

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED



ANNUAL REPORT 2018
7th ISSUE

NHDCL ASSETS

SL#	Dzongkhag	No of Blocks	No of Units	Land (Acres)
1	Chukha	104	700	28,053
2	Dagana	20	51	4,863
3	Gasa	13	25	5
4	Lhuentse	11	54	5.6
5	Mongar	7	8	1,314
6	Paro	2	2	0.629
7	Pemagsatse	1	4	0.145
8	Samdrup Jongkhar	27	147	12,370
9	Samtse	34	56	13,288
10	Sarpang	23	44	9,578
11	Tashigang	23	91	4.9
12	Tashiyangtse	6	24	2,481
13	Thimphu	296	1,166	77
14	Trongsa	7	29	4.56
15	Tsirang	11	24	0.967
16	Wangdiphodrang	5	10	0.5
17	Zhemgang	23	57	4,335
Total		613	2,492	175,083

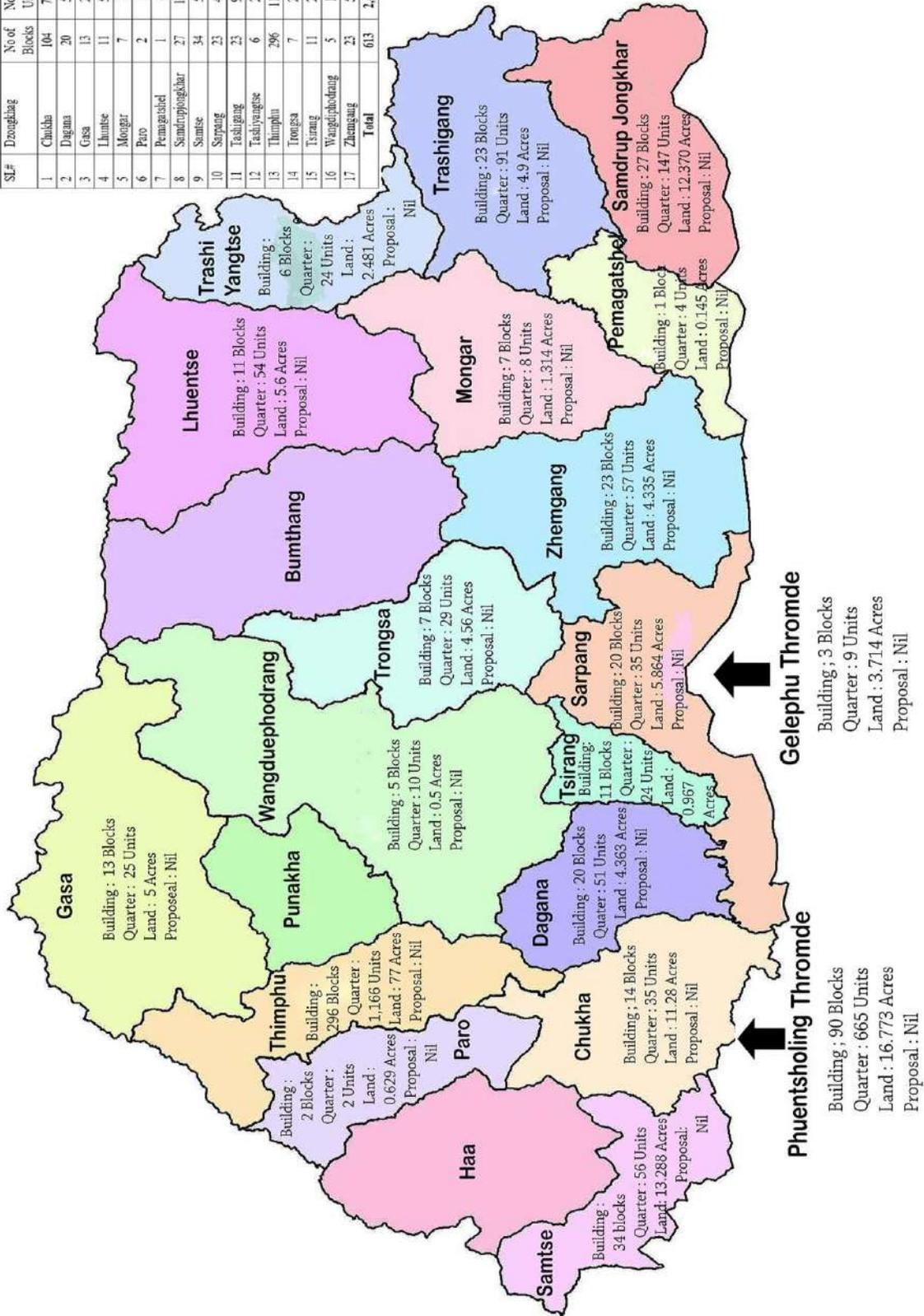


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Company Profile:

<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	Vision: Shelter for All
iv	Mission: To be the premier institution in providing safe and affordable homes to the Bhutanese
v	Corporate Values <ul style="list-style-type: none"> - Leadership in Housing - Accountability - Team Work - Professionalism - Service Orientation - Innovation
vi	Corporate Strategy <ul style="list-style-type: none"> - Strategic Theme I : Increasing housing stocks - Strategic Theme II: Promoting home ownership - Strategic Theme III: Sustaining access to affordable homes - Strategic Theme IV: Renovation and maintenance of existing housing stocks - Strategic Theme V: leading research and innovation in housing in the Country

Financial Highlights as on 31.12.2018

<i>Sl.no</i>	<i>Description</i>	<i>Figure</i>	<i>Remarks</i>
i	Total Equity & Retained earnings	Nu.2.94 Billion	
ii	Net Asset Block	Nu.2.78 Billion	
iii	Total Comprehensive Income	Nu.19.41 Million	
iv	Long Term Debt	Nu.250 Million	MoF Interest Free Loan
v	Corporate Loan	Nu.879.85 Million	MOF Interest Free Loan
vi	No. of Employees	128(Including 45 contract employees)	

Chairman's Report to the Shareholders

"On behalf of NHDCL's Board of Directors, I am pleased to present 7th Annual Report of NHDCL. It highlights and provides explanatory overview of our 2018 operating performance, corporate governance and risk management and challenges. It also presents the complete set of the audited financial statements of the company as of 31 December 2018."

Operational Performance & Achievements

NHDCL as usual has continued with its aggressive strategies applied in a proactive manner to achieve its mandate. Some of the operational performance and achievements are highlighted below.

The maintenance of the old quarters as usual was carried out across the country. Apart from the normal maintenance work, Home maintenance unit has undertaken various deposit works from different agencies. On the construction front, a construction of six (6) storied buildings with 48 units in Phuntsholing was completed and allotted to the residents residing in Gorchim. The iconic building at Phuntsholing Gorchim was approved for demolition and the demolition will commence from January 2019.

As per the directive of the government, NHDCL planned, designed and commenced the execution of Affordable Project in Phuentsholing. The project comprised of 62 buildings with 506 housing units with the total estimated cost of Nu.890 million. The buildings are all located in 10 different sites and was executed in two different modes where in construction of 41 buildings were contracted out to 7 large contractors. Of the total 41 buildings, 21 buildings are completed in all respect and allotted to eligible tenants in December 2018 and the rest will be allotted to the tenants in early 2019. The departmentally executed project of 21 buildings with 210 housing units departmental nearing completion and expected to be completed by March 2019. For the security of the Changjiji Housing Colony, additional four(4) nos. of CCTV has been installed in collaboration with the Royal Bhutan Police's Safe City project.

Audit Reports

The company was audited by M/s. Mitra Roy & Datta Chartered Accountants based in 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 other emphasis of matter and that most of the critical qualifications for the past years have been compiled and action taken.

Financial Performance

The company implemented the relevant BAS Phase -1 with 18 standards and some relevant standards from Phase-2 in the year 2016. The Phase-3 has been early adopted by the company in 2017. Since some standards were not complied till 2017, the company had restated the 2017 financials. Accordingly, the restated figures are used for the comparative statement in 2018 final accounts. Thus the operating income for the year 2018 is Nu.164.16 million, which is deduction of Nu.73.90 million or 31% as compared to Nu.238.06 million in the year 2017. The deduction is mainly due to the notional income of Nu.73.9 million on the Government Grant for concessional borrowings at fair value and the fund received for demolition of the structure in past year recognized in 2017 and in 2018 the notional income on the fair valuation reduced by Nu.12.77

million which has reduced the income in 2018. If these notional values are not accounted, the operating income has increased by Nu.14.88 million in comparison with 2017 Income.

As always the company has received Nu. 14.99 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 19% or Nu.24.11 million that is Nu. 152.18 million in 2018 from Nu. 128.07 million in 2017(including depreciation). The increase in expenditure is mainly from the operations and maintenance with 71% increase as compared to 2017 O&M. The components that attributed to the increase in O& M is from the building maintenance, Deposit works expenditure and the payment of land tax in and around the country for which the user right certificates have been obtained.

The net block of an asset of the company stands at Nu.2, 782.95 million as on 31st December 2018 as against Nu.2, 783.37 million in 2017(restated). 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 2018 amounted to Nu.8.69 million as compared to the restated figure of Nu. 105.44 million reported in the previous year. As stated above, the deduction in the PBT is mainly due to the notional Income recognition. Had it not been accounted the PBT would stand at Nu.21.47 for 2018 as compared to Nu.26.10 in the year 2017.

The direct contribution of NHDCL to the exchequer by way of CIT is Nu.9.80 million in 2018 as compared to Nu.12.63 million in 2017. Although NHDCL operates on a strong social mandate of providing affordable accommodation to the government employees only, it is commendable for its achievement despite the decrease in the performance. The team is optimistic and equally working hard to increase the shareholder's wealth.

