

# NATIONAL PENSION AND PROVIDENT FUND

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*National Pension & Provident Fund Annual Report 2015 - 2016*

# NATIONAL PENSION AND PROVIDENT FUND

ANNUAL  
REPORT

2015 - 2016



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## EDITORIAL TEAM

Tshering Dorji C  
Chief, Planning & Research Division

Phub Dorji  
Chief, Finance & Accounts Division

Sherab Tshomo  
Planning & Research Officer

Photography:  
Ngawang Tashi Moktan  
ICT Officer

## NATIONAL PENSION & PROVIDENT FUND AT A GLANCE

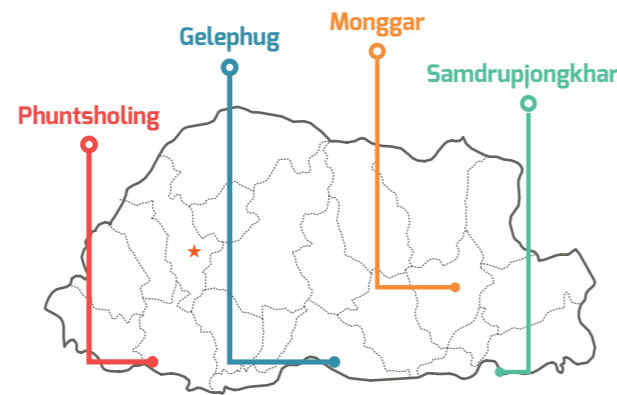
“NPPF is one of the main sources of funding for most projects, entities, joint ventures and government sectors.”



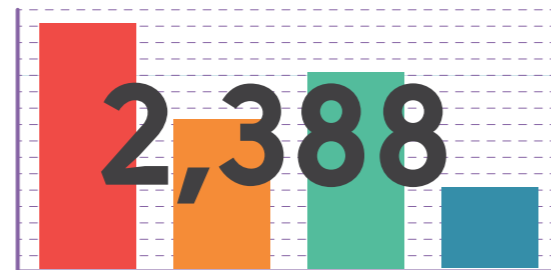
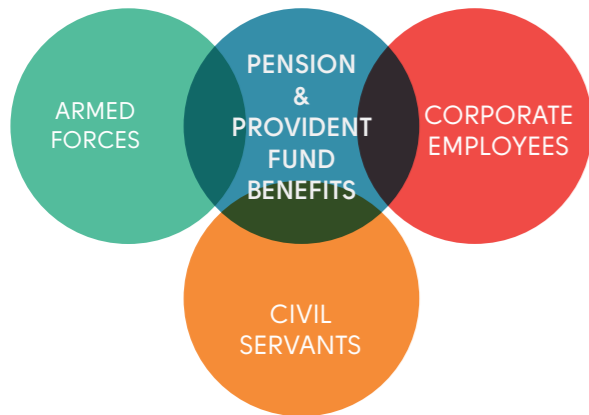
**5,355**  
PENSIONERS



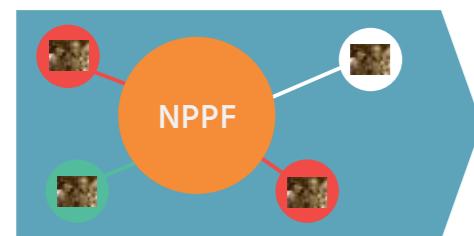
**52,399**  
MEMBERS



REGIONAL OFFICES



Collected a total Nu. 2,388 million as pension and provident fund contribution during the financial year 2015 - 2016



Distributed over Nu. **826** million as pension payment and provident fund refunds during the year 2015-2016

Provides service to **460** government agencies, corporate entities and the armed forces personnel

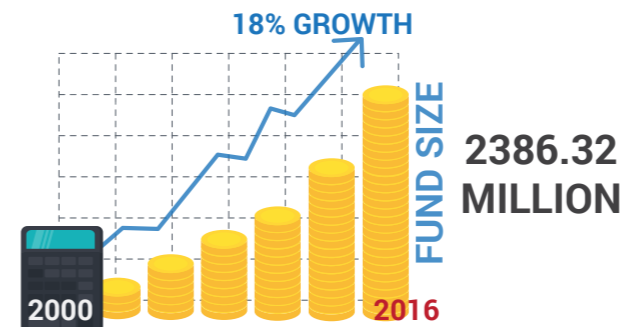


Provide affordable accommodation to **831** tenants in **92** residential buildings

**74**  
branches of banks and post offices to network with pensioners

Provides various loan facilities to the members. There are over **"14,000"** clients currently who have availed the loan facilities.

## FINANCIAL & OPERATIONAL HIGHLIGHTS



INVESTMENTS  
**2317.4**  
MILLION

TOTAL REVENUE:  
**2386.32**  
MILLION

RATE OF RETURN  
**8.5%**

## Message from THE CHAIRMAN



**DASHO KINZANG WANGDI**

*Chairman*

*Cabinet Secretary, Cabinet Secretariat, Thimphu*

*It gives me immense pleasure to report again that National Pension and Provident Fund (NPPF) has been able to declare another year of record return of 8.5%. NPPF has scaled new heights in terms of delivering its products and services and meeting the expectations and evolving needs of the individual and society. Improved education of our members, new technologies and changing business dynamics has increased the expectations to constantly improve service delivery and performance of NPPF.*

*NPPF has always been mindful of its financial sustainability, sound investments, membership coverage and contributions, member benefits and services and resource management. The board and management have been constantly working to maintain an adequate level of funding to deliver the promised benefits to members and beneficiaries, and to ensure the cost effectiveness of the administration of the pension and provident fund schemes. Maintaining the financial sustainability of the pension scheme and balancing the inflow of contributions and investment income with the outflow of benefit payments are some of the key management challenges in this area.*

*The board and management have also been ensuring that NPPF funds are invested in accordance with basic prudential rules such as profitability, safety, liquidity and diversification. NPPF is accountable to the members, beneficiaries and other stakeholders of the pension and provident fund schemes and therefore responsible for managing the schemes prudently, efficiently and equitably. This has helped NPPF maximize the rate of return and at the same time mitigate investment risks. For NPPF, which makes investments in diversified areas, standards and benchmarks are necessary because the returns on investment help support the financial sustainability of the pension and provident fund schemes.*

*Dasho Penjore, the former Chief Executive Officer of NPPF had taken NPPF to greater heights. Within a very short span of time, he had brought about immense development and changed the organizational dynamics of NPPF. NPPF continues to benefit from his Governorship at Royal Monetary Authority and will continue to hope that he will guide NPPF in all its future endeavors.*

*The National Pension Board and NPPF had been very lucky to be chaired by Aum Sangay Zam, former Secretary, Ministry of Education. Under her guidance and Chairmanship, many projects and developments were initiated and important decisions were taken which benefited all the members. National Pension Board is now stronger after having derived wisdom from outgoing Chair Aum Sangay Zam, who has resigned from the Board upon retirement from her long public service.*

*The Board also acknowledges the contribution made by Dasho Karma Tshiteem, Chairman of RCSC and Mr. Pema Wangda, former Secretary, Ministry of Labour and Human Resources. As the founding directors of the National Pension Board, Dasho Karma Tshiteem and Mr. Pema Wangda's contributions to National Pension and Provident Fund are beyond measure. As they retire from the National Pension Board, their contributions shall be remembered as important milestone in the history of NPPF. We would like to wish them happiness in all their endeavours.*

*Dasho Chewang Rinzin, Managing Director, Druk Green Power Corporation, has been instrumental in providing much needed expert guidance to the Board. Dasho's in-depth knowledge and experiences in various areas enriched discussions and helped National Pension Board take appropriate decisions in the interest of the whole country. We would like to thank Dasho for his contribution and look forward to benefit from Dasho's expertise and wide knowledge again in the future.*

*The Board would also like to acknowledge the contributions made by Lobzang Dorji, Director, Cabinet Secretariat and Mr. Choiten Wangchuk, Director General, Department of Public Accounts as Directors of the National Pension Board. Their contributions enriched the wisdoms of the National Pension Board beyond measure.*

*I would also like to welcome Mr. Phuntsho Wangdi, Secretary, Ministry of Works and Human Settlement, Mr. Lam Dorji, former Secretary, Ministry of Finance and Mr. Yonten Namgyel, Director, Department of Revenue and Customs as new board members. We hope to gain from their wide array of knowledge and experiences.*

*I have been very lucky to be able to work with strong National Pension Board members who had the strength, skills, knowledge, experience and diversity which were critical for the success of NPPF. The Board ensured that it was efficient and effective, and helped NPPF succeed. This will continue to be a priority for all times to come. The Board remains committed to ensuring that each Board member makes valuable contribution. We remain confident in the long-term growth prospects of the NPPF.*

*Once again, on behalf of all the board members, I would like to thank all NPPF employees who constantly strive to perform better every year. We are confident that the NPPF employees will continue to deliver high-quality growth and generate long-term value to all our members, pensioners, beneficiaries and clients.*

Tashi Delek.



Kinzang Wangdi  
(Chairman)

## Executive Summary

### FROM THE CHIEF EXECUTIVE OFFICER



DUNGTU DRUKPA, CEO

*NPPF is pleased to bring out its 16th Annual Report for the year 2015 - 2016. During the year, NPPF was able to make many significant investments and earn 9.11 % as return out of which 8.5% was distributed to all our members.*

*The New Member Loan which was initiated in 2015 to help our new members settle down was an instant hit among our members. Currently, there are over 745 clients and Nu. 165,343,434 has been disbursed.*

*NPPF as a responsible institution managing the social security of the public servants, has accorded highest priority to provide affordable housing loan scheme. NPPF, with support from the Government and with serious commitment of members themselves, came up with long-term plan of home ownership so that the members, when they retire from the service, would have homes of their own. The Home Loan Scheme would help members fulfill their dream of owning home (pha-chim or ma-chim) and revitalize the tradition of family wealth creation and economic security, particularly in old age. It will also be equitable, accessible and affordable and contribute to the national objective of attaining self-reliance and social cohesion. The Scheme, as an important investment portfolio, is expected to generate stable rate of return and also enhance sustainability of the pension fund. NPPF's long term objective is to provide affordable and comfortable homes across the Kingdom. This scheme will help prevent our members from being left without a proper dwelling at the end of their career in the public service.*

*To start with, NPPF constructed two model houses at Chang Debsi, Thimphu, by involving trainee students of VTI Chumey, Bumthang and using locally available materials. This project also has the prospect of opening windows of opportunities for our local craftsman and business houses. Currently, over 29 clients have availed the Home Loan facilities and many members are expected to avail the facilities over the time.*

*In an effort to align human resources and capitalize on the business opportunities, two departments led by Directors were created. This has helped NPPF build in-house capacity and provide effective delivery of pension, provident fund and other services.*

*During the year, Dasho Penjore, Chief Executive Officer, left NPPF to take charge of the bigger responsibility as the Governor of Royal Monetary Authority.*





*Honourable Finance Minister with Dasha Penjore and NPPF Staff*

# The board of DIRECTORS



**DASHO KINZANG WANGDI**

*Chairman*  
*Cabinet Secretary, Cabinet Secretariat, Thimphu*



**PEMA R. RINCHEN**

*Director*  
*Director, HOPE Project*  
*His Majesty's Secretariat*



**LAM DORJI**

*Director*  
*Former Finance Secretary*  
*Thimphu*



**YONTEN NAMGYEL**

*Director*  
*Director, DRC*  
*Thimphu*



**PHUNTSHO WANGDI**

*Director*  
*Secretary, MoWHS*  
*Thimphu*



**COL. KINZANG WANGDEE**

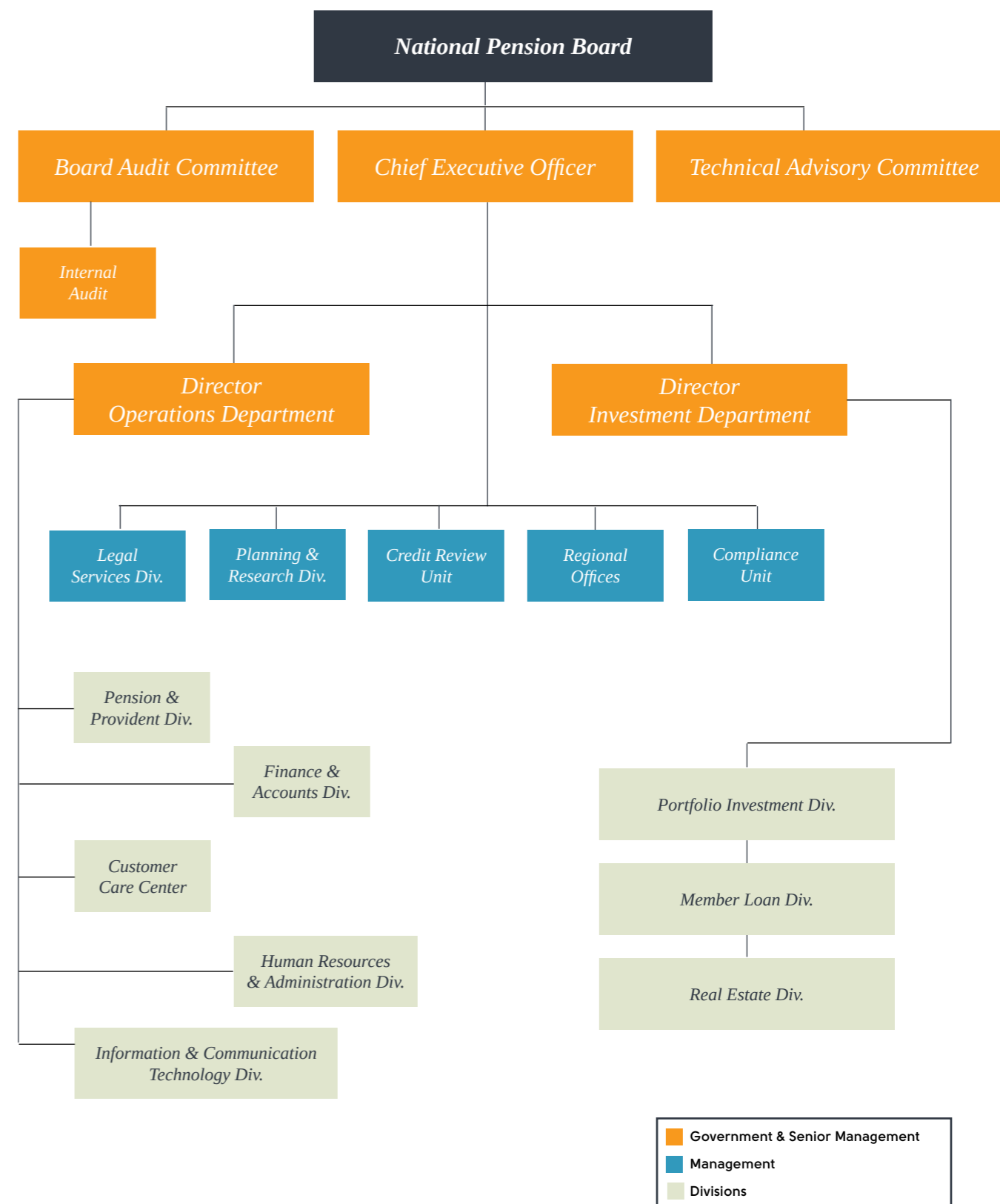
*Director*  
*Royal Bhutan Army*  
*Thimphu*

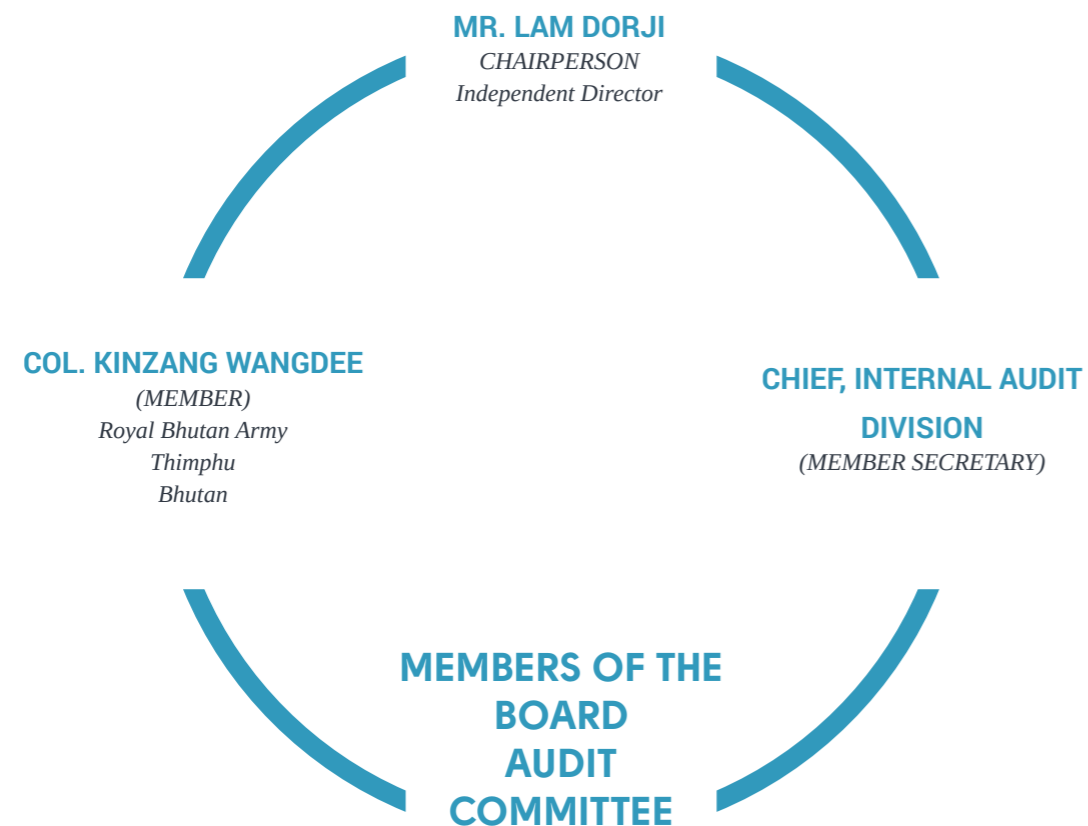


**DUNGTU DRUKPA**

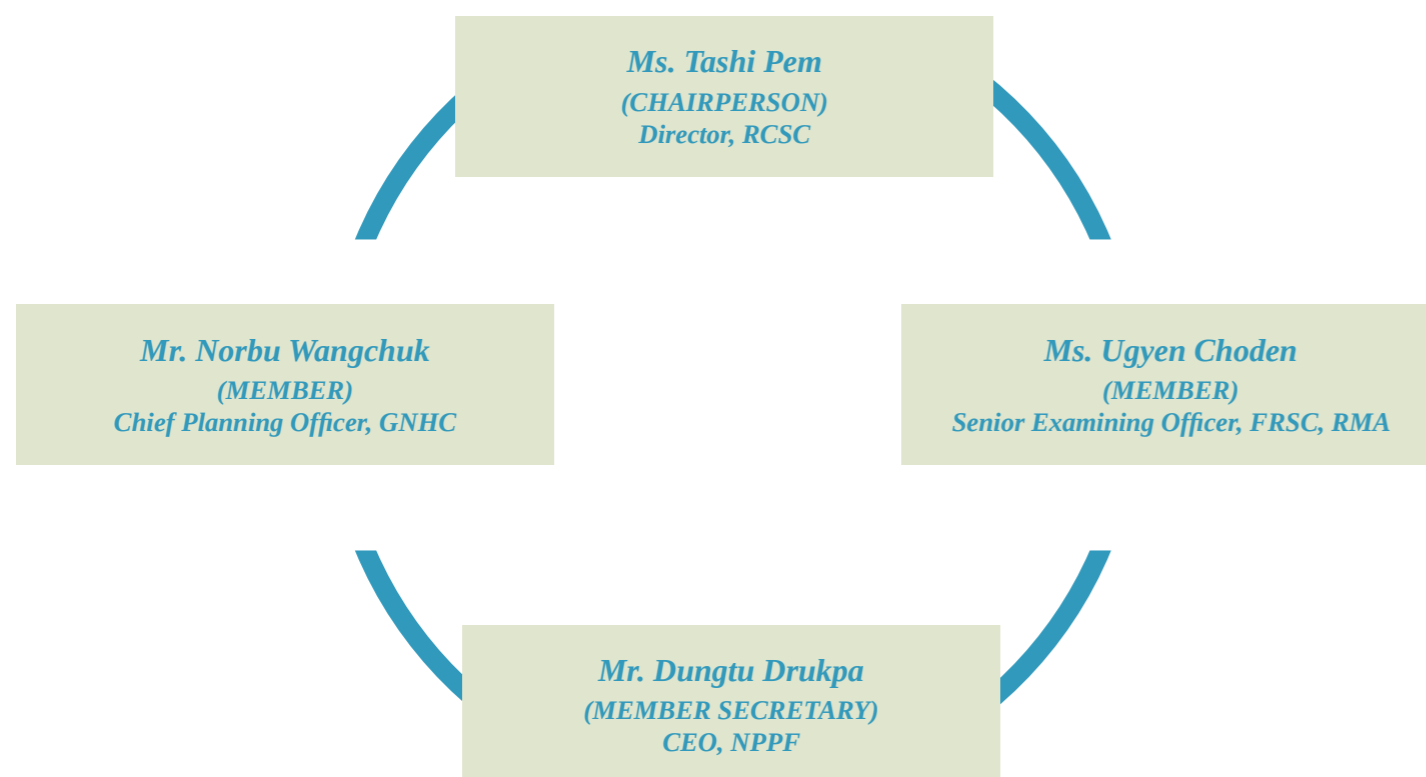
*Member Secretary*  
*CEO, NPPF*  
*Thimphu*

