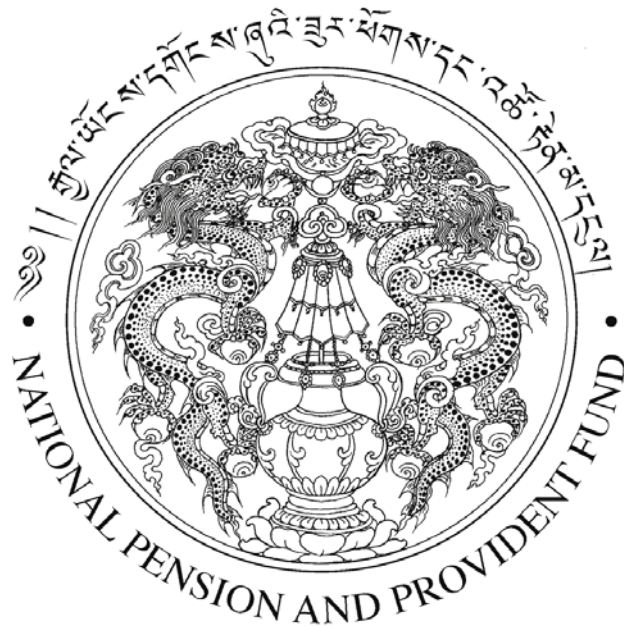


**NATIONAL PENSION & PROVIDENT
FUND
THIMPHU: BHUTAN**



**FOURTH ANNUAL REPORT
2003-2004**



4TH ANNUAL REPORT 2004

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MILESTONES

Sl. No.	Events	Date
1	Establishment of Interim Board of Directors vide order No. ACS/Pension/8060 dated December 30, 1999	December 30, 1999
2	Establishment of Government Working Committee (GWC)	1999
3	Establishment of National Pension & Provident Fund (NPPF) vide Executive order No. MOF/Pension/4841 dated March 30, 2000	March 30, 2000
4	Establishment of Investment Management Advisory Committee (IMAC) Vide order No. MOF/2000/5551 dated May 23, 2000	May 23, 2000
5	NPPF took over the GEPF operations including Real Estate from RICB under the executive order No. MOF/Pension/4841 dated March 30, 2000	July 3, 2000
6	Establishment of National Pension Board (NPB) vide Order No. COM/03/00/705 dated November 8, 2000	October 31, 2000
7	NPPF joined the membership of the International Network for Pension Regulators & Supervisors (INPRS)	January 1, 2001
8	NPPF made investments of US \$ 21 million abroad with 1838 IA in US	January 15, 2001
9	Proposed NPPFP and the AFPPFS submitted to the Committee of Secretaries	May 25, 2001
10	Proposed NPPFP and the AFPPFS submitted to the Council of Ministers	March 12, 2002
11	Proposed NPPFP and the AFPPFS submitted to the Lhengay Zhungtshog	April 30, 2002

12	Royal Government issued an Executive Order No. LZ/02/02/15 dated July 1, 2002 for the implementation of the NPPFP & the AFPPFS under the Rules and Regulations.	July 1, 2002
13	Inauguration and implementation of the NPPFP & AFPPFS	July 3, 2002
14	Commencement of Real Estate Development Project in Thimphu for the construction of 158 flats: Phase I: Type C - 4 Buildings Phase II: Type B - 9 Buildings Phase III: Type A - 6 Buildings	February 16, 2002 June 1, 2002 September 14, 2002
15	Commencement of Member Housing Scheme	July 1, 2003
16	Completion of Type C – 4 buildings in Thimphu	December 1, 2003
17	Inauguration of NPPF Website	January 26, 2004
18	Commencement of Member Education Scheme	March 1, 2004
19	Establishment of Technical Advisory Committee after dissolving Government Working Committee and Investment Management Advisory Committee	March 22, 2004

NATIONAL PENSION BOARD**BOARD OF DIRECTORS**

1.	H.E. Lyonpo Wangdi Norbu, Hon'ble Minister, Ministry of Finance	Chairman
2.	Dasho Bap Kesang , Secretary, RCSC	Director
3.	Mr. Daw Tenzin, Managing Director, RMA	Director
4.	Lt. Col. Penden Wangdi, RBA	Director
5.	Mr. Pema Wangda, Director, MOLHR	Director
6.	Mr. Karma, Dy. Managing Director, BNB	Director
7.	Mr. Tshering Dorji, Secretary General, BCCI	Director
8.	Mr. Ugen Chewang, Director, NPPF	Member Secretary

TECHNICAL ADVISORY COMMITTEE (TAC)

1.	Mr. Daw Tenzin, Managing Director, RMA	Chairman
2.	Mr. Sonam Wangchuk, Director, DNB&A	Member
3.	Mr. Karma, Dy. Managing Director, BNB	Member
4.	Mr. Sonam Phuentsho, Dy. Secretary, RCSC	Member
5.	Mr. Tobgay S. Namgyal, Director, BTF	Member
6.	Mr. Kapil Sharma, Ministry of Finance	Member
7.	Mr. Ugen Chewang, Director, NPPF	Member
8.	Mr. Dubthob Wangchug, Joint Director, NPPF	Member

ORGANIZATION STRUCTURE

AUDITORS

Gupta & Co. Chartered Accountants
53 A, Mirza Ghalib Street,
Kolkata 700016

BANKERS

Bank of Bhutan
Bhutan National Bank

HEAD OFFICE

Executives

Director
Jt. Director

Mr. Ugen Chewang
Mr. Dubthob Wangchug

Finance & Accounts

Financial Controller

Mr. Sunirmal Ray

Investment & Credit

Program Officer

Ms. Sayden

Provident Fund

Manager

Ms. Meera Gurung

Pension

Asstt. Manager (Civil)
Program Officer (Armed Forces)

Mr. Sonam Yeshey
Mr. Tshering Dorji

Real Estate

Dy. Director

Mr. Phuntsho Wangdi

Information Technology

Asstt. Manager

Mr. Phub Dorji

Administration & HRD

Administrative Officer

Mr. Jigme Wangdi

PHUENTSHOLING

Program Assistant

Mr. Norbu Gyeltshen

SAMDRUP JONKHAR

Program Assistant

Mr. Sangay Tenzin

EXECUTIVE SUMMARY

During the financial year, the National Pension and Provident Fund continued to provide pension and survivor benefits to the retired civil servants and the retired members of the Armed Forces. Though the coverage had been limited, the impacts of benefits were very significant and had touched and affected so many lives. The NPPF focused on its goals to deliver quality service to its members and several new initiatives were launched to improve and provide efficient, faster and convenient services to its members.

Amongst its several policy initiatives, the NPPF launched a dynamic website during the year which proved to be beneficial, especially to those members in the Dzongkhags in accessing the information as well as receiving feedbacks. The website helped the members to understand the pension and retirement systems better.

As a process of enhancing good governance, there were some changes of the Board members following their transfers to other organizations and departments. During the year, the Technical Advisory Committee replaced the Government Working Committee (GWC) and the Investment Advisory Management Committee (IMAC). The NPPF would like to take this opportunity to place on record its appreciation to the outgoing Committee Members and the Board of Directors for their support and valuable contributions made during their tenure on the Board and the Committees. Credit for whatever had been accomplished till date must also go to the outgoing members and directors as they had always been the sources of guidance and provided the much-needed direction in the overall development of the National Pension and Provident Fund Plan and the Armed Forces Pension and Provident Fund Scheme.

Since the investment is the lifeline of the Pension Fund, it had been given due importance and much time had been spent towards enhancing returns for its members. Amongst the initiatives taken by the NPPF, the introduction of the members housing and education schemes took the center stage during the year. The reports of the Hon'ble Prime Minister and the Hon'ble Finance Minister to the National Assembly acknowledged and appreciated the healthy competition brought into the financial system by the NPPF during the year. The overall interest rates for housing loan in the financial sector fell to 10 % per annum in response to the introduction of the member-housing scheme by the NPPF.

In view of the limited investment avenues in the domestic market, a significant portion of the NPPF funds continued to be maintained in the short-term deposits with the financial institutions. Any reduction in the deposits rates significantly affects the yields of the NPPF investments. During the year, the financial institutions reduced the deposit rates to 3% per annum in January 2004 adversely affecting the investment performance. However, performance of international investments picked up during the year and as a result the overall returns on its funds improved considerably.

We are pleased to report that despite adverse investment climate, the NPPF was able to declare a return of 5 % p.a to the members during Financial Year 2003-04.