Corporate Social Responsibility

NHDCL believes in taking corporate responsibility for the impacts of its decisions and activities on all aspects of society, the community and the environment. Hence the company initiated various campaigns on disasters, cleanliness, fire hazards, youth and crime issues in the housing colonies throughout the country. For 2018, the company contributed Nu.0.95 million as part of Donations/CSR to various social causes.

Corporate Governance and Risk Management

M/s. Mitra Roy & Datta , Chartered Accountants, Kolkata, India was appointed by the Royal Audit Authority as Statutory Auditors of the Company for three years term. 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 2018, Mr. Wangchuk Thaye, Executive Secretary, Phuntsholing Thromde was replaced by Mr. Karma Sonam, Director, Ministry of Works and Human Settlement as Directors for National Housing Development Corporation Limited. At the end of 2018, the company's board comprises of seven directors including the Chief Executive Officer. The Board 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. In the year 2018, the board constituted Board Audit Committee and Board HR Committee.

Challenges and Future Outlook

While fulfilling the social mandates, the company had faced numerous challenges of not being able to cater to the housing needs of the clients. The maintenance of old housing stocks is consuming 54% of the maintenance budget. Despite the challenges, NHDCL had commenced construction of 506 housing units in Phuntsholing under special Housing project, taken up a manufacturing unit at Bjemina, which will start functioning from May 2019 and also look after the supervision of the construction of the Kuensel office in Thimphu.

For 2019, the construction of five (5) storeyed Regional Office building and four (4) storeyed residential building and the commercial building on the location of the Gorchim at Phuntsholing will kick-start. 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, As usual 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 2018.

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 success in 2018.

The Board looks 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 7th Annual Report for the year 2018 of National Housing Development Corporation Limited (NHDCL).

The year 2018 saw changes in the NHDCL Management Board. There was also the constitution of the sub-committee board, namely the Board Human Resource Committee and the Board Audit Committee aimed at providing the strategic directions.

On the performance front, out of the affordable housing of 41 buildings executed by the contractors, 21 building have been completed and allotted to the tenants in December 2018, rest of the buildings are expected to be completed by 2nd quarter of 2019. Apart from the execution of the special housing project in Phuentsholing, another 48 units were completed during the year and allotted to the tenants residing in the *Gor Chim*. The tendering work for demolition of the *Gor Chim* was also done during the year. The manufacturing unit at Bjemina for concrete, paver blocks and wood units have been initiated in 2018 and it's expected to be functional by August 2019.

Apart from the construction works, NHDCL has also taken up the consultancy services for RICBL and Kuensel Corporation Limited and earned an income of Nu. 6.30 million. NHDCL had a privileged to design the Rajgir *Lhakhang* complex in Bihar, India for the commemoration of 50th Golden Jubilee Celebration for Bhutan and India - an enduring friendship. As a corporate social responsibility, NHDCL had also installed the external floodlights and internal lighting system at Zangtopelri complex in Phuentsholing. NHDCL has signed a MoU with the Department of Employment & Human Resources, MoLHR on engaging unemployed jobseekers where 96 GEP employees were recruited in 2018.

A key strength for NHDCL remains its employees. We recognize the talent and commitment of 128 employees without whom the Organization's performance this year would not have been possible. We continue to invest in the development of our people through training, both externally as well as internally, in order to develop the appropriate skills at every level of employment. In the year 2018, 41 staff at various levels had received trainings with the total budget of Nu. 5.50 million.

Our sincere thanks go to the hardworking employees of NHDCL. We also acknowledge and thank the NLCS, MoF, Thromdes and Dzongkhags for their commitment in supporting the NHDCL's social Mandates.

We thank our board for their valuable input and the NHDCL management for their hard work and support. It goes without saying that a special thanks is due to our focal person, community representative and the tenants who continue to take care of our housing across the country - thank you for your continued support and looking forward for another fruitful year.

Tashi Delek!



(Thintey Dorji)
Chief Executive Officer

Board of Directors



Chairman
Dasho Pema Chewang, Secretary,
National Land Commission Secretariat



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

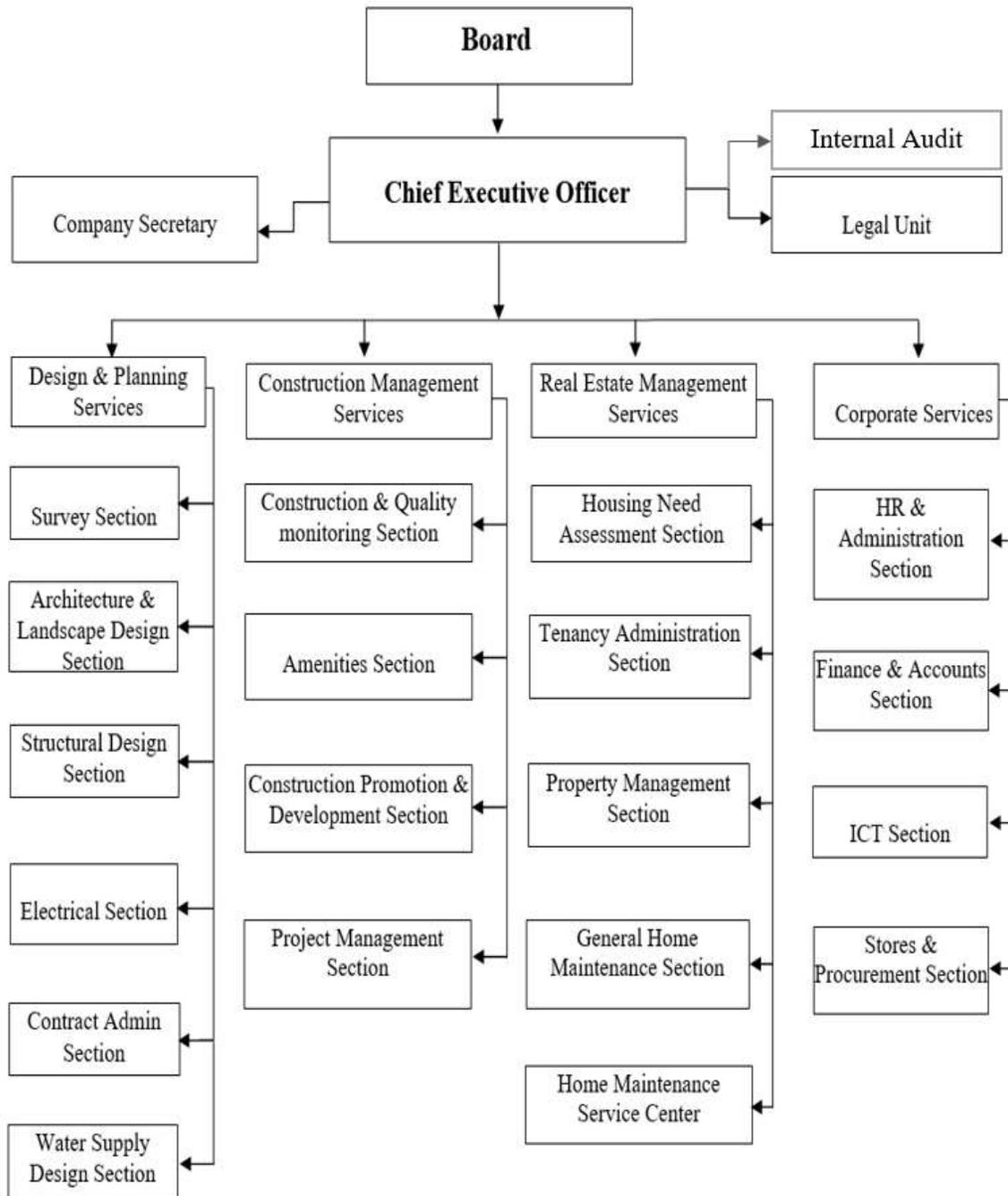


Mr. Karma Sonam
Director
Department of Human Settlement
Ministry of Work and Human Settlement



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

Organization Chart



Management Staff of NHDCL

Mr. Thinley Dorji
CHIEF EXECUTIVE OFFICER

Head Office

General Manager	Construction Management Services	Mr. Karchung
General Manager	Design & Planning Services	Ms. Sonam Choden
General Manager	Corporate Services	Ms. Kuenzang Choden
General Manager (Offtg)	Real Estate Management Services	Mr. Dechen Wangdi
Company Secretary		Mr. Pradeep Katwal

Regional Office

Phuentsholing	Liaison Officer	Mr. Sangay Khandu
Samdrupjongkhar	Liaison Officer	Mr. Buddham Rai

Statutory Auditors

Mitra Roy & Datta
Chartered Accountants
11C, Raja Basanta Roy Road
Kolkata-700 026



INDEPENDENT AUDITOR'S REPORT

To the Shareholder
National Housing Development Corporation Limited
Thimphu, Bhutan

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of National Housing Development Corporation Limited, Thimphu, Bhutan ("the Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of Comprehensive Income, Statement of Changes in Equity & Retained Earnings and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements, give a true and fair view of the financial position of the Company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BASs).

