

**National Housing Development Corporation Ltd.**

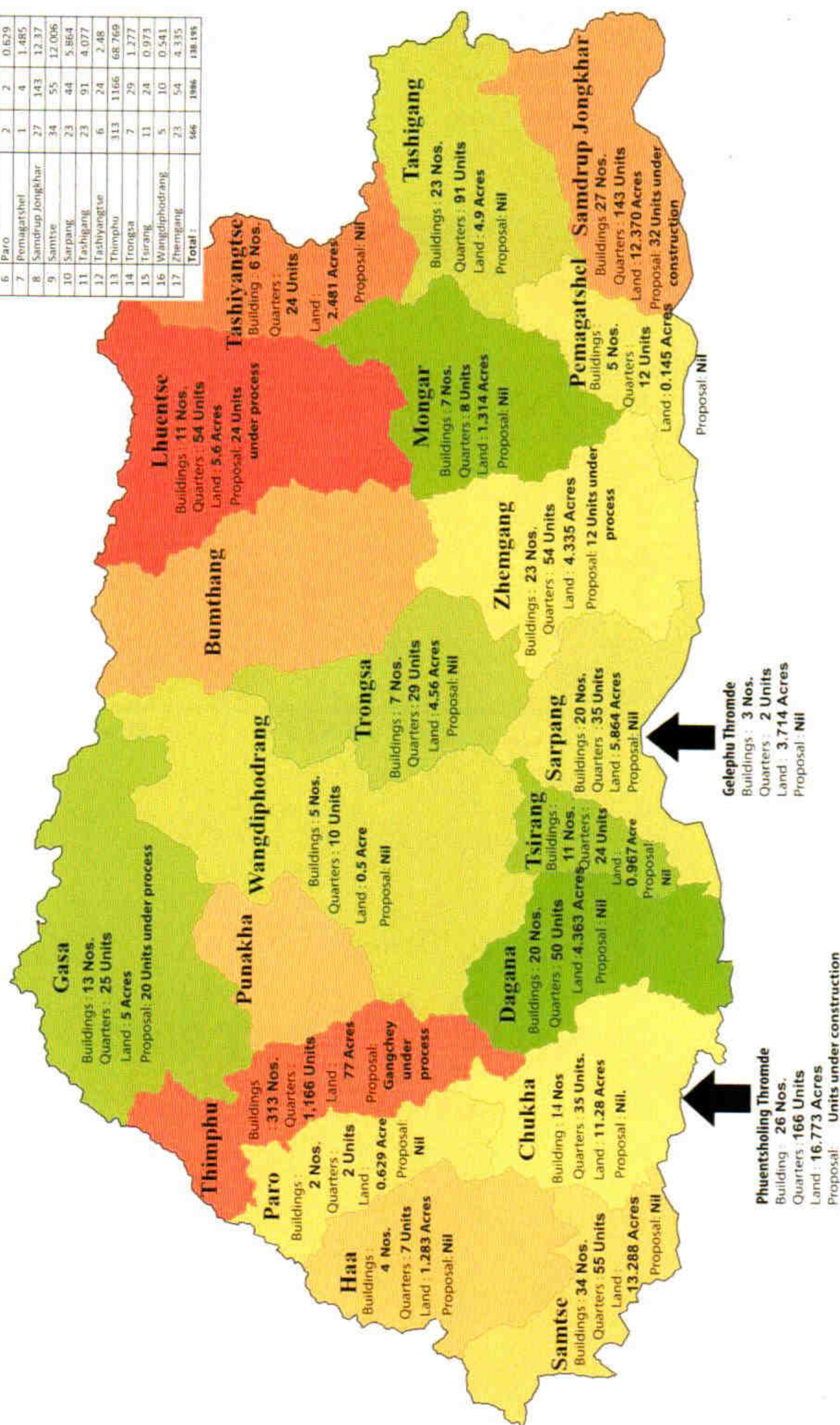


**ANNUAL REPORT 2017**  
**6th ISSUE**



# NHDCL ASSETS

| Sl. No  | Dzongkhag        | No. of Bldg Units | No. of Land (Acre) |
|---------|------------------|-------------------|--------------------|
| 1       | Chukha           | 40                | 201                |
| 2       | Dagana           | 20                | 52                 |
| 3       | Gasa             | 13                | 25                 |
| 4       | Lhuntse          | 11                | 54                 |
| 5       | Mongar           | 7                 | 8                  |
| 6       | Paro             | 2                 | 2                  |
| 7       | Pemagatshel      | 1                 | 4                  |
| 8       | Samdrup Jongkhar | 27                | 143                |
| 9       | Samtse           | 34                | 55                 |
| 10      | Sarpang          | 23                | 44                 |
| 11      | Tashigang        | 23                | 91                 |
| 12      | Tashiyangtse     | 6                 | 24                 |
| 13      | Thimphu          | 313               | 1166               |
| 14      | Trongsa          | 7                 | 29                 |
| 15      | Tsirang          | 11                | 24                 |
| 16      | Wangdiphodrang   | 5                 | 10                 |
| 17      | Zhemgang         | 23                | 54                 |
| Total : |                  | 566               | 1986               |





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# 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> |

## 1. Financial Highlights as on 31/12/2017

| <i>Sl.no</i> | <i>Description</i>         | <i>Figure</i>                        | <i>Remarks</i>         |
|--------------|----------------------------|--------------------------------------|------------------------|
| <b>I</b>     | Total Equity               | Nu.2.82Billion                       |                        |
| <b>Ii</b>    | Net Asset Block            | Nu.2.80 Billion                      |                        |
| <b>Iii</b>   | Total Comprehensive Income | Nu.19.41 Million                     |                        |
| <b>Iv</b>    | Long Term Debt             | Nu.250 Million                       | MoF Interest Free Loan |
| <b>V</b>     | Corporate Loan             | Nu.600 Million                       | MOF Interest Free Loan |
| <b>Vi</b>    | No. of Employees           | 132(Including 49 contract employees) |                        |



## **Chairman's Report to the Shareholder**

"On behalf of NHDCL's Board of Directors, I am pleased to present 6th NHDCL Annual Report of the company. It highlights and provides explanatory overview of our 2017 performance, corporate governance and risk management and challenges. It is also to present complete set of the consolidated financial statements of the company as of 31 December 2017."

### **Operational Performance & Achievements**

NHDCL as usual has continued with its aggressive strategies applied in a proactive manner to achieve its mandate. Apart from the routine maintenance works of the old quarters, the construction of two-storied office cum Lam's residence using prefab construction at Changiji, Thimphu was complete in 2017. The construction of six (6) storied buildings with 48 units in Phuntsholing is under construction and is expected to complete by March 2018.

For the benefit of the community and all the sentient beings, a community Lhakhang construction initiated with funds mobilized from the Royal Secretariat was completed in 2016. *ThubtenDroduellingLhagkhang* was consecrated on 5th June 2017 by His Holiness the Je Khenpo.

For the security of the Changiji Housing Colony, four(4) nos. of CCTV has been installed in collaboration with the Royal Bhutan Police's Safe City project.

As per the directives, NHDCL is executing the construction of affordable housing project in Pheuntsholing. It consists of 62 buildings of 506 units in 10 different locations with the estimated cost of Nu.890 million. The affordable housing construction of 62 buildings is executed in two different modes wherein 41 buildings have been contracted out to large Bhutanese contractors and 21 buildings are executed departmentally by NHDCL. The project is expected to be completed by 2018.

For proper internal control and check, an Internal Audit unit has been set up in 2017.

### **Audit Reports**

The company had been audited by M/s. De Chakraborty & Sen, Chartered Accountants, Kolkata, India. The board is pleased to report that there are no major audit observations in the auditor's report on the financial statements except for Emphasis of matter and that most of the critical qualifications for the past years have been compiled and action taken.

### **Financial Performance**

The company's operating income for the year 2017 is Nu.160.93 million, which is an increase of Nu.27.04 million or 20.19% as compared to Nu.133.89 million in the year 2016. Apart from the interest income on fixed deposits and Income from Home Maintenance Services, this year income from consultancy also attributed to the increase of revenue. The



company also received Nu. 29 million as maintenance grant from Ministry of Finance during the year and it has been treated as revenue grants.

The total operating expenditure of the company increased by 20.29% or Nu.21.98 million which is Nu.130.27 million in 2017 from Nu.108.29 million in 2016(including depreciation). This was attributed with the execution of the affordable housing project.

The net fixed assets of the company stands at Nu.2808.44 million as on 31<sup>st</sup> December 2017 as against Nu.2746.15 million in 2016 which is an increase of 2.2% or an increase by Nu.62.29 million. The net intangible asset has remained constant to Nu.0.90 million for the last two years.

The profit before tax for the year ended 31st December 2017 amounted to Nu.33.56 million as compared to Nu. 25.60 million reported in the previous year showing an increase of Nu.7.96 million or 31.09%.

The direct contribution of NHDCL to the exchequer by way of CIT is Nu.12.64 million in 2017, although NHDCL operates on a strong social mandate of providing affordable accommodation to the government employees only. The reasons attributed to increase in net profit were extra efforts put in by all the employees, adopting austerity measures and preparation of financial statements as per Bhutan Accounting Standards. The management has also instituted all strategies to beef up the business and continue to diversify. The team is optimistic and equally working hard to increase the shareholder's wealth.

### **Human Resource Development and Management**

NHDCL had a total of 132 employees (including 49 employees on contract) managing the operations nationwide in 2015. Two Liaison offices in SamdrupJongkhar and Phuntsholing have supported the operations in the Eastern, Southern and Central Bhutan.

Capacity development of the staffs has been accorded top priority. In this regard, 37 staffs at various levels had received training – in country and ex-country with a total budget of Nu. 4.5 million.

### **Corporate Social Responsibility**

The company initiated various campaigns on disasters, cleanliness, fire hazards, youth and crime issues in the housing colonies throughout the country.

### **Corporate Governance and Risk Management**

M/s. De Chakraborty&Sen, Chartered Accountants, Kolkata, India was appointed by the Royal Audit Authority as Statutory Auditors of the Company. 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 of Directors as the apex body of the company is constituted by the Directors appointed by the Ministry of Finance, RGoB for overseeing the overall functioning of the company. The Board has 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.

During 2017, there were a number of changes in the Board. Mr. Dungtu Drukpa, CEO, NPPF, Mr. Lodey Tsheten, Director, Department of National Budget, MOF and Mr. Tashi Tobgye, Director, Department of Civil Registration and Census, MOHCA were appointed as new board members in place of Mr. Nim Dorji, Secretary, Ministry of Finance, Mr. Namgyel Lhendup, CEO, RICBL and Mr. Jigme Thinley, Director General, DITT, MOIC as Directors for National Housing Development Corporation Limited. Their contributions enriched the wisdoms of the National Housing Board beyond measure and we hope to gain wide array of knowledge and experiences from the new incoming board members.

It has convened five pre-scheduled Board meetings including the Annual General Meeting, which took place by giving appropriate notices to address the specific needs of the company.

### **Challenges and Future Outlook**

While fulfilling the social mandates, the company had faced numerous challenges especially the maintenance of old housing stocks. Despite the challenges of limited rental income, NHDCL had commenced construction of 48 housing units in Phuntsholing.

For 2018, plan for construction of Regional Office at Phuntsholing is underway and NHDCL has other projects in pipeline. 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.



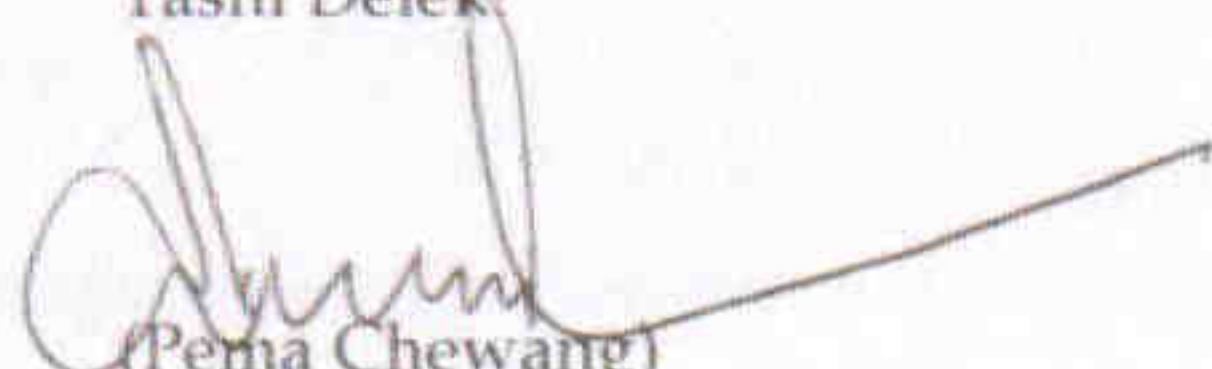
## ACKNOWLEDGEMENT

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, achieve its goals and objectives for the year 2017.