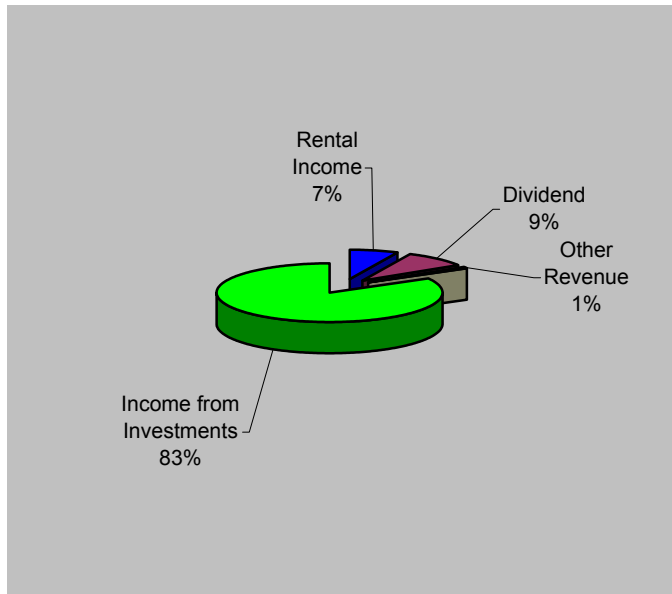
Although a number of milestones were accomplished during the past years, much remains to be achieved in order to fulfill its mission and vision. With continued blessings from the Royal Government, the Board Directors, Committee Members and support of its members, the NPPF is expected to successfully face all the challenges in future.

1. ORGANIZATIONAL OVERVIEW

There were changes in some of the Board members following their transfers into other Government organizations and departments during the year. As a process of enhancing good governance the Technical Advisory Committee replaced the Government Working Committee (GWC) and the Investment Management Advisory Committee (IMAC). The Technical Advisory Committee is expected to provide technical guidance to the NPPF management and the Board and promote proper transparency, efficiency and accountability of the operations of the National Pension and Provident Fund Plan and the Armed Forces Pension and Provident Fund Scheme.

2. FINANCIAL PERFORMANCE HIGHLIGHTS OF THE YEAR 2003-04

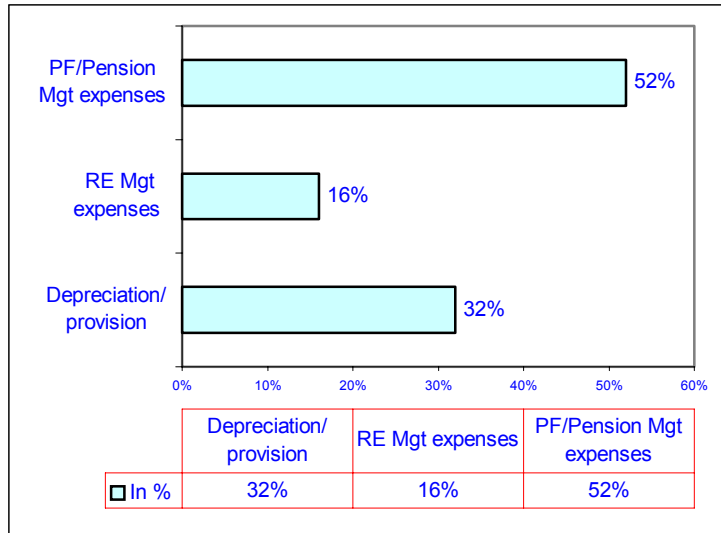
2.1 REVENUE HIGHLIGHTS



In 2003-04, the NPPF generated gross revenue of Nu 169.74 million compared to Nu 154.92 million during the previous year, achieving a growth of 9.57% (Nu 14.82 million) over the last year. Out of the total revenue of Nu 169.74 million, 83% (Nu 140.24 million) was accounted as interest on investments, while 7% (Nu 11.65 million) was on account of rental income, 9% (Nu 16.54 million) as dividend and 1% (1.31 million) from other revenue. However the reduction of rate of interest by commercial banks, liquidation of rupee investments

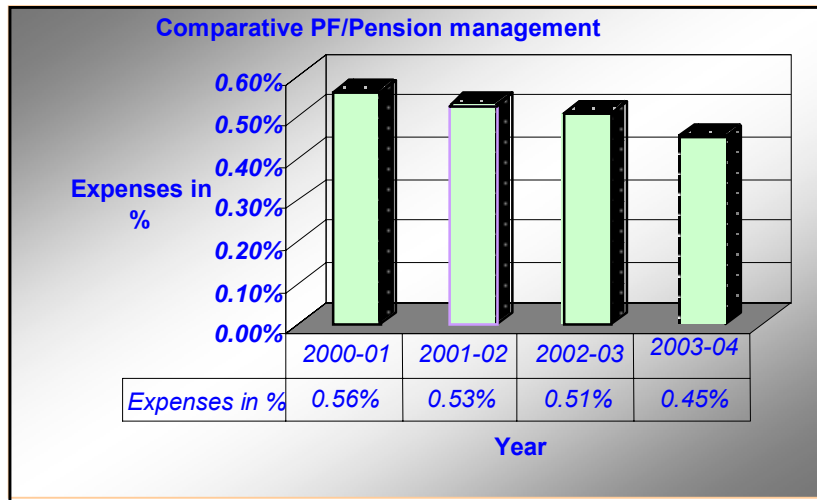
by Bank of Bhutan and Promissory Notes by the Royal Government of Bhutan and the continued sluggishness in global economy coupled with limited investment opportunities in the domestic market constrained the further growth of the fund.

2.2 EXPENDITURE HIGHLIGHTS



Total operating expenses during the year 2003-04 had been restricted to Nu 20.77 million compared to approved budget of Nu 27.59 million resulting a favorable variance of 25% (Nu 6.82 million). Out of the total expenses, PF/Pension management expenses were 52%, while real estate management expenses was 16% and depreciation, general provision was accounted as 32%.

Overall expenditure had shown significant savings in spite of manifold increase in activities like the launching of Housing and Education Loan Schemes to the members. The total expenditure had been contained to 0.45% of the total investments compared to 0.51%, 0.53% and 0.56% during 2002-03, 2001-02 and 2000-01 respectively against the benchmark of 1.25%.



Expenditure on PF and Pension management was limited to 15.72 million as against the approved budget of Nu 22.42 million. Favorable variance of 30% (Nu 6.70 million) had been achieved. The savings had been possible, as the NPPF had instituted strict control over expenditure and efficient management of fund

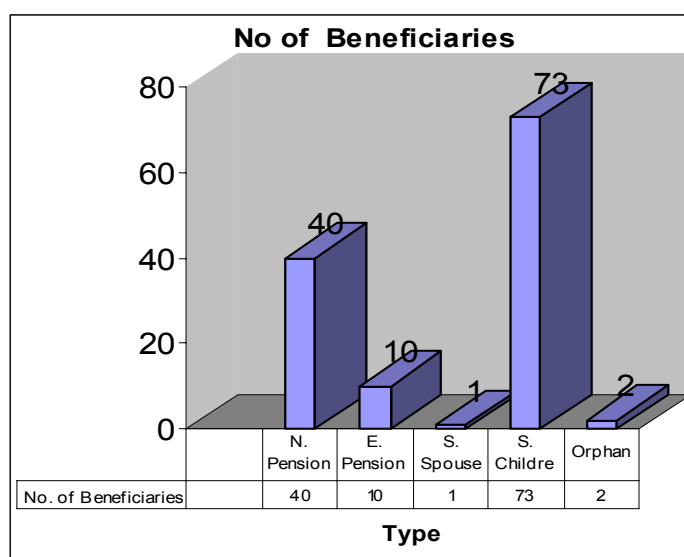
During the year, the NPPF had launched Housing and Education loan schemes for the members. To take care of contingencies against loan defaults in future, the NPPF, taking a conservative approach, had made general provision on standard assets to the tune of Nu 5.25 million (1.50%), though there was no loan defaults during the year. As a result the distributable surplus to the members had been marginally reduced compared to the past year.

3. THE NATIONAL PENSION AND PROVIDENT FUND PLAN AND ARMED FORCES PENSION AND PROVIDENT FUND SCHEME

Presently, the National Pension and Provident Fund Plan and the Armed Forces Pension and Provident Fund Scheme covers civil servants, the employees of the government corporations and the members of the Armed Forces, which constitute only about 5 per cent of the total population. The Plan/Scheme covers multi-tiered benefits with some lump sum payment and a stream of monthly payments for life on retirement. Besides, the Royal Insurance Corporation of Bhutan continues to manage the Provident Fund operations of the employees of Non-governmental organizations and the private sector. The Bank of Bhutan and the Army Welfare Project are other agencies that manage their own Provident Fund Plans. All these institutions pay the benefits to the members in lump sum on retirement as they only manage Provident Fund Plans.

