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BOARD OF DIRECTORS

- | | | |
|---|---|------------------|
| 1 | Dasho Lam Dorji, Hon'ble Secretary
Ministry of Finance | Chairman |
| 2 | Mr. Daw Tenzin, Managing Director
Royal Monetary Authority | Director |
| 4 | Lt. Col. Penden Wangdi
Royal Bhutan Army | Director |
| 5 | Mr. Pema Wangda, Director General
Ministry of Labour & Human Resources | Director |
| 6 | Mr. Chewang Rinzin, Managing Director
Druk Green Power Corporation Limited | Director |
| 7 | Mr. Dubthob Wangchug, Director
National Pension & Provident Fund | Member Secretary |

TECHNICAL ADVISORY COMMITTEE (TAC)

- | | | |
|---|---|------------------|
| 1 | Mr. Nim Dorji, Director
Department of Public Accounts | Chairman |
| 2 | Mr. Bachu Phub Dorji, Head, Policy and Planning
Royal Civil Service Commission | Member |
| 3 | Mr. Kapil Sharma, Head, Public Enterprise
Ministry of Finance | Member |
| 4 | Ms. Tshering Yangchen
FISD, Royal Monetary Authority | Member |
| 5 | Ms. Sayden, Head, Investment and Credit Division
National Pension & Provident Fund | Member |
| 6 | Mr. Dubthob Wangchug, Director
National Pension & Provident Fund | Member Secretary |

ORGANIZATION STRUCTURE

HEAD OFFICE

Executive

Chief Executive Officer Mr. Dubthob Wangchug

Investment & Credit

Head Ms. Sayden
Investment Officer Ms. Tshoki Lhamo
Credit Officer

Finance & Accounts

Financial Controller Mr. Rajiv Mehra
General Manager (Finance) Mr. Dungtu Drukpa

Provident Fund & Pension

Head Mr. Sonam Yeshey

Information & Communication Technology

Head

Human Resource Management

Head Ms. Meera Gurung

Customer Care

Officer in-charge Mr. Jigme Tenzing

Legal

Head Mr. Leki Tshering

Planning & Policy

Head Mr. Ugyen Tshewang

Internal Audit

Head Mr. Kinga Thinley

Real Estate

General Manager Mr. Phuntsho Wangdi

PHUENTSHOLING

Program Assistant, Real Estate Mr. Ram Chandra Darjee

SAMDRUP JONKHAR

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EXECUTIVE SUMMARY

The National Pension & Provident Fund (NPPF) is pleased to bring out the 9th Annual Report on the performance and achievements of the NPPF for the year 2008-2009. Keeping in mind our main motto of providing post-retirement financial security to the members during old age, the NPPF would like to rededicate and pledge our services to the members. In our pursuit to engrave NPPF's mark as an outstanding and responsible corporate organization, the NPPF has been constantly upgrading its services and expertise through all possible means.

Most importantly, it is a great privilege to bring out the 9th Annual Report as our tribute to the Coronation Celebration of the Druk Gyalpo Jigme Khesar Namgyel Wangchuck. We the Board, Technical Advisory Committee, Management and Staff re-dedicate our 'Tha Dham Tsi' to the 'Tsa Wa Sum' and commit our services in pursuit of Gross National Happiness under the dynamic leadership of our enlightened monarchs. May the people of Bhutan continue to enjoy peace and prosperity under the visionary, benevolent and dynamic reign of His Majesty the King.

As a token of our celebration of the Centennial and the Coronation year, the NPPF organized several special events and introduced significant reforms during the year. It not only reduced the interest rate on the education loan from 10% to 9% p.a., but also distributed souvenirs to all Pensioners.

In fulfilling our commitments, the NPPF initiated reforms by constituting a Good Governance Committee to make the services transparent and efficient; initiated Organizational Development exercises to enhance capacity building and introduced the Ascend Banking System, a new Software System for the credit operations to provide efficient services. Besides, the NPPF also hosted Annual Pension Meeting in April 27, 2009 to provide the stakeholders and NPPF the opportunity to gather together so as to report our achievements and receive feedbacks.

In order that NPPF continue to enjoy the confidence of the members, it ensured that investment is made with prudence and returns are optimized. In this context, the Board approved the Investment Policy Guidelines for carrying out investment as per international best practices. Despite challenges in the investment front by way of limited investment avenues and the global economic recession, the NPPF was able to declare a return of 6.50 percent during the year.

Dasho Bap Kesang, the then Chairman of the National Pension Board took up a new assignment as the Bhutanese Ambassador to Bangladesh during the year. As Dasho Bap Kesang was instrumental in initiating significant reforms in the pension system, we would like to acknowledge and sincerely thank the outgoing Chairperson for his immense contribution to the NPPF's development. Dasho Lam Dorji, Hon'ble Secretary of Ministry of Finance succeeded the Chairmanship of the National Pension Board. Given his dynamism and experience, we look forward to the incoming Chairperson taking the NPPF to new heights and direction as the NPPF plays a significant role in the Bhutanese society in alleviating old age poverty.

**CHAPTER I
FINANCIAL PERFORMANCE DURING THE YEAR**

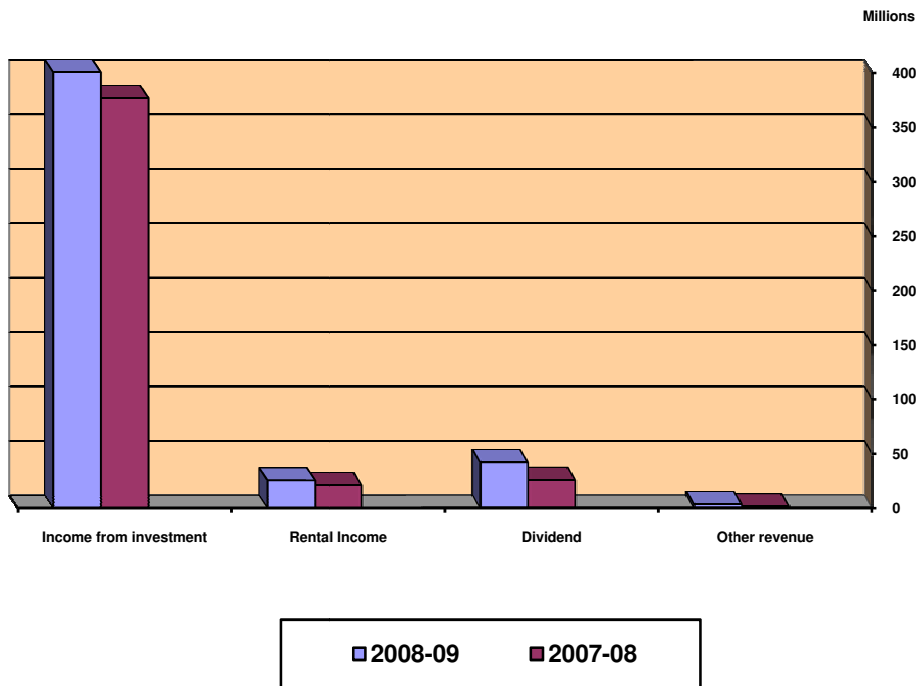
During the year 2008-09, the NPPF’s financial position and its operating results have improved over the last year. Continued growth in revenue and assets was ensured during the year. Set targets have been achieved in almost all the areas of its operations. This is due to its continuous effort to focus on strengthening its strategic policies and systems that stimulate growth.

Management and operating expenses were well within the budget appropriations. All the projects and capital works have been completed well within the allocated budget and on stipulated time. Investments were made with due conscientiousness to ensure better returns to its members. As a result, the NPPF has been able to achieve rate of return of 6.78 percent p.a. NPL has been brought down to 0.94% despite limited investment avenues and other adverse challenges encountered by it during the year.

1.1 Revenue

During the year under review, NPPF generated gross revenue of Nu. 512.98 million compared to Nu. 423.54 million in the previous year registering a growth of 21.12 percent.

Figure 1.1 Major Components of Revenue



1.1.1 Income from Investments

The income from investment has increased by 17.71 percent during 2008-09 as compared to the previous year. The following are the major factors attributing to increase in revenue for the year:

- i. Interest on Loans to RICBL and BDFCL and Industries such as Bhutan Ferro Alloys, and Tashi Cell.
- ii. Dividends from Bhutan National Bank, Penden Cement Authority, Kuensel Corporation and State Trading Corporation
- iii. Interest on Housing loan increased from Nu.72 million in 2007-08 to Nu.87 million in 2008-09.
- iv. Interest on Education loan increased from Nu.47 million in 2007-08 to Nu.48 million in 2008-09.

1.1.2 Rental Income

The rental income has increased by 20.71% as compared to the previous year. This was mainly due to additional rental income generated as a result of the completion of the shopping cum office complex in Thimphu. Rental was also revised for several flats during the reported year.

1.1.3 Dividend & Other Income

The dividend income increased to Nu. 42 million from Nu. 25 million of the year during 2007-08 and other income increased by over Nu. 2 million. Bhutan National Bank, Penden Cement Authority, Kuensel Corporation and State Trading Corporation declared reasonable rates of dividends.

Table 1.1 Financial Highlights

Summary of Consolidated Financial Information for 5 years					
PARTICULARS	2008-09	2007-08	2006-07	2005-06	2004-05
REVENUE					
Income from Investment	442.98	376.31	329.20	295.85	199.71
Rental Income	24.93	20.65	20.05	16.71	13.01
Dividend	41.72	25.40	41.57	28.46	22.60
Other Revenue	3.343	1.18	1.21	1.37	1.38
TOTAL OPERATING REVENUE	512.98	423.54	392.03	342.39	236.69
% increase in Total Revenue	20.71%	8.04%	14.50%	44.66%	39.44%
% of return to fund size	6.20%	6.50%	7.04%	6.89%	5.52%
EXPENSES					
Total Management Expenses	42.33	36.67	30.09	25.08	25.14
Depreciation	11.89	9.04	8.91	7.36	5.47
Provision for std assets	3.43	12.97	10.28	5.84	6.03
Provision for NPL	0.47	6.01	(0.45)	3.30	2.43
TOTAL EXPENSES	58.12	64.69	48.82	41.57	39.07
% of Management expenses to Fund size	0.53%	0.56%	0.54%	0.50%	0.59%
Surplus before extraordinary item	454.85	358.85	343.21	300.82	197.62
Extra ordinary Income					71.57
Transfer from / (to) Reserve		13.81	(3.56)	(4.53)	(25.35)
Distributable surplus	454.85	372.66	339.65	296.29	243.84
Return to members	6.50%	6.50%	6.80%	6.75%	6.50%
FUND SIZE	7,565.93	6,512.07	5,564.79	4,971.72	4,285.82
% Increase in Fund Size	16.18%	17.02%	11.93%	16.00%	17.73%

1.2 Expenses

The NPPF been able to maintain the management expenses to the fund size at 0.53% compared to 0.56% in the past year due to lesser provisions required for standard and specific credits. The total expenditure including the provisions has reduced by 10 percent in comparison to last year. The overall percentage of salary to revenue came to 4.45 percent against the benchmark of 5.00 percent.

Even though the total fund size has shown a growth of 16.18 percent, the loans including term deposits have increased by 19.10 percent. Despite this, the NPL for reporting period was 0.94% as against 1.16 percent in the previous year. The lesser NPL is due to NPPF's strategic quality asset management with an aggressive recovery program that was pursued vigorously.

