ROYAL MONETARY AUTHORITY OF BHUTAN

AUDITORS REPORT ON THE FINANCIAL STATEMENTS

PERIOD: JULY 1, 2022 to JUNE 30, 2023

SEPTEMBER 2023

TITLE SHEET

Title	:	Audit Report on the financial statements of Royal Monetary Authority of Bhutan
AIN:		
Head of the Agency	:	Dasho Penjore, Governor EID No. 2015002 Email: penjore@rma.org.bt From: 2016 till date
Finance Personnel	:	Ms. Tshering Dema, Executive Director EID No. 2001008 Email: tdema@rma.org.bt From: 2016 till date
Period Audited	:	July 1, 2022 – June 30, 2023
Schedule of Audit	:	Planned: 24 July – 31 Aug 2023 Actual: 1 Aug – 5 Sept 2022 Reporting: September 2022
Composition of Audit Team	:	<u>Team Leader:</u> Yeshi Jamtsho, Managing Partner CID No.10711001985 <u>Team Members:</u> 1. Jamyang Tshering, Auditor CID No. 11312003189 2. Pema Yangchen, Audit Associate CID No. 11410002252
Supervising Officer	:	Yeshi Jamtsho, Managing Partner
Engagement Letter	:	RAA(SA-20)/COAD/2023/14 dated 11 July 2023
Focal Person	:	Yeshi Jamtsho Email: yeshi.jamtsho@gmail.com Phone: +975 17606922

Table of Contents

INDEPENDENT AUDITOR'S REPORT 1-3

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS 4-8

FINANCIAL STATEMENTS

Statement of Financial Position 9-10

Statement of Comprehensive Income 11

Statement of Changes in Equity 12

Statement of Cash Flows 13

ACCOUNTING POLICIES & NOTES TO ACCOUNTS 14-64

MANAGEMENT APPRAISAL REPORT 65-71

INDEPENDENT AUDITOR'S REPORT

REPORT OTHE 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, 2023, 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, 2023, 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 ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

i. The Foreign Currency Reserve has declined from the previous years position. However, the critical threshold as determined by the government has not been breached.

ii. The Authority has transitioned to BFRS 16, Leases from 1st July 2022 and had opted to apply modified approach which permits restatement of Right of Use Assets and Lease Liability as at the beginning of the date of application of the standard i.e., on 1/7/2022.

iii. The Authority has also transitioned to BFRS 9, Financial Instruments with effect from 1st July 2022. Impairment of financial assets and liabilities are provisioned on expected credit loss (ECL) model without restating the prior year financial statements as permitted by the standard.

Our Opinion is not modified in these respects.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the year under audit. 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.

For the year under audit, we do not have any issues to be reported under Key Audit Matter.

Other Information

The management and the Board of the Company is responsible for the other information. The other information comprises the information included in the Director's Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Director's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

Dechok & Associates Pvt. Ltd.

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 Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority'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 Authority 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.

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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 Appraisal 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.

For Dechok & Associates Pvt. Ltd.
Firm License No. 4008504

Yeshi Jamtsho, FCCA
Managing Partner
Membership No. 264117

Date: 22/9/2023
Place: Thimphu, Bhutan

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

General:

a. The Authority has generally adhered to the provisions of its Corporate Governance Regulations 2020.

b. In our opinion, the management and governing Board of RMA pursue a prudent and sound financial management practices in managing the affairs of the Authority.

c. The financial statements are prepared in accordance with the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan.

d. We report that proper books of accounts were maintained and the financial statements are in agreement with the underlying accounting records.

e. As the RMA is not governed by the Companies Act of Bhutan 2016, maintaining records as required by the Companies act is not applicable.

f. As informed by the management, mandatory obligations social or otherwise entrusted to the authority are being fulfilled.

g. No taxes are applicable on the profits of the Authority as it is a tax exempt organisation.

Other Applicable report on the Minimum Audit Examinations:

1. In our opinion and according to the information and explanations given to us, the RMA has maintained proper records to show full particulars including quantitative details of its Fixed Assets. The management had conducted physical verification of fixed assets during the period and no material discrepancies were noted during the physical verification.

2. No fixed assets were re-valued during the period under consideration.

3. Regular physical verifications were conducted for stocks of bank notes including foreign currencies, other commodities such as gold, silver and other valuable items.

4. The procedures followed by the management for physical verification for stocks of bank notes including foreign currencies, other commodities such as gold, silver and other valuable items are adequate.

5. No material discrepancies were noticed during the physical verification.

6. Not Applicable.

7. Not Applicable.

8. Not Applicable.

9. Not Applicable.

10. Not Applicable.

11. The valuation of stock of bank notes and other items of inventories are in accordance with the Bhutanese Accounting Standards. The basis of valuation is the lower of cost or net realisable value which is same as in the preceding year.

12. The rate of interest and other terms and conditions of loans availed by the RMA are prima facie not prejudicial to the interest of the Authority.

13. The Authority has not granted loans to other parties which are ultra vires to the RMA Act.

14. Loans and advances granted to officers/staffs generally in keeping with the provisions of Service Rule of the Authority and no excessive/frequent advances granted and/or accumulation of large advances against any particular individuals were noticed.

15. In our opinion and according to the information given to us, the Authority has established a system of Internal Control to ensure completeness, accuracy and reliability of accounting records, to carry out the business in orderly and efficient manner, to safeguard the Assets of the Company, as well as to ensure adherence to the applicable Rules/Regulations and systems and procedures. Any deficiencies are reported in our Management report.

16. Not Applicable.

17. There is a system of competitive bidding for purchase of goods and services by the Authority.

18. Not Applicable.

19. We have not come across any instances where personal expenses were charged off to the statement of comprehensive income and all expenses appear to be legitimate business expenses.

20. Not Applicable.

21. Not Applicable.

22. Not Applicable.

23. Not Applicable.

24. According to the records the Authority has generally been regular in depositing of rates and taxes, provident funds and other statutory dues to the appropriate authorities during the year 2022-23. The Authority is a tax exempt entity and no provision for tax is required.

25. According to the information and explanations given to us, the Authority does not have any undisputed amounts of statutory dues.

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26. Not Applicable.

27. Not Applicable.

28. Not Applicable.

29. Not Applicable.

30. Not Applicable.

31. Not Applicable.

32. In general, the management of liquid resources and short term deposits are adequate. We observed that some foreign currencies whose demand were negligible were retained in excess of requirement without depositing into an interest bearing account. We did not observe instances of excessive withdrawals from the loan accounts leading to unnecessary interest burden on the Authority.

33. The activities carried out by the Authority are lawful and intra vires to the RMA Act.

34. Investment decisions are made with prior approval of the Board and investment in new projects are made only after ascertaining the technical and economic feasibility of such new projects.

35. Budgetary Control exist but the effectiveness during the period under audit was questionable as activities planned and budgeted were mostly not carried out.

36. Not Applicable.

37. The details of remuneration paid to Governor, Deputy Governors and other Board Directors are disclosed in Note No. 37 in Notes to Financial Statements. As informed to us and according to information and explanations given, no payments have been made to any relatives of the directors.

38. The directives of the Board have been generally complied with and we have not come across any instances of non compliance.

39. Not Applicable.

40. Not Applicable.

41. The Authority has leased office spaces for its regional offices. The terms and conditions of the lease agreement are reasonable.

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

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

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44. 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. Two vehicles sold were sold by RMA directly without surrendering to the Department of National Property.

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 organisational 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.

3. Based on the information and explanations given to us, the Authority has set up an offsite facility in Phuentsholing to store and back up files as a 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 unauthorised access to 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 problem 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 and we have considered the compliance of the provisions of the said Act and By-laws, 2018 as well as the Bhutanese Accounting Standards.

For Dechok & Associates Pvt. Ltd.
Firm License No. 4008504

Yeshi Jamtsho, FCCA
Managing Partner
Membership No. 2641177

FINANCIAL STATEMENTS

Royal Monetary Authority of Bhutan
Statement of Financial Position

Assets

(Amount in Nu. '000)

	Note	June 30, 2023	June 30, 2022
Foreign currency financial assets			
Cash and cash equivalents	8	28,719,135	47,973,007
Deposits with banks	9	-	-
Trading assets	10	17,048	969
Securities	11	59,617,814	57,388,135
IMF related assets	12	5,089,512	4,738,350
Interest and other receivables		1,347,159	555,456
Total foreign currency financial assets		94,790,667	110,655,917
Local currency financial assets			
Cash and cash equivalents	9	1,138,858	173,693
Gratuity fund	9	60,297	71,183
Loans to staff	13	8,718	14,395
Ways and means advance to Royal Government	14	3,600,000	-
Total local currency financial assets		4,807,873	259,271
Foreign currency non- financial assets			
Monetary gold	15	-	688,898
Other foreign currency non-financial asset	16	-	780,745
Total foreign currency non-financial assets		-	1,469,644
Local currency non-financial assets			
Non-monetary gold	17	70,181	55,566
Inventory for banknotes	18	238,823	213,524
Property, Plant and Equipment	19	134,584	139,988
Intangible assets	19	2,019	2,511
Other assets	20	5,142,312	4,923,467
Total non-financial assets		5,587,920	5,335,055
Total Assets		**105,186,460**	**117,719,888**

The financial statements were authorised for issuance by the Board of Directors of the Royal Monetary Authority of Bhutan and signed on September 22, 2023 on its behalf by:

Yeshi Jamtsho, FCCA - Managing Partner
Dechok & Associates Pvt. Ltd.

Dasho Penjore – Governor
Royal Monetary Authority of Bhutan

The notes on page 14 to 65 are an integral part of these financial statements.

