AIN NUMBER: 16203

ROYAL MONETARY AUTHORITY OF BHUTAN

FINANCIAL STATEMENTS

PERIOD: JULY 1, 2018 to JUNE 30, 2019

SEPTEMBER, 2019

TITLE SHEET

Title	:	Audit Report on the financial statements of Royal Monetary Authority of Bhutan
Head of the Agency	:	Dasho Penjore, Governor EID No. 2015002
Finance Personnel	:	Mr. Julien Gurung, Executive Director EID No. 2001012
Period Audited	:	July 1, 2018 – June 30, 2019
Schedule of Audit	:	Interim: March 2019 Actual: August – September 2019 Reporting: September 12, 2019
Composition of Audit Team	:	Team Leader: Tashi Rinzing Schmidt, Managing Partner CID No. 11410002120 Team Members: 1. Ngawang Loday, Senior Audit Associate CID No. 10604000452 2. Shrijana Rai, Senior Audit Associate CID No. 11306001532 3. Kunzang Pasa Tenzin, Audit Associate CID No. 11410000669 4. Biran Rasaily, Audit Associate CID No. 11803002763
Supervising Officer	:	Tashi Rinzing Schmidt, Managing Partner
Engagement Letter	:	Appointment letter dated May 13, 2019
Focal Person	:	Tashi Rinzing Schmidt Email: tashi@rinzingfinancial.com Phone: +975 7765 3070

Rinzing Financial Group

Disclaimer Note

The coverage of this report is based on the facts, figures and information made available and accessible to the audit team by the management of **Royal Monetary Authority of Bhutan** (the Authority). The opinion of the auditors shall be confined to the period covered and information made available till the time of issue of this report.

This is also to certify that the auditors during the audit had neither yielded to pressure, nor dispensed any favor or resorted to any unethical means that would be considered as a violation of the Royal Audit Authority's Oath of Good Conduct, Ethics and Secrecy of Auditors.

Table of Contents

INDEPENDENT AUDITOR'S REPORT ………………………………………………… 1-2

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS ………………... 3-4

FINANCIAL STATEMENTS

Statement of Financial Position ………………………………………………….. 5-6

Statement of Comprehensive Income …………………………………………… 7

Statement of Changes in Equity …………………………………………………. 8-9

Statement of Cash Flows …………………………………………………………. 10

ACCOUNTING POLICIES & NOTES TO ACCOUNTS ………………………………. 11-75

MANAGEMENT REPORT ………………………………………………………………….. 76

PRIOR YEAR AUDIT FOLLOW UP REPORT …………………………………………... 77-78

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

To the Members of the Board of the Royal Monetary Authority of Bhutan

Opinion

We have audited the financial statements of the Royal Monetary Authority of Bhutan (the Authority), which comprise the Statement of Financial Position as at June 30, 2019, and the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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 Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There are no such matters to report.

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 Bhutanese Accounting Standards 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 Authority'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 Authority or to cease operations, or has not realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority'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, individually 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.40

- 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 stipulated in requirement 5 and 10 of the audit appointment letter issued by Royal Audit Authority of Bhutan, we have enclosed Annexure I on the Minimum Audit Examination and Reporting Requirements to the extent applicable and Management Report in Annexure II highlighting certain issues for Management's attention and consideration.

Further to our comments in Annexure I and II referred above, 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 purposes of our audit;

b) In our opinion, proper books of accounts as required by law have been kept by the Authority so far as appears from our examination of the books;

c) The Authority's financial statements are in agreement with the books of account and returns; and

d) In our opinion, the Authority has complied with other legal and regulatory requirement.

Rinzing Financial Group
Firm License Number: 1036380

Schmidt

Tashi Rinzing Schmidt, CPA
Managing Partner
License Number: 34762
Date: September 12, 2019
Place: Thimphu, Bhutan

Rinzing Financial Group
Thimphu, Bhutan

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

1. The Authority fulfilled all matters specified in clause-A except those pertaining to manufacturing activities and relative procurements, sales, marketing etc.

2. Adequate documents and records have been maintained for loans and advances with timely entries.

3. Proper records of transactions and contracts have been maintained with timely entries in the books.

4. On the basis of verification of records and information and explanations given to us, we noted that reasonable records have been maintained for the funds collected from the depositors and interest payments.

5. On basis of the verification of records and information and explanations given to us, we noted no permanent diminutions during the current year.

6. The financial statements prepared are in accordance in Bhutanese Accounting Standards.

7. On the basis of verification of records and information and explanations given to us, no non-performing assets were noted during the current year.

8. On the basis of verification of records and information and explanations given to us, no non-performing assets were noted during the current year.

9. On the basis of verification of records and information and explanations given to us, the Authority has no assets hypothecated against loans and advances.

10. On the basis of verification of records and information and explanations given to us, the Authority have a system of monitoring of projects for which loans have been provided to ensure that loan amounts are used for the specified purposes and project activities are progressing satisfactorily.

11. On the basis of verification of records and information and explanations given to us, disposed assets are sent to the Department of National Property and then the disposed assets are sold through open/sealed bids.

12. On the basis of records and information and explanations given to us, we noted no instances of re-phasing/rescheduling of loans.

13. On the basis of records and information and explanations given to us, we noted no additional loans granted to those who have defaulted payments of previous advances.

Computerized Accounting Environment

1. During the course of our audit, we have neither come across nor have been informed of any failure or major weakness in the organizational and system development controls and other internal controls relative to size and nature of the computer installation.

2. According to information and explanation given to us, the authority has adequate safeguard measures and back up facilities exist.

3. Based on the information and explanations given to us, the authority has set up a facility at Phuentsholing to store files as part of backup facility and disaster recovery measure.

4. According to information and explanation given to us, the operational controls are adequate to ensure correctness and validity of input data and output information.

5. The authority has adequate measures to prevent unauthorized access over the computer installation and files.

Going Concern Problem

The Authority has been making adequate profits in the past years and the financial position as on the date of this report is healthy. There are no potential going concern problems for the Authority.

Adherence to Laws, Rules and Regulations

The audit of the Authority is governed by the Royal Monetary Authority Act of Bhutan 2010 (the Act), By-laws, 2018 and Bhutanese Accounting Standards. The scope of audit is limited to examination and review of the financial statements prepared by the Management during our audit, we have considered the compliance of the provisions of the said Act and By-laws, 2018 as well Bhutanese Accounting Standards.

For Rinzing Financial Group
Firm License 1036380

Schmidt

Tashi Rinzing Schmidt
Partner
CPA License No. 34762

Rinzing Financial Group
Thimphu, Bhutan

Date: September 12, 2019
Place: Thimphu, Bhutan

FINANCIAL STATEMENTS

Royal Monetary Authority of Bhutan
Statement of Financial Position

Assets *(Amount in Nu. '000)*

	Note	June 30, 2019	June 30, 2018	July 1, 2017
Foreign Currency financial assets				
Cash and cash equivalents	9	51,598,402	54,955,292	20,500,447
Deposits with banks	10	15,895,170	13,344,538	40,721,784
Securities	11	4,342,724	5,605,555	9,355,888
IMF related assets	12	2,560,586	2,537,070	2,337,041
Interest and other receivables		199,444	220,273	354,044
Total foreign currency financial assets		74,596,326	76,662,728	73,269,204
Local currency financial assets				
Cash and cash equivalents	9	19,688	656,774	517,019
Gratuity fund	10	39,661	60,503	45,016
Loans to staff	13	25,732	31,882	36,188
Ways and means advance to Royal Governmen	14	2,500,000	-	-
Interest and other receivables		362	-	143
Total local currency financial assets		2,585,444	749,159	598,366
Non-financial assets				
Non-monetary gold	15	37,713	16,672	4,100
Inventories for banknotes	16	165,333	180,134	251,333
Property, Plant and Equipment	17	161,721	134,565	90,032
Other assets	18	166,761	155,604	126,142
Total non-financial assets		531,529	486,974	471,607
Total assets		**77,713,299**	**77,898,861**	**74,339,178**

The notes on pages 11 to 73 are an integral part of these financial statements.

Royal Monetary Authority of Bhutan
Statement of Financial Position

Liabilities and Equity			
Foreign Currency financial liabilities			
Balances of Commercial banks			
Balances of Government	7,176,250,281	7,206,766,699	7,164,579,439
IMF related liabilities	2,112,733,251	2,096,913,407	1,933,723,176
Loans			
Due to IFIs	1,367,595	7,661,663	25,944,129
Due to foreign central banks	11,117,600,000	10,845,460,000	3,872,190,000
Accrued interest payables	63,710,537	71,086,222	30,654,838
Total foreign currency financial liabilities	20,471,661,664	20,227,887,991	13,027,091,582
Local currency financial liabilities			
Currency in circulation	12,545,310,102	12,267,117,628	11,528,763,838
Balances of Commercial banks	22,799,761,583	23,666,760,473	27,950,888,071
Balances of Government	96,562,537	348,351,214	1,835,648,909
Loans			
Due to other Financial institutions	557,278	557,278	557,278
Total local currency financial liabilities	35,442,191,501	36,282,786,593	41,315,858,096
Other liabilities			
Deferred grants	66,537,863	61,142,633	-
Gratuity and other employee benefits	91,727,709	76,302,336	70,138,999
Accrued expense			
Managed Fund	253,873,753	43,444,444	276,158,532
Others	99,793,753	152,719,569	1,671,525,014
Total Liabilities	56,425,786,243	56,844,283,566	56,360,772,222
Equity			
Capital	800,000,000	800,000,000	800,000,000
General Reserve	2,000,000,000	2,000,000,000	2,000,000,000
Profit and loss	3,421,434,608	1,585,242,684	1,068,931,766
BAS adjustment reserve	138,814,431	125,248,695	162,684,000
Revaluation Reserve	14,932,773,481	16,547,385,607	13,946,546,299
Other comprehensive income	(5,510,155)	(3,299,264)	243,250
Total Equity	21,287,512,365	21,054,577,721	17,978,405,315
Total Equity and Liabilities	77,713,298,608	77,898,861,288	74,339,177,537

Rinzing Financial Group

Tashi Rinzing Schmidt, CPA

Royal Monetary Authority

Chairman

The notes on pages 11 to 75 are an integral part of these financial statements.

Royal Monetary Authority of Bhutan
Statement of Comprehensive Income

Royal Monetary Authority of Bhutan
Statement of Comprehensive Income

(Amount in Nu. '000)

	Notes	June 30, 2019	June 30, 2018
Foreign currency income and expenses			
Interest income on foreign currency financial assets	27	2,237,151	1,998,620
Interest expense on foreign currency financial liabilities		(563,297)	(519,706)
Net foreign currency income		1,673,854	1,478,915
Local currency income			
Interest income on local currency financial assets	27	34,314	14,572
Net local currency income		34,314	14,572
Net interest income		1,708,168	1,493,487
Other income			
Gains on sale of foreign currencies		103,859	53,494
Unrealised gain/(loss) of fair value of securities		64,791	(16,890)
Realised gain/(loss) on sale of securities		3,604	(5,323)
Foreign exchange revaluation		271,794	2,940,705
Others	28	8,189	14,439
Net other income		452,237	2,986,424
Total net operating income		2,160,405	4,479,911
Expenses			
Cost of banknote printing		(46,877)	(96,389)
Personnel expenses	29	(196,495)	(165,972)
Administrative expenses	30	(110,210)	(78,347)
Total operating expenses		(353,583)	(340,707)
Net profit for year		**1,806,822**	**4,139,203**
Other Comprehensive Income			
Actuarial gain on Staff gratuity Fund		(5,510)	(3,299)
Total Comprehensive Income		**1,801,312**	**4,135,904**

Please refer to Note 31 on profit for distribution.

The notes on pages 11 to 75 are an integral part of these financial statements.

Rinzing Financial Group
Thimphu, Bhutan

Royal Monetary Authority of Bhutan
Statement of Changes in Equity

(Amount in Nu. '000)

	Capital	General Reserve	Revaluation Reserve	Retained Earnings	OCI	BAS Transition Reserve	Other Reserves	Total
Balance at July 1, 2017 as previously	800,000	2,000,000	13,946,883	1,068,932	-	-	243	17,816,059
Adjustments on transition to BAS	-	-	(337)	-	-		-	162,347
Balance as at July 1, 2017 as restated	**800,000**	**2,000,000**	**13,946,546**	**1,068,932**	-	**162,684**	**243**	**17,978,405**
Transfer of revaluation gain for the year	-	-	2,940,705	(2,940,705)	-	-	-	-
(net of current year realised)	-	-	(16,890)	16,890	-	-	-	-
Profit	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total comprehensive Income	-	-	-	4,135,904	(3,299)	(37,435)	-	4,095,169
Transfer to Royal Government	-	-	-	(1,068,932)	-	-	-	(1,068,932)
Other movements	-	-	2,239	47,940	-	-	- 243	49,935
Transfer from revaluation reserve	-	-	(325,214)	325,214	-	-	-	-
Balance at June 30, 2018	**800,000**	**2,000,000**	**16,547,386**	**1,585,243**	**(3,299)**	**125,249**	-	**21,054,577**

Rinzing Financial Group
Thimphu, Bhutan

The notes on pages 11 to 75 are an integral part of these financial statements.

Royal Monetary Authority of Bhutan
Statement of Changes in Equity

(Amount in Nu. '000)

	Capital	General Reserve	Revaluation Reserve	Retained Earnings	OCI	BAS Transition Reserve	Other Reserves	Total
Balance at July 1, 2018	800,000	2,000,000	16,547,386	1,585,243	(3,299)	125,249	-	21,054,579
	-	-	-	-	-	-	-	-
Transfer of revaluation gain for the year	-	-	336,585	(336,585)	-	-	-	-
(net of current year realised)	-	-	-	-	-	-	-	-
Total comprehensive Income	-	-	-	1,806,822	(5,510)	3,299	-	1,804,611
	-	-	-	-	-	-	-	-
Transfer to Royal Government	-	-	-	(1,585,243)	-	-	-	(1,585,243)
Other movements	-	-	-	-	3,299	10,267	-	13,566
Transfer from revaluation reserve	-	-	(1,951,197)	1,951,197	-	-	-	-
Balance at June 30, 2019	**800,000**	**2,000,000**	**14,932,773**	**3,421,435**	**(5,510)**	**138,814**	**-**	**21,287,512**

The notes on pages 11 to 75 are an integral part of these financial statements.

