advances to suppliers and trade receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement, the financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the Effective Interest Rate (EIR). The Financial Assets are carried at amortized cost.

7.4. Financial instruments issued by the Company are not designated at fair value through profit or loss, and are classified as liabilities as borrowings or payables, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR). Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate (EIR). The Financial Liabilities are carried at amortized cost.

7.5. The Company applies BAS-37 - "*Provisions, Contingent Liabilities and Contingent Assets*" to all its Loan Commitments and as such BAS-39 - "*Financial Instruments: Recognition and Measurements*" does not apply to such loan commitments.

7.6. A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets, is derecognized when:

- The rights to receive cash flows from the asset have expired;





- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
- The Company has transferred substantially all the risks and rewards of the asset;
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. The difference between the carrying value of the original financial Asset and the consideration received is recognized in profit or loss.

- 7.7. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.
- 7.8. The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.
- 7.9. Other Accounting Policies in relation to Financial Instruments are either not significant or are not relevant as on the date of the financial statements or during the financial year and as such are not reported as significant accounting policies. Such policies related to Financial Instruments include determination of fair value, reclassification of financial assets etc.

## 8. Employee benefits:

### 8.1. Retirement Benefits:



*Under defined Benefit scheme:*

The company makes retirement payments based on the final salary and years of service.

The Gratuity, Transfer Grant, Travel Allowance, Carriage Charges and Leave Encashment are accrued on the basis of actuarial valuation. Changes in service and interest are charged to the Profit or Loss Account. Changes in actuarial valuation are charged to the total comprehensive Income.

**8.2. Other Benefits:**

Other short-term employee benefits expected to be paid in exchange of the services rendered by the employees are recognized during the period when the employees render the service. These benefits include salary, wages, short term compensatory absences and bonus.

Costs in respect to defined contribution schemes are recognized as and when such costs accrue and its managed by a separate entity.

**9. Revenue Recognition:**

9.1. Revenues are recognized as and when it is probable that any future economic benefit associated with the item of revenue will flow to the entity, and the amount of revenue can be measured with reliability.

9.2. The following specific recognition criteria met for recognition of revenue.

9.2.1. Company's main revenue earning sources are collection of rents from Buildings/Quarters/Cottages let out and it is recognized on accrual basis.

9.2.2. The Income from maintenance Services rendered by the company is recognized as and when invoices are raised on the basis of stage of completion of the contract.

9.2.3. Income on Financial Lease is recognized based on a constant periodic rate of return on the net investment in the finance lease.

9.2.4. Income on Operating Lease is recognized as and when such lease rent assures.

**10. Borrowing Costs**

10.1. Borrowing costs directly attributable to the acquisition, construction or production of major asset, being the qualifying asset, which necessarily take a substantial period of time to be ready for its intended use are added to the cost of such asset until it is substantially ready for its intended use.

10.2. Income earned on temporary investment of fund from specific borrowings pending their use on the qualifying assets is deducted from the borrowing costs eligible for capitalization.

10.3. All other borrowing costs are recognized in profit and loss in the period in which they accrue.

**11. Grants:**





Grants are recognized when there is reasonable assurance that the grant will be received and the entity will comply with the conditions attached with the grant.

11.1. Capital Grants received from RGoB for acquiring fixed assets / property, plant & equipment are shown as RGoB's (Capital Grant) in the Statement of Financial Position under "Other Reserves".

11.2. Revenue Grant is recognized as income over the periods necessary to match the grant with the related costs that it is intended to compensate.

11.3. Depreciation on Assets acquired out of grant has been adjusted in statement of comprehensive Income on a systematic basis over the useful life of the asset.

## **12. Cash and Cash Equivalents**

Cash and Cash Equivalents for the purpose of Cash Flow Statement comprise the cash at bank, cash in hand and short term highly liquid fixed deposits with original maturities of three months or less which can be converted into cash without loss due to valuation.

## **13. Current and Deferred Tax**

13.1 Tax expense for the period comprises current and deferred tax. Tax is presented in the Income Statement. However, in case of incomes presented in the Other Comprehensive Income, the related tax is also presented in the Other Comprehensive Income.

13.2 The current income tax is calculated on the basis of the income tax laws of Bhutan applicable as on the date of the financial statements.

13.3 Deferred tax is recognized on the basis of temporary differences arising between carrying amounts of the tax bases of assets and liabilities and determined using the tax rates as applicable in Bhutan as on the date of the financial statements and are expected to apply when the related deferred tax asset or the deferred tax liability is settled.

13.4 Deferred Tax assets are recognized only to the extent it is possible that future taxable profit will be available against which the temporary differences can be utilized.

## **14. Provisions, Capital Commitments, Contingent Liabilities and Contingent Assets:**

A provision is made based on a reliable estimate when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation. Capital Commitments and Contingent liabilities, if material, are disclosed in notes on accounts. Contingent assets are neither recognized nor disclosed in the financial statement as a matter of prudence.

## **15. Segment Reporting**

The Company is operating in a single segment of Housing, to provide affordable housing, home ownership and the like. All the operations of the Company are conducted only within the country of Bhutan. The Company's shares are not or not about to be listed in any stock exchange. The provisions of BFRS 8 - Operating Segments is not applicable to the Company.





#### 16. Re-phrasing, re-wording and re-drafting of Significant Accounting Policies

The language of the significant Accounting Policies has been re-phrased, re-worded and or re-drafted only with the purpose of improved presentation and clarification. None of these constitute a change in the accounting policy.



**NOTE NO.: 25-B****NOTES ON FINANCIAL STATEMENTS FOR THE YEAR 2020****1. Contingent Liability and Capital commitment of the company**

1.1. Guarantees issued by banks in favour of others and covered by counter guarantee by the company Nu. 5,464,090 (last year Nu. 19,287,334.22)

1.2. Capital commitment Nu. 55,759,958.91 (last year Nu. 78,565,466.83) net of costs recognised in the financial statements and advances made of Nu. 6,469,608.90 (last year Nu. 6,469,608.90).

2. The building under PPE has been classified as owner-occupied property and the property used for rental purpose has been classified as investment property under Note No. 1 B as per BAS 40.

3. None of the fixed assets of the company have been revalued during the year.

**4. Related Party Disclosure**

In accordance with BAS 24, following are the list of related parties.

