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National Pension and Provident Fund

Annual Report 2014-2015





Celebrat Annivers the Four

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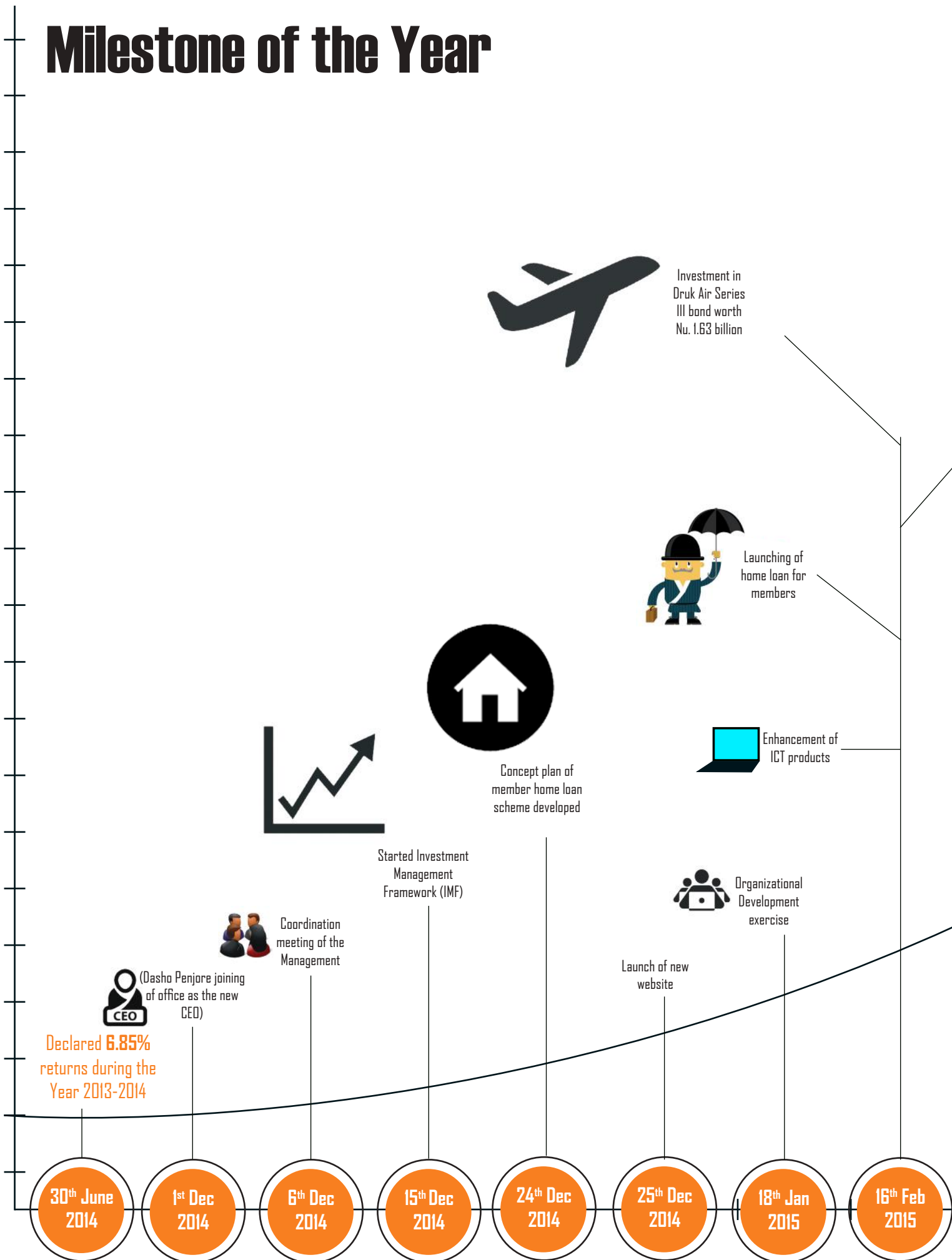


*ing the 60th Birth
ary of his majesty
th druk gyalpo*



Investment and Credit
Home ownership – Membership Home loan Scheme
Finance and Accounts
Customer Care Centre
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Milestone of the Year



Record **8.50%** returns to the members

1st loan installment (EQI) received from DPL worth Nu. 3,954,719.57



Signed "loan protection insurance agreement" with RICB

Signed "Group Insurance Scheme agreement" for Latedh Scheme members with RICBL

Latedh Scheme for Pensioners approved; Online Payment System through M-BaB approved;

Restructuring of loan interest rates and introduction of new product - new members loan scheme;



Departmental execution of new building at swimming pool area

Visit to the Social Security Office, Bangkok, Thailand.

CEO's visit to regional offices in Phuentsholing and Samdrup Jongkhar

Joint Cost Assessment Committee presented Yangphel Real Estate's total development cost



Commissioning of 1st unit of DHPC, a milestone for NPPF investment in the hydropower projects - equity and loan

21st Feb 2015

26th March 2015

31st March 2015

14th April 2015

8th May 2015

29th June 2015

30th June 2015

National Pension and Provident

As on 30th June, 2015



51,333
Members



4,830
Pensioners and
Beneficiaries



Received contribution of
Nu. 2160 million



Provides services to **452**
government agencies, corporate
entities and the armed forces



Distributed over **Nu.252.93 million**
as pension payment

Major Activities of NPPF



- Retirement Pension
- Provident fund
- Spousal benefits
- Children benefits
- Disability benefits
- Dependent parent benefits
- Customer care

Fund in Numbers

Provides loan facilities for the benefit of the members.

Over **14000** clients



Nu. 18.73 billion
as financing in projects, entities and joint ventures



74 pension delivery points



912 tenants
in 92 residential buildings in four Dzongkhags (Thimphu, Chhukha, Samdrup Jongkhar and Samtse)



- Semso benefits under Lotedh scheme
- Affordable accomodation facilities
- Housing development projects
- Membership education, housing and student loan
- New member loan
- Homeownership Scheme
- Investment of the fund



From the Chairperson's Desk

Greetings to all!

The Board of NPPF has the pleasure in presenting the NPPF's Annual Report for the Year 2015.

2015 was an important year for all Bhutanese as we celebrated the 60th Birth Anniversary of our Fourth Druk Gyalpo Jigme Singye Wangchuck. I am pleased to report that substantial progress had been made on meeting the priorities of NPPF and in so doing exceeded our expectations and set records on annual returns till date. This gave the Board the confidence to declare a record return of 8.50 % which would be distributed to all our members. During the Year, the fund's assets grew from 17.49 billion to Nu. 20.46 billion and generated an income of Nu. 1.54 billion showing a significant increase of 20% over the previous year.

2015 also witnessed the change of guard at the helm of NPPF with the appointment of Dasho Penjore as the new CEO of the NPPF and appointment of two new Board directors, Mr. Pema R. Rinchen from HOPE Project, His Majesty's Secretariat and Lt Col. Kinzang Wangdee from the Royal Bhutan Army. The Board is confident that Dasho's knowledge and vast experiences in various sectors would help NPPF in its performance and its substantial role in the socio-economic development of the country. The Board would like to acknowledge and express our gratitude for the tremendous contribution of Mr. Dubthob Wangchug, the outgoing Chief Executive Officer, and Colonel Rinzin Dorji, the outgoing Director of the Board who left the NPPF on completion of their tenure. We wish them luck in their endeavours.

The Board is committed to ensuring high standards of corporate governance and that we not only operate effectively, but that each Director is committed to the role and continues to make a valuable contribution. We start the Year 2015-2016 with confidence that NPPF will continue to deliver high-quality growth and generate long-term value to all our members, pensioners, beneficiaries and clients and the nation at large. On the auspicious occasion of the 60th birth anniversary of the fourth Druk Gyalpo, I on behalf of the Board, take this opportunity to sincerely acknowledge all NPPF employees who have strived to put our members, pensioners, beneficiaries and clients at the heart of everything they do with pride and dedication.

We wish all our members, pensioners, beneficiaries and clients a happy and successful life.



Aum Sangay Zam
Chairperson

Tashi Delek



Sangay Zam
Chairperson

CEO's message

We are honored to share with you the achievements the NPPF has made during the Year through this 15th ANNUAL REPORT of the NPPF.

I would like to bring forward herewith two very important milestones of the year. The first, observes the historic year to declare a "record high return" on investments at 8.50% compared to last 10-year average return of 6.58% per annum. In real terms also, 2014/15 achieved a real rate of return of 1.88% against the annual inflation recorded at 6.62%. The aim of the Investment Policy is to generate a sufficiently high return on the fund that helps reduce overall pension scheme costs, while at the same time controlling market fluctuations that might result in substantial worst-case risks. Through adequate balancing of risk and return, NPPF can ensure that the risk of becoming underfunded and magnitude of underfunding do not get too large. This is crucial, because pension schemes have given guarantees to members and need sufficient funds to meet these promises in all future scenarios.

This was possible from the active fund management introduced through the Investment Management Framework (IMF), a tool developed to effectively manage the investment of the steadily increasing fund of members which would in turn improve the sustainability of

pension fund and provide better return to PF holders. Through such framework, it has been observed that cash management improved significantly which is demonstrated by minimum holdings in cash and short-term bank deposits, largely used in investing higher return and longer-term investments. As return on investment is one of the key factors for the sustainability of the pension fund, it is observed that 1 percent increase on rate of return on pension funds could push the pension sustainability horizon by more than 1 year. Therefore consistent improvement on investment revenues is very crucial for NPPF, particularly in context of changing demographic challenges, which are beyond the control of NPPF.

The second, being the drafting of the National Policy on Retirement Benefit Schemes 2015. The Policy document intent to provide guidance in the development of a social protection scheme in Bhutan that is sustainable, affordable, accessible, inclusive and broad-based. This can only be achieved by expanding access and coverage through introduction of additional schemes and by ensuring that the schemes offered also include those who are not currently members of any retirement benefit scheme. Further, the introduction of more appropriate and prudent schemes is expected to ensure the financial sustainability. The retirement benefit schemes will not only provide security during old age but can also be used for meeting basic needs during pre-retirement period through investments in education and home ownership, thereby expanding the scope of retirement savings. In so doing, active scheme and fund management in line with best international practices such as the International Social Security Organization (ISSA) guideline is being observed.

To prepare for such change, the office has hugely dedicated itself to organizational restructuring through organizational development exercise. This was necessary not only as source of new advances but a way forward strategy to better utilize the expertise, enhance the capacity of the organization, suit the needs of the organization to change and in turn create better performance of the fund.

Further, as extended benefits to the members, we have introduced new member's loan scheme. The student loan and education loan, two of the popular loan benefits availed by the members has been enhanced to suit the needs of the members. Towards the vision of housing for all and to develop a centre of excellence in housing, the member home loan scheme has been enhanced. Further, in order to strengthen the benefits from NPPF, Lotedh (Trust) Scheme for Pensioners was introduced as part of CSR. In order to provide additional value and protect our members from risks of uncertainty, NPPF signed "loan care insurance agreement" and "Group Insurance Scheme agreement" for Lotedh Scheme members with RICBL. And to ease receiving these service benefits, substantial improvements has been made in the ICT by improving the website, enhancing the online applications, and introducing online payment system through M-BoB.

Our performances are not only satisfactory but the commitment towards fulfilling the needs of the members and to strive for professional achievement for the benefit of nation at large. NPPF is all set to create its own trademark in all areas of operations and services, through the assistance from the stakeholders wherever necessary. It has become inevitable for NPPF to strive to achieve the best so that the welfare of our members, pensioners and clients are adequately taken care. As a new CEO, I assure you my commitment in taking NPPF to better heights in all times to come.

I take this special honor to acknowledge the National Pension Board and the Royal Government for placing confidence on me as the CEO. I assume this significant post with utmost dedication and commitment to work for the benefit of our members, pensioners and the nation at large.

Tashi Delek.



Dasho Penjore
Chief Executive Officer



Dasho Penjore
CEO

Board of Directors



(DIRECTOR)
Dasho Karma Tshiteem
Hon'ble Chairperson
Royal Civil Service Commission



(DIRECTOR)
Pema Wangda
Secretary
Ministry of Labour and Human Resources



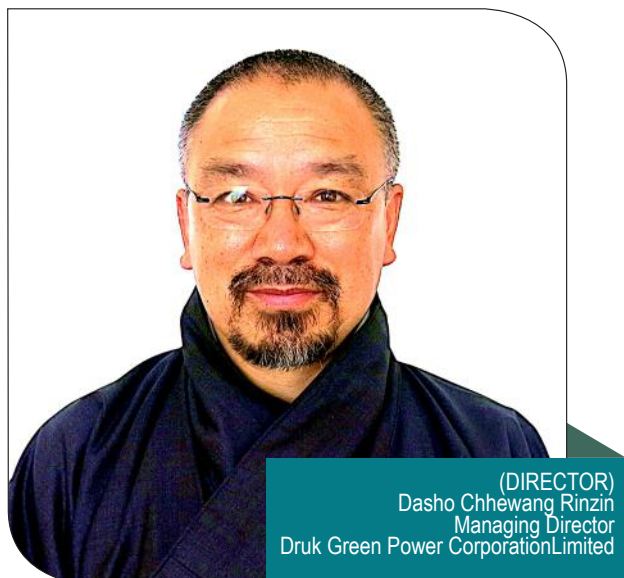
(DIRECTOR)
Lt Col. Kinzang Wangdee
Royal Bhutan Army
Thimphu



(DIRECTOR)
Pema R. Rinchen (New appointee during the year 2015)
HOPE Project
His Majesty's Secretariat



(HON'BLE CHAIRPERSON)
Aum Sangay Zam
Secretary
Ministry of Education



(DIRECTOR)
Dasho Chhewang Rinzin
Managing Director
Druk Green Power Corporation Limited

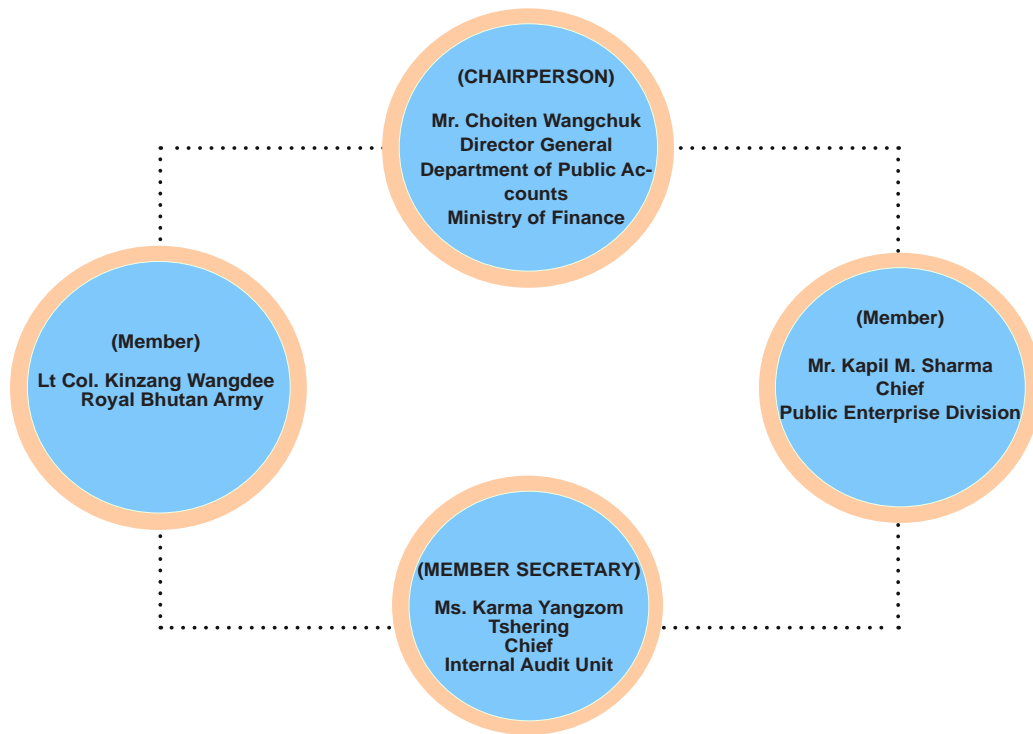


(DIRECTOR)
Choiten Wangchuk
Director General
Department of Public Accounts
Ministry of Finance

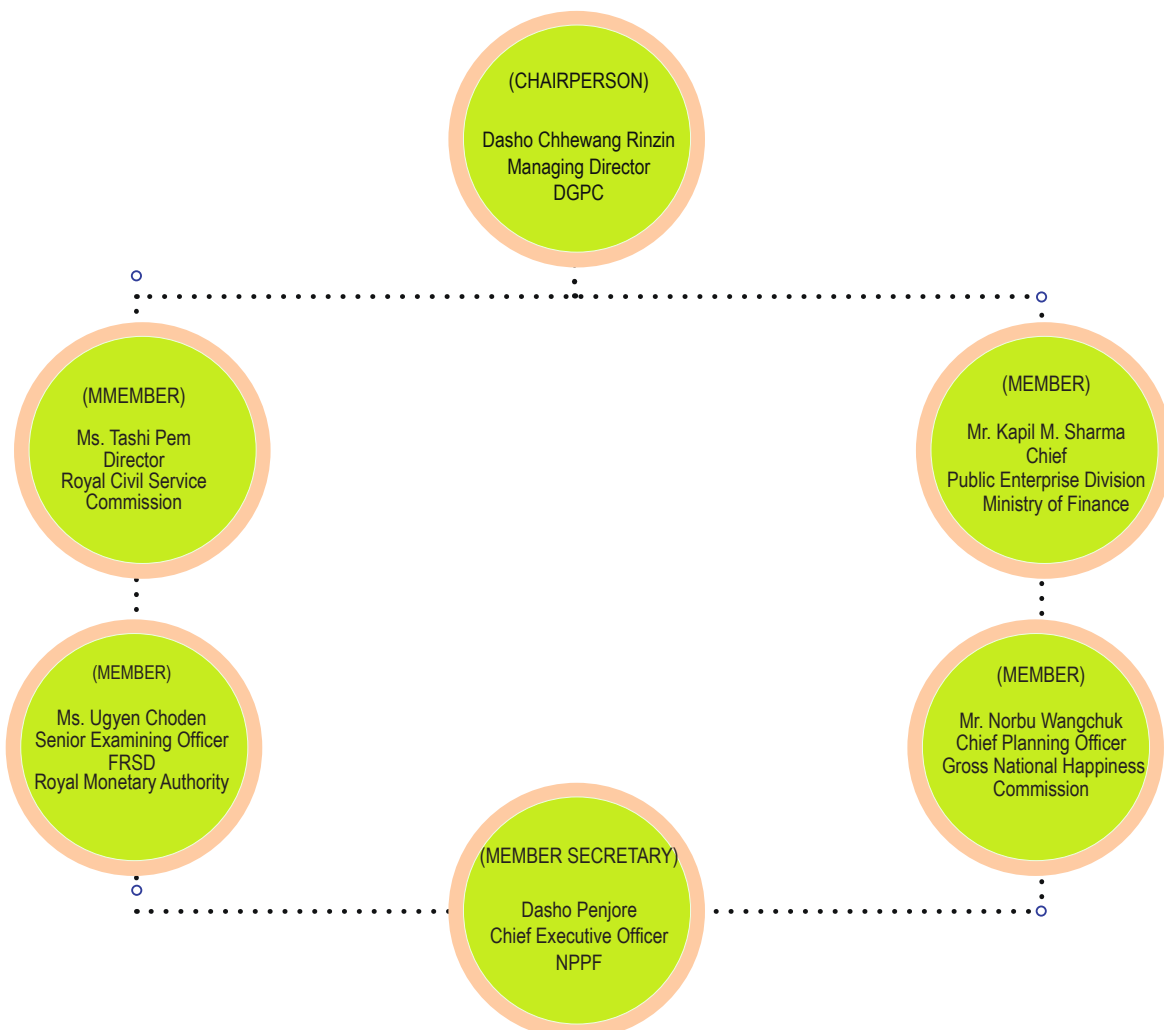


(MEMBER SECRETARY)
Dasho Penjore
Chief Executive Officer
National Pension and Provident Fund

MEMBERS OF THE BOARD AUDIT COMMITTEE



MEMBERS OF THE TECHNICAL ADVISORY COMMITTEE



MANAGEMENT STAFF OF THE NPPF

DASHO PENJORE CHIEF EXECUTIVE OFFICER

Head Office

Director	Operations Department	Mr. Dungtu Drukpa
Director	Investment Department	Ms. Leki Wangmo
Chief	Real Estate Division	Mr. Tshewang Dorji
Chief General Counsel	Legal Services Division	Mr. Damche Tenzin
Chief	Pension and Provident Fund Division	Mr. Sonam Yeshey
Chief	Finance & Accounts Division	Mr. Phub Dorji
Officiating Chief	Information and Communication Technology	Mr. Kinzang Wangdi
Officiating Chief	Internal Audit Cell	Ms. Karma Yangzom Tshering
Officiating Chief	Membership Loan Scheme Division	Mr. Dechen Tshering
Officiating Chief	Planning and Research Division	Mr. Tshering Dorji C
Officiating Chief	Customer Care Centre	Ms. Tshoki Lhamo
Officiating Chief	Portfolio Investment Division	Ms. Tshering Lham
Company Secretary	Senior Management	Mr. Karma Wangchuk

Regional Office

Gelephug	Mr. Raju Gurung
Phuentsholing	Mr. Chencho
Samdrup Jongkhar	Mr. Dawa Tshering
Mongar	Mr. Jigme Tenzin

STATUTORY AUDITORS
Ray & Co.
Chartered Accountants
21 A, Shakespeare Sarani,
Flat 8C
Kolkata 700 017

Brief history of the NPPF

1962

Government introduced the Employee's Gratuity.

1976

The Government introduced Government Employees Provident Fund (GEPF) Scheme and is managed by the Royal Insurance Corporation of Bhutan

1997-
1999

1997 Under the directive of the Fourth Druk Gyalpo, UNDP studies in Bhutan recommended the government employees provident fund (GEPF) scheme to be expanded to include sectors other than the civil service providing protection to the entire salaried population.

1998 His Majesty, the fourth King of Bhutan commanded the Royal Civil Service Commission to review the post service retirement benefits and recommended an appropriate post-retirement benefits for the civil servants.

1999 Feasibility studies by the ADB Project and the Government Working Committee. The study included separation of Government Employees Provident Fund (GEPF) operations from RICB and establishment of the National Pension and Provident Fund (NPPF)

2000

10th March, 2000 Establishment of the National Pension and Provident Fund Bureau

31st October, 2000 Establishment of the National WPension Board.

23rd May, 2000 Establishment of 5 members Investment Management Advisory Committee now known as the Technical Advisory Committee.



2001-2004

January 2001 Investments commenced under the management of 1838 IA

1st July, 2002 Implementation of the National Pension and Provident Fund Plan under the Executive Order 2002.

March 2004 Launched Education and Housing Loan scheme to help members educate their children or upgrade their qualifications. Housing Loan helped members build houses for themselves at affordable rates.



Since 1962 ...

Social Security in Bhutan has always been there, in cash, in kind. The history of Bhutanese society familiarizes itself through traditional extended family system. Today, the rapid modernization poses serious challenges on traditional family system and the need for old age income has become a significant necessity for everyone.

As a social security organization, the NPPF strives itself towards better commitment, professional ethics and assured welfare at all times to come.



2007-2008

- March 2007 Licensing by the RMA to carry out limited credit operations
- July 2007 Membership to Pacific Pension Institute
- 2008 Affiliate member to International Social Security Organization



2010-2012

- 2010 Membership to the Financial Institutions Association of Bhutan
- 2011 Introduced student loan scheme at 8% p.a. during grace period and 9% p.a. thereafter in commemoration to the Royal Wedding.
- 2012 Membership in Association of Development Financing Institutions in Asia and the Pacific



2014

- 2014 Awarded 1st prize for efforts to Environmental Conservation by funding Dagachhu Hydropower Project, world's first cross-border clean development mechanism (CDM) project.



Brief outlook on draft National Policy on Retirement Benefit Schemes of the Kingdom of Bhutan 2015



TASHICHHODZON,
TRIMPHU, BHUTAN

ཕྱི་ལོ་གསུང་ཞི་གཡོག་ལྷན་ཚོགས་ཀྱི་གཙོ་འཛིན་སྐོ་ཡངས་ལྷ། དོན་འབྲས་ དེ་ནི་
 ང་བཅས་རའི་ གཞུང་གི་ཞི་གཡོག་པ་རྒྱ་གཉེན་ གཞུང་དང་རྒྱལ་ཁབ་མི་མང་གི་ ཅི་ཤེས་གང་རྩོགས་ཀྱིས་
 མ་དང་དམ་ཚིག་བརྟེན་ཏེ་ ཕྱག་ཕྱིད་དང་ཐབས་ཉོག་ལྷན་ཞིའི་དོན་ལས་ ཁོང་གི་སྤྱིད་ཕྱག་གི་གནས་ལྟར་ཚུ་
 གཞུང་གཡོག་ནང་སྡོད་ཡིང་མ་ཚད་ དགོངས་ལུ་འགྱུར་དུ་ཡང་ལེགས་སྐོམ་འབད་གཞིགས་ནིའི་ཐུགས་
 བརྟེན་ཡིན། དེ་འབད་མ་དང་ ད་ལྟོ་ལྷོ་ལམ་ལྷགས་ནང་ དགོངས་ལུ་འགྱུར་གསལ་ གསོག་འཛོགས་
 དེ་ལྟུ་བཙགས་ཏེ་ཡོད་མི་གུར་ དགོངས་ལུ་འགྱུར་ཐུགས་བཅེ་གསོལ་རལ་གྱི་ཚད་གཞི་མཐོ་སྐོལ་ར་ དེ་ལྟུ་
 གུ་མ་ 900,000,000 (འབྲུམ་གཅིག) ལས་བཞུལ་མིན་འདུག། འདི་གིས་འབད་ ད་ལྟོ་ལྷོ་ལམ་དང་
 བཟུན་ཏེ་ དགོངས་ལུ་འགྱུར་ཐུགས་བཅེ་གསོལ་རལ་གྱི་ཚད་གཞི་ཡར་ལང་མཛད་གནང་ནི་དང་ ཟུར་ཕོགས་
 ཀྱི་ལམ་ལྷགས་གཞི་བཟུག་གནང་ནི་གཉེན་ལས་ གཞུང་གི་མཛད་སྤྱོད་ལས་དང་ ཞི་གཡོག་པ་དགོངས་ལུ་
 འགྱུར་མཛུ་གི་སྤྱིད་ཕྱག་གི་ལན་ཐལ་ལུ་ གཏུག་གི་ ཞི་བའི་ལྷན་ཚོགས་ཀྱི་འཐུས་མི་རྒྱ་དང་ དེ་ལྟུ་ཅིས་
 ལྷན་ཁག་གིས་ ལྷོ་ལ་བཟུན་གྱི་གོ་བཟུར་ཞིབ་ཞིབ་འབད་དེ་ བཟུག་དཔུད་མཐེལ་ཕྱིན་འབད་དགོལ་
 མ་ཚད་ གཞུང་གཡོག་པ་རྒྱ་ཡང་བཟུན་གྱོས་འབད་དེ་ ལམ་ལྷགས་གཉེན་ལས་ གཞུང་དང་ཞི་གཡོག་
 པ་རྒྱ་ལྷོ་ལམ་ཀྱི་བཟུན་ཐབས་ གཏུག་པེ་ཅིག་ གཞུང་ཐབས་ལྷན་ལྷན་ལྷོ་ལ་དགོས་པའི་བཞུལ་ཐམས།
 ཞེས་རང་ལྷགས་གནམ་ལོ་ས་ལོ་ལྷག་ལོ་ལྷག་ ལ་ བའི་ཚེས་ ༣ ལྷ།

Jasho Wangchuk
 འབྲུག་མང་འབྲུག་གུ་ལོ།

Summary (draft National Policy on Retirement Benefit Schemes 2015)

Globally, the need for social protection to all sections of the population, especially those who are vulnerable due to poverty, disability and old age are increasingly being felt. Today, NPPF with 51,333 members constitute about 15% of the total work force of 345,786 people while the remaining 85% of the total work force receive little or no coverage. Those not included in the existing scheme are public servants falling under the GSP, ESP, NWF, LG employees, employees working in the private sector organizations, international agencies, NGOs, CSOs, sector-specific associations, self-employed and other category of workers.

Further, the demographic changes and disappearance of traditional social support system in the face of socio-economic development have given all the more reasons to come up with new retirement policies which would cover this group of population who have been excluded from social protection schemes. Hence, it has become critical to strengthen the existing retirement security system and institutionalize saving schemes designed to help workforce protect themselves against unforeseen problems during old age, thereby ensuring a decent post-retirement life.

Although some private sectors provide provident fund and gratuity benefits to their employees, the schemes are rudimentary and lack proper supervision and coverage. Therefore, this policy document intent to provide guidance in the development of a social protection scheme that is sustainable, affordable, accessible, inclusive and broad-based. This can only be achieved by expanding access and coverage through introduction of additional schemes and by ensuring that the schemes offered also include those who are not currently members of any retirement benefit scheme. The introduction of more appropriate and prudent schemes is expected to ensure their financial sustainability. The retirement benefit schemes will not only provide security during old age but can also be used for meeting basic needs during pre-retirement period through investments in education and home ownership, thereby expanding the scope of retirement savings.

Scope of the Policy reform



Rationale I

The Existing NPPF Schemes governed by the Government Executive Order 2002 cover only civil servants, employees of government owned and joint sector corporations, and armed forces (still some public servants not covered like ESP and GSP, local government employees, National Work Force)

Rationale II

Labour and Employment Act 2007 requires employers to provide retirement benefits such as gratuity, provident fund or pension, but the provision of the law is not yet fully enforced (only some companies have PF and gratuity schemes)

Rationale III

Growing workforce - as per latest Labor Force 2013 survey there are 345,786 active workforce in the country and still increasing...

