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THIMPHU : BHUTAN

**National Pension and
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12th ANNUAL REPORT
2011-2012

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.

VISION

"Provide a Sustainable
Old-Age Retirement Security
System promoting GNH"



MISSION

"To provide timely and
adequate old-age retirement
income to the members
to meet their basic needs"



VALUES



- * Quality Service
- * Friendliness
- * Respect
- * Reliability
- * Integrity
- * Transparency
- * Accountability



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NATIONAL PENSION AND PROVIDENT FUND

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NPPF AT A GLANCE

- Administers Pension & PF Schemes
- Lends to members with three loan products and finances projects, joint ventures and government sectors
- 47,019 members and 3,285 pension beneficiaries
- Collects contribution of over Nu. 1,679.02 million per annum
- Deliver services to 401 government and corporate agencies
- Distribute over Nu. 124.71 million as pension support payments per annum
- Four Regional Offices/service outlets excluding Head Office
- Over 74 pension delivery points through BOB, BNB, BDBL & Bhutan Post
- IT systems supports 50,304 members and 9,506 member loan clients records
- 746 tenants in 87 residential buildings in four Dzongkhags

NPPF OPERATIONAL HIGHLIGHTS

- **Fund Size:** Fund increased by 19.94% from Nu.10.78 billion in June 2011 to Nu.12.93 billion as on 30th June 2012.
 - **Members:** As of 30th June 2012, the plan had total of 47,019 contributing members representing about 6.64% of total population. Members increased by about 6.11% from 44,312 members to 47,019 as compared to previous year.
 - **Investments:** Overall investment portfolio including real estate investments as of June 30, 2012 was Nu. 12,463 million compared to Nu. 10,572 million during the previous year achieving a growth rate of 18 %. Asset allocation comprised of Equity at 8% and Fixed Income of 92%.
 - **Total Revenue:** Revenue increased to Nu. 888.65 million for the year which represents a growth rate of 28.86% as compared to 17.34% of the previous year.
5. **Net Surplus:** Net surplus increased by 24.04% compared to 13.82% of the previous year. Rate of return increased by 6.57% p.a. against the target of 6.50% p.a

EXECUTIVE SUMMARY

This financial year was a good year for the NPPF as it achieved significant growth and development in all the areas of its operations. Profit and Surplus increased by 24% and could declare a rate of return of 6.50% p.a. to the members despite experiencing challenges of tight liquidity position during the year. The overall improvement in the performance can be mainly attributed to the NPPF's commitment to adopt its short and long term strategies along with sound risk management systems. These positive achievements have helped NPPF to maximize wealth creation for its members as well as enhance the sustainability of the pension plan.

The National Pension and Provident Fund (NPPF) has been in the service of the nation for over a decade since it first commenced operations in 2001. Apart from providing post retirement benefits to members in the form of Pension and Provident Fund, it has also been contributing to the socio-economic development of the country by making investments in several huge infrastructure projects. NPPF faces huge responsibility of sustaining pension scheme on the one hand and developing new strategies to ensure adequate retirement income on the other.

The Country experiencing Rupee shortage dominated the landscape of the Bhutanese economy since early 2012. It came as a result of the adverse balance of payment position with India, which is Bhutan's main trading partner. Significant economic development and huge credit expansion in the country resulted in an increase in aggregate demand. This in turn led to surge in imports as the domestic production capacity is limited to support the demand. And things got more complicated with the experience of Rupee shortage hitting the economy amidst tight liquidity situation. These twin problems- liquidity and Rupee, led many banks and financial institutions including NPPF to suspend or limit loan facilities. As a result, the financial institutions have been facing un-precedented challenges in view of the adverse economic climate in the country.

Further, with the RMA announcing the suspension of lending activities for NPPF and Insurance companies by 2014, it has created an aura of uncertainty as it will involve a major change in the NPPF's business plan. The NPPF is pursuing with the Government through the Ministry of Finance to revisit the pension fund management and its investment strategies. In the absence of a vibrant capital market and lack of investment avenues, NPPF's performance might be affected if the suspension of lending activities is to take place in 2014. On the whole, developing country like Bhutan can only enhance economic performance and growth through participation of banks as well as non-financial institutions. Further, to suspend the lending activities for long time to come would not only complicate the existing problem of lack of investment avenues but would also mean that a limitation is put on members' choice of services and benefits.

NPPF faces challenges to perform well against adverse situation so that all members can benefit from the services of the institution in years to come. To meet these challenges, NPPF has been continuously striving to serve the members and finding a long term solution by developing new strategies. It took several initiatives during the financial year. Firstly, as per the Resolution of the 7th Parliament Session, the NPPF took the initiative to reformulate its investment policy under the technical assistance of the Asian Development Bank. In view of the revised Investment Policy, NPPF has realigned its investment strategies to position its overall asset allocation. As such, one major activity for the next fiscal year is to identify and invest in some of the Government Owned Enterprises in order to enhance its equity holdings. This will help NPPF to achieve the target asset allocation in shares and comply with the Parliament Resolution.

Secondly, to commemorate the Royal Wedding and keep abreast of the expectation and changes being anticipated by the members, the NPPF initiated the launching of the “Student Loan Scheme” to financially support the students for further studies. Given the affordable interest rate and flexible repayment system, this scheme became very popular benefiting many aspiring and potential students. The interest rate is kept at 8% p.a. during the study period and 9% p.a. after the completion of the studies.

Further, it enhanced the already existing delivery system and keeping in heart our motto of reaching our services to the doorsteps of our members, NPPF has now representative offices in all the major cities in Bhutan covering Phuentsholing, Samdrup Jongkhar, Mongar and Gelephu. This has greatly helped us increase our reach and effectiveness in delivering services. Additionally, in order to provide consistent and standardized services, the NPPF also instituted a Service Delivery Standard covering about 60 indicators.

Going forward, we would like to assure our members that all our energies, plans and policies are focused towards sustaining the pension scheme and providing meaningful retirement benefits. Our dedicated team of staff works to ensure that your future is secured through our plans, policies and activities so that when you retire from service, you can depend on pension benefits to sustain in old age.

CHAPTER 1: FINANCIAL PERFORMANCE DURING THE YEAR

The performance during the financial year 2011-2012 was significant with overall growth in all the areas of operation. Revenue increased by 28.86% and surplus by 24.04% compared to 17.34% and 13.82% respectively in the previous years. The NPPF, despite facing tight liquidity position and with its limited investment mandate continues to expand its asset base and operating surplus.

The fund size has increased to Nu.12.93 billion compared to Nu.10.78 billion registering a growth of 19.88% during the year as shown in figure 1.1. However, the NPPF was able to fully invest the increased fund in several major projects. Investments were made in the Bhutan Power Corporation Transmission Line Project, Dungsum Cement and Dagachu Hydropower projects and significantly in the subscription to the rights issue of the BNBL.

As a result of the implementation of dynamic strategies, improved service delivery, systematic working procedures, judicious spending and prudent investment of funds, the NPPF achieved a return of 6.57% against the target of 6.50% during the year. The summary of the financial highlight is shown in Table 1.1.

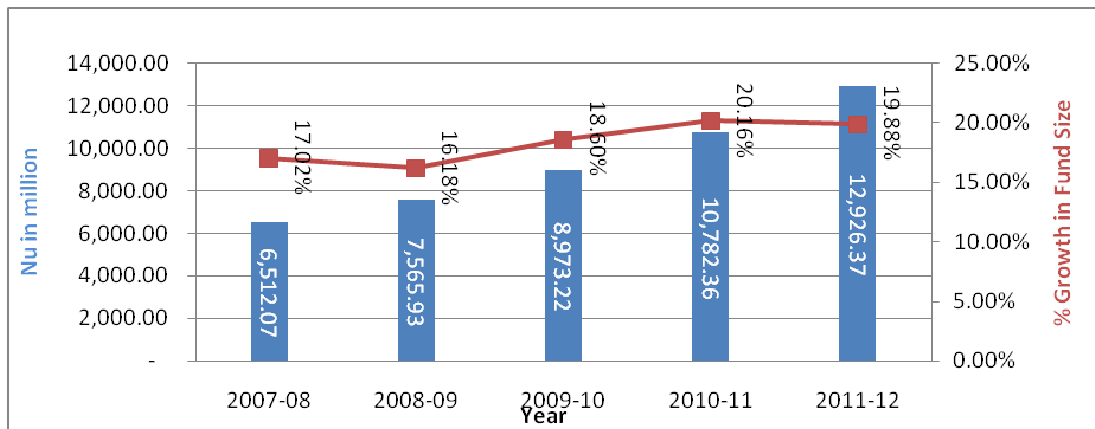


Figure 1.1: Fund Size

Table 1.1: Financial highlights

Particulars\Year	2007-08	2008-09	2009-10	2010-11	2011-12
Fund Size	6,512.07	7,565.93	8,973.22	10,782.36	12,926.37
Revenue	423.54	512.98	587.73	689.64	888.65
Mgt. Expenditure	36.67	42.33	48.06	52.81	57.74
Total Operating Expenditure	64.69	58.12	64.94	94.59	150.52
% of Non Performing Loan	1.16%	0.94%	0.25%	0.48%	0.44%
Surplus	358.85	454.85	522.79	595.05	738.12
Rate of Return (Actual)	6.45%	6.71%	6.66%	6.41%	6.57%
Rate of Return (Declared)	6.50%	6.50%	6.25%	6.50%	6.50%

1.1 Fund allocation

The members' fund during the year increased from Nu.10.56 billion to Nu.12.62 billion recording a growth of 19.39% over last year. The growth in members' fund can be mainly attributed to new members joining the NPPFP as result of the implementation of several new projects. These include Dungsum Polymers, Army School Project, Mangdechu Hydropower Project and Phunatshangchu-II. The NPPF also welcomed the joining of the Army Welfare Project in the NPPFP during the year. With the increase in the fund size during the year, the investment in loans to entities and members also increased by 33.88%. As the funds were fully invested in the projects, placement of funds in bank deposits reduced by 32.93% during the year.

1.2 Revenue

With the increase in credit activities by 33.88%, the revenue during the year increased to 28.86% compared to 17.34% in the previous year. In absolute terms, investment income increased to Nu.831.20 million from Nu.606.36 million mainly due to significant increase in member loans and loans to other sectors as shown in figure 1.2 below. The rental income has slightly increased during the year due to addition of 16-unit residential building to the Real Estate asset. However, receipt of dividend income significantly declined to Nu 22.57 million compared to Nu. 48.56 million of the previous year. This was mainly due to BNB not being able to pay dividend due to the Bank's liquidity problem. However, BNB compensated the shareholders by issuing bonus shares in lieu of the non payment of dividend.

