

ANNUAL REPORT

2016-2017

www.nppf.org.bt



**NATIONAL PENSION
AND PROVIDENT FUND**

© National Pension and Provident Fund, Annual Report 2016-2017

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Foreword



On behalf of the National Pension Board, I have the pleasure of reporting on the performance and the significant achievements of the National Pension and Provident Fund for the year 2016-2017.

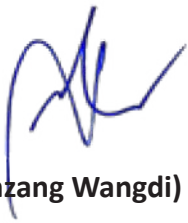
On the financials, the fund size has reached Nu. 27,431.58 million from Nu. 23,862.2 million registering a growth of almost 15%. The surplus revenue (net of operating expenses) achieved was Nu. 1,998.05 million, which is a 7% growth from the last financial year's surplus of Nu. 1,874.27 million. This achievement has enabled the declaration of a return of 8.30% to members. This has been achieved despite the challenging investment environment, notably the very limited investment

avenues available in the market.

NPPF, in collaboration with the Ministry of Finance and Gross National Happiness Commission completed the drafting of the National Pension and Provident Fund Policy. The policy document intends to guide in the development of pension and provident fund scheme in Bhutan that is sustainable, affordable, accessible and dynamic to commensurate with the standard of living. It is also intended to offer schemes to people who currently do not have access to any retirement benefit schemes. Further, the introduction of more appropriate and prudent schemes is expected to ensure financial sustainability and reduce poverty during old age. Currently, as per the Bhutan Living Standard Survey 2017, the poverty rate stands at 8.2%. 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.

The National Pension Board is committed to delivering the mandate of the institution and ensuring that such delivery is responsive to the evolving needs of our members. Improved education and technological advancements have increased the expectations of the public for accountable and transparent administration, including constant improvements in the delivery and performance of the organization. Towards this end, NPPF is committed to professionalism in all areas of operations and services, through assistance from our stakeholders, wherever necessary. It has become inevitable for NPPF to strive for the best so that the welfare of our members, pensioners and clients are adequately taken care of, while safeguarding the interest of our country.

I would like to put on record our sincere appreciation to all our stakeholders and members for their unstinting support and cooperation rendered in bringing yet another successful year to a close. We look forward to similar support in the future in taking this important organization to new heights.



(Kinzang Wangdi)

Chairperson

National Pension Board

From the Chief Executive Officer



On behalf of the management, I have the pleasure of bringing out the Annual Report for the year 2016-2017.

During the year, the National Pension and Provident Fund (NPPF) initiated the Corporate Strategic Planning process to fast track its performances. While the Corporate Strategic Plan will form the framework in driving the organization forward, the process itself has been an important soul searching initiative for our employees. As a fully in-house led initiative, such a process has allowed them an opportunity in envisioning the noble objective of the organization and their individual role in taking the mandate of the organization forward. The revamping of the Performance Management System was initiated for a more comprehensive and robust system.

The draft Pension and Provident Fund policy initiated by NPPF with all our stakeholders is envisioned to extend the benefits to those Bhutanese who are not currently covered by any schemes. This is expected to benefit the Bhutanese society at large.

Over the years, ICT has played a strategic role in the management of our retirement benefit schemes, investments and the delivery of allied services. The application of ICT has not only enabled the automation of processes, but also accelerated the transformation of operations and services, enabling improvement in the performance and service quality of the NPPF. In view of the indispensability of ICT as an enabler and also keeping in view the technological advancement, NPPF has initiated the process to up-grade our current systems to an integrated and more advanced system. While the implementation of the integrated system will be phased over few years, it is expected that the new system will be more robust, efficient and effective to meet the evolving need of the organization.

As extended benefits to the members, NPPF amended the New Member Loan scheme and increased the loan ceiling so that members can benefit from it. The student loan and education loan schemes, two of our popular loan products availed by the members, have been enhanced to suit the need of our members. We continue to innovate our home loan product to enable our members to build asset and secure a retirement home while still in service. In order to provide additional value and protect our members from risks of uncertainty, NPPF in partnership with the Royal Insurance Corporation of Bhutan Limited has made innovative arrangement to provide insurance coverage on our loan products.

As part of our investment portfolio, NPPF continues to pursue real estate investments as a diversified source for stable real return on investments made and also as an asset-liability matching portfolio

from a long-term perspective. During the financial year, NPPF added a 16-unit residential building in Samdrup Jongkhar and an office complex building in Thimphu to our real estate portfolio. The construction of residential quarters in Phuentsholing is advancing as per the project schedule. The project, when completed, will provide some relief to the housing crunch that Phuentsholing is currently facing.

In order to educate members and stakeholders, NPPF carried out aggressive awareness and education programme of its products and services. This programme will continue until all the Dzongkhag's are covered.

We hope that our service and performance has been to the satisfaction of our members and stakeholders. We will continue to strive our best, learning from our past experience and keeping the industry best practices in mind. We would like to express our sincere appreciation for all the support and cooperation we have received from our members and stakeholders in making our endeavors successful.

Tashi Delek



(Dungtu Drukpa)


Chief Executive Officer

VISION



To be the leading Social Security Organization in the Country

MISSION



Managing retirement schemes which are accessible, innovative and sustainable through prudent investment

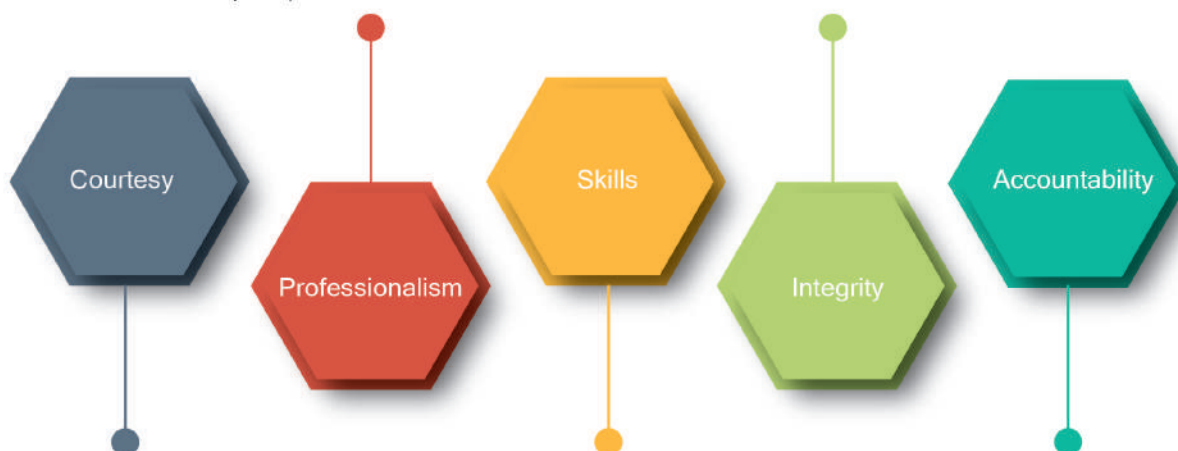
CORE VALUES



Courtesy, Professionalism, Skills, Integrity & Accountability

NPPF believes in having employees who work with defined standards and principles

NPPF believes in having employees with honest and strong moral character



NPPF believes in having employees who are polite, empathetic and service oriented

NPPF believes in having employees who are experienced and proficient in carrying out their duties

NPPF believes in having employees who are ethical and sincere.

Board of **DIRECTORS**



DASHO KINZANG WANGDI
Chairman
Cabinet Secretary, Cabinet Secretariat



PEMA R. RINCHEN
Director
Director, HOPE Project
His Majesty's Secretariat



LAM DORJI
Director
Former Finance Secretary



YONTEN NAMGYEL
Director
Director, DRC



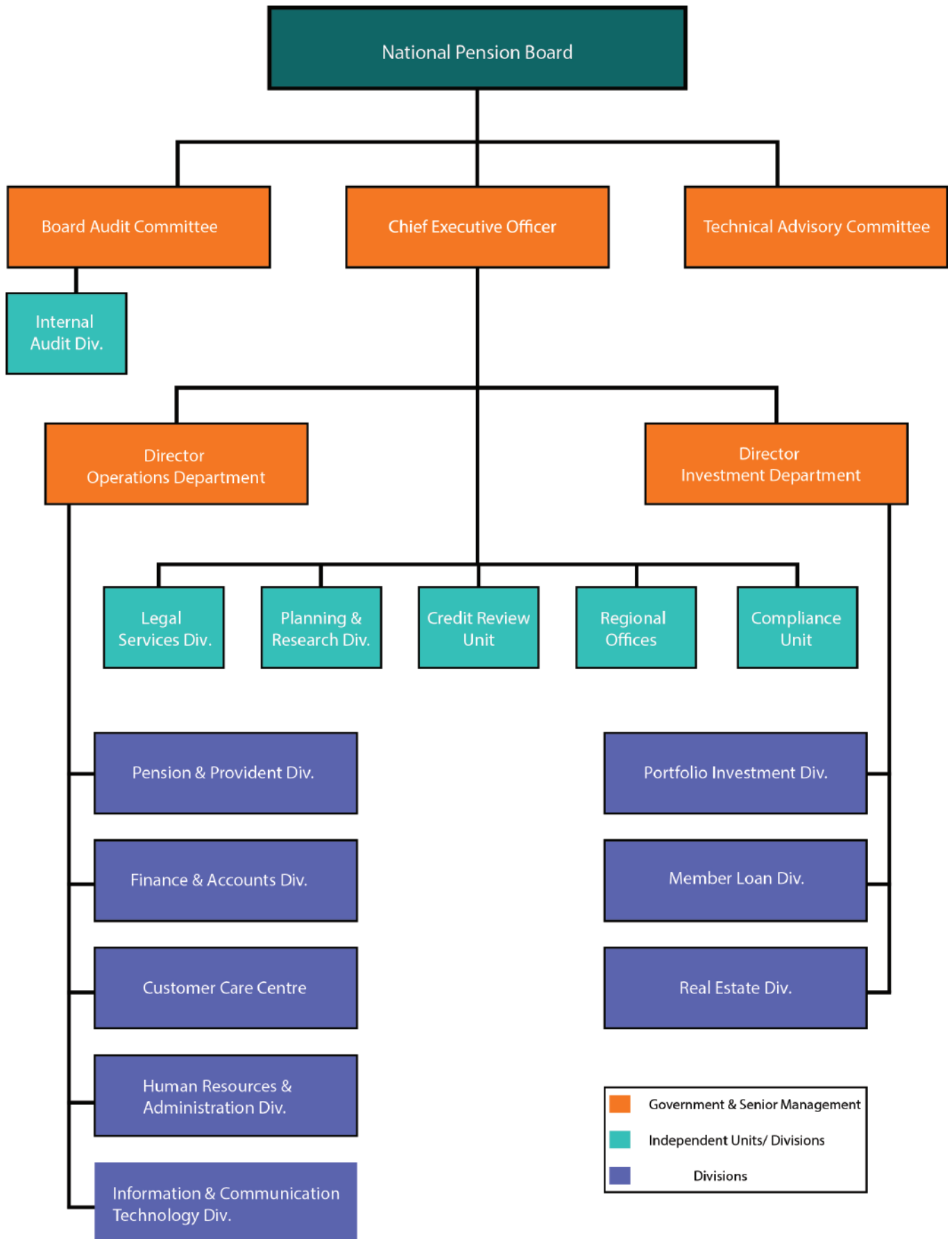
PHUNTSCHO WANGDI
Director
Secretary, MoWHS

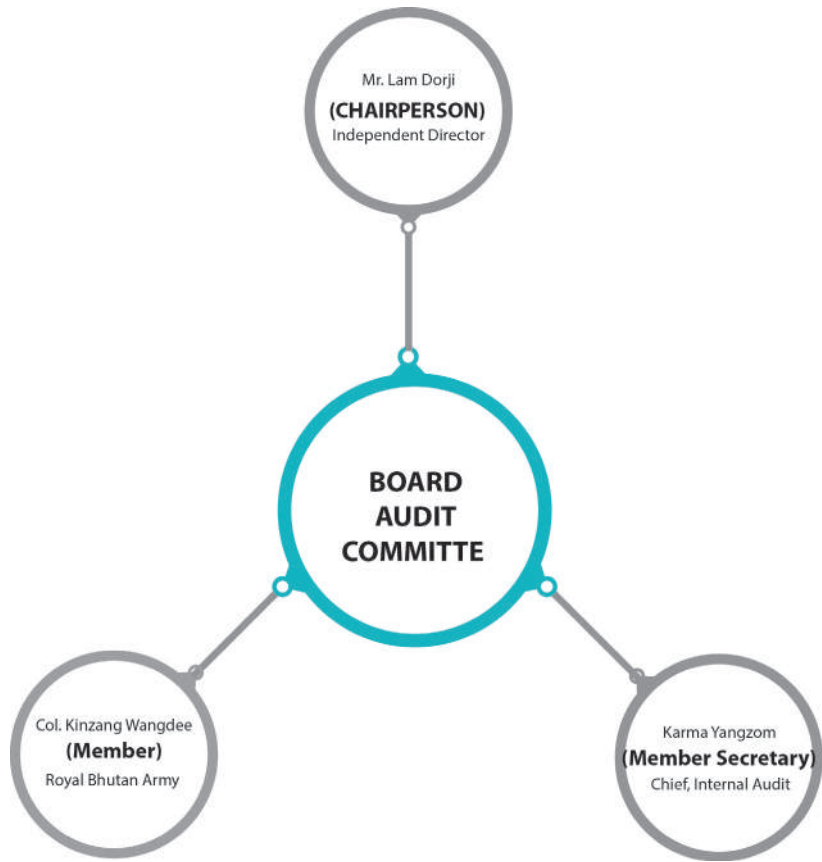


COL. KINZANG WANGDEE
Director
Royal Bhutan Army
Headquarters



DUNGTU DRUKPA
Member Secretary
CEO, NPPF





MANAGEMENT STAFF OF THE NPPF

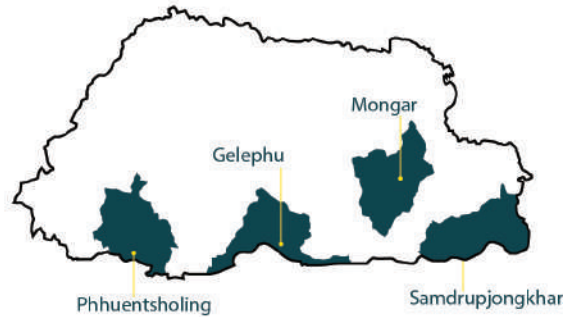
HEAD OFFICE		
Chief Executive Officer	NPPF	Mr. Dungtu Drukpa
Director	Investment Department	Ms. Leki Wangmo
Director	Operations Department	Mr. Sonam Yeshey
Chief	Finance & Accounts Div.	Mr. Phub Dorji
Chief	ICT Div.	Mr. Kinzang Wangdi
Chief	Planning & Research Div.	Mr. Tshering Dorji C
Acting Chief	Internal Audit Cell	Ms. Karma Yangzom
Acting Chief	Membership Loan Scheme Div.	Ms. Tshering Om
Acting Chief	Human Resources & Adm. Div.	Ms. Tshering Namgyal
Acting Chief	Customer Care Centre	Ms. Tshoki Lhamo
Acting Chief	Portfolio Investment Div.	Ms. Tshering Lham
Company Secretary	Senior Management	Ms. Kinga Dema
Officiating Chief	Legal Services Div.	Ms. Namgay Choden
Officiating Chief	Pension & Provident Fund Div.	Ms. Tshering Yangzom
Head	Compliance	Mr. Dechen Tshering
Head	Credit Review Unit	Ms. Deki Drukpa

