

ANNUAL REPORT
2010 - 2011



NATIONAL PENSION
&
PROVIDENT FUND

NATIONAL PENSION AND PROVIDENT FUND THIMPHU - BHUTAN



ANNUAL REPORT 2011



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Board of Directors

Dasho Lam Dorji, Hon'ble Secretary Ministry of Finance	: Chairman
Dasho Chhewang Rinzin, CEO Druk Green Power Corporation Limited	: Director
Dasho Pema Wangda, Hon'ble Secretary Ministry of Labour and Human Resources	: Director
Colonel Dorji Gyeltshen Royal Bhutan Army	: Director
Mr. Bachu Phub Dorji, Commissioner Royal Civil Service Commission	: Director
Ms. Eden Dema, Dy. Governor Royal Monetary Authority of Bhutan	: Director
Mr. Dubthob Wangchug, CEO National Pension and Provident Fund	: Member Secretary

Technical Advisory Committee (TAC)

Mr. Nim Dorji, Director Department of Public Accounts, MOF	: Chairman
Mr. Jigme Dorji Royal Civil Service Commission	: Member
Mr. Ugyen Norbu Dept. of Public Enterprise, MOF	: Member
Mr. Sangay Dorji FRSD, Royal Monetary Authority of Bhutan	: Member
Mr. Norbu Wangchuk Gross National Happiness Commission	: Member
Mr. Dubthob Wangchug National Pension and Provident Fund	: Member secretary

Organization Structure

HEAD OFFICE

Executive

Chief Executive Officer : Mr.Dubthob Wangchug

Policy and Strategic Management

Head : Ms.Sayden

Investment and credit

Head, Credit : Ms. Karma Yangzom Tshering

Head, Investment : Mr. Ugyen Tshewang

Finance and Accounts

General Manager (Finance) : Mr. Dungtu Drukpa

Head, Accounts : Mr.Phub Dorji

Pension and Provident Fund

Head : Mr. Sonam Yeshey

Information and Communication Technology

Head : Mr. Kinzang Wangdi

Administration and Human Resource Management

Head : Mr. Tshewang Dorji

Real Estate

General Manager : Mr. Phuntsho Wangdi

REGIONAL OFFICE

Phuentsholing

Head : Mr.Tshering Dorji C

Samdrup Jongkhar

Head : Mr. Chencho

Mongar

Head : Mr.Jigme Tenzin

AUDITORS

P.K Mitra & Co.

18, R.N. Mukherjee Road

Kolkata 700 001

EXECUTIVE SUMMARY

As the nation prepares for the Royal Wedding celebrations in October 2011, the National Pension and Provident Fund would like to join the people of Bhutan in wishing long and happy lives to His Majesty the King and the Royal Bride. The NPPF would also like to rededicate ourselves in the service of the nation. Since this is a historical event in the annals of Bhutan, the NPPF will be introducing a new product to commemorate the Royal Wedding.

At the heart of our mission, we continuously strive to find a long term solution in sustaining pension scheme and at the same time developing new strategies to ensure adequate retirement income for the pensioners and beneficiaries. Towards achieving this objective, firstly, the NPPF introduced several reforms in the pension system. Under the reform, the pension benefit calculation formula adopted 40 percent of the final basic salary for 30 years of service. This initiative will greatly contribute in enhancing the sustainability of the Pension Plan and at the same time provide meaningful benefit to the members on retirement.

Secondly, in an effort to foster greater income security for the entire employed Bhutanese, the NPPF is participating in the Government Pension Working Committee to draft the Pension Policy Paper and the National Pension Act. The objective of the policy is to provide a broad framework that promotes a comprehensive pension program in the country and further extend coverage of the old age retirement income protection scheme.

For the first time, the NPPF hosted an international event in Bhutan in collaboration with the International Social Security Association (ISSA) based in Geneva, Switzerland. Participants from NPPF, Nepal & India attended the two days Regional Technical Seminar for South Asia held in Thimphu from August 11-12, 2010. Members of the South Asia Regional Association of ISSA include Bhutan, India, Iran, Nepal, Pakistan and Sri Lanka.

On the investment front, NPPF faces challenges as it is not a financial institution and therefore has limited investment mandate. Nevertheless, it is continuously making efforts to participate in broad range of productive investment opportunities. All the investment plans that NPPF makes are aimed at providing services to its members and at the same time sustaining the pension scheme. To this effect, NPPF is mandated to ensure that returns are optimized while at the same time investments are made prudently. Despite challenges in the investment efforts, the NPPF declared a return of 6.50 percent during the year. NPPF is pleased to submit that it has been able to make meaningful difference in the lives of its members through productive investment activities.

We are fortunate that our Board comprises of those capable directors whose dedicated services are duly recognized by the Royal Government. In this regard, we would like to congratulate Dasho Pema Wangda for being promoted to the post of Secretary, Ministry of Labour and Human Resources, Aum Eden Dema to the post of Deputy Governor and Lt. Colonel Dorji Gyeltshen to the post of full Colonel of the Royal Bhutan Army.



Although NPPF has limited investment mandate and is operating in a competitive, small and under-developed capital market, it has shown commendable performance during 2010-11. Its fund size has grown from Nu.8,973.22 million to Nu 10,781.59 million recording a growth of 20.18 percent during the year. It has generated gross revenue of Nu 689.64 million as compared to Nu.587.73 million in 2009-10 indicating a 17.34 percent growth.

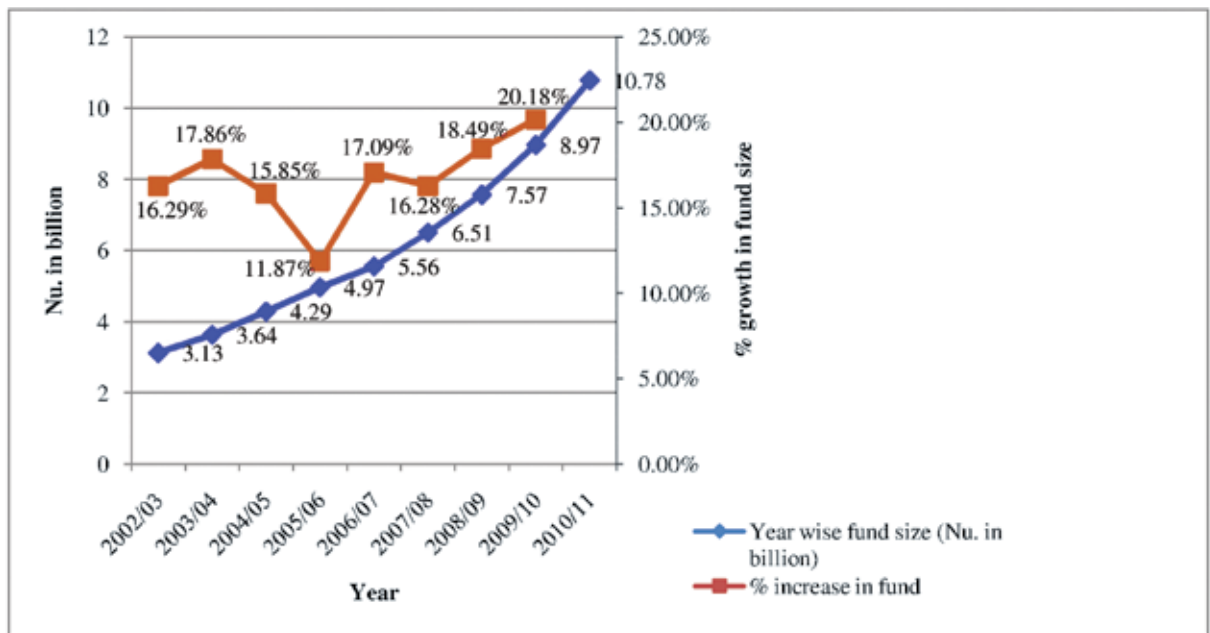


Figure 1.1: Growth of Fund

The enhancement of revenue by 17.34 percent has been attributed to education of members on loan products and earning from loans to manufacturing sector and investment in corporate bond. During the year, NPPF recorded a growth of 34.73 percent in loan portfolio with increase in absolute amount from Nu 4,721.95 million in 2009-10 to Nu 6,361.93 million. The income from credits, bonds and deposits increased from Nu.510.93 million to Nu. 606.36 million recording a growth of 18.68 percent during 2010-11. The rental income grew by 15.29 percent, dividend by 0.56 percent and other income by 108.57 percent during the year. The enormous growth in other income is due to profit on sale of STCBL shares.

With better strategies and improved service delivery system, NPPF has achieved all the set targets. All operations, projects and capital works were executed within the allocated budget and stipulated time. Investments were made exercising utmost caution and prudence so as to generate better returns to its members.



1.1: Financial Highlights:

1.1.1: Major Components of Revenue

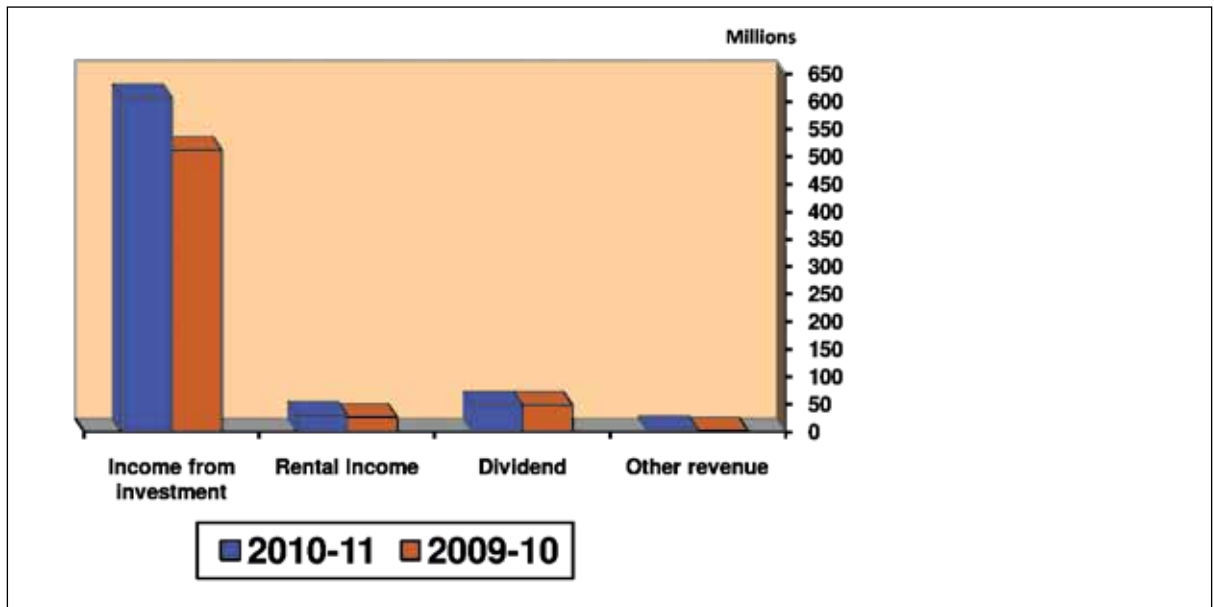


Figure 1.2: Major components of revenue

1.1.2: Revenue, Expenses and Surplus

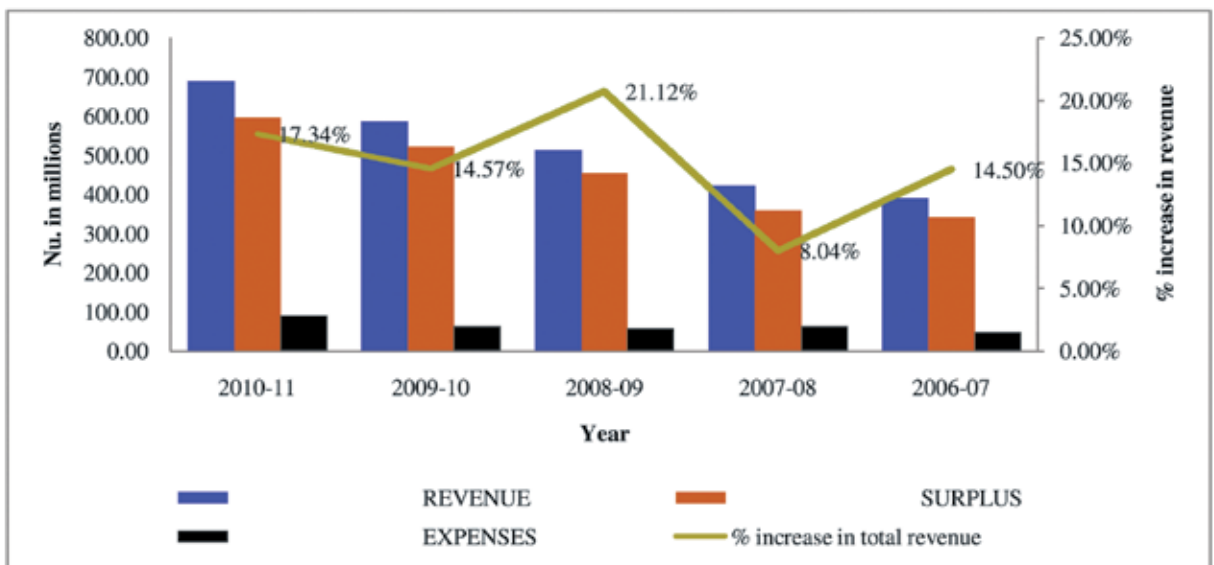


Figure 1.3: Revenue, Expenses and Surplus

Despite huge increase in operating activities coupled with high inflation rate, NPPF has been able to contain management cost showing a marginal increase of only 4.67 percent as against increase in revenue by 17.34 percent and fund size by 20.15 percent during the year. This was possible because of judicious spending and systematic working procedures.