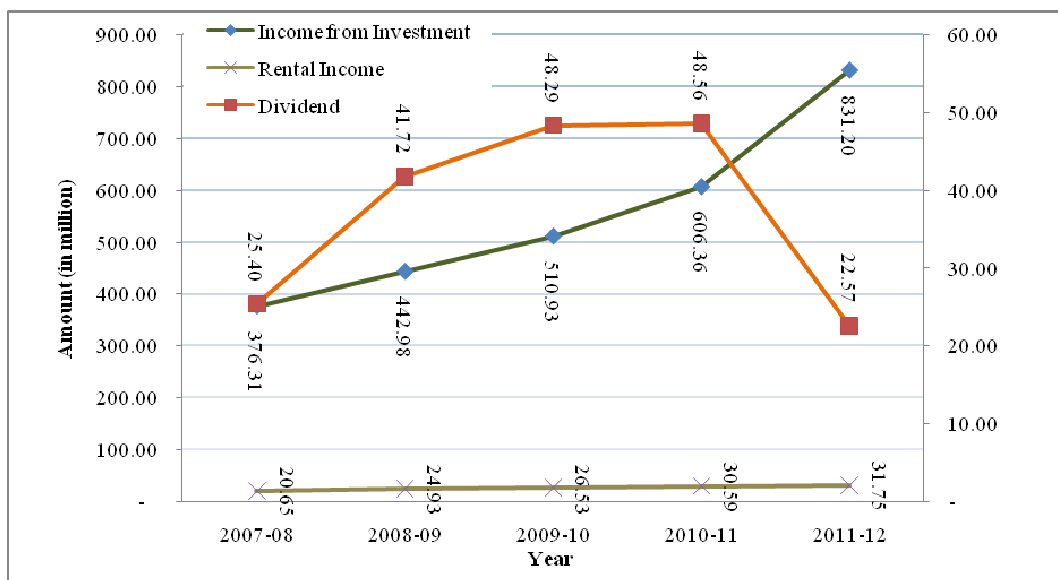


Fig. 1.2: Major Income components

1.3 Expenditure

Despite significant increase in NPPF activities, it was able to control the annual increase in the management expenses to 9.33% from 9.87% in 2010-11. The management expenses to revenue was 6.50% as compared to 7.66% in 2010-11, indicating improved productivity of the NPPF employees and prudent utilization of the budget as shown in figures 1.3 and 1.4.

In view of the tight liquidity situation, the NPPF for the first time was obliged to make short term borrowing in order to fund the purchase of rights issue of the Bhutan National Bank. This has resulted in the increase of expenses against interest paid. The loan was fully repaid during the year.

With the increase in loan portfolio, the NPPF had to provide significant Provision for Standard Loans, from Nu 15.80 million in 2010-11 to Nu 62.59 million during the year. However, the amount provided for Non Performing loans showed a decrease from Nu 12.77 million in 2010-11 to Nu 11.56 million in 2011-12 as a result of vigilant risk management. In terms of percentage, the Non-Performing Loan (NPL) has been contained at 0.44% showing a marginal decrease as compared to 0.48% of last year despite increase in loan portfolio by 33.88% during the year.

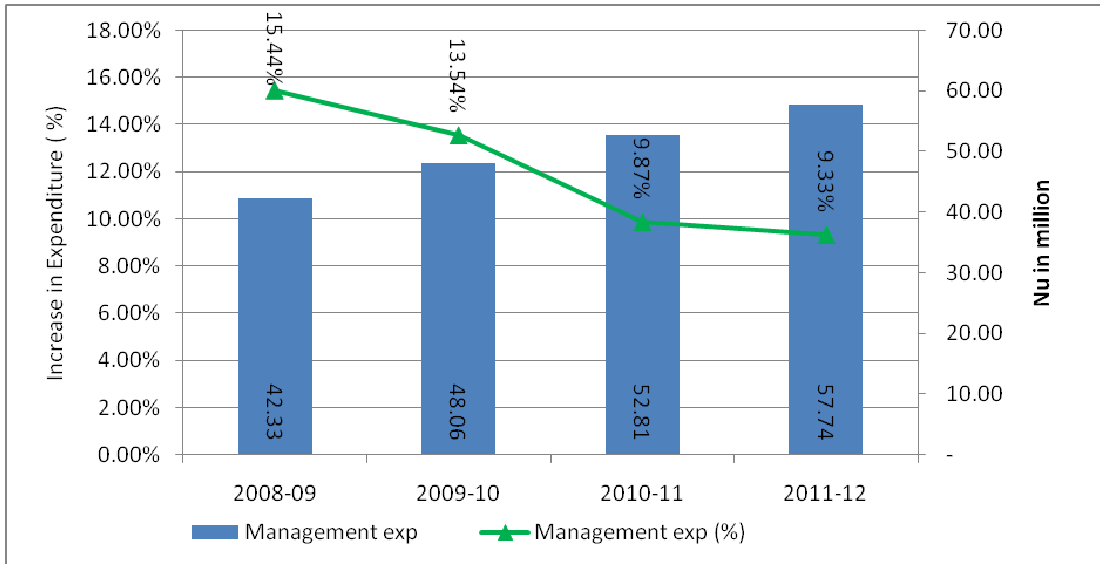


Figure 1.3: Management expenses

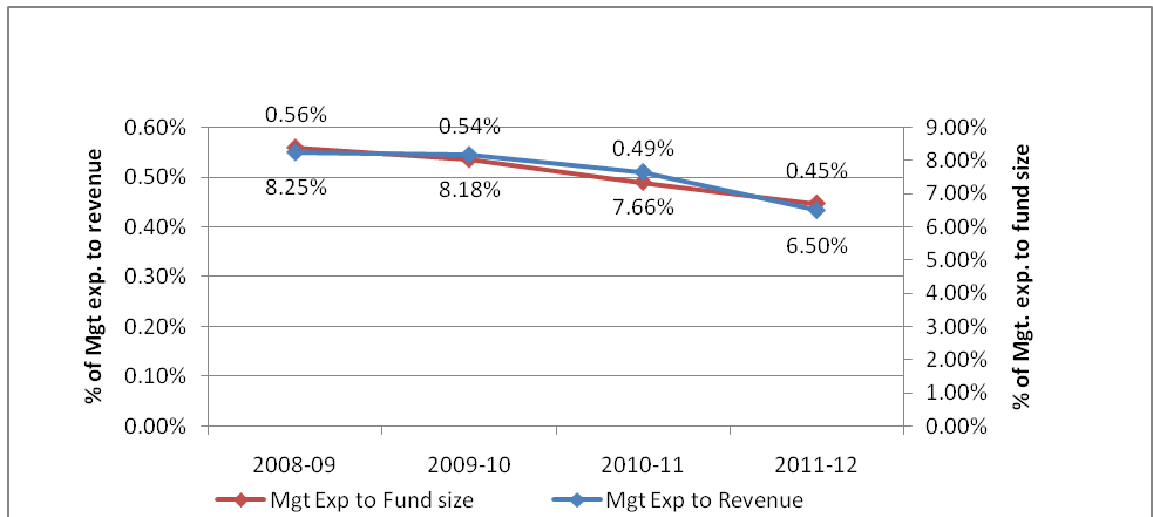


Figure 1.4: Management expenses to fund size and revenue

CHAPTER 2: PENSION AND PROVIDENT FUND OPERATIONS

The pension and provident fund plans formally started operations since July 1, 2002. The plans were created to provide income protection to the members and their families during old age. Since the inception of the plan, there has been an upward shift in the growth of members as well as beneficiaries receiving pension benefits.

2.1 Membership

As of June 30, 2012, the plan had total contributing members of 47,019 representing about 6.64% of the total population. Over 90% of members were in the age bracket of 30-35 years representing a young workforce. The members increased by about 6.11% from 44,312 members to 47,019 compared to previous year. Out of the new members joining the plan, women employees represented about 31.51%.

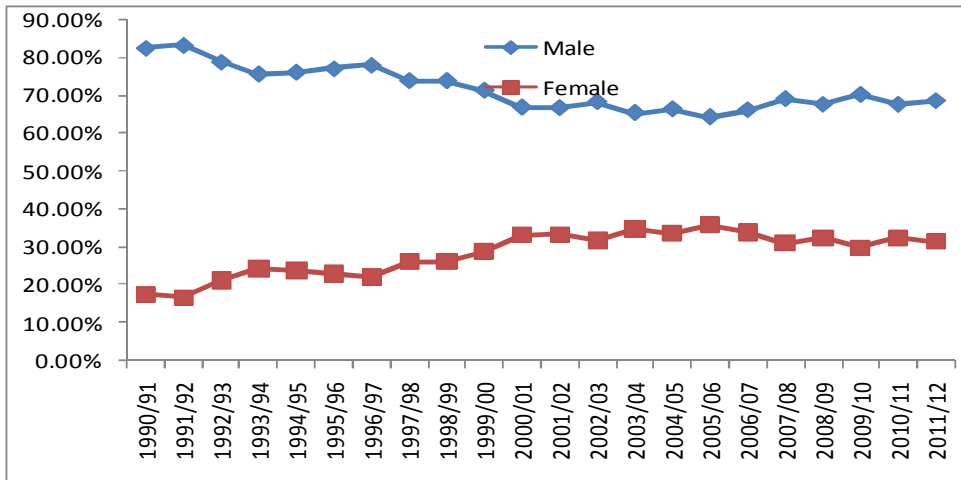


Figure 2.1 Male/Female Member Trend 1990-2012

There were 3,940 members who joined the plan during the year while 1,222 members exited from the plan. The members who resigned as a %age of active members have also increased to 2.6% from 2.30% in the previous year.

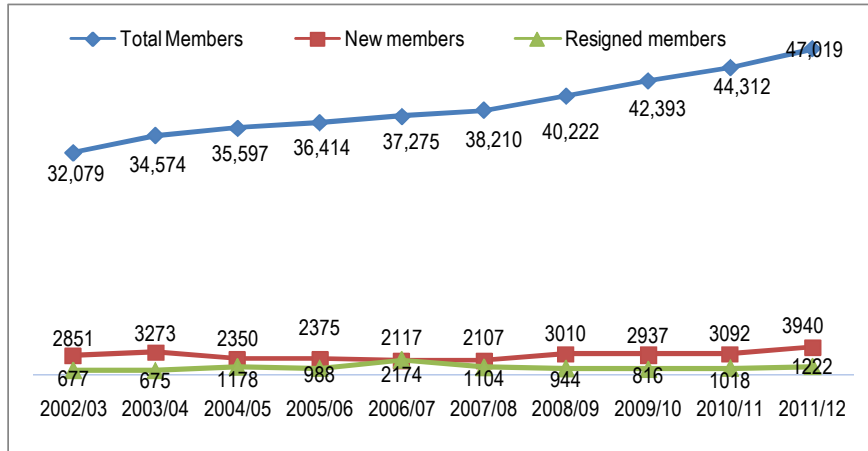


Figure 2.2 Member Statistics

In a major development, the Army Welfare Project which was managing its own employees' provident fund also joined the National Pension Plan in January 2012.

2.2 Contributions

2.2.1 Civil and Public Corporations

Contributions to the plan are received with direct deductions at source from the salary of the members. The current contribution rate is 22% of the monthly basic salary equally split between employee (11%) and employer (11%). Out of the total contribution of 22%, it is further split into 16% to pension plan (Tier 1) and the balance of 6% to provident fund plan (Tier 2).

In 2011-2012, the total contributions to Tier 1 and Tier 2 amounted to Nu. 920.80 million and Nu. 411.73 million, respectively. The total contribution increased by 14.31% compared to previous year mainly due to the inclusion of the Army Welfare Project in January 2012.

2.2.2 Armed Forces

The Armed Forces contribute 24% of monthly basic salary with 12% contributed by the employee and matching contribution by the employer. Out of the total contribution of 24%, 15% is contributed to Tier 1 Pension and the remaining 9% to Tier 2 Provident Fund. In 2011-2012, the total contribution collection for both Tier 1 and Tier 2 amounted to Nu. 346.48 million representing a growth of 9.03% compared to the previous year.

Overall, the civil and public corporations contributed about 70% of total contribution collection and the balance 30% was contributed by the Armed Forces. The overall growth of contribution collection in the Armed Forces remained fairly stable over the years as against the civil and public corporations due to slower growth of membership in the Armed Forces.