Royal Monetary Authority of Bhutan

Statement of Cash Flows

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Profit for year	3,421,435	1,585,243
Adjustments for items not involving cash flows		
Unrealised fx revaluations	(1,614,612)	2,597,297
Accrued interest in foreign currency	20,829	133,771
Accrued interest in domestic currency	(362)	143
Depreciation	(20,248)	(19,098)
Adjusted profit	**1,807,040**	**4,297,356**
(Increase)/decrease in operating assets		
Placements with banks	(2,529,789)	27,361,758
Advance to Government	(2,500,000)	-
Non-monetary gold	(21,041)	(12,573)
Inventory for banknotes	14,800	71,199
Other financial assets	6,150	4,306
Other assets	(11,157)	(29,461)
	(5,041,038)	27,395,230
Increase/(decrease) in operating liabilities		
Currency in circulation	278,192	738,354
Due to Banks	(866,999)	(4,284,128)
Due to Government foreign currency	(30,516)	42,187
Due to Government domestic	(251,788.68)	(1,487,298)
Due to foreign banks	(6,294)	(18,282)
Other foreign liabilities	(7,376)	40,431
Managed fund	210,429	(232,714)
Other domestic currency liabilities	(52,926)	(1,518,805)
Cash flows for operating activities	**(3,945,850)**	**24,978,494**
Cash flows from investing activities		
Net purchase of property	(6,908)	(25,434)
Net purchase of securities	1,262,831	3,750,333
Increase in IMF balance	(23,516)	(200,029)
Increase in IMF liability	15,820	163,190
Cash flows from investing activities	**1,248,227**	**3,688,061**
Cash flows from financing activities		
Due to foreign central banks	272,140	6,973,270
Deferred grant	5,395	61,143
Creation of BAS transition reserve	11,355	(37,435)
Distributions	(1,585,243)	(1,068,932)
Cash flows from financing activities	**(1,296,353)**	**5,928,046**
Net increase in cash equivalents	**(3,993,976)**	**34,594,600**
Cash equivalents at beginning of year	55,612,066	21,017,466
Cash equivalents at end of year	**51,618,090**	**55,612,066**

The notes on pages 11 to 75 are an integral part of these financial statements.

Rinzing Financial Group Thimphu, Bhutan

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

ROYAL MONETARY AUTHORITY OF BHUTAN

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. GENERAL

The Royal Monetary Authority of Bhutan (hereinafter referred to as "the Authority") established in 1982 is the Central Bank of the Kingdom of Bhutan and sole authority for issuing of notes and coins in the country. All activities of the Authority are now governed by the provisions of the Royal Monetary Authority Act of Bhutan, 2010 (herein referred to as "the Act"), the amended By-laws, 2018 and Expenditure Rules, 2017 as approved by the Board of Directors. The Authority is a body corporate with perpetual succession and a common seal. The main activities of the Authority are to:

- Formulate and implement monetary policy to achieve price stability;
- Supervise and regulate banks and other financial institutions subject to the Financial Services Act of Bhutan 2011;
- Promote an efficient financial system comparable to international best practices;
- Promote, supervise and operate national and international payment and settlement system including electronic transfer of funds by financial institutions, other entities and individuals;
- Promote sound practices and good governance in the financial service industries to protect it against systemic risk; and
- Promote macro-economic stability and economic growth in Bhutan.

As per Section 155 of the Act, the financial year of the Authority is aligned with the financial year of the Royal Government of Bhutan and ends on June 30.

2. BASIS OF ACCOUNTING

These statements have been prepared in accordance with and complied with Bhutanese Accounting Standards (BAS).

The Authority has adopted BAS for these financial statements. This is a change from previous years where the financial statements have been prepared under local accounting rules. BAS standards are based on the International Financial Reporting Standards (IFRS) 2014. In particular, for financial instruments, BAS incorporated the classification and measurement basis of IFRS 9, as existing in 2014, but the impairment is based on IAS 39. The Authority intents to fully comply with IFRS in 2021.

The Authority has followed the requirements of BFRS 1 (first-time adoption of BAS) and has restated the comparative figures on the basis of BAS. The transition date as defined in BFRS 1 is July 1, 2017, the beginning of the comparative period. The effects of the transition are disclosed in Note 32.

3. BASIS OF MEASUREMENT

These financial statements have been prepared on a historical cost basis except for the financial assets managed externally which are measured at fair value.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Bhutanese Ngultrum ('Nu'), which is the Authority's functional currency. Ngultrum amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. USE OF ESTIMATES AND JUDGMENTS

When preparing the financial statements in conformity with BAS, the Authority makes judgments, estimates and assumptions that affect the reported amounts of assets and liabilities for the following financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under certain circumstances.
These disclosures supplement the commentary on financial instruments (see Note 8).

(a) **Judgments**

The critical judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

- The externally managed portfolio of financial assets is operated under a business model that, in the judgement of management, should be classified as one that should be measured at fair value.
- Currency in circulation - the Authority has classified cash in circulation as a financial liability (see Note 21); and
- Gold - the Authority has classified standardized gold as a non-monetary asset at cost (see Note 15).

The Authority has classified the amount received from the Reserve Bank of India under the South Asian Association for Regional Cooperation (SAARC) swap arrangements as a loan denominated in Indian Rupees.

(b) **Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is set out below in relation to the impairment of financial instruments and determination of the fair value of financial instruments.

(i) Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment. The allowances for impairment applied to financial assets is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and an estimate of cash flows considered recoverable is independently approved.

(ii) Determining fair values

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Authority determines fair values using other valuation techniques.

For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Measurement of fair values

The Authority measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1 - inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments

in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

- Level 3 - inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments. The Authority has no such assets.

The Authority recognises transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

6. EFFECT OF ACCOUNTING STANDARDS NOT YET IN FORCE

As stated in Note 2, the Authority intends to fully comply with IFRS in 2021. Current IFRS differs from BAS in the following aspects:

- BFRS 9 is based on an older version of IFRS 9 (the 2014 version) which is different from the latest version. The latest version of IFRS 9 requires additional disclosures about investments in equity instruments designated as Fair Value through Other Comprehensive income (FVOCI). This category would possibly be used by the Authority in addition to the current categories of amortised cost and Fair Value through Profit or Loss in the future.
- IFRS 9 adopts a very different approach to impairment of financial assets, based on an expected credit loss model instead of the incurred loss model currently used meaning that expected credit losses must be recognised at the point at which an entity makes a loan or invests in a relevant financial asset. The Authority will assess the implications of this approach.
- IFRS 16 on Leases will require more leased assets to be recognised on the balance sheet. The Authority does not expect this to have a material effect on its financial statements.
- IFRS 17 on Insurance Contracts is not expected to have a material impact on the Authority's financial statements.

7. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements (and in preparing the opening BAS statement of financial position at July 1, 2017 for the purposes of the transition to BAS).

(a) Financial assets and liabilities

Measurement Methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Authority revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

(i) Initial recognition and measurement

The Authority initially recognises loans and advances on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Authority becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

At initial recognition, the Authority measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- In all other cases, the difference is deferred, and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

(ii) Classification and subsequent measurement

Financial assets

From July 1, 2018, the Authority has applied BFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds, both foreign and domestic.

Classification and subsequent measurement of debt instruments depends on:

(i) the Authority's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

Based on these factors, the Authority classifies its debt instruments into one of the following two measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any impairment and measured as described in Note 5. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in 'Net investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: the business model reflects how the Authority manages the assets in order to generate cash flows. That is, whether the Authority's objective is solely to collect the contractual cash flows from the assets. If this is not applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Authority in determining the business model for the Authority of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. As described in Note 8, the Authority's foreign reserves portfolio is managed in 3 tranches; a working capital tranche for immediate use, a liquidity tranche to support the working capital tranche, and an investment tranche held for the longer term. The business model for the working capital tranche is to hold to collect contractual cash flows, whilst the other two tranches are generally classified within the 'hold to collect and sell business model'. Within the Investment tranche, Securities in the portfolio managed under the World Bank's RAMP program are held for trading purposes. These securities are classified in the 'other' business model and accordingly measured at FVPL.

The domestic currency portfolio is held for the purposes of collecting the contractual cash flows.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Authority assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Authority considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Authority reclassifies debt securities when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. The Authority does not currently hold any equity holdings. The Authority does, however, hold the Kingdom of Bhutan’s quota in the International Monetary Fund. This has been treated as an equity holding for the purposes of BFRS 9. It is held as a strategic investment. The Authority’s management has elected, at initial recognition, to irrevocably designate that any movements in the fair value of its quota at the IMF will be presented through other comprehensive income as it is held for purposes other than to generate investment returns. Under this election, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

Financial liabilities

The Authority classifies its financial liabilities as measured at amortised cost.

(iii) Derecognition

Financial assets

The Authority derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Authority neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On the derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Authority is recognised as a separate asset or liability.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Authority has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under BAS, or for gains and losses arising from a group of similar transactions such as in the Authority's trading activity.

(v) Identification and measurement of impairment

At each reporting date, the Authority assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- indications that a borrower or issuer will enter bankruptcy;
- disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against the relevant asset or investments. Interest on the impaired assets continues to be recognized through the unwinding of the discount. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The Authority writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when it determines that there is no realistic prospect of recovery.

b. Currency in circulation

Currency in circulation includes banknotes and coins in circulation and is presented under liabilities by deducting the nominal value of the banknotes and coins on hand in the Authority from the nominal value of all the banknotes and coins issued.

c. Cash and cash equivalents

Cash and cash equivalents include deposits in local currency, together with notes and coins on hand in foreign currency, and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of change in their fair value and are used by the Authority in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

d. Non-monetary gold

Non-monetary gold is valued at cost being the purchase price paid in Ngultrum.

e. Deposits and borrowings

Deposits and borrowings are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

f. Printing and minting costs

Freshly printed banknotes and coins, which have not yet been put into circulation, are recognized as assets at acquisition cost. The costs of notes are charged as an expense when the notes are issued to the public.

g. Intangible assets

Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Authority and the cost of the asset can be measured reliably. Intangible assets consist of computer software.

Intangible assets acquired by the Authority are stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of a software is three years. Work-in-progress is not amortised.

h. Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

(ii) Subsequent costs

The cost of replacing a part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Authority and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day maintenance of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land, work in progress, and paintings and other artworks and objects are not depreciated.

The rates of depreciation are as follows:

Asset Class	Depreciation Rate
Building:	
Structure	3%
Electrical	10%
Roofing	10%
Furniture & fixtures	15%
Machinery	5%
Equipment	20%
Motor vehicles	15%
Electricity generation & transmission equipment	5%
Computer & IT Equipment	20%

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

i. **Interest**

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Authority estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis; and
- interest on securities calculated on an effective interest basis.

j. Fees and commissions

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, fund transfer fees, placement fees and credit registry fees are recognised as the related services are performed.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

k. Transactions in foreign currency

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The resulting differences from the conversion and translation are recognised in profit or loss in the year in which they arise.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

According to the RMA Act 2010, the net gains/losses from foreign exchange that are initially recognised in profit or loss in the period in which they arise, are then transferred from retained earnings to the 'Revaluation reserves' included in Capital and Reserves.

The principal exchange rates used in preparing these financial statements are:

	June 2019	June 2018
Indian Rupee	1	1
US Dollar	69.02	68.46
Euro	78.56	79.73
GBP	87.49	89.96
SDR	96.72	95.99

l. Unrealised gains/losses of fair value of securities

Unrealised gains/losses of the fair value of securities relate to financial assets designated at fair value through profit or loss. It includes all realised and unrealised fair value changes. Under the RMA Act 2010, these gains/losses are transferred to the revaluation reserve before distribution of profit to the Government.

m. Taxation

As per section 14 of the Act, the Authority is exempted from all taxes on its yearly surplus, stamp duties, custom duties on gold, silver, currency notes and coins or any other goods that may be specified by the Government.

n. Profit distribution

The profits of the Authority are computed under BAS. In order to calculate the profits available for distribution, certain adjustments are necessary. Under Section 24 of the Act, any gains arising from revaluation or changes in the exchange rate that are recognised in income are transferred to the revaluation reserve. Any losses arising from such revaluations shall initially be offset against the revaluation reserve. If the revaluation reserve is insufficient, then the excess losses should be deducted from the current year's profit and then from the general reserve. 50% of the distributable profits may, with the approval of the Royal Government be transferred to the general reserve. The remaining distributable profits are paid to the Royal Government. Revaluation gains and losses taken to revaluation reserves that are realised in subsequent years are included in distributable profits in the year which they are realised. See Note 31 for the calculation of distributable profit.

o. Employee benefits

(i) *Defined contribution plans*

The Authority makes compulsory contributions to the National Pension & Provident Fund (NPPF) that provide pension benefits for employees upon retirement. These contributions are charged in the income statement. The NPPF are responsible for providing the legally set minimum threshold for pensions in Bhutan under a defined contribution pension plan.

(ii) *Defined benefit plans (Gratuity)*

Staff on leaving the Authority are entitled to one month's pay for each year of service. Provision is made for the gratuity over the service period of the employees. In accordance with BAS 19, the company's net obligation in respect to the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in profit or loss and invested in the form of deposits with financial institutions within Bhutan. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income and presented within equity.

(iii) Termination benefits

Termination benefits are recognized as an expense when the Authority is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the Authority has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognized for the amount expected to be paid under short-term cash bonus (performance linked incentive scheme) if the Authority has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) *Earned leave encashment*

The employees of the Authority are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set by the Authority and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The Authority’s net obligation in respect to earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and the amount of obligation is provided in profit or loss. The plan is unfunded.

p. Operating leases

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

q. Impairment of non-financial assets

The carrying amounts of the Authority's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the highest of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

r. Provisions

A provision is recognised if, as a result of a past event, the Authority has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

8. FINANCIAL INSTRUMENTS: RISK MANAGEMENT AND FAIR VALUES

Risk management framework

The financial instruments of the Authority are mainly used for the purposes of foreign reserve management and for the maintenance of the Ngultrum's peg to the Indian Rupee. The significance of risk is assessed within the context of these functions. The Authority has exposure to the liquidity risk, credit risk and market risk from financial instruments. During the performance of the foreign reserve management function, the Authority is also exposed to, and manages, the legal risk, settlement risk, custodian risk and operational risk. This note presents information about the Authority's exposure to each of the above risks, the Authority's objectives, policies and processes for measuring and managing risk.

