

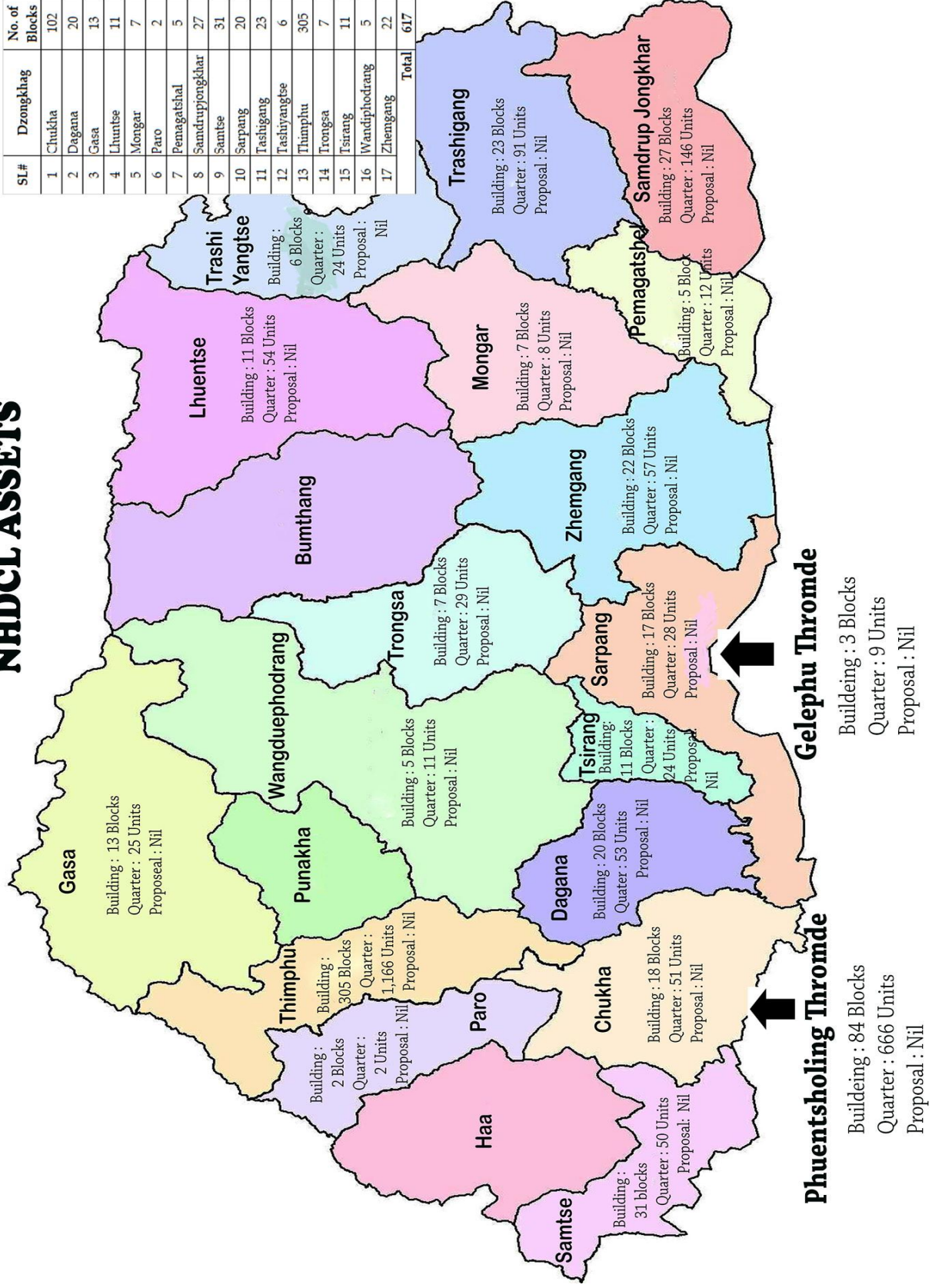
# NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED



ANNUAL REPORT 2019  
8<sup>th</sup> ISSUE

# NHDCL ASSETS

Sl #	Dzongkhag	No. of Blocks	No. of Units
1	Chukha	102	717
2	Dagana	20	53
3	Gasa	13	25
4	Lhuntse	11	54
5	Mongar	7	8
6	Paro	2	2
7	Pemagatshal	5	12
8	Sandrupjongkhar	27	146
9	Samtse	31	50
10	Sarpang	20	37
11	Tashigang	23	91
12	Tashiyangtse	6	24
13	Thimphu	305	1166
14	Trongsa	7	29
15	Isirang	11	24
16	Wandiphodrang	5	11
17	Zhemgang	22	57
Total		617	2506



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## Company Profile:

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

## Financial Highlights as on 31.12.2019

<i>Sl.no</i>	<i>Description</i>	<i>Figure</i>	<i>Remarks</i>
i	Total Equity & Retained earnings	Nu. 3.009 Billion	
ii	Net Asset Block	Nu. 3.70 Billion	
iii	Total Comprehensive Loss	Nu. 592,831.27	
iv	Long Term Debt	-	
v	Corporate Loan	Nu. 858.61 Million	MOF Interest Free Loan
vi	No. of Employees	173 (Including 11 contract employees)	

## DIRECTOR'S REPORT TO THE SHAREHOLDERS

"On behalf of NHDCL's Board of Directors, I am pleased to present the 8<sup>th</sup> Annual Report of NHDCL. It highlights and provides explanatory overview of 2019 operating performance, corporate governance and risk management and challenges. It also presents the complete set of the audited financial statements, audit observations of the company as of 31 December 2019."

### Operational Performance & Achievements

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

The maintenance of the old quarters as usual was carried out phase wise across the country. Apart from the normal maintenance work, Home maintenance unit has undertaken various deposit works from different agencies. Design and Planning Services also took up Consultancy works for various agencies including Lhakhang Complex at Rajgir, Thimphu Riverside Walkway, Zhemgang Dzongkhag Zigrey, basement parking and record room for NLCS, commercial building for RICBL.

On the construction front, construction of three (3) storied office building for Kuensel Corporation Limited, construction of two storied record room and basement parking for National Land Commission, Constructions of five storied and three storied affordable residential housing and Regional Office Building in Phuentsholing are under execution. The construction of River side walkway development at Tashichho Dzong had commenced and the projects are all on-going. The iconic building at Phuentsholing, *Gor Chim* was approved for demolition and was brought to ground zero in 2019. The manufacturing Unit at Bjemina was inaugurated and commenced its operation from August 2019.

As per the directive of the government, NHDCL planned, designed and commenced the execution of Affordable Project in Phuentsholing in 2017. The project comprised of 62 buildings with 506 housing units with the total estimated cost of Nu.890 million. The buildings are 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 20 building which were completed and handed over to NHDCL were allotted to the tenants in early 2019. The departmentally executed project of 21 buildings with 210 housing units were completed in mid-July and allotted to tenants in August 2019. Thus, the Affordable housing Project of 506 units at Phuentsholing had been completed and allotted to tenants in 2019.

## **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 has prepared its financial statements in accordance with Bhutanese Accounting Standards. The operating income for the year 2019 is Nu.180.87 million, which is an increase of Nu.16.71 million or 10% as compared to Nu.164.17 million in the year 2018. The increase is due to the Income from the special housing units and the notional income on the fair valuation reduced by Nu.13.69 million which has reduced the income in 2019 by that amount. If these notional values are not accounted, the operating income has increased by Nu.30.40 million in comparison with 2018 Income.

As always the company has received Nu. 10 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 decreased by 19% or Nu.22.82 million that is Nu. 99.54 million in 2019 from Nu. 122.36 million in 2018(excluding depreciation and finance cost). The decrease in expenditure is mainly from the operations and maintenance with 39% or Nu.44 million decrease as compared to 2018 O&M of Nu.65.09 million. The components that attributed to the decrease in O& M is from the building maintenance, Deposit works expenditure.

The net block of an asset of the company stands at Nu. 3,700.89 million as on 31<sup>st</sup> December 2019 as against Nu.2, 782.95 million in 2018. 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 2019 amounted to Nu.17.27 million as compared to Nu. 8.69 million reported in the previous year. With Nu.10.73 million as remeasurement loss on gratuity recognized in other comprehensive Income, the total comprehensive loss for the year accounts to Nu. 592,831.27 against the total comprehensive gain of Nu.2.37 million in 2018.

The direct contribution of NHDCL to the exchequer by way of CIT is Nu.4.56 million in 2019 as compared to Nu.9.80 million in 2018. 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 2019, the company contributed Nu.1.01 million as part of CSR to various social causes of which Nu.0.92 million was for the religious activities.

## **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.

At the end of 2019, 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.

## **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. Despite the challenges, NHDCL had been able to complete the construction of 506 housing units in Phuentsholing and allotted to the tenants successfully. Considering the inherent needs, the Company established the manufacturing unit at Bjemina, which start functioning from August 2019. This is expected to ease the delivery of materials on time and also improve efficiency. In 2019, the construction of five (5) storeyed Regional Office and four (4) storeyed residential buildings are in full swing.