1.3 Balance Sheet

Table 1.2 below shows the percentage increase of the fund during 2008-09 as compared to 2007-08.

Table 1.2 Comparison of Fund size: 2008-09 and 2007-08

PARTICULARS	2008-09	2007-08	% +/-
<u>LIABILITIES</u>			
Members & Employers Contribution to PF - Civil	1,297.50	1,123.27	15.51%
Members & Employers Contribution to PF - Armed Forces	589.45	523.33	12.63%
Interest credited to Members PF account - Civil	502.52	531.66	-5.48%
Interest credited to Members PF account - Armed Forces	224.45	232.34	-3.39%
Pension Fund - Civil	3,063.33	2,760.03	10.99%
Pension Fund - Armed Force	1,292.50	1,193.36	8.31%
General Reserve	532.22	74.41	615.22%
Other Liabilities	9.50	23.07	-58.81%
General provision on Standard Assets	43.80	40.37	8.50%
Gratuity Liability	6.35	5.41	17.38%
Interest In Suspenses	4.31	4.83	-10.77%
TOTAL	7,565.93	6,512.07	16.18%
<u>ASSETS</u>			
Fixed Assets:			
Gross Block	331.73	328.33	1.04%
Less: Accumulated Depreciation	71.62	60.82	17.76%
Net Block	260.11	267.51	-2.76%
Capital Work in progress	17.18	2.93	486.49%
Deffered Revenue Expenditure	0.53	0.81	-34.67%
Investment in Equity shares / Bonds	869.00	784.72	10.74%
Other Investments	6,203.30	5,207.21	19.13%
Advance & Other Deposits	5.70	178.84	-96.81%
Cash & Bank Balances	203.34	65.00	212.83%
Gratuity Asset	6.76	5.05	33.86%
TOTAL	7,565.93	6,512.07	16.18%

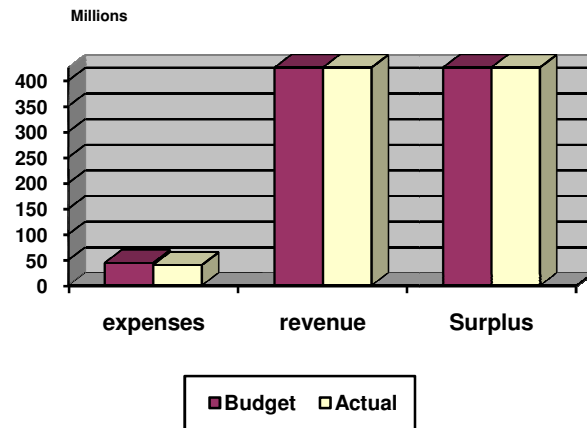
The NPPF continues to record a healthy overall financial position. During the year, the fund size increased by 16.18 percent crossing Nu. 7.56 billion. The loans and deposits have also shown an increase of 19.10 percent during the year. Education loan has recorded most of the growth in its loan portfolio as the interest rate was reduced and maintained at 9 % p.a. Currently, it is the most popular loan scheme of the NPPF.

1.4 Budget Vs Actual expenses

During the year 2008-09, the NPPF's financial position and its operating results have improved compared to the last year. It recorded continued growth in revenue and assets. As a result, the NPPF has been able to achieve rate of return of 6.78 percent as against the projected target rate of 6.88 percent.

During the year, the fund made concerted efforts to achieve revenue and expenses targets that were set in the beginning of the year. Because of these concerted efforts, the revenue income generated for the year was 1.71% more than the target and management expenses were less by 9.51% against the budgeted target thereby achieving its target in all the areas of its operations. During the year, the budgeted management expenses was Nu.44.04 million against which the actual expense was only Nu.42.33 million resulting in a saving of 4 percent.

Figure 1.2 Actual Vs. Projected



The actual revenue was Nu. 512.976 million against the budgeted target of Nu. 514.420 million.

The distributable surplus worked out to Nu. 454.85 million during 2008-2009 against the budgeted target amount of Nu. 462.04 million.

CHAPTER II

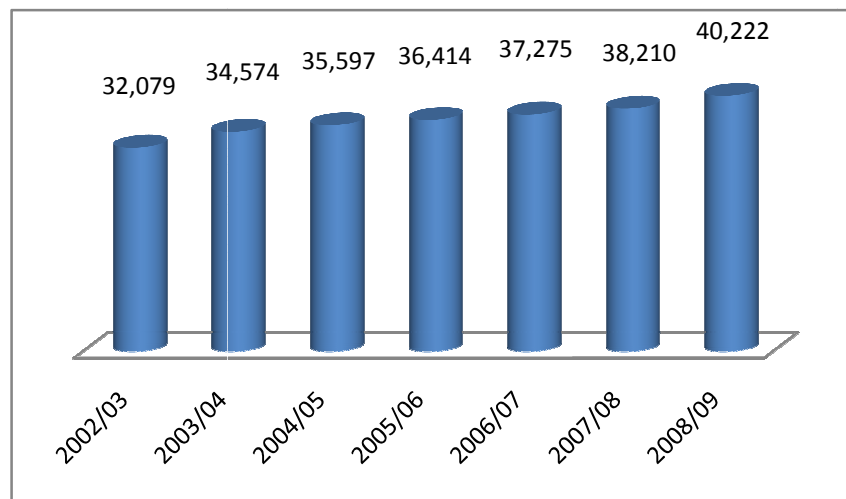
PENSION & PROVIDENT FUND OPERATIONS

2.1 Coverage

The Pension and Provident Fund Plan (NPPFP) was instituted in July 2002 as a mandatory savings plan for the employees of civil service, public corporations and the Armed Forces. It is an important scheme as it plays a significant role in post retirement security to its members.

As of 30 June 2009, the Plan had a total active member of 40,222, which represents a growth rate of 5.27% compared to last year. The NPPF is looking at measures to expand the coverage as the members constitute about only 6% of the total population. The pension plan is currently in an advantageous position because the average age of the members is young. Most members fall in the age group of 25-30 years.

Figure 1. Contributing members (as of June 30, 2009)



2.2 Contribution

In the case of civil members, the total contribution rate is 16% where both the employers and the employees contribute equally at the rate of 8% each of monthly basic salary. The Armed Forces contribute 24% of monthly basic salary with the employers contributing 12% and employees a matching contribution of 12%.

2.3 Pension Beneficiaries and Payments

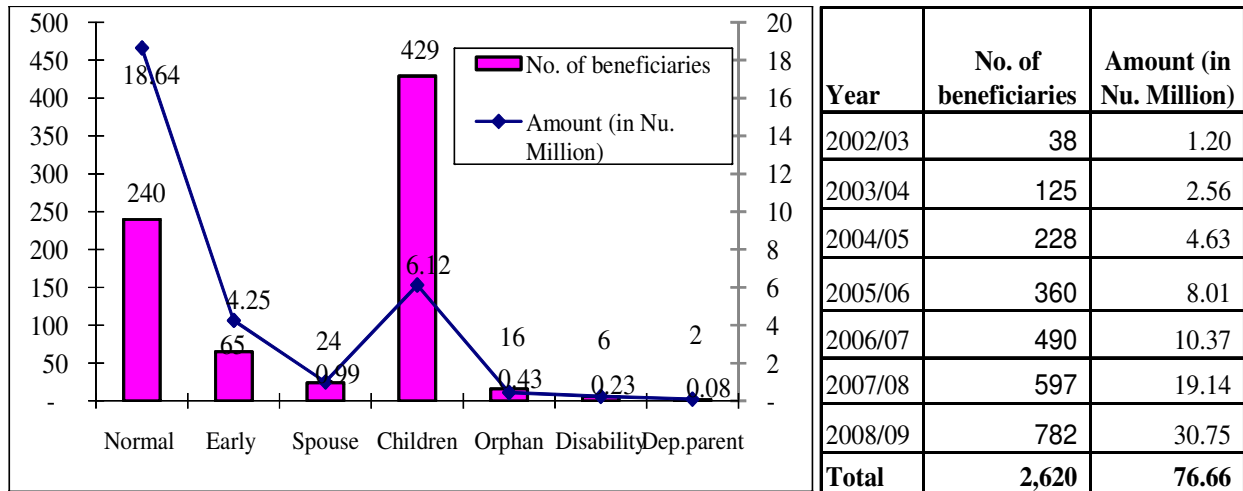
The pension benefit is an annuity payment paid out on a monthly basis. As of 30 June 2009, the ratio of pensioners to the total number of contributing members reached 5.18%. Higher ratio indicates higher pension expenditure as more benefits have to be paid to the

growing number of pensioners. As pension matures, the ratio is expected to reach around 10% in the next 20 years.

2.4 Civil Pension

In 2008-09, the Fund made total pension benefit payment of Nu. 30.75 million to 782 beneficiaries. Of these, 74.43% comprised of normal pension payment followed by spousal and children pension benefits. The details of the pension benefit payments are illustrated in the figure 2 below.

Figure 2. Pension payment during 2008-09 and for the last 7 years

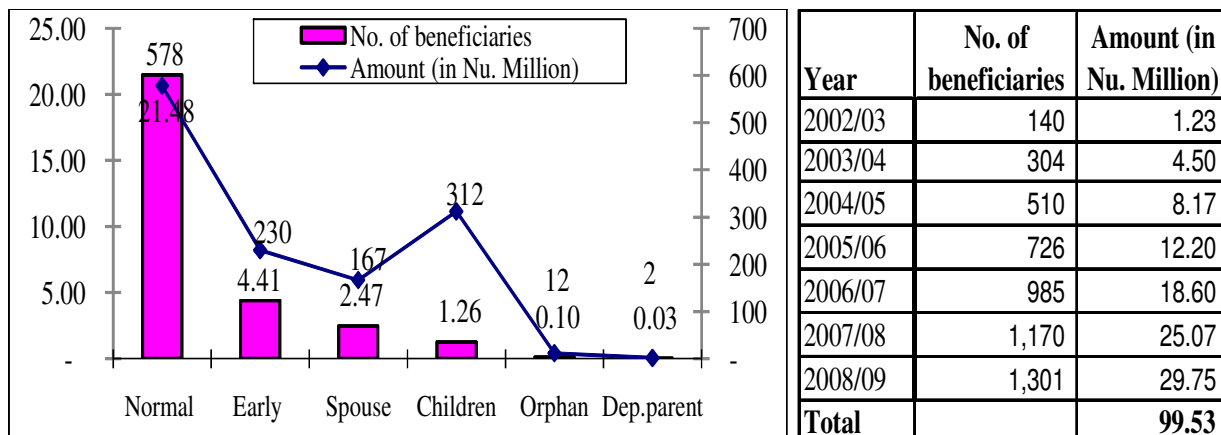


As indicated in Figure 2, the pension payment increased by 60.66% compared to the previous year. The increase is attributed to the growth in number of pensioners and the indexation of pension to average civil service salary. As a result, the rate of pension benefits to pension contribution has reached to 1% during 2008-09.

2.5 Armed Forces Pension

In 2008-09, the Fund disbursed a total pension benefit of Nu. 34.14 million to 1,353 beneficiaries. Out of the total payment, 87.03% comprised of normal standard pension payments followed by 8.30% of spousal pension and 4.75% of children pension benefits.