# Organizational STRUCTURE





### MEMBERS OF THE TECHNICAL ADVISORY COMMITTEE



### MANAGEMENT STAFF OF THE NPPF

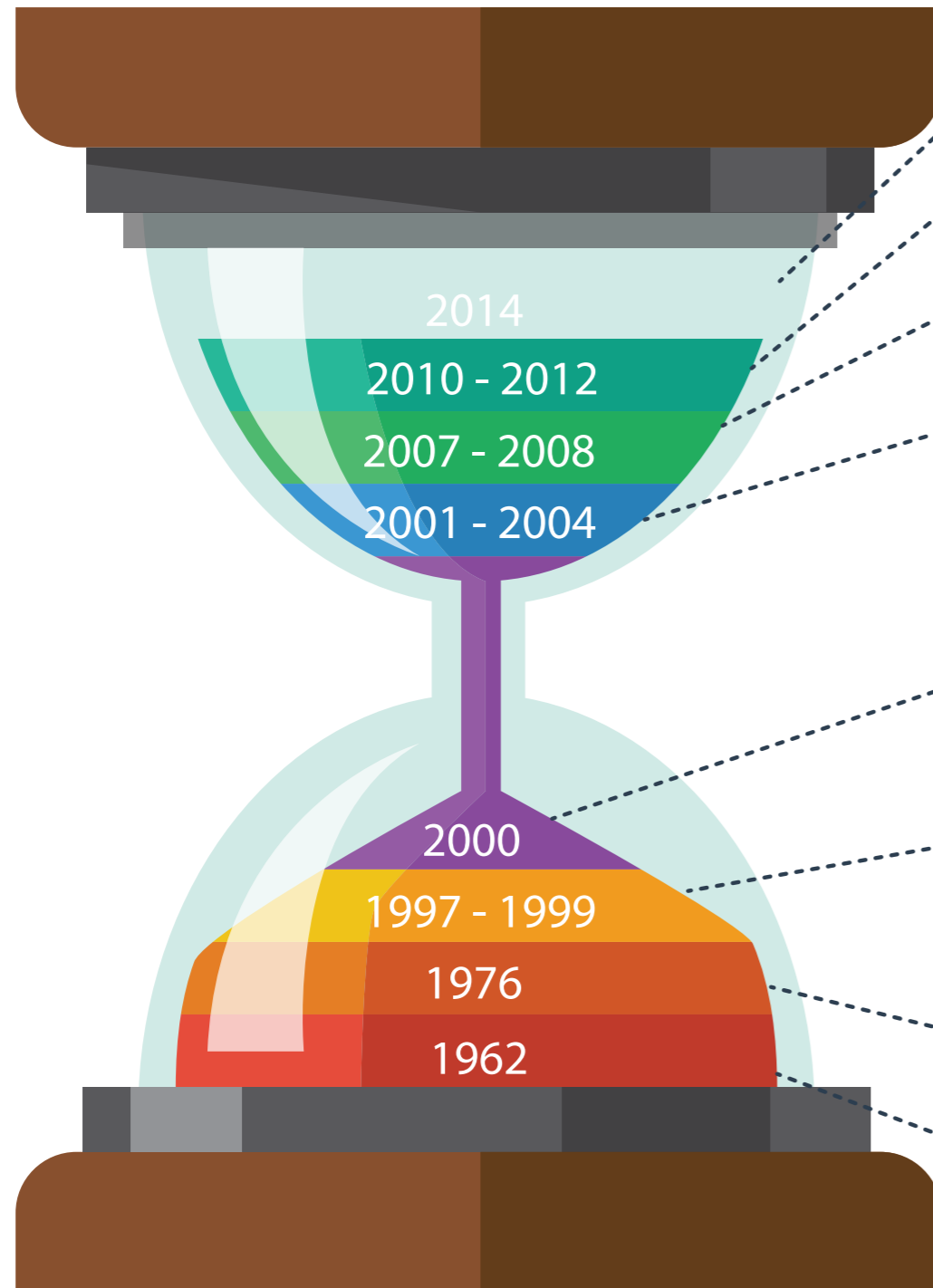
HEAD OFFICE		
CEO	NPPF	Dungtu Drukpa
Director	Investment Department	Leki Wangmo
Director	Operations Department	Sonam Yeshey
Chief	Finance & Accounts Div.	Phub Dorji
Chief	ICT Div.	Kinzang Wangdi
Chief	Planning & Research Div.	Tshering Dorji C
Chief	Internal Audit Cell	Karma Yangzom
Chief	Membership Loan Div.	Tshering Om
Chief	Human Resources and Administration Div.	Tshering Namgyal
Chief	Customer Care Center	Tshoki Lhamo
Chief	Portfolio Investment Div.	Tshering Lham
Officiating Chief	Legal Services Div.	Namgay Choden
Officiating Chief	Pension & Provident Fund Div.	Tshering Yangzom

REGIONAL OFFICES	
Gelephug	Mr. Raju Gurung, Regional Head
Phuentsholing	Mr. Chenchu, Regional Head
Samdrupjongkhar	Mr. Dawa Tshering, Regional Head
Monggar	Mr. Jigme Tenzin, Regional Head

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

# National Pension & Provident Fund

## A BRIEF HISTORY



2014

Awarded 1<sup>st</sup> Prize for efforts towards Environment Conservation by funding Dagachhu Hydropower Project, World's first cross-border clean development mechanism (CDM) project

2010 - 2012

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

2007 - 2008

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

2001 - 2004

January 2001: Investments commenced under the management of 1838 IA  
 1<sup>st</sup> July 2002: Implementation of the National Pension and Provident Fund Plan under the Executive Order, 2002  
 March 2004: Launched Education and Housing loan schemes to help members educate their children or upgrade their qualifications. Housing loan helped members build houses for themselves at affordable rates.

2000

10<sup>th</sup> March 2000: Establishment of the National Pension and Provident Fund Bureau  
 31<sup>st</sup> October 2000: Establishment of the National Pension Board  
 23<sup>rd</sup> May 2000: Establishment of 5-member Investment Management Advisory Committee now known as the Technical Advisory Committee

1997 - 1999

Under the directive of the Fourth Druk Gyalpo, UNDP studies in Bhutan recommended the government employees provident fund (GEPF) scheme to be expanded to include sectors other than the civil service providing protection to entire salaried population.  
 1998: His Majesty, the Fourth Druk Gyalpo commanded the Royal Civil Service Commission to review the post service retirement benefits and recommended on appropriate post-retirement benefits for the civil servants  
 1999: Feasibility study by the ADB project and the Government working committee.

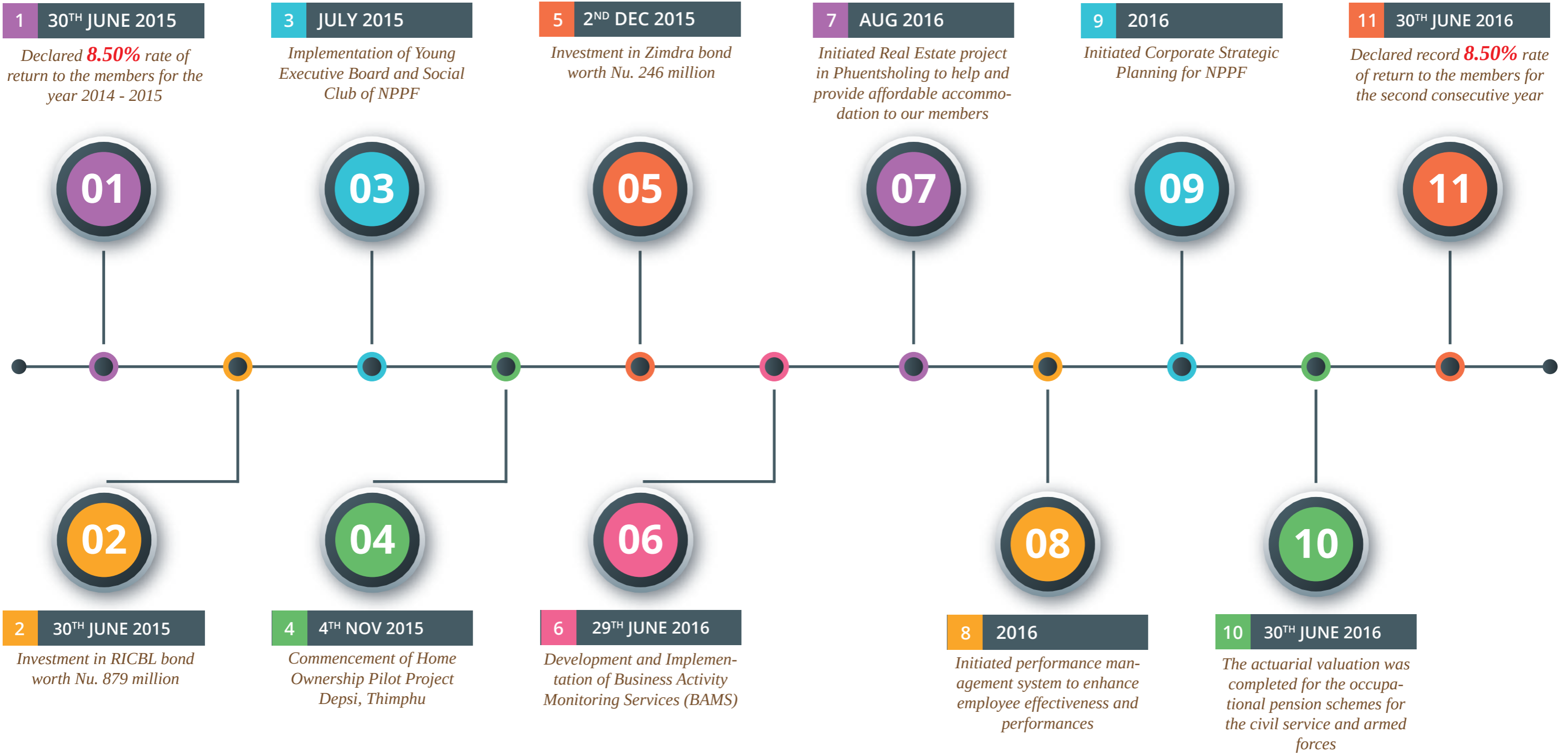
1976

The government introduced Government Employees Provident Fund (GEPF) scheme managed by the Royal Insurance Corporation of Bhutan

1962

Government introduced the Gratuity scheme

# NATIONAL PENSION & PROVIDENT FUND MILESTONES





# Introduction

## MEMBER HOME OWNERSHIP PROGRAM

Providing decent housing for citizens is a perennial challenge for nations around the world. From slum residents in the developing world to middle-income households in expensive global capitals, hundreds of millions of people struggle to find decent housing that they can afford without severe financial stress. The economic and human toll of the housing affordability gap is enormous. According to the research on *Global Affordable Housing Challenge* by Mc. Kinsey Global Institute, an estimated 330 million households are affected around the world and, under current trends; by 2025 the number of households that occupy unsafe and inadequate housing or are financially stretched by housing costs could reach 440 million or 1.6 billion people.

Bhutan is no exception to such problem. According to *Bhutan Living Standard Survey 2012 Report*, less than two-thirds of households (60%) in the country own houses. Only about one in six urban households (17%) own the place where they live; the majority (62%) rent their dwellings. In contrast, at least eight in 10 rural households (83%) own their dwellings and only 10% live on the rent. One-fifth of urban households and a smaller proportion of rural households (7%) live in rent-free housing.

Area	Owned	Rent Free	Renting				
			From Gov-ernment	From Public Corporation	From Em-ployer	From Private Person	Others
Urban	16.6	20.6	14.0	4.0	1.0	42.6	1.2
Rural	82.9	7.2	2.5	0.6	0.1	6.5	0.2
Bhutan	60.3	11.8	6.4	1.8			

Table 1: Distribution of Households by Tenure Status by Housing Provider and by Area (Urban or Rural) (%)

In Bhutan, rapid economic development in the country is ushering in major reform measures and changes in the socio-economic behavior of our population. The shift in workforce from rural farming to urban formal sector, change in family structures and social cohesion and also huge unorganized settlements in the urban areas are some of the most notable and disturbing trends that the country witnesses currently. Researches have shown that Bhutanese people, especially those residing in urban areas, spend as high as 60% to 70 % of their salary on house rent. Ideally the rent should amount to only about 30% of the salary.

Those living on low rents are also susceptible to this situation because of lack of a home to reside at the end of their retirement period or on their superannuation through which incidents of poverty are more visible with soaring cost of living and quality of life deteriorating. Another reason for the unhealthy trend is due to lack of affordable housing.

The definition of “affordable housing” varies across economies, but generally it includes a financial component (the share of income devoted to housing), a standard for what constitutes minimum socially acceptable housing with a clear idea of what income groups are affected and at what income level households should be eligible for housing assistance.

In many parts of the world, “affordability” is defined as housing costs that consume no more than 30 to 40 percent of household income.

A basic socially acceptable standard housing unit is defined by a particular community’s view of what is required for decent living and this varies from place to place. How much floor space is required in a standard unit reflects consumer choices, market conditions and regulatory constraints.

As definition of affordability differs from place to place, socially acceptable housing to inform policy making, they should define which kind of households will be the beneficiaries of policies, particularly which types of households will require direct government support.

Affordable housing can raise productivity. Affordable housing in the right locations boosts the productivity of the place by integrating lower-income populations into the economy and reducing costs to provide shelter and services.

It enables labor mobility, opening a path to rising incomes, giving households more to spend on goods and services in their neighborhoods and, over time, enabling them to move up the income pyramid and help drive Gross Domestic Product growth.



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



Figure 01: 3 BHK Plan



Figure 02: 3 BHK Timber Material View



Figure 03: 3 BHK Stone Material View



Figure 04: 3 BHK Brick Material View



Figure 05: Split Level Lower Level Plan



Figure 06: Split Level Upper Plan



Figure 07: 3D View Split Level



Figure 07: 3D View Duplex

## Objectives of the Member Home Loan Scheme

As a responsible institution managing the social security of public servants, housing needs of the members will continue to receive highest priority, particularly paving ways towards owning a home by the time member retires. NPPF, with support from the Government and with serious commitment of members themselves, proposes a long-term plan of home ownership with the following objectives:

- Providing housing scheme facility for the members as an important part of social safety net;
- Encourage public servants to own home (pha-chim or ma-chim) to revitalize the tradition of family wealth creation and economic security, particularly at old age;
- Provide equitable, accessible, and affordable (based on budget) package of home ownership programme;
- Build up the Member Home Loan Scheme as an important investment portfolio for NPPF towards generating stable rate of return and enhancing sustainability of the pension fund; and
- Contribute the overarching national objective of attaining self-reliance and social solidarity.

The NPPF has 29 clients till date who have availed the Finance Option of the Scheme. Of these twenty-three (23) clients have already completed construction and construction of six (6) more building are in progress.

## Modus Operandi on the extension of Services of Member Home Loan Scheme

The financial and social benefits of the member home loan scheme is being pursued through three broad strategies:

- **Design:-** Services of design, including choice of material supply and cost estimates
- **Finance:-** Financing, which was approved by the National Pension Board in its 80<sup>th</sup> Meeting, and
- **Build:-** Construction or building a house, which could be carried out by NPPF in-house or by outsourcing to contractors or done by the clients themselves.



### A. FINANCE

The financing is done based on RMA guidelines. In brief the RMA regulates as follows subject to change:

80% of the loan amount if the cost estimate is up to Nu. 1 Million

70% of the loan amount if the cost estimate is between Nu.1 - 2 Million

60% of the loan amount if the cost estimate is above Nu. 2 million



### B. DESIGN & FINANCE

NPPF provides the design amenities as an extra service to the Financing Component. No charge is being made for those set of sample designs and are offered free of cost by the NPPF. However the clients also have the option to choose their own design using the expertise of the NPPF for which a sum of Nu.15,000 is charged as design fee. Such design will comprise of a set of architectural, structural, electrical drawing and cost estimates.

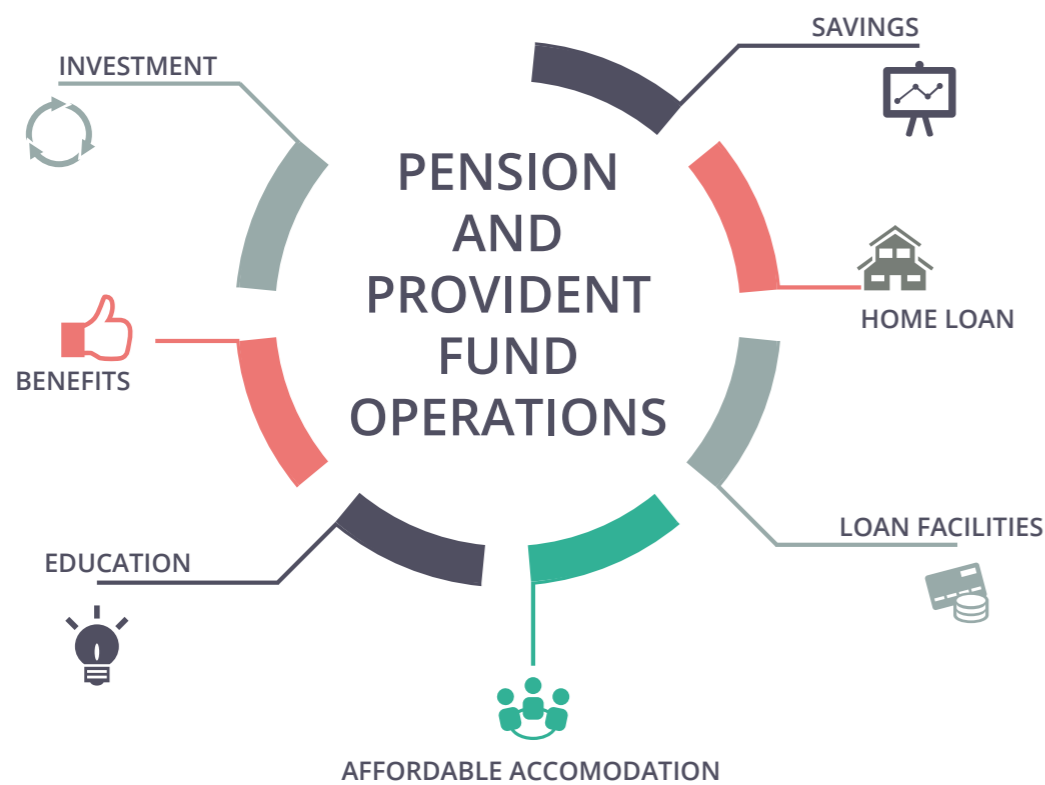


### C. DESIGN, FINANCE & BUILD

NPPF is also exploring the possibility of the build component of the scheme. For this component, the NPPF will be taking up the built component as a Turn Key Project. Turn Key Project is a system where the company undertakes the entire responsibility from design through completion and commissioning. The client only has to turn the proverbial key to make everything function, as it should.



Currently the **Member Home Loan scheme** is catering to only architectural designing and Finance. As the organizational capacity builds up, the Build Component of the Schemes will be incorporated in the long run.



The National Pension and Provident Fund schemes were introduced in 2002 as mandatory retirement saving scheme for civil servants, employees of public corporations and enterprises, and members of armed forces in order to provide income security after retirement to its members. The benefits also take several other forms such as Dependent parent benefit, Permanent disability benefit, Surviving spouse benefit, Surviving children benefit and Orphan benefit.

Both the employees and employers make matching monthly contributions to the pension and provident fund schemes. Pension benefits are paid monthly to the members whereas provident fund benefits are paid in lump sum upon retirement.

It is estimated that the annual contributions to pension and provident fund accounts constitute about 5.22% of Gross Domestic Savings.