**a. Details of Directors and Related Parties:**

Name	Address	Appointment Date	Position	Remarks
Dasho Pema Chewang	Secretary, NLCS	14/05/2015	Chairperson	Present
Mr. Lodey Tsheten	Director, DNB, MOF	18/05/2017	Director	Present
Mr. Dungtu Drukpa	CEO, NPPF	18/05/2017	Director	Present
Mr. Pema.R.Rinchen	Project Director, HOPE	24/08/2015	Director	Present
Mr. Tashi Tobgye	Director, DCRC, MOHCA	18/05/2017	Director	Present
Mr. Karma Sonam	Director, DHS, MoWHS	26/06/2018	Director	Present
Mr. Thinley Dorji	CEO, NHDCL	21/12/2015	Chief Executive Officer	Present

**b. Transactions with related parties during the year:****i. DSA & Sitting Fee:**

Name	2020		2019	
	DSA (Nu.)	Sitting Fee (Nu.)	DSA (Nu.)	Sitting Fee
Mr. Pema Chewang	-	15,000.00	-	20,000.00



Mr. Lodey Tsheten	-	25,000.00	-	20,000.00
Mr. Dungtu Drukpa	-	7,500.00	-	20,000.00
Mr. Pema. R. Rinchen	-	12,500.00	149,374.50	40,000.00
Mr. Tashi Tobgye	-	17,500.00	-	15,000.00
Mr.Karma Sonam		7,500.00	-	10,000.00

ii. Loan with NPPF

Particulars	Amount (Nu.)	Remarks
Term Loan	796,826,466.54	Sovereign Guarantee (MoF)

iii. Chief Executive Officer's Remuneration:

Particulars	2020	2019
Basic Pay	978,750.00	895,000.00
Corporate Allowance	-	223,750.00
Communication Allowance	60,000.00	60,000.00
Contract Allowance	489,378.00	437,000.00
Provident Fund	107,664.00	98,450.00
Leave encashment	82,500.00	75,000.00
Bonus	120,038.00	70,000.00
Sitting Fee	25,000.00	40,000.00
Discretionary Grant	200,000.00	200,000.00
<b>Total</b>	<b>2,063,330.00</b>	<b>2,099,200.00</b>

c. Employee Benefit disclosure as per BAS 1

4.c.1 Defined Contribution Plans

Contributions for Defined Contribution Plans amounting to Nu.5,808,241 (LY Nu. 2,403,380) has been recognized in the Statement of Profit or Loss.

4.c.1.1 Provident Fund

Provident Fund is a defined contribution scheme whereby the Company contributes an amount determined as a fixed percentage of basic salary to the government authorities every month.

4.c.2 Defined Benefit Plans

4.c.2.1 Gratuity





The Company operates a gratuity scheme wherein every employee is entitled to the benefit equivalent to one month's basic salary last drawn for each completed year of service (one completed year is considered if served for over six months in the year) subject to minimum service of ten years. The same is payable on retirement, demise or termination of service, whichever is earlier. Annual contributions based on actuarial valuation carried out at the year-end are made to an insurance company.

The disclosures as required under BAS 19 is provided below:

#### 4.c.2.1.1 Actuarial Assumptions

##### Financial assumptions

Parameter	31-Dec-20	31-Dec-19
Discount rate	7.00%	7.00%
Salary growth rate	11.00%	11.00%

##### Demographic assumptions

Parameter	31-Dec-20	31-Dec-19
Mortality rate	100% of IALM (2006-2008)	
Employee turnover rate	8.00%	8.00%

#### Rational for actuarial assumption and professional opinion

As actuarial valuation is a projection of future assets and liabilities, it is heavily reliant on assumptions. Thus, it is critically important that the set of assumptions be scrutinized thoroughly as to represent as far as possible, the most probable fund position in the long run. As per BAS 19, "actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits". Therefore, the ultimate responsibility for ensuring the appropriateness of the assumptions to the Plan is the responsibility of NHDCL and has been duly informed to that effect.

We are of the opinion that the assumptions used are neither imprudent nor excessively conservative and mutually compatible as required by paragraphs 74 and 75 of BAS 19.

#### Discount rate

BAS 19 stipulates that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields as the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used. The currency and term of bonds shall be consistent with that of the currency and estimated term of the post-employment benefit.

Neither of the recommended benchmarks for discount rate is available in the market. Therefore, in consultation with NHDCL, a discount rate of 7% has been used consistent with discount rate used by other entities and in line with interest rate on savings in current market which stands at 8% for terms exceeding five years.



**Salary growth rate**

As per para 84 of BAS 19, "estimates of future salary increases take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market." A salary growth rate of 11% has been assumed for this valuation.

**Mortality rate**

In valuing benefits of small schemes, it is general practice to use mortality rates of larger population. As Bhutan does not have a standard mortality table adopted by regulation, we have relied on the Indian Assured Life Mortality (IALM) 2006-08.

**Employee turnover rate**

The employee turnover rate used in the valuation was prescribed by NHDCL based on their past experience and future expectation.

**Valuation methodology**

As per para 64 of BAS 19, the defined benefit obligation, current service cost, and past service cost where applicable have been determined using the projected unit credit (PUC) method. Under this cost method, the benefit obligation is calculated based on projected future salary and accrued years of service and then discounted to the valuation date using the assumed discount rate. This method allocates the total benefit obligation over the entire service and accrues the benefit as service is rendered.

The valuation model is based on an annual cash flow projection model assuming that benefit obligations are settled at the end of the year. Similarly, salary increment is assumed to happen at the end of the period. The model calculates the obligation for each member individually using their age-service-salary statistics and then aggregates the data over entire membership to arrive at the Plan-level figure.

The model has been configured to allow retirement upon completing the retirement age as stipulated in the Plan provision communicated to us. Any member in the data exceeding the normal retirement age is treated as retired in the following year. The model allows for three decrements to trigger benefit namely, retirement, early retirement/resignation and death while in service.

**Risk exposures**

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

**Discount rate risk**

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

**Salary growth risk**



As the gratuity benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

#### **Employee turnover risk**

Employee turnover experience of NHDCL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

#### **Demographic risk**

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

#### **Regulatory risk**

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

#### **Liquidity risk**

Finally, there is a risk that NHDCL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.

#### **4.c.2.1.2. Financial exhibits**

##### **A. Liability recognized in the statement of financial position**

	31-Dec-19	31-Dec-19
Present value of define benefit obligation	39,028,743	34,695,721
Fair value of plan assets	35,757,481	19,074,716
Funded status - surplus/(deficit)	(3,271,262)	(15,621,005)
Effect of asset ceiling		-
<b>Net defined benefit asset/(liability)</b>	<b>(3,271,262)</b>	<b>(15,621,005)</b>

##### **B. Composition of defined benefit cost**

<i>Nu.</i>	31-Dec-20	31-Dec-19
Expense recognized in profit or loss	3,404,653	3,265,114
Expense recognized in other comprehensive income	(133,391)	10,730,184
<b>Defined benefit cost</b>	<b>3,271,262</b>	<b>13,995,298</b>





**C. Expense recognized in statement of profit or loss**

<i>Nu.</i>	31-Dec-20	31-Dec-19
Current service cost	3,382,561	2,365,668
Past service cost	-	760,321
Loss/(Gain) on settlement	-	-
Interest on DBO	2,406,609	1,374,047
Interest on plan asset	2,384,517	(1,234,922)
<b>Expenses recognised in profit or loss</b>	<b>3,404,653</b>	<b>3,265,114</b>