Figure 3. Pension payment during 2008-09 and for the last 7 years



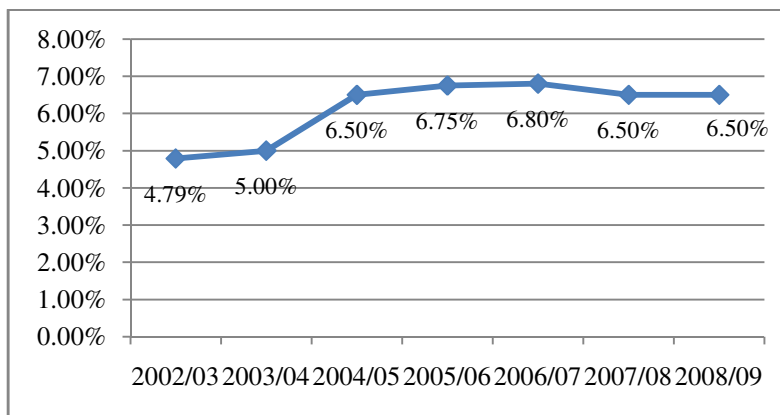
As indicated in Figure 3, the pension payment increased by 18.85% compared to the previous year. The increase in the benefit payment can be attributed to the growth in pensioners and the annual pension benefit increment of 2% p.a. As a result, the rate of pension benefits to pension contribution reached to 0.21% during 2008-09.

2.6 Provident Fund Scheme

The Provident Fund scheme comprises of members under contract covering both nationals and foreigners, as well as regular employees. Since the service term of the Parliament members is 5 years, they are also covered under the scheme. Provident Fund members under contract services mainly consist of employees of the ongoing hydro power projects.

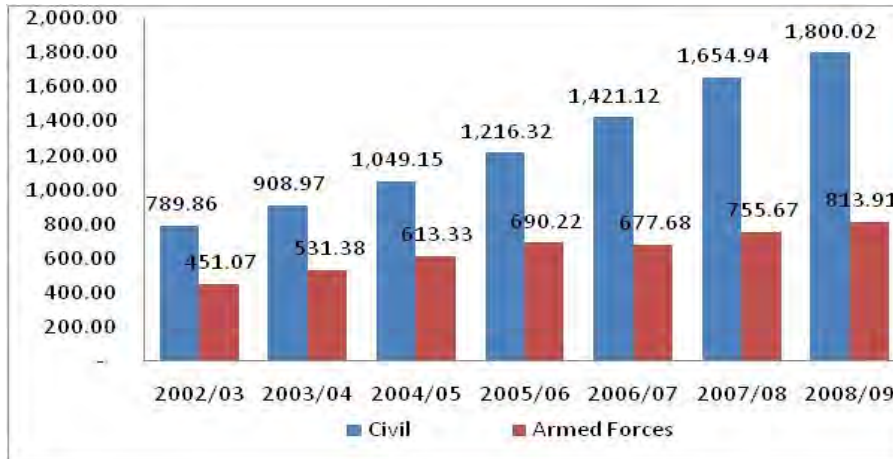
Under the provident fund scheme, benefits are paid in the form of lump-sum amount upon member's exit from service. The Provident Fund comprises of the members' contributions and employer's contributions plus yearly rate of return based on the investment performance. In this context, the Fund has been earning a steady rate of return of around 6.5% over the past 7 years as shown in Figure 4. This shows that the members have been receiving reasonable rates of return on their Provident Fund balance compared to one year bank deposit rate.

Figure 4. Rate of return declared for the past 7 years



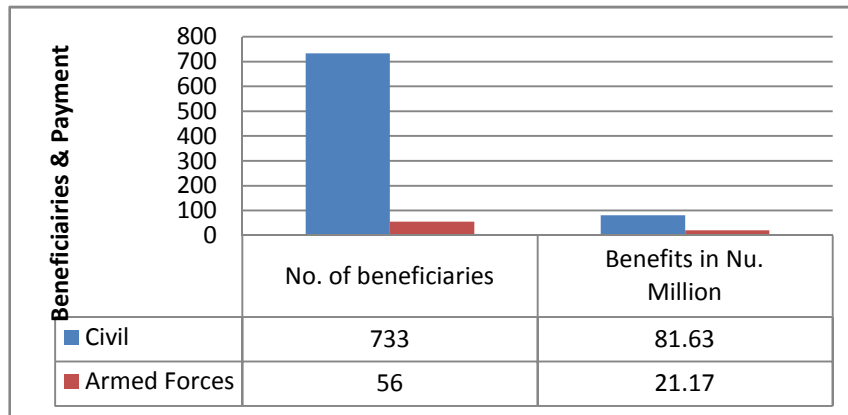
During the year 2008-09, the assets of the civil and the Armed Forces amounted to Nu. 2,613.93 million as compared to Nu. 1,240.92 million in 2002-03 witnessing growth of 110.64%. The growth in the assets is mainly attributed to the increase in contribution fund due to the rise in the salary level and the increase in the number of members as shown in figure 5. The interest credited to the individual Provident Fund accounts have also grown substantially over the years.

Figure 5. Provident Fund growth for the past 7 years (Nu. million)



In 2008-09, the total provident fund benefits paid to 789 civil and the Armed Forces beneficiaries was Nu. 102.80 million, a decrease of 3.98% compared to the last year. The reduction of provident fund claim was mainly due to decrease in the number of members who retired from Armed Forces.

Figure 6. Benefit Payment from the Provident Fund



2.7 Pension Delivery System

Currently, the NPPF has made arrangements to disburse pension benefits through the Bank of Bhutan and Bhutan Post. Beneficiaries can select the institution they prefer for delivery of their benefits. During 2008-09, the Fund disbursed a total of 59.60 million

through the Bank of Bhutan and Bhutan Post branches. As can be seen from Figure 7 below, the BOB's branches handle the largest share of monthly pension benefits.

Figure 7. Pension Delivery through Bank and Bhutan Post

Year	Bank of Bhutan (Nu. Million)	Bhutan Post (Nu. Million)	Total (Nu. Million)
2002/03	2.43	-	2.43
2003/04	7.04	-	7.04
2004/05	12.76	-	12.76
2005/06	20.17	-	20.17
2006/07	25.35	3.53	28.88
2007/08	33.18	10.53	43.71
2008/09	44.00	15.59	59.60
Total	144.94	29.65	174.59
% of total	83.02%	16.98%	100.00%

2.8 Strengthening Service Delivery System

During the year, the NPPF took initiatives to improve efficiency in timely receipt of contributions and processing and delivery of benefits. On 2nd August 2008, an independent Good Governance Committee was constituted with members from 8 agencies representing the stakeholders. The Committee was set up with the objective of helping NPPF enhance good governance and delivery of efficient and fast services. As per the recommendations of the Committee, the NPPF took the following measures to improve efficiency in the organization:

- a. Streamlined claim formalities by reducing the documents such as clearance from the other financial institutions;
- b. Lifted the requirement of life certificate from pensioners;
- c. Collected e-mail addresses and mobile number of the members to provide online information; and
- d. Conducted the Annual Pension Meeting in April 2009 in Thimphu to discuss and receive feedback on the service delivery mechanisms, plans and other related issues

With the expected introduction of internet banking by the commercial banks in the near future, the services are expected improve further.

2.9 Sustainability of Pension Plan

In order to ensure sustainability of the pension plan, the World Bank Experts had suggested several reforms that need to be initiated over the next 10 to 20 years. Recognizing the necessity of the reforms, in 2008, the Royal Government had directed the Pay Commission to review the sustainability of the pension plan while working on the Civil Service Pay revision.

Given the importance of the pension plan, the Pay Commission fully supported the reform measures suggested by the NPPF. The following key reforms of the pension system were proposed in its report submitted to the Government:

- a. Increase in the contribution rates;
- b. Change in the computation of benefit formula to 40 % of last pay;
- c. Switching the pension indexation to Consumer Price Index instead of the average civil service salary index; and
- d. Amend the vesting periods.

Some of the proposals have been approved by the Government and the NPPF has started implementing the reforms, which is expected to have far reaching positive implication for the long term sustainability of the Fund.

2.10 Future Plans

As the number of members and pensioners are increasing rapidly every year, the NPPF is continually looking at ways to improve and sustain the pension system, and enhance its service delivery methods. Therefore, the NPPF has plans to undertake the following activities during the next financial year after assessing the members' needs and demand:

- a. Provide online services to the members and pensioners;
- b. One stop solution to improve service delivery;
- c. Install Interactive Voice Response through Computer Telephonic Integration;
- d. Expand the scope of Site Offices in Phuntsholing and Samdrup Jongkhar and open a branch office in Mongar to facilitate prompt service delivery; and
- e. Carry out feasibility studies to introduce new retirement saving products.

CHAPTER III

INVESTMENT & CREDIT OPERATIONS

3.1 Overall Investment Performance

The NPPF significantly relies on the investment returns to sustain the Fund and ensure continuous payment of pension and other benefits to the pensioners. A vibrant and viable investment strategy is therefore essential. At all times, it has to be ensured that investments are made prudently and returns maximized with risks properly assessed and controlled.

The Executive Order 2002 issued by the Royal Government has provided NPPF with a limited investment mandate. It permits the NPPF to finance Government owned Institutions and Projects, Joint Sector Corporations, Public Limited Companies and invest in securities and other instruments listed on the Royal Securities Exchange of Bhutan. The NPPF is also permitted to provide housing and education loans to its members.

It faced several challenges during the year on its investment front. The global economic recession affected the South Asian Region including Bhutan and the economy is still on its path to recovery. Bhutanese steel and ferro silicon industries were hit hard by the recession. As a result, these industries requested for deferment of loan repayment of both principal and interest to the Banks including the NPPF. The NPPF is concerned that the situation might indirectly affect the returns of the Fund. However, the affect would be lower than other financial institutions as it has not been involved in financing of the steel industries and is only exposed to two Ferro alloys companies. The situation is improving and may not impact the Fund.

Competition in the financial sector is expected to increase in the near future. The RMA has in principle approved the entry of several new banks and insurance companies in a year or two. It is therefore imperative for the NPPF to re-strategize and re-position itself and prepare to confront the increasing competition and address other emerging challenges. To this effect, the Fund revisited its Investment Policy to maximize returns and control risks. Further, a Customer Service Cell was also established to improve services by catering to the needs of the clients.

The NPPF is already facing competition from the financial institutions as the Bank of Bhutan (BOB) has also introduced the education loan scheme. In May 2008, the BOB introduced the Education Loan Scheme at an interest rate of 9 percent per annum. As a result, on October 1, 2008, the NPPF had to reduce the interest rate on the education loan to 9 percent per annum from 10 percent mainly to attract and retain its clients.

The NPPF is the third largest financial institution in Bhutan, but is the only one investing in other financial institutions. Apart from loans to Bhutan Development Finance Corporation (BDFC) and Royal Insurance Corporation of Bhutan (RICB), the NPPF also has investments in Bhutan National Bank (BNB) in form of equity shares and fixed

deposits. It is the largest shareholder of the BNB holding 25.77 percent of the Bank's total shares. The Fund also holds equity shares in Penden Cement Authority Limited (PCAL), Kuensel Corporation and State Trading Corporation of Bhutan Limited (STCBL). It is also making investment in the equity of the on-going project of the Dagachhu Hydro Power Corporation.