Parameters	Civil	Armed Forces
Contribution rate Pension Provident Fund	16% 6%	19% 11%
Type of Funding	Partially funded PAYG	Partially funded PAYG
Government Support	Implicit guarantee	Implicit guarantee
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, 58 and 60	Rankwise retirement age
Benefit Level	40% of final basic pay	45% of 12 months average pay
Annual pension adjustment	CPI or 5% p.a, whichever is lower	Flat 2% p.a until Dec 2015 and CPI or 5% p.a, whichever is lower w.e.f Jan. 2016)
Minimum pension	No minimum pension	45% of maximum salary ceiling of the lowest rank
Maximum pension	40% of maximum salary scale of EX1 level in the civil service	Full pension up to 27 years and 0.5% of full pension up to 33 years

Parameters	Civil	Armed Forces
Spouse Pension	50% of deceased members' pension or Nu. 3,500, whichever is higher	30% of deceased members' pension prior to 50 years and benefit enhanced to 50% of deceased members' pension or 60% of minimum pension, whichever is higher
Eligibility age for spouse	50 years	Benefit paid on the date of contingency
Children and Orphan	3 children, less than 18 years at a time Child pension Nu. 1,200 Orphan pension Nu. 1,700	3 children less than 18 years at a time Child pension 15% of minimum pension Orphan 30% of minimum pension
Dependent Parent	50% of deceased members' pension or Nu. 3,500, whichever is higher, provided parent attained 56 years	50% of deceased members' pension or 60% of minimum pension, whichever is higher, provided parent attained 56 years
Member permanent disability	40% of final salary or Nu. 3,500, whichever is higher	30% of the members' pension payable under normal retirement scheme OR 45% of the maximum ceiling of the salary scale of the lowest rank

## Coverage: Membership Coverage and Pensioners/Beneficiaries

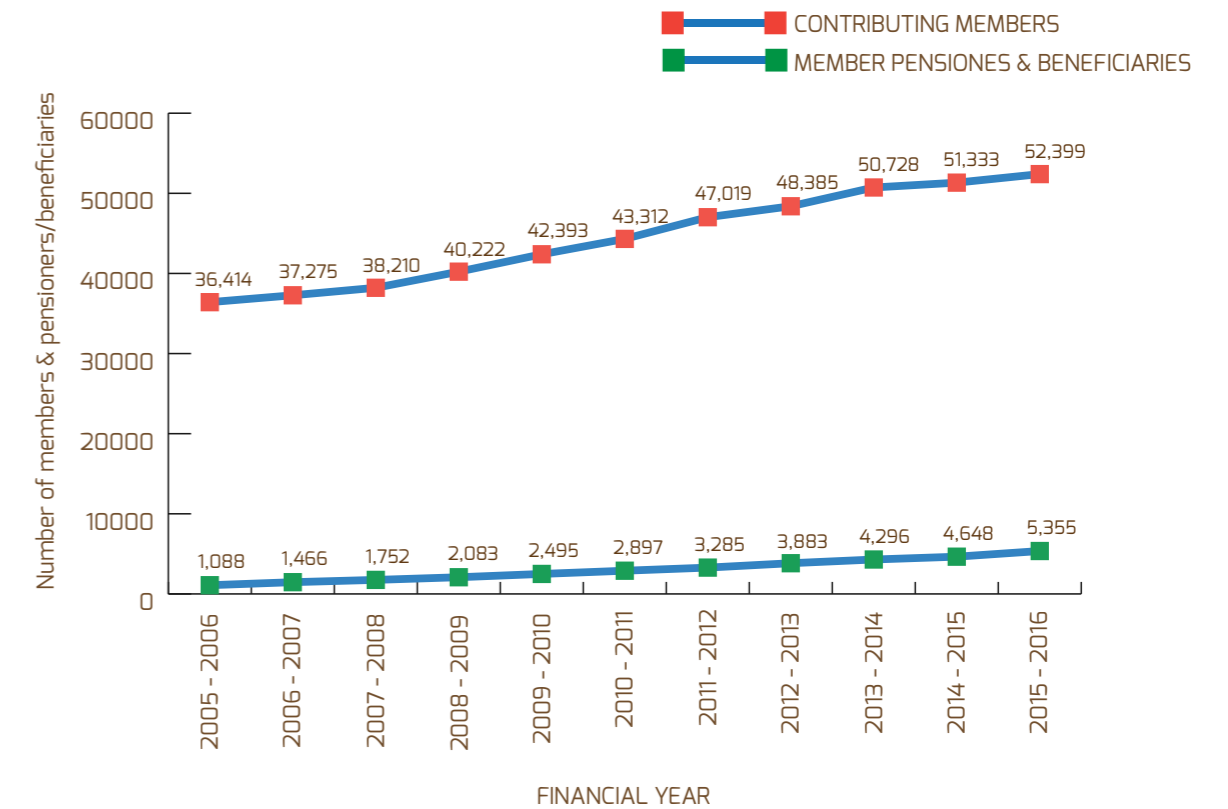
The membership of the pension and provident fund plan has been increasing over the years. As of 30<sup>th</sup> June 2016, NPPF recorded a total membership of 52,399 individual members accounting for 6.75% of the total population from 460 employing agencies registered with NPPF.

The average age of the members was 36 years and that of pensioners was 60.

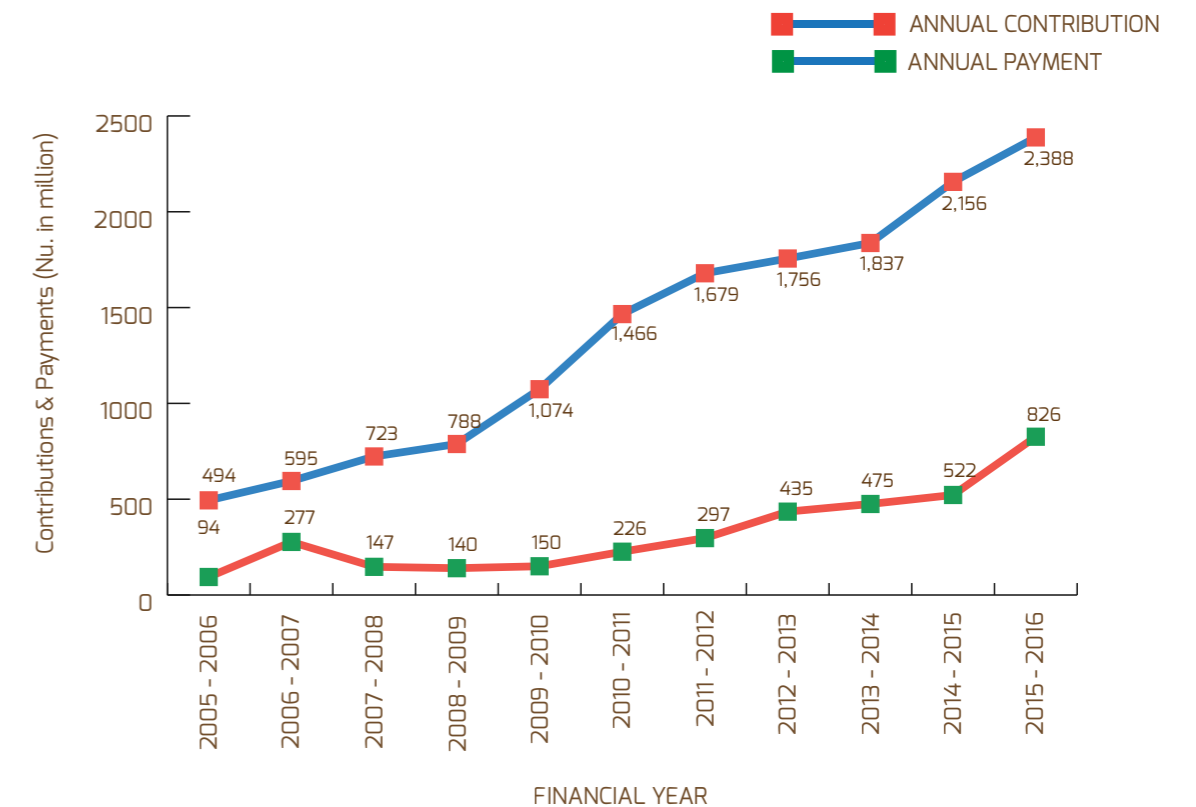
## Benefits: Contributions and Benefit Payment

A total of Nu. 2,388.68 million was received as monthly contribution toward the pension and provident fund. During the year, an increase of 10.71% was recorded against the previous year contribution of Nu. 2,156.62 million.

## Contributing Members versus Member Pensioners & Beneficiaries



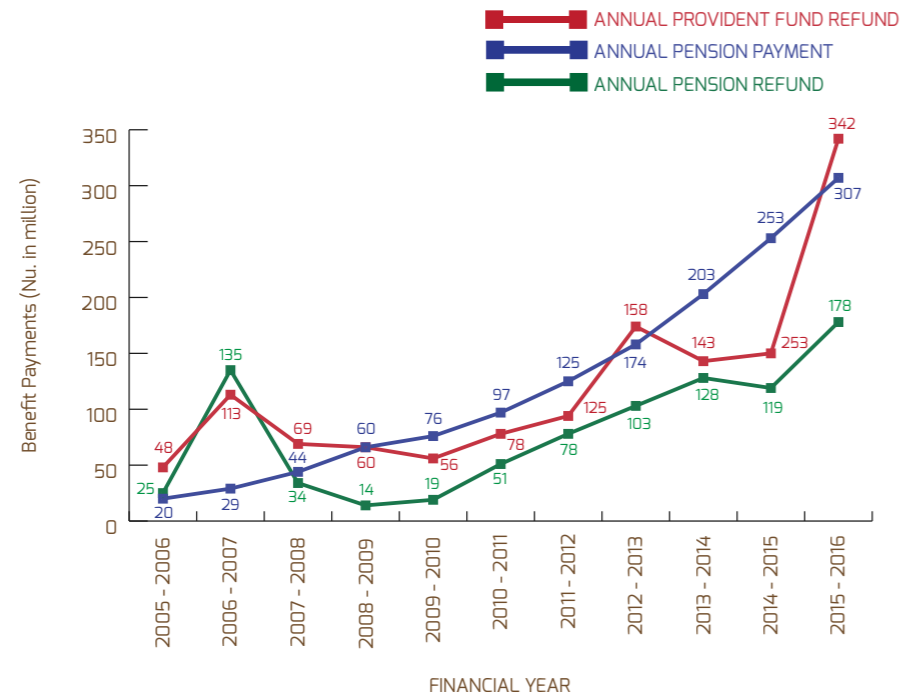
## Annual Contributions vs. Annual Payments



## Details of Benefit Payments

A total Nu.307 million was paid out as monthly pension to 5,355 pensioners and beneficiaries during the year. A total of Nu. 181 million was paid as Pension refunds and Nu. 342 million as Provident fund refunds to members after separation from their service.

## Annual pension payment, provident fund refund, and pension refund



### The Draft National Policy on the Pension and Provident Fund Scheme 2015

The Draft National Policy on Pension and Provident Fund Scheme 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 features inclusiveness, affordability and accessibility to all sections of the workforces from both formal and informal sectors for enhancing contractual savings as well as investment during saving period. The policy was presented to the Ministry of Finance for onwards submission to the government.

### Pension Delivery Outreach

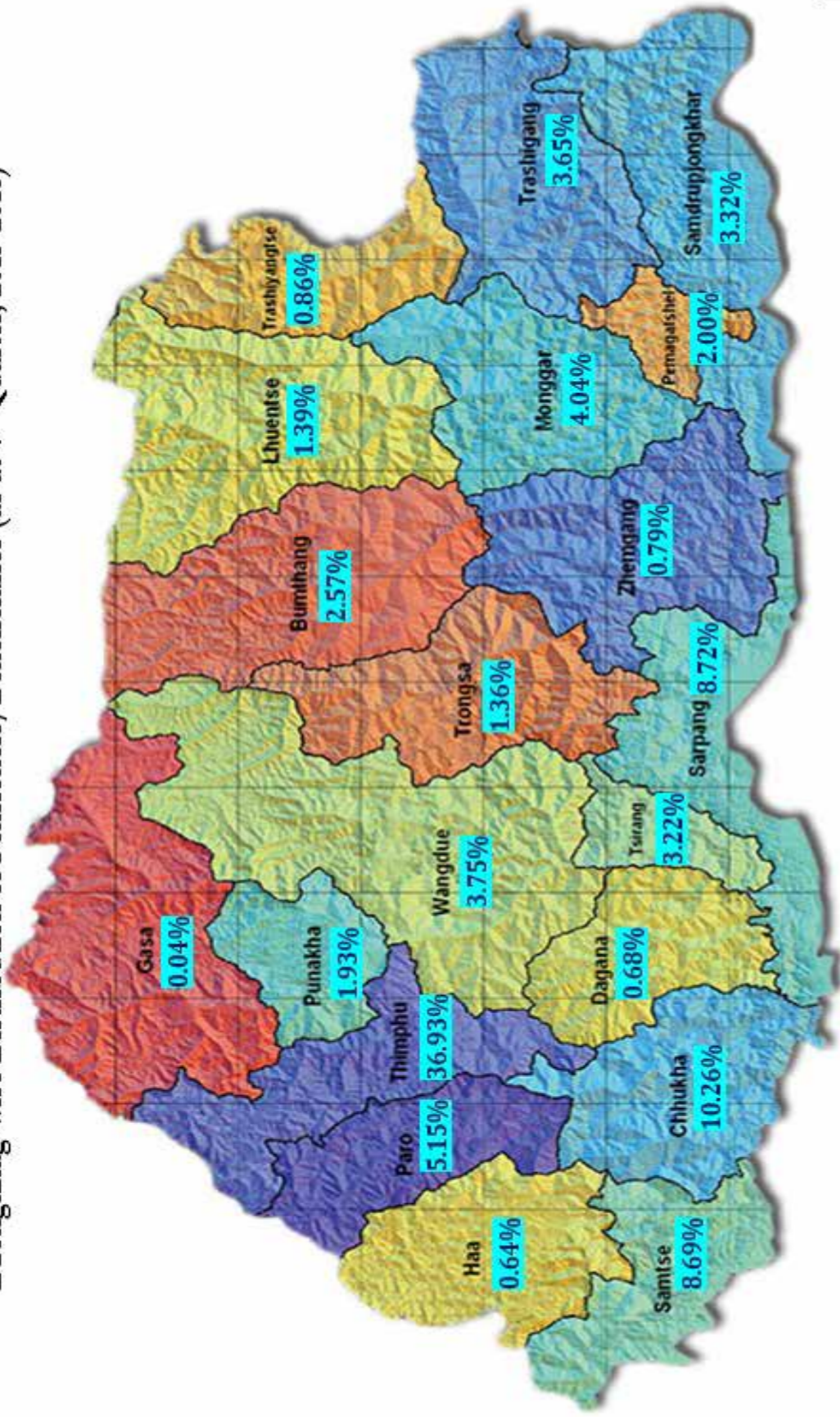
The Community Centers operated by BDBL provides Geog-banking services, taking services to the doorsteps of our members. The NPPF extended its pension delivery network through the BDBL Geog banking facility. With the enhancement of Smart card facility provided by BDBL, the NPPF will also introduce the pensioners to avail the biometric Smart Card facility to avail pension payment from various Community Centers in the coming fiscal year.

### Future Plans

The following are activities to be carried out during the coming fiscal year 2016 - 17:

- Draft procedures for contribution collection and benefit payment to the Members of the Local Government as per the Local Government Member's Entitlement Act 2016;
- Implement On-line Contribution Collection linking NPPF system to Public Expenditure Management System (PEMS);
- Review relevant sections of the pension and provident fund rules to accommodate necessary changes and enhance clarity;
- Prepare for implementing the Draft National Policy on Pension and Provident Fund Scheme;
- Review and finalize strategy for extending defined contribution provident fund and improving the sustainability of pension scheme; and
- Create national awareness workshop for members nearing retirement through the Retirement Planning Initiative.

Dzongkhag-wise Distribution of Pensioners/Beneficiaries (as at 4<sup>th</sup> Quarter, 2015-2016)



# REAL ESTATE MANAGEMENT



## Introduction

As one prominent investment avenue, NPPF has been constantly in pursuit of short-term and long-term strategic plans and operational approaches to develop and diversify investment base in real estate sector. Purchase of land with greater economic prospects, development of such lands and effective management of land and buildings are major responsibilities. Significant achievements have been made in terms of streamlining operational systems and consolidating investment plans.



Figure 01: 3 BHK Plan



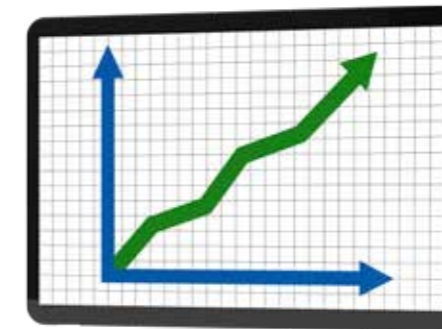
Figure 02: 3 BHK Timber Material View

## Milestones

On the real estate development front, a few major construction projects are underway. In addition to the ongoing construction of G+ 4 office building at the NPPF colony, construction of two buildings consisting of 56 units in Phuentsholing and one building consisting of 16 units at Samdrup Jongkhar are in full swing. While the project at Samdrup Jongkhar is targeted to be complete by December 2016, the project in Phuentsholing is scheduled to be complete by May 2017.

The most significant construction project undertaken during the year was the construction of a 4 BHK duplex and a 3 BHK bungalow at Depsi, Thimphu. The project was pursued on pilot basis to demonstrate to NPPF members as to how much it would cost individual members to build a house under NPPF Membership Home Loan scheme. The project was designed and financed by NPPF and built by Chumey VTI trainees and Business Incubation Unit, Chumey. The total cost of the duplex was around Nu 2.50 million and the cost of the bungalow was around 2.00 million. Hiring of laborers and procurement of construction materials through competitive process were some of the cost saving mechanisms. The project attracted several visitors of various levels who commended the project, particularly in view of the 100% engagement of VTI students. The project has been a launch pad for the NPPF to refine and consolidate ideas and strategies to venture into similar projects in the near future.

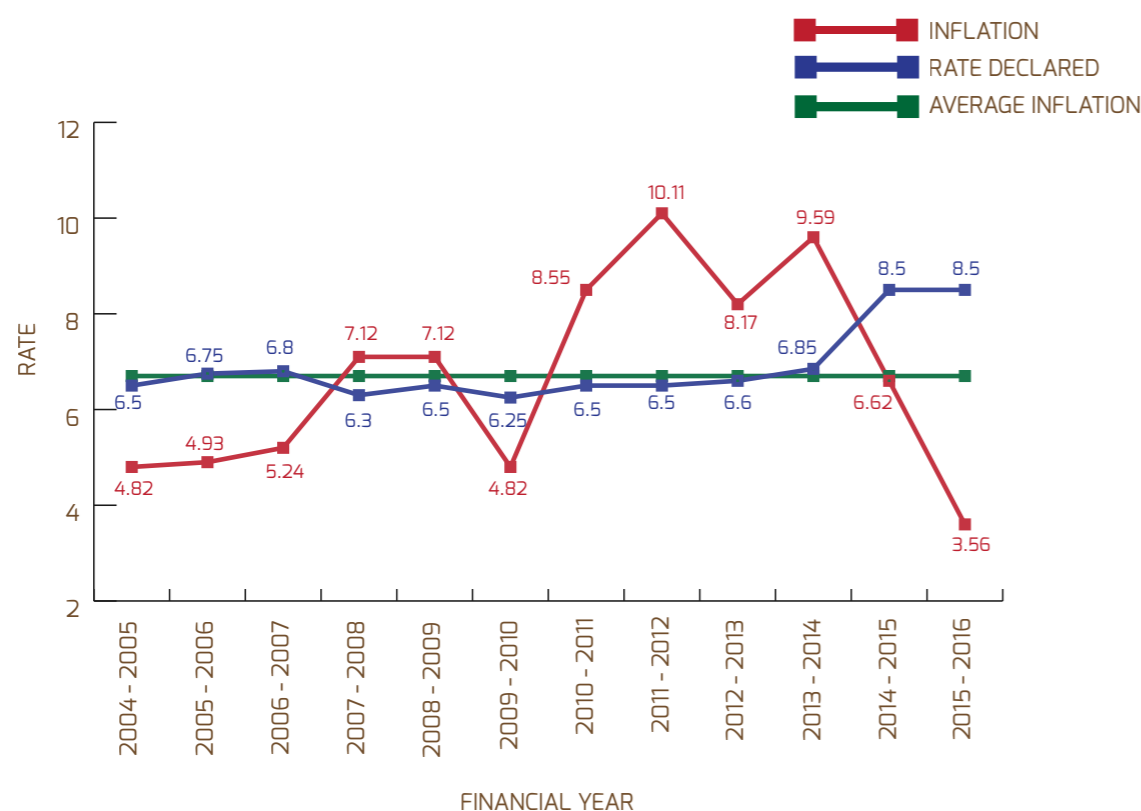
The focus of NPPF would be to draw long-term and sustainable real estate development projects and programs whereby the existing and future land can be optimally utilized. The needs of both NPPF and its members shall be incorporated thereby fulfilling the organizational mandates of providing sustainable social security benefits.