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

For 2020, the construction of two (2) storeyed traditional rammed earth building near the Milk booth along Norzin Lam, construction of composite traditional structure of three (3) storeyed near India House gate, construction of commercial building at Changjiji Housing Colony, and affordable housing in the three Districts (SamdrupJongkhar, Nanglam and Tsirang) 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 2019.

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

On behalf of the Board of Directors:

Tashi Delek!



(Dasho Dema Chew Wang)  
Chairman Management Board  
National Housing Development Corporation Ltd



## CHIEF EXECUTIVE OFFICER'S MESSAGE

On behalf of the management, I have the pleasure to present the 8<sup>th</sup> Annual Report of National Housing Development Corporation Limited (NHDCL) for the year ended 2019. The 2019 was another successful year for the company.

The affordable housing project constructions of 62 buildings in Phuentsholing were completed and the allotment of 506 units were done to those people residing across the border. Through this project, NHDCL has been able to provide affordable accommodation to the people. Also considering its own inherent needs for renovation and maintenance, the wood and concrete blocks manufacturing units at Bjemina were inaugurated and commenced its operation. The iconic *Gor Chim* was demolished in 2019 considering the impending risks.

In 2019, NHDCL has taken the Constructions of five storied and three storied affordable residential housing in Phuentsholing. The Regional Office construction is also under execution and expected to complete by 2020.

Apart from the core mandates, NHDCL has constructed the River side walkway for Tashichho Dzong Garden Project. It has also undertaken the supervision works for the construction of three storied office building for Kuensel Corporation Limited and two storied record room for National Land Commission Secretariat. The Design and Planning Services also took up other consultancy works for various agencies including Lhakhang Complex at Rajgir, Zhemgang Dzongkhag Zigrey, RICBL commercial building, etc.

As part of the corporate social responsibility, the company had initiated various campaigns on disasters, cleanliness, fire hazards and youth related issues in the housing colonies throughout the country. NHDCL has contributed Nu.1.01 million as part of CSR for the social and religious activities.

NHDCL has always considered the human resource development as one of the key factors in enhancing the performance and productivity of the company. In 2019, the company had invested Nu. 3.77 million for training and development.

The company had generated a gross operating revenue of Nu. 180.88 million in 2019 against 164.17 million in 2018, an increased of 10% when compared to the previous year. The company made a net profit of 10.14 million in 2019 whereas in 2018 it was only Nu. 1.52 million. The increased in revenue and net profit were attributed to the hard work and dedication made by the employees.

Lastly, I also take this opportunity to express my sincere appreciation and gratitude to all the employees and acknowledge their efforts and contributions. It is also to put on record for the constant support and directions from the Chairman and Board of Directors in steering the growth of the company.

The management and the staff earnestly look forward with the steely will for another challenging year and greater success in 2020.

Tashi Delek!



Chief Executive Officer  
National Housing Development Corporation Ltd  
Thimphu : Bhutan

## Board of Directors



Chairman  
Dasho Pema Chewang, Secretary,  
National Land Commission Secretariat



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



Mr. Dungtu 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

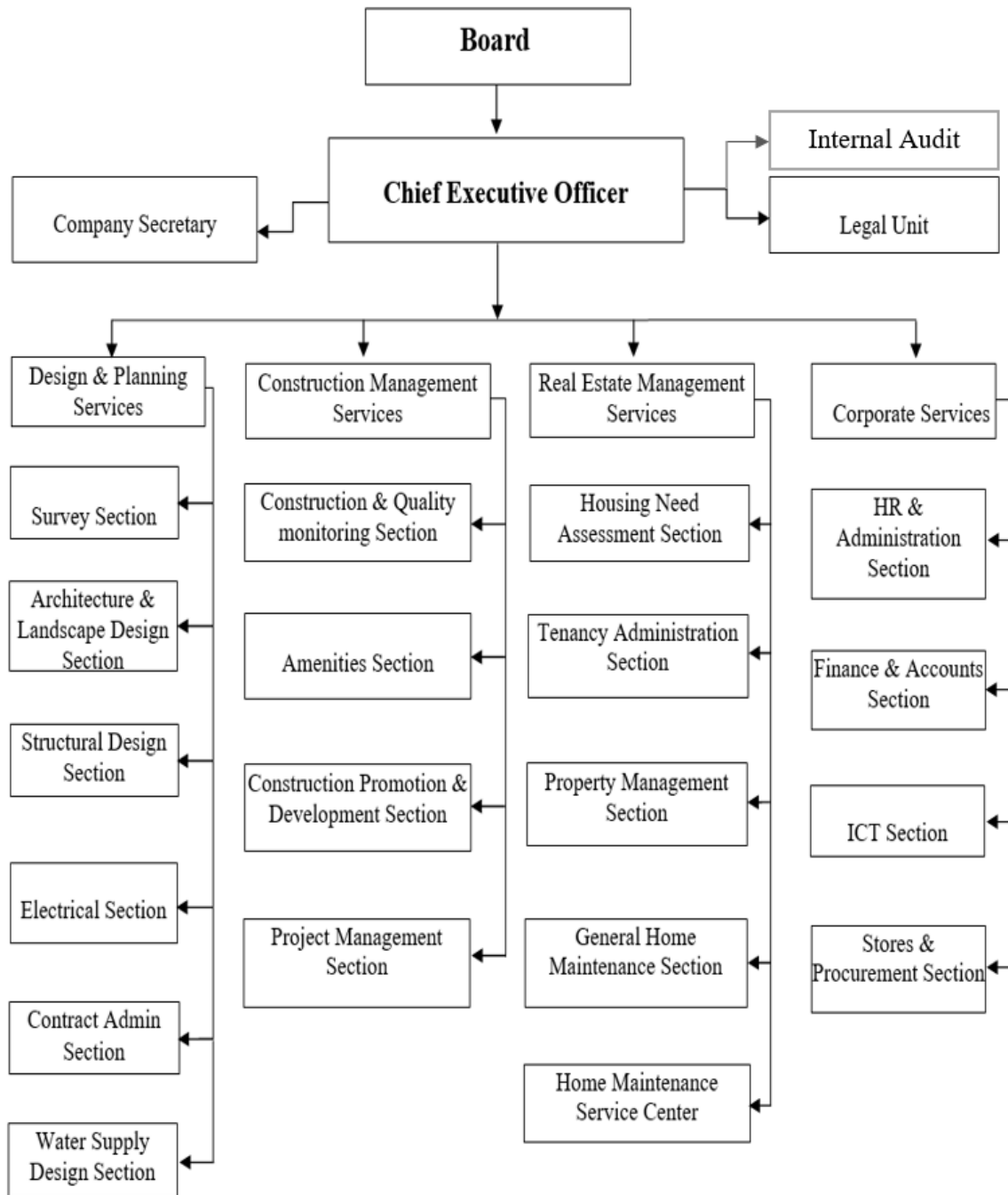


Mr. Karma Sonam  
Director  
Department of Human Settlement  
Ministry of Work and Human Settlement



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, 2019, 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, 2019, 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### **Emphasis of Matter**

Special Housing Project at Phuentsholing has been capitalised during the year without considering the final adjustments for materials consumed on the basis of the reconciliation of materials issued and consumed at the stores.

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.

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

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



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

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

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

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

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

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

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

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

For MITRA ROY & DATTA

Chartered Accountants

FRN: 322477E

RAA Empanelment No: KK-19

  
KINGSUK DATTA  
Partner  
Membership No. 053121  
UDIN: 20053121AAAAAL5594



Dated: 22nd April 2020  
Place : Kolkata, India/Camp Thimphu, Bhutan

Office : 11C, Raja Basanta Roy Road, Kolkata - 700026, Phone : (033) 4061 3065  
Hooghly Branch : 89/3/A, K. C. Ash Lane, Paul Complex, 2<sup>nd</sup> Floor, Flat - 5, Rishra, Pin - 712248  
E-mail : mitraroydatta@gmail.com, mitraroydatta1994@gmail.com



**ANNEXURE "A" to the INDEPENDENT AUDITORS' REPORT ON THE  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2019**

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

**Minimum Audit Examination and Reporting Requirement**

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

- a) The Ministry of Finance, Royal Government of Bhutan has issued the Corporate Governance Guidelines, 2019 which has come into force with effect from 1<sup>st</sup> January 2019. The Company has submitted that it could not implement the Corporate Governance Guidelines in 2019 but MoF has revised the effective date 1<sup>st</sup> January 2020. The Government has set up a Task Force in 2019 for review of the different aspects of implementation of the Guidelines in SoEs and MoF has revised the mandates of some of the SoEs including the Company.

However, the Company has followed 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 31<sup>st</sup> December 2019 are in agreement with the underlying accounting records.
- e) The Company has maintained the registers as specified under Section 228 of the Companies Act of Bhutan 2016.
- f) The Company has fulfilled its obligation social and otherwise as entrusted to it.
- g) The Company has computed the amount of tax correctly and the same has been reflected in the financial statements.