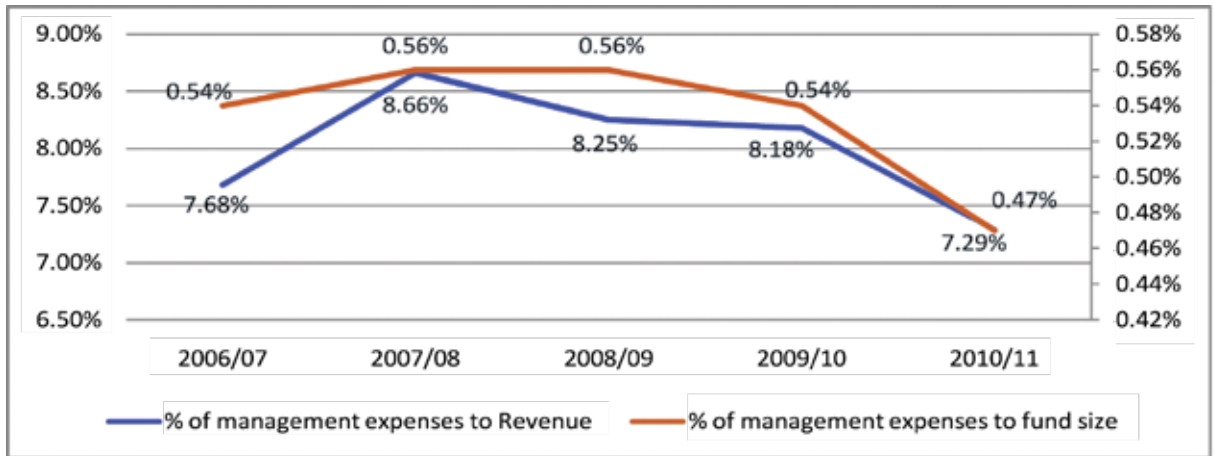


Figure 1.4: Management Expenses

The net revenue increased to Nu 599.75 million from Nu.522.78 million in 2009-10 and a return of 6.41 percent as against the target rate of 6.18 percent during the year was achieved. The Non-Performing Loan (NPL) has also been contained at 0.48 percent, showing a marginal increase as compared to 0.25 percent of last year despite huge increase in loan portfolio by 34.73 percent during the year.

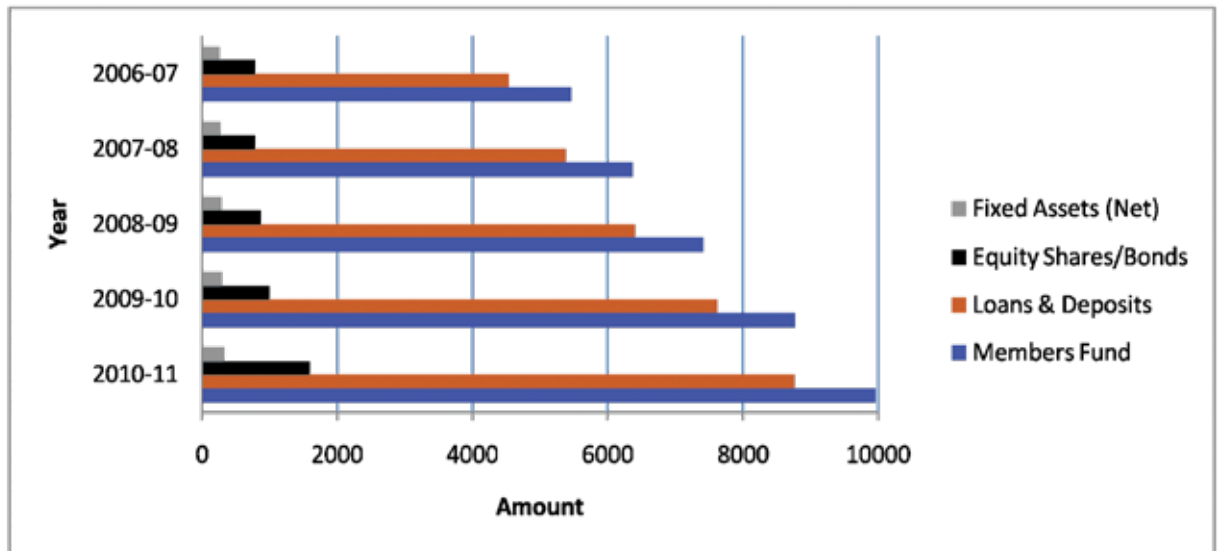


Figure 1.5: Comparison of fund allocation

Also, during the year, the fund size has increased by 20.15 percent. The members fund has increased to Nu 10.68 billion from Nu.8.90 billion in 2009-10, recording 20.11 percent increase mainly due to salary revision of members during the year. The investment has increased from Nu.8.60 billion to Nu 10.34 billion. The investment in equity and bond has increased by 59.33 percent due to additional equity participation in Dagachu Hydro Power Project and acquisition of RICBL bond.



Ever since the inception of the National Pension & Provident Fund Plan in July 2002, the fund has experienced an increasing trend in its membership. The National Pension and Provident Fund Plan currently cover around 12 percent of the labour force; comprising of civil servants, Armed Forces, Joint Sector corporations, Constitutional Bodies and the Members of Parliament.

Regular national employees and employees of fully owned government corporations are covered under the simultaneous membership of both the tiers of Pension & Provident Fund whereas contract employees and the expatriates are covered only under the Tier II plan. The total number of members stood at 44,312 for the financial year 2010-2011, marking an increase of 4.5 percent from the previous year.

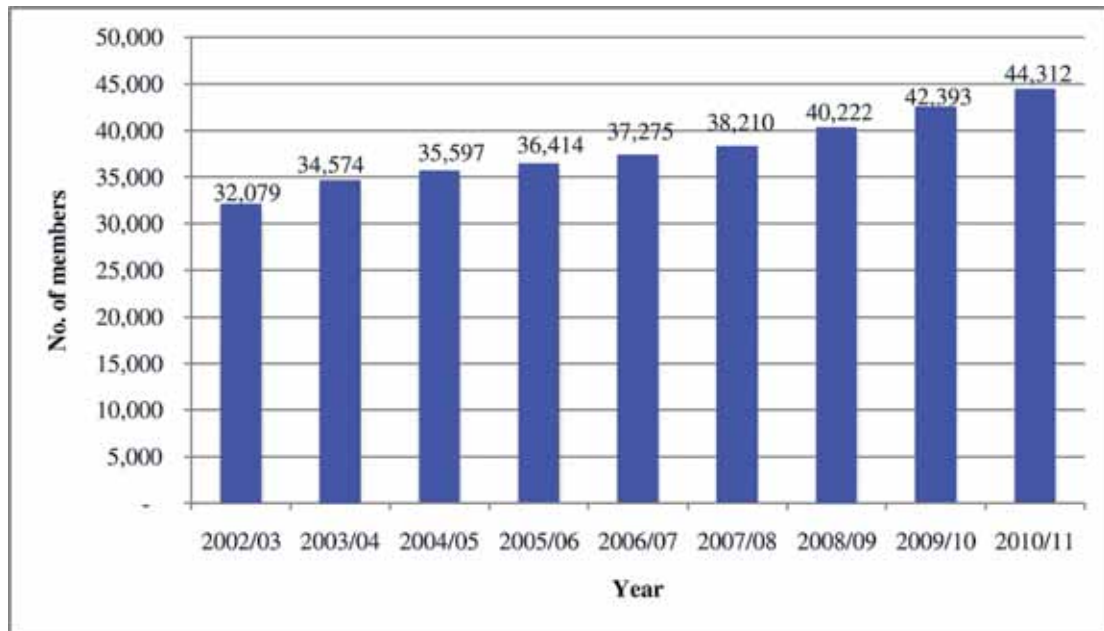


Figure 2.1: Number of members as of June 30, 2011



2.1: Tier I- Pension Plan

2.1.1: Civil & Public Corporations

The Fund made a total pension payment of Nu. 55.84 million for the financial year 2010-2011. The total payout has increased by 38.50 percent against Nu. 40.33 million of the financial year 2009-2010. Out of the total 1,229 beneficiaries, 445 were normal pensioners, 112 members opted for early pension, 6 disabled, 63 surviving spouses, 583 children of the deceased members, 18 orphans and 2 dependent parents.

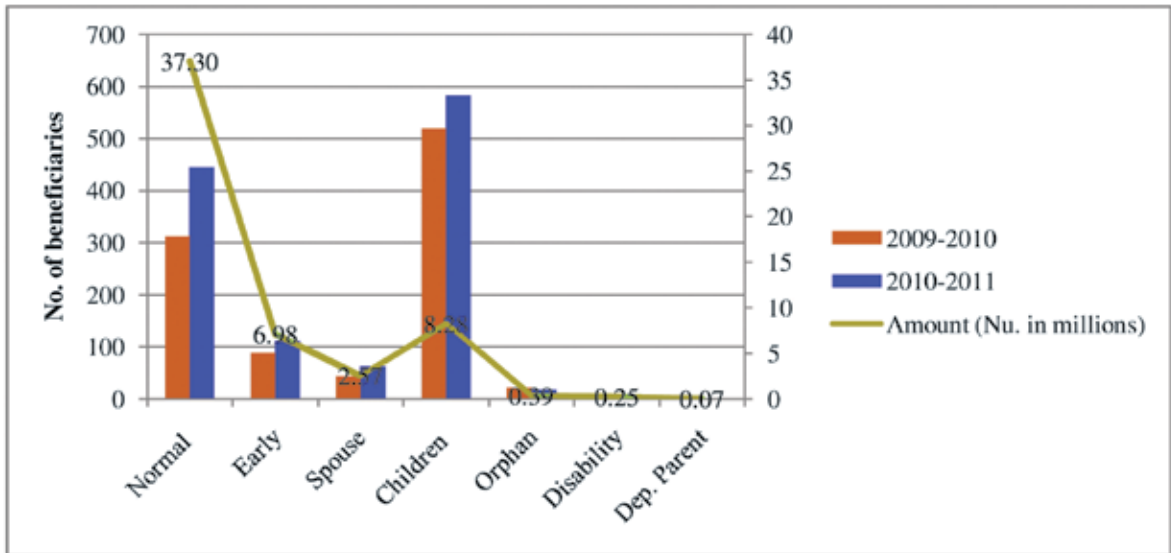


Figure 2.2: Status of pension beneficiaries and pension payment during 2010-11

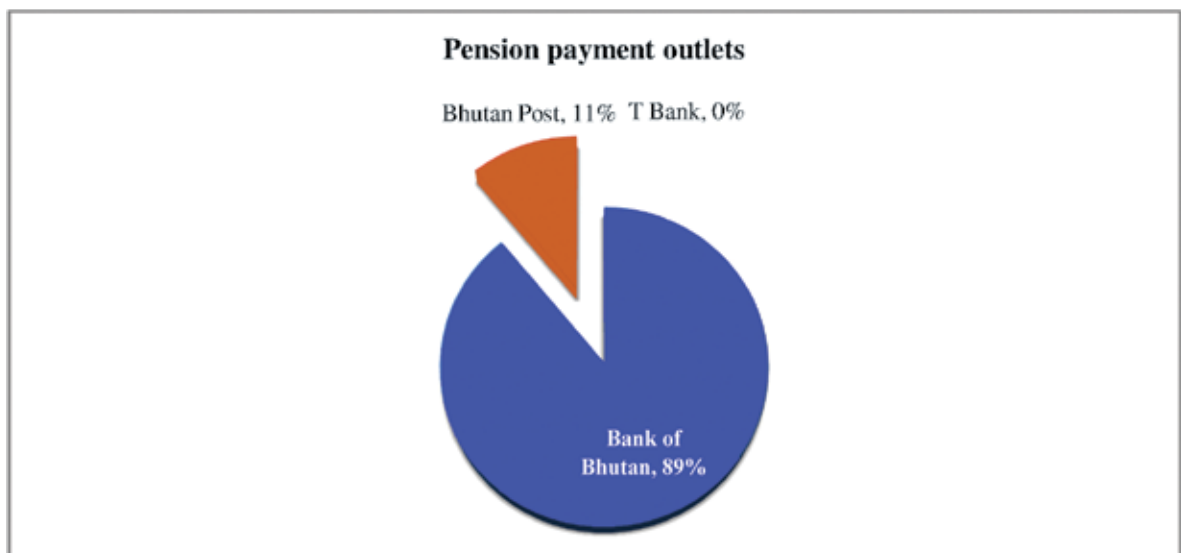


Figure 2.3: Pension payment outlets



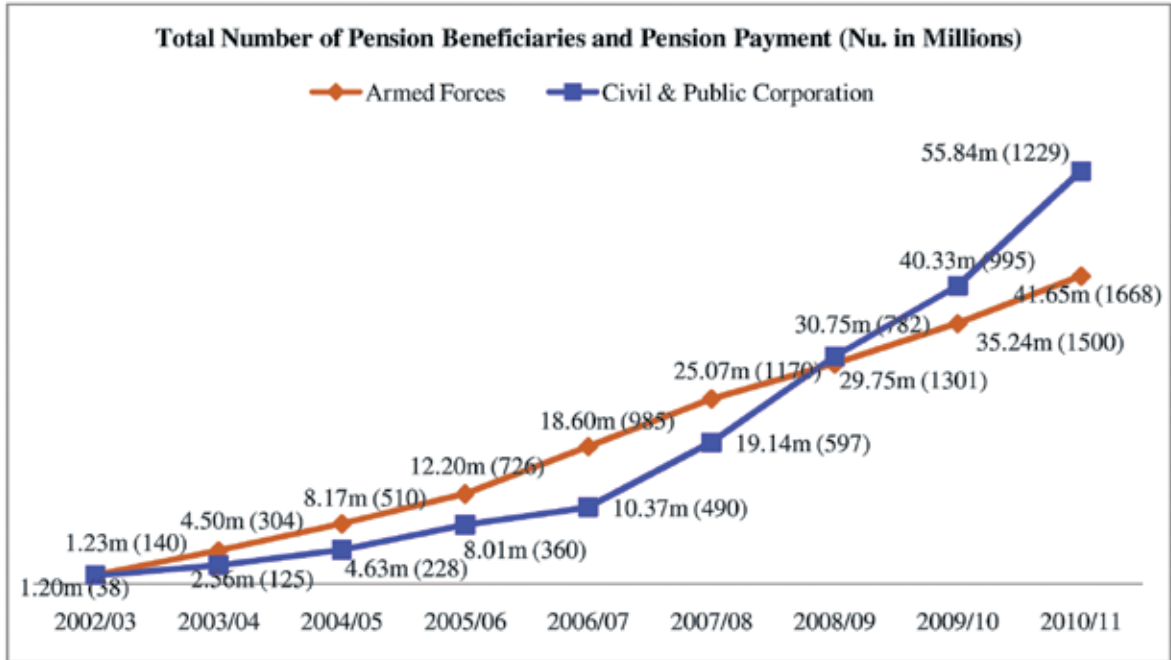


Figure 2.4: Annual pension payments

2.1.2: Additional features implemented in the NPPFP

➤ Service Delivery

As part of the initiative to improve its service delivery, the NPPF extended its pension payment outlet with additional Financial Institutions, which includes Tashi Bank Ltd. and Bhutan National Bank Ltd. It also started its first ever ATM facilities for pensioners with the Bhutan National Bank Ltd. from July 2011. This initiative in the pension delivery system is expected to enhance convenience of the members in view of easy access to their pension savings. Other facilities like internet banking, Hotline, SMS are also being introduced for the benefit of the members and the pensioners.