Royal Monetary Authority of Bhutan
Statement of Financial Position

Liabilities and Equity *(Amount in Nu. '000)*

	Note	June 30, 2023	June 30, 2022
Foreign currency financial liabilities			
Balances of Royal Government	21	7,284,226	7,347,627
IMF related liabilities	12	4,561,598	4,256,001
Due to IFIs	22	4,808	3,675
Due to foreign central banks	22	21,187,980	19,916,600
Accrued interest payables		144,232	50,337
Total foreign currency financial liabilities		33,182,845	31,574,239
Local currency financial liabilities			
Currency in circulation	23	12,573,108	13,519,102
Balances of commercial banks	24	31,139,788	46,080,487
Balances of Royal Government	21	309,547	2,927,678
Due to other financial institutions	22	3,127	542
Total local currency financial liabilities		44,025,569	62,527,810
Other liabilities			
Deferred grants	25	107,856	107,906
Gratuity and other employee benefits	34	113,874	131,218
Others	26	148,905	109,226
Total Other Liabilities		370,635	348,350
Total Liabilities		77,579,049	94,450,399
Equity			
Capital		800,000	800,000
General reserve	27	2,000,000	-
BAS transition reserve	27	-	138,814
Revaluation reserve	27	19,434,893	20,600,536
Retained earnings	27	5,373,960	1,724,408
Other reserves	27	(1,441)	5,731
Total Equity		27,607,411	23,269,489
Total Equity and Liabilities		105,186,460	117,719,888

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Royal Monetary Authority of Bhutan
Statement of Comprehensive Income

(Amount in Nu. '000)

	Notes	June 30, 2023	June 30, 2022
Foreign currency income and expenses			
Interest income on foreign currency financial assets	28	2,836,986	1,725,441
Interest expense on foreign currency financial liabilities		(941,364)	(675,332)
Gain/(loss) on trading of assets		18,012	96,131
Expected Credit Losses on foreign currency finanical assets	29	(34,057)	-
Net foreign currency income		1,879,577	1,146,241
Local currency income			
Interest income on local currency financial assets	28	67,325	12,469
Expected Credit Losses on local currency finanical assets	29	(8,355)	-
Net local currency income		58,969	12,469
Net foreign currency income		1,938,546	1,158,709
Other income			
Realised gain/(loss) on sale of assets	30	3,762,239	846,477
Unrealised fair value gain/(loss) of assets	31	(161,515)	(1,810,734)
Foreign exchange revaluation gain/loss	32	99,961	4,687,553
Others	33	(36,778)	(16,045)
Net other income		3,663,907	3,707,251
Total net operating income		5,602,453	4,865,961
Expenses			
Cost of banknote printing		(38,822)	(50,367)
Employee benefits	34	(212,878)	(232,398)
Administrative expenses	35	(164,140)	(160,203)
Total operating expenses		(415,839)	(442,967)
Net profit for year		**5,186,614**	**4,422,993**
Other Comprehensive Income not to be reclasified to profit or loss in subsequent periods			
Actuarial gain on Staff gratuity Fund		(1,441)	5,731
Total Comprehensive Income		**5,185,173**	**4,428,724**

Please refer to Note 36 on profit for distribution

The financial statements were authorised for issuance by the Board of Directors of the Royal Monetary Authority of Bhutan and signed on September 22, 2023 on its behalf by:

Yeshi Jamtsho, FCCA - Managing Partner
Dechok & Associates Pvt. Ltd.

Dasho Penjore – Governor
Royal Monetary Authority of Bhutan

The notes on page 14 to 65 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	Total
Balance at July 1, 2022	800,000	-	20,600,536	1,724,408	5,731	138,814	23,269,489
Transfer of revaluation gain for the year (net of current year realised)	-	-	(61,554)	61,554	-	-	-
Total comprehensive Income	-	-	-	5,150,078	(1,441)	(138,648)	5,009,989
Transfer to Royal Government	-	-	-	(810,548)	-	-	(810,548)
Other movements	-	2,000,000	5,731	(1,861,352)	(5,731)	(166)	138,482
Transfer from revaluation reserve	-	-	(1,109,820)	1,109,820	-	-	-
Balance at June 30, 2023	**800,000**	**2,000,000**	**19,434,892**	**5,373,960**	**(1,441)**	**-**	**27,607,411**

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The notes on page 14 to 65 are an integral part of these financial statements.

Royal Monetary Authority of Bhutan
Statement of Cash Flows

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Cash flows from operating activities		
Profit for year	5,185,173	4,428,724
Adjustments for items not involving cash flows		
Unrealised fx revaluations	(1,172,815)	2,809,062
Accrued interest in foreign currency	(791,702)	(406,638)
Depreciation	31,500	52,117
Adjusted profit	**3,252,156**	**6,883,265**
(Increase)/decrease in operating assets		
Placements with banks	10,886	42,335,302
Trading assets	1,453,564	3,044,479
Non-monetary gold	(14,615)	(28,665)
Inventory for banknotes	(25,300)	24,334
Other financial assets	5,677	2,889
Other assets	(218,846)	(262,086)
	(2,388,633)	45,116,254
Increase/(decrease) in operating liabilities		
Currency in circulation	(945,995)	(1,802,441)
Due to Banks	(14,940,700)	(5,772,507)
Due to Government foreign currency	(63,401)	80,517
Due to Government domestic	(2,618,131)	732,533
Due to foreign banks	1,134	826
Other foreign liabilities	93,895	14,155
Gratuity and other employee benefits	(17,344)	6,681
Other domestic currency liabilities	39,679	(14,071)
Cash flows for operating activities	**(18,448,277)**	**(6,754,309)**
Cash flows from investing activities		
Net purchase of property	(25,604)	(37,858)
Net purchase of securities	(2,229,679)	(33,063,500)
Increase in IMF balance	(351,162)	(1,917,625)
Increase in IMF liability	305,598	1,933,605
Cash flows from investing activities	**(2,300,847)**	**(33,085,377)**
Cash flows from financing activities		
Due to foreign central banks	1,271,380	921,460
Deferred grant	(50)	(12,279)
Creation of BAS transition reserve	- 2.00	-
Retained earnings	2,893,103	(2,809,062)
Distributions	(2,428,724)	(439,784)
Cash flows from financing activities	**1,735,707**	**(2,339,665)**
Net increase in cash equivalents	(18,288,707)	9,820,167
Cash equivalents at beginning of year	48,146,700	38,326,532
Cash equivalents at end of year	**29,857,993**	**48,146,700**

The financial statements were authorised for issuance by the Board of Directors of the Royal Monetary Authority of Bhutan and signed on September 22, 2023 on its behalf by:

Yeshi Jamtsho, FCCA - Managing Partner	Dasho Penjore - Governor
Dechok & Associates Pvt. Ltd.	Royal Monetary Authority of Bhutan

Dechok & Associates Pvt. Ltd.

The notes on page 14 to 65 are an integral part of these financial statements.

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

ROYAL MONETARY AUTHORITY OF BHUTAN

SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1. REPORTING ENTITY AND STATUTORY BASE

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.

1.1 Principal Activities

The main activities of the Authority are to:

- Formulate and implement monetary policies 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 PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of compliance

These statements have been prepared in accordance with and complied with the Bhutan Accounting Standards 2020.

This is the first set of the Financial Statements presented after the first time adoption of Bhutanese Financial Reporting Standards (BFRS) 9 - "Financial Instruments" and BFRS 16 - "Leases". Changes to significant accounting policies are described in Note 6.

2.2 Basis of Preparation

The financial statements are prepared on the historical cost basis, except for the following:

- Financial instruments at fair value through other comprehensive income (FVOCI) measured at fair value
- Financial instruments at fair value through profit or loss (FVPL) measured at fair value
- Monetary gold measured at fair value through profit or loss (FVTPL)
- Land and buildings are measured at cost at the time of acquisition and subsequently at revalued amounts less accumulated depreciation and impairment losses
- Liability for defined benefit obligations is measured as the present value of the defined benefit obligation less the fair value of the plan assets.

2.3 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.

3. 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. Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements are described in the following notes.

3.1 Classification and impairment of financial assets

The Authority used judgements when assessing the business model within which the assets are held and whether the contractual terms of the financial assets are Solely Payment of Principal and Interest (SPPI) on the principal amount of the outstanding. The Authority also used judgements when establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward looking information into measurement of Expected Credit Losses (ECL) and selection and approval of models to measure ECL.

3.2 Pensions and Other Post Employment Benefit Plans

The cost of defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future compensation increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Assumptions used in the actuarial valuation are disclosed in Note 34 to the Financial Statements.

3.3 Fair Value of Financial Instruments

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.

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.

4. CHANGES TO SIGNIFICANT ACCOUNTING POLICIES

There were no changes to the accounting policies and accounting policies adopted are consistent with those of the previous financial year, except for the BFRS 9 and BFRS 16 related policies mentioned in detail below.

4.1 BFRS 9 Financial Instruments

The financial statements of the Authority have been prepared based on the new accounting policies and methods which have been revised in line with the requirements of the BFRS 9 - Financial Instruments. The Authority complied with BFRS 9 (IFRS 2014 version), Financial Instruments up to June 30, 2022 in the preparation of its Annual Financial Statements.

Changes to the Impairment Calculation

The adoption of IFRS 9 has changed the Authority's accounting for impairments on financial assets by replacing the incurred loss approach with a forward-looking expected credit loss (ECL) approach. Detailed explanation of how the Authority has applied the impairment requirements of BFRS 9 is disclosed from Note 7.1 to Note 7.5.

Transition

Changes in accounting policies resulting from the adoption of BFRS 9 have been applied retrospectively, except as described below:

- The Authority has not restated the comparative information for June 30, 2022 for financial instruments in the scope of BFRS 9. Therefore, the comparative information for June 30, 2022 is not comparable to the information presented for June 30, 2023. Differences arising from the adoption of BFRS 9 have been recognised directly in the BAS Transition Reserve as of June 30, 2023.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.

4.2 BFRS 16 Leases

The Authority initially applied IFRS 16 from July 1, 2022 modified retrospective approach (Option B). Therefore, the comparative information has not been restated and continues to be reported under BAS 17 Leases".

The effect of initially applying this standard mainly attributed to the following:

- recognition of right-of-use assets
- recognition of corresponding lease liabilities

The impact on classification and measurement of leases due to adoption of BFRS 16 is disclosed in Note 6.2. Except for the changes below, the Authority has consistently applied the accounting policies as set out in Note 5 to all periods presented in these Financial Statements.