Regional Offices	
Head, Gelephu	Mr. Dawa Tshering
Head, Phuentsholing	Mr. Tshering Gyeltshen
Head, S/Jongkhar	Mr. Wangchuk
Head, Mongar	Mr. Chencho

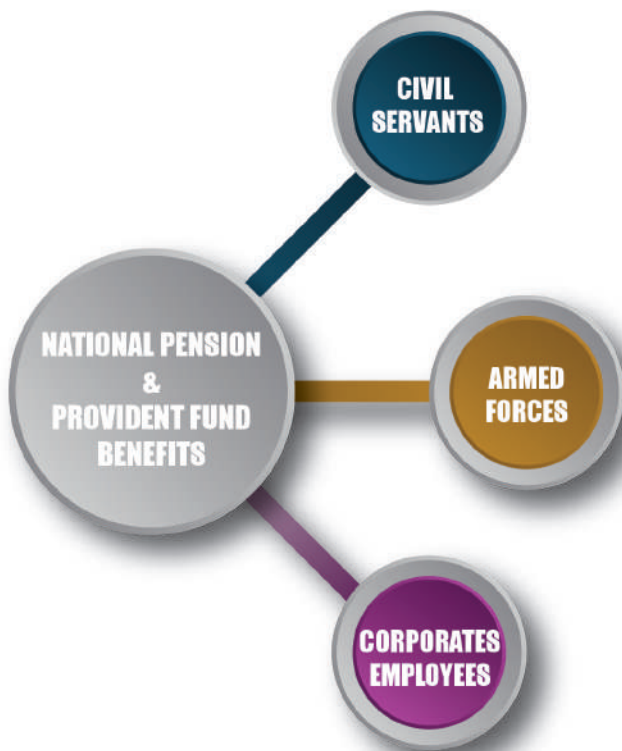
Statutory Auditors KRA & CO,
Chartered Accountants,
H-1/208, Garg Tower,
Netaji Subhash Place,
Pitampura, New Delhi-110034

NATIONAL PENSION & PROVIDENT FUND AT A GALNCE 2016-2017

"NPPF has today become one of the main sources of funding for most projects, entities, joint ventures and government sectors."

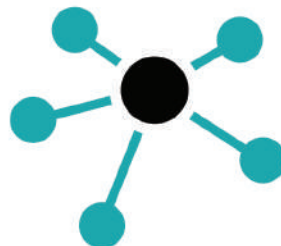


Regional Offices

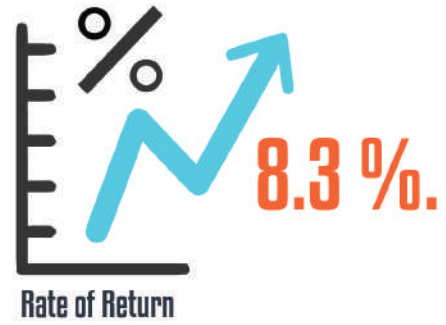
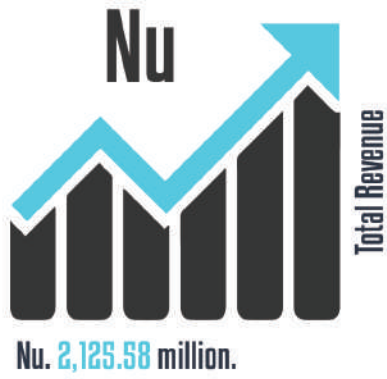


Collected **Nu.2,536.47** million as pension and provident fund contribution

Provides services to **560** government agencies, corporate entities and the armed forces personnel;



Distributed over Nu. **964.76** million as pension payment and provident fund refunds



Provides various loan facilities to members. There are over **12,750** active clients



Provide affordable accommodation to **891** tenants in **95** residential buildings in four Dzongkhags (Thimphu, Chhukha, Samdrup Jongkhar and Samtse)



Scheme Management

PENSION AND PROVIDENT FUND OPERATIONS

Introduction

The National Pension and Provident Fund provides the pension or the Defined Benefit (DB) scheme and the Provident Fund or Defined Contribution (DC) scheme. These two schemes were introduced in 2002 as mandatory retirement saving scheme for civil servants, employees of public corporations and enterprises, and members of the armed forces in order to provide income security after retirement. The pension and provident fund benefits have played a significant role in ensuring the wellbeing of retirees in the country since its introduction.

Both employees and employers make matching monthly contributions to the pension and provident fund schemes. It is estimated that the annual contribution to pension and provident fund accounts constitute about 5.22% of the Gross Domestic Savings. Pension benefits are paid monthly to members whereas provident fund benefits are paid in lump sum upon retirement.

Membership Coverage and Pensioners/Beneficiaries

Membership of the pension and provident fund plan has continued to increase over the years. The NPPF recorded a total membership of 53,998 with average age of 36 years as of 30th June 2017 from 560 registered companies. It represents about 6.92% of the population and 3% growth from the previous year. It recorded a total of 5,861 pensioners inclusive of disabled persons, spouse, children, orphan and dependent parent beneficiaries. With the increase in the number of pensioners, the ratio of pensioners to contributing members reached 10.85% during the year.

Contributions and Benefit Payment

During the year, Nu. 2,536.47 million was received as monthly contribution toward the pension and provident funds, an increase of 8.46% from the previous year contributions of Nu. 2,338.67 million. Against the contribution received, Nu. 964.76 million was paid out as monthly pension payment, provident fund refunds and pension refunds.

Details of Benefit Payments

During the year, Nu. 372.45 million was paid out as monthly pension payments to 5,861 pensioners and beneficiaries. A total of Nu. 226.52 million was paid out as pension refunds and Nu. 365.79 million as provident fund refunds to members after separation from their service.

Table 1. Features of Pension Scheme

Parameters	Civil	Armed Forces	
a. Pension Fund	Contribution rate 16%	RBA & RBG 19%	RBP 15%
b. Provident Fund	6%	11%	9%
Type of funding	Partially funded pay-as-you-go (PAYG) pension plan	Partially funded PAYG pension plan	
Government support	Implicit guarantee	Implicit guarantee	
Type of benefit	Defined benefit for pension paid monthly (Defined contribution provident fund paid in lump-sum)	Defined benefit for pension paid monthly (Defined contribution provident fund paid in lump-sum)	
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	
Normal Retirement age	56	As per rank (42-60 years)	
Benefit level	40% of final basic pay	45% of last 12 months average pay	
Annual pension adjustment	CPI or 5% whichever is lower	CPI or 5% whichever is lower (RBP is flat 2% p.a.)	
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 per additional year 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 from 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	

The formulation of National Pension and Provident Policy, 2017

The draft National Pension and Provident Fund Policy was reformulated making it a more generic national policy for extending defined contribution provident fund scheme to cover large section of the workforces under a regulatory framework. The policy shall ensure wider social security coverage, especially during old age and encourage development of sustainable and affordable pension and/or provident fund schemes. The policy shall also provide framework for establishing proper governance of both the scheme and fund management under a regulatory and supervisory authority.

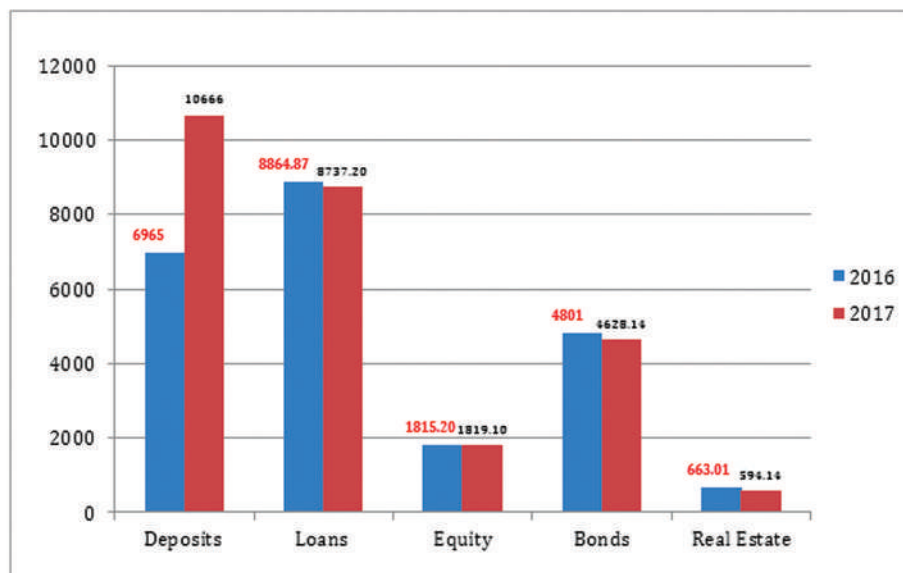
Based on the approval of the Concept Note of the Policy by the Government, the final draft Policy was submitted to the GNHC for policy screening process. Thereafter, the Policy will be submitted to the government for approval.

Fund Management



Investment Management

During the year 2016 - 17, NPPF's investment portfolio grew by 16% with the investment portfolio reaching Nu. 26.5 billion. The following table summarizes the comparative investment portfolio for the current year vis-a-viz the previous financial year.



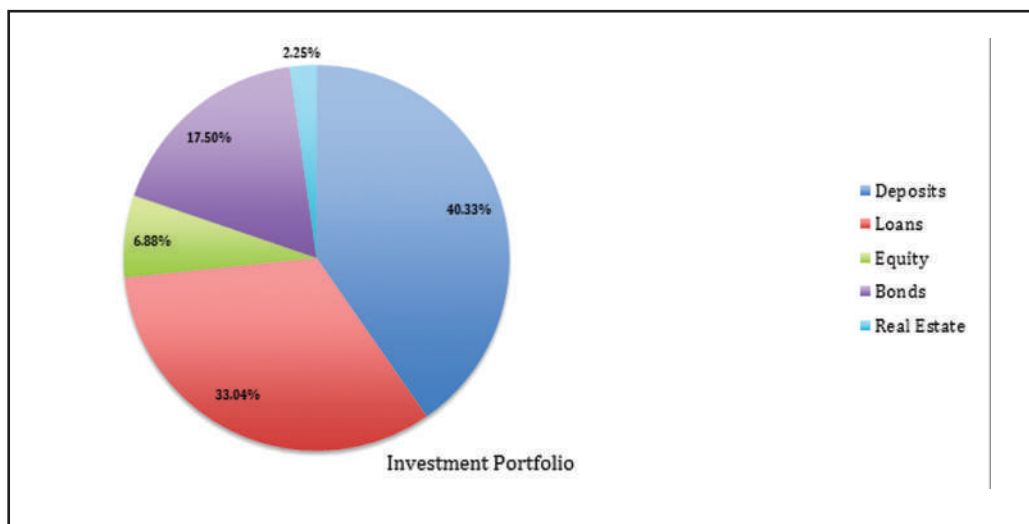
NPPF's investment operation is limited to the domestic market with the entire available fund invested in various avenues in the domestic economy. Although the Investment Policy 2010 allows up to 10% of the investment portfolio to be invested abroad, there is no exposure yet to international/regional markets.

Finding investment opportunity and building a diversified investment portfolio for a pension fund is becoming increasingly challenging in view of the limited opportunity available in the market. Within the restricted mandate and limited opportunity available in the market, NPPF makes investment in:

- Equities in public listed companies;
- Loan/Bond to Government;
- Corporate loans and bonds;
- Retail loan to members;
- Real Estate development and management;
- Treasury bills and commercial papers; and
- Deposits (after exhausting all investment avenues listed above)

During the period, NPPF has disbursed more than Nu. 3000 million in loans with Nu.2, 155 million as corporate loans and Nu. 880.35 million as Member Loans. NPPF also invested in Commercial Paper of DGPC worth Nu.360 Million and Nu.270 Million in Government Treasury Bill. During the year NPPF also invested in Bond Series I of RSA Pvt. Ltd worth of Nu.34.40 Million through consortium financing. Special Credit Line facility has been negotiated with Dungsum Cement Corporation Ltd. worth Nu.550 Million.

Investment in term deposits increased by 53% compared to last year, representing around 39% of total investment portfolio. Given that NPPF's fixed deposits are more stable and reliable than other corporate deposits, NPPF has the advantage of being able to negotiate higher interest rate on such long-term deposits. Overall, such growth in deposit is indicative of the very limited investment avenue available in the market and the inability to find investment opportunity that commensurate with the growth in the fund size.