## Rate of Return

A return is a profit on an investment. It is useful for making investment decisions in order to project expected gains into the future. A major concern of NPPF is the inherent uncertainty of returns earned on assets backing pension liabilities. On one hand, good investment performance can help NPPF meet all the benefits promised and reduce required contribution. On the other hand, if assets fall short of liabilities, supplementary contributions by the members might be required to fill gaps. Therefore, the aim of investment policy is to generate sufficiently high return that helps reduce overall pension scheme costs, while at the same time controlling market fluctuations that might result in substantial worst-case risks.

Through adequate balancing of risk and return, NPPF can ensure that the risk of becoming underfunded and magnitude of underfunding do not get too large. This is crucial, because pension schemes have given guarantees to members and need sufficient funds to meet promises in all future scenarios.



In the view of the above, the Investment Management Meetings are conducted every week to help make prudent investment of the funds collected during the week and also understand the fund position of NPPF on regular basis. The exercise helped develop significant improvements in the following areas during the current reporting period:

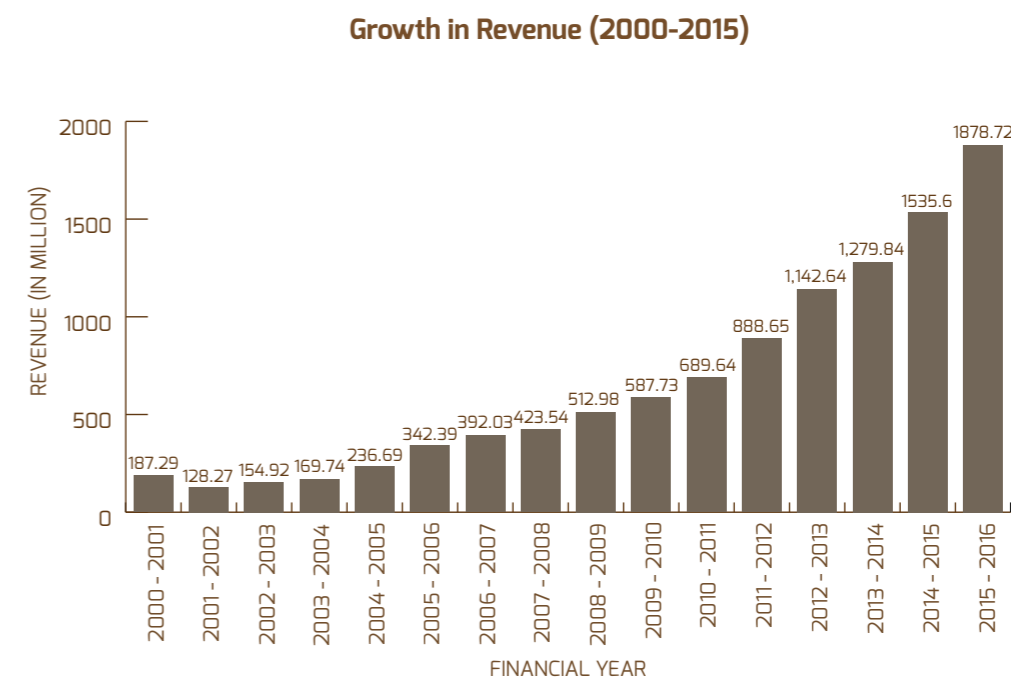
a. Minimum holdings in cash and short-term deposits, largely used in investing return and longer-term investments- Improvements in cash management.

b. Corporate Loans and loans to members constitute the largest component of overall investment portfolio (about 39%) with Non-Performing Loan (NPL) at 1.03% against the set target of 1.7% reflecting high quality of debt with good returns;

c. Share of government and corporate bond holdings also increased by 20.6% compared to the previous year.

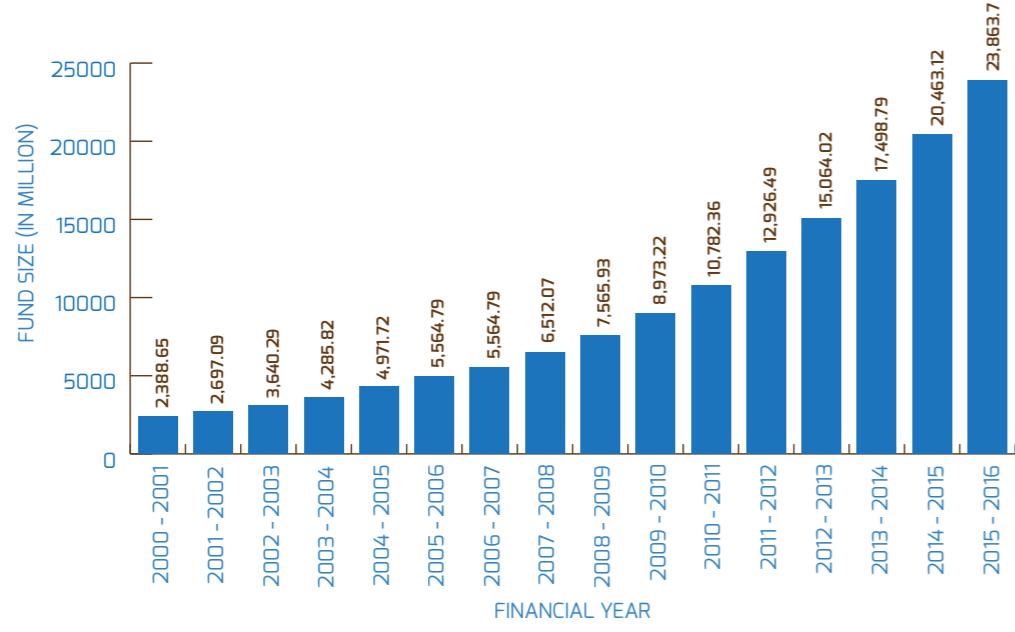
d. Fund size grew by 16.71%. As on 30<sup>th</sup> June 2016, the fund size of NPPF was Nu.23, 863.70 million of which Nu. 1,509.05 million came from additional net contributions and about Nu.1,878.72 million from gross revenue on the funds.

e. Achieved a 'record high return' on investment at 9.11% and declared 8.50% for the second time in a row compared to last 11-year average of 7 % per annum. In real terms also, 2015-2016 achieved a real rate of return of 4.94% against annual inflation recorded at 3.56%.



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

Growth in Fund Size (2000-2015)



# Investment Portfolio

## AND MEMBER LOAN SCHEMES

### i. Investment Department

During the year NPPF has made significant progress in building up the investment portfolio. The Investment Policy of NPPF revised from time to time guides the investments in different asset vehicles. For every pension company across the world, investment plays a very important role in sustainability of pension scheme.

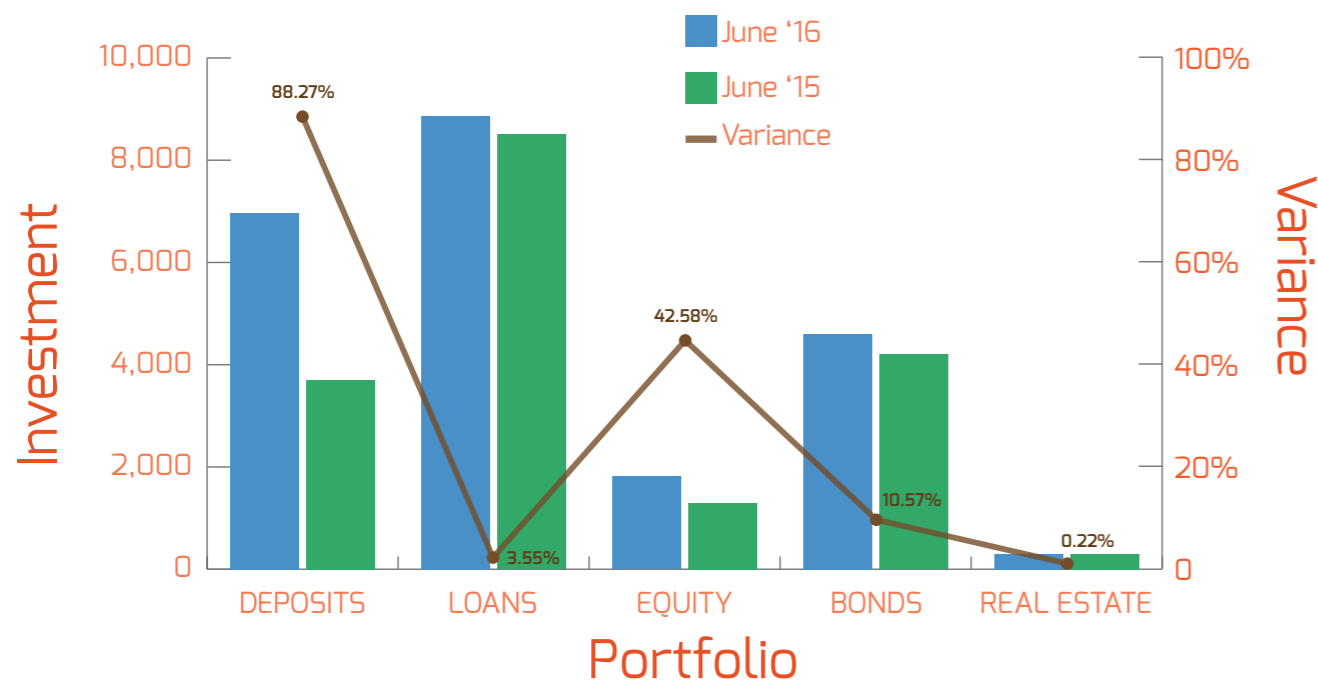
During the year, NPPF has made significant investments in Bonds, equities and corporate loans. Further, special term deposit arrangements at higher interest rates than the offer rates in the market were initiated with the commercial banks for long term purposes.

The investment portfolio has grown by 25% in June 2016 compared to June 2015. As of June 2016, there was substantial investment in deposits compared to other portfolio. The term deposits have increased by 88.27% compared to June 2015 followed by equity investment at 42.58% and other portfolio with marginal increase as compared to previous year.

The loan portfolio still records major portion of NPPF's investment portfolio with 39% followed by deposits with 31% and bonds with 20%. NPPF made significant progress in building up the investment portfolio. The Investment Policy of NPPF revised from time to time guides the investments in different asset vehicles.

NPPF has invested in equity shares of Dungsum Cement Corporation Ltd. (DCCL) worth Nu.535 million representing 8.24% of total shareholding of DCCL. This has increased NPPF's equity investment as on 30<sup>th</sup> June 2016 to Nu. 1,832.36 million, an increase of 43.9% compared to last year.

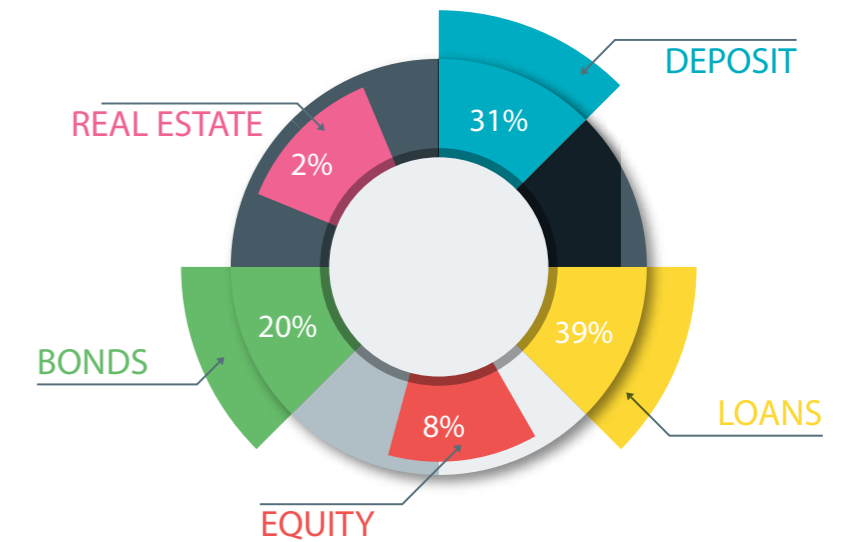
### Investment Size



The ratio of investment in corporate loan to member loan records at 45:55. During the year, NPPF has sanctioned loans to corporate entities owned and controlled by Druk Holdings and Investments Ltd. (DHI). NPPF has disbursed short-term loans amounting to approximately Nu. 1.650 billion and long-term loans amounting to approximately Nu. 250 million. NPPF has also committed to invest around Nu. 1.5 billion as consortium in Kholongchhu Hydro Electric Ltd. (KHEL). Such projects are economically viable and it is a value addition to the country's infrastructure development plans. While this will generate income during the coming years, also of note is that the income from existing loans are decreasing which is accounted by maturing level of the loans, whereby NPPF has already recovered a major portion of the principal, leading to smaller interest generation on the outstanding balance.

Investment in bonds has increased by 10.57% compared to previous year mainly due to investment in bonds worth Nu. 1.1 billion of RICBL and Zindra Food Pvt. Ltd.

### Investment Portfolio



### Future Investment Plans

NPPF looks forward for investments in hydro projects like KHEL, Nikachhu Project for long-term investment in equities and long-term loans. Further, NPPF looks forward in investing in economically sustainable private projects through consortium financing with other Financial Institutions. With the introduction of the Calendar year for 2016 - 2107 for Government Treasury bills, NPPF anticipates participation in Government Treasury bills and notes.

As part of diversification of the portfolio and considering the lack of investment avenues in the domestic market, NPPF is exploring to invest in foreign markets in close consultation with relevant agencies.

The most important investment policy of NPPF will be reviewed in close consultation with the experts to build a more robust investment policy as per the need of the economic conditions. Such policies are vital in guiding NPPF's investments, keeping in mind the pension sustainability issues across the world.







NPPF looks forward for a dynamic investment portfolio in the coming years.



## Member Loan SCHEMES

The National Pension and Provident Fund was established in March 2000 as the administrator of the Social Security Plan in Bhutan. Amongst its main responsibilities, NPPF has been entrusted with the fiduciary duty of managing funds. By 30<sup>th</sup> June 2016, NPPF recorded over 14,000 members availing credit facilities.

### Loan Products of NPPF as of 30<sup>th</sup> June 2016

	Product Name	Interest Rate
	Housing Loan - Construction	13.19
	Student Loan	8% during gestation and (9% thereof)
	5 Years Education Loan	10
	10 Years Education Loan	11
	15 Years Education Loan	12
	New Members Loan	12
	Member Home Loan	11

### The Total Loan Portfolio as of 30<sup>th</sup> June 2016

Loan Products	Loan Portfolio	Income earned during the year
Housing	2,589,148,267.55	259,522,561.10
Education	2,146,690,430.18	200,065,177.02
Student Loan	78,048,480.27	5,054,559.26
Staff Housing Loan	40,406,502.80	2,587,792.21
Staff Vehicle Loan	6,296,428.12	378,713.12
New Member Loan	132,808,941.21	8,087,747.31
<b>Total</b>	<b>4,993,399,050.13</b>	<b>475,696,550.02</b>

## Education Loan

Since the inception of the Education Loan facilities in 2004, the amount sanctioned till date has been increasing. Currently the education loan portfolio stands at Nu. 2,146.6 million against Nu.2,071.11 million in 2014 - 2015. It earned an interest of Nu.200.06 million against 182.63 million during the year against Nu. 182.63 million during the financial year 2014 - 2015.



## Student Loan Scheme

A total of 32 students availed Student loan amounting to Nu.18.8 million during the year. The scheme has earned interest of Nu.5.0 million in the year 2015 - 2016 against Nu.4.50 million in 2014 - 2015. Most students who have availed student loan had opted to take business studies and Engineering degree. The student loan has encouraged students to pursue higher education and also enhance their qualifications.

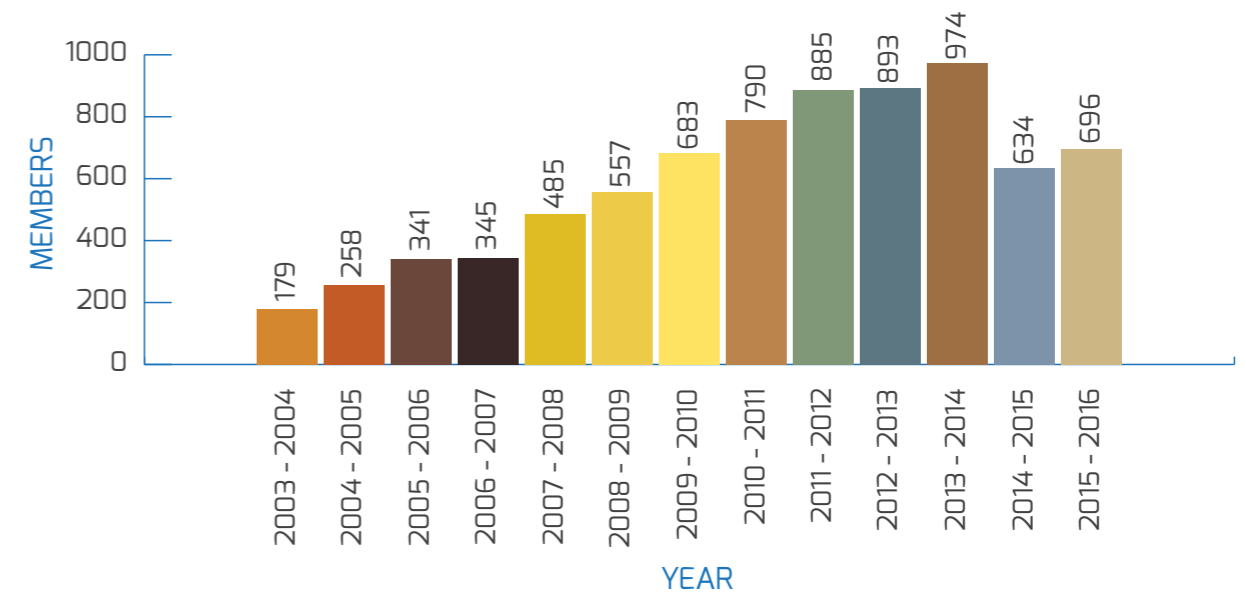
Year	No. of Students	Amount Sanctioned
Oct. 2011 - 2012	125	39.12 million
2012 - 2013	67	21.71 million
2013 - 2014	39	11.19 million
2014 - 2015	31	11.08 million
2015 - 2016	32	18.8 million
<b>Total</b>	294	101.90 million

## Member Home Loan

In order to encourage public servants to own a home to revitalize the tradition of family wealth creation and economic security, particularly in old age at an affordable rate of interest and considering the supply shortage of residential quarters for the public servant, Member Home loan was started in April 2015. A total of 29 members availed the Member Home loan by 30<sup>th</sup> June 2016.

Housing Loan portfolio stood at Nu.2,629.40 million as on 30<sup>th</sup> June 2016.

## Housing Clients



Total of 696 members have availed Housing Loan. The Non-Performing Loan rate for the financial year stands at 1.03 %

### Way Forward:

The loan portfolio covers 26% of the total members of 52,399. Understanding the needs of the members, NPPF will be considering developing new products in order to benefit the members. NPPF is also in the process of reviewing the existing products and its interest rates.

# Information & Communication Technology (ICT)

Recognizing the importance of ICT Services, NPPF initiated the various new projects such as e-service which is an online portal designed to provide information to members. The members can also apply for loan and PF claims by using online services. It also has features to view loan statements, pension statement, rental information and PF balances.

NPPF also developed and implemented Business Activity Monitoring System (BAMS), which is a particular aspect of performance management to measure the effectiveness of business processes. It keeps track of performance indicators like process/activity completion times, waiting times, success/error rates, and transactions volumes. With the usage of BAMS, the management would discover critical insights as to where inefficiencies and bottlenecks exist, and what aspects should be improved for efficient process execution.

## Future Plans

NPPF has many systems developed in different environment. These systems are partially integrated requiring manual interventions to have concrete and full data or information. The integrated solutions would enhance the Management Information System (MIS) reporting capabilities in order to make informed decisions on time.

The Integrated Solution would consist of the following core modules:

- National Pension and Provident Fund Management
- Member Loan Management
- Investment Portfolio Management
- Financial Accounting Management

In an effort to study the complete requirement of integrated solutions, NPPF has hired Ms. KPMG, global consultancy firm to study existing systems, recommend or propose new software solutions and frame Terms of Reference for the integrated solutions.

The ICT Policy will be drafted to guide NPPF in implementing ICT as an enabler for achieving operational excellence in the social security program.



