

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



**SEVENTH ANNUAL REPORT
2006-2007**

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
CHAPTER I	3
FINANCIAL PERFORMANCE DURING THE YEAR.....	3
1.1 Revenue.....	3
1.2 Expenses	4
1.3 Balance sheet	5
1.4 Budget Vs actual expenses.....	6
CHAPTER II.....	7
CIVIL PENSION PLAN	7
2.1 Pensioners and benefit payment.....	7
2.2 Year wise pension benefit payment	8
2.3 Pension delivery system.....	8
2.4 Challenges.....	8
2.5 Impact of ad-hoc pay increases.....	9
2.6 Future plans.....	9
CHAPTER III	10
ARMED FORCES PENSION SCHEME.....	10
3.1 Activities.....	11
3.2 Challenges.....	11
CHAPTER IV	12
PROVIDENT FUND OPERATIONS.....	12
4.1 Contribution and payment.....	12
4.2 Rate of return on contribution.....	12
4.3 Future plans.....	13
CHAPTER V	14
INVESTMENT AND CREDIT OPERATIONS.....	14
5.1 Overall investment performance.....	14
5.2 Investment Activities	14
5.3 Credit operations.....	15
5.3.1 Member Housing Scheme	15
5.3.2 Member Education Scheme.....	15
5.4 Non Performing Loans.....	16
5.5 Future plans.....	16

CHAPTER VI	17
REAL ESTATE MANAGEMENT	17
6.1 Residential properties.....	17
6.2 Face lifting works and consultancy services.....	18
6.3 Application for apartments	18
6.4 Ongoing construction project.....	18
6.5 Financial review.....	18
6.6 Future plans.....	19
CHAPTER VII.....	20
INFORMATION TECHNOLOGY	20
7.1 Activities.....	20
7.2 Future plans.....	20

BOARD OF DIRECTORS

- | | | |
|---|---|------------------|
| 1 | H.E. Lyonpo Wangdi Norbu, Hon'ble Minister
Ministry of Finance | Chairman |
| 2 | Dasho Bap Kesang, Secretary
Royal Civil Service Commission | Director |
| 3 | Mr. Daw Tenzin, Managing Director
Royal Monetary Authority | Director |
| 4 | Lt. Col. Penden Wangdi
Royal Bhutan Army | Director |
| 5 | Mr. Pema Wangda, Director
Ministry of Labour & Human Resources | Director |
| 6 | Mr. Bap Kinga, Secretary General
Bhutan Chamber of Commerce & Industries | Director |
| 7 | Mr. Dubthob Wangchug, Director
National Pension & Provident Fund | Member Secretary |

TECHNICAL ADVISORY COMMITTEE (TAC)

- | | | |
|---|---|------------------|
| 1 | Ms. Sangay Zam, Director
Department of Revenue & Customs | Chairperson |
| 3 | Mr. Tobgay S. Namgyal, Director
Bhutan Trust Fund for Environmental Conservation | Member |
| 4 | Mr. Bachu Phub Dorji, Head, Policy and Planning
Royal Civil Service Commission | Member |
| 5 | Mr. Kapil Sharma, Head, Public Enterprise
Ministry of Finance | Member |
| 6 | Mr. Phajo Dorji, Deputy Head
FISD, Royal Monetary Authority | Member |
| 7 | Mr. Dubthob Wangchug, Director
National Pension & Provident Fund | Member Secretary |
| 8 | Ms. Sayden, Head, Investment and Credit Division
National Pension & Provident Fund | Member |

ORGANIZATION STRUCTURE

HEAD OFFICE

Executive

Director Mr. Dubthob Wangchug

Investment & Credit

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

Finance & Accounts

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

Provident Fund

Head Mr. Jigme Tenzing

Pension

Head (Civil) Mr. Sonam Yeshey
Head (Armed Forces) Mr. Tshering Dorji

Information Technology

Head Mr. Phub Dorji

Administration & HRD

Head Ms. Meera Gurung

Real Estate

General Manager Mr. Phuntsho Wangdi

PHUENTSHOLING

Program Assistant, Real Estate Mr. Ram Chandra Darjee

SAMDRUP JONKHAR

Program Assistant, Real Estate Mr. Yonten Jamtsho

AUDITORS

S.N. Mukherji & Co. Chartered Accountants
1 B, Old Post Office Street,
Kolkata 700 001

BANKERS

Bank of Bhutan
Bhutan National Bank

CONTACT ADDRESS

National Pension and Provident Fund
Post Box 1046, Thimphu
Phone # +975-2-324140/325758
Fax# +975-2-324306
Email: npb@druknet.bt
Website: www.nppf.org.bt

EXECUTIVE SUMMARY

Since the National Pension and Provident Fund (NPPF) commenced operations in July 2002, it has not only proved beneficial to the members by providing them a safety net in old age but also improved their quality of life after retirement. The scheme has benefited the family of members immensely as NPPF supports the livelihood of the family upon the death of a member.

As Bhutan prepares to move to parliamentary democracy, political parties are being formed and many individuals have resigned from the Government organizations and ministries to pursue political careers. The number of retirees from both the civil and the armed forces combined reached an all time high of 2,174 people during the year, which can be partly attributed to the above developments. As a result, the payment of benefits has also increased during the year. During the year, 1,507 pensioners and beneficiaries from the civil and the armed forces were paid Nu. 28.97 million as pension, and Nu. 311.54 million as lump sum refund from Pension and Provident Funds.

Due to advanced medical care and improved health facilities in the country, the life expectancy of the average Bhutanese is on the rise. This means that NPPF has to make pension payment to the retirees for longer period of time. The number of pensioners and beneficiaries that are increasing every year is a threat to the sustainability of the Pension Fund. In 2006, there were 1,088 beneficiaries. Today there are 1,507 beneficiaries a sharp increase by 38.51 percent.

Further, the salary revision of the civil servants during the year has pushed the Average Civil Service Salary Index up by 34.49 percent. This has resulted in the NPPF having to make extra payment of 33.77 percent to each pensioner every month thereby adversely affecting the sustainability of the Pension Fund.

To sustain the pension liabilities, it is a pre-requisite for the NPPF to have ample investment opportunities that can guarantee adequate long term returns on the fund. However, it has become increasingly difficult for NPPF to find adequate investment avenues in the country. To add to the challenges, banks have decreased the interest rates further from 3 percent to 2 percent on the short-term deposits during the year. In spite of the above concerns, the NPPF is able to declare a return of 6.80 percent to the members during the year.

As in the past, the NPPF carried out awareness campaigns for the members across the country to make them understand the benefits of the scheme and also educate them on credit facilities provided by the NPPF.

The challenges that concern the sustainability of the pension scheme are many. They mainly include the need to enhance returns on investments. Every care is therefore taken to see that investment returns are maximized to cover pension liabilities as far as possible. Furthermore, the NPPF is also working to bring services and benefits closer to beneficiaries by expanding its services and adding value to the lives of thousands of

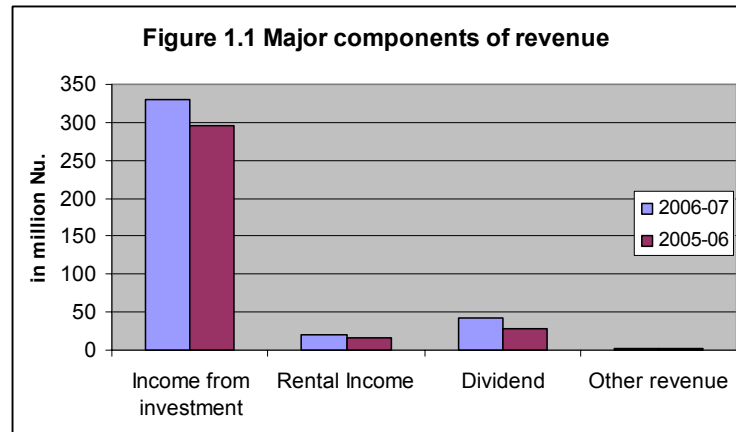
people. Meeting the expectations of the members is deeply ingrained in the Board and the employees of the NPPF. It is therefore the NPPF's policy to work towards enhancing net worth of the organization to meet the expectations of its members.

CHAPTER I

FINANCIAL PERFORMANCE DURING THE YEAR

1.1 Revenue

During the year under review, NPPF generated gross revenue of Nu.392.03 million compared to Nu.342.39 million during the previous year, thereby achieving a growth of 14.50 percent. As a result, the return on the fund has increased from 6.89 percent in the previous year to 7.04 percent during the current year (Figure 1.1).



The increase in revenue can be attributed to the following:

1. The interest on Housing loan increased from Nu.39.31 million in 2005-06 to Nu.56.76 million in 2006-07.
2. The interest on Education loan increased from Nu.32.53 million in 2005-06 to Nu.42.07 million in 2006-07.
3. The interest on loan to Bhutan Ferro Alloys has increased from Nu.17.86 million during 2005-06 to Nu.38.44 million during 2006-07.
4. The dividend income from Bhutan National Bank increased to 100 percent during 2006-07, resulting in an increase of Nu.9.16 million. The dividend of Penden Cement Authority increased to 75 percent in 2006-07, resulting in an increase of Nu.3.69 million.
5. Kuensel Corporation also declared 7 percent dividend for the first time.
6. Rental income also increased from Nu.16.71 million in 2005-06 to Nu.20.05 million during 2006-07. This was mainly due to increase in rent from September 2006 and the rent earned by four residential buildings and one commercial complex which was rented out during April 2006 for the full year during 2006-07 compared to only three months during 2005-06.