As of 30th June 2017, as already highlighted, term deposits represent a major portion of the investment portfolio with 40.33% followed by loans at 33.04% and bonds with 17.05%. NPPF made significant progress in building up the current investment portfolio. However, the challenge remains in building a diversified investment portfolio that meets the requirement of a pension fund.

Interest rate Policy

Since NPPF operates loan facility with a significant portion of the investment portfolio tied up in loans, NPPF is regulated by the Royal Monetary Authority of (RMA) of Bhutan. In line with the regulatory framework, NPPF follows the interest rate policy prescribed by RMA from time to time. During the period under review, NPPF has fully implemented the Minimum Lending Rate (MLR), the new interest regime introduced by RMA to make pricing of loan product flexible and competitive in the market. With the adoption of MLR, NPPF loan has become competitive compared to the earlier base rate interest regime.

Member Loans Schemes

As on 30th June 2017, 16,000 members have availed the credit facilities of NPPF. NPPF has very limited loan products compared to commercial banks. However, the products were designed to meet the current and future needs of the members. For example, our member home ownership scheme is designed in a way that allows members to construct or acquire a residential unit while they are working, to secure their retirement home. Besides a competitive interest rate, NPPF also offer value added service such as design and planning and other advisory service during the construction phase at very subsidized rate.

Interest Rate on Loan Products of NPPF as on 30th June 2017

SL. No	Product Name	Interest Rate
1	Housing Loan – Construction	10.50%
2	Student Loan	8% during gestation and 9% thereof
3	5 Years Education Loan	9.5%
4	10 Years Education Loan	9.7%
5	15 Years Education Loan	10%
6	Member Loan	9.5
7	Member Home Loan	9.25%

The total Loan Portfolio as on 30.06.2017 for FY 2016-2017 is as follows:

S.I No.	Product	Amount in Million	No. Accounts
1	Education Loan	591.13	1994
2	Housing Loan	75.55	17
3	Member Home Loan	35.70	24
4	New Member Loan	153.00	656
5	Student Loan	17.52	28
	Total	880.35	2735

Credit Quality

Given that NPPF caters to a very limited clientele who are more educated and have reliable and stable income source, the overall quality of credit as proxied by the Non Performing Loan (NPL) rate at 1.03 % is excellent. This ratio has been achieved against the target of 1.7% set by the Board, showing a robust appraisal and recovery mechanism within the credit operations.

Real Estate Development and Operations

Real estate is one of the strategic asset class that is being pursued for investment to match the long-term pension liability since the sector provides opportunity for stable rate of return and an appreciation in the asset base through its inherent inflation hedging characteristics.

Today NPPF has around 2% of the investment portfolio invested in real estate, which is very less by any comparable standards. Given that real estate investment provides good opportunity for pension funds to make sustainable investments, the Real Estate Five-Year Master plan, which is currently under finalization lays down plans to take real estate investments to around 8% of the total investment portfolio in the next five years. The current real estate investments yield around Nu. 54 Million in rental revenue, which translates to a return on investments of around 6% per annum, after adjusting for all the costs.

During the year, NPPF added two more properties to the existing asset base with the completion of the construction of a commercial complex to be used as offices near the NPPF colony in Thimphu. A 16-unit residential building was completed and operationalized in Samdrup Jongkhar. The conceptual plan for a commercial complex and a mixed used building in the NPPF colony, Thimphu has been finalized. (See diagram below). These two buildings will replace three existing residential buildings, which are structurally not sound as well as efficient in terms of revenue generation and space utilization. Such optimization plans are also a major thrust of the real estate investments in order to maximize returns on members' fund.



Block 'A'



Block 'B'



The use of Information and communication technology (ICT) help develop solutions that would bring efficiency in the key process in our effort to achieve our mission. The efficiency achieved through the provision of high-quality ICT enabled services is expected to satisfy our members and stakeholders. The board and the management recognize the importance of ICT as a key enabler in taking the organization forward.

The challenges resulting from evolution of NPPF as an institution require a more intensive and sophisticated use of technology. Over the last 17 years of NPPF's existence, ICT has played a strategic role in the implementation of all its schemes. The application of ICT has enabled not only the automation of NPPF's processes, but also the transformation of operations and services, enabling improvements in the performance and service quality of NPPF.

During the year, NPPF initiated an e-services portal, providing up to date information to members. Personal information such as spouse, children and nominee details can be viewed online and members can make arrangement to update if required. It also has features for members to enroll themselves, can apply loans and make PF claims by uploading required documents. Members can use the e-portal to view loan details, pension and provident fund statements and rental information.

NPPF also developed and implemented the Business Activity Monitoring System (BAMS) to measure the effectiveness of business processes. It will improve efficiency and effectiveness of our staff and system.

Currently, most of the systems are functioning on a stand-alone basis and therefore it is inefficient and ineffective in the operation. In order to overcome this shortcoming and more importantly to keep pace with the evolving technology and need of the organization, a situational analysis and the way forward for a new integrated ICT system for NPPF has been completed during the year.



HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT

HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT

Recognizing that employees form the main backbone of the organization, talent development and management continues to be a focus area for the management. Capacity building was enhanced through participation in both in-country and ex-country trainings, workshops and conferences. A total of 57 employees were trained outside Bhutan for the FY 2016-2017. Similarly, many employees were trained inside the country in various fields to enhance their skills and improve service delivery.

Besides formal trainings, employee mentoring and counselling forms an important part of the development and management program. During the year, a revamped performance management system (PMS) has also been put on trial, taking into consideration practices in other comparable organizations and also key learnings from the past system that is in place. The improvised version will be finalized as the PMS for the following year and it is expected to go a long way in fulfilling the organization's mandate and managing and developing employees.

Employee of the Year Award

An employee of the year award was instituted as a modest gesture to recognize and motivate employees for their contribution to the organization. Every year, NPPF selects Employee of the Year by popular choice in three categories, Officer, Assistant and ESP/GSP level. An outstanding employee is recognized based on;

1. Attitude and Commitment
2. Interpersonal skills
3. Work Performance and
4. Personal traits.

RETAIN SKILLED
EMPLOYEES

FINANCIAL GROWTH
INCREASED REVENUE EFFICIENCY

STRENGTHENED RISK MANAGEMENT

CUSTOMER
SATISFACTION

CORPORATE STRATEGIC PLAN

FINANCIAL SUSTAINABILITY IMPROVED ORGANIZATIONAL CULTURE

INTEGRATED SOLUTIONS DEVELOP EMPLOYEES

EFFECTIVENESS

ACHIEVING EXCELLENCE THROUGH CORPORATE STRATEGIC PLAN

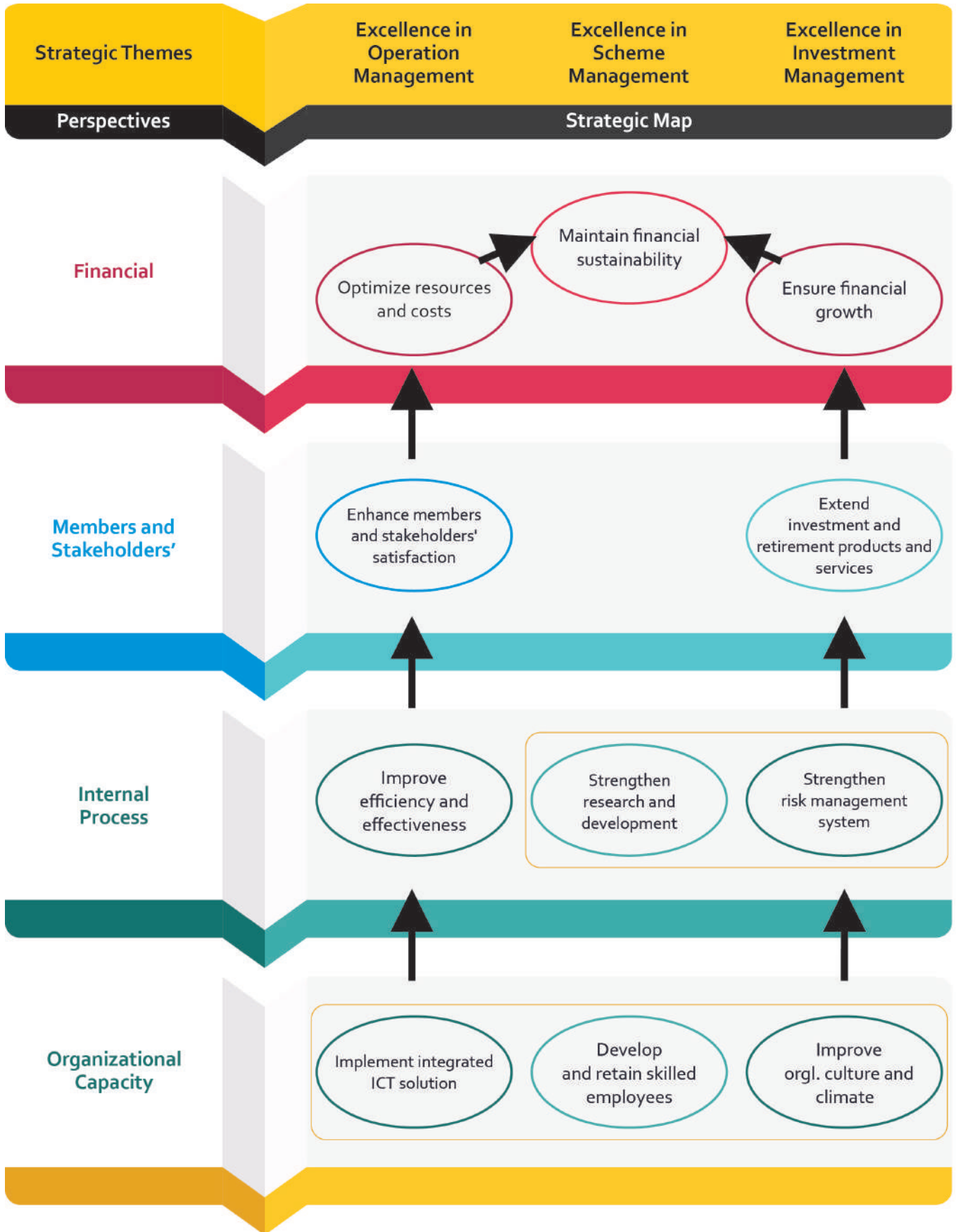
The Corporate Strategic Plan (CSP) is an important document, which sets out objectives and strategies to move NPPF forward and grow from strength to strength by creating greater value to the country, members and stakeholders.

The many accomplishments that the NPPF has achieved over the last 17 years of its existence are a direct result of the commitment to providing services that secure the retired lives of our members. However with the evolving environment in which we function, the opportunities and the challenges are only greater.

The Corporate Strategic Plan document is intended to help NPPF capitalize on those opportunities and challenges by charting a course in which we do our business through clarity in vision, mission, objectives, goals and aligning all focus on achieving the target. NPPF is critical and important institution in the country because as people grow older and work less, they will require a secure source of income to see themselves through their old age. NPPF is a mechanism that provides income security to our members as part of the larger social safety net for reducing poverty. In the process, NPPF has also been instrumental in developing mandatory savings for each member through monthly contribution. The collective savings of the people has also enabled NPPF to play its part in the country's economic growth. As an intermediary, we have been able to mobilize individual savings to fund large projects in the development process of the country.

With the evolving social fabric of our society and the many benefits brought about by economic development, social security system in the country is at a critical junction. Although we have a relatively young population at the moment, ageing population will be an issue in the next few decades as the current young population transition to become older generation. With improved medical facilities, food and hygiene, life expectancy of the people has increased. With families becoming nuclear, our extended family system, the social safety net of our society is rapidly deteriorating and therefore, leaving our older generation vulnerable to old age neglect and poverty. Therefore, it is at this critical juncture that NPPF need to take bold decisions to help shape the future and improve NPPF's value as a national asset. The Corporate Strategic Plan provides a roadmap for NPPF to evolve into valuable organizations that can harness the opportunities and meet the challenges in the next three years.

The CSP is focused on what is most important in achieving our Vision through alignment of our actions to support all our strategic themes, which are summarized diagrammatically below:



SOCIAL CLUB OF NPPF – CONTRIBUTING TO SOCIETY

The Social Club of NPPF was initiated to inculcate the spirit of volunteerism on 1st August 2015. Since its initiation, Social Club of NPPF has been actively serving as the focal point between the management and NPPF staff as well as coordinating volunteer services outside the organization.

The Social Club has been involved in coordinating office rimdos, recreational activities and attending to the welfare needs in times of sickness and death of staff and their family members. The Club has also built and promoted good relationship with other organizations and rendered support services, wherever necessary. The Club always strives to connect communities through social activities for a better society.

List of activities undertaken by Social Club: 2016 – 2017

1. Blood donation in collaboration with RMA in commemorating the Birth Anniversary of His Royal Highness Gyalsey Jigme Namgyel Wangchuck.
2. Mass cleaning campaign in collaboration with Clean Bhutan Project to mark World Environment Day.
3. Introduction of uniform semso collection guidelines during demise of staff's immediate family members
4. Cleaning and painting road dividers near Memorial Chorten during the Royal Flower Exhibition
5. Organized Office Rimdro and Picnic
6. Celebrated New Year 2017
7. Prayer flag hoisting at Chelela for the wellbeing of all sentient beings
8. Introduction of Staff Counseling Committee
9. Moral support during sickness and demise of family members of staff



Photo Gallery



NPPF Employees during the 17th Foundation Day



Cleaning and painting road dividers near Memorial Chorten during the Royal Flower Exhibition



Offering of Butter Lamps for all sentient beings



Prayer flag hoisting at Dochula for the wellbeing of all sentient beings



New Years Celebration at NPPF



Mass cleaning campaign in collaboration with Clean Bhutan Project to mark World Environment Day.