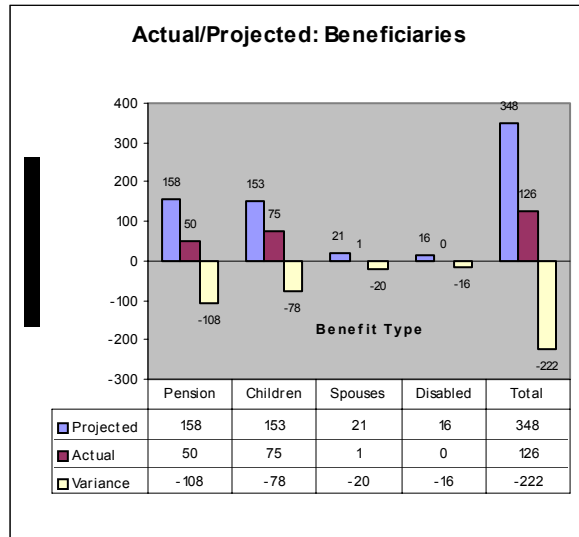
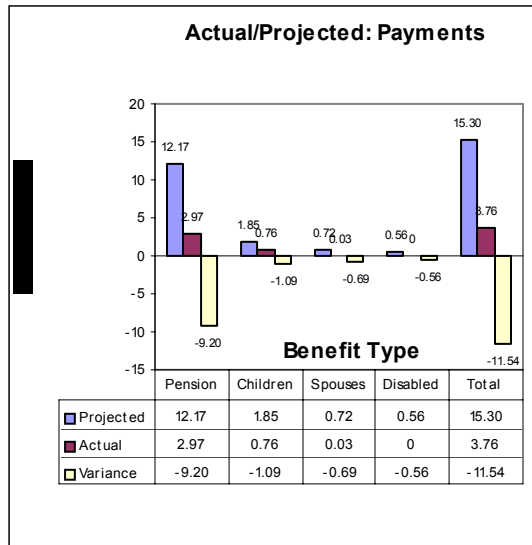
Since its inception in 1st July 2002, the plan had seen increasing trends in its membership. At the end of the financial year 2003-04, the National Pension and Provident Fund Plan and the Armed Forces Pension and Provident Fund Scheme had witnessed about 7.78 % per cent growth in its membership bringing the total figure to 34,574 members on 30th June 2004 as against 32,079 members in the previous year.

3.1 NATIONAL PENSION PLAN



As on 30th June 2004, there were 316 total beneficiaries out of whom 126 members received various types of pension benefits while 190 members were refunded their up to date accumulated pension fund balance. The NPPF had made a total payment of Nu.8.3 million representing an increase of 24% from the previous year, out of which Nu. 2.7 million was made as pension benefits and Nu.5.6 million as refund of accumulated pension fund balance.

As shown in the chart, out of 126 pension beneficiaries, 40 beneficiaries were normal pensioners, while 10 members received early pension, 1 beneficiary was surviving spouse, 73 were children and 2 orphan beneficiaries. No claims were made for dependent parents and permanent disability benefits during the year.



The actual number of beneficiaries and the benefit payments incurred on them were much lower than the pension benefits payable as projected by the Bhutan Pension Model. While the model had projected 348 beneficiaries for the year 2003-04, the NPPF had witnessed only 126 beneficiaries with a difference of 222 beneficiaries. In terms of benefit expenditure, the model had projected a cumulative payment of Nu 15.3 million since inception of the scheme till 30th June 2004 while the actual pension benefits paid during the period amounted to Nu.3.8 million only. The difference of Nu 11.5 million that translates to about 75% variation in two years of pension management experiences could be due to conservative assumptions made in the model. Nonetheless the variance in the payment of benefits is much favorable to the fund, which would support the sustainability of the plan in future.

In a few years of its operation, the Pension Fund had improved and consolidated much of its operations. Nevertheless, it had faced several difficulties and challenges impeding timely delivery and efficient services to its members. The NPPF had often received claims that were not completed properly and lacked much needed information causing un-necessary delays in the processing the benefits. This was mainly due to the ignorance of the pension system by the officials and the members concerned. Therefore, the need for the organization to educate its members and the officials responsible for processing the claim was felt.

Since the bank was the main link between the NPPF and the beneficiaries, its role in making the pension program a success was vital. One such example of its important role was the timely remittance of Life and Non-Remarriage certificates. As per the prevailing rules, every pensioner had to submit Life and Non-Remarriage certificates in April every year. The NPPF had to temporarily suspend payment of benefits to some pensioners due to non-submission of these documents on time. Since this had been causing un-due hardship to the beneficiaries, the NPPF had been looking at options to resolve this problem.

As an overall initiative to disseminate information on the newly formulated retirement plan, the NPPF carried out nation wide publicity awareness campaign on the National Pension and Provident Fund Plan mainly in Thimphu, Mongar and Phuntsholing in November and December 2003. Responsible officials from all the employing agencies in the kingdom were invited and brochures or leaflets containing comprehensive information on the National Pension and Provident Fund Plan were distributed to these officials.

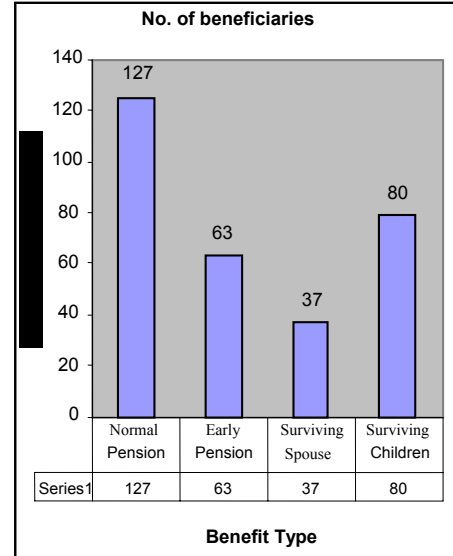
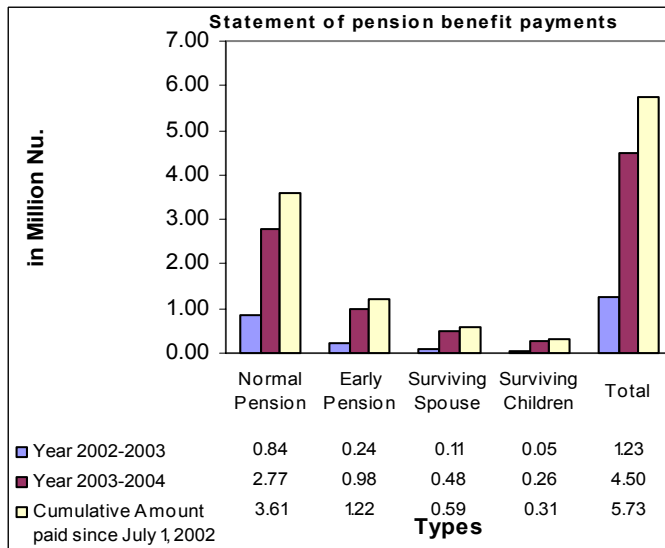
FUTURE PLANS

Since its introduction in July 2002, the National Pension and Provident Fund had now two years of experience in the management of the pension plan. Experience had shown that the plan was progressing on the right track. Nevertheless, the NPPF is constantly reviewing its policy and taking initiatives in order to ensure continued sustainability of the plan and to enhance its operational efficiency. The following are some of the activities outlined and planned for the near future:

- Towards the end of the financial year, the NPPF had taken the initiative in processing a World Bank TA, under which grants would be received to build capacity in strengthening Bhutan's Pension System. This includes two components (i) Strengthening Pension Policy Framework and (ii) Building Capacity for Investment Management.
- Since a few months back, the NPPF had been processing a UN TA under which the pension plan would be provided with a proper legislative framework. The NPPF would soon commence drafting the National Pension and Provident Fund Plan Act under the UN technical assistance.

3.2 ARMED FORCES PENSION PLAN

During the Financial Year 2003-04, 382 members of the Armed Forces retired from the service, out of which only 307 members qualified for pension benefits under Tier 1 and 75 members were paid with up to date accumulation of fund. Since its inception till 30th June 2004, benefits under the Armed Forces Pension and Provident Fund Scheme covered 304 members with 127 members under normal retirement pension and 63 members as early pension benefits. The benefits also covered payments to 37 surviving spouses and 80 minor children. Till date no dependent parent benefits or disability benefits had been paid. Up to date cumulative payments of pension benefits aggregated to Nu 5. 734 million as shown in the chart.

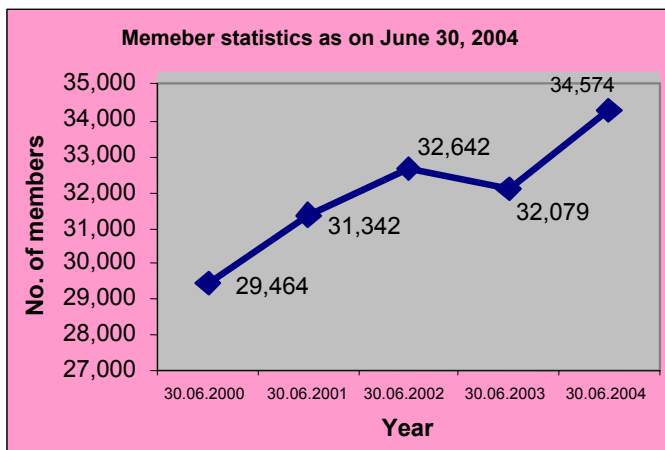


A need had been felt to carry out proper sensitization of documentation of records in the agencies concerned and upgrade their information system. The documents furnished by many members lacked accuracy on basic pay details, personal and family details which necessitated the NPPF to refer the claims and documents to agencies concerned. This led to unnecessary delays for the payment of pension benefits.

