

10th Annual Report 2009-2010



National Pension & Provident Fund

Thimphu, Bhutan



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Board of Directors



Dasho Lam Dorji, Hon'ble Secretary Ministry of Finance	:	Chairman
Dasho Chhewang Rinzin, CEO Druk Green Power Corporation Limited	:	Director
Mr. Daw Tenzin, Managing Director Royal Monetary Authority	:	Director
Lt. Colonel Dorji Gyeltshen Royal Bhutan Army	:	Director
Mr. Pema Wangda, Director General Ministry of Labour & Human Resources	:	Director
Mr. Dubthob Wangchug, Director National Pension & Provident Fund	:	Member Secretary

Technical Advisory Committee (TAC)



Mr. Nim Dorji, Director Department of Public Accounts	:	Chairman
Mr. Bachu Phub Dorji, Head, Policy and Planning Royal Civil Service Commission	:	Member
Mr. Kapil Sharma, Head, Public Enterprise Ministry of Finance	:	Member
Ms. Eden Dema, Chief, FISD Royal Monetary Authority	:	Member
Mr. Norbu Wangchuk, Gross National Happiness Commission	:	Member
Mr. Dubthob Wangchug, Director National Pension & Provident Fund	:	Member Secretary

Organization structure



HEAD OFFICE

Executive

Chief Executive Officer : **Mr. Dubthob Wangchug**

Policy & Strategic Management

Head : **Ms. Sayden**

Investment & Credit

Head : **Mr. Kinga Thinley**
Investment Officer : **Ms. Tshoki Lhamo**
Credit Officer : **Ms. Karma Yangzom Tshering**

Finance & Accounts

Financial Controller : **Mr. Pradyut Ghosh**
General Manager (Finance) : **Mr. Dungtu Dukpa**

Pension & Provident Fund

Head : **Mr. Sonam Yeshey**

Information Technology

Head : **Mr. Kinzang Wangdi**

Human Resource Management

Head (Administration) : **Ms. Meera Gurung**
HRD Officer : **Ms. Karma Chimi**

Real Estate

General Manager : **Mr. Phuntsho Wangdi**

PHUENTSHOLING

Program Assistant, Real Estate : **Mr. Ram Chandra**

SAMDRUP JONKHAR

Program Assistant, Real Estate : **Mr. Yonten Jamtsho**

AUDITORS

P.K. Mitra & Co.
18, R.N. Mukherjee Road
Kolkata 700 001

Executive Summery

This year, Bhutan successfully hosted the 16th SAARC Summit which was an honor and privilege for our country. For Bhutan, the highlight of the summit was the laying of the foundation stones for Nu. 37 billion Puna Tshangchu Hydropower project II (990MW) and Nu 28 billion Mangdechu (720 MW). The two Prime Ministers of Bhutan and India ceremoniously laid the foundation stone at the courtyard of the National assembly during the Summit. The Indo-Bhutan cooperation takes Bhutan to yet another milestone towards achieving the target of generating 10,000 MW hydropower by 2020.

The NPPF took several initiatives during the year. In its constant effort to improve services, it set up the One Stop Shop for the convenience of its members. It is confident that this initiative will address the needs of the members at a single point of contact without having to meet different officials for different purposes. The NPPF also set up a hot line telephone services and started receiving loan applications through e-mails. It has also opened a Liaison office at Samdrup Jongkhar and Phuntsholing.

As it is the NPPF's endeavor to ensure that the pension system sustain for a rolling period of 30 years at a time, the NPPF in consultation with the Pay Commission introduced several reforms after having it duly approved by the government in September 2009. Under the current reforms, the pension benefit calculation formula has been changed and adopted as 40% of the final salary. To commensurate with the cost involved against the above parametric changes, the monthly contribution rate has been increased from 16% to 22% of the salary with effect from July 2009. The scope of the Investment Mandate was also broadened by the Government. These initiatives have greatly contributed in enhancing the sustainability of the Pension Plan and at the same time it would help in providing meaningful benefit to the members on retirement. Despite these challenges in the investment scenario, the NPPF declared a return of 6.25 percent during the year.

In line with the NPPF's commitment to enhance the members' welfare, we rededicate ourselves to TSA WA SUM by continuing to deliver improved services and secured pension benefits.

Despite increased competition in the financial market with the entry of several new financial institutions, the NPPF's financial position and operating results for the year 2009-10 continued to grow compared to that of 2008-09. Almost all the set targets have been achieved in all the areas of its operations by strengthening its strategic policies and systems that stimulate growth.

Management and operating expenses were well within the budget allocations. All the projects and capital works were executed within the allocated budget and in stipulated time. Investments were made with prudence to generate better returns to its members. As a result, despite limited investment avenues and adverse challenges encountered by the NPPF, it has been able to achieve a return of 6.66% as against the projected rate of 6.22% during the year. The rate is much better than those offered by the commercial banks. Risks have also been controlled with Non-Performing Loan (NPL) registered at 0.25%.

1.1 Revenue

During the year 2009-10, the NPPF generated gross revenue of Nu.587.73 million compared to Nu.512.98 million in 2008-09 registering a growth of 14.57 percent.

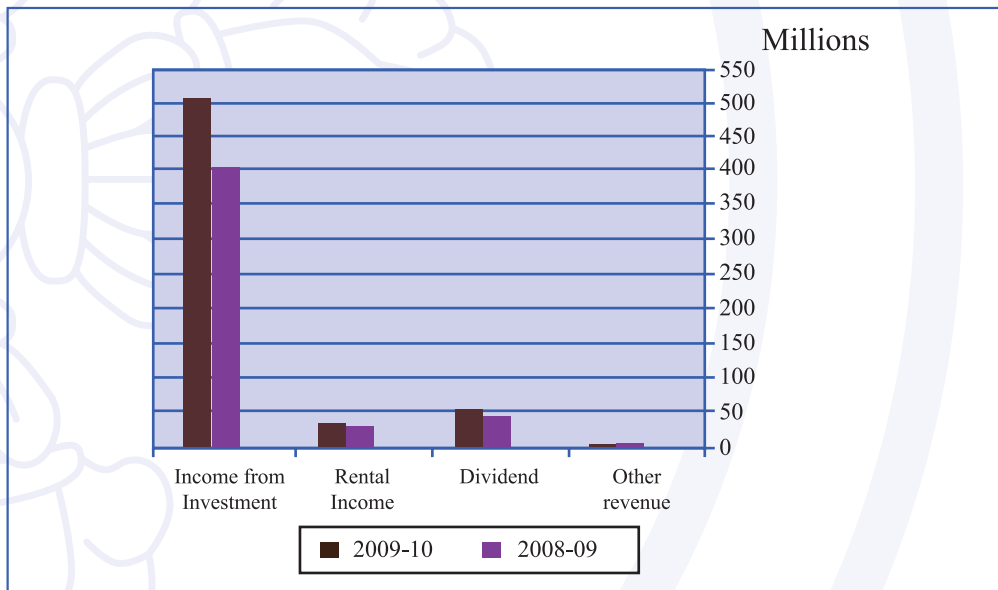


Figure 1.1
Major Components
of Revenue

1.1.1 Income from Investments

Income from investment has increased by 15.34 percent during 2009-10 as compared to the previous year. The major factors contributing to revenue growth during the year were increase in rental income, interest on Housing and Education Loans as well as Tashi Infocom. The dividend income has increased with many of the companies performing well during the year.

Table 1.1 Financial Highlights

	2009-10	2008-09	2007-08	2006-07	2005-06
% increase in Total Revenue	14.57%	20.71%	8.04%	14.50%	44.66%
% of Total Revenue to Total Fund size	6.55%	6.78%	6.50%	7.04%	6.89%
EXPENSES					
Total Management Expenses	48.06	42.33	36.67	30.09	25.08
TOTAL EXPENSES	64.94	58.12	64.69	48.82	41.57
% of Management expenses to Fund size	0.54%	0.53%	0.56%	0.54%	0.50%
Distributable surplus	522.74	436.15	372.66	339.65	296.29
Return to members	6.25%	6.50%	6.50%	6.80%	6.75%
FUND SIZE	8,973.22	7,565.93	6,512.07	5,564.79	4,971.72
% Increase in Fund Size	18.60%	16.18%	17.02%	11.93%	16.00%

1.2 Expenses

During the year, management expenses to the fund size have increased to 0.54% from 0.53%. The total expenditure including the provisions has increased by 11.7% in comparison to last year. The overall percentage of salary to revenue reached 3.84% against the benchmark of 5 percent.

The total fund size has shown a growth of 18.60%. NPL for reporting period was 0.25% as against 0.94% during the previous year. NPL during the year reduced due to NPPF's strategic quality asset management with an aggressive recovery program that is pursued vigorously.

Table 1.2 Comparison of Fund size: 2009-10 and 2008-09

PARTICULARS	2009-10	2008-09	% +/-
LIABILITIES	Nu (mill)	Nu (mill)	
Members & Employers Contribution to PF - Civil	1,510.43	1,298.18	16.35%
Members & Employers Contribution to PF - Armed Forces	652.02	589.45	10.62%
Interest credited to Members PF account - Civil	716.66	615.22	16.49%
Interest credited to Members PF account - Armed Forces	319.24	275.38	15.93%
Pension Fund – Civil	4,011.26	3,254.28	23.26%
Pension Fund - Armed Force	1,561.08	1,373.38	13.66%
General Reserve	125.62	93.60	34.21%
Other Liabilities	16.56	11.97	38.31%
General provision on Standard Assets	52.25	43.80	19.30%
Gratuity Liability	7.47	6.35	17.64%
Interest In Suspense	0.61	4.32	-85.80%
TOTAL	8,973.22	7,565.93	18.60%
ASSETS			
Fixed Assets:			
Gross Block	351.92	331.73	6.08%
Less: Accumulated Depreciation	83.56	71.62	16.67%
Net Block	268.36	260.11	3.17%
Capital Work in progress	15.66	17.18	-8.85%
Deferred Revenue Expenditure	8.79	0.53	1554.84%
Investment in Equity shares / Bonds	993.56	869.00	14.33%
Other Investments	7,617.83	6,203.30	22.80%
Advance & Other Deposits	6.68	5.70	17.24%
Cash & Bank Balances	6.09	203.34	-97.01%
Gratuity Asset	56.24	6.76	732.01%
TOTAL	8,973.22	7,565.93	18.60%

During the year, the fund size has increased by 18.60% which amounts to Nu.8.97 billion. The loans and deposits have also grown by 19% during the year.

1.3 Budget Vs Actual expenses

During the year 2009-10, the NPPF's financial position and its operating results have improved significantly compared to last year despite increase in competition. It recorded continued growth in revenue and assets.

During the year, the management has made concerted efforts to achieve the revenue and expense targets that were set for the year. Because of these efforts, the revenue income generated for the year was 5.16% more than the target. However, the management expenses increased slightly. The main reason for the increase in the management expenses was due to pay revision approved by the Government during the year.

The distributable surplus worked out to Nu.522.787 million as compared to the budgeted target of Nu.505.271 million. This works out to an improved return of 6.66 percent as against the projected return of 6.22 percent.

The Pension & Provident Fund Plan for the civil service, public corporations and the Armed Forces was introduced in 2002 as a compulsory scheme to provide financial security for members on their retirement. The scheme also provides surviving family and permanent disability benefits. The retirement plans comprises of a two tiered system. Tier 1 covers the partially funded pay-as-you-go (PAYG) Pension Scheme and Tier II, the Provident Fund Scheme. Towards making the members save adequately for retirement, the NPPF is currently looking into the possibility of introducing a Voluntary Savings Scheme as a third Tier.

The pension system saw significant changes in the retirement plans during 2009. In September 2009, the NPPF through the Ministry of Finance submitted the First Sustainability Report to the Lhengye Zhungtshog. The report presented the financial status of the pension plan and provided information to evaluate the financial sustainability over a long period. The Lhengye Zhungtshog in principle approved the proposal to carry out a series of reforms in the pension system. The reforms were approved coinciding with the Civil Service Pay Revision in January 2009. The NPPF is currently in the process of implementing the reforms in accordance with the Government's approval since 1st July 2009.