Rationale IV

Article 9 - Principles of State Policy of the Constitution of Kingdom of Bhutan:

"The State shall endeavor to provide security in the event of sickness and disability or lack of adequate means of livelihood for reasons beyond one's control"



Reform focus I

Ensure the sustainability of the existing Pension Scheme of covered public servants and armed forces (recognizing the uncovered pension liability by the government, increase contribution when necessary, increase pension age when necessary, no political influence on salary revision, and increase return on investments – Actuarial Model)

Reform focus II

Pension being unaffordable for further expansion, need to expand the Provident Fund as the national retirement scheme to increase the wide coverage.

Reform focus III

Launch voluntary or self-contributory Provident Fund Scheme for employees of private sector companies, including self-employment agencies (cost to employers being the main impediment) – contributing to wider national savings and investments.

Reform focus IV

Introduce "means-tested old age pension" to uncovered retired citizens (above 65 years old).

As per 2013 Labor Force data, elder citizen above 65+ constitute 4.9% of working age population) – extension of existing Royal Kidu scheme to needy elder citizens through setting up a Nation-wide Old Age Social Security System

Q and A: A brief discussion on the Policy Paper

1. How the Policy would be implemented?

- Phase 1: All GSP, ESP, NWF, LG, and contract employees employed by the government.
Phase 2: All employees of agencies, enterprises, institutions and organizations covered under the Labour and Employment Act 2007 (Currently, enterprises or agencies with five or more employees).
Phase 3: All enterprises, agencies, institutions and organizations employing less than five employees.

Simultaneously, we will also develop a system of voluntary contribution saving schemes for the employees in the formal and informal sector including the self-employed as an alternative arrangements.

2. What type of schemes are proposed for the Members?

In view of the financial viability, affordability, portability and simplicity of administration, the Defined Contribution Provident Fund Scheme (DC-PFS) shall be promoted as the preferred scheme for all employees. This scheme shall be financed by contribution from both employers and employees in the formal sector. For the informal sector, individual members shall make voluntary contributions, which may be supplemented by modest contributions from the government to encourage subscription to the voluntary scheme and promote savings.

3. How will the Schemes and Funds be regulated?

The retirement benefit schemes and funds shall be offered by a licensed entity or an existing organization. A new or an existing agency shall be identified to regulate the schemes, funds and entities associated with retirement benefit schemes.

4. How will the Investment be managed?

A comprehensive investment and fund management policy framework with proper investment policies shall be developed that will benefit all the members and sustain the schemes and funds. Various investment instruments shall be used to secure the fund. The investment and fund management policy shall be implemented subject to the provisions of the rules and regulations or guidelines that the regulatory authority may amend from time to time.



5. Are the Retirement Funds Protected?

In order to ensure adequate funds are available to the members during retirement, appropriate intervention mechanism shall be developed to protect funds from misuse, misappropriation, and unnecessary risk by (or from) scheme, fund managers, members and others in terms of regulatory policies or in terms of collateral against any kind of borrowings to any entity.

6. Is the Scheme portable?

To promote continuity and convenience for members, flexibility will be encouraged by allowing portability of accumulated benefits and associated rights between employers and schemes.

7. What about the Non-Contributory Schemes?

Non-contributory schemes like direct cash transfers will need to continue particularly because the most vulnerable and marginalized target groups or individuals who are in dire need of some form of social protection or the other, but are unable to join formal contributory schemes because of their economic, financial and social situation. However, there is also a need to ensure such programmes are financially sustainable.

8. Are the schemes exempted from taxes?

To encourage savings for retirement, tax exemptions shall be granted on contributions, earnings from investment of retirement funds and benefit payments.

9. How do you ensure transparency and accountability to build confidence of the members?

To ensure proper valuation, transparency and accountability of schemes and funds standard rules for funding and actuarial valuation of retirement benefit schemes shall be developed; the retirement benefit schemes and their funds shall be audited and actuarially assessed periodically. The government or plan sponsor shall recognize and guarantee the actuarial deficits of DB-PS, if any, and it shall pay such deficit of fund in the form of additional contribution or non-negotiable bond or any other such instrument, to keep the fund solvent.

NPPF and the issue of long-term sustainability :

i. Introduction

In 1960s, pension scheme for the military personnel was started. The military personnel exiting from the service were paid a nominal amount from the military budget. However, the military pension was stopped after the Government introduced Government Employees Provident Fund (GEPF) in April 1976 for civil servants, corporate employees and the Military Personnel. Though the military pension scheme ceased to exist, they continued to pay the pension benefits to those who were already the beneficiaries.

The GEPF was being administered by Royal Insurance Corporation of Bhutan (RICB). The members made a monthly contribution of 8 percent from their salary and the Government made a matching contribution. Being the fund manager during those time, the fund was invested by the RICB. The RICB paid 8 percent interest on the member's contribution. This was done with subsidy from the Royal Government. Recognizing the need to enhance the retirement benefits, in 1998, His Majesty the Fourth Druk Gyalpo issued a Royal Command to enhance the retirement benefits of the civil servants. Accordingly in 2000, the Royal Government set up National Pension and Provident Fund and launched two parallel pension and provident fund schemes aimed at benefitting the civil and armed forces members.

ii. Retirement benefit scheme in Bhutan

Sustainability is about being there for the long-term. It requires organizations to adapt to a changing socio-economic development, to have good governance, and to manage risks effectively over both the short and long term.

The principle underlying the pension schemes are simple. There is this global acceptance that saving enough during the working life will lead to an acceptable standard of living in retirement and that the retirement savings lead to accumulation of financial assets which could be used for consumption when an individual retires. In this way, the pension schemes improve the position of all members of society, as each person can contribute to the older generation which would support them in retirement. Further, the pension scheme improves welfare of the members since it allows transfer of human capital risk from the young to the old.

Currently, Bhutan has a very young population with a median age of 24.7 and old age dependency ratio of 7.3. The records show that the membership is very young with an average age of 35 years (maximum number of NPPFP members is clustered around the 31-35 age group). The young membership will continue to bring more inflow of contributions and higher growth of fund size in the initial years.

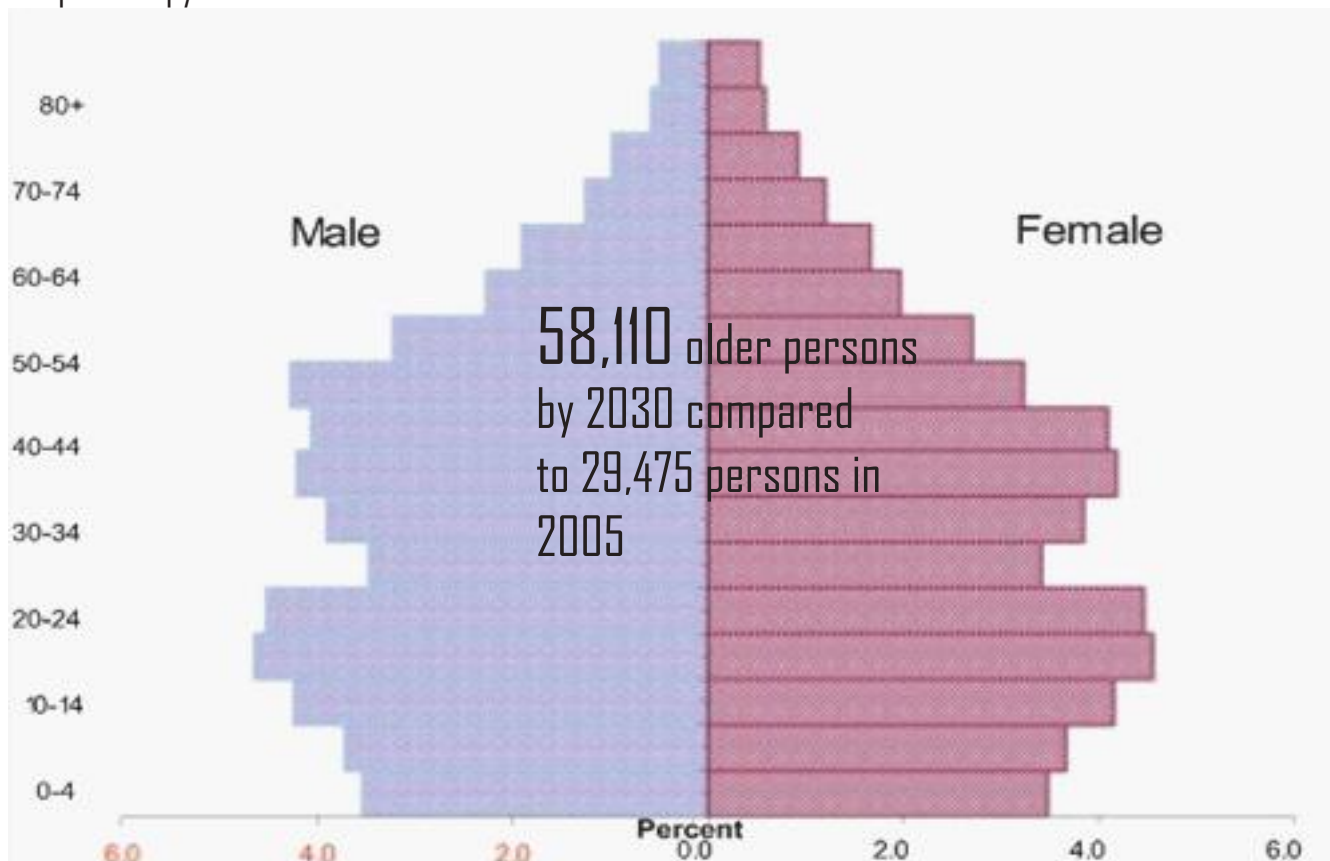
Long-run fiscal sustainability of the existing partially funded pay-as-you-go defined benefit pension plan remains the key challenge for the nation in general and the NPPF in particular with the increase in pension liabilities by the unmatched assets which is further caused due to the decreased fertility rate, in particular. In technical terms, the sustainability indicators of both the pension plan (civil, corporate and Armed Forces) are as shown below in the Table. Ideally, the pension plan is sustainable when the funded ratio is 100% i.e. the assets are equal to accrued liabilities with the payment of sufficient contribution to the plan every year by the members. However, the current fund performance of the civil (also referring to corporates) and the armed forces show that the necessary conditions required for an ideal funded ratio and payment of sufficient contribution needs consistent strategies. This low funded ratio is mainly due to accrued liabilities (refers to past service liabilities of the existing members and liabilities of the pensioners) and the weak linkage of benefit and contribution payment. However, at our end, we believe that the sustainability of the pension plan will improve, and it should as it covers a national scope of income balance, poverty alleviation, among others. Yet, the economic conditions should improve at the same time. Favorable economic conditions such as low inflation, improvements in investments avenues, active participation from the members, and common dialogues are some of the key indicators to improve the overall scope of the sustainability of the pension scheme.

Parameters	Necessary condition	Civil and Corporate	Armed Forces
Funded ratio (asset/accrued liability)	100%	47.20%	34.43%
Current service cost (required contribution rate)	Equal to existing contribution rate or should be lowered than the existing rate	15.55% (Against 16%)	21.62% (Against 15%)
Remarks	Fund is considered solvent if both above conditions are met	Current service cost is line with existing rate	Current service cost is about 7% above the existing rate and require to revise the rate in line with service cost

The constructive challenge

With the declining fertility along with the consistent increase in life expectancy, the number of older persons in the population is expected to double from 29,745 persons in 2005 to 58,110 persons by 2030 which is an increase in their share to the total population from 4.7 percent in 2005 to 6.6 percent in 2030. However, there is only a marginal increase in the working population at 10% only, signifying greater financial burden on the working group. The estimated change in population structure by 2030 is as shown below:

Population pyramid 2030

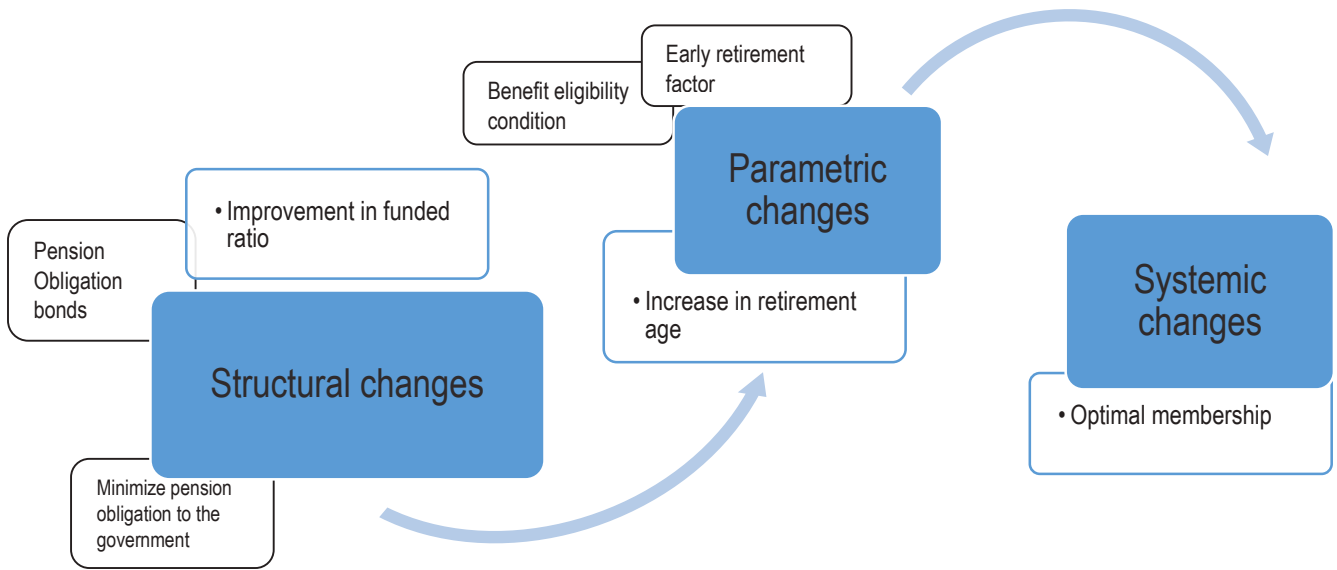


In summary, the actuarial projection signals the financial instability of both the pension plan in the long run, calling for an early remedial measure. It is inevitable that the pension cost will increase with the social, demographic variations (gradual aging of the members), and low investment earnings with increasing inflationary pressure. Against this backdrop, under the new National Policy on Retirement Benefit Schemes, it is aimed to maintain the current defined benefit pension for the existing public servants covered as an occupational defined benefit scheme, explicitly guaranteed by the Government, but focusing expansion of the defined contribution provident fund as the leading retirement security scheme for the entire workforce.

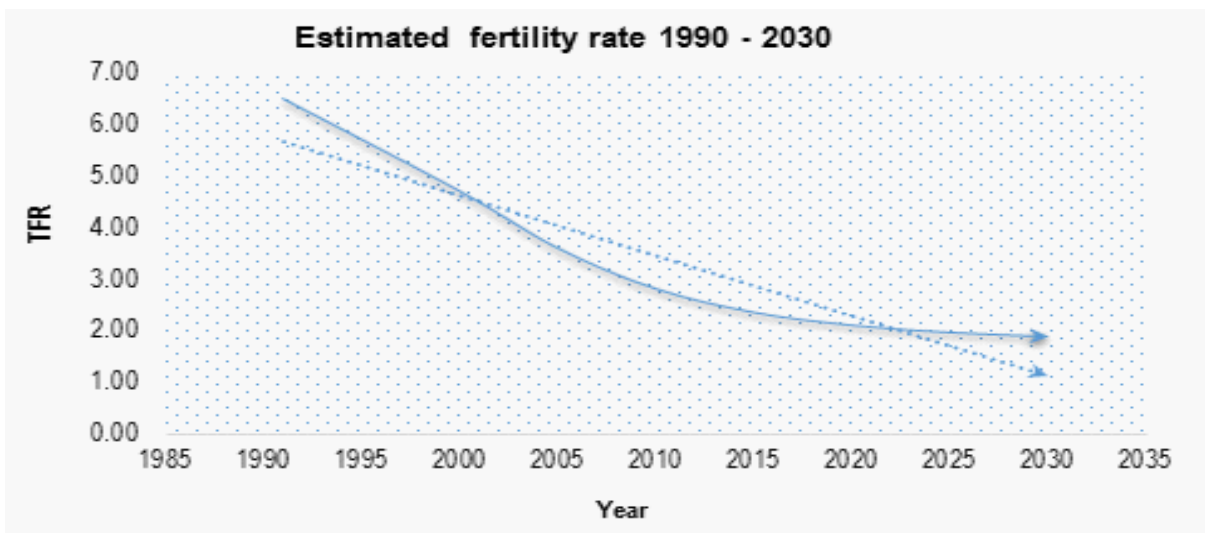
To remedy the structural problem, the NPPF need to carefully address the reform measures in tune with changing demographic, economic condition and social circumstances. The reform proposal will include measures to minimize pension obligation to the government, such as the improvement in funded ratio in armed forces to increase to 21.62% from current 15% of employee salary, direct cash contribution by the government either in the form of lump-sum cash or provide additional monthly contribution. In order to ease pressure on the Government budget to finance the above cited unfunded pension liability, the Government could issue pension obligation bonds (non-negotiable) to raise the fund for sustainability. The proceeds from the bond, redeemable at intervals, could pay off the unfunded liability.

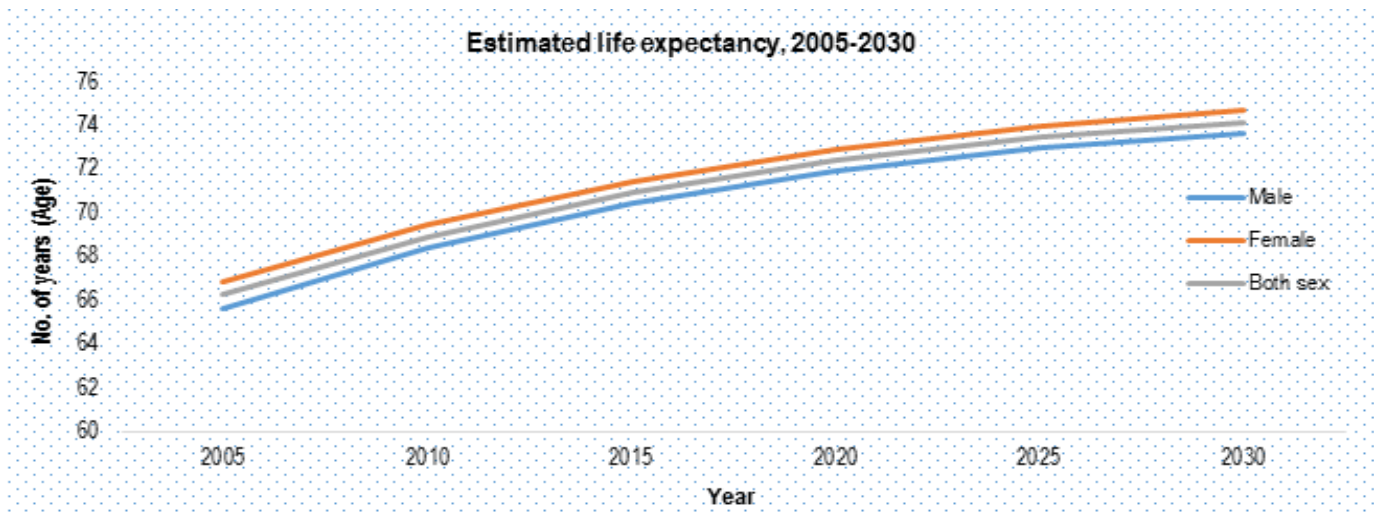
Other parametric changes include viz., adjustment of contribution, increase in retirement age, changing the benefit eligibility conditions, early retirement factor and avoiding ad-hoc salary revision. Necessary systemic reforms such as optional membership will also be pursued.

Reform proposal



The ageing of population for Bhutan is indicated from the declining fertility rate. The fertility rate prior to 1991 was recorded at 6.5, which declined from 4.7 in 2000 to 3.59 in 2005. The fertility rate as per the NSB population projection is projected to decline below 1.8 after 2025. This declining rate is far below the replacement level of 2.1 (as per international best practice, fertility rate of 2.1 is needed to maintain optimal population growth). At the same time, due to improved healthcare services, Bhutan had witnessed decreasing trends in mortality particularly at young ages. Further, the life expectancy in 2005 was 66.25 and it is projected to reach average life expectancy for both male and female of 74.17 by 2030.





With changing demographic structures, periodic reform measures (necessary condition) are needed for the sustainability of pension plan. Citing an example - the National Pension Service of Republic of South Korea carried out its first pension reform in 1998 after 10 years of implementation, keeping the objective of long-term financial sustainability.

Unlike demographic changes, which are beyond the control of pension institutions, return on investment is now considered as the main focus to constantly improve the sustainability and relevance of the pension system. Investment is within the mandate and professionalism of the institution and therefore, there is a strong impetus to expand investment scope to increase return with serious mindfulness of associated risks.

ii. Role of Investment in Pension Schemes

Pension systems across the world are being faced with the issue of sustainability mainly as a consequence of combined effect of increased life expectancy, lower fertility rates and shrinking labor market. The challenge lies in ensuring greater, larger and more productive participation in the labor force. Advanced countries are engaged in pension debates and many developing countries are not left out. The developing countries including Bhutan are also waking up to the challenges.

One of the key in making pension schemes sustainable is having an investment policy, a policy prudent enough to help generate a sufficiently high return on investments which would help to reduce the overall pension scheme costs. This would also play an active role in controlling the market fluctuations that might otherwise result in substantial worst-case risks. Investment plays an important role in survival of the pension systems across the world. Because of the long-term nature of the fund, the impact of less returns do not begin to show immediately. However, as the pension system matures over the years, the returns on investment becomes extremely important to match the contributions received required to pay the pensioners. However, investment scenario in any economy is unpredictable and unexpected and almost always not within the power of the pension system to control. Therefore, depending upon the economic state of the country, the pension fund may or may not benefit from its long-term investment plans. Some pension experts believe that diversification of investment is of extreme importance to sustain the pension scheme. Diversification of investment eliminates the risks.

NPPF has been tailoring its investments to the liabilities. By adequately balancing risks and return, NPPF aims at ensuring that the risk of becoming underfunded and the magnitude of the underfunding do not get too large. This is crucial, because the Government has given guarantees to members and need sufficient funds to meet these promises in all future scenarios. Since future returns are not known with certainty, investment proposals necessarily involve risk, hence they should be evaluated in relation to their expected return and risk. This gives rise to questions of management of funds to achieve maximum returns. The NPPF makes investments in the industries approved by the Royal Government of Bhutan being guided by the Technical Advisory Committee (TAC) and direction from the National Pension Board (NPB).

iii. Solution to the Challenges

Issues concerning pension are long term in nature and the resulting problems will require an equally long time to solve. But the important point is that these are solvable problems. Emerging economies like Bhutan has been enjoying growth of over 8% for over last ten years and performing well in the South-Asia region. Improved technology and growing prosperity in emerging markets promises renewed robust growth; intelligent financial planning can enable us to meet the current challenges posed by demographic factors. The NPPF assures to meet these challenges in all times to come.

Rate of Return

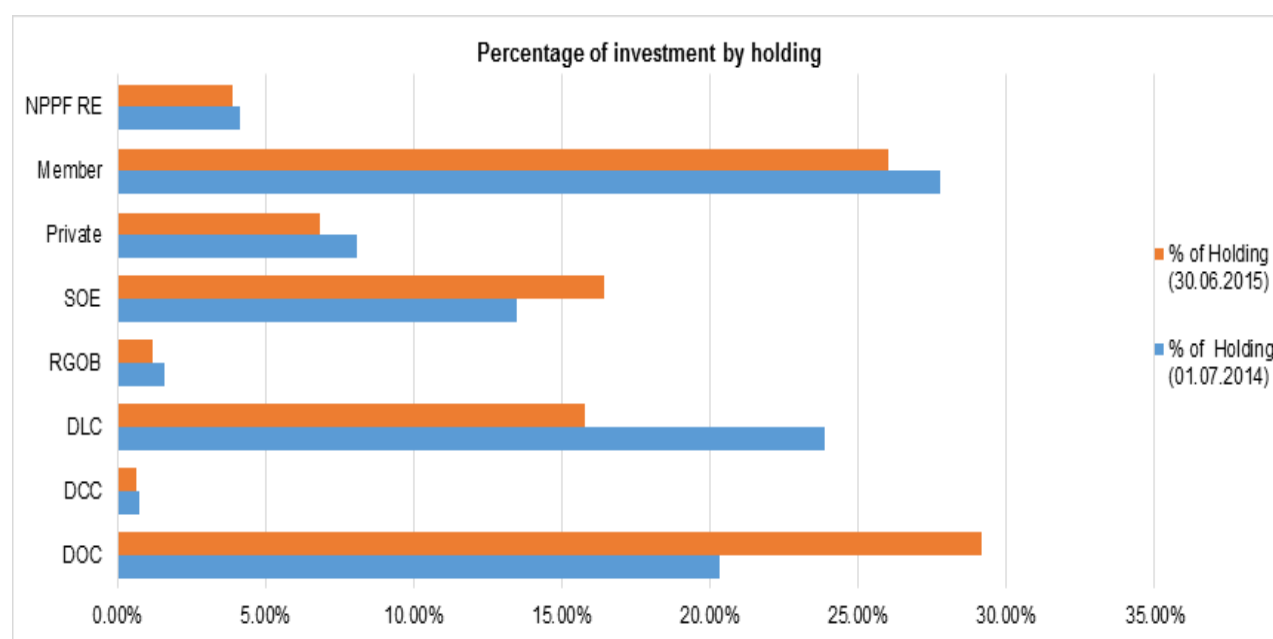
A return is a profit on an investment. It is useful for making investment decisions in order to project expected gains into the future. A major concern of NPPF is the inherent uncertainty of returns earned on assets backing pension liabilities. On one hand, good investment performance can help NPPF meet all the benefit promised and reduce required contribution. On the other hand, if assets fall short of liabilities, supplementary contributions by the members might be required to fill gaps. Therefore, the aim of investment policy is to generate a sufficiently high return that helps reduce overall pension scheme costs, while at the same time controlling market fluctuations that might result in substantial worst-case risks. Through adequate balancing of risk and return, NPPF can ensure that the risk of becoming underfunded and magnitude of underfunding do not get too large. This is crucial, because pension schemes have given guarantees to members and need sufficient funds to meet these promises in all future scenarios.

In view of the above, Investment Management Framework meeting was started during the year. It happens every Monday to help make prudent investment of the fund collected during the week and also understand the fund position of NPPF on weekly basis. The exercise helped develop significant observations, some of which are listed below:

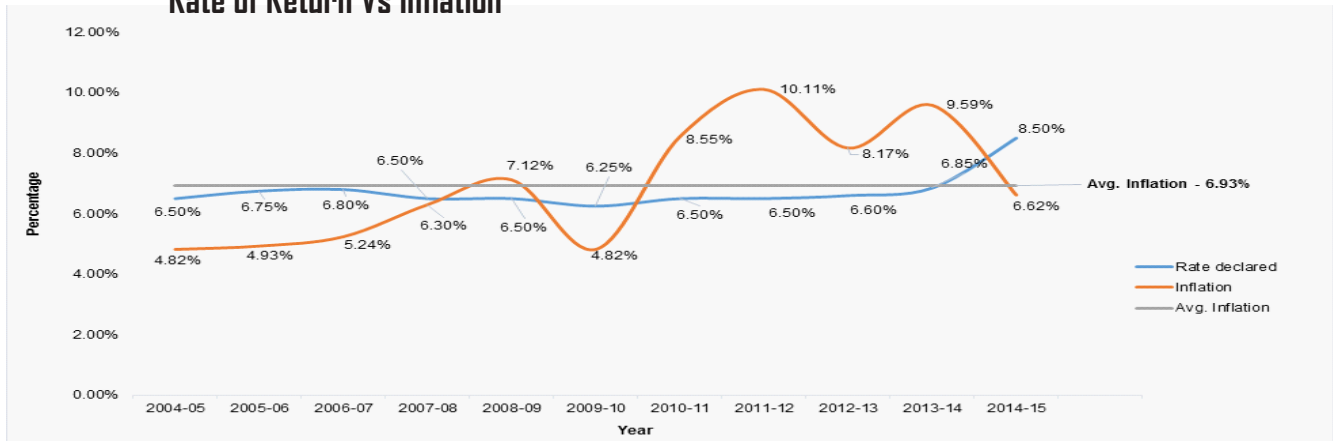
- a. Minimum holdings in cash and short-term bank deposits, largely used in investing higher return and longer-term investments - *Improvements in Cash Management*
- b. Corporate loans and loans to members combined constitute the largest component of overall investment portfolio (about 47.68%) with NPL at 1.02% against the target of 1.67%, reflecting *high quality of debt with good returns*;
- c. Share of government and corporate bond holdings also increased to 22.10% from 11.57% in the previous year. Also made *significant investments in equities*, whose impact will be reflected in the forth coming years;
- d. 17% *growth in fund size* to Nu. 20.463 billion, of which Nu. 1.8 billion came from additional contributions and about Nu.1.2 billion from gross revenue on the funds;
- e. Achieved a *“record high return” on investments* at 8.50% compared to last 10-year average of 6.58% per annum. In real terms also, 2014/15 achieved a real rate of return of 1.88% against the annual inflation recorded at 6.62%.