Basis for Qualified Opinion

In absence of the required records to determine the value of building that included in the value of Land and Building (Under Process of Transfer of Ownership) for Nu.2,191,751,916 appearing in Note No.-1A for Property, Plant & Equipment, we are not in a position to determine the impact on the carrying amount of the Property, Plant & Equipment and on the Retained Earnings due to non-consideration of the depreciation on the buildings since the transfer of ownership to the Company.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan,

and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



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Emphasis of Matter

We draw the attention to Note Number 1A of the Financial Statements and to point no 8 to Notes on Financial Statements. A sum of Nu.2,191,751,916 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 considered in these accounts. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with BASs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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



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

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

For MITRA ROY & DATTA

Chartered Accountants

FRN: 322477E

RAA Empanelment No: KK-19



KINGSUK DATTA

Membership No. 053121

Dated: 13th April 2019

Place : Kolkata, India/Camp Thimphu, Bhutan



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ANNEXURE "A" to the INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

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

Minimum Audit Examination and Report

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

- a) The Ministry of Finance, Royal Government of Bhutan has issued the Corporate Governance Guidelines, 2019 which will come into force with effect from 1st January 2019. Thus the said guideline is not applicable to the Company for the year under audit. However, the Company has adhered to the Guidelines for the Board of Government Corporation and for Government Appointed Board Directors, 2004 that has been superseded by the Corporate Governance Guidelines, 2019.
- b) In our opinion the Board of Directors and management of the Company has pursued a prudent and sound financial management practice in managing the affairs of the Company as it revealed from our audit.
- c) The financial statements of the Company are prepared applying the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB), as applicable to the Company.
- d) The Company has maintained proper books of accounts and the financial statements for the year ended 31st December 2018 are in agreement with the underlying accounting records.
- e) The Company has not maintained the registers as specified under Section 228 of the Companies Act of Bhutan 2016.
- f) The Company has fulfilled its obligation social and otherwise as entrusted to it.
- g) The Company has computed the amount of tax correctly and the same has been reflected in the financial statements.

Report for the Service Sector Companies:

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

The Company has not verified its fixed assets during the year and therefore the aspect of dealing with the discrepancy therefrom in the books does not exist. Further, the Company does not have any policy, approved or written, for verification of its fixed assets on regular intervals.

- 1.2. Fixed assets have not been revalued during the period; hence the said clause is not applicable.



- 1.3. The Company has not verified the materials and stores and spares during the year.
- 1.4. The Company shall have system of verification of its materials, store and spares and other items periodically with laid down procedures commensurate with its size and nature. At present there is no such practice for verification of its materials, store and spares.
- 1.5. In absence of verification of stock during the year, there was no adjustment of quantity or value of stock in the books of accounts.
- 1.6. The Company records the transactions of receipts, issues of the material and stores with allocations thereof to the respective jobs (without charging the value to the respective job- jobs are being charged fully at the time of payment for purchase) except for the materials of House Maintenance Unit (HMU) Stores. However, we have observed deficiencies in the system of recording the materials movement like the time of recognition of receipts and issues and pricing of issue of materials.
- 1.7. Quantitative reconciliation of major items of stock has not been carried out during the year.
- 1.8. The Company has not identified and determined obsolete, damaged, slow moving and surplus stock to make adequate provision thereof.
- 1.9. In view of our comment in clause 1.8 above, this clause is not applicable.
- 1.10. In view of our observation in clause 1.5 above, this clause is not applicable.
- 1.11. The company followed the Weighted Average Method for pricing the issue and valuation of its stock in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). However, there are certain deficiencies in application of Weighted Average Method due to sequence of recording the receipts and issues of the store items led to application of incorrect rates as observed by us. The basis of valuation is same as in the preceding year.
- 1.12. In our opinion, the terms and conditions including the rate of interest for the loans, both secured and unsecured, availed by the Company are prima facie not prejudicial to its interest.
- 1.13. The Company has not granted any loan to the other parties which are ultra-vires to the Articles of Incorporation and other relevant Acts and regulations.
- 1.14. The advances granted by the Company to the officers/staffs are in accordance with the provisions of its service rules and no excessive/frequent advance generally has been granted and accumulation of large advances against particular individual has been avoided.



- 1.15. In our opinion, formed on the basis of our audit, records and explanations given by the Company, it has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, for carrying out the business in an orderly and efficient manner, to safeguard its assets as well as to ensure adherence to the rules/regulations and system and procedures. However we give below the areas of shortcomings/deficiencies to be taken care for further strengthening the system of internal control for the purposes referred hereinabove:
- 1.15.1. The Company shall further strengthen its internal audit system commensurate to its size and nature of business.
 - 1.15.2. The store management and control over fixed assets are required to be implemented and improved due to the inadequacies/non-compliance observed and reported in paragraphs 1 to 11 above.
 - 1.15.3. The control over insurance coverage to be taken by the purchasers of the units at Pilot Housing Project in terms of clause no 11 of the Purchase Agreement which is presently not in existence to safe guard the assets of the Company.
 - 1.15.4. The Company should maintain proper records for the stock in Housing Maintenance Unit (HMU) stores showing the quantitative movement of stores items.
- 1.16. In our opinion, the systems of authorization at appropriate level for and internal control on issue of stores and allocation of materials and labour to jobs are reasonable and commensurate to the size of the Company and its nature of business.
- 1.17. The Company in general has followed the system of competitive biddings, commensurate to its size and the nature of its business for purchase of goods and services including stores, plant and machinery, equipment and other assets other than for awarding the contracts for construction of buildings.
- 1.18. (a) The Company has not maintained separate register for disclosure of interest of directors in contract and/or arrangement. Hence, our comment is based on the minutes of the meetings of the Board of Directors held during the year where the declarations of all the directors present at those meetings of their conflicts of interests on the agenda transacted there have been recorded. On the basis of our examination of the record referred herein, we report that the Company has not purchased or sold goods or services during the year in pursuance of contracts or arrangement with the directors or any other party/parties related to directors or with company or firms in which the directors are directly or indirectly interested.
- 1.18. (b) This clause is not applicable in view of our observation in clause 18(a) above.
- 1.19. In our opinion, the expenses charged to the Company accounts represent legitimate business expenses and we have not found any personal expense charged to the Company.
- 1.20. The Company has not determined the unserviceable or damaged stores to provide for loss in the account.



- 1.21. Since the Company is engaged in rendering services and construction works the clause is not applicable.
- 1.22. Since the Company is not engaged in production, the clause is not applicable.
- 1.23. Since the Company is not engaged in production, the clause is not applicable.
- 1.24. On the basis of our audit we report that the Company has been regular in depositing its liabilities for rates and taxes, duties, provident funds and other statutory dues except liability of Nu.5850 for Tax Deducted at Source pertaining to deduction made in earlier year has not been deposited.

In our opinion, the provision for corporate tax is adequate and necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan.

- 1.25. Details of undisputed statutory liabilities as on 31st December 2018:

<u>Description of Liability</u>	<u>Nu.</u>	<u>Date of Deposit</u>
Salary Tax	3,609	Not deposited
Tax Deducted at Source	5,850	Not deposited

- 1.26. The nature of the operations and business of the Company does not call for the system of allocation of man-hours utilized to the jobs. However the expenditure incurred for construction jobs are allocated to the cost of construction of the respective projects.
- 1.27. Deleted (Removed)
- 1.28. The Company follows the prevailing rates for the rent as were determined by the Ministry of Finance before incorporation of the Company without any revision therefrom.
- 1.29. The Company follows the credit policy as per the provisions of the Tenancy Act of Bhutan 2015. The Company has not carried out any credit rating exercise of its customers.
- 1.30. The Company does not engage any Sales or Commission Agent for renting or leasing out its properties.
- 1.31. The Company has a system of follow up with its debtors and other parties for recovery of outstanding. However, the Company should strengthen the system of follow up and to maintain the age-wise analysis of outstanding amounts for management information and follow up actions.



- 1.32. In our opinion, the management of liquid resources in the form of cash and bank balance and short term deposits etc. was not adequate. Significant balance has been kept idle in non-interest bearing accounts with different banks. From the analysis of balances kept in the banks were always significantly higher than the amounts paid in any particular date during the year.
- 1.33. The activities carried out by the Company are lawful and intra-vires to the Article of Incorporation of the Company as observed on the basis of our audit and information provided and explanations given by the management.
- 1.34. According to the information provided and explanation given to us and on the basis of our examination, in our opinion, the Company has a system of approval of the Board of Directors for all capital investment. Also, the investments in new projects are made only after ascertaining the technical and economic feasibility of the investment concerned.
- 1.35. The Company has established a budgetary control system and prepares annual budgets and compares the actuals with the budgets on annual basis. In our opinion, the system of budgetary control should be further strengthened by introducing interim analysis of performance and revision of budget if required for better control.
- 1.36. The Company not being engaged in manufacturing activity, the clause is not applicable.
- 1.37. The Company has paid sitting fee to the Directors for attending the meetings of the Board of Directors and no other payment has been made to the Directors. The remuneration and other payments made to the CEO have been disclosed in the Notes to the Accounts. As there is no separate register maintained for recording disclosure of interest of directors, our checking is restricted to Board minutes and from 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 directors' relatives [including spouse(s) and child/children] by the Company directly or indirectly.
- 1.38. According to the information provided and explanations given by the Company, the directives of the Board of Directors have been complied with during the year.
- 1.39. According to the information and explanations given to us there was no incidence of transmission by the official(s) to their relatives, friends or associates or close persons of any price sensitive information other than publicly available.
- 1.40. The Company maintains the records for the inter-units transactions and services and also for the arrangements for services with other agencies engaged in similar activities.
- 1.41. In our opinion the Company has proper agreements and the terms and conditions of leases are reasonable. The Company has neither acquired on lease nor leased out to the other any machinery/equipment.
2. Due to the nature of activities and business of the Company, in our opinion, it does not require maintaining system of costing to ascertain the cost of service it renders to make pricing decisions.



3. The clause has already been dealt with in our report in paragraph 1.40 above.
4. The clause has already been dealt with in our report in paragraph 1.41 above.

Computerised Accounting Environment:

1. The Company has been working in computerised accounting environment using "Tally ERP9" software for accounting and "Druk Pay" software for payroll processing.
2. The Company has not introduced safeguard measures and there is no backup facility as yet.
3. In view of our comment in 2 above under this section this clause is not applicable.
4. In our opinion the operational control is adequate to ensure the correctness and validity of input data and output information.
5. In our opinion to prevent unauthorised access over the computer installation and files, access control system is required to be followed strictly.
6. This clause will be applicable in the event of change over to new system. However, the system of accounting, the Company is now using is compatible to facilitate the data migration.