Pursuant to the legal requirements, the Authority holds and manages the foreign reserves of the Kingdom of Bhutan. As such the Board has approved the Reserve Management Policy (RMP) which defines the general principles, the investment structure of the external reserves, the permitted asset classes, the risk management rules and internal organization for reserve management. The quantified investment framework of the reserve management, in accordance with the Reserve Management Policy (RMP) is set out in the Investment Guidelines (IG) approved by the Executive Committee.

The Reserve Management Committee is responsible to review the risks, the performance, and compliance of the reserve management practice with the RMP and IG.

In accordance with the decisions of the Board on the eligible instruments, the reserve is invested in fixed or floating income securities, in deposits or certificates of deposit, the remaining foreign reserves are held in SDR.

a) Liquidity risk

Liquidity risk is the risk that: a) the Authority will encounter difficulty in meeting obligations associated with its financial liabilities in due time; and b) the Authority will not be able to sell a financial instrument within a specific time frame without causing significant loss compared to the market value. Liquidity is amongst the primary objectives of the foreign reserve management and is defined as the goal to ensure the availability at all times of sufficient funds to meet the liquidity needs associated with:

- the implementation of the monetary policy and the exchange rate policy of the Authority; and
- maintaining the financial stability and meeting the needs of the country in the period of crisis.

The implementation of these objectives is performed through the breakdown of the foreign reserves into certain tranches that, within the context of a prudent management of the liquidity risk, serve specific purposes and carry specific features.

The net reserve is composed of:

(i) the working capital tranche: designed to meet the monthly liquidity needs arising within one month;

(ii) the liquidity tranche: designed to meet the liquidity needs arising within one year;

(iii) the investment tranche: it represents the remaining balance as surplus and is designed to meet the liquidity needs arising beyond the timeframes described in the first two tranches.

The amount and currency composition of the tranches is determined based on the needs to use such tranches. The selection of the financial instruments in which the majority of each tranche is invested, (the 'benchmark portfolios') and the duration of each benchmark portfolio are determined in line with the use of each tranche to meet the liquidity needs of the Authority. Although the overall reserve is invested in highly liquid instruments, the first and the second tranches described above, are invested in highly liquid short-term sovereign issues with high credit rating.

8. FINANCIAL INSTRUMENTS: RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Liquidity risk (continued)

The tables below set out the remaining contractual maturities of the Authority's financial liabilities and financial assets. The Authority's expected cash flows on these instruments may vary from the contractual cash flows.

(Amount in Nu. 000)

June 30, 2019	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Undefined maturity	Total
Financial assets								
Non-derivative assets								
Cash and cash equivalents	31,938,483	19,679,607	-	-	-	-	-	**51,618,090**
Deposits	-	1,850,549	8,283,229	5,761,392	-	-	-	**15,895,170**
Securities at amortised cost	-	787,930	-	-	-	-	-	**787,930**
Externally managed securities	227,758	-	-	-	3,327,037	-	-	**3,554,794**
IMF related assets	587,455	-	-	-	-	-	1,973,131	**2,560,586**
Ways and Means Advance to Royal Government	-	2,500,000	-	-	-	-	-	**2,500,000**
Loans to staff and other assets	199,806	-	-	39,661	-	25,732	-	**265,199**
Total financial assets	**32,953,503**	**24,818,086**	**8,283,229**	**5,801,053**	**3,327,037**	**25,732**	**1,973,131**	**77,181,770**
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	12,545,310	**12,545,310**
Balances of Commercial banks	22,799,762	-	-	-	-	-	-	**22,799,762**
Deposits from third parties	1,925	-	-	-	-	-	-	**1,925**
Balances of Royal Government	272,813	-	-	-	7,000,000	-	-	**7,272,813**
IMF related liabilities	584,267	-	-	-	-	-	1,528,467	**2,112,733**
Due to foreign Central Banks	-	6,976,550	-	4,141,050	-	-	-	**11,117,600**
Other liabilities	63,711	-	-	-	-	-	-	**63,711**
Total financial liabilities	**23,722,476**	**6,976,550**	**-**	**4,141,050**	**7,000,000**	**-**	**14,073,777**	**55,913,853**
Asset-liability maturity mismatch as of June 30, 2019	**9,231,027**	**17,841,536**	**8,283,229**	**1,660,003**	**(3,672,963)**	**25,732**	**(12,100,646)**	**21,267,917**

(a) Liquidity risk (continued)

(Amount in Nu. 000)

June 30, 2018	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Undefined maturity	Total
Financial assets								
Non-derivative assets								
Cash and cash equivalents	39,800,933	15,811,133	-	-	-	-	-	**55,612,066**
Deposits	1,682,766	4,873,381	6,788,391	-	-	-	-	**13,344,538**
Securities at amortised cost	1,161,163	1,031,505	-	-	-	-	-	**2,192,668**
Externally managed securities	82,152	-	-	-	3,330,735	-	-	**3,412,887**
IMF related assets	578,714	-	-	-	-	-	1,958,356	**2,537,070**
Loans to staff and other assets	220,273	-	-	60,503	-	31,882	-	**312,658**
Total financial assets	**43,526,001**	**21,716,019**	**6,788,391**	**60,503**	**3,330,735**	**31,882**	**1,958,356**	**77,411,887**
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	12,267,118	**12,267,118**
Balances of Commercial banks	23,666,760	-	-	-	-	-	-	**23,666,760**
Deposits from third parties	8,219	-	-	-	-	-	-	**8,219**
Balances of Royal Government	555,118	-	-	-	7,000,000	-	-	**7,555,118**
IMF related liabilities	579,892	-	-	-	-	-	1,517,022	**2,096,913**
Due to foreign Central Banks	-	6,737,860	-	4,107,600	-	-	-	**10,845,460**
Other liabilities	71,086	-	-	-	-	-	-	**71,086**
Total financial liabilities	**24,881,075**	**6,737,860**	**-**	**4,107,600**	**7,000,000**	**-**	**13,784,139**	**56,510,675**
Asset-liability maturity mismatch as of June 30, 2018	**18,644,926**	**14,978,159**	**6,788,391**	**(4,047,097)**	**(3,669,265)**	**31,882**	**(11,825,783)**	**20,901,212**

(a) Liquidity risk (continued)

(Amount in Nu. 000)

July 1, 2017	Up to 1 month	From 1 month to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Undefined maturity	Total
Financial assets								
Non-derivative assets								
Cash and cash equivalents	21,017,466	-	-	-	-	-	-	**21,017,466**
Deposits	6,233,309	15,045,182	18,049,838	1,393,455	-	-	-	**40,721,784**
Securities at amortised cost	-	6,144,751	-	-	-	-	-	**6,144,751**
Externally managed securities	251,692	-	-	-	2,959,445	-	-	**3,211,137**
IMF related assets	531,092	-	-	-	-	-	1,805,949	**2,337,041**
Loans to staff and other assets	354,187	-	-	45,016	-	36,188	-	**435,391**
Total financial assets	**28,387,746**	**21,189,934**	**18,049,838**	**1,438,470**	**2,959,445**	**36,188**	**1,805,949**	**73,867,570**
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	11,528,764	**11,528,764**
Balances of Commercial banks	27,950,888	-	-	-	-	-	-	**27,950,888**
Deposits from third parties	26,501	-	-	-	-	-	-	**26,501**
Balances of Royal Government	2,000,228	-	-	-	7,000,000	-	-	**9,000,228**
IMF related liabilities	534,762	-	-	-	-	-	1,398,961	**1,933,723**
Due to foreign Central Banks	-	-	-	3,872,190	-	-	-	**3,872,190**
Other liabilities	30,655	-	-	-	-	-	-	**30,655**
Total financial liabilities	**30,543,035**	**-**	**-**	**3,872,190**	**7,000,000**	**-**	**12,927,725**	**54,342,950**
Asset-liability maturity mismatch as of July 1, 2017	**(2,155,288)**	**21,189,934**	**18,049,838**	**(2,433,720)**	**(4,040,555)**	**36,188**	**(11,121,776)**	**19,524,621**

(b) Credit risk

For the purpose of the foreign reserve management, the credit risk is the risk of financial loss to the Authority, if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority's loans and advances to other banks and investment securities. For risk management reporting purposes, the Authority considers and consolidates elements of credit risk exposure (such as individual obligor default risk, country and sector risk). The management of this risk is an important objective, in the process of the foreign exchange reserve management.

The risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk; for further details, see (d) below.

The RMP establishes concentration of exposure to counterparties, and by type of investment, issuer, credit rating band, market liquidity, with the governments and central Bank issues prioritized. The evaluation and monitoring process of the credit rating of the eligible issuers is based on the analysis and the rating determined by the principal rating agencies, including Standard & Poor's, Moody's and Fitch, as well as in the reviewing processes, on a daily basis, of the performance of several market indicators of the quality of the credit rating of the issuer. In accordance with the limits imposed by the Board, the Reserve Management Committee is authorized to establish other qualitative and/or quantitative limits on the exposure level for the issuer/financial institution on an individual basis, category, or combined category and instrument basis. Depending on the market environment and conditions, the Authority may decide to adapt even more conservative limits for an issuer/financial institution.

The investment of the foreign exchange reserve is limited to sovereign (government/central bank) issues with minimum credit ratings of A+ sovereign agencies, multilateral institutions, public entities with a minimum credit rating of AA-; and, with the exception of Indian banks, banks and other financial institutions with a minimum credit rating of A-. The credit rating refers to the credit rating of an issuer/financial institution, and if such rating is not provided, the credit rating of the long-term debt of the financial institution is used. For Indian banks, it must be public owned banks.

The loans to the local banks are secured/collateralized by treasury bills issued by the Royal Government.

The following table sets out the carrying amounts of the financial assets that are exposed to credit risk as at June 30, 2019, 2018 and July 1, 2017.

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Assets			
Cash and cash equivalents	51,618,090	55,612,066	21,017,466
Deposits	15,895,170	13,344,538	40,721,784
Securities at amortised cost	787,930	2,192,668	6,144,751
Externally managed securities	3,554,794	3,412,887	3,211,137
IMF related assets	2,560,586	2,537,070	2,337,041
Ways and Means Advance to Royal Government	2,500,000	-	-
Loans to staff and other assets	265,199	312,658	435,391
Total financial assets	**77,181,770**	**77,411,887**	**73,867,570**

An amount of Nu. 587 million (2018: Nu. 578 million, 2017: Nu 531 million) which is included in the SDR Holdings with the IMF (see Note 12) is not considered to represent credit risk for the Authority since it represents the counter-account of the amounts acquired through the SDR allocations. Only Nu. 8.14 million (2018: Nu. 3.74 million, 2017: Nu. 1.07 million) included in the assets above represent credit risk.

(b) Credit risk (continued)

A segregation of the financial assets by geography is set out below:

(Amount in Nu. '000)

June 30, 2019	United States of America	EU countries	East Asia	India	Singapore	Bhutan	Others	Total
Cash and cash equivalents	8,826,338	282,746	1,380,350	11,664,682	27,807,580	800,385	856,009	51,618,090
Deposits	-	-	-	4,342,405	9,702,216	-	1,850,549	15,895,170
Securities at amortised cost	-	-	-	787,930	-	-	-	787,930
Externally managed securities	3,554,794	-	-	-	-	-	-	3,554,794
IMF related assets	2,560,586	-	-	-	-	-	-	2,560,586
Ways and Means Advance to RGOB	-	-	-	-	-	2,500,000	-	2,500,000
Loans to staff and other assets	-	-	-	-	-	65,755	199,444	265,199
Total financial assets	**14,941,718**	**282,746**	**1,380,350**	**16,795,018**	**37,509,795**	**3,366,140**	**2,906,002**	**77,181,770**

(Amount in Nu. '000)

June 30, 2018	United States of America	EU countries	East Asia	India	Singapore	Bhutan	Others	Total
Cash and cash equivalents	5,589,567	271,133	-	16,173,032	24,312,118	1,246,752	8,019,463	55,612,066
Deposits	-	-	-	-	6,161,400	-	7,183,138	13,344,538
Securities at amortised cost	-	-	-	2,192,668	-	-	-	2,192,668
Externally managed securities	3,412,887	-	-	-	-	-	-	3,412,887
IMF related assets	2,537,070	-	-	-	-	-	-	2,537,070
Loans to staff and other assets	-	-	-	-	-	92,385	220,273	312,658
Total financial assets	**11,539,524**	**271,133**	**-**	**18,365,700**	**30,473,518**	**1,339,137**	**15,422,874**	**77,411,887**

(b) Credit risk (continued)

(Amount in Nu. '000)

July 1, 2017	United States of America	EU countries	East Asia	India	Singapore	Bhutan	Others	Total
Cash and cash equivalents	2,507,876	263,951	-	16,875,001	-	1,047,477	323,160	21,017,466
Deposits	-	-	15,717,257	-	-	-	25,004,527	40,721,784
Securities at amortised cost	-	-	-	6,144,751	-	-	-	6,144,751
Externally managed securities	3,211,137	-	-	-	-	-	-	3,211,137
IMF related assets	2,337,041	-	-	-	-	-	-	2,337,041
Loans to staff and other assets	-	-	-	-	-	81,347	354,044	435,391
Total financial assets	**8,056,055**	**263,951**	**15,717,257**	**23,019,753**	**-**	**1,128,824**	**25,681,730**	**73,867,570**

A segregation of the financial assets by counterparty type is set out below:

(Amount in Nu. '000)

June 30, 2019	Cash and cash equivalents	Deposits	Securities at amortised cost	Externally managed securities	IMF related assets	Ways and Means Advance to RGOB	Loans to staff and other assets	Total
Central Authority	780,697	-	-	-	-	-	25,732	806,428
Foreign Central Banks	50,781,102	-	787,930	3,554,794	2,560,586	-	-	57,684,412
Commercial Banks	56,292	15,895,170	-	-	-	-	-	15,951,462
Royal Government	-	-	-	-	-	2,500,000	-	2,500,000
Others	-	-	-	-	-	-	239,467	239,467
Total financial assets	**51,618,090**	**15,895,170**	**787,930**	**3,554,794**	**2,560,586**	**2,500,000**	**265,199**	**77,181,770**