Learning from the experiences of Government Pension Fund Officials, Bangkok, Thailand



Prayer flag hoisting at Chelela for the wellbeing of all sentient beings



NPPF Staffs during Annual Office Rimdro



NPPF Staffs during Annual Office Rimdro at Semtokha Dzong



Blood donation



Social Club of NPPF



Extended Benefits and Services of the NPPF

LOTEDH SCHEME

The Lotedh scheme was launched as an extended value added service to the retiring members/pensioners. It was a humble tribute to His Majesty Drugyal Zhipa, for pioneering the formal social protection system in Bhutan, during the 60th Birthday Celebration of His Majesty Drugyal Zhipa.

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. The Lotedh Scheme was launched to strengthen the benefits from NPPF.

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.

Objectives

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

Extent of coverage

Lotedh Scheme is a voluntary scheme for pensioners. The nominee of members is eligible for semso of Nu. 50,000.00 upon demise of a member. NPPF plans to revise the benefit in the future.

Contribution

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

Insurance of the members

Out of Nu. 250 collected from the members, Nu. 125 is paid to Royal Insurance Corporation of Bhutan Limited (RICBL) as insurance premium during membership period for Insurance Scheme provided by RICBL through special institutional arrangement between NPPF and RICBL. The remaining Nu. 125 is 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, a member will not be able to afford the insurance coverage.

Guarantee of Benefits

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

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 comprise of seven members representing Lotedh Scheme members and NPPF management with Mr. Nima Wangdi, former Health Secretary as the Chairman.

Future Prospects

Based on economic and social considerations, the 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. The Board of Trustees is working towards registering the scheme as a Civil Society Organization (CSO).

Status Report

As of 30th June 2017, there were 583 Lotedh Scheme members (300 from civil and 283 from Armed Forces) with combined contribution of Nu 2.2 Million and 8 claims have been settled so far.

WAY FORWARD

The National Pension and Provident Fund, which was established through the benevolence of His Majesty Drugyal Zhigpa has evolved to become a very important and relevant institution in our country today, more than ever. The last 17 years of operations has firmly established the foundation of NPPF and a lot has been achieved during the period. The most important being the streamlining and institutionalization of retirement benefits and contributing towards alleviating old age poverty.

Going forward, we cannot, however, be complacent of the past achievements. There remains much more to be done. The schemes provided by NPPF serves only a select occupational group since it was designed to cater only to employees of civil service, state owned enterprise and armed forces. With rapid socio economic development and its related impact, if NPPF is to remain relevant within the framework of our guiding philosophy of Gross National Happiness, our membership base has to expand and we may need to cater to a larger section of the society.

The defined benefit pension scheme has inherent weaknesses in its design. The sustainability issue confronting defined benefit scheme is a global problem and it stands true for NPPF as well. As a partially funded pay as you go scheme, the current asset base is inadequate to cover the accrued pension liability, which raises concerns regarding intergenerational equity. Although the pension benefit is implicitly guaranteed by the government, the larger consideration is still on sustainability and the burden on future generations to payoff past debts.

The defined contribution, on the other hand does not have any concerns relating to sustainability but by the fact that (since) the amount is paid in lump sum on retirement of members, the question is on how well it serves in securing the future income of retirees. Given these shortcomings and also considering the many lessons from global best practices as well as our past experience, there is the need to reform our schemes.

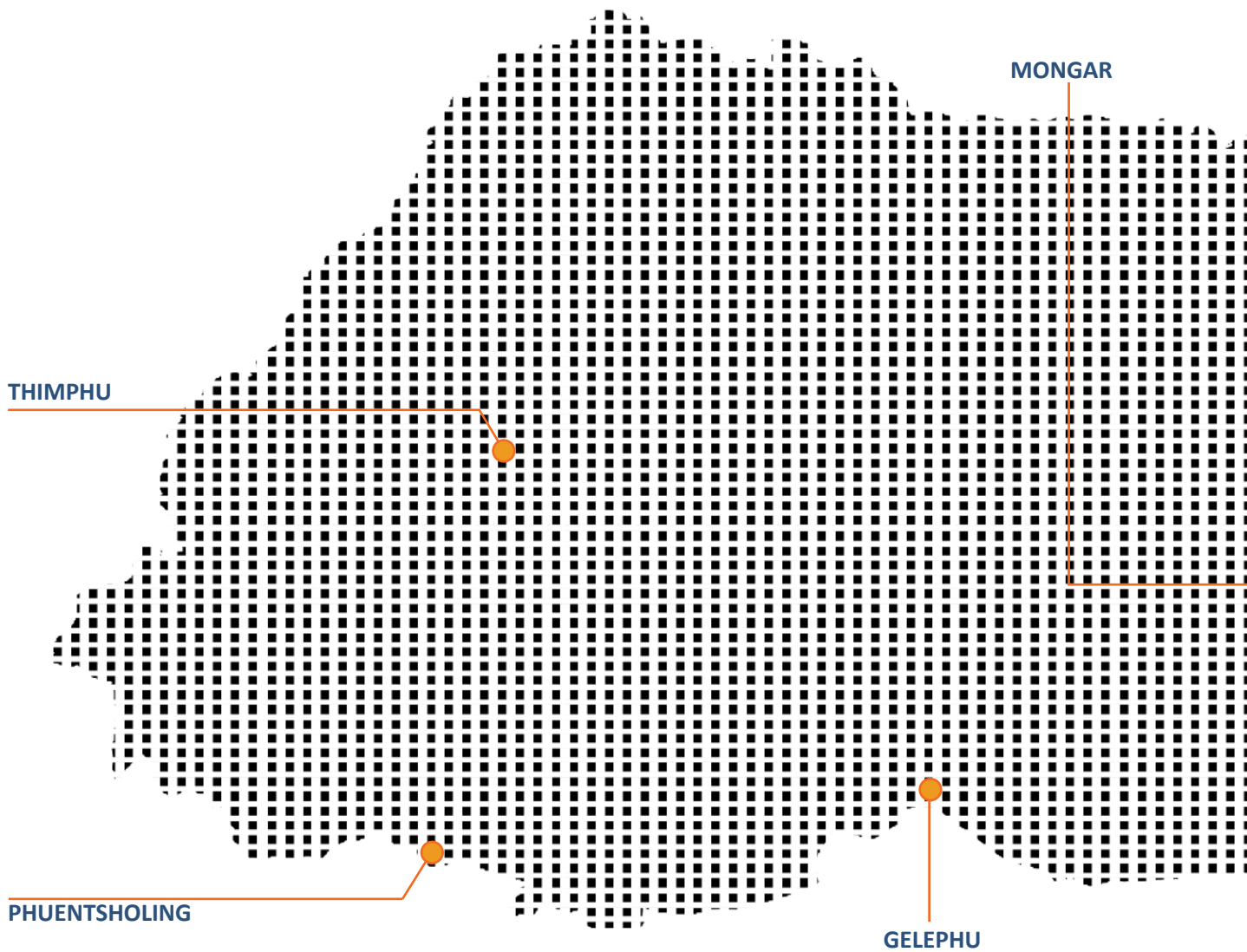
Investment environment remains extremely challenging for NPPF. While we have very low risk appetite because of the nature of our fund, we have not been able to exploit the opportunities available to us as long horizon investors. The restricted investment mandate coupled with the underdeveloped capital market makes it extremely difficult to find appropriate investment opportunity. With the growing fund size and stable cash flow, it has become pertinent for us to explore alternate investment avenues, one of them being investment abroad.



While a few of the challenges confronting us are highlighted above, our intention is not to paint a bleak future. The future can only be bright and the possibility of what we can do and achieve is enormous. There are enough lessons and best practices to learn from and we are not alone in this journey. With the right reform and alignment of interest from all stakeholders, we are poised to take off to fulfill our vision, achieve our mission and serve the nation and our people in achieving the noble vision of Gross National Happiness.

NPPF and the World

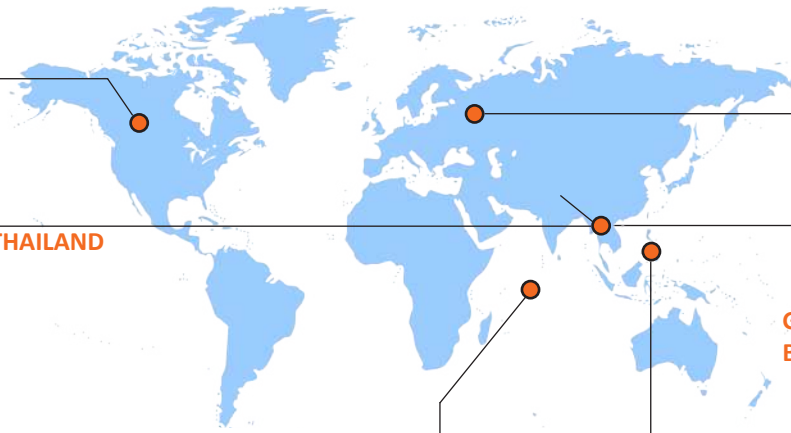
Networking beyond borders



Extension of services and benefits through the Regional Offices

- THIMPHU REGION**
1. Paro
 2. Gasa
 3. Wangduephodrang
 4. Punakha
 5. Haa

- PHUENTSHOLING REGION**
1. Chhukha
 2. Samtse
 3. Dorokha
 4. Sipsoo



MPAO
MALDIVES PENSION
ADMINISTRATION OFFICE
MPAO, THE MALDIVES

ADB ASIAN DEVELOPMENT BANK
ADFIAP, THE PHILIPPINES

ADFIAP
financing sustainable development
ADB, THE PHILIPPINES

Government Pension Fund
Bangkok, Thailand



SAMDRUP JONGKHAR

in all 20 districts of Bhutan

MONGAR REGION

1. Trashigang
2. Lhuntse
3. Trashiyangtse
4. Mongar

GELEPHU REGION

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

SAMDRUPJONGKHAR REGION

1. Pemagatshel
2. Wamrong
3. Thrimshing

Approval of the Financial Statements

The Technical Advisory Committee (TAC) and Board Audit Committee (BAC) reviewed the Financial Statements for the financial year ended 30th June 2017 during its 2nd meeting held on 15th September 2017, 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 94th meeting held on 7th October 2017.

The NPB during the meeting declared return of 8.30% (previous year 8.50%) to the members.



INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF NATIONAL PENSION & PROVIDENT FUND

Report on the Financial Statements of National Pension and Provident Fund

We have audited the accompanying financial statements of **NATIONAL PENSION AND PROVIDENT FUND (The Fund)**, which comprise the Statement of Financial Position as at 30th June 2017, and the Statement of Comprehensive Income, Statement of Changes in Reserve and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present true and fair view, in all material respects of the financial position of **The Fund** as at June 30, 2017, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS) Phase 1.

Basis for Opinion

We conducted our audit in accordance with Bhutanese Accounting Standards (BAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Bhutanese Accounting Standards (BAS) Phase I, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as



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a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Further we exercise professional judgment and maintain professional skepticism through the audit and described our responsibilities in Annexure-I attached to this report as per the requirements of Paragraph 40(b) of the ISA 700.

Report on Other Legal and Regulatory Requirements

We report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b) In our opinion, proper books of account as required by law have been kept by the Fund so far as appears from our examination of the books.
- c) The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Reserve and the Statement of Cash Flows dealt with by this report have been prepared in accordance with Bhutanese Accounting Standards Phase I and are in agreement with the books of accounts.

In our opinion, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Reserve and the Statement of Cash Flows comply with the Bhutanese Accounting Standards. We enclose in the Annexure-II, a statement on the matters (to the extent) applicable to the fund.

For KRA & Co
FRN: 020266N
Chartered Accountants



Place: New Delhi
Date: October 20, 2017

Rajat Goyal
Partner
MRN: 503150



Annexure-II

Annexure as referred to under "Report on Other Legal and Regulatory Requirements" of our report of even date for the year 2016-2017

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 if 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 of the Board. They function in line with the role and responsibilities as defined by the Internal Audit Charter. We have obtained Internal Audit reports for the period under audit. As explained, certain corrective actions have been taken based on those reports.



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.

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 reversal of provision of Nu. 3.90 million for diminution in value of shares during the year 2016-17.

6. LOANS AND ADVANCES.

Advance given for Nu 30.79 million for purchase of land for which ownership has not yet been transferred in favor of NPPF due to freezing of land transaction.

7. INTERESTED PARTIES:

We observe that Housing/Education loans, remuneration and sitting fees are given to the members of the National Pension Board, Technical Advisory Committee and their relatives are at prevailing rate of Interest and all the loan accounts are regular as on 30.6.2017. The remuneration paid is Nu. 1.90 Million and sitting fees Nu. 0.55 Million and outstanding balances of these loans are amounting to Nu. 11.71 million as disclosed in Note No 27 as on 30.06.2017.

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 of Nu. 17.24 million as on 30th June 2017 is less then the corresponding amount of Gratuity Investment of Nu. 21.26 million.



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 NPPF has an established and effective budgetary control system.
- 10.4 NPPF has generally maintained adequate documents and records for granting Loans and Advances.
- 10.5 There had been timely maintenance of records in case of transaction in the matter of trading in shares, securities and other investments.
- 10.6 Reasonable records were maintained for funds collected from members and for returns credited and payments made to members.
- 10.7 There was diminution in the value of Equity investment. Necessary provision has been made in the accounts.
- 10.8 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 notes to the financial statements.
- 10.9 In our opinion, the directive of the Board have been complied with during the year.
- 10.10 We are neither aware if the officials of the Fund 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 Fund 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.

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 and Disaster Recovery at Phuentsholing.
- 11.3 Operational controls are generally adequate to ensure correctness and validity of input data and output information.
- 11.4 There are adequate preventive measures against unauthorized access over computer installation and files.