Definition of a lease

Previously, the Authority determined at contract inception whether an arrangement is or contains a lease under BAS 17. Under BFRS 16, the Authority assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 5.18.

On transition to BFRS 16, the Authority elected to apply the practical expedient to the assessment of which transactions are leases. It applied BFRS 16 only to contracts that were previously identified as leases.

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Accounting treatment by lessee

As a lessee, the Authority previously classified leases as operating leases based on its assessment that the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Authority. Under BFRS 16, the Authority recognises right-of-use assets and lease liabilities for the leases – i.e. these leases are on-balance sheet.

Leases previously classified as operating leases under BAS 17

Previously the Authority classified property leases as operating leases under BAS 17. On transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Authority's minimum lending rate as at July 1, 2022. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Authority applied this approach to all the leases.

The Authority has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Authority used the following practical expedients when applying BFRS 16 to leases previously classified as operating leases under BAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Transition

On transition to BFRS 16, the Authority recognised additional right-of-use assets and additional lease liabilities of which the quantitative impact as at July 1, 2022 is disclosed in Note 6.2.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes in accounting policies described in Note 4.

5.1 Financial assets and financial liabilities

5.1.1 Recognition and initial 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.

5.1.2 Classification and subsequent measurement

Financial Assets

From July 1, 2022, the Authority has applied BFRS 9 and classifies its financial assets in the following measurement categories:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

Classification and subsequent measurement of debt instruments depends on:

- the Authority's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Authority classifies its debt instruments into one of the following 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 5.1.1. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

- Fair value through other comprehensive income: Assets accounted for at fair value through other comprehensive income are financial assets whose cash flows are solely payments of principal and interest which the Authority holds with the intent to collect contractual cash flows and for sale.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income 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 Assessment

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 7.6.1, 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 PIMCO and BlackRock 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.

Assessment of whether Contractual Cash Flows are Solely Payments of Principal and Interest (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.

Reclassification

The Authority reclassifies financial assets 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.

Financial liabilities

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

5.1.3 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.

Financial Liabilities

The Authority derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

5.1.4 Impairment

For financial assets classified as measured at AC and FVOCI, an allowance for expected credit losses is recognised. The recognised amount comprises expected credit losses within the 12 months after the reporting date. In the event of a substantial increase in credit risk, an expected loss allowance is recognised over the expected life of the asset.

Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'. Financial instruments for which a lifetime ECL is recognised but which are not credit impaired are referred to as 'Stage 2 financial instruments'. Life time ECL would also be computed for credit impaired assets which would be referred to as 'Stage 3 financial instruments'.

ECL calculation

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. 12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

ECLs are a probability-weighted estimate of credit losses. Note 7.6.2 – Credit risk provides details on the ECL measurement methodology.

Credit-impaired financial assets

At each reporting date, the Authority assesses whether financial assets carried at AC and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Authority on terms that the Authority would not consider otherwise;
- an increased / higher probability that the borrower will enter bankruptcy or undertake a financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at AC: as a deduction from the gross carrying amount of the assets.

Write-off policy

The Authority writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Authority's recovery procedures. Any recoveries made are recognised in net income.

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.

5.2 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.

5.3 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.

5.4 Monetary gold

The Authority shall recognise the gold when it acquires the contractual right to the economic risk and rewards of the gold ownership. On acquisition, it shall classify the monetary gold at fair value through profit or loss. Gains and losses arising from changes in fair value, referring to price changes are recognised in profit or loss and will be transferred to the dedicated revaluation reserve as per the Act and recycle back to profit or loss on the sale of the gold.

5.5 Other foreign currency non-financial asset

The Authority's investment in other assets for short term trading in the ordinary course of business will be measured at fair value less cost to sell in line with BAS 2. Any gain or loss on sale of the other assets will be recognised as profit or loss and revaluation gains and loss will be transferred to the dedicated revaluation reserve as per the Act and recycle back to profit or loss on the sale of the assets.

5.6 Non-monetary gold

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

5.7 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.

5.8 Printing and minting costs

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

5.9 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 recognised 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.

5.10 Property and equipment

5.10.1 Recognition and measurement

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

5.10.2 Subsequent costs

The cost of replacing a part of an item of property or equipment is recognised 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.

5.10.3 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. The Authority considers residual value of all its PPE as Ngultrum One at the end of its useful life. Obsolete and unserviceable PPEs are surrendered to the Department of National Properties without any consideration in return.

5.11 Interest

Interest income and expenses are recognised 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.

5.12 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.

5.13 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 Act, 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.

5.14 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 Act, these gains/losses are transferred to the revaluation reserve before distribution of profit to the Government.

5.15 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.

5.16 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 in which it is realised. See Note 36 for the calculation of distributable profit.

5.17 Employee benefits

5.17.1 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 is responsible for providing the legally set minimum threshold for pensions in Bhutan under a defined contribution pension plan.

5.17.2 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 authority'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 it occurs, directly in other comprehensive income and presented within equity.

5.17.3 Termination benefits

Termination benefits are recognised 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 recognised 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.

5.17.4 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 recognised 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.

5.17.5 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.

5.18 Leases

Lease is recognised as lease liability and a right -of-use if the lessor transfers the right to control the use of an underlying asset for a period of time in exchange for consideration. The lease liability is measured at the present value of the lease payments that are not paid at that date. The right-of-use asset is measured at cost, which is equal to lease liability, plus any initial cost incurred, less any lease incentives received.

The lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right of use asset from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. A lessee shall measure the lease liability by increasing the carrying amount to reflect the interest on the lease liability and reduce the carrying amount to reflect the lease payments made.

The lease that does not meet the recognition criteria is considered as operating lease and recognised in the Statement of Comprehensive Income.

5.19 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 recognised if the carrying amount of an asset exceeds its recoverable amount.

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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 recognised 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 recognised.

5.20 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.

6. TRANSITION DISCLOSURES

6.1 BFRS 9

The following disclosure set out the impact of adopting BFRS 9 on the Statement of Financial Position, retained earnings and other reserves including the effect of expected credit losses.

- The adoption of BFRS 9 has changed the impairment model of the Authority where by all assets classified as AC and FVOCI are subject to expected credit losses.

6.2 BFRS 16

On transition to BFRS 16, the Authority recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarized below.

(Amount in Nu. '000)

	June 30, 2023
Right of use Assets presented in Property, Plant & Equipment	6,557,299
Lease Liability	3,590,474

7. FINANCIAL INSTRUMENTS: RISK MANAGEMENT AND FAIR VALUES

The Authority assesses the ECLs on all instruments measured at amortised cost or fair value through other comprehensive income.

7.1 Impairment

Judgment is required when determining whether there is objective evidence that impairment exists and, if so, the appropriate amount of ECLs to be recognised. The measurement of ECLs reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date regarding past events, current conditions and forecasts of future economic conditions.

Significant judgments that are required for measuring ECLs include:

- determining criteria for assessing whether a financial asset is considered to have low credit risk;

- determining criteria for assessing what constitutes a significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECLs;
- establishing the number and relative weightings of forward-looking scenarios for each type of financial instrument and the associated ECL; and
- establishing groups of similar financial assets for the purposes of measuring ECLs.

Financial assets are categorized into the following three stages depending on their assessed credit risk. Interest revenue is calculated using the effective interest method.

Stage 1 - Financial assets are typically categorized as Stage 1 when first recognised, unless purchased or originated credit-impaired. The Authority records an allowance for 12-month ECLs in profit or loss, and interest revenue is calculated on the gross carrying amount of the asset.

Stage 2 - Financial assets are categorized as Stage 2 when they have experienced a significant increase in credit risk since initial recognition. The Authority records an allowance for lifetime ECLs, and interest revenue is calculated on the gross carrying amount of the asset.

Stage 3 - Financial assets are categorized as Stage 3 when they are considered as credit impaired. The Authority records an allowance for lifetime ECLs, and interest revenue is calculated based on the net carrying amount of the asset (gross carrying amount less the loss allowance), rather than on its gross carrying amount.

7.2 Low credit risk

The Authority considers debt investment securities to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. Considering the Authority's strict investment guidelines, which propose holding of extremely high credit-rated investments, financial instruments held as international reserves are considered to have low credit risk. In addition, the Authority considers exposure to the Government of Bhutan, which is denominated in local Currency, to have low credit risk.

Such an approach reflects the general assumption that sovereign debt denominated in local currency is considered to have an extremely low risk of default (usually referred to as "risk-free" from market participant perspective) as well as the fact that due to the unique link between the Authority and the Government of Bhutan, the Authority maintains the main current account of the Ministry of Finance of Bhutan. The Authority does not apply the low credit risk exemption to any other financial instruments.

7.3 Significant increase in credit risk

In determining whether the credit risk on a financial instrument has increased significantly from initial recognition in estimating ECLs, the Authority considers reasonable and sustainable information that is available without undue cost or effort. This includes quantitative and qualitative information and analyses, based on the Authority's historical experience and an informed credit assessment including forward-looking information.

7.4 ECL measurement

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD)
- loss given default (LGD)
- exposure at default (EAD)

These parameters are derived from internally developed statistical models, globally recognised external developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described above.

PD estimates are estimates at a certain date, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally and externally compiled data comprising both quantitative and qualitative factors, including forward-looking information. Transition matrices are used to derive the PD for foreign counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Authority estimates LGD parameters based on the history of recovery rates, or parameters calculated by rating agencies and regulatory institutions such as the BIS in Basel, of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Authority derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount (including accrued interest owing).

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Authority measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk. The maximum contractual period extends to the date at which the Authority has the right to require repayment. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include:

- instrument type;
- credit risk grading;
- collateral type;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Authority has limited historical data, external benchmark information is used to supplement the internally available data.