**D. Amount recognised as other comprehensive income**

	31-Dec-20	31-Dec-19
Actuarial (gain) or loss due to experience adjustments	(824,954)	10,928,229
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	691,563	(198,045)
<b>Expense recognised as other comprehensive income</b>	<b>(133,391)</b>	<b>10,730,184</b>

**E. Reconciliation of changes in present value of defined benefit obligation**

	31-Dec-20	31-Dec-19
DBO at the beginning of period	34,695,721	19,991,021
Add: Current service cost	3,382,561	2,365,668
Add: Past service cost	-	760,321
Add: Interest cost	2,406,609	1,374,047
Less: Benefits paid by the plan	(631,194)	(723,565)
Less: Benefits paid by the employer	-	-
Actuarial (gain) or losses due to experience adjustment	(824,954)	10,928,229
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
<b>DBO at the end of period</b>	<b>39,028,743</b>	<b>34,695,721</b>



**F. Composition of plan asset**

	31-Dec-20	31-Dec-19
Bonds (Government/corporate)	-	-
Fixed deposit	35,757,481	19,074,716
Equities		-
<b>Total</b>	<b>35,757,481</b>	<b>19,074,716</b>

**G. Reconciliation of changes in fair value of plan assets**

	31-Dec-20	31-Dec-19
Fair value at the beginning of period	19,074,716	18,365,314
Contribution paid into the plan	15,621,005	-
Return on plan assets	2,384,517	1,234,922
Benefits paid from the plan	(631,194)	(723,565)
Return on plan assets greater or (less) than discount rate	(691,563)	198,045
<b>Fair value at the end of period</b>	<b>35,757,481</b>	<b>19,074,716</b>

**H. Bifurcation between current & non-current net liability**

<i>Nu.</i>	31-Dec-20	31-Dec-19
Current liability	3,271,262	2,505,498
Non-current liability	-	13,115,508
<b>Net Liability</b>	<b>3,271,262</b>	<b>15,621,005</b>

**I. Expected benefit payments in future years**

<i>In</i>	<i>Nu.</i>
December 31, 2021	6,264,719
December 31, 2022	3,399,423
December 31, 2023	4,224,868
December 31, 2024	4,556,365
December 31, 2025	3,587,806
December 2026 to December 2030	36,658,112
December 2031 to December 2040	91,503,813





Estimated term of liability (in years)	16.54
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#### 4.c.2.1.3 Sensitivity analyses

Assumption/Parameter	Scenario	Defined benefit obligation	Net effect on DBO	Percent change
	+0.5%	37,637,845	(1,390,898)	-3.56%
Discount rate	Base rate	39,028,743	-	0.0%
	-0.5%	40,515,515	1,486,772	3.81%
	+0.5%	40,556,432	1,527,689	3.91%
Salary growth rate	Base rate	39,028,743	-	0.0%
	-0.5%	37,583,699	(1,445,044)	-3.7%
	+0.5%	38,975,348	(53,395)	-0.14%
Mortality rate	Base rate	39,028,743	-	0.0%
	-0.5%	39,082,448	53,705	0.14%
	+0.5%	38,379,049	(649,694)	-1.66%
Employer turnover rate	Base rate	39,028,743	-	0.0%
	-0.5%	39,719,382	690,639	1.77%

#### 4.c.2.2. Leave Encashment

##### 4.c.2.2.1. Actuarial Assumptions

###### Financial assumptions

Parameter	31-Dec-20	31-Dec-19
Discount rate	7.00%	7.00%
Salary growth rate	11.00%	11.00%

###### Demographic assumptions

Parameter	31-Dec-19	31-Dec-18
Mortality rate	100% of IALM (2006-2008)	
Employee turnover rate	8.00%	8.00%

#### Rationale for actuarial assumptions and professional opinion

As actuarial valuation is a projection of future assets and liabilities, it is heavily reliant on assumptions. Thus, it is critically important that the set of assumptions be scrutinized thoroughly as to represent as far as possible, the most probable fund position in the long run. As per BAS 19, "actuarial assumptions are an entity's best estimates of the variables that





*will determine the ultimate cost of providing post-employment benefits". Therefore, the ultimate responsibility for ensuring the appropriateness of the assumptions to the Plan is the responsibility of NHDCL and has been duly informed to that effect.*

We are of the opinion that the assumptions used are neither imprudent nor excessively conservative and mutually compatible as required by paragraphs 74 and 75 of BAS 19.

#### **Discount rate**

BAS 19 stipulates that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields as the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used. The currency and term of bonds shall be consistent with that of the currency and estimated term of the post-employment benefit.

Neither of the recommended benchmarks for discount rate is available in the market. Therefore, in consultation with NHDCL, a discount rate of 7% has been used consistent with discount rate used by other entities and in line with interest rate on savings in current market which stands at 8% for terms exceeding five years.

#### **Salary growth rate**

As per para 84 of BAS 19, *"estimates of future salary increases take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market."* A salary growth rate of 11% has been assumed for this valuation.

#### **Mortality rate**

In valuing benefits of small schemes, it is general practice to use mortality rates of larger population. As Bhutan does not have a standard mortality table adopted by regulation, we have relied on the Indian Assured Life Mortality (IALM) 2006-08.

#### **Employee turnover rate**

The employee turnover rate used in the valuation was prescribed by NHDCL based on their past experience and future expectation.

#### **Valuation methodology**

As per para 64 of BAS 19, the defined benefit obligation, current service cost, and past service cost where applicable have been determined using the projected unit credit (PUC) method. Under this cost method, the benefit obligation is calculated based on projected future salary and accrued years of service and then discounted to the valuation date using the assumed discount rate. This method allocates the total benefit obligation over the entire service and accrues the benefit as service is rendered.

The valuation model is based on an annual cash flow projection model assuming that benefit obligations are settled at the end of the year. Similarly, salary increment is assumed to happen at the end of the period. The model calculates the obligation for each member individually using their age-service-salary statistics and then aggregates the data over entire membership to arrive at the Plan-level figure.



The model has been configured to allow retirement upon completing the retirement age as stipulated in the Plan provision communicated to us. Any member in the data exceeding the normal retirement age is treated as retired in the following year. The model allows for three decrements to trigger benefit namely, retirement, early retirement/resignation and death while in service.

#### **Risk exposures**

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

#### **Discount rate risk**

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

#### **Salary growth risk**

As the Earned Leave benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

#### **Employee turnover risk**

Employee turnover experience of NHDCL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

#### **Demographic risk**

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

#### **Regulatory risk**

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

#### **Liquidity risk**

Finally, there is a risk that NHDCL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.