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

The Board would also like to thank the management and the employees of the company for working hard in achieving the target.

I look forward to the next stage of our shared success.

Tashi Delek!  
  
(Pema Chewang)  
Chairman

Chairman  
Management Board  
National Housing Development Corporation Ltd



## CHIEF EXECUTIVE OFFICER'S MESSAGE

On behalf of the management, I have the pleasure of bringing out the 6<sup>th</sup> Annual Report for the year 2017 of National Housing Development Corporation Limited (NHDCL).

2017 was busy, yet another successful year for NHDCL. We were able to start the execution of Affordable Housing Project of 506 units (62 buildings) in 10 different locations in Phuntsholing. The project is executed by seven contractors as well as departmentally by NHDCL, which is expected to be completed by 2018 addressing the housing crunch.

Apart from the execution of the housing project, *Thubten Deoduellang Lhagkhang*, at Changjiji housing colony and office cum Lam's residence was consecrated on 5<sup>th</sup> June 2017 by His Holiness the Je Khenpo commemorating "The Birth of HRH The Gyalsey Jigme Namgyal Wangchuck". For the safety and security of the Changjiji Housing Colony, CCTVs have been installed in collaboration with the Royal Bhutan Police's Safe City Project. As a corporate social responsibility, various campaigns were also initiated on cleanliness, youth programmes and other issues at Changjiji housing colony.

NHDCL's main source of revenue is from the rental income but from 2017 we were able to add additional revenue strings, an income from the design and consultancy services. During the first year, NHDCL has been able to provide design and consultancy services to De-Suung, RICBL and Bhutan Post Corporation Limited. The management is optimistic that more clients will avail such services. In 2018 we have forecasted Nu.5.50 million to be earned from consultancy services.

The overall company's operating income was Nu.160.93 million for the year 2017, which is an increased by 20.19% or Nu.27.04 million as compared to Nu.133.89 million in the previous year. In the year 2017 the overall company performance saw an increased of Nu.7.96 million. The profit before tax is Nu. 33.56 million in 2017 whereas in 2016 was Nu.25.60 million.

NHDCL recognizes and considers human resources development as one of the organizational activity. In the year 2017, 37 staffs at various levels had received trainings with the total budget of Nu.4.50 million. Also 52 quarters were allotted to the new tenants.

Lastly, I take this opportunity to put on record and express my appreciation to all the employees for their hard work and dedication. The Board's constant strategic directions and their visionary wisdom had helped to shape the company. The management and the staff with new rigor commit to move forward with another challenging step to harvest greater success and productivity for the company.

**TashiDelek!**



(Thinley Dorji)  
Chief Executive Officer



# Board of Directors



Chairman  
Dasho Pema Chewang, Secretary,  
National Land Commission Secretariat



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



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



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



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



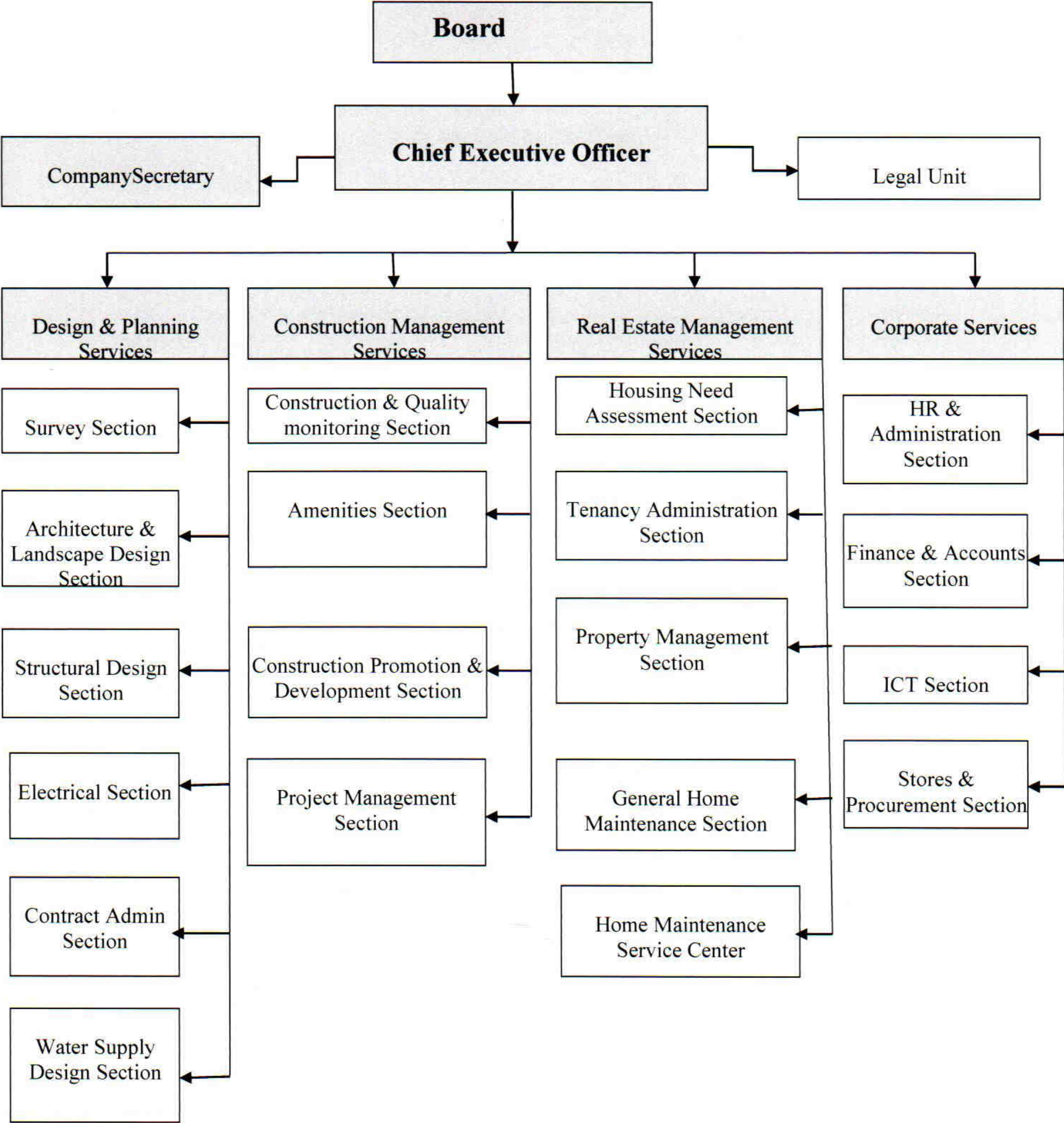
Director  
Mr. Wangchuk Thaye, Director  
Ministry of Works and Human Settlement



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



# Organization Chart





## **Management Staff of NHDCL**

Mr.ThinleyDorji

CHIEF EXECUTIVE OFFICER

### **Head Office**

|                           |                                  |                  |
|---------------------------|----------------------------------|------------------|
| General Manager(Offtg)    | Real Estate Management Services  | Ms.DorjiLham     |
| General Manager           | Construction Management Services | Mr.Karchung      |
| General Manager           | Design & Planning Services       | Ms.Sonam Choden  |
| General Manager<br>Choden | Corporate Services               | Ms.Kuenzang      |
| Company Secretary         | Senior Management                | Mr.PradeepKatwal |

### **Regional Office**

|                 |                 |                 |
|-----------------|-----------------|-----------------|
| Phuentsholing   | Liaison Officer | Mr.SangayKhandu |
| Samdrupjongkhar | Liaison Officer | Mr.BuddhamRai   |

### **Statutory Auditors**

De Chakraborty&Sen  
Chartered Accountants  
Bikaner Buildings,8-B,Lalbazar Street,  
Kolkata-700 001





**De Chakraborty & Sen**  
Chartered Accountants

'Bikaner Buildings', 1<sup>st</sup> Floor  
8-B, Lallbazar Street  
Kolkata - 700 001  
Phone : +91 33 2230 0171 / 5604  
E-mail : dechasesen@vsnl.net

To  
The Shareholder,  
National Housing Development Corporation Limited,  
Thimphu, Bhutan.

#### Independent Auditor's Report on the Financial Statements

##### 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 31<sup>st</sup> December 2017, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BASs).

##### Basis for the Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Emphasis of Matter

- a. Attention is drawn to Point Number 4 of Notes on Financial Statements. A sum of Nu. 2,190,477,118.00 is appearing in the books of accounts as part of Fixed Assets which represents Land and Building under Process of Transfer. Though the company has possession of these assets, the company is not the absolute owner of these assets as these are not registered in the name of the company and consequential impact of failure to register these assets in favour of the company has not been made in these accounts.
- b. Attention is drawn to Point Number 10 of Notes on Financial Statements. The revenue from Rent has been recognized on accrual basis with effect from 01<sup>st</sup> January 2016. However, the rent of earlier years not received till 31<sup>st</sup> Dec 2016 has not been recognized in the books of accounts. The impact of the same on revenue, profit for the year and current assets is not ascertainable.
- c. Attention is drawn to Point Number 9 of Notes on Financial Statements. The Company till financial year 2016 has shown the amount recovered from the Pilot House project amounting to Nu. 9,643,814.00 (up to 2015 Nu. 8,798,865.00) as liability. However, review of the documents revealed that the Pilot Housing project is actually a combination of lease





of land and sale of housing units. Accordingly, the Company has recognized the following in the current financial year:

|  |     |              |
|--|-----|--------------|
| Revenue from Sale of Housing Units                               | Nu. | 6,690,600.00 |
| Lease Rent Revenue related to earlier financial years            | Nu. | 699,314.00   |
| Interest Revenue related to earlier financial years              | Nu. | 6,229,430.50 |
| Collection of Lease Rent up to 31.12.2016                        | Nu. | 697,618.00   |
| Collection of Interest up to 31.12.2016                          | Nu. | 6,214,314.64 |
| Collection against sale price of dwelling units up to 31.12.2016 | Nu. | 2,244,554.36 |
| Security Deposit Collected up to 31.12.2016                      | Nu. | 203,481.00   |
| Unreconciled liability as on 31.12.2016                          | Nu. | 283,846.00   |

Our opinion is not modified in respect of these matters.

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

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

#### **Auditors' 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.

A further description of the auditor's responsibilities for the audit of the financial statements that is part of this auditor's report is located at the Appendix to the Independent Auditor's Report.

#### **Report on other Legal and Regulatory Requirements**

As required by Section 266 of the Companies Act of Bhutan, 2016, we enclose a statement on the matters specified therein to the extent applicable in Annexure to this Report.

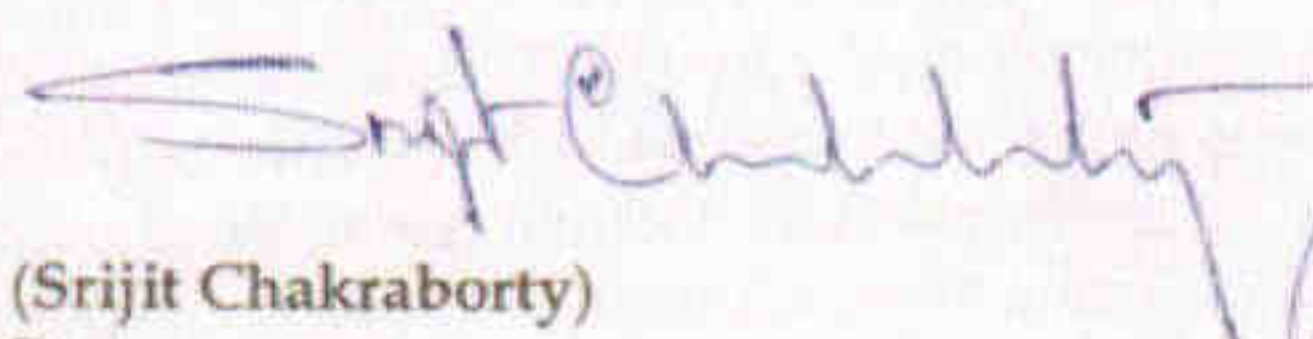
As required by Section 265 of the Act, we report that:





- 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 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 De Chakraborty & Sen  
Chartered Accountants



(Srijit Chakraborty)

Partner

Membership No. 055317

Firm Registration No.: 303029E

Date: 27<sup>th</sup> March, 2018

Place: Kolkata, India / Camp Thimphu, Bhutan





## **MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT**

**Under section 266 of the Companies Act of the Kingdom of Bhutan, 2016**  
**(prepared following the erstwhile Part II of Schedule XIV to the Companies Act of the**  
**Kingdom of Bhutan, 2000, read with section 75 in the absence of minimum audit reporting**  
**requirements prescribed by Royal Audit Authority under section 266 of the Companies Act**  
**of Bhutan, 2016)**