(Amount in Nu. '000)

June 30, 2018	Cash and cash equivalents	Deposits	Securities at amortised cost	Externally managed securities	IMF related assets	Ways and Means Advance to RGOB	Loans to staff and other assets	Total
Central Authority	589,978	-	-	-	-	-	31,882	621,859
Foreign Central Banks	54,290,138	-	2,192,668	3,412,887	2,537,070	-	-	62,432,763
Commercial Banks	731,950	13,344,538	-	-	-	-	-	14,076,489
Others	-	-	-	-	-	-	280,776	280,776
Total financial assets	**55,612,066**	**13,344,538**	**2,192,668**	**3,412,887**	**2,537,070**	**-**	**312,658**	**77,411,887**

(Amount in Nu. '000)

July 1, 2017	Cash and cash equivalents	Deposits	Securities at amortised cost	Externally managed securities	IMF related assets	Ways and Means Advance to RGOB	Loans to staff and other assets	Total
Central Authority	530,458	-	-	-	-	-	36,188	566,646
Foreign Central Banks	19,848,999	-	6,144,751	3,211,137	2,337,041	-	-	31,541,929
Commercial Banks	638,009	40,721,784	-	-	-	-	-	41,359,792
Others	-	-	-	-	-	-	399,203	399,203
Total financial assets	**21,017,466**	**40,721,784**	**6,144,751**	**3,211,137**	**2,337,041**	**-**	**435,391**	**73,867,570**

(b) Credit risk (continued)

An analysis of concentration of the credit risk by quality of credit rating is shown below:

(Amount in Nu. '000)

June 30, 2019	Cash and cash equivalents	Deposits	Investment securities	Special Drawing Rights (SDR)**	Ways and Means Advance to RGOB	Loans to Staff and other assets	Total
Balances with foreign Central Banks	5,281,649	-	787,930	-	-	-	6,069,579
IMF related assets	-	-	-	2,560,586	-	-	2,560,586
State-owned Banks	12,201,998	-	-	-	-	-	12,201,998
AAA	-	-	3,554,794	-	-	-	3,554,794
AA-	26,157,080	11,747,962	-	-	-	-	37,905,041
A	4,945,572	4,147,208	-	-	-	-	9,092,781
Unrated	3,031,791	-	-	-	2,500,000	265,199	5,796,991
Total financial assets	**51,618,090**	**15,895,170**	**4,342,724**	**2,560,586**	**2,500,000**	**265,199**	**77,181,770**

(Amount in Nu. '000)

June 30, 2018	Cash and cash equivalents	Deposits	Investment securities	Special Drawing Rights (SDR)**	Ways and Means Advance to RGOB	Loans to Staff and other assets	Total
Balances with foreign Central Banks	1,041,326	-	2,192,668	-	-	-	3,233,994
IMF related assets	-	-	-	2,537,070	-	-	2,537,070
State-owned Banks	13,519,355	1,682,766	-	-	-	-	15,202,121
AAA	-	-	3,412,887	-	-	-	3,412,887
AA-	35,921,858	6,161,400	-	-	-	-	42,083,258
A	3,200,103	5,500,372	-	-	-	-	8,700,475
Unrated	1,929,425	-	-	-	-	312,658	2,242,083
Total financial assets	**55,612,066**	**13,344,538**	**5,605,555**	**2,537,070**	**-**	**312,658**	**77,411,887**

(Amount in Nu. '000)

July 1, 2017	Cash and cash equivalents	0	Investment securities	Special Drawing Rights (SDR)**	Ways and Means Advance to RGOB	Loans to Staff and other assets	Total
Balances with foreign Central Banks	1,234,013	-	6,144,751	-	-	-	7,378,764
IMF related assets	-	-	-	2,337,041	-	-	2,337,041
State-owned Banks	1,820,835	35,612,677			-		37,433,511
AAA	-	-	3,211,137	-	-	-	3,211,137
AA-	14,286,580	-	-	-	-	-	14,286,580
A	2,321,001	5,109,107	-	-	-	-	7,430,108
Unrated	1,355,038	-	-	-	-	435,391	1,790,428
Total financial assets	**21,017,466**	**40,721,784**	**9,355,888**	**2,337,041**	**-**	**435,391**	**73,867,570**

The credit ratings included above show the second-best rating amongst Standard & Poor's, Moody's and Fitch.

** The Ngultrum value of SDR is calculated by using the SDR US dollar exchange rate combined with the US dollar Ngultrum exchange rate, based on market exchange rates, of a basket of major currencies (the US dollar, euro, Japanese yen, and pound sterling). The value of the SDR is determined the weighted average of the basket of major currencies and adjusted every five years.

The unrated items include cash in the Authority's vault, deposits with banks in Bhutan and Ways & Means Advance to Royal Government of Bhutan.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Royal Monetary Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The key elements of price risk affecting the Authority are:

- Interest rate risk associated with fluctuations in the fair value of financial instruments due to changes in market interest rates; and
- Currency risk associated with fluctuations in the fair value of financial instruments due to changes in foreign exchange rates.

The Authority's exposure to currency risk is monitored on a continual basis by the Department of Foreign Exchange & Reserve Management. Financial assets and liabilities denominated in foreign currencies are disclosed in the relevant notes of the financial statements.

For the purpose of foreign exchange reserve management, in terms of ensuring compliance with the criteria set by the Board on the composition according to currency of the foreign currency reserve, the Authority is passive in the management of foreign exchange rate risk. The Authority holds 30% of its foreign reserves in Indian rupees, with the balance in other currencies, of which the majority is held in US Dollars. The other main component is SDRs held at the IMF. The authority may also hold other reserve currencies such as the Euro and Pound Sterling.

(i) Interest rate risk

The Authority's operations are subject to the risk of interest rate fluctuations, which affect the prices of interest-earning assets (including investments) and interest-bearing liabilities.

The Foreign Exchange and Reserve Management Department of the Authority monitors the interest rate risk. The Authority mitigates such risks by maintaining a significant excess of interest-bearing assets over liabilities. The Authority maintains a portfolio of interest-bearing financial assets and liabilities such that the net interest income is significantly higher than operating needs, in order to minimize the potential adverse effects of interest rate fluctuations. Interest rates applicable to financial assets and liabilities are disclosed in the relevant notes to the financial statements.

The interest rate risk management for the purpose of foreign exchange reserve management, in its core process includes the selection of the portfolio/duration benchmark for each market (currency) in which the foreign reserves are held. The benchmark selection is reviewed annually or whenever changes in market conditions require a reassessment. Besides determining the benchmark portfolio, the Reserve Management Committee, in accordance with the limits imposed by the Board, determines limits at the tranche level for the additional risk factors that can be taken by the portfolio manager specialist during the active administration. The portfolio level limits are established by the Head of the Reserve Management Department.

(i) Interest Rate Risk (continued)

Assuming an immediate parallel increase (decrease) in interest rates by 50 basis points and 100 basis points and a correlation equal to 1 between the curves, and based on the duration of the aggregate foreign exchange reserves, the estimated loss (gain) for each scenario is as follows:

Estimated profit (loss) effect	**June 30, 2019**		**June 30, 2018**		**July 1, 2017**	
	100 bp	50 bp	100 bp	50 bp	100 bp	50 bp
Increase	(668,154)	(334,077)	(977,022)	(488,511)	(691,899)	(345,949)
Decrease	668,154	334,077	977,022	488,511	691,899	345,949

Assets and liabilities with variable interest rates carry the risk of changing the base that serves to determine interest rates.

The position of the Authority's sensitivity to interest rate by contractual repricing is presented in the following table, showing the carrying amounts of financial instruments classified by contractual repricing or maturity date.

(c) Market risk (continued)

(i) Interest rate risk (continued)

(Amount in Nu. '000)

June 30, 2019	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and cash equivalents	51,618,090	851,056	-	44,642,636	-	6,124,398
Deposits	15,895,170	-	4,342,405	-	11,552,764	-
Securities at amortised cost	787,930	-	-	787,930	-	-
Externally managed securities	3,554,794	-	227,758	-	3,327,037	-
IMF related assets	2,560,586	587,455	-	-	-	1,973,131
Ways and Means Advance to RGOB	2,500,000	2,500,000	-	-	-	-
Loans to staff and other assets	265,199	-	-	-	65,393	199,806
Total financial assets	**77,181,770**	**3,938,512**	**4,570,163**	**45,430,566**	**14,945,194**	**8,297,335**
Interest-bearing liabilities						
Currency in circulation	12,545,310	-	-	-	-	12,545,310
Loans to staff and other assets	22,799,762	-	-	-	-	22,799,762
Deposits from third parties	1,925	-	-	-	-	1,925
Balances of Royal Government	7,272,813	-	-	-	7,000,000	272,813
IMF related liabilities	2,112,733	579,313	-	-	-	1,533,420
Due to foreign Central Banks	11,117,600	-	-	-	11,117,600	-
Other liabilities	63,711	-	-	-	-	63,711
Total financial liabilities	**55,913,853**	**579,313**	**-**	**-**	**18,117,600**	**37,216,940**
Interest-bearing financial instruments gap	**21,267,917**	**3,359,198**	**4,570,163**	**45,430,566**	**(3,172,406)**	**(28,919,605)**

(c) Market risk (continued)

(i) *Interest rate risk (continued)*

(Amount in Nu. '000)

June 30, 2018	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and cash equivalents	55,612,066	682,674	-	52,565,902	-	2,363,491
Deposits	13,344,538	-	-	-	13,344,538	-
Securities at amortised cost	2,192,668	-	-	2,192,668	-	-
Externally managed securities	3,412,887	-	82,152	-	3,330,735	-
IMF related assets	2,537,070	578,714	-	-	-	1,958,356
Loans to staff and other assets	312,658	-	-	-	92,385	220,273
Total financial assets	**77,411,887**	**1,261,388**	**82,152**	**54,758,570**	**16,767,658**	**4,542,120**
Interest-bearing liabilities						
Currency in circulation	12,267,118	-	-	-	-	12,267,118
Balances of Commercial banks	23,666,760	-	-	-	-	23,666,760
Deposits from third parties	8,219	-	-	-	-	8,219
Balances of Royal Government	7,555,118	-	-	-	7,000,000	555,118
IMF related liabilities	2,096,913	574,975	-	-	-	1,521,938
Due to foreign Central Banks	10,845,460	-	-	-	10,845,460	-
Other liabilities	71,086	-	-	-	-	71,086
Total financial liabilities	**56,510,675**	**574,975**	**-**	**-**	**17,845,460**	**38,090,239**
Interest-bearing financial instruments gap	**20,901,212**	**686,412**	**82,152**	**54,758,570**	**(1,077,802)**	**(33,548,120)**

(d) Market risk (continued)

(ii) *Interest rate risk (continued)*

(Amount in Nu. '000)

July 1, 2017	Total	Floating rate instruments	Fixed rate instruments			Non-interest bearing instruments
			Up to 1 month	From 1 to 3 months	Over 3 months	
Interest-earning assets						
Cash and cash equivalents	21,017,466	410,746	-	18,307,288	-	2,299,432
Deposits	40,721,784	-	-	-	40,721,784	-
Securities at amortised cost	6,144,751	-	-	6,144,751	-	-
Externally managed securities	3,211,137	-	-	-	3,211,137	-
IMF related assets	2,337,041	531,092	-	-	-	1,805,949
Loans to staff and other assets	435,391	-	-	-	81,204	354,187
Total financial assets	**73,867,570**	**941,839**	**-**	**24,452,039**	**44,014,125**	**4,459,568**
Interest-bearing liabilities						
Currency in circulation	11,528,764	-	-	-	-	11,528,764
Balances of Commercial banks	27,950,888	-	-	-	-	27,950,888
Deposits from third parties	26,501	-	-	-	-	26,501
Balances of Royal Government	9,000,228	-	-	-	7,000,000	2,000,228
IMF related liabilities	1,933,723	530,229	-	-	-	1,403,495
Due to foreign Central Banks	3,872,190	-	-	-	3,872,190	-
Other liabilities	30,655	-	-	-	-	30,655
Total financial liabilities	**54,342,950**	**530,229**	**-**	**-**	**10,872,190**	**42,940,531**
Interest-bearing financial instruments gap	**19,524,621**	**411,610**	**-**	**24,452,039**	**33,141,935**	**(38,480,963)**

(c) Market risk (continued)

(iii) Exchange rate risk

Exchange rate risk results from the difference between the currency structure of assets and liabilities. From an accounting point of view, the Authority is exposed to currency risk due to its principal functions.

The Authority's principal exposure to exchange rate risk is on the USD component of its foreign reserves. The Authority may at times hold other international currencies including Euro and Pound Sterling. Majority of the Authority's foreign assets are denominated in Indian Rupees, with which the Ngultrum is held at parity.