As return on investment is one of the key factors of pension fund sustainability, it is observed that 1 percent increase on rate of return on pension funds could push the pension sustainability horizon by more than 1 year. Therefore consistent improvement on investment revenues is very crucial for NPPF, particularly in context of changing demographic challenges, which are beyond the control of NPPF.

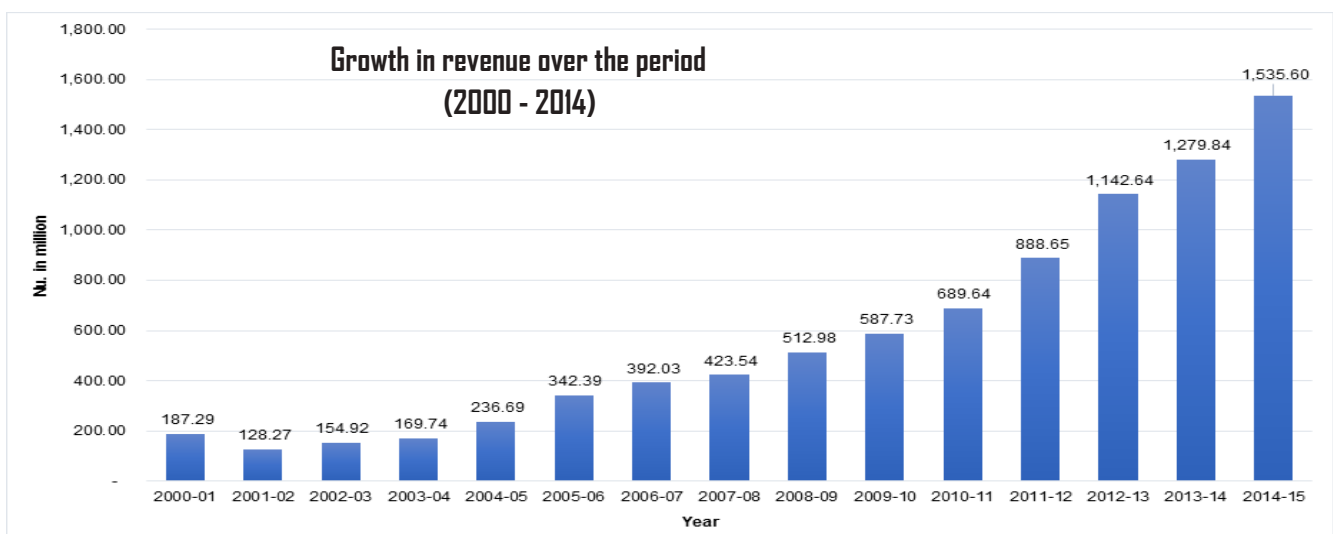
Further, through adjustment in dynamic provisioning resulting from improving quality of loans (particularly the Yangphel Real Estate loan), the management was able to enhance the General Reserves by about Nu. 94 million to Nu. 192 million and also maintaining a comfortable provision of Nu. 94 million against possible bad loans.



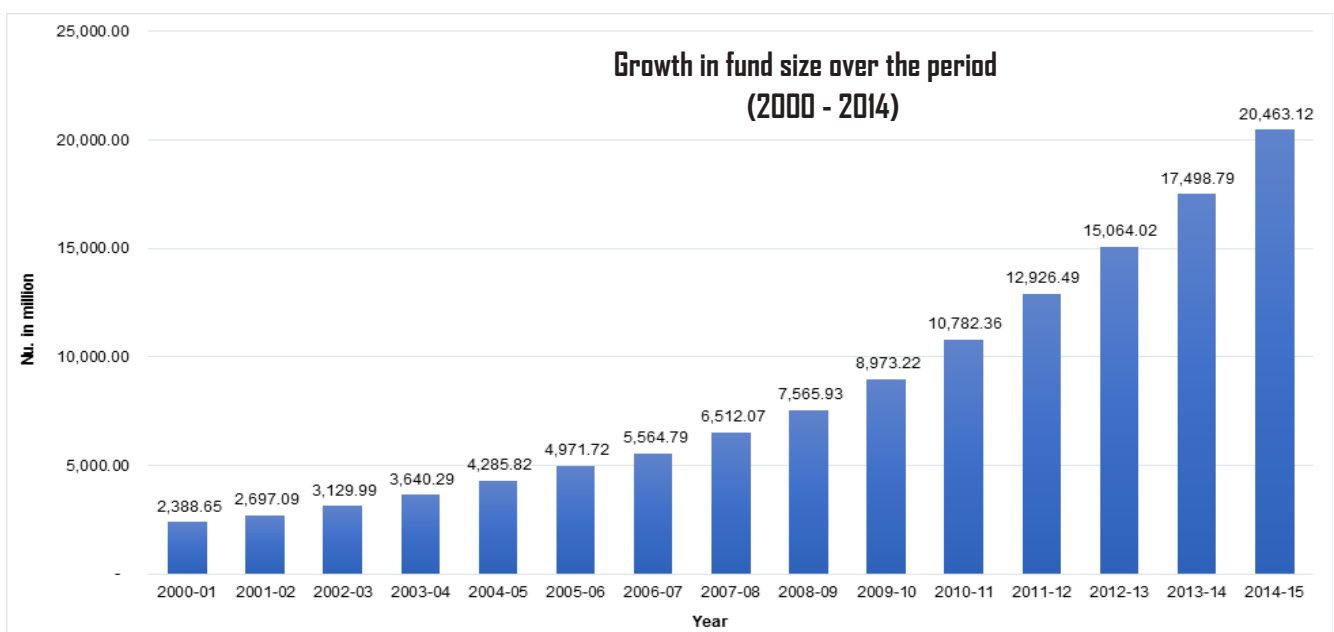
Rate of Return Vs Inflation



Growth in revenue over the period (2000 - 2014)



Growth in fund size over the period (2000 - 2014)



Pension and Provident Fund



Major activities of Pension and Provident Fund Division

- Collection of contribution
- Payment of retirement benefits
- Refund of retirement benefits
- Updation of Personal Information System (PIS)
- Customer Care
- Actuarial valuation

Consolidated Report on the operations of Pension and Provident Fund Schemes

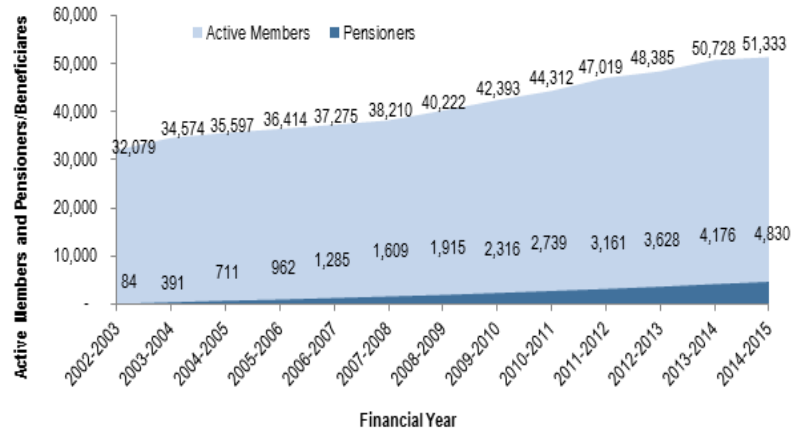
1. Introduction

During the year, the Pension and Provident Fund Division was involved in drafting the National Pension Policy which has been approved by the National Pension Board and is currently under review of the Ministry of Finance. If it is endorsed by the Government, it would have significant impact on the lives of many people who are waiting to be covered reap the benefits.

2. Current Status

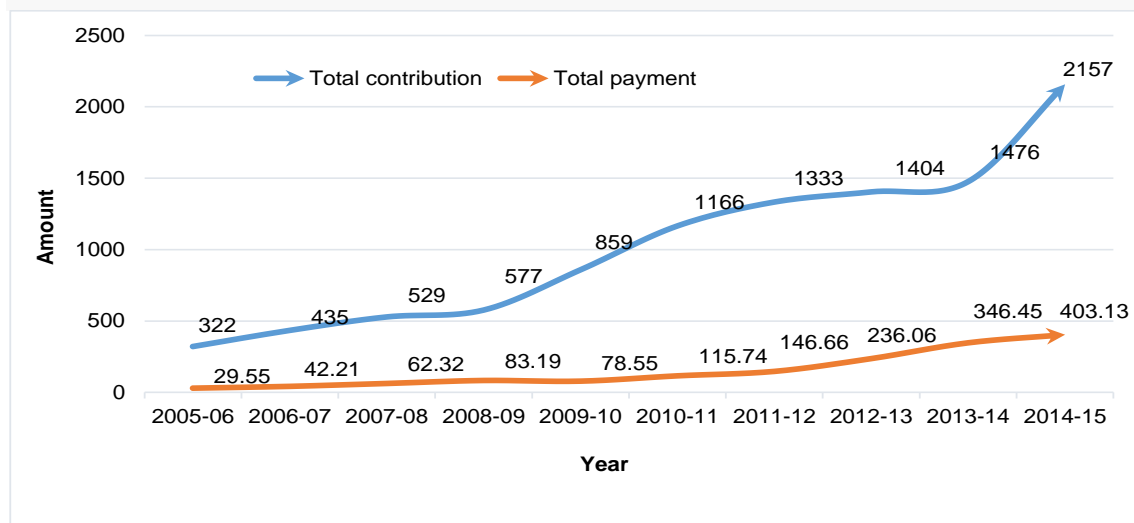
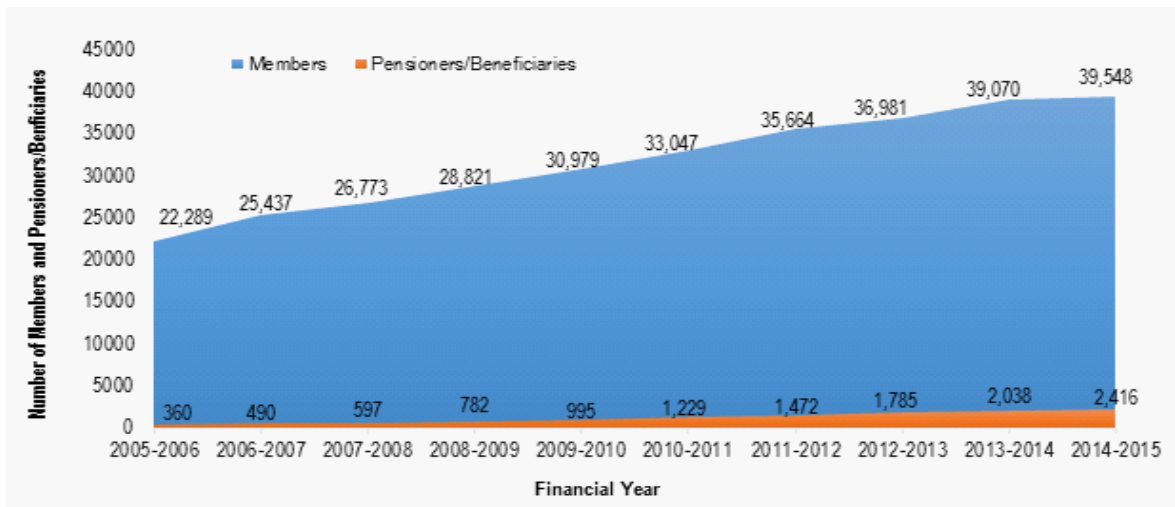
The membership of the pension and provident fund plan has continued to increase over the years. As on 30 June 2015, there were 452 employers registered with NPPF representing government agencies, public corporations, joint venture companies and armed forces.

There were a total of 51,333 registered members which includes civil servants, corporate employees, employees of state-owned enterprises and members of the Armed Forces. The average age of the contributing members was 36 years and that of pensioners was 60 years. NPPF members account for 6.75% of the total population.



Civil Pension and Provident Fund Plan

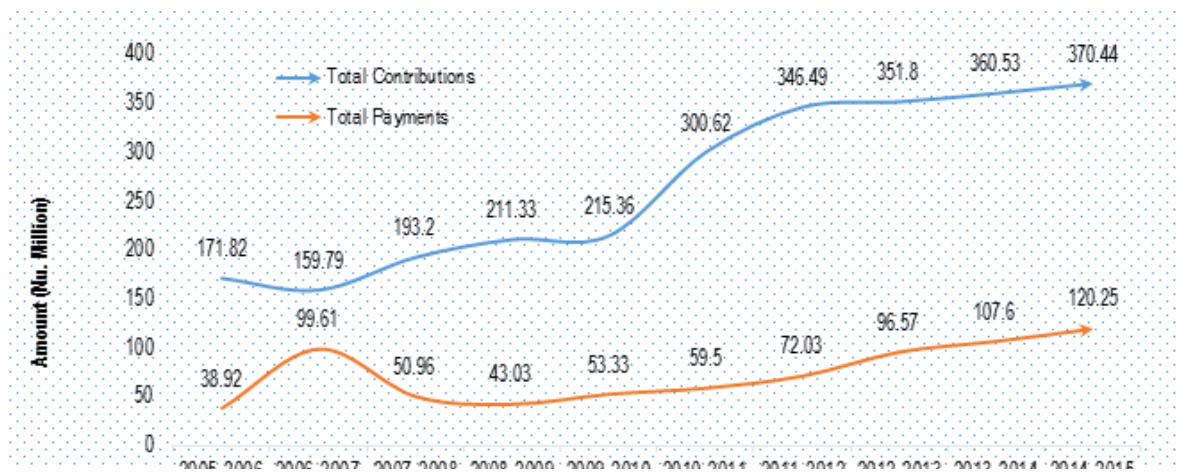
During the year a total of Nu. 1,447.10 million was received as pension contributions and Nu. 709.52 million as provident fund contributions. The civil pension and provident fund plan recorded a total of 2,414 pensioners/beneficiaries, an increase of 18.45% from the previous year of 2,038 pensioners. Against this, a total of Nu. 252.93 million was paid out as pension benefits and Nu. 150.20 million as provident fund refund to its retirees. Details in the graph below:





Armed Forces Pension and Provident Fund Scheme

There was an increase of 1.09% member from the previous year. During the year a total of Nu. 230.32 million was received as pension contributions and Nu. 140.11 million as provident fund contributions from armed force members. The armed forces pension and provident fund scheme recorded a total of 2,416 pensioners/beneficiaries showing an increase of 6.99% from the previous year of 2,258 pensioners. Against this, a total of Nu. 84.62 million was paid out as pension benefits and Nu. 35.63 million as the provident fund refund to its retirees.



Features of Pension Plan in Bhutan

Parameters	Civil	Armed Forces
Contribution rate		
a. Pension	16%	15%
b. Provident Fund	6%	9%
Type of funding	Partially funded PAYG	Partially funded PAYG
Government support	Implicit guarantee	Implicit guarantee
Type of benefit	Defined benefit	Defined benefit
Minimum pension vesting period	10 years (may opt to withdraw lump-sum benefit, if member exit prior to 20 years)	10 years
Maximum contributory years	30 years	33 years
Retirement age		
EX/ES	60	60
P	58	
S-O	56	42
Benefit level	40% of final basic pay	45% of 12 months average pay
Annual pension adjustment	CPI or 5% whichever is lower	Nominal 2%
Minimum pension	No minimum pension	45% of maximum salary ceiling of the lowest rank
Maximum pension	40% of maximum salary scale of EX1 level in the civil service	Full pension up to 27 years and 0.5% of full pension up to 33 years
Spouse pension	50% of deceased members' pension or Nu. 3,500 whichever is higher	30% of deceased member's pension prior to 50 years and benefit enhanced to 50% of deceased members' pension or 60% of minimum pension whichever is higher
Eligibility age for spouse	50 years	Benefit paid on the date of contingency
Children and orphan	3 children less than 18 years at a time Child pension Nu. 1,200 Orphan pension Nu. 1,700	3 children less than 18 years at a time Child pension 15% of minimum pension Orphan 30% of minimum pension
Dependent parent	50% of deceased members' pension or Nu. 3,500 whichever is higher, provided parent attained 56 years	50% of deceased members' pension or 60% of minimum pension whichever is higher, provided parent attained 56 years
Member permanent disability	40% of final salary or Nu. 3,500, whichever is higher	30% of the member's pension payable under normal retirement scheme Or 45% of the maximum ceiling of the salary scale of the lowest rank

Real Estate



Major activities of the Real Estate Division

Housing facility - residential and commercial

Home ownership

Home loan

Customer Care

While NPPF will continue to be one of the major players in the housing sector, the strategy of engagement needs to be changed mainly to address affordability and long term sustainability at an individual level. While financing of major housing constructions (multi-storied building) is left to financial institutions in the country, NPPF will give more focus on financing home ownership (bungalow and duplex) to its members through its "Member Home Loan Scheme". It is one of the most significant program launched during the year. The objective of the scheme is to facilitate members to own a house by the time of their retirement, or even prior and attain the national objective of attaining self-reliance and social solidity.

Besides the traditional form of giving loans, NPPF will provide supplementary services, such as, architectural design, cost estimations and material recommendations. NPPF shall build a proto-type designs for a bungalow on a flat site and a split duplex on a terrain site at Debsi, Thimphu, with effect from October 2015.

Member Home Loan Scheme



1. Introduction

Rapid socio-economic development in the country is ushering in major reform measures and changes in the social-economic behavior of our population. Shift in workforce from rural farming to urban formal sector, change in family structures and social cohesion, and resulting huge unorganized settlements in the urban areas are some of the most notable and disturbing trends that the country witnesses currently. Through these changes, incidents of poverty are more visible in urban areas, where the cost of living is soaring and quality of life is fast deteriorating. One of the main causes of unhealthy trends in urban areas is due to lack of affordable housing facilities.

The construction of residential quarters for the public servants by the NHDCL along with contribution from the private sector and NPPF are not adequate to meet ever-increasing requirement and demand for housing accommodation. Supply shortage is attributable to major problems with all construction factors, such as cost and acute shortage of land, soaring cost of materials including imported labor, and finally cost of construction financing. With general affordability of public sagging, investment in the housing industry is rapidly declining and also breeding more social problems, if timely and appropriate attention is not given by the relevant agencies.

Considering the situation, while NPPF will continue to be one of the major players in the housing sector, the strategy of engagement needs to be changed mainly to address affordability and long term sustainability at an individual level and diversification of the industry at the national level. While financing of major housing constructions (multi-storied building) is left to financial institutions in the country, NPPF will give more focus on financing home ownership to its members through its "Member Home Loan Schemes"

2. Objectives of the Home Loan Scheme

- Provision housing facility scheme for its members as an important part of social safety net programme;
- Encourage public servants to own home (pha-chim or ma-chim) to revitalize the tradition of family wealth creation and economic security, particularly at old age;

- Provide equitable, accessible, and affordable (based on budget) package of home ownership programme;
- Build up the Member Home Loan Scheme as an important investment portfolio for NPPF towards generating stable rate of return and enhancing sustainability of the pension fund; and
- Contribute the overarching national objective of attaining self-reliance and social solidarity. NPPF's long term objective is to develop a 'Centre of Excellence' in home ownership, combining expertise in designing, financing, and building of affordable and comfortable homes across the Kingdom. This policy is to prevent our esteemed retirees being left without a proper dwelling place at the end of their career in the public service.

3. Components of the Member Home Loan Scheme?

- Part I: Architectural design, cost estimations & material recommendations
- Part II: Financing
- Part III: Building (self, NPPF and outsource to competent developers)

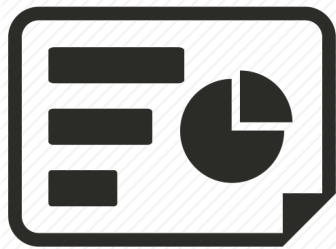
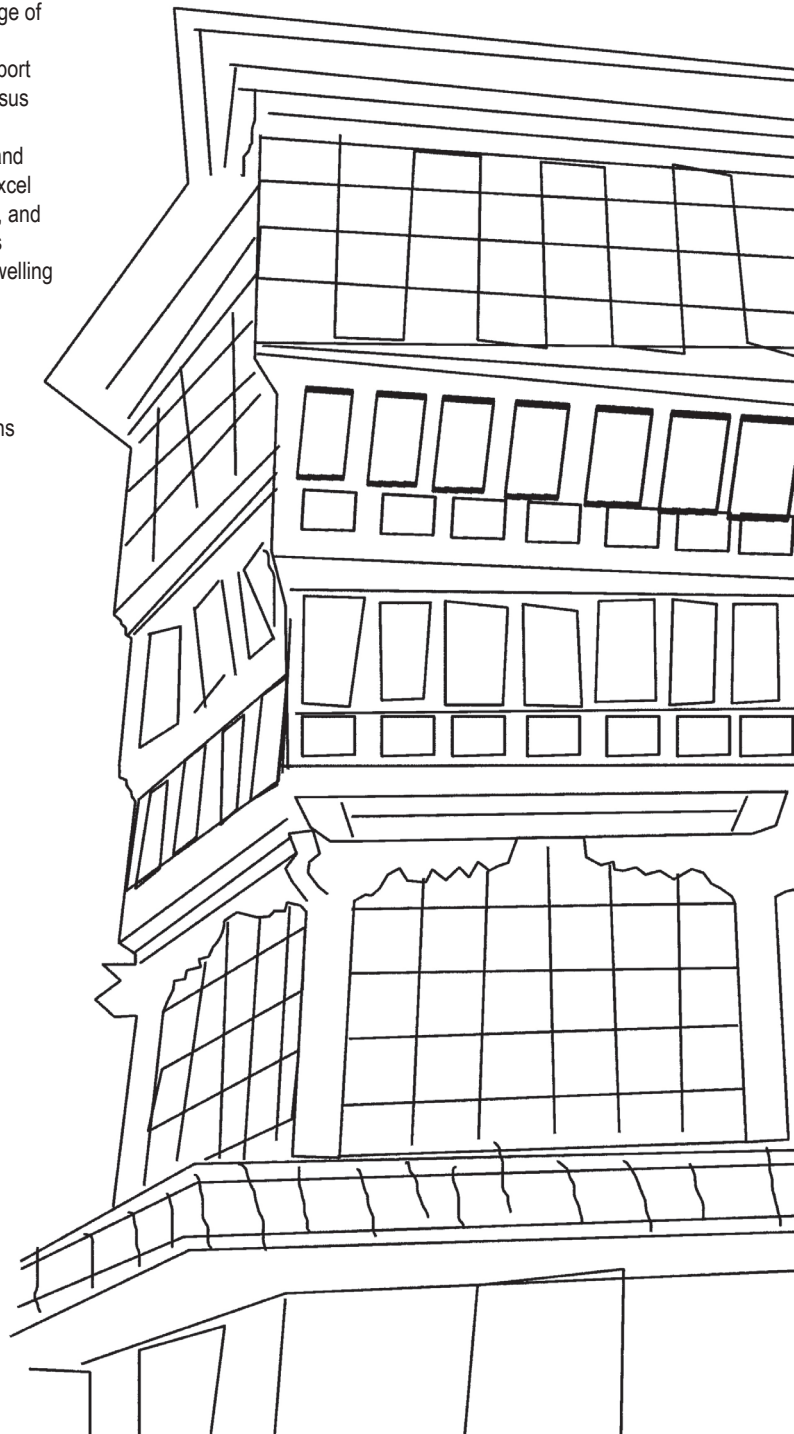


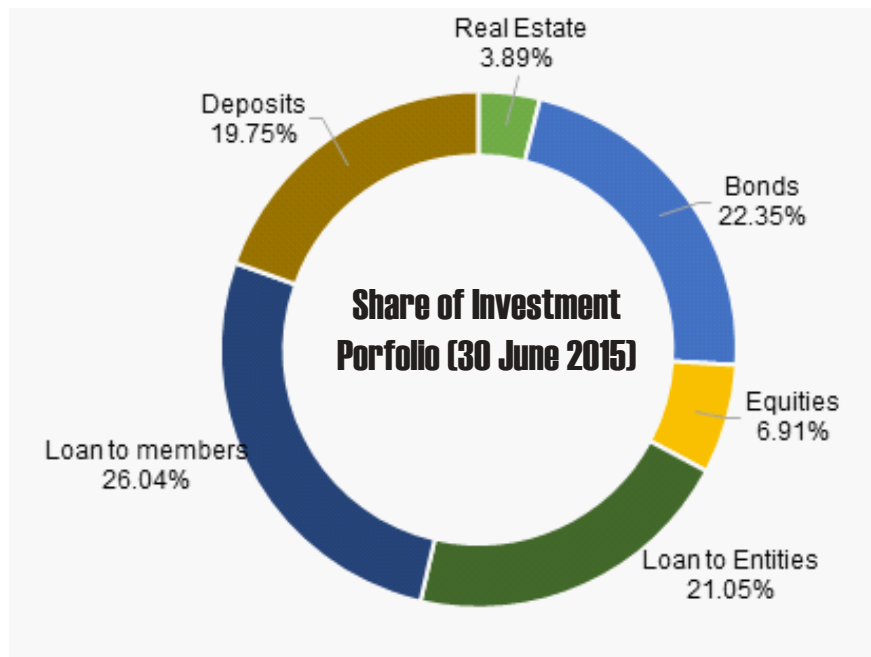
Fig: Three BHK plan



DEBSI MASTER PLAN



Consolidated report on the Investment Portfolio



In order to effectively manage the investment of a steadily increasing fund of members and towards improving sustainability of pension and providing better return to PF holders, the Management initiated an in-house *Investment and Fund Management Framework exercise* beginning 15th December 2014.

The framework covers the consolidated (with details in key areas) cash flow on a daily basis to relate to decisions regarding the investment avenues and possibilities, building up an appropriate portfolio based on the return and risk analysis, monitoring and reporting of the investment decisions and processes, and conducting of projections and analysis with new investment horizons. Further, it facilitates review of performance against budgets and benchmarks on a constant basis.

The framework also serves as a platform for investment discussion at the Technical Advisory Committee level, and finally at the National Pension Board, particularly to align the decisions with mandates provided in the "Executive Order 2002" and the "Investment Policy 2014". Constantly working through the exercise is also helping the management team in building competence and confidence in exploring investment opportunities, weighting on risks and returns, and in recommending good investments proposals to the TAC and Board.



Through use of such dynamic investment framework exercise, the institute was able to strengthen the overall investment of the funds in 2014/15. The following key financial indicators demonstrate the strategic positive result of the new system:

(a) Achieved a “record high return” on investments at 8.50% compared to last 10-year average of 6.58% per annum. In real terms also, 2014/15 achieved a real rate of return of 1.88% against the annual inflation recorded at 6.62%.

As return on investment is one of the key factors of pension fund sustainability, it is observed that 1 percent increase on rate of return on pension funds could push the pension sustainability horizon by more than 1 year. Therefore consistent improvement on investment revenues is very crucial for NPPF, particularly in context of changing demographic challenges, which are beyond the control of NPPF.

Further, through adjustment in dynamic provisioning resulting from improving quality of loans (particularly the Yangphel Real Estate loan), the management was able to enhance the General Reserves by about Nu. 94 million to Nu. 192 million and also maintaining a comfortable provision of Nu. 94 million against possible bad loans.