FUTURE PLANS

Although the National Pension and Provident Fund Plan had achieved a lot on the IT development, computerization of the Armed Forces Pension and Provident Fund Scheme is yet to be completed. The NPPF is in the process of developing a computer program for the Armed Forces Pension and Provident Fund Scheme that will enhance the operational efficiency of the Scheme.

3.3 PROVIDENT FUND PLAN OPERATIONS



Under the Tier II component of the National Pension and Provident Fund Plan and the Armed Forces Pension and Provident Fund Scheme, accumulated lump sum benefits are paid to the members on retirement. As shown in the chart, the total number of members stood at 34,574 as on 30th June 2004, which works out to about 7.78 % growth against the previous year of 32,079. The NPPF paid Nu. 43.15 million in 2003-04 as

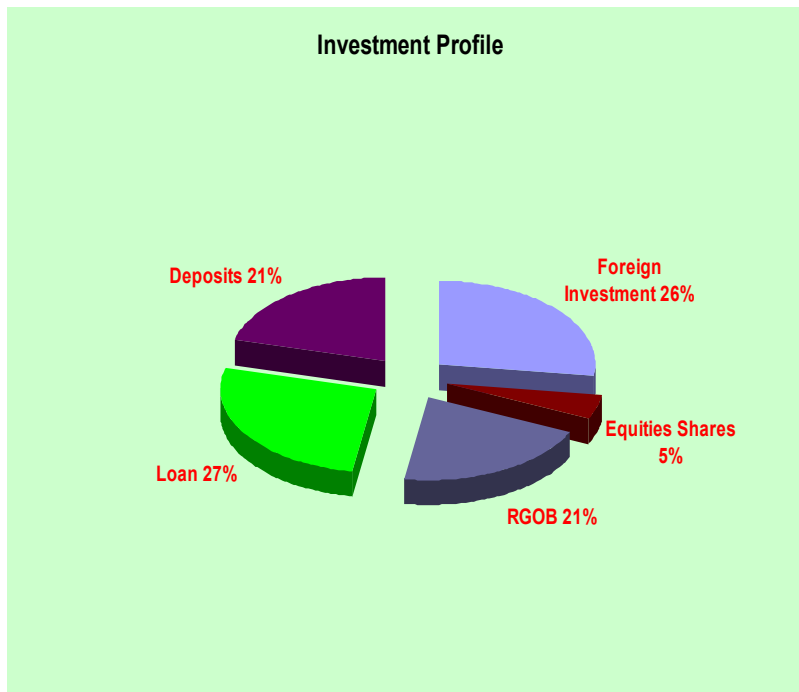
refunds from the Provident Fund as against a refund of Nu. 47.62 million during the previous year.

FUTURE PLANS

The NPPF, through the computerization initiatives had sorted out many Provident Fund operational difficulties. Nevertheless, much needs to be done to improve the timely remittance of contributions by the employers. Some of the employers provide monthly contributions along with their statements with full of errors or remit the contributions late. Seized with this problem, the NPPF shall carry out constant sensitization of the deficiencies and difficulties faced with the concerned agencies.

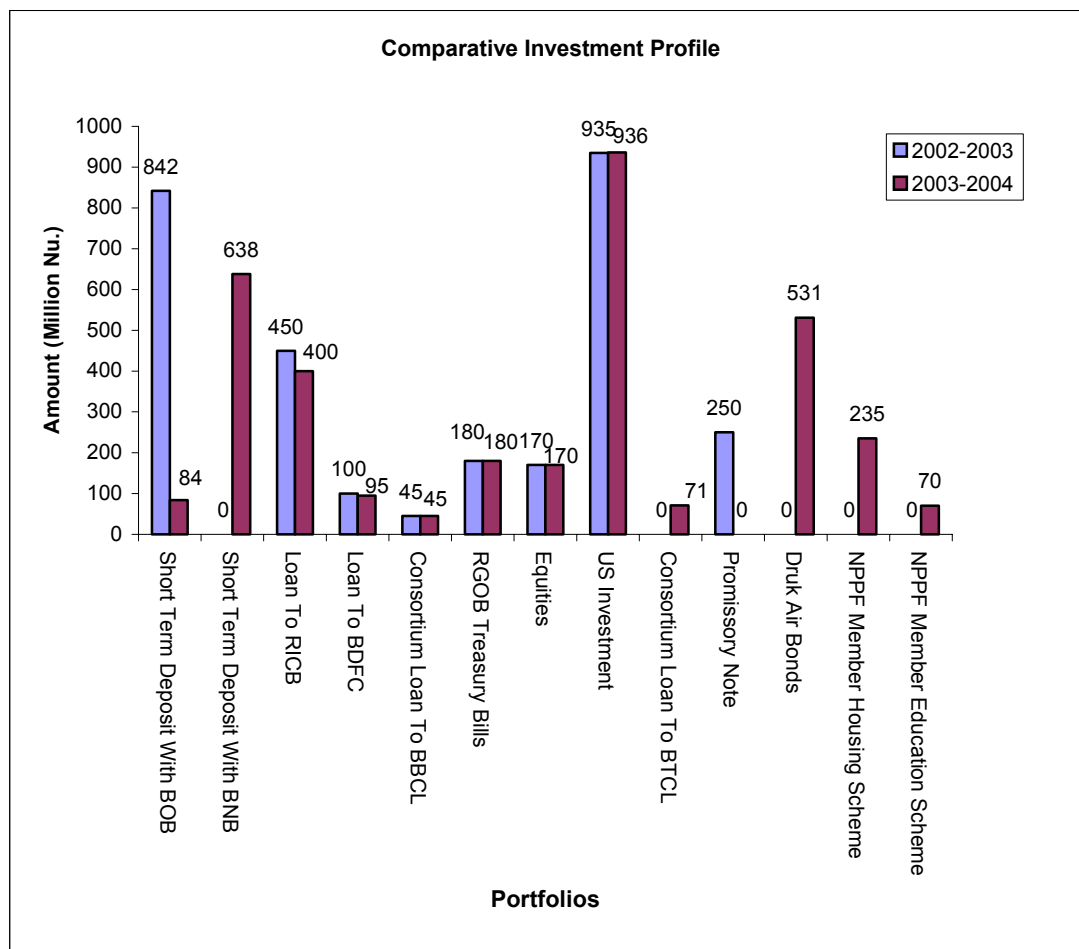
4. INVESTMENT AND CREDIT OPERATIONS

4.1 OVERALL INVESTMENT PERFORMANCE



Since its establishment, the Royal Government had entrusted the National Pension and Provident Fund with the fiduciary responsibility of pension fund management. Given that the NPPF is a non-profit making organization, its investment mandates had been kept restrictive in order to safeguard the interest of the members and ensure safety of funds. To enhance returns and ensure safety of the fund, the NPPF constantly reviews its

mandate and explores opportunities in the market. The NPPF had also requested the World Bank to provide assistance for building capacity within the National Pension and Provident Fund (NPPF) on investment management so that NPPF assets are invested in the best interest of the members.



During the financial year, the pension funds continued to be invested both in the domestic and international markets. The domestic investment excluding real estate comprised of Nu.2.521 billion representing 74 % of the total investments and the international investment of Nu. 0.936 billion comprising 26 % of the total investments.

Compared to 2002-03, overall fund increased from Nu. 3.13 billion to Nu. 3.64 billion as on 30th June 2004 registering a growth of 16.29%. The growth of the fund was mainly on account of increase in new members compared to the number of retirees during the year. Besides the positive performance in the international market also attributed to the growth of the fund.

Investment avenues in the domestic market continued to be limited and therefore significant portion of the NPPF funds were kept in short term deposits with the commercial banks in Bhutan. Rates on such short-term deposits declined from 4% to 3% per annum during the year significantly affecting the returns on investments. Besides Rupee investments of Nu 500 million made through Bank of Bhutan at 8.82% per annum and promissory note of Ministry of Finance of Nu 250 million at 7 % per annum were liquidated. On liquidation, these funds were kept with the Banks at a very low return of

3% per annum affecting adversely the returns on investments. Nevertheless, certain investment opportunities came up during the year, some of which were as follows:

- On October 4, 2003, NPPF renewed the one year RGOB Treasury Bills for Nu. 180 million at the coupon rate of 7 % p.a.
- The NPPF participated in the consortium loan amounting to Nu. 220 million of Bhutan Telecom GSM Mobile Project. Out of the total loan of Nu. 220 million, NPPF's share represented 32.5% amounting to Nu. 71.5 million.
- The NPPF also took the opportunity to participate in the Druk Air Bonds for purchase of Air Bus A319 aircraft for the Druk Air Corporation Limited. The total amount disbursed till date is Nu. 531.35 million.

4.2 HOUSING AND EDUCATION LOAN SCHEMES:

Two new products were introduced during the year for the benefit of the members. The NPPF launched the Housing Scheme effective from 1st July 2003 with an objective of helping the members build their residences while working. The Education Scheme was launched on 1st March 2004 with an objective of encouraging the members in pursuing their further education and or in educating their children.