**For the year ended 31<sup>st</sup> December 2017**

**Referred under reporting on Other Legal and Regulatory Requirements of our  
Report of even date**

### **Minimum Audit Examination and Reporting Requirements (TO THE EXTENT APPLICABLE)**

1. The company maintains a Fixed Assets Register in excel, showing full particulars including quantitative details and situation of its each fixed asset. However, the said Register needs improvements as described the Management Audit Report in Page 79. The Company does not have a Board approved written policy of physical verification of fixed assets on a regular basis.
2. None of the fixed assets of the company have been revalued during the year under audit.
3. The Company has not taken any loan, secured or unsecured from companies, firms or other parties and /or from the companies under the same management during the period. However, the Company has taken the following loans:
  - a. An interest free loan from the RGoB of Nu.250.00 million was taken in earlier years and remaining outstanding as at the end of the current period. This amount is repayable after 10 years from the date of the loan and the company needs to create a sinking fund by transferring Nu. 25.00 million every year. As on the date of the financial statements, the Company has invested Nu. 75.00 million and is yet to create as specific reserve being the Sinking Fund.
  - b. A Loan of Nu. 600.00 million from the National Pension and Provident Fund (NPPF) remaining outstanding as on 31/12/2017, for a term of 20 years at an interest at the rate of 7.25% per annum which shall be compounded on a quarterly basis, out of a sanction amount of Nu.890.00 million vide letter ref MoF/DMEA/11/2017/242 dated 04/09/2017 from Royal Government of Bhutan, Ministry of Finance, for Construction of Affordable Housing in Phuentsholing bearing a Sovereign Guarantee. In accordance with the said letter, the principal and interest repayment shall be borne by the Ministry of Finance on quarterly basis as per the agreed schedule and as such no provision for interest has been made in the accounts of the Company.
4. The company has not granted any loan, secured or unsecured to other companies, firms or other parties, other than interest free Mobilisation and Secured advances to the contractors for construction purpose, which are prima facie not prejudicial to the interest of the company.
5. The advances granted by the company to the officers/staff are in keeping with the provisions of its service rules and no excessive advances generally been granted and accumulation of large advances against particular individual is usually avoided.





6. Save and except as reported below our examination reveals that the company has established an adequate system of internal control to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and systems and procedures.
  - a. The company though has set up an Internal Audit cell during the year under review, the process of effective system of Internal Audit is yet to gain momentum.
  - b. A control on accounting of accrual of the revenue from Home Maintenance Unit (HMU) Service has been put in place during the year under review which needs to be strengthened.
  - c. The control on the management of inventories needs to be strengthened. A process of regular physical verification of inventories needs to be developed and implemented.
  - d. There is no evidence of sufficient insurance coverage taken by the purchasers of the housing units at Pilot Housing Project nor insurance cover has been obtained by the Company and as such there is no recovery of such cost from the purchasers of the housing units in terms of clause 11 of the Purchase Agreement.
7. The company has obtained competitive biddings/quotations from more than one party in respect of revenue purchases, for purchase of services and fixed assets and in course of awarding Building construction contracts in accordance with the Procurement Rules and Regulations 2009 framed by the Ministry of Finance in exercise of the power granted by section 104 of the Public Finance Act of Bhutan 2007, to be implemented by Government Agencies.
8. No separate register is being maintained for recording disclosure of interest of directors in any contract or arrangement. However, a declaration, from all directors present at a meeting, is obtained declaring their interest. Hence, our checking is restricted to Board Minutes and such declarations. While checking the said Board Minutes, we have not come across any such transaction made in pursuance of contract or arrangement entered into with the directors or any other parties related to the directors or with the Companies or Firms in which the directors are directly or indirectly interested except in case of contract of loan of Nu. 890.00 million from NPPF (approved by MoF, RGoB on 04/09/2017), whose CEO is a director of the company with effect from 18/05/2017.
10. According to the records, the Company is regular in depositing rates and taxes, provident fund, salary tax, health tax and other statutory dues with the appropriate authorities. However, the area of Tax Deduction at Source needs to be improved as detailed in Management Audit Report Page 74.
11. There are no undisputed amounts payable since long in respect of other rates, taxes, provident funds and other statutory dues, which are outstanding as on the last day of the financial year.
12. According to the information and explanations given to us, no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations/service rules.
13. There is a reasonable system of price (rent) fixation taking into account market conditions.
14. The credit sales policy is reasonable and proper credit rating of customers are carried out commensurate the nature of tenant / lessee.





- 15 The company does not engage any Sales or Commission Agent for renting or leasing out its properties.
- 16 The system for continuous follow-up with debtors and other parties for recovery of outstanding amounts needs to be strengthened. Also, age-wise analysis of outstanding amounts needs to be carried out for management information and follow-up action.
- 17 The management of liquid resources particularly bank balances, which are lying in current accounts with Bank of Bhutan and Bhutan National Bank are adequate. No large amounts are lying idle in non-interest-bearing account with the said banks beyond a reasonable time period.
- 18 According to the information and explanations given to us, and on the basis of examination of books and records on test check basis, the activities carried out by the Company are, in our opinion, lawful and intra-vires to the Articles of Incorporation of the Company.
- 19 In our opinion and according to the information and explanations given to us, the Company has a system of approval of the Board for all capital investment decisions.
- 20 The company has prepared Budget and got it approved by the Board for the year 2017 and accordingly the Company has analysed the actual results for twelve months period with the budgets to identify the reasons of variances and to take corrective measures.
- 21 Except sitting fees no other remuneration, allowances and other payments are made in cash or in kind to the Directors. The remuneration and other payments made to the CEO are disclosed in Notes to the Accounts. As there is no separate register being maintained for recording disclosure of interest of directors, our checking is restricted to Board minutes and while checking the said Board minutes, we have not come across any cases of disclosure of interest where payments have been made in cash or in kind to any of the director's relatives (including spouse (s) and child/children) by the Company directly or indirectly.
- 22 According to the information and explanations given to us, the directives of the Board have been complied with.
- 23 Clauses No. 3, 4, 5, 6, 14, 15, 16, 17, 21, 22, 23, 24, 25, 34 and 36 of the Minimum Audit Examination and Reporting Requirements as stated above are not applicable to the Company.
- 24 **OTHERS MATTERS:**
  - a. All matters specified in Clause A except those pertaining to manufacturing activities and relative procurements functions etc. which are not relevant in a Service Sector Company.
  - b. The company maintains a reasonable system of costing to ascertain the cost of its services and enable it to make proper pricing decisions for its services.
  - c. Proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
  - d. Proper agreements are executed and that the terms and conditions of leases are reasonable.





## 25 REPORT ON COMPUTERISED ACCOUNTING ENVIRONMENT

The company uses "Tally 9.0 ERP" software package for accounting and "Druk Pay" software package for payroll processing. The shortcomings observed in the said Tally 9.0 ERP package:

- a) The voucher numbering in the system as implemented does not ensure uniqueness in the voucher numbers.
- b) Proper Audit trail cannot be ensured this package.

Adequate measure has been taken to prevent unauthorised access over the computer installation and the files. Antivirus has been installed including unified threat management system. Speed of network improved and further improvement has been proposed.

## 26 OTHERS:

### a. POTENTIAL GOING CONCERN PROBLEM:

The company has earned operating profit in consecutive three years i.e. 2015, 2016 and 2017 amounting to Nu.6.73 million and Nu. 25.60 and Nu.30.66 million respectively and hence the question of erosion of net worth of the company does not arise at this stage. The company also has a robust Business Model which is expected to generate revenues sufficient to earn profits in the foreseeable future. We have no reason to believe that the company is not a going concern as on the date of Statement of Financial Position.

### b. RATIO ANALYSIS:

On the basis of the analysis of the ratios (Detailed in Section-VI (Page 46)) it is concluded that in general the operations of the company are being managed efficiently. The company has reasonable profitability and stability.

### c. COMPLIANCE WITH COMPANIES ACT:

The company has complied with the various provisions of the Companies Act of Bhutan, 2016 concerning conducting of meetings, filing requirements, meetings, maintenance of records, issue of shares and all other matters specified in the said Act. (Detailed in Section-VII (Page 49))

### d. ADHERENCE TO LAWS, RULES & REGULATIONS


The audit of the company is governed by the Companies Act of Bhutan, 2016 and the scope of audit is limited to examine and review the financial statements as produced to us by the management. The company has introduced the Bhutan Accounting Standards (BAS) for SMEs from the F.Y.2014 and accordingly the closing balances of 2013 have been restated. Thereafter for and from F.Y 2016 the company is following Bhutanese Accounting Standards (BAS). In the course of audit, we have considered the compliance of provisions of the said Companies Act and its Articles of Incorporation and Bhutanese Accounting Standards (BAS). On the basis of the information and explanations provided to us and on the basis of our verification of books and records, in our opinion, the company has been complying with the applicable laws, rules and regulations, systems, procedures and practices.





| <b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b><br><b>THIMPHU, BHUTAN</b><br><b>STATEMENT OF FINANCIAL POSITION</b><br><b>AS AT 31ST DECEMBER 2017</b>  |              |                             |                             |
|---|--------------|-----------------------------|-----------------------------|
|   | NOTES        | AS AT 31ST<br>DECEMBER 2017 | AS AT 31ST<br>DECEMBER 2016 |
| <b>ASSETS:</b>  |              | <b>Nu.</b>                  | <b>Nu.</b>                  |
| <b>NON-CURRENT ASSETS</b>   |              |                             |                             |
| Property, Plant & Equipment   | 1A           | 2,808,439,854.51            | 2,746,145,688.23            |
| Intangible Asset  | 1B           | 960,679.14                  | 906,696.17                  |
| Capital Work in Progress  | 2            | 438,358,448.78              | 57,979,724.72               |
| Other Non-Current Assets  | 4A           | 380,170,722.68              | 7,482,589.30                |
| <b>TOTAL NON-CURRENT ASSETS</b>   | <b>A</b>     | <b>3,627,929,705.11</b>     | <b>2,812,514,698.42</b>     |
| <b>CURRENT ASSETS</b>   |              |                             |                             |
| Cash & Cash Equivalent  | 3            | 82,830,354.67               | 2,965,494.44                |
| Other Current Assets  | 4B           | 62,014,418.81               | 301,625,883.01              |
| <b>TOTAL CURRENT ASSETS</b>   | <b>B</b>     | <b>144,844,773.48</b>       | <b>304,591,377.45</b>       |
| <b>TOTAL ASSETS</b>   | <b>A+B</b>   | <b>3,772,774,478.59</b>     | <b>3,117,106,075.87</b>     |
| <b>EQUITY AND LIABILITIES:</b>  |              |                             |                             |
| Equity attributable to owners   |              |                             |                             |
| Share Capital   | 5            | 2,727,961,000.00            | 2,727,961,000.00            |
| Retained Earnings   | 6            | 60,596,014.52               | 29,434,211.90               |
| Other Reserves  | 7            | 31,651,490.96               | 31,651,490.96               |
| <b>TOTAL EQUITY</b>   | <b>C</b>     | <b>2,820,208,505.48</b>     | <b>2,789,046,702.86</b>     |
| <b>NON-CURRENT LIABILITIES</b>  |              |                             |                             |
| Long Term Debt  | 8            | 850,000,000.00              | 250,000,000.00              |
| Payables  | 9A           | 62,072,531.37               | 25,249,250.89               |
| Provisions  | 10A          | 29,831,991.61               | 24,375,615.00               |
| <b>TOTAL NON-CURRENT LIABILITIES</b>  | <b>D</b>     | <b>941,904,522.98</b>       | <b>299,624,865.89</b>       |
| <b>CURRENT LIABILITIES</b>  |              |                             |                             |
| Payables  | 9B           | 6,716,606.67                | 19,389,439.05               |
| Provisions  | 10B          | 3,944,843.46                | 9,045,068.07                |
| <b>TOTAL CURRENT LIABILITIES</b>  | <b>F</b>     | <b>10,661,450.13</b>        | <b>28,434,507.12</b>        |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>C+D+E</b> | <b>3,772,774,478.59</b>     | <b>3,117,106,075.87</b>     |
| <p>Significant Accounting Policies &amp; other Notes</p> <p>Signed in terms of our attached report of even date</p> <p>For De Chakraborty &amp; Sen</p> <p>Chartered Accountants</p> <p>(FRN: 303029E)</p> <p>Srijit Chakraborty</p> <p>Partner</p> <p>M.No. 055317</p> <p>Place: Thimphu, Bhutan / Kolkata India</p> <p>Date: 27<sup>th</sup> March 2018</p> |              |                             |                             |
| <p>(Dashed Pema Chewang)</p> <p>Chairman</p> <p>(Thinley Dorji)</p> <p>Chief Executive Officer</p>  |              |                             |                             |