#### **4.c.2.2.2. Financial exhibits**

##### **A. Liability recognized in the statement of financial position**





	31-Dec-20	31-Dec-19
Present value of define benefit obligation	5,838,852	4,788,001
Fair value of plan assets	-	-
Funded status - surplus/(deficit)	(5,838,852)	(4,788,001)
Effect of asset ceiling	-	-
<b>Net defined benefit asset/(liability)</b>	<b>(5,838,852)</b>	<b>(4,788,001)</b>

**B. Composition of Defined benefit Cost**

	31-Dec-20	31-Dec-19
Service Cost	1,050,851	490,147
Net interest on net defined liability(asset)	185,372	192,452
Immediate recognition of gains/losses-Other long-term employee benefits	1,954,451	1,356,084
Expense recognized in OCI	-	-
<b>Defined benefit cost</b>	<b>3,190,674</b>	<b>2,038,683</b>

**C. Expense recognized in statement of profit or loss**

Nu.	31-Dec-20	31-Dec-19
Current service cost	1,050,851	490,147
Past service cost	-	-
Loss/(Gain) on settlement	-	-
Interest on DBO	185,372	192,452
Interest on plan asset	-	-
Immediate recognition of gains/losses-Other long-term employee benefits	1,954,451	1,356,084
<b>Expenses recognized in profit or loss</b>	<b>3,190,674</b>	<b>2,038,683</b>

**D. Amount recognized as other comprehensive income**

	31-Dec-20	31-Dec-19
Actuarial (gain) or loss due to experience adjustments	1,954,451	1,356,084
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	-	-
<b>Immediate recognition of gains/losses-Other long-term employee</b>	<b>1,954,451</b>	





<b>benefits</b>		<b>1,356,084</b>
Expense recognized as other comprehensive income	-	-

#### E. Reconciliation of changes in present value of defined benefit obligation

	31-Dec-20	31-Dec-19
DBO at the beginning of period	4,788,001	4,297,854
Add: Current service cost	1,050,851	490,147
Add: Past service cost	-	-
Add: Interest cost	185,372	192,452
Less: Benefits paid by the plan	-	-
Less: Benefits paid by the employer	(2,139,823)	(1,548,536)
Actuarial (gain) or losses due to experience adjustment	1,954,451	1,356,084
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
<b>DBO at the end of period</b>	<b>5,838,852</b>	<b>4,788,001</b>

#### F. Composition of plan asset

	31-Dec-20	31-Dec-19
Bonds (Government/corporate)	-	-
Fixed deposit	-	-
Equities	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

#### G. Reconciliation of changes in fair value of plan assets

	31-Dec-20	31-Dec-19
Fair value at the beginning of period	-	-
Contribution paid into the plan	-	-
Return on plan assets	-	-
Benefits paid from the plan	-	-
Return on plan assets greater or (less) than discount rate	-	-
<b>Fair value at the end of period</b>	<b>-</b>	<b>-</b>



**H. Bifurcation between current & non-current net liability**

<i>Nu.</i>	<i>31-Dec-20</i>	<i>31-Dec-19</i>
Current liability	562,635	295,668
Non-current liability	5,276,217	4,788,001
<b>Net Liability</b>	<b>5,838,852</b>	<b>5,083,669</b>

**I. Expected benefit payments in future years**

<i>In</i>	<i>Nu.</i>
December 31, 2021	602,000
December 31, 2022	394,864
December 31, 2023	405,149
December 31, 2024	505,937
December 31, 2025	371,311
December 2026 to December 2030	2,554,388
December 2031 to December 2040	4,379,049

Estimated term of liability (in years)	11.25
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**4.c.2.2.3 Sensitivity analyses**

Assumption/Parameter	Scenario	Defined benefit obligation	Net effect on DBO	Percent change
Discount rate	+0.5%	5,590,898	(247,954)	-4.25%
	Base rate	5,838,852	-	0.0%
	- 0.5%	6,107,058	268,206	4.59%
Salary growth rate	+0.5%	6,110,886	272,034	4.66%
	Base rate	5,838,852	-	0.0%
	- 0.5%	5,584,483	(254,369)	-4.36%
Mortality rate	+0.5%	5,834,404	(4,448)	-0.08%
	Base rate	5,838,852	-	0.0%
	-0.5%	5,843,329	4,477	0.08%
Employer turnover rate	+0.5%	5,770,460	(68,392)	-1.17%
	Base rate	5,838,852	-	0.0%





-0.5%	5,912,560	73,708	1.26%
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#### 4.c.2.3 Carriage charge

##### 4.c.2.3.1 Actuarial Assumptions

###### Financial assumptions

Parameter	31-Dec-20
Discount rate	7.00%
Salary growth rate	5.00%

###### Demographic assumptions

Parameter	31-Dec-20
Mortality rate	100% of IALM (2006-2008)
Employee turnover rate	8.00%

###### Rationale for actuarial assumptions and professional opinion

As actuarial valuation is a projection of future assets and liabilities, it is heavily reliant on assumptions. Thus, it is critically important that the set of assumptions be scrutinized thoroughly as to represent as far as possible, the most probable fund position in the long run. As per BAS 19, “actuarial assumptions are an entity’s best estimates of the variables that will determine the ultimate cost of providing post-employment benefits”. Therefore, the ultimate responsibility for ensuring the appropriateness of the assumptions to the Plan is the responsibility of NHDCL and has been duly informed to that effect.

We are of the opinion that the assumptions used are neither imprudent nor excessively conservative and mutually compatible as required by paragraphs 74 and 75 of BAS 19.

###### Discount rate

BAS 19 stipulates that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields as the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used. The currency and term of bonds shall be consistent with that of the currency and estimated term of the post-employment benefit.

Neither of the recommended benchmarks for discount rate is available in the market. Therefore, in consultation with NHDCL, a discount rate of 7% has been used consistent with discount rate used by other entities and in line with interest rate on savings in current market which stands at 8% for terms exceeding five years.

###### Increase in cost of Transportation

As per paras 75 – 80 and para 88 of BAS 19, “actuarial assumptions reflect future benefit changes that are set out in the formal terms of a plan (or a constructive obligation that





goes beyond those terms) at the end of the reporting period.” The increase in cost of Carriage charge in the future has been made consistent with the inflation expectation for Bhutan in the near future as forecasted by the International Monetary Fund (IMF).

#### **Mortality rate**

In valuing benefits of small schemes, it is general practice to use mortality rates of larger population. As Bhutan does not have a standard mortality table adopted by regulation, we have relied on the Indian Assured Life Mortality (IALM) 2006-08.

#### **Employee turnover rate**

The employee turnover rate used in the valuation was prescribed by NHDCL based on their past experience and future expectation.