(c) Market risk (continued)

(ii) Exchange rate risk (continued)

The Authority’s exposure to foreign currency risk as at June 30, 2019, 2018 and July 1, 2017 is as follows:

(Amount in Nu. '000)

June 30, 2019	USD	EUR	GBP	INR	SDR	Other	Total
Assets							
Cash and cash equivalents	39,220,232	24,680	258,220	12,090,273	-	4,996	**51,598,402**
Deposits	11,552,764	-	-	4,342,405	-	-	**15,895,170**
Securities at amortised cost	-	-	-	787,930	-	-	**787,930**
Externally managed securities	3,554,794	-	-	-	-	-	**3,554,794**
IMF related assets	-	-	-	-	2,560,586	-	**2,560,586**
Loans to staff and other assets	-	-	-	-	-	199,444	**199,444**
Total foreign financial assets	**54,327,791**	**24,680**	**258,220**	**17,220,609**	**2,560,586**	**204,440**	**74,596,326**
Liabilities							
Deposits from third parties	1,368	-	-	-	-	-	**1,368**
Balances of Royal Government	138,784	37,466	-	7,000,000	-	-	**7,176,250**
IMF related liabilities	-	-	-	-	2,112,733	-	**2,112,733**
Due to foreign Central Banks	4,141,050	-	-	6,976,550	-	-	**11,117,600**
Other liabilities	63,711	-	-	-	-	-	**63,711**
Total foreign financial liabilities	**4,344,913**	**37,466**	**-**	**13,976,550**	**2,112,733**	**-**	**20,471,662**
Net currency position	**49,982,878**	**- 12,786**	**258,220**	**3,244,059**	**447,853**	**204,440**	**54,124,664**

(c) Market risk (continued)

(ii) *Exchange rate risk (continued)*

(Amount in Nu. '000)

June 30, 2018	USD	EUR	GBP	INR	SDR	Other	Total
Assets							
Cash and cash equivalents	38,282,872	58,184	228,216	16,352,777	-	33,242	**54,955,292**
Deposits	13,344,538	-	-	-	-	-	**13,344,538**
Securities at amortised cost	-	-	-	2,192,668	-	-	**2,192,668**
Externally managed securities	3,412,887	-	-	-	-	-	**3,412,887**
IMF related assets	-	-	-	-	2,537,070	-	**2,537,070**
Ways and Means Advance to RGOB					-		**-**
Loans to staff and other assets	-	-	-	-	-	220,273	**220,273**
Total foreign financial assets	**55,040,297**	**58,184**	**228,216**	**18,545,445**	**2,537,070**	**253,515**	**76,662,728**
Liabilities							
Deposits from third parties	7,662	-	-	-	-	-	**7,662**
Balances of Royal Government	134,266	72,500	-	7,000,000	-	-	**7,206,767**
IMF related liabilities	-	-	-	-	2,096,913	-	**2,096,913**
Due to foreign Central Banks	4,107,600	-	-	6,737,860	-	-	**10,845,460**
Other liabilities	71,086	-	-	-	-	-	**71,086**
Total foreign financial liabilities	**4,320,614**	**72,500**	**-**	**13,737,860**	**2,096,913**	**-**	**20,227,888**
Net currency position	**50,719,683**	**- 14,316**	**228,216**	**4,807,585**	**440,157**	**253,515**	**56,434,840**

(*c*) **Market risk (continued)**

(iii) *Exchange rate risk (continued)*

(Amount in Nu. '000)

July 1, 2017	USD	EUR	GBP	INR	SDR	Other	Total
Assets							
Cash and cash equivalents	2,938,199	59,439	204,513	17,282,698	-	15,599	**20,500,447**
Deposits	40,721,784	-	-	-	-	-	**40,721,784**
Securities at amortised cost	-	-	-	6,144,751	-	-	**6,144,751**
Externally managed securities	3,211,137	-	-	-	-	-	**3,211,137**
IMF related assets	-	-	-	-	2,337,041	-	**2,337,041**
Loans to staff and other assets	-	-	-	-	-	354,044	**354,044**
Total foreign financial assets	**46,871,119**	**59,439**	**204,513**	**23,427,449**	**2,337,041**	**369,643**	**73,269,204**
Liabilities							
Deposits from third parties	25,944	-	-	-	-	-	**25,944**
Balances of Royal Government	130,537	34,043	-	7,000,000	-	-	**7,164,579**
IMF related liabilities	-	-	-	-	1,933,723	-	**1,933,723**
Due to foreign Central Banks	3,872,190	-	-	-	-	-	**3,872,190**
Other liabilities	30,655	-	-	-	-	-	**30,655**
Total foreign financial liabilities	**4,059,326**	**34,043**	**-**	**7,000,000**	**1,933,723**	**-**	**13,027,092**
Net currency position	**42,811,794**	**25,396**	**204,513**	**16,427,449**	**403,318**	**369,643**	**60,242,113**

(c) Market risk (continued)

(iv) *Exchange rate risk (continued)*

The following table shows the effect of a movement in exchange rate by 10% and 5%, respectively:

(Amount in Nu., million)

	June 30, 2019		June 30, 2018		July 1, 2017	
Financial assets	**10%**	**5%**	**10%**	**5%**	**10%**	**5%**
Cash and cash equivalents	392	198	386	193	32	16
Deposits	504	252	695	347	637	319
Securities	36	18	34	17	32	16
IMF related assets	26	13	25	13	23	12
Impact on Financial assets	**958**	**480**	**1,140**	**570**	**725**	**363**
Financial liabilities						
Balances of Royal Government	1	1	1	1	1	1
IMF related liabilities	21	11	21	10	19	10
Impact on financial liabilities	**22**	**11**	**22**	**11**	**21**	**10**
Total increase/(decrease)	**935**	**469**	**1,118**	**559**	**704**	**352**
Impact on the Profit	**935**	**469**	**1,118**	**559**	**704**	**352**

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Authority's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from the Authority's operations.

Operational risk management is supported by the internal control systems on several activities of the Authority and standards for the management of operational risk and a wide range of common policies, staff management regulations and obligatory requirements.

Fair value of financial instruments

The Authority's financial instruments which are measured at fair value are currently traded securities for which there is a wide market. For these securities the fair value is the market value as described in Note 5(b) and comprise the externally managed securities.

Financial instruments not measured at fair value

The following table sets out the fair values of certain financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised.

(Amount in Nu. '000)

	June 30, 2019		June 30, 2018		July 1, 2017	
	Fair value Level 2	**Carrying amount**	**Fair value Level 2**	**Carrying amount**	**Fair value Level 2**	**Carrying amount**
Assets						
Deposits	15,895,170	15,895,170	13,344,538	13,344,538	40,721,784	40,721,784
Securities at amortised cost	787,930	787,930	2,192,668	2,192,668	6,144,751	6,144,751
IMF related assets	2,560,586	2,560,586	2,537,070	2,537,070	2,337,041	2,337,041
Ways and Means Advance to RGOB	2,500,000	2,500,000	-	-	-	-
Loans to staff and other assets	265,199	265,199	312,658	312,658	390,375	390,375
Liabilities						
IMF related liabilities	2,112,733	2,112,733	2,096,913	2,096,913	1,933,723	1,933,723
Balances of Commercial banks	22,799,762	22,799,762	23,666,760	23,666,760	27,950,888	27,950,888
Due to foreign Central Banks	11,117,600	11,117,600	10,845,460	10,845,460	3,872,190	3,872,190
Deposits from third parties	1,925	1,925	8,219	8,219	26,501	26,501
Balances of Royal Government	7,272,813	7,272,813	7,555,118	7,555,118	9,000,228	9,000,228
Other financial liabilities	63,711	63,711	71,086	71,086	30,655	30,655

The Authority considers that the fair value for cash and deposits is the same as the carrying value. For the investment in Government of India Treasury Bills, which are not traded, the fair value has been estimated based on prevailing interest rates.

9. CASH AND CASH EQUIVALENTS

(Amount in Nu. '000)

Foreign currency	June 30, 2019	June 30, 2018	July 1, 2017
Cash	780,697	589,978	530,458
Current accounts	6,175,070	1,799,413	1,662,701
Short-term deposits	44,642,636	52,565,902	18,307,288
Total foreign currency	**51,598,402**	**54,955,292**	**20,500,447**
Local currency			
Current accounts	19,688	656,774	517,019
Total local currency	**19,688**	**656,774**	**517,019**
Total Cash and cash equivalents	**51,618,090**	**55,612,066**	**21,017,466**

The Authority holds current accounts with Bank of Bhutan Ltd. to facilitate operational payments on its own behalf and on behalf of the Royal Government.

The annual average interest rates for short-term deposits for convertible currencies and INR are 2.56% and 6.13%, respectively.

10. DEPOSITS

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Foreign currency			
Terms deposits with Indian banks	4,342,405	-	-
Term deposits with other foreign banks	11,552,764	13,344,538	40,721,784
Total foreign currency deposits	**15,895,170**	**13,344,538**	**40,721,784**

11. SECURITIES

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Held at amortised cost	787,930	2,192,668	6,144,751
Held at fair value	3,554,794	3,412,887	3,211,137
Total securities	**4,342,724**	**5,605,555**	**9,355,888**

Securities held at amortised cost are comprised of 91-day Government of India (GOI) treasury bills issued by the Reserve Bank of India.

The Securities held at fair value consist of a portfolio managed by the World Bank under the RAMP programme and mainly comprise U.S. Treasury Bonds.

12. ACCOUNTS WITH THE INTERNATIONAL MONETARY FUND (IMF)

(Amount in Nu. '000)

Assets	June 30, 2019	June 30, 2018	July 1, 2017
Quota	1,973,131	1,958,356	1,805,949
SDR Holding	587,455	578,714	531,092
Total Assets	**2,560,586**	**2,537,070**	**2,337,041**

Liability	June 30, 2019	June 30, 2018	July 1, 2017
IMF A/C I	4,933	4,896	4,515
IMF A/C II	20	20	19
Securities Account	1,528,467	1,517,022	1,398,961
SDR Allocation	579,313	574,975	530,229
Total liabilities	**2,112,733**	**2,096,913**	**1,933,723**

The Quota with the IMF of Nu. 1,973 million or SDR 20.4 million (2018: Nu. 1,958 million or SDR 20.4 million, 2017: Nu. 1,806 million SDR 20.4 million) originates from the membership of the Kingdom of Bhutan in the IMF. This was paid up 25% in hard currency with the balance provided by securities issued by the Royal Government of Bhutan.

The SDR holdings of Nu. 587 million or SDR 6.07 million (2018: Nu. 578 million or SDR 6.03 million, 2017: Nu. 531 million or SDR 5.99 million) represent deposits with the IMF. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate at June 30, 2019 is 0.996% p.a. (June 2018: 0.973% p.a.).

SDR Allocations of Nu. 579 million or SDR 5.99 million (2018: Nu 574 million or SDR 5.99 million, 2017: Nu. 530 million or SDR 5.99 million) represent the counterpart to SDRs allocated in September 2009.

The IMF accounts represent liabilities towards Bhutan's participation in the IMF. The securities account and No. 1 account represent the balance of the quota payment made in local currency. The IMF may draw on these accounts on demand and the deposits do not have a defined maturity. These accounts are denominated in Ngultrum but are regularly revalued to maintain the value in SDR.

The IMF pays remuneration to members with remunerated reserve tranche positions, at 0.996% p.a. (June 2018: 0.973% p.a.). The reserve tranche position is calculated as the difference between Quota in the IMF and the local currency holdings in the IMF accounts, and holdings in the IMF account No.2.

13. LOANS TO STAFF

These are the loans granted to staff to purchase cars.

14. WAYS AND MEANS ADVANCE TO THE ROYAL GOVERNMENT OF BHUTAN

The Ways and Means Advance to the Royal Government represents the overdraft extended in pursuant to Section 150 of the RMA Act 2010. It was repaid on July 2, 2019.

15. GOLD AND SILVER ASSETS

(Amount in Nu. '000)

Non-monetary gold & silver	June 30, 2019	June 30, 2018	July 1, 2017
Gold	37,713	12,405	1,618
Silver granules	-	4,267	2,482
Total gold and silver asset	**37,713**	**16,672**	**4,100**

The non-monetary gold and silver are primarily purchased for the Government and held by the Authority pending resale to the Government.

16. INVENTORY FOR BANKNOTES

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Notes in the course of printing	32,077	-	-
Notes for circulation	133,256	180,134	251,333
Total Banknote inventories at cost	**165,333**	**180,134**	**251,333**

17. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(Amount in Nu. '000)

	Land, buildings and installations	Furniture and Equipment	Vehicles	Computers & Accessories	Paintings and other artwork	Total Property and Equipment	Computer software	Work-in-progress	Total Intangible Assets	Total
Amortized costs										
At July 1, 2017	**44,852**	**15,742**	**9,428**	**19,407**	**604**	**90,032**	**-**	**-**	**-**	**90,032**
Additions	-	4,293	2,389	5,284	20	-	-	-	-	-
Transfers	204	1,646	-	16,061	-	-	-	-	-	-
Disposal	-	1,311	437	11,275	-	-	-	-	-	-
At June 30, 2018	**42,821**	**13,952**	**8,388**	**22,023**	**623**	**87,807**	**-**	**46,758**	**-**	**134,565**
Additions	660	11,910	4,101	3,966	72	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Disposal	-	2,766	-	-	-	-	-	-	-	-
At June 30, 2019	**40,857**	**20,327**	**10,067**	**16,323**	**695**	**88,268**	**-**	**73,452**	**-**	**161,721**
Cumulative/ amortization and impairment losses										
At July 1, 2017	**34,345**	**51,324**	**13,273**	**49,761**	**-**	**148,703**	**45,611**	**-**	**45,611**	**194,314**
Amortization	2,235	6,417	2,991	7,454	-	-	-	-	-	-
Disposal	204	1,646	(437)	16,061	-	-	-	-	-	-
At June 30, 2018	**36,376**	**56,095**	**16,701**	**41,154**	**-**	**150,326**	**45,611**	**-**	**45,611**	**195,938**
Amortization	2,624	5,536	2,423	9,666	-	-	-	-	-	-
Disposal	-	2,766	-	-	-	-	-	-	-	-
At June 30, 2019	**39,001**	**58,865**	**19,123**	**50,819**	**-**	**167,809**	**45,611**	**-**	**45,611**	**213,420**
Net carrying value								**-**		
At July 1, 2017	**44,852**	**15,742**	**9,428**	**19,407**	**604**	**90,032**	**-**	**-**	**-**	**90,032**
At June 30, 2018	**42,821**	**13,952**	**8,388**	**22,023**	**623**	**87,807**	**-**	**46,758**	**-**	**134,565**
At June 30, 2019	**40,857**	**20,327**	**10,067**	**16,323**	**695**	**88,268**	**-**	**73,452**	**-**	**161,721**

18. OTHER ASSETS

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Commemorative assets	157,056	86,182	81,123
Others	9,706	69,422	45,020
Total	**166,761**	**155,604**	**126,142**

Commemorative assets include notes and coins produced to mark special occasions such as the Royal Wedding, Coronation, and Birth Anniversary of the Crown Prince. These are recorded at cost. Other assets include miscellaneous receivables.