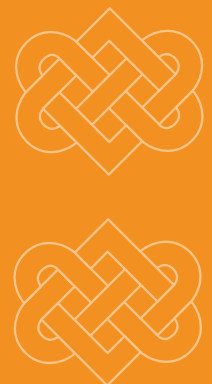
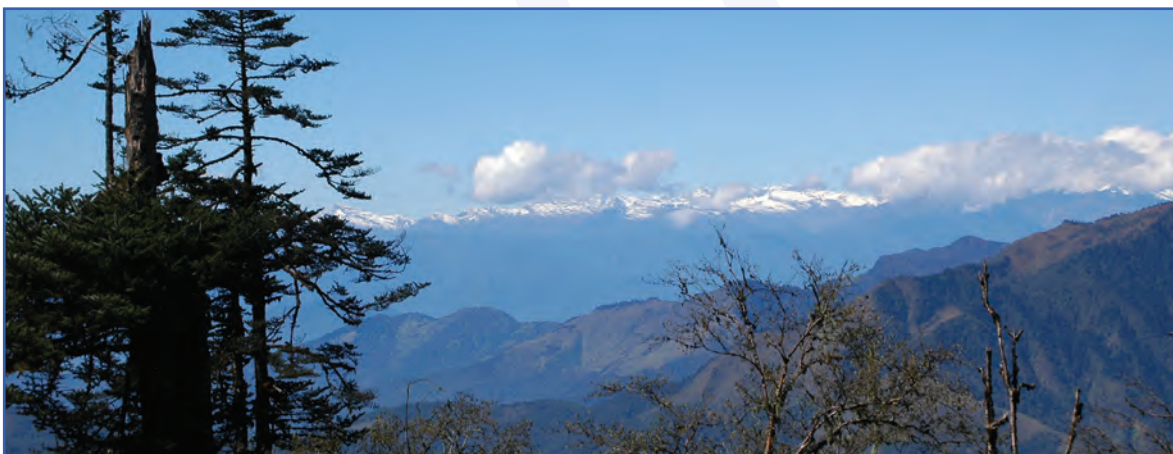
2.1 Changes during 2009-2010

Following the Civil Service Pay Revision in January 2009, the Government introduced reforms in the pension system with effect from 1st July 2009 to improve the sustainability of pension system. Changes in the pension scheme included:

- a. Increase in the contribution rate to from 8% to 11% of the basic salary;
- b. Increase the retirement pension benefit to a maximum of 40% of final salary; and
- c. Extending option of availing lump-sum or monthly pension from 10 years to 20 years.

2.2 Membership

At the end of June 2010, NPPF membership increased from 40,222 to 42,393. This figure represents about 6.32% of the total population. There was a significant increase in the membership by 5.40% compared to 2008 - 2009. This increase in the total members reflects improvement in coverage of the labor force in the public sector as well as increase in employment of new recruits against those who retired during the year.



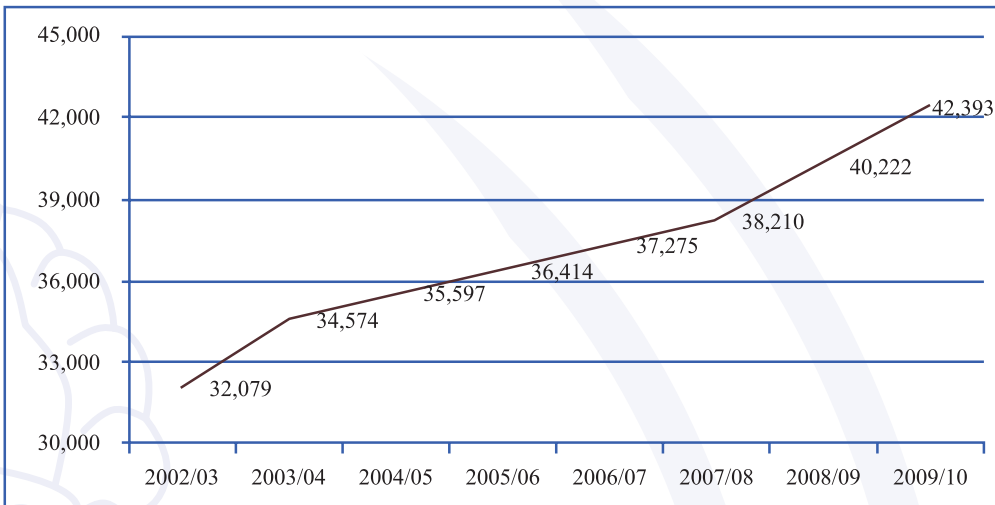


Fig. 2.1
Contributing Members
(2002 – June 2010)

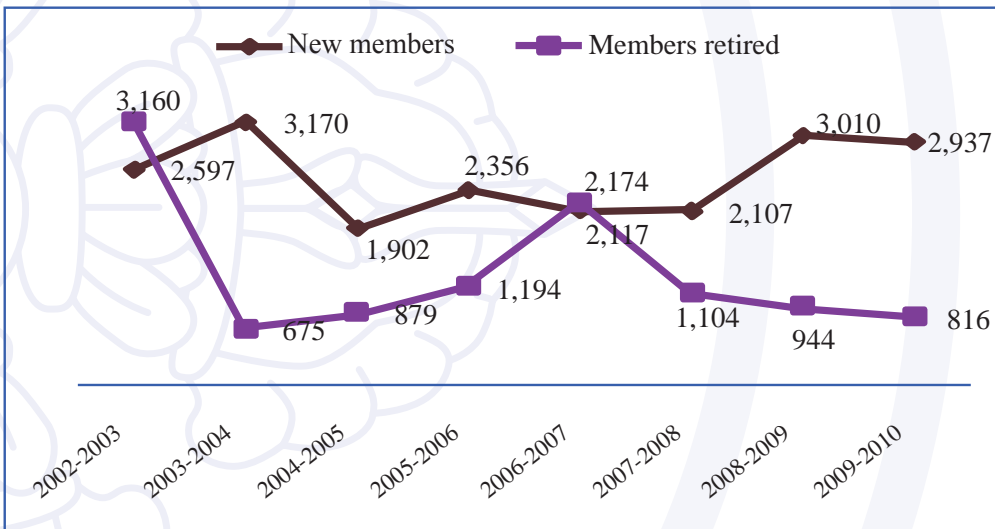


Fig. 2.2
Entry & exit of members
during 2009/2010

2.3 Contribution

The contributions to the pension and provident fund are paid on a monthly basis calculated against the basic salary of the members. The total contribution rate of the civil and corporate sectors during the year is 22% of basic salary, equally split between employees and employers. In July 2009, the contribution rate increased to 22% as against 16% that was prevalent in the past. In 2009, the government approved several reform measures to make the pension program more sustainable and as a result, the contribution rates have been increased to the current level starting from 2009.

The Armed Forces contribute 24% of salary where the employees contribute 12% and the employers provide a matching contribution of 12%.

Figure 2.2 Gross contribution collections to pension and provident fund during 2009/10

Types of Members	Contribution rate		Total contribution (Nu.)
	Employee	Employer	
Civil and Corporation	11%	11%	858.76
Armed Forces	12%	12%	215.36
	Total		1,074.12

2.4 Pension Beneficiaries and Monthly Payment

Under the early pension scheme, the members can avail pension benefits as early as 5 years prior to their retirement age of 56 years. The members from civil and corporate sectors receive full pension on superannuation age of 56 years whereas, the Armed Forces receive the benefits as per their rank. As such, those with the rank of a Chuma receive pension as early as 42 years of age. This show that the liability of the Armed Forces pension plan is higher compared to the Civil as the NPPF has to support the Armed Forces members for longer period due to their early retirement.

2.4.1 Civil and Public Corporations

The pension payment during 2009-2010 stood at Nu.40.33 million being paid to 995 beneficiaries. The pension payment made to normal retirees represents 75.85% of the total pension payment. A total of 402 people received Nu. 30.59 million as pension. In other categories, 587 surviving family beneficiaries received Nu. 9.49 million while 6 permanently disabled beneficiaries received Nu. 0.25 million during 2009-2010.

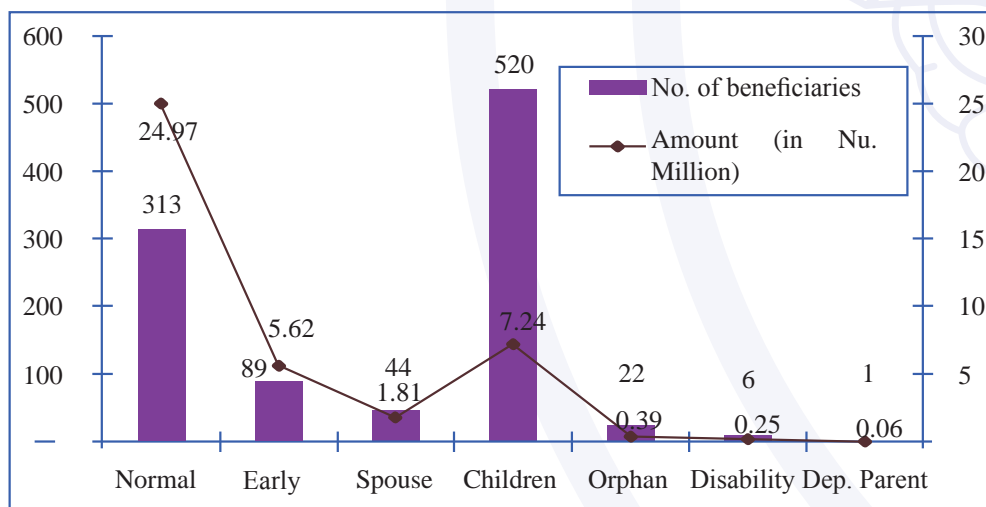


Figure 2.3
Pension payments
during 2009/10 and for
the past 8 years

The number of beneficiaries receiving pension benefits has increased steadily over the past years rising by 18.46% compared to the previous year. Figure 2.3 shows the yearly increases in pension benefits since 2002 to June 2010.

2.4.2 Armed Forces Pension

In 2009-2010, NPPF made a total pension payment of Nu. 35.24 million to 1,500 beneficiaries. The normal retirement pension represents 87.15% of the total pension payment. A total of 972 people received Nu. 30.71 million as pension and 528 surviving family beneficiaries received Nu. 4.53 million as benefits.

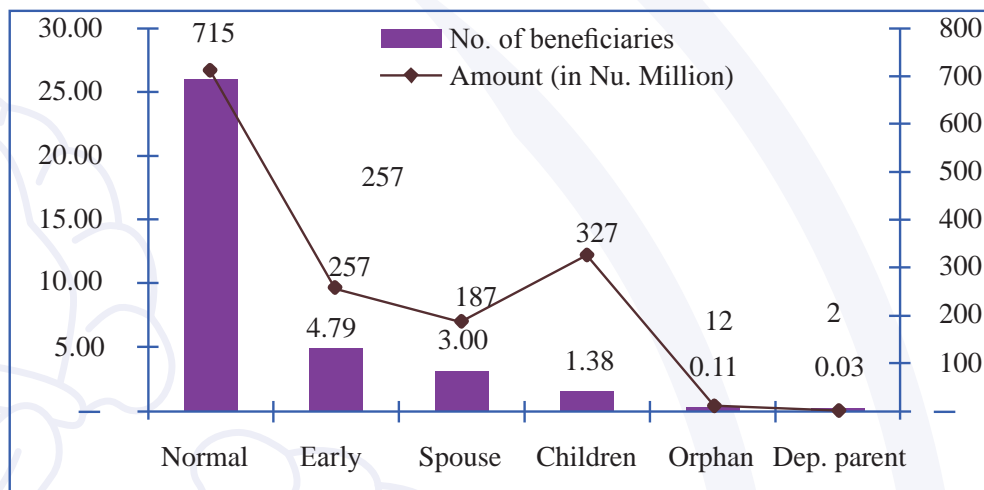


Figure 2.4
Pension payments
during 2009/10 and for
the past 8 years

During the last eight years the number of beneficiaries receiving pension benefits has increased significantly for Armed Forces as compared to that of Civil. The pension payment increased by 18.46% compared to the previous year which mainly due to the increase in the number of pensioners and provision of annual increment of 2% p.a on the pension benefits. Figure 2.4 shows the yearly increases in pension benefits since 2002 to June 2010.

2.5 Provident Fund Scheme

In addition to the members of the civil and the Armed Forces, the provident fund scheme covers other members which includes expatriate employees and the members of the Parliament. Under the scheme, the members can withdraw their accumulated savings in lump-sum when they retire from service.