In order to expand our network and services to the members, the NPPF upgraded the site offices at Phuentsholing and Samdrup Jongkhar to Liaison Offices and then further upgraded to Regional Offices. Another Regional Office was opened in Mongar during the year and one in Gelephu is in the pipeline. We are very pleased to note that many members have availed the services of our Regional Offices. This has greatly helped us increase our efficiency and effectiveness.



➤ **New Pension Formula**

The financial year 2010-2011 has also witnessed a major reform in the computation of the pension payments to the NPPFP members. In compliance with the resolution of the Parliament Session of 19th January, 2009 and the Notification dated 13th February, 2009 of the Ministry of Finance, the National Pension Board during its 53rd Meeting held on 18th March, 2011 revised the provision of the Pension and Provident Fund Plan.

The new pension formula is as follows:

- i. 40 percent of the final basic salary for contributory service of 30 years or more; and
- ii. For contributory service less than 30 years as under:

40% of final basic pay X No of years of contributory service

30

**Members shall earn pension credits up to a maximum of 30 years of contributory service. After 30 years, the contributions to the pension shall be transferred to the provident fund account. As the new formula is enforced with effect from July 1, 2010, excess contributions, if any prior to July 1, 2010 cannot be refunded with retrospect effect.*

Note

1. Maximum retirement pension benefit shall be 40 percent of the maximum ceiling of the salary scale of EX1 position level in the civil service.
2. Pension benefit shall be indexed to annual Average Consumer Price Index or 5 percent per annum, whichever is lower, once every July.
3. The revision shall become effective from July 1, 2010.

2.2: Armed Forces

A total of Nu. 41.65 million was paid as pension during the financial year 2010-2011. Out of the total 1,668 beneficiaries, 800 were normal pensioners, 293 members opted for early pension, 208 surviving spouses, 353 children of the deceased members, 12 orphans and 2 dependent parents.



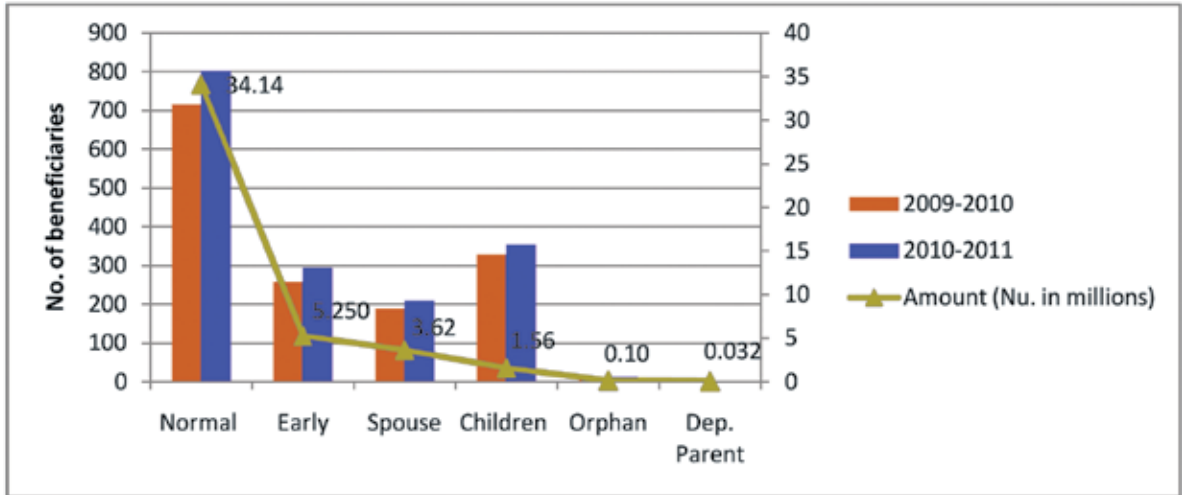


Figure 2.5: Status of pension beneficiaries and pension payment during 2010-11

2.3: Tier II- Provident Fund Plan

2.3.1: Civil & Public Corporations

During the financial year 2010-2011, the fund witnessed a growth of 36.65 percent in terms of its total contribution from Nu. 251 million to Nu. 343 million. The total membership has increased to 44,312, representing a growth of 4.5 percent from previous year. The growth was mainly due to the inclusion of additional agencies to the NPPF membership.

The Fund also made a total of Nu. 101 million as refund payments against the tier II accumulation of provident fund of its members.



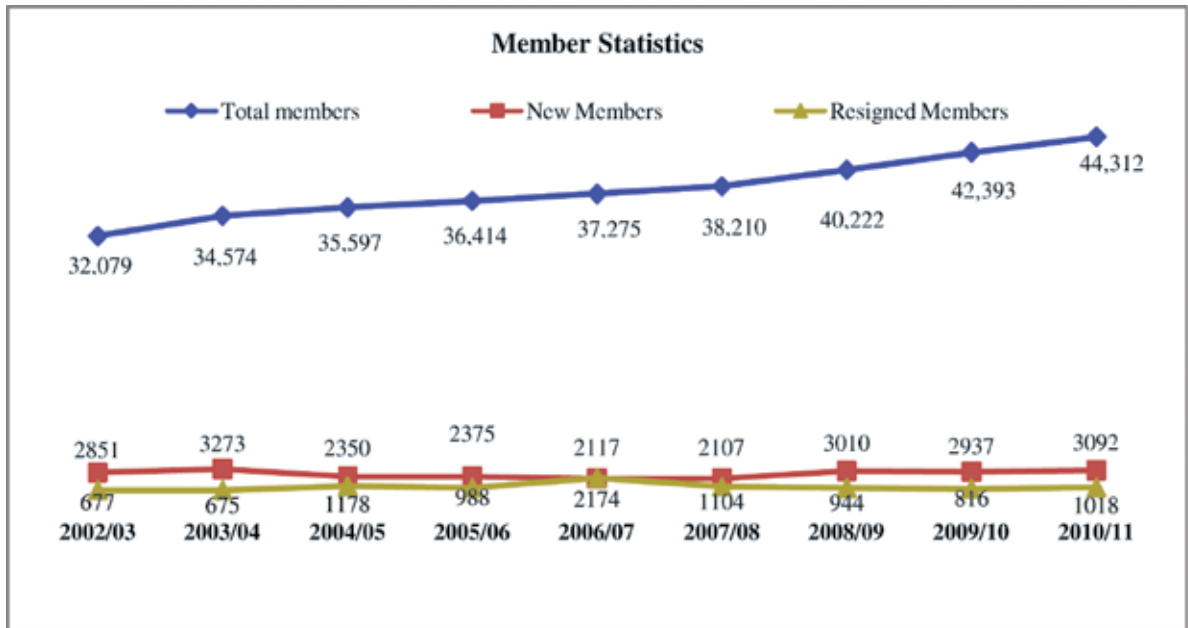


Figure 2.6: Year wise inflow and outflow of members from the system

2.4: Future plans

The National Pension Policy, drafted by the Government Pension Working Committee is being finalized for submission to the government for its consideration. The policy once approved will bring in necessary legislation and help extend the coverage of the pension system.

The NPPF has been taking initiatives to improve the efficiency of its day to day operations. Nevertheless, much remains to be done to improve its service delivery. Such initiatives include the development of an Online Application and Content Management System which is anticipated to greatly improve the operational efficiency.

The G2C project has been initiated by the Royal Government to facilitate services with the use of ICT in order to take the services closer to the citizens through simplification of the administrative procedures. The G2C project has selected the pension service delivery as one of the key services in Phase II of the project and is expected to be completed by the beginning of 2012. Its involvement in the G2C project will help NPPF to take its services to the gewog and community level. NPPF's members based in rural communities will highly benefit from the project as they can access online services from their respective communities.

NPPF continues to carry out its awareness campaigns to its members in the form of mass advertisement forums and selective group talks particularly for those members nearing retirement age. As part of an additional initiative, the NPPF will be focusing more on the rural communities and institutions for the next financial year, a proposal which has already been finalized for implementation.



Today, the NPPF plays a major role in the financial market in Bhutan. Its investment initiatives in the various government projects has helped significantly in the socio-economic development of the country. The National Pension and Provident Fund, as the trustee of the pension and provident fund, endeavors to provide adequate retirement income to pensioners in old age. This is ensured by managing and investing its fund to achieve optimum returns within reasonable and prudent levels of risk in line with the limited Investment Mandate accorded by the Government and licensed by the Royal Monetary Authority of Bhutan as well as the Investment Policy adopted by the National Pension Board.

The NPPF has been pursuing a prudent approach to the investment of the members' fund so as to ensure protection to the savings of the members for old age. As such, NPPF accords priority to domestic investment over the international in view of the risks involved.

3.1 INVESTMENT OPERATIONS

3.1.1: Overall investment performance

Over the past eight years of its operation, the NPPF had consistently declared returns of more than 6 percent per annum as shown in figure 3.1.

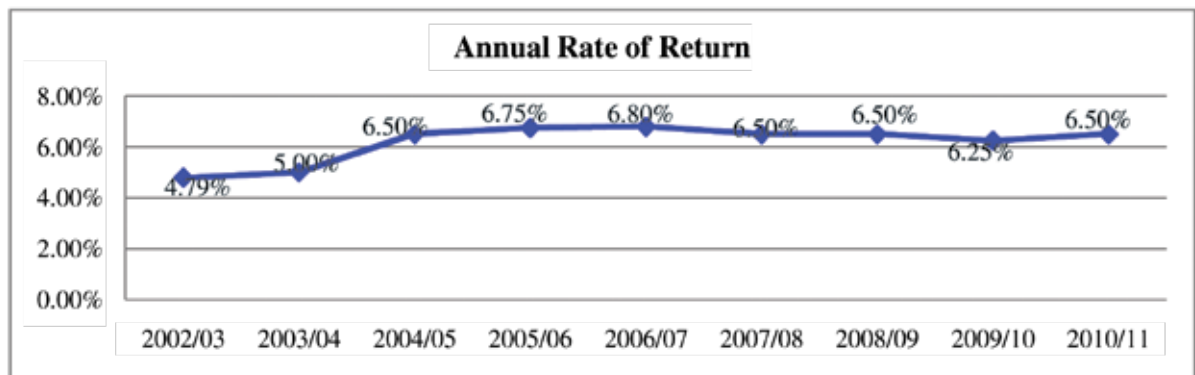


Figure 3.1: Annual rate of return

The figure 3.1 shows that this year is no exception as the NPPF declared a return of 6.50% despite limited investment avenues and competitions from both new and existing financial institutions. This has been possible because of the NPPF's consistent effort in strategizing its investment policy in response to the market conditions. The NPPF proactively manages its investment with proper assessment of risk to maximize returns. This is important as the NPPF mainly relies on the investment return to ensure pension sustainability and continuous payment of pension benefits to its members.



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

As on 30 June 2011, the average return generated from the above loans was 7.50 percent and from the equities 9.78 percent. The NPPF's current ongoing investment in the equities is in Dagachu Hydropower Project. During the year, the BNB declared a dividend of 28.50 percent per share amounting to Nu. 26.11 million. PCAL and Kuensel Corporation also declared a dividend rate of 100 percent and 18 percent respectively. The State Trading Corporation of Bhutan Ltd. also declared a dividend of 25 percent. In spite of the above high returns, the overall return on the equities is low because of the NPPF's huge investment in the equities of Dagachhu Hydro Power Project, which will take some time to generate dividends.

In view of the strategic investment position taken by the NPPF during the year, it was able to generate reasonable rate of return despite 21 percent of the investment portfolio lying in the short-term deposits with the BNB earning about 1.5 percent to 3 percent per annum. While BoB did not take any interest bearing deposits during the year, the BNB has at one point of time reduced deposit rates to as low as 0.5 percent per annum significantly affecting the performance of the fund. However, towards the end of the year, the corporate deposit rate has been improving in view of liquidity crunch.

As on 30 June 2011, the NPPF had a fund size of Nu. 10,781.59 million with cash inflow of over Nu. 100 million per month.

3.1.2: Activities during the year

- The NPPF disbursed Nu. 817.62 million to Dungsam Cement Corporation Limited out of the total term loan of Nu. 1,010 million at 10 percent per annum interest rate for 10 years.
- Out of the equity investment participation of Nu 500 million, a sum of Nu. 122.05 million was disbursed to Dagachu Hydro Power Project during the year. The total amount of disbursed fund till date is Nu 306.91 million. The 114 Mega Watt Dagachu Hydro Power Project is expected to commence commercial operations by 2012.
- Committed Nu. 42.79 million to finance Druk Deothjung Resort Pvt. Limited through consortium with the Bank of Bhutan. Nu. 4.50 million was disbursed during the year.
- NPPF participated in the Home Ownership Program in partnership with Yangphel Real Estate. Out of the total sanctioned loan of Nu. 175 million @ 10 percent per annum interest rate, Nu. 63 million was released till date.



- The NPPF purchased Nu. 468.11 million worth of RICBL Bond – Series II at a coupon rate of 6.70 percent for 5 years.
- Committed to finance Bhutan Power Corporation and Dungsam Polymers Limited. The NPPF will provide loan of Nu. 503.13 million to BPC at the interest rate of 9 percent per annum for 12 years while the loan to DPL will be Nu. 99 million at the interest rate of 10 percent for 10 years.

3.1.3: Asset Allocation

Asset allocation policy determines significant percent of the returns of an investment. The NPPF being a conservative investor, its overall asset allocation by asset class is aimed at 40 percent Equity and 60 percent Fixed Income. However, given the current market scenario, the NPPF’s asset allocation works out to a ratio of 95 percent fixed income and 5 percent equity. In order to generate optimum return on the fund, the NPPF has to enhance investments in equity.