**Report for the Service Sector Companies:**

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





*The 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. *The Fixed assets namely buildings classified as Investment Properties and Owners Occupied Properties has been revalued during the period by the independent registered valuer appointed by the Company though the effect of such revaluation has not been considered in the Financial Statements for the year.*
- 1.3. *The Company has conducted the verification of the materials and stores and spares during the year at Head Office. It has been explained by the management that the physical verification of the materials, stores and spares at Special Housing Project has been conducted during the year but neither the verification report has been produced for our audit nor the short/excess have been adjusted in the accounts.*
- 1.4. *The Company shall have system of verification of its materials, stores and spares and other items periodically with laid down procedures commensurate with its size and nature. At present there is no such practice for verification of its materials, stores and spares at it's all the locations, except as reported in paragraph no 1.3 hereinabove.*
- 1.5. *The excess/shortages of the materials have been dealt with and the provisions for the damaged stocks have been considered in the accounts and records on the basis of the verification report for the year at Head Office.*
- 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 and Bjemina Wood & Bricks Manufacturing Unit 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 been carried out during the year for the materials at Head Office only.*
- 1.8. *The Company has not identified and determined obsolete, damaged, slow moving and surplus stock (except at HO store) and not considered adequate provision thereof.*
- 1.9. *There was no disposal of the obsolete or surplus inventories during the year.*
- 1.10. *The excess/shortage in physical verification of inventories has been adjusted by the General Manager, Corporate Services on the basis of the reports submitted on verification of the inventories, stores and spares at Head Office.*



- 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 strengthen its internal audit system commensurate to its size and nature of business.*
- 1.15.2. *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.*
- 1.15.3. *The Company should maintain proper records for the stock in Housing Maintenance Unit (HMU) and Wood & Bricks Manufacturing Unit 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 maintained separate register for disclosure of interest of directors in contract and/or arrangement. Hence, our comment is based on the register maintained as well as minutes of the meetings of the Board of Directors held during the year where the declarations of all the directors present at those meetings of their conflicts of interests on the agenda transacted there have been recorded. On the basis of our examination of the record referred herein, we report that the Company has not purchased or sold goods or services during the year in pursuance of contracts or arrangement with the directors or any other party/parties related to directors or with company or firms in which the directors are directly or indirectly interested.
- 1.18. (b) On the basis of the register maintained and the documents referred in paragraph 18(a), we report that the Company has not entered into any transaction wherein the directors of the Company are directly or indirectly interested which are prejudicial to it.
- 1.19. In our opinion, the expenses charged to the Company accounts represent legitimate business expenses and we have not found any personal expense charged to the Company.
- 1.20. The Company has determined the unserviceable or damaged stores to provide for loss in the account.
- 1.21. Since the Company is engaged in rendering services and construction works the clause is not applicable.
- 1.22. Since the Company is not engaged in production, the clause is not applicable.
- 1.23. Since the Company is not engaged in production, the clause is not applicable.
- 1.24. On the basis of our audit we report that the Company has been regular in depositing its liabilities for rates and taxes, duties, provident funds and other statutory dues.
- In our opinion, the provision for corporate tax is adequate and necessary adjustments have been made to compute amount of tax as per the prevailing tax laws, rules and regulations of Bhutan.
- 1.25. There was no outstanding towards undisputed statutory liabilities as on 31<sup>st</sup> December 2019:
- 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 adequate.
- 1.33. The activities carried out by the Company are lawful and intra-vires to the Article of Incorporation of the Company as observed on the basis of our audit and information provided and explanations given by the management.
- 1.34. According to the information provided and explanation given to us and on the basis of our examination, in our opinion, the Company has a system of approval of the Board of Directors for all capital investment. Also, the investments in new projects are made only after ascertaining the technical and economic feasibility of the investment concerned.
- 1.35. The Company has established a budgetary control system and prepares annual budgets and compares the actuals with the budgets on annual basis. In our opinion, the system of budgetary control should be further strengthened by introducing interim analysis of performance and revision of budget if required for better control.
- 1.36. The Company has started producing the wooden frames, doors and window for captive consumption and production of bricks during the year of audit. *There is no system of standard costing in operation to determine the variance between the input and output for corrective action as required.*
- 1.37. The Company has paid sitting fee to the Directors for attending the meetings of the Board of Directors and no other payment has been made to the Directors. The remuneration and other payments made to the CEO have been disclosed in the Notes to the Accounts. From the register maintained for recording disclosure of interest of directors and 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.

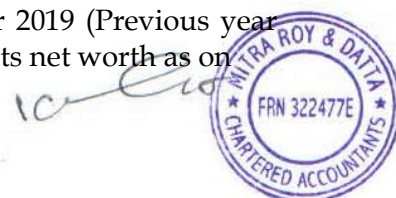
#### **Computerised Accounting Environment:**

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 net worth of was Nu3,009,424,750.10 as on 31<sup>st</sup> December 2019 (Previous year Nu. 2,946,237,974.04). 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, 2019. Based on our analysis we conclude that in general the operations of the Company has been managed efficiently to ensure its profitability and stability.

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

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

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

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

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

For MITRA ROY & DATTA

Chartered Accountants

FRN: 322477E

RAA Empanelment No: KK-19

  
KINGSUK DATTA  
Partner





Membership No. 053121

UDIN: 20053121AAAAAL5594

Dated: 22nd April 2020





Place : Kolkata, India/Camp Thimphu, Bhutan



<p style="text-align: center;"><b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b>  THIMPHU, BHUTAN  <b>STATEMENT OF FINANCIAL POSITION</b>  AS AT 31ST DECEMBER 2019</p>			
	NOTES	AS AT 31ST DECEMBER 2019	AS AT 31ST DECEMBER 2018
<b>ASSETS:</b>		<b>Nu.</b>	<b>Nu.</b>
<b><u>NON-CURRENT ASSETS</u></b>			
Property, Plant & Equipment	1A	2,419,245,751.32	2,271,104,608.02
Investment Property	1B	1,281,646,974.19	511,854,180.39
Intangible Asset	1C	518,822.44	718,834.44
Capital Work in Progress	1D	37,624,944.00	811,665,455.06
Trade & Other Receivables	3A	-	28,066,115.29
Other Non-Current Assets	4A	309,703,727.29	282,755,022.28
<b>TOTAL NON-CURRENT ASSETS</b>	<b>A</b>	<b>4,048,740,219.24</b>	<b>3,906,164,215.48</b>
<b><u>CURRENT ASSETS</u></b>			
Cash & Cash Equivalent	2	4,114,155.79	117,137,768.59
Trade & Other Receivables	3B	31,148,694.62	17,821,445.19
Other Current Assets	4B	80,086,767.08	75,922,485.76
Inventories	5	21,061,154.56	23,557,127.05
Financial Assets	6	53,006,357.10	64,332,390.04
<b>TOTAL CURRENT ASSETS</b>	<b>B</b>	<b>189,417,129.15</b>	<b>298,771,216.63</b>
Deferred Asset	7	-	1,117,045.47
<b>Total Tax Assets</b>	<b>C</b>	<b>-</b>	<b>1,117,045.47</b>
<b>TOTAL ASSETS</b>	<b>A+B+C</b>	<b>4,238,157,348.23</b>	<b>4,206,052,477.58</b>
<b><u>EQUITY AND LIABILITIES:</u></b>			
Equity attributable to owners			
Share Capital	8	2,727,961,000.00	2,727,961,000.00
Retained Earnings	9	138,309,638.37	138,902,469.64
Other Reserves	10	143,154,111.73	79,374,504.40
<b>TOTAL EQUITY</b>	<b>D</b>	<b>3,009,424,750.10</b>	<b>2,946,237,974.04</b>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Long Term Debt	11	858,614,516.58	879,852,350.50
Financial Liabilities	12	251,354,848.25	251,591,893.11
Payables	13A	16,544,840.10	32,861,809.04
Provisions	14A	36,682,556.08	23,337,715.00
<b>TOTAL NON- CURRENT LIABILITIES</b>	<b>E</b>	<b>1,163,196,761.01</b>	<b>1,187,643,767.65</b>
<b><u>CURRENT LIABILITIES</u></b>			
Payables	13B	57,038,819.73	62,126,160.71
Provisions	14B	2,801,166.00	951,160.00
<b>TOTAL CURRENT LIABILITIES</b>	<b>F</b>	<b>59,839,985.73</b>	<b>63,077,320.71</b>
Provision for CIT	15	4,238,571.70	9,093,415.18
Deferred Tax Liabilities	16	1,457,279.69	-
<b>Total Tax Liabilities</b>	<b>G</b>	<b>5,695,851.39</b>	<b>9,093,415.18</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>D+E+F+G</b>	<b>4,238,157,348.23</b>	<b>4,206,052,477.58</b>
<div> <div> <p><b>Significant Accounting Policies &amp; other Notes</b> 25</p> <p>Signed in terms of our attached report of even date</p> <p><b>For Mitra Roy &amp; Datta</b></p> <p>Chartered Accountants</p> <p>(FRN: 322477E)</p> <p>RAA Empanelment No.KK-19</p> <div>   </div> <p>Kingsuk Datta</p> <p>Partner</p> <p>M.No.053121</p> <p>Place: Thimphu, Bhutan / Kolkata India</p> <p>Date: 22nd April 2020.</p> </div> <div>  <p>(Dasho Dema Chetsum)</p> <p>Chairman Management Board</p> <p>National Housing Development Corporation Ltd</p>  <p>Chief Executive Officer</p> <p>National Housing Development Corporation Ltd</p> <p>Thimphu : Bhutan</p> <p>(Thinley Dorji)</p> <p>Chief Executive Officer</p> </div> </div>			



NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2019			
PARTICULARS	NOTES	FOR THE YEAR ENDED 31ST DECEMBER 2019	FOR THE YEAR ENDED 31ST DECEMBER 2018
INCOME:		NU.	NU.
REVENUE	17	115,125,142.51	89,453,062.18
OTHER INCOME	18	65,910,459.32	73,577,154.76
CHANGE IN STOCK		(157,357.79)	1,138,685.85
TOTAL OPERATING INCOME		180,878,244.04	164,168,902.79
EXPENDITURE:			
EMPLOYEE COST	19	50,174,183.83	46,598,905.06
OPERATION & MAINTENANCE	20	40,023,723.34	65,098,087.61
ADMINISTRATIVE EXPENSES	21	8,573,746.48	9,937,890.27
CONSUMABLES	22	776,614.28	733,518.04
TOTAL OPERATING EXPENSES		99,548,267.93	122,368,400.98
DEPRECIATION	1	61,387,593.62	29,759,893.54
OPERATING PROFIT		19,942,382.49	12,040,608.27
FINANCE COST	23	2,664,765.31	3,343,602.77
PROFIT BEFORE TAX		17,277,617.18	8,697,005.50
TAX EXPENSES:			
CURRENT TAX EXPENSE	24	4,565,939.30	9,804,178.46
DEFERRED TAX	24	2,574,325.15	(2,627,785.68)
TOTAL TAX EXPENSE		7,140,264.46	7,176,392.78
PROFIT AFTER TAX		10,137,352.73	1,520,612.72
OTHER COMPREHENSIVE INCOME			
REMEASUREMENT GAINS/(LOSSES) OF GRATUITY RECOGNISED IN OCI		(10,730,184.00)	852,318.00
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(592,831.27)	2,372,930.72
0.19		3.72	0.56
Basic Earning Per Share			
Significant Accounting Policies & other Notes	25		
Signed in terms of our attached report of even date			
For Mitra Roy & Datta		(Dasho Dema Chenzin)	
Chartered Accountants		Chairman Management Board	
(FRN: 322477E)		National Housing Development Corporation Ltd	
RAA Empanelment No.KK-19			
Kingsuk Datta		Chief Executive Officer	
Partner		National Housing Development Corporation Ltd	
M.No.053121		Thimphu : Bhutan	
Place: Thimphu, Bhutan / Kolkata India		(Thinley Dorji)	
Date: 22nd April 2020.		Chief Executive Officer	

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED				
THIMPHU, BHUTAN				
STATEMENT OF CHANGES IN EQUITY AND RETAINED EARNINGS DURING THE YEAR 2019				
	SHARE CAPITAL	RETAINED EARNINGS	OTHER RESERVES	TOTAL
	Nu.	Nu.	Nu.	Nu.
Balance as on 1st January 2018	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 2018		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
Total Comprehensive Income for the year 2019				
Profit/(Loss) for the year( Net of Tax)		10,137,352.73		10,137,352.73
Other Comprehensive Income		(10,730,184.00)		(10,730,184.00)
Capital Grant for SHP		-	63,779,607.33	63,779,607.33
Balance as on 31st December 2019	2,727,961,000.00	138,309,638.37	143,154,111.73	3,009,424,750.10
<div>Significant Accounting Polices &amp; other Notes</div> <div>25</div> <div>Signed in terms of our attached report of even date</div> <div>For Mitra Roy &amp; Datta</div> <div>Chartered Accountants</div> <div>(FRN: 322477E)</div> <div>RAA Empanelment No.KK-19</div> <div></div> <div>Kingsuk Datta</div> <div>Partner</div> <div>M.No.053121</div> <div>Place: Thimphu, Bhutan / Kolkata India</div> <div>Date: 22nd April 2020.</div> <div> (Dasho Dema Chetang) Chairman Management Board National Housing Development Corporation Ltd</div> <div> Chief Executive Officer National Housing Development Corporation Ltd Thimphu : Bhutan</div> <div>(Thinley Dorji) Chief Executive Officer</div>				

<b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b> <b>THIMPHU, BHUTAN</b> <b>STATEMENT OF CASH FLOW</b> <b>FOR THE YEAR ENDED 31ST DECEMBER 2019</b>		
	<b>YEAR 2019</b>	<b>YEAR 2018</b>
	<b>Nu.</b>	
<b><i>Cash Flows from Operating Activities</i></b>		
Profit/ (Loss) for the year	(592,831.27)	2,372,930.72
<b>Adjustments for Non-Cash Income &amp; Expenses</b>		-
Additional Tax expenses	-	(3,402,484.45)
Depreciation Expense	60,087,150.62	29,759,893.54
Financial Liabilities	11,088,988.08	16,335,275.77
	<b>70,583,307.42</b>	<b>45,065,615.58</b>
<b>Changes in Working Capital:</b>		
(Increase)/Decrease in Other current Assets	(4,164,281.32)	(55,737,959.50)
(Increase)/Decrease in Other Non-Current Assets	(26,948,705.01)	126,883,784.50
(Increase)/Decrease in Trade & Other Receivables	14,738,865.86	(15,860,296.29)
(Increase)/Decrease in Inventories	2,495,972.49	(20,799,667.80)
Increase/ (Decrease) in Current Liabilities-Payables	(5,087,340.98)	45,130,190.19
Increase/ (Decrease) in Non-Current Liabilities-Payables	(16,316,968.94)	(40,582,358.48)
Increase/ (Decrease) in Provisions	15,194,847.08	4,096,527.00
Current Tax Expense	(4,854,843.48)	(2,980,331.68)
Deferred Tax Expenses	2,574,325.16	(2,627,785.68)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>48,215,178.29</b>	<b>82,587,717.84</b>
<b><i>Cash Flows from Investing Activities</i></b>		
Capital Work in Progress	774,040,511.06	(373,307,006.28)
Purchase of Fixed Assets	(979,121,518.71)	(29,105,214.58)
Sale of Fixed Assets	1,300,443.00	4,950.00
Purchase of Intangible Assets	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(203,780,564.65)</b>	<b>(402,407,270.86)</b>
<b><i>Cash Flows from Financing Activities</i></b>		
Increase/ (Decrease) in Long Term Debt	(21,237,833.92)	279,852,350.50
Increase/ (Decrease) in Other Reserves	63,779,607.33	74,274,616.44
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>42,541,773.41</b>	<b>354,126,966.94</b>
<b><i>Cash &amp; Cash Equivalent</i></b>		
Increase/ (Decrease) in Cash & Cash Equivalent for the year	(113,023,612.80)	34,307,413.92
Opening Cash & Cash Equivalent	117,137,768.59	82,830,354.67
<b>Closing Cash &amp; Cash Equivalent</b>	<b>4,114,155.79</b>	<b>117,137,768.59</b>
<b>Significant Accounting Policies &amp; other Notes</b>		
Signed in terms of our attached report of even date		
<b>For Mitra Roy &amp; Datta</b> Chartered Accountants (FRN: 322477E) RAA Empanelment No.KK-19		
Kingsuk Datta Partner M.No.053121 Place: Thimphu, Bhutan / Kolkata India Date: 22nd April 2020.		
(Dasho Pema Cheyden) Chairman Management Board National Housing Development Corporation Ltd		
Chief Executive Officer National Housing Development Corporation Ltd Thimphu : Bhutan (Thinley Dorji) Chief Executive Officer		

NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED										
THIMPHU, BHUTAN										
NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION										
AS AT 31ST DECEMBER 2019										
NOTE NO - 1										
NOTE NO-1A : PROPERTY, PLANT & EQUIPMENT										
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Gross Block as on 01.01.2019	Additions during the year	Sold/Adjusted during the Year	Balance as on 31.12.2019	Accumulated Depreciation as on 01.01.2019	For the year	Adjustment of Accumulated Depreciation during the Year	Accumulated Depreciation as on 31.12.2019	Net Block as on 31.12.2019	Net Block as on 31.12.2018
	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.	Nu.
Land & buildings( Under Process of Transfer of Ownership)	2,191,751,916.00			2,191,751,916.00	-			-	2,191,751,916.00	2,191,751,916.00
<b>Building</b>				-				-	-	
Owner Occupied Property	22,713,613.35	15,062,699.72		37,776,313.07	3,823,629.57	5,017,898.44		8,841,528.00	28,934,785.07	18,889,983.78
Roads & Culverts/Parking/Retaining Wall	10,677,045.90	120,519,431.94		131,196,477.84	604,990.85	1,140,154.88		1,745,145.73	129,451,332.11	10,072,055.04
Storm water and drain		5,637,652.52		5,637,652.52		209,847.32		209,847.32	5,427,805.20	
Recreation Park	4,929,587.61	-		4,929,587.61	907,933.47	147,887.63		1,055,821.09	3,873,766.52	4,021,654.14
Furniture & Fixtures	3,140,296.58	99,853.00		3,240,149.58	1,179,460.74	461,176.03		1,640,636.77	1,599,512.81	1,960,834.84
Office Equipment	8,049,804.73	964,838.00	-	9,014,642.73	3,770,961.94	819,018.02		4,589,979.96	4,424,662.77	4,278,842.79
Vehicles	34,123,703.00	4,764,626.00	1,300,443.00	37,587,886.00	12,036,376.03	4,913,237.31	1,300,443.00	15,649,170.34	21,938,715.66	22,087,326.97
Tools & Equipment	4,099,544.53	154,190.00	-	4,253,734.53	2,469,360.97	640,605.99	-	3,109,966.96	1,143,767.57	1,630,183.57
Power System	2,401,224.84	10,162,382.07		12,563,606.91	225,040.59	669,913.56		894,954.15	11,668,652.76	2,176,184.25
Plant & Machineries	13,043,031.83	7,237,901.50		20,280,933.33	121,309.41	2,402,626.78		2,523,936.20	17,756,997.13	12,921,722.41
Watch Tower	1,335,516.38	-	-	1,335,516.38	21,613.15	40,065.49	-	61,678.65	1,273,837.73	1,313,903.23
<b>TOTAL :</b>	<b>2,296,265,284.75</b>	<b>164,603,574.75</b>	<b>1,300,443.00</b>	<b>2,459,568,416.50</b>	<b>25,160,676.73</b>	<b>16,462,431.45</b>	<b>1,300,443.00</b>	<b>40,322,665.18</b>	<b>2,419,245,751.32</b>	<b>2,271,104,608.02</b>
Previous Year	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
<b>NOTE NO-1B: Investment Property</b>										
Investment Property	632,471,319.15	814,517,943.96		1,446,989,263.11	120,617,138.76	44,725,150.16		165,342,288.92	1,281,646,974.19	511,854,180.39
<b>TOTAL :</b>	<b>632,471,319.15</b>	<b>814,517,943.96</b>	<b>-</b>	<b>1,446,989,263.11</b>	<b>120,617,138.76</b>	<b>44,725,150.16</b>	<b>-</b>	<b>165,342,288.92</b>	<b>1,281,646,974.19</b>	<b>511,854,180.39</b>
Previous Year	632,471,319.15	-	-	632,471,319.15	101,642,999.19	18,974,139.57	-	120,617,138.76	511,854,180.39	549,802,459.53
<b>NOTE NO-1C: Intangible Assets</b>										
Software	1,612,298.02	-	-	1,612,298.02	893,463.58	200,012.00		1,093,475.58	518,822.44	718,834.44
<b>TOTAL :</b>	<b>1,612,298.02</b>	<b>-</b>	<b>-</b>	<b>1,612,298.02</b>	<b>893,463.58</b>	<b>200,012.00</b>	<b>-</b>	<b>1,093,475.58</b>	<b>518,822.44</b>	<b>718,834.44</b>
Previous Year	1,353,298.02	259,000.00	-	1,612,298.02	651,618.88	241,844.70	-	893,463.58	718,834.44	906,696.17
<b>NOTE NO.1D CAPITAL WORK IN PROGRESS</b>										
Sr. No.	Capital Work in Progress							As on 31st December 2019	As on 31st December 2018	
1	Phuntsholing Phase-II							-	61,664,466.30	
2	Pasakha Fabrication Unit							21,749.00	1,695,376.68	
3	Regional Office-Pling							11,073,631.68	75,889.00	
4	Construction of retaining wall/Toe Wall, Pemaling							742,816.34		
5	Departmental Construction, Pemaling							12,536,474.49		
6	Construction, Near Rabten Workshop, Pling							6,522,871.57		
7	B+G+4 Storied Building, Category II, Pling							10,032.00		
8	Toribari							-	748,085,924.14	
	Bjemina Manufacturing Unit								143,798.94	
9	Bjimina Factory Deposit Work (HMU)							4,267,814.95		
10	Bjemina Industrial State							2,268,336.97		
11	ERP-System							181,217.00		
								<b>37,624,944.00</b>	<b>811,665,455.06</b>	

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<p style="text-align: center;"><b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b>  <b>THIMPHU, BHUTAN</b>  <b>NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019</b></p>			
		As at 31st December 2019	As at 31st December 2018
		Nu.	Nu.
<b>NOTE NO: 2</b>			
<b>CASH AND CASH EQUIVALENT</b>			
Cash in hand		159,725.00	-
Phuentsholing BoBL A/c # 201614515		360,465.00	-
Bank A/C with BNBL, Thimphu			
CD A/C No.0000062864013-Current Account		2,945,440.97	3,278,934.97
Bank A/C with BOBL, Thimphu			
Thimphu BOB A/c -100930599		121,789.96	28,267,723.15
Thimphu BoB A/c No 100909089 (Pilot House A/c)		896.40	743,404.40
Thimphu BOBL A/c # 100912424		525,838.46	84,847,706.07
		<b>4,114,155.79</b>	<b>117,137,768.59</b>
<b>NOTE NO: 3</b>			
<b>TRADE &amp; OTHER RECEIVABLES</b>			
<b>TRADE RECEIVABLES</b>			
HMU Deposit Work (Receivable)		419,364.89	2,035,627.70
Rent Receivable		5,051,900.05	2,583,519.35
<b>OTHER RECEIVABLES</b>			
Bhutan Power Corporation(SHP)		-	5,357,126.76
Phuntsholing Thomde(Deposit work)		-	10,170,661.99
Bhutan Telecom Limited (SHP)		-	63,195.00
Changjiji Community Lhagkhang		25,677,429.68	25,677,429.68
Security Deposit Receivable		-	-
	<b>3</b>	<b>31,148,694.62</b>	<b>45,887,560.48</b>
	<b>3A</b>	<b>-</b>	<b>28,066,115.29</b>
	<b>3B</b>	<b>31,148,694.62</b>	<b>17,821,445.19</b>
<b>NOTE NO.4</b>			
<b>OTHER ASSETS</b>			
<b>DEPOSITS</b>			
Earnest Money Deposit		-	200,000.00
Security Deposit		145,714.00	79,590.00
	<b>A</b>	<b>145,714.00</b>	<b>279,590.00</b>
	<b>Non-Current</b>	<b>145,714.00</b>	<b>279,590.00</b>
	<b>Current</b>	<b>-</b>	<b>-</b>
<b>ADVANCES</b>			
Advances to Contractors (Mobilization Advance)		6,814,144.03	5,176,569.18
Advance to Contractors (Secured Advance)		685,464.87	5,025,746.35
Advance to Suppliers		10,097,168.13	28,132,534.94
Advances for Maintenance		485,468.23	3,097,047.56
Advances for Tour		123,132.00	115,533.00
Advance to others		259,868.52	-
	<b>B</b>	<b>18,465,245.78</b>	<b>41,547,431.03</b>
	<b>Non-Current</b>	<b>-</b>	<b>-</b>
	<b>Current</b>	<b>18,465,245.78</b>	<b>41,547,431.03</b>



<p style="text-align: center;"><b>NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED</b>  <b>THIMPHU, BHUTAN</b>  <b>NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019</b></p>			
		As at 31st December 2019	As at 31st December 2018
		Nu.	Nu.
<b>FIXED DEPOSITS</b>			
Fixed Deposits with Bank of Bhutan Limited		-	
Acc.No.200934363		-	25,000,000.00
BNBL FD A/c No. 7000062864004		40,000,000.00	
BNBL, Th-FD A/C No-70000628364003		25,000,000.00	
Gratuity Fund Management (RICBL)		18,587,276.28	17,210,441.00
Gratuity Fund-Bhutan Insurance Ltd		487,439.90	1,154,873.28
Annuity Policy with RICBL			
RICBL-FA/2016/1236		110,000,000.00	110,000,000.00
RICBL-FA/2018/3915		75,000,000.00	75,000,000.00
RICBL-FA/2016/1724		1,800,000.00	1,800,000.00
RICBL(FA/2017/3437)		75,000,000.00	75,000,000.00
	<b>C</b>	<b>345,874,716.18</b>	<b>305,165,314.28</b>
	<b>Non-Current</b>	<b>305,874,716.18</b>	<b>280,384,028.28</b>
	<b>Current</b>	<b>40,000,000.00</b>	<b>25,000,000.00</b>
<b>OTHERS</b>			
Interest Accrued But Not Due		3,912,544.20	2,042,995.07
Other Receivables		21,392,274.21	9,642,177.66
		<b>25,304,818.41</b>	<b>11,685,172.73</b>
	<b>D</b>		
	<b>Non-Current</b>	<b>3,683,297.11</b>	<b>2,091,404.00</b>
	<b>Current</b>	<b>21,621,521.30</b>	<b>9,593,768.73</b>
	<b>A+B+C+D</b>	<b>389,790,494.37</b>	<b>358,677,508.04</b>
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>4A</b>	<b>309,703,727.29</b>	<b>282,755,022.28</b>
	<b>4B</b>	<b>80,086,767.08</b>	<b>75,922,485.76</b>
<b>NOTE NO.5</b>			
Inventories		21,061,154.56	23,557,127.05
<b>Total Inventories</b>		<b>21,061,154.56</b>	<b>23,557,127.05</b>
<b>NOTE NO.6</b>			
<b>Financial Assets</b>			
Fair Value adj.for Loan		47,349,301.00	61,048,299.00
Fair Value Adjustment Reserve Annuity with RICBL		405,243.00	218,714.00
Fair Value Adjustment Reserve Security Deposit Refundable - Changjiji		132,162.00	138,646.00
Fair Value Adjustment Reserv Security Deposit Refundable		5,119,651.10	2,926,731.04
<b>Total Finacial Assets</b>		<b>53,006,357.10</b>	<b>64,332,390.04</b>
			-
<b>NOTE NO.7</b>			
Deferred Tax Asset		-	1,117,045.47
<b>Total Tax Assets</b>		-	1,117,045.47
<b>NOTE NO: 8</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised Capital:</b>			
Shares of 1,000 Ngultrum each		10,000,000,000.00	10,000,000,000.00
<b>Subscribed &amp; Paid up Capital of RGoB</b>			
Equity (or Ordinary) Shares		2,727,961,000.00	2,727,961,000.00
(Previous year 2,727,961) of 1,000 Ngultrum each		<b>2,727,961,000.00</b>	<b>2,727,961,000.00</b>



**NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED**  
**THIMPHU, BHUTAN**

NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019

		As at 31st December 2019	As at 31st December 2018
<b>NOTE NO: 9</b>		<b>Nu.</b>	<b>Nu.</b>
<b>RETAINED EARNINGS</b>			
Net Accumulated Profit from past years		138,902,469.64	139,932,023.37
Profit/(Loss) for the year( Net of Tax)		10,137,352.73	1,520,612.72
Other Comprehensive Income		(10,730,184.00)	852,318.00
Previous Year Tax		-	(3,402,484.45)
		<b>138,309,638.37</b>	<b>138,902,469.64</b>
<b>NOTE NO: 10</b>			
<b>OTHER RESERVES</b>			
RRCO (Seed Money)		5,099,887.96	5,099,887.96
Capital Grant for SHP		138,054,223.77	74,274,616.44
		<b>143,154,111.73</b>	<b>79,374,504.40</b>
<b>NOTE NO: 11</b>			
<b>LONG TERM DEBT</b>			
Corporate Term Loan		858,614,516.58	879,852,350.50
		<b>858,614,516.58</b>	<b>879,852,350.50</b>
<b>NOTE NO.12</b>			
<b>Financial Liabilities</b>			
Secured Loan Interest Free		250,000,000.00	250,000,000.00
fair Valuation Adjustment for sale of recoveries		1,354,848.25	1,591,893.11
		<b>251,354,848.25</b>	<b>251,591,893.11</b>
<b>NOTE NO: 13</b>			
<b>PAYABLES</b>			
Sundry Creditors (Suppliers)	13.1	514,184.80	2,106,481.23
Retention Money (Contractors)	13.2	5,315,870.79	19,584,427.99
Liabilities for Expenses	13.3	751,907.57	535,760.96
Other Liabilities	13.4	67,001,696.67	72,761,299.57
		<b>73,583,659.83</b>	<b>94,987,969.75</b>
	<b>13A</b>	16,544,840.10	32,861,809.04
	<b>13B</b>	57,038,819.73	62,126,160.71
<b>NOTE NO: 13.1</b>			
<b>SUNDRY CREDITORS</b>			
Trade Payables (Suppliers)		489,184.80	1,734,297.93
Trade Payables (Contractors)		25,000.00	372,183.30
		<b>514,184.80</b>	<b>2,106,481.23</b>
	<b>13.1A</b>	-	-
	<b>13.1B</b>	514,184.80	2,106,481.23
<b>NOTE NO: 13.2</b>			
<b>RETENTION MONEY</b>			
Retention Money (Contractors)		5,315,870.79	19,584,427.99
		<b>5,315,870.79</b>	<b>19,584,427.99</b>
	<b>13.2A</b>	-	-
	<b>13.2B</b>	<b>5,315,870.79</b>	<b>19,584,427.99</b>



<p style="text-align: center;">- NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED THIMPHU, BHUTAN NOTES FORMING PART OF THE STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019</p>			
		As at 31st December 2019	As at 31st December 2018
<b>NOTE NO: 13.3</b>		<b>Nu.</b>	<b>Nu.</b>
<b>LIABILITIES FOR EXPENSES</b>			
Salary & Wages Payable		515,507.00	14,508.00
Actuarial Fees		15,000.00	-
Auditors' Fee		66,550.00	66,550.00
Bhutan Oil Distributors		24,947.57	70,554.96
Bhutan Power Corporation Limited		88,044.00	86,921.00
Bhutan Telecom Limited		39,510.00	16,924.00
Thimphu Thromde		2,349.00	280,303.00
		<b>751,907.57</b>	<b>535,760.96</b>
	<b>13.3A</b>	-	-
	<b>13.3B</b>	751,907.57	535,760.96
<b>NOTE NO: 13.4</b>			
<b>OTHER LIABILITIES</b>			
Security Deposits (Performance)		3,200.00	528,220.00
Security Deposits (House Rent)		16,341,359.10	11,007,328.04
Security Deposits (Pilot Housing)		203,481.00	203,481.00
Rent Received in Advance		313,586.00	242,515.00
Advance From Customers		38,789,800.74	42,249,686.86
Other Payables		11,350,269.83	18,530,068.67
		<b>67,001,696.67</b>	<b>72,761,299.57</b>
	<b>13.4A</b>	16,544,840.10	32,861,809.04
	<b>13.4B</b>	50,456,856.57	39,899,490.53
<b>NOTE NO: 14</b>			
<b>PROVISION</b>			
Provision Employee Gratuity Fund		34,695,720.90	19,991,021.00
Provision for Leave Encashment		4,788,001.18	4,297,854.00
		<b>39,483,722.08</b>	<b>24,288,875.00</b>
	<b>14A</b>	36,682,556.08	23,337,715.00
	<b>14B</b>	2,801,166.00	951,160.00
<b>NOTE NO.15</b>			
Provision for CIT		4,238,571.70	9,093,415.18
<b>Total Current Tax</b>		<b>4,238,571.70</b>	<b>9,093,415.18</b>
<b>NOTE NO.16</b>			
Deferred Tax Liability		<b>1,457,279.69</b>	-





**NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED**  
**THIMPHU, BHUTAN**  
**NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

		For the year ended 31st December 2019	For the year ended 31st December 2018
		Nu.	Nu.
<b>NOTE NO: 17</b>			
<b>REVENUE:</b>			
<b>RENTAL INCOME</b>			
Rental Income (Received from Dzongkhags)		1,390,901.84	1,289,414.20
Rental Income-Commercial		8,296,956.00	10,505,046.20
Rental Income-Residential		80,450,484.26	77,175,778.53
Rental Income (Lease )		482,852.41	482,823.25
Rental Income (SHP)		24,503,948.00	
		<b>115,125,142.51</b>	<b>89,453,062.18</b>
<b>NOTE NO: 18</b>			
<b>OTHER INCOME</b>			
Miscellaneous Income		1,161,606.83	1,532,283.68
Income from Depository Work		10,916,018.99	28,188,490.40
Adjustment of Depreciation for Capital Grant		5,701,373.20	-
RGoB Housing Maintenance( Revenue Grant)		10,000,000.00	14,999,493.82
Govt. Grant for concessional borrowings at fair value		(13,698,998.00)	(12,772,959.00)
Interest on Fixed Deposits		27,643,549.13	34,108,631.38
Audit Recoveries		39,700.00	-
Income From Hiring Charges		655,660.55	548,568.64
Income from Consultancy Services		7,635,520.00	6,320,000.00
Interest Income(Pilot Housing)		369,089.50	404,284.67
Income from Fines & Penalties		2,810,700.96	248,361.17
Gain on Sale of Assets		12,676,238.16	-
		<b>65,910,459.32</b>	<b>73,577,154.76</b>
<b>NOTE NO.19</b>			
<b>PERSONNEL EMOLUMENTS</b>			
Salary & Wages		26,370,146.00	23,282,542.00
Bonus		3,301,913.00	1,935,753.06
Contribution to Provident Fund		2,403,380.00	2,096,839.00
Contribution to Gratuity Fund		3,265,114.00	2,478,025.00
Corporate Allowance		4,913,420.00	4,237,089.00
Group Health Insurance		534,378.00	660,114.00
Group Personal Accident Insurance		158,760.00	95,761.00
Leave Travel Concession		1,147,555.00	1,641,137.00
Leave Encashment		2,038,683.00	3,006,412.01
Retirement Benefit		302,811.88	153,982.00
Conveyance Allowance		130,850.00	71,800.00
Communication Allowance		152,900.00	158,300.00
Cash Handling Allowance		17,000.00	14,000.00
Employee Training Expenses		3,745,616.89	5,825,060.50
Working Uniform/Liveries		794,116.00	135,000.00
Other Employee Costs		897,540.06	807,090.49
	<b>A</b>	<b>50,174,183.83</b>	<b>46,598,905.06</b>



**NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED**  
**THIMPHU, BHUTAN**  
**NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

		For the year ended 31st December 2019	For the year ended 31st December 2018
		Nu.	Nu.
<b>NOTE NO.20</b>			
<b>Operation &amp; Maintenance</b>			
Maintenance of Property		19,960,771.80	35,880,043.91
Expenses for Depository Works		9,853,349.57	22,993,872.37
Vehicle running Expenses		2,106,318.71	1,279,939.66
Power & Fuel		-	29,909.70
Water & Sewerage		44,044.00	88,927.00
Cost of Production for Brick Manufacturing Unit		613,905.00	-
Cost of Production for Wood Manufacturing Unit		790,083.69	-
Canteen Expenses		-	6,190.00
Annual Maintenance Chagres-Software		194,560.00	-
Insurance on Building		1,795,485.00	876,703.07
Registration/Insurance/Tax /R&M of Pool Vehicles		1,070,154.80	32,290.00
Registration/Insurance/Tax of Buildings		-	2,000,000.00
Registration/Insurance/Tax of Land		3,509,300.77	1,902,461.90
Registration/Insurance/Tax of Equipment/Machinery		85,750.00	7,750.00
	<b>B</b>	<b>40,023,723.34</b>	<b>65,098,087.61</b>
<b>NOTE NO: 21</b>			
<b>ADMINISTRATIVE EXPENSES</b>			
Advertisement		145,184.00	261,550.00
Office Expenses		236,231.00	749.00
Board Members Sitting Fees		192,500.00	144,000.00
Electricity Charges		1,031,906.54	734,791.50
Postage & Courier		90,618.00	75,630.00
Hiring Charges		16,000.00	-
Telephone, Fax & Internet Charges		597,948.00	706,030.00
Travel Expenses		2,019,705.49	1,078,585.00
Printing		44,045.59	113,450.92
Recreation & Sports Expenses		-	50,000.00
Books & Periodicals		-	25,005.00
Auditors' Fee & Expenses		390,268.00	290,764.00
Fees for Actuary/Valuation		465,000.00	17,000.00
Discretionary Grant Expenses		200,000.00	200,000.00
Hospitality & Entertainment		569,321.00	1,475,583.85
License Fees/Reg.		153,350.00	414,769.00
Fines & Penalties		378,591.03	104,680.00
Corporate Social Responsibility Expenses		1,011,083.65	39,280.00
Bank Charges		14,890.01	33,854.84
Lease Rent		219,063.00	79,462.00
Donations		-	913,928.00
Meeting and Seminar		-	1,382,574.00
Honorarium Expenses		159,000.00	186,000.00
Miscellaneous Expenses		361,629.39	1,446,938.16
Consultancy services Expenses		277,411.78	163,265.00
		<b>8,573,746.48</b>	<b>9,937,890.27</b>



**NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED**  
**THIMPHU, BHUTAN**  
**NOTES FORMING PART OF THE STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST DECEMBER 2019**

	For the year ended 31st December 2019	For the year ended 31st December 2018
	Nu.	Nu.
<b>NOTE NO: 22</b>		
<b>CONSUMABLES</b>		
Consumption of Office Equipment	9,140.00	1,790.00
Consumption of Equipment Spares	792.00	19,080.00
Consumption of Printing & Stationeries	529,162.28	633,088.04
Consumption of Vehicle Spares	237,520.00	79,560.00
	<b>776,614.28</b>	<b>733,518.04</b>
<b>NOTE NO: 23</b>		
<b>FINANCE COST</b>		
Finance Charge on Financial Instruments	(2,610,009.92)	3,343,602.77
Interest on Loan	5,274,775.23	-
	<b>2,664,765.31</b>	<b>3,343,602.77</b>
<b>NOTE NO: 24</b>		
<b>TAX EXPENSE</b>		
Current Period Tax Expense	4,565,939.30	9,804,178.46
Deferred Period Tax Expense	2,574,325.15	(2,627,785.68)
	<b>7,140,264.46</b>	<b>7,176,392.78</b>



## **NOTE 25:**

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

#### **NOTE NO.: 25-A**

##### **CORPORATE INFORMATION**

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

##### **SIGNIFICANT ACCOUNTING POLICIES**

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

#### **1. Basis of Preparation:**

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

#### **2. Use of Estimates**

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

#### **3. Property, Plant & Equipment**

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

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

#### 5. Intangible Assets

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

#### 6. Inventories

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





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

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



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

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

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

## **8. 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:**

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

- 11.1. Capital Grants received from RGoB for acquiring fixed assets / property, plant & equipment are shown as RGoB's (Capital Grant) in the Statement of Financial Position under "Reserve & Surplus".
- 11.2. Revenue Grant is recognized as income over the periods necessary to match the grant with the related costs that it is intended to compensate.
- 11.3. Depreciation on Assets acquired out of grant has been adjusted in statement of comprehensive Income on a systematic basis over the useful life of the asset.

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

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

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





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

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

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

**15. Segment Reporting**

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

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

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



**NOTE NO.: 25-B****NOTES ON FINANCIAL STATEMENTS FOR THE YEAR 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. 19,287,334.22 (last year Nu. 15,880,501.15)
- 1.2. Capital commitment Nu. 78,565,466.83 (last year Nu. 80,582,861.21) net of costs recognised in the financial statements and advances made of Nu. 6,469,608.90 (last year Nu. 9,162,415.95).

**2. The building under PPE has been classified as owner-occupied property and the property used for rental purpose has been classified as investment property under Note No. 1 B as per BAS 40.****3. None of the fixed assets of the company have been revalued during the year.****4. Related Party Disclosure**

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

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

<b>Name</b>	<b>Address</b>	<b>Position</b>	<b>Remarks</b>
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. Thinley Dorji	CEO, NHDCL	Chief Executive Officer	Present



b. Transactions with related parties during the year:

i. DSA & Sitting Fee:

Name	2019		2018	
	DSA (Nu.)	Sitting Fee (Nu.)	DSA (Nu.)	Sitting Fee
Mr. Pema Chewang	-	20,000.00	-	15,000.00
Mr. Lodey Tsheten	-	20,000.00	-	15,000.00
Mr. Dungtu Drukpa	-	20,000.00	-	15,000.00
Mr. Pema. R. Rinchen	149,374.50	40,000.00	128,620.00	15,000.00
Mr. Tashi Tobgye	-	15,000.00	-	5,000.00
Mr.Karma Sonam		10,000.00	-	-

ii. Loan with NPPF

Particulars	Amount (Nu.)	Remarks
Term Loan	858,614,516.58	Sovereign Guarantee (MoF)

iii. Chief Executive Officer's Remuneration:

Particulars	2019	2018
Basic Pay	895,000.00	840,000.00
Corporate Allowance	223,750.00	210,000.00
Communication Allowance	60,000.00	60,000.00
Contract Allowance	437,000.00	294,000.00
Provident Fund	98,450.00	92,400.00
Leave encashment	75,000.00	70,000.00
Bonus	70,000.00	87,500.00
Sitting Fee	40,000.00	20,000.00
Discretionary Grant	200,000.00	200,000.00
<b>Total</b>	<b>2,099,200.00</b>	<b>1,873,900.00</b>



c. Employee Benefit disclosure as per BAS 1

4.1. Defined Contribution Plans

Contributions for Defined Contribution Plans amounting to Nu.2,403,380 (LY Nu. 2,096,839.00) has been recognized in the Statement of Profit & Loss.