Annually, the Fund credits interest on the accumulated savings in the Provident Fund Account to the individual members. The returns are declared based on its investment performance annually. During the year 2009-10, the NPPF has been able to generate a return of 6.66% on its funds. However, the liability of the Pension Fund will increase as NPPF will adopt the new Pension Benefit formula and pay out pension benefit to a maximum of 40% of Final Salary with effect from July 1, 2010. In order to cushion the increased liability and enhance sustainability, the National Pension Board decided to declare a rate of return of 6.25% for the year 2009-10 against the actual earnings of 6.66% by building up to General Reserve. The members therefore, received 6.25% return on their savings despite limited investment avenues. The Fund has been earning a steady return of approximately 6.17% over the past 8 years. This indicates that the members have been receiving reasonable return on their savings compared bank interest rates.

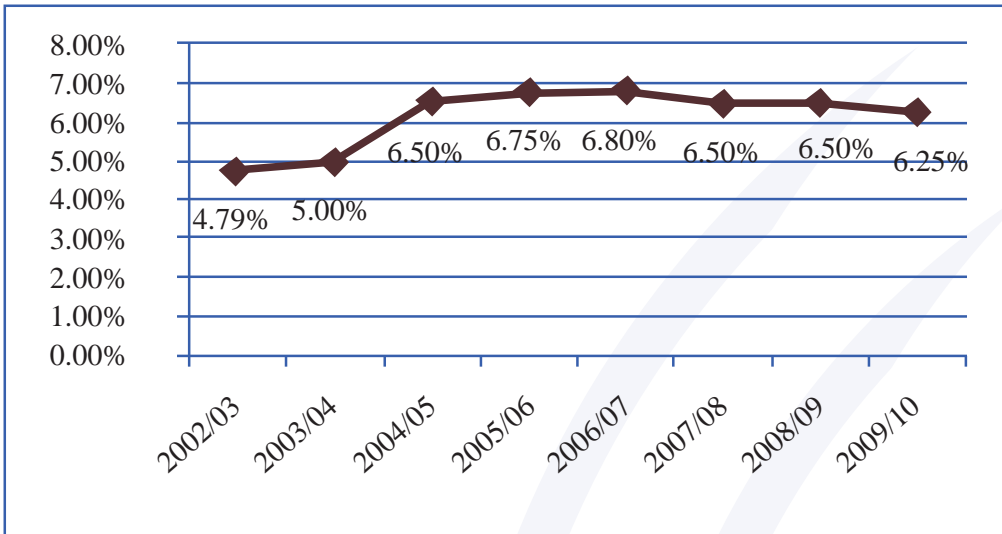


Figure 2.5
Rate of return declared
for the past 8 years

2.6 Pension and Provident Fund Delivery System

The goal of NPPF is to provide better, timely and one-stop service to the members, delivered with the right attitude. In 2009-2010, the Fund continued to improve on its delivery system. To provide easy access to members, the Fund provides a multi-channel service delivery system with numerous modes of access to its members. The members can now access their information and view their annual Pension & Provident Fund Statement from our website www.nppf.org.bt.

2.6.1 Claim Processing

In 2009-2010, a total of 816 applications were processed. This included 566 of the civil and corporate sectors and 250 Armed Forces which were processed and paid within 2 working days as per the set performance benchmark. Other initiatives included programs on **Focused Group Discussions** with the members nearing retirement and discussion with the Human Resource and Finance Officers in Phuntsholing, Samtse, Wangdue, Punakha, Haa, Paro, Gelephu and Bumthang. These programs have helped members in their better understand our pension systems and claim procedures.

2.6.2 Pension Delivery

In 2009-2010, the Fund disbursed a total of Nu. 75.49 million through Bank of Bhutan and Bhutan Post. The payment through these agencies has provided enhanced comfort and convenience to the beneficiaries. Although, the BoB branches handled the largest share of pension payment, the payment from Bhutan Post grew much higher, which suggest steady urban-rural migration of beneficiaries.



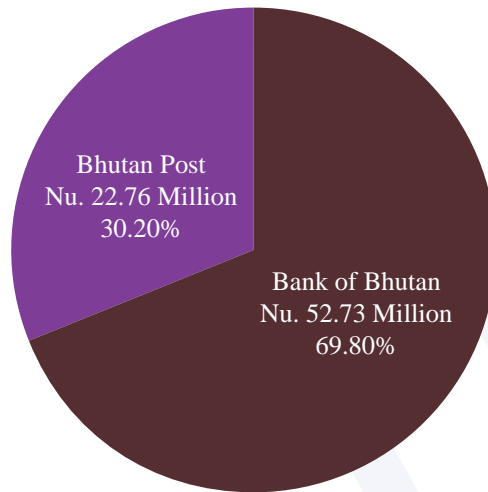


Figure 2.6:
Pension Disbursement
during the year

The current practice requires pensioner to visit bank in person to withdraw their benefits. In order to enhance the convenience of the pensioners for pension withdrawal, the NPPF is studying the possibility of permitting the pensioners to withdraw benefits through the bank ATM. This will help them to withdraw the benefits from any ATM access point.

2.6.3 Improvement in Service Delivery System

The Fund took the following new initiatives to further enhance the customer's satisfaction:

- Set up One-stop-solution to transact the services timely;
- Introduced Computer Telephonic Interaction to access the provident fund balance over the phone;
- Installed Hotline service to access direct advisory services;
- Access information through SMS; and
- Opened Dedicated Counter at the Bank of Bhutan in Thimphu and Phuntsholing.

2.7 Future Plans

It is the Government's policy to establish comprehensive pension coverage and foster greater income security for the entire Bhutanese citizen. The Ministry of Finance therefore, established a four-member Pension Working Committee with the mandate to draft the National Pension Policy. The NPPF has been actively involved in the drafting of the Pension Policy and the Paper has been submitted to the Government for consideration.

In the second phase of the project, the Committee will work on the drafting of the National Pension Act once the policy is endorsed by the government. Since the National Pension and Provident Fund Plan are currently instituted under the Executive Order issued by the Government, it has become a priority to legislate the Pension Act.

With Information Technology being widely used in Bhutan, the customers expect improved services from wide range of channels. Therefore, the NPPF has plans to undertake several activities during the next financial year after assessing the needs and priorities of the members. In the years to come, the NPPF will continue to think of innovative ways to help and serve its members and their families in a more efficient manner.

The Government has accorded NPPF with limited investment mandate in order to protect the savings of the members for old age. The Pension Fund invests its funds towards Member Housing Loan and Member Education Loan. It also participates both in equity investment and financing of projects that promote economic growth of the country. As a conservative investor, the NPPF has to ensure that the risks are controlled and not compromised at the expense of higher returns. As such, its investment objective is to achieve an optimal asset allocation mix of 60% fixed Income and 40% Equity.

Since the Pension has significant influence over the financial market as the 3rd largest institutional investor, it is supervised by the Royal Monetary Authority.

3.1 INVESTMENT OPERATIONS

With the increasing competition in the financial sector, it is important that the NPPF reposition itself and re-strategize to confront the competition. Towards achieving it, the NPPF not only made significant improvement in its delivery of service to its members but also had its investment mandate reviewed. It has been expanded to include investments in unlisted public companies and private companies within its investment mandate. This has greatly helped the NPPF to generate higher returns.

During the year, it took the initiative to improve its services by opening up one stop solution counters, dedicated counters at the Bank of Bhutan branches and opening of liaison offices which could be upgraded as branches in the near future.

3.1.1 Overall Investment Performance

This year, NPPF declared a return of 6.25% despite limited investment opportunities. This has been possible because of the NPPF's consistent effort in enhancing its investment policy in response to the market conditions. The NPPF proactively manages its fund's investment with proper assessment and control of risk to maximize returns to the fund. This is important as the NPPF significantly relies on the investment return to ensure continuous payment of pension benefits to its members.

Beside housing and education loans which are discussed under credit operations, the other returns generated are from the loans being provided to the Government owned Institutions and Projects, Joint Sector Corporations, Public Limited Companies and investments in securities and other instruments listed on the Royal Securities Exchange of Bhutan.

The average return generated during the financial year from the above loans was 7.05 percent and that from the equities was 15.23 percent. The NPPF has invested in the equities of Penden Cement Authority Limited, State Trading Corporation of Bhutan Limited, Bhutan National Bank Limited, Kuensel Corporation Limited and Dagachu Hydropower Project. The NPPF has also invested in the Drukair Bonds and the return generated during the year 2009-10 was 7.50 percent. The average return earned from the Fixed Deposits in the Bhutan National Bank, Bank of Bhutan and the Druk PNB Bank was 4.13 percent.

During the year, BNB declared a dividend of 28.50 percent per share amounting to Nu. 26.11 million from its shareholdings in the bank. PCAL and Kuensel Corporation also declared a dividend of 100 percent and 12 percent respectively. The State Trading Corporation of Bhutan also declared a dividend of 20 percent during this fiscal year.

The NPPF was able to generate reasonable returns, despite the limited investment opportunities, the size of which has become even more limited with the entry of new banks and the insurance company. The entry of Druk PNB Bank, T Bank and Bhutan Insurance Limited in the financial market has put increasing pressure on the already limited investment avenues in the domestic market. Major chunk of the NPPF fund constituting about 30% of the investment portfolio has remained in the short-term deposits with BoB and BNB at the rates of 2% p.a. and 2.25% p.a. respectively. The BNB's reduction of interest rate for one-year term deposit from 5% to 3.10% has further undermined the return generated during the fiscal year.

As on 30 June 2010, the NPPF had a fund size of Nu. 8.97 billion with net cash flow of over Nu. 100 million per month.

3.1.2 Activities during the Year

The NPPF disbursed Nu. 100 million out of the total term loan of Nu. 600 million sanctioned to Dagachu Hydro Power Project at 10% p.a. interest rate for 15 years. Out of the equity investment participation of Nu 500 million, a sum of Nu 184.86 million was disbursed as of June 30, 2010. The 114 Mega Watt Dagachu Hydro Power Project is expected to commence commercial operations by 2012.

The Board approved the NPPF's participation in the RICBL Bond – Series II. The NPPF will purchase 500,000 units worth of Nu. 500 million at a coupon rate of 6.70% for 5 years.

3.1.3 Asset Allocation

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 percent fixed income and 4 percent equity. This situation clearly shows that the NPPF has to make significant efforts to enhance investments in equity in order to achieve 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 set up in the near future, it may take some time for the NPPF to reach the required benchmark.

Notwithstanding the constraints and challenges in the investment front, the overall investment portfolio as of June 30, 2010 stood at Nu. 8,618.85 million compared to Nu. 7,084.06 million during the previous year achieving a growth rate of 22 percent. The NPPF's performance during this fiscal year has been satisfactory and it has been able to declare a return of 6.25 percent. The details of the asset allocation of the Fund as of June 30, 2010 are depicted in the figures below:

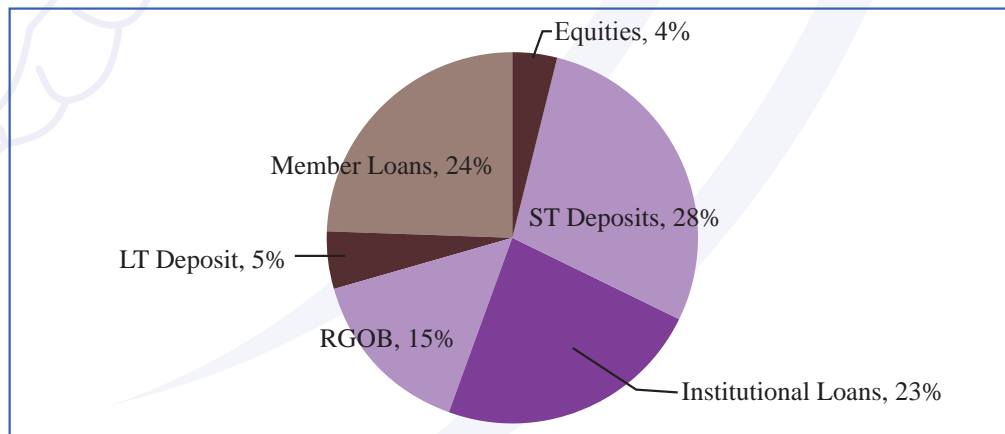


Fig. 3.1:
Asset Allocation as of
June 30, 2010

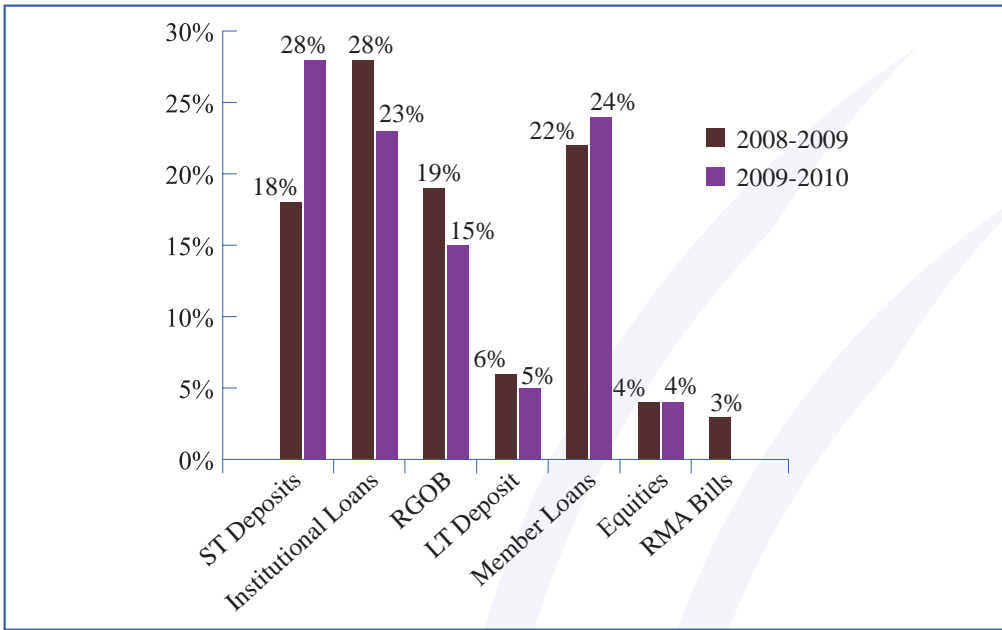


Fig. 3.2
Change in Asset Allocation compared to June, 2009

3.2 CREDIT OPERATIONS

In view of the limited investment mandate, the NPPF’s credit operations include only two products. The Member Housing Loan and the Member Education Loan schemes, both of which were started in 2003/04. These loan schemes have significantly benefited the members in not only educating their children and themselves but were also able to own houses of their own.

3.2.1 Member Housing Loan

As of June, 2010, the loan portfolio increased to Nu. 1,228.565 million with a total of 683 clients. It constitutes about 14% of the overall portfolio and is growing at the rate beyond the expectation of the NPPF. The housing loan sector grew by about 27.30 percent with an increase in clientele base by 121 clients compared to the previous year.

Learning from the crises of the US housing market, the NPPF is conscious that the investment in the housing sector can be risky if not made prudently. It is therefore constantly monitoring the growth of the portfolio closely so that it does not cross the set benchmark in order to control sectoral risks.



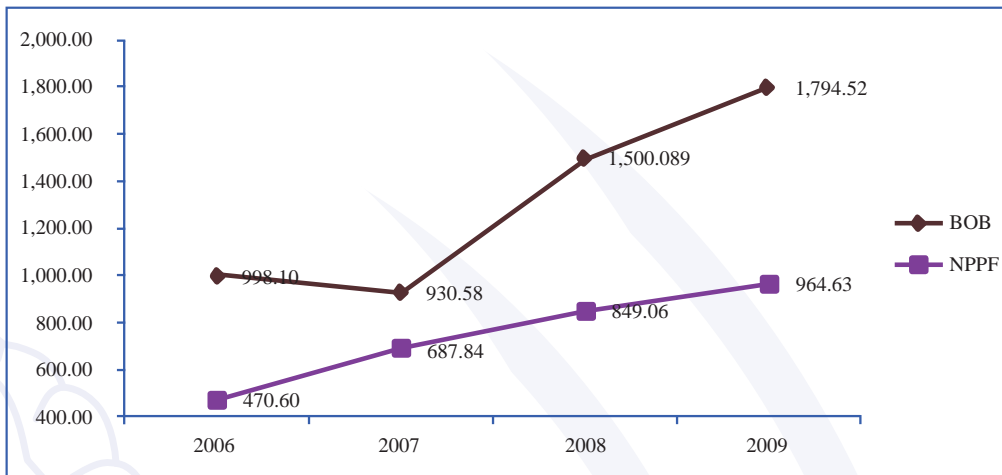


Fig. 3.3:
Growth in Housing Loan portfolio compared to BOB (2006-2009)

Source: BOB Annual Report 2009

3.2.2 Member Education Loan

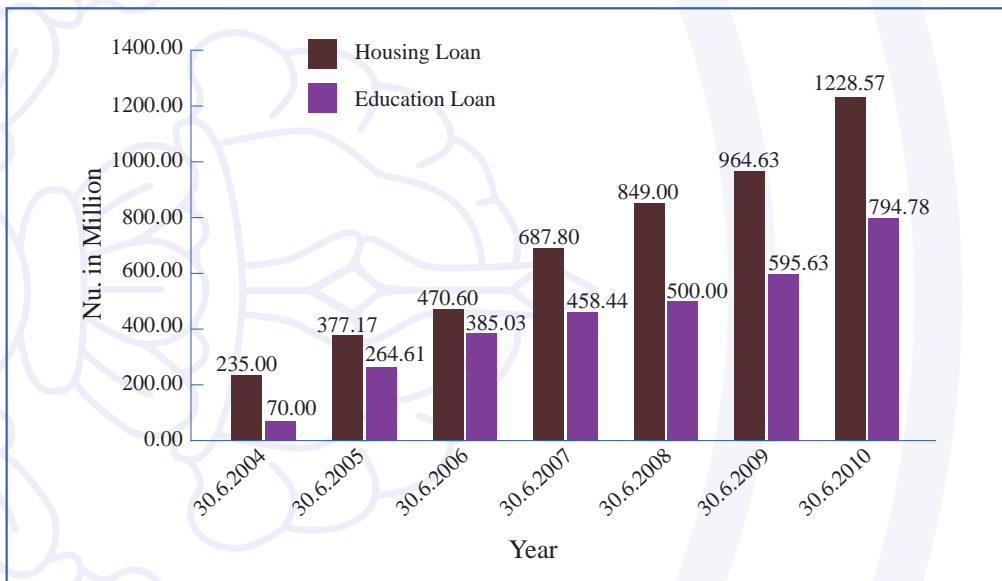


Fig. 3.4:
Growth in Member Loans in Million

Since its introduction in 2004, NPPF has been able to create a niche market for its loan products as other financial institutions have not come out with similar products. In view of limited competition in the product, the portfolio grew by 33.33 percent along with increase in the client base to 1,120 members. As of June 2010, the loan portfolio increased to Nu.794.781 million with a total of 8,999 clients. Efforts are being made to increase the Client base to at least 10,000 by end of 2011.

3.2.3 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 2010, the total loan portfolio grew to Nu. 4,721.95 million while Non- Performing Loans (NPL) worked out to 0.25 percent of the total loan outstanding, which is far below the 1.5% target set by the NPPF. Provisions for the NPL have been made as per the requirements under the Royal Monetary Authority Prudential Regulations, 2002. The NPPF has been able to maintain the NPL at low levels in view of the prudent plans of the organization including strict adherence to the proper risk control strategies, strict monitoring and robust recovery efforts.

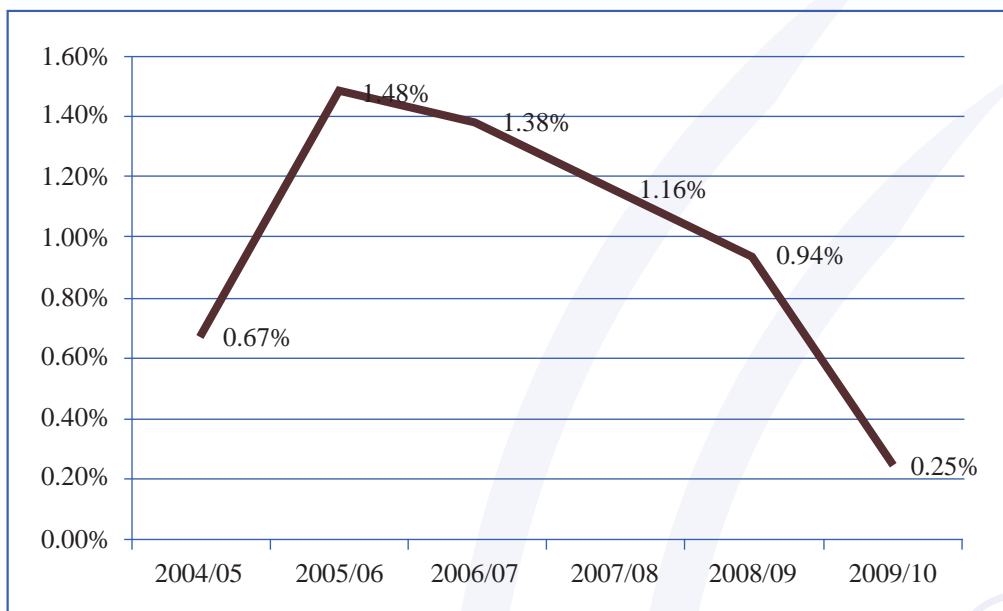


Fig. 3.5:
Non Performing Loan

3.3 FUTURE PLANS

In order to achieve the sustainable return, the NPPF has been constantly exploring investment avenues within the given environment and macroeconomic policies in place. The expected investment opportunities in future are mostly centered on the power sector.

The NPPF has already commenced investing Nu.1.6 billion in Dagachu Power Project. Beside Dagachu Power Project, the mostly likely projects that will demand for domestic financing are Nikachu and Begana Power Project. It is estimated that the NPPF will get the opportunity to invest at least up to Nu. 520 million in the power sector during 10th 5-year plan.

The NPPF has committed to finance the upcoming Dungsam Cement Project worth Nu.1.01 billion as long 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. Besides, the NPPF is also looking at opportunities to invest in the equity of the new banks when they go public and the equities of the Bank of Bhutan and Dungsam Cement if the government decides to divest their shareholdings. Equity investment is preferable compared to other investments as it gives higher returns over a long horizon and at the same time addresses the issues related to asset liability mismatch.

The NPPF is also exploring possibility of making investments in other DHI Projects which would need local financing. The NPPF has already expressed interest to DHI in taking up the projects that require local financing and requested them to keep NPPF in their financiers' list. NPPF is continuously exploring investment opportunities wherever possible in consultation with DHI.

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

As one of the leading property developers in the Kingdom of Bhutan, the NPPF considers the real estate investment an important vehicle towards promoting Home Ownership Program. The NPPF's main objective in real estate is to provide affordable and quality residential quarters to members which are in line with Royal Government's priority to support housing projects. As such, the NPPF continues to explore investment opportunities in real estate projects.

4.1 Residential properties

As of June 2010, there were 87 buildings with 733 utility spaces under the NPPF management. These comprised 647 residential units, 57 commercial spaces and 29 office spaces (Figure 4.1).