During the year, the BNB declared a dividend of 28.5 percent per share. NPPF received dividend amounting to Nu.26.11 million on its shareholdings in the bank. Further, BNB issued bonus shares at the rate of 2:3, i.e. 3 shares allotted for every 2 shares held and 5:1 rights issued at face value of Nu.100/- each.

PCAL and Kuensel Corporation also declared a dividend of 70 percent and 9 percent respectively. The State Trading Corporation of Bhutan also declared 20 percent dividend during this fiscal year.

3.2 ACTIVITIES DURING THE YEAR

3.2.1 INVESTMENT OPERATIONS

- The 114 Mega Watt Dagachhu Hydroelectric is expected to start by August 2009 and commence commercial operations by 2012. The NPPF initiated to provide funding via a term loan and equity investment. The term loan will be for Nu 600 million, with an interest rate of 10 percent per annum and a repayment period of 15 years. Out of the equity investment participation of Nu 500 million, a sum of Nu 69.012 million was disbursed during the year.
- The RMA has been using the RMA 90 day Discount Bill as one of the monetary policy instruments. As a measure to absorb excess liquidity from the Banking sector and to stimulate the market interest rates, the RMA revised the rates on the discount bills from 5 percent to 6 percent in October 2008. Since the rates are higher than the bank deposits for 90 days, the NPPF has been taking advantage of the situation in order to enhance its overall returns. As of June 30, 2009, the NPPF had an investment of Nu. 187.790 million in the Discount Bills.

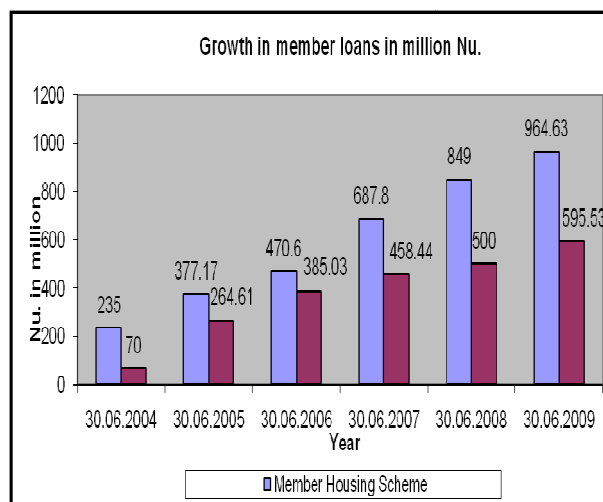
3.3 CREDIT OPERATIONS

3.3.1 Member Housing Loan

As of June, 2009, the loan portfolio stood at Nu.964.63 million with a total of 557 clients. The growth rate in the housing loan worked out to 13.61 percent with an increase in client base by 72 clients compared to the previous year.

3.3.2 Member Education Loan

As of June 2009, the loan portfolio was Nu. 595.53 million with total of 7, 879 clients. The growth rate was 19.07 percent in the member Education loan as the cliental base increased by 666 members. Efforts are being made to increase the Cliental base to at least 10,000 by end of 2010.



3.3.3 Risk Management policy

In order to control risks, the NPPF ensures that all investments are made prudently and in line with its investment policies. As of June 2009, the total loan portfolio stood at Nu.3531.26 million while Non- Performing Loans (NPL) worked out to 0.94 percent of the total loan outstanding, which is well within the target set by the NPPF. Provisions for the NPL have been made as per Royal Monetary Authority Prudential Regulations, 2002. The NPL rate has been maintained at significantly low levels in view of the prudent plans with proper risk control strategies, strict monitoring and robust recovery efforts.

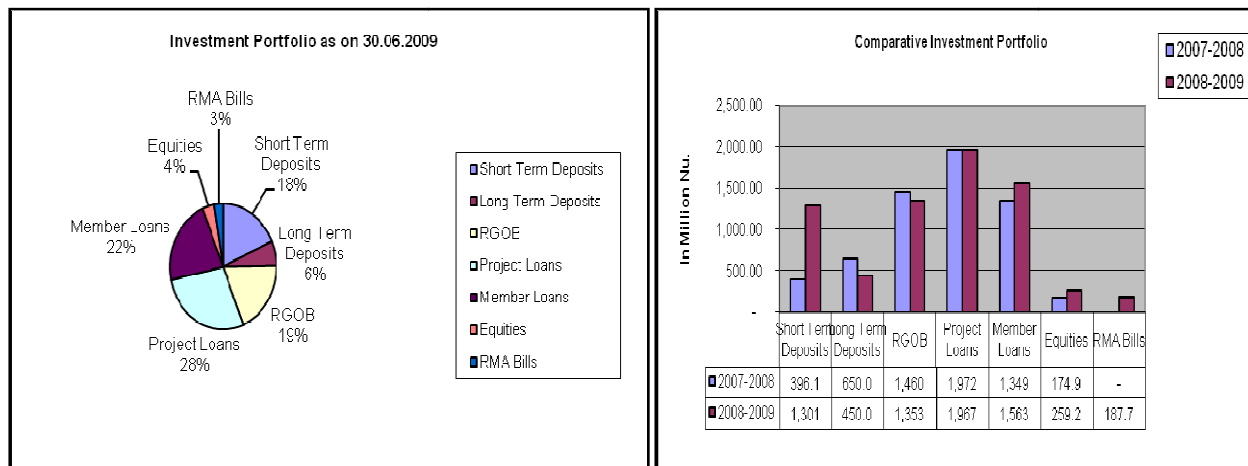
The NPPF had expected that the industrial problem would adversely affect its NPL position. However, the NPPF was not affected much as it was not exposed to the financing of most of the steel and ferro-alloy industries. It only financed the Bhutan Ferro Alloys Limited (BFAL) and Druk Ferro Alloys Limited (DFAL). BFAL had performed well during the year while DFAL though affected by the recession is expected to improve its performance. The steel and ferro alloys prices have been improving with the demand for the product increasing.

3.4 Asset Allocation

During the year, the Board approved an Investment Policy for the NPPF, mainly covering asset allocation and risk control strategies. The NPPF's investment policy requires the Fund to maintain an asset allocation in the ratio of 60 percent fixed income and 40 percent equity. However, given the current market scenario, the NPPF 's asset allocation is heavily biased towards fixed income. Its asset allocation works out to a ratio of 96.5 percent fixed income and 3.5 percent equity. This situation clearly shows that the NPPF has to make significant efforts to enhance investments in equity in order to reach the asset allocation benchmark set-forth under the investment policy. However, in view of the small capital market and with only few companies expected to be incorporated and listed in the near future, it may take some time for the Fund to reach the set benchmark.

Notwithstanding the constraints and challenges in the investment front, the overall investment portfolio as of June 30, 2009 stood at Nu. 7,084.06 million compared to Nu. 6,003.22 million during the previous year achieving a growth rate of 18 percent. The NPPF's performance during this fiscal year has been satisfactory and it has been able to

declare a return of 6.5 percent. The details of the asset allocation of the Fund as of June 30, 2009 are depicted in the figures below:



3.5 Future Plans

Besides the on- going Dagachhu Hydroelectric project investment which is expected to be completed by 2012, the NPPF is exploring for new investment avenues to achieve the set targets. In this regard, the NPPF has committed to finance the upcoming Dungsam Cement Project worth Nu. 1 billion as term loan at an interest rate of 10 percent per annum. The project is scheduled to commence by January 2011 and will help the NPPF in enhancing returns. In view of the limited investment opportunities in future, the NPPF would have liked to commit to invest more in the project as the company is expected to do well upon its completion, but for the restriction of the single largest borrower limit under the RMA Prudential Regulations. Besides, the NPPF is also looking at opportunities to invest in the equity of the new banks when they go public and the Bank of Bhutan if the government decides to divest its shareholdings of the Bank. Although not successful, it also made effort to acquire some equity shares of Tala project when Government handed it over to the Druk Holding and Investment in 2009.

The only significant investment the NPPF expects in the future is in the power sector as it is the policy of the Government to generate additional 10,000 MW by 2020. It is therefore looking closely at the possibility of making further investment in the power sector projects such as Punatshangchhu II and Mangdichhu Hydroelectric projects. Infrastructure projects of this type require large amounts of funds and are long term investments. Equity investment is required as well as term loans. The NPPF is the only financial intuition in Bhutan with the necessary funds and preference for this type of investment.

In the times to come, the Government may float Treasury bills in line with its fiscal policy. This would definitely provide the NPPF with an added platform to park its idle fund from time to time. Currently, most of the NPPF's idle funds are either maintained in the short term deposits with the Banks or the RMA discount bills.

CHAPTER IV

REAL ESTATE MANAGEMENT

The Real Estate's main objective is to help provide affordable and decent housing to the members. This is in line with the Royal Government's priority to support housing projects in the Kingdom. In the immediate future, the NPPF is exploring the strategy of constructing houses not only for rental purposes, but to promote home ownership as well. Its immediate priority is to acquire land, construct and sell flats to the members under the home ownership project. It will also introduce a special soft loan in order to make the purchase of flats affordable to the members. In this regard, the NPPF had already taken the initiative to acquire land from the Government either on direct allotment basis or on long term lease to help the Fund materialize the project.

4.1 Residential Properties

As of June 2009, there were 87 buildings with 731 utility spaces under the NPPF's management comprising of 643 residential units, 61 commercial units and 27 office units.

As stated above, the NPPF's real estate assets have grown significantly. However, its key challenge remains in not being able to provide adequate residential housing to the members. Nevertheless, for the year under review, the Fund had achieved its targets which included the face-lifting works of old buildings, site development works such as construction of storm water drains, repair and maintenance of road and parking area in the housing colonies. The Fund also initiated the consulting works for new projects in Thimphu for the benefit of the members.

4.2 Drawings and Designs for NPPF Corporate Office and Package II Residential Building in Phuntsholing.

During the year, the municipal authorities in Thimphu and Phuntsholing scrutinized and approved the drawings and designs of the NPPF Corporate Office in Thimphu and package II residential buildings at Phuntsholing respectively. The construction works will be awarded next year.

4.3 Application for Apartments

Precedents showed that only about two to three flats were being vacated in a year. As there are not many flats to meet the soaring demand of the applicants, the NPPF decided not to accept applications from the members for residential quarters. The applications already received and registered with the Fund were annulled. Instead, the NPPF decided that as and when flats fall vacant, the information would be made available in the media and on its website and allot vacant flat through draw of lottery. This was initiated in order to give equal opportunity to all interested members to avail the NPPF flats. To this effect, the NPPF had allotted 8 residential flats in Phuntsholing, 3 flats in Samtse, 2 flats in Thimphu and 15 flats in Samdrup Jongkhar through draw of lottery during the year.

The NPPF is also reviewing and amending the Housing Rules and Regulations to enhance transparency in the management and allotment of housing facilities. At the same time, the Rules are being reviewed to ensure compliance with the provisions of the Tenancy Act and other relevant laws.

4.4 Project under Construction.

During the year under review, the construction of one unit 16 flats residential building in the NPPF housing colony at Phuentsholing was awarded to Kinga Construction in September 2008 at a tendered cost of Nu.16,929,453.30 with completion deadline of 16 months. The progress of the project is well within the time schedule.