7.5 Definition of default

All financial assets measured at AC or FVOCI, which are overdue for 1 day or more, are considered to be in default except for exposure to the Government of Bhutan which would be considered to be in default if overdue for more than 180 days. This represents a rebuttal of the presumption of BFRS 9 that the default does not occur later that when the financial asset is 90 days past due. However, it reflects the circumstances of the Government's budgetary approval processes and the Authority's unique relationship with the Government as it acts as banker and fiscal agent of the Government.

7.6 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 organisation 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.

7.6.1 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.

7.6.1 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)

30-Jun-23	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	29,857,993	-	-	-	-	-	-	**29,857,993**
Deposits	-	-	-	-	-	-	-	**-**
Securities at amortised cost	0.00	-	-	-	52,002,787	-	-	**52,002,787**
Externally managed securities	-	-	-	-	7,615,027	-	-	**7,615,027**
Monetary gold	-	-	-	-	-	-	-	**-**
IMF related assets	2,841,642	-	-	-	-	-	2,247,870	**5,089,512**
Loans to staff and other assets	1,364,207	3,600,000	-	60,297	-	8,718	-	**5,033,222**
Total financial assets	**34,063,842**	**3,600,000**	**-**	**60,297**	**59,617,814**	**8,718**	**2,247,870**	**99,598,541**
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	12,573,108	**12,573,108**
Balances of Commercial banks	31,139,788	-	-	-	-	-	-	**31,139,788**
Deposits from third parties	7,935	-	-	-	-	-	-	**7,935**
Balances of Royal Government	593,773	-	-	-	7,000,000	-	-	**7,593,773**
IMF related liabilities	2,936,890	-	-	-	-	-	1,624,709	**4,561,598**
Due to foreign Central Banks	-	16,267,080	-	4,920,900	-	-	-	**21,187,980**
Other liabilities	144,232	-	-	-	-	-	-	**144,232**
Total financial liabilities	**34,822,617**	**16,267,080**	**-**	**4,920,900**	**7,000,000**	**-**	**14,197,816**	**77,208,414**
Asset-liability maturity mismatch as of June 30, 2023	**(758,775)**	**(12,667,080)**	**-**	**(4,860,603)**	**52,617,814**	**8,718**	**(11,949,947)**	**22,390,127**

Given the nature of business as a central bank, most of assets and liabilities are under the short term maturity buckets, due to which the asset-liability maturity mismatches are seen majorly in the maturity buckets of upto 1 month and upto 3 months. However, RMA being the issuer of the local currency can address the liquidity risk in terms of mismatches as most of the liabilities are payable in local currency. Further, the overall maturity mismatch is positive as the financial assets are more than financial liabilities.

7.6.1 Liquidity risk (continued)

(Amount in Nu. 000)

30-Jun-22	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	48,146,700	-	-	-	-	-	-	**48,146,700**
Deposits	-	-	-	-	-	-	-	**-**
Securities at amortised cost	100,014	-	4,737,900	2,763,775	42,578,824	-	-	**50,180,513**
Externally managed securities	-	-	-	-	7,207,622	-	-	**7,207,622**
Monetary gold	-	-	-	-	-	-	688,898	**688,898**
IMF related assets	2,640,979	-	-	-	-	-	2,097,371	**4,738,350**
Loans to staff and other assets	556,425	-	-	71,183	-	14,395	780,745	**1,422,749**
	51,444,118	**-**	**4,737,900**	**2,834,958**	**49,786,446**	**14,395**	**3,567,015**	**112,384,832**
Derivative assets								
Foreign exchange forwards	-	-	-	-	-	-	-	-
Total financial assets	**51,444,118**	**-**	**4,737,900**	**2,834,958**	**49,786,446**	**14,395**	**3,567,015**	**112,384,832**
Financial liabilities								
Non-derivative liabilities								
Currency in circulation	-	-	-	-	-	-	13,519,102	**13,519,102**
Balances of Commercial banks	46,080,487	-	-	-	-	-	-	**46,080,487**
Deposits from third parties	4,216	-	-	-	-	-	-	**4,216**
Balances of Royal Government	3,275,305	-	-	-	7,000,000	-	-	**10,275,305**
IMF related liabilities	2,631,292	-	-	-	-	-	1,624,709	**4,256,001**
Due to foreign Central Banks	-	15,178,700	-	4,737,900	-	-	-	**19,916,600**
Other liabilities	50,337	-	-	-	-	-	-	**50,337**
Total financial liabilities	**52,041,638**	**15,178,700**	**-**	**4,737,900**	**7,000,000**	**-**	**15,143,811**	**94,102,049**
Asset-liability maturity mismatch as of June 30, 2022	**(597,520)**	**(15,178,700)**	**4,737,900**	**(1,902,942)**	**42,786,446**	**14,395**	**(11,576,796)**	**18,282,784**

7.6.2 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 authorised 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 assets that are exposed to credit risk as at June 30, 2023 and 2022.

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Assets		
Cash and cash equivalents	29,857,993	48,146,700
Deposits	-	-
Securities at amortised cost	52,002,787	50,180,513
Externally managed securities	7,615,027	7,207,622
Monetary gold	-	688,898
IMF related assets	5,089,512	4,738,350
Loans to staff and other assets	5,033,222	1,422,749
Total assets	**99,598,541**	**112,384,832**

An amount of Nu. 2,842 million (2022: Nu. 2,641 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. 27 million (2022: Nu. 15 million) included in the assets above represent credit risk.

7.6.2 Credit risk (continued)

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

(Amount in Nu. '000)

June 30, 2023	United States of America	EU countries	UK	East Asia	India	Singapore	Bhutan	Others	Total
Cash and cash equivalents	11,046,286	66,782	145,450	3,385,919	4,777,570	14,160	2,322,940	8,098,886	29,857,993
Deposits	-	-	-	-	-	-	-	-	-
Securities at amortised cost	-	-	-	-	-	-	52,002,787	-	52,002,787
Externally managed securities	-	-	-	-	-	7,615,027	-	-	7,615,027
Monetary gold	-	-	-	-	-	-	-	-	-
IMF related assets	5,089,512	-	-	-	-	-	-	-	5,089,512
Loans to staff and other assets	-	-	-	-	-	-	69,015	4,964,207	5,033,222
Total financial assets	**16,135,798**	**66,782**	**145,450**	**3,385,919**	**4,777,570**	**7,629,188**	**54,394,742**	**13,063,092**	**99,598,541**

(Amount in Nu. '000)

June 30, 2022	United States of America	EU countries	UK	East Asia	India	Singapore	Bhutan	Others	Total
Cash and cash equivalents	17,063,556	29,496	110,737	5,161,843	6,258,633	1,655,004	2,561,542	15,305,889	48,146,700
Deposits	-	-	-	-	-	-	-	-	-
Securities at amortised cost	-	-	-	-	100,014	-	50,080,499	-	50,180,513
Externally managed securities	-	-	-	-	-	7,207,622	-	-	7,207,622
Monetary gold	-	688,898	-	-	-	-	-	-	688,898
IMF related assets	4,738,350	-	-	-	-	-	-	-	4,738,350
Loans to staff and other assets	-	-	-	-	-	-	85,578	1,337,171	1,422,749
Total financial assets	**21,801,906**	**718,394**	**110,737**	**5,161,843**	**6,358,647**	**8,862,626**	**52,727,619**	**16,643,059**	**112,384,832**

7.6.2 Credit risk (continued)

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

(Amount in Nu. '000)

June 30, 2023	Cash and cash equivalents	Deposits	Securities at amortised cost	Externally managed securities	IMF related assets	Monetary gold	Loans to staff and other assets	Total
Central Authority	1,184,082	-	-	-	-	-	8,718	1,192,801
Foreign Central Banks	9,721,572	-	-	-	5,089,512	-	17,048	14,828,132
Commercial Banks	18,952,339	-	-	-	-	-	-	18,952,339
Others	-	-	52,002,787	7,615,027	-	-	1,407,455	61,025,269
Total financial assets	**29,857,993**	**-**	**52,002,787**	**7,615,027**	**5,089,512**	**-**	**5,033,222**	**99,598,541**

(Amount in Nu. '000)

June 30, 2022	Cash and cash equivalents	Deposits	Securities at amortised cost	Externally managed securities	IMF related assets	Monetary gold	Loans to staff and other assets	Total
Central Authority	2,387,849	-	-	-	-	-	14,395	2,402,244
Foreign Central Banks	6,031,186	-	100,014	-	4,738,350	688,898	969	11,559,417
Commercial Banks	39,727,665	-	-	-	-	-	-	39,727,665
Others	-	-	50,080,499	7,207,622	-	-	1,407,385	58,695,506
Total financial assets	**48,146,700**	**-**	**50,180,513**	**7,207,622**	**4,738,350**	**688,898**	**1,422,749**	**112,384,832**

7.6.2 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, 2023	Cash and cash equivalents	Deposits	Investment securities	Externally managed assets	Special Drawing Rights (SDR)**	Monetary gold	Loans to Staff and other assets	Total
Balances with foreign Central Banks	1,787,087	-	-	-	-	-	-	1,787,087
IMF related assets	-	-	-	-	5,089,512	-	-	5,089,512
State-owned Banks	13,051,295	-	-	-	-	-	-	13,051,295
AA-	14,170	-	-	3,772,375	-	-	-	3,786,545
A+	523,621	-	-	-	-	-	-	523,621
A	7,835,389	-	-	3,842,653	-	-	-	11,678,041
BBB-	109,953	-	-	-	-	-	-	109,953
Unrated	6,536,478	-	52,002,787	-	-	-	5,033,222	63,572,487
Total financial assets	**29,857,993**	**-**	**52,002,787**	**7,615,027**	**5,089,512**	**-**	**5,033,222**	**99,598,541**

(Amount in Nu. '000)

June 30, 2022	Cash and cash equivalents	Deposits	Investment securities	Externally managed assets	Special Drawing Rights (SDR)**	Monetary gold	Loans to Staff and other assets	Total
Balances with foreign Central Banks	3,428,909	-	100,014	-	-	688,898	-	4,217,822
IMF related assets	-	-	-	-	4,738,350	-	-	4,738,350
State-owned Banks	13,805,769	-	-	-	-	-	-	13,805,769
AA	1,655,014	-	-	-	-	-	-	1,655,014
AA-	21,598,358	-	-	3,580,843	-	-	-	25,179,201
A	2,020,446	-	-	3,626,778	-	-	-	5,647,224
Unrated	5,638,203	-	50,080,499	-	-	-	1,422,749	57,141,451
Total financial assets	**48,146,700**	**-**	**50,180,513**	**7,207,622**	**4,738,350**	**688,898**	**1,422,749**	**112,384,832**

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.