Table 1.1 Financial Highlights

Summary of Consolidated Financial Information for 5 years					
PARTICULARS	Figures in million Nu.				
	2006-07	2005-06	2004-05	2003-04	2002-03
REVENUE					
Income from Investment	329.20	295.85	199.71	140.24	128.69
Rental Income	20.05	16.71	13.01	11.65	10.73
Dividend	41.57	28.46	22.60	16.54	12.62
Other Revenue	1.21	1.37	1.38	1.31	2.88
TOTAL OPERATING REVENUE	392.03	342.39	236.69	169.74	154.92
% increase in Total Revenue	14.50%	44.66%	39.44%	9.57%	20.77%
% of return to fund size	7.04%	6.89%	5.52%	4.66%	4.95%
EXPENSES					
Total Management Expenses	30.09	25.08	25.14	20.78	19.87
Depreciation	8.91	7.36	5.47	4.71	4.06
Provision for std assets	10.28	5.84	6.03	5.25	
Provision for NPL	(0.45)	3.30	2.43		
TOTAL EXPENSES	48.83	41.57	39.07	30.74	23.93
% of expenses to Fund size	0.88%	0.84%	0.91%	0.84%	0.76%
Surplus before extraordinary item	343.20	300.82	197.62	139.00	130.99
Extra ordinary Income			71.57		10.11
Transfer from / (to) Reserve	(3.56)	(4.53)	(25.35)	22.81	
Distributable surplus	339.64	296.29	243.84	161.81	141.10
Return to members		6.75%	6.50%	5.00%	4.79%
FUND SIZE	5,564.79	4,971.72	4,285.82	3,640.29	3,129.99

1.2 Expenses

During the year, the percentage of expenses to the fund was 0.84 percent despite the effect of salary increase since January, 2007. The overall percentage of salary to revenue came to 4.80 percent against the benchmark of 5%.

It would have been much lower if it was not for the provisions made on standard assets. NPPF had adopted the method of provisioning on standard assets based on the suggestions of RMA. Until 2005-06, provisioning was not made for loans to companies where government had holdings but as per RMA's guidelines the same was made this year, which led to an increase in standard asset provisioning. However, the NPPF has

been able to manage its NPL well and as such, the provisioning of NPL decreased compared to 2005-06.

1.3 Balance sheet

Table 1.2 below shows the percentage increase of the fund during 2006-07 as compared to 2005-06.

Table 1.2 Comparison of Fund size: 2006-07 and 2005-06

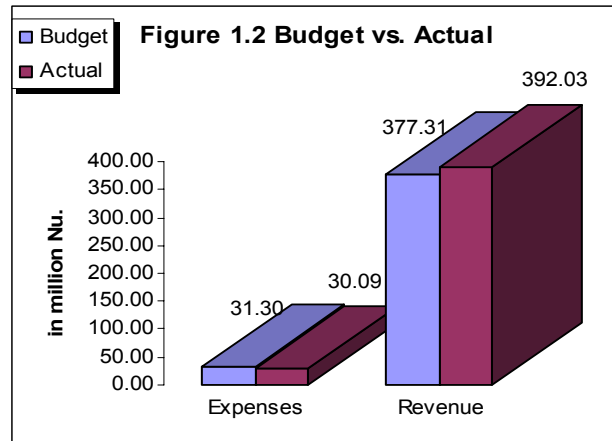
PARTICULARS	Figures in million Nu.		
	2006-07	2005-06	% +/-
LIABILITIES			
Members & Employers Contribution to PF - Civil	961.56	823.91	16.71%
Members & Employers Contribution to PF - Armed Forces	476.42	490.54	-2.88%
Interest credited to Members PF account - Civil	459.56	392.41	17.11%
Interest credited to Members PF account - Armed Forces	201.26	199.68	0.79%
Pension Fund - Civil	2,307.23	1,923.84	19.93%
Pension Fund - Armed Force	1,050.52	1,032.70	1.73%
Lapsed Fund - Civil	0.35	1.23	-71.49%
Lapsed Fund - Armed Force	0.38	1.13	-66.26%
General Reserve	86.88	80.99	7.28%
Other Liabilities	14.19	19.44	-27.01%
Gratuity Liability	4.79	3.36	42.47%
Interest In Suspenses	1.65	2.50	-33.92%
TOTAL	5,564.79	4,971.72	11.93%
ASSETS			
Fixed Assets:			
Gross Block	237.69	236.52	0.49%
Less: Accumulated Depreciation	52.21	43.30	20.57%
Net Block	185.48	193.22	-4.00%
Capital Work in progress	68.64	50.10	37.01%
Deffered Revenue Expenditure	1.06	0.85	24.78%
Investment in Equity shares / Bonds	784.72	784.72	0.00%
Other Investments	4,366.07	3,803.73	14.78%
Advance & Other Deposits	137.79	125.14	10.11%
Cash & Bank Balances	17.47	11.20	55.98%
Gratuity Asset	3.55	2.76	28.65%
TOTAL	5,564.79	4,971.72	11.93%

During the year, in view of the Government's policy to reduce the strength of the Armed Forces, many personnel left service resulting in the reduction of the Armed Forces Fund. As a result, the member and employer contributions to the Armed Forces PF declined including the interest in the fund. Also, the number of retirees from the civil increased as

many individuals resigned from Government organizations and ministries to pursue political careers. In spite of the reduction in the members, the overall growth of the fund has been impressive with 11.93 percent growth compared to its growth in the last year and has crossed Nu. 5.50 billion.

1.4 Budget Vs actual expenses

During 2006-07 the budgeted management expenses was Nu.31.30 million against which the actual expense was only Nu.30.09 million resulting in a saving of 3.87 percent. In terms of revenue, the budgeted revenue was Nu.377.31 million against which the actual revenue was Nu.392.03 million representing an improvement of 4 percent (Figure 1.2)



CHAPTER II CIVIL PENSION PLAN

The Pension Plan is a defined benefit plan covering six different types of benefits: Retirement, Permanent Disability, Spouse, Children, Orphan and Dependent Parent Pension benefits.

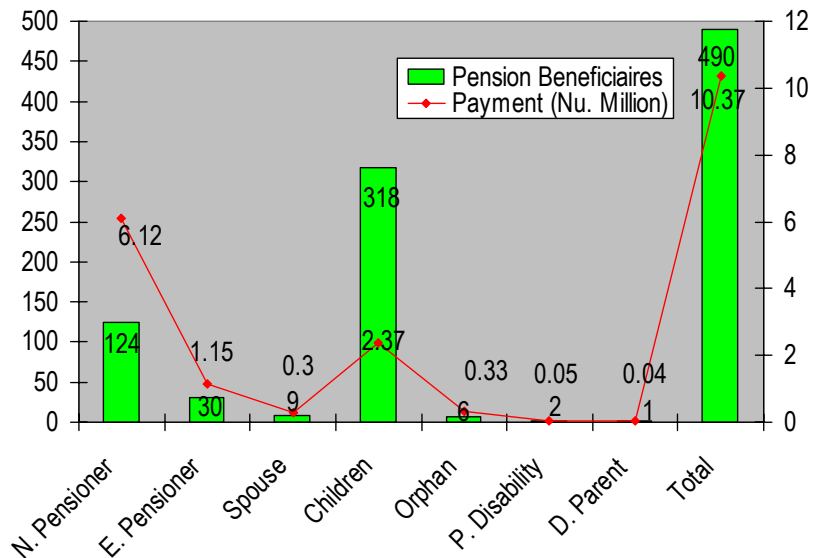
Under the present pension plan, members with more than 10 years of contributions are entitled to pension benefits provided they have reached the minimum retirement age of 56 years. However, those employees who exit from service prior to superannuation age may opt to receive reduced early retirement pension as early as 51 years of age.

2.1 Pensioners and benefit payment

During the year 2006-2007, there were 331 retirees of which 130 were pensioners and 201 were lump sum beneficiaries. The total number of pensioners during the year increased by 130 compared to 2005-2006. As of June 2007, the total number of pensioners reached 490 out of which 124 were normal pensioners. As the number of retirees increases year by year, the ratio of retirees to active participants continues to rise. The ratio of retirees to active participants rose from 1.40 percent in 2002-2003 to 3.30 percent during 2006-2007.

Due to an increase in the number of pensioners, pension benefit payments have continued to increase. During the year 2006-2007, pension benefit payments totaled Nu. 10.37 million (Figure 2.1) representing an increase of 30 percent compared to the previous year.

Figure 2.1 Pensioners and benefit payment



2.2 Year wise pension benefit payment

As of June 2007, there were 490 pensioners. The benefit payment totaled Nu. 26.77 million. Since the inception of the pension plan, pension benefit payments have increased more than nine times reaching Nu. 10.37 million during 2006-2007 (Table 2.1).

Table 2.1 No. of pensioners and payments for the last 5 years

Financial Year	No. of Pensioners	Pension Payment (Nu. million)
2002/2003	38	1.20
2003/2004	125	2.56
2004/2005	228	4.63
2005/2006	360	8.01
2006/2007	490	10.37
Total		26.77

2.3 Pension delivery system

Initially, delivery of pension benefits was outsourced to the Bank of Bhutan. In July 2006, the NPPF also signed MoU with Bhutan Post for the delivery of pension benefits to take services to the doorsteps of beneficiaries.