#### **Valuation methodology**

As per para 64 of BAS 19, the defined benefit obligation, current service cost, and past service cost where applicable have been determined using the projected unit credit (PUC) method. Under this cost method, the benefit obligation is calculated based on projected future salary and accrued years of service and then discounted to the valuation date using the assumed discount rate. This method allocates the total benefit obligation over the entire service and accrues the benefit as service is rendered.

The valuation model is based on an annual cash flow projection model assuming that benefit obligations are settled at the end of the year. Similarly, salary increment is assumed to happen at the end of the period. The model calculates the obligation for each member individually using their age-service-salary statistics and then aggregates the data over entire membership to arrive at the Plan-level figure.

The model has been configured to allow retirement upon completing the retirement age as stipulated in the Plan provision communicated to us. Any member in the data exceeding the normal retirement age is treated as retired in the following year. The model allows for three decrements to trigger benefit namely, retirement, early retirement/resignation and death while in service.

#### **Risk exposures**

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

#### **Discount rate risk**

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

#### **Salary growth risk**



As the Carriage Charge benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

#### **Employee turnover risk**

Employee turnover experience of NHDCL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

#### **Demographic risk**

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

#### **Regulatory risk**

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

#### **Liquidity risk**

Finally, there is a risk that NHDCL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.

#### **4.c.2.3.2. FINANCIAL EXHIBITS**

##### **A. Liability recognized in the statement of financial position**

	31-Dec-20
Present value of define benefit obligation	848,765
Fair value of plan assets	-
Funded status - surplus/(deficit)	(848,765)
Effect of asset ceiling	-
<b>Net defined benefit asset/(liability)</b>	<b>(848,765)</b>

##### **B. Composition of Defined Benefit Cost**

	31-Dec-20
Expense recognized in profit or Loss	177,535
Expense recognized in OCI	(18,119)
<b>Defined benefit cost</b>	<b>159,416</b>

##### **C. Expense Recognized in Statement of Profit or loss**





<i>Nu.</i>	31-Dec-20
Current service cost	129,281
Past service cost	-
Loss/(Gain) on settlement	-
Interest on DBO	48,254
Interest on plan asset	-
<b>Expenses recognized in profit or loss</b>	<b>177,535</b>

**D. Amount recognized as other comprehensive income**

	31-Dec-20
Actuarial (gain) or loss due to experience adjustments	(18,119)
Actuarial (gain) or loss due to changes in financial assumptions	-
Actuarial (gain) or loss due to changes in demographic assumptions	-
Return on plan assets (greater) or less than discount rate	-
<b>Expense recognized as other comprehensive income</b>	<b>(18,119)</b>

**E. Reconciliation of changes in present value of defined benefit obligation**

	31-Dec-20
DBO at the beginning of period	714,232
Add: Current service cost	129,281
Add: Past service cost	-
Add: Interest cost	48,254
Less: Benefits paid by the plan	-
Less: Benefits paid by the employer	(24,883)
Actuarial (gain) or losses due to experience adjustment	(18,119)
Actuarial (gain) or losses due to change in financial assumptions	-
Actuarial (gain) or losses due to change in demographic assumptions	-
<b>DBO at the end of period</b>	<b>848,765</b>

**F. Composition of plan asset**





	31-Dec-20
Bonds (Government/corporate)	-
Fixed deposit	-
Equities	-
<b>Total</b>	-

#### G. Reconciliation of changes in fair value of plan assets

	31-Dec-20
Fair value at the beginning of period	-
Contribution paid into the plan	-
Return on plan assets	-
Benefits paid from the plan	-
Return on plan assets greater or (less) than discount rate	-
<b>Fair value at the end of period</b>	-

#### H.

	Nu.	31-Dec-20
Current liability		374,795
Non-current liability		473,970
<b>Net Liability</b>		<b>848,765</b>

#### I. Expected benefit payments in future years

In	Nu.
December 31, 2021	401,031
December 31, 2022	270,868
December 31, 2023	260,130
December 31, 2024	279,419
December 31, 2025	226,027
December 2026 to December 2030	1,200,573
December 2031 to December 2040	1,595,307

Estimated term of liability (in years)	8.05
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#### 4.c.2.3.3. Sensitivity analyses

Assumption/Parameter	Scenario	Defined benefit obligation	Net effect on DBO	Percent change
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	+0.5%	827,740	(21,025)	-2.48%
<b>Discount rate</b>	Base rate	848,765	-	0.0%
	- 0.5%	870,973	22,208	2.62%
	+0.5%	873,838	25,073	2.95%
<b>Increase in transportation cost</b>	Base rate	848,765	-	0.0%
	- 0.5%	824,811	(23,954)	-2.82%
	+0.5%	848,754	(11)	-0.00%
<b>Mortality rate</b>	Base rate	848,765	-	0.0%
	-0.5%	848,778	13.12	0.00%
	+0.5%	850,833	2,068	0.24%
<b>Employer turnover rate</b>	Base rate	848,765	-	0.0%
	-0.5%	846,622	(2,143)	-0.25%

#### 4.c.2.4 Travel Allowance

##### 4.c.2.4.1. Actuarial Assumptions

###### Financial assumptions

Parameter	31-Dec-20
Discount rate	7.00%
Salary growth rate	11.00%

###### Demographic assumptions

Parameter	31-Dec-20
Mortality rate	100% of IALM (2006-2008)
Employee turnover rate	8.00%

##### Rationale for actuarial assumptions and professional opinion

As actuarial valuation is a projection of future assets and liabilities, it is heavily reliant on assumptions. Thus, it is critically important that the set of assumptions be scrutinized thoroughly as to represent as far as possible, the most probable fund position in the long run. As per BAS 19, "actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits". Therefore, the ultimate responsibility for ensuring the appropriateness of the assumptions to the Plan is the responsibility of NHDCL and has been duly informed to that effect.





We are of the opinion that the assumptions used are neither imprudent nor excessively conservative and mutually compatible as required by paragraphs 74 and 75 of BAS 19.

#### **Discount rate**

BAS 19 stipulates that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields as the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used. The currency and term of bonds shall be consistent with that of the currency and estimated term of the post-employment benefit.

Neither of the recommended benchmarks for discount rate is available in the market. Therefore, in consultation with NHDCL, a discount rate of 7% has been used consistent with discount rate used by other entities and in line with interest rate on savings in current market which stands at 8% for terms exceeding five years.

#### **Salary Growth Rate**

As per para 84 of BAS 19, "estimates of future salary increases take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market." A salary growth rate of 11% has been assumed for this valuation.

#### **Mortality rate**

In valuing benefits of small schemes, it is general practice to use mortality rates of larger population. As Bhutan does not have a standard mortality table adopted by regulation, we have relied on the Indian Assured Life Mortality (IALM) 2006-08.

#### **Employee turnover rate**

The employee turnover rate used in the valuation was prescribed by NHDCL based on their past experience and future expectation.