7.6.3 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 shall hold 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.

7.6.3.1 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 Department Foreign Exchange and Reserve Management 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 Department Foreign Exchange and Reserve Management

Dechok & Associates Pvt. Ltd.

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:

(Amount in Nu. '000)

Estimated profit (loss) effect	June 30, 2023		June 30, 2022	
	100 bp	50 bp	100 bp	50 bp
Increase	(839,510)	(419,755)	(1,971,488)	(985,744)
Decrease	839,510	419,755	1,971,488	985,744

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.

7.6.3.1 Interest rate risk (continued)

(Amount in Nu. '000)

June 30, 2023	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	29,857,993	6,355,303	-	16,360,844	-	7,141,846
Deposits	-	-	-	-	-	-
Securities at amortised cost	52,002,787	-	-	-	52,002,787	-
Externally managed securities	7,615,027	-	-	-	7,615,027	-
IMF related assets	5,089,512	2,841,642	-	-	-	2,247,870
Monetary gold	-	-	-	-	-	-
Loans to staff and other assets	5,033,222	3,600,000	-	-	69,015	1,364,207
Total financial assets	**99,598,541**	**12,796,945**	**-**	**16,360,844**	**59,686,829**	**10,753,922**
Interest-bearing liabilities						
Currency in circulation	12,573,108	-	-	-	-	12,573,108
Balances of Commercial banks	31,139,788	-	-	-	-	31,139,788
Deposits from third parties	7,935	-	-	-	-	7,935
Balances of Royal Government	7,593,773	-	-	-	7,000,000	593,773
IMF related liabilities	4,561,598	2,814,586	-	-	-	1,747,012
Due to foreign Central Banks	21,187,980	-	-	16,267,080	4,920,900	-
Other liabilities	144,232	-	-	-	-	144,232
Total financial liabilities	**77,208,414**	**2,814,586**	**-**	**16,267,080**	**11,920,900**	**46,205,848**
Interest-bearing financial instruments gap	**22,390,127**	**9,982,360**	**-**	**93,764**	**47,765,929**	**(35,451,926)**

7.6.3.1 Interest rate risk (continued)

(Amount in Nu. '000)

June 30, 2022	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	48,146,700	3,897,039	-	29,247,723	-	15,001,939
Deposits	-	-	-	-	-	-
Securities at amortised cost	50,180,513	-	100,014	-	50,080,499	-
Externally managed securities	7,207,622	-	-	-	7,207,622	-
IMF related assets	4,738,350	2,640,979	-	-	-	2,097,371
Monetary gold	688,898	-	-	-	-	688,898
Loans to staff and other assets	1,422,749	-	-	-	85,578	1,337,171
Total financial assets	**112,384,832**	**6,538,017**	**100,014**	**29,247,723**	**57,373,699**	**19,125,379**
Interest-bearing liabilities						
Currency in circulation	13,519,102	-	-	-	-	13,519,102
Balances of Commercial banks	46,080,487	-	-	-	-	46,080,487
Deposits from third parties	4,216	-	-	-	-	4,216
Balances of Royal Government	10,275,305	-	-	-	7,000,000	3,275,305
IMF related liabilities	4,256,001	2,626,027	-	-	-	1,629,974
Due to foreign Central Banks	19,916,600	-	-	15,178,700	4,737,900	-
Other liabilities	50,337	-	-	-	-	50,337
Total financial liabilities	**94,102,049**	**2,626,027**	**-**	**15,178,700**	**11,737,900**	**64,559,422**
Interest-bearing financial instruments gap	**18,282,784**	**3,911,991**	**100,014**	**14,069,023**	**45,635,799**	**(45,434,043)**

7.6.3.2 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.

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7.6.3.2 Exchange rate risk (continued)

The Authority's exposure to foreign currency risk as at June 30, 2023 and 2022 is as follows:

(Amount in Nu. '000)

June 30, 2023	USD	EUR	GBP	INR	SDR	Other	Total
Assets							
Cash and cash equivalents	18,799,413	68,137	145,609	5,722,199	-	3,983,776	**28,719,135**
Deposits	-	-	-	-	-	-	**-**
Securities at amortised cost	52,002,787	-	-	-	-	-	**52,002,787**
Externally managed securities	7,615,027	-	-	-	-	-	**7,615,027**
IMF related assets	-	-	-	-	5,089,512	-	**5,089,512**
Monetary gold	-	-	-	-	-	-	**-**
Loans to staff and other assets	-	-	10,006	-	-	1,354,201	**1,364,207**
Total foreign financial assets	**78,417,227**	**68,137**	**155,615**	**5,722,199**	**5,089,512**	**5,337,977**	**94,790,667**
Liabilities							
Deposits from third parties	4,808	-	-	-	-	-	**4,808**
Balances of Royal Government	228,600	55,626	-	7,000,000	-	-	**7,284,226**
IMF related liabilities	-	-	-	-	4,561,598	-	**4,561,598**
Due to foreign Central Banks	4,920,900	-	-	16,267,080	-	-	**21,187,980**
Other liabilities	40,392	-	-	102,505	-	-	**142,897**
Total foreign financial liabilities	**5,194,701**	**55,626**	**-**	**23,369,585**	**4,561,598**	**-**	**33,181,510**
Net currency position	**73,222,526**	**12,511**	**155,615**	**(17,647,385)**	**527,914**	**5,337,977**	**61,609,157**

7.6.3.2 Exchange rate risk (continued)

(Amount in Nu. '000)

June 30, 2022	USD	EUR	GBP	INR	SDR	Other	Total
Assets							
Cash and cash equivalents	35,377,732	82,655	1,164,950	7,953,786	-	3,393,885	**47,973,007**
Deposits	-	-	-	-	-	-	**-**
Securities at amortised cost	50,080,499	-	-	100,014	-	-	**50,180,513**
Externally managed securities	7,207,622	-	-	-	-	-	**7,207,622**
IMF related assets	-	-	-	-	4,738,350	-	**4,738,350**
Monetary gold	688,898	-	-	-	-	-	**688,898**
Loans to staff and other assets	781,714	-	-	-	-	555,456	**1,337,171**
Total foreign financial assets	**94,136,466**	**82,655**	**1,164,950**	**8,053,800**	**4,738,350**	**3,949,341**	**112,125,561**
Liabilities							
Deposits from third parties	3,675	-	-	-	-	-	**3,675**
Balances of Royal Government	296,081	51,546	-	7,000,000	-	-	**7,347,627**
IMF related liabilities	-	-	-	-	4,256,001	-	**4,256,001**
Due to foreign Central Banks	4,737,900	-	-	15,178,700	-	-	**19,916,600**
Other liabilities	38,693	-	-	11,644	-	-	**50,337**
Total foreign financial liabilities	**5,076,349**	**51,546**	**-**	**22,190,344**	**4,256,001**	**-**	**31,574,239**
Net currency position	**89,060,117**	**31,109**	**1,164,950**	**- 14,136,544**	**482,350**	**3,949,341**	**80,551,322**

7.6.3.2 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, 2023		June 30, 2022	
Financial assets	10%	5%	10%	5%
Cash and cash equivalents	230	115	400	200
Deposits	-	-	-	-
Securities	596	298	573	286
IMF related assets	51	25	47	24
Impact on Financial assets	**877**	**439**	**1,020**	**510**
Financial liabilities				
Balances of Royal Government	3	1	3	2
IMF related liabilities	46	23	43	21
Impact on financial liabilities	**48**	**24**	**46**	**23**
Total increase/(decrease)	**829**	**414**	**974**	**487**
Impact on the Profit	**829**	**414**	**974**	**487**

7.6.3.3 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 3.3 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, 2023		June 30, 2022	
	Fair value Level 2	Carrying amount	Fair value Level 2	Carrying amount
Assets				
Deposits	-	-	-	-
Securities at amortised cost	52,002,787	52,002,787	50,180,513	50,180,513
IMF related assets	5,089,512	5,089,512	4,738,350	4,738,350
Externally managed securities	7,615,027.22	7,615,027.22	7,207,621.64	7,207,621.64
Loans to staff and other assets	5,033,222	5,033,222	1,422,749	1,422,749
Liabilities				
IMF related liabilities	4,561,598	4,561,598	4,256,001	4,256,001
Balances of Commercial banks	31,139,788	31,139,788	46,080,487	46,080,487
Due to foreign Central Banks	21,187,980	21,187,980	19,916,600	19,916,600
Deposits from third parties	7,935	7,935	4,216	4,216
Balances of Royal Government	7,593,773	7,593,773	10,275,305	10,275,305
Other financial liabilities	144,232	144,232	50,337	50,337

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.

8. CASH AND CASH EQUIVALENTS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Foreign currency		
Cash	1,184,082	2,387,849
Current accounts	7,793,333	16,335,572
Short-term deposits	19,763,490	29,249,587
Total foreign currency	**28,740,905**	**47,973,007**
Less: Expected Credit Losses on Cash and Cash Equivalent (Note 8.1)	(21,770)	-
Total foreign currency	28,719,135	47,973,007
Local currency		
Current accounts	1,147,127	173,693
Total local currency	**1,147,127**	**173,693**
Less: Expected Credit Losses on Cash and Cash Equivalent (Note 8.1)	(8,269)	-
Total local currency	**1,138,858**	**173,693**
Total cash and cash equivalents	**29,857,993**	**48,146,700**

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 3.17% and 6.40%, respectively.