About 4 percent of the total pensioners are now availing benefits through Post Offices. As a special arrangement, Bhutan Post facilitates home delivery of benefits when pensioners are unable to visit Post Office. From the feedback received by the NPPF, the arrangement with Bhutan Post has proved to be one of the most effective channels of delivering pension benefits, especially to those pensioners residing in remote areas.

2.4 Challenges

NPPF always seeks to provide prompt and efficient services to its members. However, it faces several challenges in meeting its goals to deliver prompt services. As such, the NPPF is educating members on these issues so that they understand the system and procedures of the NPPF while claiming the benefits.

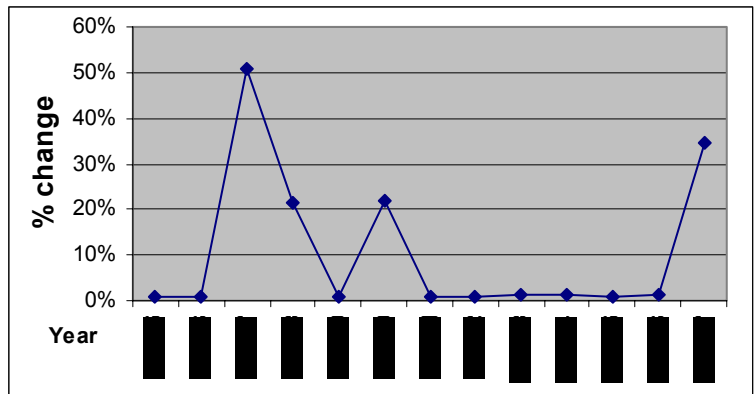
During the year, Pension officers made personal visits to members to educate them and resolve problems encountered by the NPPF with the agencies. The members have expressed their appreciation on the *first-time-personal* visit made by NPPF staff. The visits provided a forum to discuss operational aspects of the plan with agencies. It also gave an opportunity to those members nearing retirement and those who did not have an opportunity to attend NPPF workshops to understand the systems and procedures of the NPPF.

2.5 Impact of ad-hoc civil service pay increase to the sustainability of the pension plan

Pension benefits currently administered by NPPF are a defined benefit scheme indexed to the annual average civil service wage (ACSSI). Therefore, any increase in the civil service salary adversely affects the sustainability of the pension plan. Experiences of ad-hoc increases in the civil service wage in the past years are presented in Figure 2.2 in order to fully appreciate the effects.

Figure 2.2 ACSSI trend for past years

The fact that pension is indexed to the wage growth of the civil service would proportionately increase the pension benefits. The salary revision of civil service in July 2006 increased pension benefits by about 34.49 percent. This means the liability for existing pensioners including survivor beneficiaries have increased by 33.77 percent per year. Future increase in the Pension Liability will depend on the trends of ad-hoc civil service salary increase.



2.6 Future plans

One of the important objectives of the NPPF is to improve of its services. In order to meet this objective, the NPPF has planned to undertake the following programs:-

1. Continually assess members' need by carrying out familiarization workshop.
2. Strengthen efforts to identify and educate hard-to-reach segments of the members and those nearing retirement through personal-visits.
3. Review Pension Delivery Rules to improve operational flexibility.
4. Expand the scope of Site Offices in Phuntsholing and Samdrup Jongkhar to facilitate service delivery for pension and provident fund claims.
5. Prepare a long-term strategic plan to improve the sustainability of the pension scheme.

CHAPTER III
ARMED FORCES PENSION SCHEME

The Armed Forces Pension and Provident Fund Scheme was launched in July 2002 to provide pension benefits to the members of the Armed Forces and surviving family of deceased members. Under the surviving family benefits, it covers spousal, children and dependent parent benefits. It also provides for Permanent Disability benefits to members permanently disabled while in service.

The Armed Forces Pension and Provident Fund could have grown further had it not been for the significant reduction in the Armed Forces strength during the year. With the Government's policy to maintain a compact Armed Force, many members of the Armed Forces personnel resigned during the year. Some more members are expected to retire during the next financial year.

Table 3.1 shows the number of pensioners and beneficiaries since inception till date. It also indicates that the number of pensioners and beneficiaries, except for the disabled, have been increasing every year.

Table 3.1 Number of pensioners by category for past 5 years

Types of Benefits	No. of Beneficiaries				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Normal Pensioners	67	127	227	322	455
Early Pensioners	27	63	99	128	171
Surviving Spouse	15	37	57	91	114
Surviving Children	31	80	122	177	223
Orphan Beneficiaries	0	0	5	8	10
Dependent Parents	0	0	0	2	3
Total	140	307	510	728	976

The payment for benefits mentioned above has increased over the years. During the year, Nu. 18.61 million was paid out in the form of pension and benefits. Table 3.2 shows the comparative trend of the amount paid each year since inception till date:

Table 3.2 Pension benefit paid by category for past 5 years

Types of Benefits	Benefits paid in million Nu.				
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Normal Pensioners	0.84	2.77	5.31	8.10	12.94
Early Pensioners	0.24	0.98	1.71	2.24	3.10
Surviving Spouse	0.11	0.48	0.71	1.18	1.64
Surviving Children	0.05	0.26	0.39	0.60	0.81
Orphan Beneficiaries	0	0	0.04	0.07	0.08
Dependent Parents	0	0	0	0.01	0.04
Total	1.24	4.49	8.16	12.20	18.61

3.1 Activities undertaken during the year

NPPF's objective is to continue improving services to its members. Towards fulfilling this goal, the NPPF has computerized Armed Forces Pension operations in the organization. With the new computer system in place, the Armed Forces Pension and Provident Fund is now fully automated improving the services significantly.

In addition to the Bank of Bhutan, Bhutan Post was appointed to help NPPF deliver pension benefits efficiently. The feedback received on the new arrangement has been encouraging. Pensioners now have the choice to receive benefits either through Bank of Bhutan or Bhutan Post. During the year, staff of Bhutan Post were trained on record keeping and delivery of pension payments.

Also, intensive awareness campaigns were carried out to educate members of the Armed Forces across the country on the pension scheme. The program was well received by members and NPPF will continue to educate members on the pension plan so they are aware of pension systems and procedures.

3.2 Challenges

The Armed Forces Pension and Provident Fund Division is looking at simplifying claims procedures in order to speed up Pension and PF payment. PIS collection of the members of the Armed Forces is already under way and this information would greatly help NPPF in improving its services.

With the significant reduction of the Armed Forces strength during the year, there is a need to review the sustainability of the pension plan. The NPPF will carry out studies on the sustainability of the plan in the next financial year.

CHAPTER IV PROVIDENT FUND OPERATIONS

Provident Fund Plan is a defined contribution scheme where benefits are paid in lump-sum to retirees. Unlike pension plan, its membership also includes some of the foreign expatriates working in Bhutan.

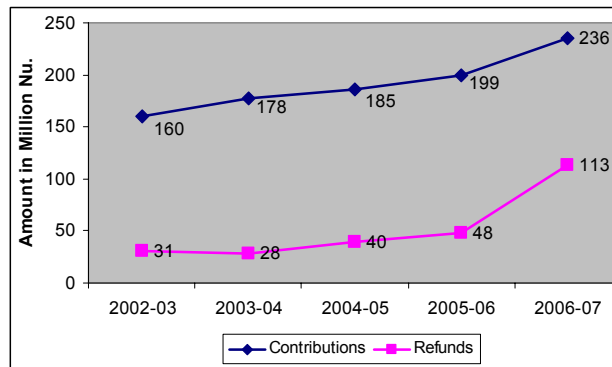
As of June, 2007, there were 37,275 contributors including Armed Force members. Members who retired during the year totaled 2,174 against 2,125 new members who joined the system.

4.1 Contribution and payment

During the financial year 2006-07, contribution in the Provident fund account amounted to Nu. 235.58 million against Nu. 199.45 million in the previous year. This increase of 18.12 percent can be attributed to the civil service salary increase in July 2006.

The lump sum refunds from the fund have been also growing yearly. During the year, there was a 133.83 percent increase in the lump sum refund from the Provident Fund account taking the total amount to Nu. 112.86 million. The sudden increase is due to the departure of members from the Armed Forces Pension and Provident Fund Scheme.

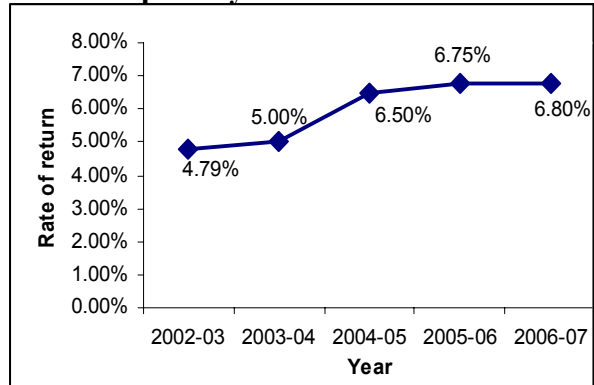
Figure 4.1 Amount of contributions and refunds for the past 5 years



4.2 Rate of return on contribution

The rate of return on the contribution during a financial year is credited on the basis of fund performance as declared by the Board after auditing books of accounts. However, the return to those members who retire before declaration of returns are credited based on the previous year's rate. Since financial 2002-03, rates of return have steadily increased from 4.79 percent to 6.80 percent in 2006-2007 (Figure 4.2).