19. BALANCES OF THE ROYAL GOVERNMENT

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Foreign currency			
Deposits	176,250	206,767	164,579
Government of India Standby Credit Facility	7,000,000	7,000,000	7,000,000
Total foreign currency balances of Royal Government	**7,176,250**	**7,206,767**	**7,164,579**
Local currency			
Plan	96,424	424	718,424
Government Consolidated Account	-	-	540,740
Ministry of Finance Refundable Deposit Account	138	347,927	576,484
Total local currency balances of Royal Government	**96,563**	**348,351**	**1,835,649**
Total balances of Royal Government	**14,449,063**	**14,761,885**	**16,164,808**

The Government of India Standby Credit is a facility originally negotiated in 2009 between the Royal Government of Bhutan and the Government of India for the purposes of making trade payments. It is subject to renewal every 3 years. Funds received under this facility are held by the Authority and included in foreign reserves. The Authority pays the interest to the Government of India on behalf of the Royal Government of Bhutan.

The Authority does not pay interest on other deposits from the Government. Ministry of Finance refundable deposit and Government consolidated accounts are operated through Bank of Bhutan Limited. The balances on both these accounts are swept overnight to the Authority.

20. DEPOSITS AND BORROWINGS FROM THIRD PARTIES

i) Deposits of International institutions

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
International Bank for Reconstruction and Development (IBRD)	740	7,035	25,317
International Development Association (IDA)	519	519	519
Asian Development Bank (ADB)	108	108	108
Total deposits of International Financial Institutions	**1,368**	**7,662**	**25,944**

These deposits are held by the institutions to provide funds for their operations in Bhutan.

ii) Deposits of central banks

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Central Bank of Kuwait	4,141,050	4,107,600	3,872,190
Reserve Bank of India	6,976,550	6,737,860	-
Total deposit of central banks	**11,117,600**	**10,845,460**	**3,872,190**

The deposit from the Central Bank of Kuwait represents funds received in relation to the Kuwait Fund described in Note 23.

The deposit from the Reserve Bank of India represents funds received under the South Asian Association of Regional Cooperation (SAARC) swap facility agreed among the SAARC Finance Governors meeting in 2012. This provides a framework under which the Reserve Bank of India may agree to bilateral arrangements with the South Asian Association for Regional Cooperation (SAARC) member countries for a facility agreement lasting for a period of 3 years. The Authority agreed to such a facility on March 8, 2013 and it was renewed on March 17, 2016. Under this facility the Authority may draw funds for 3 months with renewal possible for a further 3 months. The Authority drew under this facility on May 22, 2019, January 28, 2019 and August 2018.

The Royal Government has issued a guarantee in respect of this facility.

iii) Deposits of other domestic financial institutions

The deposits from the other financial institution include deposits from pension fund and insurance companies. The deposits are maintained for the purposes of settling any penalties relating to non-compliance with relevant regulatory requirements and are subject to a minimum balance.

21. CURRENCY IN CIRCULATION

The exclusive right of issuing Bhutanese currency is vested with the Authority. Currency in circulation comprises domestic banknotes and coins in circulation issued by the Authority.

The following banknotes and coins were in circulation as at June 30, 2019 and 2018:

	June 30, 2019		June 30, 2018		July 1, 2017	
Nominal value Nu.	Value in thousand	Total Nu. (million)	Value in thousand	Total Nu. (million)	Value in thousand	Total Nu. (million)
Notes:						
1	60,438	60	59,302	59	53,676	54
2	3,830	4	3,832	4	3,832	4
5	174,954	175	167,333	167	157,351	157
10	181,089	181	169,979	170	164,445	164
20	165,573	166	157,284	157	150,961	151
50	323,636	324	301,800	302	278,743	279
100	1,048,234	1,048	941,350	941	925,876	926
500	3,234,378	3,234	3,017,463	3,017	3,157,192	3,157
1,000	7,335,611	7,336	7,431,208	7,431	6,619,121	6,619
Coins	17,567	18	17,567	18	17,567	18
	12,545,310	**12,545**	**12,267,118**	**12,267**	**11,528,764**	**11,529**

22. DUE TO BANKS

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Mandatory reserve accounts (Cash Reserve Ratio)	11,995,340	11,008,500	10,284,034
Current accounts	7,432,536	10,192,966	12,514,863
Sweeping account	3,371,886	2,465,294	5,151,992
Total balances of banks	**22,799,762**	**23,666,760**	**27,950,888**

Commercial banks are required to maintain compulsory reserve (cash reserve ratio), with the Authority. These are currently calculated as 10% of the commercial bank's deposit liabilities in Ngultrum.

Sweeping accounts represent funds of local corporations' other entities originally deposited with commercial banks. On an overnight basis, the Authority requires the commercial banks to transfer the funds received on certain specified accounts into separate sweeping accounts at the Authority. Such accounts are not included when computing the liquidity position of the commercial banks for prudential purposes.

23. MANAGED ASSETS

Kuwait Fund

The Government of Kuwait offered to provide assistance to Bhutan as a gesture of friendship to His Majesty the Fourth King. This assistance was received in the form of deposit from the Central Bank of Kuwait with the Royal Monetary Authority of Bhutan. The funds are invested by the Authority, in deposits with foreign banks. The income is held by the Authority on behalf of His Majesty's Secretariat and is paid over as required by the Secretariat, net of the interest paid on the deposit. This income is not included in the Income statement of the Authority. The net income is maintained in a separate account under other liabilities.

The deposit contract of USD 60 million was originally signed between the Central Bank of Kuwait and the Authority in 2006. The deposit was for a period of one year and has been renewed annually. It carries an interest rate of 1.5 percent per annum. As per the contract, Authority is liable to return the amount of the deposit at the maturity date to the Kuwait Central Bank. The Authority also handles the renewal of deposit with Kuwait Central Bank. Accordingly, the deposit is shown as a liability of the Authority with the investment of the funds shown as an asset of the Authority.

24. DEFERRED GRANTS

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Financial Inclusion & literacy grant	10,739	329	-
Micro finance institution- Druk MicroFin	10,002	9,331	-
Micro finance institution grant for priority sector lending and cottage & small industries	45,797	51,483	-
	66,538	**61,143**	**-**

Deferred grants consist of grants provided by the Royal Government to promote financial literacy and to develop a financial system for micro finance, cottage and small industries and priority sector lending. These grants are treated in accordance with BAS 20 using the income approach. The grants are initially deferred and recognised in profit and loss over the period that matches with the expenditure. Grants related to assets are also recognised as deferred income in profit and loss over the useful life of the asset.

25. OTHERS

(Amount in Nu. '000)

	June 30, 2019	June 30, 2018	July 1, 2017
Ministry of Finance revaluation reserve	-	-	1,648,118
Abandoned property	93,964	46,250	16,859
Others	5,830	106,469	6,548
Total other liabilities	**99,794**	**152,720**	**1,671,525**

Under the Financial Services Act 2011, unclaimed accounts with banks and other unclaimed property held with banks such as in safe deposits whose owners cannot be traced are transferred to the Authority. The authority holds these balances in case the beneficial owners claim their funds.

26. RESERVES

	June 30, 2019	June 30, 2018	July 1, 2017
			(Amount in Nu. '000)
General reserve	2,000,000	2,000,000	2,000,000
Revaluation reserves	14,932,773	16,547,386	13,946,883
Other reserves	(5,510)	(3,299)	243
BAS adjustment reserve	138,814	125,249	162,684
Total reserve	**17,066,078**	**18,669,335**	**16,109,811**

Section 21 of the RMA Act defines the distributable profit. According to the requirements of Section 24 of the RMA Act, any gain arising from any change in the revaluation of the assets and liabilities of the Authority which has been recognised in the profit and loss statement shall be credited to a revaluation reserve account.

Net (loss)/gain from financial instruments at fair value through profit or loss and net foreign exchange gains/(losses) are initially recognized in profit or loss and then transferred to the revaluation reserves.

The transition reserve was created at July 1, 2017 as a result of the first-time BAS adoption and reflects the net adjustments on transition.

27. NET INTEREST INCOME

(Amount in Nu. '000)

	2019	2018	2017
Interest Income on foreign currency financial assets			
Interest on assets denominated in Rupees	904,350	1,046,512	1,157,213
Interest on assets other foreign currencies	1,332,801	952,108	702,300
Total interest income on foreign currency financial assets	**2,237,151**	**1,998,620**	**1,859,512**
Interest Income on local currency financial assets			
Interest on Ways and Means advance to RGOB	31,333	10,741	5,390
Interest on Staff loans	2,981	3,721	1,671
Interest on Domestic Investment	-	110	162
Total interest income on local currency financial assets	**34,314**	**14,572**	**7,224**

Interest income includes charges arising from negative yielding deposits and accounts placed with foreign financial institutions.

28. OTHER INCOME

(Amount in Nu. '000)

	2019	2018
Royalties from Commemorative coins	525	733
Sale of commemorative items	4,852	11,638
Penalties & charges received	1,705	941
Commissions and fees received	11,959	9,175
Commissions and fees paid	(16,139)	(16,752)
Others	5,286	8,705
Total other income	**8,189**	**14,439**

29. EMPLOYEE BENEFIT EXPENSES

(Amount in Nu. '000)

	2019	2018
Salaries, allowances and other staff costs	168,012	149,858
Staff Superannuation fund	25,597	12,513
Directors' fees and expenses	1,343	1,580
Fringe benefit on staff loan	1,543	2,021
Total personnel expenses	**196,495**	**165,972**

As at June 30, 2019, the Authority had 231 employees (2018: 199 employees).

Vehicle loans to employees of the Authority are provided at a 5% p.a. interest with a 5-year loan term. The Authority has considered BAS 19 for the treatment of the below market interest offered to its employees, which requires the deferment and amortisation of the benefit provided to the employees (difference between the nominal value of the loan given and the fair value of the loan at the prevailing market interest rate at the time of the loan) and noted that the difference between its current treatment (capturing the difference between the market interest rate and the 5% interest charged on a monthly basis as a fringe benefit expense on the profit & loss statement) is not material. The undue burden of applying BAS 19 outweighs the benefit, as such, the Authority has opted to continue to apply its current methodology.

Disclosure as per BAS 19, Gratuity *(Amount in Nu. '000)*

A	Assets/Liabilities	June 30, 2019	June 30, 2018
1	DBO at end of prior period	55,294	50,769
2	Current service cost	3,744	3,649
3	Interest cost on the DBO	4,631	4,252
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	(2,915)	3
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	3,516	-
11	Benefits paid directly by the Company	-	-
12	Benefits paid from plan assets	(3,156)	(3,379)
13	**DBO at Current Period End**	**61,114**	**55,294**

B	Statement of Profit & Loss	June 30, 2019	June 30, 2018
1	Current service cost	3,744	3,649
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	3,744	3,649
6	Net interest on net defined benefit liability / (asset)	439	425
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
8	**Cost Recognized in P&L**	**4,183**	**4,074**

C	Defined Benefit Cost	June 30, 2019	June 30, 2018
1	Service cost	3,744	3,649
2	Net interest on net defined benefit liability / (asset)	439	425
3	Actuarial (gains)/ losses recognized in OCI	1,721	(490)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
5	**Defined Benefit Cost**	**5,905**	**3,585**

D	Development of Net Financial Position	June 30, 2019	June 30, 2018
1	Defined Benefit Obligation (DBO)	(61,114)	(55,294)
2	Fair Value of Plan Assets (FVA)	39,661	60,503
3	Funded Status (Surplus/(Deficit))	(21,453)	5,210
4	**Net Defined Benefit Asset**	**(21,453)**	**5,210**

E	Reconciliation of Net Balance Sheet Position	June 30, 2019	June 30, 2018
1	Net defined benefit asset/ (liability) at end of prior period	5,210	(5,753)
2	Service cost	(3,744)	(3,649)
3	Net interest on net defined benefit liability/ (asset)	(439)	(425)
4	Amount recognized in OCI	(1,721)	490
5	Employer contributions	-	14,548
6	Benefit paid directly by the Company	-	-
7	Acquisitions credit/ (cost)	(20,758)	-
8	Divestitures	-	-
9	Cost of termination benefits	-	-
10	**Net Defined Benefit Asset/ (Liability) at Current Period End**	**(21,453)**	**5,210**

F	Other Comprehensive Income (OCI)	June 30, 2019	June 30, 2018
1	Actuarial (gain)/loss due to liability experience	(2,915)	3
2	Actuarial (gain)/loss due to liability assumption changes	3,516	-
3	Actuarial (gain)/loss arising during period	601	3
4	Return on plan assets (greater)/less than discount rate	1,120	(492)
5	Actuarial (gains)/ losses recognized in OCI	1,721	(490)
6	Adjustment for limit on net asset	-	-
7	Cumulative actuarial (gain) or loss recognized via OCI at prior period end	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**1,721**	**(490)**

G	Expected benefit payments for the year ending	June 30, 2019	June 30, 2018
	June 30, 2020 (2019)	1,730	1,632
	June 30, 2021 (2020)	3,477	3,369
	June 30, 2022 (2021)	3,171	4,892
	June 30, 2023 (2022)	3,928	3,917
	June 30, 2024 (2023)	3,250	5,265
	June 30, 2025 to June 30, 2029 (2024- 2028)	31,333	34,647

(i)	**Expected employer contributions for the period ending June 30 (next year)**	21,453	-
(ii)	**Weighted average duration of defined benefit obligation**	13 years	11 years
(iii)	**Accrued Benefit Obligation at June 30 (current year)**	29,456	27,953

Sensitivity Analysis

a	Discount Rate	June 30, 2019	June 30, 2018
	Discount Rate as at June 30 (current year)	8.00%	8.50%
	Effect on DBO due to 1% increase in Discount Rate	(6,733)	(5,476)
	Effect on DBO due to 1% decrease in Discount Rate	8,072	6,482
b	**Salary escalation rate**	**June 30, 2019**	**June 30, 2018**
	Discount Rate as at June 30 (current year)	10%	10.00%
	Effect on DBO due to 1% increase in Salary escalation rate	2,163	2,072
	Effect on DBO due to 1% decrease in Salary escalation rate	(2,543)	(2,292)

Disclosure as per BAS 19, Leave Encashment *(Amount in Nu. '000)*

A	Assets/Liabilities	June 30, 2019	June 30, 2018
1	DBO at end of prior period	9,543	8,545
2	Current service cost	3,651	3,489
3	Interest cost on the DBO	800	717
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	3,789	1,994
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	(5,286)	(5,202)
12	Benefits paid from plan assets	-	-
13	**DBO at Current Period End**	**12,497**	**9,543**