8.1 Movement in Expected credit losses on cash and cash equivalents

(Amount in Nu. '000)

Foreign currency	**June 30, 2023**
Stage 1	
Balance as at July 1, 2022	-
Charged during the year	21,770
Balance as at June 30, 2023	**21,770**
Local Currency	
Stage 1	
Balance as at July 1, 2022	-
Charged during the year	8,269
Balance as at June 30, 2023	**8,269**

9. DEPOSITS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Foreign currency		
Terms deposits with Indian banks	-	-
Term deposits with other foreign banks	-	-
Total foreign currency deposits	-	-
Less: Expected Credit Losses on Deposits (9.1)	-	-
Total foreign currency deposits	-	-
Domestic currency		
Staff gratuity deposit	60,383	71,183
Total domestic currency deposits	**60,383**	**71,183**
Less: Expected Credit Losses on Deposits (9.1)	**(86)**	-
Total domestic currency deposits	**60,297**	**71,183**

9.1 Movement in Expected credit losses on deposits

(Amount in Nu. '000)

Foreign currency	**June 30, 2023**
Stage 1	
Balance as at July 1, 2022	-
Charged during the year	-
Balance as at June 30, 2023	-
Local Currency currency	
Stage 1	
Balance as at July 1, 2022	-
Charged during the year	86
Balance as at June 30, 2023	**86**

10. TRADING ASSETS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Currency trading	17,049	969
Total trading assets	**17,049**	**969**
Less: Expected Credit Losses on Trading Assets (Note 10.1)	**(1)**	-
Total trading assets	**17,048**	**969**

10.1 Movement in Expected credit losses on trading assets

(Amount in Nu. '000)

Foreign currency	**June 30, 2023**
Stage 1	
Balance as at July 1, 2022	-
Charged during the year	1
Balance as at June 30, 2023	**1**

11. SECURITIES

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Held at amortised cost	52,002,787	50,180,513
Held at fair value	7,615,027	7,207,622
Total securities	**59,617,814**	**57,388,135**
Less: Expected Credit Losses on securities held at amortised cost (Note 11.1)	**(12,057)**	-
Total trading assets	**59,605,757**	**57,388,135**

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

The Securities held at fair value consist of a portfolio managed by the PIMCO and Blackrock which mainly comprises of U.S. Treasury Bonds.

11.1 Movement in Expected credit losses on securities held at amortised cost

(Amount in Nu. '000)

Foreign currency	**June 30, 2023**
Stage 1	
Balance as at July 1, 2022	-
Charged during the year	12,057
Balance as at June 30, 2023	**12,057**

12. INTERNATIONAL MONETARY FUND (IMF) RELATEDASSETS

(Amount in Nu. '000)

Assets	June 30, 2023	June 30, 2022
Quota (Note 12.1)	2,247,971	2,097,371
SDR Holding (Note 12.2)	2,841,770	2,640,979
Total assets	**5,089,741**	**4,738,350**
Less: Expected Credit Losses on securities held at amortised cost (Note 12.5)	**(229)**	**-**
Total trading assets	**5,089,512**	**4,738,350**

Liability	June 30, 2023	June 30, 2022
IMF A/C I (Note 12.4)	5,620	5,243
IMF A/C II (Note 12.4)	23	22
Securities Account (Note 12.4)	1,741,369	1,624,709
SDR Allocations (Note 12.3)	2,814,586	2,626,027
Total liabilities	**4,561,598**	**4,256,001**

12.1 IMF Quota

The Quota with the IMF of Nu. 2,248 million or SDR 20.4 million (2022: Nu. 2,097 million or SDR 20.4 million) originates from the membership of the Bhutan in the IMF. This was paid 25% in hard currency with the remaining 75% provided in the form of securities issued by the Royal Government of Bhutan.

12.2 Holdings of Special Drawing Rights

The SDR holdings of Nu. 2,841 million or SDR 25.8 million (2022: Nu. 2,641 million or SDR 25.7 million) represent deposits with the IMF. The SDR holdings bear interest, which is determined on a weekly basis. The interest rate at June 30, 2023 is 3.984% p.a. (June 2022 0.889% p.a.).

12.3 SDR Allocations

SDR Allocations of Nu. 2,815 million or SDR 25.5 million (2022: 2,626 million or SDR 25.5 million) was made to Bhutan as IMF member in proportion to the Bhutan's quota in the Fund.

12.4 IMF Accounts and Securities

The IMF accounts represent liabilities towards Bhutan's participation in the IMF. The securities account and IMF Account 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 3.984% p.a. (June 2022: 0.889% 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.

12.5 Movement in Expected credit losses on IMF Related Assets

	(Amount in Nu. '000)
Foreign currency	**June 30, 2023**
Stage 1	
Balance as at July 1, 2022	-
Charged during the year	229
Balance as at June 30, 2023	**229**

13. LOANS TO STAFF

These are vehicle loans granted to RMA employees at a subsidised interest rate. The total outstanding loan balance as at June 30, 2023 is Nu. 9 million (2022: Nu. 14 million).

13.1 Expected credit losses on loans to staff

Upon assessment of the staff loans individually, the Authority has determined that while the loan balances are significant, the ECL amount associated with these loans is immaterial in the context of the financial statements. Consequently, the Authority has not recognised ECL provisions on staff loans.

The decision to not recognise ECL provisions on staff loans is based on the immateriality of the ECL amount, considering the specific circumstances of the loans. This immateriality does not have a significant impact on the accuracy and fair presentation of the financial statements.

14. WAYS AND ADVANCE TO ROYAL GOVERNMENT

The Ways and Means Advance to the Royal Government represents the overdraft extended in pursuant to Section 150 of the Act.

15. MONETARY GOLD

(Amount in Nu. '000)

	June 30, 2023	**June 30, 2022**
Monetary Gold- unallocated	-	688,898
Monetary Gold- allocated	-	-
Total monetary gold	**-**	**688,898**

The Authority shall recognise the gold when it acquires the contractual right to the economic risk and rewards of the gold ownership. On acquisition, it shall classify the gold as monetary gold under fair value through profit or loss. The balance of monetary gold was sold on March 13, 2023.

16. OTHER FOREIGN CURRENCY NON-FINANCIAL ASSET

Other foreign currency non-financial asset includes Authority's investment in other assets for short term trading in the ordinary course of business will be measured at fair value less cost to sell in line with BAS 2. Any gain or loss on sale of these assets is recognised in profit or loss and revaluation gains and loss will be transferred to the dedicated revaluation reserve and recycled back to profit or loss on the sale of the assets.

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17. NON-MONETARY GOLD AND SILVER ASSETS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Gold	47,045	39,615
Silver granules	23,136	15,951
Total non-monetary gold and silver asset	**70,181**	**55,566**

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

18. INVENTORY FOR BANKNOTES

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Notes in the course of printing	10,544	34,577
Notes for circulation	228,279	178,946
Total Banknote inventories at cost	**238,823**	**213,524**

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(Amount in Nu. '000)

	Land, buildings & installations	Furniture & Equipment	Vehicles	Computers & Accessories	Paintings & other artwork	Right of Use Assets	Total Property & Equipment	Computer software	Work-in-progress	Total Intangible Assets	Total
Amortized costs											
At June 30, 2021	**44,655**	**40,915**	**12,975**	**27,909**	**873**	**-**	**127,327**	**29,431**	**-**	**29,431**	**156,759**
Additions	-	6,577	12,031	17,978	1,301	-	37,886	-	-	-	37,886
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	1,157	-	2,048	-	-	3,206	-	-	-	3,206
At June 30, 2022	**42,015**	**39,562**	**20,592**	**35,646**	**2,174**	**-**	**139,988**	**2,511**	**-**	**2,511**	**142,499**
Additions	4,621	6,978	3,049	3,284	163	6,557	24,652	2,532	-	2,532	27,184
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	3,479	2,259	4,820	-	-	10,558	-	-	-	10,558
At June 30, 2023	**43,995**	**37,950**	**18,248**	**28,678**	**2,336**	**3,377**	**134,584**	**2,019**	**-**	**2,019**	**136,603**
Cumulative/ amortization and impairment losses											
At June 30, 2021	**44,281**	**65,824**	**25,845**	**53,162**	**-**	**-**	**189,112**	**97,758**	**-**	**97,758**	**286,870**
Amortization	2,640	7,903	4,414	10,239	-	-	25,197	26,921	-	26,921	52,117
Writeoff	-	26	-	2	-	-	29	-	-	-	29
Disposal	-	1,157	-	2,048	-	-	3,206	-	-	-	3,206
At June 30, 2022	**46,922**	**72,596**	**30,259**	**61,355**	**-**	**-**	**211,132**	**124,678**	**-**	**124,678**	**335,810**
Amortization	2,640	8,487	5,393	10,252	-	3,181	29,953	3,024	-	3,024	32,976
Writeoff	-	104	0	0	-	-	104	-	-	-	104
Disposal	-	3,479	2,259	4,820	-	-	10,558	-	-	-	10,558
At June 30, 2023	**49,562**	**77,708**	**33,393**	**66,788**	**-**	**3,181**	**230,631**	**127,702**	**-**	**127,702**	**358,332**
Net carrying value									-		
At June 30, 2022	**42,015**	**39,562**	**20,592**	**35,646**	**2,174**	**-**	**139,988**	**2,511**	**-**	**2,511**	**142,499**
At June 30, 2023	**43,995**	**37,950**	**18,248**	**28,678**	**2,336**	**3,377**	**134,584**	**2,019**	**-**	**2,019**	**136,603**

20. OTHER ASSETS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Commemorative assets	148,252	149,299
Others	4,994,060	4,774,168
Total	**5,142,312**	**4,923,467**

Commemorative assets include notes and coins produced to mark special occasions such as the Royal Wedding, Coronation, and Birth Anniversary of the Gyalsay. These are recorded at cost. Other assets include Kuwait fund managed by His Majesty's Secretariat and miscellaneous receivables.