4.5 Financial Review

As of June 2009, the gross real estate asset was Nu. 308.087 million representing 4.402 percent of the total Fund. The rental income from real estate operations as of June 2009 amounted to Nu. 24.93 million, (a gross return of 8.09 percent as against 6.75 percent in the previous year).

Table of Rental income during 2008-09 and 2007-08

	(Nu. in million)				Rate of Returns (gross)	
	2008-09	2007-08	2008-09	2007-08	2008-09	2007-08
Rental Income during the year			24.929	20.652	8.09%	6.75%
Less: Expenses						
a. Management Expenses	5.680	5.369				
b. Maintenance	3.917	4.190	(9.597)	(9.559)		
Gross Income			15.332	11.093	4.98 %	3.63 %
Less: Depreciation			9.928	7.292		
Net Rental Income			5.404	3.801	1.75 %	1.24 %

During the year the net return on real estate operations increased to 1.75 percent from 1.24 percent in the previous year. This increase in the net return can be attributed mainly to the additional return generated from the shopping-cum-office building in Thimphu town which was completed in May 2008. Further, during the year under review, the management had taken up only the routine maintenance works, which resulted in increased returns.

4.6 Future Plans

- i. Construction of the Corporate Head Office in Thimphu
- ii. Infilling of residential buildings in Phuntsholing housing colony
- iii. Construction of residential buildings by knocking down two old buildings in Thimphu that did not meet the seismic requirement.
- iv. The routine maintenance of buildings will be taken up regularly based on requirements.

Towards initiating the Home Ownership Project, the NPPF is now making attempts to acquire land from the government. The project shall be initially executed in Thimphu and Phuentsholing and will be replicated in other Dzongkhags in future. Since it is important to make the project affordable in order to be successful, the NPPF is studying ways to curtail the cost of the construction as well as develop a special soft loan scheme. Since land constitutes a major percentage of the cost of construction, the NPPF had approached the Government for allotment of land for the project either directly or on lease. At the same time, the Fund is also exploring the feasibility and benefit of buying private land. The project will be mainly targeted for the middle and lower income groups since the need for housing is mostly centered on these income levels.

Prototype of NPPF Head Office Building



CHAPTER V

INFORMATION TECHNOLOGY

With the increase in the NPPF's operations, Information Technology (IT) plays a significant and indispensable role in helping the Fund function smoothly and cope with the expansion in the workload. As prioritized in its IT strategy, the division ensures to adopt the most current technologies wherever possible and continually assessing and exploring areas where IT support could be harnessed to the advantage of the Fund.

5.1 Activities Undertaken

All the operations of the Fund are supported by IT systems run by the department. The efficiency of the IT department therefore impacts on the efficiency of the entire NPPF. As such, the IT division has been exclusively dedicating its service to help NPPF in enhancing efficiency in its operations.

During the year, the NPPF procured an off-the shelf software in order to enhance efficiency and manage the increase in the work load of the credit operations. The current systems used for credit operations and the general ledger had reached the end of their useful life and were restricting efficiency. It was decided to use an off-the-shelf software to speed implementation. The Core Banking Solutions used by the banks was too expensive for the NPPF's needs. Instead the NPPF selected the Ascend Banking System from Bangladesh which is currently used by the Bhutan Development Finance Corporation. The installation of this software would help the fund in providing more products and enhancing reliability and better services. It will also facilitate the NPPF in providing information to its clients through SMS using Mobile phones and E-mails. The NPPF with the help of the supplier, Southtech, has started the project and it is expected to be completed in 2009.

5.2 Future Plans

For the years ahead, the IT Division has plans to improve its services further. Towards achieving this goal, the NPPF is planning on installing the Computer Telephonic Interaction (CTI) system. With this technology, the NPPF shall have the facility to clarify and provide information to the members on a 24 hour basis over telephone. It will function like a call center and the members shall be provided with the facility to call the NPPF for any queries related to Pension, Provident Fund and Loans. With the completion of the project, the NPPF is expected to improve its services significantly.

The NPPF is also actively involved in the implementation of the Credit Information Bureau coordinated by the RMA. All the financial institutions including the NPPF in Bhutan are members of the Bureau and once the project is completed, credit information can be shared online through the Bureau. The financial institutions including the NPPF are now working with the consultant Dun & Bradstreet to complete the project by the end of next year.

CHAPTER VI

HUMAN RESOURCE MANAGEMENT

Since the performance of the organization is solely dependent on the quality of Human Resource, the NPPF has accorded high importance to capacity building of its employees. Towards fulfilling this objective, the NPPF took several initiatives during the year. It nominated its staff for a number of in-country and out-country short and long term trainings. As of date, a total of 7 officers are on long term training pursuing Masters Degrees, Engineering and Actuarial Science. In the near future, the Fund has plans to finance one of its officers for a Masters program in Human Resource and another in a Chartered Accountancy program.

OFFICERS WHO ATTENDED IN HOUSE SEMINAR ON “MANAGING CHANGE”



Towards enhancing performance, both at strategic and organizational level, the Fund carried out an Organization Development (OD) exercise with the help of a local consultant. Under the OD exercise, the organization has been restructured with redefined vision and mission along with an individual based performance management system. Unlike in the past, individual employees will be rewarded based on their performance against set targets. The introduction of this new culture is expected to improve the efficiency of the employees and the overall performance of the Fund as well as help in providing fast and efficient services to its members.

Coinciding with the Coronation of the 5th King and the Centenary Celebrations of the nation, a Customer Service unit was also set up during the year. The unit will help the NPPF in providing assistance and information as well as clarification on the queries of the members.

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 at 30th June 2008 and the Revenue Account and Cash Flow Statement of The Fund for the year ended on that date annexed thereto, 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 directed by the Royal Audit Authority, a statement on the Minimum Audit Examination and Reporting Requirements as stipulated in Schedule XIV to the Companies Act of the Kingdom of Bhutan, 2000, to the extent applicable, is enclosed.
4. Further to our comments as referred to in paragraph (3) above, we report that:

Our examination was made in accordance with the generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.

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.

In our opinion, proper books of account have been kept by The Fund so far as it appears from our examination of those books.

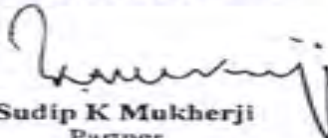
The Balance Sheet, Revenue Account and the Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.

S. N. MUKHERJI & CO.
Chartered Accountants

5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon gives the information required by National Pension and Provident Fund Rules and Regulations of the Kingdom of Bhutan 2002, in the manner so required and the said accounts give a true and fair view:
- i) In the case of the Balance Sheet of the state of affairs of the Fund as at 30th June 2009,
 - ii) In the case of the Revenue Account, of the surplus for the year ended on that date.
 - iii) In case of the cash flow statement, of the cash flows for the year ended on that date

For S. N. Mukherji & Co.
Chartered Accountants




Sudip K Mukherji
Partner
Membership No. 13321

Place : Kolkata
Date : 10th December 2009

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

BALANCE SHEET AS AT 30TH JUNE, 2009

LIABILITIES

	SCHEDULE NO	AS AT 30.06.2009	AS AT 30.06.2008
		Nu.	Nu.
Member's & Employer's Contribution to PF - Civil	1	1,298,179,857	1,123,276,939
Member's & Employer's Contribution to PF - Armed Forces	1A	589,451,171	523,326,573
Interest credited to PF Account - Civil	2	615,224,554	531,659,773
Interest credited to PF Account - Armed Forces	2A	275,383,778	232,342,936
Pension Fund - Civil	3	3,254,284,098	2,760,025,881
Pension Fund - Armed Forces	3A	1,373,380,528	1,193,355,630
Lapsed Fund - Civil	4	-	-
Lapsed Fund - Armed Forces	4A	-	-
General Reserve	5	93,600,798	74,412,787
Other Liabilities	6	11,967,924	23,066,534
General Provision on Standard Assets		43,796,055	40,364,431
Gratuity Liability		6,348,850	5,408,201
Interest in Suspense		4,309,656	4,831,496
		7,565,927,270	6,512,071,162

ASSETS

Fixed Assets:			
Gross Block		331,734,082	328,334,322
Less: Accumulated depreciation		71,619,387	60,823,949
Net Block	7	260,114,696	267,510,372
Capital work in progress	8	17,184,097	2,930,977
Deferred Revenue Expenditure		531,170	813,755
Investments in Equity Shares/ Bonds	9	869,003,241	784,721,341
Other Investments	10	6,203,298,889	5,207,211,028
Gratuity Investment		6,897,761	5,050,790
Advance and other Deposits	11	203,341,328	178,835,654
Cash and Bank Balances	12	6,756,090	64,997,245
		7,565,927,270	6,512,071,162
Significant Accounting Policies	18		
Notes forming part of Accounts	19		

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 S.N. Mukherji & Co.
Chartered Accountants

Sudip K Mukherji.
Partner.
Membership No. 13321

Kolkata. Dated 10th December 2009



[Signature]
DIRECTOR

[Signature]
CHAIRMAN

[Signature]

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

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2005

REVENUE

	SCHEDULE NO.	FOR THE YEAR ENDED 30.06.2009	FOR THE YEAR ENDED 30.06.2008
		Nu	Nu
Income from Investment	13	442,879,061	376,306,772
Rental Income		24,829,323	20,652,329
Dividend	14	41,719,989	25,400,320
Other Revenue	15	3,347,631	1,183,902
		512,976,004	423,543,322

EXPENSES

Provident Fund Management Expenses	16 & 17	16,886,636	14,744,895
Pension Management Expenses	16 & 17	25,442,706	21,926,250
Depreciation	7	11,886,764	6,040,750
Provision for Standard Assets		3,431,624	12,959,310
Provision for Sub Standard Assets		472,220	6,011,266
Total Expenses		58,121,953	64,882,491
Surplus		454,854,021	358,850,833
Transferred from(-) to General Reserve		-	13,612,153
Total Distributable Surplus		454,854,021	372,662,996
Distribution of Surplus			
Transferred to General Reserve		18,708,048	
Return on Member's and Employers contribution to PF (Civil)			96,510,545
Return on Member's and Employers contribution to PF (Armed Forces)		50,929,573	44,662,443
Return on Pension Fund (Civil)		191,630,914	160,968,940
Return on Pension Fund (Armed Forces)		80,877,495	70,531,068
		454,854,021	372,662,996
Significant Accounting Policies	18		
Notes forming part of Accounts	19		

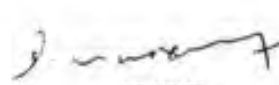

The schedules as mentioned above form an integral part of the Revenue Account.