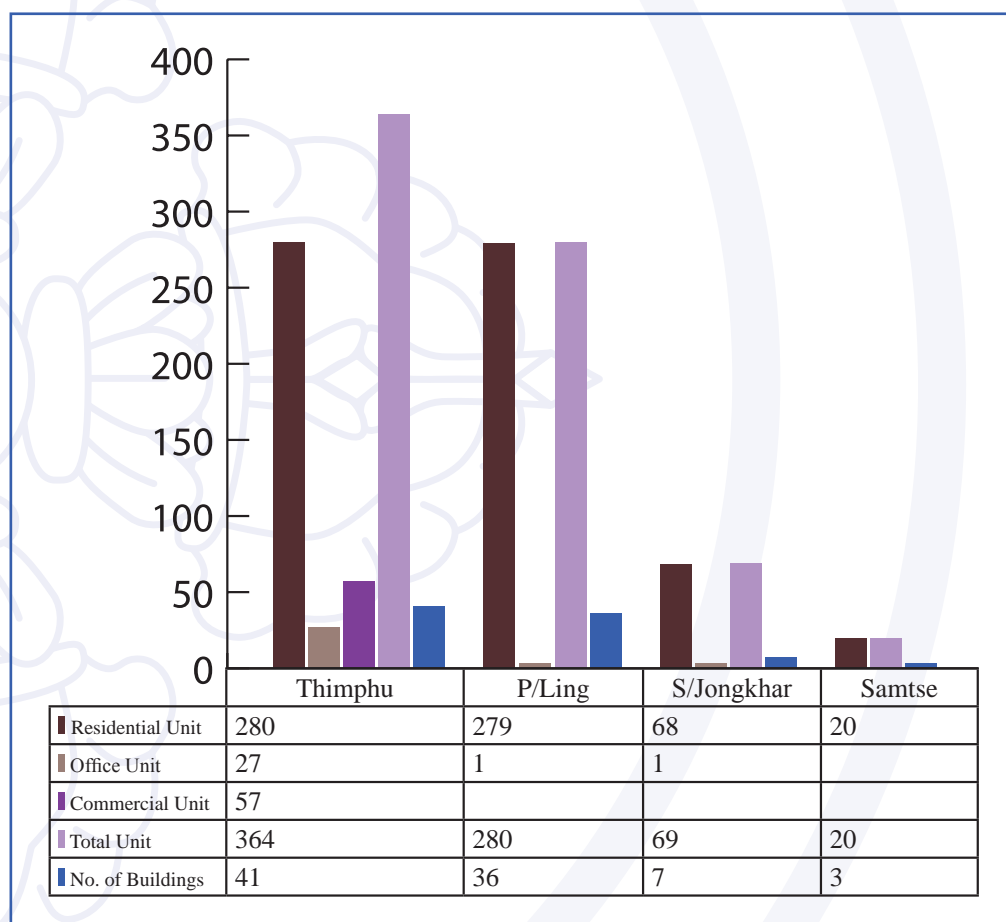


Figure 4.1:
Real Estate properties at various locations

As depicted above, the NPPF's real estate assets have grown significantly. However, its key challenge remains in not being able to provide adequate residential houses to its members. Nevertheless, for the year under review, the Fund had achieved its targets, which included the face-lifting works of old buildings (roof painting of twenty eight buildings in Phuntsholing colony), site development works such as repair and maintenance of road and parking spaces in Thimphu housing colony and consulting works for new project at Thimphu for the proposed buildings on health plot for the benefit of tenants. We have also completed one unit Class II building with 16 flats and rented out from January 2010 in the NPPF colony at Phuntsholing.

4.2 Demolition of old buildings in Thimphu and Phuntsholing

During the year, one unit Class III old building in the NPPF colony at Thimphu was demolished as it was declared unfit for occupation by the SQCA. The space is being replaced by three new buildings with 48 flats and the work will be awarded in the following year. One unit single storied commercial block in the NPPF housing colony in Phuntsholing has also been demolished. This building is being replaced by one unit four storied Class II residential building with 16 flats.

4.3 Allotment of NPPF residential flats through draw of lottery.

Towards enhancing transparency in the management of the housing facilities, the NPPF allots its housing units to the members through draw of lottery. During the year it has allotted 22 flats in the NPPF colony at Phuntsholing which included 16 flats in the new building. In Samdrup Jongkhar colony it has allotted 8 flats and 3 flats in Samtse respectively.

It is also reviewing the Housing Rules and Regulations based on its past experience and feedback it received as well as make it consistent with the Tenancy Act.

4.4 Project under construction

During the year under review, the construction of one unit with 16 flats residential building in the NPPF housing colony in Phuntsholing was awarded to Zeko Construction in May 2010 at a tendered cost of Nu.19.00 million with a completion period of 15 months. We have also awarded construction of NPPF Head Office to Yarkay Construction Company in May 2010 at a tendered cost of 127.61 million with a completion period of 33 months. The progresses of the projects are well within the time schedule.



Fig. 4.2:
Proposed Corporate
Head Office

4.5 Financial review

As of June 2010, the gross real estate asset at book value was worth Nu. 323.577 million, representing 3.606 percent of the total Fund. The rental income from real estate operations as of June 2010 accounted to Nu. 26.529 million and a gross return of 8.198 percent.

Table 4.1 Rental income during 2009-10 and 2008-09

	(Nu. in million).				Rate of Returns (gross)	
	2009-10	2008-09	2009-10	2008-09	2009-10	2008-09
Rental Income during the year			26.529	24.929	8.198 %	8.091%
Less: Expenses						
a. Management Expenses	7.616	5.680				
b. Maintenance	4.617	3.917	(11.233)	(9.597)		
Gross Income			15.296	15.332	4.928 %	4.976 %
Less: Depreciation			10.330	9.928		
Net Rental Income			4.966	5.404	1.531 %	1.754 %

On the other hand, the net return on real estate operations decreased to 1.531 percent from 1.754 percent in the previous year. This decrease in the net return can be attributed mainly due to the capitalization of one unit residential building in Phuntsholing which was completed in December 2009 and rented out from January 2010. Further, during the year under review, the management had taken up major renovation works like face-lifting of old buildings i.e. roof paintings of 28 buildings in Phuntsholing colony and maintenance works of road and parking in Thimphu, besides writing off of Nu. 541,586.79 being the net book values of two demolished buildings.

4.6 Future plans

The routine maintenance of buildings will be taken up regularly based on requirements. Besides, it is working on the concept plan as well as drawing and design of buildings behind Norgay Cinema Phuntsholing. It also has plans to acquire land in Dzongkhags for the Home ownership program.



As per its objective, the NPPF is moving towards a fully automated system. Its efficiency, both in terms of operational and service delivery has improved with the help of Information and Communication Technology (ICT). Given the importance of ICT, the NPPF has adopted the most current technologies wherever possible to enhance the efficiency of the organization.

A well functioning ICT system has been conducive to the development of quality service culture in the NPPF. It has helped the NPPF in better delivery of services on Anywhere at Any time basis. In particular, in terms of delivery of services, it has adopted information technology in various processes like collection, administration, delivery of pension benefits, PIS and checking of the status of pensioners and the members from time to time.

5.1 Activities Undertaken

The NPPF's day to day operations are fully automated using ICT systems. The ICT division is fully committed to enhance the efficiency and transparency of the organization's operations.

With the competition increasing in the market, it was essential for the NPPF to adopt vibrant software for its credit operation. It therefore took the initiative to procure off-the shelf software from SouthTec, Dhaka, Bangladesh based on the experience of BDFC. During the year, the NPPF has successfully implemented the Ascend Banking System (ABS) and ran parallel to the old Member Financing System (MFS) for one year. The concerned officials were also adequately trained on the usage of ABS system so that the NPPF can fully depend on the new ABS system.

The ITC Department also took several other initiatives during the year. The Civil pension system was enhanced to accommodate the changes in the pension policy after the pension reform proposals were approved by the Government.

Towards enhancing services delivery, the NPPF procured and successfully implemented off-the-shelf Computer Telephonic Interaction (CTI) and FAXSYNC system. Using CTI system, the members can now SMS or dial HOTLINE to access information over telephone without manual intervention. With the use of FAXSYNC system, incoming faxes are automatically directed to concerned addressees, thereby reducing the chances of misplacing fax copy and usage of stationeries. Also the fax document copies are stored in our database for future reference.

Through Credit Information Bureau System, the financial institutions can now share information on the status of clients without having to obtain loans clearances as was practiced in the past. The system is now fully customized as required by RMA and is fully integrated with ABS system. This new system is helping the financial intuitions in speeding up the processing of loans, thereby improving the overall efficiency of the financial sector in Bhutan.

5.2 Future Plans

During the next financial year, the ICT division will assist in implementing live operation of the ABS system. MFS and old accounting system will be discontinued and replaced by the ABS. However, backup of both the systems will be maintained for future references.

The NPPF will implement enhanced version of civil pension system. It is also planning to develop in-house Inventory Management System (IMS), Management Information System (MIS) and ABS reporting tools.

Further, the ICT division has plans to implement National Electronic Clearing System (NECS) to disburse pension payments and staff salary. This system will improve pension delivery and reduce the workload of the organization.

The ICT division will also work with the RMA to incorporate Provident Fund collection and Loan Remittance system using the same system of NECS. At the same time, the NPPF will be actively involved in the implementation of Office Procedure Automation (OPA) application, which will greatly improve the management of internal official correspondences and effective file management.



The employees of the NPPF are the most valued assets of the organization. A highly motivated and competent staff has collectively as a team contributed to the growth of the organization. In line with its HR policy, the NPPF has ensured that it develops the employee's capacities in order to maintain competent staff strength. At the same time, HR plans are reviewed from time to time so that it maintains optimal level of employment as per the job and organizational requirement.

Towards improving its human resource, the NPPF has taking initiative to introduce a performance management system. Under the system, bonus and increments will be indexed to performance as per set targets of the individual staffs. Clearly, this system will not only motivate the staff, but also improve the performance level and overall efficiency of the NPPF. In addition, as a part of NPPF's employee retention plan and also to attract competent employees, the Government revised the pay package of the NPPF staff during the year.

On the training front, several officers have been sent for further studies during the last few years. Three officers are still undergoing MBA studies in Thailand. One is studying Masters in Actuary in Australia. Eight officers have returned from their studies during the year and have joined office. One of its officers, Mr. Kinga Thinley was awarded the medal of excellence for his academic achievements and the NPPF would like to congratulate him and acknowledge his achievement. Since NPPF places high priority on improving the quality of its human resource, such achievement on the part of its officers shall reinforce its commitment to continue strengthening the human resources.

NPPF also considers in-house training programs important. As such, in accordance with its plan, the NPPF conducted two-day training on "7 Habits of Highly Effective People" for its officers at Paro in December 2009 as a part of its human resource training program. NPPF views such programs as refresher techniques to stimulate employees and tries to conduct at least once a year.

During the year, NPPF also witnessed changes in its Board member. Lieutenant Colonel Penden Wangdi of RBA superannuated from service. In this context, the NPPF would like to place on record its acknowledgment and sincerely thank Lieutenant Colonel Penden Wangdi for his immense contribution to the NPPF's development as a Board Director. At the same time, the NPPF welcomes Lt. Col Dorji Gyeltshen and Mr. Bacho Phub Dorji, Commissioner, RCSC as new Board Directors. Given their dynamism and experience, the NPPF looks forward to their contributions to the NPPF.

21/9 earthquake in 2009 affected hundreds of families in Eastern Bhutan. Some lost their homes, a few lost their lives, but many lost their properties. The NPPF joined the nation in expressing our empathy and condolence to the victims of the earthquake in Eastern Dzongkhag. As a token of our thoughts and prayers, the NPPF joined the nation by contributing to His Majesty's Kidu Fund for the acceleration of relief efforts in the East.



Participants during the two-day training on “7 Habits of Highly Effective People”



Acknowledgement

We would like to express our sincere gratitude to the Royal Government of Bhutan, the Royal Monetary Authority and the Royal Audit Authority for their guidance and for supporting the initiatives of the NPPF.

We would also like to thank all the employers and financial institutions for their constant cooperation, all the members for their unwavering confidence and continued support and the employees of the NPPF for their dedicated service which has contributed to the overall development of the NPPF.



PLEASE QUOTE

The Board of Directors,
NATIONAL PENSION & PROVIDENT FUND,
THIMPHU : BHUTAN

1. We have audited the attached Balance Sheet of **NATIONAL PENSION & PROVIDENT FUND, (THE FUND)** as at 30th June, 2010 and the Revenue Account and Cash Flow Statement of The Fund for the year ended on that date annexed thereto, which we have been 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. Investments :
 - (a) Attention is drawn to Paragraph No.8 in Schedule-18 – Significant Accounting Policies – which states that Investments are stated at cost, whereas Investments as appearing in Schedule-8 – Investments (7.50% Druk Air Bond-2013 and 7.50% Druk Air Bond-2014) include Interest Accrued but not due amounting to NU.87,12,661 and in Schedule-9 – other Investments – include Interest Accrued but not due amounting to NU.58,260,463 instead of stating Interest Accrued but not due in Schedule-10 – Advances and other Deposits – as in earlier years.
 - (b) Investments in Equity Shares of Dagachu Hydro Power Corporation Limited has been considered by the management as Permanent Investments. Hence, no provision has been considered necessary by the management against temporary fall, if any, in Net Asset Value of Dagachu Hydro Power Corporation Limited, which is not correctly ascertainable at this stage as the Project of the Corporation is under construction.
 - (c) Balance Confirmation Certificates from the Parties included in Loans to the Royal Government of Bhutan and to Institutions / Companies as appearing in Schedule-9 – other Investments – included the Capital sum of respective Loans only. Hence, there are differences to the extent of Interest Accrued but not due included in balances as appearing in Schedule-9 – other Investments – and those as per respective Balance Confirmation Certificates.