Other Requirements:

1. Going Concern Problem:

The Company has been a profiteering one having net worth of Nu 2,946,237,974.04 as on 31st December 2018 (Previous year Nu.2,872,992,911.33). There is no potential threat of erosion of its net worth as on date. Also, there is no external factor that may affect the assumption of going concern for the Company in foreseeable future. On the basis of the facts and considering the factors, we have no reason to assume that the Company is not a going concern as on the date of Financial Statements.

2. Ratio Analysis

We have carried out the ratio analysis of the Company as we considered necessary to determine its financial health and profitability. The relevant analysis of ratios has been given in the Section of Ratio Analysis of the Annual Report, 2018. Based on our analysis we conclude that in general the operations of the Company has been managed efficiently to ensure its profitability and stability.



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3. Compliance with the Companies Act of Bhutan 2016

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

- 3.1. The registers and records, as per the provisions under section 228 of the Act, have not been maintained.
- 3.2. The Company has conducted three meetings of the Board of Directors during the year, instead of the required four meetings in a year in pursuance of section 146 of the Act.

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

4. Adherence to Laws, Rules & Regulations:

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

For MITRA ROY & DATTA

Chartered Accountants

FRN: 322477E

RAA Empanelment No: KK-19


KINGSUK DATTA

Membership No. 053121

Dated: 13th April 2019

Place : Kolkata, India/Camp Thimphu, Bhutan



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2018

	NOTES	AS AT 31ST DECEMBER 2018	AS AT 31ST DECEMBER 2017
		Nu.	Nu.
ASSETS:			
NON-CURRENT ASSETS			
Property, Plant & Equipment	1A	2,271,104,608.02	2,252,548,252.71
Investment Property	1B	511,854,180.39	530,828,319.96
Intangible Asset	1C	718,834.44	960,679.14
Capital Work in Progress	1D	811,665,455.06	438,358,448.78
Trade & Other Receivables	3A	28,066,115.29	29,657,091.66
Other Non-Current Assets	4A	282,755,022.28	409,638,806.78
TOTAL NON-CURRENT ASSETS	A	3,906,164,215.48	3,661,991,599.03
CURRENT ASSETS			
Cash & Cash Equivalent	2	117,137,768.59	82,830,354.67
Trade & Other Receivables	3B	17,821,445.19	370,172.53
Other Current Assets	4B	76,141,199.76	20,403,240.26
Inventories	5	23,557,127.05	2,757,459.25
Financial Assets	6	3,065,377.04	5,035,800.70
TOTAL CURRENT ASSETS	B	237,722,917.63	111,397,027.41
Deferred Tax Asset	7	1,117,045.47	-
Total Tax Assets	C	1,117,045.47	-
TOTAL ASSETS	A+B+C	4,145,004,178.58	3,773,388,626.44
EQUITY AND LIABILITIES:			
EQUITY			
Equity attributable to owners			
Share Capital	8	2,727,961,000.00	2,727,961,000.00
Retained Earnings	9	138,902,469.64	139,932,023.37
Other Reserves	10	79,374,504.40	5,099,887.96
TOTAL EQUITY	D	2,946,237,974.04	2,872,992,911.33
NON-CURRENT LIABILITIES			
Long Term Debt	11	879,852,350.50	600,000,000.00
Financial Liabilities	12	190,543,594.11	176,178,742.00
Payables	13A	32,861,809.04	73,444,167.52
Provisions	14A	23,337,715.00	7,586,231.14
TOTAL NON-CURRENT LIABILITIES	E	1,126,595,468.65	857,209,140.66
CURRENT LIABILITIES			
Payables	13B	62,126,160.71	16,995,970.52
Provisions	14B	951,160.00	12,606,116.86
TOTAL CURRENT LIABILITIES	F	63,077,320.71	29,602,087.38
Provision for CIT	15	9,093,415.18	12,073,746.86
Deferred Tax Liabilities	16	-	1,510,740.21
Total Tax Liabilities	G	9,093,415.18	13,584,487.07
TOTAL EQUITY AND LIABILITIES	D+E+F+G	4,145,004,178.58	3,773,388,626.44

Significant Accounting Policies & other Notes 25

Signed in terms of our attached report of even date

For Mitra Roy & Datta

Chartered Accountants

(FRN: 322477E)

RAA Empanelment No. KK-19

Kingsuk Datta

Partner

M.No.053121

Place: Thimphu, Bhutan / Kolkata India

Date: 13th April 2019



(Dasho Pema Chewang)
Chairman

(Thinley Dorji)
Chief Executive Officer

National Housing Development Corporation Ltd
Thimphu : Bhutan

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

PARTICULARS	NOTES	FOR THE YEAR ENDED 31ST DECEMBER 2018	FOR THE YEAR ENDED 31ST DECEMBER 2017
		NU.	NU.
INCOME:			
REVENUE	17	89,453,062.18	85,950,346.07
OTHER INCOME	18	73,577,154.76	153,697,329.81
CHANGE IN STOCK		1,138,685.85	(1,583,199.30)
TOTAL OPERATING INCOME		164,168,902.79	238,064,476.58
EXPENDITURE:			
EMPLOYEE COST	19	46,598,905.06	51,095,784.47
OPERATION & MAINTENANCE	20	65,098,087.61	38,052,647.61
ADMINISTRATIVE EXPENSES	21	9,937,890.27	12,162,371.08
CONSUMABLES	22	733,518.04	701,631.97
TOTAL OPERATING EXPENSES		122,368,400.98	102,012,435.13
DEPRECIATION	1	29,759,893.54	26,059,028.46
OPERATING PROFIT		12,040,608.27	109,993,012.99
FINANCE COST	23	3,343,602.77	4,547,689.61
PROFIT BEFORE TAX		8,697,005.50	105,445,323.38
TAX EXPENSES:			
CURRENT TAX EXPENSE	24	9,804,178.46	12,638,987.60
DEFERRED TAX	24	(2,627,785.68)	1,510,740.21
TOTAL TAX EXPENSE		7,176,392.78	14,149,727.81
PROFIT AFTER TAX		1,520,612.72	91,295,595.57
OTHER COMPREHENSIVE INCOME			
REMEASUREMENT GAINS/(LOSSES) OF GRATUITY RECOGNISED IN OCI		852,318.00	7,458,703.42
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,372,930.72	98,754,298.99
Basic Earning Per Share		0.56	33.47
Significant Accounting Policies & other Notes	25		
Signed in terms of our attached report of even date			
<p>For Mitra Roy & Datta Chartered Accountants (FRN: 322477E) RAA Empanelment No. KK-19</p> <p>Kingsuk Datta Partner M.No.053121 Place: Thimphu, Bhutan & Kolkata India Date: 13.14 April 2019</p> 		<p style="text-align: center;"> (Dasho Dema Chewang) Chairman</p> <p style="text-align: center;"> (Thinley Dorji) Chief Executive Officer</p> <p style="text-align: center;">Chief Executive Officer National Housing Development Corporation Ltd Thimphu : Bhutan</p>	

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
 THIMPHU, BHUTAN
 STATEMENT OF CHANGES IN EQUITY AND RETAINED EARNINGS DURING THE YEAR 2018

	SHARE CAPITAL	RETAINED EARNINGS	OTHER RESERVES	TOTAL
	Nu.	Nu.	Nu.	Nu.
Balance as on 1st January 2017	2,727,961,000.00	29,434,211.90	31,651,490.96	2,789,046,702.86
Total Comprehensive Income for the year 2017				-
Profit/(Loss) for the year 2017		91,295,595.57		91,295,595.57
Other Comprehensive Income		7,458,703.42		7,458,703.42
Fund Received from RGoB restated			(26,551,603.00)	(26,551,603.00)
Prior period income		11,743,512.48		11,743,512.48
Balance as on 31st December 2017	2,727,961,000.00	139,932,023.37	5,099,887.96	2,872,992,911.33
Total Comprehensive Income for the year 2018				
Profit/(Loss) for the year (Net of Tax)		1,520,612.72		1,520,612.72
Other Comprehensive Income		852,318.00		852,318.00
Previous Years Tax		(3,402,484.45)		(3,402,484.45)
Capital Grant for SHP		-	74,274,616.44	74,274,616.44
Balance as on 31st December 2018	2,727,961,000.00	138,902,469.64	79,374,504.40	2,946,237,974.04

Significant Accounting Policies & other Notes

25

Signed in terms of our attached report of even date

For Mitra Roy & Datta

Chartered Accountants

(FRN: 322477E)