Notwithstanding the constraints, the investments in equities have been steadily increasing for the past four years. The major increase in the past three years is due to the NPPF’s investment in the equities of Dagachhu Hydro Power Corporation and issue of bonus shares by the BNB as shown in figure 3.2.

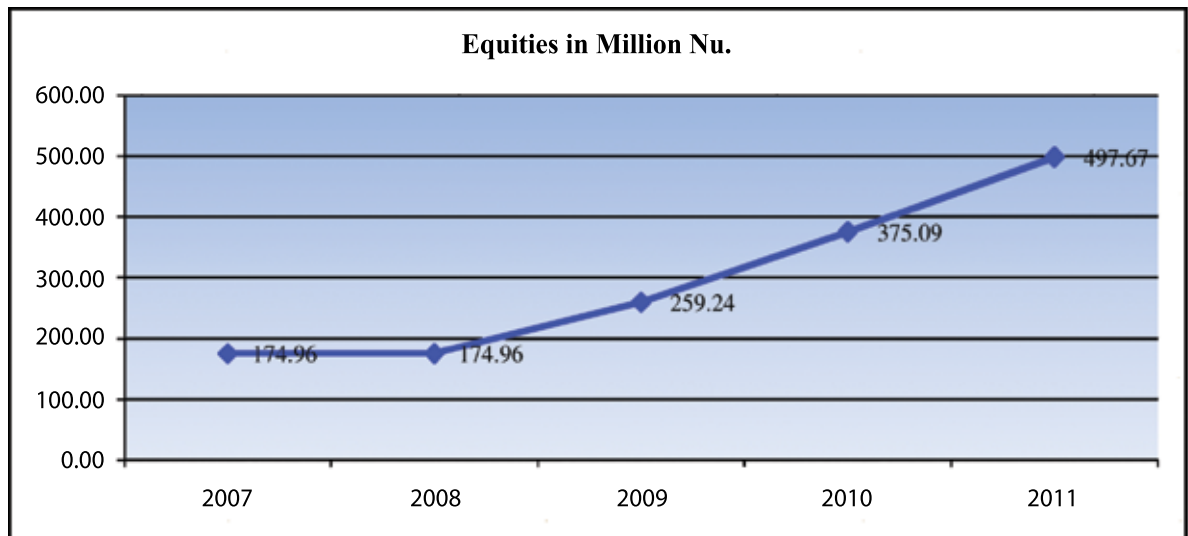


Figure 3.2: Equities in million



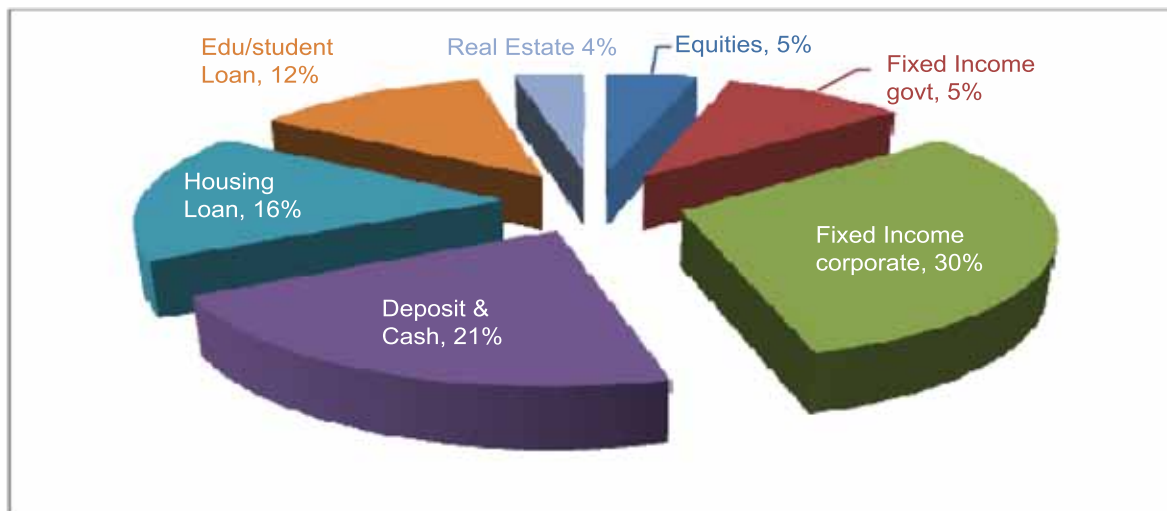


Figure 3.3: Investment Portfolio

The overall investment portfolio including real estate investments as of June 30, 2011 stood at Nu. 10,572.39 million compared to Nu. 8,618.85 million during the previous year achieving a growth rate of 23 percent. The NPPF’s performance during the financial year 2010- 2011 has been satisfactory and it has been able to generate a return of 6.41 percent. The details of the asset allocation of the Fund as of June 30, 2011 compared to previous year and Investment Policy guidelines are depicted in figure 3.4.

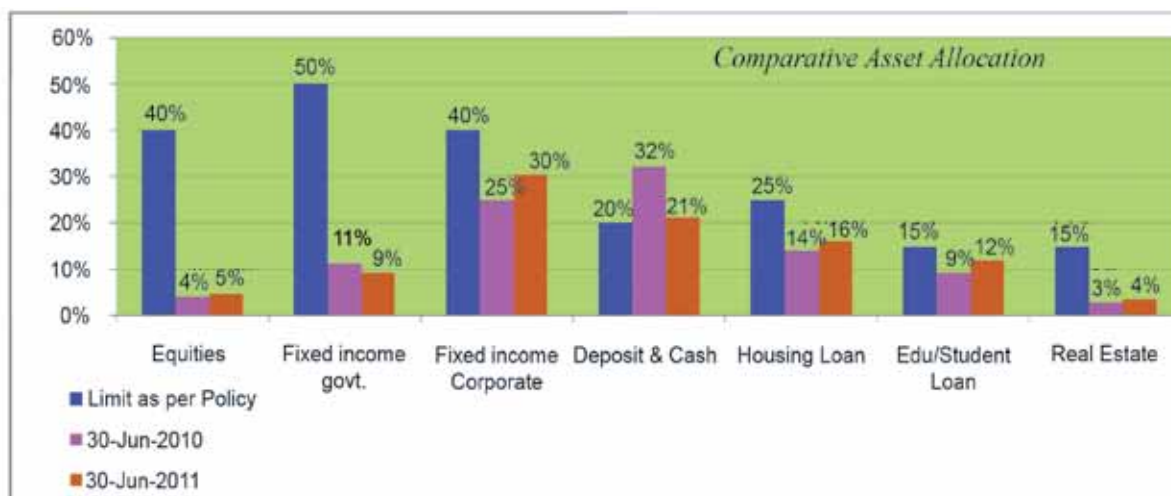


Figure 3.4: Details of the asset allocation of the Fund

As illustrated in figure 3.4, the performance during the year considerably improved compared to the previous year both in terms of increase in the investment of the fund and the utilization of the idle funds parked in the short - term deposits with the banks. Share of idle funds has been brought down to 21 percent from 32 percent. Investment in equity has increased from 3 percent in the last year to 5 percent.



3.1.4: Future plans

The NPPF has been constantly exploring investment avenues within the given environment and the macroeconomic policies in place. The profitable avenues with acceptable risk factors are important to achieve enhanced rate of return to the pension fund. The higher rate of return is not only essential to keep the pension fund sustainable but also required to enhance the sustainability of the fund without impinging on the members' pre and post retirement income level. As such, equity investment which gives higher returns over a long time horizon and which is appropriate to the pension fund's long term liabilities is a priority of the NPPF's investment strategy. Therefore, the NPPF is persistently seeking assistance of the Government to invest in the equities of the State Owned Enterprises such as DCCL, DHPC, BPC, BTL, etc.

Other major investments include the NPPF's commitment to finance Bhutan Power Corporation worth Nu. 503.13 million for construction of 220 kv Double Circuit Transmission Lines from Dagapela-Tsirang-Gelephu to Lodrai. Another Nu. 160 million is expected to be invested in the third phase cellular project of the Tashi InfoComm Ltd. which is scheduled to start next year. In the same year, the NPPF will also introduce a Student Loan Scheme in commemoration of the Royal Wedding Ceremony in October 2011. The NPPF will also make major investment in the Home Ownership Program under which the NPPF in partnership with private developers will build affordable housing accommodation to be sold to the members with financing from the NPPF.

The NPPF is also exploring possibility of making investments in other DHI Projects which would need local financing. Currently, the NPPF is financing Dungsam Cement Project in consortium with other financial institutions. The NPPF is also financing Dungsam Polymers Ltd., a subsidiary of DHI. The NPPF has already shown interest to DHI in taking up other projects that require local financing and is continuously exploring investment opportunities wherever possible in consultation with DHI.

The other investment opportunity for the pension fund in future is in the power sector. The NPPF has already commenced investing Nu. 1.6 billion in Dagachu Power Project. Beside Dagachu Power Project, the NPPF expects to invest in other power projects during remaining period of the 10th five-year plan.

In the near future, the NPPF foresees increasing corporate and Government bonds in the market. This will not only help the NPPF to ease its excess liquidity parked in the short term deposits with the banks but will also give a secure source for the investment of the pension fund.



3.2 CREDIT OPERATIONS

National Pension and Provident Fund has been able to make huge differences in the lives of many people through its loan facilities. While the members benefit from pension and provident fund upon retirement from service, the education loan facility has helped many members educate their children and also enhance their own qualification. Similarly, the housing loan facility has helped members build houses while still in service and reap its benefit both during and post service.

3.2.1: Member Education Loan

Member education loan has been very popular from the day it was introduced. As stated above, many members have taken advantage of the facility to educate their children and in many cases, enhance their own qualification. NPPF takes an immense pride in being able to help our members educate their children both within and outside the country.

As of 30 June 2011, the total number of members who had availed education loan stood at 6,818 (active clients). Considering the popularity of the member education loan, the scheme was re-designed to make it more meaningful to the members. As a result, during the year, a total of 1,997 members had availed the loan facility. It shows a sharp increase of 59.30 percent from the previous year.

3.2.2: Member Housing Loan

As of June, 2011, the housing loan portfolio constituted about 16 percent of the overall total loan portfolio. The housing loan sector grew by about 36.90 percent with an increase in clientele base by 107 new clients.



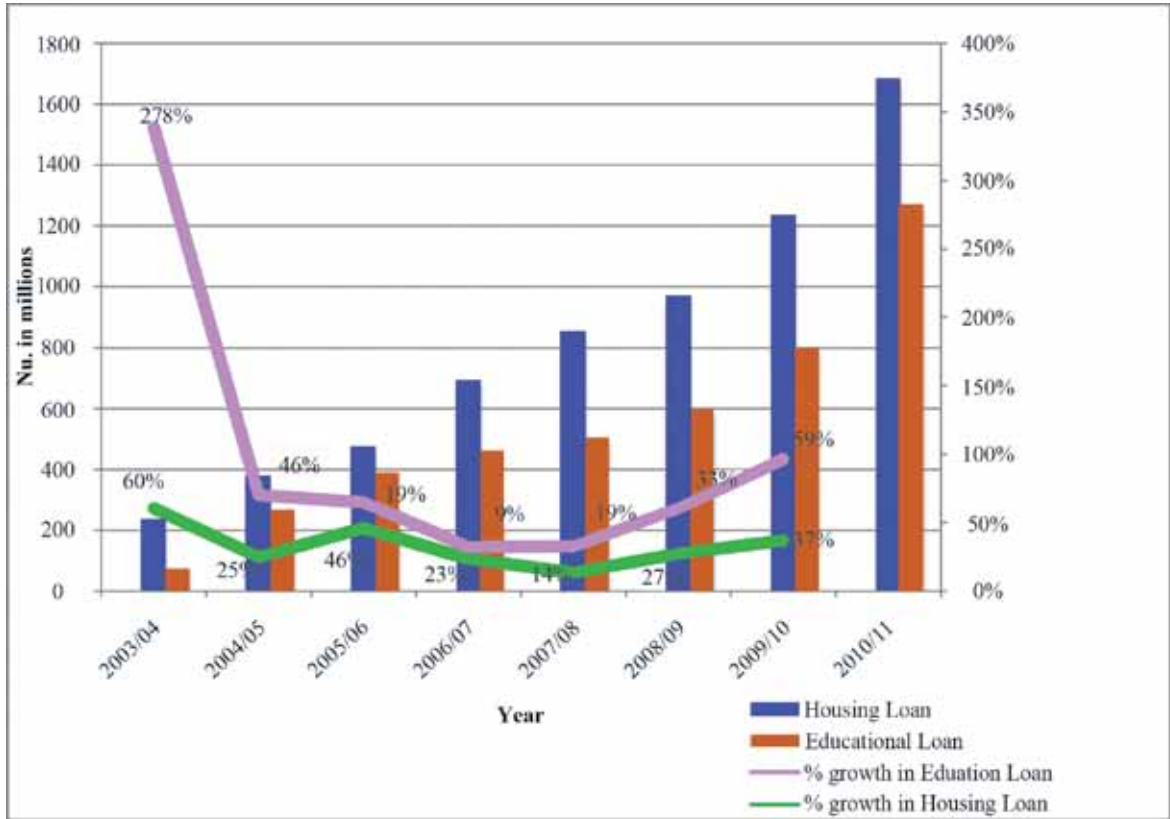


Figure 3.5: Details of loan of members

As a part of revision, the Housing Loan Term was extended from 20 to 25 years excluding Grace Period admissible as per current practice.

3.2.3: Risk Management Policy

Despite increasing loan portfolio, NPPF has been able to maintain Non- Performing Loans (NPL) at very minimum level. This was possible mainly because of vigilant risk management and additional efforts put in by the employees. As of June 2011, the total loan portfolio grew to Nu.6,361.93 million, while Non- Performing Loans (NPL) worked out to 0.48 percent of the total loan outstanding.