For KRA & Co
FRN: 020266N
Chartered Accountants



Rajat Goyal
Partner
MRN: 503150

Place: New Delhi
Date: October 20, 2017

Statement of Financial Position as at 30th June 2017

Particulars	Note	2017	2016 (Restated)
Assets			
Cash and cash equivalents	4	1,044,294,701	1,852,022,745
Term deposits	5	9,722,000,000	5,409,000,000
Receivables	6	727,596,271	602,076,970
Inventories	7	10,593,657	4,115,631
Other assets	8	3,205,169	4,653,875
Investments in equity shares	9	1,819,108,241	1,815,200,361
Investments in bonds and commercial papers	10	4,801,463,795	4,628,141,395
Loans	11	8,577,331,663	8,864,865,604
Gratuity investment	13	21,262,776	17,281,858
Property and equipment	14	697,378,426	652,635,227
Intangible assets	15	7,349,525	12,202,495
Total Assets		27,431,584,225	23,862,196,161
Liabilities			
Other liabilities	16	73,831,403	76,960,989
Gratuity liability	13	17,242,270	15,839,196
Grant liability		4,769,788	5,723,745
Lapsed fund	17	10,198,423	9,792,167
Reserve		456,288,232	430,899,556
Net Member's Defined Contribution(DC) plan	18c	5,629,465,964	4,993,357,466
Net returns credited to Member's DC plan	19c	3,233,770,851	2,725,087,626
Net Member's Defined Benefit (DB) plan	20	18,006,017,295	15,604,535,416
Total liabilities		27,431,584,225	23,862,196,161

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

For K R A & Co
FRN 020266N
Chartered Accountants



Rajat Goyal
Partner
Membership No. 503150



Phub Dorji
Chief, F&A Division



Dungtu Drukpa
Chief Executive Officer



Dasho Kinzang Wangdi
Chairperson

Place: New Delhi
Dated 20/10/17

Statement of Comprehensive Income for the year ended 30th June 2017

Particulars	Note	2017	2016 (Restated)
Income			
Income from term deposits		676,460,675	425,180,871
Income from loans	21	852,054,802	848,470,450
Income from bonds	22	415,534,155	417,918,739
Rental income	23	54,509,716	51,709,551
Dividend income	24	123,771,839	130,426,128
Other income	25	3,244,910	3,513,428
Total Income		2,125,576,096	1,877,219,166
Operating expenses			
DC management expenses	26b	36,117,875	28,965,604
DB management expenses	26b	69,872,091	59,205,583
Depreciation	14	23,291,837	21,545,528
Amortization of intangible assets	15	2,156,764	1,747,285
Provisions for diminution of equity share	9	(3,907,880)	(4,704,180)
Provisions for loans as per the RMA PR 2016	12	0.0	(103,815,048)
Total operating expenses		127,530,686	2,944,773
Surplus for the year		1,998,045,411	1,874,274,393
Other Comprehensive Income			
Actuarial gain/(loss) on NPPF employee benefit	13	(224,453)	331,448
Total Other Comprehensive Income		(224,453)	331,448
Total Comprehensive Income for the year		1,997,820,958	1,874,605,841
Surplus distribution			
Return on member's DC plan -Civil		478,425,904	425,840,359
Return on member's DC plan -Armed Forces		182,235,077	160,458,683
Return on member's DB plan -Civil		1,016,130,719	901,058,069
Return on member's DB plan -Armed Forces		297,767,079	262,830,649
Transferred to general reserve		23,486,631	124,086,633
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit		(224,453)	331,448

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

For K R A & Co
FRN 020266N
Chartered Accountants




Rajat Goyal
Partner
Membership No. 503150


Phub Dorji
Chief, F&A Division


Dungtu Drukpa
Chief Executive Officer


Dasho Kinzang Wangdi
Chairperson

Place: New Delhi
Dated 20/10/17

Statement of Changes in Reserve for the year ended 30th June 2017

Particulars	Unclaimed contribution/refund ¹	Lapsed Fund ²	Other unclaimed monies ³	Actuarial gains/(loss) ⁴	General reserve ⁵	Total
Balance as at 1st July 2016	48,544,224	9,338,146	2,246,530	4,325,522	366,445,133	430,899,556
Transferred from Statement of Comprehensive Income	-	-	-	(224,453)	23,486,631	23,262,178
Transferred during the year	-	2,053,564	106,381	117,339	-	2,159,945
Adjustment of gratuity liability ⁴	-	-	(150,786)	-	-	117,339
Payments from reserve	-	-	2,202,125	4,218,408	389,931,764	(150,786)
Balance as at 30th June 2017	48,544,224	11,391,710	2,202,125	4,218,408	389,931,764	456,288,232

Statement of Changes in Reserve for the year ended 30th June 2016 (Restated)

Particulars	Unclaimed contribution/refund	Lapsed Fund	Other unclaimed monies	Actuarial gains/(loss)	General reserve	Total
Balance as at 1st July 2015	48,544,224	7,689,082	1,664,605	3,013,323	242,358,500	303,269,735
Transferred from Statement of Comprehensive Income	-	-	-	331,448	124,086,633	124,418,081
Transferred during the year	-	1,649,064	581,924	980,751	-	2,230,988
Adjustment of gratuity liability ⁴	-	-	-	-	-	980,751
Payments from reserve	-	-	-	-	-	-
Balance as at 30th June 2016	48,544,224	9,338,146	2,246,530	4,325,522	366,445,133	430,899,556

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 reserve after lapsed of three years reckoned from the date of transfer to the lapsed fund account.
3. Other unclaimed monies consists of stale cheque, unclaimed EMD and excess loan EMI transferred to reserve after lapsed of three years reckoned from the due date of payment/receipts.
4. Actuarial gains/ (loss) consists of amount transferred from the Statement of Comprehensive Income and adjustment of gratuity liability between the GAAP and BAS relating to actuarial valuation of NPPF employee gratuity liability.
5. General reserve consists of surplus amount transferred from the Statement of Comprehensive Income.



Statement of Cash Flows for the year ended 30th June 2017

Particulars	2017	2016
Cash Flow from Operating Activities		
Receipts from:		
Interest from term deposits	546,354,328	288,557,836
Interest from loans	839,189,214	839,573,762
Income from bonds	421,934,755	405,623,056
Rental income	54,420,620	51,514,683
Dividend income	123,631,035	130,426,128
Other Income	2,796,004	2,890,918
Payments for:		
DC & DB management expenses	100,910,720	89,425,984
Security deposit to/(from) suppliers	206,958	(567,906)
Security deposit to/(from) tenants	(959,891)	(242,943)
Net Receipts from Operating Activities	1,888,168,168	1,629,971,248
Cash Flow from Investing Activities		
Payments for:		
Increase/(decrease) in deposits	4,313,000,000	2,883,296,500
Increase/(decrease) in loans to entities	1,166,931	157,301,276
Increase/(decrease) in shares and bonds	(181,943,353)	967,660,647
Increase/(decrease) in commercial papers	355,265,753	-
Increase/(decrease) in member loan scheme	(307,452,236)	105,985,822
Increase/(decrease) in purchase of fixed assets (Including Capital work in progress)	83,430,983	(19,115,229)
Net Cash Flow from Investing Activities	(4,263,468,079)	(4,095,129,016)
Cash Flow from Financing Activities (Member Transactions)		
Receipts from:		
Contributions to the NPPFP - DC	619,147,531	597,076,989
- DB	1,303,951,679	1,248,541,998
Contributions to the AFPPFS - DC	226,269,384	186,167,735
- DB	382,602,800	310,301,582
Contributions to the NPPFP-ESP/GSP - DC	324,626	338,146
Payments of refunds and pensions:		
NPPFP - DC	275,520,903	275,311,562
- DB	475,481,007	383,281,475
AFPPFS - DC	90,232,851	66,416,597
- DB	123,489,391	104,611,474
Net Cash Flow from Financing Activities	1,567,571,867	1,512,805,342
Net movement in cash and cash equivalents	(807,728,044)	(952,352,426)
Opening cash and cash equivalents	1,852,022,745	2,804,375,171
Closing cash and cash equivalents	1,044,294,701	1,852,022,745

Note:

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

For K R A & Co

FRN 020266N

Chartered Accountants


Rajat Goyal
Partner.

Membership No. 503150


Phub Dorji
Chief, F&A Division


Dingtso Drukpa
Chief Executive Officer


Dasho Kinzang Wangdi
Chairperson

Place: New Delhi

Dated 20/10/17

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 Enterprises 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 excluding Royal Bhutan Police (RBP) contribute 15% each by employee and employer. Of the 30%, 11% is allocated to DC plan and the 19% to the DB plan. The RBP contributes 12% each by employee with matching contribution by the employer. Of the 24%, 9% is allocated to DC plan and 15% to 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 loan to 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 Mongar.

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 Enterprises 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 excluding Royal Bhutan Police (RBP) contribute 15% each by employee and employer. Of the 30%, 11% is allocated to DC plan and the 19% to the DB plan. The RBP contributes 12% each by employee with matching contribution by the employer. Of the 24%, 9% is allocated to DC plan and 15% to 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 loan to 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 Mongar.

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. Diesel Generator (Electrical)	20
5. Road network	5
6. Retention wall	30
7. Computer and accessories	5
8. High end server	8

9. Other office equipment	5
10. Furniture	10
11. Communication equipment	7
12. Motor vehicle	10 years with 20% residual value
13. Carpet	5

The depreciation for the property and equipment purchased/constructed during the year is prorated 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 from 3 to 5 years. The useful economic lives of the intangible assets are reviewed at least at each reporting date.

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.

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 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, 2016 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 Members'

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

4 Cash and cash equivalents

Particulars	2017	2016
Cash at bank	100,274,817	296,003,446
Cash in hand	19,884	19,299
Short term deposits with banks	944,000,000	1,556,000,000
Total	1,044,294,701	1,852,022,745

5 Term deposits

Particulars	2017	2016
Non-Current		
Bhutan National Bank Ltd.	4,769,000,000	2,339,000,000
TBank Ltd	200,000,000	-
Bhutan Development Bank Ltd.	2,830,000,000	2,110,000,000
Current		
Bhutan National Bank Ltd.	713,000,000	100,000,000
TBank Ltd	115,000,000	-
Bhutan Development Bank Ltd.	1,095,000,000	860,000,000
Total	9,722,000,000	5,409,000,000

6 Receivables

Particulars	2017	2016
Non-Current		
Interest accrued but not due	562,878,123	355,778,380
Current		
Rent receivable	3,463,576	3,374,480
Interest accrued but not due	160,807,263	242,696,147
Other receivable	447,309	227,963
Total	727,596,271	602,076,970

7 Inventories

Particulars	2017	2016
Opening stock	4,115,631	1,548,160
Purchase during the year	9,357,300	8,973,144
Less: Consumption during the year	(2,879,274)	(6,405,674)
Closing stock as at 30th June	10,593,657	4,115,631

8 Other assets

Particulars	2017	2016
Prepaid expenses	2,246,709	3,764,187
Security deposit (power/rent)	764,377	762,557
Security deposit (water meter)	63,000	63,000
Advance to staff	131,083	64,131
Total	3,205,169	4,653,875



9 Investment in equity shares

Particulars	2017					2016				
	No. of shares	Cost	Market value	Diminution in share value	Net Carrying amount	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	129,271,800	-	14,450,563	2,154,530	14,450,563	129,271,800	-	14,450,563
State Trading Corporation Ltd.	441,000	490,000	7,717,500	-	490,000	441,000	490,000	7,938,000	-	490,000
Bhutan National Bank Ltd.	76,960,290	583,411,978	2,108,711,946	-	583,411,978	76,960,290	583,411,978	2,308,808,700	-	583,411,978
Kuensel Corporation Ltd.	367,500	3,675,000	4,410,000	-	3,675,000	367,500	3,675,000	4,410,000	-	3,675,000
Druk PNB Ltd.	1,408,040	42,231,200	30,976,880	11,254,320.00	30,976,880	1,408,040	42,231,200	29,568,840	12,662,360	29,568,840
TBank Ltd.	5,170	51,700	90,475	-	51,700	5,170	51,700	77,550	-	51,700
Bhutan Insurance Ltd.	1,000,000	29,500,000	27,500,000	2,000,000.00	27,500,000	1,000,000	29,500,000	25,000,000	4,500,000	25,000,000
Dungsam Polymers Ltd.	320	5,280	5,120	160.00	5,120	320	5,280	5,440	-	5,280
Total quoted		673,815,721		13,254,480	660,361,241		673,815,721		17,162,360	656,653,361
2. Unquoted										
Dagachu Hydro Power Corporation Ltd.	619,800	619,800,000		-	619,800,000	619,800	619,800,000		-	619,800,000
Credit Information Bureau	17,500	1,750,000		-	1,750,000	17,500	1,750,000		-	1,750,000
Financial Institutions Training Institute Ltd.	119,970	11,997,000		-	11,997,000	119,970	11,997,000		-	11,997,000
Dungsam Cement Corporation Ltd.	5,250,000	525,000,000		-	525,000,000	5,250,000	525,000,000		-	525,000,000
Total unquoted		1,158,547,000		-	1,158,547,000		1,158,547,000		-	1,158,547,000
Total investments in equity share		1,832,362,721		13,254,480	1,819,108,241		1,832,362,721		17,162,360	1,815,200,361



10 Investment in bonds and commercial papers

Particulars	Coupon rate	No. of Script	2017	2016
Investment in Bonds				
Druk Air Corporation Bond Series I	9.00%	246,887	172,821,041	197,509,694
Druk Air Corporation Bond Series II	9.00%	286,039	228,830,802	257,434,702
Druk Air Corporation Bond Series III	8.50%	1,304,406	1,304,406,198	1,467,456,998
Royal Insurance Corporation of Bhutan Ltd. Bond Series II	6.70%	468,108	-	-
Royal Insurance Corporation of Bhutan Ltd. Bond Series III	9.50%	500,000	500,000,000	500,000,000
Royal Insurance Corporation of Bhutan Ltd. Bond Series IV	9.50%	879,795	879,795,000	879,795,000
Druk PNB Ltd. 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	350,000,000
Tashi Air Pvt. Ltd. Bond Series I	9.00%	125,000	125,000,000	125,000,000
Zimdra Foods Pvt. Ltd. Bond Series I	9.35%	246,945	246,945,000	246,945,000
RSA Pvt. Ltd. Bond series I	9.35%	34,400	34,400,000	-
Investment in Commercial papers				
DGPC Commercial papers series I	5%	3,600	355,265,753	
Total			4,801,463,795	4,628,141,395