This is the Revenue Account referred to in our report of even date for S.A. Mukherji & Co. Chartered Accountants

Sudip K Mukherji
Partner.
Membership No. 13321

Kolkata, Dated 10th December 2009





 DIRECTOR CHAIRMAN



NATIONAL PENSION AND PROVIDENT FUND		
THIMPHU, BHUTAN		
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2009		
	Year ended 30th June 2009	Year ended 30th June 2008
CASH FLOW FROM OPERATIONS		
Receipts from:		
Interest	419,750,104	334,357,068
Rents	24,273,728	20,686,706
Dividends & Other Income	43,841,902	26,841,473
Security Deposit from Tenants	331,162	(37,666)
Payments for:		
Expenses	40,720,557	37,471,823
Security Deposit to Suppliers	-	3,000
NET RECEIPTS FROM OPERATIONS	447,476,339	344,372,558
CASH FLOW FROM INVESTING		
Receipts from:		
Repayments of Pension Loans	91,676	307,972
Sale of Fixed Assets	1,275,000	-
Staff Advance	25,824	41,544
Payment for:		
Increase in Loans & Deposits	851,958,148	616,872,372
Shares and Bonds	15,269,900	-
Member Housing Loan	116,093,847	158,074,131
Member Education Loan	95,138,788	41,931,250
Vehicle Loan	2,995,229	-
Purchase of Fixed Assets (including work in progress)	32,563,322	16,314,821
NET PAYMENTS FOR INVESTMENTS	(1,112,626,735)	(832,843,058)
CASH FLOW FROM MEMBER TRANSACTIONS		
Receipts from:		
Contributions to the NPPFP	577,827,177	364,380,119
Contributions to the AFFFFS	211,329,522	193,185,970
Payments of refunds and Pensions:		
NPPFP	128,301,209	79,355,476
AFFFFS	53,946,251	(57,776,015)
NET RECEIPTS FROM MEMBERS	606,909,239	535,996,628
NET MOVEMENT IN CASH AND BANK	(58,241,156)	47,526,127
OPENING CASH AND BANK	64,997,246	17,471,119
CLOSING CASH AND BANK	6,756,090	64,997,246



RECONCILIATION BETWEEN OPERATING SURPLUS AND CASH FLOWS FROM OPERATIONS

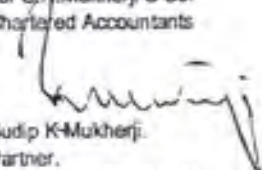
	Year ended 30th June 2009	Year ended 30th June 2008
OPERATING SURPLUS	454,854,021	358,850,833
NON CASH CHARGES		
Depreciation	11,886,794	9,040,750
Amortization of Software	282,585	772,273
Provision against loan	3,903,844	18,980,597
MOVEMENT IN ACCRUALS		
Revenue receivable	(23,884,552)	(41,658,078)
Accounts Payable	1,183,122	(963,822)
Gratuity Payable	293,678	(876,696)
GAIN ON ASSET SALES	(1,225,718)	
SECURITY DEPOSITS	182,565	226,701
NET RECEIPTS FROM OPERATIONS	447,476,339	344,372,558

Note:

The cash flow statement has been prepared using the direct method

This is the Cash Flow Statement referred to in our report of even date

For S.N.Mukherji & Co.
Chartered Accountants


Sudip K Mukherji,
Partner,
Membership No. 13321

Kolkata, Dated 10th December 2009


DIRECTOR


CHAIRMAN





NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

MEMBER'S & EMPLOYER'S CONTRIBUTION TO PF - Civil

	MEMBER'S CONTRIBUTION AS AT 30.06.2009	EMPLOYER'S CONTRIBUTION AS AT 30.06.2009	MEMBER'S CONTRIBUTION AS AT 30.06.2008	EMPLOYER'S CONTRIBUTION AS AT 30.06.2008
	Nu	Nu	Nu	Nu
Opening Balance	907,661,205	907,699,433	805,243,961	805,190,773
Add / (Less): Adjustments	154,401	178,698	(118,510)	(27,099)
Adjusted Opening Balance	907,815,606	907,878,131	805,125,451	805,163,674
Add: Contribution during the Year	113,524,678	113,524,683	102,535,754	102,535,759
Sub Total A	1,021,340,284	1,021,402,814	907,661,205	907,699,433
Less: Refunds as per last a/c	346,038,721	346,044,977	324,465,230	324,414,410
Refunds during the year	26,239,744	26,239,798	21,573,491	21,630,567
Sub Total B	372,278,465	372,284,775	346,038,721	346,044,977
Net Contribution A-B	649,061,819	649,118,039	561,622,484	561,654,456
Grand Total	1,298,179,857		1,123,276,939	

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

MEMBER'S & EMPLOYER'S CONTRIBUTION TO PF - Armed Forces

	MEMBER'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION	MEMBER'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2009	AS AT 30.06.2009	AS AT 30.06.2008	AS AT 30.06.2008
	Nu	Nu	Nu	Nu
Opening Balance	346,981,474	347,070,021	310,595,592	310,617,193
Add / (Less): Adjustments	-	-	(76,638)	(9,692)
Adjusted Opening Balance	346,981,474	347,070,021	310,518,954	310,607,501
Add: Contribution during the Year	39,702,139	39,702,139	36,462,520	36,462,520
Sub Total A	386,683,613	386,772,160	346,981,474	347,070,021
Less: Refunds as per last a/c	85,362,459	85,362,463	72,396,837	72,396,841
Refunds during the year	6,639,840	6,639,840	12,965,622	12,965,622
Sub Total B	92,002,299	92,002,303	85,362,459	85,362,463
Net Contribution A-B	294,681,314	294,769,857	261,619,015	261,707,558
Grand Total	589,451,171		523,326,573	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

INTEREST ON MEMBER'S & EMPLOYER'S CONTRIBUTION TO PF - CIVIL

	INTEREST ON MEMBER'S CONTRIBUTION AS AT 30.06 Nu	INTEREST ON EMPLOYER'S CONTRIBUTION AS AT 30.06.2009 Nu	INTEREST ON MEMBER'S CONTRIBUTION AS AT 30.06.2008 Nu	INTEREST ON EMPLOYER'S CONTRIBUTION AS AT 30.06.2008 Nu
Opening Balance	164,866,941	140,843,323	164,912,439	140,828,934
Add / (Less): Adjustments	(8,867)	16,026	45,498	14,389
Adjusted Opening Balance	164,858,074	140,859,349	164,866,941	140,843,323
Add: Interest credit as per last a/c	312,377,127	310,860,606	264,103,803	262,623,385
Interest during the Year	56,366,240	56,341,751	48,273,324	48,237,221
Sub Total A	533,601,441	508,061,706	477,244,068	451,703,929
Less: Refunds of interest as per last a/c	211,167,483	186,120,741	198,904,233	174,002,835
Refunds of interest during the year	14,641,017	14,509,352	12,263,250	12,117,906
Sub Total B	225,808,500	200,630,093	211,167,483	186,120,741
Net Contribution A-B	307,792,941	307,431,613	266,076,585	265,583,188
Grand Total	615,224,554		531,659,773	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2009	AS AT 30.06.2009	AS AT 30.06.2008	AS AT 30.06.2008
	Nu	Nu	Nu	Nu
Opening Balance	53,888,281	52,728,450	53,921,182	52,728,318
Add/ Less: Adjustments	-	(1)	(32,901)	132
Adjusted Opening Balance	53,888,281	52,728,449	53,888,281	52,728,450
Add: Interest credit as per last a/c	105,897,365	105,592,420	83,554,659	83,272,683
Interest during the Year	25,474,183	25,455,390	22,342,706	22,319,737
Sub Total A	185,259,829	183,776,259	159,785,646	158,320,870
Less: Refunds of interest as per last a/c	43,414,350	42,349,230	36,569,141	35,647,931
Refunds of interest during the year	3,976,415	3,912,315	6,845,210	6,701,299
Sub Total B	47,390,765	46,261,545	43,414,350	42,349,230
Net Contribution A-B	137,869,064	137,514,714	116,371,296	115,971,640
Grand Total	275,383,778		232,342,936	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

PENSION FUND (CIVIL)

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
Opening Balance	2,854,526,333	2,369,182,207
Add: Transfer / Adjustments	(358,856)	127,911
Adjusted Opening Balance	2,854,167,477	2,369,310,118
Add: Contribution received during the year	349,657,477	324,257,275
Interest during the year	191,630,914	160,958,940
Sub Total A	3,395,455,868	2,854,526,333
Less: Pension payment as per last account	45,884,666	26,768,900
Pension payment during the Year	30,710,013	19,115,766
Total Pension Payment	76,594,679	45,884,666
Less: Refund from Pension Fund as per last account	48,615,806	35,185,005
Refund from Pension fund during the year	15,961,285	13,430,801
Total Pension Refund	64,577,091	48,615,806
Sub Total B	141,171,770	94,500,472
Grand Total A - B	3,254,284,098	2,760,025,861

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

PENSION FUND (ARMED FORCES)

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
Opening Balance	1,448,541,796	1,258,001,269
Add: Transfer / Adjustments	0	(261,471)
Adjusted Opening Balance	1,448,541,797	1,257,739,798
Add: Contribution received during the year	131,925,244	120,270,930
Interest during the year	80,877,495	70,531,068
Sub Total A	1,661,344,535	1,448,541,796
Less: Pension payment as per last account	69,673,631	44,647,747
Pension payment during the Year	29,746,593	25,025,883
Total Pension Payment	99,420,224	69,673,630
Less: Refund from Pension Fund as per last account	185,512,536	162,803,979
Refund from Pension fund during the year	3,031,248	22,708,558
Total Pension Refund	188,543,784	185,512,537
Sub Total B	287,964,007	255,186,166
Grand Total A - B	1,373,380,528	1,193,355,630

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

LAPSED FUND (CIVIL)

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
Opening Balance	-	348,956
Add: Transferred during the year	-	388,978
Sub Total	-	737,934
Less: Transferred to General Reserve	-	737,934
Total *	-	-

* Lapsed fund consist of Employer's contribution of the members who have gone out of the scheme before contributing for twelve months or terminated from service.

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

LAPSED FUND (ARMED FORCES)

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
Opening Balance	-	381,113
Add: Transferred during the year	-	297,678
Sub Total	-	678,791
Less: Transferred to General Reserve	-	678,791
Total *	-	-

* Lapsed fund consist of Employer's contribution of the members who have gone out of the scheme before contributing for twelve months or terminated from service.