| <b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b><br><b>THIMPHU, BHUTAN</b><br><b>STATEMENT OF COMPREHENSIVE INCOME</b><br><b>FOR THE YEAR ENDED 31ST DECEMBER 2017</b>                                      |  |   |   |
|--|--|---|---|
|  | NOTES  | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2017   | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2016   |
|  |  | Nu.   | Nu.   |
| REVENUES   | 11   | 85,950,346.06   | 80,084,406.82   |
| COST OF SERVICES   | 12   | 89,182,332.08   | 80,420,360.00   |
| CHANGE IN STOCK  |  | (1,583,199.30)  | (1,571,824.21)  |
| OTHER INCOME   | 13   | 74,975,468.81   | 53,815,307.00   |
| ADMINISTRATIVE EXPENSES  | 14   | 12,128,471.08   | 6,029,369.94  |
| CONSUMABLES  | 15   | 701,631.97  | -   |
| DEPRECIATION   | 1  | 26,673,176.30   | 20,275,275.89   |
| OPERATING PROFIT   |  | 30,657,004.14   | 25,602,883.78   |
| FINANCE COST   | 16   | 4,547,689.61  | -   |
| PROFIT BEFORE TAX  |  | 26,109,314.53   | 25,602,883.78   |
| TAX EXPENSE  | 17   | 11,912,116.79   | 12,698,556.35   |
| PROFIT AFTER TAX   |  | 14,197,197.75   | 12,904,327.43   |
| OTHER COMPREHENSIVE INCOME   |  |   |   |
| REMEASUREMENT GAINS/(LOSSES) OF GRATUITY<br>RECOGNISED IN OCI  |  | 7,458,703.42  | -   |
| INCOME TAX INCOME/(EXPENSES) RELATING TO THE<br>COMPONENT OF OTHER COMPREHENSIVE INCOME  | 17   | 2,237,611.03  | -   |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR  |  | 19,418,290.14   | 12,904,327.43   |
| Basic Earning Per Share  |  | 7.12  | 4.73  |
| Significant Accounting Policies & other Notes<br>Signed in terms of our attached report of even date   | 18   |   |   |
| For De Chakraborty & Sen<br>Chartered Accountants<br>( FRN: 303029E )  |  |   |   |
| <br>Srijit Chakraborty<br>Partner<br>M.N. 05-317<br>Place: Thimphu, Bhutan / Kolkata India<br>Date: 27 <sup>th</sup> March 2018 |  | <br>(Dasho Pema Chewang)<br>Chairman | <br>(Thinley Dorji)<br>Chief Executive Officer |



**NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED**  
**THIMPHU, BHUTAN**  
**STATEMENT OF CHANGES IN EQUITY AND**  
**STATEMENT OF CHANGES IN EQUITY AND RETAINED EARNINGS DURING THE YEAR 2017**

|  | SHARE CAPITAL    | RETAINED EARNINGS | OTHER RESERVES | TOTAL            |
|--|------------------|-------------------|----------------|------------------|
|  | Nu.              | Nu.               | Nu.            | Nu.              |
| Balance as on 1st January 2016                       | 2,727,961,000.00 | 12,382,288.11     | 22,900,490.96  | 2,763,243,779.07 |
| Total Comprehensive Income for the year 2016         |                  |                   |                |                  |
| Profit/(Loss) for the year 2016                      |                  | 12,904,327.43     |                | 12,904,327.43    |
| RGoB ( Lhakhang Grants-Chanjiji)                     |                  |                   | 8,538,000.00   | 8,538,000.00     |
| Dratshang Lhuentshog Lhakhang Grants(Chanjiji)       |                  |                   | 213,000.00     | 213,000.00       |
| Prior period income                                  |                  | 4,147,596.36      |                | 4,147,596.36     |
| Balance as on 31st December, 2016                    | 2,727,961,000.00 | 29,434,211.90     | 31,651,490.96  | 2,789,046,702.86 |
| Profit/(Loss) for the year( Net of Tax)              |                  | 19,418,290.14     |                | 19,418,290.14    |
| Prior period finance charge on financial instruments |                  | 5,052,912.48      | -              | 5,052,912.48     |
| Prior period income (pilot housing)                  |                  | 6,690,600.00      | -              | 6,690,600.00     |
| Balance as on 31st December, 2017                    | 2,727,961,000.00 | 60,596,014.52     | 31,651,490.96  | 2,820,208,505.48 |

Significant Accounting Policies & other Notes 18

Signed in terms of our attached report of even date

For De Chakraborty & Sen

Chartered Accountants

( FRN: 303029E )

Srijit Chakraborty

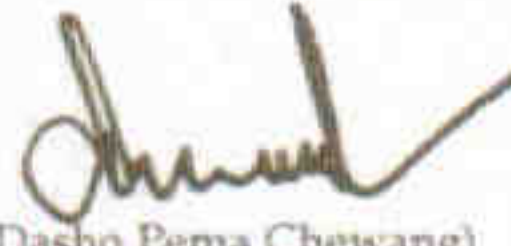
Partner

M.No. 055317

Place: Thimphu, Bhutan / Kolkata India

Date: 27<sup>th</sup> March, 2018

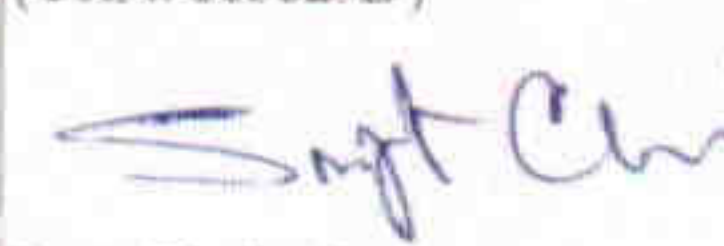





  
(Dasho Pema Chewang)  
Chairman

  
(Thinley Dorji)  
Chief Executive Officer

Chief Executive Officer  
National Housing Development Corporation Ltd  
Thimphu, Bhutan



| <b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b><br><b>THIMPHU, BHUTAN</b><br><b>STATEMENT OF CASH FLOW</b><br><b>FOR THE YEAR ENDED 31ST DECEMBER 2017</b>   |                         |                        |
|--|-------------------------|------------------------|
|  | YEAR 2017               | YEAR 2016              |
|  | Nu.                     | Nu.                    |
| <b>Cash Flows from Operating Activities</b>  |                         |                        |
| Profit/(Loss) for the year   | 19,418,290.14           | 12,904,327.43          |
| <b>Adjustments for Non-Cash Income &amp; Expenses</b>  |                         |                        |
| Increase/(Decrease) in Prior Period Adjustment in retained Earnings  | 11,743,512.48           | 4,147,596.36           |
| Depreciation Expense   | 26,673,176.30           | 20,275,275.89          |
|  | <b>57,834,978.92</b>    | <b>37,327,199.68</b>   |
| <b>Changes in Working Capital:</b>   |                         |                        |
| (Increase)/Decrease in Other current Assets  | 239,611,464.20          | (145,203,539.03)       |
| (Increase)/Decrease in Other Non-Current Assets  | (372,688,133.38)        | (350,268.98)           |
| Increase/(Decrease) in Current Liabilities-Payables  | (12,672,832.38)         | 13,016,664.46          |
| Increase/(Decrease) in Non-Current Liabilities-Payables  | 36,823,280.48           | 4,963,221.30           |
| Increase/(Decrease) in Provisions  | 356,152.00              | 10,527,048.28          |
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>  | <b>(50,735,090.16)</b>  | <b>(79,719,674.29)</b> |
| <b>Cash Flows from Investing Activities</b>  |                         |                        |
| Capital Work in Progress   | (380,378,724.06)        | (4,997,030.45)         |
| Purchase of Fixed Assets   | (89,288,753.70)         | (80,834,594.97)        |
| Sale of Fixed Assets   | 526,428.15              | 19,326.00              |
| Purchase of Intangible Assets  | (259,000.00)            | (535,348.02)           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  | <b>(469,400,049.61)</b> | <b>(86,347,647.44)</b> |
| <b>Cash Flows from Financing Activities</b>  |                         |                        |
| Increase/(Decrease) in Long Term Debt  | 600,000,000.00          | -                      |
| Increase/(Decrease) in Other Reserves  | -                       | 8,751,000.00           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  | <b>600,000,000.00</b>   | <b>8,751,000.00</b>    |
| <b>Cash &amp; Cash Equivalent</b>  |                         |                        |
| Increase/(Decrease) in Cash & Cash Equivalent for the year   | 79,864,860.23           | (157,316,321.73)       |
| Opening Cash & Cash Equivalent   | 2,965,494.44            | 160,281,816.17         |
| <b>Closing Cash &amp; Cash Equivalent</b>  | <b>82,830,354.67</b>    | <b>2,965,494.44</b>    |
| <b>Significant Accounting Policies &amp; other Notes 18</b><br>Signed in terms of our attached report of even date<br><br>For De Chakraborty & Sen<br>Chartered Accountants<br>(FRN: 303029E)<br><br><br>Srijit Chakraborty<br>Partner<br>M.No. 055317<br>Place: Thimphu, Bhutan / Kolkata India<br>Date: 27 <sup>th</sup> March 2018<br><br> |                         |                        |
| <br>(Dasho Pema Chewang)<br>Chairman<br><br><br>(Thinley Dorji)<br>Chief Executive Officer<br>Chief Executive Officer<br>National Housing Development Corporation Ltd<br>Thimphu, Bhutan   |                         |                        |



| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED          |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
|---|---------------------------------|-----------------------|------------------------------|------------------|------------------------------------|--------------------------|---|-------------------|---|---|----------------------------|----------------------------|--|
| THIMPHU, BHUTAN   |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
| NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
| AS AT 31ST DECEMBER 2017                                  |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
| NOTE NO - 1   |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
| NOTE NO-1A: DETAILS OF PROPERTY, PLANT & EQUIPMENT        |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
| Particulars   | Rate of Depn.                   | GROSS BLOCK           |                              |                  |                                    | DEPRECIATION             |   |                   |   | NET BLOCK                                 |                            |                            |  |
|   |                                 | Cost as on 01.01.2017 | Depreciation during the year | Revaluation Gain | Sold/Adjusted during the Year 2017 | Balance as on 31.12.2017 | Accumulated Depreciation as on 01.01.2017 | For the year 2017 | Adjustment of Accumulated Depreciation during the Year 2017 | Accumulated Depreciation as on 31.12.2017 | Net Block as on 31.12.2017 | Net Block as on 31.12.2016 |  |
|   |                                 | Nu.                   | Nu.                          | Nu.              | Nu.                                | Nu.                      | Nu.                                       | Nu.               | Nu.   | Nu.                                       | Nu.                        | Nu.                        |  |
| Land & buildings( Under Process of Transfer of Ownership) | -                               | 2,190,477,118.00      | -                            | -                | -                                  | 2,190,477,118.00         | -   | -                 | -   | -   | 2,190,477,118.00           | 2,190,477,118.00           |  |
| Buildings - Permanent                                     | 3%                              | 623,432,106.50        | 39,656,389.61                | -                | -                                  | 663,088,696.11           | 82,768,660.50                             | 19,603,391.06     | -   | 102,372,051.56                            | 560,716,644.55             | 540,663,446.00             |  |
| Buildings - Semi Permanent                                | 20%                             | -                     | 5,803,666.07                 | -                | -                                  | 5,803,666.07             | -   | 903,821.80        | -   | 903,820.80                                | 4,899,845.27               | -                          |  |
| Roads & Culverts  | 3%                              | 187,767.77            | 10,489,278.13                | -                | -                                  | 10,677,045.90            | 28,165.91                                 | 256,513.57        | -   | 284,679.48                                | 10,392,366.42              | 159,601.86                 |  |
| Recreation Park   | 3%                              | 4,929,587.61          | -                            | -                | -                                  | 4,929,587.61             | 612,158.21                                | 147,887.63        | -   | 760,045.84                                | 4,169,541.77               | 4,317,429.40               |  |
| Furniture & Fixtures                                      | 15%                             | 1,059,969.75          | 1,975,954.03                 | -                | -                                  | 3,035,923.58             | 408,011.79                                | 303,989.26        | -   | 712,001.05                                | 2,323,922.53               | 651,957.76                 |  |
| Portraits   | 100%                            | -                     | 11,000.00                    | -                | -                                  | 11,000.00                | -   | 10,900.00         | -   | 10,999.00                                 | 1.00                       | -                          |  |
| Office & Equipment  | 15%                             | 4,406,561.50          | 3,199,717.86                 | -                | 73,880                             | 7,532,399.36             | 1,817,824.46                              | 811,890.92        | 30,521  | 2,599,194.53                              | 4,933,204.83               | 2,588,737.04               |  |
| Vehicles  | 15%                             | 7,963,281.00          | 27,922,285.00                | -                | 1,761,863.00                       | 34,123,703.00            | 4,741,662.17                              | 3,770,018.86      | 1,278,794.00  | 7,232,887.03                              | 26,890,815.97              | 3,221,618.83               |  |
| Tools & Equipment   | 15%                             | 3,662,066.53          | 210,263.00                   | -                | -                                  | 3,872,329.53             | 1,309,891.03                              | 570,790.71        | -   | 1,880,681.74                              | 1,991,647.79               | 2,352,175.50               |  |
| Power System  | 5%                              | 1,742,899.84          | -                            | -                | -                                  | 1,742,899.84             | 28,696.00                                 | 87,111.99         | -   | 115,810.99                                | 1,626,488.85               | 1,713,603.84               |  |
| Plant & Machinery   | 15%                             | -                     | 20,000.00                    | -                | -                                  | 20,000.00                | -   | 1,741.47          | -   | 1,742.47                                  | 18,257.53                  | -                          |  |
| TOTAL :   |                                 | 2,837,860,758.30      | 89,288,753.70                | -                | 1,835,243.00                       | 2,925,313,769.00         | 91,715,070.07                             | 26,468,159.27     | 1,309,314.85  | 116,873,914.49                            | 2,808,439,854.51           | 2,746,145,688.23           |  |
| Previous Year   |                                 | 2,757,063,153.33      | 80,834,594.97                | -                | 36,990.00                          | 2,837,860,758.30         | 71,636,472.18                             | 20,096,261.90     | 17,664  | 91,715,070.07                             | 2,746,145,688.23           | 2,685,426,681.15           |  |
| NOTE NO-1B: Details of Intangible Assets                  |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
| Software  | 15%                             | 1,353,292.07          | 259,000.00                   | -                | -                                  | 1,612,298.02             | 446,601.85                                | 205,017.03        | -   | 651,618.88                                | 960,679.14                 | 906,696.17                 |  |
| TOTAL :   |                                 | 1,353,292.07          | 259,000.00                   | -                | -                                  | 1,612,298.02             | 446,601.85                                | 205,017.03        | -   | 651,618.88                                | 960,679.14                 | 906,696.17                 |  |
| Previous Year   |                                 | 1,795,000.00          | 535,348.02                   | -                | -                                  | 1,353,298.02             | 267,587.85                                | 179,017.00        | -   | 446,601.85                                | 906,696.17                 | 550,362.15                 |  |
| CAPITAL WORK IN PROGRESS                                  |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            |                            |  |
| Sr. No  |                                 |                       |                              |                  |                                    |                          |   |                   |   |   | As on 31st December 2017   | As on 31st December 2016   |  |
| 1   | Phuntsholing Phase-II           |                       |                              |                  |                                    |                          |   |                   |   |   | 44398186.64                | 19,912,204.52              |  |
| 2   | Changjhi, Thimphu               |                       |                              |                  |                                    |                          |   |                   |   |   |                            | 27,913,444.24              |  |
| 3   | S/ Jongkhar (Storm Water Drain) |                       |                              |                  |                                    |                          |   |                   |   |   |                            | 3,407,414.37               |  |
| 4   | HQ Office Extension             |                       |                              |                  |                                    |                          |   |                   |   |   | 393,960,262.14             | 2,753,702.84               |  |
| 5   | Toribari                        |                       |                              |                  |                                    |                          |   |                   |   |   | 438,358,448.78             | 3,992,958.75               |  |
|   |                                 |                       |                              |                  |                                    |                          |   |                   |   |   |                            | 57,979,724.72              |  |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br>THIMPHU, BHUTAN                |  |                             |                             |
|--|--|-----------------------------|-----------------------------|
| NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017 |  |                             |                             |
|  |  | AS AT 31ST<br>DECEMBER 2017 | AS AT 31ST<br>DECEMBER 2016 |
|  |  | Nu.                         | Nu.                         |
| <b>NOTE NO: 1A</b>   |  |                             |                             |
| <b>PROPERTY, PLANT &amp; EQUIPMENT</b>   |  |                             |                             |
| Land & buildings( Under Process of Transfer of Ownership)                          |  | 2,190,477,118.00            | 2,190,477,118.00            |
| Buildings - Permanent  |  | 560,716,644.55              |                             |
| Buildings - Semi Permanent   |  | 4,899,845.27                | 540,663,446.00              |
| Roads & Culverts   |  | 10,392,366.42               | 159,601.86                  |
| Recreation Park  |  | 4,169,541.77                | 4,317,429.40                |
| Furniture & Fixtures   |  | 2,323,922.53                | 651,957.76                  |
| Portraits  |  | 1.00                        |                             |
| Office & Equipment   |  | 4,933,204.83                | 2,588,737.04                |
| Vehicles   |  | 26,890,815.97               | 3,221,618.83                |
| Tools & Equipment  |  | 1,991,647.79                | 2,352,175.50                |
| Power System   |  | 1,626,488.85                | 1,713,603.84                |
| Plant & Machineries  |  | 18,257.53                   | -                           |
|  |  | 2,808,439,854.51            | 2,746,145,688.23            |
| <b>NOTE NO: 1B</b>   |  |                             |                             |
| Intangible Asset   |  | 960,679.14                  | 906,696.17                  |
|  |  | 960,679.14                  | 906,696.17                  |
| <b>NOTE NO: 2</b>  |  |                             |                             |
| <b>CAPITAL WORK IN PROGRESS</b>  |  |                             |                             |
| Building Work in Progress  |  |                             |                             |
| Phuntsholing Phase-II  |  | 44,398,186.64               | 19,912,204.52               |
| Chanjiji, Thimphu  |  | -                           | 27,913,444.24               |
| S/Jongkhar (Storm Water Drain)   |  | -                           | 3,407,414.37                |
| HQ Office Extention  |  | -                           | 2,753,702.84                |
| Toribari   |  | 393,960,262.14              | 3,992,958.75                |
|  |  | 438,358,448.78              | 57,979,724.72               |
| <b>NOTE NO: 3</b>  |  |                             |                             |
| <b>CASH AND CASH EQUIVALENT</b>  |  |                             |                             |
| Cash in Hand( in Nu.)  |  | -                           | 35,075.00                   |
| ( As certified by the Management)  |  |                             |                             |
| Cash at Bank   |  |                             |                             |
| Bank A/C with BNBL, Thimphu  |  |                             |                             |
| CD A/C No.0000062864013-Current Account  |  | 3,030,843.97                | 9,411.67                    |
| Bank A/C with BOBL, Thimphu  |  |                             |                             |
| Thimphu BOB A/c -100930599   |  | 23,109,290.10               | 2,508,466.77                |
| Thimphu BoB A/c No 100909089 (Pilot House A/c)                                     |  | 528,324.00                  | 412,541.00                  |
| Thimphu BOBL A/c # 100912424   |  | 56,161,896.60               | -                           |
|  |  | 82,830,354.67               | 2,965,494.44                |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br>THIMPHU, BHUTAN                |                    |                             |                             |
|--|--------------------|-----------------------------|-----------------------------|
| NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017 |                    |                             |                             |
|  |                    | AS AT 31ST<br>DECEMBER 2017 | AS AT 31ST<br>DECEMBER 2016 |
|  |                    | Nu.                         | Nu.                         |
| <b>NOTE NO: 4</b>  |                    |                             |                             |
| <b>OTHER ASSETS</b>  |                    |                             |                             |
| <b>TRADE RECEIVABLES</b>   |                    |                             |                             |
| HMU Deposit Work (Receivable)  |                    | 281,931.66                  | 496,373.66                  |
| Rent Receivable  |                    | 2,067,902.85                | 1,845,169.49                |
| <b>OTHER RECEIVABLES</b>   |                    |                             |                             |
| RJCBL (Deposit Work)   |                    | 1,250,000.00                | -                           |
| Bhutan Postal Corp. Ltd.(Deposit Work)   |                    | 625,000.00                  | -                           |
| 10% Retention Money  |                    | 125,000.00                  | -                           |
|  | <b>A</b>           | <b>4,349,834.51</b>         | <b>2,341,543.15</b>         |
|  | <b>Non-Current</b> | <b>3,979,661.98</b>         | <b>-</b>                    |
|  | <b>Current</b>     | <b>370,172.53</b>           | <b>2,341,543.15</b>         |
| <b>DEPOSITS</b>  |                    |                             |                             |
| Earnest Money Deposit  |                    | 200,000.00                  | 200,000.00                  |
|  | <b>B</b>           | <b>200,000.00</b>           | <b>200,000.00</b>           |
|  | <b>Non-Current</b> | <b>200,000.00</b>           | <b>200,000.00</b>           |
|  | <b>Current</b>     | <b>-</b>                    | <b>-</b>                    |
| <b>ADVANCES</b>  |                    |                             |                             |
| Advances to Contractors (Mobilisation Advance)                                     |                    | 18,643,191.52               | 48,470,759.04               |
| Advance to Contractors (Secured Advance)   |                    | 27,723,253.97               | 10,503,032.87               |
| Advance to Suppliers   |                    | 8,558,255.08                | -                           |
| Advances to Staff for Maintenance  |                    | (73,936.45)                 | -                           |
| Advances to Dzongdags  |                    | -                           | 42,215.79                   |
| Advances for Tour  |                    | -                           | 545,828.45                  |
| Advance for Vehicle  |                    | -                           | 2,000,000.00                |
| Advance to others  |                    | 4,958,928.35                | -                           |
|  | <b>C</b>           | <b>59,809,692.47</b>        | <b>61,561,836.15</b>        |
|  | <b>Non-Current</b> | <b>(273,936.03)</b>         | <b>-</b>                    |
|  | <b>Current</b>     | <b>60,083,628.50</b>        | <b>61,561,836.15</b>        |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br>THIMPHU, BHUTAN                |                    |                             |                             |
|--|--------------------|-----------------------------|-----------------------------|
| NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017 |                    |                             |                             |
|  |                    | AS AT 31ST<br>DECEMBER 2017 | AS AT 31ST<br>DECEMBER 2016 |
| <b>FIXED DEPOSITS</b>  |                    |                             |                             |
| Fixed Deposits with Bhutan National Bank Limited                                   |                    | -                           | 10,880,000.00               |
| Fixed Deposits with Bank of Bhutan Limited   |                    | -                           | 7,380,000.00                |
| Acc. No-200783163  |                    | 20,000,000.00               |                             |
| Acc No-200787985   |                    | 30,000,000.00               |                             |
| Acc-No-200787996   |                    | 25,000,000.00               |                             |
| Acc. No-200867339  |                    | 50,000,000.00               |                             |
| Acc.No-200873160   |                    | 50,000,000.00               |                             |
| Fixed Deposits with Bhutan Development Bank Limited                                |                    | -                           | 59,000,000.00               |
| Gratuity Fund-Bhutan Insurance Ltd   |                    | 1,272,361.28                | 1,189,335.86                |
| Bank A/C with BNBL, Thimphu  |                    |                             |                             |
| CD A/C No.0000065261014-Gratuity Fund  |                    | -                           | 245,012.10                  |
| Annuity Policy with RICBL  |                    |                             |                             |
| RICBL-FA/2016/1236   |                    | 110,000,000.00              | 110,000,000.00              |
| RICBL-FA/2016/1243(Gratuity)   |                    | -                           | 10,000,000.00               |
| RICBL-FA/2016/1723   |                    | -                           | 25,667,035.00               |
| RICBL-FA/2016/1724 (Pilot Housing)   |                    | 1,800,000.00                | 1,800,000.00                |
| RICBL(FA/2017/3437)  |                    | 75,000,000.00               | -                           |
|  | <b>D</b>           | <b>363,072,361.28</b>       | <b>226,161,382.96</b>       |
|  | <b>Non-Current</b> | <b>363,072,361.28</b>       | <b>-</b>                    |
|  | <b>Current</b>     | <b>-</b>                    | <b>226,161,382.96</b>       |
| <b>OTHERS</b>  |                    |                             |                             |
| Interest Accrued But Not Due   |                    | 2,398,312.32                | 10,586,027.16               |
| Other Receivables  |                    | 4,561,680.96                | 5,113,865.81                |
| Finance Charge-Financial Instrument Adj. Balance                                   |                    | 5,035,800.70                | -                           |
| Closing Stock  |                    | 2,757,459.25                | 3,143,817.08                |
|  | <b>E</b>           | <b>14,753,253.23</b>        | <b>18,843,710.05</b>        |
|  | <b>Non-Current</b> | <b>13,192,635.45</b>        | <b>7,282,589.30</b>         |
|  | <b>Current</b>     | <b>1,560,617.78</b>         | <b>11,561,120.75</b>        |
| <b>TOTAL OTHER CURRENT ASSETS</b>  | <b>A+B+C+D+E</b>   | <b>442,185,141.49</b>       | <b>309,108,472.31</b>       |
|  | <b>Non-Current</b> | <b>4A</b>                   | <b>380,170,722.68</b>       |
|  | <b>Current</b>     | <b>4B</b>                   | <b>62,014,418.81</b>        |
| <b>NOTE NO: 5</b>  |                    |                             |                             |
| <b>SHARE CAPITAL</b>   |                    |                             |                             |
| Authorised Capital:  |                    |                             |                             |
| 10,000,000 Equity (or Ordinary) Shares of 1,000 Ngultrum                           |                    | 1,000,000,000.00            | 10,000,000,000.00           |
| <b>Subscribed &amp; Paid up Capital of RGoB</b>                                    |                    |                             |                             |
| 2,727,961 Equity (or Ordinary) Shares  |                    | 2,727,961,000.00            | 2,727,961,000.00            |
| (Previous year 2,727,961) of 1,000 Ngultrum each                                   |                    |                             |                             |
| Share Money Received (Pending Allotment)   |                    | -                           | -                           |
|  |                    | <b>2,727,961,000.00</b>     | <b>2,727,961,000.00</b>     |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED                                   |             |                             |                             |
|--|-------------|-----------------------------|-----------------------------|
| THIMPHU, BHUTAN  |             |                             |                             |
| NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017 |             |                             |                             |
|  |             | AS AT 31ST<br>DECEMBER 2017 | AS AT 31ST<br>DECEMBER 2016 |
| <b>NOTE NO: 6</b>  |             |                             |                             |
| <b>RETAINED EARNINGS</b>   |             |                             |                             |
| Net Accumulated Profit from past years   |             | 29,434,211.90               | 12,382,288.11               |
| Profit/(Loss) for the year( Net of Tax)  |             | 19,418,290.14               | 12,904,327.43               |
| Prior period finance charge on financial instruments                               |             | 5,052,912.48                | -                           |
| Prior period income  |             | -                           | 4,147,596.36                |
| Prior period income (pilot housing)  |             | 6,690,600.00                | -                           |
|  |             | <b>60,596,014.52</b>        | <b>29,434,211.90</b>        |
| <b>NOTE NO: 7</b>  |             |                             |                             |
| <b>OTHER RESERVES</b>  |             |                             |                             |
| RGoB (Special Fund for Demolition of Buildings)                                    |             | 4,900,603.00                | 4,900,603.00                |
| RGoB (Lhakhang Grants-Chanjipi)  |             | 21,438,000.00               | 21,438,000.00               |
| Dratshang Lhuentshog Lhakhang Grants(Chanjipi)                                     |             | 213,000.00                  | 213,000.00                  |
| RRCO (Seed Money)  |             | 5,099,887.96                | 5,099,887.96                |
|  |             | <b>31,651,490.96</b>        | <b>31,651,490.96</b>        |
| <b>NOTE NO: 8</b>  |             |                             |                             |
| <b>LONG TERM DEBT</b>  |             |                             |                             |
| Corporate Term Loan  |             | 600,000,000.00              | -                           |
| Secured Loan from RGoB (Interest Free)   |             | 250,000,000.00              | 250,000,000.00              |
|  |             | <b>850,000,000.00</b>       | <b>250,000,000.00</b>       |
| <b>NOTE NO: 9</b>  |             |                             |                             |
| <b>PAYABLES</b>  |             |                             |                             |
| Sundry Creditors (Suppliers)   | 9.1         | 1,569,098.39                | 5,605,273.46                |
| Retention Money (Contractors)  | 9.2         | 33,238,694.34               | 4,383,583.59                |
| Liabilities for Expenses   | 9.3         | 149,497.92                  | 94,305.20                   |
| Other Liabilities  | 9.4         | 33,831,847.39               | 34,555,527.69               |
|  |             | <b>68,789,138.04</b>        | <b>44,638,689.94</b>        |
|  | Non-Current | 9A                          | 62,072,531.37               |
|  | Current     | 9B                          | 6,716,606.67                |
| <b>NOTE NO: 9.1</b>  |             |                             |                             |
| <b>SUNDRY CREDITORS</b>  |             |                             |                             |
| Trade Payables (Suppliers)   |             | 118,532.92                  | 5,605,273.46                |
| Trade Payables (Contractors)   |             | 1,450,565.47                | -                           |
|  |             | <b>1,569,098.39</b>         | <b>5,605,273.46</b>         |
|  | Non-Current | 9.1A                        | (132,611.70)                |
|  | Current     | 9.1B                        | 1,701,710.09                |
| <b>NOTE NO: 9.2</b>  |             |                             |                             |
| <b>RETENTION MONEY</b>   |             |                             |                             |
| Retention Money (Contractors)  |             | 33,238,694.34               | 4,383,583.59                |
|  |             | <b>33,238,694.34</b>        | <b>4,383,583.59</b>         |
|  | Non-Current | 9.2A                        | 33,238,694.34               |
|  | Current     | 9.2B                        | -                           |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br>THIMPHU, BHUTAN<br>NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2017 |             |                             |                             |
|---|-------------|-----------------------------|-----------------------------|
|   |             | AS AT 31ST<br>DECEMBER 2017 | AS AT 31ST<br>DECEMBER 2016 |
| <b>NOTE NO: 9.3</b>   |             |                             |                             |
| <b>LIABILITIES FOR EXPENSES</b>   |             |                             |                             |
| Auditors' Fee   |             | 60,500.00                   | 60,500.00                   |
| Bhutan Oil Distributors   |             | 32,643.92                   | 13,090.60                   |
| Bhutan Power Corporation Limited  |             | 56,354.00                   | 18,777.00                   |
| Bhutan Telecom Limited  |             | -                           | 1,937.60                    |
|   |             | <b>149,497.92</b>           | <b>94,305.20</b>            |
|   | Non-Current | 9.3A                        | 76,554.42                   |
|   | Current     | 9.3B                        | 72,943.50                   |
| <b>NOTE NO: 9.4</b>   |             |                             |                             |
| <b>OTHER LIABILITIES</b>  |             |                             |                             |
| Security Deposits (Performance)   |             | 518,297.00                  | -                           |
| Security Deposits (House Rent)  |             | 10,688,206.62               | 10,377,752.12               |
| Security Deposits (Pilot Housing)   |             | 203,481.00                  | -                           |
| Rent Received in Advance  |             | 121,273.00                  | 260,145.00                  |
| Pilot House Fund  |             | 283,846.00                  | -                           |
| Advance From Customers  |             | 3,508,297.79                | 11,803,745.62               |
| National Land Commission (Deposit Work)   |             | -                           | 406,846.96                  |
| MoWHs (Deposit Work)  |             | -                           | (45,821.00)                 |
| MoEA (Deposit Work)   |             | -                           | (1,833,019.15)              |
| RIM (Deposit Work)  |             | -                           | 544,463.10                  |
| Book OD   |             | -                           | 1,053,499.86                |
| Other Payables  |             | 18,508,443.98               | 11,987,915.18               |
|   |             | <b>33,831,847.39</b>        | <b>34,555,527.69</b>        |
|   | Non-Current | 9.4A                        | 28,889,894.31               |
|   | Current     | 9.4B                        | 4,941,953.08                |
| <b>NOTE NO: 10</b>  |             |                             |                             |
| <b>PROVISION</b>  |             |                             |                             |
| Provision for CIT   |             | 12,073,746.86               | 8,821,922.07                |
| Deferred Tax Liability  |             | 1,510,740.21                | -                           |
| Provision Employee Gratuity Fund  |             | 17,656,844.00               | 21,710,442.00               |
| Provision for Leave Encashment  |             | 2,555,504.00                | 2,888,319.00                |
|   |             | <b>33,776,835.07</b>        | <b>33,420,683.07</b>        |
|   | Non-Current | 10A                         | 29,831,991.61               |
|   | Current     | 10B                         | 3,944,843.46                |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br>THIMPHU, BHUTAN<br>NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME<br>FOR THE YEAR ENDED 31ST DECEMBER 2017 |          |   |   |
|---|----------|---|---|
|   |          | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2017 | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2016 |
|   |          | Nu.   | Nu.   |
| <b>NOTE NO: 11</b>  |          |   |   |
| <b>REVENUE:</b>   |          |   |   |
| <b>RENTAL INCOME</b>  |          |   |   |
| Rental Income (Received from Dzongkhags)  |          | 1,246,843.72                                | 1,424,486.74                                |
| Rental Income-Commercial  |          | 11,349,124.78                               | 10,697,379.09                               |
| Rental Income-Residential   |          | 72,203,346.31                               | 67,573,889.74                               |
| Rental Income (Lease )  |          | 1,151,031.25                                | 388,651.25                                  |
|   |          | <b>85,950,346.06</b>                        | <b>80,084,406.82</b>                        |
| <b>NOTE NO: 12</b>  |          |   |   |
| <b>COST OF SERVICES</b>   |          |   |   |
| Expense on Consultancy Services   |          | 33,900.00                                   | -   |
| <b>PERSONNEL EMOLUMENTS</b>   |          |   |   |
| Salary & Wages  |          | 26,417,344.00                               | 18,662,496.00                               |
| Bonus   |          | 2,836,653.00                                | 2,236,640.00                                |
| Contribution to Provident Fund  |          | 2,805,482.00                                | 2,097,543.00                                |
| Contribution to Gratuity Fund   |          | 3,322,080.00                                | 2,014,284.00                                |
| Corporate Allowance   |          | 4,725,723.00                                | 4,363,195.00                                |
| Group Health Insurance  |          | 654,785.00                                  | -   |
| Group Personal Accident Insurance   |          | 98,591.00                                   | -   |
| Leave Travel Concession   |          | 1,279,082.00                                | 971,619.00                                  |
| Leave Encashment  |          | 1,075,159.00                                | 4,125,423.98                                |
| Retirement Benefit  |          | -   | 161,563.00                                  |
| Conveyance Allowance  |          | 274,233.00                                  | 120,550.00                                  |
| Communication Allowance   |          | 353,900.00                                  | 166,500.00                                  |
| Cash Handling Allowance   |          | 12,000.00                                   | 30,500.00                                   |
| Altitude Allowance  |          | -   | 4,000.00                                    |
| Employee Training Expenses  |          | 4,596,927.58                                | 2,849,789.50                                |
| Working Uniform/Liveries  |          | 567,160.00                                  | 81,000.00                                   |
| Other Employee Costs  |          | 2,076,664.89                                | 951,225.84                                  |
|   | <b>A</b> | <b>51,129,684.47</b>                        | <b>38,836,329.32</b>                        |