## Extended Benefits & Services OF THE NPPF

# Lotedh Scheme

## INTRODUCTION

His Majesty the Fourth Druk Gyalpo, had envisioned the need for a strong social protection system to prevent old age poverty and cater to the retirement income needs of civil servants, corporate employees and armed forces way back in 1976. Accordingly, Government Employees Provident Fund (GEPF) was launched and administered by the Royal Insurance Corporation of Bhutan (RICBL). Further, His Majesty the Fourth Druk Gyalpo in 1998, issued the Royal Kasha to enhance the retirement benefits of the civil and public servants. Accordingly, NPPF was established in 2000 by taking over GEPF from RICBL and pension scheme was introduced. Today, the benevolence of His Majesty has benefited over 52,333 civil and public servants, corporate employees and members of the armed forces. As on date, there are over 5,355 pensioners being supported by NPPF.

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

As a humble tribute to His Majesty the Fourth Druk Gyalpo for pioneering the formal social protection system in Bhutan, we rededicated ourselves to His Majesty on his 60th Birth Anniversary Celebration by launching the Lotedh Scheme.

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

## Commencement

The Lotedh Scheme commenced from 1<sup>st</sup> July 2015.

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

## Contribution

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

## Insurance of the members

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

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

## Guarantee of Benefits

Upon receipt of claim, NPPF will 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 the Board of Trustees to manage the scheme professionally and transparently. The Board of Trustees comprises of seven members representing Lotedh Scheme members and NPPF management with Mr. Nima Wangdi, former Health Secretary as Interim Chairman.

## Future Prospects

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

## Status Report

As of 30<sup>th</sup> June 2016, there were 333 Lotedh Scheme members (191 from civil and 142 from Armed Forces) with combined contribution of Nu. 818,000.00 and three claims have been settled so far.

# 1. Customer Satisfaction Survey

Customer Satisfaction Survey is conducted to determine the Customer Satisfaction Index (CSI) of the Organization. The CSI provides an overall measure of customer satisfaction as reported by the Customers. It is a composite judgment of satisfaction as experienced and reported by the customers. A total of eight attributes (KRAs) were used to determine satisfaction levels. Each of these KRAs was further described through Key Performance Indicators (KPIs). Unlike 2014 - 2015, a total of 34 KPIs were used to gauge the satisfaction level for NPPF.

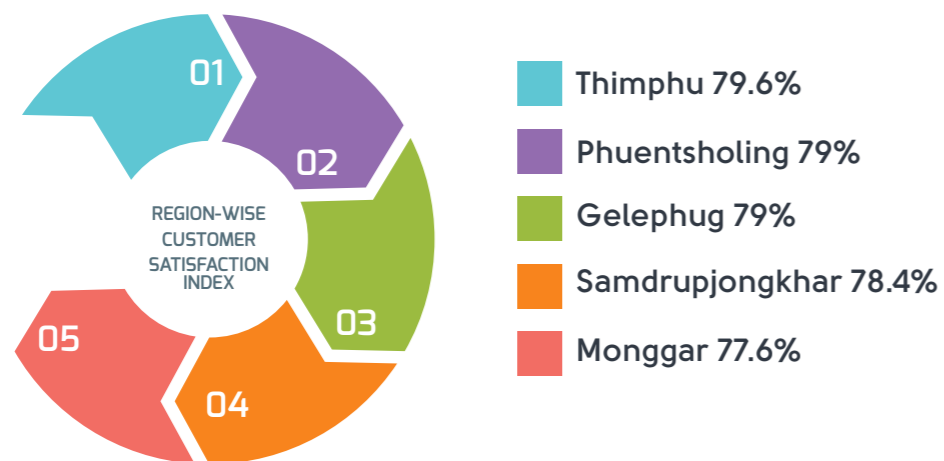
The overall CSI of NPPF for the year 2014 - 2015 was 3.93 on a scale of 5 and CSI for the year 2015 - 2016 increased to 3.96 on a scale of 5 indicating that the overall client satisfaction index has been improved.

### Key Result Areas (KRAs)

- Quality of Services
- Value for Money
- Service Efficiency
- Service Accessibility
- Customer Care
- Handling Complaints
- Trust Worthiness/Reliability
- Product/ Service Innovation

### Objectives of the Study

- Determine the quality of services from the perspective of the customer;
- Develop a composite measure of CSI to arrive at an overall rating of the current level of satisfaction
- Determine the impact of KRA reforms on service delivery through a performance matrix.
- Identify the sources and frequencies of customers' complaint in regard to service delivery
- Recommend Service Improvement mechanisms.



### CSI Region Wise

By Region wise, the CSI of Thimphu Region is the highest with 3.98 (79.6%) followed by Gelephug and Phuntsholing Region with 3.95 (79%) and 3.94 (78.8%) respectively, while the lowest are Samdrupdzongkhar and Monggar with the lowest CSI of 3.92 (78.4%) and 3.88 (77.6%) respectively.

# 2. Organizational Climate Survey

Organizational Climate Survey (OCS) is an initiative to strengthen the human resource base through adoption of effective human resource management and development practices.

The objectives of the OCS are:

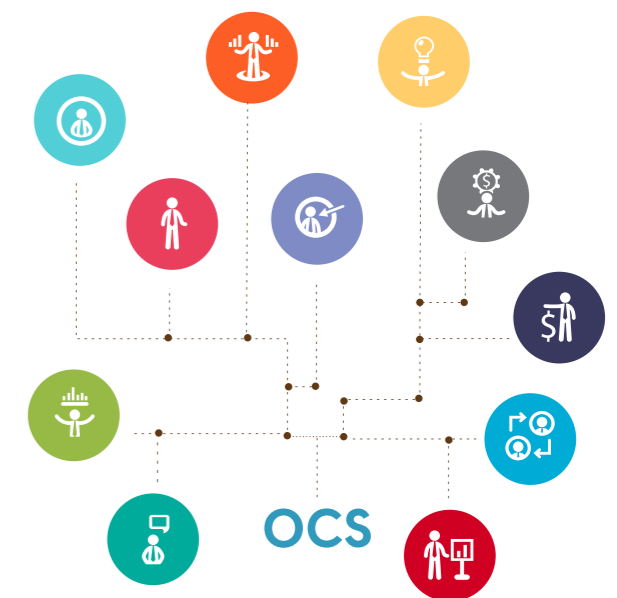
- To study the actual organizational climate of NPPF
- Measure its employee satisfaction and determine its employee engagement and
- Use the objective evidences and findings generated to take informed decisions on how to improve its existing organizational climate

The organizational Climate index of NPPF for the year 2014 - 2015 was 3.97 on a scale of 5, which is in the verbal rating of good.

The Organizational Climate Index (OCI) of NPPF for the year 2015 - 2016 is 3.92 on a scale of 5. In terms of verbal interpretation, the organizational climate of NPPF is good indicating that the employees are satisfied with NPPF.

### Key Result Areas (KRAs) are under:

- Organizational Goal
- Work Environment
- Work System and Process
- Communication system and Process
- Employee Performance Policy
- Performance Management
- Salary and Allowance
- Training and Career Development Opportunity
- Decision making process and Implementation
- Conflict Resolution
- Perception on Leadership
- Perception on Employee by leaders/ Managers
- Employee Relationships
- Employee Commitment
- Employee Engagement and effectiveness
- Perception on the NPPF board





## Social Club of NPPF

CONTRIBUTING TO THE SOCIETY

The former CEO of NPPF, DASHO PENJORE, initiated and established the Social Club to inculcate the spirit of volunteerism among the employees on 1<sup>st</sup> August 2015. Since its initiation, the Social Club of NPPF has been actively serving as the focal point between the management and NPPF officials and staff.

The Social Club has been involved in coordinating office Rituals, recreational activities and attending to the welfare needs in times of sickness and death of relatives of the staff. The Club has also built and promoted good relationship with other organizations and rendered utmost support services. The Club always strives for connecting communities through social activities for better society.



Cleaning Campaign in collaboration with Greener Way, Thimphu



Labour Support for Construction of Multi-Purpose Trail from Changangkha to Buddha Point

# Social Activities: 2015 - 2016

ACTIVITIES CARRIED OUT BY SOCIAL CLUB DURING THE YEAR 2015-2016



NPPF staff participating in International Women's Day



Office Rimdro at the Head Office



Office Rimdro at the Head Office



Blood Donation at the Head Office



Salang Tendrel at Debsi for Home Loan pilot project



Hoisting of National Flag during National Day



NPPF staff participating in International Women's Day



Office Picnic



Launching of e-Services



Blood Donation at the Head Office

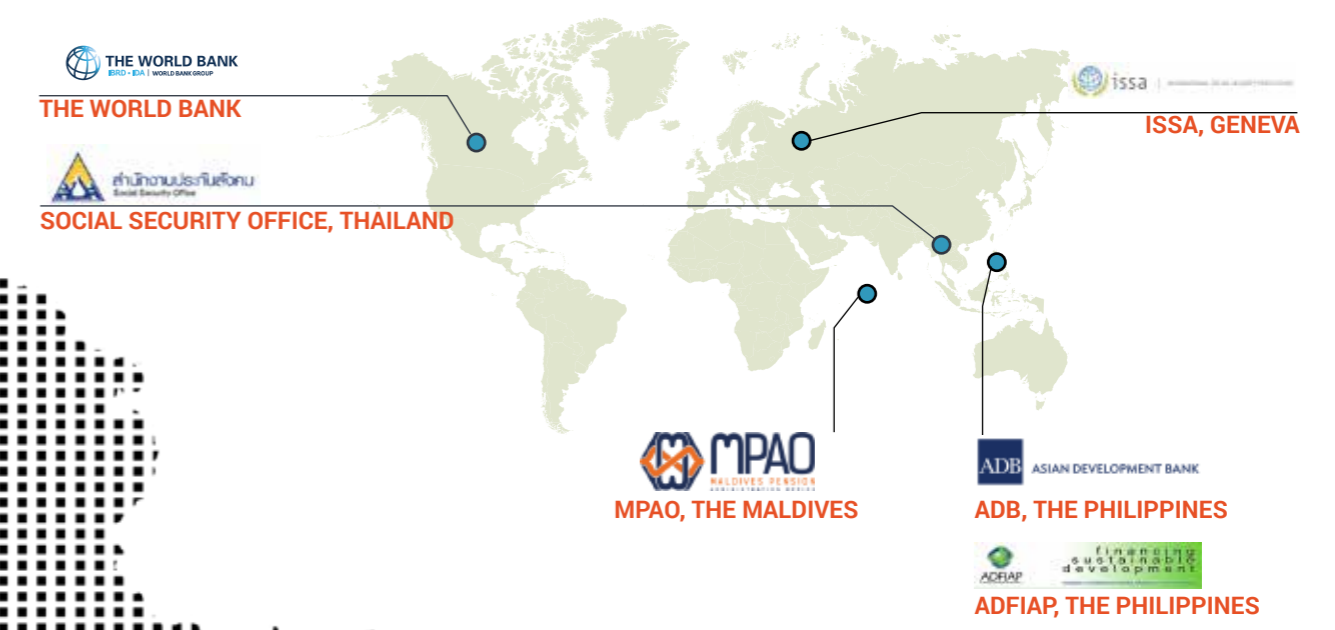


Blood Donation at the Head Office in collaboration with JDWNRH



International Women's Day

# NPPF and the World - Networking beyond borders



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

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

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

- GELEPHU REGION**
1. Tsirang
  2. Sarpang
  3. Dagana
  4. Zhemgang
  5. Bumthang
  6. Trongsa

- SAMDRUPJONGKHAR REGION**
1. Pemagatshel
  2. Wamrong
  3. Thrimshing

- MONGGAR REGION**
1. Trashigang
  2. Lhuntse
  3. Trashiyangtse
  4. Monggar

# The Way Ahead

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

While the NPPF is striving firmly towards achieving its objectives governed by existing rules and regulations, it has been facing several challenges and opportunities. The membership of NPPF is only around 15% of the current workforce (6.75% of the total population) in the formal sector driven by educational and economic transformation. The expansion of membership to the rest of the uncovered workforce (Inclusive policy) as mandated in Labour and Employment Act is an urgent matter to be pursued. Likewise exploring viable investment avenues to improve pension sustainability and also providing decent returns to members fund is a mounting task.

With fiduciary duty to uphold member funds and in order to provide modest returns to the members, revision of current existing loan products and services and research and development of new products are also seen as important tasks for NPPF to achieve.

In order to cope with the requirements of the socio-economic development of the country, and to assess the effectiveness of the strategies of NPPF towards that, the Management initiated an in-house Corporate Strategy Planning for three years. The Corporate Strategy is expected to help NPPF in devising, implementing, and managing market-defining, growth-driving strategies.

Corporate Strategy for NPPF will be strong enough to meet the needs of the marketplace, yet flexible enough to quickly adapt to any changes. It outlines a field-proven framework that can be followed and its implementation can strengthen NPPF's competitive advantage while ensuring buy-in and implementation by every staff, at every level.

## Approval of the Financial Statements

The Technical Advisory Committee (TAC) and Board Audit Committee (BAC) reviewed the Financial Statements for the financial year ended 30<sup>th</sup> June 2016 during its 1st Joint sitting held on 7<sup>th</sup> September 2016, 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 88<sup>th</sup> meeting held on 15<sup>th</sup> September 2016.

The NPB, during the meeting, declared return of 8.50% (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**

We have audited the accompanying financial statements of **NATIONAL PENSION AND PROVIDENT FUND (The Fund)**, which comprise the Statement of Financial Position as at 30<sup>th</sup> June 2016, 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.

**Management's Responsibility 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**Opinion**

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of **The Fund** as at 30<sup>th</sup> June 2016, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS) Phase I.

**Emphasis of matter**

No Matter of Emphasis is reported.

**Report on Other Legal and Regulatory Requirements**

We report that:

- 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.
- 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.
- 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.

Place : New Delhi

Dated : 04/10/16

For K R A & CO.  
FRN 020266N  
Chartered Accountants

  
Rajat Goyal  
Partner

Mem. No. 503150



NATIONAL PENSION AND PROVIDENT FUND (NPPF)

THIMPHU- BHUTAN

Annexure as referred to under "Other Legal Regulatory Requirements" of our report of even date for the year 2015-2016

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 108.52 million which comprises of reversal of provision of Nu. 103.82 million for Loans and provision of Nu. 4.70 million for diminution in value of shares during the year 2015-16.

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 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 accounts are regular as on 30.6.2016. The outstanding balances of these loans are amounting to Nu. 19.48 million as disclosed in Note No 27 as on 30.06.2016.

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. 15.84 million as on 30<sup>th</sup> June 2016 is less then the corresponding amount of Gratuity Investment of Nu. 17.28 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 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.

Place : New Delhi  
Dated : 04/10/16

For K R A & CO.  
FRN 020266N  
Chartered Accountants

Rajat Goyal  
Partner

Mem. No. 503150



### Statement of Financial Position as at 30<sup>th</sup> June 2016

Particulars	Note	2016	2015 Restated
<b>Assets</b>			
Cash and cash equivalents	4	1,852,022,745	2,804,375,171
Term deposits	5	5,409,000,000	2,530,000,000
Receivables	6	603,582,082	447,991,785
Inventories	7	4,115,631	1,548,160
Other assets	8	4,653,875	18,547,162
Investments in equity shares	9	1,815,200,361	1,273,124,181
Investments in bonds	10	4,628,141,395	4,185,852,748
Loans	11	8,864,865,604	8,560,630,801
Gratuity investment	13	17,281,858	14,751,244
Property and equipment	14	652,635,227	604,580,279
Intangible assets	15	12,202,495	4,783,580
<b>Total Assets</b>		<b>23,863,701,273</b>	<b>20,446,185,111</b>
<b>Liabilities</b>			
Other liabilities	16	76,960,989	50,439,232
Gratuity liability	13	15,839,196	15,025,765
Grant liability		5,723,745	6,677,703
Lapsed fund	17	9,792,167	6,936,872
Reserve		432,413,966	303,269,735
Net Member's Defined Contribution(DC) plan	18c	4,993,357,466	4,418,392,257
Net returns credited to Member's DC plan	19c	2,725,078,328	2,275,747,481
Net Member's Defined Benefit (DB) plan	20	15,604,535,416	13,369,696,066
<b>Total liabilities</b>		<b>23,863,701,273</b>	<b>20,446,185,111</b>

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

Place: New Delhi  
Dated: 04/10/16

  
Dingtuk Drukpa  
Chief Executive Officer


  
Dasho Karma Tshiteem  
Officiating Chairperson

### Statement of Comprehensive Income for the year ended 30<sup>th</sup> June 2016


Particulars	Note	2016	2015 Restated
<b>Income</b>			
Income from term deposits		425,180,871	226,175,539
Income from loans	21	848,470,450	879,661,502
Income from bonds	22	419,423,851	258,340,788
Rental income	23	51,709,551	49,338,566
Dividend income	24	130,426,128	96,708,909
Other income	25	3,513,428	7,162,336
<b>Total Income</b>		<b>1,878,724,278</b>	<b>1,517,387,640</b>
<b>Operating expenses</b>			
DC management expenses	26b	28,965,604	25,184,690
DB management expenses	26b	59,205,583	47,795,836
Depreciation	14	21,545,528	22,577,068
Amortization of intangible assets	15	1,747,285	1,390,791
Provisions for diminution of equity share	9	(4,704,180)	(10,083,156)
Provisions for loans as per the RMA PR 2002	12	(103,815,048)	(181,357,630)
<b>Total operating expenses</b>		<b>2,944,773</b>	<b>(94,492,401)</b>
<b>Surplus for the year</b>		<b>1,875,779,505</b>	<b>1,611,880,041</b>
<b>Other Comprehensive Income</b>			
Actuarial gain/(loss) on NPPF employee benefit	13	331,448	516,182
<b>Total Other Comprehensive Income</b>		<b>331,448</b>	<b>516,182</b>
<b>Total Comprehensive Income for the year</b>		<b>1,876,110,953</b>	<b>1,612,396,223</b>
<b>Surplus distribution</b>			
Return on member's DC plan -Civil		425,840,359	361,840,758
Return on member's DC plan -Armed Forces		160,449,385	140,367,661
Return on member's DB plan -Civil		901,058,069	752,319,396
Return on member's DB plan -Armed Forces		262,830,649	222,869,141
Transferred to general reserve		125,601,043	134,483,085
Transferred to actuarial gains/(loss) reserve on NPPF employee benefit		331,448	516,182

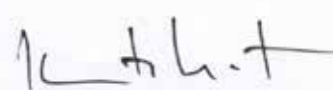
This is the Statement of Comprehensive Income referred to in our report of even date

For K R A & Co  
FRN 020266N  
Chartered Accountants

  
Rajat Goyal  
Partner  
Membership No. 503150

Place: New Delhi  
Dated: 04/10/16

  
Dingtuk Drukpa  
Chief Executive Officer

  
Dasho Karma Tshiteem  
Officiating Chairperson

Statement of Cash Flows for the year ended 30<sup>th</sup> June 2016

Particulars	2016	2015
<b>Cash Flow from Operating Activities</b>		
<b>Receipts from:</b>		
Interest from term deposits	288,557,836	215,695,453
Interest from loans	839,573,762	922,322,216
Income from bonds	405,623,056	188,823,287
Rental income	51,514,683	49,298,319
Dividend income	130,426,128	96,807,472
Other Income	2,890,918	6,724,560
<b>Payments for:</b>		
DC & DB management expenses	89,425,984	65,781,620
Security deposit to/(from) suppliers	(567,906)	(445,115)
Security deposit to/(from) tenants	(242,943)	(1,336,330)
<b>Net Receipts from Operating Activities</b>	<b>1,629,971,248</b>	<b>1,415,671,132</b>
<b>Cash Flow from Investing Activities</b>		
<b>Payments for:</b>		
Increase/(decrease) in deposits	2,883,296,500	510,000,000
Increase/(decrease) in loans to entities	157,301,276	(328,636,317)
Increase/(decrease) in shares and bonds	967,660,647	2,163,450,748
Increase/(decrease) in member loan scheme	105,985,822	94,518,496
Increase/(decrease) in purchase of fixed assets (Including Capital work in progress)	(19,115,229)	54,298,031
<b>Net Cash Flow from Investing Activities</b>	<b>(4,095,129,016)</b>	<b>(2,493,630,957)</b>

Statement of Cash Flows for the year ended 30<sup>th</sup> June 2016

continued

Particulars	2016	2015
<b>Cash Flow from Financing Activities (Member Transactions)</b>		
<b>Receipts from:</b>		
Contributions to the NPPFP - DC	597,076,989	572,879,269
- DB	1,248,541,998	1,216,837,513
Contributions to the AFPPFS - DC	186,167,735	140,222,512
- DB	310,301,582	230,213,558
Contributions to the NPPFP-ESP/GSP - DC	338,146	147,721
<b>Payments of refunds and pensions:</b>		
NPPFP - DC	275,311,562	187,466,578
- DB	383,281,475	281,284,476
AFPPFS - DC	66,416,597	59,141,561
- DB	104,611,474	92,082,818
<b>Net Cash Flow from Financing Activities</b>	<b>1,512,805,342</b>	<b>1,540,325,141</b>
Net movement in cash and cash equivalents	<b>(952,352,426)</b>	<b>462,365,316</b>
Opening cash and cash equivalents	2,804,375,171	2,342,009,856
Closing cash and cash equivalents	1,852,022,745	2,804,375,171

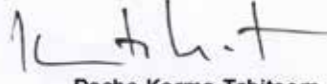
This is the Statement of Cash Flows referred to in our report of even date

For K R A & Co  
FRN 020266N  
Chartered Accountants

  
Rajat Goyal  
Partner  
Membership No. 503150

Place: New Delhi  
Dated 04/07/16

  
Dzungtu Drukpa  
Chief Executive Officer

  
Dasho Karma Tshiteem  
Officiating Chairperson

## 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 30<sup>th</sup> 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 1<sup>st</sup> 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.