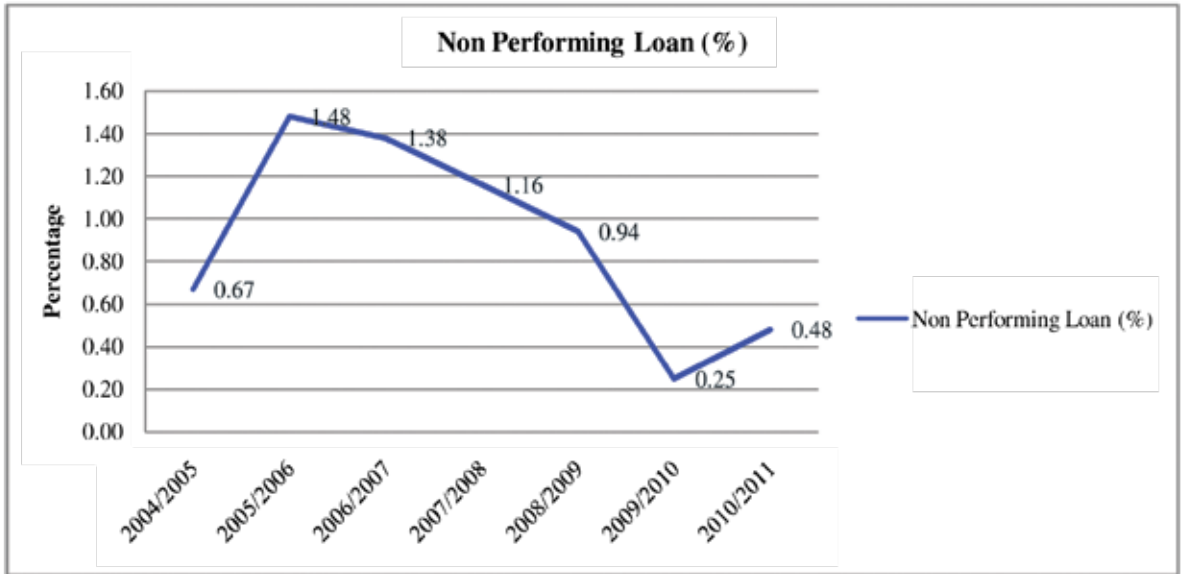


Figure 3.6: Non- Performing Loans (NPL) trend

3.2.4: Future Plans

In order to maintain the popularity of its loan products and to achieve the sustainable return, NPPF has been constantly improving its services for its valued customer.

Urgently, the NPPF plans to review the loan repayment system through system integration with the Bhutan Development Bank Ltd (BDBL). On completion of the project, the members can avail the services anytime at any of the BDBL counters to repay loans. The system is not only going to benefit the members but will also benefit NPPF and BDBL.

For those members residing in places away from the capital, they can take advantage of the Virtual Private Network (VPN) that will soon be introduced in regional offices of Phuentsholing, Samdrupjongkhar and Mongar.



As a leading property developer, the NPPF revisited its Real Estate policy to take a different approach to providing residential buildings. With the increase in the number of tenants, NPPF wants to prioritize on promotion of social cohesion and facilitate interaction between tenants by providing children parks, community halls, greening of the colony, etc.

The NPPF continues to explore investments opportunities in real estate. The objective of the investment is not only to enhance returns on investment but also provide affordable and quality residential quarters to members in line with Royal Government’s priority to support housing projects.

4.1: Residential Properties

As of June 2011, there were 87 buildings with 733 utility spaces as against 66 buildings with 640 utility spaces in 2000 under the NPPF. These comprises of 647 residential units, 58 commercial spaces and 28 office spaces as compared to 636 residential buildings, 3 commercial spaces and 1 unit office in 2000.

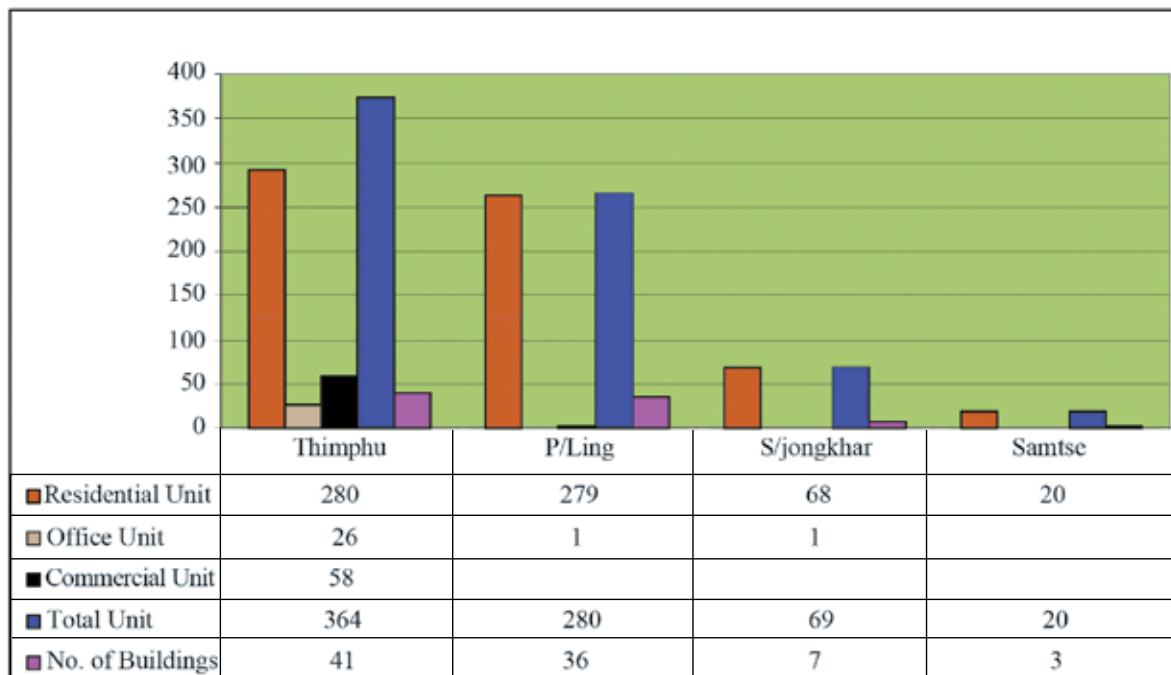


Figure 4.1: Real Estate properties at various locations



As illustrated in figure 4.1, the NPPF's real estate assets have grown significantly over the years. However, its key challenges remain in not being able to provide adequate residential housing to all members. Nevertheless, for the year under review, the Fund has achieved its targets; award of works for construction of residential buildings in its housing colony at Thimphu, procurement of land in Dzongkhags, invitation of Expression of Interest for consultancy works for construction of residential buildings behind Norgay Cinema Hall at Phuntsholing and NPPF-PRIVATE partnership for taking up Home ownership Program.

4.2: Procurement of land in Dzongkhags.

The NPPF considers the estate investment as an important vehicle towards promoting Home Ownership Program in the near future. The NPPF's main objective in real estate as mentioned above is to provide residential quarters to the members in support of Government's affordable housing program. As such, the NPPF has been continuously exploring investment opportunities in the real estate. Therefore, NPPF procured land in few select Dzongkhags such as Paro (2.4 acres), Bumthang (7.56 acres) and Samdrup Jongkhar (3.69 acres) at a total cost of Nu.34.10 million. The acquired land will be utilized for promotion of home ownership scheme of the NPPF.

4.3: Projects under construction

During the year, the construction of three buildings with 48 flats in the NPPF colony at Thimphu was awarded to Penjor Construction in February 2011 at a tendered cost of Nu.79.00 million with a completion period stipulated at 32 months. The Head Office construction project at Chubachu, Thimphu and construction of one unit residential building in Phuntsholing colony are progressing well.

4.4: Financial review

As of June 2011, the gross real estate asset at book value was worth Nu. 324.99 million, representing 3.01 percent of the total fund. The rental income from real estate operations as of June 2011 accounted to Nu. 30.59 million, a gross return of 9.41 percent on the asset block of Nu. 324.99 million.



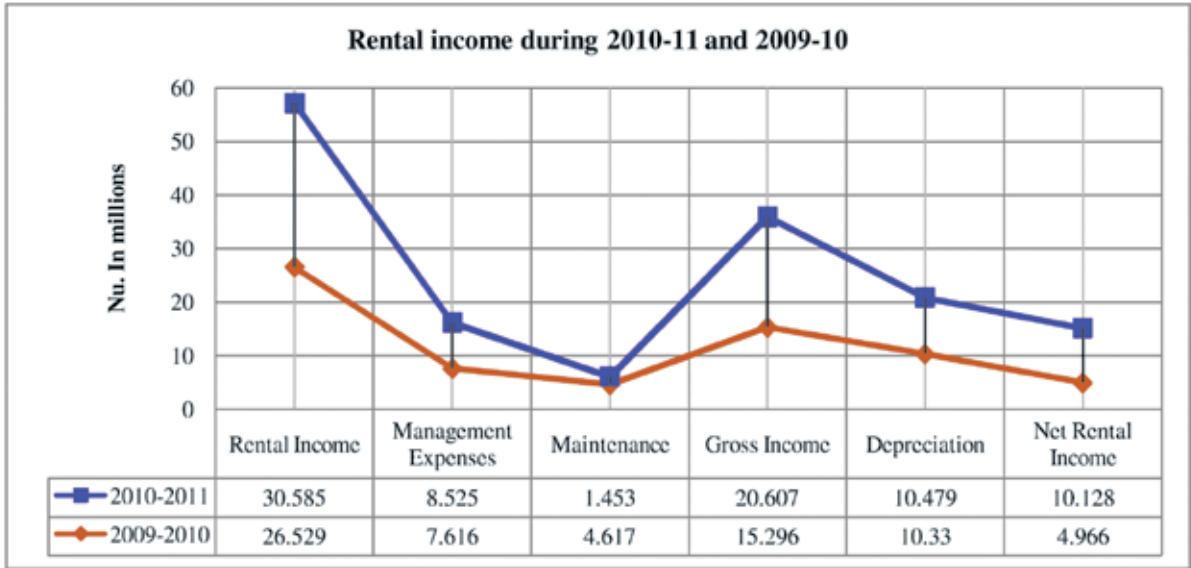


Figure 4.2: R E Revenue during 2010-2011 and 2009-2010

The net return on real estate operations increased to 3.12 percent from 1.53 percent in the previous year. This increase in the net return can be attributed mainly to the revision of rent with effect from January 2011 at 10 percent and prudent spending in maintenance expenses. During the year, the management had taken up major renovation works like face-lifting of old buildings, white washing and roof painting of all the buildings in Thimphu in keeping with the norms of municipal authority. Moreover, with the aim to improve its operations, the NPPF outsourced its security services with the G4S security provider for the Head Office and the Shopping Complex below Indo-Bhutan Friendship Hospital in Thimphu.



4.5: Future plans

The routine maintenance of properties will be taken up regularly based on requirements besides the following specific planned programs:

- (i) Construction of office rental building next to the Head Office building in Thimphu
- (ii) Construction of the three residential buildings for Health staff in Phuntsholing Hospital.
- (iii) Concept plan as well as drawing and design including award of work for construction of residential buildings behind Norgay Cinema, Phuntsholing.
- (iv) Work in close co-ordination with HM's Secretariat for their assistance in our joint venture with private estate developers to promote home ownership program. This is to ensure that we construct residential buildings not only for investment purposes, but also to promote social cohesion and facilitate interaction between tenants by providing community halls, children parks etc.
- (v) Acquire land in the Dzongkhags for future housing projects.



The NPPF accords high priority to the ICT since its efficiency, both in terms of operational and service delivery depends on a vibrant Information and Communication Technology (ICT) system. Given the importance of ICT, the NPPF has adopted the most current technologies wherever possible to enhance the efficiency and effectiveness of the organization.

5.1: Activities Undertaken

In the past the NPPF depends on the in-house developed system to carry out its operations. However, with the increase in the workload and in order to improve its efficiency and productivity, the NPPF had procured the Ascend Banking System, an off the shelf software from Southtech Ltd., Bangladesh. The Credit and Accounts Department can now fully depend on ABS system to carry out daily operations as well as obtain managerial and financial information swiftly.

The Civil Pension System was also enhanced to accommodate the changes in the pension policy. New features were also added to the civil pension system to process monthly pension payments and store historical pension payment information. Besides the above initiatives, in house ICT staffs have undertaken major tasks to enhance Real Estate and payroll system. The enhanced version is being implemented in NPPF to process and collect monthly rental, store appropriate information for necessary follow-up and updation. Reports for ABS have also been designed and developed to meet statutory requirements.

To improve service delivery, the NPPF procured enhanced version of SMS system along with a HOTLINE system. As on date, our members can receive and send SMS regarding PF and loan balance queries. Automatic notices are sent to our clients regarding loan repayment start date, loan sanction and loan closure information. Through Credit Information Bureau System, the NPPF can share or receive information on the status of clients without having to obtain loan clearances from other financial institutions.

The NPPF website (www.nppf.org.bt) was hosted in Druknet server since 2004. However, as a result of increasing database size, the web server is now configured and hosted at NPPF server. For security reason, Linux based content filtering system is configured. The NPPF also implemented National Clearing System (NECS) to disburse staff salary and pension payments to pensioners.



5.2: Future Plans

In accordance with our 5 year IT plan, in the coming financial year, the ICT division has plans to connect NPPF branch offices via virtual private networks (VPN). This will enable processing transactional operations by connecting to central databases maintained at Head Office. With VPN connection, NPPF branches will function like a single office.

The NPPF shall collaborate with BDBL to integrate NPPF's Ascend Banking System with BDBL to take advantage of the branch network of BDBL. This arrangement will help NPPF in timely collection of PF contribution, loan repayment, disbursement of loan and refund of provident fund. Also, it will facilitate and further improve the efficiency of NPPF's operation and reconciliation of bank statement.

One of the major initiatives of the NPPF is to design, develop and implement Online Application system wherein NPPF members can easily access its services like Pension claims, PF Refund and submission of loan application, application status and related information. Further, the NPPF has plans to replace existing static website with dynamic Content Management System (CMS).

The ICT division shall work closely with Department of Public Accounts under Ministry of Finance to incorporate National Electronic Clearing System (NECS) in PEMS which will cater to the need of PF Collections and Loan Repayments.



Right and timely HR intervention is crucial to cope with the constantly changing organizational needs. Some of such major interventions during the period include recruitment of staff, capacity building, operationalization of the Performance Management System (PMS) and opening of regional offices. The opening of Regional Office in Mongar was a step towards fulfilling the NPPF goal of taking services closer to the members' door steps.