| <p style="text-align: center;">NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br/>THIMPHU, BHUTAN<br/>NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME<br/>FOR THE YEAR ENDED 31ST DECEMBER 2017</p> |          |   |   |
|---|----------|---|---|
|   |          | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2017 | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2016 |
|   |          | Nu.   | Nu.   |
| <b>Operation &amp; Maintenance</b>  |          |   |   |
| Maintenance of Property   |          | 24,009,740.17                               | 27,016,381.11                               |
| Expenses for House Maintenance Unit   |          | 9,245,403.88                                | 10,517,890.00                               |
| Vehicle running Expenses  |          | 2,951,108.16                                | 1,123,842.21                                |
| Power & Fuel  |          | 33,239.00                                   | -   |
| Water & Sewerage  |          | 90,239.16                                   | 217,250.00                                  |
| Canteen Expenses  |          | 54,545.00                                   | -   |
| Repair & Maintenance  |          | 1,611,128.24                                | 1,468,462.28                                |
| Registration/Insurance/Tax of Pool Vehicles   |          | -   | 34,340.00                                   |
| Registration/Insurance/Tax of Buildings   |          | -   | 162,790.00                                  |
| Registration/Insurance/Tax of Land  |          | 14.00                                       | 1,033,245.08                                |
| Registration/Insurance/Tax of Equipment/Machinery   |          | 57,230.00                                   | 9,830.00                                    |
| <b>TOTAL COST OF SERVICES (A+B)</b>   | <b>B</b> | <b>38,052,647.61</b>                        | <b>41,584,030.68</b>                        |
|   |          | <b>89,182,332.08</b>                        | <b>80,420,360.00</b>                        |
| <b>NOTE NO: 13</b>  |          |   |   |
| <b>OTHER INCOME</b>   |          |   |   |
| Miscellaneous Income  |          | 219,773.35                                  | 3,259,770.06                                |
| Water Bill Collection - Changji   |          | -   | 188,763.00                                  |
| House Maintenance Unit  |          | 10,239,550.56                               | 16,411,398.91                               |
| RGoB Housing Maintenance( Revenue Grant)  |          | 40,000,000.00                               | 15,000,000.00                               |
| Interest on Fixed Deposits  |          | 9,132,956.57                                | 17,486,695.11                               |
| Interest on Fixed Deposits (Gratuity)   |          | 612,500.00                                  | 1,109,978.96                                |
| Interest on Pilot Housing   |          | 6,665,646.80                                | -   |
| Income from Consultancy Services  |          | 3,125,000.00                                | -   |
| Income from Fines & Penalties   |          | 4,883,410.53                                | -   |
| Gain on Sale of Assets  |          | 96,631.00                                   | -   |
| Liabilities Written Back  |          | -   | 358,700.96                                  |
|   |          | <b>74,975,468.81</b>                        | <b>53,815,307.00</b>                        |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br>THIMPHU, BHUTAN<br>NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME<br>FOR THE YEAR ENDED 31ST DECEMBER 2017 |  |   |   |
|---|--|---|---|
|   |  | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2017 | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2016 |
|   |  | Nu.   | Nu.   |
| <b>NOTE NO: 14</b>  |  |   |   |
| <b>ADMINISTRATIVE EXPENSES</b>  |  |   |   |
| Advertisement   |  | 444,425.00                                  | 205,675.00                                  |
| Office Expenses   |  | -   | 226,756.01                                  |
| National Day Celebration Expenses   |  | -   | 51,085.00                                   |
| Board Members Sitting Fees  |  | 178,000.00                                  | 116,000.00                                  |
| Electricity Charges   |  | 673,185.00                                  | 656,354.96                                  |
| Postage & Courier   |  | 67,660.00                                   | 93,424.00                                   |
| Carriage Charges  |  | 64,200.00                                   | -   |
| Hiring Charges  |  | 477,500.00                                  | -   |
| Telephone, Fax & Internet Charges   |  | 723,551.60                                  | 657,747.89                                  |
| Travel Expenses   |  | 2,612,543.00                                | 948,529.00                                  |
| Printing  |  | 131,677.00                                  | 610,614.05                                  |
| Stationery  |  | -   | 101,823.00                                  |
| Books & Periodicals   |  | 30,000.00                                   | -   |
| Auditors' Fee & Expenses  |  | 320,049.00                                  | 235,052.50                                  |
| Professional Charges  |  | 164,000.00                                  | -   |
| Fees for Acturail   |  | 17,000.00                                   | 15,000.00                                   |
| Hospitality & Entertainment   |  | 1,790,371.64                                | 865,476.00                                  |
| Bad Debts Written Off   |  | 91,300.00                                   | -   |
| Rates & Taxes   |  | 7,068.00                                    | -   |
| License Fees/Reg.   |  | 5,480.00                                    | -   |
| Loss on Sale/Disposal of Fixed Asset  |  | 43,359.15                                   | -   |
| Fines & Penalties   |  | -   | 1,024,702.53                                |
| Corporate Social Responsibility Expenses  |  | 41,319.00                                   | 51,000.00                                   |
| Bank Charges  |  | 5,216.14                                    | 2,130.00                                    |
| Gift & Presentation   |  | 45,160.00                                   | -   |
| Donations   |  | 949,311.00                                  | -   |
| Meeting and Seminar   |  | 244,628.00                                  | -   |
| Honorarium Expenses   |  | 210,200.00                                  | -   |
| Geo Tech Studies for Housing Projects   |  | -   | 168,000.00                                  |
| Miscellaneous Expenses  |  | 2,791,267.55                                | -   |
|   |  | 12,128,471.08                               | 6,029,369.94                                |





| NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED<br>THIMPHU, BHUTAN<br>NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME<br>FOR THE YEAR ENDED 31ST DECEMBER 2017 |  |   |   |
|---|--|---|---|
|   |  | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2017 | FOR THE YEAR<br>ENDED 31ST<br>DECEMBER 2016 |
|   |  | Nu.   | Nu.   |
| <b>NOTE NO: 15</b>  |  |   |   |
| <b>CONSUMABLES</b>  |  |   |   |
| Consumption of Office Stationeries  |  | 191,398.44                                  | -   |
| Consumption of Equipment Spares   |  | 61,029.00                                   | -   |
| Consumption of Printing & Stationeries  |  | 368,609.00                                  | -   |
| Consumption of Vehicle Spares   |  | 80,595.53                                   | -   |
|   |  | <b>701,631.97</b>                           | <b>-</b>                                    |
| <b>NOTE NO: 16</b>  |  |   |   |
| <b>FINANCE COST</b>   |  |   |   |
| Finance Charge on Financial Instruments   |  | 17,111.78                                   | -   |
| Interest on Loan  |  | 4,530,577.83                                | -   |
|   |  | <b>4,547,689.61</b>                         | <b>-</b>                                    |
| <b>NOTE NO: 17</b>  |  |   |   |
| <b>TAX EXPENSE</b>  |  |   |   |
| Current Period Tax Expense  |  | 12,638,987.60                               | 9,532,061.94                                |
| Deferred Period Tax Expense   |  | 1,510,740.21                                | -   |
| Previous Period's Tax Expense   |  | -   | 3,166,494.41                                |
|   |  | <b>14,149,727.81</b>                        | <b>12,698,556.35</b>                        |





NOTE 18:

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS

NOTE NO.: 18-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 presentation 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 recognised 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 judgements, 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. Fixed Assets/ Property Plant & Equipment (PPE):

- 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, PPE and Intangible Assets 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. Capital Work in Progress is capitalized on receipt of all relevant information and documents which conclusively indicates the completion of construction.
- 3.5. 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
- 3.6. Carrying amount of an asset or part of an asset replaced, disposed off, scrapped etc., are derecognized.





- 3.7. Assets held under the finance lease is shown as receivable at an amount equal to the net investment in the lease.

#### 4. Depreciation

- 4.1. Depreciation is provided on straight line method.
- 4.2. Depreciation on Investment Property, Property, Plant and Equipment (PPE), 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, Property, Plant and Equipment (PPE), and Intangible Assets, the company allocates 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 Property, Investment Property and Plant and Equipment (PPE) and in the absence of any guideline by the Accounting and Auditing Standards Board of Bhutan under section 201 of The Companies Act of Bhutan, 2016, 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).
- 4.4. Investment Property, Property, Plant and Equipment (PPE), and Intangible Assets; disposed off during the current financial year have not been depreciated.

#### 5. Intangible Assets

- 5.1. Only the acquired Intangible assets are recognised as asset and capitalised on the basis of costs incurred to acquire and bring it to the intended use.
- 5.2. The capitalised cost of intangible assets are amortised over their estimated useful lives.

#### 6. Inventories

Inventories are stated at the lower of cost and net realizable value. 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 recognised 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 amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised 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 amortised 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 amortised cost using the Effective Interest Rate (EIR). Amortised 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 amortised 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 derecognised 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 recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises 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 recognised in profit or loss.

- 7.7. A financial liability is derecognised 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 recognised 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. Retirement Benefits of Employees:

8.1. Actuarial valuations for Gratuity and Leave Encashment is made as on the last day of the financial year and liability and costs are recognized accordingly.

8.2. Bonus is recognized as and when the decision for the same is finalised by the management.

8.3. Costs in respect to defined contribution schemes are recognised as and when such costs accrue.

#### 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 must also be 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 accrues.

#### 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. Incomes earned on temporary investments of funds 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:

- 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 "Reserve & Surplus".
- 11.2 Capital Grants towards partial funding of specific assets / property, plant & equipment are adjusted with the cost of the Fixed Asset and the cost of acquisition of such fixed asset / property, plant & equipment is recognized at the net cost.
- 11.3 Revenue Grant is recognised as income over the periods necessary to match the grant with the related costs that it is intended to compensate.

## 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

- 5.1 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.
- 5.2 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.
- 5.3 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.
- 5.4 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.: 18-B

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR 2017

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. 15,280,604.00 (last year Nu. 59,321,648.14)
  - 1.2. Claims against the company not acknowledged as debt Nu. 4,268,940.89 (last year- NIL).
  - 1.3. Capital commitment Nu. 315,809,158.49 (last year Nu. 29,624,668.97) net of costs recognised in the financial statements and advances made of Nu. 474,921,670.61 (last year Nu. 11,283,940.77).
2. None of the fixed assets of the company have been revalued during the year under audit.
3. Employee Benefits

3.1. Defined Contribution Plans

Contributions for Defined Contribution Plans amounting to Nu. 2,805,482.00 - (LY Nu. 2,097,543.00) has been recognised in the Statement of Profit & Loss.

3.1.1. 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.

3.2. Defined Benefit Plans

3.2.1. 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 and also subject to a maximum of Nu. 1.5 million. 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 or designated Bank Fixed Deposit under the gratuity scheme.

Valuation of scheme benefits is done using projected Unit Credit Method. Under this method, only benefits accrued till the date of valuation (i.e. based on service till date of valuation) is to be considered for valuation. Present value of Defined Benefit Obligation is calculated by projecting future salaries, exits due to death, resignation and other decrements (if any) and benefit payments made during each year till the time of retirement of each active member, using assumed rates of salary escalation, mortality and employee turnover rates. The expected benefit payments are then discounted back from the expected future date of payment to the date of valuation using the assumed discount rate. "Service Cost" is calculated separately in respect of the benefit accrued during the current period. Service Cost is calculated using the same method as described above. The disclosures as required under BAS is provided below:





|   | 31/Dec/2017<br>Nu.  |
|---|---------------------|
| <b>A1. Change in Defined Benefit Obligation (DBO)</b>             |                     |
| DBO at the beginning of the Current Period                        | 21,710,442          |
| Current Service cost  | 1,885,603           |
| Past Service Cost   | -                   |
| Interest Cost   | 1,519,731           |
| Benefits Paid by the plan   | -                   |
| Benefits Paid by the employer                                     | -                   |
| Actuarial (gains)/losses due to plan experience                   | (7,458,932)         |
| Actuarial (gains)/losses due to change in demographic assumptions | -                   |
| Actuarial (gains)/losses due to change in financial assumptions   | -                   |
| <b>DBO at the end of the current period</b>                       | <b>17,656,844</b>   |
| <b>A2. Change in Fair Value of Assets during the year</b>         |                     |
| Fair value of Plan Assets at beginning of Current                 | 1,189,356           |
| Contributions paid into the plan                                  | -                   |
| Expected Return on Plan Assets                                    | 83,254              |
| Benefits Paid by the plan   | -                   |
| Return on plan assets greater or (less) than discount rate        | (229)               |
| <b>Fair value of Plan Assets at end of the current the period</b> | <b>1,272,361</b>    |
| <b>A3. Income Statement</b>                                       |                     |
| Current Service Cost  | 1,885,603           |
| Past Service Cost   | -                   |
| Net Interest cost on net DB liability/(asset)                     | 1,436,477           |
| <b>Net cost for the year recognised in income statement</b>       | <b>3,322,080</b>    |
| <b>A4. Other Comprehensive Income (OCI)</b>                       |                     |
| Actuarial (gains)/losses due to liability experience              | (7,458,932)         |
| Actuarial (gains)/losses due to liability assumption changes      | -                   |
| Return on plan assets (greater) or less than discount rate        | 229                 |
| <b>Remeasurement (gains)/losses recognized in OCI</b>             | <b>(7,458,703)</b>  |
| <b>A5. Defined benefit cost</b>                                   |                     |
| Current Service Cost  | 1,885,603           |
| Past Service Cost   | -                   |
| Net Interest cost on net DB liability/(asset)                     | 1,436,477           |
| Remeasurement (gains)/losses recognized in OCI                    | (7,458,703)         |
| <b>Total Defined Benefit Cost</b>                                 | <b>(4,136,623)</b>  |
| <b>A6. Development of net financial position</b>                  |                     |
| Defined benefit obligation  | (17,656,844)        |
| Fair value of plan assets   | 1,272,361           |
| Funded status-(deficit)/surplus                                   | (16,384,483)        |
| <b>Net defined benefit asset/(liability)</b>                      | <b>(16,384,483)</b> |





**A7. Reconciliation of net financial position**

|  |             |
|--|-------------|
| Net defined benefit liability/(asset) at the beginning of current period | 20521106    |
| Amount recognised in the income statement                                | 3,322,080   |
| Amount recognised in the OCI   | (7,458,703) |
| Contributions paid into the plan   | -           |
| Benefits paid by employer  | -           |
| Net defined benefit liability/(asset) at the end of current period       | 16384483    |