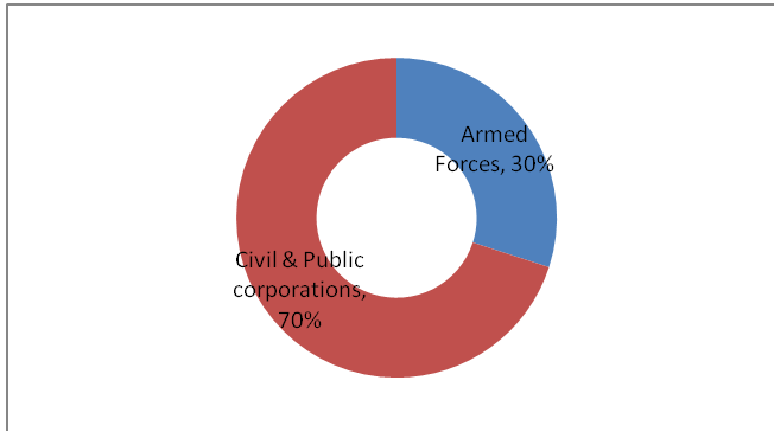


Figure 2.3 Share of contribution between civil, public corporation & Armed Forces

2.3 Tier I: Pension Plan

Pension benefit payments continue to increase in both the civil, public corporations and the Armed Forces. The overall ratio of beneficiaries to active members has risen from 6.54% to 6.99% during the year. As the scheme matures over the years, the ratio is expected to increase substantially resulting in more pension payout.

2.3.1 Civil and Public Corporations

As of June 30, 2012, there were 1,472 beneficiaries with a total pension payment of Nu. 76.43 million. The payments increased by 36.87% compared to previous year, which can be mainly attributed to the indexation of pension benefits to CPI, limited to a maximum of 5% per annum. Pension benefits are adjusted to Consumer Price Index once every July since July 1, 2011 to protect the pensioners from any increase in the cost of living.

Figure 2.4 shows the yearly increase in beneficiaries and payments since 1st July 2002 to 30th June 2012.

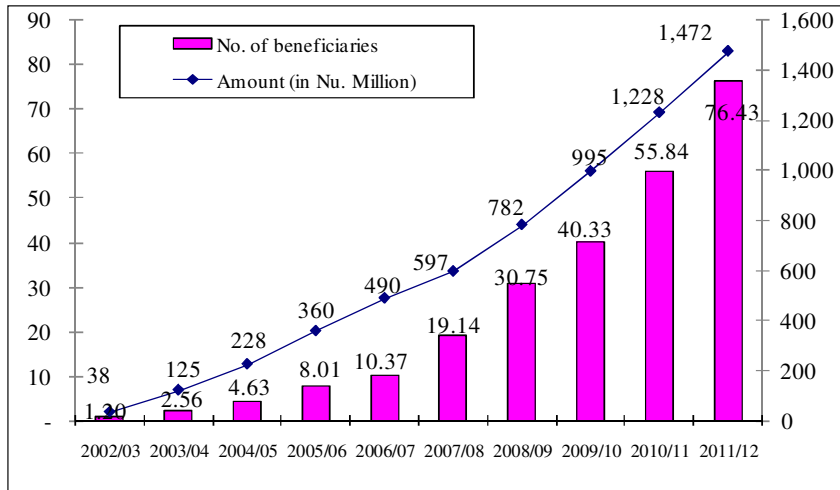


Figure 2.4 Beneficiaries and Payments Trend 2002-2012

Normal retirement pension benefits represent 68.62% of the total benefit amounting to Nu. 76.43 million paid to 1,472 beneficiaries. Other pension benefit payment comprise of Early pension, Spouse, Children, Orphan, Dependent parent and Member disability as shown in Figure 2.5.

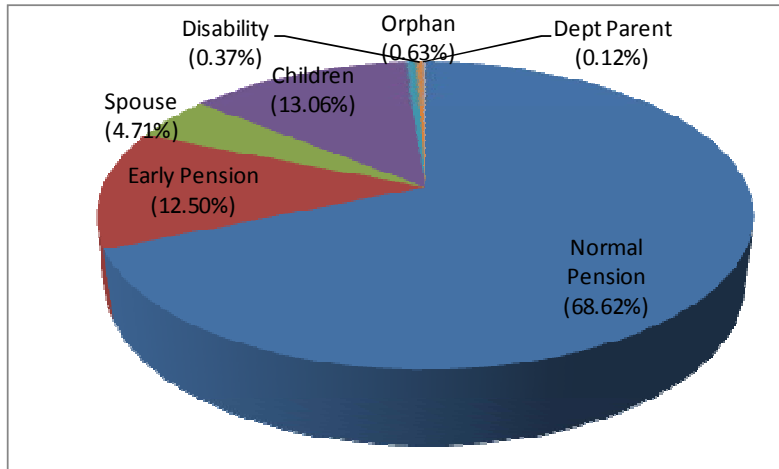


Figure 2.5 Benefit Payment by type of benefit

2.3.2 Armed Forces

In 2011-2012, a total of 1,813 pensioners received Nu. 48.28 million as pension benefit. The pension payment rose by 15.92% compared to the previous year. The escalation can be attributed to the increase in members retiring from service along with an annual increment of 2% p.a. of pension benefits. In addition, some of those members waiting for pension benefits after attaining the pensionable age started receiving the benefits.

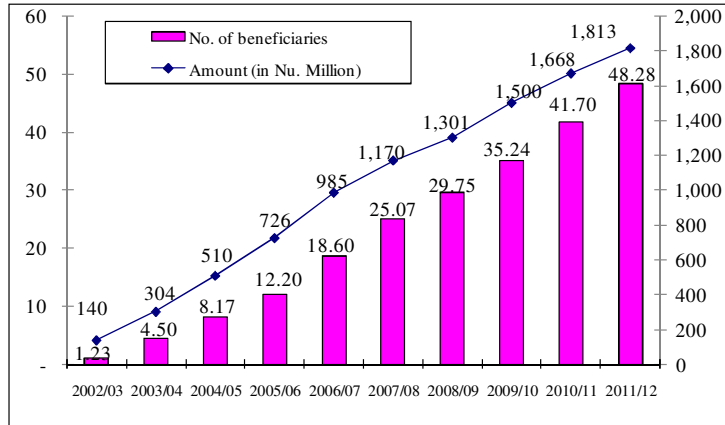


Figure 2.6 Beneficiaries and Payments Trend 2002-2012

Normal pension benefits represent 72.89% of the total benefit paid amounting to Nu. 48.28 million to 1,813 beneficiaries. Other pension benefits payment comprise of Early pension, Spouse, Children, Orphan, Dependent parent and Member disability as shown in Figure 2.7.

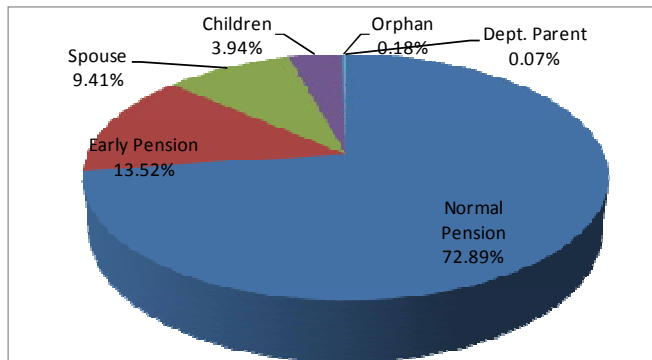


Figure 2.7 Benefit Payment by type of benefit.

2.4 Tier II: Provident Fund Plan

During the year, 924 retirees from civil and public corporations withdrew their accumulated provident fund benefits of Nu. 115.65 million. In the Armed Forces, 298 members withdrew Nu. 37.55 million as provident fund benefits. Most of the members retired early from service due to voluntary resignation.

In 2011-2012, the members received 6.50% p.a. return on their accumulated savings. Total interest credited into members' accounts, for the civil, public corporation and the Armed Forces amounted to Nu. 726.94 million.

In 2011-2012, the Fund disbursed a total pension payment of Nu 124.71 million to the pension beneficiaries from civil, public corporation and armed forces. It pays the benefits

through Bank of Bhutan, Bhutan National Bank, T-Bank, BDBL and Bhutan Post. The Bank of Bhutan and the Bhutan Post handled the largest share of pension delivery through its extensive net works throughout all the Dzongkhags.

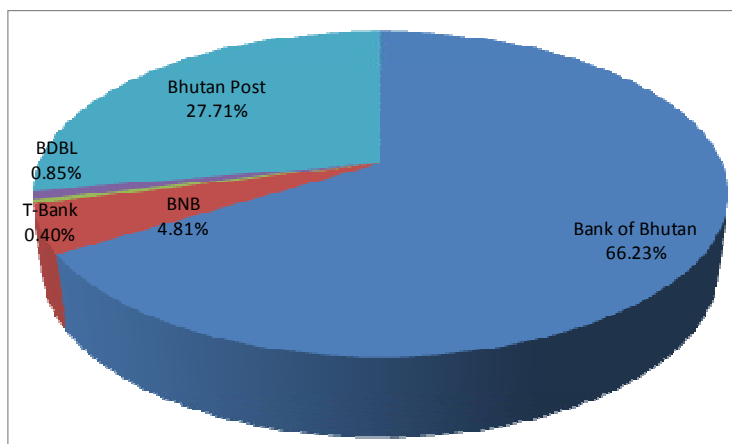


Figure 2.8 Share of Pension Delivery during 2011-2012

2.5 Initiatives to improve Service Delivery

One of the initiatives the NPPF undertook during the year was to improve service delivery by extending payment of benefits through Bank ATM. The response has been encouraging with 58 pensioners using ATM facility. The NPPF, therefore, is in the process of promoting the usage of bank ATM in order to improve service delivery.

Currently, the pension benefits are delivered through the Bank of Bhutan, Bhutan National Bank and Bhutan Post networks. It further extended the pension delivery system through Bhutan Development Bank commencing from January 2012. With BDBL's extensive network, the delivery system is expected to improve further.

In 2011-2012, the computerization of the pension and provident fund system was further enhanced and successfully implemented. The system incorporates the amendments in the NPPFP Rules in 2010 for the Civil and Public Corporations after the pension reforms were enforced.

Further, to improve the current system, the NPPF reviewed its application processes for claiming of benefits. The members can now apply for benefits through a more systematic and efficient process. It has also taken steps to design Web based ONLINE APPLICATION SYSTEM that will facilitate members to access information for a wide range of inquiries and carry out transactions ONLINE. The new and enhanced system will enable direct access to Personal Information and to process claims. Particularly, the system will help the NPPF to make timely and efficient collection of contributions from Agencies.

Integration of service delivery system with the G2C Project is under completion. Once completed, it will facilitate NPPF to speed up the claims process and other services. It will also help members update information including that of their family members. As a result, the NPPF can validate up-to-date records of members on birth and death by accessing the Civil Registry System. Further, it will also facilitate NPPF to take the service delivery at the community level.

Since personal information system is important, NPPF took concerted effort to collect complete member records as more than 3,600 members needed to update their personal information. To expedite the information collection, more than 649 members were contacted personally to update the information. As a result of the initiative, NPPF achieved about 90% of record updation.