As on 30th June 2004, the NPPF sanctioned member-housing loan of Nu.252 million and Education Loan of Nu. 70 million. The reports of the Hon'ble Prime Minister and the Hon'ble Finance Minister to the National Assembly 2004 acknowledged and appreciated the healthy competition brought into the financial system by the NPPF during the year. The overall interest rates for housing loan in the financial sector fell to 10 % per annum in response to the introduction of the member-housing scheme by the NPPF.

4.3 INTERNATIONAL INVESTMENT PERFORMANCE

As of 30th June, 2004, the NPPF's overall international investment value stood at USD 20.80 million compared to USD 19.34 million in 2003. The international investment comprised of 26 percent of its overall investment fund. As a result of the improvements in the US market, the NPPF made several tactical adjustments in its investment policy to take advantage of the market trends some of which were:

- The asset allocation had been maintained at 35 % in stocks and 65 % in fixed income.
- International equity then managed by 1838 IA was liquidated and invested in an MSCI EAFE index fund.
- 15% of the fixed income fund managed by 1838 IA MBIA was sold and invested into Short Term Vanguard Admiral Bonds index fund.

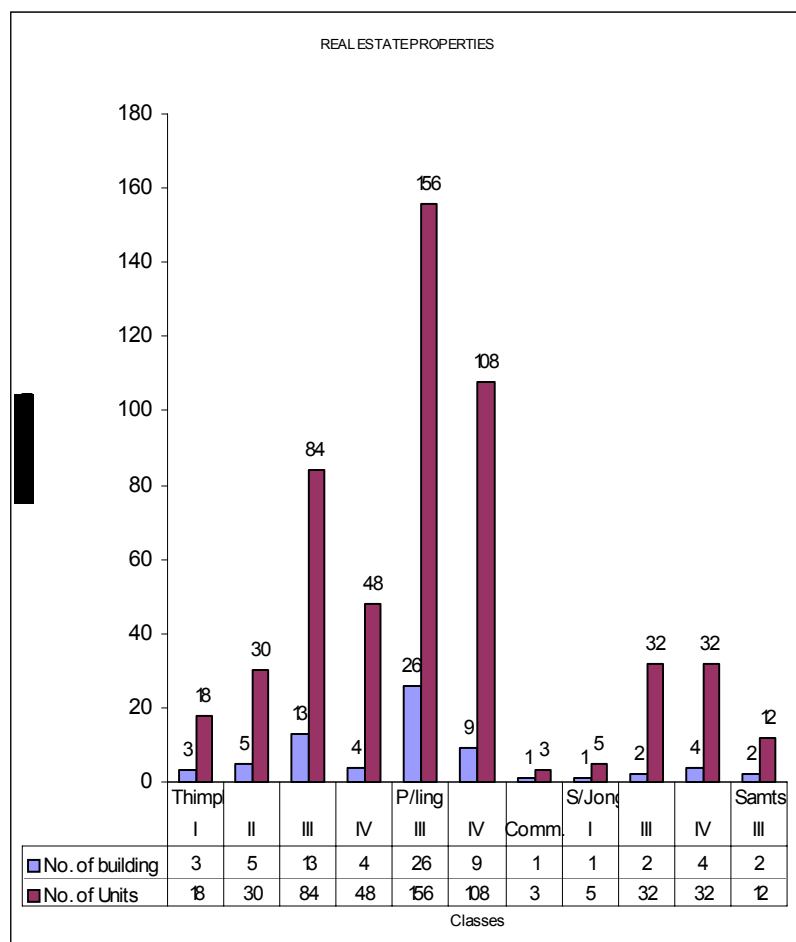
As the trustee of the National Pension and Provident Fund Plan, the NPPF had tried its best to enhance returns for the members. The expenses had been controlled mainly due to prudent management of the international investments. As a result of switching most of its investments from active to passive management, a significant proportion of the management fees had been saved, which positively helped in enhancing its returns during the financial year.

The NPPF, under the guidance of the Technical Advisory Committee continues to constantly monitor and make tactical policy changes on the US investments.

FUTURE PLANS

Given its fiduciary responsibility, the NPPF will continue to closely monitor the market conditions and adopt its policy accordingly to improve performance of its investments. With the assistance of the World Bank, the NPPF will review and come out with a paper outlining investment strategies and policies.

5. REAL ESTATE MANAGEMENT



Real estate is one of the major components of NPPF's investment portfolio. As on 30th June, 2004, the net real estate at book value was worth Nu.98.173 million representing around 2.7% of the overall investment fund.

The construction of 14 residential buildings in Thimphu comprising of 99 flats and one commercial building, which were awarded to the contractors during 2002 are under full progress. As per plan, 9 buildings are expected to be completed by third quarter 2004 and the rest of the buildings by early 2005. The first phase of the construction

consisting of 4 unit buildings with 48 one-bed room apartments had been completed and rented out to the members since December 2003.

During the year, the City Corporation had approved the drawings and design for the construction of shopping-cum-office space below Indo-Bhutan Friendship Hospital in Thimphu. The Inter-Ministerial Tender Committee awarded the contract to Tsenden Construction Company at the lowest evaluated bid of Nu. 87.70 million. The project is expected to commence from September 2004 and completed by October 2007.

5.1 OPERATIONAL RESULTS.

The rental income from Real Estate operations as on 30th June, 2004 accounted to Nu. 11.652 million, which works out to a gross return of 11.86% on the net block of Nu.98.173 million as follows:

	(Nu. in million).				Rate of Return (WDV) [%]	
	2002- 2003	2003- 2004	2002- 2003	2003- 2004	2002- 2003	2003- 2004
Rental Income during the year			10.73	11.65	11.52	11.86
Less: Expenses						
a. Management Expenses	2.72	2.96				
b. Maintenance	1.84	2.10	(4.56)	(5.06)		
Gross Income			6.17	6.59	7.76	6.71
Less: Depreciation			3.18	3.68		
Net Rental Income			2.99	2.91	3.76	2.96

The net return on real estate operations decreased by Nu.0.08 million or around 2.68 % compared to the previous year. This was mainly on account of capitalization of 4 new buildings completed during the financial year at a cost of approximately Nu. 19 million and depreciation there on for 7 months.

FUTURE PLANS

Besides the initiatives of exploring acquisition of land from the Dzongkhags, the NPPF would be looking into the possibilities of further real estate developments both in Thimphu and Phuntsholing. This however will depend upon the extensive feasibility studies of the project. In addition the NPPF would be concentrating its efforts on the preparation of plan to construct its Corporate office complex in Thimphu.

6. INFORMATION TECHNOLOGY

Dynamic I T system is important as it supports better decision making by improving the efficiency of the operations and making the information readily available. With the increase in the operations due to the growing number of members yearly, it had been a challenge to the NPPF to provide timely and accurate services.

For the benefit of the members, on 26th January, 2004, the NPPF launched its website. Members can now secure online information relating to their personal information and member account details. Although, currently the database is updated on a monthly basis, there are plans whereby information will be updated instantly. The enhancement of these capabilities will continue, allowing more information to be viewed and updated in coming years perhaps on real time basis.

Computerization of Member Financing Scheme System had been given the prime importance by the NPPF during the year. It had already started the software development as an in-house project and will be completed by the end of January 2005. Since the records are currently managed manually, the IT system will not only enhance the efficiency of the Credit Division, but will also help in the risk management of its various financing schemes.

FUTURE PLANS

System requirement studies are being carried out to computerize Armed Forces Pension and Provident Fund System. The system developed will further enhance efficiency and help maintain proper records and information. In the following years, the current Civil Pension & PF System will be enhanced and improved to reduce the paper work and handle the complexity of the operations.

Over the next few years, the NPPF will continue to improve the IT system through latest technology to help deliver accurate, faster and timely services to the members. In the near future, the NPPF has plans to enhance the website to offer online service options that would allow a wider range of inquiries and members transactions online.

TO
THE BOARD OF DIRECTORS
NATIONAL PENSION & PROVIDENT FUND
THIMPHU: BHUTAN

1. We have audited the attached Balance Sheet of **NATIONAL PENSION AND PROVIDENT FUND (THE FUND)** as on 30th June 2004 and the Revenue Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Minimum Audit Examination and Reporting Requirements dated 30th December 2003 issued by the Royal Audit Authority and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, a separate report is submitted to the Board.
4. Further to our comments as referred to in paragraph (3) above, we report that:
 - 4.1 Attention is drawn in respect of accounting of Rates and Taxes, Insurance Premium, Interest on delayed receipts of rent, Contribution, penal interest on delayed receipts of contribution and Leave Encashment which are considered in the account on cash basis.
 - 4.2 We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - 4.3 In our opinion and to the best of our information and according to the explanations given to us, the annual accounts, which are in agreement with the books of account and compiled on the basis of generally accepted accounting principles, together with the notes thereon give the information required by National Pension and Provident Fund Rules and Regulations of the Kingdom of Bhutan 2002, in the manner so required and give a true and fair view in conformity with the generally accepted accounting principles subject to our remarks in paragraph 4.1 above:

- i) in the case of the Balance Sheet of the state of affairs of the Fund as at 30th June 2004,
- ii) in the case of the Revenue Account, of the operating income for the year ended on that date.