The PMS model is a new concept in the NPPF and will need to be refined further as we gain more experience after its implementation. The PMS was adopted as it would facilitate the NPPF to identify good performers and reward them accordingly. Likewise, the PMS would be able to identify performance gaps and help address them through training and development programs.

Unlike in the past, incentives will be based on the productivity of the individual employees. This is expected to improve the sense of work responsibility and accountability of the individual employees to enhance 'meritocracy'. At the beginning of the year, target areas are identified in quantitative terms such as absolute numbers, percentages, ratios, etc.

One of the major initiatives of the HR Department at the policy and strategic level was to consolidate and publish the Service Delivery Standard (SDS) of the NPPF. The SDS has been developed by the respective departments of the organization with the aim to improve its services and thereby serve the members better. For any standards to be successful, it needs to be effectively enforced as per set benchmarks. Therefore, the NPPF will ensure that the standards are implemented by linking them with individual annual performance appraisal system. The NPPF's ultimate objective is to adopt the ISO standards to enable it to provide better services.



ACKNOWLEDGEMENT

We would like to take this opportunity to place on record our gratitude to the Royal Government of Bhutan, the Royal Monetary Authority and the Royal Audit Authority for always assisting and guiding the NPPF in its overall development to ensure sustainability of the pension plan. To all the agencies and our members, we would like to express our sincere appreciation for their continuous support and patronage.





Participants during the two-days training on “Neuro - Linguistic Programming (NLP)” at Paro on 28th & 29th August, 2010



Participants from the NPPF, Nepal & India during the two day Regional Technical Seminar for South Asia held in Thimphu from August 11-12, 2010. The program was organized by the International Social Security Association (ISSA) based in Geneva, Switzerland.





PLEASE QUOTE

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

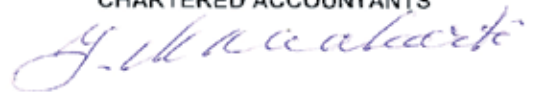
1. We have audited the attached Balance Sheet of **NATIONAL PENSION & PROVIDENT FUND, (THE FUND)** as at 30th June, 2011 and the Revenue Account and Cash Flow Statement of The Fund for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As directed by the Royal Audit Authority, a statement on Minimum Audit Examination and Reporting Requirements as stipulated in Schedule XIV to the Companies Act of the Kingdom of Bhutan, 2000, to the extent applicable, is enclosed.
4. Further to our comments as referred to in paragraph 3 above, we report that:
 - i) Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.
 - ii) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - iii) In our opinion, proper books of account have been kept by the Fund so far as it appears from our examination of those books.



- 2 -

- iv) The Balance sheet, Revenue account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the Significant Accounting Policies and Notes on Accounts gives the information required by National Pension and Provident Fund Rules and Regulations of the Kingdom of Bhutan 2002, in the manner so required and give a true and fair view:
- a) In the case of the Balance Sheet, of the state of affairs of the Fund as at 30th June 2011;
- b) In the case of the Revenue Account, of the surplus for the year ended on that date;
- c) In the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For P. K. MITRA & CO.
CHARTERED ACCOUNTANTS



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

Place : Kolkata

Date : 19 OCT 2011



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

LIABILITIES

BALANCE SHEET AS AT 30TH JUNE, 2011

PARTICULARS	SCHEDULE NO.	AS AT30.06.2011	AS AT30.06.2011
		Nu.	Nu.
Members' & Employers' Contribution to PF - Civil	1	1,793,592,851	1,510,433,580
Members' & Employers' Contribution to PF - Armed Forces	1A	747,164,062	652,022,062
Interest credited to PF Account - Civil	2	827,507,418	716,659,911
Interest credited to PF Account - Armed Forces	2A	374,668,962	319,240,418
Pension Fund - Civil	3	5,023,708,131	4,011,262,908
Pension Fund - Armed Forces	3A	1,801,677,658	1,561,078,460
Reserves	4	114,963,338	125,622,993
Other Liabilities	5	18,862,214	16,556,767
General Provision on Standard Assets		68,056,001	52,255,877
Gratuity Liability		8,845,710	7,473,504
Interest in Suspense		2,649,094	613,645
		10,781,695,440	8,973,220,126

ASSETS

Fixed Assets:			
Gross Block		351,869,423	351,918,874
Less: Accumulated depreciation	6	93,575,388	83,561,716
Net Block	6	258,294,035	268,357,158
Capital Work in Progress	7	56,671,101	15,664,532
Deferred Revenue Expenditure		8,009,924	8,790,163
Investments in Equity Shares/ Bonds	8	1,583,033,335	993,562,096
Other Investments	9	8,759,056,630	7,617,829,897
Gratuity Investment		7,941,057	6,680,490
Advance and Other Deposits	10	56,347,464	6,089,252
Cash and Bank Balances	11	52,341,894	56,246,539
		10,781,695,440	8,973,220,126
Significant Accounting Policies	19		
Notes forming part of Accounts	20		

The schedules as mentioned above form an integral part of the Balance Sheet.

This is Balance Sheet referred to in our report of even date.
P K Mitra & Co.
Chartered Accountants

S. Chinnabarti
(T.N. Chinnabarti)

Partner:
Membership No.. 10610

Kolkata. Date 19 OCT 2011



J. Wang

DIRECTOR
CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

J. Wang

CHAIRMAN



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN
REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2011

REVENUE

PARTICULARS	SCHEDULE NO.	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2010
		Nu	Nu
Income from Investment	12	606,356,981	510,931,368
Rental Income	13	30,585,237	26,528,839
Dividend	14	48,563,329	48,293,829
Other Revenue	15	4,130,329	1,972,008
		689,635,875	587,726,044

EXPENSES

Provident Fund Management Expenses	16 & 17	20,586,970	19,197,227
Pension Management Expenses	16 & 17	32,221,057	28,865,209
Depreciation	6	13,212,182	12,719,952
Provision for Standard Assets		15,800,124	8,459,822
Provision for Sub Standard Assets		12,769,162	(4,303,225)
Total Expenses		94,589,495	64,938,985
Surplus		595,046,380	522,787,059
Transferred from/(-) to General Reserve		11,233,649	(31,311,355)
Prior Period Income	18	2,209,298	
Total Distributable Surplus		608,489,327	491,475,704
Distribution of Surplus			
Return on Members' and Employers' contribution to PF (Civil)		151,698,773	125,325,964
Return on Members' and Employers' contribution to PF (Armed Forces)		65,384,518	55,566,118
Return on Pension Fund (Civil)		288,442,881	217,956,946
Return on Pension Fund (Armed Forces)		102,963,155	92,626,675
		608,489,327	491,475,704
Significant Accounting Policies	19		
Notes forming part of Accounts	20		

The schedules as mentioned above form an integral part of the Revenue Account

This is Revenue Account referred to in our report of even date.

P K Mitra & Co.

Chartered Accountants

S. Chinnabarti
(S. Chinnabarti)

Partner:

Membership No.. 10610

Kolkata. Date 19 OCT 2011



J. Wang

DIRECTOR
CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

J. Wang
CHAIRMAN



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2011

	Year ended 30th June 2011	Year ended 30th June 2010
CASH FLOW FROM OPERATIONS		
Receipts from:		
Interest	572,128,423	474,421,589
Rents	30,404,202	26,459,574
Dividends & Other Income	53,531,261	50,264,067
Security Deposit from Tenants		20,795
Payments for:		
Expenses	51,044,041	43,932,213
Security Deposit to Suppliers	156,412	30,990
Security Deposit from Tenants	27,019	
Home Ownership Scheme	52,506,959	
NET RECEIPTS FROM OPERATIONS	552,329,455	507,202,822
CASH FLOW FROM INVESTING		
Receipts from:		
Repayments of Pension Loans	276,462	-
Sale of Fixed Assets	78,202	199,160
Sale of Shares	1,862,000	
Payment for:		
Increase in Loans & Deposits	184,050,238	685,137,365
Shares and Bonds	589,961,240	115,846,193
Pension Loan		328,915
Member Housing Loan	456,531,540	263,691,849
Member Education Loan	469,328,383	193,585,090
Vehicle Loan	2,806,513	1,535,720
Staff Housing Loan	2,615,478	35,899,861
Purchase of Fixed Assets (Including work in progress)	43,633,970	36,393,262
NET PAYMENTS FOR INVESTMENTS	(1,746,710,698)	(1,332,219,096)
CASH FLOW FROM MEMBER TRANSACTIONS		
Receipts from:		
Contributions to the NPPFP	1,166,961,386	860,909,194
Contributions to the AFPPFS	300,772,338	214,757,713
Payments of refunds and Pensions:		
NPPFP	199,306,857	133,051,190
AFPPFS	77,950,269	68,108,995
NET RECEIPTS FROM MEMBERS	1,190,476,598	874,506,722
NET MOVEMENT IN CASH AND BANK	(3,904,645)	49,490,448
OPENING CASH AND BANK	56,246,539	6,756,090
CLOSING CASH AND BANK	52,341,894	56,246,539



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RECONCILIATION BETWEEN OPERAING SURPLUS AND CASH FLOWS FROM OPERATIONS

	Year ended 30th June 2011	Year ended 30th June 2010
OPERATING SURPLUS	595,046,380	522,787,059
NON CASH CHARGES		
Depreciation	13,212,182	12,719,952
Ammortization of Software	2,772,218	2,927,192
Provision against loan	28,569,286	460,586
MOVEMENT IN ACCRUALS		
Revenue receivable	(34,409,287)	(32,883,033)
Accounts Payable	(2,404,465)	(478,902)
Gratuity Payable	1,372,206	1,124,654
GAIN ON ASSET SALES	(1,372,000)	(1,770)
PRIOR PERIOD INCOME	2,209,298	
LOSS ON ASSET DISPOPSALS	24,027	557,279
LAND/HOME OWNERSHIP SCHEME	(52,506,959)	
SECURITY DEPOSITS	(183,431)	(10,195)
NET RECEIPTS FROM OPERATIONS	552,329,455	507,202,822

Note:

The cash flow statement has been prepared using the direct method

This is Cash Flow Statement referred to in our report of even date.

P K Mitra & Co.
Chartered Accountants

S. Chakrabarti
(P.K. Chakrabarti)

Partner:
Membership No.. 10610

Kolkata. Date 19 OCT 2011



J. Wang

DIRECTOR
CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu - Bhutan

J. Wang
CHAIRMAN



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 1

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Civil				
	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2011	AS AT 30.06.2011	AS AT 30.06.2010	AS AT 30.06.2010
	Nu.	Nu.	Nu	Nu
Opening Balance	1,146,537,592	1,146,676,194	1,021,340,284	1,021,402,814
Add / (Less): Adjustments	(59,885)	(24,744)	(334,622)	(258,820)
Adjusted Opening Balance	1,146,477,707	1,146,651,450	1,021,005,662	1,021,143,994
Add: Contribution during the Year	171,587,380	171,587,380	125,531,930	125,532,200
Sub Total A	1,318,065,087	1,318,238,830	1,146,537,592	1,146,676,194
Less: Refunds as per last a/c	391,387,024	391,393,182	372,278,465	372,284,775
Refunds during the year	29,953,411	29,977,448	19,108,559	19,108,407
Sub Total B	421,340,435	421,370,630	391,387,024	391,393,182
Net Contribution A-B	896,724,652	896,868,200	755,150,568	755,283,012
Grand Total	1,793,592,851		1,510,433,580	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 1A

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Forces				
	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2011	AS AT 30.06.2011	AS AT 30.06.2010	AS AT 30.06.2010
	Nu.	Nu.	Nu.	Nu.
Opening Balance	427,005,962	427,161,661	386,683,613	386,772,160
Add / (Less): Adjustments	(18,992)	1,480	(131,851)	(67,040)
Adjusted Opening Balance	426,986,971	427,163,141	386,551,762	386,705,120
Add: Contribution during the Year *	56,516,812	56,517,061	40,454,200	40,456,541
Sub Total A	483,503,783	483,680,202	427,005,962	427,161,661
Less: Refunds as per last a/c	101,066,202	101,079,359	92,002,299	92,002,303
Refunds during the year	8,925,476	8,948,885	9,063,903	9,077,056
Sub Total B	109,991,678	110,028,244	101,066,202	101,079,359
Net Contribution A-B	373,512,104	373,651,958	325,939,760	326,082,302
Grand Total	747,164,062		652,022,062	

Note: * Contribution during the year includes the contribution deposited by the reinstated members



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 2

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Civil				
	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2011	AS AT 30.06.2011	AS AT 30.06.2010	AS AT 30.06.2010
	Nu.	Nu.	Nu.	Nu.
Opening Balance	164,859,386	140,914,291	164,858,074	140,859,349
Add / (Less): Adjustments	(16,668)	1,402.00	1,312	54,942
Adjusted Opening Balance	164,842,718	140,915,693	164,859,386	140,914,291
Add: Interest credited as per last a/c	431,411,164	429,860,524	368,743,367	367,202,357
Interest during the Year	75,850,739	75,848,034	62,667,797	62,658,167
Sub Total A	672,104,621	646,624,251	596,270,550	570,774,815
Less: Refunds of interest as per last a/c	237,812,247	212,573,207	225,808,500	200,630,093
Refunds of interest during the year	20,465,467	20,370,533	12,003,747	11,943,114
Sub Total B	258,277,714	232,943,740	237,812,247	212,573,207
Net Contribution A-B	413,826,907	413,680,511	358,458,303	358,201,608
Grand Total	827,507,418		716,659,911	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 2A

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Force				
	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2011	AS AT 30.06.2011	AS AT 30.06.2010	AS AT 30.06.2010
	Nu.	Nu.	Nu.	Nu.
Opening Balance	53,831,861	52,694,530	53,888,281	52,728,449
Add/ Less: Adjustments	16,666	16,131.00	(56,420)	(33,918)
Adjusted Opening Balance	53,848,527	52,710,661	53,831,861	52,694,530
Add: Interest credited as per last a/c	159,159,551	158,825,926	131,371,548	131,047,810
Interest during the Year *	32,726,479	32,722,672	27,788,003	27,778,116
Sub Total A	245,734,557	244,259,259	212,991,412	211,520,456
Less: Refunds of interest as per last a/c	53,236,389	52,035,061	47,390,765	46,261,545
Refunds of interest during the year	5,031,502	5,021,902	5,845,624	5,773,516
Sub Total B	58,267,891	57,056,963	53,236,389	52,035,061
Net Contribution A-B	187,466,666	187,202,297	159,755,023	159,485,396
Grand Total	374,668,962		319,240,418	