In the past, the NPPF relied on the World Bank and the ADB actuaries to value the Pension Plan on a periodic basis. However, starting from 2011, the NPPF has hired an Indian Actuary, Mr. Liyaquat Khan, President of the Institute of Actuaries of India on retainer basis. With his assistance, the NPPF is in a position to value the sustainability of the pension plan on a continuous basis.

2.6 Future Plans

The NPPF has plans to provide User Training to the member agencies so that the web based online system is implemented successfully. As mentioned earlier, the online system will facilitate the NPPF in providing user friendly service to the members to easily update Personal Information and make faster benefit claims without having to visit the office in person. The system will also facilitate the NPPF in making Online Collection of Contributions.

Further, to promote the implementation of G2C Service, it has prioritized creating awareness of the system. Based on the number of beneficiaries in different gewogs, the NPPF will identify the Community Centers and provide User Training to those agencies managing the Community Centers together with the G2C Project Team. As such, the NPPF will continue to improve and personalize its programs to reach its members at all levels. To enhance awareness of the system, the NPPF will continue to conduct workshops to those members residing in remote areas.

At the same time, the NPPF is reviewing and is in the process of finalizing reforms to the Armed Forces Pension system. Currently, the Armed Forces Pensioners receive an annual increment of 2% p.a. on their pension benefits. However, after the reform, their pension benefits are proposed to be indexed to inflation at similar level to that of the Civil Pension.

CHAPTER 3: INVESTMENT & CREDIT OPERATIONS

3.1 INVESTMENT OPERATIONS

To administer the funds of the Pension and Provident Fund, the NPPF has been entrusted with the fiduciary responsibilities of managing the fund. As of date, the National Pension and Provident Fund is one of the largest institutional investors with asset size of over Nu. 12 billion and growing annually at about 17%.

During the year, the NPPF was able to make optimal investment of its funds. As a result, the performance of the fund improved significantly. However, the NPPF has a challenging task of managing a huge asset base due to limited domestic investment avenues. Recognizing that the sustainability of the National Pension and Provident Fund Plan ultimately depends on the returns on its investments, it is continuously making attempts to invest its funds optimally. Therefore, the investment policies and strategies form an integral part of the NPPF so that the funds are invested within reasonable and prudent levels of risk and at the same time generate optimal returns.

Realizing the importance of the fund's investments, the National Assembly during its 7th Session held from May 20- July 8, 2011 passed a resolution directing the NPPF and the Ministry of Finance to review the NPPF's Investment Policy by including investment in shares of State Owned Enterprises. As per the Resolution, the NPPF with the assistance of the Ministry of Finance had revisited and revised the Investment Policy in 2012 with the technical assistance of the Asian Development Bank. Considering the limited capital market, the revised Investment Policy aims to invest 30% of its portfolio in equities including the equities of the State Owned Enterprises.

Even as the NPPF is confronted with the limited investment avenues, the Royal Monetary Authority of Bhutan has issued directive to stop lending activities of the NPPF by June 2014. Currently, 68% of the NPPF's investment portfolio constitutes loans amounting to Nu. 8.52 billion. As such, discontinuation of the lending activities will further constrict the limited opportunities and consequently, affect the sustainability of the pension plan.

The NPPF has been pursuing its investment activities 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.

3.1.1 Overall investment performance from July 2002 to June 2012

The National Pension and Provident Fund, after its establishment on March 30, 2000 took over the Government Employees Provident Fund operations including Real Estate operations from the Royal Insurance Corporation of Bhutan. Since then the asset size has grown at an average of 17% per annum reaching Nu. 12.93 billion at the end of June 2012.

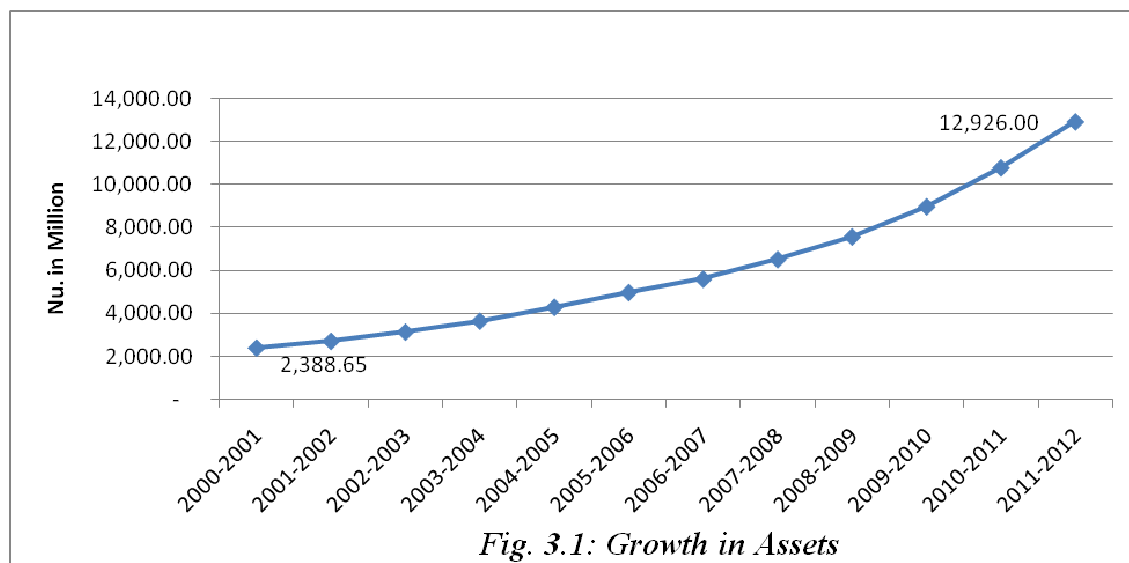


Fig. 3.1: Growth in Assets

The growth in the assets is mainly due to increase in member contributions and the investment incomes.

Over the past 10 years of operation, the NPPF had declared average return of over 6% per annum. This year is no exception as the NPPF declared a return of 6.5% p.a. despite limited investment avenues and stiff competitions from both new and existing financial institutions. This is largely because of the NPPF's consistent effort in strategizing its investment policy in response to the market conditions and thereby, realizing optimal investment incomes. The increase in return from 2004-05 can be attributed to the introduction of Member Housing and Education Loan scheme which currently constitute 33% of the total investment portfolio. As shown in fig. 3.2, the investment income of the NPPF has consistently increased from Nu. 133 million in 2000-2001 to Nu. 831.20 million in 2011-2012. During the first year of its operation in 2000-2001, the Government had considered one time support by providing subsidy of Nu. 54.34 million to declare a return of 8% and was not based on the actual performance of the NPPF.

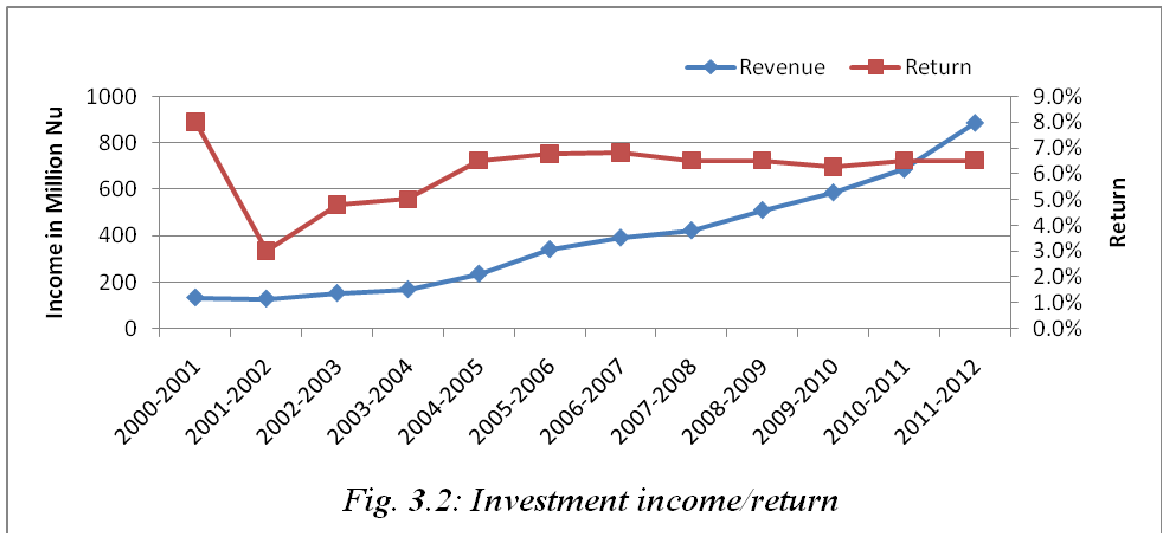


Fig. 3.2: Investment income/return

For the year 2011-2012, 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 beside housing and education loans schemes under credit operations. As on June 30, 2012, the average return generated from the above loans was 9.12% and from the equities 2.96%. The overall return on the equity investment decreased from 9.78% in the previous year mainly due to the NPPF’s investment of Nu. 412 million in the BNBL’s rights share issue. It was further adversely affected with BNBL not declaring dividend for the year. The NPPF also invested Nu. 121 million in the equities of Dagachu Hydropower Project from which it did not receive dividend as it is still under construction. Nonetheless, Penden Cement Authority declared dividend of 100% while Kuensel Corporation and State Trading Corporation of Bhutan Ltd. declared dividends of 20% each.

The NPPF continues to be a constant source of fund for the financial institutions and participates actively in the inter bank borrowings. Its lending to the financial institutions including the participation in bonds during the year was Nu. 1.63 billion, thereby improving liquidity of the financial market.

There was opportunity for the NPPF to make further investments in Dungsum Cement Project and the Dagachu Hydro Power Project. These projects needed funds of around Nu. Two billion each due to cost overrun. However, the NPPF could not participate due to tight liquidity position as well as restriction under the Prudential Norms.

Owing to the liquidity crunch faced by the banks, the deposit rates have improved significantly towards the end of the closing year. As on June 30, 2012, the NPPF has been

earning average return of 5% p.a. on its short-term deposits with the banks. During the year, the NPPF had only 11% of its funds in term deposits compared to 21% in the previous year, including 6% of long-term deposits earning from 6% p.a. to 7.50% p.a. The return generated from the short-term deposits for 2011-2012 was 1.77% p.a.