For Gupta & Co.
Chartered Accountants

M.K. Gupta
Partner
Membership No. 6615

Place : Kolkata
Date : November 08, 2004

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

BALANCE SHEET AS AT 30TH JUNE, 2004

LIABILITIES

	SCHEDULE NO.	AS AT 30.6.2004 Nu.	AS AT 30.6.2003 Nu.
Members' & Employers' Contribution to PF-Civil	1	625,253,954	537,117,416
Members' & Employers' Contribution to PF-Armed Force	1A	391,879,307	330,654,221
Interest credited to Members' PF Account- Civil	2	283,720,048	252,738,918
Interest credited to Members' PF Account- Armed Force	2A	139,498,208	120,411,194
Pension Fund-Civil	3	1,374,100,809	1,165,469,925
Pension Fund-Armed Force	3A	767,520,453	643,075,103
Lapsed Fund-Civil	4	695,285	4,550,054
Lapsed Fund-Armed Force	4A	536,788	330,573
General Reserve	5	6,103,735	24,897,326
Other Liabilities	6	50,976,530	50,746,795
		3,640,285,117	3,129,991,525

ASSETS

Fixed Assets :			
Gross Block		133,069,524	110,076,202
Less: Accumulated depreciation		30,880,336	26,229,548
Net Block	7	102,189,188	83,846,654
Capital Work-in-Progress	8	45,655,832	25,922,220
Investments in Equity Shares/Bonds	9	1,637,020,128	1,105,160,148
Other Investments	10	1,814,763,824	1,869,027,166
Advances & Other Deposits	11	23,731,119	34,539,123
Cash & Bank Balances	12	16,925,026	11,496,214
		3,640,285,117	3,129,991,525
Significant Accounting Policies	17		
Notes forming part of accounts	18		

The schedules as mentioned above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Gupta & Co.
Chartered Accountants
Kolkata, Dated _____

DIRECTOR

CHAIRMAN

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2004

REVENUE

	SCHEDULE NO.	FOR THE YEAR ENDED 30.06.2004	FOR THE YEAR ENDED 30.6.2003 Nu.
Income from Investment		140,243,307	128,685,706
Rental Income		11,652,400	10,731,000
Dividend		16,540,940	12,616,175
Other Revenue	13	1,306,574	2,883,513
		169,743,221	154,916,394

EXPENSES

Pension Management Expenses	14	1,614,061	1,691,011
Provident Fund Management Expenses	15	14,104,202	13,611,580
Real Estate Management Expenses	16	5,060,613	4,563,228
Depreciation	7	4,710,291	4,061,769
General Provision on Standard Assets	10	5,252,342	
Total Expenses		30,741,509	23,927,588
Surplus before exceptional items		139,001,712	130,988,806
		169,743,221	154,916,394
Surplus before exceptional items		139,001,712	130,988,806
Unclaimed refunds/ claims written back			10,112,078
Transferred from General Reserve		22,810,931	
Total Surplus		161,812,643	141,100,884
Distribution of surplus			
Transferred to General Reserve			10,112,078
Return on Member' & Employers' Contribution to P.F (Civil)		41,110,641	33,934,420
Return on Members' & Employers' Contribution to P.F (Armed Force)		23,932,807	19,444,507
Return on Pension Fund (Civil)		62,179,113	49,796,606
Return on Pension Fund (Armed Force)		34,590,082	27,813,273
		161,812,643	141,100,884
Significant Accounting Policies	17		
Notes forming part of Accounts	18		

The schedules as mentioned above form an integral part of the Revenue Account

This is the Revenue Account referred to in our report of even date.

For Gupta & Co.
Chartered Accountants
Kolkata, Dated _____

DIRECTOR

CHAIRMAN

Schedule - 1

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2004.

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Civil

	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.6.2004	AS AT 30.6.2004	AS AT 30.6.2003	AS AT 30.6.2003
	Nu.	Nu.	Nu.	Nu.
Opening Balance	545,496,782	545,438,562	495,899,399	495,841,164
Less: Adjustments	- 52,459	- 50,039		
Adjusted Opening Balance	545,444,323	545,388,523	495,899,399	495,841,164
Add: Contribution during the year	53,367,150	53,367,162	49,597,383	49,597,398
Sub Total A	598,811,473	598,755,685	545,496,782	545,438,562
Less: Refunds as per last A/c.	276,934,077	276,883,851	267,065,096	267,015,000
Refunds during the year	9,247,704	9,247,572	9,868,981	9,868,851
Sub Total B	286,181,781	286,131,423	276,934,077	276,883,851
Net Contribution A -B	312,629,692	312,624,262	268,562,705	268,554,711
Grand Total	625,253,954		537,117,416	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2004.

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Forces

	MEMBER' CONTRI- BUTION	EMPLOYERS' CONTRI- BUTION	MEMBERS' CONTRI- BUTION	EMPLOYERS' CONTRI- BUTION
	AS AT 30.6.2004	AS AT 30.6.2004	AS AT 30.6.2003	AS AT 30.6.2003
	Nu.	Nu.	Nu.	Nu.
Opening Balance	170,820,571	170,820,574	140,330,790	140,330,794
Add/ -Less: Transfer/Adjustments	17,065	17,065	-125,420	-125,421
Adjusted Opening Balance	170,837,636	170,837,639	140,205,370	140,205,373
Add: Contribution for the year	35,460,603	35,460,602	30,615,201	30,615,201
Sub Total A	206,298,239	206,298,241	170,820,571	170,820,574
Less: Refund as per Last Account	5,493,462	5,493,462	*	*
Refund during the year	4,865,125	4,865,124	5,493,462	5,493,462
Sub Total B	10,358,587	10,358,586	5,493,462	5,493,462
Net Contribution A-B	195,939,652	195,939,655	165,327,109	165,327,112
Grand Total	391,879,307		330,654,221	

* Previous Year balance was NIL as bifurcation between Civil and Armed Forces have been done in 2002-2003

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2004

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION

	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION
	AS AT 30.6.2004	AS AT 30.6.2004	AS AT 30.6.2003	AS AT 30.6.2003
	Nu.	Nu.	Nu.	Nu.
Opening balance	164,961,843	140,868,658	164,961,843	140,868,658
Less: Adjustments	- 36,872	- 31,334		
Adjusted Opening Balance	164,924,971	140,837,324	164,961,843	140,868,658
Add: Interest credit as per last A/c.	133,339,269	132,091,321	116,340,641	115,155,529
Interest during the year	20,585,890	20,524,751	16,998,628	16,935,792
Sub Total A	318,850,130	293,453,396	298,301,112	272,959,979
Less: Refund of Interest as per last A/c.	171,278,580	147,243,593	165,637,469	141,804,764
Refund of Interest during the year	5,120,890	4,940,415	5,641,111	5,438,829
Sub Total B	176,399,470	152,184,008	171,278,580	147,243,593
Net Interest A - B	142,450,660	141,269,388	127,022,532	125,716,386
Grand Total	283,720,048		252,738,918	

Schedule - 2 A

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE, 2004

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Forces

	INTEREST ON MEMBER' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION
	AS AT 30.6.2004	AS AT 30.6.2004	AS AT 30.6.2003	AS AT 30.6.2003
	Nu	Nu	Nu	Nu
Opening Balance	53,995,198	52,791,112	54,035,127	52,822,223
Add / Less: Transfer/Adjustments	9,692	9,692	- 39,929	- 31,111
Adjusted Opening Balance	54,004,890	52,800,804	53,995,198	52,791,112
Add: Interest as per last account	9,748,696	9,695,811		
Interest during the year	11,992,735	11,940,072	9,748,696	9,695,811
Sub Total A	75,746,321	74,436,687	63,743,894	62,486,923
Less: Refund of Interest as per Last A/c	2,995,296	2,824,327	*	*
Refund of Interest during the year	2,483,266	2,381,911	2,995,296	2,824,327
Sub Total B	5,478,562	5,206,238	2,995,296	2,824,327
Net Interest A-B	70,267,759	69,230,449	60,748,598	59,662,596
Grand Total	139,498,208		120,411,194	

* Previous Year balance was NIL as bifurcation between Civil and Armed Forces have been done in 2002-2003

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

PENSION FUND (Civil)

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu	Nu
Opening Balance	1,172,190,977	973,987,975
Add: Transfer/Adjustments	180,760	7,105,898
Adjusted Opening Balance	1,172,371,737	981,093,873
Add: Contribution received during the year	154,525,597	141,300,498
Interest during the year	62,179,113	49,796,606
Sub total A	1,389,076,447	1,172,190,977
Less: Pension payment as per Last Account	1,067,184	*
Pension payment during the year	2,695,160	1,067,184
Total Pension Payment	3,762,344	1,067,184
Less: Refund from Pension Fund as per Last Account	5,653,868	*
Refund from Pension Fund during the year	5,559,426	5,653,868
Total Pension Refund	11,213,294	5,653,868
Sub total B	14,975,638	6,721,052
Grand Total A-B	1,374,100,809	1,165,469,925