**A8. Expected benefit payments for the year ending**

|  |            |
|--|------------|
| December 31, 2018                      | 3,935,412  |
| December 31, 2019                      | 2,550,133  |
| December 31, 2020                      | 2,469,122  |
| December 31, 2021                      | 3,779,248  |
| December 31, 2022                      | 4,293,660  |
| December 31, 2023 to December 31, 2027 | 17,613,204 |

**A9. Estimated term of liability (Years)** 6.36

**A10. Scheme Asset Allocation**

|                        | Amount           | Percentage  |
|------------------------|------------------|-------------|
| Gratuity fund with BIL | 1,272,361        | 100%        |
| <b>Total</b>           | <b>1,272,361</b> | <b>100%</b> |

**A.11 Sensitivity Analyses**

|                                     | In Nu.<br>Defined Benefit<br>Obligation | Net Effect on<br>DBO |
|-------------------------------------|---|----------------------|
| <b>1. Discount Rate</b>             |   |                      |
| Base Discount Rate of 7.0%          | 17,656,844                              | -                    |
| Discount rate of 7.5% (+0.5%)       | 17,153,777                              | (503,067)            |
| Discount rate of 6.5% (-0.5%)       | 18,187,227                              | 530,383              |
| <b>2. Salary Escalation Rate</b>    |   |                      |
| Base Salary Escalation Rate of 11%  | 17,656,844                              | -                    |
| Salary Escalation Rate of 12% (+1%) | 18,005,450                              | 348,606              |
| Salary Escalation Rate of 10% (-1%) | 17,290,933                              | (365,911)            |
| <b>3. Attrition Rate</b>            |   |                      |
| Base Attrition Rate of 8%           | 17,656,844                              | -                    |
| Attrition Rate of 9% (+1%)          | 17,645,474                              | (11,370)             |
| Attrition Rate of 7% (-1%)          | 17,658,710                              | 1,866                |

**B. SCHEME DESCRIPTIONS****B.1 Gratuity Scheme Benefits as on 31/12/2017.**

- Normal Retirement Age:** 60 years for Executives; 58 years for Managers and Supervisors and 56 years for Line and Operations. Employees on contract after expiry of the contract period.
- Benefit payable on:** Death/ Disability/Resignation/Normal Retirement.
- Form of Benefit:** Lump sum.
- Vesting Period:** 10 years for resignation and none for the rest.
- Maximum Benefit:** Nu. 1,500,000.
- Benefit Formula:** Monthly Basic Salary at the time of exit X Eligible service rendered till the time of exit.





### 3.2.2. Leave Encashment

Leave benefit comprises leave balances accumulated by the employees. These balances can be accumulated up to a maximum of 60 days and can be encashed only at any time not exceeding once in a financial year. The scheme is unfunded.

Leave Encashment Liability: Nu. 2,535,504.00 (LY Nu. 2,888,319.00) out of which Nu. 532,370.00 is current (LY Nu. 223,146).

Assumptions:

|                        |                          |
|------------------------|--------------------------|
| Discount Rate          | 7%                       |
| Salary Escalation Rate | 11%                      |
| Employee Turnover Rate | 8%                       |
| Mortality Rates        | 100% of IALM (2006-2008) |

4. A sum of Nu. 2,190,477,118.00 is appearing in the books of accounts as part of Fixed Assets which represents Land and Building under Process of Transfer. Though the company has possession of these assets, the company is not the absolute owner of these assets as these are not registered in the name of the company and consequential impact of failure to register these assets in favour of the company has not been made in these accounts.

5. Remuneration paid to CEO & other Directors

|                                   | Year 2017  | Year 2016  |
|-----------------------------------|------------|------------|
| 1. Sitting Fees (Other Directors) | 170,000.00 | 116,000.00 |
| 2. CEO:                           |            |            |
| Basic Pay                         | 840,000.00 | 770,000.00 |
| Sitting Fees                      | 55,000.00  | 15,000.00  |
| PF Contribution                   | 92,400.00  | 84,700.00  |
| Housing Allowance                 | -          | -          |
| Corporate Allowance               | 210,000.00 | 192,500.00 |
| Leave Encashment                  | 70,000.00  | -          |
| Bonus                             | 110,753.00 | -          |
| Communication Allowance           | 60,000.00  | 55,000.00  |
| Contract Allowance                | 294,000.00 | -          |

6. According to letter No. F.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 |
| RGoB (Special Grant for Demolition of Building) | August 2013     | 4,900,603.00  | 4,900,603.00  |
| 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   |                 |               | 89,869,490.96 |
| Converted to Equity                             | 2015            |               | 79,869,000.00 |
| Balance Grant                                   |                 |               | 10,000,490.96 |

The same is presented in the Financial Statement as below

|   |               |
|---|---------------|
| RGoB (Special Fund for Demolition of Buildings) | 4,900,603.00  |
| RRCO (Seed Money)                               | 5,099,887.96  |
|   | 10,000,490.96 |

For conversion of this amount of Nu. 10,000,490.96 further approval of RGoB will be required.

Besides, RGoB (Housing Maintenance Grant) amounting to Nu. 40,000,000.00 (Last year Nu. 15,000,000.00) out of which Nu. 11,000,000.00 received in 2016, has been considered as an Indirect Income and expenditure of the same amount has been incurred out of that grant during the year.

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 Samdrup Jongkhar, 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 Bank Fixed Deposit amounting to Nu. 25.00 million 09/06/2015 with BDBL (FD Account No. 000132150063) and on maturity of the same Nu. 25.67 million was reinvested on 29/07/2016 in the form of Annuity Policy no. FA/2016/1723. Further another investment of Nu. 26.00 million was made on 13/06/2016 in FD with BDBL (A/C No. 000132160053) thereby taking the total Sinking Fund Investment to Nu. 51.67 million. This investment was prematurely withdrawn in 2017 and subsequently Nu 75.00 million was invested in Fixed Term Annuity Scheme with RICBL (Policy No FA/2017/3437 Dt. 06/10/2017). However, no sum has so far been transferred from Retained Earnings and / or Profits for the current year to create a Sinking Fund Reserve (in the nature of specific Reserve).





8. 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. 890.00 million bearing an interest at the rate of 7.25% per annum for 20 years. The schedule of loan released up to the end of the financial year is as follows: -

| Schedule | Amount (Nu. In Million) | Date       |
|----------|-------------------------|------------|
| First    | 300.00                  | 11.09.2017 |
| Second   | 100.00                  | 03.10.2017 |
| Third    | 300.00                  | 01.12.2017 |

As per the approval letter from the MoF, the payment of the principal as well as the interest will be borne by the MoF. As such, no provision for interest has been recognised in the financial year. As per the agreement between the Company and NPPF, the amortisation and interest table will be finalised in due course.

9. Amount recovered from the tenants of Pilot Housing project up to 2016 amounting to Nu. 9,643,814.00 (up to 2015 Nu. 8,798,865.00) has been considered as Company's liability for subsequent utilization in same type of project. Review of the documents revealed that the Pilot Housing project is a combination of lease of land and sale of housing units. Hence, the Company has done a reconciliation of the amounts recovered with the amount's recoverable and recognised the sale consideration of housing units, lease rent and interest incomes. Accordingly, the Company has recognised the following in the current financial year:

|   |     |              |
|---|-----|--------------|
| Revenue from Sale of Housing Units                              | Nu. | 6,690,600.00 |
| Lease Rent Revenue related to earlier financial years           | Nu. | 699,314.00   |
| Interest Revenue related to earlier financial years             | Nu. | 6,229,430.50 |
| Collection of Lease Rent up to 31.12.2016                       | Nu. | 697,618.00   |
| Collection of Interest up to 31.12.2016                         | Nu. | 6,214,314.64 |
| Collection against sale price of housing units up to 31.12.2016 | Nu. | 2,244,354.36 |
| Security Deposit Collected up to 31.12.2016                     | Nu. | 203,481.00   |
| Unreconciled liability as on 31.12.2017                         | Nu. | 283,846.00   |

Retrospective rectification for this item is not practicable due to complexity of the calculations and hence rectifications has been made in the current financial year.

10. The revenue from Rent has been recognized on accrual basis with effect from 01<sup>st</sup> January 2016. However, the rent of earlier years not received till 31<sup>st</sup> Dec 2016 has not been recognized in the books of accounts. The impact of the same on revenue, profit for the year and current assets is not ascertainable. Costs for ascertaining the same vis-à-vis the benefits does not warrant an effort to do so. The Company recognises the revenue from the past years on this account as Miscellaneous Income as and when received.
11. In the current year the Finance Charge / Income and corresponding Liability / Asset on the Financial Instruments measured at amortised cost has been recognised. The effect of measurement using effective rate of interest in respect of past years has been accounted for in the current year as it is impracticable to retrospectively adjust such impacts in the past years.





12. During the year, the company has earned a before tax profit of an amount of Nu. 26,109,314.53 (Last Year Nu. 25,602,883.78) and Other Comprehensive Income (OCI) of Nu. 7,458,703.42 (Last Year Nil). A provision for Corporate Income Tax (CIT) of Nu. 12,073,746.86 (Last Year Nu. 12,698,556.35) thereon and a Deferred Tax Expense of Nu. 1,510,740.21 (Last Year Nil) for the year 2017 has been made including Current Year and Previous Year tax. The Tax Deducted at Source (TDS) amounting to Nu. 565,240.74 (Last Year Nu. 710,139.78) has been adjusted with the provision for CIT. The profit after tax is arrived at Nu. 19,418,290.14 (Last Year Nu. 12,904,327.43) including after tax OCI.
13. Previous year's figures have been re-grouped and re-arranged wherever required for better disclosures.
14. Note Nos.1 to 18 are the part of the financial statements of the company and these are duly authenticated by the Management.





| Ratio                              | Basis of Ratio  | 2017   | 2016   | Remarks   |
|------------------------------------|---|--------|--------|---|
| <b>Profitability Ratio</b>         |   |        |        |   |
| Operating Profit Ratio             | Operating Profit / Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)] | 22.51% | 22.96% | Operating Profit increase by additional RGoB Housing Maintenance (Revenue Grant) of Nu. 25.00 m is recognised as income and Leave Encashment has decreased due to less provision requirement compared to last year. Expense has increased in Salary & Wages. Net impact has resulted in a marginal decrease in the ratio. |
| Gross Profit Ratio                 | Profit Before Tax / Total Income (Direct and Indirect)  | 20.86% | 19.12% | As the increase in RGoB Housing Maintenance (Revenue Grant) of Nu. 25.00 m recognised as income and gain in remeasurement of gratuity provision (in OCI) has resulted in increased GP ratio compared to the last year.  |
| Net Profit Ratio                   | Profit After Tax / Total Income   | 12.07% | 9.64%  | Same as above   |
| ATROE (After Tax Return on Equity) | Profit After Tax / Owner's Equity   | 0.69%  | 0.46%  | The ratio generally is low. However, keeping in view, the social aspect of the nature of business of the organisation this may be acceptable. However, there is a minor increase.   |
| Return on Fixed Assets             | Profit After Tax / Total Net Block of Property Plant & equipment  | 0.69%  | 0.47%  | This ratio is also on the lower side which could be the result of the social nature of the activities.  |





| Ratio                             | Basis of Ratio   | 2017   | 2016   | Remarks  |
|-----------------------------------|--|--------|--------|--|
| <b>Operating Efficiency</b>       |  |        |        |  |
| Operating Ratio                   | Operating Costs / Total Operating Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)]   | 66.65% | 73.54% | Operating performance has improved as operating costs have reduced substantially compared to the last year. Additional profit is a result of Other Income which is mainly due to additional RGoB Housing Maintenance (Revenue Grant) of Nu. 25.00 m. |
| Operating Revenue to Total Income | Total Operating Revenue [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)] / Total Income       | 85.47% | 84.26% | Operating Revenue as a proportion to total Income is reasonable in our opinion.  |
| <b>Stability Ratios</b>           |  |        |        |  |
| Debt Equity Ratio                 | Total external Debt / Total Equity   | 30%    | 9%     | Debt has increased on account of loan taken from NPPF for Special Housing Project which has resulted in increased Debt Equity Ratio.   |
| Debtors Turnover Ratio (in Days)  | Total Receivables / Total Operating Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)] | 6.30   | 7.67   | Debtors Turnover is within the general standards. Improvement achieved compared to the previous year.  |
| <b>Liquidity Ratio</b>            |  |        |        |  |
| Current Ratio                     | Current Assets / Current Liabilities   | 13.59  | 10.71  | The current ratio has improved compared to last year indicating better liquidity. However, the ratio is high compared to general standards.  |