21. BALANCES OF THE ROYAL GOVERNMENT

(Amount in Nu. '000)

Foreign currency	June 30, 2023	June 30, 2022
Deposits	284,226	347,627
Government of India Standby Credit Facility	7,000,000	7,000,000
Total foreign currency balances of Royal Government	**7,284,226**	**7,347,627**
Local currency		
Royal Government of Bhutan Economic Stimulus Plan	-	192,424
Government Consolidated Account	-	1,518,978
Ministry of Finance Refundable Deposit Account	-	44
National Resilence Fund	309,547	1,216,231
Total local currency balances of Royal Government	**309,547**	**2,927,678**
Total balances of Royal Government	**7,593,773**	**10,275,305**

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.

22. DEPOSITS AND BORROWINGS FROM THIRD PARTIES

22.1 Deposits of International institutions

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
International Bank for Reconstruction and Development (IBRD)	948	3,048
International Development Association (IDA)	3,426	519
Asian Development Bank (ADB)	435	108
Total deposits of international financial institutions	**4,808**	**3,675**

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

22.2 Deposits of foreign central banks

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Central Bank of Kuwait	4,920,900	4,737,900
Reserve Bank of India	16,267,080	15,178,700
Total deposit of central banks	**21,187,980**	**19,916,600**

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 managed by His Majesty's Secretariat (HMS).

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. The deposit is managed by HMS and shown as an asset of the Authority.

Swap Facility - Reserve Bank of India

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 2018, January 2019, May 2019, November 2019, February 2020, March 2021, March 2022 and November 2022.

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

22.3 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.

23. CURRENCY IN CIRCULATION

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

The following banknotes and coins were in circulation as at June 30, 2023 and 2022:

(Amount in Nu. '000)

Nominal Value Nu.	June 30, 2023		June 30, 2022	
	Value in thousand	Total Nu. (million)	Value in thousand	Total Nu. (million)
Notes:				
1	62,983	63	62,463	62
2	3,830	4	3,830	4
5	191,064	191	187,656	188
10	208,470	208	203,436	203
20	191,310	191	186,304	186
50	378,032	378	376,549	377
100	1,088,098	1,088	1,170,997	1,171
500	3,153,365	3,153	3,240,141	3,240
1000	7,283,206	7,283	8,071,035	8,071
Coins	17,563	18	17,563	18
	12,577,920	**12,578**	**13,519,974**	**13,520**

24. BALANCES OF COMMERCIAL BANKS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Mandatory reserve accounts (Cash Reserve Ratio)	16,837,295	14,088,191
Current accounts	14,302,493	28,541,240
Sweeping account	-	3,451,057
Total balances of banks	**31,139,788**	**46,080,487**

Commercial banks are required to maintain Statutory reserve (Cash Reserve Ratio), with the Authority. These are currently calculated as 8% of the commercial bank's deposit liabilities in Ngultrum.

Sweeping accounts represent funds of local corporations and 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.

25. DEFERRED GRANTS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Financial Inclusion & literacy grant	176	176
Micro finance institution- Druk MicroFin	6,668	6,668
Micro finance institution grant for priority sector lending and cottage & small industries	32,889	32,889
Fintech	60,242	60,242
Priority sector lending and financial inclusion & literacy	7,881	7,931
	107,856	**107,906**

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.

26. OTHERS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Abandoned property	95,119	94,838
Others	53,786	14,388
Total other liabilities	**148,905**	**109,226**

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 as abandoned property. The Authority holds these balances in case the beneficial owners claim their funds.

27. EQUITY

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Capital	800,000	800,000
General reserve	2,000,000	-
Revaluation reserves	19,434,893	20,600,536
Other reserves	(1,441)	5,731
Retained earnings	5,373,960	1,724,408
BAS adjustment reserve	-	138,814
Total reserve	**27,607,411**	**23,269,489**

27.1 Capital

The authorised capital of the Authority is Ngultrum two billion and the paid-up capital is Ngultrum eight hundred million. This is in accordance with section 15 and 16 of the Act.

The capital of the Authority shall be subscribed and held solely by the Royal Government of Bhutan. The Authority may raise the paid-up capital as necessary with approval of the Royal Government.

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27.2 General Reserve

In line with section 18 of the Act, the Authority maintains a general reserve. The general reserve shall be augmented to the extent of the level equal to the authorised capital of Ngultrum two billion and the authority may, subject to the approval of the Royal Government, increase the amount of the General Reserve to exceed the authorised capital of the Authority (the Act section 19 & 20).

Any loss arising from change in valuation of the assets and liabilities of the Authority are offset against the Revaluation Reserve Account. If this account doesn't cover the losses, it is initially balanced with the realised profits of the current year. If still insufficient, the deficit is covered using the General Reserves (the Act section 25).

27.3 Transition Reserve

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

27.4 Revaluation Reserve

Section 23 of the Act defines the Revaluation Reserve Account. Any gains or losses due to changes in asset and liability valuations in gold, foreign currencies, or other units of account, as a result of Ngultrum value alterations or exchange rate changes, are accounted for in accordance with internationally accepted standards. 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 gains or losses from financial instruments at fair value through profit or loss and net foreign exchange gains and losses are initially recognised in profit or loss and then transferred to the revaluation reserves.

27.5 Other Reserves

Other reserve includes the Actuarial Gain or loss recognised in through Other Comprehensive Income of Staff Gratuity fund of Authority which is not distributable profit.

28. NET INTEREST INCOME

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Interest Income on foreign currency financial assets		
Interest on assets denominated in Rupees	348,214	586,080
Interest on assets other foreign currencies	2,488,773	1,139,361
Total interest income on foreign currency financial assets	**2,836,986**	**1,725,441**
Interest Income on local currency financial assets		
Interest on Ways and Means advance to RGOB	66,114	10,761
Interest on Staff loans	1,210	1,707
Total interest income on local currency financial assets	**67,325**	**12,469**

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

29. EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Expected Credit Loss on Foreign Currency Financial Assets		
Financial Assets at Amortized Cost		
Cash & Cash Equivalents (Note 8.1)	(21,770)	-
Deposits with banks (Note 9.1)	-	-
Trading Assets (Note 10.1)	(1)	-
Securities (Note 11.1)	(229)	-
IMF related assets (Note 12.5)	(12,057)	-
Total Expected Credit Loss charge on foreign currency financial assets	**(34,057)**	-
Expected Credit Loss on Local Currency Financial Assets		
Financial Assets at Amortized Cost		
Cash and cash equivalents (Note 8.1)	(8,269)	-
Gratuity Fund (Note 9.1)	(86)	-
Loans to Staff (Note 13.1)	-	-
Advances to Royal Government	-	-
Total Expected Credit Loss charge on local currency financial assets	**(8,355)**	-
Total Expected Credit Loss charge on financial Assets	**(42,412)**	-

30. REALISED GAIN/(LOSS) ON SALE OF ASSETS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Realised gain/(loss) on sale of foreign currencies	3,538,153	746,955
Realised gain/(loss) on sale of other assets	369,162	-
Realised gain/(loss) on sale of securities	(227,881)	(71,826)
Realised gain/(loss) of sale monetary gold	82,806	171,347
Total realised gain/(loss) on sale of assets	**3,762,239**	**846,477**

31. UNREALISED GAIN/(LOSS) ON FAIR VALUE OF ASSETS

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Unrealised gain/(loss) on fair value of securities	(161,515)	(984,156)
Unrealised gain/(loss) on fair value of monetary gold	-	(68,299)
Unrealised gain/(loss) on fair value of other asset	-	(758,278)
Total unrealised gain/(loss) on fair value of assets	**(161,515)**	**(1,810,734)**

32. FOREIGN EXCHANGE REVALUATION

The foreign exchange revaluation gain for the current year has been accounted as per BAS 21 and reported as operating income. However, since it is an unrealised gain, it is transferred to the Revaluation Reserve as per the Section 24 of the Act before distribution to the Royal Government.

Dechen & Associates Pvt. Ltd.

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

Currency	June 2023	June 2022
1 Indian Rupee	1.00	1.00
1 United States Dollar	82.02	78.97
1 Euro	89.54	82.98
1 Sterling Pound	103.69	96.01
1 Special Drawing Rights	110.19	102.81
1 Australian Dollar	54.26	54.22

The currency exposure which contributed to the revaluation gain of Nu. 99 million (2022: gain Nu. 4,687 million) is explained under Note 7.6.3.2 – Exchange rate risk.

33. OTHER INCOME

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Royalties from commemorative coins	716	606
Sale of commemorative items	15,766	25,341
Penalties & charges received	36,536	1,434
Commissions and fees received	13,866	4,949
Commissions and fees paid	(108,720)	(63,485)
Others	5,058	15,110
Total other income	**(36,778)**	**(16,045)**

34. EMPLOYEE BENEFIT EXPENSES

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Salaries, allowances and other staff costs	192,323	201,422
Staff Superannuation fund	19,593	28,321
Directors' fees and expenses	338	1,768
Fringe benefit on staff loan	625	887
Total employee benefit expenses	**212,878**	**232,398**

As at June 30, 2023, the Authority had 219 employees (2022: 250 employees).

Vehicle loans to employees of the Authority are provided at a 5% p.a. interest with a 7-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.