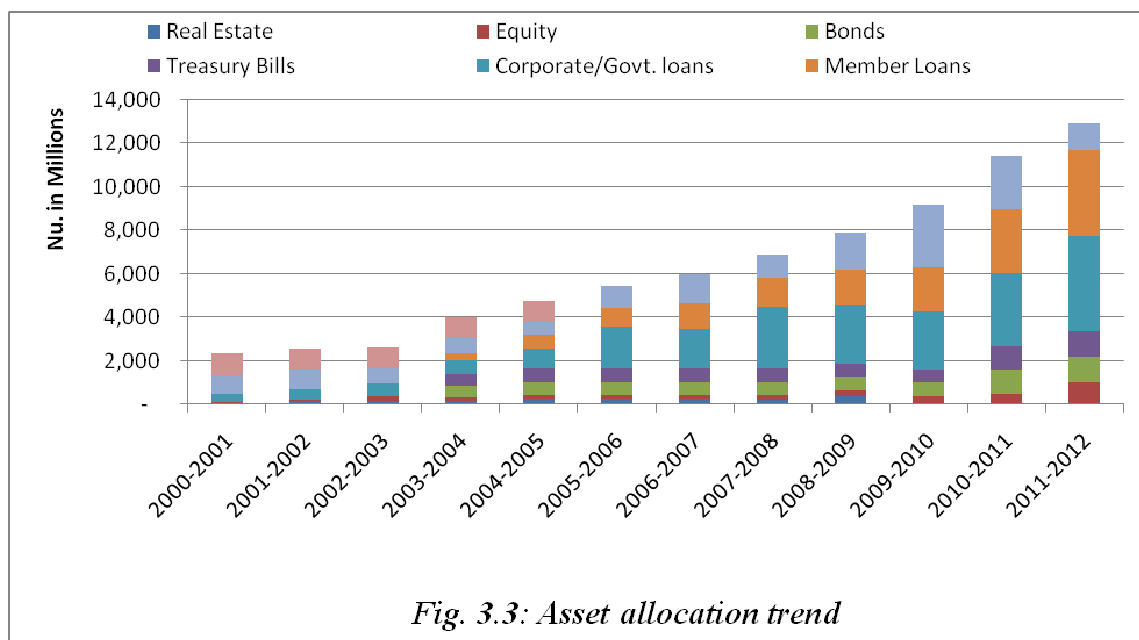
3.1.2 Activities during the year

1. During the year, the NPPF disbursed total loan amount of Nu. 1,418 million to the following borrowers:
 - Nu. 503.13 million to Bhutan Power Corporation for financing of its transmission erection project;
 - Nu. 287.20 million to Dagachhu Hydro Power Project. Till date, disbursed Nu. 387.20 million out of the total sanctioned loan of Nu. 600 million;
 - Nu. 192.38 million to Dungsum Cement project. Disbursed Nu.1,010 million being the total loan sanctioned;
 - Nu. 144.61 million to Tashi InfComm Ltd. for financing of its Phase III Project;
 - Nu. 126.57 million to Dungsum Polymers Ltd. for establishment of a Polypropylene manufacturing plant in Nganglam;
 - Nu. 80 million to Yangphel Home Ownership Project. Disbursed Nu. 143 million out of the total sanctioned loan of Nu. 175 million; and
 - Nu. 83.98 million to Wood Craft Centre, Druk Deothjung Resort and Bhutan Insurance.
2. Out of the equity investment participation of Nu 500 million, a sum of Nu. 120.55 million was disbursed to Dagachu Hydro Power Project during the year. The total amount of disbursed fund till date is Nu 427.46 million. The 126 MegaWatt Dagachu Hydro Power Project is expected to commence commercial operations by 2014.
3. The NPPF has fully subscribed to BNBL's rights issue amounting to Nu. 412.29 million at the rate of Nu. 450 per share. The NPPF holds about 26% of the BNBL's shares.
4. The NPPF has also purchased 104,000 units of Bonds from the Druk PNB Bank amounting to Nu. 104 million at the coupon rate of 7.50% p.a. for seven years.

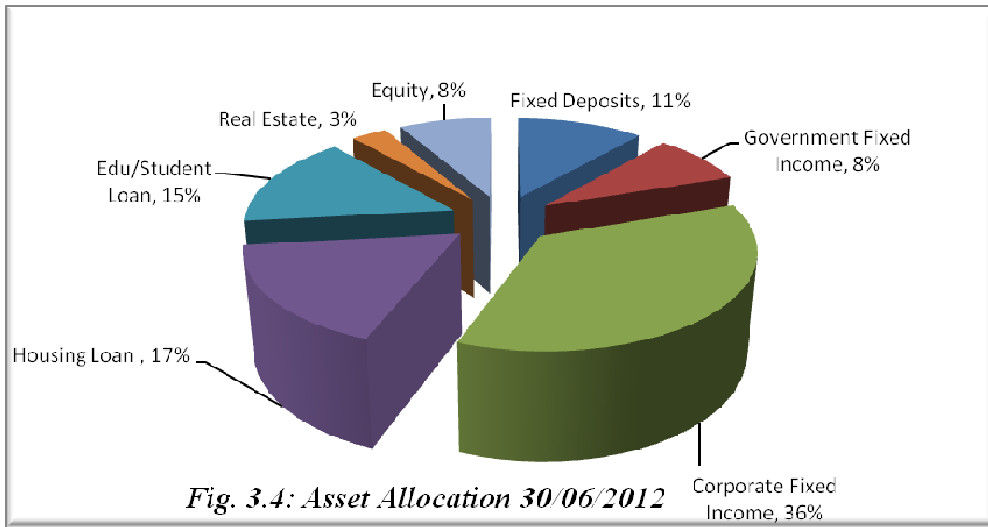
3.1.3 Asset Allocation of the NPPF investment

The NPPF's asset allocation policy is strategic in that it endeavors to balance risk and reward by apportioning the portfolio's assets according to the pension fund's goals, risk tolerance and investment horizon. As such, asset allocation determines significant part of the investment returns. The NPPF being a conservative investor and also in view of the limited capital market, its overall asset allocation by asset class aims at 30% Equity and 70% Fixed Income. However, given the current market scenario, the NPPF's actual asset allocation was 92% in Fixed Income and 8% in Equity. In order to generate optimum return on the fund, the NPPF is required to enhance investments in equity.

Notwithstanding the constraints, the NPPF has been able to steadily increase its investments in equities for the past four years. The increase is mainly due to the NPPF's investment in the equities of the Dagachhu Hydro Power Corporation and issue of rights shares by Bhutan National Bank. The NPPF has been able to invest the increasing fund inflow by increasing its lending activities as indicated in the fig 3.3 below:

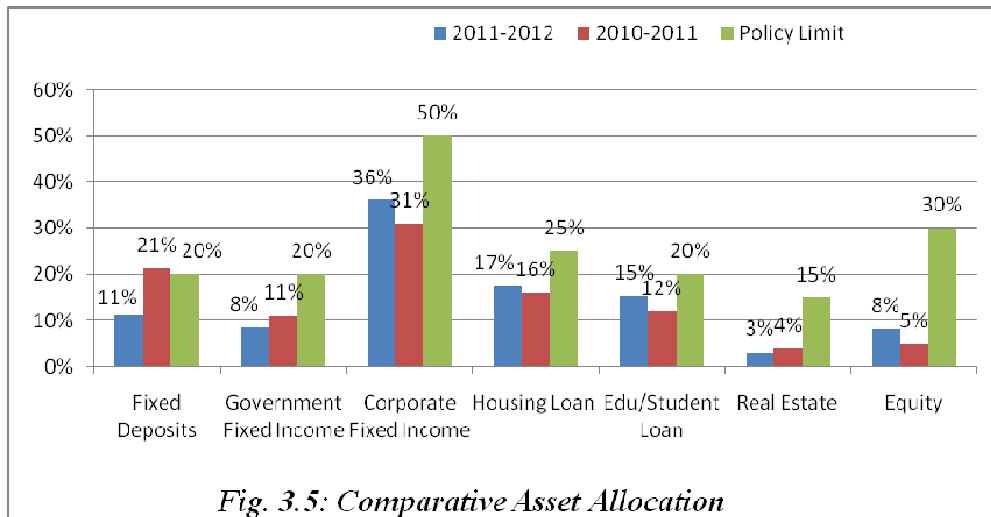


Amongst the 92% in fixed income, project loans and member loans constitute about 68% of the total investment portfolio and therefore represent a major income earning asset class.



The overall investment portfolio including real estate investments as of June 30, 2012 stood at Nu. 12,463 million compared to Nu. 10,572 million during the previous year achieving a growth rate of 18%.

The NPPF's performance during the financial year 2011- 2012 has been significant and it has been able to generate a return of 6.57%. The details of the asset allocation of the Fund as of June 30, 2012 compared to previous year and Investment Policy guidelines are shown below:



As illustrated in the fig 3.5, the performance during the year was high 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 11% from 21%. Investment in equity has increased from 5% in the previous year to 8%.

3.1.4 Risk management

The NPPF is a systemically important entity in the financial sector as it is one of the largest institutional investors. As such, the management of risks associated with the fund is critical for the members and the entire financial system of the country. The key risks faced by the fund are credit risk, interest rate risk, liquidity risk and operational risk.

3.1.5 Future plans

The NPPF has been investing its fund based on the Investment Policy of February 2012. As per the Investment Policy, the overall asset allocation by asset class is aimed at 30% Equity and 70% Fixed Income. The NPPF's current asset allocation is 8% Equity and 92% Fixed Income. 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.

The priority to invest in equities is also in view of the direction of the RMA to discontinue the lending activities of the NPPF by June 2014. As it will involve a major change in the NPPF's business plan, the NPPF is pursuing with the Ministry of Finance for a Technical Assistance from the ADB to revisit pension fund management and its investment operations. The assistance is expected to bring out policy guidelines on the investment of the NPPF fund considering the RMA's directives based on which the NPPF will have to pursue its investment of the fund in future.

In the near future, major chunk of the NPPF's investment is expected to be in Corporate and Government bonds which are expected to increase in the foreseeable future. The NPPF will also focus on the Home Ownership Programs for the members and funds will be invested in the Real Estate development across the country.

3.2 CREDIT OPERATIONS

The Credit operations of the NPPF comprise of two main products which are the Member Housing and Member Education loans. These products have been quite successful and the recent introduction of the Student loan has also been viewed positively by the members.

3.2.1 Member Housing Loan

As of June 30, 2012, the loan portfolio increased to Nu. 2,166.18 million constituting 629 active clients. The portfolio growth in terms of percentage was 28.79% with 95 new clients. However, towards the end of the financial year, the NPPF had to suspend housing loans including additional loans based on RMA directives. Further, the loans had to be restricted with tight liquidity position faced by the NPPF.

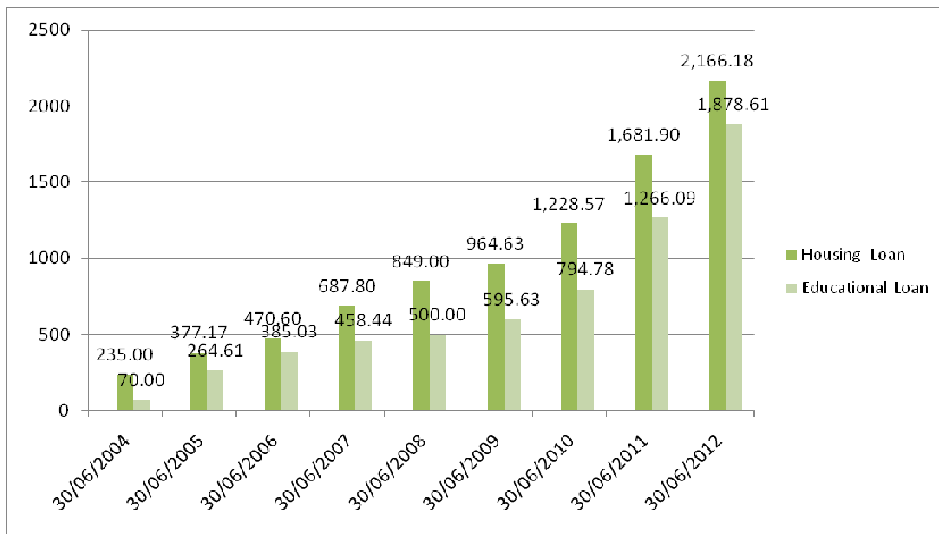


Fig 3.6: Growth in Loan portfolio (2004-2012)

3.2.2 Member Education Loan

This loan scheme has been popular amongst the members since its introduction. The NPPF, in order to maintain the popularity of the product and to increase the clientele base, improved the terms and conditions of the loan product with effect from April 1, 2011. The maximum limit of the loan was enhanced from Nu. 1 million to Nu. 1.5 million and the loan term was revised to 15 years from 10 years. For those without collateral, the loan was provided upto twice the accumulated provident fund balance plus ten times the net salary upto a maximum of Nu. 500,000/-. Any amount beyond Nu. 500,000/- required fixed assets as additional collateral. Following the improvement, the NPPF saw a significant growth in its loan portfolio enhancing the investment of its funds.