Improvement in cash management

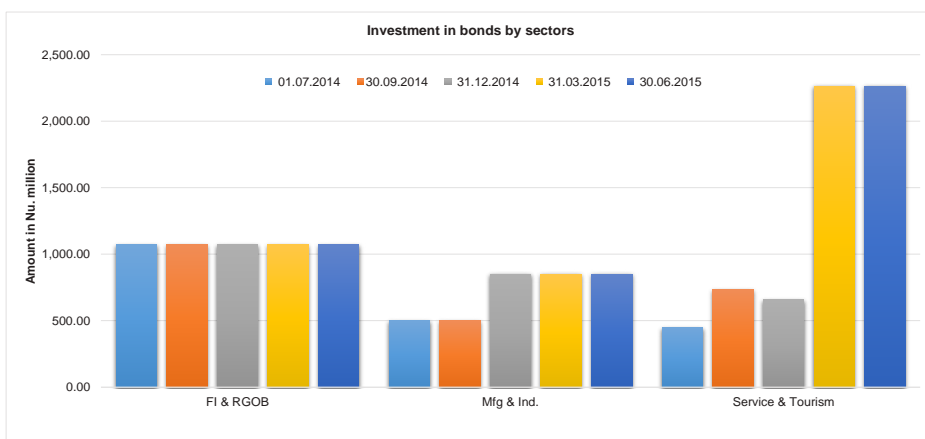
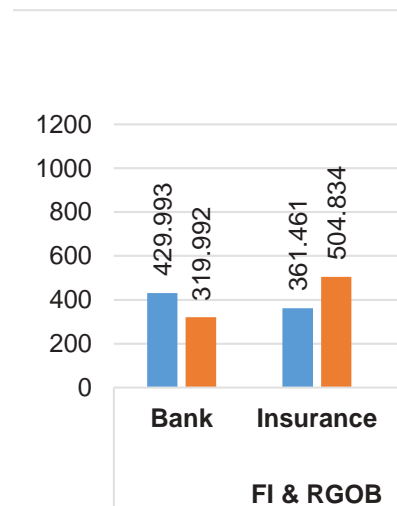
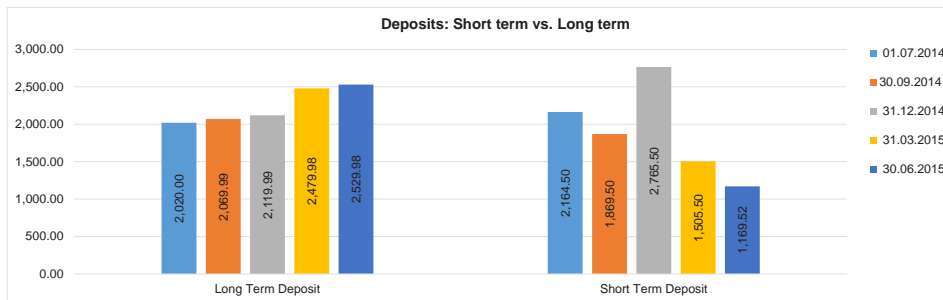
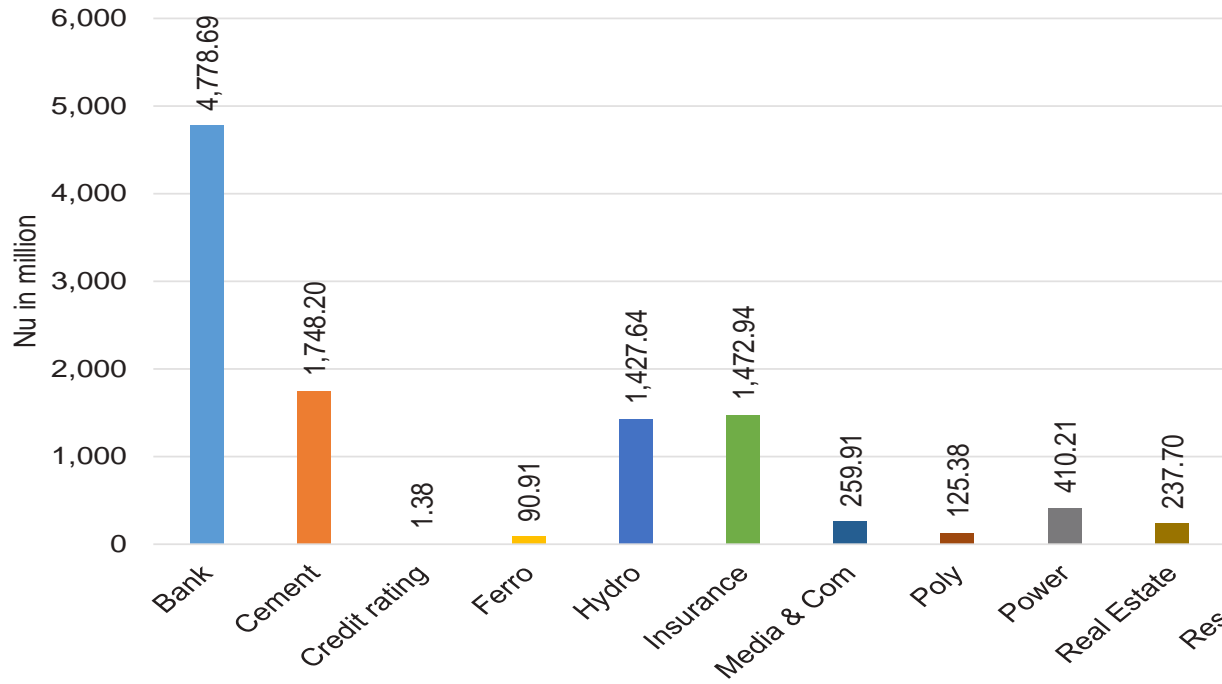
**Growth in fund size
by 17%
from Nu. 17.47
billion to Nu. 20.46
billion**



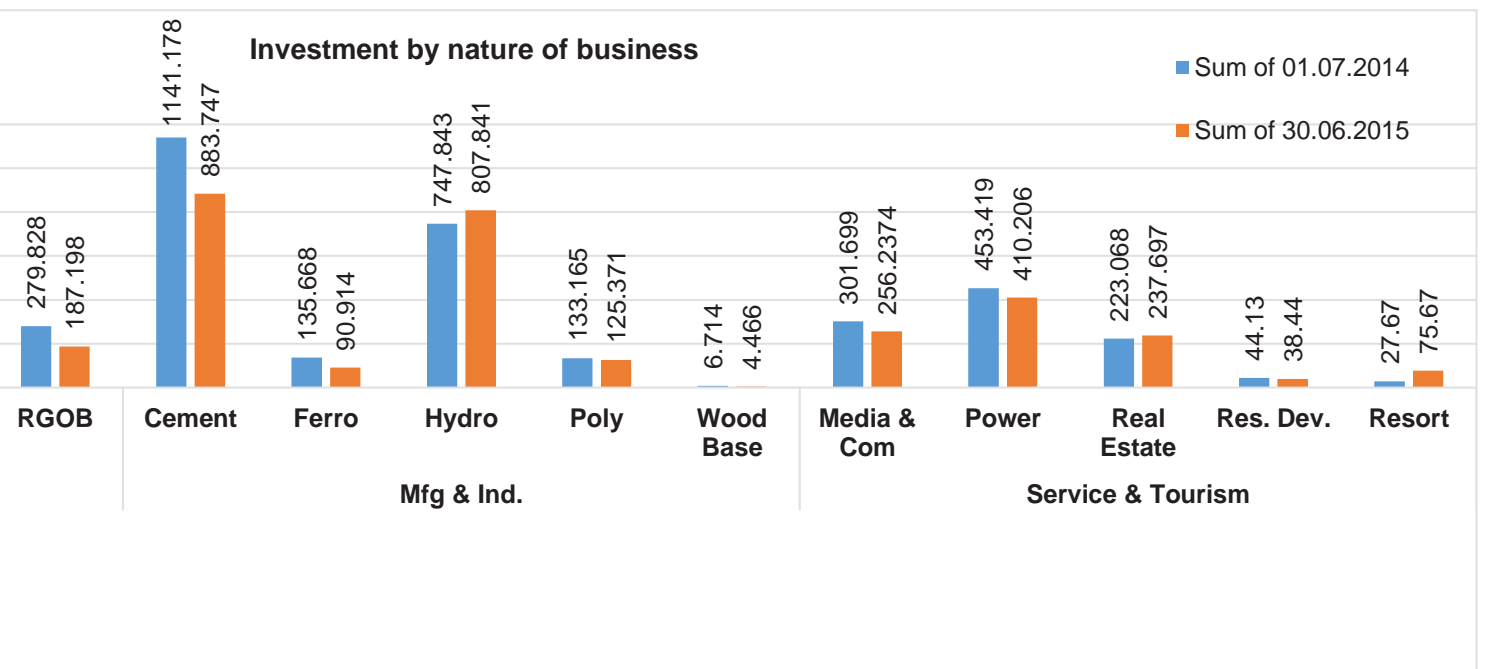
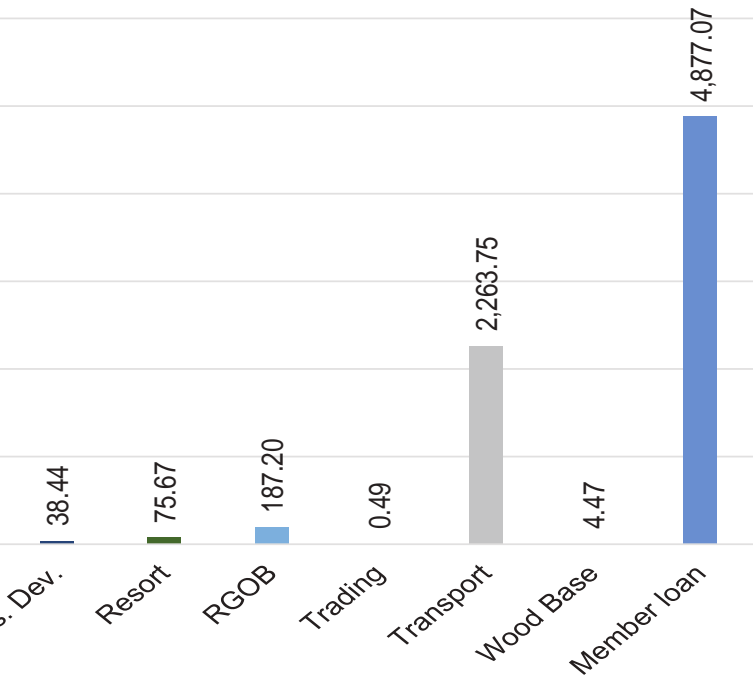
**Quality credit
control NPL at 1.02%**

Framework of the investments

Investment by nature of business



ness



Investment Department

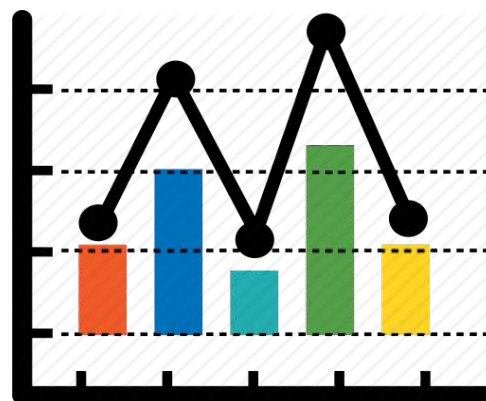
i. Investment in Loans

NPPF invested Nu.300 million in Royal Insurance Corporation of Bhutan Limited in the form of Short term loan at 12 % p.a and disbursed Nu.40 Million to Manideepa Monhsin Hotel & Resort Project at 13% p.a which is an ongoing Project among the FI's.

ii. Investment in Bonds

NPPF also made a private placement in Druk Air Bonds Series II & III worth Nu.286.037 million and Nu.1, 630.508 million at coupon rate of 9% p.a and 8.5% p.a respectively. The funds were mainly required to enhance its credit and Investments activities.

NPPF also converted its DCCL subordinated debt loan of Nu.700 million to its bond worth Nu.350 million at the coupon rate of 9% p.a. The rest has been maintained as regular loan.



iii. Investment in Fixed Deposits

NPPF made special arrangement with BDBL to invest in long term fixed deposit worth Nu.400 Million at the interest rate of 8.5% payable half yearly for two year since 2013. NPPF have invested Nu.300 million so far. Deposits worth Nu.100 million is parked for investment in the next financial year.

A total of Nu.590 Million was also invested with BDBL in term deposits ranging from period of 13 months to 24 months. It earns 7% interest p.a.

iv. Future Prospects

In the next five years, NPPF anticipates investment in debt instruments like Bonds, treasury bills and equity investments in State Owned Enterprises (SoEs) through participation in the secondary market to take exposure up to 15 % of the fund.

NPPF also plans to invest in Nikachu Hrdyo power and Kholongchhu hydro Electric Limited Project in the form of loan besides the equity participation in the same year. Further, it also look forward to make Investments in the upcoming Hydro Projects like Bunakha, DHI Projects and other Private companies through consortium financings as well. In absence of investment Where NPPF discovers no good avenues/ investments in the market, NPPF do ahead to move its excess fund (short term deposits earning less than 4% in 3 months) to long term fixed deposits with any FI's whose rate of interest is attractive enough to meet NPPF's short term internal return.

Principles of Fund Management

RISK REWARD



Balancing of risk and reward - paying equal commitment to utilize the fund in better investment avenues

Prudent fund management through regular portfolio analysis



Dedicated research and development on financial analysis, cash and treasury management, corporate financing, prudent investments

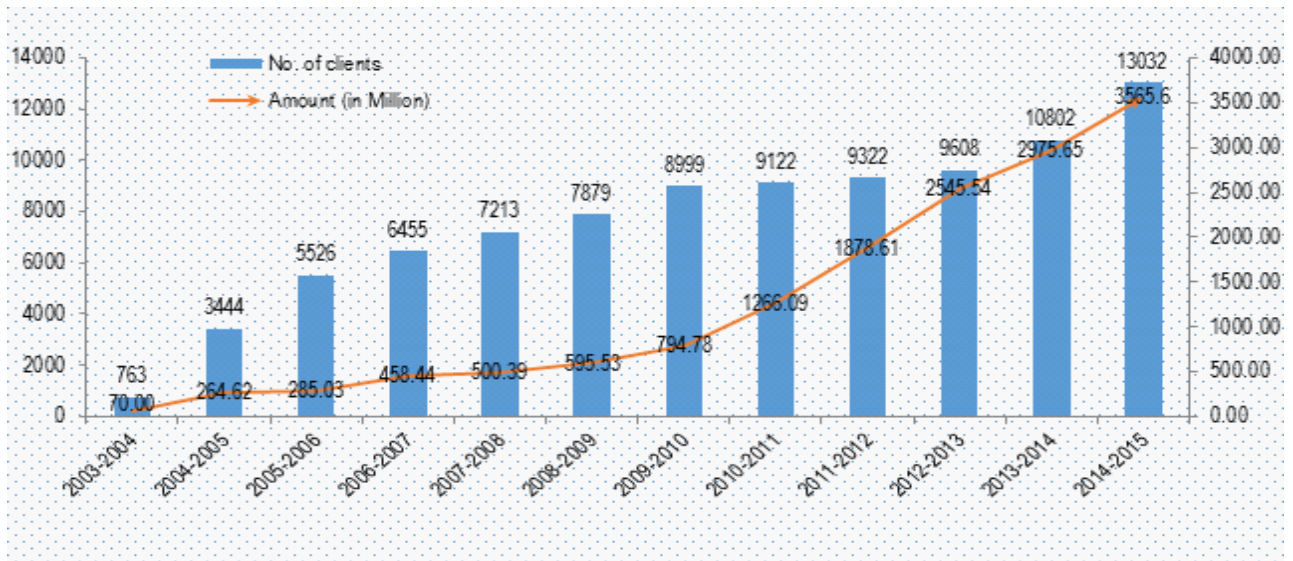
RESEARCH & DEVELOPMENT



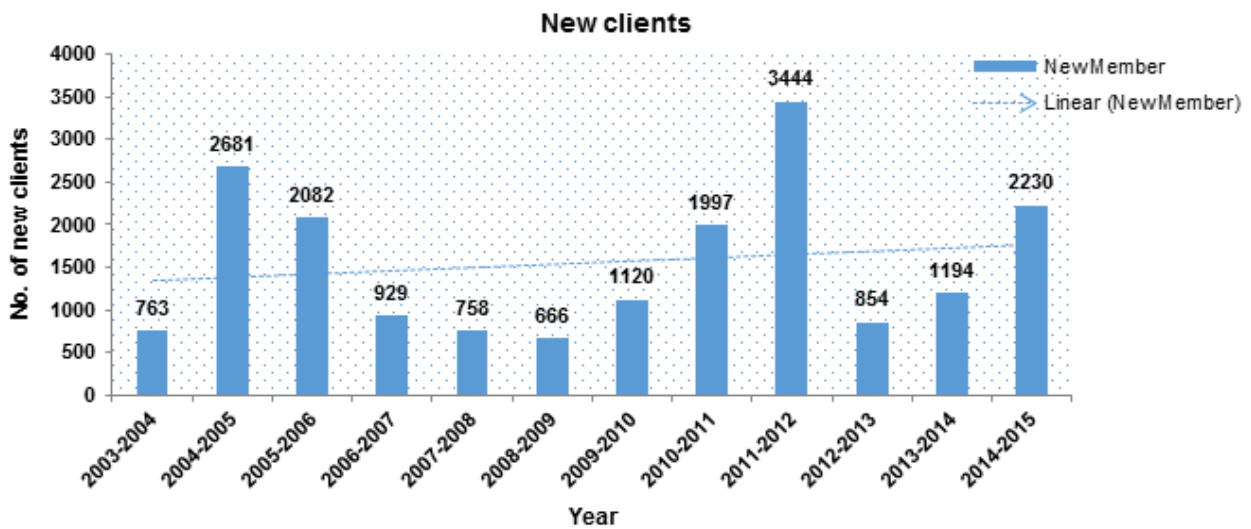
Membership Loan Scheme Division

Education Loan

Ever since Education Loan was launched in 2004, the scheme has continued to attract large number of members to avail the facility. Studies show that about 38% of clients have availed the education loan amount between Nu. 100,001 and Nu. 200,000 and about 50% of them are in the age bracket of 31 years to 40 years. The table below shows the total number of members who have availed Education Loan and the amount sanctioned since inception till date. Currently, education loan portfolio stands at Nu. 2063.64 million as against Nu. 1943.15 million in 2013-2014. It earned an interest of Nu. 182.63 million during the year as against Nu. 165.35 million earned in 2014.



Graph 2. (a) Education Loan trend till date



Graph 2. (b) New Members who have availed education loan trend till date

Student Loan Scheme

A total of 31 students availed Student Loan amounting to Nu. 11.08 million during the year taking the total loan amount to Nu. 83.10 million since October 2011. The scheme has earned an interest of Nu. 4.50 million as against Nu. 3.62 million earned in 2014. Most students who have availed Student Loan had opted to take Business Studies and Engineering Degree. It was encouraging to see many members avail the Student Loan to enhance their qualifications by pursuing Continuing Education.

Year	No. of Students	Amt. Sanctioned
October 2011-2012	125	39.12 million
2012-2013	67	21.71 million
2013-2014	39	11.19 million
2014-2015	31	11.08 million
Total	262	83.10 million

The maximum number of students chose to study in India followed by Bhutan and Australia. 49 students have already started repaying the loan installment and 40 completed their studies and were due for payment.

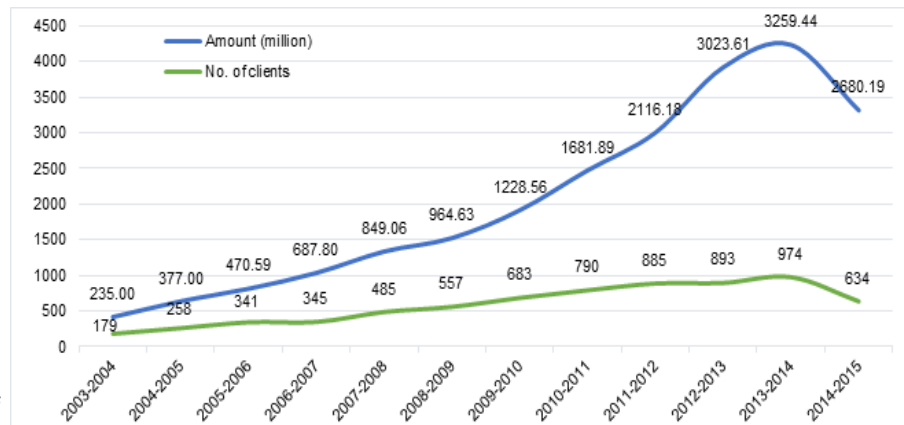
Housing Loan

Housing Loan portfolio stood at Nu. 2679.40 million as on 30th June 2015.

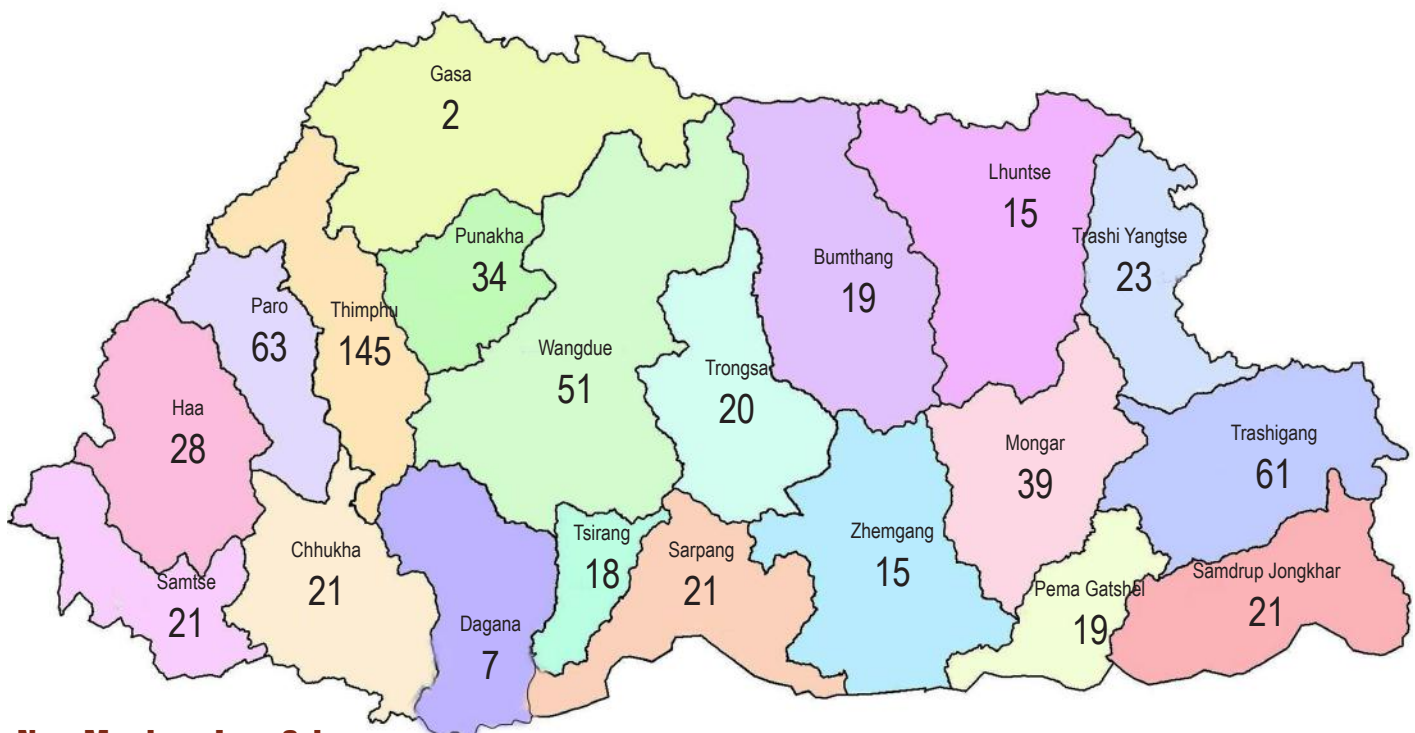
587 civil service clients

47 member clients from Armed Forces

The table below shows the Housing Loan Portfolio and client base over the years. During the year, both the number of clients and portfolio has decreased. A reason for decrease in the loan clientele was mainly because of the suspension of housing loan by the RMA following the rupee shortage in the country.



The map below shows the clientele base in terms of location. As is indicated, the maximum number of Housing Loan has been availed by Clients in Thimphu followed by Paro and Trashigang. Records show that NPPF has financed Housing Loan Construction in all 20 Dzongkhags.



New Members Loan Scheme

Since the existing loan schemes are sanctioned against collaterals, such as PF balance and fixed assets, new members who did not have such collaterals could not avail these loan facilities. Nevertheless, their need cannot be ignored as well. Many young civil servants have approached NPPF for loan to begin their career comfortably. Furthermore, since NPPF is the national institution to promote and develop long term social security of its members, consideration of young members need, particularly facilitating comfortable housing settlement at the early start of the career merits developing appropriate loan scheme. This facility will also strengthen the bonding between the NPPF and members right from the start to evitable end.

A total of 224 members availed New Member Loan amounting to Nu. 17.90 million. The new member loan earned an interest of Nu. 222,239 during the year. The scheme was launched with the sole objective of helping new NPPF members settle and establish themselves. It was received positively by the members and many members have availed the scheme within a short duration of its launch.

Information and Communication Technology (ICT)

The ICT is the main platform for gaining efficiency in service delivery, administration and accounting procedures, and also doing things more professionally and transparently. On this organizational effectiveness, the case of repayment of loans through filling-up voucher forms and physically making the deposits in the banks is cited as an instance of inefficiency in the system and therefore improvements through use of ICT (e.g. M-BoB) and better human resources has been noted. The Management is pleased to put forward herewith that NPPF members can now pay their loans and rental payments through BoB's M-BoB. To ease the documentation, online application has been enhanced with focus alike on in-house applications development. To regard security, a remote data backup was set up in Phuentsholing.

Finance and Accounts

The year saw the implementation of Bhutanese Accounting Standards (BAS) Phase I by the in-house expertise of NPPF. Focus has been made to sensitize the office on the BAS standards and changes to be adopted accordingly. The budget exercise is another highlight of this division engaging all the concerned officials in preparing a detailed and realistic budget for the fulfilment of NPPF's activities and programmes. More prudence in fund management will be observed through budget reviews, disciplined budget management, among others.



Human Resources, Internal Audit and other initiatives

On the human resource front, institutional bonding has been expanded across the borders. The NPPF saw its new link with the Maldives Pension Administration Office (MPAO) in Maldives and Asset P (Investment Management Company) in Bangkok. Ties were strengthened through institutional bonding with Social Security Office in Bangkok, National Pension Service of Seoul. Special participation in the international expertise was strengthened through ISSA and Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

As one of the important milestone, the Management initiated the formation of Young Executive Board, a platform for young officials to engage in mock board meetings. A platform like this would ensure that young professionals get the right grooming to advance their skills for the wellbeing of the institution and the nation at large. An in-house voluntary Social Club was formed as a source of extended welfare support from the NPPF. The group engages itself in providing welfare benefits to the needy ones and extending services wherever and whenever necessary. In order to control and manage risks, the Internal Audit Cell ensures that the operations of NPPF are conducted in accordance with the policies, the relevant system and procedures of the NPPF. The Unit also ensure compliance to the laws and regulations issued by the Royal Government and the Regulatory Authorities. Other significant operations include the professionalization of customer care center and its services, strengthening of the mechanism of internal audit for proper check and balance and the diversification of regional offices networking.



Extended benefits and services

Provident Fund



of the National Pension and



LOTEDH (TRUST) SCHEME

1. Introduction

His Majesty, the Fourth Druk Gyalpo, had envisioned the need for a strong social protection system to prevent old age poverty and cater to the retirement income needs of civil servants, corporate employees and armed forces way back in 1976. Accordingly, Government Employees Provident Fund (GEPF) was launched and administered by the Royal Insurance Corporation of Bhutan (RICBL). Further, His Majesty the Fourth Druk Gyalpo in 1998, issued the Royal Kasha to enhance the retirement benefits of the civil and public servants. Accordingly, NPPF was established in 2000 by taking over GEPF from RICBL and pension scheme was introduced. Today, the benevolence of His Majesty has benefited over 51,333 civil and public servants, corporate employees and members of the armed forces. As on date, there are over 4,648 pensioners being supported by NPPF.

Although surviving family benefits are payable to the dependent family members of the deceased pensioner, the surviving family benefits are limited in terms of amount and also restricted till 18 years of age for children. Further, surviving spouse are required to produce marriage certificate to claim benefits. In view of the above, Lotedh Scheme was launched in order to strengthen the benefits from NPPF.

As a humble tribute to His Majesty the Fourth Druk Gyalpo for pioneering the formal social protection system in Bhutan, we rededicate ourselves to His Majesty on his 60th Birthday Celebration by having launched Lotedh Scheme.

NPPF initiated Lotedh Scheme as an additional responsibility, outside its core mandates” to promote social values and culture of “corporate social responsibility” and shall continue to promote and support the scheme.

2. Commencement

Effective from 1 July 2015.

3. Objectives

The primary objective of Lotedh Scheme is to provide semso to the immediate family members during demise of the member.

4. Extent of coverage

This is a voluntary scheme for members. The nominee of members is eligible for semso of Nu. 50,000.00 upon demise of a member (which could be reviewed from time to time based on the economic development of the country).

5. Contribution

Every month, a sum of Nu. 250 shall be deducted from monthly pension payment of the member.

6. Insurance of the members

Out of Nu. 250 collected from the members, Nu. 125 shall be paid to Royal Insurance Corporation of Bhutan Limited (RICBL) as insurance premium during membership period for Group Insurance Scheme (GIS) provided by RICBL through special institutional arrangement between NPPF and RICBL. The remaining Nu. 125 shall be secured for investment.

Upon the demise of the member, RICBL shall reimburse NPPF Nu. 50,000 upon submission of claims. This special institutional arrangement helps secure the fund and meet the exigencies. Without the special institutional arrangement, an individual member would not have been able to afford the insurance coverage.



7. Guarantee of Benefits

Upon receipt of claim, NPPF will make payment within 24 hours to meet the exigencies.

8. Management of Fund

A Board of Trustees for Lotedh Scheme manages the scheme to protect the interest of its members. The NPPF supports Board of Trustees to manage the scheme professionally, and transparently. The Board of Trustees comprises of seven members representing Lotedh Scheme members and NPPF management with Mr. Nima Wangdi, former Health Secretary as Interim Chairman.

9. Future Prospects

Based on economic and social considerations, semso amount will be reviewed and revised from time to time to make it more meaningful. The members of the Lotedh Scheme are also expected to contribute significantly to the society through transfer of knowledge, skills and other activities in the future. They would soon be registered as Civil Society Organization (CSO).

10. Status Report

As on the date of publishing this report, there were 257 Lotedh Scheme members (168 from civil and 89 from Armed Forces) with combined contribution of Nu.174, 750.00 for four months.

Two claims have been settled so far.

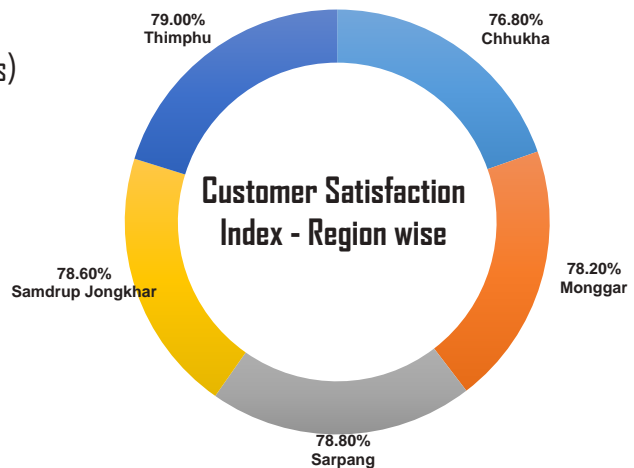
CUSTOMER SATISFACTION SURVEY



Customer Satisfaction Index (CSI) is an indicator that provides an overall measure of customer satisfaction as reported by the customers. The CSI is a composite judgment of satisfaction as experienced and reported by the customers. A total of eight attributes (KRAs) were used to determine satisfaction levels. Each of these KRAs was further described through Key performance indicators (KPIs). A total of 32 KPIs were used to gauge the satisfaction level for NPPF.