* Previous Year balance was NIL as pension refund and payment started from 2002-2003

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

PENSION FUND (Armed Force)

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu	Nu
Opening Balance	649,554,907	536,217,060
Add: Transfer/Adjustments	74,918	567,865
Adjusted Opening Balance	649,629,825	536,784,925
Add: Contribution received during the year	98,306,854	84,956,709
Interest during the year	34,590,082	27,813,273
Sub total A	782,526,761	649,554,907
Less: Pension Payment as per Last Account	1,234,913	*
Pension payment during the year	4,499,917	1,234,913
Total Pension Payment	5,734,830	1,234,913
Less: Refund from Pension Fund as per Last Account	5,244,891	*
Refund from Pension Fund during the year	4,026,587	5,244,891
Total Pension Refund	9,271,478	5,244,891
Sub total B	15,006,308	6,479,804
Grand Total A-B	767,520,453	643,075,103

* Previous Year balance was NIL as pension refund and payment started in 2002-2003

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

LAPSED FUND (Civil)

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu.	Nu.
Opening Balance	4,550,054	4,017,340
Add: Transferred during the period	162,571	532,714
Sub Total	4,712,625	4,550,054
Less: Transferred to General Reserve *	4,017,340	-
Total	695,285	4,550,054

* Balance prior to 2002-2003 consisting of both Civil and Armed Force

Schedule - 4 (A)

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

LAPSED FUND (Armed Force)

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu.	Nu.
Opening Balance	330,573	*
Add: Transferred during the period	206,215	330,573
Total	536,788	330,573

** Previous Year balance was NIL as bifurcation between Civil and Armed Forces have been done in 2002-2003*

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

GENERAL RESERVE

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu.	Nu.
Opening Balance	24,897,326	24,897,326
Add: Transferred from Lapsed Fund	4,017,340	
Less: Transferred to Revenue Account	22,810,931	
Total	6,103,735	24,897,326

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

OTHER LIABILITIES

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu. Ch	Nu. Ch
Stale cheques	363,548.97	513,627.87
Earnest Money	61,611.50	98,494.50
Security Deposit (Contractor)	3,453,862.77	2,228,123.00
Deposit (PF)		69,958.62
Performance Gurantee	7,136.00	
Security Deposit (Rent)	398,111.00	384,941.00
Unclaimed Refund Contribution	14,084,700.79	14,392,354.39
Unclaimed Refund Interest	31,318,325.16	31,505,028.58
Contribution Received in Advance	286,009.00	714,494.45
Outstanding Liabilities for Expenses	805,734.50	626,929.00
Security Deposit - Power/Tenant (S/Jongkhar)	28,150.00	28,150.00
Security Deposit - Power/Tenant (P/Ling)	128,870.00	128,870.00
Security Deposit-Power/Tenant (Thimphu)	40,470.00	
Grant in advance		55,823.70
Total	50,976,529.69	50,746,795.11
Rounded off	50,976,530	50,746,795

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

FIXED ASSETS

Particulars	Rate of Depreciation	Original Cost as on 01.07.2003	Additions during the year	Discarded during the Year	Original cost as on 30.06.2004	Accumulated Depreciation as on 30.06.2003	Depreciation during the year	Adjustment of Depreciation during the period	Total Accumulated depr. as on 30.06.2004	Net Block as on 30.06.2004	Net Block as on 30.06.2003
R.E Land		17,420,297.61	248,600.00		17,668,897.61					17,668,897.61	17,420,297.61
R.E Building	3%	81,192,909.82	20,480,732.84		101,673,642.66	21,941,560.56	2,793,959.44		24,735,520.00	76,938,122.66	59,251,349.26
R.E Furniture & Fixtures	15%	162,852.00	6,435.00		169,287.00	59,932.36	24,912.00		84,844.36	84,442.64	102,919.64
R.E Electrical & Fitting	15%	4,721,083.03	1,567,233.04		6,288,316.07	2,040,353.47	845,295.00		2,885,648.47	3,402,667.60	2,680,729.56
R.E Equipments	15%	107,769.90	7,460.00		115,229.90	19,569.00	16,300.00		35,869.00	79,360.90	88,200.90
Sub-Total (A)		103,604,912.36	22,310,460.88	-	125,915,373.24	24,061,415.39	3,680,466.44	-	27,741,881.83	98,173,491.41	79,543,496.97
Computer & Office Equipment	15%	4,195,325.50	423,103.00	150,608	4,467,820.50	1,378,898.00	641,981.00	59,503.00	1,961,376.00	2,506,444.50	2,816,427.50
Office Furniture & Fitting	15%	983,723.59	50,999.00		1,034,722.59	296,261.45	152,217.00		448,478.45	586,244.14	687,462.14
Telephone / EPABX / LAN	15%	318,156.00	89,250.00		407,406.00	88,049.00	54,942.00		142,991.00	264,415.00	230,107.00
Motor Vehicles	15%	887,221.00	253,417.71		1,140,638.71	377,069.00	166,526.00		543,595.00	597,043.71	510,152.00
Carpet	15%	74,223.74	16,700.00		90,923.74	21,931.00	12,263.00		34,194.00	56,729.74	52,292.74
Curtain / Upholstery	15%	12,640.00			12,640.00	5,924.00	1,896.00		7,820.00	4,820.00	6,716.00
Sub-Total (B)		6,471,289.83	833,469.71	150,608.00	7,154,151.54	2,168,132.45	1,029,825.00	59,503.00	3,138,454.45	4,015,697.09	4,303,157.38
GRAND TOTAL(A+B)		110,076,202.19	23,143,930.59	150,608.00	133,069,524.78	26,229,547.84	4,710,291.44	59,503.00	30,880,336.28	102,189,188.50	83,846,654.35

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

CAPITAL WORK-IN-PROGRESS

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu.	Nu.
IT Development	981,984.00	1,244,280
Real Estate Development	44,673,848.20	24,677,940
Total	45,655,832.20	25,922,220
Rounded Off	45,655,832	25,922,220

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

**DETAILS OF INVESTMENTS IN EQUITY SHARES/BONDS -
DOMESTIC & INTERNATIONAL (AT COST)**

	AS AT 30.6.2004	AS AT 30.6.2003
QUOTED	Nu.	Nu.
<u>PENDEN CEMENT AUTHORITY</u>		
14170 Equity Shares of Nu.1,000/- each fully paid up including 4,500 bonus shares of Nu.1,000/- each	13,005,000	13,005,000
<u>STATE TRADING CORPORATION OF BHUTAN LIMITED</u>		
9800 Equity Shares of Nu.100/- each fully paid up	980,000	980,000
<u>BHUTAN NATIONAL BANK</u>		
305398 Equity Shares of Nu.100 each fully paid up	155,854,778	155,854,778
INTERNATIONAL SHARES / BONDS **	935,826,350	935,320,370
Total Quoted	1,105,666,128	1,105,160,148
UNQUOTED		
DRUK AIR BOND	531,354,000	
Total Unquoted	531,354,000	
Total	1,637,020,128	1,105,160,148

* Market value of quoted Share/Bonds as on 30.6.2004 = Nu.1,239,887,414/-
(Previous Year Nu.1,593,266,294/-)

** Adjusted Cost

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

OTHER INVESTMENTS.

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu. Ch.	Nu. Ch.
Deposits		
Fixed Deposit - Bank of Bhutan	84,000,000.00	842,000,000.00
Fixed Deposit - Bhutan National Bank	638,000,000.00	--
RGOB Treasury Bill	180,000,000.00	180,000,000.00
RGOB Promisory Note		250,000,000.00
Sub Total	902,000,000.00	1,272,000,000.00
Loans		
To Institutions / Companies		
Unsecured Loan to Royal Ins. Corprn. Of Bhutan	400,000,000.00	450,000,000.00
Unsecured loan to Bhutan Dev. Finance Corporation	95,000,000.00	100,000,000.00
Secured Loan to Bhutan Beverage Co. *	45,277,500.00	44,943,395.66
Secured Loan to Bhutan Telecom *	71,386,895.90	
(*Consortium Loan through BNB)		
Sub Total	611,664,395.90	594,943,395.66
To Members		
Pension Loan	1,473,141.39	2,083,770.00
Housing Loan	235,222,963.51	
Education Loan	69,655,665.00	
Sub Total	306,351,769.90	2,083,770.00
Total	1,820,016,165.80	1,869,027,165.66
Less: General Provision on standard assets (1.5%)* *	5,252,342.00	
	1,814,763,823.80	
Rounded off	1,814,763,824	1,869,027,166

*Note : * The loan is secured against mortgage of immovable properties and hypothecation of all movables ranking pari pasu with other Banks and financial Institutions.*