11 Loans

Particulars	2017		2016			
	Gross Investment	Non-current	Current	Gross Investment	Non-current	Current
Loan to manufacturing & industries sector						
Bhutan Ferro Alloys Ltd. ¹	131,877,780	56,415,473	75,462,307	137,314,437	-	137,314,437
Druk Ferro Alloys Ltd. ²	2,777,447	0	2,777,447	8,573,100	2,828,012	5,745,088
Dagachu Hydro Power Corporation Ltd. ³	723,987,407	689,230,510	34,756,896	754,468,384	723,368,943	31,099,440
Dungsam Cement Corporation Ltd. ⁴	985,402,960	660,994,243	324,408,717	1,143,157,634	730,332,560	412,825,074
Dungsam Polymers Ltd. ⁵	116,467,174	112,224,853	4,242,322	120,403,766	116,230,273	4,173,493
Wood Craft Centre Ltd.	-	-	-	2,240,396	-	2,240,396
	1,960,512,769	1,518,865,080	441,647,689	2,166,157,717	1,572,759,788	593,397,928
Loan to service & tourism sector						
Taashi Infocom Ltd. ⁶	157,688,312	105,086,005	52,602,307	207,077,368	170,059,464	37,017,905
Druk Doethjung Resort ⁸	54,857,024	53,835,807	1,021,217	52,864,649	44,749,038	8,115,611
Bhutan Power Corporation Ltd. ⁹	323,720,401	272,528,750	51,191,651	367,041,988	283,325,077	83,716,911
Natural Resource Development Corporation Ltd. ¹⁰	74,791,323	60,605,413	14,185,911	32,007,252	21,223,248	10,784,004
Manicheepa Moshin Resort ¹⁴	87,405,550	87,405,550	-	78,865,777	71,222,273	7,643,504
State Trading Corporation Ltd.	-	-	-	100,000,000	-	100,000,000
	698,462,610	579,461,524	119,001,086	837,957,034	590,579,100	247,277,934
Loan to institutions/RGOB						
Bhutan Development Bank Ltd. ¹¹	100,000,000	(0)	100,000,000	210,000,000	85,299,042	124,700,959
Royal Insurance Corporation of Bhutan Ltd. ¹²	974,522,394	592,768,080	381,754,314	517,854,841	314,177,839	203,677,002
	1,074,522,394	592,768,080	481,754,314	727,854,842	399,476,881	328,377,961
Loan to housing						
Yangphel Real Estate ¹³	226,553,218	223,798,252	2,754,966	229,112,903	226,524,848	2,588,055
Ministry of Health ⁷	58,407,318	47,461,669	10,945,649	67,772,237	57,297,806	10,474,431
	284,960,536	271,259,921	13,700,615	296,885,140	283,822,654	13,062,486
Loan to members						
Housing	2,315,671,196	2,004,400,119	311,271,077	2,589,148,268	2,248,338,854	340,809,414
Education	2,044,042,581	1,489,439,441	554,603,139	2,146,690,430	1,601,588,470	545,101,960
Student loan	87,565,846	73,610,842	13,955,004	78,048,480	67,830,580	10,217,900
Staff Housing loan	34,423,293	30,564,993	3,858,300	40,406,503	35,984,303	4,422,200
Staff Vehicle loan	10,023,469	7,110,082	2,913,387	6,296,428	4,323,228	1,973,200
New Member loan	227,515,777	156,275,286	71,240,491	132,808,941	93,932,641	38,876,300
	4,719,242,162	3,761,400,765	957,841,398	4,993,399,050	4,051,998,076	941,400,974
Total loans	8,737,700,471	6,723,755,369	2,013,945,102	9,022,153,782	6,898,636,499	2,123,517,283
Provision as per the RMA PR 2016 -(Note 12 of the notes to Financial Statements)	(160,368,808)	(160,368,808)	-	(157,288,178)	(157,288,178)	-
Loans after provision	8,577,331,663	6,563,386,561	2,013,945,102	8,864,865,604	6,741,348,321	2,123,517,283



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 secured by mortgage of project assets.
- 6 The loan is secured by mortgage of the assets of the project and additional collateral of Fixed assets equivalent to 50% of loan.
- 7 The loan is guaranteed by the Government.
- 8 The loan is secured by mortgage of the land and project assets.
- 9 The loan is secured by mortgage of the 220kV double circuit transmission lines.
- 10 The loan is secured by mortgage of the stone crushing machine and support machineries of the project.
- 11 The loan is secured by mortgage of Land, Fixed deposit and Govt. Guarantee.
- 12 Secured by the Book Debts, Land and Investments in Equity Shares.
- 13 The loan is secured by mortgage of the land and project assets.
- 14 The loan is secured by mortgage of the project assets.



12 Provision as per RMA PR 2016

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 2016	95,849,034		
Provision as at 30th June 2017	87,823,881		
Charged to Statement of Comprehensive Income		(8,025,154)	
B. Provision on Non-Performing Loan			
Provision as at 1st July 2016	53,741,852		
Provision as at 30th June 2017	61,767,006		
Charged to Statement of Comprehensive Income		8,025,154	
C. Interest suspense			
Interest suspense as at 1st July 2016	7,697,292		
Interest suspense as at 30th June 2017	10,777,922		
Charged to Interest Income			3,080,630
Total as on 30th June 2017	160,368,808	0.00	3,080,630
A. Provision on standard assets			
Provision as at 1st July 2015	132,191,120		
Provision as at 30th June 2016	95,849,034		
Charged to Statement of Comprehensive Income		(36,342,086)	
B. Provision on Non-Performing Loan			
Provision as at 1st July 2015	121,214,814		
Provision as at 30th June 2016	53,741,852		
Charged to Statement of Comprehensive Income		(67,472,961)	
C. Interest suspense			
Interest suspense as at 1st July 2015	6,845,510		
Interest suspense as at 30th June 2016	7,697,292		
Charged to Interest Income			851,782
Total as on 30th June 2016	157,288,178	(103,815,048)	851,782

Loans are classified and provisions allocated as per the RMA Prudential Regulation (PR) 2016, 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

Income statement	<i>in Nu</i>	30-Jun-2017	30-Jun-2016
Current service cost		2,041,171	1,816,542
Past service cost		-	-
Net interest cost on net DB liability/(asset)		(297,261)	(102,047)
Net cost for the year recognised in Profit or Loss		1,743,910	1,714,495

(b) Other Comprehensive Income (OCI)

Other comprehensive income (OCI)	<i>in Nu</i>	30-Jun-2017	30-Jun-2016
Actuarial (gains)/losses due to liability experience		(141,431)	(636,610)
Actuarial (gains)/losses due to liability assumption changes		(33,923)	(66,946)
Return on plan assets (greater) or less than discount rate		399,807	372,108
Remeasurement (gains)/losses recognized in OCI		224,453	(331,448)

(c) Statement of Financial Position

Development of net financial position	<i>in Nu</i>	30-Jun-2017	30-Jun-2016
Defined benefit obligation		(17,242,270)	(15,839,196)
Fair value of plan assets		21,262,776	17,281,858
Funded status - (deficit)/surplus		4,020,506	1,442,662
Net defined benefit asset/(liability)		4,020,506	1,442,662



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

A1. Change in defined benefit obligation (DBO)	30-Jun-2017	30-Jun-2016
DBO at the beginning of the current period	15,839,196	15,025,765
Current service cost	2,041,171	1,816,542
Past service cost		
Interest cost	1,200,602	1,144,307
Benefits paid by the plan		
Benefits paid by the employer	(1,663,345)	(1,443,862)
Actuarial (gains)/losses due to plan experience	(141,431)	(636,610)
Actuarial (gains)/losses due to change in demographic assumptions	(33,923)	(66,946)
Actuarial (gains)/losses due to change in financial assumptions		
DBO at the end of the current period	17,242,270	15,839,196

(e) Movement in the Fair Value of Scheme Assets

A2. Change in fair value of plan assets	30-Jun-2017	30-Jun-2016
Fair Value of Assets at the beginning of current period	17,281,858	14,751,244
Contributions paid into the plan	2,882,862	1,656,368
Expected return on the plan assets	1,497,863	1,246,354
Benefits paid by the plan	-	-
Return on plan assets greater or (less) than discount rate	(399,807)	(372,108)
Fair Value of assets at the end of the current the period	21,262,776	17,281,858

(f) Reconciliation of Statement of Financial Position

A7. Reconciliation of net financial position	30-Jun-2017	30-Jun-2016
Net defined benefit liability/(asset) at the beginning of current period	(1,442,662)	274,521
Amount recognized in the income statement	1,743,910	1,714,495
Amount recognized in the OCI	224,453	(331,448)
Contributions paid into the plan	(2,882,862)	(1,656,368)
Benefits paid by employer	(1,663,345)	(1,443,862)
Net defined benefit liability/(asset) at the end of current period	(4,020,506)	(1,442,662)



(g) Expected benefit payments

A8. Expected Benefit Payments for the year ending	In Nu.
June 30, 2018	2,890,297
June 30, 2019	3,476,145
June 30, 2020	3,135,505
June 30, 2021	2,377,426
June 30, 2022	4,007,544
June 30, 2023 to June 30, 2026	18,514,810

(h) Scheme Asset information as on 30th June 2017

A.10 Scheme Asset Allocation	Amount (Nu.)	Percentage
Term Deposits with Banks	21,262,776	100%
Total	21,262,776	100%

(i) Actuarial Assumptions

	30-Jun-2017	30-Jun-2016
Discount Rates	8.00%	8.00%
Salary Escalation Rates	11.00%	11.00%
Employee Turnover Rates	5.50%	5.05%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)

(j) Sensitivity Analysis

A.11 Sensitivity Analyses	In Nu.	
	Defined Benefit Obligation	Net Effect on DBO
1. Discount Rate		
Base Discount Rate of 8.00%	17,242,270	-
Discount rate of 8.50% (+0.5%)	16,658,305	(583,965)
Discount rate of 7.50% (-0.5%)	17,864,675	622,405
2. Salary Escalation Rate		
Base Salary Escalation Rate of 11%	17,242,270	-
Salary Escalation Rate of 12% (+1%)	17,790,096	547,826
Salary Escalation Rate of 10% (-1%)	16,682,719	(559,551)
3. Attrition Rate		
Base Attrition Rate of 5.5%	17,242,270	-
Attrition Rate of 6.5% (+1%)	17,153,133	(89,137)
Attrition Rate of 4.5% (-1%)	17,311,598	69,328



14 Property and equipment

Particulars	Gross block			Depreciation		Net block				
	Original cost as on 01.07.16	Addition during the year	Adjustments/ derecognition during the year	Original cost as on 30.06.2017	Accumulated Depreciation as on 01.07.2016	Depreciation during the year	Adjustments/ derecognition of Depreciation during the year	Accumulated Depreciation as on 30.06.2017	As on 30.06.2017	As on 30.06.2016
RE land	76,347,937	-	-	76,347,937	-	-	-	-	76,347,937	76,347,937
RE building	374,795,588	29,589,905	(174,883)	404,210,610	105,213,077	7,128,060	(131,364)	112,209,773	292,000,837	269,582,511
RE electrical & fittings	37,342,937	5,442,607	(1,123,029)	41,662,515	20,715,584	1,139,823	(873,203)	20,982,204	20,860,311	16,627,363
RE equipment	1,656,822	169,023	-	1,825,845	1,123,093	116,651	-	1,235,744	586,101	533,729
RE building (Semi-Permanent Structure)	2,420,278	-	-	2,420,278	280,513	98,430	-	358,943	2,061,335	2,199,765
Road network	7,830,756	65,934	-	7,896,690	5,640,709	1,048,978	-	6,689,687	1,207,003	2,190,047
Retention wall	2,041,974	150,378	-	2,192,352	167,753	70,362	-	238,135	1,954,217	1,874,221
Capital work in progress	98,294,173	38,348,883	(21,302,010)	115,341,046	-	-	-	-	115,341,046	98,294,173
Sub total (A)	600,730,465	73,766,730	(22,599,922)	651,897,272	133,120,729	9,602,324	(1,004,568)	141,718,466	510,178,787	467,609,735
Office building	180,796,609	1,552,873	-	182,349,482	21,458,040	7,676,821	(24,179)	29,110,682	153,238,801	159,338,570
Diesel Generator (Electrical)	3,310,518	98,800	(98,800)	3,310,518	580,704	156,344	-	737,048	2,573,470	2,729,814
Road network	677,255	-	-	677,255	291,977	148,196	-	440,173	237,082	385,278
Retention wall	1,465,060	-	-	1,465,060	121,572	48,925	-	170,497	1,294,563	1,343,488
Computer & accessories	19,187,105	6,172,610	(87,434)	25,272,281	10,886,765	2,596,470	(24,290)	13,458,945	11,813,336	8,300,340
High end server	1,172,165	-	-	1,172,165	1,091,700	61,081	-	1,152,781	19,384	80,465
Other office equipment	9,955,069	2,614,774	(31,700)	12,538,143	6,189,878	1,436,854	(6,462)	7,620,270	4,917,872	3,765,190
Furniture	6,289,575	1,595,570	-	7,885,145	3,372,730	424,064	-	3,796,794	4,068,351	2,896,845
Communication equipment	696,002	87,033	(40,990)	742,045	591,740	30,925	(7,123)	615,542	126,503	104,262
Motor vehicles	1,273,195	3,925,167	-	5,198,362	1,018,556	117,002	-	1,135,558	4,062,804	254,639
Carpet	262,721	13,703	-	276,424	159,866	38,873	-	198,739	77,885	102,855
Sub total (B)	225,065,274	16,060,531	(258,924)	240,866,880	45,763,527	12,735,555	(62,054)	58,437,029	182,429,851	179,301,746
Capital grant										
Integrated data center	7,631,660	-	-	7,631,660	1,907,915	953,958	-	2,861,873	4,769,788	5,723,745
Sub total (C)	7,631,660	-	-	7,631,660	1,907,915	953,958	-	2,861,873	4,769,788	5,723,745
Gross total (A+B+C)	833,427,399	89,827,260	(22,858,846)	900,395,813	180,792,172	23,291,837	(1,066,621)	203,017,387	697,378,426	662,635,227