Key result Areas (KRAs)

- Quality of Services
- Value for Money
- Service Efficiency
- Service Accessibility
- Customer Care
- Handling Complaints
- Trust worthiness/Reliability
- Product/service innovation



OBJECTIVES OF THE STUDY

- Determined the quality of services from the perspective of a customer.
- Developed a composite measure of CSI to arrive at an overall rating of the current level of satisfaction in each of the five companies.
- Determined the impact of KRA reforms on Service delivery through a performance Matrix.
- Identified the sources and frequencies of customers compliant in regard to service delivery.
- Recommend service improvement mechanisms.

Organizational Climate SURVEY

Objectives of the Study

As a part of the initiative to strengthen the human resource base through adoption of effective human resource management and development practices, the principle aim of the assignment was to:

- Study the actual organizational climate of NPPF;
- Measure its employee satisfaction and determine its employee engagement; and
- Use the objective evidences and findings generated through this survey to help the management to take informed decisions on how to improve its existing organizational climate.

KRA's

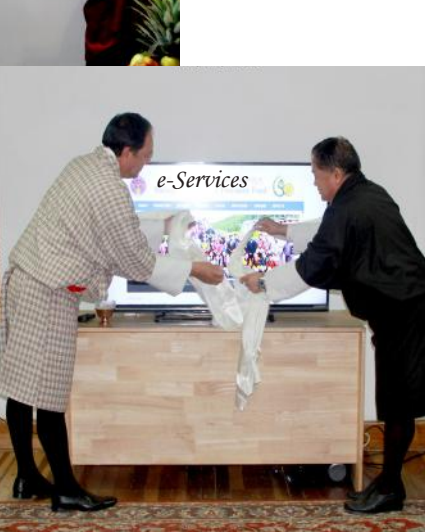
1. Organizational goals
2. Work environment
3. Work systems and processes
4. Communication systems and processes
5. Employee performance policy
6. Performance management
7. Salary and allowances
8. Training and career development opportunity
9. Decision making process and implementation
10. Conflict resolution
11. Perception on leadership
12. Perception on employee by leaders/managers
13. Employee relationship
14. Employee commitment



Organisational Climate Survey

The Year through the lens





Dasho Penjore, the NPPF real estate team and the TTI trainees, Business Incubation Unit with the Hon'ble Labour Minister
Hono'ble visit at NPPF Member Home Loan Model construction, Depsi, Thimphu. 30/11/2015

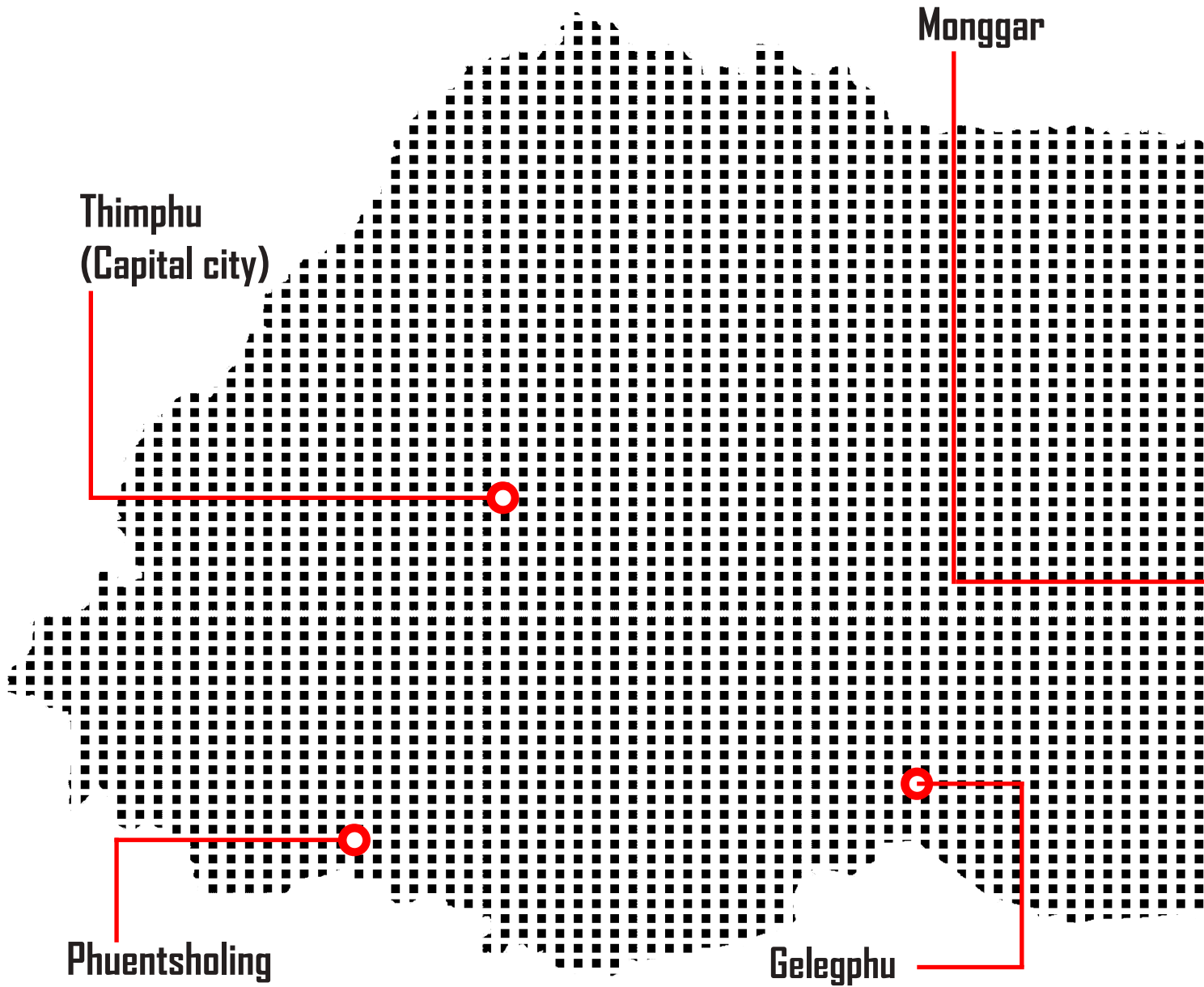


NPPF Annual Picnic, Jemina, Thimphu
21 November 2015



Organizational Development Exercise

NPPF and the World: Networking beyond borders



Extension of services and benefits through the Regional Offices in all 20 districts of Bhutan

Thimphu (Capital city)

1. Paro
2. Gasa
3. Wangduephodrang
4. Punakha
5. Haa

Phuentsholing

Regions covered under Phuentsholing:

1. Chhukha
2. Samtse
3. Dorokha
4. Sipsoo



World Bank

Social Security Office
Thailand

Maldives Pension Administration
Office, The Maldives

National Pension Service
Seoul, South Korea



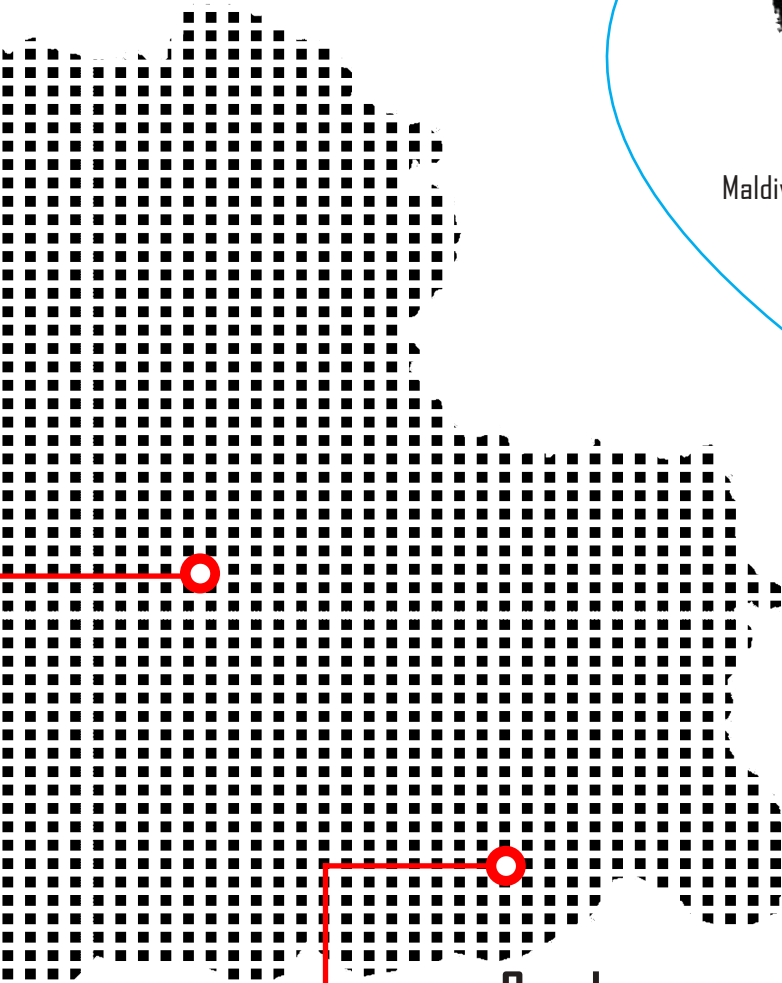
issa

Member to ISSA
Geneva, Europe



ADFIAP
financing sustainable development

Association of Development
Financial Institutions in the
Asia-Pacific, The Philippines



**Samdrup
Jongkhar**

Gelephu

Regions covered under Gelephu:

1. Tsirang
2. Sarpang
3. Dagana
4. Zhemgang
5. Bumthang
6. Trongsa

Monggar

Regions covered under Monggar:

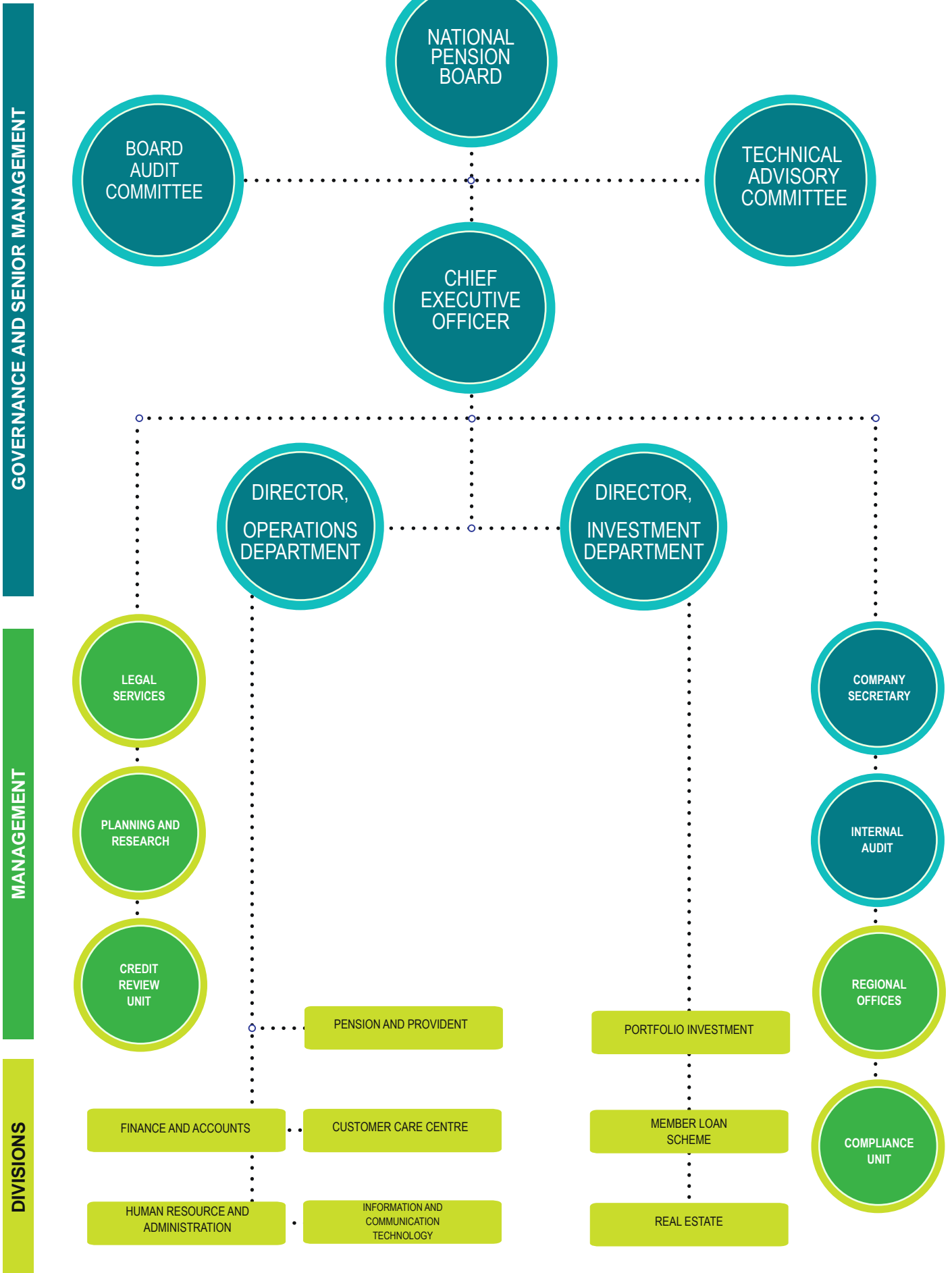
1. Trashigang
2. Lhuentse
3. Trashiyangtse
4. Monggar

Samdrup Jongkhar

Regions covered under SJ:

1. Pemagatshel
2. Wamrong

NPPF Governance and Organizational structure





THE WAY AHEAD ...



Since the establishment of the Government Employees Provident Fund (GEPF) in 1976 as one of the pillars of formal social security system in Bhutan, the popularity and significance of the scheme has reached great heights in promoting savings, investments, and providing retirement benefits to its members. The system was further strengthened in 2000 with the introduction of the second pillar, the defined benefit pension system and then the consolidation of both the pillars under the management of the National Pension and Provident Fund (NPPF). Establishment of NPPF, through the benevolence of His Majesty the Fourth Druk Gyalpo, is therefore recognized as the milestone in promoting and providing a dynamic, sustainable and fair retirement benefits in the country.

While NPPF is striving firmly towards achieving its objectives, governed by the existing rules and regulations, it has been facing several challenges and opportunities. Its membership is only about 15 % of the current workforce in the formal sector driven by success in education and economic transformation. So the expansion of membership to the rest of the workforce (inclusive policy) as mandated in the Labour and Employment Act is an urgent matter to be pursued. Likewise, exploring viable investment avenues to improve sustainability of pension and also to provide decent returns to members' fund is a mounting task.

In order to cope with the requirements of the socio-economic development of the country, and to assess the effectiveness of the strategies of NPPF towards that, the Management initiated an in-house Organizational Development (OD) exercise. The exercise followed a standard OD approach to include key paradigms influencing organizational effectiveness. Some of the key factors that were considered during the exercise were organizational objectives, core areas of business, values, systems, staff, structures and urgent requirements of clients based on feedbacks. A close reference was made to Organizational Behaviour Survey Report 2014, Customer Satisfaction Survey 2013, National Integrity Assessment 2013, Bhutan Living Standard Survey 2012 and GNH Survey 2010 while carrying out this exercise. Further, advisory opinion was sought from the Royal Civil Service Commission and Druk Holdings and Investments. The exercise revealed that most of the ideas were already conceived and deficiencies were identified. However, proper consolidation of ideas supported by appropriate strategies was not put in place. The findings and recommendations entail appropriate structural changes, new business strategies, and simplification of business processes, proper coordination, HR policies and realignments.

Guided by the principle of developing a small and compact institution with distinctive alignment of professional functions with administrative services, the OD exercise resulted in creation of two departments in its organizational structure dedicated to Operations and Investment. A clear position categorization supporting the structure has been designed. Also a dynamic career path for professional and general employees with requirement of minimum qualification has been created. Finally, consolidating the need of human resources for three years, a tentative recruitment plan has been finalized. The Report was presented to the 80th Meeting of the National Pension Board held on 16th February 2015 and the Board made significant recommendations and provided further directives, all of which have been duly incorporated. And many more initiatives to explore.

Along with the other key stakeholders, the NPPF has been an influential economic player by being a major source of funds in potential economic sectors and projects. Since its establishment, investments has been made in various sectors – education, housing, transport, trade/commerce, manufacturing/industry, banks, non-banks, tourism, and agriculture. Moreover, it had extended its faith in the gesture of support for the Royal Government's austerity measures. Under it, the NPPF initiated various austerity measures of its own which resulted in significant savings. All of this, the key is to ensure that the NPPF contribute to the socio-economic development of the country and play an active part in deepening the domestic capital market, in turn providing a bigger light to poverty alleviation and human development. In hindsight though, generating a sustainable rate of return continues to remain challenging not only due to the NPPF's conservative mandate (which in turn is to protect the member's fund) but also because of the lack of investment avenues. This is likely the situation of social security fund globally. Yet, such challenges merit the role play as it provides the opportunity to continuously review its policies and plans so that there is an adequate balancing of risks against returns. Bhutan is proud to be in the region of Asia-Pacific where as many as 47% of older persons receive an old-age pension, compared to 16.9 % in sub-Saharan Africa, 36.7 % in North Africa, 56.1 % in Latin America and the Caribbean, and over 90 % in North America and Europe.

NPPF strives to institute the system of accountability, transparency and good governance for all years to come. For this, activities and developments need to be reviewed periodically to respond to the changing needs of the members and policies of the government. Success in doing so and its impact on the organization's effectiveness would reflect the wholesome trust and guidance of the National Pension Board. We remain acknowledged to the Board on the institutional development, particularly towards linking the human resource development and information technology. We would also like to acknowledge the support of all the members of the NPPF, including ones in the Regional offices for their contributions provided in continued success of the success.





The NPPF family would like to offer our deepest prayers to His Majesty the Druk Gyalpo Jigme Khesar Namgyel Wangchuck on your 36th birth anniversary and may our prayers bring the Druk Gyalpo unfading health, happiness and peace in 2016 and beyond! We look forward to receiving continued leadership, inspiration and guidance from the Golden Throne for all times to come. May the people of Bhutan travel from happiness to happiness and light to light under your reign.

Approval of the Financial Statements

The Technical Advisory Committee (TAC) during its 51st TAC meeting held on 30th September 2015 and the Board Audit Committee (BAC) during its 19th meeting held on 29th September 2015 reviewed the Financial Statements for the financial year ended 30th June 2015, prepared in compliance with the Bhutanese Accounting Standards (BAS) Phase I wherever applicable.

Based on the above, the National Pension Board (NPB) approved the Financial Statements during its 84th NPB meeting held on 13th October 2015.

The NPB during the meeting declared returns of 8.50% to the members. The returns declared during the previous year was 6.85%.



Our Reference.....

Date 30/10/15

**INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF NATIONAL PENSION & PROVIDENT FUND**

Report on the Financial Statements

We have audited the accompanying Statement of Financial Position of **NATIONAL PENSION & PROVIDENT FUND, (THE FUND)** as at 30th June 2015 and the Statement of Comprehensive Income, Statement of Changes in Reserve and Statement of Cash Flows of the Fund for the year ended on that date annexed thereto, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

The Management is responsible for preparation and fair presentation of the financial statements in accordance with the Generally Accepted Accounting Principles, Bhutanese Accounting Standards Phase I and RMA Prudential Regulations 2002 wherever applicable. The responsibility includes maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements and reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted the audit in accordance with Generally Accepted Auditing Standards and other generally accepted auditing principles. Those standards require compliance with ethical standards and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the risk of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used as well as evaluating the overall financial statements presentation.



We believe that the audit evidence obtained by us is sufficient and appropriate to provide a reasonable basis for our opinion.

Opinion

1. 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.
2. In our opinion, proper books of accounts as required by law have been kept by the Fund so far as appears from our examination of those books.
3. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Reserve and Statement of Cash Flow dealt with by this report have been prepared on the basis of Bhutanese Accounting Standards (BAS) Phase I and as per the provisions of Laws and Regulations and these Financial Statements are in agreement with the books of account.
4. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by National Pension and Provident Funds Rules and Regulations of the Kingdom of Bhutan 2002 (as amended in 2010), in the manner so required and **give a true and fair view:**
 - a) In the case of Statement of Financial Position, of the state of affairs of the Fund as at 30th June 2015;
 - b) In the case of Statement of Comprehensive Income, of the surplus for the year ended on that date;
 - c) In the case of Statement of Changes in Reserve, of the changes in reserve for the year ended on that date and
 - d) In the case of the Statement of Cash Flows, of the movement of Cash Flows for the year ended on that date.

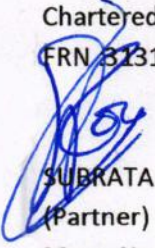
Other Legal Regulatory Requirements

As directed by the Royal Audit Authority, statement on Minimum Audit Examination and Reporting Requirement as stipulated in part II of schedule XIV of the Companies Act of the Kingdom of Bhutan, 2000 to the extent applicable, is enclosed.

Place : Kolkata

Date : 30/10/15

For RAY & CO.
Chartered Accountants
FRN 313124E


SUBRATA ROY
(Partner)

Mem. No.: 051205





Our Reference.....

Date 30/10/15

NATIONAL PENSION AND PROVIDENT FUND (NPPF)

THIMPHU- BHUTAN

**Annexure as referred to under " Other Legal Regulatory Requirements" of our
report of even date for the year 2014-2015**

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

1. STATUS OF NPPF:

The Status of NPPF has been categorized as Autonomous Public Organization and it is not a profit making organization of its own.

2. INTERNAL CONTROL:

- 2.1 In our opinion, NPPF has established internal control to ensure completeness, accuracy and reliability of accounting records, carrying out the operation in an orderly and efficient manner, to safeguard the assets of NPPF as well as to ensure adherence to rules/regulation and system procedures.
- 2.2 In our opinion there is a system of competitive bidding for items for value Nu 100,000 and above for procurement and printing and Nu 200,000 and above in respect of work and services, commensurate with size and the nature of its operation for purchase of goods and services including stationary, fixed assets, computers, equipments and other assets.
- 2.3 During the course of our examination of the books of account carried out in accordance with the Generally Accepted Auditing Practices, we have not come across any personal expenses (other than contractual obligations) which have been charged to Statement of Comprehensive Income, nor have we been informed of any such case by the management.
- 2.4 In our opinion NPPF has reasonable system of recording receipts and issues of consumable stores commensurate with its size and the nature of its operations.



2.5 There is a separate Internal Audit Cell supervised by the Audit Committee or the Board. They function in line with the role and responsibilities as defined by the Internal Audit Charter. We have obtained 11 reports on Internal Audit for the period under audit. As explained, certain corrective actions have been taken based on those reports. We feel that the internal audit coverage should be increased considering the area of operation of the organization.

3. LIQUID RESOURCES

In our opinion, the management of liquid resources particularly cash, bank and short term deposits etc are adequate and that excessive amounts were not generally lying idle in non-interest bearing accounts.

4. FIXED ASSETS

4.1 None of fixed assets have been revalued during the year.

4.2 Insurance coverage has not been taken for fixed assets except for buildings and motor vehicle.

4.3 As per Accounting Policy capital grant received are recognized as deferred income which is credited in the Statement of Comprehensive Income over the expected useful life of the asset on a basis consistent with the depreciation policy.

5. INVESTMENTS

5.1 Decisions regarding investments were made with the approval of the National Pension Board or on the basis of authority delegated by the Board.

5.2 The NPPF has made a provision of Nu. 275.27 million which comprises of provision of Nu. 253.40 million for Loans and provision of Nu. 21.87 million for diminution in value of shares during the year 2014-15.

6. LOANS AND ADVANCES.

Advance given during the year for Nu 2.06 million for purchase of land for which ownership has not yet been transferred in favor of NPPF.

7. INTERESTED PARTIES:

We observe that Housing/Education loans are given to the members of the Board of NPPF are at prevailing rate of Interest and all the accounts are regular as on 30.6.2015. The outstanding balances of these loans are amounting to Nu. 35.07 million as disclosed in Note No 27 as on 30.06.2015 .



8. STATUTORY DUES

- 8.1 According to records of NPPF, Provident Fund, Health Contribution and GIS dues of the NPPF have regularly deposited during the year with appropriate authorities.
- 8.2 Gratuity Fund is invested in Fixed Deposits with Banks. It is suggested that a separate trust may be created for Gratuity Fund.
- 8.3 Gratuity Liability as on 30th June 2015 exceeded the amount of corresponding Gratuity Investment by Nu. 0.274 million which have been deposited with Bank subsequently.
- 8.4 Tax deducted at sources from Salary and Suppliers has been regularly deposited to appropriate authority.

9. RATES, TAXES AND OTHERS:

There were no amounts due in respect of undisputed rates and other statutory dues, which have not been deposited with the appropriate authorities within the stipulated date.

10. MANAGEMENT

- 10.1 According to the information and explanations given and the records examined by us, in our opinion, activities carried out by the NPPF during the year were lawful and within the Rules and Regulations of the Fund.
- 10.2 NPPF owns and lets out flats to its members. Prevailing Market rate are considered for fixation of rents, in respect of Members, as appeared to us.
- 10.3 No credit rating is required for the tenants but limited credit rating may be introduced for Housing and Education loans. However, the Credit Information Bureau's records are referred while sanctioning loans.
- 10.4 NPPF has a proper system of sending intimation to the tenants and other follow up payments. Age wise analyses of outstanding amounts were made for management information and follow-up action.
- 10.5 NPPF has an established and effective budgetary control system.
- 10.6 NPPF has generally maintained adequate documents and records for granting Loans and Advances.
- 10.7 There had been timely maintenance of records in case of transaction in the matter of trading in Shares, securities and other investments.
- 10.8 Reasonable records were maintained for funds collected from members and for returns credited and payments made to members.
- 10.9 There was diminution in the value of Equity investment. Necessary provision has been made in the accounts.
- 10.10 The details of remuneration and other payments made in cash or kind to the Chief Executive Officer have been disclosed in Note 27 of the accounts.



10.11 In our opinion, the directive of the Board have been complied with during the year.

10.12 We are neither aware if the officials of the company have transmitted any price sensitive information to their relatives/friends/associates or close persons which would directly or indirectly benefited themselves and prejudicial to the interest of the company nor we have been informed of any such case by the management.

11. COMPUTERISED ACCOUNTING ENVIRONMENTS.

11.1 NPPF has installed Ascend Banking System (ABS) and it is in full fledged operation since July 2010. In our opinion the organization's system development controls and other internal controls are adequate taking into account the size and nature of its computer installations. Interest on loans to Corporate and Commercial loans are computed manually.

We observe that NPPF is doing the classification of loans into standard, sub-standard, doubtful & loss/ time-expired as per RMA /FRSD/34/2012-2013/1666 dt 9th November 2012.

ABS were not set up to suit varying terms and condition of Corporate Loan agreements, particularly in respect of charging interest in terms of monthly rest, quarterly rest, half yearly rest and yearly rest etc.

11.2 We have been informed that NPPF transfers daily back up data at Data centre at IT Park, Thimphu.

11.3 Operational controls are generally adequate to ensure correctness and validity of input data and output information. However, operational control in respect of commercial loans needs improvement particularly in respect of interest in terms of monthly rest, quarterly rest, half yearly rest and yearly rest etc. as per lending agreements which varies from borrower to borrower and computation for payment of return to members at the end of the year.

11.4 There are adequate preventive measures against unauthorized access over computer installation and files

12. RATIO ANALYSIS

- i) Total assets as on 30th June 2015 was Nu. 20,462 million as against Nu 17,284 million of 30th June, 2014 denoting increment of 18.39%.
- ii) Investment in Equity Shares and Bonds as on 30th June 2015 Nu. 5,459 million as against Nu. 3285 million as on 30th June 2014 denoting an increment of 66.18%.
- iii) Other Investments as on 30th June, 2015 Nu 11,089 million against Nu. 10,653 million as on 30th June'2014 denoting an increment of 4.09%.



- iv) Cash and cash equivalent balance as on 30th June 2015 Nu. 2,804 million as against Nu. 2,342 million as on 30th June, 2014 denoting an increment of 19.73%.
- v) Total Income for the Year 2014-15 was Nu. 1,535.59 million as compared to Nu. 1,279.84 million in the year 2013-2014 denoting an increment of 19.98%
- vi) a) Provident Fund Management Expenses to Total Expenses for the Year 2014-2015 was (-) 22.91% against 9.41% for the year 2013-2014 due to reversal of Provision Nu 181.35 million.
b) Provident Fund Management Expenses to Total Expenses (without considering reversal of provision) for the Year 2014-2015 was 28.14% as against 24.05% for the year 2013-2014 (excluding provision for loan assets and investments).
- vii) a) Pension Fund Management Expenses to Total Expenses for the Year 2014-15 was (-) 43.80% against 18.01% for the year 2013-14 due to reversal of provision of Nu 181.35 million.
b) Pension Fund Management Expenses to Total Expenses (without considering reversal of provision) for the Year 2014-15 was 53.80% as against 46.03% for the year 2013-14 (excluding provision for loan assets and investments).
- viii) NPPF is an autonomous agency. The Compliance checklist/Compliance calendar as per the Companies Act of the Kingdom of Bhutan 2000 is not applicable to NPPF. On the basis of our examination of the books and records of the Fund and according to the information and explanation given to us, we have neither come across nor have we been informed of any non-compliance of other laws, rules and regulations.