### Statement of Changes in Reserve for the year ended 30<sup>th</sup> June 2016

Particulars	Unclaimed contribution/refund <sup>1</sup>	Lapsed Fund <sup>2</sup>	Other unclaimed monies <sup>3</sup>	Actuarial gains/(loss) <sup>4</sup>	General reserve <sup>5</sup>	Total
<b>Balance as at 1st July 2015</b>	<b>48,544,224</b>	<b>7,689,082</b>	<b>1,664,605</b>	<b>3,013,323</b>	<b>242,358,500</b>	<b>303,269,735</b>
Transferred from Statement of Comprehensive Income	-	-	-	331,448	125,601,043	125,932,491
Transferred during the year	-	1,649,064	581,924	980,751	-	2,230,988
Adjustment of gratuity liability <sup>4</sup>	-	-	-	980,751	-	980,751
Payments from reserve	-	-	-	-	-	-
<b>Balance as at 30th June 2016</b>	<b>48,544,224</b>	<b>9,338,146</b>	<b>2,246,530</b>	<b>4,325,522</b>	<b>367,959,543</b>	<b>432,413,966</b>
<b>Statement of Changes in Reserve for the year ended 30th June 2015 (Restated)</b>						
Particulars	Unclaimed contribution/refund	Lapsed Fund	Other unclaimed monies	Actuarial gains/(loss)	General reserve	Total
<b>Balance as at 1st July 2014</b>	<b>48,544,224</b>	<b>7,689,082</b>	<b>1,671,256</b>	<b>-</b>	<b>107,875,416</b>	<b>165,779,978</b>
Transferred from Statement of Comprehensive Income	-	-	-	516,182	134,483,085	134,999,267
Transferred during the year	-	-	1,845	-	-	1,845
Adjustment of gratuity liability <sup>4</sup>	-	-	(8,496)	2,497,141	-	2,497,141
Payments from reserve	-	-	-	-	-	(8,496)
<b>Balance as at 30th June 2015</b>	<b>48,544,224</b>	<b>7,689,082</b>	<b>1,664,605</b>	<b>3,013,323</b>	<b>242,358,500</b>	<b>303,269,735</b>

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.

## 2. Basis of preparation of Financial Statements

The Financial Statements are prepared under the historical cost and going concern convention and on accrual basis except for interest on delayed receipt of rent from tenants and penal interest on delayed receipt of contribution from agencies which are accounted for on cash basis.

The Accounting and Auditing Standards Board of Bhutan has issued the full Bhutanese Accounting Standards (BAS) and Bhutanese Financial Reporting Standards (BFRS) in three Phases. The NPPF has complied with the BAS Phase I. The BAS and BFRS phase II and III are due for implementation from 1<sup>st</sup> January 2016 till 31<sup>st</sup> December 2017 and 1<sup>st</sup> January 2018 to 31<sup>st</sup> December 2019 respectively. The phase II and III are yet to be will be implemented. The Financial Statements for the financial year 2015-16 are prepared in accordance with BAS Phase I with the adoption of BAS19: Employee Benefits and BAS38: Intangible Assets which are in BAS phase II.

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

- i) **Fixed assets/Intangible assets:** Accounting estimates are used to determine the useful life of property and equipment/Intangible assets based on various factors such as the present condition of asset, technological advances, regulation, and the past experience of using similar assets.
- ii) **Actuarial valuation of employee benefits:** Accounting estimates are used for the valuation of employee gratuity and earned leave.
- iii) **Apportionment of common expenses:** Accounting estimates have been used to apportion the common expenses incurred in the operation based on the members' fund (net members' DC plan, net members' DB plan and net returns credited to members' DC plan) at the beginning of the financial year. For the year ended June 2016, 67% of the expense incurred has been debited to DB plan and the remaining 33% has been debited to DC plan.

Although these estimates are based on management's best knowledge of current event and actions, the actual results ultimately may differ from those estimates.

The functional currency is Bhutanese Ngultrum (BTN).

## 3. Significant Accounting Policies

### a) Defined Contribution plan and Defined Benefit plan

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

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

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

### c) Property and equipment

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

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

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

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

Asset Class	Useful life (Years)
<b>1. Building (Permanent structure)</b>	
a. Civil Structure	50
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
<b>2. Building (Semi Permanent structure)</b>	
a. Civil Structure	25
b. Timber	12
c. CGI	20
d. Electrical wiring	20
e. Equipment	10
<b>4. Diesel Generator (Electrical)</b>	20
<b>5. Road network</b>	5
<b>6. Retention wall</b>	30
<b>7. Computer and accessories</b>	5
<b>8. High end server</b>	8
<b>9. Other office equipment</b>	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 pro-rated based on the calendar days from the date an asset has been put to use or from the date of its completion.

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

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

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

#### d) Intangible assets

Intangible assets consist of application software procured of the shelf and application designed and developed by the NPPF and other software. An intangible asset is recognized when it is probable that future economic benefit associated with the asset will flow to the entity and the cost of the asset can be measured reliably. Recognized intangible assets are measured at cost less accumulated amortization. The subsequent maintenance costs are expensed to the Statement of Comprehensive Income as and when incurred.

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

Intangible assets are amortized using the straight line method to write down the cost over their useful economic lives. The useful lives of intangible assets has been considered at 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, 2002 prescribed by the Royal Monetary Authority of Bhutan (RMA). The interest outstanding on Non-Performing Loans are credited to interest suspense accounts.

#### i) Revenue recognition

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

##### i. Interest income

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

##### ii. Dividend income

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

#### j) Cash and cash equivalents

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

#### k) Return to 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	2016	2015
Cash at bank	296,003,446	1,634,857,085
Cash in hand	19,299	18,086
Short term deposits with banks	1,556,000,000	1,169,500,000
<b>Total</b>	<b>1,852,022,745</b>	<b>2,804,375,171</b>

#### 5 Term deposits

Particulars	2016	2015
<b>Non-Current</b>		
Bhutan National Bank Ltd.	2,339,000,000	450,000,000
Bhutan Development Bank Ltd.	2,110,000,000	1,940,000,000
<b>Current</b>		
Bhutan National Bank Ltd.	100,000,000	25,000,000
Bhutan Development Bank Ltd.	860,000,000	115,000,000
<b>Total</b>	<b>5,409,000,000</b>	<b>2,530,000,000</b>

#### 6 Receivables

Particulars	2016	2015
<b>Non-Current</b>		
Interest accrued but not due	355,778,380	263,650,684
<b>Current</b>		
Rent receivable	3,374,480	3,473,032
Interest accrued but not due	244,201,259	179,502,228
Other receivable	227,963	1,365,841
<b>Total</b>	<b>603,582,082</b>	<b>447,991,785</b>

#### 7 Inventories

Particulars	2016	2015
Opening stock	1,548,160	-
Purchase during the year	8,973,144	3,867,819
Less: Consumption during the year	(6,405,674)	(2,319,659)
<b>Closing stock as at 30th June</b>	<b>4,115,631</b>	<b>1,548,160</b>

#### 8 Other assets

Particulars	2016	2015
Advance for investment	-	12,000,000
Prepaid expenses*	3,764,187	5,136,820
Security deposit (power/rent)	762,557	762,557
Security deposit (water meter)	63,000	63,000
Advance to staff	64,131	584,785
<b>Total</b>	<b>4,653,875</b>	<b>18,547,162</b>

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

Particulars	2015				Particulars
	No. of shares	Cost	Market value	Diminution in share value	
<b>1. Quoted</b>					
Penden Cement Authority Ltd.	2,154,530	14,450,563	12,030,560	-	14,450,563
State Trading Corporation Ltd.	441,000	490,000	8,820,000	-	490,000
Bhutan National Bank Ltd.	76,960,290	583,411,978	2,151,451,888	-	583,411,978
Kuensel Corporation Ltd.	367,500	3,675,000	2,141,000	-	3,675,000
Druk Punjab National Bank Ltd.	1,408,040	42,231,200	28,866,820	13,366,380	28,866,820
TBank Ltd.	5,170	51,700	67,210	-	51,700
Bhutan Insurance Ltd.	1,000,000	29,500,000	21,000,000	8,500,000	21,000,000
Dungsam Polymers Ltd.	320	5,280	5,120	160	5,120
<b>Total quoted</b>	<b>673,815,721</b>	<b>621,175,000</b>	<b>21,866,540</b>	<b>21,866,540</b>	<b>651,949,181</b>
<b>2. Unquoted</b>					
Dagachu Hydro Power Corporation Ltd.	619,800	619,800,000	-	-	619,800,000
Credit Information Bureau	17,500	1,750,000	-	-	1,375,000
Financial Institutions Training Institute Ltd.	119,970	11,997,000	-	-	-
Dungsam Cement Corporation Ltd.	5,250,000	525,000,000	-	-	-
<b>Total unquoted</b>	<b>1,158,547,000</b>	<b>1,158,547,000</b>	<b>-</b>	<b>-</b>	<b>1,158,547,000</b>
<b>Total investments in equity share</b>	<b>1,832,362,721</b>	<b>1,832,362,721</b>	<b>-</b>	<b>17,162,360</b>	<b>1,815,200,361</b>

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## 9 Investment in equity shares

Particulars	2016				
	No. of shares	Cost	Market value	Diminution in share value	Net Carrying amount
<b>1. Quoted</b>					
Penden Cement Authority Ltd.	2,154,530	14,450,563	129,271,800	-	14,450,563
State Trading Corporation Ltd.	441,000	490,000	7,938,000	-	490,000
Bhutan National Bank Ltd.	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
Druk Punjab National Bank Ltd.	1,408,040	42,231,200	29,568,840	12,662,360	29,568,840
TBank Ltd.	5,170	51,700	77,550	-	51,700
Bhutan Insurance Ltd.	1,000,000	29,500,000	25,000,000	4,500,000	25,000,000
Dungsam Polymers Ltd.	320	5,280	5,440	-	5,280
<b>Total quoted</b>	<b>673,815,721</b>	<b>673,815,721</b>	<b>17,162,360</b>	<b>17,162,360</b>	<b>656,653,361</b>
<b>2. Unquoted</b>					
Dagachu Hydro Power Corporation Ltd.	619,800	619,800,000	-	-	619,800,000
Credit Information Bureau	17,500	1,750,000	-	-	1,750,000
Financial Institutions Training Institute Ltd.	119,970	11,997,000	-	-	11,997,000
Dungsam Cement Corporation Ltd.	5,250,000	525,000,000	-	-	525,000,000
<b>Total unquoted</b>	<b>1,158,547,000</b>	<b>1,158,547,000</b>	<b>-</b>	<b>-</b>	<b>1,158,547,000</b>
<b>Total investments in equity share</b>	<b>1,832,362,721</b>	<b>1,832,362,721</b>	<b>-</b>	<b>17,162,360</b>	<b>1,815,200,361</b>

## 10 Investment in bonds

Particulars	Coupon rate	No. of Script	2016	2015
Druk Air Corporation Bond Series I	9.00%	246,887	197,509,694	222,198,347
Druk Air Corporation Bond Series II	9.00%	286,039	257,434,702	286,038,602
Druk Air Corporation Bond Series III	8.50%	1,467,457	1,467,456,998	1,630,507,798
Royal Insurance Corporation of Bhutan Ltd. Bond Series II	6.70%	468,108	-	468,108,000
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	-
Druk PNB Bond	7.50%	104,000	104,000,000	104,000,000
Dungsam Cement Corporation Ltd. Bond Series I	10.00%	500,000	500,000,000	500,000,000
Dungsam Cement Corporation Ltd. Bond Series II	9.00%	350,000	350,000,000	350,000,000
Tashi Air Pvt. Ltd. Bond Series I	9.00%	125,000	125,000,000	125,000,000
Zmdra Foods Pvt. Ltd. Bond Series I	9.35%	246,945	246,945,000	-
<b>Total</b>			<b>4,628,141,395</b>	<b>4,185,852,748</b>

## 11 Loans

Particulars	2016		2015	
	Gross Investment	Non-current	Current	Gross Investment
<b>Loan to manufacturing &amp; industries sector</b>				
Bhutan Ferro Alloys Ltd. <sup>1</sup>	137,314,437	-	137,314,437	39,922,163
Druk Ferro Alloys Ltd. <sup>2</sup>	8,573,100	2,828,012	5,745,088	4,136,818
Dagachu Hydro Power Corporation Ltd. <sup>3</sup>	754,468,384	723,368,943	31,099,440	27,146,663
Dungsam Cement Corporation Ltd. <sup>4</sup>	1,143,157,634	730,332,560	412,825,074	101,000,000
Dungsam Polymers Ltd. <sup>5</sup>	120,403,766	116,230,273	4,173,493	3,666,235
Wood Craft Centre Ltd. <sup>6</sup>	2,240,396	-	2,240,396	2,240,396
	<b>2,166,157,717</b>	<b>1,572,759,788</b>	<b>593,397,928</b>	<b>178,112,295</b>
<b>Loan to service &amp; tourism sector</b>				
Tashi Infocom Ltd. <sup>7</sup>	207,077,368	170,059,464	37,017,905	44,672,904
Kuensel Corporation Ltd.	-	-	-	4,008,979
Druk Doethjung Resort <sup>8</sup>	52,864,649	44,749,038	8,115,611	1,248,419
Bhutan Power Corporation Ltd. <sup>10</sup>	367,041,988	283,325,077	83,716,911	32,854,469
Natural Resource Development Corporation Ltd. <sup>11</sup>	32,007,252	21,223,248	10,784,004	6,559,272
Manidheepa Moshin Resort <sup>15</sup>	78,865,777	71,222,273	7,643,504	40,138,235
State Trading Corporation Ltd. <sup>16</sup>	100,000,000	-	100,000,000	-
	<b>837,857,034</b>	<b>590,579,100</b>	<b>247,277,934</b>	<b>89,693,752</b>
<b>Loan to institutions/RGOB</b>				
Bhutan Development Bank Ltd. <sup>12</sup>	210,000,000	85,299,042	124,700,959	110,000,000
Royal Insurance Corporation of Bhutan Ltd. <sup>13</sup>	517,854,841	314,177,839	203,677,002	218,124,496
RGOB Budget Fund Account	-	-	-	112,038,025
	<b>727,854,842</b>	<b>399,476,881</b>	<b>328,377,961</b>	<b>440,162,521</b>
<b>Loan to housing</b>				
Yangphel Real Estate <sup>14</sup>	229,112,903	226,524,848	2,588,055	3,813,293
Ministry of Health <sup>8</sup>	67,772,237	57,297,806	10,474,431	-
	<b>296,885,140</b>	<b>283,822,654</b>	<b>13,062,486</b>	<b>3,813,293</b>
<b>Loan to members</b>				
Housing	2,589,148,268	2,248,338,854	340,809,414	347,033,152
Education	2,146,690,430	1,601,588,470	545,101,960	500,431,650
Student loan	78,048,480	67,830,580	10,217,900	5,160,300
Staff Housing loan	40,406,503	35,984,303	4,422,200	4,307,600
Staff Vehicle loan	6,296,428	4,323,228	1,973,200	1,858,200
New Member loan	132,808,941	93,932,641	38,876,300	4,840,300
	<b>4,993,399,050</b>	<b>4,051,998,076</b>	<b>941,400,974</b>	<b>863,631,202</b>
<b>Total loans</b>	<b>9,022,153,782</b>	<b>6,898,636,499</b>	<b>2,123,517,283</b>	<b>1,575,413,063</b>
Provision as per the RMA PR 2002 -(Note 12 of the notes to Financial Statements)	(157,288,178)	(157,288,178)	-	(260,251,444)
<b>Loans after provision</b>	<b>8,864,865,604</b>	<b>6,741,348,321</b>	<b>2,123,517,283</b>	<b>1,575,413,063</b>

continued

The loan is secured by mortgage of the land and building of the company.  
 The loan is secured by mortgage of the Land, Factory Building and Plant & Machinery of the Company.  
 The loan is secured by mortgage of the Land and Building of the Company.  
 The loan is secured by mortgage of the Land and Plants and Machinery of the Company  
 The Loan secured by mortgage of project assets  
 The loan is secured by mortgage of the Joinery Unit's assets of the Joinery Units  
 The loan is secured by mortgage of the assets of the project and additional collateral of Fixed assets equivalent to 50% of loan.  
 The loan is guaranteed by Government of Bhutan  
 The loan is secured by mortgage of the land and project assets.  
 The loan is secured by mortgage of the 220kV double circuit transmission lines  
 The loan is secured by mortgage of the stone crushing machine and support machineries of the project  
 Nu.90 million is unsecured and the balance is secured by mortgage of Land, Fixed deposit and Govt. Guarantee.  
 Secured by the Book Debts, Land and Investments in Equity Shares.  
 The loan is secured by mortgage of the land and project assets.  
 The loan is secured by mortgage project assets  
 The loan is secured by second charges on the STCBL movable and immovable properties

## 12 Provision as per RMA PR 2002

Particulars	Provision charged to Loans	Provision charged to Statement of Comprehensive Income	Interest suspense charged to Interest Income from loans
<b>A. Provision on standard assets</b>			
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>B. Provision on Non-Performing Loan</b>			
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)	
<b>C. Interest suspense</b>			
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
<b>Total as on 30th June 2016</b>	<b>157,288,178</b>	<b>(103,815,048)</b>	<b>851,782</b>
<b>A. Provision on standard assets</b>			
Provision as at 1st July 2014	194,150,249		
Provision as at 30th June 2015	132,191,120		
Charged to Statement of Comprehensive Income		(61,959,129)	
<b>B. Provision on Non-Performing Loan</b>			
Provision as at 1st July 2014	240,613,315		
Provision as at 30th June 2015	121,214,814		
Charged to Statement of Comprehensive Income		(119,398,502)	
<b>C. Interest suspense</b>			
Interest suspense as at 1st July 2014	17,244,840		
Interest suspense as at 30th June 2015	6,845,510		
Charged to Interest Income			(10,399,331)
<b>Total as on 30th June 2015</b>	<b>260,251,444</b>	<b>(181,357,630)</b>	<b>(10,399,331)</b>

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

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

### 13 Employee benefit: Gratuity

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

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

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

#### Disclosures as per the actuarial valuation

##### (a) Statement of Comprehensive Income

Income Statement	<i>in Nu.</i>	30-Jun-2016	30-Jun-2015
Current Service Cost		1,816,542	1,654,228
Net interest cost		(102,047)	2,140
Past service cost		-	-
<b>Net cost for the year recognized in profit or loss</b>		<b>1,714,495</b>	<b>1,656,368</b>

##### (b) Other Comprehensive Income (OCI)

Other Comprehensive Income (OCI) <i>in Nu.</i>	30-Jun-2016	30-Jun-2015
Actuarial (Gain)/Loss due to liability experience	(636,610)	(852,167)
Actuarial (Gain)/Loss due to liability assumption changes	(66,946)	-
Return on scheme assets Greater or (Less) than discount rate	372,108	335,985
<b>Remeasurement (Gain)/Loss recognized in OCI</b>	<b>(331,448)</b>	<b>(516,182)</b>

##### (c) Statement of Financial Position

Statement of Financial Position	<i>in Nu.</i>	30-Jun-2016	30-Jun-2015
Present Value of Defined Benefit Obligation		(15,839,196)	(15,025,765)
Fair Value of Scheme Assets		17,281,858	14,751,244
Funded Status [Surplus/(Deficit)]		1,442,662	(274,521)
<b>Net Defined Benefit Asset</b>		<b>1,442,662</b>	<b>(274,521)</b>

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

A1. Change in Defined Benefit Obligation (DBO)	30-Jun-2016	30-Jun-2015
DBO at the beginning of the current period	15,025,765	14,003,700
Current service cost	1,816,542	1,654,228
Interest cost	1,144,307	1,085,669
Benefits paid from plan assets	-	-
Benefits paid by employer	(1,443,862)	(865,665)
Actuarial (gain)/loss due to plan experience	(636,610)	(852,167)
Actuarial (gain)/loss due to change in demographic assumptions	(66,946)	-
Actuarial (gain)/loss due to change in financial assumptions	-	-
<b>DBO at the end of the current period</b>	<b>15,839,196</b>	<b>15,025,765</b>