RAA Empanelment No. 188/18

Kingsuk Datta

Partner

M.No.053121

Place: Thimphu, Bhutan

Date: 13/12/2019



(Dashe Pema Chewang)
Chairman

(Thinley Dorji)
Chief Executive Officer

National Housing Development Corporation Ltd
Thimphu - Bhutan

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31ST DECEMBER 2018

	YEAR 2018	YEAR 2017
	Nu.	
Cash Flows from Operating Activities		
Profit/(Loss) for the year	2,372,930.72	98,754,298.99
Adjustments for Non-Cash Income & Expenses		
Increase/(Decrease) in Prior Period Adjustment in retained Earnings	-	11,743,512.48
Additional Tax expenses	(3,402,484.45)	-
Depreciation Expense	29,759,893.54	26,059,028.46
Financial Liabilities	16,335,275.77	171,142,941.30
	45,065,615.58	307,699,781.23
Changes in Working Capital:		
(Increase)/Decrease in Other current Assets	(55,737,959.50)	281,222,642.75
(Increase)/Decrease in Other Non-Current Assets	126,883,784.50	(402,156,217.48)
(Increase)/Decrease in Trade & Other Receivables	(15,860,296.29)	(30,027,264.19)
(Increase)/Decrease in Inventories	(20,799,667.80)	(2,757,459.25)
Increase/(Decrease) in Current Liabilities-Payables	45,130,190.19	(2,393,468.53)
Increase/(Decrease) in Non-Current Liabilities-Payables	(40,582,358.48)	48,194,916.63
Increase/(Decrease) in Provisions	4,096,527.00	(13,228,335.07)
Current Tax Expense	(2,980,331.68)	12,073,746.86
Deferred Tax Liabilities	(2,627,785.68)	1,510,740.21
NET CASH FLOWS FROM OPERATING ACTIVITIES	82,587,717.84	200,139,083.16
Cash Flows from Investing Activities		
Capital Work in Progress	(373,307,006.28)	(380,378,724.06)
Purchase of Fixed Assets	(29,105,214.58)	(63,611,324.02)
Sale of Fixed Assets	4,950.00	526,428.15
Purchase of Intangible Assets	-	(259,000.00)
CASH FLOWS FROM INVESTING ACTIVITIES	(402,407,270.86)	(443,722,619.93)
Cash Flows from Financing Activities		
Increase/(Decrease) in Long Term Debt	279,852,350.50	350,000,000.00
Increase/(Decrease) in Other Reserves	74,274,616.44	(26,551,603.00)
CASH FLOWS FROM FINANCING ACTIVITIES	354,126,966.94	323,448,397.00
Cash & Cash Equivalent		
Increase/(Decrease) in Cash & Cash Equivalent for the year	34,307,413.92	79,864,860.23
Opening Cash & Cash Equivalent	82,830,354.67	2,965,494.44
Closing Cash & Cash Equivalent	117,137,768.59	82,830,354.67

Significant Accounting Policies & other Notes
Signed in terms of our attached report of even date

25

For Mitra Roy & Datta
Chartered Accountants
(FRN: 322477E)
RAA Empanelment No.KK-19



Kingsuk Datta
Partner
M.No.053121
Place: Thimphu, Bhutan / Kolkata India
Date: 13th April 2019

(Dasho Pema Tshewang)
Chairman

(Thinley Dorji)
Chief Executive Officer

Chief Executive Officer
National Housing Development Corporation Ltd
Thimphu : Bhutan

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED

THIMPHU, BHUTAN

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2018

NOTE NO - 1

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	Gross Block as on 01.01.2018	Additions during the year	Sold/Adjusted during the year 2018	Balance as on 31.12.2018	Accumulated Depreciation as on 01.01.2018	For the year	Adjustment of Accumulated Depreciation during the Year 2018	Accumulated Depreciation as on 31.12.2018	Net Block as on 31.12.2018	Net Block as on 31.12.2017		
	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.		
Land & buildings(Under Process of Transfer of Ownership)	2,190,477,118.00	1,274,798.00	-	2,191,751,916.00	-	-	-	-	2,191,751,916.00	2,190,477,118.00		
Building												
Owner Occupied Property	10,743,613.35	11,970,000.00	-	22,713,613.35	1,018,725.33	2,804,904.24	-	3,823,629.57	18,889,983.78	9,724,888.02		
Roads & Culverts	10,677,045.90	-	-	10,677,045.90	284,679.48	320,311.38	-	684,990.86	10,072,055.04	10,392,366.42		
Recreation Park	4,929,587.61	-	-	4,929,587.61	760,045.84	147,887.63	-	907,933.47	4,021,654.14	4,169,541.77		
Furniture & Fixtures	3,035,923.58	93,373.00	-	3,129,296.58	712,001.05	456,460.69	-	1,168,461.74	1,960,834.84	2,323,922.53		
Portraits	11,000.00	-	-	11,000.00	10,999.00	-	-	10,999.00	1.00	1.00		
Office Equipment	7,532,399.36	517,405.37	-	8,049,804.73	2,599,194.53	1,171,767.41	-	3,770,961.94	4,278,842.79	4,933,204.83		
Vehicles	34,123,703.00	-	-	34,123,703.00	7,232,887.03	4,803,489.00	-	12,036,376.03	22,087,326.97	26,890,815.97		
Tools & Equipment	3,872,329.53	232,165.00	4,950.00	4,099,544.53	1,880,681.74	589,041.32	362.10	2,469,360.96	1,630,183.57	1,991,647.79		
Power System	1,742,299.84	658,925.00	-	2,401,224.84	115,819.99	109,229.60	-	225,040.59	2,176,184.25	1,626,488.85		
Plant & Machinery	20,000.00	13,023,031.83	-	13,043,031.83	1,742.47	119,566.95	-	121,309.42	12,921,722.41	18,257.53		
Watch Tower	-	1,335,516.38	-	1,335,516.38	-	21,613.15	-	21,613.15	1,313,903.23	-		
TOTAL:	2,267,165,020.17	29,105,214.58	4,950.00	2,296,265,284.75	14,616,767.46	10,544,271.37	362.10	25,160,676.73	2,271,104,608.02	2,252,548,252.71		
Previous Year	2,205,389,439.15	63,611,324.02	1,835,743.00	2,267,165,020.17	9,046,210.45	6,879,871.86	1,309,314.85	14,616,767.46	2,252,548,252.71	2,196,343,228.70		
NOTE NO-1B: Investment Property												
Investment Property	632,471,319.15	-	-	632,471,319.15	101,642,999.19	18,974,139.57	-	120,617,138.76	511,854,180.39	530,828,319.96		
TOTAL:	632,471,319.15	-	-	632,471,319.15	101,642,999.19	18,974,139.57	-	120,617,138.76	511,854,180.39	530,828,319.96		
Previous Year	632,471,319.15	-	-	632,471,319.15	82,668,859.62	18,974,139.57	-	101,642,999.19	530,828,319.96	549,802,459.53		
NOTE NO-1C: Intangible Assets												
Software	1,612,298.02	-	-	1,612,298.02	651,618.88	241,844.70	-	893,463.58	718,834.44	960,679.14		
TOTAL:	1,612,298.02	-	-	1,612,298.02	651,618.88	241,844.70	-	893,463.58	718,834.44	960,679.14		
Previous Year	1,353,298.02	259,000.00	-	1,612,298.02	446,601.85	205,017.03	-	651,618.88	906,696.17	960,679.14		
NOTE NO-1D CAPITAL WORK IN PROGRESS												
Sr. No.	CAPITAL WORK IN PROGRESS									As on 31st December 2018	As on 31st December 2017	
1	Phumsholing /Phase-II									61,664,466.30	44,398,186.64	
2	Pasakha Fabrication Unit									1,695,376.68	-	
3	Regional Office-Phing									75,889.00	-	
5	Teriburi									748,085,924.14	393,960,262.14	
6*	Byemina Manufacturing Unit									143,798.94	-	
										811,665,455.06	438,358,448.78	



16/12/23

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN			
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018			
PARTICULARS		As at 31st December 2018	As at 31st December 2017
		Nu.	Nu.
NOTE NO: 2			
CASH AND CASH EQUIVALENT			
Cash at Bank			
Bank A/C with BNBL, Thimphu			
CD A/C No.0000062864013-Current Account		3,278,934.97	3,030,843.97
Bank A/C with BOBL, Thimphu			
Thimphu BOB A/c -100930599		28,267,723.15	23,109,290.10
Thimphu BoB A/c No 100909089 (Pilot House A/c)		743,404.40	528,324.00
Thimphu BOBL A/c # 100912424		84,847,706.07	56,161,896.60
		117,137,768.59	82,830,354.67
NOTE NO: 3			
TRADE & OTHER RECEIVABLES			
TRADE RECEIVABLES			
HMU Deposit Work (Receivable)		2,035,627.70	281,931.66
Rent Receivable		2,583,519.35	2,067,902.85
OTHER RECEIVABLES			
Bhutan Power Corporation(SHP)		5,357,126.76	-
Phuntsholing Thomde(Deposit work)		10,170,661.99	-
Bhutan Telecom Limited (SHP)		63,195.00	-
RICBL (Deposit Work)		-	1,250,000.00
Changjiji Community Lhagkhang		25,677,429.68	25,677,429.68
Bhutan Postal Corp. Ltd.(Deposit Work)		-	625,000.00
10% Retention Money		-	125,000.00
	3	45,887,560.48	30,027,264.19
	3A	28,066,115.29	29,657,091.66
	3B	17,821,445.19	370,172.53
NOTE NO.4			
OTHER ASSETS			
DEPOSITS			
Earnest Money Deposit		200,000.00	200,000.00
Security Deposit		79,590.00	-
	A	279,590.00	200,000.00
	Non-Current	279,590.00	200,000.00
	Current	-	-
ADVANCES			
Advances to Contractors (Mobilisation Advance)		5,176,569.18	18,643,191.52
Advance to Contractors (Secured Advance)		5,025,746.35	27,723,253.97
Advance to Suppliers		28,132,534.94	8,558,255.08
Advances for Maintainance		3,097,047.56	(73,936.45)
Advances for Tour		115,533.00	-
Advance to others		-	4,958,928.35
	B	41,547,431.03	59,809,692.47
	Non-Current	-	46,366,445.49
	Current	41,547,431.03	13,443,246.98