Place : Kolkata

Dated : 30/10/15

For RAY & CO.
FRN 313124E
Chartered Accountants

SUBRATA ROY
Partner

Mem. No. 051205



Statement of Financial Position as at 30th June 2015

Particulars	Note	2015	1 st July 2014 Restated	1 st July 2013 Restated
Assets				
Cash and cash equivalents	4	2,804,375,171	2,342,009,855	1,741,123,064
Term deposits	5	2,530,000,000	2,020,000,000	1,206,000,000
Receivables	6	467,538,145	368,854,344	294,935,096
Inventories	7	1,548,160	-	-
Other assets	8	18,080,790	18,578,295	80,189,989
Investments in equity shares	9	1,273,124,181	1,263,041,025	1,285,110,441
Investments in bonds	10	4,185,852,748	2,022,402,000	1,181,869,000
Loans	11	8,559,312,992	8,633,761,678	8,595,864,583
Gratuity investment	13	14,751,244	13,084,529	11,889,888
Property and equipment	14	603,765,095	597,944,035	519,592,311
Intangible assets	15	4,783,580	4,993,762	4,617,704
Total Assets		20,463,132,106	17,284,669,522	14,921,192,076
Liabilities				
Other liabilities	16	50,462,702	51,294,967	37,431,864
Gratuity liability	13	15,025,765	14,003,700	12,414,498
Grant liability		6,677,703	-	-
Lapsed fund	17	6,936,872	3,702,628	2,323,778
Reserve		320,193,260	165,779,978	134,275,929
Net Member's Defined Contribution(DC) plan	18c	4,418,392,257	3,859,111,167	3,390,055,640
Net returns credited to Member's DC plan	19c	2,275,747,481	1,869,953,330	1,601,530,882
Net Member's Defined Benefit (DB) plan	20	13,369,696,066	11,320,823,751	9,743,159,484
Total liabilities		20,463,132,106	17,284,669,522	14,921,192,076

This is the Statement of Financial Position referred to in our report of even date

For Ray & Co
FRN313124E
Chartered Accountants


Subrata Roy
Partner
Membership No. 051205

Place: Kolkata.
Dated 30/10/2015




Dasho Penjore
Chief Executive Officer


Aum Sangay Zam
Chairperson

Statement of Comprehensive Income for the year ended 30th June 2015

Particulars	Note	2015	2014 Restated
Income			
Income from term deposits		246,016,580	211,599,966
Income from loans	21	878,342,433	856,316,477
Income from bonds	22	258,340,788	103,755,429
Rental income	23	49,021,676	40,851,681
Dividend income	24	96,708,909	63,484,674
Other income	25	7,162,336	3,829,290
Total Income		1,535,592,722	1,279,837,517
Operating expenses			
DC management expenses	26b	24,410,929	19,863,023
DB management expenses	26b	46,538,829	38,007,646
Depreciation	14	23,392,253	21,798,426
Amortization of intangible assets	15	1,390,791	2,906,927
Provisions for diminution of equity share	9	(10,083,156)	23,449,696
Provisions for loans as per the RMA PR 2002	12	(181,357,630)	105,002,383
Total operating expenses		(95,707,985)	211,028,101
Surplus for the year		1,631,300,706	1,068,809,416
Other Comprehensive Income			
Actuarial gain/(loss) on NPPF employee benefit	13	516,182	-
Total Other Comprehensive Income		516,182	-
Total Comprehensive Income for the year		1,631,816,888	1,068,809,416
Surplus distribution			
Return on member's DC plan -Civil		361,840,758	252,596,162
Return on member's DC plan -Armed Forces		140,367,661	101,408,660
Return on member's DB plan -Civil		752,319,396	523,364,446
Return on member's DB plan -Armed Forces		222,869,141	161,282,805
Transferred to general reserve		153,903,750	30,157,343
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit		516,182	-

This is the Statement of Comprehensive Income referred to in our report of even date

For Ray & Co
FRN313124E
Chartered Accountants


Subrata Roy
Partner
Membership No. 051205

Place: Kolkata.
Dated 30/10/2015




Dasho Penjore
Chief Executive Officer


Aum Sangay Zam
Chairperson

Statement of Cash Flows for the year ended 30th June 2015

Particulars	2015	2014
Cash Flow from Operating Activities		
Receipts from:		
Interest from term deposits	215,695,453	
Interest from loans	922,322,216	800,774,421
Income from bonds	188,823,287	103,755,429
Rental income	49,298,319	40,513,479
Dividend income	96,807,472	63,430,211
Other Income	6,724,560	7,030,116
Payments for:		
DC & DB management expenses	65,781,620	58,642,615
Security deposit to/(from) suppliers	(445,115)	68,837
Security deposit to/(from) tenants	(1,336,330)	(4,076,833)
Net Receipts from Operating Activities	1,415,671,132	960,869,037
Cash Flow from Investing Activities		
Payments for:		
Increase/(decrease) in deposits	510,000,000	813,969,094
Increase/(decrease) in loans to entities	(328,636,317)	(342,216,352)
Increase/(decrease) in shares and bonds	2,163,450,748	841,913,280
Increase/(decrease) in member loan scheme	94,518,496	259,750,593
Increase/(decrease) in purchase of fixed assets (Including Capital work in progress)	54,298,031	64,313,527
Net Cash Flow from Investing Activities	(2,493,630,957)	(1,637,730,143)



Statement of Cash Flows for the year ended 30th June 2015

continued

Cash Flow from Financing Activities (Member Transactions)		
Receipts from:		
Contributions to the NPPFP - DC	572,879,269	476,898,474
- DB	1,216,837,513	999,883,076
Contributions to the AFPPFS - DC	140,222,512	137,743,609
- DB	230,213,558	223,597,961
Contributions to the NPPFP-ESP/GSP - DC	147,721	-
Payments of refunds and pensions:		
NPPFP - DC	187,466,578	165,870,943
- DB	281,284,476	256,343,737
AFPPFS - DC	59,141,561	62,991,577
- DB	92,082,818	75,168,966
Net Cash Flow from Financing Activities	1,540,325,141	1,277,747,897
Net movement in cash and cash equivalents	462,365,316	600,886,792
Opening cash and cash equivalents	2,342,009,856	1,741,123,064
Closing cash and cash equivalents	2,804,375,171	2,342,009,856

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

For Ray & Co
FRN343124E
Chartered Accountants

Subrata Roy
Partner

Membership No. 051205

Place: Kolkata

Dated 30/10/2015



Dasho Penjore
Chief Executive Officer

Aum Sangay Zam
Chairperson

Statement of Changes in Reserve for the year ended 30th June 2015

Particulars	Unclaimed contribution/refund ¹	Lapsed Fund ²	Other unclaimed monies ³	Actuarial gains/(loss) ⁴	General reserve ⁶	Total
Balance as at 1st July 2014	48,544,224	7,689,082	1,671,256	-	107,875,416	165,779,978
Transferred from Statement of Comprehensive Income	-	-	-	516,182	153,903,750	154,419,932
Transferred during the year	-	-	1,845	-	-	1,845
Adjustment/(Payments)	-	-	(8,496)	-	-	(8,496)
Balance as at 30th June 2015	48,544,224	7,689,082	1,664,605	516,182	261,779,166	320,193,260

Statement of Changes in Reserve for the year ended 30th June 2014 (restated)

Particulars	Unclaimed contribution/refund	Lapsed Fund	Other unclaimed monies	Actuarial gains/(loss)	General reserve	Total
Balance as at 1st July 2013 (restated)	48,544,224	7,014,368	1,236,494	-	77,480,843	134,275,929
Transferred from Statement of Comprehensive Income	-	-	-	-	30,157,343	30,157,343
Transferred during the year	-	674,714	524,972	-	-	1,199,686
Adjustment/(Payments)	-	-	(90,210)	-	237,230	147,020
Balance as at 30th June 2014	48,544,224	7,689,082	1,671,256	-	107,875,416	165,779,978

Note:

1. Unclaimed contributions consists of employer's and employee's contributions of the members who have retired before the financial year 2000 and have not claimed their benefits.
2. 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. The amount is transferred to General Reserve after lapsed of three years reckoned from due date for payment.
3. Other unclaimed monies consists of stale cheque, unclaimed EMD's and excess loan EMI transferred to reserve after lapsed of three years reckoned from the due date of payment.
4. Actuarial gains/ (loss) consists of amount transferred from the Statement of Comprehensive Income relating to actuarial valuation of NPPF employee gratuity liability.
5. General reserve consists of surplus amount transferred from the Statement of Comprehensive Income.



Notes to Financial Statements

1. General information

The National Pension & Provident Fund (NPPF) was established in March 2000 to manage and administer the National Pension and Provident Fund Plan program (NPPFP). It was formed vide Executive Order No.MoF/Pension/4841 dated 30th March, 2000 issued by Hon'ble Minister of Finance, subsequent to which a communication No.COM/03/02/787 dated 8th April, 2002 was issued by the Cabinet Secretary, that the NPPF would be formally established through a Government Executive Order. The 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.

The main function of the NPPF is to assure a minimum level of income to the civil servants, members of the Armed Forces and State-owned Enterprise who are aged, disabled as well as pay benefits to the surviving families. NPPF manages the partially funded Defined-Benefit Pay-As-You-Go Pension System and fully funded Defined Contribution (Provident Fund). Royal Government of Bhutan guaranteed the payment of pension to employees by virtue of adoption of National Pension and Provident Fund Plan Rules & Regulations of the Kingdom of Bhutan 2002 (as amended in 2010).

The employee of civil servants and corporate sector contributes 11% and a matching contribution by the employer. Of the 22% contribution, 6% is allocated to Defined Contribution (DC) plan and the 16% to the Defined Benefit (DB) plan. The Armed Forces contribute 12% each by employee and employer. Of 24%, 9% is allocated to DC plan and the 15% to the DB plan. The NPPF has included its "Elementary Service Personnel (ESP) and General Skilled Personnel (GSP)" to the DC plan. The ESP/GSP contributes 5% with matching contribution by the employer.

The NPPF provides retail credits to its members for housing, education and new member. It also provides project loans to entities. NPPF participates in bonds and equity shares in the domestic market. Any excess fund is parked in term deposits with the commercial banks to earn returns.

NPPF is one of the biggest real estate developers in the country. It deals with the construction of residential buildings and provides affordable housing to its members. It has also commercial buildings which are rented out for office and business premises.

NPPF is a non-profit making autonomous public organization and domiciled in Bhutan and is a tax exempted organization. The Head Office is located at Chubachu, Thimphu and has regional office in Phuentsholing, Samdrup Jongkhar, Gelephu and Monggar.

2. Basis of preparation of Financial Statements

The financial statements are prepared under the historical cost and going concern convention and 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 accounted for on cash basis.

The preparation of financial statements in conformity with Bhutanese Accounting Standards (BAS) requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying Accounting Policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- i) Fixed assets/Intangible assets: Accounting estimates are used to determine the useful life of property and equipment/Intangible assets based on various factors such as the present condition of asset, technological advances, regulation, and the past experience of using similar assets.
- ii) Actuarial valuation of employee benefits: Accounting estimates are used for the valuation of employee gratuity and earned leave.
- iii) Apportionment of common expenses: Accounting estimates have been used to apportion the common expenses incurred in the operation based on the members' fund (net members' DC plan, net members' DB plan and net returns credited to members' DC plan) at the beginning of the financial year. For the year ended June 2015, 66% of the expense incurred has been debited to DB plan and the remaining 34% has been debited to DC plan.

Although these estimates are based on management's best knowledge of current event and actions, the actual results ultimately may differ from those estimates.
The functional currency is Bhutanese Ngultrum (BTN)

Application of Bhutanese Accounting Standards (BAS)

Till the year ended 30th June 2014, the NPPF prepared its balance sheet in accordance with the Generally Accepted Accounting Principles (GAAP). The Ministry of Finance embarked on the process of developing Accounting Standards to promote high quality financial reporting which are consistent with international practices. Pursuant to this development, the Ministry of Economic Affairs of Royal Government of Bhutan has issued the Accounting Standard Rules for Companies in Bhutan in 2012, notifying the BAS to be implemented by the Companies in three phases (I, II and III). Phase I Standards were to be adopted over the years 2013-2015. Consequently, the NPPF has started BAS implementation from 1st July 2014 (Phase-I), in preparing the Financial Statements for the year ended 30th June 2015 to the extent as applicable to the NPPF as under:

SL. No.	BAS (Phase-I)	Name of Standards
1.	BAS-1	Presentation of Financial Statements
2.	BAS-2	Inventories
3.	BAS-7	Statement of Cash Flows
4.	BAS-8	Accounting Policies, changes in accounting Estimates and Errors
5.	BAS-10	Events after the Reporting Period
6.	BAS-11	Construction Contracts
7.	BAS-12	Income Taxes
8.	BAS-16	Property, Plant and Equipment
9.	BAS-18	Revenue
10.	BAS-20	Accounting for Govt. Grants and Disclosure of Govt. Assistance
11.	BAS-21	The Effects of Changes in Foreign Exchange Rates
12.	BAS-23	Borrowing Costs
13.	BAS-24	Related Party Disclosures
14.	BAS-27	Consolidated and Separate Financial Statements
15.	BAS-33	Earnings Per Share
16.	BAS-34	Interim Financial Reporting
17.	BAS-37	Provisions, Contingent Liabilities and Contingent Assets
18.	BFRS 8	Operating Segments

The NPPF has restated the opening Statement of Financial Position as at 1st July 2013 in accordance with the provisions of the aforesaid BAS. Changes in Accounting Policies consequent on adoption of above BAS have been accounted for in accordance with the transitional provisions of the respective BAS and in case where the specific transitional provisions do not exist, the change in policy has been accounted for retrospectively by restating/re-grouping the comparatives. The resultant impact of such changes in Accounting Policies up to the transition date has been adjusted in the general reserve from 1st July 2012. The Impact of adopting BAS has been disclosed in detail in the "Impact of application of BAS".

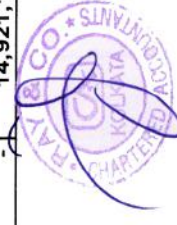
The NPPF has not early adopted those paragraphs of BAS which are having linkages to BAS which are to be implemented under Phase II (with effect from 1st January, 2016) and Phase III (with effect from 1st January, 2018). These paragraphs would be applied when the respective BAS is be adopted.

The NPPF has made an early adoption of BAS 38: Intangible Assets and BAS 19: Employee benefits for gratuity and earned leave valuation.

The impact of application of Bhutanese Accounting Standards

(i) Statement of Financial Position as at 1st July, 2013

Particulars	Note	Previous GAAP	Financial Adjustments under BAS	Reclassification or regrouping	As at 1st July 2013 (Restated)
Assets					
Cash and cash equivalents		1,741,123,064	-	-	1,741,123,064
Term deposit	(c)	-	-	1,206,000,000	1,206,000,000
Receivables	(c)	-	-	294,935,096	294,935,096
Inventories		-	-	-	-
Other assets	(b) (ii)	-	1,000,000	79,189,989	80,189,989
Investments in equity shares	(c)	2,466,979,441	-	(1,181,869,000)	1,285,110,441
Investments in bonds	(c)	-	-	1,181,869,000	1,181,869,000
Other investments	(c)	9,918,931,975	-	(9,918,931,975)	-
Advances & other deposits	(c)	405,807,966	(2,954,882)	(402,853,084)	-
Deferred revenue expenditure	(c)	3,381,284	-	(3,381,284)	-
Loans	(c)	-	(143,318,921)	8,739,183,505	8,595,864,583
Gratuity investment		11,889,888	-	-	11,889,888
Property and equipment	(a), (c)	307,604,180	76,042	211,912,089	519,592,311
Capital work in progress	(b) (i)	208,298,463	2,373,576	(210,672,039)	-
Intangible assets	(c)	-	-	4,617,704	4,617,704
Total Assets		15,064,016,260	(142,824,185)		14,921,192,076
Liabilities					
Other liabilities	(c)	37,431,864	-	-	37,431,864
Gratuity liability		12,414,498	-	-	12,414,498
General provision on standard assets	(c)	127,962,479	(127,962,479)	-	-
Interest in suspense	(c)	15,356,442	(15,356,442)	-	-
Grant liability		-	-	-	-
Lapsed fund		2,323,778	-	-	2,323,778
Reserve	(b)	133,953,943	321,986	-	134,275,929
Net Members' DC plan		3,390,055,640	-	-	3,390,055,640
Net returns credited to Members' DC plan	(b) (iii)	1,601,358,132	172,750	-	1,601,530,882
Net Members' DB plan		9,743,159,484	-	-	9,743,159,484
Total liabilities		15,064,016,260	(142,824,185)		14,921,192,076



The impact of application of Bhutanese Accounting Standards continued

(ii) Statement of Financial Position as at 30th June, 2014					continued
Particulars	Note	Previous GAAP	Financial Adjustments under BAS	Reclassification or regrouping	As at 30th June 2014 (Restated)
Assets					
Cash and cash equivalents		2,342,009,855	-	-	2,342,009,855
Term deposit	(c)	-	-	2,020,000,000	2,020,000,000
Receivables	(c)	-	-	368,854,344	368,854,344
Inventories		-	-	-	-
Other assets	(c)	-	-	18,578,295	18,578,295
Investments in equity shares	(c)	3,285,443,025	-	(2,022,402,000)	1,263,041,025
Investments in bonds	(c)	-	-	2,022,402,000	2,022,402,000
Other investments	(c)	10,809,390,461	-	(10,809,390,461)	-
Advances & other deposits	(c)	413,812,396	(2,954,882)	(410,857,514)	-
Deferred revenue expenditure	(c)	7,200,061	-	(7,200,061)	-
Loans	(c)	-	(211,395,090)	8,845,156,768	8,633,761,678
Gratuity investment		13,084,529	-	-	13,084,529
Property and equipment	(c)	562,808,454	228,150	34,907,431	597,944,035
Capital work in progress	(c)	65,042,563	-	(65,042,563)	-
Intangible assets	(c)	-	-	4,993,762	4,993,762
Total Assets		17,498,791,343	(214,121,822)	-	17,284,669,522
Liabilities					
Other liabilities	(c)	51,380,090	(85,123)	-	51,294,967
Gratuity liability		14,003,700	-	-	14,003,700
General provision on standard assets	(c)	194,150,249	(194,150,249)	-	-
Interest in suspense	(c)	17,244,840	(17,244,840)	-	-
Grant liability		-	-	-	-
Lapsed fund		3,702,628	-	-	3,702,628
Reserve		168,421,587	(2,641,609)	-	165,779,978
Net Members' DC plan		3,859,111,167	-	-	3,859,111,167
Net returns credited to Members' DC plan		1,869,953,330	-	-	1,869,953,330
Net Members' DB plan	(c)	11,320,823,751	-	-	11,320,823,751
Total Liabilities		17,498,791,343	(214,121,822)	-	17,284,669,522



The impact of application of Bhutanese Accounting Standards

(iii) Statement of Financial Position as at 30th June, 2015

continued

Particulars	Note	Previous GAAP	Financial Adjustments under BAS	Reclassification or regrouping	As at 30th June 2015
Assets					
Cash and cash equivalents		2,804,375,171	-	-	2,804,375,171
Term deposit	(c)	-	-	2,530,000,000	2,530,000,000
Receivables	(c)	-	-	467,538,145	467,538,145
Inventories		1,548,160	-	-	1,548,160
Other assets	(c)	-	-	18,080,790	18,080,790
Investments in equity shares	(c)	5,458,976,929	-	(4,185,852,748)	1,273,124,181
Investments in bonds	(c)	-	-	4,185,852,748	4,185,852,748
Other investments	(c)	11,153,194,228	-	(11,153,194,228)	-
Advances & Other Deposits	(c)	516,406,336	-	(516,406,336)	-
Deferred Revenue Expenditure	(c)	3,351,611	-	(3,351,611)	-
Loans	(c)	-	(139,036,630)	8,698,349,622	8,559,312,992
Gratuity investment		14,751,244	-	-	14,751,244
Property and equipment	(c)	552,533,468	8,042,005	43,189,622	603,765,095
Capital work in progress	(c)	88,989,584	-	(88,989,584)	-
Intangible assets	(c)	-	-	4,783,580	4,783,580
Total Assets		20,594,126,731	(130,994,625)	-	20,463,132,106
Liabilities					
Other liabilities	(c)	50,462,702	-	-	50,462,702
Gratuity liability		15,025,765	-	-	15,025,765
General provision on standard assets	(c)	132,191,120	(132,191,120)	-	-
Interest in suspense	(c)	6,845,510	(6,845,510)	-	-
Grant liability		6,677,703	-	-	6,677,703
Lapsed fund		6,936,872	-	-	6,936,872
Reserve		312,151,255	8,042,005	-	320,193,260
Net Members' DC plan		4,418,392,257	-	-	4,418,392,257
Net returns credited to Members' DC plan		2,275,747,481	-	-	2,275,747,481
Net Members' DB plan	(c)	13,369,696,066	-	-	13,369,696,066
Total liabilities		20,594,126,731	(130,994,625)	-	20,463,132,106



continued

The impact of application of Bhutanese Accounting Standards
(iv) Statement of Comprehensive Income for the year ended 30th June 2014

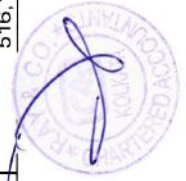
Particulars	Note	Previous GAAP	Financial Adjustments under BAS	Reclassification or regrouping	For the Year ended 30 June 2014 (Restated)
Income					
Income from deposits	(c)	-		211,599,966	211,599,966
Income from loans	(c)	1,171,671,871		(315,355,395)	856,316,477
Income from bonds	(c)	-		103,755,429	103,755,429
Rental income		40,851,681	-	-	40,851,681
Dividend income		63,484,674	-	-	63,484,674
Other income		3,829,290	-	-	3,829,290
Total Income		1,279,837,517	-	-	1,279,837,517
Operating expenses					
DC management expenses	(c)	20,871,304	-	(1,008,281)	19,863,023
DB management expenses	(c)	39,906,292	-	(1,898,646)	38,007,646
Depreciation	(c)	21,798,426	-	-	21,798,426
Amortization of intangible assets	(c)	-	-	2,906,927	2,906,927
Provisions for diminution of equity share		23,449,696	-	-	23,449,696
Provision for loans as per the RMA PR 2002		105,002,383	-	-	105,002,383
Total Operating Expenses		211,028,101	-	-	211,028,101
Surplus for the year		1,068,809,416			1,068,809,416
Other Comprehensive Income					
Actuarial gain/(loss) on defined benefit plan		-			-
Total Other Comprehensive Income		-			-
Total Comprehensive Income for the year		1,068,809,416			1,068,809,416
Prior Period Income	(b)	3,200,826	(3,200,826)	-	-
Total Distributable Surplus		1,072,010,242	(3,200,826)		1,068,809,416
Surplus distribution					
Return on members DC-Civil		252,596,162	-	-	252,596,162
Return on members DC-AF		101,408,660	-	-	101,408,660
Return on members DB-Civil		523,364,446	-	-	523,364,446
Return on members DB-AF		161,282,805	-	-	161,282,805
Transferred to general reserve		33,358,169	(3,200,826)		30,157,343



The impact of application of Bhutanese Accounting Standards

continued

(v) Statement of Comprehensive Income for the year ended 30th June 2015					
Particulars	Note	Previous GAAP	Financial Adjustments under BAS	Reclassification or regrouping	For the Year ended 30 June 2015
Income					
Income from term deposits	(c)	-		246,016,580	246,016,580
Income from loans	(c)	1,378,305,925		(499,963,492)	878,342,433
Income from bonds	(c)	-		258,340,788	258,340,788
Rental income		49,021,676		-	49,021,676
Dividend income		96,708,909		-	96,708,909
Other income		11,556,212		(4,393,876)	7,162,336
Total Income		1,535,592,722			1,535,592,722
Operating expenses					
DC management expenses	(c)	24,883,798		(472,869)	24,410,929
DB management expenses	(c)	47,456,751		(917,922)	46,538,829
Depreciation	(c)	31,179,619	(7,787,366)	-	23,392,253
Amortization of intangible assets		-		1,390,791	1,390,791
Provisions for diminution of equity share		(10,083,156)		-	(10,083,156)
Provision for loans as per the RMA PR 2002		(181,357,630)		-	(181,357,630)
Total Operating Expenses		(87,920,619)	(7,787,366)		(95,707,985)
Surplus for the year		1,623,513,340	7,787,366		1,631,300,706
Other Comprehensive Income					
Actuarial gain/(loss) on NPPF employee benefit		516,182		-	516,182
Total Other Comprehensive Income		516,182			516,182
Total Comprehensive Income for the year		1,624,029,522	7,787,366		1,631,816,888
Prior Period Income		(2,896,248)	2,896,248		
Total Distributable Surplus		1,621,133,274	10,683,614		1,631,816,888
Surplus distribution					
Return on members' DC plan -Civil		361,840,758			361,840,758
Return on members' DC plan -AF		140,367,661			140,367,661
Return on members' DB plan -Civil		752,319,396			752,319,396
Return on members' DB plan -AF		222,869,141			222,869,141
Transferred to General reserve		143,220,136	10,683,614		153,903,750
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit		516,182			516,182



Note to the impact of the application of BAS:

The NPPF has complied with BAS phase I for the year ended 30th June 2015. The opening Statement of Financial Position has been prepared as on 1st July 2013. All retrospective adjustments prior to 1st July 2013 have been carried out through General Reserve as on 1st July 2013. Adjustments for the year ended 30th June 2014 has been carried out from the Statement of Comprehensive Income. Financial Impact of all adjustments and changes in policies has been explained as follows.

a. BAS 16 - Property, Plant and Equipment (PPE)

As per Para 79A of BAS 16, "A first time adopter may elect to continue with the carrying value as at the date of transition to BAS, for all of its Property, Plant and Equipment as recognized in the Financial Statements as at the start of the financial year beginning on or after 1st January 2013 or relevant date immediately preceding the date where it has a different financial year and which were measured as per the previous GAAP and use that as its deemed cost as at the date of transition to BAS." The date of transition to BAS for the NPPF is 1st July 2014. Hence, the NPPF has adopted the carrying value of PPE as on 1st July 2014. Depreciation prior to 1st July 2014 has been charged as per the rates provided by Income Tax Act of the Kingdom of Bhutan. The Policy of charging depreciation on useful life in accordance with BAS 16 was implemented from 1st July 2014.

Further, the NPPF has segregated the capital work in progress and is shown separately under property and equipment (note 14 of the Notes to Financial Statements). Also, loan given to Ministry of Health (MoH) for construction of Doctor's quarter at Phuentsholing has been categorized under loans (note 11 of the Notes to Financial Statements) which was earlier treated under capital work in progress.

b. BAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

The NPPF had recorded Nu 3,200,826 as prior period income for the year ended 30th June 2014. As per para 42 of BAS 8, 'an entity shall correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:
(a) restating the comparative amounts for the prior period(s) presented in which the error occurred; or
(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.'

The following adjustments have been made in accordance with BAS 8. The effect of all these adjustments have been recorded in the general reserve as on 1st July 2013.

i. Capital work in progress

The interest charged on the running bills for the construction of Doctor's quarter, MoH, Phuentsholing amounting to Nu. 240,314.24 is restated as income from loans and supervision charges amounting to Nu. 2,133,261.36 is restated as other income



in the financial year 2012-13. The total amount of Nu. 2,373,576 is treated as capital work in progress in the financial year 2012-13. The same has been adjusted in the opening general reserves balance as on 1st July 2013.

ii. Other assets

The payment of membership fees amounting to Nu. 500,000 each to Credit Information Bureau (CIB) for the year 2011 and 2012 was made during the financial year 2011-12. The CIB management, later in 2013 decided to convert the membership fees into equity share. Accordingly, the NPPF was allotted 13,750 shares at face value of Nu. 100/- by converting the previous membership fees paid amounting to Nu. 1,000,000 and the balance amount of Nu. 375,000 was paid during the financial year 2013-14. The DC and DB management expenses for the financial year 2011-12 was adjusted and the payment is treated in other assets for the year ended 30th June 2013.

iii. Returns credited to Member's Defined Contribution plan

The variance in distribution of returns credited to DC-Civil is adjusted with the returns during the year for the financial year 2012-13 amounting to Nu. 86,375 each from members and employers contribution.

iv. Property and equipment

Based on the accounting policies Note 3.c, 20% of the cost of the motor vehicle amounting to Nu. 254,640 has been maintained as residual value. Accordingly an impact of Nu.76,043 has been adjusted from general reserve for the financial year 2012-13 by restating the property and equipment. Further, Nu. 178,596 which was expensed during the financial year 2013-14 has been adjusted with the general reserve by restating the depreciation expenses.

c. BAS 1 - Presentation of Financial Statements

The NPPF has presented Statement of Comprehensive Income and Statement of Changes in Reserve as required by BAS 1. These statements shows information that was previously disclosed in the schedules to the Financial Statements.

As per para 60 of BAS 1, "An entity shall present current and non-current assets, and current and non-current liabilities, as separate classifications in its Statement of Financial Position in accordance with paragraphs 66–76 except when a presentation based on liquidity provides information that is reliable and more relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity." The entity has complied with this provision by presenting the items of Statement of Financial Position in order of liquidity, starting from most liquid to least liquid item. Items have been further classified into current and non-current in notes to Financial Statements, wherever deemed necessary.