Figure 4.2 Rate of return for the past 5 years



4.3 Future plans

Concerted efforts are being made to achieve 100 percent timely collection of contributions, updating personal information system and disbursement of benefits. In order to achieve these goals, the following programs have been planned in the near future:

1. Continually assist members to update their personal information system, complete claims procedures and avoid delay and errors in remittance of contributions.
2. Ensure accountability for the delay in remittances of contribution. Efforts will be made to educate dealing officers of relevant agencies on the implication of late remittances.

CHAPTER V INVESTMENT AND CREDIT OPERATIONS

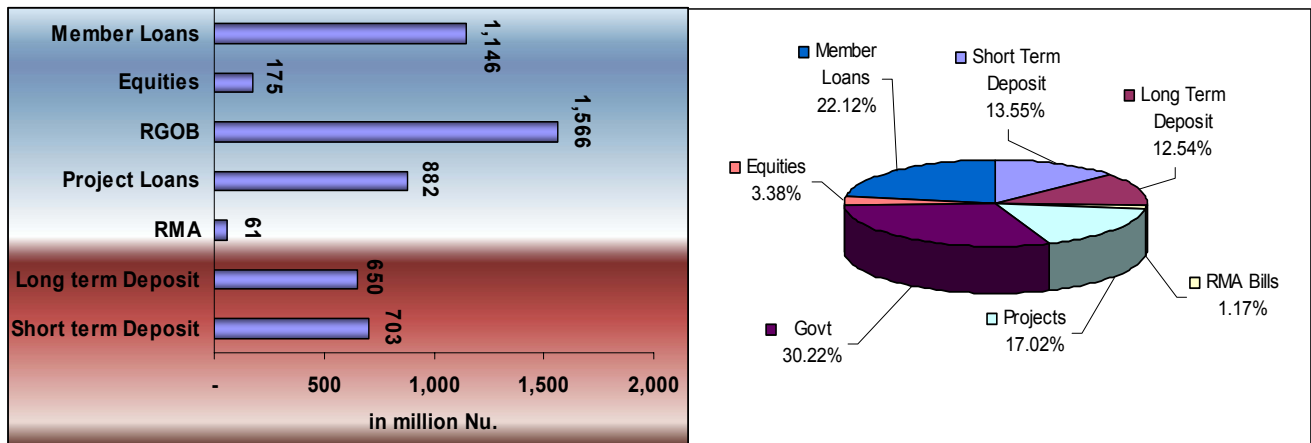
5.1 Overall investment performance

A prudent investment policy is one of the most important parameters on which the sustainability of the Pension program depends. Investing the assets of the NPPF therefore is one of the most important corporate functions. Towards helping the NPPF make prudent and safe investment decisions, RMA formally licensed the Pension Fund on 9th March 2007 to carry out limited financial services. The NPPF has therefore come under RMA's supervisory purview with effect from 1st July 2007.

Notwithstanding limited investment opportunities in Bhutan, NPPF has been able to declare a return of 6.80 percent for the fiscal 2006-2007. This result clearly indicates the dedication of NPPF in making concerted efforts to optimize returns on investments.

As of June, 2007, the overall investment portfolio, excluding real estate, increased to Nu. 5,183.47 million compared to Nu. 4,611.30 million last year, reflecting a growth of 12.40 percent. The asset allocation of the fund as of June, 2007 is given in Figure 5.1.

Figure 5.1 Asset allocation of the fund as on 30 June 2007



5.2 Investment Activities during the year

As local investment opportunities continue to be limited, a significant portion of NPPF funds had to be invested in short term deposits with local commercial banks. The rates on short term deposits offered by Bhutan National Bank declined from 3.10 percent to 2.25 percent per annum in August, 2006, and further to 2 percent in March, 2007, significantly reducing returns on investments. Also, the investment in the Consortium Loan to Bhutan Beverages Company at an interest rate of 12 percent p.a. was liquidated during the year, adversely affecting the performance of overall investments. Alternately, NPPF continued investing in Discount Bills of 91 days at an interest rate of 3.50 percent offered by RMA.

On project loans sanctioned, NPPF is already financing the Ferro Silicon Project of Druk Ferro Alloys. Out of the total loan sanctioned, NPPF has disbursed Nu. 9 million to the project.

NPPF has also sanctioned Nu. 9 million to Bhutan Broadcasting Service for financing the first phase of its MSO project. Out of the sanctioned loan, Nu. 6.10 million has been disbursed till June, 2007.

The Term Loan of Nu. 200 million to RICBL at an interest rate of 7.75 percent due for maturity on January 10, 2007, was renewed for another five years.

This year, NPPF received record dividends from three companies, in particular Bhutan National Bank which declared a dividend of 100 percent. Penden Cement Authority and Kuensel Corporation declared dividends of 75 percent and 7 percent respectively. However, State Trading Corporation of Bhutan did not declare any dividend for the year.

5.3 Credit operations

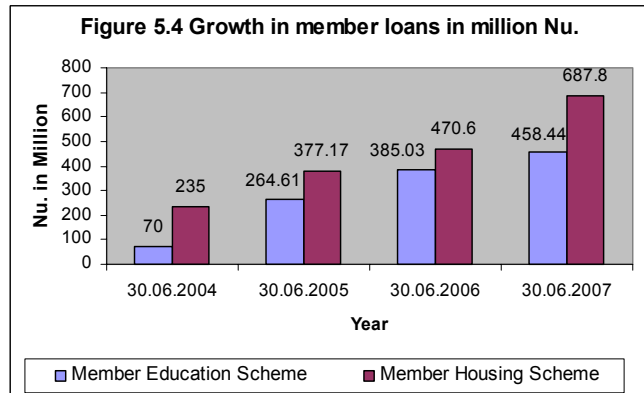
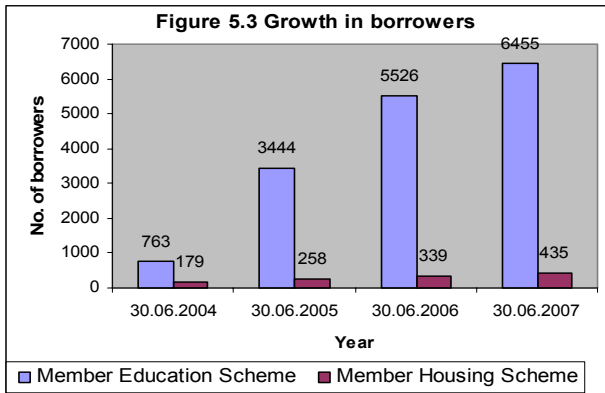
NPPF’s credit operation is mainly limited in nature and comprises the Member Housing loan and the Member Education loan. For the benefit of members, NPPF commenced disbursing Housing loan in July 2003 and Education loan in March 2004. From the feed back received, these loans have proven to be immensely beneficial to the members.

5.3.1 Member Housing Scheme

NPPF achieved a growth rate of 46.15 percent in its Member housing loan. The number of clients has increased by 96 and the loan portfolio by Nu.217.20 million compared to the previous year. As of June, 2007 the loan portfolio stood at Nu.687.80 million with 435 clients.

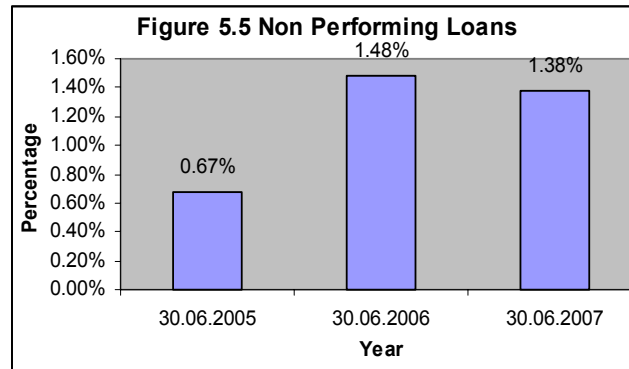
5.3.2 Member Education Scheme

The Education Scheme continued to be very popular among NPPF members. The client base increased by 929 and the loan portfolio Nu.73.41 million compared to the previous year with a growth rate of 19.06 percent. As of June, 2007 the loan portfolio stood at Nu.458.44 million with 6,455 clients.



5.4 Non Performing Loans

Despite increases in investments, NPPF diligently strives to control risk through monitoring and recovery strategies. As of June, 2007 the total loan portfolio stood at Nu.2,028.97 million while the NPL was 1.38 percent of the loan outstanding. Provisions for NPL have been made as per RMA Prudential Regulation.



With strict monitoring and recovery strategy, NPPF will continue to maintain NPL at the minimum level.

5.5 Future plans

NPPF's Investment Division will continue to explore opportunities in order to maximize returns of the fund. Hydro power projects are expected to be one of the major investment avenues for the NPPF in future.

Next year, NPPF will be co-financing Bhutan's second cellular mobile company. On October 16, 2006, the Tashi Group of companies was awarded the mobile project at a license fee of Nu. 777 million for 15 years. Along with Bank of Bhutan and Bhutan National Bank, NPPF agreed to finance the project at an interest rate of 10 percent p.a. for 10 years. Of the total loan of Nu. 555 million, NPPF's share is 50% of the loan amounting to Nu. 277.50 million.

With the objective to optimize returns, the NPPF will continue to explore the possibility of developing new products and services in the market.