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN			
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018			
		As at 31st December 2018	As at 31st December 2017
		Nu.	Nu.
FIXED DEPOSITS			
Fixed Deposits with Bank of Bhutan Limited			
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
Acc.No.200934363		25,000,000.00	
Gratuity Fund Management (RICBL)		17,210,441.00	-
Gratuity Fund-Bhutan Insurance Ltd		1,154,873.28	1,272,361.28
Annuity Policy with RICBL			
RICBL-FA/2016/1236			110,000,000.00
RICBL-FA/2016/1243(Gratuity)		110,000,000.00	-
RICBL-FA/2018/3915		75,000,000.00	-
RICBL-FA/2016/1724 (Pilot Housing)		2,018,714.00	1,800,000.00
RICBL(FA/2017/3437)		75,000,000.00	75,000,000.00
C		305,384,028.28	363,072,361.28
Non-Current		280,384,028.28	363,072,361.28
Current		25,000,000.00	
OTHERS			
Interest Accrued But Not Due		2,042,995.07	2,398,312.32
Other Receivables		9,642,177.66	4,561,680.96
D		11,685,172.73	6,959,993.28
Non-Current		2,091,404.00	-
Current		9,593,768.73	6,959,993.28
TOTAL OTHER CURRENT ASSETS		A+B+C+D	430,042,047.03
Non-Current		4A	409,638,806.77
Current		4B	20,403,240.26
NOTE NO.5			
Inventories		23,557,127.05	2,757,459.25
Total Inventories		23,557,127.05	2,757,459.25
NOTE NO.6			
Financial Assets		3,065,377.04	5,035,800.70
Total Financial Assets		3,065,377.04	5,035,800.70
NOTE NO.7			
Deferred Tax Asset		1,117,045.47	-
Total Tax Assets		1,117,045.47	-
NOTE NO: 8			
SHARE CAPITAL			
Authorised Capital:			
10,000,000 Equity (or Ordinary) Shares of 1,000 Ngultrum each		1,000,000,000.00	10,000,000,000.00
Subscribed & Paid up Capital of RGoB			
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)		-	-
		2,727,961,000.00	2,727,961,000.00



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2018

		As at 31st December 2018	As at 31st December 2017
		Nu.	Nu.
NOTE NO: 9			
RETAINED EARNINGS			
	Net Accumulated Profit from past years	139,932,023.37	29,434,211.90
	Profit/(Loss) for the year(Net of Tax)	1,520,612.72	91,295,595.57
	Other Comprehensive Income	852,318.00	7,458,703.42
	Previous Year Tax	(3,402,484.45)	-
	Prior Period finance charge on Financial instrument	-	5,052,912.48
	Prior period income (pilot housing)	-	6,690,600.00
		138,902,469.64	139,932,023.37
NOTE NO: 10			
OTHER RESERVES			
	RRCO (Seed Money)	5,099,887.96	5,099,887.96
	Capital Grant for SHP	74,274,616.44	-
		79,374,504.40	5,099,887.96
NOTE NO: 11			
LONG TERM DEBT			
	Corporate Term Loan	879,852,350.50	600,000,000.00
NOTE NO: 12			
Financial Liabilities			
	Secured Loan Interest Free	188,951,701.00	176,178,742.00
	fair Valuation Adjustment Reserve for Pilot Housing	1,591,893.11	-
		190,543,594.11	176,178,742.00
NOTE NO: 13			
PAYABLES			
	Sundry Creditors (Suppliers)	2,106,481.23	1,569,098.39
	Retention Money (Contractors)	19,584,427.99	33,238,694.34
	Liabilities for Expenses	535,760.96	149,497.92
	Other Liabilities	72,761,299.57	55,482,847.39
		94,987,969.75	90,440,138.04
	Non-Current	13A	32,861,809.04
	Current	13B	62,126,160.71
			73,444,167.52
			16,995,970.52
NOTE NO: 13.1			
SUNDRY CREDITORS			
	Trade Payables (Suppliers)	1,734,297.93	118,532.92
	Trade Payables (Contractors)	372,183.30	1,450,565.47
		2,106,481.23	1,569,098.39
	Non-Current	13.1A	-
	Current	13.1B	2,106,481.23
			1,569,098.39
NOTE NO: 13.2			
RETENTION MONEY			
	Retention Money (Contractors)	19,584,427.99	33,238,694.34
		19,584,427.99	33,238,694.34
	Non-Current	13.2A	-
	Current	13.2B	19,584,427.99
			33,238,694.34



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2018

		As at 31st December 2018	As at 31st December 2017
		Nu.	Nu.
NOTE NO: 13.3			
LIABILITIES FOR EXPENSES			
		14,508.00	-
	Salary & Wages Payable		
	Auditors' Fee	66,550.00	60,500.00
	Bhutan Oil Distributors	70,554.96	32,643.92
	Bhutan Power Corporation Limited	86,921.00	56,354.00
	Bhutan Telecom Limited	16,924.00	
	Phuntsholing Thomde	280,303.00	-
		535,760.96	149,497.92
	Non-Current	-	76,554.42
	Current	535,760.96	72,943.50
	13.3A		
	13.3B		
NOTE NO: 13.4			
OTHER LIABILITIES			
	Security Deposits (Performance)	528,220.00	518,297.00
	Security Deposits (House Rent)	11,007,328.04	10,688,206.62
	Security Deposits (Pilot Housing)	203,481.00	203,481.00
	Rent Received in Advance	242,515.00	121,273.00
	Pilot House Fund	-	283,846.00
	Advance From Customers	42,249,686.86	25,159,297.79
	Other Payables	18,530,068.67	18,508,445.98
		72,761,299.57	55,482,847.39
	Non-Current	32,861,809.04	32,542,687.62
	Current	39,899,490.53	22,940,159.77
	13.4A		
	13.4B		
NOTE NO: 14			
PROVISION			
	Provision Employee Gratuity Fund	19,991,021.00	17,656,844.00
	Provision for Leave Encashment	4,297,854.00	2,535,504.00
		24,288,875.00	20,192,348.00
	Non-Current	23,337,715.00	7,586,231.14
	Current	951,160.00	12,606,116.86
	14A		
	14B		
NOTE NO: 15			
	Provision for CIT	9,093,415.18	12,073,746.86
	Total Current Tax	9,093,415.18	12,073,746.86
NOTE NO: 16			
	Deferred Tax Liability	-	1,510,740.21
	Total Deferred Tax Liability	-	1,510,740.21



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	For the year ended 31st December 2018	For the year ended 31st December 2017
	Nu.	Nu.
NOTE NO: 17		
REVENUE:		
RENTAL INCOME		
Rental Income (Received from Dzongkhags)	1,289,414.20	1,246,843.73
Rental Income-Commercial	10,505,046.20	11,349,124.78
Rental Income-Residential	77,175,778.53	72,203,346.31
Rental Income (Lease)	482,823.25	1,151,031.25
	89,453,062.18	85,950,346.07
NOTE NO: 18		
OTHER INCOME		
Miscellaneous Income	1,532,283.68	219,773.35
Income from Depository Work	28,188,490.40	10,239,550.56
RGoB fund for demolition of Structure		4,900,603.00
RGoB Housing Maintenance(Revenue Grant)	14,999,493.82	40,000,000.00
Govt. Grant for concessional borrowings at fair value	(12,772,959.00)	73,821,258.00
Interest on Fixed Deposits	34,108,631.38	9,132,956.57
Interest on Fixed Deposits (Gratuity)	-	612,500.00
Income From Hiring Charges	548,568.64	-
Income from Consultancy Services	6,320,000.00	3,125,000.00
Interest Income(Pilot Housing)	404,284.67	6,665,646.80
Income from Fines & Penalties	248,361.17	4,883,410.53
Gain on Sale of Assets	-	96,631.00
	73,577,154.76	153,697,329.81
NOTE NO.19		
PERSONNEL EMOLUMENTS		
Salary & Wages	23,282,542.00	26,417,344.00
Bonus	1,935,753.06	2,836,653.00
Contribution to Provident Fund	2,096,839.00	2,805,482.00
Contribution to Gratuity Fund	2,478,025.00	3,322,080.00
Corporate Allowance	4,237,089.00	4,725,723.00
Group Health Insurance	660,114.00	654,785.00
Group Personal Accident Insurance	95,761.00	98,591.00
Leave Travel Concession	1,641,137.00	1,279,082.00
Leave Encashment	3,006,412.01	1,075,159.00
Retirement Benefit	153,982.00	-
Conveyance Allowance	71,800.00	274,233.00
Communication Allowance	158,300.00	353,900.00
Cash Handling Allowance	14,000.00	12,000.00
Employee Training Expenses	5,825,060.50	4,596,927.58
Working Uniform/Liveries	135,000.00	567,160.00
Other Employee Costs	807,090.49	2,076,664.89
A	46,598,905.06	51,095,784.47



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	For the year ended 31st	For the year ended 31st
	December 2018	December 2017
	Nu.	Nu.
NOTE NO.20		
Operation & Maintenance		
Maintenance of Property	35,880,043.91	24,009,740.17
Expenses for Depository Works	22,993,872.37	9,245,403.88
Vehicle running Expenses	1,279,939.66	2,951,108.16
Power & Fuel	29,909.70	33,239.00
Water & Sewerage	88,927.00	90,239.16
Canteen Expenses	6,190.00	54,545.00
Repair & Maintenance	876,703.07	1,611,128.24
Registration/Insurance/Tax of Pool Vehicles	32,290.00	-
Registration/Insurance/Tax of Buildings	2,000,000.00	-
Registration/Insurance/Tax of Land	1,902,461.90	14.00
Registration/Insurance/Tax of Equipment/Machinery	7,750.00	57,230.00
B	65,098,087.61	38,052,647.61
NOTE NO: 21		
ADMINISTRATIVE EXPENSES		
Advertisement	261,550.00	444,425.00
Office Expenses	749.00	-
Board Members Sitting Fees	65,000.00	178,000.00
Electricity Charges	734,791.50	673,185.00
Postage & Courier	75,630.00	67,660.00
Carriage Charges	-	64,200.00
Hiring Charges	-	477,500.00
Telephone, Fax & Internet Charges	706,030.00	723,551.60
Travel Expenses	1,078,585.00	2,612,543.00
Printing	113,450.92	131,677.00
Recreation & Sports Expenses	50,000.00	-
Books & Periodicals	25,005.00	30,000.00
Auditors' Fee & Expenses	290,764.00	320,049.00
Professional Charges	79,000.00	164,000.00
Fees for Actuary	17,000.00	17,000.00
Discretionary Grant Expenses	200,000.00	200,000.00
Hospitality & Entertainment	1,475,583.85	1,590,371.64
Bad Debts Written Off	-	91,300.00
Rates & Taxes	-	7,068.00
License Fees/Reg.	414,769.00	5,480.00
Loss on Sale/Disposal of Fixed Asset	-	43,359.15
Fines & Penalties	104,680.00	-
Corporate Social Responsibility Expenses	39,280.00	41,319.00
Bank Charges	33,854.84	5,216.14
Lease Rent Payment	79,462.00	-
Gift & Presentation	-	45,160.00
Donations	913,928.00	949,311.00
Meeting and Seminar	1,382,574.00	244,628.00
Honorarium Expenses	186,000.00	210,200.00
Miscellaneous Expenses	1,446,938.16	2,791,267.55
Consultancy services Expenses	163,265.00	33,900.00
	9,937,890.27	12,162,371.08