The following is the summary of transition adjustments to the NPPF's general reserves from previous GAAP to BAS:

Particulars	Amount (Nu)
Opening under previous GAAP as on 30 June 2013	77,158,856
Add: Prior period adjustment of expenses for investment for CIB shares	1,000,000
Add: Prior period adjustments of supervision charges for construction of Doctor's quarter, Ministry of Health, Phuentsholing	2,133,261
Add: Prior Period adjustment of interest for construction of Doctor's quarter, Ministry of Health, Phuentsholing	240,314
Add: Adjustment of depreciation for motor vehicle	76,043
Less: Prior period adjustment	3,127,632
Restated general reserve as on 1st July 2013	77,480,842

3. Significant Accounting Policies

a) Defined Contribution plan and Defined Benefit plan

The employers' and employees' contribution to DC plan and DB plan are accounted from the date of deposit of the contribution to the designated NPPF bank accounts maintained with the commercial banks up to the last date of the financial year.

b) Investment in equities, bonds, loans and term deposits

Investments in equities, bonds, loans and term deposits are stated at cost. In case of equities in listed securities, market value is given as disclosure. Provision is made on diminution in the value of the equity shares. The cost of interest bearing assets except for bonds and term deposits include interest accrued up to the last date of the financial year. The interest accrued for bonds and term deposits are accounted as receivables.

c) Property and equipment

Property and equipment are recognized when it is probable that the future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably. All property and equipment that qualifies for recognition as an asset are stated at cost of acquisition, including any direct costs attributable for bringing the assets to their working condition for their intended use less accumulated depreciation.

Property and equipment are recognized from the date when the particular asset has been put to use or from the date on which the asset has been deemed completed its construction or development. Land cost is inclusive of the expenses incurred for land development.

An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition is recognized in the Statement of Comprehensive Income in the year the asset is derecognized.



An item of property and equipment is componentized and is depreciated using straight line method on their depreciable amount over their estimated useful life as follows:

Asset Class	Useful life (Years)
1. Building (Permanent structure)	
a. Civil Structure	50
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
2. Building (Semi Permanent structure)	
a. Civil Structure	25
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
4. Road network	5
5. Retention wall	30
6. Computer and accessories	5
7. High end server	8
8. Other office equipment	5
9. Furniture	10
10. Communication equipment	7
11. Motor vehicle	10 years with 20% residual value
12. Carpet	5

The depreciation for the property and equipment purchased/constructed during the year is pro-rated based on the calendar days from the date an asset has been put to use or from the date of its completion.

The residual values of fixed assets are assumed at nil value except vehicles. The useful life has been estimated based on the expected usage of the assets and expected wear and tear. The assets residual values and useful lives are reviewed at the end of each reporting period.

Capital work in progress is stated at cost incurred including provision for outstanding bills up to the date of the Statement of Financial Position.

The assets (except furniture) valuing up to Nu. 1,500 is considered as consumables and charged off to Statement of Comprehensive Income during the incurrence period.

d) Intangible assets

Intangible assets consist of application software procured of the shelf and application designed and developed by the NPPF and other software. An intangible asset is recognized when it is probable that future economic benefit associated with the asset will flow to the entity and the



cost of the asset can be measured reliably. Recognized intangible assets are measured at cost less accumulated amortization. The subsequent maintenance costs are expensed to the Statement of Comprehensive Income as and when incurred.

Intangible assets are written off when no future economic benefits are expected from their use. The loss on the write off of the intangible assets is recognized in the Statement of Comprehensive Income in the period the asset was derecognized.

Intangible assets are amortized using the straight line method to write down the cost over their useful economic lives. The useful lives of intangible assets has been considered at 5 years. The useful economic lives of the intangible assets are reviewed at least at each reporting date.

The NPPF has recognized and measured the items that were treated as Deferred Revenue Expenditures as per old GAAP has now been recognized as per BAS 38: Intangible Assets except the expenditures on the construction of power substation for real estate's which has been considered as prepaid expenses under other assets.

The IT development work in progress which was earlier classified under capital work in progress is now recognized under intangible assets. Amortization of the asset begins when development is complete and the asset is available for use. The asset is amortized over the period of its useful life.

e) Inventory

Inventories are valued at lower of cost or net realizable value. Cost includes purchase price and cost incurred in bringing the inventories to their present location and condition. Weighted average method as prescribed under BAS 2 is used to measure the cost of inventories.

f) Grants

Grants are recognized when there is reasonable assurance that the grant will be received and the entity will comply with the conditions attached with the grant.

i. Capital grants

Grants related to assets are recognized as deferred income which is credited in the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

ii. Revenue grants

Grants related to income are treated on cash basis and related expenditures are charged in the Statement of Comprehensive Income.

g) Employees benefit

The NPPF employee's contribution to DC and DB plan are expensed during the period of incurrence.

Long term employee benefit liability on gratuity and earned leave is provided on an actuarial basis. The gratuity liability is funded annually in earmarked account.



h) Provisions

Provisions on loans are recognized based on the classification and the rates as per the Prudential Regulations, 2002 prescribed by the Royal Monetary Authority of Bhutan (RMA). The interest outstanding on Non-Performing Loans are credited to interest suspense accounts.

i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

i. Interest income

Interest incomes from term deposits, loans and bonds are provided for on accrual basis on the principal amount outstanding at the rate applicable up to the last date of the financial year.

ii. Dividend income

Dividend is recognized when the right to receive payment is established.

j) Cash and cash equivalents

Cash and cash equivalent includes cash in hand, cash at NPPF's current accounts maintained with the commercial banks and term deposit maturing within three months or less from the date of acquisition.

k) Return to Member's

The return on Member's DC and DB account is decided by the National Pension Board and credited accordingly.

4 Cash and cash equivalents

Particulars	2015	2014
Cash at bank	1,634,857,085	177,497,120
Cash in hand	18,086	12,735
Short term deposits with banks	1,169,500,000	2,164,500,000
Total	2,804,375,171	2,342,009,855

5 Term deposits

Particulars	2015	2014
Non-Current		
Bhutan National Bank Ltd.	450,000,000	475,000,000
TBank Ltd	-	100,000,000
Bhutan Development Bank Ltd.	1,940,000,000	1,445,000,000
Current		
Bhutan National Bank Ltd.	25,000,000	-
TBank Ltd	-	-
Bhutan Development Bank Ltd.	115,000,000	-
Total	2,530,000,000	2,020,000,000



6 Receivables

Particulars	2015	2014
Non-Current		
Interest accrued but not due	263,650,684	101,823,758
Current		
Rent receivable	3,179,612	3,456,255
Interest accrued but not due	199,342,008	261,330,305
Other receivable	1,365,841	2,244,026
Total	467,538,145	368,854,344

7 Inventories

Particulars	2015	2014
Opening stock	-	-
Purchase during the year	3,867,819	-
Less: Consumption during the year	(2,319,659)	-
Closing stock as at 30th June	1,548,160	-

8 Other assets

Particulars	2015	2014
Advance for investment	12,000,000	12,000,000
Prepaid expenses*	4,670,448	5,743,938
Security deposit (power/rent)	762,557	741,357
Security deposit (water meter)	63,000	63,000
Advance to staff	584,785	30,000
Total	18,080,790	18,578,295

*The entity has spent Nu 6,655,923/- on construction of Power Substation, for purpose of electricity supply by Bhutan Power Corporation Limited for NPPF's real estate. The same has been recognized as prepaid expenses, amortized over a period of 5 years.



9 Investment in equity shares

Particulars	2015				
	No. of shares	Cost	Market value	Diminution in share value	Net Carrying amount
1. Quoted					
Penden Cement Authority Ltd.	2,154,530	14,450,563	112,035,560	-	14,450,563
State Trading Corporation Ltd.	441,000	490,000	8,820,000	-	490,000
Bhutan National Bank Ltd.	76,960,290	583,411,978	2,154,888,120	-	583,411,978
Kuensel Corporation Ltd.	367,500	3,675,000	4,410,000	-	3,675,000
Druk Punjab National Bank Ltd.	1,408,040	42,231,200	28,864,820	13,366,380	28,864,820
TBank Ltd.	5,170	51,700	67,210	-	51,700
Bhutan Insurance Ltd.	1,000,000	29,500,000	21,000,000	8,500,000	21,000,000
Dungsam Polymers Ltd.	320	5,280	5,120	160	5,120
Total quoted		673,815,721		21,866,540	651,949,181
2. Unquoted					
Dagachu Hydro Power Corporation Ltd.	619,800	619,800,000	-	-	619,800,000
Credit Information Bureau	13,750	1,375,000	-	-	1,375,000
Total unquoted		621,175,000			621,175,000
Total investments in equity share		1,294,990,721		21,866,540	1,273,124,181

As a step towards introducing lot system in the market and increase the frequency of trading, the Royal Securities Exchange of Bhutan has converted the face value of shares listed on the exchange from Nu. 100 to Nu. 10 w.e.f 1st August 2014.



Investment in equity shares

continued

Particulars	2014				
	No. of shares	Cost	Market value	Diminution in share value	Net Carrying amount
1. Quoted					
Penden Cement Authority Ltd.	215,453	14,450,563	161,589,750	-	14,450,563
State Trading Corporation Ltd.	44,100	490,000	8,820,000	-	490,000
Bhutan National Bank Ltd.	7,696,029	583,411,978	1,539,205,800	-	583,411,978
Kuensel Corporation Ltd.	36,750	3,675,000	4,410,000	-	3,675,000
Druk Punjab National Bank Ltd.	140,804	42,231,200	24,781,504	17,449,696	24,781,504
TBank Ltd.	517	51,700	69,795	-	51,700
Bhutan Insurance Ltd.	100,000	29,500,000	15,000,000	14,500,000	15,000,000
Dungsam Polymers Ltd.	32	5,280	5,920	-	5,280
Total quoted		673,815,721	1,753,882,769	31,949,696	641,866,025
2. Unquoted					
Dagachu Hydro Power Corporation Ltd.	619,800	619,800,000	-	-	619,800,000
Credit Information Bureau	13,750	1,375,000	-	-	1,375,000
Total unquoted		621,175,000	-	-	621,175,000
Total investments in equity share		1,294,990,721	1,753,882,769	31,949,696	1,263,041,025



10 Investment in bonds

Particulars	Coupon rate	No. of Script	2015	2014
Druk Air Bond VG007	7.50%	78,407	-	78,407,000
Druk Air Corporation Bond Series I	9.00%	246,887	222,198,347	246,887,000
Druk Air Corporation Bond Series II	9.00%	286,039	286,038,602	-
Druk Air Corporation Bond Series III	8.50%	1,630,508	1,630,507,798	-
Royal Insurance Corporation of Bhutan Ltd. Bond Series II	6.70%	468,108	468,108,000	468,108,000
Royal Insurance Corporation of Bhutan Ltd. Bond Series III	9.50%	500,000	500,000,000	500,000,000
Druk PNB Bond	7.50%	104,000	104,000,000	104,000,000
Dungsam Cement Corporation Ltd. Bond Series I	10.00%	500,000	500,000,000	500,000,000
Dungsam Cement Corporation Ltd. Bond Series II	9.00%	350,000	350,000,000	-
Tashi Air Pvt. Ltd. Bond Series I	9.00%	125,000	125,000,000	125,000,000
Total			4,185,852,748	2,022,402,000



11 Loans

Particulars	2015			2014		
	Gross Investment	Non-current	Current	Gross Investment	Non-current	Current
Loan to manufacturing & industries sector						
Bhutan Ferro Alloys Ltd. ¹	77,236,600	37,314,437	39,922,163	117,446,044	77,578,920	39,867,123
Druk Ferro Alloys Ltd. ²	13,678,926	9,542,108	4,136,818	18,222,011	13,825,742	4,396,269
Dagachu Hydro Power Corporation Ltd. ³	807,843,797	780,697,114	27,146,683	747,843,797	717,843,797	30,000,000
Dungsam Cement Corporation Ltd. ⁴	883,750,000	782,750,000	101,000,000	1,141,179,561	1,030,179,561	111,000,000
Dungsam Polymers Ltd. ⁵	125,371,595	121,711,360	3,666,235	133,165,747	129,561,315	3,604,432
Wood Craft Centre Ltd. ⁶	4,480,792	2,240,396	2,240,396	6,721,181	4,480,785	2,240,396
	1,912,367,710	1,734,255,415	178,112,295	2,164,578,340	1,973,470,120	191,108,220
Loan to service & tourism sector						
Tashi Infocom Ltd. ⁷	251,774,211	207,101,308	44,672,904	292,278,926	252,795,762	39,483,163
Kuensel Corporation Ltd. ⁸	4,483,422	474,443	4,008,979	9,455,828	4,103,367	5,352,461
Druk Doethjung Resort ⁹	35,181,781	33,933,362	1,248,419	27,667,397	27,667,397	-
Bhutan Power Corporation Ltd. ¹⁰	410,201,969	377,347,500	32,854,469	453,419,171	411,491,671	41,927,500
Natural Resource Development Corporation Ltd. ¹¹	38,438,599	31,879,328	6,559,272	44,130,048	38,816,634	5,313,414
Manidheepa Moshin Resort ¹⁵	40,487,945	40,138,235	349,710			
	780,567,927	690,874,176	89,693,752	826,951,369	734,874,831	92,076,538
Loan to institutions/RGOB						
Bhutan Development Bank Ltd. ¹²	320,000,000	210,000,000	110,000,000	430,000,000	320,000,000	110,000,000
Royal Insurance Corporation of Bhutan Ltd. ¹³	504,834,697	286,710,200	218,124,496	361,464,235	222,156,680	139,307,555
RGOB Budget Fund Account	112,038,025	0	112,038,025	224,058,806	117,756,506	106,302,300
	936,872,722	496,710,200	440,162,521	1,015,523,041	659,913,186	355,609,855
Loan to housing						
Yangphel Real Estate ¹⁴	237,699,938	233,886,646	3,813,293	223,068,976	210,912,293	12,156,683
Ministry of Health Project	75,155,394	75,155,394	-	55,766,307	55,766,307	-
	312,855,333	309,042,040	3,813,293	278,835,283	266,678,600	12,156,683
Loan to members						
Housing	2,680,190,452	2,333,157,300	347,033,152	2,748,015,506	2,696,079,941	51,935,566
Education	2,071,114,627	1,570,682,977	500,431,650	1,943,154,822	1,678,702,811	264,452,012
Student loan	63,789,304	58,629,004	5,160,300	54,449,357	54,202,347	247,010
Staff Housing loan	38,269,970	33,962,370	4,307,600	48,103,280	46,695,644	1,407,636
Staff Vehicle loan	5,430,271	3,572,071	1,858,200	6,159,083	4,585,252	1,573,832
New Member loan	18,106,119	13,265,819	4,840,300			
	4,876,900,744	4,013,269,542	863,631,202	4,799,882,049	4,480,265,994	319,616,055
Total loans	8,819,564,436	7,244,151,373	1,575,413,063	9,085,770,083	8,115,202,732	970,567,351
Provision as per the RMA PR 2002 (Note 12 of the notes to Financial Statements)	(260,251,444)	(260,251,444)	-	(452,008,405)	(452,008,405)	
Loans after provision	8,559,312,992	6,983,899,929	1,575,413,063	8,633,761,678	7,663,194,327	970,567,351
Total	8,559,312,992	6,983,899,929	1,575,413,063	8,633,761,678	7,663,194,327	970,567,351



continued

Loans

Notes:

- 1 The loan is secured by mortgage of the Land and Building of the Company.
- 2 The loan is secured by mortgage of the Land, Factory Building and Plant & Machinery of the Company.
- 3 The loan is secured by mortgage of the Land and Building of the Company.
- 4 The loan is secured by mortgage of the Land and Plants and Machinery of the Company
- 5 The Loan is secured by mortgage of project assets
- 6 The loan is secured by mortgage of the Joinery Unit's assets of the Joinery Units
- 7 The loan is secured by mortgage of the assets of the project and additional collateral of Fixed assets equivalent to 50% of loan.
- 8 The loan is secured by mortgage of the printing machines of the Company.
- 9 The loan is secured by mortgage of the land and project assets.
- 10 The loan is secured by mortgage of the 220kv double circuit transmission lines
- 11 The loan is secured by mortgage of the stone crushing machine and support machineries of the project
- 12 Nu.90 million is unsecured and the balance is secured by mortgage of Land, Fixed deposit and Govt. Guarantee.
- 13 The loan is secured by the Book Debts, Land and Investments in Equity Shares.
- 14 The loan is secured by mortgage of the land and project assets.
- 15 The loan is secured by mortgage of the project assets



12 Provision as per RMA PR 2002

Particulars	Provision charged to Loans	Provision charged to Statement of Comprehensive Income	Interest suspense charged to Interest Income from loans
A. Provision on standard assets			
Provision as at 1st July 2014	194,150,249		
Provision as at 30th June 2015	132,191,120		
Charged to Statement of Comprehensive Income		(61,959,129)	
B. Provision on Non-Performing Loan			
Provision as at 1st July 2014	240,613,315		
Provision as at 30th June 2015	121,214,814		
Charged to Statement of Comprehensive Income		(119,398,502)	
C. Interest suspense			
Interest suspense as at 1st July 2014	17,244,840		
Interest suspense as at 30th June 2015	6,845,510		
Charged to Interest Income			(10,399,331)
Total as on 30th June 2015	260,251,444	(181,357,630)	(10,399,331)
A. Provision on standard assets			
Provision as at 1st July 2013	127,962,479		
Provision as at 30th June 2014	194,150,249		
Charged to Statement of Comprehensive Income		66,187,770	
B. Provision on Non-Performing Loan			
Provision as at 1st July 2013	201,798,702		
Provision as at 30th June 2014	240,613,315		
Charged to Statement of Comprehensive Income		38,814,613	
C. Interest suspense			
Interest suspense as at 1st July 2013	15,356,442		
Interest suspense as at 30th June 2014	17,244,840		
Charged to Interest Income			1,888,398
Total as at 30th June 2014	452,008,405	105,002,383	1,888,398

Loans are classified and provisions allocated as per the RMA Prudential Regulation (PR) 2002, on the basis of risk exposure and classification matrix. The credit exposures are classified into Standard, Watch, Substandard, Doubtful and Loss categories. The first category includes loan assets which are current in repayment and no problems are foreseen. Assets possessing various degrees of well-defined credit weaknesses are placed in one of the later four categories. The loans under standard and watch category are termed as standard assets and rest of the category are termed as Non-Performing Loans (NPL).



As a percentage of the principle amount of each risk exposure, provisioning has been made. Provisions against Standard and Watch exposure are termed as general provisions. The provision on NPL is termed as specific provision. Such provision on standard assets, NPL and interest suspense on NPL has been adjusted against the loans (note 11 of the Notes to Financial Statements) in arriving at the net carrying amount. The difference of provisions between the opening and closing is charged to the Statement of Comprehensive Income and that of interest suspense to Interest income from loans.

13 Employee benefit: Gratuity

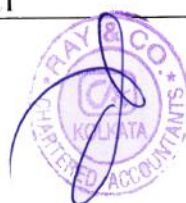
Valuation in respect of NPPF employee Gratuity has been carried out by the Actuarial Unit of Royal Insurance Corporation of Bhutan Limited (RICBL). The gratuity amount payable to employees are computed taking the employees present basic salary multiplied by the number of completed years of service in the NPPF on the last day of his/her service.

The valuation of the scheme benefit is done using the Projected Unit Credit Method under which the benefits accrued till the date of valuation is considered for the valuation.

The discount rate assumed for the valuation is based on Yield to Maturity available on high quality government issued corporate bonds and deposit rates of similar types. The salary escalation assumption has been based on the past years escalation experiences in NPPF. Both the assumption are the risk associated with the obligation of the plan as changes in this assumption will impact the actuarial valuation of the obligation.

Disclosures as per the actuarial valuation

(a) Statement of Comprehensive Income	
	30-Jun-2015
Current Service Cost	1,654,228
Net interest cost on net DB liability (asset)	2,140
Past service cost	-
Net cost for the year recognized in Income Statement	1,656,368
(b) Other Comprehensive Income (OCI)	
	30-Jun-2015
Actuarial (Gain)/Loss due to scheme experience	(852,167)
Actuarial (Gain) Loss due to assumption changes	-
Return on scheme assets Greater or (Less) than discount rate	335,985
Remeasurement (Gain)/Loss recognized in OCI	(516,182)



(c) **Statement of Financial Position**

	30-Jun-2015
Present Value of Defined Benefit Obligation	(15,025,765)
Fair Value of Scheme Assets	14,751,244
Funded Status [Surplus (Deficit)]	(274,521)
Net Defined Benefit Asset	(274,521)

(d) **Movement in the Present Value of Defined Benefit Obligation**

Change in Defined Benefit Obligation (DBO)	30-Jun-2015
DBO at the beginning of the current period	14,003,700
Current service cost	1,654,228
Interest cost	1,085,669
Benefits paid from scheme assets	-
Benefits paid by employer	(865,665)
Actuarial (gain) loss due to scheme experience	(852,167)
Actuarial (gain) loss due to change in demographic assumptions	-
Actuarial (gain) loss due to change in financial assumptions	-
DBO at the end of the current period	15,025,765

(e) **Movement in the Fair Value of Scheme Assets**

Change in fair value of Scheme Assets	30-Jun-2015
Fair Value of Assets at the beginning of current period	13,084,529
Interest income on scheme assets	1,083,529
Employer contributions	919,171
Benefits paid	-
Return on scheme assets greater or (less) than discount rate	(335,985)
Fair Value of Assets at the end of the period	14,751,244



(f) **Reconciliation of Statement of Financial Position**

	30-Jun-2015
Net Defined Benefit liability (asset) at the beginning of current period	919,171
Amount recognized in the Income Statement	1,656,368
Amount recognized in the OCI	(516,182)
Employer contributions	(919,171)
Benefits paid by employer	(865,665)
Net Defined Benefit liability/(asset) at the end of current period	274,521

(g) **Expected benefit payments**

Expected Benefit Payments for the year ending	In Nu.
June 30, 2016	2,037,889
June 30, 2017	2,070,462
June 30, 2018	1,376,413
June 30, 2019	3,367,090
June 30, 2020	2,400,347
June 30, 2021 to June 30, 2025	15,054,390

(h) **Scheme Asset information as on 30th June 2015**

Scheme Asset Allocation	Amount (Nu.)	Percentage
Term Deposits with Banks	14,751,244	100%
Corporate Bond	-	-
Current Account	-	-
Total	14,751,244	100%

(i) **Actuarial Assumptions**

	30-Jun-2015
Discount Rates	8.00%
Salary Escalation Rates	11.00%
Employee Turnover Rates	3.45%
Mortality Rates	100% of IALM (2006-08)



(j) Sensitivity Analysis

		In Nu.
1. Discount Rate	Defined Benefit Obligation	Net Effect on DBO
<i>Base Discount Rate of 8.0%</i>	15,025,765	-
<i>Discount rate of 8.5% (+0.5%)</i>	14,429,456	(596,309)
<i>Discount rate of 7.5% (-0.5%)</i>	15,666,470	640,705
2. Salary Escalation Rate		
<i>Base Salary Escalation Rate of 11%</i>	15,025,765	-
<i>Salary Escalation Rate of 12% (+1%)</i>	15,404,835	379,070
<i>Salary Escalation Rate of 10% (-1%)</i>	14,625,345	(400,420)
3. Attrition Rate		
<i>Base Attrition Rate of 3.45%</i>	15,025,765	-
<i>Attrition Rate of 4.45% (+1%)</i>	15,132,430	106,665
<i>Attrition Rate of 2.45% (-1%)</i>	14,872,851	(152,914)



14 Property and equipment

Particulars	Gross block			Depreciation			Net block			
	Original cost as on 01.07.14	Addition during the year	Adjustments during the year	Original cost as on 30.06.2015	Accumulated Dep as on 01.07.2014	Depreciation during the year	Adjustments of Depreciation during the year	Accumulated Depreciation as on 30.06.2015	As on 30.06.2015	As on 30.06.2014
R E land	76,347,937	-	-	76,347,937	-	-	-	-	76,347,937	76,347,937
R E building	375,909,627	1,205,711	-	377,115,338	94,823,609	6,663,232	-	101,486,841	275,628,497	281,086,018
R E electrical & fittings	31,947,967	-	-	31,947,967	18,437,604	717,163	-	19,154,767	12,793,200	13,510,363
R E equipments	1,456,907	184,215	-	1,641,122	921,824	97,371	-	1,019,195	621,927	535,083
R E furniture & fixtures	168,877	-	(168,877)	-	168,499	-	(168,499)	-	-	378
R E building (Semi-Permanent Structure)	2,420,278	-	-	2,420,278	63,653	98,430	-	162,083	2,258,195	2,356,625
Road network	6,611,017	702,949	-	7,313,967	797,829	3,403,376	-	4,201,205	3,112,762	5,813,188
Retention wall	2,041,974	-	-	2,041,974	31,385	68,184	-	99,569	1,942,405	2,010,589
Capital work in progress	34,885,817	13,300,573	(4,996,768)	43,189,621	-	-	-	-	43,189,621	34,885,817
Sub total (A)	531,790,401	15,393,448	(5,165,645)	542,018,204	115,244,402	11,047,756	(168,499)	126,123,659	415,894,545	416,545,999
Office building	179,013,199	5,029,753	-	184,042,952	6,566,569	7,658,053	-	14,224,622	169,818,330	172,446,630
Road network	619,534	-	-	619,534	10,031	136,652	-	146,683	472,851	609,503
Retention wall	1,465,060	-	-	1,465,060	23,722	48,925	-	72,647	1,392,413	1,441,338
Computer & accessories	10,962,410	4,415,401	(720,883)	14,656,928	7,670,534	1,849,828	(603,778)	8,916,584	5,740,343	3,327,843
High end server	1,172,165	-	-	1,172,165	969,538	61,081	-	1,030,619	141,546	202,628
Other office equipment	6,551,233	721,880	(451,419)	6,821,705	4,256,020	1,403,851	(386,350)	5,273,521	1,548,183	2,259,244
Furniture	3,520,116	1,076,374	79,253	4,675,742	2,871,823	147,313	92,767	3,111,903	1,563,839	648,293
Communication equipment	640,815	109,935	(65,127)	685,623	550,719	40,939	(48,056)	543,602	142,020	90,096
Motor vehicles	1,273,195	-	-	1,273,195	1,018,555	-	-	1,018,555	254,640	58,698
Carpet	130,138	46,558	64,200	240,896	71,440	43,898	6,876	122,214	118,681	59,124
Curtains	149,921	308,388	(458,309)	-	90,797	-	(90,797)	-	-	-
Sub total (B)	205,497,785	11,708,299	(1,552,285)	215,653,799	24,099,749	11,390,540	(1,029,337)	34,460,951	181,192,848	181,398,036
Capital grant										
Integrated data center	-	7,631,660	-	7,631,660	-	953,958	-	953,958	6,677,703	-
Sub total (C)		7,631,660		7,631,660		953,958		953,958	6,677,703	
Gross total (A+B+C)	737,288,187	34,733,407	(6,717,930)	765,303,663	139,344,151	23,392,253	(1,197,836)	161,538,568	603,765,095	597,944,035



15 Intangible assets

Particulars	Application Software	Other Software	Development in progress	Total
Cost				
Opening as at 1st July 2014	14,257,965	2,187,075	3,118,440	19,563,479
Additions	2,867,080	-	1,180,609	4,047,689
Capitalization of development in progress			(2,867,080)	(2,867,080)
Closing as at 30th June 2015	17,125,045	2,187,075	1,431,969	20,744,088
Accumulated Amortizations				
Opening as at 1st July 2014	13,739,160	830,557	-	14,569,717
Amortization for the year	1,032,016	358,775	-	1,390,791
Closing as at 30th June 2015	14,771,176	1,189,332	-	15,960,508
Net carrying amount as at 30th June 2015	2,353,868	997,743	1,431,969	4,783,580
Cost				
Opening as at 1st July 2013	14,257,965	786,110	1,236,420	16,280,495
Additions	-	1,400,965	1,882,020	3,282,985
Closing as at 30th June 2014	14,257,965	2,187,075	3,118,440	19,563,479
Accumulated Amortizations				
Opening as at 1st July 2013	11,191,008	471,782	-	11,662,790
Amortization for the year	2,548,152	358,775	-	2,906,927
Closing as at 30th June 2014	13,739,160	830,557	-	14,569,717
Net carrying amount as at 30th June 2014	518,804	1,356,518	3,118,440	4,993,762

16 Other liabilities

Particulars	2015	2014
Stale cheques	495,018	839,661
Interest received in advance	119,047	104,796
Unidentified deposit	6,597,567	6,344,953
Earnest money	242,210	105,910
Security deposit (contractor)	1,718,885	9,263,348
Performance guarantee	594,871	286,056
Security deposit (rent)	6,538,746	5,223,256
Excess member contribution	5,262,996	5,138,958
Outstanding liabilities (current/capital)	19,832,962	17,427,553
Security deposit - power / tenant	578,097	536,057
Tax deducted at source (TDS) payable	16,294	193,747
Housing / education loan closed A/c - credit balance	8,466,010	5,830,673
Total	50,462,702	51,294,967



17 Lapsed fund*

Particulars	Civil	Armed Force	Total
As at 1st July 2014	2,182,656	1,519,972	3,702,628
Addition during the year	1,054,724	2,179,520	3,234,244
Transferred to general Reserve	-	-	-
As at 30th June 2015	3,237,380	3,699,492	6,936,872
As at 1st July 2013	1,613,148	710,630	2,323,778
Addition during the year	1,011,517	1,042,047	2,053,564
Transferred to general Reserve	(442,009)	(232,705)	(674,714)
As at 30th June 2014	2,182,656	1,519,972	3,702,628

*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.