#### **Valuation methodology**

As per para 64 of BAS 19, the defined benefit obligation, current service cost, and past service cost where applicable have been determined using the projected unit credit (PUC) method. Under this cost method, the benefit obligation is calculated based on projected future salary and accrued years of service and then discounted to the valuation date using the assumed discount rate. This method allocates the total benefit obligation over the entire service and accrues the benefit as service is rendered.

The valuation model is based on an annual cash flow projection model assuming that benefit obligations are settled at the end of the year. Similarly, salary increment is assumed to happen at the end of the period. The model calculates the obligation for each member individually using their age-service-salary statistics and then aggregates the data over entire membership to arrive at the Plan-level figure.

The model has been configured to allow retirement upon completing the retirement age as stipulated in the Plan provision communicated to us. Any member in the data exceeding the normal retirement age is treated as retired in the following year. The





model allows for three decrements to trigger benefit namely, retirement, early retirement/resignation and death while in service.

#### **Risk exposures**

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

#### **Discount rate risk**

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

#### **Salary growth risk**

As the Travel Allowance benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

#### **Employee turnover risk**

Employee turnover experience of NHDCL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

#### **Demographic risk**

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.

#### **Regulatory risk**

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

#### **Liquidity risk**

Finally, there is a risk that NHDCL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.

#### **4.c.2.4.2 FINANCIAL EXHIBITS**

##### **A. Liability recognized in the statement of financial position**

	<b>31-Dec-20</b>
Present value of define benefit obligation	1,538,699



Fair value of plan assets	-
Funded status - surplus/(deficit)	(1,538,699)
Effect of asset ceiling	-
<b>Net defined benefit asset/(liability)</b>	<b>(1,538,699)</b>

#### B. Composition of Defined Benefit Cost

	31-Dec-20
Expense recognized in profit or Loss	312,164
Expense recognized in OCI	(85,668)
<b>Defined benefit cost</b>	<b>226,496</b>

#### C. Expense Recognized in Statement of Profit or loss

Nu.	31-Dec-20
Current service cost	219,200
Past service cost	-
Loss/(Gain) on settlement	-
Interest on DBO	92,964
Interest on plan asset	-
<b>Expenses recognized in profit or loss</b>	<b>312,164</b>

#### D. Amount recognized as other comprehensive income

	31-Dec-20
Actuarial (gain) or loss due to experience adjustments	(85,668)
Actuarial (gain) or loss due to changes in financial assumptions	-
Actuarial (gain) or loss due to changes in demographic assumptions	-
Return on plan assets (greater) or less than discount rate	-
<b>Expense recognized as other comprehensive income</b>	<b>(85,668)</b>

#### E. Reconciliation of changes in present value of defined benefit obligation

	31-Dec-20
DBO at the beginning of period	1,343,923
Add: Current service cost	219,200





Add: Past service cost	-
Add: Interest cost	92,964
Less: Benefits paid by the plan	-
Less: Benefits paid by the employer	(31,720)
Actuarial (gain) or losses due to experience adjustment	(85,668)
Actuarial (gain) or losses due to change in financial assumptions	-
Actuarial (gain) or losses due to change in demographic assumptions	-
<b>DBO at the end of period</b>	<b>1,538,699</b>

#### F. Composition of plan asset

	31-Dec-20
Bonds (Government/corporate)	-
Fixed deposit	-
Equities	-
<b>Total</b>	<b>-</b>

#### G. Reconciliation of changes in fair value of plan assets

	31-Dec-20
Fair value at the beginning of period	-
Contribution paid into the plan	-
Return on plan assets	-
Benefits paid from the plan	-
Return on plan assets greater or (less) than discount rate	-
<b>Fair value at the end of period</b>	<b>-</b>

#### H.

	Nu.	31-Dec-20
Current liability		487,325
Non-current liability		1,051,374
<b>Net Liability</b>		<b>1,538,699</b>

#### I. Expected benefit payments in future years

In	Nu.
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December 31, 2021	521,438
December 31, 2022	341,146
December 31, 2023	354,430
December 31, 2024	395,919
December 31, 2025	331,554
December 2026 to December 2030	2,097,554
December 2031 to December 2040	4,048,401

Estimated term of liability (in years)	11.23
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#### 4.c.2.4.3. Sensitivity analyses

Assumption/Parameter	Scenario	Defined benefit obligation	Net effect on DBO	Percent change
Discount rate	+0.5%	1,489,793	(48,906)	-3.18%
	Base rate	1,538,699	-	0.0%
	- 0.5%	1,590,871	52,172	3.39%
Salary Growth Rate	+0.5%	1,592,911	54,212	3.52%
	Base rate	1,538,699	-	0.0%
	- 0.5%	1,487,295	(51,404)	-3.34%
Mortality rate	+0.5%	1,537,541	(1,158)	-0.08%
	Base rate	1,538,699	-	0.0%
	-0.5%	1,539,864	1,165	0.08%
Employer turnover rate	+0.5%	1,525,953	(12,746)	-0.83%
	Base rate	1,538,699	-	0.0%
	-0.5%	1,552,252	13,553	0.88%

#### 4.c.2.5 Transfer Grant

##### 4.c.2.5.1. Actuarial Assumptions

##### Financial assumptions

Parameter	31-Dec-20
Discount rate	7.00%
Salary growth rate	11.00%



### Demographic assumptions

Parameter	31-Dec-20
Mortality rate	100% of IALM (2006-2008)
Employee turnover rate	8.00%

### Rationale for actuarial assumptions and professional opinion

As actuarial valuation is a projection of future assets and liabilities, it is heavily reliant on assumptions. Thus, it is critically important that the set of assumptions be scrutinized thoroughly as to represent as far as possible, the most probable fund position in the long run. As per BAS 19, *"actuarial assumptions are an entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits"*. Therefore, the ultimate responsibility for ensuring the appropriateness of the assumptions to the Plan is the responsibility of NHDCL and has been duly informed to that effect.

We are of the opinion that the assumptions used are neither imprudent nor excessively conservative and mutually compatible as required by paragraphs 74 and 75 of BAS 19.

### Discount rate

BAS 19 stipulates that the rate used to discount post-employment benefit obligations shall be determined by reference to market yields as the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds shall be used. The currency and term of bonds shall be consistent with that of the currency and estimated term of the post-employment benefit.

Neither of the recommended benchmarks for discount rate is available in the market. Therefore, in consultation with NHDCL, a discount rate of 7% has been used consistent with discount rate used by other entities and in line with interest rate on savings in current market which stands at 8% for terms exceeding five years.

### Salary Growth Rate

As per para 84 of BAS 19, *"estimates of future salary increases take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market."* A salary growth rate of 11% has been assumed for this valuation.

### Mortality rate

In valuing benefits of small schemes, it is general practice to use mortality rates of larger population. As Bhutan does not have a standard mortality table adopted by regulation, we have relied on the Indian Assured Life Mortality (IALM) 2006-08.