4.1.1. Provident Fund

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

4.2. Defined Benefit Plans

4.2.1. Gratuity

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

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

The valuation model is based on an annual cash flow projection model assuming that benefit obligations are settled at the end of the year. Similarly, salary increment is assumed to happened at the end of the period. The model calculates the obligation for each member individually using their age-service-salary statistics and then aggregated the data over entire membership to arrive at the plan level figure. The model also allow retirement upon completing the retirement age as stipulated in the plan provision. The model allows for three decrements to trigger benefit namely, retirement, early retirement/resignation and death while in service. The disclosures as required under BAS 19 is provided below:



### 3.3 Actuarial Assumptions

#### Financial assumptions

Parameter	31-Dec-19	31-Dec-17
Discount rate	7.00%	7.00%
Salary growth rate	11.00%	11.00%

#### Demographic assumptions

Parameter	31-Dec-19	31-Dec-17
Mortality rate	100% of IALM (2006-2008)	
Employee turnover rate	8.00%	8.00%

#### Rational for actuarial assumption and professional opinion

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

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

#### 1. Discount rate

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

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

#### 2. Salary growth rate

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

#### 3. Mortality rate



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

#### **4. Employee turnover rate**

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

#### **3.4 Valuation methodology**

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

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

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

#### **3.5 Risk exposures**

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

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

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

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

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

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





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

#### **Demographic risk**

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

#### **Regulatory risk**

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

#### **Liquidity risk**

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

### **4. Financial exhibits**

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

	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Present value of define benefit obligation	34,695,721	19,991,021
Fair value of plan assets	19,074,716	18,365,314
Funded status - surplus/(deficit)	(15,621,005)	(1,625,707)
Effect of asset ceiling	-	-
<b>Net defined benefit asset/(liability)</b>	<b>(15,621,005)</b>	<b>(1,625,707)</b>

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

<i>Nu.</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Expense recognized in profit or loss	3,265,114	2,478,025
Expense recognized in other comprehensive income	10,730,184	(852,318)
<b>Defined benefit cost</b>	<b>13,995,298</b>	<b>1,625,707</b>



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

<i>Nu.</i>	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Current service cost	2,365,668	1,904,568
Past service cost	760,321	-
Loss/(Gain) on settlement	-	-
Interest on DBO	1,374,047	1,228,960
Interest on plan asset	(1,234,922)	(655,503)
<b>Expenses recognised in profit or loss</b>	<b>3,265,114</b>	<b>2,478,025</b>

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

	<b>31-Dec-19</b>	<b>31-Dec-18</b>
Actuarial (gain) or loss due to experience adjustments	10,928,229	(598,812)
Actuarial (gain) or loss due to changes in financial assumptions	-	-
Actuarial (gain) or loss due to changes in demographic assumptions	-	-
Return on plan assets (greater) or less than discount rate	(198,045)	(253,506)
<b>Expense recognised as other comprehensive income</b>	<b>10,730,184</b>	<b>(852,318)</b>

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

	<b>31-Dec-19</b>	<b>31-Dec-18</b>
DBO at the beginning of period	19,991,021	17,656,844
Add: Current service cost	2,365,668	1,904,568
Add: Past service cost	760,321	-
Add: Interest cost	1,374,047	1,228,960
Less: Benefits paid by the plan	(723,565)	(200,539)
Less: Benefits paid by the employer	-	-
Actuarial (gain) or losses due to experience adjustment	10,928,229	(598,812)
Actuarial (gain) or losses due to change in financial assumptions	-	-
Actuarial (gain) or losses due to change in demographic assumptions	-	-
<b>DBO at the end of period</b>	<b>34,695,721</b>	<b>19,991,021</b>



**F. Composition of plan asset**

	31-Dec-19	31-Dec-18
Bonds (Government/corporate)	-	-
Fixed deposit	19,074,716	18,365,314
Equities	-	-
<b>Total</b>	<b>19,074,716</b>	<b>18,365,314</b>

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

	31-Dec-19	31-Dec-18
Fair value at the beginning of period	18,365,314	1,272,361
Contribution paid into the plan	-	16,384,483
Return on plan assets	1,234,922	655,503
Benefits paid from the plan	(723,565)	(200,539)
Return on plan assets greater or (less) than discount rate	198,045	253,506
<b>Fair value at the end of period</b>	<b>19,074,716</b>	<b>18,365,314</b>

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

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



### I. Expected benefit payments in future years

<i>In</i>	<i>Nu.</i>
December 31, 2020	2,680,883
December 31, 2021	6,110,312
December 31, 2022	3,340,961
December 31, 2023	4,169,131
December 31, 2024	4,488,827
December 2025 to December 2029	32,902,692
December 2030 to December 2039	67,508,794

Estimated term of liability (in years)	13.34
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### 4.2 Sensitivity analyses

Parameter	Change	Defined benefit obligation	Net effect on DBO	Percent change
Discount rate	- 0.5%	36,043,392	1,347,671	3.9%
	Base rate	34,695,721	-	0.0%
	+ 0.5%	33,430,949	(1,264,772)	-3.6%
Salary growth rate	- 0.5%	33,390,217	(1,305,504)	-3.8%
	Base rate	34,695,721	-	0.0%
	+ 0.5%	36,072,399	1,376,678	4.0%
Mortality rate	x 90%	34,743,398	47,677	0.1%
	Base rate	34,695,721	-	0.0%
	x 110%	34,648,331	(47,390)	-0.1%
Employer turnover rate	- 1%	35,917,585	1,221,864	3.5%
	Base rate	34,695,721	-	0.0%
	+ 1%	33,609,163	(1,086,558)	-3.1%



## 8.2.2 Leave Encashment

### Actuarial Assumptions

#### Financial assumptions

Parameter	31-Dec-19	31-Dec-18
Discount rate	7.00%	7.00%
Salary growth rate	11.00%	11.00%

#### Demographic assumptions

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

### Rationale for actuarial assumptions and professional opinion

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

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

#### 1. Discount rate

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

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

#### 2. Salary growth rate

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



### **3. Mortality rate**

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

#### **4. Employee turnover rate**

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

### **3.4 Valuation methodology**

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

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

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

### **3.5 Risk exposures**

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

#### **1. Discount rate risk**

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

#### **2. Salary growth risk**

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





### **3. Employee turnover risk**

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

### **4. Demographic risk**

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

### **5. Regulatory risk**

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

### **6. Liquidity risk**

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

5. 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.

### **6. OTHER RESERVES:**

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



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

<b>Nature of Grant</b>	<b>Received Period</b>	<b>Amount (Nu.)</b>	<b>Amount (Nu.)</b>
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.

#### 7. OTHER RESERVES:

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 2019 a loan instalment of Nu.69,480,980.53 was received from MoF, which is treated as Capital Grant for Special housing Project.



8. RGoB (Maintenance Grant) amounting to Nu. 10,000,000 (Last year Nu. 14,999,493.82) has been considered as an Indirect Income and expenditure of the same amount has been incurred out of that grant during the year.
9. The Ministry of Finance, RGoB, has released Interest Free Loan to the extent of Nu.250.00 million (previous year Nu.250.00 million) to the company for construction at SamdrupJongkhar, Phuntsholing, Gasa and Lhuentse, which is repayable after ten years from the date of disbursement. As per the terms of sanction, the company shall create a Sinking Fund for repayment of principal amount on maturity of loan. The company has made an Investment in Fixed term Annuity Scheme with RICBL amounting to Nu. 150 million as on 31<sup>st</sup> Dec.2018 and Nu.25,000,000 in Fixed deposit with BNBL as on 31<sup>st</sup> Dec.2019. For the current year a net fair value of Nu.13,698,998 has been charged on the financial instrument.
10. The amount of Nu. 58,125,415.57 have been capitalized against the interest on loan paid to National Pension and Provident Fund (NPPF) during the year.
11. Due to non-availability of records an earnest money deposit of Nu.200,000 under current Assets have been lying for more than five years in the books of accounts have been written off against Miscellaneous Expenses in the current year.
12. A balance secured advance of Nu.285,464.87 and mobilization advance of Nu.1,390,000 from M/s Gyeldron Venture is persuaded through the court of law.
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.17,277,617.18 (Last Year Nu. 8,697,005.50) and the actuarial loss of Nu.10,730,184 (Last Year gain of Nu.852,318) has been accounted under other comprehensive Income. A provision for Corporate Income Tax (CIT) of Nu. 4,565,939.30 (Last Year Nu. 9,804,178.46) thereon and a Deferred Tax expense of Nu. 2,574,325.15 (Last Year Expenses of Nu.2,627,785.68) for the year 2019. The total comprehensive loss for the year is at Nu. 592,831.27 (Last Year Nu. 2,372,930.72).
15. Previous year's figures have been re-grouped and re-arranged wherever required for better disclosures.
16. Note Nos.1 to 25 are the part of the financial statements of the company and these are duly authenticated by the Management.



# NATIONAL HOUSING DEVELOPMENT CORPORATION LIMITED

THIMPHU, BHUTAN

## RATIO ANALYSIS

Ratio	Basis of Ratio	2019	2018
<b>Profitability Ratio</b>			
Operating Profit Ratio	Operating Profit / Total Revenue	17.32%	13.46%
Gross Profit Ratio	Profit Before Tax / Total Income	9.55%	5.30%
Net Profit Ratio	Profit After Tax / Total Income	5.60%	0.93%
ATROE (After Tax Return on Equity)	Profit After Tax / Owner's Equity	0.34%	0.05%
Return on Fixed Assets	Profit After Tax / Total Net Block of Property Plant & equipment	0.42%	0.07%
<b>Operating Efficiency</b>			
Operating Ratio	Operating Costs / Total Operating Revenues [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)+Income from consultancy & Hiring ]	68.97%	87.71%
Operating Revenue to Total Income	Total Operating Revenue [Rent income + Home Maintenance Unit Income + RGoB Housing Maintenance (Revenue Grant)] / Total Income	79.80%	84.98%
<b>Stability Ratios</b>			
Debt Equity Ratio	Total external Debt / Total Equity	29%	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	5.09	9.34
<b>Liquidity Ratio</b>			
Current Ratio	Current Assets / Current Liabilities	3.17	4.74