16 Other liabilities

Particulars	2017	2016
Stale cheque	790,344	617,417
Interest received in advance	95,825	518,027
Unidentified deposit	2,399,731	2,301,067
Earnest money	652,687	625,925
Security deposit (contractor)	4,479,483	3,594,404
Performance guarantee	545,342	779,062
Security deposit (rent)	7,786,460	6,820,984
Excess member contribution	370,032	5,033,926
Outstanding liabilities (current/capital)	37,175,803	43,156,766
Security deposit - power / tenant	535,037	538,802
Tax deducted at source (TDS) payable	15,145	198,407
Housing / education loan closed A/c - credit balance	18,985,515	12,776,202
Total	73,831,403	76,960,989

17 Lapsed fund*

Lapsed Fund*			
Particulars	Civil	Armed Force	Total
As at 1st July 2016	5,326,718	4,465,449	9,792,167
Addition during the year	1,093,169	1,366,651	2,459,820
Transferred to general reserve	(1,011,517)	(1,042,047)	(2,053,564)
As at 30th June 2017	5,408,370	4,790,053	10,198,423
As at 1st July 2015	3,237,380	3,699,492	6,936,872
Addition during the year	3,260,477	1,243,882	4,504,359
Transferred to general reserve	(1,171,139)	(477,925)	(1,649,064)
As at 30th June 2016	5,326,718	4,465,449	9,792,167

*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 2016	2,564,550,974	2,564,724,257	846,313,953	846,554,806	6,822,143,990
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	2,564,550,974	2,564,724,257	846,313,953	846,554,806	6,822,143,990
Contribution during the Year	311,812,194	311,812,194	112,967,741	112,967,741	849,559,870
As at 30th June 2017 (A)	2,876,363,168	2,876,536,451	959,281,694	959,522,547	7,671,703,860
Accumulated refund					
As at 1st July 2016	717,340,145	717,442,872	197,201,848	197,286,029	1,829,270,895
Refunds during the year	81,904,068	81,903,824	24,985,332	24,985,332	213,778,556
As at 30th June 2017(B)	799,244,213	799,346,696	222,187,180	222,271,361	2,043,049,451
Net contribution as at 30th June 2017 (A-B)	2,077,118,955	2,077,189,754	737,094,514	737,251,186	5,628,654,409
Accumulated contribution					
As at 1st July 2015	2,267,542,177	2,267,715,459	753,613,064	753,853,917	6,042,724,617
Adjustment of scheme	(178,100)	(178,099)	-	-	(356,199)
Adjusted opening balance	2,267,364,077	2,267,537,360	753,613,064	753,853,917	6,042,368,418
Contribution during the Year	297,186,897	297,186,897	92,700,889	92,700,889	779,775,572
As at 30th June 2016 (A)	2,564,550,974	2,564,724,257	846,313,953	846,554,806	6,822,143,990
Accumulated refund					
As at 1st July 2015	633,911,682	633,977,985	178,251,951	178,336,132	1,624,477,751
Refunds during the year	83,428,463	83,464,887	18,949,897	18,949,897	204,793,144
As at 30th June 2016(B)	717,340,145	717,442,872	197,201,848	197,286,029	1,829,270,895
Net contribution as at 30th June 2016 (A-B)	1,847,210,829	1,847,281,384	649,112,105	649,268,777	4,992,873,095



continued

Net Member's Defined Contribution (DC) plan

b. Net Member's DC-Elementary Service and General Skilled Personnel

Particulars	Civil		Armed Forces		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
Accumulated Contribution					
As at 1st July 2016	249,008	249,007	-	-	498,015
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	249,008	249,007	-	-	498,015
Contribution during the Year	180,409	180,409	-	-	360,818
As at 30th June 2017 (A)	429,417	429,416	-	-	858,833
Accumulated Refund					
As at 1st July 2016	6,822	6,822	-	-	13,644
Refunds during the year	16,817	16,817	-	-	33,634
As at 30th June 2017 (B)	23,639	23,639	-	-	47,278
Net Contribution as at 30th June 2017 (A-B)	405,778	405,777	-	-	811,555
Accumulated Contribution					
As at 1st July 2015	72,696	72,695	-	-	145,391
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	72,696	72,695	-	-	145,391
Contribution during the Year	176,312	176,312	-	-	352,624
As at 30th June 2016 (A)	249,008	249,007	-	-	498,015
Accumulated Refund					
As at 1st July 2015	-	-	-	-	-
Refunds during the year	6,822	6,822	-	-	13,644
As at 30th June 2016 (B)	6,822	6,822	-	-	13,644
Net Contribution as at 30th June 2016(A-B)	242,186	242,185	-	-	484,371



continued

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

Particulars	Civil		Armed Forces		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
Accumulated Contribution					
As at 1st July 2016	2,564,799,982	2,564,973,264	846,313,953	846,554,806	6,822,642,005
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	2,564,799,982	2,564,973,264	846,313,953	846,554,806	6,822,642,005
Contribution during the Year	311,992,603	311,992,603	112,967,741	112,967,741	849,920,688
As at 30th June 2017 (A)	2,876,792,585	2,876,965,867	959,281,694	959,522,547	7,672,562,693
Accumulated Refund					
As at 1st July 2016	717,346,967	717,449,694	197,201,848	197,286,029	1,829,284,539
Refunds during the year	81,920,885	81,920,641	24,985,332	24,985,332	213,812,190
As at 30th June 2017 (B)	799,267,852	799,370,335	222,187,180	222,271,361	2,043,096,729
Net Contribution as at 30th June 2017 (A-B)	2,077,524,733	2,077,595,531	737,094,514	737,251,186	5,629,465,964
Accumulated Contribution					
As at 1st July 2015	2,267,614,873	2,267,788,154	753,613,064	753,853,917	6,042,870,008
Adjustment of scheme	(178,100)	(178,099)	-	-	(356,199)
Adjusted opening balance	2,267,436,773	2,267,610,055	753,613,064	753,853,917	6,042,513,809
Contribution during the Year	297,363,209	297,363,209	92,700,889	92,700,889	780,128,196
As at 30th June 2016 (A)	2,564,799,982	2,564,973,264	846,313,953	846,554,806	6,822,642,005
Accumulated Refund					
As at 1st July 2015	633,911,682	633,977,985	178,251,951	178,336,132	1,624,477,751
Refunds during the year	83,435,285	83,471,709	18,949,897	18,949,897	204,806,788
As at 30th June 2016 (B)	717,346,967	717,449,694	197,201,848	197,286,029	1,829,284,539
Net Contribution as at 30th June 2016 (A-B)	1,847,453,015	1,847,523,569	649,112,105	649,268,777	4,993,357,466



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

a. Net returns credited to Member's DC plan-Civil Servants and Armed Forces

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 2016	1,388,050,310	1,362,605,101	528,345,714	526,959,734	3,805,960,859
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	1,388,050,310	1,362,605,101	528,345,714	526,959,734	3,805,960,859
Returns credited during the Year	239,180,299	239,192,747	91,104,423	91,130,654	660,608,123
As at 30th June 2017 (A)	1,627,230,609	1,601,797,848	619,450,137	618,090,388	4,466,568,982
Accumulated return refunded					
As at 1st July 2016	435,571,191	410,049,121	118,407,546	116,873,574	1,080,901,431
Refunds during the year	55,868,156	55,844,855	20,148,907	20,113,280	151,975,198
As at 30th June 2017 (B)	491,439,347	465,893,976	138,556,453	136,986,854	1,232,876,629
Net returns credited as at 30th June 2017 (A-B)	1,135,791,262	1,135,903,872	480,893,684	481,103,535	3,233,692,353
Accumulated return credited					
As at 1st July 2015	1,175,160,603	1,149,704,199	448,123,416	446,723,350	3,219,711,567
Adjustment of scheme	(11,525)	(11,523)	-	-	(23,048)
Adjusted opening balance	1,175,149,078	1,149,692,676	448,123,416	446,723,350	3,219,688,519
Returns credited during the Year	212,901,232	212,912,425	80,222,299	80,236,384	586,272,340
As at 30th June 2016 (A)	1,388,050,310	1,362,605,101	528,345,714	526,959,734	3,805,960,859
Accumulated return refunded					
As at 1st July 2015	381,351,882	355,850,218	104,135,396	102,628,921	943,966,416
Refunds during the year	54,219,309	54,198,903	14,272,150	14,244,653	136,935,015
As at 30th June 2016 (B)	435,571,191	410,049,121	118,407,546	116,873,574	1,080,901,431
Net returns credited as at 30th June 2016 (A-B)	952,479,119	952,555,980	409,938,168	410,086,160	2,725,059,428



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

b. Net returns credited member's DC plan-Elementary Service and General Skilled Personnel

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 2016	14,516	14,516	-	-	29,032
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	14,516	14,516	-	-	29,032
Returns credited during the Year	26,429	26,429	-	-	52,858
As at 30th June 2017 (A)	40,945	40,945	-	-	81,890
Accumulated return refunded					
As at 1st July 2016	417	417	-	-	834
Refunds during the year	1,279	1,279	-	-	2,558
As at 30th June 2017 (B)	1,696	1,696	-	-	3,392
Net returns credited as at 30th June 2017 (A-B)	39,249	39,249	-	-	78,498
Accumulated return credited					
As at 1st July 2015	1,165	1,165	-	-	2,330
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	1,165	1,165	-	-	2,330
Returns credited during the Year	13,351	13,351	-	-	26,702
As at 30th June 2016 (A)	14,516	14,516	-	-	29,032
Accumulated return refunded					
As at 1st July 2015	-	-	-	-	-
Refunds during the year	417	417	-	-	834
As at 30th June 2016 (B)	417	417	-	-	834
Net returns credited as at 30th June 2016 (A-B)	14,099	14,099	-	-	28,198



continued

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

c Net returns credited to member's DC Plan (a+b)

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	
Accumulated returns credited					
As at 1st July 2016	1,388,064,826	1,362,619,617	528,345,714	526,959,734	3,805,989,891
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	1,388,064,826	1,362,619,617	528,345,714	526,959,734	3,805,989,891
Returns credited during the Year	239,206,728	239,219,176	91,104,423	91,130,654	660,660,981
Total accumulated returns credited as at 30th June 2017 (A)	1,627,271,554	1,601,838,793	619,450,137	618,090,388	4,466,650,872
Accumulated returns refund					
As at 1st July 2016	435,571,608	410,049,538	118,407,546	116,873,574	1,080,902,265
Refund during the year	55,869,435	55,846,134	20,148,907	20,113,280	151,977,756
Total accumulated returns refund as at 30th June 2017 (B)	491,441,043	465,895,672	138,556,453	136,986,854	1,232,880,021
Net returns credited as at 30th June 2017 (A-B)	1,135,830,511	1,135,943,121	480,893,684	481,103,535	3,233,770,851
Accumulated returns credited					
As at 1st July 2015	1,175,161,768	1,149,705,364	448,123,416	446,723,350	3,219,713,897
Adjustment of scheme	(11,525)	(11,523)	-	-	(23,048)
Adjusted opening balance	1,175,150,243	1,149,693,841	448,123,416	446,723,350	3,219,690,849
Returns credited during the Year	212,914,583	212,925,776	80,222,299	80,236,384	586,299,042
Total accumulated returns credited as at 30th June 2016 (A)	1,388,064,826	1,362,619,617	528,345,714	526,959,734	3,805,989,891
Accumulated returns refund					
As at 1st July 2015	381,351,882	355,850,218	104,135,396	102,628,921	943,966,416
Refund during the year	54,219,726	54,199,320	14,272,150	14,244,653	136,935,849
Total accumulated returns refund as at 30th June 2016 (B)	435,571,608	410,049,538	118,407,546	116,873,574	1,080,902,265
Net returns credited as at 30th June 2016 (A-B)	952,493,218	952,570,079	409,938,168	410,086,160	2,725,087,626



20 Net Member's Defined Benefit (DB) plan

Particulars	Civil	Armed Forces	Total
Accumulated contributions and returns credited			
As at 1st July 2016	13,660,146,533	4,288,756,913	17,948,903,445
Adjustment of Scheme	-	-	-
Adjusted opening balance	13,660,146,533	4,288,756,913	17,948,903,445
Contribution during the year	1,303,951,679	382,602,800	1,686,554,479
Returns credited during the year	1,016,130,719	297,767,079	1,313,897,798
As at 30th June 2017 (A)	15,980,228,931	4,969,126,792	20,949,355,722
Accumulated pension payments			
As at 1st July 2016	862,619,022	532,423,094	1,395,042,116
Pension payment during the Year	258,266,521	114,186,638	372,453,159
As at 30th June 2017 (B)	1,120,885,543	646,609,732	1,767,495,275
Accumulated pension fund refund			
As at 1st July 2016	716,773,548	232,552,366	949,325,914
Refund from Pension Fund during the year	217,214,486	9,302,753	226,517,239
As at 30th June 2017 (C)	933,988,034	241,855,119	1,175,843,153
Net accumulated contributions and returns credited as at 30th June 2017 (A-B-C)	13,925,355,353	4,080,661,941	18,006,017,295
Accumulated contributions and returns credited			
As at 1st July 2015	11,510,546,465	3,715,624,681	15,226,171,146
Adjustment of Scheme	295,396	-	295,396
Adjusted opening balance	11,510,841,861	3,715,624,681	15,226,466,543
Contribution during the year	1,248,246,602	310,301,582	1,558,548,184
Returns credited during the year	901,058,069	262,830,649	1,163,888,719
As at 30th June 2016 (A)	13,660,146,533	4,288,756,913	17,948,903,445
Accumulated pension payments			
As at 1st July 2015	652,048,822	436,212,740	1,088,261,562
Pension payment during the Year	210,570,200	96,210,354	306,780,554
As at 30th June 2016 (B)	862,619,022	532,423,094	1,395,042,116
Accumulated pension fund refund			
As at 1st July 2015	544,062,273	224,151,246	768,213,519
Refund from Pension Fund during the year	172,711,275	8,401,120	181,112,395
As at 30th June 2016 (C)	716,773,548	232,552,366	949,325,914
Net accumulated contributions and returns credited as at 30th June 2016 (A-B-C)	12,080,753,962	3,523,781,453	15,604,535,416