5. Further to our comments as referred to in paragraphs 3 and 4 above, we report that :
- (i) 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.
 - (ii) 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.
 - (iii) In our opinion, proper books of account have been kept by The Fund so far as it appears from our examination of those books.
 - (iv) The Balance Sheet, Revenue Account and 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.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the Significant Accounting Policies and Notes on Accounts and subject to our comments in Paragraph 4 hereinabove 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 give a true and fair view :
- (a) In the case of the Balance Sheet, of the state of affairs of the Fund as at 30th June, 2010,
 - (b) In the case of the Revenue Account, of the surplus for the year ended on that date.
 - (c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For P. K. MITRA & CO.
CHARTERED ACCOUNTANTS



(T. N. CHAKRABARTI)
Partner.
Membership No. 010610

Place : Kolkata

Date : 11 OCT 2010

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

BALANCE SHEET AS AT 30TH JUNE, 2010

LIABILITIES

	SCHEDULE NO	AS AT 30.06.2010	AS AT 30.06.2009
		Nu.	Nu.
Member's & Employer's Contribution to PF - Civil	1	1,510,433,580	1,298,179,857
Member's & Employer's Contribution to PF - Armed Forces	1A	652,022,062	589,451,171
Interest credited to PF Account - Civil	2	716,659,911	615,224,554
Interest credited to PF Account - Armed Forces	2A	319,240,418	275,383,778
Pension Fund - Civil	3	4,011,262,908	3,254,284,098
Pension Fund - Armed Forces	3A	1,561,078,460	1,373,380,528
Reserves	4	125,622,993	93,600,798
Other Liabilities	5	16,556,767	11,967,924
General Provision on Standard Assets		52,255,877	43,796,055
Gratuity Liability		7,473,504	6,348,850
Interest in Suspense		613,645	4,309,656
		8,973,220,126	7,565,927,270

ASSETS

Fixed Assets:			
Gross Block		351,918,874	331,734,082
Less: Accumulated depreciation	6	83,561,716	71,619,387
Net Block	6	268,357,158	260,114,696
Capital work in progress	7	15,664,532	17,184,097
Deferred Revenue Expenditure		8,790,163	531,170
Investments in Equity Shares/ Bonds	8	993,562,095	869,003,241
Other Investments	9	7,617,829,897	6,203,298,889
Gratuity Investment		6,680,490	5,697,761
Advance and other Deposits	10	6,089,252	203,341,328
Cash and Bank Balances	11	56,246,539	6,756,090
		8,973,220,126	7,565,927,270
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.

P K Mitra & Co.

Chartered Accountants

J. N. Chakrabarti
(J. N. CHAKRABARTI)

Partner.

Membership No. 10610

Kolkata. Dated 11 OCT 2010



J. Wang
DIRECTOR
NATIONAL PENSION AND
PROVIDENT FUND
THIMPHU : BHUTAN

DIRECTOR

N. J.

CHAIRMAN

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2010

REVENUE

	SCHEDULE NO.	FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009
		Nu	Nu
Income from Investment	12	510,931,368	442,979,061
Rental Income	13	26,528,839	24,929,323
Dividend	14	48,293,829	41,719,989
Other Revenue	15	1,972,008	3,347,631
		587,726,044	512,976,004

EXPENSES

Provident Fund Management Expenses	16 & 17	19,197,227	16,888,636
Pension Management Expenses	16 & 17	28,865,209	25,442,709
Depreciation	6	12,719,952	11,886,794
Provision for Standard Assets		8,459,822	3,431,624
Provision for Sub Standard Assets		(4,303,225)	472,220
Total Expenses		64,938,985	58,121,983
Surplus		522,787,059	454,854,021
Transferred from/(-) to General Reserve		-	-
Total Distributable Surplus		522,787,059	454,854,021
Distribution of Surplus			
Transferred to General Reserve		31,311,355	18,708,048
Return on Member's and Employers contribution to PF (Civil)		125,325,964	112,707,991
Return on Member's and Employers contribution to PF (Armed Forces)		55,566,118	50,929,573
Return on Pension Fund (Civil)		217,956,946	191,630,914
Return on Pension Fund (Armed Forces)		92,626,675	80,877,495
		522,787,059	454,854,021
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.

P K Mitra & Co.

Chartered Accountants

J. N. Chakrabarti
(J. N. CHAKRABARTI)

Partner.

Membership No. 10610

Kolkata. Dated 11 OCT 2010



J. Wang
DIRECTOR
NATIONAL PENSION AND
PROVIDENT FUND
THIMPHU : BHUTAN

DIRECTOR

N. J.

CHAIRMAN

NATIONAL PENSION AND PROVIDENT FUND
THIMPHU, BHUTAN

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2010

	Year ended 30th June 2010	Year ended 30th June 2009
CASH FLOW FROM OPERATIONS		
Receipts from:		
Interest	474,421,589	419,750,104
Rents	26,459,574	24,273,728
Dividends & Other Income	50,264,067	43,841,902
Security Deposit from Tenants	20,795	331,162
Payments for:		
Expenses	43,932,213	40,694,731
Security Deposit to Suppliers	30,990	
NET RECEIPTS FROM OPERATIONS	507,202,822	447,502,164
CASH FLOW FROM INVESTING		
Receipts from:		
Repayments of Pension Loans	-	91,676
Sale of Fixed Assets	199,160	1,275,000
Payment for:		
Increase in Loans & Deposits	685,137,365	851,958,148
Shares and Bonds	115,846,193	15,269,900
Pension Loan	328,915	
Member Housing Loan	263,691,849	116,093,847
Member Education Loan	193,585,090	95,138,789
Vehicle Loan	1,535,720	2,995,229
Staff Housing Loan	35,899,861	
Purchase of Fixed Assets (Including work in progress)	36,393,262	32,563,322
NET PAYMENTS FOR INVESTMENTS	(1,332,219,096)	(1,112,652,559)
CASH FLOW FROM MEMBER TRANSACTIONS		
Receipts from:		
Contributions to the NPPFP	860,909,194	577,827,177
Contributions to the AFPPFS	214,757,713	211,329,522
Payments of refunds and Pensions:		
NPPFP	133,051,190	128,301,209
AFPPFS	68,108,995	53,946,251
NET RECEIPTS FROM MEMBERS	874,506,722	606,909,239
NET MOVEMENT IN CASH AND BANK	49,490,449	(58,241,156)
OPENING CASH AND BANK	6,756,090	64,997,246
CLOSING CASH AND BANK	56,246,539	6,756,090



RECONCILIATION BETWEEN OPERATING SURPLUS AND CASH FLOWS FROM OPERATIONS


	Year ended 30th June 2010	Year ended 30th June 2009
OPERATING SURPLUS	522,787,059	454,854,021
NON CASH CHARGES		
Depreciation	12,719,952	11,886,794
Ammortization of Software	2,927,192	282,585
Provision against loan	460,586	3,903,844
MOVEMENT IN ACCRUALS		
Revenue receivable	(32,883,033)	(23,884,552)
Accounts Payable	(478,902)	1,183,122
Gratuity Payable	1,124,654	293,678
GAIN ON ASSET SALES	(1,770)	(1,225,718)
LOSS ON ASSET DISPOPSALS	557,279	
SECURITY DEPOSITS	(10,195)	182,565
NET RECEIPTS FROM OPERATIONS	507,202,822	447,476,339

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

P K Mitra & Co.
Chartered Accountants


(J. N. CHAKRABARTI)

Partner.

Membership No. 10610

Kolkata. Dated 11 OCT 2010





DIRECTOR
NATIONAL PENSION AND
PROVIDENT FUND
THIMPHU : BHUTAN

Director



Chairman

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Civil				
	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2010	AS AT 30.06.2010	AS AT 30.06.2009	AS AT 30.06.2009
	Nu	Nu	Nu	Nu
Opening Balance	1,021,340,284	1,021,402,814	907,661,205	907,699,433
Add / (Less): Adjustments	(334,622)	(258,820)	154,401	178,698
Adjusted Opening Balance	1,021,005,662	1,021,143,994	907,815,606	907,878,131
Add: Contribution during the Year	125,531,930	125,532,200	113,524,678	113,524,683
Sub Total A	1,146,537,592	1,146,676,194	1,021,340,284	1,021,402,814
Less: Refunds as per last a/c	372,278,465	372,284,775	346,038,721	346,044,977
Refunds during the year	19,108,559	19,108,407	26,239,744	26,239,798
Sub Total B	391,387,024	391,393,182	372,278,465	372,284,775
Net Contribution A-B	755,150,568	755,283,012	649,061,819	649,118,039
Grand Total	1,510,433,580		1,298,179,857	

Schedule - 1A

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Forces				
	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2010	AS AT 30.06.2010	AS AT 30.06.2009	AS AT 30.06.2009
	Nu	Nu	Nu	Nu
Opening Balance	386,683,613	386,772,160	346,981,474	347,070,021
Add / (Less): Adjustments	(131,851)	(67,040)	-	-
Adjusted Opening Balance	386,551,762	386,705,120	346,981,474	347,070,021
Add: Contribution during the Year	40,454,200	40,456,541	39,702,139	39,702,139
Sub Total A	427,005,962	427,161,661	386,683,613	386,772,160
Less: Refunds as per last a/c	92,002,299	92,002,303	85,362,459	85,362,463
Refunds during the year	9,063,903	9,077,056	6,639,840	6,639,840
Sub Total B	101,066,202	101,079,359	92,002,299	92,002,303
Net Contribution A-B	325,939,760	326,082,302	294,681,314	294,769,857
Grand Total	652,022,062		589,451,171	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Civil				
	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2010	AS AT 30.06.2010	AS AT 30.06.2009	AS AT 30.06.2009
	Nu	Nu	Nu	Nu
Opening Balance	164,858,074	140,859,349	164,866,941	140,843,323
Add / (Less): Adjustments	1,312	54,942	(8,867)	16,026
Adjusted Opening Balance	164,859,386	140,914,291	164,858,074	140,859,349
Add: Interest credit as per last a/c	368,743,367	367,202,357	312,377,127	310,860,606
Interest during the Year	62,667,797	62,658,167	56,366,240	56,341,751
Sub Total A	596,270,550	570,774,815	533,601,441	508,061,706
Less: Refunds of interest as per last a/c	225,808,500	200,630,093	211,167,483	186,120,741
Refunds of interest during the year	12,003,747	11,943,114	14,641,017	14,509,352
Sub Total B	237,812,247	212,573,207	225,808,500	200,630,093
Net Contribution A-B	358,458,303	358,201,608	307,792,941	307,431,613
Grand Total	716,659,911		615,224,554	

Schedule - 2A

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Force				
	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2010	AS AT 30.06.2010	AS AT 30.06.2009	AS AT 30.06.2009
	Nu	Nu	Nu	Nu
Opening Balance	53,888,281	52,728,449	53,888,281	52,728,450
Add/ Less: Adjustments	(56,420)	(33,918)	-	(1)
Adjusted Opening Balance	53,831,861	52,694,530	53,888,281	52,728,449
Add: Interest credit as per last a/c	131,371,548	131,047,810	105,897,365	105,592,420
Interest during the Year	27,788,003	27,778,116	25,474,183	25,455,390
Sub Total A	212,991,412	211,520,456	185,259,829	183,776,259
Less: Refunds of interest as per last a/c	47,390,765	46,261,545	43,414,350	42,349,230
Refunds of interest during the year	5,845,624	5,773,516	3,976,415	3,912,315
Sub Total B	53,236,389	52,035,061	47,390,765	46,261,545
Net Contribution A-B	159,755,023	159,485,396	137,869,064	137,514,714
Grand Total	319,240,418		275,383,778	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

PENSION FUND - Civil		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
Opening Balance	3,395,455,868	2,854,526,333
Add: Transfer / Adjustments	1,432,370	(358,856)
Adjusted Opening Balance	3,396,888,238	2,854,167,477
Add: Contribution received during the year	607,697,315	349,657,477
Interest during the year	217,956,946	191,630,914
Sub Total A	4,222,542,498	3,395,455,868
Less: Pension payment as per last account	76,594,679	45,884,666
Pension payment during the Year	40,334,002	30,710,013
Total Pension Payment	116,928,681	76,594,679
Less: Refund from Pension Fund as per last account	64,577,091	48,615,806
Refund from Pension fund during the year	29,773,818	15,961,285
Total Pension Refund	94,350,909	64,577,091
Sub Total B	211,279,590	141,171,770
Grand Total A - B	4,011,262,908	3,254,284,098