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	For the year ended 31st December 2018	For the year ended 31st December 2017
	Nu.	Nu.
NOTE NO: 22		
CONSUMABLES		
Consumption of Office Stationeries	1,790.00	191,398.44
Consumption of Equipment Spares	19,080.00	61,029.00
Consumption of Printing & Stationeries	633,088.04	368,609.00
Consumption of Vehicle Spares	79,560.00	80,595.53
	733,518.04	701,631.97
NOTE NO: 23		
FINANCE COST		
Finance Charge on Financial Instruments	3,343,602.77	17,111.78
Interest on Loan	-	4,530,577.83
	3,343,602.77	4,547,689.61
NOTE NO: 24		
TAX EXPENSE		
Current Period Tax Expense	9,804,178.46	12,638,987.60
Deferred Period Tax Expense	(2,627,785.68)	1,510,740.21
	7,176,392.78	14,149,727.81



NOTE 25:

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON FINANCIAL STATEMENTS

NOTE NO.: 25-A

CORPORATE INFORMATION

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

SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Preparation:

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

2. Use of Estimates

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

3. Investment Property/ Owner Occupied Property:

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

4. Depreciation

- 4.1. Depreciation is provided on straight line method.
- 4.2. Depreciation on Investment Property, Owner Occupied Property, and Intangible Assets acquired during the current financial year is charged on Pro- rata days' basis from the date of capitalization or putting into use.
- 4.3. For assets treated as Investment Property, Owner Occupied Property and Intangible Assets, the company should have been allocated as per BAS-16 the depreciable amount on a systematic basis over its useful life. In view of the cost and time involved for technical evaluation of useful life of Investment Property and Owner Occupied Property 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, Owner Occupied Property 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 recognized as asset and capitalized on the basis of costs incurred to acquire and bring it to the intended use.
- 5.2. The capitalized costs of intangible assets are amortized 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 recognized on the date when the Company becomes a party to the contractual provisions of the instrument.
- 7.2. The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss. Currently the Company does not



- have any Financial Assets classified as held for trading or Financial Instruments designated as Fair Value through Profit or Loss.
- 7.3. All Financial assets including dues from banks, loans & advances to suppliers and trade receivables are financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement, the financial assets are subsequently measured at amortized cost using the Effective Interest Rate (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the Effective Interest Rate (EIR). The Financial Assets are carried at amortized cost.
- 7.4. Financial instruments issued by the Company are not designated at fair value through profit or loss, and are classified as liabilities as borrowings or payables, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the Effective Interest Rate (EIR). Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate (EIR). The Financial Liabilities are carried at amortized cost.
- 7.5. The Company applies BAS-37 - "*Provisions, Contingent Liabilities and Contingent Assets*" to all its Loan Commitments and as such BAS-39 - "*Financial Instruments: Recognition and Measurements*" does not apply to such loan commitments.
- 7.6. A financial asset or, where applicable a part of a financial asset or part of a group of similar financial assets, is derecognized when:
- The rights to receive cash flows from the asset have expired;
 - The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement;
 - The Company has transferred substantially all the risks and rewards of the asset;
 - The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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



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

- 7.7. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.
 - 7.8. The Company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.
 - 7.9. Other Accounting Policies in relation to Financial Instruments are either not significant or are not relevant as on the date of the financial statements or during the financial year and as such are not reported as significant accounting policies. Such policies related to Financial Instruments include determination of fair value, reclassification of financial assets etc.
- 8. Retirement Benefits of Employees:**
- 8.1. Actuarial valuations for Gratuity and Leave Encashment are 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 finalized by the management.
 - 8.3. Costs in respect to defined contribution schemes are recognized 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 met for recognition of revenue.
 - 9.2.1. Company's main revenue earning sources are collection of rents from Buildings/Quarters/Cottages let out and it is recognized on accrual basis.



- 9.2.2. The Income from maintenance Services rendered by the company is recognized as and when invoices are raised on the basis of stage of completion of the contract.
- 9.2.3. Income on Financial Lease is recognized based on a constant periodic rate of return on the net investment in the finance lease.
- 9.2.4. Income on Operating Lease is recognized as and when such lease rent assures.

10. Borrowing Costs

- 10.1. Borrowing costs directly attributable to the acquisition, construction or production of major asset, being the qualifying asset, which necessarily take a substantial period of time to be ready for its intended use are added to the cost of such asset until it is substantially ready for its intended use.
- 10.2. Income earned on temporary investment of fund from specific borrowings pending their use on the qualifying assets is deducted from the borrowing costs eligible for capitalization.
- 10.3. All other borrowing costs are recognized in profit and loss in the period in which they accrue.

11. Grants:

- 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. 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

- 13.1 Tax expense for the period comprises current and deferred tax. Tax is presented in the Income Statement. However, in case of incomes presented in the Other Comprehensive Income, the related tax is also presented in the Other Comprehensive Income.
- 13.2 The current income tax is calculated on the basis of the income tax laws of Bhutan applicable as on the date of the financial statements.
- 13.3 Deferred tax is recognized on the basis of temporary differences arising between carrying amounts of the tax bases of assets and liabilities and determined using the tax rates as applicable in Bhutan as on the date of the financial statements and are expected to apply when the related deferred tax asset or the deferred tax liability is settled.



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

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

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

15. Segment Reporting

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

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

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



NOTE NO.: 25-B**NOTES ON FINANCIAL STATEMENTS FOR THE YEAR 2018**

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. 15,880,501.15 (last year Nu. 15,280,604.00)
 - 1.2. Capital commitment Nu. 80,582,861.21 (last year Nu. 315,809,158.49) net of costs recognised in the financial statements and advances made of Nu. 9,162,415.95 (last year Nu. 474,921,670.61).
2. None of the fixed assets of the company have been revalued during the year under audit. The building under PPE has been classified as owner-occupied property and the property used for rental purpose has been classified as investment property under Note No. 1B as per BAS 40.
3. The total cost of construction of Nu.25,677,429.68 for Changjiji community Lhakhang has been transferred from PPE to other non current assets and the fund received from MoF for the community Lhakhang of Nu.21,651,000 has also been transferred from reserves to non current liability. The accumulated depreciation of Nu.614, 147.84 has been restated through retaining earnings.
4. The Fund received from RGoB for Nu.4,900,603 in the year 2013 for demolition of structures which belongs to NHDCL is restated as income in the opening retained earnings from the reserves as the same was not appearing in the Fixed Asset Register of the company.
5. The current liabilities of Nu.283,846.00 and Nu.544.463.10 which has been lying in the accounts for more than five years and in absence of the details has been taken as other income in 2018.
6. The combined financial charge-Financial Instrument adjustment of Nu.5,035,800.70 last year has been segregated to their respective account heads in 2018.
7. Related Party Disclosure
In accordance with BAS 24, following are the list of related parties.

a. Details of Directors and Related Parties:

Name	Address	Position	Remarks
Dasho Pema Chewang	Secretary, NLCS	Chairperson	Present
Mr.Lodey Tsheten	Director, DNB, MOF	Director	Present
Mr.Dungtu Drukpa	CEO, NPPF	Director	Present
Mr. Pema.R.Rinchen	Project Director, HOPE	Director	Present
Mr. Tashi Tobgye	Director, DCRC, MOHCA	Director	Present
Mr.Karma Sonam	Director, DHS, MoWHS	Director	Present
Mr. Wangchuk Thaye	Executive Secretary	Director	Former



Mr. Thinley Dorji	CEO, NHDCL	Chief Executive Officer	Present
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b. Transactions with related parties during the year:

i. DSA & Sitting Fee:

Name	2018		2017	
	DSA (Nu.)	Sitting Fee (Nu.)	DSA (Nu.)	Sitting Fee
Mr. Pema Chewang		15,000.00	5,250.00	20,000.00
Mr. Lodey Tsheten		15,000.00	3,000.00	10,000.00
Mr. Dungtu Drukpa		15,000.00	5,250.00	15,000.00
Mr. Pema. R. Rinchen	128,620.00	15,000.00	228,698.15	45,000.00
Mr. Tashi Tobgye		5,000.00		
Mr. Wangchuk Thaye		5,000.00	205,511.15	45,000.00
Mr. Namgyel lhendup				10,000.00
Mr. Jigme Thinley				5,000.00

ii. Loan with NPPF

Particulars	Amount (Nu.)	Remarks
Term Loan	890,000,000	Sovereign Guarantee (MoF)

ii. Chief Executive Officer's Remuneration:

Particulars	2018	2017
Basic Pay	840,000.00	840,000.00
Corporate Allowance	210,000.00	210,000.00
Communication Allowance	60,000.00	60,000.00
Contract Allowance	294,000.00	294,000.00
Provident Fund	92,400.00	92,400.00
Leave encashment	70,000.00	70,000.00
Bonus	87,500.00	110,753.00
Sitting Fee	20,000.00	55,000.00
Discretionary Grant	200,000.00	200,000.00
Total	1,873,900.00	1,932,153.00

d. Employee Benefit disclosure as per BAS 19

7.1. Defined Contribution Plans



Contributions for Defined Contribution Plans amounting to Nu. 2,096,839.00 (LY Nu. 2,805,482.00) has been recognized in the Statement of Profit & Loss.