### Employee turnover rate

The employee turnover rate used in the valuation was prescribed by NHDCL based on their past experience and future expectation.

### Valuation methodology





As per para 64 of BAS 19, the defined benefit obligation, current service cost, and past service cost where applicable have been determined using the projected unit credit (PUC) method. Under this cost method, the benefit obligation is calculated based on projected future salary and accrued years of service and then discounted to the valuation date using the assumed discount rate. This method allocates the total benefit obligation over the entire service and accrues the benefit as service is rendered.

The valuation model is based on an annual cash flow projection model assuming that benefit obligations are settled at the end of the year. Similarly, salary increment is assumed to happen at the end of the period. The model calculates the obligation for each member individually using their age-service-salary statistics and then aggregates the data over entire membership to arrive at the Plan-level figure.

The model has been configured to allow retirement upon completing the retirement age as stipulated in the Plan provision communicated to us. Any member in the data exceeding the normal retirement age is treated as retired in the following year. The model allows for three decrements to trigger benefit namely, retirement, early retirement/resignation and death while in service.

#### **Risk exposures**

Valuing a defined benefit plan is fundamentally an exercise in estimating the future cost of the benefit, the exact value for which only time will reveal. It relies on a set of financial and demographic assumptions along with prevalent regulatory framework in valuing liability. Thus, the Plan is exposed to a variety of risk as discussed herein.

##### **Discount rate risk**

The present value of the defined benefit obligation is heavily dependent on the discount rate. As such, the quantity is highly sensitive to the discount rate and a slight decrease in this assumption parameter will result in an ultimate cost that is significantly higher and vice versa.

##### **Salary growth risk**

As the Transfer Grant benefit is a final-pay scheme, the actual cost of the plan will depend on the growth rate of salary over the years. As such, a higher than expected growth in salary will result in a cost which is higher than the estimate. Similarly, a slower salary growth will result in actual liability being lower than projected.

##### **Employee turnover risk**

Employee turnover experience of NHDCL will have a significant impact on the design of the benefit and consequently the overall cost of the plan. Furthermore, deviation in actual experience from assumption would also lead to change in the liability of the plan.

##### **Demographic risk**

In the absence of credible scheme-specific data, the IALM 2006-08 mortality rate has been used in projecting the benefits. Thus, deviation of the actual experience from the rates used will result in change in the cost of the plan.





### Regulatory risk

The present value of the defined benefit obligation has been arrived at using the current set of regulatory frameworks. As such, any change in the relevant rules and regulations concerning gratuity benefit such as increase in gratuity ceiling, introduction of gratuity floor, change in vesting period or benefit accrual rate would eventually alter the liability.

### Liquidity risk

Finally, there is a risk that NHDCL may not be able to honour the gratuity payments in the short-run due to liquidity constraints.

#### 4.c.2.5.2. FINANCIAL EXHIBITS

##### A. Liability recognized in the statement of financial position

	31-Dec-20
Present value of define benefit obligation	1,538,699
Fair value of plan assets	-
Funded status - surplus/(deficit)	(1,538,699)
Effect of asset ceiling	-
Net defined benefit asset/(liability)	(1,538,699)

##### B. Composition of Defined Benefit Cost

	31-Dec-20
Expense recognized in profit or Loss	312,591
Expense recognized in OCI	(108,424)
Defined benefit cost	204,167

##### C. Expense Recognized in Statement of Profit or loss

Nu.	31-Dec-20
Current service cost	218,833
Past service cost	-
Loss/(Gain) on settlement	-
Interest on DBO	93,758
Interest on plan asset	-
Expenses recognized in profit or loss	312,591

##### D. Amount recognized as other comprehensive income

31-Dec-20
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Actuarial (gain) or loss due to experience adjustments	(108,424)
Actuarial (gain) or loss due to changes in financial assumptions	-
Actuarial (gain) or loss due to changes in demographic assumptions	-
Return on plan assets (greater) or less than discount rate	-
Expense recognized as other comprehensive income	(108,424)

#### E. Reconciliation of changes in present value of defined benefit obligation

	31-Dec-20
DBO at the beginning of period	1,344,262
Add: Current service cost	218,833
Add: Past service cost	-
Add: Interest cost	93,758
Less: Benefits paid by the plan	-
Less: Benefits paid by the employer	(9,730)
Actuarial (gain) or losses due to experience adjustment	(108,424)
Actuarial (gain) or losses due to change in financial assumptions	-
Actuarial (gain) or losses due to change in demographic assumptions	-
DBO at the end of period	1,538,699

#### F. Composition of plan asset

	31-Dec-20
Bonds (Government/corporate)	-
Fixed deposit	-
Equities	-
Total	-

#### G. Reconciliation of changes in fair value of plan assets

	31-Dec-20
Fair value at the beginning of period	-
Contribution paid into the plan	-





Return on plan assets	-
Benefits paid from the plan	-
Return on plan assets greater or (less) than discount rate	-
<b>Fair value at the end of period</b>	<b>-</b>

H.

<i>Nu.</i>	<i>31-Dec-20</i>
Current liability	478,658
Non-current liability	1,060,041
<b>Net Liability</b>	<b>1,538,699</b>

I. Expected benefit payments in future years

<i>In</i>	<i>Nu.</i>
December 31, 2021	512,164
December 31, 2022	341,146
December 31, 2023	354,430
December 31, 2024	395,919
December 31, 2025	331,554
December 2026 to December 2030	2,097,554
December 2031 to December 2040	4,048,401

Estimated term of liability (in years)	11.27
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#### 4.c.2.5.3. Sensitivity analyses

Assumption/Parameter	Scenario	Defined benefit obligation	Net effect on DBO	Percent change
Discount rate	+0.5%	1,489,793	(48,906)	-3.18%
	Base rate	1,538,699	-	0.0%
	-0.5%	1,590,871	52,172	3.39%
Salary Growth Rate	+0.5%	1,592,911	54,212	3.52%
	Base rate	1,538,699	-	0.0%
	-0.5%	1,487,295	(51,404)	-3.34%
	+0.5%	1,537,541	(1,158)	-0.08%





<b>Mortality rate</b>	Base rate	1,538,699	-	0.0%
	-0.5%	1,539,864	1,165	0.08%
	+0.5%	1,525,953	(12,746)	-0.83%
<b>Employer turnover rate</b>	Base rate	1,538,699	-	0.0%
	-0.5%	1,552,252	13,553	0.88%

4.c.2.6 For the first-time provision for other post-employment benefits like Carriage Charges, Transfer Grants and Travel Allowance has been made on the basis of actuarial valuation carried out by an independent valuer.

4.c.2.7 The carriage charges expense of Nu.866,884, transfer grant expense of Nu.1,647,123 and travel allowance of Nu.1,624,367 has been accounted under employee cost.