B	Statement of Profit & Loss	June 30, 2019	June 30, 2018
1	Current service cost	3,651	3,489
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	3,651	3,489
6	Net interest on net defined benefit liability / (asset)	800	717
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	3,789	1,994
8	**Cost Recognized in P&L**	**8,240**	**6,200**

C	Defined Benefit Cost	June 30, 2019	June 30, 2018
1	Service cost	3,651	3,489
2	Net interest on net defined benefit liability / (asset)	800	717
3	Actuarial (gains)/ losses recognized in OCI	-	-
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	3,789	1,994
5	**Defined Benefit Cost**	**8,240**	**6,200**

D	Development of Net Financial Position	June 30, 2019	June 30, 2018
1	Defined Benefit Obligation (DBO)	(12,497)	(9,543)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(12,497)	(9,543)
4	**Net Defined Benefit Asset**	**(12,497)**	**(9,543)**

E	Reconciliation of Net Balance Sheet Position	June 30, 2019	June 30, 2018
1	Net defined benefit asset/ (liability) at end of prior period	(9,543)	(8,545)
2	Service cost	(3,651)	(3,489)
3	Net interest on net defined benefit liability/ (asset)	(800)	(717)
4	Actuarial (losses)/gains	(3,789)	(1,994)
5	Employer contributions	-	-
6	Benefit paid directly by the Company	5,286	5,202
7	Acquisitions credit/ (cost)	-	-
8	Divestitures	-	-
9	Cost of termination benefits	-	-
10	**Net Defined Benefit Asset/ (Liability) at Current Period End**	**(12,497)**	**(9,543)**

F	Other Comprehensive Income (OCI)	June 30, 2019	June 30, 2018
1	Actuarial (gain)/loss due to liability experience	3,789	1,994
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	3,789	1,994
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	-	1,994
6	Adjustment for limit on net asset	-	-
7	Cumulative actuarial (gain) or loss recognized via OCI at prior period end	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**-**	**-**

G	Expected benefit payments for the year ending	June 30, 2019	June 30, 2018
	June 30, 2020 (2019)	298	251
	June 30, 2021 (2020)	518	506
	June 30, 2022 (2021)	859	701
	June 30, 2023 (2022)	837	964
	June 30, 2024 (2023)	664	1,082
	June 30, 2025 to June 30, 2029 (2024- 2028)	5,489	5,537

(i)	**Expected employer contributions for the period ending June 30 (next year)**	-	-
(ii)	**Weighted average duration of defined benefit obligation**	13 years	15 years
(iii)	**Accrued Benefit Obligation at June 30 (current year)**	3,711	3,158

Sensitivity Analysis

a	Discount Rate	June 30, 2019	June 30, 2018
	Discount Rate as at June 30 (current year)	8.00%	8.50%
	Effect on DBO due to 1% increase in Discount Rate	(1,726)	(1,207)
	Effect on DBO due to 1% decrease in Discount Rate	2,127	1,461
b	**Salary escalation rate**	**June 30, 2019**	**June 30, 2018**
	Discount Rate as at June 30 (current year)	10%	10.00%
	Effect on DBO due to 1% increase in Salary escalation rate	2,064	1,434
	Effect on DBO due to 1% decrease in Salary escalation rate	(1,712)	(1,202)

30. ADMINISTRATIVE EXPENSES

(Amount in Nu. '000)

	2019	2018
Property related expenditure	13,286	11,946
Depreciation	20,248	14,437
Communication and other office expenditure	11,241	11,135
Financial inclusion & literacy expenses	9,346	11,294
Conference & hospitality expenditure	6,437	3,559
Grants & Donations	33,261	7,338
Auditors' fees	493	572
Other operating expenditure	15,898	18,067
Total administrative expenses	**110,210**	**78,347**

Grants & donations include expenses made to departments and agencies to promote and ensure financial stability and integrity within Bhutan.

31. PROFIT FOR DISTRIBUTION

(Amount in Nu. '000)

	2019	2018
Net profit as per Statement of Comprehensive Income	1,801,312	4,135,904
Transferred to revaluation reserve	(336,585)	(2,923,814)
Previous unrealised gains/losses recognised in year	1,951,197	325,214
Adjustments on effects of transition to BAS	-	44,640
Actuarial (gain)/loss on the employee benefit	5,510	3,299
Distributable profit for the year	**3,421,435**	**1,585,243**

32. FIRST-TIME ADOPTION OF BHUTANESE ACCOUNTING STANDARDS

These financial statements, for the year ended June 30, 2019, are the first that the Authority has prepared in accordance with BAS. For periods up to June 30, 2018, the Authority prepared its financial statements in accordance with its own accounting framework.

Accordingly, under BFRS 1, the Authority has prepared financial statements which comply with BAS applicable for the year ending June 30, 2019, together with the comparative period data and for the year ended June 30, 2018, as described in the summary of significant accounting policies. In preparing these financial statements, the Authority has also prepared an opening statement of financial position as at July 1, 2017, the date of transition to BAS. This note explains the principal adjustments made by the Authority in restating its previous financial statements and include the statement of financial position as at July 1, 2017 and the financial statements as at, and for, the year ended June 30, 2018.

(a) Reconciliation of Equity as at July 1, 2017 (date of transition to BAS)

Assets	Note	Previous accounting basis	Effect of reclassification	Effect of changes in Measurement	New accounting basis
Foreign Currency financial assets					
Cash in hand	(i)	530,458	(530,458)		
Balances with banks-India	(i)	294	(294)		
Balances with banks-abroad	(i)	1,662,407	(1,662,407)		
Cash and cash equivalents	(i)		19,067,867		
Term deposits India	(i)	16,874,708	(16,874,708)		
Term deposits abroad	(ii)	42,154,364	(42,154,364)		
Cash and cash equivalents	(i)		1,432,580		20,500,447
Deposits with banks	(ii)		40,721,784		40,721,784
Long term securities abroad	(iii)	2,337,041	(2,337,041)		
IMF related assets	(iii)		2,337,041		2,337,041
Short term investment securities (India)	(iv)	6,144,751	(6,144,751)		
Short term investment securities (Abroad)	(iv)	3,211,137	(3,211,137)		
Securities	(iv)		9,355,888		9,355,888
Interest accrued on foreign investments		354,044	(354,044)		
Non-Monetary gold and silver	(v)	4,437	(4,437)		
Interest and other receivables	(vi)		354,044		354,044
Total foreign currency financial assets		73,273,641	(4,437)	-	73,269,204
Local currency financial assets					
Cash in hand	(vii)	199	(199)		
Balances with banks	(vii)	518,053	(518,053)		
Gratuity fund	(ix), (x)		1,034		
Cash and cash equivalents	(vii)		517,019		517,019
Gratuity fund	(ix), (x)		43,982		45,016
Other financial assets	(x)	80,170	(80,170)		
Loans to staff	(x)		36,188		36,188
Accrued Interest	(xi)	143	(143)		
Interest and other receivables	(xi)		143		143
Total local currency financial assets		598,565	(199)	-	598,366
Other assets					
Non-monetary gold	(v),(viii)		4,437	(337)	4,100
	(xii), (xiii),				
Inventories for banknotes	(xiv),(xvii)	85,559	(85,559)	159,217	251,333
			92,116		
Fixed assets	(xv),(xvi)	90,032	(90,032)		
Property, Plant and Equipment	(xv),(xvi)		90,032		90,032
Intangible assets					
	(xii), (xvii),				
Other assets	(xviii)	132,699	(92,116)		126,142
			85,559		
Total other assets		308,290	4,437	158,880	471,607
Total assets		74,180,496	(199)	158,880	74,339,177

(a) Reconciliation of Equity as at July 1, 2017 (date of transition to BAS) continued

Liabilities and Equity	Note	Previous accounting basis	Effect of reclassification	Effect of changes in Measurement	New accounting basis
Foreign Currency financial liabilities					
Balances of Commercial banks					
Due to Government	(xix)	164,579	(164,579)		
Balances of Government	(xix), (xxii)		7,164,579		7,164,579
Due to IMF	(xx)	1,933,723	(1,933,723)		
IMF related liabilities	(xx)		1,933,723		1,933,723
Due to International Institutions	(xxi)	3,898,134	(3,898,134)		
Due to foreign central banks	(xxi)		3,872,190		3,872,190
Due to IFIs	(xxi)		25,944		25,944
GOI standby credit facility	(xxii)	7,000,000	(7,000,000)		
Interest accrued	(xxiii)	30,655	(30,655)		
Accrued interest payable	(xxiii)		30,655		30,655
					-
Total foreign currency financial liabilities		13,027,091	-	-	13,027,091
Local currency financial liabilities					
Currency in circulation	(xxiv), (vii)	11,528,963	(199)		11,528,764
Due to banks	(xxv)	22,798,897	(22,798,897)		
Balances of commercial banks	(xxv), (xxvii)		27,950,889		27,950,889
Due to Government	(xxvi)	718,424	(718,424)		
Balances of Government	(xxvi)		1,835,648		1,835,648
Sweepings accounts of banks	(xxvii)	6,269,216	(6,269,216)		
Due to other Financial institutions		557			557
Other liabilities	(xxviii), (xxix)	1,745,131	(1,745,131)		
Managed Fund		276,159	(276,159)		
Total local currency financial liabilities		43,337,347	(2,021,489)	-	41,315,858
Other liabilities					
Deferred grants					
Gratuity and other employee benefits	(xxix)		73,606	(3,467)	70,139
Managed funds			276,159		276,159
Others	(xxviii)		1,671,525		1,671,525
Gratuity and other employee benefits	(xxix)			-	
Total Liabilities		56,364,438	(199)	(3,467)	56,360,772
Equity					
Capital		800,000			800,000
General Reserve		2,000,000			2,000,000
Profit and loss		1,068,932			1,068,932
BAS adjustment reserve	(xxx), (xiv)(xxix)			162,684	162,684
Revaluation Reserve	(v),(viii)	13,946,883		(337)	13,946,546
Other reserves		243			243
Total Equity		17,816,058	-	162,347	17,978,405
Total Equity and Liabilities		74,180,496	(199)	158,880	74,339,177

(b) **Reconciliation of Equity as at June 30, 2018**

Assets	Note	Previous accounting basis	Effect of reclassification	Effect of changes in Measurement	New accounting basis
Foreign Currency financial assets					
Cash in hand	(i)	589,978	(589,978)		
Balances with banks-India	(i)	597	(597)		
Balances with banks-abroad	(i)	1,798,815	(1,798,815)		
Cash and Cash equivalents	(i)		54,955,292		54,955,292
Term deposits India	(ii)	16,172,435	(16,172,435)		
Term deposits abroad	(ii)	49,738,005	(49,738,005)		
Deposits with banks	(ii)		13,344,538		13,344,538
Long term securities abroad	(iii)	2,537,070	(2,537,070)		
IMF related assets	(iii)		2,537,070		2,537,070
Short term investment securities (India)	(iv)	2,192,668	(2,192,668)		
Short term investment securities (Abroad)	(iv)	3,412,887	(3,412,887)		
Securities	(iv)		5,605,555		5,605,555
Interest accrued on foreign investments		220,273	(220,273)		
Non-Monetary gold and silver	(v)	-	-		
Interest and other receivables	(vi)		220,273		220,273
Total foreign currency financial assets		76,662,728	-	-	76,662,728
Local currency financial assets					
Cash in hand	(vii)	1,171	(1,171)		
Balances with banks	(vii)	657,756	(657,756)		
Cash and cash equivalents	(vii)		656,774		656,774
Loans to staff	(x)		31,882		31,882
Gratuity fund	(ix)		60,503		60,503
Other financial assets	(ix),(x)	91,403	(91,403)		
Interest and other receivables	(xi)	-			
Total local currency financial assets		750,330	(1,171)	-	749,159
Other assets					
Non-monetary gold&silver	(v),(viii)		16,672		16,672
Inventories for banknotes	(xii), (xiii), (xiv),(xvii)	102,854	(102,854)	138,815	180,134
			41,319		
Fixed assets	(xv),(xvi)	134,565	(134,565)		
Property, Plant and Equipment	(xv),(xvi)		134,565		134,565
Intangible assets					
Other assets	(xii), (xvii), (xviii)	110,741	(41,319)		155,604
			86,182		
Total other assets		348,160	-	138,815	486,975
Total assets		77,761,218	(1,171)	138,815	77,898,862

Reconciliation of Equity as at June 30, 2018 (continued)

Liabilities and Equity	Note	Previous accounting basis	Effect of reclassification	Effect of changes in Measurement	New accounting basis
Foreign Currency financial liabilities					
Balances of Commercial banks					
Due to Government	(xix)	206,767	(206,767)		
Balances of Government	(xix), (xxii)		7,206,767		7,206,767
Due to IMF	(xx)	2,096,913	(2,096,913)		
IMF related liabilities	(xx)		2,096,913		2,096,913
Due to International Institutions	(xxi)	10,853,122	(10,853,122)		
Due to central banks	(xxi)		10,845,460		10,845,460
Due to IFIs	(xxi)		7,662		7,662
GOI standby credit facility	(xxii)	7,000,000	(7,000,000)		
Interest accrued	(xxiii)	71,086	(71,086)		
Accrued interest payable	(xxiii)		71,086		71,086
Total foreign currency financial liabilities		20,227,888	-	-	20,227,888
Local currency financial liabilities					
Currency in circulation	(xxiv), (vii)	12,268,289	(1,171)		12,267,118
Due to banks	(xxv)	21,201,467	(21,201,467)		
Balances of Commercial banks	(xxv), (xxvii)		23,666,761		23,666,761
Due to Government	(xxvi)	424	(424)		
Balances of Government	(xxvi)		348,351		348,351
Sweepings accounts of banks	(xxvii)	2,813,221	(2,813,221)		
Due to other Financial institutions		557			557
Other liabilities	(xxviii), (xx	273,300	(273,300)		
Managed Fund		43,444	(43,444)		
Total local currency financial liabilities		36,600,702	(317,915)	-	36,282,787
Other liabilities					
Deferred grants			61,143		61,143
Gratuity and other employee benefits	(xxix)		59,438	16,865	76,303
Managed funds			43,444		43,444
Others	(xxviii)		152,719		152,719
Total Liabilities		56,828,590	(1,171)	16,865	56,844,284
Equity					
Capital		800,000			800,000
General Reserve		2,000,000			2,000,000
Profit and loss		1,585,242			1,585,242
BAS adjustment reserve	(xxx), (xiv)(xxix)			125,249	125,249
Revaluation Reserve	(v),(viii)	13,607,899	2,939,487		16,547,386
Revaluation gain/loss		2,939,487	(2,939,487)		
OCI pension reserve				(3,299)	(3,299)
Other reserves					
Total Equity		20,932,628	-	121,950	21,054,578
Total Equity and Liabilities		77,761,218	(1,171)	138,815	77,898,862

Notes to the transition tables- financial position

(i) Cash-in-hand, balances with banks-India, balances with banks-abroad and term deposits India have been reclassified as cash and cash equivalents.