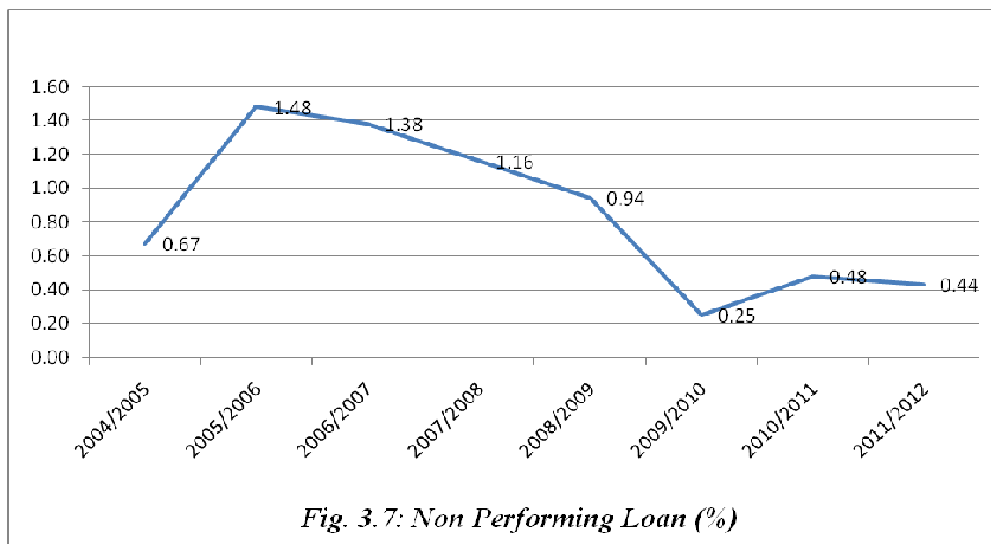
As of June 30, 2012, the loan portfolio increased from Nu.1,266.09 million to Nu.1,878.61 million constituting 8,754 active clients. The education loan portfolio grew by 48.38% with 3,444 new clients. However, with the portfolio reaching the policy exposure limit combined with liquidity constraints, the NPPF had to reduce the loan eligibility amount to Nu. 200,000/- per client with effect from December 6, 2011.

3.2.3 Member Student Loan

To commemorate the Royal Wedding, a new loan product, “Student Loan Scheme” was introduced to benefit those eligible students who need financial support to pursue further studies. The interest rate has been fixed at 8% p.a. during the study period and 9 % p.a. thereafter with the option to repay the loan one year after the completion of his/her studies or six months after employment, whichever is earlier. This product has been viewed very positively by the members and as of June 30, 2012, the loan portfolio reached Nu.19.73 million with total of 123 clients.

3.2.4 Risk Management policy

The NPPF ensures that the risk of borrowers defaulting on the loans is kept at a minimal level through proper appraisal and monitoring. Therefore, despite increase in the number of clients, NPPF with vigilant strategy and strict adherence to the proper risk control strategies combined with regular recovery efforts has been able to maintain NPL at 0.44%, which is within the target limit of 0.50%.



The launching of the Credit Information Bureau (CIB) on September 9, 2009 has also greatly helped the financial institutions control and monitor risks. Further, the CIB has also made the loan processing system easier with the clients not having to go physically from one financial institution to another to get clearances when applying for loans as in the past. The CIB compiles up to date records on credit worthiness of individual clients which can be accessed by all the member institutions online.

Since its introduction, the NPPF generated 7,870 reports and paid around Nu. 2.134 million as fees to CIB. The annual membership fee for the CIB is Nu. 500,000/-. CIB is owned by the Financial Institutions with RMA as the major shareholder.

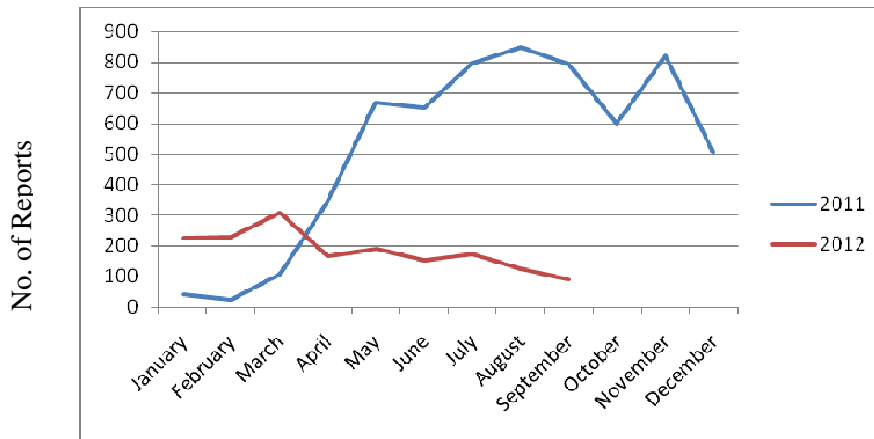


Fig. 3.8: CIB Report Usage 1

Month wise comparison for the year 2011 and 2012 Credit report fees collection for NPPF

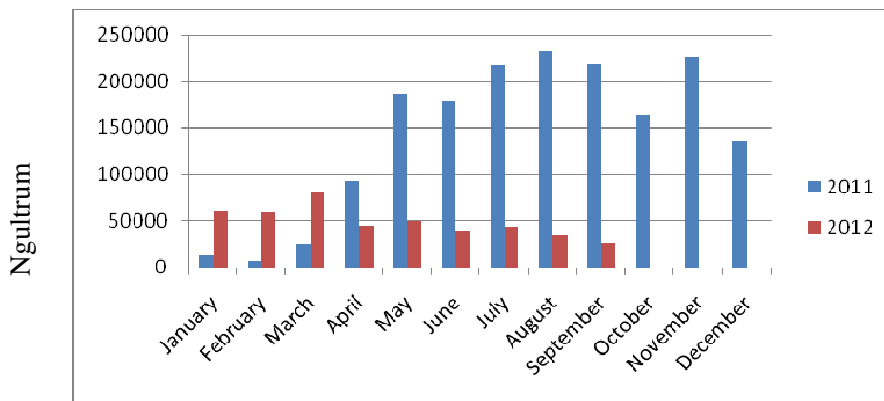


Fig. 3.9: CIB Report Fees Collection

3.2.5 Future Plans

NPPF has been constantly trying to improve its services to its members. After introducing Virtual Private Network (VPN) and setting up of more branch networks, NPPF is planning to delegate loan approval and disbursements to its Regional offices which would expedite the delivery of services to its members. Further, NPPF is also working on an online system which will enable NPPF to receive loan applications electronically.

CHAPTER 4: ONE STOP SOLUTION

The NPPF's service delivery has greatly improved with the establishment of One Stop Solution. Since OSS is the first point of contact with the clients, it is important for the NPPF to give positive impression of the organization. As such, the NPPF accords high priority in improving the efficiency of the division by providing friendly services to its members. The One Stop Solution located near the NPPF main office provides a wide range of related services in one place. All the services relating to pension and credit operations are processed through the OSS for the convenience of the members.

The OSS is also responsible for the management of the Hotline, SMS and Email services. As far as possible, all enquires on the loan and pension is handled through these service facilities. It also gathers customer's feedback and suggestions and reviews them so that the NPPF can continuously improve its service. It also caters to customer's grievances and assists all the clients.



CHAPTER 5: REAL ESTATE MANAGEMENT

NPPF's role in Real Estate management has evolved over the years, but its key challenges continue to remain. As in the past, it is not being able to provide adequate and affordable public housing due to lack of freehold land and rising construction cost. In spite of that, the NPPF as one of the leading property developers in the Kingdom, considers the real estate investment as an important vehicle towards promoting Home Ownership Program. The NPPF's main objective in real estate is to provide affordable and quality residential quarters to members as well as to sustain the pension plan in future. As such, the NPPF continues to explore investment opportunities in real estate projects.

5.1 Details of NPPF Real Estate Properties in 2000 and in 2012

Table 5.1: Land

Location	Area (sft)		Value (Nu)	
	2000	2012	2000	2012
Thimphu				
a. Near Ice Skating	432,986	482,986.00	540,800.00	4,040,800.00
b. Below Imtrat Hospital	36,542	36,542.00	39,900.00	39,900.00
c. Depsi		129,808.80		29,800,000.00
d. Near UNDP		45,093.00		6,675,650.00
Phuntsholing				
a. Near Dhotikhola	287,152.80	287,152.80	5,627,006.43	5,627,006.43
b. Behind Norgay		67,483.78		1,024,850.00
Samdrup Jongkhar				
Colony	78,798	78,798	6,948,899.81	6,948,899.81
Near Pinchinang		165,710.00		13,314,000.00
Samtse				
a. Near Civil Guest House	91,525	91,525.00	99,000.00	99,000.00
b. Daragoan		6,534.00		
Gelephu				
a. Near PWD Guest House	136,388	136,388.00	160,738.82	160,738.82
b. Near Fishery Project	320,050	320,050.00	503,952.55	503,952.55
Paro		104,544.00		10,800,000.00
Bumthang		328,442.40		21,120,000.00
TOTAL	1,383,441.80	2,281,057.78	13,920,297.61	100,154,797.61

Table 5.2: Buildings

Location	Type of Building	No. of Blocks		No. of units/Flats	
	Class	2000	2012	2000	2012
Thimphu	I	3	3	18	18
	II	5	19	30	151
	III	12	12	72	72
	IV		4		48
	Commercial		2		72
	Sub Total	20	40	120	361
Phuntsholing	II		2		32
	III	26	26	156	156
	IV	9	9	108	108
	Sub Total	35	37	264	296
Samdrup Jongkhar	I	1	1	5	5
	III	4	4	32	32
	IV	2	2	32	32
	Sub Total	7	7	69	69
Samtse	III	2	3	12	20
	Sub Total	2	3	12	20
TOTAL		64	87	465	746

As depicted above, the NPPF's real estate assets have grown significantly over the years. Its investment in land has increased by 619.48% as compared to 2000. In terms of residential and commercial buildings construction, there has been an increase of 35.94% and 60.43% respectively as compared to that of 2000.

5.2 Ongoing Projects

During the year, the construction of three residential buildings with thirty two flats for health staff in Phuentsholing hospital was awarded to Jabab Construction company in May 2012. The project was awarded at a tendered cost of Nu.62.45 million with a completion period of thirty months.

The construction of three unit residential buildings in the NPPF housing colony at Thimphu was awarded to Penjor Construction Company at a tendered cost of Nu. 79 million in February 2011. The construction will be completed by September 2013.