## 5. Other Reserves:

- 5.1. According to letter No.MoF/PED/NHDCL/33/2014/2041 dated 06.01.2016, the Ministry of Finance approved the conversion of Government grants as received in the years 2012 and 2013 amounting to Nu. 79,869,490.96 into Equity from RGoB. An approval at 3<sup>rd</sup> AGM dated 03.04.2016 was obtained to increase the Equity Capital by conversion of Grant to the extent of Nu. 79,869,000.00 million.

The details of Grants Received in 2012 and 2013 and Conversion into Equity is given below:

Nature of Grant	Received Period	Amount (Nu.)	Amount (Nu.)
RGoB (Capital Grant)	2012 or earlier	15,000,000.00	15,000,000.00
RGoB (Maintenance Support Grant)	2012 or earlier	10,000,000.00	
	June 2013	15,000,000.00	
	November 2013	15,000,000.00	40,000,000.00
	2013	15,000,000.00	
RRCO (Seed Money)	2012 or earlier	18,134,401.58	
	April 2013	1,043,819.00	
	July 2013	1,202,859.00	
	August 2013	4,209,137.38	
	September 2013	40,164.00	
	October 2013	347,177.00	



	November 2013	4,991,330.00	29,968,887.96
Total			84,968,887.96
Converted to Equity	2015		79,869,000.00
Balance Grant			<u>5,099,887.96</u>

The same is presented in the  
Financial Statement as below

RRCO (Seed Money) 5,099,887.96

This year Nu. 5,099,887.96 with an approval from the Board Audit Committee and appraisal from the MoF have been converted into Equity.

- 5.2. With the approval from the Cabinet and directives from the Ministry of Finance (MoF), a loan agreement has been executed between the Company and National Pension and Provident Fund (NPPF) with Sovereign Guarantee. Total loan sanctioned for the project is Nu. 890,000,000.00 bearing an interest at the rate of 7.25% per annum for 20 years. As per the approval letter from the MoF, the payment of the principal as well as the interest will be borne by the MoF. In 2020 a loan instalment of Nu.53,324,361.24 (Previous Year-Nu.69,480,980.53) was received from MoF, which is treated as Capital Grant for Special housing Project.
6. Due to Covid-19 pandemic, the company benefitted Nu.37,740,199.28 against the interest payment of the SHP loan with NPPF.
7. The Ministry of Finance, RGoB, has released Interest Free Loan to the extent of Nu.250.00 million (previous year Nu.250.00 million) to the company for construction at SamdrupJongkhar, Phuntsholing, Gasa and Lhuentse, which is repayable after ten years from the date of disbursement. As per the terms of sanction, the company shall create a Sinking Fund for repayment of principal amount on maturity of loan. The company has made an Investment in Fixed term Annuity Scheme with RICBL amounting to Nu. 150 million as on 31<sup>st</sup> Dec.2018, Nu.25,000,000 in Fixed deposit with BNBL as on 31<sup>st</sup> Dec.2019 and Nu.25,000,000 in FD with Bank of Bhutan as on 31<sup>st</sup> Dec.2020. For the current year a net fair value of Nu.14,692,176 (Previous Year-Nu.13,698,998) has been charged on the financial instrument.
8. In the current year the Finance Charge / Income and corresponding Liability / Asset on the Financial Instruments measured at amortized cost has been recognized.





9. Of the total expenditure of Nu.2,052,725.81 on the vehicle running expenses, Nu.97,614.49 was incurred while the pool vehicles were on Covid duty during 1<sup>st</sup> and 2<sup>nd</sup> lockdown.
10. Rent to the tune of Nu.595,170 has been waived for three commercial Units in Thimphu which were affected by the Covid pandemic.
11. Due to Covid-19 situation the 10% increment in rent after every two years as per the Tenancy agreement has not been implemented for all the tenants who were liable for the same.
12. The total expenditure incurred for salary, PF contribution, LTC, leave Encashment and other allowances are inclusive of the pay, allowances and other benefits paid to the employees deputed to Gyalsuung Infra and Relief Kidu Office.
13. Total wages amounting to Nu.252,000 has been paid to the Lam, Umzay and the Kenyer at Changjiji Lhakhang for the last five years.
14. During the year, the company has incurred a loss of an amount of Nu.36,537,719.88 (Last Year Profit of Nu. 17,277,617.18) and the actuarial gain of Nu.345,602 (Last Year loss of Nu.10,730,184) has been accounted under other comprehensive Income. A provision for Corporate Income Tax (CIT) of Nu. Nil (Last Year Nu. 4,565,939.3) thereon and a Deferred Tax Income of Nu. 9,782,584.86 (Last Year Expenses of Nu.2,574,325.15) for the year 2020. The total comprehensive loss for the year is at Nu. 26,305,852.42 (Last Year Nu. 592,831.27).

15. Provision for Taxation

Particulars	2020	2019
Current Tax:		
Operating Profit/(loss)	(13,734,529.47)	19,942,382.49
Comprehensive Income/(Loss)	(26,305,852.42)	(592,831.27)
<b>Total tax payable</b>	-	<b>4,565,939.30</b>
Less:		
Advance tax paid:	-	-
Tax Deducted at source	323,528.75	327,367.60
<b>Net tax payable/(Refundable)</b>	<b>(323,528.75)</b>	<b>4,238,571.70</b>





16. Previous year's figures have been re-grouped and re-arranged wherever required for better disclosures.
17. Note Nos.1 to 25 are the part of the financial statements of the company and these are duly authenticated by the Management.



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED  
THIMPHU, BHUTAN  
RATIO ANALYSIS

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED  
THIMPHU, BHUTAN  
Ratio Analysis

Ratio	Basis of Ratio	2020	2019
<b>Profitability Ratio</b>			
Operating Profit Ratio	Operating Profit / Total Revenue	-10.31%	17.32%
Gross Profit Ratio	Profit Before Tax / Total Income	-18.30%	9.55%
Net Profit Ratio	Profit After Tax / Total Income	-13.40%	5.60%
ATROE (After Tax Return on Equity)	Profit After Tax / Owner's Equity	-0.88%	0.34%
Return on Fixed Assets	Profit After Tax / Total Net Block of Property Plant & Equipment	-1.11%	0.42%
<b>Operating Efficiency</b>			
Operating Ratio	Operating Costs / Total Operating Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)+Income from consultancy & Hiring]	85.93%	68.97%
Operating Revenue to Total Income	Total Operating Revenue [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)] / Total Income	84.77%	79.80%
<b>Stability Ratios</b>			
Debt Equity Ratio	Total external Debt / Total Equity	26%	29%
Debtors Turnover Ratio (in Days)	Total Operating Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)+Income from Consultancy]/Total Receivables	10.75	5.09
<b>Liquidity Ratio</b>			
Current Ratio	Current Assets / Current Liabilities	3.14	3.17