(ii) Term deposits abroad have been reclassified as deposits with banks.

(iii) Long-term securities abroad have been reclassified as IMF related assets.

(iv) Short-term investment securities (India) and short-term investment securities (abroad) have been reclassified as securities under foreign currency financial assets.

(v) Non-monetary gold and silver has been reclassified from foreign currency financial assets to Non-financial assets. In addition, the items have been remeasured at cost as against current value under the previous accounting basis.

(vi) Interest accrued on foreign investment have been reclassified as Interest and other receivables.

(vii) Cash-in-hand has been netted off from the currency in circulation and balances with bank under local currency financial assets have been reclassified as cash and cash equivalents under local currency financial assets.

(viii) The non-monetary gold which was revalued monthly and now being held at cost has accumulated revaluation reserve balance in the revaluation reserve. The revaluation reserve pertaining to the non-monetary gold have been adjusted on the revaluation reserve.

(ix) Balances with banks with maturity longer than 3 months have been reclassified as Deposits under local currency financial assets.

(x) Other financial assets under local currency financial assets have been reclassified as Loans to staff and Gratuity fund.

(xi) Accrued interest under local currency financial assets have been reclassified as interest and other receivables.

(xii) Inventories under other assets have been reclassified as other assets as it includes assets like commemorative notes and coins.

(xiii) The unamortised banknote printing cost initially classified as other assets is now reclassified as inventories.

(xiv) The stock of unissued banknotes which was previously not recognised as per the old policy has been brought back into the balance sheet and measured at cost.

(xv) Fixed assets have been reclassified as Property, Plant and Equipment.

(xvi) Other assets which includes the unamortised cost of banknote printing have been reclassified under inventories for banknotes.

(xvii) The commemorative items which were classified under inventories have been reclassified as other assets.

(xviii) Due to government has been reclassified as balances of government.

(xix) Due to IMF has been reclassified as IMF related liabilities.

(xx) Due to international institutions has been reclassified as due to central banks for the assets in relation to central banks. The balances of international institutions including ADB and World Bank have been reclassified as due to International Financial Institutions (IFIs).

(xxi) GOI standby credit facility has been reclassified as balances of government based on the contract agreement signed between Government of India and Royal Government of Bhutan.

(xxii) Interest accrued under foreign currency liabilities has been reclassified as Accrued interest payable.

(xxiii) The balance of currency in circulation has been adjusted to deduct the local currency cash held at the bank.

(xxiv) Due to banks has been reclassified as Balances of commercial banks.

(xxv) Due to Government has been reclassified as Balances of Government.

(xxvi) Sweeping accounts of banks have been reclassified under balances of commercial banks as the operation of such accounts are at the domestic banks, apart from those that are accounts of the Government, which have been included in balances due to Government.

(xxvii) Other liabilities balances have been adjusted by separately identifying the deferred grants, gratuity and other employee benefits and others.

(xxviii) Gratuity liability has been reclassified under Gratuity and other employee benefits. The gratuity has been remeasured at the actuarial valuation.

(xxix) The BAS adjustment reserve was created during the transition period as a result of changing the basis of accounting for the cost of banknotes and actuarial valuations.

(c) Reconciliation of total comprehensive income for the year ended June 30, 2018

	Notes	As previously reported	Reclassification	Remeasurement	As presented under BAS
Foreign Currency income and expenses					
Income on foreign investment	a	952,108	(952,108)	-	
Income on rupee investment	a	1,046,512	(1,046,512)	-	
Interest income on foreign currency financial assets	a	-	1,998,620	-	1,998,620
Interest expense on foreign currency financial liabilities	e	-	(519,706)	-	(519,706)
Net foreign currency income		1,998,620	(519,706)	-	1,478,914
Local currency income and expenses					
Interest on Staff loans	b	1,701	(1,701)	-	-
Interest on domestic investment	b	110	(110)	-	-
Interest on Ways and Means advance	b	10,741	(10,741)	-	-
Interest income on local currency financial assets	b	-	12,552	2,021	14,573
Interest expense on local currency financial liabilities		-	-	-	-
Net local currency income		12,552	-	2,021	14,573
Net Interest Income					1,493,487
Other income					
Royalty from Commemorative coins	c	733	(733)	-	-
Gain or loss on sale of foreign currencies	m	53,494	-	-	53,494
Unrealised gain/(loss) on foreign securities	l	-	-	(16,890)	(16,890)
Realised gain or loss on sale of foreign securities	d	-	(5,324)	-	(5,324)
Commissions and fees	c	9,175	(9,175)	-	-
Income from other sources	c	11,638	(11,638)	-	-
Foreign exchange revaluation	m	-	-	2,940,705	2,940,705
Others	c, m	8,705	5,734	-	14,439
Penalties and charges received	c	940	(940)	-	-
Gain or loss on sale of securities (RAMP)	d	868	(868)	-	-
Net other income		85,553	(22,944)	2,923,815	2,986,424
Total operating income		2,096,725	(542,650)	2,925,836	4,479,911
Total net operating income					4,479,911

(c) Reconciliation of total comprehensive income for the year ended 30 June 2018 (continued)

		As previously reported	Reclassification	Remeasurement	As presented under BAS
Expenses					
Extraordinary expense					
Cost of Note printing	f	-	75,987	20,402	96,389
Personnel expenses	g	-	139,713	26,258	165,971
Administrative expenses	h	-	78,347	-	78,347
Commissions and fees paid-foreign banks	c, n	16,752	(16,752)	-	-
Security printing and Minting	f	75,987	(75,987)	-	-
Salaries, allowances and other staff costs	g	149,858	(149,858)	-	-
Staff superannuation fund	g	-	-	-	-
Directors' fees and expenses	g	1,580	(1,580)	-	-
Auditors fees and expenses	h	572	(572)	-	-
Rent and insurance	h	1,498	(1,498)	-	-
Electricity water and other charges	h	1,353	(1,353)	-	-
Postage and telecommunication	h	7,504	(7,504)	-	-
Remittances of notes and coins	h	488	(488)	-	-
Stationery and supplies	h	2,374	(2,374)	-	-
Publications	h	370	(370)	-	-
Computer software	h	2,207	(2,207)	-	-
Agency and contractual services	h	10,485	(10,485)	-	-
Miscellaneous expenses	h	13,111	(13,111)	-	-
Depreciation	h	19,098	(19,098)	-	-
Repairs and maintenance	h	9,063	(9,063)	-	-
Write off -fixed assets	h	32	(32)	-	-
Prior period adjustment	h	-	-	-	-
Membership and subscription	h	5,110	(5,110)	-	-
Loss on sale of securities (RAMP)	l	6,192	(6,192)	-	-
Extraordinary expenses	h	6,184	(6,184)	-	-
Hospitality and entertainment		3,559	(3,559)	-	-
Total operating expenses		333,377	(39,330)	46,660	340,707
Surplus		1,763,348	(503,320)	2,879,176	4,139,204
Cost of Monetary policy tools	e	519,706	(519,706)	-	-
Net profit		1,243,642	16,386	2,879,176	4,139,204
Prior period adjustments (Depreciation)	i	4,661	(4,661)	-	-
Realized gains from revaluation reserve	j	325,214	(325,214)	-	-
Staff superannuation fund	k	11,725	(11,725)	-	-
fx revaluation			-	-	-
Surplus transferred to balance sheet		1,585,242	(325,214)	-	-
Net profit for year		(1,585,242)	325,214	2,879,176	4,139,204
Other comprehensive Income					
Actuarial losses on staff gratuity scheme		-	-	(3,300)	(3,300)
Total other comprehensive income		-	-	(3,300)	(3,300)
Total Comprehensive Income for year		-	-	2,875,876	4,135,904

Notes to the transition tables - comprehensive income

a) Income of foreign investment and income on rupee investment have been reclassified as interest income on foreign financial assets under foreign currency income and expenses.

b) Interest on staff loans, interest on domestic investment and interest on Ways and Means Advance have been reclassified as interest income on local currency financial assets.

c) Royalty from commemorative coins, income from other sources and penalties and charges received, commission and fees received, and commission and fee paid have been reclassified as other income.

d) Gain or loss on sale of securities (RAMP) and Loss on sale of securities (RAMP) have been reclassified as realised gain or loss on sale of securities under other income.

e) Cost of monetary policy tools have been reclassified as interest expense on foreign currency financial liabilities under foreign currency income and expense.

f) Security printing and minting have been reclassified as cost of note printing. The change of accounting policy with respect to unissued notes held in the Authority has resulted in an increase in the costs charges in the year.

g) Salaries, allowances and other staff costs, staff superannuation fund, directors' fee and expenses and prior period adjustment have been reclassified as personnel expenses under expense. In addition, the effect of the change in basis of accounting for the costs of staff gratuity has resulted in an increase of Nu. 21,512 million being the reversal of the release of provision of Nu. 19.165 million plus the net cost for the year as calculated under BAS 19 of Nu. 2.347 million.

h) Auditors fees and expenses rent and insurance, electricity, water and other charges, postage and telecommunication, remittance of notes and coins, stationery and supplies, publications, computer software, agency and contractual services, miscellaneous expenses, depreciation, repairs and maintenance, write off-fixed assets and membership and subscription, extra ordinary expenses have been reclassified as administrative expenses under expense.

i) Prior period adjustments (depreciation) has been adjusted in compliance to BAS.

j) Realized gains from revaluation reserve has been adjusted from the income as it does not form part of the current operating income, but it is distributable.

k) Staff superannuation fund previously included in the income has been adjusted in compliance to BAS.

l) The unrealised gain/(loss) on the securities accounted for at FVPL, has been included in the income statement. Under the previous accounting basis, this loss was taken to revaluation reserve.

m) The net foreign exchange revaluation in the year is included in the income statement under BAS. Previously this was taken to reserves.

n) Commissions paid, previously shown as an expense, has been moved on the income statement to be adjusted from the other income.

33. CONTINGENCIES AND COMMITMENTS

(a) Rent agreements

The Authority has entered into rent agreements for its regional office premises for six years with a revision after every two years. The rent agreement expires on March 1, 2021. Rent commitments payable within one year are Nu. 0.268 million, whilst rent commitments payable within five years is Nu. 1.34 million (2018: Nu. 0.268 million).

(b) Capital commitments

As at June 30, 2019 and June 2018, the Authority has not entered into capital commitments.

34. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial and other decisions.

Considering each possible related party relationship, attention is directed to the substance of the relationship and not merely to the legal form.

The related parties of Royal Monetary Authority include the Royal Government, Governor, Deputy Governors and the other members of the Board. As at June 30, 2018 and 2017, transactions and balances with related parties comprised:

(a) Governor, Deputy Governors and other board members

	30 June 2019	30 June 2018	1 July 2017
Loans to Governor and Deputy Governors	788	1,026	1,218
Total	**788**	**1,026**	**1,218**

Loans to the Governors have an interest rate of 5% p.a. with a grace period of two years and are repayable within a maximum of 7 years in equal monthly instalments.

Aggregate payments to the Governor, Deputy Governors and other Board members comprised remuneration, allowances, sitting fees and contributions made to National Pension and Provident Fund (NPPF) together with payments to other Directors as sitting fees are shown below:

Aggregate payment made to Governor and Deputy Governors	30 June 2019	30 June 2018
Short term benefits		
Sitting fees paid as Board members	435	1,113
Short term employee benefits	4,930	5,809
Total	**5,365**	**6,922**
Contribution to National Pension and Provident Fund	**348**	**456**

The Governor and Deputy Governors are entitled to other staff benefits, such as termination gratuities and health coverage on a similar basis to other employees of the Authority.

(b) Transactions with the Royal Government

As the Central Bank, the Authority provides various services and operations to the Royal Government of Bhutan. These include banking services, provision of advances under Section 151 of the RMA Act 2010. The Authority also acts as an agent in issuing Royal Government of Bhutan securities. The Authority may hold such securities either outright or as collateral for advances to commercial banks.

Balances with/ due to the Royal Government are disclosed in Note 19, and related interest income from securities and interest expenses are included in Note 27. Promissory notes issued by the Royal Government in favour of the IMF are detailed in Note 12, whilst securities issued by the Royal Government and managed by the Authority are detailed below. The Authority does not charge for these services.

	2019 Nu. billion	2018 Nu. billion
Total government treasury bills issued	45.6	51.8
Total treasury bills redeemed	41.4	43.8
Total outstanding treasury bills	4.2	8

35. SUBSEQUENT EVENTS

The following are the significant events after the reporting date that may require adjustment or disclosure in the financial statement:

i) The 2nd Bhutan Economic Forum for Innovative Transformation (BEFIT) – was held in July 2019 by RMA with the theme "Catalysing Cottage and Small Industries to drive Bhutan's economic diversification" to align with the Royal Government's Twelfth Five-Year Plan. The expenditure related to BEFIT would impact the expenditure in FY 19-20.

ii) Druk MicroFin was launched in July 2019 in collaboration with Micro Financial Institutions (MFIs). The system is an integrated core banking system hosted at the RMA for the MFIs and Cottage and Small Industries (CSIs). The ownership of the software lies with the Authority, as such, the asset will be capitalized and correspondingly amortised in FY 19-20.

iii) RuPAY & Global Interchange for Financial Transaction (GIFT) were launched in August 2019. The RuPay card scheme was introduced to boost trade and economic cooperation with India. The GIFT payment system was developed to support real-time gross, bits and bulk settlement services. These assets will be capitalized and correspondingly amortised in FY 19-20.