Schedule - 3A

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

PENSION FUND - Armed Force		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
Opening Balance	1,661,344,535	1,448,541,796
Add: Transfer / Adjustments	(257,197)	0
Adjusted Opening Balance	1,661,087,339	1,448,541,797
Add: Contribution received during the year	134,448,606	131,925,244
Interest during the year	92,626,675	80,877,495
Sub Total A	1,888,162,620	1,661,344,535
Less: Pension payment as per last account	99,420,224	69,673,631
Pension payment during the Year	35,202,130	29,746,593
Total Pension Payment	134,622,354	99,420,224
Less: Refund from Pension Fund as per last account	187,979,952	185,512,536
Refund from Pension fund during the year	4,481,855	3,031,248
Total Pension Refund	192,461,807	188,543,784
Sub Total B	327,084,160	287,964,007
Grand Total A - B	1,561,078,460	1,373,380,528

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

RESERVES		
General Reserves		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
Opening Balance	88,898,714	70,190,666
Add: Transfer from Revenue Account	31,311,355	18,708,048
Sub Total	120,210,069	88,898,714
Less: Merger of Memorandum Accounts	307,091	
Total	119,902,978	88,898,714
Unclaimed & Lapsed Reserve		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
Opening Balance	4,702,084	4,049,743
Add: Transferred during the year	1,017,931	570,576
Unclaimed Refunds Forfeited		81,765
Total	5,720,015	4,702,084
TOTAL RESERVES	125,622,993	93,600,798

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

OTHER LIABILITIES		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
Stale Cheques	912,370	601,996
Earnest Money	179,941	441,572
Security Deposit (Contractor)	685,516	2,510,464
Performance Gurantee	97,145	13,470
Security Deposit (Rent)	933,865	913,700
Contribution received in advance	2,488,702	2,002,182
Outstanding liabilities for Expenses	4,860,717	5,104,539
Security Deposit - Power / Tenant (S/Jongkhar)	46,380	46,380
Security Deposit - Power / Tenant (P/Ling)	135,421	131,421
Security Deposit - Power / Tenant (Thimpu)	180,060	183,430
Payable to contractor	67,581	-
Housing / Education Loan closed A/c - Credit Balance	5,969,071	3,767,100
Total	16,556,767	11,967,924

NATIONAL PENSION & PROVIDENT FUND THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

Particulars	Rate of Depreciation	GROSS BLOCK				DEPRECIATION				Net Block as on 30.06.2010	Net Block as on 30.06.2009	
		Original cost as on 01.07.09	Addition during the year	Adjustment during the period	Original cost as on 30.06.2010	Accumulated Dep as on 01.07.09	Dep. during the year	Adjustment of Depreciation during the period	Total Accumulated Depreciation as on 30.06.10			
R.E.Land		34,971,746	0	0	34,971,746						34,971,746	34,971,746
R.E.Building	3%	258,178,456	16,344,869	3,539,913	270,983,412	50,545,268	7,908,537	642,804	57,811,000		213,172,412	207,633,189
R.E.Furniture & Fixtures	15%	176,737	0	0	176,737	168,869	3,306		172,175		4,562	7,868
R.E.Electrical & Fittings	15%	14,586,727	1,693,189	48,272	16,231,644	11,001,433	2,316,738	48,272	13,269,899		2,961,745	3,585,294
R.E. Equipments	15%	173,765	1,040,301		1,214,066	119,924	102,214		222,138		991,928	53,841
SUB TOTAL (A)		308,087,432	19,078,358	3,588,185	323,577,605	61,835,493	10,330,795	691,076	71,475,212		252,102,393	246,251,939
Office Building	3%	7,468,971	0	0	7,468,971	728,024	224,069		952,093		6,516,878	6,740,947
Office electricals & fittings	15%	552,464	0	0	552,464	266,759	82,870		349,629		202,835	285,705
Computer & office equipments	15%	11,108,912	4,251,805	22,400	15,338,317	6,347,605	1,530,907	22,399	7,856,113		7,482,204	4,761,307
Office furniture & Fittings	15%	2,569,935	306,586	0	2,876,521	1,643,437	267,221		1,910,658		965,863	926,498
Telephone/ EPABX/LAN	15%	518,170	214,828	97,800	635,198	386,000	70,373	64,148	392,226		242,972	132,170
Motor Vehicles	15%	1,273,195	0	0	1,273,195	330,682	190,979		521,661		751,534	942,513
Carpet	15%	76,492	23,100	0	99,592	39,907	10,081		49,988		49,604	36,585
Curtain/ upholstery	15%	78,511	18,500		97,011	41,480	12,657		54,137		42,874	37,031
SUB TOTAL (B)		23,646,650	4,814,819	120,200	28,341,269	9,783,894	2,389,158	86,547	12,086,505		16,254,764	13,862,756
GRAND TOTAL (A+B)		331,734,082	23,893,177	3,708,385	351,918,874	71,619,387	12,719,952	777,623	83,561,716		268,357,158	260,114,695
Previous Financial Year		237,688,695	91,107,190	461,563	328,334,322	52,209,064	9,056,929	442,044	60,823,949		260,114,695	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

CAPITAL WORK IN PROGRESS		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
IT Development	0	3,990,033
Real Estate Development	15,664,532	13,194,063
Total	15,664,532	17,184,097

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

DETAILS OF INVESTMENTS IN EQUITY SHARES / BONDS		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
QUOTED (AT COST)		
PENDEN CEMENT AUTHORITY LIMITED Note 1		
215453 Equity Shares of Nu. 100/- each fully paid up.	14,450,563	14,450,563
STATE TRADING CORPORATION OF BHUTAN LIMITED		
9800 Equity shares of Nu. 100/- each fully paid up.	980,000	980,000
BHUTAN NATIONAL BANK LIMITED Note 2		
916194 Equity shares of Nu. 100 each fully paid up.	171,124,678	171,124,678
KUENSEL CORPORATION LTD		
36750 Equity shares of Nu. 100 each fully paid up	3,675,000	3,675,000
Total Quoted	190,230,241	190,230,241
UNQUOTED (AT COST)		
Equity Shares		
DAGACHU HYDRO POWER CORPORATION LIMITED		
486000 Equity Share of Nu.1000 each (Paid up Nu 380.37 per share)	184,858,193	69,012,000
Bond		
7.50%DRUK AIR BOND - 2013 Note 3	427,254,967	421,630,000
7.50%DRUK AIR BOND - 2014 Note 4	191,218,694	188,131,000
(Guaranteed by The Royal Government of Bhutan)		
Total unquoted	803,331,854	678,773,000
Total	993,562,095	869,003,241

* Market value of quoted Shares as on 30.06.2010 is Nu.579,414,050
(Previous Year Nu. 592,905,800)

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 @ Ne.100 per share in 2008 - 09.

Note 3 : Includes Interest Accrued but not due Nu.5624967.

Note 4 : Includes Interest Accrued but not due Nu.3087694.

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

OTHER INVESTMENTS		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu	Nu
Deposits		
Fixed Deposit - Bank of Bhutan Ltd.	257,600,575	107,300,000
- Bhutan National Bank Ltd.	2,540,550,027	1,644,600,000
- Druk Punjab National Bank Ltd.	105,187,591	0
RMA Discount Bills	0	187,790,250
Sub Total	2,903,338,193	1,939,690,250
Loans		
To The Royal Government of Bhutan		
RGOB Budget Fund Account	Note - 1	672,220,797
To Institutions / Companies		
Secured Loan to Royal Insurance Corpn of Bhutan Ltd.	Note - 2	696,098,580
Partially secured Loan to Bhutan Dev. Finance Corp. Ltd	Note - 3	650,000,000
Secured Loan to Tashi Infocom Ltd.	Note - 4	210,818,532
Secured Loan to Bhutan Ferro Alloys Ltd. -	Note - 5	278,518,383
Secured Loan to Druk Ferro Alloys Ltd..	Note - 6	38,343,908
Loan to Bhutan Broadcasting Services Ltd	Note - 7	6,377,887
Loan to Dagachu Hydro Power Ltd	Note - 8	105,260,274
Sub Total	2,657,638,360	2,712,050,256
To Members		
Pension Loan	511,522	167,527
Housing Loan	1,228,565,333	964,630,752
Education Loan	794,781,996	595,528,867
Staff Vehicle Loan	4,536,167	2,995,229
Staff Housing Loan	35,919,094	
Sub Total	2,064,314,111	1,563,322,375
TOTAL	7,625,290,664	6,215,062,881
Less: Provision for Non Performing Loans.	7,460,767	11,763,992
Total	7,617,829,897	6,203,298,889

Note -1: Includes interest accrued but not due Nu.34,406,997.

Note -2: Secured by the Book Debts, Land and Investments in Equity Shares and includes interest accrued but not due Nu.12,098,580.

Note -3: Nu.90 million is unsecured and the balance is secured by mortgage of Land, Fixed deposit and Government Guarantee.

Note -4: The loan is secured by mortgage of the assets of the project and additional collateral of Fixed assets equivalent to 50% of loan.
Includes interest accrued but not due Nu.5,102,910.

Note -5: The loan is secured by mortgage of the Land and Building of the Company.

Note -6: The loan is secured by mortgage of the Land, Factory Building and Plant & Machinery of the Company.
Includes interest accrued but not due Nu.1,113,842.

Note -7: The loan is secured by mortgage of all the Fixed Assets of the Company. Includes interest accrued but not due Nu.277,887

Note -8: The loan is secured by mortgage of the Land and Building of the Company. Includes interest accrued but not due Nu.5,260,247

Schedule - 10

NATIONAL PENSION & PROVIDENT FUND THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

ADVANCES AND OTHER DEPOSITS		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu.	Nu.
Security Deposit - Power / Rent	355,995	325,005
Security Deposit - Water meter	63,000	63,000
Rent Receivable	2,096,020	2,026,755
Interest Accrued but not due	-	199,997,576
Other Receivable	24,496	69,560
Advance to Contractors	3,335,866	0
Staff Advance	30,000	1,039
Prepaid Expenses	183,875	414,394
Recoveries		444,000
Total	6,089,252	203,341,328

Schedule - 11

NATIONAL PENSION & PROVIDENT FUND THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2010

CASH AND BANK BALANCES		
	AS AT 30.06.2010	AS AT 30.06.2009
	Nu.	Nu.
Cash at Bank	56,234,759	6,745,724
Petty Cash	11,779	10,366
Total	56,246,539	6,756,090

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

**SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED
30TH JUNE 2010**

Revenue Income:		
	FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009
	Nu.	Nu.
Income from Investment		
Manufacturing & Industries		
Interest on Loan to Bhutan Ferro Alloys Limited	29,854,028	34,343,487
Interest on Loan to Druk Ferro Alloys Limited	4,522,687	4,147,732
Interest on Loan to Dagachu Hydo Power Corporation	5,260,274	0
	39,636,989	38,491,219
Service & Tourism		
Interest on Loan to Bhutan Telecom Limited	-	282,089
Interest on Loan to Tashi Infocom Limited	19,019,817	15,641,817
Interest on Loan to Bhutan Broadcasting Services Limited	286,363	381,251
Interest on Druk Air Bond	45,969,587	45,732,075
	65,275,767	62,037,232
Institutions/RGOB		
Interest on Loan to Bhutan Development Finance Corporation Limited	45,426,438	46,126,438
Interest on Loan to Royal Insurance Corporation of Bhutan Limited	50,410,267	59,041,924
Interest on Loan to RGOB Budget Fund Account	35,191,886	41,166,658
Interest on Loan to Food Corporation of Bhutan	219,697	0
	131,248,289	146,335,020
Members and Staff		
Interest on Loan to Members-Housing	109,959,084	86,146,660
Interest on Loan to Members-Education	60,357,354	48,260,673
Interest on Loan to Members - Pension	69,050	27,113
Interest on Loan to Staff- Vehicle	260,689	125,553
	170,646,177	134,559,999
Deposits		
Interest on RMA Discount Bills	1,286,600	8,798,425
Interest on Fixed Deposits with Banks	102,837,547	52,757,166
	104,124,147	61,555,591
TOTAL	510,931,368	442,979,061

Schedule - 13

NATIONAL PENSION & PROVIDENT FUND THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2010

RENTAL INCOME		
Location	FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009
	Nu.	Nu.
Thimphu	16,518,182	
Phuentsholing	7,854,250	
Samdrup Jongkhar	1,728,907	
Samtse	427,500	
Total	26,528,839	24,929,323

Schedule - 14

NATIONAL PENSION & PROVIDENT FUND THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2010

Dividend Income		
	FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009
	Nu.	Nu.
Bhutan National Bank Ltd	26,111,529	26,111,529
State Trading Corporation of Bhutan Ltd	196,000	196,000
Penden Cement Authority Ltd	21,545,300	15,081,710
Kunsel Corporation Ltd	441,000	330,750
TOTAL	48,293,829	41,719,989