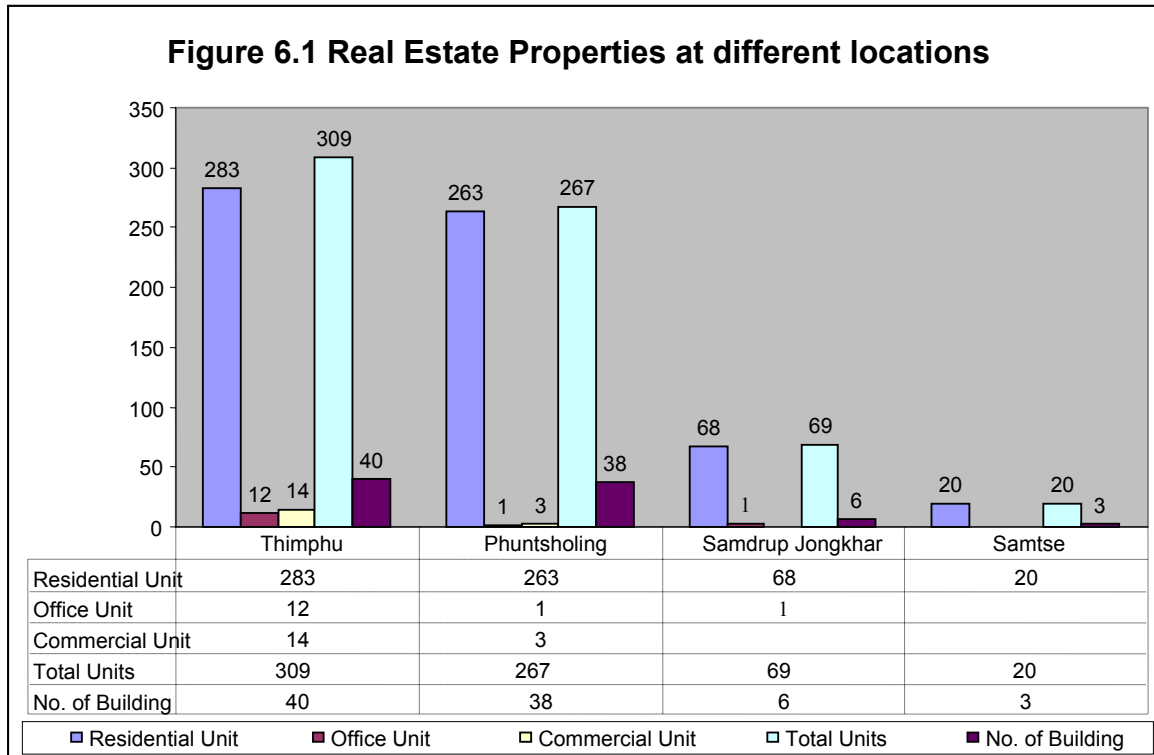
CHAPTER VI REAL ESTATE MANAGEMENT

As in the past, NPPF continues to make significant investments in local real estate. As a result, NPPF has turned out to be one of the leading property developers in the Kingdom. NPPF's main objective in real estate development is centered around the following parameters:

- ❖ Enhance returns on investment
- ❖ Provide affordable and high quality residential quarters to members
- ❖ Plan, develop and upgrade its housing colony to create a vibrant and distinct living environment
- ❖ Deliver property management and housing administration services that meet the needs of tenants.
- ❖ Advance innovative and cost-effective building design and technology

6.1 Residential properties

As of June, 2007, there were 87 buildings with 665 flats under NPPF management. These comprised 634 residential units, 17 commercial spaces and 14 office spaces (Figure 6.1).



With the completion of real estate projects ongoing over the past seven years, NPPF's real estate assets have grown significantly. However, its key challenges remain in not being able to provide adequate residential housing to members. For the year under review, plans have been made in several new projects covering construction of corporate office and residential buildings for the benefit of members.

6.2 Face lifting works and consultancy services

During the year, NPPF started major face-lifting works in its housing colony in Phuntsholing. These include repair/maintenance and roofing mandated by the local Municipal Authority and will be completed in the next financial year.

NPPF also awarded two consultancy services for its Corporate Head Office in Thimphu and another for residential buildings in its housing colony in Phuntsholing. The consultancy services will be completed in the next financial year.

6.3 Application for apartments

The request for residential quarters is on the rise as evident from the volume of applications received from members. As of June, 2007, NPPF registered 1,948 applications in Thimphu against 1,800 in the previous year; 471 for Phuntsholing as against 452 in the previous year; 35 for Samdrup Jongkhar and 16 for Samtse as against 14 in the previous year respectively. To meet the demand of members, NPPF plans to develop more residential buildings in Phuntsholing and Samtse in the next financial year.

6.4 Ongoing construction project

The construction of shopping-cum-office building below the Indo-Bhutan Friendship Hospital in Thimphu which began during financial 2004-2005 with a completion period of 42 months is under progress and nearing completion. As of June, 2007, about 80 percent progress has been achieved and the project is within schedule. The payment released up to the year under review is Nu. 62.60 million out of a total tendered cost of Nu. 87.70 million. The project will be completed in March 2008.

6.5 Financial review

As of June, 2007, the gross real estate assets at book value was worth Nu. 217.73 million, representing 3.91 percent of the total Fund.

The rental income from real estate operations as of June, 2007 accounted to Nu. 20.05 million, a gross return of 9.21 percent on the asset block of Nu. 217.73 million.

Table 6.1 Rental income during 2006-07 and 2005-06

	(Nu. in million).				Rate of Returns (WDV)	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Rental Income during the year			20.051	16.711	9.21%	7.65%
Less: Expenses						
a. Management Expenses	5.206	3.651				
b. Maintenance	2.182	2.988	(7.388)	(6.639)		
Gross Income			12.663	10.072	5.82%	4.61%
Less: Depreciation			6.950	5.963		
Net Rental Income			5.713	4.109	2.62%	1.88%

The net return on real estate operations increased to 2.62 percent compared with 1.88 percent in the previous year. This increase in the rental income can be attributed mainly to the renting out of additional flats after completion of new buildings.

6.6 Future plans

The routine maintenance of buildings will be taken up regularly based on requirements. Face lifting of two buildings in Samtse shall be taken up next year. NPPF has planned the following program:

- (i) Construction of the Corporate Head Office in Thimphu
- (ii) Infilling four buildings in Phuntsholing colony
- (iii) Construction of new buildings in Phuntsholing and Samtse
- (iv) Construction of new buildings after demolition of Class-I and II buildings in Thimphu.

CHAPTER VII INFORMATION TECHNOLOGY

Information Technology has played a significant role in helping the National Pension and Provident Fund function smoothly. To enhance database and information system management, customized application systems were developed for the Civil Pension and Provident Fund Plan and Member Housing and Education Loans. A dynamic website was also put in place to disseminate the information online. In addition to the above, Stock Inventory System, Pay roll System, Real Estate System for rental collection etc., were developed to help manage NPPF effectively and efficiently.

7.1 Activities undertaken during the year

Continuing its active support, the division has also computerized Armed Forces Pension and Provident Fund Scheme during 2006-07. The IT division has been actively supporting NPPF in improving the Member Financing Scheme System for Education and Housing Loan schemes. During the year, the division also recruited a Hardware Engineer and a Webmaster to maintain computers and accessories and to handle the public dissemination of information online.

7.2 Future plans

For the years ahead, NPPF is working on IT strategic plans to make NPPF operations effective and efficient. Towards achieving this target, the division is continually assessing the areas where IT support is needed and will address issues adopting the most current technologies wherever possible.

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

BALANCE SHEET AS AT 30TH JUNE, 2007

LIABILITIES

	SCHEDULE NO	AS AT 30.06.2007	AS AT 30.06.2006
		Nu.	Nu.
Member's & Employer's Contribution to PF - Civil	1	961,555,093	823,911,001
Member's & Employer's Contribution to PF - Armed Forces	1A	476,419,107	490,543,742
Interest credited to PF Account - Civil	2	459,561,493	392,412,949
Interest credited to PF Account - Armed Forces	2A	201,259,770	199,675,459
Pension Fund - Civil	3	2,307,228,302	1,923,838,401
Pension Fund - Armed Forces	3A	1,050,521,561	1,032,700,449
Lapsed Fund - Civil	4	348,956	1,227,491
Lapsed Fund - Armed Forces	4A	381,113	1,126,359
General Reserve	5	86,881,914	80,985,356
Other Liabilities	6	14,187,201	19,439,732
Gratuity Liability		4,788,184	3,362,057
Interest in Suspense		1,653,465	2,496,816
		5,564,786,159	4,971,719,812

ASSETS

Fixed Assets:			
Gross Block		237,688,695	236,519,937
Less: Accumulated depreciation		52,209,063	43,303,255
Net Block	7	185,479,633	193,216,682
Capital work in progress	8	68,638,304	50,097,263
Deferred Revenue Expenditure		1,061,836	850,992
Investments in Equity Shares/ Bonds	9	784,721,341	784,721,341
Other Investments	10	4,366,069,918	3,803,730,799
Gratuity Investment		3,554,077	2,762,565
Advance and other Deposits	11	137,789,932	125,139,159
Cash and Bank Balances	12	17,471,119	11,201,011
		5,564,786,159	4,971,719,812
Significant Accounting Policies	16		
Notes forming part of Accounts	17		

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 _____

DIRECTOR

CHAIRMAN

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

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2007

REVENUE

	SCHEDULE NO.	FOR THE YEAR ENDED 30.06.2007	FOR THE YEAR ENDED 30.06.2006
		Nu	Nu
Income from Investment		329,201,494	295,849,422
Rental Income		20,051,910	16,711,240
Dividend		41,569,675	28,462,860
Other Revenue	13	1,206,856	1,370,255
		392,029,935	342,393,777