21 Income from loans

Particulars	2017	2016
A. Interest income from loan to manufacturing & industries sector		
Bhutan Ferro Alloys Ltd.	19,336,404	8,927,379
Druk Ferro Alloys Ltd.	724,347	1,414,173
Dagachu Hydro Power Corporation Ltd.	74,064,984	77,311,323
Dungsam Cement Corporation Ltd.	100,440,806	100,299,677
Dungsam Polymers Ltd.	11,885,577	12,349,797
Wood Craft Centre Ltd.	126,812	358,359
	206,578,930	200,660,707
B. Interest Income from loan to service & tourism sector		
Tashi Infocom Ltd.	18,846,621	23,531,845
Kuensel Corporation Ltd.	-	150,593
Druk Doethjung Resort	5,418,875	4,397,868
Yangphel Real Estate	22,782,345	23,090,502
Bhutan Power Corporation Ltd.	29,737,082	33,681,425
Natural Resource Development Corporation Ltd.	3,619,109	4,403,690
Manidhepa Moshin Resort	8,539,774	7,155,559
State Trading Corporation Ltd.	7,724,892	852,459
	96,668,699	97,263,942
C. Interest income from loan to institutions/RGOB		
Bhutan Development Bank Ltd.	12,668,934	20,454,208
Royal Insurance Corporation of Bhutan Ltd.	75,600,677	48,810,181
RGOB Budget Fund Account	-	112,127
Ministry of Health	4,808,782	5,472,735
	93,078,393	74,849,251
D. Interest income from loan to member's		
Housing	238,405,346	259,522,561
Education	192,352,040	200,065,177
Student loan	5,828,041	5,054,559
Staff Housing loan	2,367,835	2,587,792
Staff Vehicle loan	443,241	378,713
New Member Loan	16,332,277	8,087,747
	455,728,780	475,696,550
Total (A to D)	852,054,802	848,470,450

22 Income from bonds

Particulars	2017	2016
Dungsam Cement Corporation Ltd.	81,500,000	79,574,658
Druk Air Corporation Ltd.	158,225,122	177,002,648
Tashi Air Ltd.	11,250,000	11,248,027
Royal Insurance Corporation of Bhutan Ltd.	131,111,433	128,988,599
Druk Punjab National Bank Ltd.	7,800,000	7,757,261
Zindra Foods Pvt. Ltd.	23,089,358	13,347,546
RSA Pvt. Ltd.	1,374,681	-
DGPC Commercial paper Series I	1,183,562	-
Total	415,534,155	417,918,739



23 Rental income

Location	2017	2016
Thimphu	36,769,071	35,661,221
Phuentsholing	13,676,005	12,950,927
Samdrup Jongkhar	3,443,460	2,505,179
Samtse	621,180	592,224
Total	54,509,716	51,709,551

24 Dividend income

Particulars	2017	2016
1. Quoted		
Penden Cement Authority Ltd.	15,081,710	7,540,855
State Trading Corporation Ltd.	793,800	661,500
Bhutan National Bank Ltd.	103,126,789	108,514,009
Kuensel Corporation Ltd.	661,500	661,500
Druk Punjab National Bank Ltd.	1,408,040	-
TBank Ltd.	-	2,946
Bhutan Insurance Ltd.	2,700,000	1,675,000
	123,771,839	119,055,810
2. Unquoted		
Dagachu Hydro Power Corporation Ltd.	-	11,370,318
	-	11,370,318
Total Income from dividend	123,771,839	130,426,128

25 Other income

Particulars	2017	2016
Loan Processing fees	623,620	947,900
Miscellaneous income	2,621,290	2,565,528
Total	3,244,910	3,513,428



26 DC and DB management expenses

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

PARTICULARS	Sr. Mgt expenses	Admin. expenses	Finance expenses	Investment expenses.	IT expenses	RE expenses	Grand Total	DB - 67%	DC - 33%
Employee remuneration & benefits									
Salaries and wages	4,490,842	7,756,006	2,654,704	7,557,140	2,899,033	6,571,706	31,929,431	21,392,719	10,536,712
Defined contribution(PF)	343,508	590,374	233,392	641,105	237,294	551,268	2,596,941	1,739,950	856,991
Ex-gratia	-	4,567,557	-	-	-	-	4,567,557	3,060,263	1,507,294
Long term employee benefit(gratuity)	-	197,904	-	-	-	-	197,904	132,595	65,308
Terminal benefit	516,500	1,145,782	-	-	29,000	238,355	1,929,637	1,292,856	636,780
Medical expenses	114,108	93,470	32,400	89,100	27,900	91,442	448,420	300,441	147,979
Leave encashment	137,590	2,341,126	67,967	72,270	30,314	118,883	2,768,049	1,854,593	913,456
Leave travel concession	40,000	296,305	144,620	307,510	119,580	297,840	1,199,855	803,903	395,952
HRD expenses	-	13,474,044	-	-	-	-	13,474,044	9,027,610	4,446,435
Sub total (A)	5,642,548	30,462,567	3,132,983	8,661,125	3,343,121	7,869,494	59,111,838	39,604,931	19,506,907
Other operation expenses									
Communication/information charges	122,866	710,683	10,370	95,146	1,738,783	166,024	2,843,916	1,905,424	938,492
Books and periodicals	18,503	8,075	-	-	-	-	26,578	17,807	8,771
Travelling expenses	334,654	406,490	39,480	694,908	208,476	483,326	2,167,534	1,452,248	715,286
Office maintenance	-	2,489,472	-	-	-	80,478	2,569,949	1,721,196	847,753
RE routine maintenance	-	-	-	-	-	9,188,950	9,188,950	6,143,197	3,025,754
Office rent	-	219,600	-	-	-	-	219,600	147,132	72,468
IT expenses/AMC	-	1,000	-	-	4,022,163	1,258,388	5,281,561	3,538,646	1,742,915
Audit fees & expenses	-	-	352,757	-	-	-	352,757	236,347	116,410
Bank charges	-	-	42,044	-	-	-	42,044	28,169	13,874
Membership fees and subscription	2,620,662	236,531	-	-	-	-	3,057,193	2,048,319	1,008,874
Consultancy charges	1,727,593	-	20,000	-	1,854,000	-	3,601,593	2,413,068	1,188,526
Sitting fees and expenses	783,945	173,036	16,425	12,000	-	-	985,406	680,222	325,184
Hospitality expenses	182,442	1,268,915	33,550	51,114	81,081	145,807	1,762,908	1,181,148	581,759
Printing and stationery	311,185	597,903	63,099	261,100	37,705	208,967	1,479,969	991,593	488,396
Advertisement	710,639	1,339,369	-	80,598	-	42,660	2,173,265	1,456,087	717,177
Rates and taxes	-	-	-	-	-	1,678,072	1,678,072	1,124,308	553,764
Amortization of prepaid expenses	-	1,364,813	-	-	-	-	1,364,813	914,424	450,388
CIB report expenses	-	-	-	825,100	-	-	825,100	552,817	272,283
Miscellaneous expenses	121,170	-	(282)	-	-	-	120,888	80,985	39,883
Loss on sale of assets/derecognition	-	132,809	-	-	-	367,966	500,575	335,385	165,190
Write-off of loans	-	-	-	35,855	-	-	35,855	24,023	11,832
Sub Total (B)	7,133,892	8,947,504	577,443	2,055,821	7,942,208	13,600,676	40,257,544	26,972,554	13,284,989
Total (A+B)	12,776,440	39,410,071	3,710,426	10,716,945	11,285,328	21,470,171	99,369,382	66,577,486	32,791,896



DC and DB management expenses

continued

Particulars	DC Management expenses			DB Management expenses			Total expenses	
	DC Mgt. expenses	33% of common expenses.	For the year ended 30.06.2017	DB Mgt. expenses	67% of common expenses.	For the year ended 30.06.2017	For the year ended 30.06.2017	For the year ended 30.06.2016
b. DC and DB management expenses after allocation of common expenses								
Employee remuneration & benefits								
Salaries and wages	2,569,657	10,536,712	13,106,369	1,721,553	21,392,719	23,114,272	36,220,642	31,678,804
Defined contribution (PF)	228,153	856,991	1,085,144	133,749	1,739,950	1,873,699	2,958,843	2,665,670
Ex-gratia	305,890	1,507,294	1,813,184	197,760	3,060,263	3,248,023	5,061,207	4,052,677
Long term employee benefit (gratuity)	-	65,308	417,677	-	132,595	132,595	197,904	1,265,686
Terminal benefit	-	636,780	672,642	550,080	1,292,856	1,842,936	2,479,717	2,038,311
Medical expenses	39,600	147,979	187,579	19,500	300,441	319,941	507,520	1,096,888
Leave encashment	48,449	913,456	961,905	48,888	1,854,593	1,904,479	2,866,384	997,081
Leave travel concession	134,230	395,952	530,182	75,000	803,903	878,903	1,408,085	1,102,944
HRD expenses	-	4,446,435	3,326,801	-	9,027,610	9,027,610	13,474,044	10,081,214
Sub total (A)	3,325,979	19,606,907	22,632,885	2,737,528	39,604,931	42,342,459	65,175,345	54,979,275
Other operation expenses								
Communication/information charges	-	938,492	849,733	19,086	1,905,424	1,924,509	2,863,002	2,604,842
Books and periodicals	-	8,771	27,358	-	17,807	17,807	26,578	116,211
Travelling expenses	-	715,286	715,286	16,954	1,452,248	1,471,202	2,196,488	2,221,249
Office maintenance	-	847,753	675,919	-	1,721,196	1,721,196	2,568,949	2,056,173
RE routine maintenance	-	3,025,754	3,025,754	-	6,143,197	6,143,197	9,166,950	6,315,167
Office rent	-	72,468	72,468	-	147,132	147,132	219,600	276,000
IT expenses/AMC	-	1,742,915	1,742,915	-	3,538,646	3,538,646	5,281,561	3,502,954
Audit fees & expenses	-	116,410	116,410	-	236,347	236,347	352,757	427,854
Bank charges	-	13,874	13,874	325,000	28,169	353,169	367,044	353,582
Membership fees and subscription	-	1,008,874	1,008,874	-	2,048,319	2,048,319	3,057,193	2,617,282
Consultancy charges	-	1,188,526	1,188,526	(8,069)	2,413,068	2,404,999	3,593,524	3,144,989
Sitting fees and expenses	-	325,164	325,164	4,933	660,222	665,155	990,339	1,461,332
Hospitality expenses	-	581,759	581,759	36,909	1,181,148	1,218,057	1,799,816	1,681,492
Printing and stationery	-	488,396	488,396	160,265	991,593	1,151,858	1,640,254	1,645,571
Advertisement	-	717,177	717,177	-	1,456,087	1,456,087	2,173,265	912,304
Rates and taxes	-	553,764	553,764	-	1,124,308	1,124,308	1,678,072	642,278
Amortization of prepaid expenses	-	450,388	450,388	-	914,424	914,424	1,364,813	1,331,185
CIB report expenses	-	272,283	272,283	-	552,817	552,817	825,100	1,118,106
Miscellaneous expenses	-	39,893	39,893	-	80,995	80,995	120,868	115,625
Loss on sale of assets/derecognition	-	165,190	165,190	-	335,365	335,365	500,575	614,090
Write-off of loans	-	11,832	11,832	-	24,023	24,023	35,855	-
Sub total (B)	-	13,284,989	13,284,989	657,077	26,972,564	27,629,641	40,814,621	33,165,284
Total (A+B)	3,325,979	32,791,896	36,117,875	3,294,605	66,577,495	69,872,091	105,989,966	88,137,559



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 National Pension Board's 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:

Mr. Dungtu Drukpa

B. Non-executive Directors:

1. Dasho Kinzang Wangdi (Chairperson)
2. Dasho Phuntsho Wangdi (Director)
3. Lt. Colonel Kinzang Wangdee (Director)
4. Mr. Pema R Rinchen (Director)
5. Mr. Yonten Namgyel (Director)
6. Mr. Lam Dorji (Independent Director)

Changes in Non-executive Directors

Dasho Kinzang Wangdi (Chairperson), Cabinet Secretary, Cabinet Secretariat and Mr. Yonten Namgyel, Director, Department of Revenue and Custom has been appointed as the Director of NPB and Dasho Karma Tshiteem (Officiating Chairperson) and Mr. Choiten Wangchuk has resigned from the NPB.



2. Technical Advisory Committee (TAC) Members

1. Mrs. Tashi Pem (Chairperson)
2. Mr. Norbu Wangchuk (Member)
3. Mrs. Ugyen Choden (Member)

Changes in (TAC) Members

Mr. Kapil Sharma has resigned from the TAC.

Remuneration paid to Chief Executive Officers		
Particulars	30th June 2017	30th June 2016
Salary and allowances	1,503,925	1,279,900
PF contributions	104,734	65,050
Sitting fees	164,000	170,000
Ex-gratia paid to CEO	130,000	188,333
Total	1,902,659	1,654,950
Transaction with other related parties		
<u>Sitting fees</u>		
Non-Executive Directors (NPB)	459,000	620,000
Members of TAC	100,000	125,000
<u>Loans</u>		
Executive and Non-executive Directors	11,714,811	19,475,523
Total	12,273,811	20,220,523

28 Other disclosure

The NPPF has the following commitments as on 30th June 2017:

- a. Capital expenditure commitment of Nu. 25.5m for Real Estate development.
- b. Nu. 1.24m for purchase of land for Home Ownership Scheme.





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