***General Provision of 1.50% has been made on standard assets viz BBCL, Housing and Education Loan*

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

ADVANCES & OTHER DEPOSITS

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu. Ch.	Nu. Ch.
Security Deposit - Immigration	2,000.00	4,500.00
Security Deposit - Power/Rent	187,690.00	136,570.00
Security Deposit - Water Meter	63,000.00	63,000.00
Rent Receivable	638,350.00	640,050.00
Interest Receivable and accrued but not due	17,571,359.10	24,204,645.96
Other Receivables	432,933.51	154,493.00
Advance to Contractors	4,835,786.00	9,335,863.83
Total	23,731,118.61	34,539,122.79
Rounded off	23,731,119	34,539,123

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE BALANCE SHEET
AS AT 30TH JUNE, 2004**

STATEMENT OF CASH & BANK BALANCES

	AS AT 30.6.2004	AS AT 30.6.2003
	Nu. Ch.	Nu. Ch.
Cash at Bank	*16,924,369.40	* 11,475,755.59
Petty Cash	656.31	20,458.64
Total	16,925,025.71	11,496,214.23
Rounded off	16,925,026	11,496,214

* Includes last day collection of Nu 15.28 millions (Previous Year 10.10 million)

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE REVENUE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2004**

OTHER REVENUE

	FOR THE YEAR ENDED 30.6.2004	FOR THE YEAR ENDED 30.6.2003
	Nu. Ch.	Nu. Ch.
Interest on Lapsed Fund	122,665.68	2,785,642.19
Miscellaneous Income	1,183,907.84	97,870.92
Total	1,306,573.52	2,883,513.11
Rounded off	1,306,574	2,883,513

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE REVENUE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2004**

PENSION MANAGEMENT EXPENSES

	FOR THE YEAR ENDED 30.6.2004	FOR THE YEAR ENDED 30.6.2003
	Nu. Ch.	Nu. Ch.
Pay & Allowance	964,394.00	781,751.00
Actuarial Consultancy Fees	14,000.00	12,000.00
Sitting Fees	21,333.68	32,000.00
Canteen Expenses	2,541.20	16,996.00
Entertainment	31,100.42	18,966.10
Postage	4,749.00	
Bank charges	75,705.00	80,675.00
Telephone charges		6,172.00
Printing & Stationery	136,849.00	26,840.00
Travelling/Conveyance	400.00	93,964.58
Conference/Seminar/Workshop		229,917.50
Advertisement		11,340.00
Office Maintenance		5,230.00
IT Expenses		283,333.00
Gift and Presentation	5,791.34	2,750.00
Training Overseas	357,197.30	89,076.00
Total	1,614,060.94	1,691,011.18
Rounded off	1,614,061	1,691,011

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE REVENUE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE, 2004**

PROVIDENT FUND MANAGEMENT EXPENSES

	FOR THE YEAR ENDED 30.6.2004	FOR THE YEAR ENDED 30.6.2003
	Nu. Ch.	Nu. Ch.
Pay & Allowance (Includes Nu.483,885 paid to Director)	5,442,870.00	4,427,353.95
Overseas Training	849,964.85	847,645.94
Canteen Expenses	131,397.17	59,175.44
Printing & Stationery	644,927.80	666,198.83
Postage	64,623.00	101,073.00
Telephone Expense	588,395.25	486,674.89
Entertainment Expenses	158,688.73	80,316.90
Office Rent	579,600.00	471,800.00
Travelling & Conveyance	589,559.00	226,375.72
Advertisement	77,001.00	36,010.00
Motor Car Expenses	491,028.80	323,080.55
Bank Charges	227,653.20	171,922.07
Office Maintenance	106,665.70	107,784.09
Seminar/Workshop/Conference	41,135.63	2,835.90
Sitting Fees (Includes Nu.20,000 paid to Director)	166,666.32	276,000.00
IT Expenses/Annual Maintenance Cost	29,000.00	--
Books & Periodicals	16,080.00	10,962.60
Brokerage	40,000.00	--
Gifts/Presentation	34,840.66	25,110.50
Audit Fees & Expenses	83,243.20	78,346.00
Management Fees/Expenses	3,403,871.33	5,214,447.30
Loss on Assets discarded	91,105.00	
Amortisation of Deferred Revenue Expenses	245,496.00	
Miscellaneous Expenses	388.96	- 1,533.56
Total	14,104,201.60	13,611,580.12
Rounded off	14,104,202	13,611,580

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN**

**SCHEDULES FORMING PART OF THE REVENUE ACCOUNT
FOR THE YEAR ENDED 30TH JUNE 2004**

REAL ESTATE MANAGEMENT EXPENSES.

	FOR THE YEAR ENDED 30.6.2004	FOR THE YEAR ENDED 30.6.2003
	Nu. Ch.	Nu. Ch.
Pay & Allowance	2,215,178.61	2,198,422.90
Canteen Expenses	30,350.00	23,570.00
Entertainment	8,944.00	6,823.00
Postage	4,049.00	3,346.00
Bank charges	185.00	84.00
Office Rent	50,400.00	48,300.00
Telephone Expenses	111,424.50	92,683.50
Printing & Stationery	33,197.00	48,653.40
Travelling/Conveyance	210,983.00	261,281.50
Conference/Seminar/Workshop	109,884.00	12,500.00
Advertisement	22,263.00	--
Office Maintenance	6,034.50	7,041.60
Books & Periodicals	723.00	1,050.00
Training - Overseas	153,203.30	--
Write offs		15,214.00
RE Maintenance	1,249,357.24	996,023.50
Insurance Premium	555,234.00	556,952.00
Rates & Taxes	299,203.05	291,283.05
Total	5,060,613.20	4,563,228.45
Rounded off	5,060,613	4,563,228

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU: BHUTAN**

**SIGNIFICANT ACCOUNTING POLICIES FOR THE
YEAR ENDED 30th JUNE 2004.**

1. The Accounts are prepared on accrual basis except for payment of Rates and Taxes, Insurance Premium, Interest on delayed receipts of rent, Contribution, Penal interest on delayed receipt of contribution and Leave Encashment, which are considered in the accounts on cash basis.
2. Employees and Employers Contributions to Pension and Provident Fund are accounted for on the basis of the amount deposited by the Agencies to the designated branches of Bank of Bhutan up to the end of the year. The deposits are transferred to individual member's account based on the recovery schedules along with the receipted copy of the deposit invoice received from the Agencies duly reconciled with the deposits received at the Bank, effective from the date of original deposit and/or clarification received.
3. Final return on members' account is decided by the National Pension Board and credited to members' account based on approval of the Board.
4. a) Fixed Assets transferred from erstwhile managers of GEPF are disclosed at Original cost and corresponding accumulated depreciation.
b) Other Fixed Assets are stated at the historical cost and/or at the cost of procurement/acquisition. The depreciation on Fixed Assets are provided in the Accounts on straight line method at the rates and manner as prescribed by the Department of Revenue & Customs, Royal Government of Bhutan, as per the Income Tax Act of the Kingdom of Bhutan 2001.
5. Capital work in progress are shown at cost and on completion of the project, the amount is capitalized effective from the date of the completion as certified by the appropriate authority.
6. Short Term Fixed Deposits with Banks, Investment in Government Securities, Loan to others, Housing and Education Loan are disclosed as Other Investments.
7. Expenditure on ongoing revenue projects of system development is debited to Capital work-in-progress. On completion of the project, the amount is treated as deferred revenue expenditure, which is amortized over a period of five years.
8. Investments are stated at cost. In case of investment in listed securities, market value is given as disclosure.
9. Capital Grant is set off against value of assets procured out of such Grant as per International Accounting Standard.
10. Gratuity liability to employees is provided on accrual basis as per estimates and is funded annually in earmarked account.

**NATIONAL PENSION & PROVIDENT FUND
THIMPHU: BHUTAN**

**NOTES FORMING PART OF ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE, 2004**

1. Subsequent to the Executive Order No.MOF/Pension/4841 dated 30th March 2000 issued by Honourable Minister of Finance a communication No.COM/03/02/787 dated 8th April 2002 was issued by the Cabinet Secretary to inform that NPPF will be formally established through a Government Executive Order and will be governed by Rules and Regulations. An executive order was issued by the Chairman, Lhengye Zhungtshog vide order No.LZ/02/02/15 dated 1st July, 2002 containing various objectives of NPPF and working rules of NPPF.
2. The status of this organization has been categorised by the Royal Government of Bhutan as an autonomous public organization and is working as a non-profit making organization to serve its members.
3. Capital commitment in various projects as on 30 June 2004 is Nu. 45,704,140/- net of advances.
4. NPPF has utilized members fund amounting to Nu. 833,470/- for acquiring various non-income generating assets viz. computers, furniture etc. for infrastructural support.
5. Investments in equity shares/bonds include Nu.935,826,350/- being the value of marketable investments in equity shares/bonds held by the custodian. The overall aggregate market value of such investments was Nu.961, 581,714- as on 30.6.2004.
6. Lapsed Fund balance of Nu 4,017,340/- prior to introduction of NPPFP and AFPPFS w.e.f July 2002 have been transferred to General Reserve.
7. Return to the members for the year is subject to the decision by the Board of Directors.
8. Previous year figures have been regrouped/rearranged wherever necessary.

Signature to Schedules 1 to 18

DIRECTOR

CHAIRMAN