Note: * Interest during the year includes the interest deposited by the reinstated members



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 3

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

PENSION FUND - Civil		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu	Nu
Opening Balance	4,222,542,498	3,395,455,868
Add: Transfer / Adjustments	46,684	1,432,370
Adjusted Opening Balance	4,222,589,182	3,396,888,238
Add: Contribution received during the year	822,495,656	607,697,315
Interest during the year	288,442,881	217,956,946
Sub Total A	5,333,527,719	4,222,542,498
Less: Pension payment as per last account	116,928,681	76,594,679
Pension payment during the Year	55,839,553	40,334,002
Total Pension Payment	172,768,234	116,928,681
Less: Refund from Pension Fund as per last account	94,350,909	64,577,091
Refund from Pension fund during the year	42,700,445	29,773,818
Total Pension Refund	137,051,354	94,350,909
Sub Total B	309,819,588	211,279,590
Grand Total A - B	5,023,708,131	4,011,262,908

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 3A

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

PENSION FUND - Armed Force		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu	Nu
Opening Balance	1,888,162,620	1,661,344,535
Add: Transfer / Adjustments	70,939	(257,197)
Adjusted Opening Balance	1,888,233,559	1,661,087,339
Add: Contribution received during the year	187,587,608	134,448,606
Interest during the year	102,963,155	92,626,675
Sub Total A	2,178,784,322	1,888,162,620
Less: Pension payment as per last account	134,622,354	99,420,224
Pension payment during the Year	41,647,836	35,202,130
Total Pension Payment	176,270,190	134,622,354
Less: Refund from Pension Fund as per last account	192,461,807	187,979,952
Refund from Pension fund during the year	8,374,668	4,481,855
Total Pension Refund	200,836,475	192,461,807
Sub Total B	377,106,664	327,084,160
Grand Total A - B	1,801,677,658	1,561,078,460



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 4

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

RESERVES		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu.	Nu.
I. General Reserves		
Opening Balance	119,902,978	88,898,714
Add: Transferred from Revenue Account	-	31,311,355
Less: Transferred to Revenue Account	11,233,649	-
Sub Total	108,669,329	120,210,069
Less: Merger of Memorandum Accounts	720,359	307,091
Less: Transferred to Unclaimed & lapsed Fund	48,407,033	-
Total	59,541,937	119,902,978
II. Unclaimed & Lapsed Fund		
Unclaimed Fund		
Add: Transferred from General reserve	48,407,033	-
Sub Total A	48,407,033	-
Lapsed Fund		
Opening Balance	5,720,015	4,702,084
Add: Transferred during the year	1,294,353	1,017,931
Sub Total B	7,014,368	5,720,015
Total (A+B)	55,421,401	5,720,015
TOTAL RESERVES (I+II)	114,963,338	125,622,993

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 5

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

OTHER LIABILITIES		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu.	Nu.
Stale Cheques	347,651	912,370
Interest received in advance	697,345	-
Earnest Money	207,958	179,941
Security Deposit (Contractor)	461,278	685,516
Performance Guarantee	136,954	97,145
Security Deposit (Rent)	910,175	933,865
Member Contribution in Advance	3,258,890	2,488,702
Outstanding liabilities for Expenses	4,841,454	4,860,717
Security Deposit - Power / Tenant (S/Jongkhar)	46,380	46,380
Security Deposit - Power / Tenant (P/Ling)	133,157	135,421
Security Deposit - Power / Tenant (Thimpu)	178,995	180,060
Payable to contractor	67,581	67,581
Audit Recoveries	(373,832)	-
Housing / Education Loan closed A/c - Credit Balance	7,948,228	5,969,071
Total	18,862,214	16,556,767





NATIONAL PENSION AND PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 6

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

FIXED ASSETS											
Particulars	Rate of Depreciation	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Original cost as on 01.07.10	Addition during the year	Adj. during the period	Original cost as on 30.06.2011	Accumulated Dep as on 01.07.2010	Dep during the year	Adj. of Depreciation during the period	Total Accumulated Depreciation as on 30.06.2011	As on 30.06.2011	As on 30.06.2010
R.E.Land		34,971,746	-	2,145,718	32,826,028	-	-	-	-	32,826,028	34,971,746
R.E.Building	3%	270,983,412	-	-	270,983,412	57,811,000	8,371,400	-	66,182,400	204,801,012	213,172,412
R.E.Furniture & Fixtures	15%	176,737	-	7,860	168,877	172,175	555	7,857	164,873	4,004	4,562
R.E.Electrical & Fittings	15%	16,231,644	-	-	16,231,644	13,269,899	1,578,113	-	14,848,012	1,383,632	2,961,745
R.E.Equipments	15%	1,214,066	-	-	1,214,066	222,138	165,436	-	387,574	826,492	991,928
Road/Parking	3%	-	3,565,890	-	3,565,890	-	363,555	-	363,555	3,202,336	-
SUB TOTAL (A)		323,577,605	3,565,890	2,153,578	324,989,918	71,475,212	10,479,059	7,857	81,946,414	243,043,504	252,102,393
Office Building	3%	7,468,971	-	-	7,468,971	952,093	224,069	-	1,176,162	6,292,809	6,516,878
Office Electricals & Fittings	15%	552,464	-	-	552,464	349,629	82,870	-	432,499	119,965	202,835
Computer & Office Equipments	15%	15,338,317	1,646,232	3,112,899	13,871,649	7,856,113	1,853,117	3,040,897	6,668,333	7,203,317	7,482,204
Office Furniture & Fittings	15%	2,876,521	170,200	119,661	2,927,060	1,910,658	298,750	104,724	2,104,683	822,376	965,863
Telephone/ EPABX/LAN	15%	635,198	11,474	21,947	624,725	392,226	60,250	20,202	432,273	192,452	242,972
Motor Vehicles	15%	1,273,195	-	-	1,273,195	521,661	190,979	-	712,640	560,555	751,534
Carpet	15%	99,592	-	20,072	79,520	49,988	10,233	20,069	40,152	39,368	49,604
Curtain/ Upholstery	15%	-	97,011	3,210	18,300	81,921	54,137	12,855	4,760	62,232	42,874
SUB TOTAL (B)		28,341,269	1,831,115	3,292,879	26,879,505	12,086,505	2,733,123	3,190,653	11,628,974	15,250,531	16,254,764
GRAND TOTAL (A+B)		351,918,874	5,397,006	5,446,457	351,869,423	83,561,717	13,212,182	3,198,510	93,575,388	258,294,035	268,357,157
Previous Financial Year		331,734,082	23,893,177	3,708,385	351,918,874	71,619,387	12,719,952	777,623	83,561,716	268,357,158	

Note: From RE Land, an amount of Nu. 2,145,718 has been taken out and shown separately under the head Road/Parking since it is a depreciable asset

NATIONAL PENSION & PROVIDENT FUND

Schedule - 7

THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

CAPITAL WORK IN PROGRESS		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu	Nu
Real Estate Development	56,671,101	15,664,532
Total	56,671,101	15,664,532

NATIONAL PENSION & PROVIDENT FUND

Schedule - 8

THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

DETAILS OF INVESTMENTS IN EQUITY SHARES / BONDS		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu	Nu
QUOTED (AT COST)		
PENDEN CEMENT AUTHORITY LIMITED		
215453 Equity Shares of Nu. 100/- each fully paid up including 71818 nos. of bonus shares received in 2008-09. (Market value: Nu. 183,135,050)	14,450,563	14,450,563
STATE TRADING CORPORATION OF BHUTAN LIMITED		
14700 Equity shares of Nu. 100/- each fully paid up bonus shares received in 2010-11 (Market value: Nu. 2,793,000)	490,000	980,000
BHUTAN NATIONAL BANK LIMITED		
916194 Equity shares of Nu. 100 each fully paid up including right issues of 152,699 nos. of shares issued in 2008-09. (Market value: Nu. 458,097,000)	171,124,678	171,124,678
KUENSEL CORPORATION LTD		
36750 Equity shares of Nu. 100 each fully paid up (Market value: Nu. 3,675,000)	3,675,000	3,675,000
DRUK PNB		
33 Equity shares @ Nu. 100 fully paid (Market value: Nu. 11,550)	3,300	-
T-BANK LIMITED		
379 Equity shares @ Nu. 100 fully paid (Market value: Nu. 113,700)	37,900	-
Total Quoted	189,781,441	190,230,241
UNQUOTED (AT COST)		
Equity Shares		
DAGACHU HYDRO POWER CORPORATION LIMITED		
486000 Equity Share of Nu.1000 each (Paid up Nu. 631.50 per share)	306,907,745	184,858,193
Bond		
7.50% 421,630 Nos. DRUK AIR BOND - 2013	427,176,734	427,254,967
7.50% 188,131 Nos. DRUK AIR BOND - 2014 (Guaranteed by The Royal Government of Bhutan)	191,059,415	191,218,694
468,108 Nos. RICBL Bond	468,108,000	-
Total unquoted	1,393,251,894	803,331,854
Total	1,583,033,335	993,562,095



THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

OTHER INVESTMENTS		AS AT 30.06.2011	AS AT 30.06.2010
		Nu	Nu
Loans			
To The Royal Government of Bhutan			
RGOB Budget Fund Account		560,183,997	672,220,797
To Institutions / Companies			
Secured Loan to Royal Insurance Corpn of Bhutan Ltd.	Note-1	661,000,000	696,098,580
Partially secured Loan to Bhutan Development Bank Ltd	Note-2	560,000,000	650,000,000
Secured Loan to Tashi Infocom Ltd.	Note-3	252,834,989	210,818,532
Secured Loan to Bhutan Ferro Alloys Ltd. -	Note-4	238,474,106	278,518,383
Secured Loan to Druk Ferro Alloys Ltd.	Note-5	29,010,884	38,343,908
Loan to Bhutan Broadcasting Services Ltd	Note-6	6,917,994	6,377,887
Loan to Dagachu Hydro Power Ltd	Note-7	115,260,274	105,260,274
Loan to Dungsam Cement Company Ltd	Note-8	848,078,948	-
Loan to Kuensel Corporation Ltd	Note-9	23,507,447	-
Loan to Druk Doethjung Resort	Note-10	4,691,096	-
Loan to Yangphel Real Estate	Note-11	64,670,959	-
Sub Total (I)		3,364,630,693	2,657,638,360
To Members			
Pension Loan		235,060	511,522
Housing Loan		1,681,898,021	1,228,565,333
Education Loan		1,266,089,232	794,781,996
Staff Vehicle Loan		7,342,680	4,536,167
Staff Housing Loan		41,733,424	35,919,094
Sub Total (II)		2,997,298,416	2,064,314,111
Total (I+II)		6,361,929,110	4,721,952,471
Less: Provision for Non Performing Loans.		20,229,930	7,460,767
Total (A)		6,341,699,180	4,714,491,704
Deposits			
Fixed Deposit - Bank of Bhutan Ltd.		-	257,600,575
- Bhutan National Bank Ltd.		2,301,907,518	2,540,550,027
- Druk Punjab National Bank Ltd.		-	105,187,591
- T-Bank Ltd		75,150,753	-
- Bhutan Development Bank Ltd.		40,299,178	-
Sub Total (B)		2,417,357,450	2,903,338,193
Grand Total (A+B)		8,759,056,630	7,617,829,897

Note -1: Secured by the Book Debts, Land and Investments in Equity Shares.

Note -2: Nu.90 million is unsecured and the balance is secured by mortgage of Land, Fixed deposit and Government Guarantee.

Note -3: The loan is secured by mortgage of the assets of the project and additional collateral of Fixed assets equivalent to 50% of loan.

Note -4: The loan is secured by mortgage of the Land and Building of the Company.

Note- 5: The loan is secured by mortgage of the Land, Factory Building and Plant & Machinery of the Company.

Note -6: The loan is secured by mortgage of all the Fixed Assets of the Company.

Note -7: The loan is secured by mortgage of the Land and Building of the Company.

Note-8: The loan is secured by mortgage of the Land and Plants and Machinery of the Company

Note-9: The loan is secured by mortgage of the printing machines of the Company.

Note-10: The loan is secured by mortgage of the land and project assets.

Note-11: The loan is secured by mortgage of the land and project assets.



THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

ADVANCES AND OTHER DEPOSITS		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu	Nu.
Security Deposit - Power / Rent	355,995	355,995
Security Deposit - Water meter	63,000	63,000
Rent Receivable	2,277,055	2,096,020
Other Receivable	29,846	24,496
Advance to Contractors	720,000	3,335,866
Staff Advance	97,712	30,000
Prepaid Expenses	296,897	183,875
Land/Home Ownership	52,506,959	-
Total	56,347,464	6,089,252

THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2011

CASH AND BANK BALANCES		
	AS AT 30.06.2011	AS AT 30.06.2010
	Nu	Nu.
Cash at Bank	52,335,567	56,234,759
Petty Cash	6,327	11,779
Total	52,341,894	56,246,539



THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

INCOME FROM INVESTMENT		
	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2010
	Nu.	Nu.
Manufacturing & Industries		
Interest on Loan to Bhutan Ferro Alloys Limited	26,241,642	29,854,028
Interest on Loan to Druk Ferro Alloys Limited	3,816,976	4,522,687
Interest on Loan to Dagachu Hydo Power Corporation	10,000,000	5,260,274
Interest on Loan to Dungsam Cement Company Ltd	37,443,587	-
Sub-Total (A)	77,502,205	39,636,989
Service & Tourism		
Interest on Loan to Tashi Infocom Limited	21,773,659	19,019,817
Interest on Loan to Bhutan Broadcasting Services Limited	-	286,363
Interest on Loan to Druk Air Bond	46,034,563	45,969,587
Interest on Loan to Kuensel Corporation	2,054,247	-
Interest on Loan to Druk Doethjung	191,096	-
Interest on Loan to Yangphel Real Estate	1,670,959	-
Sub-Total (B)	71,724,523	65,275,767
Institutions/RGOB		
Interest on Loan to Bhutan Development Bank Limited	39,738,698	45,426,438
Interest on Loan to Royal Insurance Corporation of Bhutan Limited	47,738,808	50,410,267
Interest on Loan to RGOB Budget Fund Account	29,345,260	35,191,886
Interest on Loan to Food Corporation of Bhutan	-	219,697
Interest on RICBL Bond	30,761,749	-
Sun-Total (C)	147,584,515	131,248,289
Members and Staff		
Interest on Loan to Members-Housing	143,143,764	109,959,084
Interest on Loan to Members-Education	83,082,576	60,357,354
Interest on Loan to Members - Pension	43,478	69,050
Interest on Loan to Staff- Vehicle	475,753	260,689
Sub-Total (D)	226,745,572	170,646,177
Deposits		
Interest on RMA Discount Bills	-	1,286,600
Interest on Fixed Deposits with Banks	82,800,166	102,837,547
Sub-Total (E)	82,800,166	104,124,147
TOTAL (A+B+C+D+E)	606,356,981	510,931,368



NATIONAL PENSION & PROVIDENT FUND

Schedule - 13

THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

RENTAL INCOME		
	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2011
	Nu.	Nu.
Thimphu	18,781,485	16,518,182
Phuentsholing	9,474,032	7,854,250
Samdrup Jongkhar	1,854,770	1,728,907
Samtse	474,950	427,500
Total	30,585,237	26,528,839

NATIONAL PENSION & PROVIDENT FUND

Schedule - 14

THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

DIVIDEND INCOME		
	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2010
	Nu.	Nu.
Bhutan National Bank Ltd	26,111,529	26,111,529
State Trading Corporation of Bhutan Ltd	245,000	196,000
Penden Cement Authority Ltd	21,545,300	21,545,300
Kuensel Corporation Ltd	661,500	441,000
Total	48,563,329	48,293,829

NATIONAL PENSION & PROVIDENT FUND

Schedule - 15

THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

OTHER INCOME		
	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2010
	Nu.	Nu.
Processing Fees on Housing & Education Loans	1,186,200	487,475
Miscellaneous Income	1,572,129	1,484,533
Profit on Sale of shares	1,372,000	-
Total	4,130,329	1,972,008





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

Schedule - 16

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

DETAILS OF COMMON EXPENSES DISTRIBUTED TO PF & PENSION FOR THE YEAR ENDED 30.06.2011									
	Sr. Mgt Exps	Admin. Exps	Finance Exps	Investment Exps.	IT Expenses	RE Expenses	Grand Total	Pension - 60%	PF - 40%
Pay & Allowance	1,584,543	3,101,632	4,334,297	5,829,048	2,012,408	6,977,307	23,839,235	14,303,541	9,535,694
Actuarial Consultancy fees	-	-	-	37,533	425,880	-	463,413	278,048	185,365
Overseas training	948,669	204,252	430,189	1,355,532	969,587	391,467	4,299,695	2,579,817	1,719,878
Canteen expenses	21,844	37,185	27,042	71,336	16,297	47,475	221,179	132,707	88,472
Printing & Stationary	22,390	558,040	61,312	65,019	24,052	129,880	860,692	516,415	344,277
Postage	2,705	121,345	150	5,500	700	10,360	140,760	84,456	56,304
Telephone Expenses	63,242	101,501	30,363	35,384	8,833	134,458	373,781	224,269	149,512
Entertainment expenses	108,889	218,166	21,971	28,794	-	60,677	438,497	263,098	175,399
Rent	-	274,000	-	-	-	-	274,000	164,400	109,600
Travelling & Conveyance	88,000	64,793	276,435	493,543	231,874	454,411	1,609,056	965,434	643,623
Advertisement	-	475,923	-	-	-	-	475,923	285,554	190,369
Motor Car Expenses	117,395	5,013	-	3,872	-	-	126,280	75,768	50,512
Bank Charges	1,090	588	1,075,264	1,210	328	330	1,078,809	647,285	431,524
Rates & Taxes	-	-	-	-	-	496,178	496,178	297,707	198,471
Insurance	-	-	-	-	-	466,847	466,847	280,108	186,739
Office/Furniture Maintenance	4,675	771,279	3,093	2,556	6,890	4,005	792,498	475,499	316,999
Seminar / workshop / conference	106,823	380,110	182,215	143,088	132,000	102,838	1,047,074	628,244	418,830
Sitting Fees	389,200	-	-	-	-	-	389,200	233,520	155,680
IT Expenses / AMC	14,243	143,004	16,650	35,730	2,614,200	9,600	2,833,427	1,700,056	1,133,371
Books and Periodicals	6,706	8,884	-	525	-	1,275	17,390	10,434	6,956
Subscription and donation	960	37,760	-	-	-	-	38,720	23,232	15,488
Gifts / presentations	7,400	3,000	7,980	-	800	-	19,180	11,508	7,672
Audit fees and expenses	1,200	-	271,224	-	-	-	272,424	163,454	108,970
Amortisation of deferred Revenue Expenses/software	-	-	-	-	2,772,218	-	2,772,218	1,663,331	1,108,887
Miscellaneous Expenses	-	115,821	18,594	-	-	-	134,415	80,649	53,766
Lease line rent	22,809	23,000	-	399	295,362	399	341,969	205,181	136,788
R E maintenance	-	-	-	-	-	1,453,280	1,453,280	871,968	581,312
Membership Fees	-	-	-	-	-	-	-	-	-
Loss on sale of assets	-	24,028	-	-	-	-	24,028	14,417	9,611
Write off	-	-	-	301,282	-	-	301,282	180,769	120,513
CIB report	-	-	-	864,124	-	-	864,124	518,475	345,650
GRAND TOTAL	3,512,782	6,669,324	6,756,777	9,274,474	9,511,428	10,740,787	46,465,573	27,879,344	18,586,229

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 17

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2011

DETAILS OF PF & PENSION EXPENSES AFTER ALLOCATION OF COMMON EXPENSES FOR THE YEAR ENDED 30.06.2011									
	PF Mgt. Exps	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2010	Pension Mgt. Exps	60% of common Exps	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2011
Pay & Allowance	1,333,163	9,535,694	10,349,249	1,129,607	14,303,541	15,433,148	14,757,353	26,302,004	25,106,602
Actuarial Consultancy fees	-	185,365	3,072	189,034	278,048	467,082	84,608	652,447	87,680
Overseas training	444,442	1,719,878	2,079,805	834,011	2,579,817	3,413,829	2,888,948	5,578,149	4,968,753
Canteen expenses	10,800	88,472	99,272	10,800	132,707	143,507	140,848	242,779	250,541
Printing & Stationary	61,335	344,277	382,306	17,406	516,415	533,821	564,789	939,433	947,095
Postage	-	56,304	50,018	-	84,456	84,456	75,027	140,760	125,045
Telephone Expenses	17,308	149,512	171,508	7,106	224,269	231,375	240,172	398,195	411,680
Entertainment expenses	-	175,399	214,396	4,146	263,098	267,244	319,973	442,643	534,369
Rent	-	109,600	79,600	-	164,400	164,400	119,400	274,000	199,000
Travelling & Conveyance	38,496	643,623	679,238	47,644	965,434	1,013,078	997,181	1,695,196	1,676,418
Advertisement	-	190,369	230,602	-	285,554	285,554	349,395	475,923	579,997
Motor Car Expenses	-	50,512	57,853	4,160	75,768	79,928	86,779	130,440	144,632
Bank Charges	250	431,524	465,675	235,000	647,285	882,285	1,096,209	1,314,059	1,561,884
Rates & Taxes	-	198,471	191,797	-	297,707	297,707	287,696	496,178	479,493
Insurance	-	186,739	451,366	-	280,108	280,108	677,048	466,847	1,128,414
Office/Furniture Maintenance	-	316,999	151,957	5,737	475,499	481,236	227,935	798,235	379,892
Seminar/ workshop / conference	90,247	418,830	509,077	912,080	628,244	1,540,324	734,452	2,049,401	1,273,026
Sitting Fees	-	155,680	167,865	-	233,520	233,520	251,797	389,200	419,662
IT Expenses / AMC	4,700	1,133,371	196,222	1,890	1,700,056	1,701,946	276,814	2,840,017	473,036
Books and Periodicals	-	6,956	10,706	-	10,434	10,434	16,058	17,390	26,764
Subscription and donation	-	15,488	71,040	-	23,232	23,232	106,560	38,720	177,600
Gifts / presentations	-	7,672	4,680	-	11,508	11,508	7,021	19,180	11,701
Audit fees and expenses	-	108,970	73,246	-	163,454	163,454	109,869	272,424	183,115
Amortisation of deferred Revenue Expenses/software	-	1,108,887	1,170,877	-	1,663,331	1,663,331	1,756,315	2,772,218	2,927,192
Miscellaneous Expenses	-	53,766	11,273	-	80,649	80,649	16,909	134,415	28,181
Lease line rent	-	136,788	136,788	-	205,181	205,181	341,969	1,453,280	-
R E E maintenance	-	581,312	1,049,633	-	871,968	871,968	1,574,450	1,453,280	2,624,083
Membership Fees	-	-	-	943,093	-	943,093	721,133	943,093	721,133
Loss on sale of assets	-	9,611	222,912	-	14,417	14,417	334,367	24,028	557,279
Write off	-	120,513	12,067	-	180,769	180,769	18,100	301,282	30,167
CIB report	-	345,650	345,650	-	518,475	518,475	28,002	864,124	28,002
GRAND TOTAL	2,000,741	18,586,229	20,586,970	19,197,227	27,879,344	32,221,057	28,865,209	52,808,027	48,062,435

Note:

1. Pay & Allowance includes Nu. 1,084,777.00 Paid to Director (Previous year 1,075,792.40)
2. Sitting Fees includes Nu. 46,000.00 paid to Director (Previous year Nu. 35,000.00)



PRIOR PERIOD INCOME		
	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2010
	Nu.	Nu.
Interest on Member Loans not charged in MFS to 2009-10	2,223,840	
Less: Variances in Interest calculation between MFS and ABS system	14,542	
Total	2,209,298	-



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

**SIGNIFICANT ACCOUNTING POLICIES FOR THE
YEAR ENDED 30th JUNE 2011.**

1. The accounts are prepared on accrual basis except for interest on delayed receipt of rent from tenants and contributions including penal interest on delayed receipt of contribution from agencies, which are considered on cash basis.
2. Employees and Employers Contributions to Pension and Provident Fund are accounted for on the basis of the amount deposited by the Agencies to the designated branches of Bank of Bhutan Limited up to the end of the year. The deposits are transferred to individual member's account based on the recovery schedules along with the receipted copy of the deposit invoice received from the Agencies duly reconciled with the deposits received at the Bank, effective from the date of original deposit and/or clarification received.
3. Common expenses between the Pension and Provident fund are distributed on the basis of each fund size at the beginning of the year.
4. Final return on members' account is decided by the National Pension Board and credited to members' account based on approval of the Board.
5. a) Fixed Assets transferred from Royal Insurance Corporation of Bhutan Limited (erstwhile managers of GEPP) are disclosed at original cost and corresponding accumulated depreciation. Land cost is inclusive of the expenses incurred for land development. The other Fixed Assets are stated at the historical cost and/or at the cost of procurement/acquisition.

b) The depreciation on Fixed Assets is provided in the Accounts on straight line method at the rates and manner as prescribed by the Department of Revenue & Customs, Royal Government of Bhutan, as per the Income Tax Act of the Kingdom of Bhutan 2001.

c) The cost of building is inclusive of land cost where the building is purchased with land.
6. Capital work in progress is shown at cost and on completion of the project the amount is capitalized effective from the date of the completion as certified by the appropriate authority.
7. Expenditure on ongoing revenue projects for system development is debited to capital Work-In-Progress. On completion of the project, the



amount is treated as deferred revenue expenditure, which is amortized over a period of five years.

8. Equities are stated at cost. In case of equities in listed securities, market value is given as disclosure. The stated values for all interest bearing assets (loans, bonds, deposits etc.) include interest accrued up to the last date of the Financial Year.
9. Capital Grant is set off against value of assets procured out of such Grant as per International Accounting Standard.
11. Gratuity liability to employees is provided on accrual basis as per estimates and is funded annually in earmarked account.



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

Schedule – 20

**NOTES FORMING PART OF ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE, 2011**

1. An Executive Order No.MOF/Pension/4841 dated 30th March 2000 issued by Honourable Minister of Finance, subsequent to which a communication No.COM/03/02/787 dated 8th April 2002 was issued by the Cabinet Secretary to inform that NPPF will be formally established through a Government Executive Order and will be governed by Rules and Regulations. An executive order was issued by the Chairman, Lhengye Zhungtshog vide order No.LZ/02/02/15 dated 1st July, 2002 containing various objectives and working rules of NPPF.
2. The status of the organization has been categorised by the Royal Government of Bhutan as an autonomous public organization and is working as a non-profit making organization to serve its members.
3. Pending creation of Gratuity Trust and corresponding transfer of fund, Investment of Gratuity fund Nu.7,941,057/- (Previous Year-Nu. 6,680,490/-) has been shown as Gratuity Investment and Nu.8,845,710/- (Previous Year-Nu. 7,473,504/-) as Gratuity Liability as on 30th June' 2011. Gratuity Investment includes Interest Receivable on Bank Deposits Nu. 396,543 (Previous Year – Nu.331,640/-)
4. NPPF has the following commitments as on 30 June 2011 :
 - a. Capital Expenditure Nu. 168.916 million for real estate development.
 - b. Nu.179.09 million towards uncalled equity share subscription for Dagachu Hydro Power Project.
 - c. Nu.1,296.13 million loans sanctioned but yet to be disbursed to Dagachu Hydro Power Project and Dungsum Cement Project, Druk Doethjung Resort and Yangphel Real Estate.
 - d. Nu.22.26m for acquisition of land for Home Ownership Scheme
5. Return to the members @ 6.50 % (previous year 6.25 %) for the year has been decided by the National Pension Board during the 56th Board meeting held on 28th September 2011.
6. Previous year figures have been regrouped/rearranged wherever necessary.

Signature to Schedules 1 to 20



DIRECTOR
CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

CHAIRMAN





Regional Offices of NPPF

Phuentsholing

Ph.No. : 07-253533

Fax No. : 07-251221

Mongar

Ph.No. : 04-641520

Fax No. : 04-641521

Samdrup Jongkhar

Ph.No. : 05-251153

Fax No. : 05-251291

Gelephu

Ph.No. : 06-252034

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