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

GENERAL RESERVE

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
Opening Balance	74,412,787	86,881,914
Add: Transferred from lapsed fund & int on lapsed fund	570,576	1,777,658
Unclaimed Refunds Forfeited	81,765	
Transfer to Revenue Account	18,708,048	
Sub Total	93,773,177	88,659,572
Less: Payment / Adjustments (Net)	172,379	434,622
Transfer to Revenue Account		13,812,163
Total	93,600,798	74,412,787

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

OTHER LIABILITIES

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
Stale Cheques	601,996	520,296
Earnest Money	441,572	204,585
Security Deposit (Contractor)	2,510,464	8,803,773
Performance Guarantee	13,470	90,194
Security Deposit (Rent)	913,700	504,750
Unclaimed Refund Contribution	-	80,607
Unclaimed refund interest	-	1,158
Contribution received in advance	2,002,182	1,261,441
Outstanding liabilities for Expenses	5,104,539	3,511,668
Security Deposit - Power / Tenant (S/Jongkhar)	46,380	46,380
Security Deposit - Power / Tenant (P/Ling)	131,421	131,421
Security Deposit - Power / Tenant (Thimpu)	183,430	184,495
Health contribution payable / Recoveries	-	230,085
Payable to contractor	-	7,476,494
Salary Tax		
PF Payable		
Housing / Education Loan closed A/c - Credit Balance	18,770	19,186
Total	11,967,924	23,066,534

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2009

FIXED ASSETS

Schedule -7

Particulars	Rate of Depreciation	GROSS BLOCK				DEPRECIATION				Net Block as on 30.06.2009	Net Block as on 30.06.2008
		Original cost as on 01.07.08	Addition during the year	Adjustment during the period	Original cost as on 30.06.2009	Accumulated Dep as on 30.06.08	Dep during the year	Adjustment of Depreciation during the period	Total Accumulated Depreciation as on 30.06.09		
R.E Land		34,971,746.35	-	-	34,971,746.35					34,971,746.35	34,971,746.35
R.E Building	3%	255,871,528.86	2,308,927.81	-	258,178,456.47	42,828,924.23	7,716,343.29		50,545,267.52	207,633,188.95	213,042,804.63
R.E Furniture, Fixtures	15%	176,737.00	-	-	176,737.00	159,998.36	9,770.16		168,868.52	7,868.48	17,638.64
R.E Electrical & Fittings	15%	14,586,727.37	-	-	14,586,727.37	8,613,423.93	2,168,009.11		11,001,433.04	3,585,294.33	5,773,300.44
R.E Equipments	15%	122,829.90	50,935.00	-	173,764.90	105,752.48	14,171.62		119,924.10	53,840.80	17,077.42
SUB TOTAL (A)		395,728,589.48	2,357,862.61	-	398,087,432.09	61,987,189.00	9,823,294.18		81,815,483.18	246,251,938.91	253,822,370.48
Office Building	3%	7,468,970.75	-	-	7,468,970.75	503,954.78	224,069.00		728,023.78	6,740,946.97	6,966,915.97
Office electricals & fittings	15%	552,464.11	-	-	552,464.11	183,888.85	82,870.00		266,759.85	285,705.26	368,575.26
Computer & office equipments	15%	9,175,232.45	1,933,679.84	-	11,108,912.29	5,227,389.04	1,120,216.00		6,347,605.04	4,761,307.25	3,947,843.41
Office furniture & fittings	15%	2,387,432.15	172,502.75	-	2,559,934.90	1,387,863.36	255,753.62		1,643,437.18	926,487.72	1,009,748.79
Telephone/EPCOM/LAN	15%	467,416.00	50,754.00	-	518,170.00	337,999.30	48,001.00		386,000.30	132,169.70	129,416.70
Motor Vehicles	15%	2,413,633.71	-	1,140,638.71	1,273,195.00	1,212,418.00	209,628.83	1,091,356.83	300,692.00	942,513.00	1,201,415.71
Carpet	15%	50,892.00	25,600.00	-	76,492.00	31,618.93	8,088.00		38,906.93	36,586.07	19,073.07
Carpet upholstery	15%	78,511.00	-	-	78,511.00	31,997.65	9,892.00		41,479.65	37,031.35	46,913.35
SUB TOTAL (B)		22,684,752.17	2,182,536.59	1,140,638.71	23,646,698.65	8,916,748.91	1,594,590.65	1,091,356.83	9,783,853.73	13,862,756.32	13,688,002.26
GRAND TOTAL (A+B)		328,334,321.65	4,540,399.20	1,140,638.71	331,734,082.14	69,823,948.91	11,686,794.83	1,091,356.83	71,619,386.91	260,114,695.23	267,510,372.74
Previous Financial Year		237,688,695.37	91,107,189.61	461,563.33	328,334,321.65	52,289,663.63	9,954,929.06	442,044.00	68,823,948.63	267,510,373.02	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2008

CAPITAL WORK IN PROGRESS

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
IT Development	3,990,033.26	280,313.82
Furniture	-	50,935.00
Real Estate Development	13,194,063.39	2,599,728.00
Total	17,184,097	2,930,977

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

DETAILS OF INVESTMENTS IN EQUITY SHARES / BONDS

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
QUOTED (AT COST)		
PENDEN CEMENT AUTHORITY LIMITED Note 1		
215453 Equity Shares of Nu. 100/- each fully paid up.	14,450,562.50	14,450,562.50
STATE TRADING CORPORATION OF BHUTAN LIMITED		
9600 Equity shares of Nu. 100/- each fully paid up.	980,000.00	980,000.00
BHUTAN NATIONAL BANK LIMITED Note 2		
916194 Equity shares of Nu. 100 each fully paid up. Note - 1	171,124,678.45	155,854,778.45
KUENSEL CORPORATION LTD		
36750 Equity shares of Nu. 100 each fully paid up	3,675,000.00	3,675,000.00
Total Quoted	190,230,240.95	174,960,340.95
UNQUOTED (AT COST)		
Equity Shares		
DAGACHU HYDRO POWER CORPORATION LIMITED		
486000 Equity Share of Nu.1000 each (Paid up Nu 142 per share)	69,012,000.00	---
Bond		
7.50%DRUK AIR BOND - 2013	421,630,000.00	421,630,000.00
7.50%DRUK AIR BOND - 2014 (Guaranteed by The Royal Government of Bhutan)	188,131,000.00	188,131,000.00
Total unquoted	678,773,000.00	609,761,000.00
Total	869,003,240.95	784,721,340.95

* Market value of quoted Shares as on 30.06.2008 is Nu.592,905,800.00
(Previous Year Nu. 612899275)

Note 1 : Penden Cement Shares include 71,818 bonus shares received in 2008-09

Note 2 : BNB Shares include Right Issue of 152,699 shares @ Nu.100 per share in 2008 - 09

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

<u>OTHER INVESTMENTS</u>		
	AS AT 30.06.2009	AS AT 30.06.2008
	Nu	Nu
Deposits		
Fixed Deposit - Bank of Bhutan Ltd.	107,300,000.00	137,600,000.00
- Bhutan National Bank Ltd.	1,644,600,000.00	908,500,000.00
RMA Discount Bills	187,790,250.00	0.00
Sub Total	1,939,690,250.00	1,046,100,000.00
Loans		
To The Royal Government of Bhutan		
Loan to Ministry of Finance – Druk Air	744,116,100.00	850,418,400.00
To Institutions / Companies		
Secured Loan to Royal Insurance Corpn of Bhutan Ltd. - Note - 1	757,000,000.00	780,000,000.00
Partially secured Loan to Bhutan Dev. Finance Corp. Ltd - Note - 2	660,000,000.00	670,000,000.00
Secured Loan to Tashi Infocom Ltd. Note - 3	187,862,169.20	123,112,169.20
Secured loan to Bhutan Telecom Ltd Note - 4	-	8,059,678.72
Secured Loan to Bhutan Ferro Alloys Ltd. - Note - 5	318,936,986.32	358,804,109.60
Secured Loan to Druk Ferro Alloys Ltd.. Note - 6	38,035,000.00	26,200,000.00
Loan to Bhutan Broadcasting Services Ltd Note - 7	6,100,000.00	6,100,000.00
Sub Total	2,712,050,255.52	2,822,694,357.52
To Members		
Pension Loan	167,527.16	259,203.23
Housing Loan	964,630,752.16	849,058,745.50
Education Loan	595,528,866.87	500,390,494.13
Vehicle Loan	2,995,229.25	-
Sub Total	1,563,322,375.44	1,349,708,442.86
TOTAL	6,215,062,880.96	5,218,502,800.38
Less: Provision for Non Performing Loans.	11,763,992.00	11,291,772.02
Total	6,203,298,889	5,207,211,028

Note -1: Secured by the Book Debts, Land and Investments in Equity Shares

Note -2: Nu.90 million is unsecured and the balance is secured by mortgage of Land, Fixed deposit and Government Guarantee.

Note -3: The loan is secured by mortgage of the assets of the project and additional collateral of Fixed assets equivalent to 50% of loan.

Note -4: The loan is secured by mortgage of the Land and Building of the Company.

Note -5: The loan is secured by mortgage of the Land, Factory Building and Plant & Machinery of the Company.

Note -6: The loan is secured by mortgage of all the Fixed Assets of the Company.

Note -7: The loan is secured by mortgage of the Land and Building of the Company.

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

ADVANCES AND OTHER DEPOSITS

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu.	Nu.
Security Deposit - Power / Rent	325,005.00	325,005.00
Security Deposit - Water meter	63,000.00	63,000.00
Rent Receivable	2,026,755.00	1,371,160.00
Dividend Receivable	-	-
Interest accrued but not due	199,997,575.85	176,768,618.75
Other Receivable	69,559.76	15,210.00
Advance to Contractors	-	-
Staff Advance	1,038.90	26,862.88
Prepaid Expenses	414,393.75	265,797.50
Recoveries	444,000.00	-
Total	203,341,328	178,835,654

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2009

CASH AND BANK BALANCES

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu.	Nu.
Cash at Bank	6,745,724.07	64,993,247.31
Petty Cash	10,365.81	3,997.31
Total	6,756,090	64,997,245

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE REVENUE ACCOUNT AS AT 30TH JUNE' 2009

Revenue Income:	AS AT 30.06.2009	AS AT 30.06.2008
Income from Investment	Nu.	Nu.
Manufacturing & Industries		
Interest on Loan to Bhutan Ferro Alloys Limited	34,343,486.94	38431777.03
Interest on Loan to Druk Ferro Alloys Limited	4,147,731.95	2313008.22
	38,491,218.89	40,744,785.25
Service & Tourism		
Interest on Loan to Bhutan Telecom Limited	282,088.77	1372609.71
Interest on Loan to Tashi Infocom Limited	15,641,817.36	7051766.74
Interest on Loan to Bhutan Broadcasting Services Limited	381,250.62	382032.67
Interest on Druk Air Bond	45,732,075.00	45732074.99
	62,037,231.75	54538484.11
Institutions/RGOB		
Interest on Loan to Bhutan Development Finance Corporation Limited	46,126,438.37	19514676.25
Interest on Loan to Royal Insurance Corporation of Bhutan Limited	59,041,924.12	35019400.78
Interest on Loan to RGOB Budget Fund Account	41,166,657.83	46901157.24
	146,335,020.32	101,435,234.27
Members and Staff		
Interest on Loan to Members-Housing	86,146,660.00	72843520
Interest on Loan to Members-Education	48,260,673.00	47502380
Interest on Loan to Members - Pension	27,113.33	54132.07
Interest on Loan to Staff- Vehicle	125,553.00	0
	134,559,999.33	120,400,032.07
Deposits		
Interest on RMA Discount Bills	8,798,425.00	13297332.31
Interest on Fixed Deposits with Banks	52,757,165.81	45890904.47
	61,555,590.81	59,188,236.78
	442,979,061.10	376,306,772.48

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE REVENUE ACCOUNT AS AT 30TH JUNE' 2009

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu.	Nu.
Dividend Income		
Bhutan National Bank Ltd	26,111,529	12,215,920
State Trading Corporation of Bhutan Ltd	196,000	-
Penden Cement Authority Ltd	15,081,710	12,927,150
Kunsel Corporation Ltd	330,750	257,250
	41,719,989	25,400,320

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

SCHEDULES FORMING PART OF THE REVENUE ACCOUNT AS AT 30TH JUNE' 2009

OTHER INCOME

	AS AT 30.06.2009	AS AT 30.06.2008
	Nu.	Nu.
Interest on Lapsed Fund	-	-
Miscellaneous Income *	3,347,631.48	1,183,901.67
Total	3,347,631	1,183,902