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

A2. Change in fair value of Plan Assets	30-Jun-2016	30-Jun-2015
Fair Value of Assets at the beginning of current period	14,751,244	13,084,529
Expected return on plan assets	1,246,354	1,083,529
Employer contributions	1,656,368	919,171
Benefits paid	-	-
Return on plan assets greater or (less) than discount rate	(372,108)	(335,985)
<b>Fair Value of Assets at the end of the period</b>	<b>17,281,858</b>	<b>14,751,244</b>

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

A7. Reconciliation of Net Balance Sheet position	30-Jun-2016	30-Jun-2015
Net Defined Benefit liability/(asset) at the beginning of current period	274,521	919,171
Amount recognized in the Income Statement	1,714,495	1,656,368
Amount recognized in the OCI	(331,448)	(516,182)
Employer contributions	(1,656,368)	(919,171)
Benefits paid by employer	(1,443,862)	(865,665)
<b>Net Defined Benefit liability/(asset) at the end of current period</b>	<b>(1,442,662)</b>	<b>274,521</b>

(g) Expected benefit payments

<b>A8. Expected Benefit Payments for the year ending</b>	<b>In Nu.</b>
June 30, 2017	2,161,071
June 30, 2018	1,772,465
June 30, 2019	3,621,012
June 30, 2020	3,245,588
June 30, 2021	2,457,498
June 30, 2022 to June 30, 2026	18,453,674

(h) Scheme Asset information as on 30<sup>th</sup> June 2016

<b>A.10 Scheme Asset Allocation</b>	<b>Amount (Nu.)</b>	<b>Percentage</b>
Term Deposits with Banks	17,281,858	100%
Corporate Bond	-	-
Current Account	-	-
<b>Total</b>	<b>17,281,858</b>	<b>100%</b>

(i) Actuarial Assumptions

	<b>30-Jun-2016</b>	<b>30-Jun-2015</b>
Discount Rates	8.00%	8.00%
Salary Escalation Rates	11.00%	11.00%
Employee Turnover Rates	5.05%	3.45%
Mortality Rates	100% of IALM (2006-08)	100% of IALM (2006-08)

(j) Sensitivity Analysis

<b>A.11 Sensitivity Analyses</b>	<b>In Nu.</b>	
	<b>Defined Benefit Obligation</b>	<b>Net Effect on DBO</b>
<b>1. Discount Rate</b>		
Base Discount Rate of 8.00%	15,839,196	-
Discount rate of 8.50% (+0.5%)	15,245,400	(593,796)
Discount rate of 7.50% (-0.5%)	16,473,179	633,983
<b>2. Salary Escalation Rate</b>		
Base Salary Escalation Rate of 11%	15,839,196	-
Salary Escalation Rate of 12% (+1%)	16,354,598	515,402
Salary Escalation Rate of 10% (-1%)	15,307,799	(531,398)
<b>3. Attrition Rate</b>		
Base Attrition Rate of 5.05%	15,839,196	-
Attrition Rate of 6.05% (+1%)	15,771,994	(67,202)
Attrition Rate of 4.05% (-1%)	15,887,779	48,583

Particulars	Application Software	Other Software	Development in progress	Total
<b>Cost</b>				
Opening as at 1st July 2015	17,125,045	2,187,075	1,431,969	20,744,088
Additions	3,397,383	767,739	8,939,961	13,105,083
Adjustment	-	(902,500)	-	(902,500)
Capitalization of development in progress	-	-	(3,397,383)	(3,397,383)
<b>Closing as at 30th June 2016</b>	<b>20,522,427</b>	<b>2,052,314</b>	<b>6,974,547</b>	<b>29,549,288</b>
<b>Accumulated Amortizations</b>				
Opening as at 1st July 2015	14,771,176	1,189,332	-	15,960,508
Adjustment	-	(361,000)	-	(361,000)
Amortization for the year	1,313,097	434,188	-	1,747,285
<b>Closing as at 30th June 2016</b>	<b>16,084,273</b>	<b>1,262,520</b>	<b>-</b>	<b>17,346,793</b>
<b>Net carrying amount as at 30th June 2016</b>	<b>4,438,154</b>	<b>789,794</b>	<b>6,974,547</b>	<b>12,202,495</b>
<b>Cost</b>				
Opening as at 1st July 2014	14,257,965	2,187,075	3,118,440	19,563,479
Additions	2,867,080	-	1,180,609	4,047,689
Capitalization of development in progress	-	-	(2,867,080)	(2,867,080)
Written-off	-	-	-	-
<b>Closing as at 30th June 2015</b>	<b>17,125,045</b>	<b>2,187,075</b>	<b>1,431,969</b>	<b>20,744,088</b>
<b>Accumulated Amortizations</b>				
Opening as at 1st July 2014	13,739,160	830,557	-	14,569,717
Amortization for the year	1,032,016	358,775	-	1,390,791
Amount written-off	-	-	-	-
<b>Closing as at 30th June 2015</b>	<b>14,771,176</b>	<b>1,189,332</b>	<b>-</b>	<b>15,960,508</b>
<b>Net carrying amount as at 30th June 2015</b>	<b>2,353,868</b>	<b>997,743</b>	<b>1,431,969</b>	<b>4,783,580</b>

## 15 Intangible assets

## 16 Other liabilities

Particulars	2016	2015
Stale cheque	617,417	495,018
Interest received in advance	518,027	119,047
Unidentified deposit	2,301,067	6,597,567
Earnest money	625,925	242,210
Security deposit (contractor)	3,594,404	1,718,885
Performance guarantee	779,062	594,871
Security deposit (rent)	6,820,984	6,515,276
Excess member contribution	5,033,926	5,262,996
Outstanding liabilities (current/capital)	43,156,766	19,832,962
Security deposit - power / tenant	538,802	578,097
Tax deducted at source (TDS) payable	198,407	16,294
Housing / education loan closed A/c - credit balance	12,776,202	8,466,010
<b>Total</b>	<b>76,960,989</b>	<b>50,439,232</b>

## 14 Property and equipment

Particulars	Gross block			Depreciation			Net block			
	Original cost as on 01.07.15	Addition during the year	Adjustments/ derecognition during the year	Original cost as on 30.06.2016	Accumulated Depreciation as on 01.07.2015	Depreciation during the year	Adjustments/ derecognition of Depreciation during the year	Accumulated Depreciation as on 30.06.2016	As on 30.06.2016	As on 30.06.2015
RE land	76,347,937	-	-	76,347,937	-	-	-	-	76,347,937	-
RE building	377,115,338	343,630	(2,663,380)	374,795,588	100,431,364	6,669,077	(1,887,364)	105,213,077	269,582,511	276,694,955
RE electrical & fittings	31,947,967	4,240,545	1,154,425	37,342,937	19,393,300	910,864	411,419	20,715,584	16,627,353	12,554,667
RE equipment	1,641,122	15,700	-	1,656,822	1,019,195	103,899	-	1,123,093	533,729	621,927
RE building(Semi-Permanent Structure)	2,420,278	-	-	2,420,278	162,083	98,430	-	260,513	2,159,765	2,268,195
Road network	7,313,967	516,789	-	7,830,756	4,201,205	1,439,504	-	5,640,709	2,190,047	3,112,762
Retention wall	2,041,974	-	-	2,041,974	99,569	68,184	-	167,753	1,874,221	1,942,405
Capital work in progress	43,189,621	50,405,282	(539,049)	98,294,173	-	-	-	-	98,294,173	43,189,621
<b>Sub total (A)</b>	<b>542,018,204</b>	<b>55,521,946</b>	<b>(2,048,003)</b>	<b>600,730,465</b>	<b>125,306,715</b>	<b>9,289,958</b>	<b>(1,475,944)</b>	<b>133,120,729</b>	<b>467,609,735</b>	<b>416,712,469</b>
Office building	184,042,952	124,959	(3,371,301)	180,796,609	14,223,264	7,659,932	(425,157)	21,458,040	159,338,570	169,818,707
Diesel Generator (Electrical)	-	-	-	-	-	156,344	424,380	580,704	2,729,814	-
Road network	619,534	57,721	-	677,255	146,683	145,294	-	291,977	385,278	472,851
Retention wall	1,465,060	-	-	1,465,060	72,647	48,925	-	121,572	1,343,488	1,392,413
Computer & accessories	14,656,928	4,530,177	-	19,187,105	8,916,584	1,970,180	-	10,886,765	8,300,340	5,740,343
High end server	1,172,165	-	-	1,172,165	1,030,619	61,081	-	1,091,700	80,465	141,546
Other office equipment	6,821,705	3,133,364	-	9,955,069	5,275,891	913,987	-	6,189,878	3,765,190	1,545,813
Furniture	4,675,742	1,593,833	-	6,269,575	3,112,650	260,080	-	3,372,730	2,896,845	1,563,092
Communication equipment	685,623	10,379	-	696,002	543,602	48,137	-	591,740	104,262	142,020
Motor vehicles	1,273,195	-	-	1,273,195	1,018,556	-	-	1,018,556	254,639	254,639
Capex	240,896	21,825	-	262,721	122,214	37,652	-	159,866	102,855	118,681
<b>Sub total (B)</b>	<b>215,653,799</b>	<b>9,472,258</b>	<b>(60,783)</b>	<b>225,065,274</b>	<b>34,462,711</b>	<b>11,301,613</b>	<b>(797)</b>	<b>45,763,527</b>	<b>179,301,746</b>	<b>181,190,107</b>
Capital grant	-	-	-	-	-	-	-	-	-	-
Integrated data center	7,631,660	-	-	7,631,660	953,958	953,958	-	1,907,915	5,723,745	6,677,703
<b>Sub total (C)</b>	<b>7,631,660</b>	<b>-</b>	<b>-</b>	<b>7,631,660</b>	<b>953,958</b>	<b>953,958</b>	<b>-</b>	<b>1,907,915</b>	<b>5,723,745</b>	<b>6,677,703</b>
<b>Gross total (A+B+C)</b>	<b>765,303,663</b>	<b>64,994,204</b>	<b>(2,108,789)</b>	<b>833,427,399</b>	<b>160,723,384</b>	<b>21,545,528</b>	<b>(1,476,741)</b>	<b>180,792,172</b>	<b>652,635,227</b>	<b>604,580,279</b>

## 17 Lapsed fund\*

Particulars	Civil	Armed Force	Total
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)
<b>As at 30th June 2016</b>	<b>5,326,718</b>	<b>4,465,449</b>	<b>9,792,167</b>
As at 1st July 2014	2,182,656	1,519,972	3,702,628
Addition during the year	1,054,724	2,179,520	3,234,244
Transferred to general reserve	-	-	-
<b>As at 30th June 2015</b>	<b>3,237,380</b>	<b>3,699,492</b>	<b>6,936,872</b>

\*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	
<b>Accumulated contribution</b>					
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
<b>As at 30th June 2016 (A)</b>	<b>2,564,550,974</b>	<b>2,564,724,257</b>	<b>846,313,953</b>	<b>846,554,806</b>	<b>6,822,143,990</b>
<b>Accumulated refund</b>					
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
<b>As at 30th June 2015(B)</b>	<b>717,340,145</b>	<b>717,442,872</b>	<b>197,201,848</b>	<b>197,286,029</b>	<b>1,829,270,895</b>
<b>Net contribution as at 30th June 2016 (A-B)</b>	<b>1,847,210,829</b>	<b>1,847,281,384</b>	<b>649,112,105</b>	<b>649,268,777</b>	<b>4,992,873,095</b>
<b>Accumulated contribution</b>					
As at 1st July 2014	1,982,978,354	1,983,151,635	683,509,117	683,749,970	5,333,389,076
Adjustment of scheme	(63,455)	(63,455)	44,021	44,021	(38,868)
Adjusted opening balance	1,982,914,899	1,983,088,180	683,553,138	683,793,991	5,333,350,208
Contribution during the Year	284,627,278	284,627,279	70,059,926	70,059,926	709,374,409
<b>As at 30th June 2015 (A)</b>	<b>2,267,542,177</b>	<b>2,267,715,459</b>	<b>753,613,064</b>	<b>753,853,917</b>	<b>6,042,724,617</b>
<b>Accumulated refund</b>					
As at 1st July 2014	576,637,503	576,704,042	160,436,327	160,500,036	1,474,277,909
Refunds during the year	57,274,179	57,273,943	17,815,624	17,836,096	150,199,842
<b>As at 30th June 2015 (B)</b>	<b>633,911,682</b>	<b>633,977,985</b>	<b>178,251,951</b>	<b>178,336,132</b>	<b>1,624,477,751</b>
<b>Net contribution as at 30th June 2015 (A-B)</b>	<b>1,633,630,495</b>	<b>1,633,737,473</b>	<b>575,361,113</b>	<b>575,517,785</b>	<b>4,418,246,866</b>

Particulars	Civil		Armed Forces		Total
	Member's Contribution	Employer's Contribution	Member's Contribution	Employer's Contribution	
<b>Accumulated Contribution</b>					
As at 1st July 2015	2,267,788,154	2,267,419,873	633,911,682	1,847,453,015	6,042,870,008
Adjustment of scheme	(178,099)	(178,100)	-	-	(356,199)
Adjusted opening balance	2,267,610,055	2,267,241,773	633,911,682	1,847,154,715	9,042,513,809
Contribution during the Year	297,363,209	297,363,209	83,435,285	717,346,967	780,128,199
<b>As at 30th June 2016 (A)</b>	<b>2,564,973,264</b>	<b>2,564,799,982</b>	<b>717,346,967</b>	<b>1,847,453,015</b>	<b>6,822,642,005</b>
<b>Accumulated Refund</b>					
As at 1st July 2015	633,977,985	633,911,682	-	-	1,624,777,751
Refunds during the year	83,471,709	83,435,285	-	-	204,806,788
<b>As at 30th June 2016 (B)</b>	<b>717,449,694</b>	<b>717,346,967</b>	<b>-</b>	<b>-</b>	<b>1,829,284,539</b>
<b>Net Contribution as at 30th June 2016 (A-B)</b>	<b>1,847,523,569</b>	<b>1,847,453,015</b>	<b>717,346,967</b>	<b>1,847,453,015</b>	<b>4,993,357,466</b>
<b>Accumulated Contribution</b>					
As at 1st July 2014	1,983,151,635	1,982,978,354	576,637,503	1,847,453,015	5,333,389,076
Adjustment of scheme	(63,455)	(63,455)	-	-	(38,868)
Adjusted opening balance	1,983,088,180	1,982,914,899	576,637,503	1,847,453,015	5,333,350,208
Contribution during the Year	284,699,974	284,699,974	57,274,179	717,346,967	709,519,800
<b>As at 30th June 2015 (A)</b>	<b>2,267,788,154</b>	<b>2,267,614,873</b>	<b>633,911,682</b>	<b>1,847,453,015</b>	<b>6,042,870,008</b>
<b>Accumulated Refund</b>					
As at 1st July 2014	576,704,042	576,637,503	-	-	1,474,277,909
Refunds during the year	57,273,943	57,274,179	-	-	150,199,842
<b>As at 30th June 2015 (B)</b>	<b>633,977,985</b>	<b>633,911,682</b>	<b>-</b>	<b>-</b>	<b>1,624,477,751</b>
<b>Net Contribution as at 30th June 2015 (A-B)</b>	<b>1,633,810,168</b>	<b>1,633,703,191</b>	<b>633,911,682</b>	<b>1,633,703,191</b>	<b>4,418,392,257</b>

continued

**Net Member's Defined Contribution (DC) plan**

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

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	
<b>Accumulated Contribution</b>					
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
<b>As at 30th June 2016 (A)</b>	<b>249,008</b>	<b>249,007</b>	<b>-</b>	<b>-</b>	<b>498,015</b>
<b>Accumulated Refund</b>					
As at 1st July 2015	-	-	-	-	-
Refunds during the year	6,822	6,822	-	-	13,644
<b>As at 30th June 2016 (B)</b>	<b>6,822</b>	<b>6,822</b>	<b>-</b>	<b>-</b>	<b>13,644</b>
<b>Net Contribution as at 30th June 2016(A-B)</b>	<b>242,186</b>	<b>242,185</b>	<b>-</b>	<b>-</b>	<b>484,371</b>
<b>Accumulated Contribution</b>					
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	72,696	72,695	-	-	145,391
Contribution during the Year	72,696	72,695	-	-	145,391
<b>As at 30th June 2015 (A)</b>	<b>72,696</b>	<b>72,695</b>	<b>-</b>	<b>-</b>	<b>145,391</b>
<b>Accumulated Refund</b>					
As at 1st July 2014	-	-	-	-	-
Refunds during the year	-	-	-	-	-
<b>As at 30th June 2015 (B)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Contribution as at 30th June 2015 (A-B)</b>	<b>72,696</b>	<b>72,695</b>	<b>-</b>	<b>-</b>	<b>145,391</b>

Particulars	Armed Forces		Civil		Total
	Return on member's contribution	Return on employer's contribution	Return on member's contribution	Return on employer's contribution	
As at 1st July 2015	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2015 (A)</b>	-	-	-	-	-
Accumulated return refunded	-	-	-	-	-
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2015 (B)</b>	-	-	-	-	-
<b>Net returns credited as at 30th June 2015 (A-B)</b>	-	-	-	-	-
As at 1st July 2015	-	-	1,165	1,165	2,330
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (A)</b>	-	-	-	-	-
Accumulated return refunded	-	-	-	-	-
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (B)</b>	-	-	-	-	-
<b>Net returns credited as at 30th June 2016 (A-B)</b>	-	-	-	-	-
As at 1st July 2015	-	-	1,165	1,165	2,330
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (A)</b>	-	-	-	-	-
Accumulated return refunded	-	-	-	-	-
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (B)</b>	-	-	-	-	-
<b>Net returns credited as at 30th June 2016 (A-B)</b>	-	-	-	-	-

continued

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

### 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	Armed Forces		Civil		Total
	Return on member's contribution	Return on employer's contribution	Return on member's contribution	Return on employer's contribution	
As at 1st July 2015	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (A)</b>	-	-	-	-	-
Accumulated return refunded	-	-	-	-	-
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (B)</b>	-	-	-	-	-
<b>Net returns credited as at 30th June 2016 (A-B)</b>	-	-	-	-	-
As at 1st July 2015	-	-	1,165	1,165	2,330
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (A)</b>	-	-	-	-	-
Accumulated return refunded	-	-	-	-	-
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (B)</b>	-	-	-	-	-
<b>Net returns credited as at 30th June 2016 (A-B)</b>	-	-	-	-	-
As at 1st July 2015	-	-	1,165	1,165	2,330
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (A)</b>	-	-	-	-	-
Accumulated return refunded	-	-	-	-	-
As at 1st July 2014	-	-	-	-	-
Adjustment of scheme	-	-	-	-	-
Adjusted opening balance	-	-	-	-	-
Returns credited during the Year	2,330	2,330	1,165	1,165	2,330
<b>As at 30th June 2016 (B)</b>	-	-	-	-	-
<b>Net returns credited as at 30th June 2016 (A-B)</b>	-	-	-	-	-

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

## 20 Net Member's Defined Benefit (DB) plan

Particulars	Civil	Armed Forces	Total
<b>Accumulated contributions and returns credited</b>			
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
<b>As at 30th June 2016 (A)</b>	<b>13,660,146,533</b>	<b>4,288,756,913</b>	<b>17,948,903,445</b>
<b>Accumulated pension payments</b>			
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
<b>As at 30th June 2016 (B)</b>	<b>862,619,022</b>	<b>532,423,094</b>	<b>1,395,042,116</b>
<b>Accumulated pension fund refund</b>			
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
<b>As at 30th June 2016 (C)</b>	<b>716,773,548</b>	<b>232,552,366</b>	<b>949,325,914</b>
<b>Net accumulated contributions and returns credited as at 30th June 2016 (A-B-C)</b>	<b>12,080,753,962</b>	<b>3,523,781,453</b>	<b>15,604,535,416</b>
<b>Accumulated contributions and returns credited</b>			
As at 1st July 2014	9,541,389,556	3,262,541,982	12,803,931,538
Adjustment of Scheme	48,998	-102,660	-53,662
Adjusted opening balance	9,541,438,554	3,262,439,322	12,803,877,876
Contribution during the year	1,216,788,515	230,316,218	1,447,104,733
Returns credited during the year	752,319,396	222,869,141	975,188,538
<b>As at 30th June 2015 (A)</b>	<b>11,510,546,465</b>	<b>3,715,624,681</b>	<b>15,226,171,146</b>
<b>Accumulated pension payments</b>			
As at 1st July 2014	483,741,780	351,592,077	835,333,857
Pension payment during the Year	168,307,042	84,620,663	252,927,705
<b>As at 30th June 2015 (B)</b>	<b>652,048,822</b>	<b>436,212,740</b>	<b>1,088,261,562</b>
<b>Accumulated pension fund refund</b>			
As at 1st July 2014	431,084,839	216,689,091	647,773,930
Refund from Pension Fund during the year	112,977,434	7,462,155	120,439,589
<b>As at 30th June 2015 (C)</b>	<b>544,062,273</b>	<b>224,151,246</b>	<b>768,213,519</b>
<b>Net accumulated contributions and returns credited as at 30th June 2015 (A-B-C)</b>	<b>10,314,435,370</b>	<b>3,055,260,696</b>	<b>13,369,696,066</b>