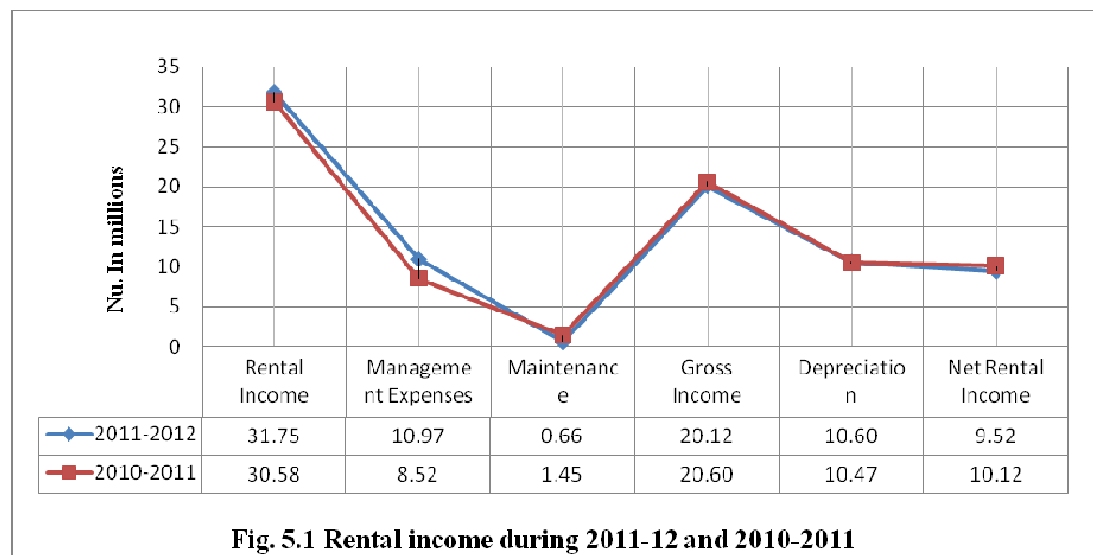
The construction of NPPF Corporate Head Office awarded to Yarkay Construction Company in May 2010 at a tendered cost of 127.61 million with a completion period of 33 months is well within the time schedule. The project is expected to be completed by September 2013.

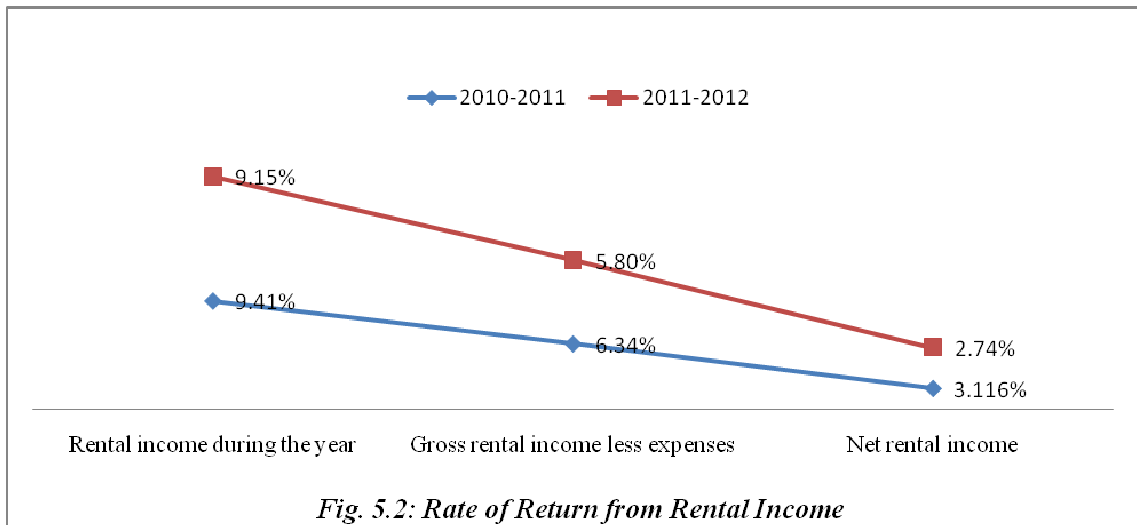
5.3 Financial review

As of June 30, 2012, the gross real estate asset at book value was worth Nu. 347.18 million, representing 2.70% of the total Fund. The rental income from real estate operations as of June 2012 accounted to Nu. 31.750 million and a gross return of 9.15%.

Table 5.3: Rental income during 2010-2011 and 2009-2010

	Rate of Returns (Nu.mil)				(%)	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
Rental Income <i>(Income/Assets)</i>			30.59	31.75	9.41%	9.15%
Less: Expenses						
a. Management Expenses	8.52	10.97				
b. Maintenance	1.45	0.66	(9.97)	(11.63)		
Gross Income			20.61	20.12	6.34%	5.80%
Less: Depreciation			10.47	10.60		
Net Rental Income			10.14	9.52	3.116 %	2.74 %





The gross return on the real estate operations declined during the year in view of the increase in the asset base. The rental income for new buildings will be received only after the completion of the project towards the end of 2013. As a result, the net rental return decreased to 2.74% from 3.12% in the previous year. This decrease can be also attributed to increase in real estate management expenses and up gradation of Phuntsholing and Samdrup Jonkhar Offices as Regional offices.

5.4 Future plans

The NPPF is working on the concept plan as well as drawings and designs of buildings behind Norgay Cinema Hall, Phuentsholing. It also has plans to initiate homeownership programs on the acquired land in Thimphu, Paro and Samdrup Jongkhar. It is in the process of exploring the possibility of taking up construction works departmentally to cut cost of the projects. It is also looking at the option of utilizing domestic materials and other cheaper materials to reduce the cost of construction.

CHAPTER 6 : INFORMATION AND COMMUNICATION TECHNOLOGY

The NPPF continues to expand its technology footprint as per its plans. These initiatives will facilitate in providing greater degree of improved self service, cost effectiveness and less administrative overhead to the Fund.

6.1 Activities Undertaken

The ICT Division has initiated and developed several new applications during the year. They include the Student Information, Cheque Management and Fixed Deposit Systems. Apart from the above mentioned application development, ICT Division also developed MIS management reports.

In accordance with NPPF's Five Year ICT plan, the regional Offices were connected with virtual private networks (VPN) which has enabled centralization of ICT systems. This has helped the Regional Offices to process loans, PF and Pension benefits from Regional Offices online by directly connecting to the central database in Thimphu.

During the current financial year, the design and development of Online Application has been completed. This will enable the members to access their latest personal information, that includes Personal Details, Loan Balance, PF Balance etc. In addition, members can also apply for PF Refund Claims, Pension benefit claims and loan online without having to visit NPPF Offices. Moreover, PF Contributions collection from the Government Agencies can be directly imported to our system thereby reducing the data punching time as well as usage of paper.

6.2 Future Plans

The NPPF is planning to create awareness, train prospective users and implement Online Application in all the Government Agencies in the Country. NPPF will also coordinate with the Banks to create an environment whereby the members can make loan repayments, rental payment using internet banking facilities.

Over the next two years, NPPF will prioritize the building of a dynamic Data Warehouse. The Data Warehouse shall become the main source of information for report generation, analysis, and presentation through adhoc reports, portals, and dashboards.

NPPF is also proposing to hire a highly secured environment with multiple layers of security to store remote data backup at IT Park. This is necessary in order to protect against accidental loss of user data, database corruption, hardware failures and natural disasters.

Moreover, the NPPF is taking the initiative to set up up-to-date Data Center in its new corporate Office with an up-time of 99.7%. Since it will be too expensive for the NPPF to fund the project, it is taking the initiative to seek assistance from the ADB with the support of the Government.

CHAPTER 7: HUMAN RESOURCE MANAGEMENT

NPPF is constantly striving towards enhancing organizational effectiveness and efficiency through strengthening and motivating its human capital. Recruitment and capacity building programs are planned and implemented based on genuine needs and succession planning through meritocracy.

In a major development during the year, the RMA in March 2012, issued directives to discontinue lending activities of the NPPF by 2014. Since the Credit Department constitutes a significant proportion of the NPPF's activities with twelve employees, it calls for a major restructuring of the organization, if the lending activities are to be discontinued as per the RMA Directives. Meanwhile, the NPPF with the Government support is seeking assistance from the ADB in hiring a consultant to carry out studies to comply with the RMA's directives. The NPPF will restructure its organization based on the Government's decision after the study.

7.1 Capacity Building

The NPPF continues to give priority to its HR Development Plan. Training and development programs comprising both long-term and short-term are undertaken in-country as well as in third countries. Generally, external scholarships are explored in order to minimize training costs. During the period under review, altogether five candidates have been placed for long term programs; one under NPPF funding and four under other funding sources. Likewise, ten third country short-term courses were undertaken by thirty two employees, and nine short-term in-country courses were undertaken by thirty nine candidates.



**Training on “Leadership – The Enlightened way”, Punakha
(Dec. 31st 2011 – Jan. 1st 2012)**

7.2 Service Delivery

Quality Service Delivery being the key strategy of NPPF, the in-house developed Service Delivery Standards (SDS) 2010 have been reviewed and updated from time to time. Compliance to the standards comprising of about sixty Key Indicators continuously improves efficiency of Service Delivery. The NPPF’s objective is to ultimately achieve service delivery at international standards.

7.3 *Performance Management System (PMS)*

The introduction of the Performance Management System since 2010-11 has been highly beneficial to the NPPF. It has brought significant achievement by improving the productivity of its staff. The system has been refined based on past one year's experience. Since the system is dynamic in nature, it needs to be constantly reviewed and efforts have to be made to refine the targets/measures and assess its extent of contribution to the overall organizational growth. The NPPF will continue to motivate and reward its staff through a dynamic PMS.

7.4 *Change in Board of Directors*

During the year, Col. Dorji Gyeltshen who has been with the National Pension Board for the last 2 years resigned as the Board member. The NPPF would like to place on record its acknowledgement and sincerely thank Col. Dorji Gyeltshen for his valuable guidance and contribution during his tenure on the Board. The NPPF welcomes Col. Rinzin Dorji who replaced Col. Dorji Gyeltshen as the Board Director representing the Armed Forces.

7.5 *Future Plan*

Going forward, the NPPF will explore the possibilities of developing IT systems for its HR services. It will also try to adapt its performance management system tool with the international performance assessment practices. Further, the NPPF will draw up new HRD strategies if it is to discontinue its lending activities by June 2014.



PLEASE QUOTE

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

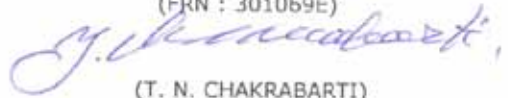
1. We have audited the attached Balance Sheet of **NATIONAL PENSION & PROVIDENT FUND, (THE FUND)** as at 30th June, 2012 and the Revenue Account and Cash Flow Statement of The Fund for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements 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 and 4 above, we report that:
 - i) Our examination was made in accordance with generally accepted auditing standards and accordingly includes such tests of accounting records and such other auditing procedures, as we considered appropriate for the purpose of our audit.
 - ii) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - iii) In our opinion, proper books of account have been kept by the Fund so far as it appears from our examination of those books.
 - iv) The Balance Sheet, Revenue Account and Cash Flow Statement dealt with in this report are in agreement with the books of account and have been compiled on the basis of generally accepted accounting principles.
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 Balance Sheet, of the state of affairs of the Fund as at 30th June 2012;
- 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.