* Includes processing fees on Housing & Education Loan Nu. 0.251 mios (Previous year Nu. 0.334 mios)
3,347,631.48

NATIONAL PENSION AND PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE REVENUE ACCOUNT AS AT 30TH JUNE 2009

DETAILS OF COMMON EXPENSES TO BE DISTRIBUTED TO PF & PENSION AS ON 30.06.2009

	Sr. Mgt Exps	Admin. Exps	Finance Exps	Investment	IT Expenses	RE Expenses	Grand Total	Pension - 60%	PF - 40%
Pay & Allowance	1,255,188.50	3,217,282.48	3,904,473.50	3,701,425.50	1,818,332.25	3,910,174.50	17,806,878.73	10,684,126.04	7,122,750.69
Actuarial Consultancy fees	-	-	10,000.00	-	-	-	10,000.00	6,000.00	4,000.00
Overseas training	1,005,236.19	1,262,181.50	718,082.74	637,389.75	213,866.10	910,793.30	4,747,549.58	2,848,529.75	1,899,019.83
Canteen expenses	10,883.62	65,475.40	23,772.00	28,384.00	51,478.85	34,162.20	214,156.07	128,493.64	85,662.43
Printing & Stationary	25,294.00	442,451.00	40,087.00	45,385.50	28,405.00	47,879.50	629,502.00	377,701.20	251,800.80
Postage	750.00	131,081.00	-	11,100.00	-	6,365.50	149,296.50	89,577.90	59,718.60
Telephone Expenses	50,534.00	363,236.00	-	12,233.50	345,753.13	43,612.50	815,369.13	489,221.48	326,147.65
Entertainment expenses	214,350.50	199,073.80	-	-	-	4,430.00	417,854.30	250,712.58	167,141.72
Rent	-	180,000.00	-	-	-	-	180,000.00	108,000.00	72,000.00
Travelling & Conveyance	112,792.10	521,417.00	327,238.00	245,710.00	39,142.00	245,730.00	1,492,029.10	895,217.46	596,811.64
Advertisement	-	233,085.00	-	125,262.50	-	-	358,347.50	215,008.50	143,339.00
Motor Car Expenses	20,158.00	271,649.07	1,500.00	-	-	13,974.19	307,281.26	184,368.76	122,912.50
Bank Charges	-	-	1,352,193.59	-	1,355.00	-	1,353,548.59	812,129.15	541,419.44
Rates & Taxes	-	-	-	-	-	270,858.29	270,858.29	162,514.97	108,343.32
Insurance	-	-	-	-	-	728,417.20	728,417.20	437,050.32	291,366.88
Office Maintenance/Furniture Maint	-	752,820.68	1,600.00	(2,050.00)	-	112,272.98	864,643.66	518,786.20	345,857.46
Seminar / workshop / conference	-	938,538.00	-	1,100.00	44,550.00	-	984,188.00	590,512.80	393,675.20
Sitting Fees	458,360.00	19,186.00	-	-	-	-	477,546.00	286,527.60	191,018.40
IT Expenses / AMC	25,463.00	20,079.00	12,110.00	16,702.00	766,056.13	8,600.00	849,010.13	509,406.08	339,604.05
Books and Periodicals	14,000.00	24,831.00	-	-	-	430.00	39,261.00	23,556.60	15,704.40
Subscription and donation	124,800.00	10,092.00	-	-	-	-	134,892.00	80,935.20	53,956.80
Brokerage	-	-	-	-	-	-	-	-	-
Gifts / presentations	22,300.00	2,320.00	-	-	-	-	24,620.00	14,772.00	9,848.00
Audit fees and expenses	-	3,402.00	161,814.00	-	-	-	165,216.00	99,129.60	66,086.40
Amortisation of deferred Revenue Expenses/software	-	-	-	-	282,585.00	-	282,585.00	169,551.00	113,034.00
Miscellaneous Expenses	-	-	1,377.96	-	-	-	1,377.96	826.78	551.18
RE maintenance	0	0.00	0	0	0	3,879,564.49	3,879,564.49	2,327,738.69	1,551,825.80
Loss on sale of assets	0	0.00	-	0	0	-	-	-	-
Centenary celebration expenses	0	67,730.50	-	0	0	-	67,730.50	40,638.30	27,092.20
Security hiring charges	0	-	-	0	0	-	-	-	-
Written off Loans	-	0.00	-	31,550.00	0.00	-	31,550.00	18,930.00	12,620.00
PROVISION FOR NPL	0	0.00	0.00	-	0.00	-	-	-	-
GRAND TOTAL	3,340,109.91	8,725,931.43	6,554,248.79	4,854,192.75	3,591,523.45	10,217,264.65	37,283,270.98	22,369,962.59	14,913,308.39

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

DETAILS OF PF & PENSION EXPENSES AFTER ALLOCATION OF COMMON EXPENSES AS ON 30.06.2009

	PF Mgt. Exps	40% of common Exps	AS ON 30.06.2009	AS ON 30.06.2008	Pension Mgt. Exps	60% of common Exps	AS ON 30.06.2009	AS ON 30.06.2008
Pay & Allowance	1,722,634.50	7,122,750.69	8,845,385.19	7,643,999.81	1,816,305.75	10,684,126.04	12,500,431.79	11,161,321.71
Actuarial Consultancy fees		4,000.00	4,000.00	18,180.00		6,000.00	6,000.00	28,113.90
Overseas training	37,391.00	1,899,019.83	1,936,410.83	1,170,469.48	27,807.25	2,848,529.75	2,876,337.00	1,375,749.24
Canteen expenses	21,936.00	85,662.43	107,598.43	78,687.20	13,548.00	128,493.64	142,041.64	113,980.80
Printing & Stationary	43,429.00	251,800.80	295,229.80	300,600.70	34,195.00	377,701.20	411,896.20	565,361.06
Postage	37,710.00	59,718.60	97,428.60	80,848.80		89,577.90	89,577.90	121,273.20
Telephone Expenses		326,147.65	326,147.65	287,715.88		489,221.48	489,221.48	433,673.82
Entertainment expenses		167,141.72	167,141.72	89,659.48		250,712.58	250,712.58	134,489.22
Rent		72,000.00	72,000.00	79,200.00		108,000.00	108,000.00	118,800.00
Travelling & Conveyance	103,410.00	596,811.64	700,221.64	425,961.76	101,300.00	895,217.46	996,517.46	753,814.63
Advertisement		143,339.00	143,339.00	99,356.48	11,070.00	215,008.50	226,078.50	149,034.72
Motor Car Expenses		122,912.50	122,912.50	207,564.00		184,368.76	184,368.76	311,345.99
Bank Charges		541,419.44	541,419.44	299,802.15	241,161.43	812,129.15	1,053,290.58	634,790.73
Rates & Taxes		108,343.32	108,343.32	235,958.58		162,514.97	162,514.97	353,937.88
Insurance		291,366.88	291,366.88	138,861.72		437,050.32	437,050.32	208,292.58
Office Maintenance		345,857.46	345,857.46	149,926.28		518,786.20	518,786.20	219,911.43
Seminar / workshop / conference		393,675.20	393,675.20	45,668.00	82,130.00	590,512.80	672,642.80	279,863.40
Sitting Fees		191,018.40	191,018.40	108,400.00		286,527.60	286,527.60	162,600.00
IT Expenses / AMC	8,795.00	339,604.05	348,399.05	172,160.60	18,201.00	509,406.08	527,607.08	259,762.40
Books and Periodicals		15,704.40	15,704.40	9,792.40		23,556.60	23,556.60	14,688.60
Subscription and donation		53,956.80	53,956.80	800.00		80,935.20	80,935.20	1,200.00
Brokerage		-	-	8,000.00		-	-	12,000.00
Gifts / presentations		9,848.00	9,848.00	8,420.00		14,772.00	14,772.00	12,630.00
Audit fees and expenses		66,086.40	66,086.40	54,493.60		99,129.60	99,129.60	81,740.40
Amortisation of deferred Revenue Expenses/software		113,034.00	113,034.00	188,832.40		169,551.00	169,551.00	283,248.60
Miscellaneous Expenses		551.18	551.18	279.49		826.78	826.78	(419.24)
RE maintenance		1,551,825.80	1,551,825.80	156,891.34		2,327,738.69	2,327,738.69	235,337.00
Loss on sale of assets		-	-	-		-	-	-
Contenary celebration expenses		27,092.20	27,092.20	-		40,638.30	40,638.30	-
Membership Fees ISSA		-	-	-	726,994.70	-	726,994.70	-
Leaseline and Internet Chgs		12,620.00	12,620.00	-		18,930.00	18,930.00	-
GRAND TOTAL	1,762,005.50	14,913,308.39	16,888,613.89	12,059,971.17	3,072,713.13	22,369,962.59	25,442,675.72	18,026,542.07

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

**SIGNIFICANT ACCOUNTING POLICIES FOR THE
YEAR ENDED 30th JUNE 2009.**

1. The accounts are prepared on accrual basis except for interest on delayed receipt of rent from tenants and penal interest on delayed receipt of contribution from agencies, which are considered 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 Limited 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. Common expenses between the Pension and Provident fund are distributed on the basis of each fund size at the beginning of the year.
4. Final return on members' account is decided by the National Pension Board and credited to members' account based on approval of the Board.
5.
 - a) Fixed Assets transferred from Royal Insurance Corporation of Bhutan Limited (erstwhile managers of GEPF) are disclosed at original cost and corresponding accumulated depreciation. Land cost is inclusive of the expenses incurred for land development. The other Fixed Assets are stated at the historical cost and/or at the cost of procurement/acquisition.
 - b) The depreciation on Fixed Assets is 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.
 - c) The cost of buildings is inclusive of land cost where the building is purchased with land.
6. Capital work in progress is 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.
7. Expenditure on ongoing revenue projects for 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.
10. Capital Grant is set off against value of assets procured out of such Grant as per International Accounting Standard.
11. 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, 2009**

1. An Executive Order No.MOF/Pension/4841 dated 30th March 2000 issued by Honourable Minister of Finance, subsequent to which 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 and working rules of NPPF.
2. The status of the 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. Pending creation of Gratuity Trust and corresponding transfer of fund, Investment of Gratuity fund Nu. 5,697,761/- (Previous Year-Nu. 5,050,790/-) has been shown as Gratuity Investment and Nu. 6,348,850/- (Previous Year-Nu. 5,408,201/-) as Gratuity Liability as on 30th June' 2009. Gratuity Investment includes Interest Receivable on Bank Deposits Nu..740,886 (Previous Year – Nu.609,784/-)
4. NPPF has the following commitments as on 30 June 2009 :
 - a. Capital Expenditure Nu.11.49 million for real estate and software development.
 - b. Nu.417 million towards uncalled equity share subscription for Dagachu Hydro Power Project.
 - c. Nu.689 million loans sanctioned but yet to be disbursed to Dagachu Hydro Power Project and Dungsum Cement Project and Tashi Infocom Ltd.
5. Return to the members @ 6.5% (previous year 6.50%) for the year has been decided by the National Pension Board during the 46th Board meeting held on 23rd November' 2009.
6. Previous year figures have been regrouped/rearranged wherever necessary.

Signature to Schedules 1 to 19


DIRECTOR


CHAIRMAN