EXPENSES

Provident Fund Management Expenses	14 & 15	12,059,971	10,231,379
Pension Management Expenses	14 & 15	18,026,542	14,847,273
Depreciation	7	8,905,809	7,363,722
Provision on Standard Assets		10,276,234	5,835,707
Provision for Sub Standard Assets		(447,161)	3,299,425
Total Expenses		48,821,395	41,577,506
Surplus before extra ordinary items		343,208,540	300,816,271
Extra Ordinary Income			
Transferred from/(-) to General Reserve		(3,559,953)	(4,534,982)
Total Distributable Surplus		339,648,587	296,281,289
Distribution of Surplus			
Transferred to General Reserve			
Return on Member's and Employers contribution to PF (Civil)		85,611,579	73,511,507
Return on Member's and Employers contribution to PF (Armed Forces)		45,110,294	42,665,170
Return on Pension Fund (Civil)		138,997,816	116,271,870
Return on Pension Fund (Armed Forces)		69,928,898	63,832,742
		339,648,587	296,281,289
Significant Accounting Policies	16		
Notes forming part of Accounts	17		

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.N.Mukherji & Co.
Chartered Accountants

Sudip K Mukherji.
Partner.
Membership No. 13321

Kolkata. Dated _____

DIRECTOR

CHAIRMAN

NATIONAL PENSION AND PROVIDENT FUND		
THIMPHU, BHUTAN		
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2007		
	Year ended 30th June 2007	Year ended 30th June 2006
CASH FLOW FROM OPERATIONS		
Receipts from:		
Interest	315,304,169	196,005,549
Rents	19,856,513	16,402,900
Dividends & Other Income	42,519,281	29,833,115
Security Deposit from Tenants	89,434	243,403
Payments for:		
Expenses	27,241,613	25,418,654
Security Deposit to Suppliers	-	74,805
NET RECEIPTS FROM OPERATIONS	350,527,785	216,991,508
CASH FLOW FROM INVESTING		
Receipts from:		
Repayments of Pension Loans	339,460.04	312,372
Sale of Fixed Assets		
Sale of USA Investments	-	951,215,839
Payment for:		
Increase in Loans & Deposits	281,882,698.85	1,293,715,311
Shares and Bonds	-	5,120,563
Member Housing Loan	218,052,237.46	92,022,888
Member Education Loan	73,416,066.73	120,405,507
Purchase of Fixed Assets (Including work in progress)	26,301,971.28	45,360,669
Staff Advances	(247,733.50)	316,141
NET PAYMENTS FOR INVESTMENTS	(599,065,781)	(605,412,867)
CASH FLOW FROM MEMBER TRANSACTIONS		
Receipts from:		
Contributions to the NPPFP	389,078,951.60	295,345,602
Contributions to the AFPPFS	159,796,990.00	171,819,966
Payments of refunds and Pensions:		
NPPFP	55,533,451.00	38,596,180
AFPPFS	238,534,386.58	52,141,593
NET RECEIPTS FROM MEMBERS	254,808,104	376,427,795
NET MOVEMENT IN CASH AND BANK	6,270,108	(11,993,564)
OPENING CASH AND BANK	11,201,011	23,194,575
CLOSING CASH AND BANK	17,471,119	11,201,011

RECONCILIATION BETWEEN OPERATING SURPLUS AND CASH FLOWS FROM OPERATIONS

	Year ended 30th June 2007	Year ended 30th June 2006
OPERATING SURPLUS	343,208,540.49	300,816,271
NON CASH CHARGES		
Depreciation	8,905,808.56	7,363,721
Ammortization of Software	472,081.00	335,496
Provision against loan	9,829,073.40	9,135,132
MOVEMENT IN ACCRUALS		
Revenue receivable	(14,349,972.11)	(100,152,213)
Accounts Payable	2,271,568.38	(1,274,989)
Gratuity Payable	634,615.00	599,492
LOSS ON ASSET SALES		
SECURITY DEPOSITS	(443,929.79)	168,598
NET RECEIPTS FROM OPERATIONS	350,527,785	216,991,508

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 _____

DIRECTOR

CHAIRMAN

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

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

	MEMBER'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION	MEMBER'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2007	AS AT 30.06.2007	AS AT 30.06.2006	AS AT 30.06.2006
	Nu	Nu	Nu	Nu
Opening Balance	720,500,003	720,446,792	656,736,509	656,683,278
Add / (Less): Adjustments	(38,977)	(38,978)	30,292	30,293
Adjusted Opening Balance	720,461,026	720,407,814	656,766,801	656,713,571
Add: Contribution during the Year	84,782,935	84,782,959	63,733,202	63,733,221
Sub Total A	805,243,961	805,190,773	720,500,003	720,446,792
Less: Refunds as per last a/c	308,543,221	308,492,573	297,773,214	297,722,705
Refunds during the year	15,922,009	15,921,837	10,770,007	10,769,868
Sub Total B	324,465,230	324,414,410	308,543,221	308,492,573
Net Contribution A-B	480,778,731	480,776,363	411,956,782	411,954,219
Grand Total	961,555,093		823,911,001	

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

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

	MEMBER'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION	MEMBER'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2007	AS AT 30.06.2007	AS AT 30.06.2006	AS AT 30.06.2006
	Nu	Nu	Nu	Nu
Opening Balance	277,161,560	277,161,564	241,170,289	241,170,292
Add / (Less): Adjustments	(22,054)	(457)	(1)	-
Adjusted Opening Balance	277,139,506	277,161,107	241,170,288	241,170,292
Add: Contribution during the Year	33,456,086	33,456,086	35,991,272	35,991,272
Sub Total A	310,595,592	310,617,193	277,161,560	277,161,564
Less: Refunds as per last a/c	31,889,691	31,889,691	18,526,939	18,526,938
Refunds during the year	40,507,146	40,507,150	13,362,752	13,362,753
Sub Total B	72,396,837	72,396,841	31,889,691	31,889,691
Net Contribution A-B	238,198,755	238,220,352	245,271,869	245,271,873
Grand Total	476,419,107		490,543,742	

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

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

	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2007	AS AT 30.06.2007	AS AT 30.06.2006	AS AT 30.06.2006
	Nu	Nu	Nu	Nu
Opening Balance	164,950,885	140,867,378	164,987,930	140,900,156
Add / (Less): Adjustments	(38,446)	(38,444)	(37,045)	(32,778)
Adjusted Opening Balance	164,912,439	140,828,934	164,950,885	140,867,378
Add: Interest credit as per last a/c	221,259,106	219,826,922	184,474,427	183,100,094
Interest during the Year	42,844,697	42,796,463	36,784,679	36,726,828
Sub Total A	429,016,242	403,452,319	386,209,991	360,694,300
Less: Refunds of interest as per last a/c	189,599,674	164,891,668	183,374,306	158,863,623
Refunds of interest during the year	9,304,559	9,111,167	6,225,368	6,028,045
Sub Total B	198,904,233	174,002,835	189,599,674	164,891,668
Net Contribution A-B	230,112,009	229,449,484	196,610,317	195,802,632
Grand Total	459,561,493		392,412,949	

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

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

	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2007	AS AT 30.06.2007	AS AT 30.06.2006	AS AT 30.06.2006
	Nu	Nu	Nu	Nu
Opening Balance	53,950,663	52,746,578	53,950,663	52,746,578
Add/ Less: Adjustments	(29,481)	(18,260)		
Adjusted Opening Balance	53,921,182	52,728,318	53,950,663	52,746,578
Add: Interest credit as per last a/c	60,973,805	60,743,243	39,610,115	39,441,763
Interest during the Year	22,580,854	22,529,440	21,363,690	21,301,480
Sub Total A	137,475,841	136,001,002	114,924,468	113,489,821
Less: Refunds of interest as per last a/c	14,629,824	14,109,006	9,065,839	8,664,425
Refunds of interest during the year	21,939,317	21,538,925	5,563,985	5,444,581
Sub Total B	36,569,141	35,647,931	14,629,824	14,109,006
Net Contribution A-B	100,906,700	100,353,070	100,294,644	99,380,815
Grand Total	201,259,770		199,675,459	

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

PENSION FUND (CIVIL)

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
Opening Balance	1,965,016,001	1,653,299,952
Add: Transfer / Adjustments	(0)	789,371
Adjusted Opening Balance	1,965,016,001	1,654,089,323
Add: Contribution received during the year	265,197,971	194,654,808
Interest during the year	138,968,235	116,271,870
Sub Total A	2,369,182,207	1,965,016,001
Less: Pension payment as per last account	16,395,447	8,388,659
Pension payment during the Year	10,373,453	8,006,788
Total Pension Payment	26,768,900	16,395,447
Less: Refund from Pension Fund as per last account	24,782,153	17,286,515
Refund from Pension fund during the year	10,402,852	7,495,638
Total Pension Refund	35,185,005	24,782,153
Sub Total B	61,953,905	41,177,600
Grand Total A - B	2,307,228,302	1,923,838,401

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

PENSION FUND (ARMED FORCES)