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

continued

## 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	
<b>Accumulated returns credited</b>					
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	80,213,519	80,235,866	586,289,744
<b>Total accumulated returns credited as at 30th June 2016 (A)</b>	<b>1,388,064,826</b>	<b>1,362,619,617</b>	<b>528,336,935</b>	<b>526,959,216</b>	<b>3,805,980,593</b>
<b>Accumulated returns refund</b>					
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
<b>Total accumulated returns refund as at 30th June 2016 (B)</b>	<b>435,571,608</b>	<b>410,049,538</b>	<b>118,407,546</b>	<b>116,873,574</b>	<b>1,080,902,265</b>
<b>Net returns credited as at 30th June 2016 (A-B)</b>	<b>952,493,218</b>	<b>952,570,079</b>	<b>409,929,389</b>	<b>410,085,642</b>	<b>2,725,078,328</b>
<b>Accumulated returns credited</b>					
As at 1st July 2014	994,256,911	968,790,051	377,942,444	376,522,043	2,717,511,449
Adjustment of scheme	(10,294)	(10,294)	7,309	7,309	(5,970)
Adjusted opening balance	994,246,617	968,779,757	377,949,753	376,529,352	2,717,505,479
Returns credited during the Year	180,915,151	180,925,607	70,173,663	70,193,998	502,208,419
<b>Total accumulated returns credited as at 30th June 2015 (A)</b>	<b>1,175,161,768</b>	<b>1,149,705,364</b>	<b>448,123,416</b>	<b>446,723,350</b>	<b>3,219,713,897</b>
<b>Accumulated returns refund</b>					
As at 1st July 2014	344,882,202	319,401,442	92,374,137	90,900,339	847,558,119
Refund during the year	36,469,680	36,448,776	11,761,259	11,728,582	96,408,297
<b>Total accumulated returns refund as at 30th June 2015 (B)</b>	<b>381,351,882</b>	<b>355,850,218</b>	<b>104,135,396</b>	<b>102,628,921</b>	<b>943,966,416</b>
<b>Net returns credited as at 30th June 2015 (A-B)</b>	<b>793,809,886</b>	<b>793,855,146</b>	<b>343,988,020</b>	<b>344,094,429</b>	<b>2,275,747,481</b>

## 21 Income from loans

Particulars	2016	2015
<b>A. Interest income from loan to manufacturing &amp; industries sector</b>		
Bhutan Ferro Alloys Ltd.	8,927,379	10,129,627
Druk Ferro Alloys Ltd.	1,414,173	1,976,915
Dagachu Hydro Power Corporation Ltd.	77,311,323	60,000,000
Dungsam Cement Corporation Ltd.	100,299,677	158,856,220
Dungsam Polymers Ltd.	12,349,797	12,715,582
Wood Craft Centre Ltd.	358,359	579,894
	<b>200,660,707</b>	<b>244,258,238</b>
<b>B. Interest Income from loan to service &amp; tourism sector</b>		
Tashi Infocom Ltd.	23,531,845	27,723,973
Kuensel Corporation Ltd.	150,593	699,194
Druk Doethjung Resort	4,397,868	2,514,384
Yangphel Real Estate	23,090,502	17,933,462
Bhutan Power Corporation Ltd.	33,681,425	37,388,417
Natural Resource Development Corporation Ltd.	4,403,690	5,143,590
Manidheepa Moshin Resort	7,155,559	487,945
State Trading Corporation Ltd.	852,459	-
	<b>97,263,942</b>	<b>91,890,965</b>
<b>C. Interest income from loan to institutions/RGOB</b>		
Bhutan Development Bank Ltd.	20,454,208	28,160,137
Royal Insurance Corporation of Bhutan Ltd.	48,810,181	35,935,950
RGOB Budget Fund Account	112,127	5,974,772
Ministry of Health	5,472,735	5,711,685
	<b>74,849,251</b>	<b>75,782,544</b>
<b>D. Interest income from loan to member's</b>		
Housing	259,522,561	276,696,159
Education	200,065,177	182,632,221
Student loan	5,054,559	4,503,024
Staff Housing loan	2,587,792	3,295,199
Staff Vehicle loan	378,713	380,913
New Member Loan	8,087,747	222,239
	<b>475,696,550</b>	<b>467,729,755</b>
<b>Total ( A to D)</b>	<b>848,470,450</b>	<b>879,661,502</b>

## 22 Income from bonds

Particulars	2016	2015
Dungsam Cement Corporation Ltd.	81,500,000	70,367,123
Druk Air Corporation Ltd.	176,880,770	90,060,429
Tashi Air Ltd.	11,250,000	11,250,000
Royal Insurance Corporation of Bhutan Ltd.	128,645,534	78,863,236
Druk Punjab National Bank Ltd.	7,800,000	7,800,000
Zimdra Foods Pvt. Ltd.	13,347,546	-
<b>Total</b>	<b>419,423,851</b>	<b>258,340,788</b>

## 23 Rental income

Location	2016	2015
Thimphu	35,661,221	34,168,155
Phuentsholing	12,950,927	12,394,609
Samdrup Jongkhar	2,505,179	2,211,592
Samtse	592,224	564,210
<b>Total</b>	<b>51,709,551</b>	<b>49,338,566</b>

## 24 Dividend income

Particulars	2016	2015
<b>1. Quoted</b>		
Penden Cement Authority Ltd.	7,540,855	17,236,240
State Trading Corporation Ltd.	661,500	-
Bhutan National Bank Ltd.	108,514,009	76,960,290
Kuensel Corporation Ltd.	661,500	441,000
Druk Punjab National Bank Ltd.	-	1,126,432
TBank Ltd.	2,946	2,947
Bhutan Insurance Ltd.	1,675,000	942,000
	<b>119,055,810</b>	<b>96,708,909</b>
<b>2. Unquoted</b>		
Dagachu Hydro Power Corporation Ltd.	11,370,318	-
	<b>11,370,318</b>	<b>-</b>
<b>Total Income from dividend</b>	<b>130,426,128</b>	<b>96,708,909</b>

## 25 Other income

Particulars	2016	2015
Processing fees on member loans	947,900	1,519,242
Miscellaneous income	2,565,528	5,643,094
<b>Total</b>	<b>3,513,428</b>	<b>7,162,336</b>

Particulars	For the year ended 30.06.2015		For the year ended 30.06.2016		For the year ended 30.06.2017		For the year ended 30.06.2018		For the year ended 30.06.2019		Total expenses for the year ended 30.06.2019
	2015	2016	2017	2018	2019	2020	2021	2022	2023		
<b>Employee remuneration &amp; benefits</b>											
Salaries and wages	31,678,800	20,363,489	20,528,563	18,778,181	17,782,181	17,782,181	17,782,181	17,782,181	17,782,181	17,782,181	31,678,800
Defined contribution(PF)	2,665,670	428,501	474,521	62,781	72,781	72,781	72,781	72,781	72,781	72,781	2,665,670
Ex-gratia	4,392,030	2,838,881	1,869,521	1,169,971	1,169,971	1,169,971	1,169,971	1,169,971	1,169,971	1,169,971	4,392,030
Long term employee benefit(gratuity)	3,287,841	2,169,971	848,010	848,010	848,010	848,010	848,010	848,010	848,010	848,010	3,287,841
Terminal benefit	111,141	2,038,311	369,596	688,688	688,688	688,688	688,688	688,688	688,688	688,688	111,141
Medical expenses	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888
Leave encashment	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888
Leave travel concession	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888
HRD expenses	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888	1,096,888
<b>Sub total (A)</b>	<b>53,979,840</b>	<b>34,928,096</b>	<b>35,883,529</b>	<b>2,188,880</b>	<b>2,188,880</b>	<b>2,188,880</b>	<b>2,188,880</b>	<b>2,188,880</b>	<b>2,188,880</b>	<b>2,188,880</b>	<b>53,979,840</b>
<b>Other operation expenses</b>											
Communication/information charges	116,212	36,300	88,853	55,545	55,545	55,545	55,545	55,545	55,545	55,545	116,212
Books and periodicals	116,212	36,300	88,853	55,545	55,545	55,545	55,545	55,545	55,545	55,545	116,212
Travelling expenses	2,221,249	938,134	1,380,254	1,380,254	1,380,254	1,380,254	1,380,254	1,380,254	1,380,254	1,380,254	2,221,249
Office maintenance	2,056,173	1,590,738	1,380,254	937,7	937,7	937,7	937,7	937,7	937,7	937,7	2,056,173
RE routine maintenance	6,315,167	597,310	2,231,162	2,231,162	2,231,162	2,231,162	2,231,162	2,231,162	2,231,162	2,231,162	6,315,167
Office rent	276,000	191,592	181,120	181,120	181,120	181,120	181,120	181,120	181,120	181,120	276,000
IT expenses/AMC	2,024,696	3,336,299	2,349,979	2,349,979	2,349,979	2,349,979	2,349,979	2,349,979	2,349,979	2,349,979	2,024,696
Audit fees & expenses	423,705	279,645	286,662	286,662	286,662	286,662	286,662	286,662	286,662	286,662	423,705
Bank charges	341,743	173,550	219,150	191,150	191,150	191,150	191,150	191,150	191,150	191,150	341,743
Membership fees and subscription	810,503	810,503	2,097,086	1,056,154	1,056,154	1,056,154	1,056,154	1,056,154	1,056,154	1,056,154	810,503
Sitting charges and expenses	4,200	2,772	2,765,989	770,500	770,500	770,500	770,500	770,500	770,500	770,500	4,200
Consultancy charges	1,461,332	933,114	998,912	938,852	938,852	938,852	938,852	938,852	938,852	938,852	1,461,332
Hospitality expenses	1,064,722	706,723	1,681,492	25,111	25,111	25,111	25,111	25,111	25,111	25,111	1,064,722
Printing and stationery	1,492,607	1,021,061	1,645,571	1,645,571	1,645,571	1,645,571	1,645,571	1,645,571	1,645,571	1,645,571	1,492,607
Advertisement	912,304	754,866	615,520	602,660	602,660	602,660	602,660	602,660	602,660	602,660	912,304
Rates and taxes	899,757	642,278	30,327	30,327	30,327	30,327	30,327	30,327	30,327	30,327	899,757
Amortization of prepaid expenses	1,331,185	1,364,813	914,224	914,224	914,224	914,224	914,224	914,224	914,224	914,224	1,331,185
CIB report expenses	783,450	1,118,106	1,118,106	1,118,106	1,118,106	1,118,106	1,118,106	1,118,106	1,118,106	1,118,106	783,450
Miscellaneous expenses	38,979	25,726	77,669	77,669	77,669	77,669	77,669	77,669	77,669	77,669	38,979
Loss on sale of assets/derecognition	523,326	614,090	345,395	404,114	404,114	404,114	404,114	404,114	404,114	404,114	523,326
<b>Sub total (B)</b>	<b>18,970,058</b>	<b>12,867,740</b>	<b>23,322,591</b>	<b>19,754,789</b>	<b>19,754,789</b>	<b>19,754,789</b>	<b>19,754,789</b>	<b>19,754,789</b>	<b>19,754,789</b>	<b>19,754,789</b>	<b>18,970,058</b>
<b>Total (A+B)</b>	<b>72,949,898</b>	<b>47,795,836</b>	<b>59,206,120</b>	<b>22,533,669</b>	<b>22,533,669</b>	<b>22,533,669</b>	<b>22,533,669</b>	<b>22,533,669</b>	<b>22,533,669</b>	<b>22,533,669</b>	<b>72,949,898</b>

continued

DB DC and DB management expenses

## 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%
<b>Employee remuneration &amp; benefits</b>									
Salaries and wages	1,504,806	7,263,288	3,144,471	6,523,598	2,809,751	6,740,309	27,986,223	18,750,769	9,235,454
Defined contribution(PF)	131,245	556,187	278,518	574,848	184,719	630,861	2,356,378	1,578,773	777,605
Ex-gratia	152,693	976,624	344,694	838,898	384,268	872,538	3,569,715	2,391,709	1,178,006
Long term employee benefit(gratuity)	-	1,251,386	-	-	-	14,300	1,265,686	848,010	417,677
Terminal benefit	73,273	592,295	1,221,867	43,675	22,000	85,200	2,038,311	1,365,668	672,642
Medical expenses	133,828	119,362	36,900	311,497	20,700	426,751	1,049,038	702,855	346,183
Leave encashment	70,000	824,880	42,071	38,580	-	21,550	997,081	668,044	329,037
Leave travel concession	36,250	219,291	106,120	210,240	-	300,123	947,024	634,506	312,518
HRD expenses	-	10,081,214	-	-	-	-	10,081,214	6,754,414	3,326,801
<b>Sub total (A)</b>	<b>2,102,095</b>	<b>21,884,527</b>	<b>5,174,641</b>	<b>8,541,336</b>	<b>3,496,438</b>	<b>9,091,632</b>	<b>50,290,670</b>	<b>33,694,749</b>	<b>16,595,921</b>
<b>Other operation expenses</b>									
Communication/information charges	87,958	413,181	26,163	187,444	1,665,216	194,988	2,574,948	1,725,215	849,733
Books and periodicals	34,539	-	11,000	32,793	-	4,571	82,903	55,545	27,358
Travelling expenses	373,049	459,375	140,642	403,191	366,660	411,130	2,154,047	1,443,212	710,836
Office maintenance	72,085	1,835,405	5,203	9,224	18,423	107,899	2,048,239	1,372,320	675,919
RE routine maintenance	-	-	-	-	-	6,315,167	6,315,167	4,231,162	2,084,005
Office rent	-	276,000	-	-	-	10,400	276,000	184,920	91,080
IT expenses/AMC	-	-	427,854	-	3,492,554	-	3,502,954	2,346,979	1,155,975
Audit fees & expenses	-	-	28,582	-	-	-	427,854	286,662	141,192
Bank charges	-	-	1,757	3,513	1,757	-	1,576,350	1,056,154	520,195
Membership fees and subscription	1,130,000	66,637	20,000	-	-	-	1,401,272	770,500	379,500
Consultancy charges	933,778	228,973	-	238,521	-	-	1,401,272	938,852	462,420
Hospitality expenses	506,409	980,778	39,073	55,002	29,362	44,813	1,655,438	1,109,144	546,295
Printing and stationery	226,722	797,346	40,865	241,312	17,570	212,936	1,536,751	1,029,623	507,128
Advertisement	330,770	487,021	-	8,479	-	73,074	899,344	602,560	296,783
Rates and taxes	-	-	-	-	-	642,278	642,278	430,327	211,952
Amortization of prepaid expenses	-	1,364,813	-	1,118,106	-	-	1,364,813	914,424	450,388
CIB report expenses	-	-	(812)	1,000	-	20,000	1,118,106	749,131	368,975
Miscellaneous expenses	95,437	-	-	1,000	-	33,011	115,625	77,469	38,156
Loss on sale of assets/derecognition	-	39,579	-	-	541,500	-	614,090	411,440	202,650
<b>Sub Total (B)</b>	<b>5,291,677</b>	<b>6,949,108</b>	<b>740,326</b>	<b>2,298,585</b>	<b>6,133,041</b>	<b>8,072,022</b>	<b>29,484,760</b>	<b>19,754,789</b>	<b>9,729,971</b>
<b>Total (A+B)</b>	<b>7,393,772</b>	<b>28,833,636</b>	<b>5,914,967</b>	<b>10,839,921</b>	<b>9,629,479</b>	<b>17,163,654</b>	<b>79,775,430</b>	<b>53,449,538</b>	<b>26,325,892</b>

## 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:

Upon appointment of Dasho Penjore, as the Governor of the Royal Monetary Authority of Bhutan, from 1<sup>st</sup> December 2015, Mr. Dingtso Drukpa, Director, Operations Department, National Pension and Provident Fund has been appointed as the Officiating Chief Executive Officer until his appointment as Chief Executive Officer from 1<sup>st</sup> August 2016.

#### B. Non-executive Directors:

1. Aum Sangay Zam (Chairperson)
2. Dasho Karma Tshiteem (Director)
3. Dasho Pema Wangda (Director)
4. Dasho Phuntsho Wangdi (Director)
5. Mr. Choiten Wangchuk (Director)
6. Lt. Colonel Kinzang Wangdee (Director)
7. Mr. Pema R Rinchen (Director)
8. Mr. Lobzang Dorji (Director)

### Changes in Non-executive Directors

Dasho Phuntsho Wangdi, Secretary, Ministry of Works and Human Settlement and Mr. Lobzang Dorji, Director, Cabinet has been appointed as the Director of NPB and Dasho Chhewang Rinzin has resigned from the NPB. Aum Sangay Zam (Chairperson) and Dasho

Pema Wangda has resigned from the NPB upon resignation from service on 30<sup>th</sup> June 2016. Currently, Dasho Karma Tshiteem, is the Officiating Chairperson of the NPB.

#### 2. Technical Advisory Committee (TAC) Members

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

### Changes in (TAC) Members

Mr. Nim Dorji (chairperson) and Mr. Dorji Tshering (member) has resigned from the TAC. Mrs. Tashi Pem, Director, Royal Civil Service Commission has been appointed as the Chairperson of the TAC.

Remuneration paid to Chief Executive Officers		
Particulars	30 <sup>th</sup> June 2016	30 <sup>th</sup> June 2015
Salary and allowances	1,279,900	1,229,551.00
PF contributions	65,050	187,880.00
Sitting fees	170,000	128,000.00
Ex-gratia paid to CEO	188,333	212,800.00
<b>Total</b>	<b>1,654,950</b>	<b>1,758,231.00</b>
Transaction with other related parties		
<b><u>Sitting fees</u></b>		
Non-Executive Directors (NPB)	620,000	522,000.00
Members of TAC	125,000	200,000.00
<b><u>Loans</u></b>		
Executive and Non-executive Directors	19,475,523	35,073,738.20
<b>Total</b>	<b>20,220,523</b>	<b>35,795,738.20</b>

## 28 Other disclosure

The NPPF has the following commitments as on 30<sup>th</sup> June 2016:

- a. Capital expenditure of Nu. 77.32 million for Real Estate development.
- b. Nu. 200.00 million loan for Dungsam Cement Corporation Ltd.
- c. Nu 1.24 million for acquisition of land for Home Ownership Scheme.



### WHAT IS Pension?

A Pension is a regular monthly benefit like salary, which a person receives upon retirement from work and ends upon the death of the Pensioner.

### WHAT IS Provident Fund?

A Provident Fund is a scheme in which monthly contributions are paid by the employees with matching contribution from the employers into the individual members account and then a lump sum is provided to each employee upon retirement.

### WHY Save For the Future?

Pension provides income security during retirement of the member. Pension also provides security to the family during the demise of the member.

### WHO are the members of NPPF?

Currently, the members are civil servants, employees of Government owned corporations, public sector companies and the members of Armed Forces.

### WHAT IS the rate of contribution?

Every month contributions are collected directly from one's salary with matching contribution by the employer at the following rates:

Civil Servants, employees of government owned corporations, public sector companies:  
Employee contribute 11% of their monthly basic salary.  
Employer contribute 11%.

Armed Forces:  
Employees contribute 15% of their covered monthly salary.  
Employers contribute 15% .

### WHAT ARE THE BENEFITS?

1. The following benefits are extended to the members:
  - Monthly pension
  - Permanent disability benefit
  - Surviving spouse benefit
  - Surviving children benefit
  - Orphan benefit
  - Dependent parent benefit
  - Member loan schemes
2. On retirement, members will benefit from Provident Fund with receipt of Lump sum accumulated contribution plus interest earned.

### MEMBERS are eligible for Monthly Pension, IF they HAVE:

- Attained 56 years or is also eligible for early pension at 51 years for civil servants, employees of government owned corporations and public sector companies.
- Member has served a minimum of 22 years in the service and is above 42 years of age on the date of retirement for the armed forces.

### HOW ARE THE Pension BENEFITS delivered?

- Depending on the choice of pensioners, benefits can be distributed through BOB, BNB, BDBL, T-Bank Bhutan Post, Thimphu City Bank, Community Centers and DPNB.
- Pensioners are required to open Pension Savings Account with the designated branch in the prescribed form authorized by the NPPF.
- Pensioners can withdraw pension benefit once every month or at least once in three months.
- Non-withdrawal of Pension or non-submission of certificate will result into suspension of Pension payment.
- Spouse pensioners are required to submit Non-remarriage certificate on or before 30th April every year.