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

**SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED
30TH JUNE 2010**

OTHER INCOME		
	FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009
	Nu.	Nu.
Processing Fees on Housing & Education Loans	487,475	232,100
Miscellaneous Income	1,484,533	3,115,531
TOTAL	1,972,008	3,347,631

NATIONAL PENSION AND PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2010

DETAILS OF COMMON EXPENSES DISTRIBUTED TO PF & PENSION FOR THE YEAR ENDED 30.06.2010

	Sr. Mgt Exps	Admin. Exps	Finance Exps	Investment Exps.	IT Expenses	RE Expenses	Grand Total	Pension - 60%	PF - 40%
Pay & Allowance	1,715,637.00	2,816,595.22	4,534,819.53	4,894,337.22	1,963,519.75	5,395,619.75	21,320,528.47	12,792,317.08	8,528,211.39
Actuarial/ other Consultancy fees	-	-	-	0.00	-	7,680.00	7,680.00	4,608.00	3,072.00
Overseas training	1,026,759.61	497,809.00	666,620.70	1,167,365.80	922,901.47	98,100.00	4,379,556.58	2,627,733.95	1,751,822.63
Canteen expenses	24,125.00	69,487.00	31,955.00	39,023.00	14,089.00	40,068.00	218,747.00	131,248.20	87,498.80
Printing & Stationary	2,930.00	455,480.65	45,806.80	137,579.90	201,756.90	67,427.90	910,982.15	546,589.29	364,392.86
Postage	-	110,790.00	400.00	10,710.00	-	3,145.00	125,045.00	75,027.00	50,018.00
Telephone Expenses	62,031.88	209,022.50	15,972.40	32,267.50	4,200.00	73,726.00	397,220.28	238,332.17	158,888.11
Entertainment expenses	64,996.00	266,774.80	125,641.65	11,304.00	14,804.60	10,144.00	493,665.05	296,199.03	197,466.02
Rent	-	190,000.00	9,000.00	0.00	-	-	199,000.00	119,400.00	79,600.00
Travelling & Conveyance	49,063.00	149,534.04	359,015.00	538,530.04	74,056.00	395,566.09	1,565,764.17	939,458.50	626,305.67
Advertisement	-	314,539.50	8,950.25	0.00	-	239,626.60	563,116.35	337,869.81	225,246.54
Motor Car Expenses	76,489.72	68,142.42	-	0.00	-	-	144,632.14	86,779.28	57,852.86
Bank Charges	-	803.00	1,163,171.08	0.00	-	-	1,163,974.08	698,384.45	465,589.63
Rates & Taxes	-	-	-	0.00	-	479,493.10	479,493.10	287,695.86	191,797.24
Insurance	-	-	-	0.00	-	1,128,413.90	1,128,413.90	677,048.34	451,365.56
Office Maintenance/Furniture Maint	500.00	348,941.00	910.00	0.00	3,000.00	26,541.08	379,892.08	227,935.25	151,956.83
Seminar / workshop / conference	86,765.00	589,562.00	76,221.50	295,788.00	84,252.00	89,498.00	1,222,086.50	733,251.90	488,834.60
Sitting Fees	408,100.00	-	4,900.00	6,662.00	-	-	419,662.00	251,797.20	167,864.80
IT Expenses / AMC	18,244.00	429,041.00	19,277.00	11,627.00	(35,500.00)	5,369.00	448,058.00	268,834.80	179,223.20
Books and Periodicals	8,234.00	17,595.00	-	0.00	-	935.00	26,764.00	16,058.40	10,705.60
Subscription and donation	177,600.00	-	-	0.00	-	-	177,600.00	106,560.00	71,040.00
Brokerage	-	-	-	0.00	-	-	-	-	-
Gifts / presentations	8,861.00	540.00	2,300.00	0.00	-	-	11,701.00	7,020.60	4,680.40
Audit fees and expenses	-	78.00	183,037.00	0.00	-	-	183,115.00	109,869.00	73,246.00
Amortisation of deferred Revenue Expenses/software	-	-	-	0.00	2,484,136.91	443,054.90	2,927,191.81	1,756,315.09	1,170,876.72
Miscellaneous Expenses	-	30,000.00	(1,818.65)	0.00	-	-	28,181.35	16,908.81	11,272.54
RE maintenance	0	0.00	-	0.00	0	1,587,453.67	1,587,453.67	952,472.20	634,981.47
Loss on sale of assets	0	15,692.00	-	0.00	0	541,586.79	557,278.79	334,367.27	222,911.52
Centenary celebration expenses	0	0.00	-	0.00	0	-	-	-	-
Security hiring charges	0	436,629.00	-	0.00	0	600,000.00	1,036,629.00	621,977.40	414,651.60
Membership fees	-	-	-	0.00	-	-	-	-	-
Written off Loans	-	0.00	-	30,167.00	0.00	-	30,167.00	18,100.20	12,066.80
PROVISION FOR NPL	0	0.00	0.00	0.00	0.00	-	-	-	-
GRAND TOTAL	3,730,336.21	7,017,056.13	7,246,179.26	7,175,361.46	5,731,216.63	11,233,448.78	42,133,598.47	25,280,159.08	16,853,439.39

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2010

	PF Mgt. Exps	40% of common		FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009	Pension Mgt. Exps	60% of common		FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009	FOR THE YEAR ENDED 30.06.2010	FOR THE YEAR ENDED 30.06.2009
		Exps				Exps	Exps					
Pay & Allowance	1,821,037.50	8,528,211.39	3,072.00	10,349,248.89	8,845,385.19	1,965,035.83	12,792,317.08	4,608.00	14,757,352.91	6,000.00	25,106,601.80	21,345,816.98
Actuarial Consultancy fees					4,000.00	80,000.00			84,608.00		87,680.00	10,000.00
Overseas training	327,982.00	1,751,822.63	2,079,804.63	2,079,804.63	1,936,410.83	261,214.20	2,627,733.95	2,888,948.15	2,876,337.00	142,041.64	4,968,752.78	4,812,747.83
Canteen expenses	22,194.00	87,498.80	109,692.80	109,692.80	107,598.43	9,600.00	131,248.20	140,848.20	140,848.20	250,541.00	249,640.07	
Printing & Stationary	17,912.90	364,392.86	382,305.76	382,305.76	295,229.80	18,199.95	546,589.29	564,789.24	411,896.20	947,095.00	707,126.00	
Postage	-	50,018.00	50,018.00	50,018.00	97,428.60		75,027.00		89,577.90		125,045.00	187,006.50
Telephone Expenses	12,620.00	158,888.11	171,508.11	171,508.11	326,147.65	1,839.50	238,332.17	240,171.67	489,221.48	411,679.78	815,369.13	
Entertainment expenses	16,930.00	197,466.02	214,396.02	214,396.02	167,141.72	23,774.00	296,199.03	319,973.03	250,712.58	534,369.05	417,854.30	
Rent		79,600.00	79,600.00	79,600.00	72,000.00		119,400.00	119,400.00	108,000.00	199,000.00	180,000.00	
Travelling & Conveyance	52,932.00	626,305.67	679,237.67	679,237.67	700,221.64	57,722.00	939,458.50	997,180.50	996,517.46	1,676,418.17	1,696,739.10	
Advertisement	5,355.00	225,246.54	230,601.54	230,601.54	143,339.00	11,525.50	337,869.81	349,395.31	226,078.50	579,996.85	369,417.50	
Motor Car Expenses	85.00	57,852.86	57,852.86	57,852.86	122,912.50		86,779.28	86,779.28	184,368.76	144,632.14	307,281.26	
Bank Charges		465,589.63	465,674.63	465,674.63	541,419.44	397,825.04	698,384.45	1,096,209.49	1,053,290.58	1,561,884.12	1,594,710.02	
Rates & Taxes		191,797.24	191,797.24	191,797.24	108,343.32		287,695.86	287,695.86	162,514.97	479,493.10	270,858.29	
Insurance		451,365.56	451,365.56	451,365.56	291,366.88		677,048.34	677,048.34	437,050.32	1,128,413.90	728,417.20	
Office Maintenance		151,956.83	151,956.83	151,956.83	345,857.46		227,935.25	227,935.25	518,786.20	379,892.08	864,643.66	
Seminar / workshop / conference	49,739.80	488,834.60	538,574.40	538,574.40	393,675.20	1,200.00	733,251.90	734,451.90	672,642.80	1,273,026.30	1,066,318.00	
Sitting Fees		167,864.80	167,864.80	167,864.80	191,018.40		251,797.20	251,797.20	286,527.60	419,662.00	477,546.00	
IT Expenses / AMC	16,999.00	179,223.20	196,222.20	196,222.20	348,399.05	7,979.00	268,834.80	276,813.80	527,607.08	473,036.00	876,006.13	
Books and Periodicals		10,705.60	10,705.60	10,705.60	15,704.40		16,058.40	16,058.40	23,556.60	26,764.00	39,261.00	
Subscription and donation		71,040.00	71,040.00	71,040.00	53,956.80		106,560.00	106,560.00	80,935.20	177,600.00	134,892.00	
Brokerage		-	-	-	-		-	-	-	-	-	-
Gifts / presentations		4,680.40	4,680.40	4,680.40	9,848.00		7,020.60	7,020.60	14,772.00	11,701.00	24,620.00	
Audit fees and expenses		73,246.00	73,246.00	73,246.00	66,086.40		109,869.00	109,869.00	99,129.60	183,115.00	165,216.00	
Amortisation of deferred Revenue Expenses/software		1,170,876.72	1,170,876.72	1,170,876.72	113,034.00		1,756,315.09	1,756,315.09	169,551.00	2,927,191.81	282,585.00	
Miscellaneous Expenses		11,272.54	11,272.54	11,272.54	551.18		16,908.81	16,908.81	826.78	28,181.35	1,377.96	
RE maintenance		634,981.47	634,981.47	634,981.47	1,551,825.80		952,472.20	952,472.20	2,327,738.69	1,587,453.67	3,879,564.49	
Loss on Sale of Assets		222,911.52	222,911.52	222,911.52	-		334,367.27	334,367.27	-	557,278.79	-	
Centenary celebration expenses		-	-	-	27,092.20		-	-	40,638.30	-	67,730.50	
Security hiring charges		414,651.60	414,651.60	414,651.60	-		621,977.40	621,977.40	721,132.80	726,994.70	726,994.70	
Membership Fees ISSA		-	-	-	-		-	-	18,100.20	-	-	
Written off Loans		12,066.80	12,066.80	12,066.80	-		18,100.20	18,100.20	28,002.00	28,002.00	28,002.00	
Leaseline and Internet Chgs		-	-	-	12,620.00		28,002.00	28,002.00	-	-	-	
GRAND TOTAL	2,343,787.20	16,853,439.39	19,197,226.59	19,197,226.59	16,888,613.89	3,585,049.82	25,280,159.08	28,865,208.90	25,442,675.72	48,062,435.49	42,331,289.61	

Note:

1. Pay & Allowance includes Nu. 1,075,792.40 Paid to Director (Previous year 840,374.00)
2. Sitting Fees includes Nu. 35,000.00 paid to Director (Previous year Nu. 39,000.00)

NATIONAL PENSION & PROVIDENT FUND THIMPHU: BHUTAN

SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 30th JUNE 2010.

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 GEPPF) 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, 2010

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. 6,680,490/- (Previous Year-Nu. 5,697,761/-) has been shown as Gratuity Investment and Nu. 7,473,504/- (Previous Year-Nu. 6,348,850/-) as Gratuity Liability as on 30th June' 2010. Gratuity Investment includes Interest Receivable on Bank Deposits Nu. 331,640 (Previous Year – Nu. 740,886 /-)
4. NPPF has the following commitments as on 30 June 2010 :
 - a. Capital Expenditure Nu.135.12 million for real estate development.
 - b. Nu.301 million towards uncalled equity share subscription for Dagachu Hydro PowerProject.
 - c. Nu.1,558 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 @ 6.25 % (previous year 6.50%) for the year has been decided by the National Pension Board during the 51st Board meeting held on 1st October 2010.
6. Previous year figures have been regrouped/rearranged wherever necessary.

Signature to Schedules 1 to 19


DIRECTOR
NATIONAL PENSION AND
PROVIDENT FUND
THIMPHU : BHUTAN

DIRECTOR



CHAIRMAN