7.1.1. 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.

7.2. Defined Benefit Plans

7.2.1. 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/2018	31/Dec/2017 Nu.
A1. Change in Defined Benefit Obligation (DBO)		
DBO at the beginning of the Current Period	17,656,844	21,710,442
Current Service cost	1,904,568	1,885,603
Past Service Cost	-	-
Interest Cost	1,228,960	1,519,731
Benefits Paid by the plan	(200,539)	-
Benefits Paid by the employer	-	-
Actuarial (gains)/losses due to plan experience	(598,812)	(7,458,932)
Actuarial (gains)/losses due to change in demographic	-	-



assumptions		
Actuarial (gains)/losses due to change in financial assumptions	-	-
DBO at the end of the current period	19,991,021	17,656,844
A2. Change in Fair Value of Assets during the year		
Fair value of Plan Assets at beginning of Current	1,272,361	1,189,336
Contributions paid into the plan	16,384,483	-
Expected Return on Plan Assets	655,503	83,254
Benefits Paid by the plan	(200,539)	-
Return on plan assets greater or (less) than discount rate	253,506	(229)
Fair value of Plan Assets at end of the current the period	18,365,314	1,272,361
A3. Income Statement		
Current Service Cost	1,904,568	1,885,603
Past Service Cost	-	-
Net Interest cost on net DB liability/(asset)	573,457	1,436,477
Net cost for the year recognized in income statement	2,478,025	3,322,080
A4. Other Comprehensive Income (OCI)		
Actuarial (gains)/losses due to liability experience	(598,812)	(7,458,932)
Actuarial (gains)/losses due to liability assumption changes	-	-
Return on plan assets (greater) or less than discount rate	(253,506)	229
Re-measurement (gains)/losses recognized in OCI	(852,318)	(7,458,703)
A5. Defined benefit cost		
Current Service Cost	1,904,568	1,885,603
Past Service Cost	-	-
Net Interest cost on net DB liability/(asset)	573,457	1,436,477
Remeasurement (gains)/losses recognized in OCI	(852,318)	(7,458,703)
Total Defined Benefit Cost	1,625,707	(4,136,623)
A6. Development of net financial position		
Defined benefit obligation	(19,991,021)	(17,656,844)
Fair value of plan assets	18,365,314	1,272,361
Funded status-(deficit)/surplus	(1,625,707)	(16,384,483)
Net defined benefit asset/(liability)	(1,625,707)	(16,384,483)
A7. Reconciliation of net financial position		
Net defined benefit liability/(asset) at the beginning of current period	16,384,483	20,521,106
Amount recognised in the income statement	2,478,025	3,322,080
Amount recognised in the OCI	(852,318)	(7,458,703)
Contributions paid into the plan	(16,384,483)	-



Benefits paid by employer	-	-
Net defined benefit liability/(asset) at the end of current period	1,625,707	16,384,483

A8. Expected benefit payments for the year ending

December 31, 2019	5,117,368
December 31, 2020	3,159,181
December 31, 2021	3,930,323
December 31, 2022	2,845,512
December 31, 2023	2,678,105
December 31, 2024 to December 31, 2028	20,236,470

A9. Estimated term of liability (Years) **6.69**

A10. Scheme Asset Allocation

	Amount	Percentage
Gratuity fund with BIL	1,154,873	6%
Gratuity fund with RICBL	17,210,441	94%
Total	18,365,314	100%

A.11 Sensitivity Analyses

1. Discount Rate

	In Nu. Defined Benefit Obligation	Net Effect on DBO
Base Discount Rate of 7.0%	19,991,021	-
Discount rate of 7.5% (+0.5%)	19,481,702	(509,319)
Discount rate of 6.5% (-0.5%)	20,527,493	536,472

2. Salary Escalation Rate

Base Salary Escalation Rate of 11%	19,991,021	-
Salary Escalation Rate of 12% (+1%)	20,332,383	341,362
Salary Escalation Rate of 10% (-1%)	19,641,945	(349,076)

3. Attrition Rate

Base Attrition Rate of 8%	19,991,021	-
Attrition Rate of 9% (+1%)	19,949,136	(41,885)
Attrition Rate of 7% (-1%)	20,024,999	33,978

B. SCHEME DESCRIPTIONS

B.1 Gratuity Scheme Benefits as on 31/12/2018.

1. **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.



2. **Benefit payable on:** Death/ Disability/Resignation/Normal Retirement.
3. **Form of Benefit:** Lump sum.
4. **Vesting Period:** 10 years for resignation and none for the rest.
5. **Maximum Benefit:** Nu. 1,500,000.
6. **Benefit Formula:** Monthly Basic Salary at the time of exit X Eligible service rendered till the time of exit.

7.2.2. 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. 4,297,854.00 (LY Nu. 2,535,504.00) out of which Nu. 951,160 is current (LY Nu. 532,370.00).

Assumptions:

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

8. A sum of Nu. 2,191,751,916.00 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.
9. 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 3rd 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
RRCO (Seed Money)	2012 or earlier	18,134,401.58	
	April 2013	1,043,819.00	



	July 2013	1,202,859.00	
	August 2013	4,209,137.38	
	September 2013	40,164.00	
	October 2013	347,177.00	
	November 2013	4,991,330.00	29,968,887.96
Total			84,968,887.96
Converted to Equity	2015		79,869,000.00
Balance Grant			<u>5,099,887.96</u>

The same is presented in the Financial Statement as below

RRCO (Seed Money) 5,099,887.96

For conversion of this amount of Nu. 5,099,887.96 further approval of RGoB will be required.

Besides, RGoB (Housing Maintenance Grant) amounting to Nu. 14,999,493.82 (Last year Nu. 40,000,000.00) has been considered as an Indirect Income and expenditure of the same amount has been incurred out of that grant during the year.

- The Ministry of Finance, RGoB, has released Interest Free Loan to the extent of Nu.250.00 million (previous year Nu.250.00 million) to the company for construction at SamdrupJongkhar, Phuntsholing, Gasa and Lhuentse, which is repayable after ten years from the date of disbursement. As per the terms of sanction, the company shall create a Sinking Fund for repayment of principal amount on maturity of loan. The company has made an Investment in Fixed term Annuity Scheme with RICBL amounting to Nu. 150 million as on 31st Dec.2018. Since the fair valuation was not done for the interest free loan last year, the same has been done as per the BFRS 9-Financial Instrument and Nu.73,821,258.00 has been restated through retained earnings in 2017. For the current year a net fair value of Nu.12,772,959.00 has been charged on the financial instrument.
- With the approval from the Cabinet and directives from the Ministry of Finance (MoF), a loan agreement has been executed between the Company and National Pension and Provident Fund (NPPF) with Sovereign Guarantee. Total loan sanctioned for the project is Nu. 890,000,000.00 bearing an interest at the rate of 7.25% per annum for 20 years. As per the approval letter from the MoF, the payment of the principal as well as the interest will be borne by the MoF. In 2018 a loan instalment of Nu.74,274,616.44. was received from MoF, which is treated as Capital Grant for Special housing Project.



12. The amount of Nu. 69,781,979.30 have been capitalized against the interest on loan paid to National Pension and Provident Fund (NPPF) during the year.
13. In the current year the Finance Charge / Income and corresponding Liability / Asset on the Financial Instruments measured at amortized cost has been recognized.
14. During the year, the company has earned a profit before tax of an amount of Nu. 8,697,005.50 (Last Year Nu. 105,445,323.38) and Other Comprehensive Income (OCI) of Nu. 852,318.00 (Last Year 7,458,703.42). A provision for Corporate Income Tax (CIT) of Nu. 9,804,178.46.18 (Last Year Nu. 12,638,987.60) thereon and a Deferred Tax Income of Nu. 2,627,785.68 (Last Year Expenses of Nu.1,510,740.21) for the year 2018 have been made including Current Year. The total comprehensive income for the year is at Nu. 2,372,930.72 (Last Year Nu. 98,754,298.99).
15. Previous year's figures have been re-grouped and re-arranged wherever required for better disclosures.
16. Note Nos.1 to 24 are the part of the financial statements of the company and these are duly authenticated by the Management.



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED

THIMPHU, BHUTAN

RATIO ANALYSIS

Ratio	Basis of Ratio	2018	2017 Restated	2017
Profitability Ratio				
Operating Profit Ratio	Operating Profit / Total Revenue	8.63%	78.95%	22.51%
Gross Profit Ratio	Profit Before Tax / Total Income	25.46%	57.15%	20.86%
Net Profit Ratio	Profit After Tax / Total Income	0.93%	38.35%	12.07%
ATROE (After Tax Return on Equity)	Profit After Tax / Owner's Equity	0.05%	3.18%	0.69%
Return on Fixed Assets	Profit After Tax / Total Net Block of Property Plant & equipment	0.07%	4.05%	0.69%



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED
THIMPHU, BHUTAN
RATIO ANALYSIS

Operating Efficiency					
Operating Ratio	Operating Costs / Total Operating Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)+Income from consultancy & Hiring]	87.71%	73.22%	66.65%	
Operating Revenue to Total Income	Total Operating Revenue [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)] / Total Income	84.98%	58.52%	85.47%	
Stability Ratios					
Debt Equity Ratio	Total external Debt / Total Equity	30%	21%	30%	
Debtors Turnover Ratio (in Days)	Total Operating Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)+Income from Consultancy]/Total Receivables	9.34	19.70	6.30	
Liquidity Ratio					
Current Ratio	Current Assets / Current Liabilities	3.77	3.76	13.59	