18 Net Member's Defined Contribution (DC) plan

a. Net Member's DC -Civil Servant and Armed Forces

Particulars	Civil			Armed Forces		Total
	Member's contribution	Employer's contribution	Member's contribution	Employer's contribution		
Accumulated contribution						
As at 1st July 2014	1,982,978,354	1,983,151,635	683,509,117	683,749,970	5,333,389,076	(38,868)
Adjustment of scheme	(63,455)	(63,455)	44,021	44,021	5,333,350,208	
Adjusted opening balance	1,983,914,899	1,983,088,180	683,553,138	683,793,991	709,374,409	
Contribution during the Year	284,627,278	284,627,279	70,059,926	70,059,926	6,042,724,617	
As at 30th June 2015 (A)	2,267,542,177	2,267,715,459	753,613,064	753,853,917		
Accumulated refund						
As at 1st July 2014	576,637,503	576,704,042	160,436,327	160,500,036	1,474,277,909	
Refunds during the year	57,274,179	57,273,943	17,815,624	17,836,096	150,199,842	
As at 30th June 2015 (B)	633,911,682	633,977,985	178,251,951	178,336,132	1,624,477,751	
Net contribution as at 30th June 2015 (A-B)	1,633,630,495	1,633,737,473	575,361,113	575,517,785	4,418,246,866	
Accumulated contribution						
As at 1st July 2013	1,745,271,921	1,745,445,281	615,041,983	615,282,837	4,721,042,022	
Adjustment of scheme	(69,559)	(69,638)	(306,750)	(306,751)	(752,698)	
Adjusted opening balance	1,745,202,362	1,745,375,643	614,735,233	614,976,086	4,720,289,324	
Contribution during the Year	237,775,992	237,775,992	68,773,884	68,773,884	613,099,752	
As at 30th June 2014 (A)	1,982,978,354	1,983,151,635	683,509,117	683,749,970	5,333,389,076	
Accumulated refund						
As at 1st July 2013	523,734,297	523,798,975	141,694,700	141,758,409	1,330,986,382	
Refunds during the year	52,903,206	52,905,067	18,741,627	18,741,627	143,291,527	
As at 30th June 2014 (B)	576,637,503	576,704,042	160,436,327	160,500,036	1,474,277,909	
Net contribution as at 30th June 2014 (A-B)	1,406,340,851	1,406,447,593	523,072,790	523,249,934	3,859,111,167	



Net Member's Defined Contribution (DC) plan

continued

Particulars	Civil		Armed Forces		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
Accumulated Contribution					
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Contribution during the Year	72,696	72,695	-	-	145,391
As at 30th June 2015 (A)	72,696	72,695	-	-	145,391
Accumulated Refund					
As at 1st July 2014	-	-	-	-	-
Refunds during the year	-	-	-	-	-
As at 30th June 2015 (B)	-	-	-	-	-
Net Contribution as at 30th June 2015 (A-B)	72,696	72,695	-	-	145,391
Accumulated Contribution					
As at 1st July 2013	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Contribution during the Year	-	-	-	-	-
As at 30th June 2014 (A)	-	-	-	-	-
Accumulated Refund					
As at 1st July 2013	-	-	-	-	-
Refunds during the year	-	-	-	-	-
As at 30th June 2014 (B)	-	-	-	-	-
Net Contribution as at 30th June 2014 (A-B)	-	-	-	-	-



continued

c. Net Member's Defined Contribution (DC) plan

Particulars	Civil		Armed Forces		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
	Net Member's Defined Contribution plan (a+b)				
Accumulated Contribution					
As at 1st July 2014	1,982,978,354	1,983,151,635	683,509,117	683,749,970	5,333,389,076
Adjustment of scheme	(63,455)	(63,455)	44,021	44,021	(38,868)
Adjusted opening balance	1,982,914,899	1,983,088,180	683,553,138	683,793,991	5,333,350,208
Contribution during the Year	284,699,974	284,699,974	70,059,926	70,059,926	709,519,800
As at 30th June 2015 (A)	2,267,614,873	2,267,788,154	753,613,064	753,853,917	6,042,870,008
Accumulated Refund					
As at 1st July 2014	576,637,503	576,704,042	160,436,327	160,500,036	1,474,277,909
Refunds during the year	57,274,179	57,273,943	17,815,624	17,836,096	150,199,842
As at 30th June 2015 (B)	633,911,682	633,977,985	178,251,951	178,336,132	1,624,477,751
Net Contribution as at 30th June 2015 (A-B)	1,633,703,191	1,633,810,168	575,361,113	575,517,785	4,418,392,257
Accumulated Contribution					
As at 1st July 2013	1,745,271,921	1,745,445,281	615,041,983	615,282,837	4,721,042,022
Adjustment of scheme	(69,559)	(69,638)	(306,750)	(306,751)	(752,698)
Adjusted opening balance	1,745,202,362	1,745,375,643	614,735,233	614,976,086	4,720,289,324
Contribution during the Year	237,775,992	237,775,992	68,773,884	68,773,884	613,099,752
As at 30th June 2014 (A)	1,982,978,354	1,983,151,635	683,509,117	683,749,970	5,333,389,076
Accumulated Refund					
As at 1st July 2013	523,734,297	523,798,975	141,694,700	141,758,409	1,330,986,382
Refunds during the year	52,903,206	52,905,067	18,741,627	18,741,627	143,291,527
As at 30th June 2014 (B)	576,637,503	576,704,042	160,436,327	160,500,036	1,474,277,909
Net contribution as at 30th June 2014 (A-B)	1,406,340,851	1,406,447,593	523,072,790	523,249,934	3,859,111,167



19 Net returns credited to Member's Defined Contribution (DC) Plan

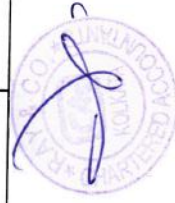
Particulars	Civil			Armed Forces		Total
	Return on member's contribution	Return on employer's contribution	Return on member's contribution	Return on employer's contribution		
Accumulated return credited						
As at 1st July 2014	994,256,911	968,790,051	377,942,444	376,522,043	2,717,511,449	
Adjustment of scheme	(10,294)	(10,294)	7,309	7,309	(5,970)	
Adjusted opening balance	994,246,617	968,779,757	377,949,753	376,529,352	2,717,505,479	
Returns credited during the Year	180,913,986	180,924,442	70,173,663	70,193,998	502,206,089	
As at 30th June 2015 (A)	1,175,160,603	1,149,704,199	448,123,416	446,723,350	3,219,711,567	
Accumulated return refunded						
As at 1st July 2014	344,882,202	319,401,442	92,374,137	90,900,339	847,558,119	
Refunds during the year	36,469,680	36,448,776	11,761,259	11,728,582	96,408,297	
As at 30th June 2015 (B)	381,351,882	355,850,218	104,135,396	102,628,921	943,966,416	
Net returns credited as at 30th June 2015 (A-B)	793,808,721	793,853,981	343,988,020	344,094,429	2,275,745,151	
Accumulated return credited						
As at 1st July 2013	867,968,088	842,494,093	327,244,461	325,811,366	2,363,518,008	
Adjustment of scheme	(5,690)	(5,691)	-	-	(11,381)	
Adjusted opening balance	867,962,398	842,488,402	327,244,461	325,811,366	2,363,506,627	
Returns credited during the Year	126,294,513	126,301,649	50,697,983	50,710,677	354,004,822	
As at 30th June 2014 (A)	994,256,911	968,790,051	377,942,444	376,522,043	2,717,511,449	
Accumulated return refunded						
As at 1st July 2013	314,841,685	289,379,289	79,600,299	78,165,854	761,987,126	
Refunds during the year	30,040,517	30,022,153	12,773,838	12,734,485	85,570,993	
As at 30th June 2014 (B)	344,882,202	319,401,442	92,374,137	90,900,339	847,558,119	
Net returns credited as at 30th June 2014 (A-B)	649,374,709	649,388,609	285,568,307	285,621,705	1,869,953,330	



Net returns credited to Member's Defined Contribution (DC) Plan
 b. Net returns credited member's DC plan-Elementary Service and General Skilled Personnel

continued

Particulars	Civil		Armed Forces		Total
	Return on member's contribution	Return on employer's contribution	Return on member's contribution	Return on employer's contribution	
Accumulated return credited					
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	1,165	1,165	-	-	2,330
As at 30th June 2015 (A)	1,165	1,165	-	-	2,330
Accumulated return refunded					
As at 1st July 2014	-	-	-	-	-
Refunds during the year	-	-	-	-	-
As at 30th June 2015 (B)	-	-	-	-	-
Net returns credited as at 30th June 2015 (A-B)	1,165	1,165	-	-	2,330
Accumulated return credited					
As at 1st July 2013	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	-	-	-	-	-
As at 30th June 2014 (A)	-	-	-	-	-
Accumulated return refunded					
As at 1st July 2013	-	-	-	-	-
Refunds during the year	-	-	-	-	-
As at 30th June 2014 (B)	-	-	-	-	-
Net returns credited as at 30th June 2014 (A-B)	-	-	-	-	-



Net returns credited to Member's Defined Contribution (DC) Plan

continued

Particulars	Civil		Armed Forces		Total
	Interest on member's contribution	Interest on employer's contribution	Interest on member's contribution	Interest on employer's contribution	
c Net returns credited to member's DC Plan (a+b)					
Accumulated returns credited					
As at 1st July 2014	994,256,911	968,790,051	377,942,444	376,522,043	2,717,511,449
Adjustment of scheme	(10,294)	(10,294)	7,309	7,309	(5,970)
Adjusted opening balance	994,246,617	968,779,757	377,949,753	376,529,352	2,717,505,479
Returns credited during the Year	180,915,151	180,925,607	70,173,663	70,193,998	502,208,419
Total accumulated returns credited as at 30th June 2015 (A)	1,175,161,768	1,149,705,364	448,123,416	446,723,350	3,219,713,897
Accumulated returns refund					
As at 1st July 2014	344,882,202	319,401,442	92,374,137	90,900,339	847,558,119
Refund during the year	36,469,680	36,448,776	11,761,259	11,728,582	96,408,297
Total accumulated returns refund as at 30th June 2015 (B)	381,351,882	355,850,218	104,135,396	102,628,921	943,966,416
Net returns credited as at 30th June 2015 (A-B)	793,809,886	793,855,146	343,988,020	344,094,429	2,275,747,481
Accumulated returns credited					
As at 1st July 2013	867,968,088	842,494,093	327,244,461	325,811,366	2,363,518,008
Adjustment of scheme	(5,690)	(5,691)	-	-	(11,381)
Adjusted opening balance	867,962,398	842,488,402	327,244,461	325,811,366	2,363,506,627
Returns credited during the Year	126,294,513	126,301,649	50,697,983	50,710,677	354,004,822
Total accumulated returns credited as at 30th June 2014 (A)	994,256,911	968,790,051	377,942,444	376,522,043	2,717,511,449
Accumulated returns refund					
As at 1st July 2013	314,841,685	289,379,289	79,600,299	78,165,854	761,987,126
Refunds during the year	30,040,517	30,022,153	12,773,838	12,734,485	85,570,993
Total accumulated returns refund as at 30th June 2014 (B)	344,882,202	319,401,442	92,374,137	90,900,339	847,558,119
Net returns credited as at 30th June 2014 (A-B)	649,374,709	649,388,609	285,568,307	285,621,705	1,869,953,330



20 Net Member's Defined Benefit (DB) plan

Particulars	Civil	Armed Forces	Total
Accumulated contributions and returns credited			
As at 1st July 2014	9,541,389,556	3,262,541,982	12,803,931,538
Adjustment of Scheme	48,998	-102,660	-53,662
Adjusted opening balance	9,541,438,554	3,262,439,322	12,803,877,876
Contribution during the year	1,216,788,515	230,316,218	1,447,104,733
Returns credited during the year	752,319,396	222,869,141	975,188,538
As at 30th June 2015 (A)	11,510,546,465	3,715,624,681	15,226,171,146
Accumulated pension payments			
As at 1st July 2014	483,741,780	351,592,077	835,333,857
Pension payment during the Year	168,307,042	84,620,663	252,927,705
As at 30th June 2015 (B)	652,048,822	436,212,740	1,088,261,562
Accumulated pension fund refund			
As at 1st July 2014	431,084,839	216,689,091	647,773,930
Refund from Pension Fund during the year	112,977,434	7,462,155	120,439,589
As at 30th June 2015 (C)	544,062,273	224,151,246	768,213,519
Net accumulated contributions and returns credited as at 30th June 2015 (A-B-C)	10,314,435,370	3,055,260,696	13,369,696,066
Accumulated contributions and returns credited			
As at 1st July 2013	8,017,093,352	2,877,661,215	10,894,754,567
Adjustment of Scheme	110,172	613,501	723,673
Adjusted opening balance	8,017,203,524	2,878,274,717	10,895,478,241
Contribution during the year	1,000,821,586	222,984,460	1,223,806,046
Returns credited during the year	523,364,446	161,282,805	684,647,251
As at 30th June 2014	9,541,389,556	3,262,541,982	12,803,931,538
Accumulated pension payments			
As at 1st July 2013	350,700,986	281,469,030	632,170,016
Pension payment during the Year	133,040,794	70,123,047	203,163,841
As at 30th June 2014	483,741,780	351,592,077	835,333,857
Accumulated pension fund refund			
As at 1st July 2013	307,781,896	211,643,172	519,425,068
Refund from Pension Fund during the year	123,302,943	5,045,919	128,348,862
As at 30th June 2014	431,084,839	216,689,091	647,773,930
Net accumulated contributions and returns credited as at 30th June 2014	8,626,562,937	2,694,260,814	11,320,823,751



21 Income from loans

Particulars	2015	2014
A. Interest income from loan to manufacturing & industries sector		
Bhutan Ferro Alloys Ltd.	10,129,627	13,841,210
Druk Ferro Alloys Ltd.	1,976,915	2,487,015
Dagachu Hydro Power Corporation Ltd.	60,000,000	60,000,000
Dungsam Cement Corporation Ltd.	158,856,220	146,529,350
Dungsam Polymers Ltd.	12,715,582	13,335,679
Wood Craft Centre Ltd.	579,894	807,003
	244,258,238	237,000,257
B. Interest Income from loan to service & tourism sector		
Tashi Infocom Ltd.	27,723,973	31,537,606
Kuensel Corporation Ltd.	699,194	1,216,058
Druk Doethjung Resort	2,514,384	1,961,644
Yangphel Real Estate	17,933,462	17,499,788
Bhutan Power Corporation Ltd.	37,388,417	41,199,765
Natural Resource Development Corporation Ltd.	5,143,590	5,815,899
Manidheepa Moshin Resort	487,945	-
	91,890,965	99,230,760
C. Interest income from loan to institutions/RGOB		
Bhutan Development Bank Ltd.	28,160,137	35,820,821
Royal Insurance Corporation of Bhutan Ltd.	35,934,689	42,890,329
RGOB Budget Fund Account	5,974,772	11,805,380
Ministry of Health Project-Housing project	4,393,876	2,210,366
	74,463,474	92,726,896
D. Interest income from loan to members		
Housing	276,696,159	254,742,124
Education	182,632,221	165,355,224
Student loan	4,503,024	3,623,815
Staff Housing loan	3,295,199	3,092,622
Staff Vehicle loan	380,913	544,778
New Member Loan	222,239	-
	467,729,755	427,358,563
Total (A to D)	878,342,433	856,316,477

22 Income from bonds

Particulars	2015	2014
Dungsam Cement Corporation Ltd. Bond	70,367,123	10,410,959
Druk Air Corporation Bond	90,060,429	30,212,056
Tashi Air Ltd. Bond	11,250,000	1,910,959
Royal Insurance Corporation of Bhutan Ltd. Bond	78,863,236	53,421,455
Druk Punjab National Bank Ltd. Bond	7,800,000	7,800,000
	258,340,788	103,755,429



23 Rental income

Location	2015	2014
Thimphu	33,890,755	26,450,100
Phuentsholing	12,367,414	11,684,527
Samdrup Jongkhar	2,199,297	2,199,814
Samtse	564,210	517,240
Total	49,021,676	40,851,681

24 Dividend income

Particulars	2015	2014
Penden Cement Authority Limited	17,236,240	19,390,770
Bhutan National Bank Limited	76,960,290	42,108,276
Kuensel Corporation Limited	441,000	-
Druk Punjab National Bank Limited	1,126,432	985,628
TBank Limited	2,947	-
Bhutan Insurance limited	942,000	1,000,000
Total Income from dividend	96,708,909	63,484,674

25 Other income

Particulars	2015	2014
Processing fees on member loans	1,519,242	1,429,861
Miscellaneous income	5,643,094	2,399,429
Total	7,162,336	3,829,290



26 DC and DB management expenses

a. Apportionment of common expenses to DC and DB management expenses

PARTICULARS	Sr. Mgt Exps	Admin. Exps	Finance Exps	Investment Exps.	IT Expenses	RE Expenses	Grand Total	DB - 66%	DC - 34%
Employee remuneration & benefits									
Salaries and wages	1,682,713	3,446,348	4,142,774	6,840,231	1,936,246	10,109,223	28,157,535	18,583,973	9,573,562
Defined contribution(PF)	142,768	289,538	296,698	590,020	157,695	588,242	2,064,961	1,362,874	702,087
Ex-gratia	536,970	411,040	390,030	956,310	241,280	1,404,330	3,939,960	2,600,374	1,339,586
Long term employee benefit(gratuity)	-	790,703	-	-	-	-	790,703	521,864	268,839
Terminal benefit	291,200	2,670	185,347	937,802	-	326,309	1,743,328	1,150,596	592,732
Medical expenses	514,817	35,550	127,302	80,700	18,000	319,434	1,095,803	723,230	372,573
Leave encashment	129,404	3,717,433	113,446	116,747	26,511	150,838	4,254,379	2,807,890	1,446,489
Leave travel concession	38,410	132,260	114,280	296,650	75,000	488,501	1,145,101	755,766	389,334
HRD expenses	2,622,070	745,069	224,168	(23,270)	193,000	-	3,761,036	2,482,284	1,278,752
Sub total (A)	5,958,351	9,570,611	5,594,045	9,795,190	2,647,732	13,386,877	46,952,805	30,988,852	15,963,954
Other operation expenses									
Communication/information charges	74,821	289,658	36,483	147,693	901,987	191,671	1,642,313	1,083,927	558,387
Books and periodicals	44,376	2,550	-	-	-	8,210	55,136	36,390	18,746
Travelling expenses	385,182	146,910	85,628	199,941	87,934	446,253	1,351,848	892,220	459,628
Office maintenance	62,372	1,789,899	3,796	52,488	113,686	370,870	2,393,110	1,579,453	813,657
RE routine maintenance	-	-	-	-	-	905,015	905,015	597,310	307,705
Office rent	-	181,200	-	-	-	-	181,200	119,592	61,608
IT expenses/AMC	5,180	42,979	4,142	-	1,939,050	33,345	2,024,696	1,336,299	688,397
Audit fees & expenses	-	-	423,705	-	-	-	423,705	279,645	144,060
Bank charges	-	-	13,920	200	2,622	-	16,743	11,050	5,693
Membership fees and subscription	45,000	-	200,000	-	-	10,000	255,000	168,300	86,700
Consultancy charges	-	-	-	-	4,200	-	4,200	2,772	1,428
Sitting fees and expenses	964,334	131,120	-	280,775	-	37,560	1,413,809	933,114	480,695
Hospitality expenses	561,791	359,031	11,964	29,333	45,722	41,948	1,049,789	692,860	356,928
Printing and stationery	105,557	721,547	72,299	329,540	26,092	131,865	1,386,900	915,354	471,546
Advertisement	390,000	573,522	-	-	-	43,503	1,007,025	664,636	342,388
Rates and taxes	-	-	-	-	-	999,757	999,757	659,840	339,917
Amortization of prepaid expenses	-	1,331,185	-	-	-	-	1,331,185	878,582	452,603
CIB report expenses	68,850	100,200	-	614,400	-	-	783,450	517,077	266,373
Miscellaneous expenses	4,860	-	(391)	-	-	34,510	38,979	25,726	13,253
Loss on sale of assets/derecognition	-	523,326	-	-	-	-	523,326	345,395	177,931
Write-off of loans	-	-	-	-	-	-	-	-	-
Sub Total (B)	2,712,324	6,193,127	851,546	1,654,370	3,121,293	3,254,526	17,787,185	11,739,542	6,047,643
Total (A+B)	8,670,675	15,763,738	6,445,591	11,449,559	5,769,025	16,641,404	64,739,991	42,728,394	22,011,597



continued

DC and DB management expenses

Particulars	DC Management expenses		DB Management expenses		Total expenses	
	DC Mgt Exps	34% of common exps.	DB Mgt Exps	66% of common exps.	For the year ended 30.06.2015	For the year ended 30.06.2014
Employee remuneration & benefits						
Salaries and wages	1,739,245	9,573,562	1,779,526	18,583,973	31,676,306	23,785,604
Defined contribution(PF)	149,262	702,087	144,950	1,362,874	2,359,173	1,787,097
Ex-gratia	213,700	1,339,586	238,370	2,600,374	4,392,030	3,269,170
Long term employee benefit(gratuity)	-	268,839	-	521,864	790,703	919,171
Terminal benefit	-	592,732	-	1,150,596	1,743,328	795,681
Medical expenses	27,300	372,573	17,700	723,230	1,140,803	1,004,891
Leave encashment	12,775	1,446,489	50,586	2,807,890	4,317,740	1,428,220
Leave travel concession	93,480	389,334	60,000	755,766	1,298,581	1,280,987
HRD expenses	-	1,278,752	-	2,482,284	3,761,036	6,518,227
Sub total (A)	2,235,762	15,963,954	2,291,132	30,388,852	51,479,699	40,789,048
Other operation expenses						
Communication/information charges	-	558,387	34,301	1,083,927	1,676,614	1,679,418
Books and periodicals	-	18,746	-	36,390	55,136	500
Travelling expenses	-	459,628	45,914	892,220	1,397,762	1,196,514
Office maintenance	-	813,657	11,285	1,579,453	2,404,395	1,179,715
RE routine maintenance	-	307,705	-	597,310	905,015	1,418,459
Office rent	-	61,608	-	119,592	181,200	207,000
IT expenses/AMC	-	688,397	-	1,336,299	2,024,696	2,228,190
Audit fees & expenses	-	144,060	-	279,645	423,705	196,858
Bank charges	162,500	5,693	162,500	11,050	341,743	340,601
Membership fees and subscription	-	86,700	1,055,503	168,300	1,310,503	1,698,851
Consultancy charges	-	1,428	-	2,772	4,200	49,334
Sitting fees and expenses	-	480,695	-	933,114	1,413,809	1,504,922
Hospitality expenses	1,070	356,928	13,863	692,860	1,064,722	902,198
Printing and stationery	-	471,546	105,707	915,354	1,492,607	1,110,759
Advertisement	-	342,388	90,230	664,636	1,097,255	612,057
Rates and taxes	-	339,917	-	659,840	999,757	616,865
Amortization of prepaid expenses	-	452,603	-	878,582	1,331,185	1,331,185
CIB report expenses	-	266,373	-	517,077	783,450	782,300
Miscellaneous expenses	-	13,253	-	25,726	38,979	25,897
Loss on sale of assets/derecognition	-	177,931	-	345,395	523,326	-
Write-off of loans	-	-	-	-	-	-
Sub total (B)	163,570	6,047,643	1,519,303	11,739,842	19,470,058	17,081,621
Total (A+B)	2,399,332	22,011,597	3,810,435	42,728,394	70,949,758	57,870,669



27 Related party transaction

NPPF carries out transactions on arm's length basis at commercial rates with parties who are defined as related parties as per BAS 24: Related Party, except for the transactions that the executive director have availed under schemes uniformly applicable to all staffs at concessionary rates.

According to BAS 24, Key Management Personnel (KMP) is those having the authority and responsibility for planning, directing and controlling the activities of the entity.

Accordingly, NPPF considers its Board of Directors (Executive and Non-Executive Directors) and their close family members and members of the Technical Advisory Committee (TAC) as the KMP of NPPF. Close family members are those who may be expected to influence, or be influenced by, that person in their dealings with NPPF.

Name of the Key Management Personnel:

1. National Pension Board (NPB)

i. Executive Director:

Upon the expiry of the contract term of Mr. Dubthob Wangchug, Ex-CEO, Dasho Penjore, was appointed as the Chief Executive Officer from 1st December 2014.

B. Non-executive Directors:

1. Aum Sangay Zam (Chairperson)
2. Dasho Pema Wangda (Director)
3. Dasho Chhewang Rinzin (Director)
4. Dasho Karma Tshiteem (Director)
5. Mr. Choiten Wangchuk (Director)
6. Lt. Colonel Kinzang Wangdee (Director)
7. Mr. Kapial M. Sharma (Director)
8. Mr. Pema R Rinchen (Director)

Changes in Non-executive Directors

Dasho Karma Tshiteem has replaced Mr. Bachu Phub Dorji, Ex-commissioner of Royal Civil Service Commission and Lt. Col. Kinzang Wangdee replace Col. Rinzin Dorji (retd.), Royal Bhutan Army. Mr. Pema R Rinchen, His Majesty Secretariat Office, was appointed as new Director.



2. Technical Advisory Committee (TAC) Members

1. Mr. Nim Dorji (Chairman)
2. Mr. Kapil Sharma (Member)
3. Mr. Dorji Tshering (Member)
4. Mr. Norbu Wangchuk (Member)
5. Mrs. Ugyen Choden (Member)

Changes in (TAC) Members

Mrs. Ugyen Choden has replaced Mr. Ugyen Tshering, Examining Officer, Royal Monetary Authority.

Remuneration to Chief Executive Officers		
Particulars	30th June 2015	30th June 2014
Salary and allowances	1,229,551.00	1,168,020.00
PF contributions	187,880.00	130,015.00
Sitting fees	128,000.00	79,380.00
Ex-gratia paid to CEO (including Mr. Dubthob Wangchug, ex-CEO)	212,800.00	195,340.00
Total	1,758,231.00	1,572,755.00
Transaction with other related parties		
<u>Sitting fees</u>		
Non-Executive Directors (NPB)	522,000.00	408,000.00
Members of TAC	200,000.00	245,000.00
<u>Loans</u>		
Executive and Non-executive Directors	35,073,738.20	44,801,000.00
Total	35,795,738.20	45,454,000.00

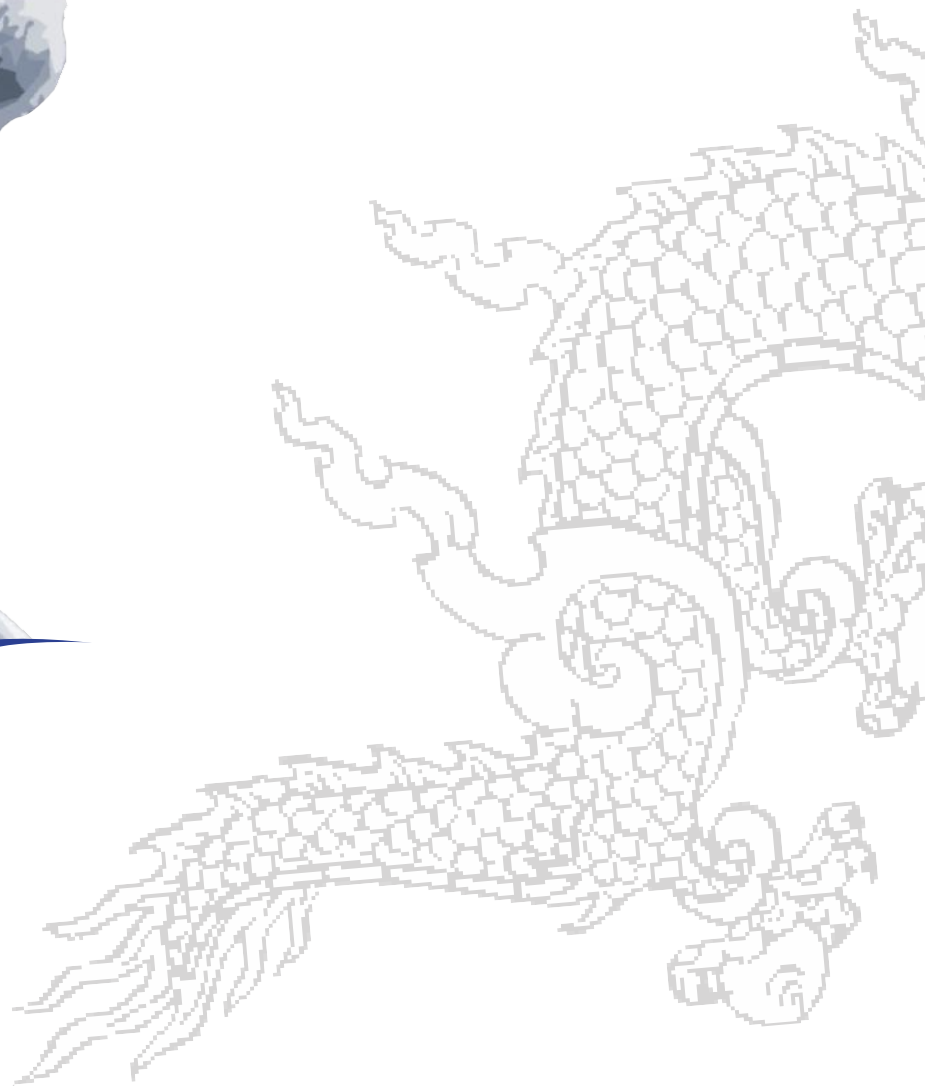
28 Other disclosure

The NPPF has the following commitments as on 30th June 2015:

- a. Capital expenditure of Nu. 68.90 million for Real Estate development.
- b. Nu. 14.29 million loans for Druk Doethjung Resort
- c. Nu. 20.00 million for Manidheepa Moshin Resort
- d. Nu. 879.79 million for RICBL bond series IV
- e. Nu 1.24 million for acquisition of land for Home Ownership Scheme.



The good road to RETIREMENT



NATIONAL PENSION AND PROVIDENT FUND
PO Box 1046
Thimphu
Bhutan
npb@druknet.bt
www.nppf.org.bt