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
Opening Balance	1,095,191,952	931,521,787
Add: Transfer / Adjustments	(4,398)	1
Adjusted Opening Balance	1,095,187,554	931,521,788
Add: Contribution received during the year	92,884,818	99,837,422
Interest during the year	69,928,898	63,832,742
Sub Total A	1,258,001,269	1,095,191,952
Less: Pension payment as per last account	26,079,735	13,885,113
Pension payment during the Year	18,595,995	12,194,622
Total Pension Payment	44,675,730	26,079,735
Less: Refund from Pension Fund as per last account	36,411,768	17,660,032
Refund from Pension fund during the year	126,392,211	18,751,736
Total Pension Refund	162,803,979	36,411,768
Sub Total B	207,479,709	62,491,503
Grand Total A - B	1,050,521,561	1,032,700,449

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

LAPSED FUND (CIVIL)

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
Opening Balance	1,227,491	1,054,952
Add: Transferred during the year	348,956	172,539
Sub Total	1,576,447	1,227,491
Less: Transferred to General Reserve	1,227,491	
Total *	348,956	1,227,491

* 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' 2007

LAPSED FUND (ARMED FORCES)

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
Opening Balance	1,126,359	848,907
Add: Transferred during the year	381,113	277,452
Sub Total	1,507,471	1,126,359
Less: Transferred to General Reserve	1,126,359	
Total *	381,113	1,126,359

* 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' 2007

GENERAL RESERVE

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
Opening Balance	80,985,356	76,277,144
Add: Transferred from lapsed fund	2,353,850	
Transferred from Revenue account	3,559,953	4,534,982
Adjustment		173,230
Sub Total	86,899,159	
Less: Payment / Adjustments (Net)	17,245	
Total	86,881,914	80,985,356

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

OTHER LIABILITIES

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
Stale Cheques	274,472	494,681
Earnest Money	228,241	136,944
Security Deposit (Contractor)	6,706,735	6,280,289
Performance Gurantee	124,844	78,775
Security Deposit (Rent)	515,890	484,871
Unclaimed Refund Contribution	80,607	80,607
Unclaimed refund interest	1,158	1,158
Contribution received in advance	657,172	376,629
Outstanding liabilities for Expenses	4,884,523	4,418,547
Security Deposit - Power / Tenant (S/Jongkhar)	39,520	36,680
Security Deposit - Power / Tenant (P/Ling)	131,421	128,380
Security Deposit - Power / Tenant (Thimpu)	183,430	176,965
Health contribution payable / Recoveries	60,117	399,790
Salary Tax	187,039	
PF Payable	102,310	
Payable to contractor	-	6,335,693
Housing / Education Loan closed A/c - Credit Balance	9,723	9,723
Total	14,187,201	19,439,732

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

FIXED ASSETS

Schedule - 7

Particulars	Rate of Depreciation	GROSS BLOCK			DEPRECIATION				Net Block as on 30.06.2007	Net Block as on 30.06.2006	
		Original cost as on 01.07.06	Addition during the year	Adjustment during the period	Original cost as on 30.06.2007	Accumulated Dep as on 30.06.06	Dep during the year	Adjustment of Depreciation during the period			Total Accumulated Depreciation as on 30.06.07
R.E.Land		33,352,547.27	18,865.00	756,420.00	32,614,992.27					32,614,992.27	33,352,547.27
R.E.Building	3%	173,477,019.44	-	2,894.24	173,474,125.20	32,107,659.94	5,204,223.76	113.47	37,311,770.23	136,162,354.97	141,369,359.50
R.E.Furniture & Fixtures	15%	169,287.00	3,750.00		173,037.00	135,630.36	25,666.00		161,296.36	11,740.64	33,656.64
R.E.Electrical & Fittings	15%	11,353,928.24	-		11,353,928.24	5,351,446.69	1,703,089.24		7,054,535.93	4,299,392.31	6,002,481.55
R.E.Equipments	15%	115,229.90	-		115,229.90	70,437.00	17,284.48		87,721.48	27,508.42	44,792.90
SUB TOTAL (A)		218,468,011.85	22,615.00	759,314.24	217,731,312.61	37,665,173.99	6,950,263.48	113.47	44,615,324.00	173,115,988.61	180,802,837.86
Office Building	3%	7,261,846.21	-		7,261,846.21	66,848.78	217,855.00		284,703.78	6,977,142.43	7,194,997.43
Office electricals & fittings	15%	529,159.91	-		529,159.91	24,355.85	79,374.00		103,729.85	425,430.06	504,804.06
Computer & office equipments	15%	6,704,828.83	1,389,521.62		8,094,350.45	3,486,615.00	1,094,637.00	6,660.00	4,574,592.00	3,519,758.45	3,218,213.83
Office furniture & Fittings	15%	1,776,230.85	478,346.89		2,254,577.74	822,184.45	324,596.00		1,146,780.45	1,107,797.29	954,046.40
Telephone/ EPABX/LAN	15%	480,066.00	17,175.00		497,241.00	275,426.00	73,551.00		348,977.00	148,264.00	204,640.00
Motor Vehicles	15%	1,140,638.71	-		1,140,638.71	885,787.00	148,915.00		1,034,702.00	105,936.71	254,851.71
Carpet	15%	106,043.74	4,400.00		110,443.74	61,809.00	15,984.90		77,793.90	32,649.84	44,234.74
Curtain/ upholstrey	15%	53,111.00	16,014.00		69,125.00	15,055.00	7,405.65		22,460.65	46,664.35	38,056.00
SUB TOTAL (B)		18,051,925.25	1,905,457.51	-	19,957,382.76	5,638,081.08	1,962,318.55	6,660.00	7,593,739.63	12,363,643.13	12,413,844.17
GRAND TOTAL (A+B)		236,519,937.10	1,928,072.51	759,314.24	237,688,695.37	43,303,255.07	8,912,582.03	6,773.47	52,209,063.63	185,479,631.74	193,216,682.03
Previous Financial Year		184,892,888.09	51,627,049.00	-	236,519,937.09	35,939,533.90	7,363,721.16	-	43,303,255.06	193,216,682.03	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

CAPITAL WORK IN PROGRESS

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
IT Development	-	254,284.00
Furniture	798.56	271,163.92
Real Estate Development	68,637,505.18	49,571,815.21
Total	68,638,304	50,097,263

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

DETAILS OF INVESTMENTS IN EQUITY SHARES / BONDS

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
<u>QUOTED</u>		
<u>PENDEN CEMENT AUTHORITY LIMITED</u>		
143635 Equity Shares of Nu. 100/- each fully paid up.	14,450,562.50	14,450,562.50
<u>STATE TRADING CORPORATION OF BHUTAN LIMITED</u>		
9800 Equity shares of Nu. 100/- each fully paid up.	980,000.00	980,000.00
<u>BHUTAN NATIONAL BANK LIMITED</u>		
305398 Equity shares of Nu. 100 each fully paid up.	155,854,778.45	155,854,778.45
<u>KUENSEL CORPORATION LTD</u>		
36750 Equity shares of Nu. 100 each fully paid up	3,675,000.00	3,675,000.00
Total Quoted	174,960,340.95	174,960,340.95
<u>UNQUOTED</u>		
7.50%DRUK AIR BOND - 2013	421,630,000.00	609,761,000.00
7.50%DRUK AIR BOND - 2014 (Guaranteed by The Royal Government of Bhutan)	188,131,000.00	
Total unquoted	609,761,000.00	609,761,000.00
Total	784,721,341	784,721,341

* Market value of quoted share/Bonds as on 30.06.2007 is Nu. 336,747,630
(Previous Year Nu. 329,112,250)

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

OTHER INVESTMENTS		
	AS AT 30.06.2007	AS AT 30.06.2006
	Nu	Nu
Deposits		
Fixed Deposit - Bank of Bhutan Ltd.	260,000,000.00	8,500,000.00
- Bhutan National Bank Ltd.	1,092,500,000.00	979,400,000.00
RMA Discount Bills	60,559,448.30	33,035,129.49
Sub Total	1,413,059,448.30	1,020,935,129.49
Loans		
To The Royal Government of Bhutan		
RGOB Budget Fund Account	956,720,700.00	1,063,023,000.00
To Institutions / Companies		
Unsecured Loan to Royal Insurance Corpn of Bhutan Ltd.	300,000,000.00	350,000,000.00
Unsecured Loan to Bhutan Dev. Finance Corp. Ltd	145,000,000.00	155,000,000.00
Secured Loan to Bhutan Beverage Company Ltd	-	37,317,640.01
Secured loan to Bhutan Telecom Ltd -Note 1	23,370,604.27	37,663,517.10
Secured Loan to Bhutan Ferro Alloys Ltd. - Note- 2	398,671,232.88	300,000,000.00
Secured Loan to Druk Ferro Alloys Ltd.. Note - 3	9,000,000.00	
Loan to Bhutan Broadcasting Services Ltd Note - 4	6,100,000.00	6,100,000.00
Sub Total	1,838,862,537.15	1,949,104,157.11
To Members		
Pension Loan	567,175.64	906,635.68
Housing Loan	687,806,583.06	470,597,696.60
Education Loan	458,449,780.35	385,033,713.62
Sub Total	1,146,823,539.05	856,538,045.90
TOTAL	4,398,745,524.50	3,826,577,332.50
Less: General Provision on Standard Assets Note - 5	27,395,120.92	17,118,886.72
Provision for Non Performing Loans.	5,280,485.60	5,727,646.40
Total	4,366,069,918	3,803,730,799

Note - 1: The loan is secured against Land and Building of the Company.

Note- 2: The loan is secured against mortgage of Land, Factory Building and Plant & Machinery of the Company.