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Provision for Gratuity	67,710	78,523
Provision for Leave Encashment	13,565	18,526
Provision for PLIS	32,600	34,169
Total provision for employee benefits	**113,874**	**131,218**

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

A	Assets/Liabilities	June 30, 2023	June 30, 2022
1	DBO at end of prior period	78,523	75,090
2	Current service cost	5,519	5,792
3	Interest cost on the DBO	6,101	5,885
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	1,999	268
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	(1,377)	-
11	Benefits paid directly by the Company	-	-
12	Benefits paid from plan assets	(23,057)	(8,512)
	DBO at Current Period End	**67,710**	**78,523**

B	Statement of Profit & Loss	June 30, 2023	June 30, 2022
1	Current service cost	5,519	5,792
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	5,519	5,792
6	Net interest on net defined benefit liability / (asset)	366	1,231
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Cost Recognized in P&L	**5,886**	**7,023**

C	Defined Benefit Cost	June 30, 2023	June 30, 2022
1	Service cost	5,519	5,792
2	Net interest on net defined benefit liability / (asset)	366	1,231
3	Actuarial (gains)/ losses recognized in OCI	1,441	(5,731)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Defined Benefit Cost	**7,327**	**1,292**

D	Development of Net Financial Position	June 30, 2023	June 30, 2022
1	Defined Benefit Obligation (DBO)	(67,710)	(78,523)
2	Fair Value of Plan Assets (FVA)	60,383	71,183
3	Funded Status (Surplus/(Deficit))	(7,327)	(7,340)
	Net Defined Benefit Asset	**(7,327)**	**(7,340)**

E	Reconciliation of Net Balance Sheet Position	June 30, 2023	June 30, 2022
1	Net defined benefit asset/ (liability) at end of prior period	(7,340)	(18,248)
2	Service cost	(5,519)	(5,792)
3	Net interest on net defined benefit liability/ (asset)	(366)	(1,231)
4	Amount recognized in OCI	(1,441)	5,731
5	Employer contributions	7,340	12,200
6	Benefit paid directly by the Company	-	-
7	Acquisitions credit/ (cost)	-	-
8	Divestitures	-	-
9	Cost of termination benefits	-	-
	Net Defined Benefit Asset/ (Liability) at Current Period End	(7,327)	(7,340)

F	Other Comprehensive Income (OCI)	June 30, 2023	June 30, 2022
1	Actuarial (gain)/loss due to liability experience	1,999	268
2	Actuarial (gain)/loss due to liability assumption changes	(1,377)	-
3	Actuarial (gain)/loss arising during period	623	268
4	Return on plan assets (greater)/less than discount rate	818	(5,998)
5	Actuarial (gains)/ losses recognized in OCI	1,441	(5,731)
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	**1,441**	**(5,731)**

G	Expected benefit payments for the year ending	June 30, 2023	June 30, 2022
	June 30, 2024 (2024)	4,130	4,509
	June 30, 2025 (2025)	5,147	2,627
	June 30, 2026 (2026)	9,195	5,758
	June 30, 2027 (2027)	6,667	9,919
	June 30, 2028 (2028)	3,956	7,421
	June 30, 2029 to June 30, 2033 (2029- 2033)	33,287	33,833

(i)	**Expected employer contributions for the period ending June 30 (next year)**	4,795	5,519
(ii)	**Weighted average duration of defined benefit obligation**	11 Years	13 years
(iii)	**Accrued Benefit Obligation at June 30 (current year)**	39,690	41,931

Sensitivity Analysis

(Amount in Nu. '000)

a	Discount Rate	June 30, 2023	June 30, 2022
	Discount Rate as at June 30 (current year)	8.21%	8.00%
	Effect on DBO due to 1% increase in Discount Rate	(5,964)	(7,969)
	Effect on DBO due to 1% decrease in Discount Rate	6,996	9,482
b	**Salary escalation rate**	**June 30, 2023**	**June 30, 2022**
	Discount Rate as at June 30 (current year)	10%	10%
	Effect on DBO due to 1% increase in Salary escalation rate	1,862	2,601
	Effect on DBO due to 1% decrease in Salary escalation rate	(2,063)	(3,114)

Disclosure as per BAS 19, Leave Encashment

(Amount in Nu. '000)

A	Assets/Liabilities	June 30, 2023	June 30, 2022
1	DBO at end of prior period	18,526	17,139
2	Current service cost	5,927	5,777
3	Interest cost on the DBO	1,435	1,351
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	(766)	3,017
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	(376)	-
11	Benefits paid directly by the Company	(11,182)	(8,759)
12	Benefits paid from plan assets		
	DBO at Current Period End	**13,565**	**18,526**

B	Statement of Profit & Loss	June 30, 2023	June 30, 2022
1	Current service cost	5,927	5,777
2	Past service cost - plan amendments		
3	Curtailment cost / (credit)		
4	Settlement cost / (credit)		
5	Service cost	5,927	5,777
6	Net interest on net defined benefit liability / (asset)	1,435	1,351
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	(1,141)	3,017
	Cost Recognized in P&L	**6,221**	**10,146**

C	Defined Benefit Cost	June 30, 2023	June 30, 2022
1	Service cost	5,927	5,777
2	Net interest on net defined benefit liability / (asset)	1,435	1,351
3	Actuarial (gains)/ losses recognized in OCI	-	-
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	(1,141)	3,017
	Defined Benefit Cost	**6,221**	**10,146**

D	Development of Net Financial Position	June 30, 2023	June 30, 2022
1	Defined Benefit Obligation (DBO)	(13,565)	(18,526)
2	Fair Value of Plan Assets (FVA)		
3	Funded Status (Surplus/(Deficit))	(13,565)	(18,526)
	Net Defined Benefit Asset	**(13,565)**	**(18,526)**

Dechok & Associates Pvt. Ltd.

E	Reconciliation of Net Balance Sheet Position	June 30, 2023	June 30, 2022
1	Net defined benefit asset/ (liability) at end of prior period	(18,526)	(17,139)
2	Service cost	(5,927)	(5,777)
3	Net interest on net defined benefit liability/ (asset)	(1,435)	(1,351)
4	Actuarial (losses)/gains	1,141	(3,017)
5	Employer contributions	-	-
6	Benefit paid directly by the Company	11,182	8,759
7	Acquisitions credit/ (cost)	-	-
8	Divestitures	-	-
9	Cost of termination benefits	-	-
	Net Defined Benefit Asset/ (Liability) at Current Period End	**(13,565)**	**(18,526)**

F	Other Comprehensive Income (OCI)	June 30, 2023	June 30, 2022
1	Actuarial (gain)/loss due to liability experience	(766)	3,017
2	Actuarial (gain)/loss due to liability assumption changes	(376)	-
3	Actuarial (gain)/loss arising during period	(1,141)	3,017
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI		
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, 2023	June 30, 2022
	June 30, 2024 (2024)	780	1,165
	June 30, 2025 (2025)	675	527
	June 30, 2026 (2026)	1,029	932
	June 30, 2027 (2027)	993	1,372
	June 30, 2028 (2028)	957	1,248
	June 30, 2029 to June 30, 2033 (2029- 2033)	7,306	7,452

(i)	**Expected employer contributions for the period ending June 30 (next year)**	-	-
(ii)	**Weighted average duration of defined benefit obligation**	11 years	13 years
(iii)	**Accrued Benefit Obligation at June 30 (current year)**	4,841	5,982

Sensitivity Analysis *(Amount in Nu. '000)*

a	Discount Rate	June 30, 2023	June 30, 2022
	Discount Rate as at June 30 (current year)	8.21%	8.00%
	Effect on DBO due to 1% increase in Discount Rate	(1,602)	(2,407)
	Effect on DBO due to 1% decrease in Discount Rate	1,931	2,941
b	**Salary escalation rate**	**June 30, 2023**	**June 30, 2022**
	Discount Rate as at June 30 (current year)	10%	10%
	Effect on DBO due to 1% increase in Salary escalation rate	1,879	2,855
	Effect on DBO due to 1% decrease in Salary escalation rate	(1,592)	(2,388)

35. ADMINISTRATIVE EXPENSES

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Property related expenditure	7,893	13,628
Depreciation	31,500	52,117
Communication and other office expenditure	11,654	12,273
Financial inclusion & literacy expenses	2,823	12,620
Conference & hospitality expenditure	3,424	4,898
Grants & Donations	11,532	8,839
Auditors' fees	338	217
Other operating expenditure	94,975	55,611
Total administrative expenses	**164,140**	**160,203**

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

36. PROFIT FOR DISTRIBUTION

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Net profit as above	5,185,173	4,428,724
Transferred to revaluation reserve	61,554	(2,876,820)
Previous unrealised gains/(loss) recognised in year	1,109,820	73,489
Actuarial (gain)/loss on the employee benefit	1,441	(5,731)
Transferred to General Reserve	(1,190,886)	-
Transfer from BAS Transition Reserve	138,648	-
Adjustment of Penalty from FIs transferred to RGOB	(36,536)	-
Net profit for the year	**5,269,214**	**1,619,663**

The increase in the distributable profit from Nu. 1,619.66 million to Nu. 5,269.21 million is contributed mainly by increase in the realised gain on sale of foreign currency during the financial year.

37. CONTINGENCIES AND COMMITMENTS

37.1 Rent agreements

The Authority has entered into rent agreements for its regional office premises ranging from two to six years with a revision after every two years. Rent commitments payable within one year is Nu. 2.18 million, whilst rent commitments payable within five years is Nu. 11.14 million (2022: Nu. 10.7 million).

37.2 Capital commitments

As at June 30, 2023 and June 2022, the Authority has not entered into capital commitments.

38. 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, 2023 and 2022, transactions and balances with related parties is comprised below.

38.1 Governor, Deputy Governors and other board members

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
Loans to Governor and Deputy Governors	239	291
Total	**239**	**291**

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:

(Amount in Nu. '000)

Aggregate payments made to Governor and Deputy Governors	June 30, 2023	June 30, 2022
Short-term benefits		
Salaries paid to Governors and Deputy Governor	5,242	5,141
Allowances paid to Governor and Deputy Governors	2,065	2,027
Sitting fees paid to Board members	240	1,500
Short-term employee benefits	7,307	7,168
Total	**7,547**	**8,668**
Contribution to National Pension and Provident Fund	**786**	**769**

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.

38.2 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 Act. 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 21, and related interest income from securities and interest expenses are included in Note 28. 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 administered by the Authority are detailed below. The Authority does not charge for these services.

(Amount in Nu. '000)

	June 30, 2023	June 30, 2022
	Nu. billion	Nu. billion
Total government treasury bills issued	66.3	86.5
Total treasury bills redeemed	56.8	71.0
Total outstanding treasury bills	9.6	15.5

39. EVENTS OCCURING AFTER THE REPORTING DATE

There were no material events occurring subsequent to reporting date that require adjustment or disclosure in the financial statements.