Note - 3: The loan is secured against all the fixed assets of the Company.

Note - 4: The loan is secured against the land and building of the Company.

Note - 5 General provision of 1.50% has been made on standard assets viz BFAL, RICBL, Pension, Housing and Education loan and 0.30% has been made on loans to BDFC, BBS and Bhutan Telecom

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

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

ADVANCES AND OTHER DEPOSITS

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu.	Nu
Security Deposit - Power / Rent	322,005.00	322,005.00
Security Deposit - Water meter	63,000.00	63,000.00
Rent Receivable	1,405,537.00	1,210,140.00
Dividend Receivable	257,250.00	
Interest accrued but not due	134,818,914.03	120,921,588.92
Other Receivable	321,454.84	875,261.00
Advance to Contractors	-	1,431,024.00
Staff Advance	68,407.00	316,140.50
Prepaid Expenses	533,363.79	
Total	137,789,932	125,139,159

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE' 2007

CASH AND BANK BALANCES

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu.	Nu
Cash at Bank	17,466,027.70	11,196,216.75
Petty Cash	5,091.52	4,793.80
Total	17,471,119	11,201,011

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

SCHEDULES FORMING PART OF THE REVENUE ACCOUNT AS AT 30TH JUNE' 2007

OTHER INCOME

	AS AT 30.06.2007	AS AT 30.06.2006
	Nu.	Nu
Interest on Lapsed Fund	303,813.34	54,754.76
Miscellaneous Income *	903,042.88	1,315,500.53
Total	1,206,856	1,370,255

* Includes processing fees on Housing & Education Loan Nu. 0. 334 mios (Previous year Nu. 0.661 mios)

NATIONAL PENSION AND PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE REVENUE ACCOUNT AS AT 30TH JUNE' 2007

DETAILS OF COMMON EXPENSES TO BE DISTRIBUTED TO PF & PENSION AS ON 30.06.2007

	Sr. Mgt Exps	Admin. Exps	Finance Exps	Investment	IT Expenses	RE Expenses	Grand Total	Pension - 60%	PF - 40%
Pay & Allowance	1,279,768.00	3,129,944.00	2,406,882.52	2,593,852.00	1,216,329.00	5,006,609.00	15,633,384.52	9,380,030.71	6,253,353.81
Acturial Consultancy fees				45,450.00			45,450.00	27,270.00	18,180.00
Overseas training	450,406.04		387,266.00	555,580.88	341,318.20	527,419.28	2,261,990.40	1,357,194.24	904,796.16
Canteen expenses	32,326.00	44,207.00	12,150.00	19,808.00	9,600.00	44,877.00	162,968.00	97,780.80	65,187.20
Printing & Stationary	7,065.00	324,799.76	8,831.00	256,394.00	116,479.00	24,423.00	737,991.76	442,795.06	295,196.70
Postage		190,977.00		8,500.00		2,645.00	202,122.00	121,273.20	80,848.80
Telephone Expenses	57,681.20	598,227.50	8,400.00	13,400.00	17,519.00	22,562.00	717,789.70	430,673.82	287,115.88
Entertainment expenses	93,042.70	131,106.00					224,148.70	134,489.22	89,659.48
Office rent		198,000.00					198,000.00	118,800.00	79,200.00
Travelling & Conveyance	57,550.00	78,600.00	145,399.00	311,311.00	20,670.00	290,134.39	903,664.39	542,198.63	361,465.76
Advertisement		243,791.20		4,600.00			248,391.20	149,034.72	99,356.48
Motor Car Expenses	5,596.31	447,778.94				65,534.74	518,909.99	311,345.99	207,564.00
Bank Charges		303.00	666,014.88		-		666,317.88	399,790.73	266,527.15
Rates & Taxes						589,896.46	589,896.46	353,937.88	235,958.58
Insurance						347,154.30	347,154.30	208,292.58	138,861.72
Office Maintenance/Furniture Maint	4,144.00	289,028.21	5,465.00	9,601.50	7,695.00	43,882.00	359,815.71	215,889.43	143,926.28
Seminar / workshop / conference	12,750.00	51,300.00	10,000.00	18,760.00	12,860.00	8,500.00	114,170.00	68,502.00	45,668.00
Sitting Fees	271,000.00						271,000.00	162,600.00	108,400.00
IT Expenses / AMC	5,715.00	90,568.00	8,999.00	20,056.00	285,446.00	17,820.00	428,604.00	257,162.40	171,441.60
Books and Periodicals		21,573.00				2,908.00	24,481.00	14,688.60	9,792.40
Subscription and donation	2,000.00						2,000.00	1,200.00	800.00
Brokerage				20,000.00			20,000.00	12,000.00	8,000.00
Gifts / presentations	10,750.00	4,800.00		3,500.00		2,000.00	21,050.00	12,630.00	8,420.00
Audit fees and expenses		67,171.00	69,063.00				136,234.00	81,740.40	54,493.60
Amortisation of deffered Revenue Expenses/software					472,081.00		472,081.00	283,248.60	188,832.40
Miscellaneous Expenses		-	(698.73)				(698.73)	(419.24)	(279.49)
RE maintenance						392,228.34	392,228.34	235,337.00	156,891.34
GRAND TOTAL	2,289,794.25	5,912,174.61	3,727,771.67	3,880,813.38	2,499,997.20	7,388,593.51	25,699,144.62	15,419,486.77	10,279,657.85

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

DETAILS OF PF & PENSION EXPENSES AFTER ALLOCATION OF COMMON EXPENSES AS ON 30.06.2007

	PF Mgt. Exps	40% of common exps	AS ON 30.06.2007	AS ON 30.06.2006	Pension Mgt. Exps	60% of common exps	AS ON 30.06.2007	AS ON 30.06.2006
Pay & Allowance	1,390,646.00	6,253,353.81	7,643,999.81	6,302,316.94	1,781,291.00	9,380,030.71	11,161,321.71	8,794,737.92
Acturial Consultancy fees		18,180.00	18,180.00	-	843.90	27,270.00	28,113.90	96,450.78
Overseas training	265,673.32	904,796.16	1,170,469.48	706,312.64	18,555.00	1,357,194.24	1,375,749.24	1,072,728.40
Canteen expenses	13,500.00	65,187.20	78,687.20	92,494.20	16,200.00	97,780.80	113,980.80	136,491.30
Printing & Stationary	5,404.00	295,196.70	300,600.70	509,055.14	122,566.00	442,795.06	565,361.06	812,132.70
Postage		80,848.80	80,848.80	47,114.40		121,273.20	121,273.20	70,671.60
Telephone Expenses	600.00	287,115.88	287,715.88	308,808.26	3,000.00	430,673.82	433,673.82	466,212.39
Entertainment expenses		89,659.48	89,659.48	111,823.84		134,489.22	134,489.22	167,735.76
Office rent		79,200.00	79,200.00	187,400.00		118,800.00	118,800.00	281,100.00
Travelling & Conveyance	64,496.00	361,465.76	425,961.76	294,706.80	211,616.00	542,198.63	753,814.63	440,439.20
Advertisement		99,356.48	99,356.48	64,416.80		149,034.72	149,034.72	96,625.20
Motor Car Expenses		207,564.00	207,564.00	228,184.84		311,345.99	311,345.99	342,277.27
Bank Charges	33,275.00	266,527.15	299,802.15	130,049.58	235,000.00	399,790.73	634,790.73	270,074.37
Rates & Taxes		235,958.58	235,958.58	170,632.54		353,937.88	353,937.88	255,948.82
Insurance		138,861.72	138,861.72	275,153.60		208,292.58	208,292.58	412,730.40
Office Maintainance	6,000.00	143,926.28	149,926.28	96,940.04	4,022.00	215,889.43	219,911.43	145,410.06
Seminar / workshop / conference		45,668.00	45,668.00	81,456.00	211,361.40	68,502.00	279,863.40	47,934.00
Sitting Fees		108,400.00	108,400.00	79,600.00		162,600.00	162,600.00	119,400.00
IT Expenses / AMC	719.00	171,441.60	172,160.60	4,320.00	2,600.00	257,162.40	259,762.40	6,480.00
Books and Periodicals		9,792.40	9,792.40	10,178.80		14,688.60	14,688.60	16,068.20
Subscription and donation		800.00	800.00	2,000.00		1,200.00	1,200.00	3,000.00
Brokerage		8,000.00	8,000.00	4,000.00		12,000.00	12,000.00	6,000.00
Gifts / presentations		8,420.00	8,420.00	18,340.00		12,630.00	12,630.00	27,510.00
Audit fees and expenses		54,493.60	54,493.60	47,746.00		81,740.40	81,740.40	71,619.00
Amortisation of deferred Revenue Expenses/software		188,832.40	188,832.40	134,198.40		283,248.60	283,248.60	201,297.60
Miscellaneous Expenses		(279.49)	279.49	50.58		(419.24)	419.24	78.86
RE maintenance		156,891.34	156,891.34	300,597.56		235,337.00	235,337.00	450,896.35
GRAND TOTAL	1,780,313.32	10,279,657.85	12,059,971.17	10,207,896.97	2,607,055.30	15,419,486.77	18,026,542.07	14,812,050.17

Note:

1. Pay & Allowance includes Nu. 701644.00 Paid to Director (Previous year 475,495.00)
2. Sitting Fees includes Nu. 33000.00 paid to Director (Previous year Nu. 24,000.00)

Organization Structure