Place: Kolkata

Date: 02 NOV 2012

FOR P. K. MITRA & CO.
CHARTERED ACCOUNTANTS
(FRN : 301069E)



(T. N. CHAKRABARTI)

Partner

Membership No. 010610

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

BALANCE SHEET AS AT 30TH JUNE, 2012

LIABILITIES

	SCHEDULE NO	AS AT 30.06.2012	AS AT 30.06.2011
Member's & Employer's Contribution to PF - Civil	1	2,134,961,535	1,793,592,851
Member's & Employer's Contribution to PF - Armed Forces	1A	853,527,736	747,154,062
Interest Credited to PF Account - Civil	2	960,389,420	827,507,418
Interest Credited to PF Account - Armed Forces	2A	436,094,775	374,668,962
Pension Fund - Civil	3	6,150,092,004	5,023,708,131
Pension Fund - Armed Forces	3A	2,081,587,887	1,801,677,658
Reserves	4	124,713,585	114,963,338
Lapsed Fund	5	674,714	
Other Liabilities	6	39,017,790	19,528,425
General Provision on Standard Assets		130,643,611	68,056,001
Gratuity Liability		11,273,085	8,845,710
Interest in Suspense		2,914,654	2,849,094
		12,926,490,796	10,782,361,652

ASSETS

Fixed Assets:			
Gross Block		377,072,262	351,889,423
Less: Accumulated Depreciation	7	107,146,693	93,575,388
Net Block	7	269,925,569	258,294,035
Capital Work in Progress	8	114,087,327	56,671,101
Deferred Revenue Expenditure		5,615,108	8,009,924
Investments in Equity Shares/ Bonds	9	2,257,321,483	1,583,033,335
Other Investments	10	10,108,701,646	8,759,056,630
Gratuity Investment		9,287,863	7,941,057
Advance and Other Current Assets	11	82,632,864	57,013,675
Cash and Bank Balances	12	80,919,137	52,341,894
		12,926,490,796	10,782,361,652
Significant Accounting Policies	20		
Notes forming part of Accounts	21		

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

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

T. N. Chakrabarti

(T. N. CHAKRABARTI)

Partner.

Membership No. 010610

Kolkata, Dated

02 NOV 2012

DIRECTOR

CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

[Signature]
CHAIRMAN



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2012

REVENUE

	SCHEDULE NO.	FOR THE YEAR ENDED 30.06.2012	FOR THE YEAR ENDED 30.06.2011
Income from Investment	13	831,201,773	606,356,981
Rental Income	14	31,750,441	30,585,237
Dividend	15	22,574,300	48,563,320
Other Revenue	16	3,118,608	4,130,329
		888,645,123	689,635,875

EXPENSES

Provident Fund Management Expenses	18 & 19	21,958,095	20,586,970
Pension Management Expenses	18 & 19	38,829,536	32,221,057
Interest Expense		5,065,214	-
Depreciation	7	13,671,305	13,212,182
Provision for Standard Assets		62,587,610	15,800,124
Provision for Sub Standard Assets		11,561,218	12,769,162
Total Expenses		153,572,978	94,589,495
Surplus		735,072,145	595,046,380
Transferred from General Reserve		-	11,233,649
Prior Period Income	17	-	2,209,298
Total Distributable Surplus		735,072,145	608,489,327
Distribution of Surplus			
Transferred to General Reserve		8,132,083	
Return on Member's and Employers contribution to PF (Civil)		178,270,574	151,698,773
Return on Member's and Employers contribution to PF (Armed Forces)		75,817,415	65,384,518
Return on Pension Fund (Civil)		353,956,388	288,442,881
Return on Pension Fund (Armed Forces)		118,895,685	102,963,155
			608,489,327
Significant Accounting Policies	20		
Notes forming part of Accounts	21		

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

This is the Revenue Account referred to in our report of even date.
P K Mitra & Co
Chartered Accountants

T.N. Chakrabarti

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

Kolkata, Dated 02 NOV 2012



[Signature]
DIRECTOR

[Signature]
CHAIRMAN

CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

NATIONAL PENSION AND PROVIDENT FUND			
THIMPHU, BHUTAN			
CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2012			
	Year ended 30th June 2012	Year ended 30th June 2011	
CASH FLOW FROM OPERATIONS			
Receipts from:			
Interest	683,754,885	572,128,423	
Rents	32,047,046	30,404,202	
Dividends & Other Income	25,692,908	53,531,261	
Security Deposit from Tenants			
Payments for:			
Management Expenses	58,085,142	51,044,041	
Security Deposit from Suppliers	(84,295)	156,412	
Security Deposit from Tenants	(9,930)	27,019	
Land/Home Ownership Scheme	14,628,250	52,506,959	
NET RECEIPTS FROM OPERATIONS	670,875,673	552,329,455	
CASH FLOW FROM INVESTING			
Receipts from:			
Repayments of Pension Loans	194,759	276,462	
Sale of Fixed Assets	-	78,202	
Sale of Shares	-	1,862,000	
Payment for:			
Increase in Loans & Deposits	155,804,247	184,050,238	
Shares and Bonds	636,637,630	589,961,240	
Pension Loan			
Member Housing Loan	460,194,077	456,531,540	
Member Education Loan	603,522,865	469,328,383	
Vehicle Loan	1,794,724	2,806,513	
Staff Housing Loan	6,978,870	2,615,478	
Student Loan	19,167,387		
Purchase of Fixed Assets (Including Work in Progress)	83,898,436	43,633,970	
NET PAYMENTS FOR INVESTMENTS	(1,967,803,477)	(1,746,710,698)	
CASH FLOW FROM MEMBER TRANSACTIONS			
Receipts from:			
Contributions to the NPPFP - PF	415,147,136	1,166,961,386	
- Pension	920,895,453		
Contributions to the AFPPFS - PF	130,126,804	300,772,338	
- Pension	216,278,957		
Payments of Refunds and Pensions:			
NPPFP - PF	115,656,189	100,766,859	
- Pension	148,467,967	98,539,998	
AFPPFS - PF	37,554,734	27,927,765	
- Pension	55,264,413	50,022,504	
NET RECEIPTS FROM MEMBERS	1,325,505,047	1,190,476,598	
NET MOVEMENT IN CASH AND BANK	28,577,243	(3,904,645)	
OPENING CASH AND BANK	52,341,894	56,246,539	
CLOSING CASH AND BANK	80,919,137	52,341,894	



RECONCILIATION BETWEEN OPERATING SURPLUS AND CASH FLOWS FROM OPERATIONS

	Year ended 30th June 2012	Year ended 30th June 2011
OPERATING SURPLUS	735,072,145	595,046,380
NON CASH CHARGES		
Depreciation	13,571,305.00	13,212,182
Ammortization of Software	2,695,837	2,772,218
Provision against Loan	74,149,644	28,569,286
MOVEMENT IN ACCRUALS		
Revenue Receivable	(147,150,283)	(34,409,287)
Accounts Payable	4,643,675	(2,404,465)
Gratuity Payable	2,427,375	1,372,206
GAIN ON ASSET SALES	-	(1,372,000)
PRIOR PERIOD INCOME	-	2,209,298
LOSS ON ASSET DISPOPSALS	-	24,027
LAND/HOME OWNERSHIP SCHEME	(14,628,250)	(52,506,959)
SECURITY DEPOSITS	94,225	(183,431)
NET RECEIPTS FROM OPERATIONS	670,875,673	552,329,455

Note:

The cash flow statement has been prepared using the direct method

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

P K Mitra & Co.
Chartered Accountants



T.N. Chakrabarti

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

Kolkata. Dated 02 NOV 2012

J. W. ...
DIRECTOR

M. ...
CHAIRMAN

CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Civil

PARTICULARS	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2012	AS AT 30.06.2012	AS AT 30.06.2011	AS AT 30.06.2011
	Nu.	Nu.	Nu.	Nu.
Opening Balance	1,318,065,087	1,318,238,830	1,146,537,592	1,146,676,194
Add / (Less): Adjustments	(44,343)	(44,805)	(59,885)	(24,744)
Adjusted Opening Balance	1,318,020,744	1,318,194,025	1,146,477,707	1,146,651,450
Add: Contribution during the Year	205,863,768	205,863,768	171,587,380	171,587,380
Sub Total A	1,523,884,512	1,524,057,793	1,318,065,087	1,318,238,830
Less: Refunds as per last a/c	421,340,435	421,370,630	391,387,024	391,393,182
Refunds during the year	35,117,495	35,152,210	29,953,411	29,977,448
Sub Total B	456,457,930	456,522,840	421,340,435	421,370,630
Net Contribution A-B	1,067,426,582	1,067,534,953	896,724,652	896,868,200
Grand Total	2,134,961,535		1,793,592,851	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Forces

PARTICULARS	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2012	AS AT 30.06.2012	AS AT 30.06.2011	AS AT 30.06.2011
	Nu.	Nu.	Nu.	Nu.
Opening Balance	483,503,783	483,680,202	427,005,962	427,161,661
Add / (Less): Adjustments	(37,755)	(24,271)	(18,992)	1,480
Adjusted Opening Balance	483,466,028	483,655,931	426,986,971	427,163,141
Add: Contribution during the Year	65,102,496	65,102,496	56,516,812	56,517,061
Sub Total A	548,568,524	548,758,427	483,503,783	483,680,202
Less: Refunds as per last a/c	109,991,678	110,028,244	101,066,202	101,079,359
Refunds during the year	11,876,075	11,903,218	8,925,476	8,948,885
Sub Total B	121,867,753	121,931,462	109,991,678	110,028,244
Net Contribution A-B	426,700,771	426,826,965	373,512,104	373,651,958
Grand Total	853,527,736		747,164,062	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Civil

PARTICULARS	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2012	AS AT 30.06.2012	AS AT 30.06.2011	AS AT 30.06.2011
	Nu.	Nu.	Nu.	Nu.
Opening Balance	164,842,718	140,915,693	164,859,386	140,914,291
Add / (Less): Adjustments	(1,045)	(1,043)	(16,668)	1,402
Adjusted Opening Balance	164,841,673	140,914,650	164,842,718	140,915,693
Add: Interest credit as per last a/c	507,261,903	505,708,558	431,411,164	429,860,524
Interest during the Year	89,134,388	89,136,186	75,850,739	75,848,034
Sub Total A	761,237,964	735,759,394	672,104,621	646,624,251
Less: Refunds of interest as per last a/c	258,277,714	232,943,740	237,812,247	212,573,207
Refunds of interest during the year	22,730,721	22,655,763	20,465,467	20,370,533
Sub Total B	281,008,435	255,599,503	258,277,714	232,943,740
Net Contribution A-B	480,229,529	480,159,891	413,826,907	413,680,511
Grand Total	960,389,420		827,507,418	

Schedule - 2A

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - Armed Force

PARTICULARS	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION	INTEREST ON MEMBER'S CONTRIBUTION	INTEREST ON EMPLOYER'S CONTRIBUTION
	AS AT 30.06.2012	AS AT 30.06.2012	AS AT 30.06.2011	AS AT 30.06.2011
	Nu.	Nu.	Nu.	Nu.
Opening Balance	53,848,527	52,710,661	53,831,861	52,694,530
Add/ Less: Adjustments	(9,118)	(7,044)	16,666	16,131
Adjusted Opening Balance	53,839,409	52,703,617	53,848,527	52,710,661
Add: Interest credit as per last a/c	191,886,030	191,548,598	159,159,551	158,825,926
Interest during the Year	37,911,730	37,905,685	32,726,479	32,722,672
Sub Total A	283,637,169	282,157,900	245,734,557	244,259,259
Less: Refunds of interest as per last a/c	58,267,891	57,056,963	53,236,389	52,035,061
Refunds of interest during the year	6,907,567	6,867,874	5,031,502	5,021,902
Sub Total B	65,175,458	63,924,837	58,267,891	57,056,963
Net Contribution A-B	218,461,711	218,233,064	187,466,666	187,202,297
Grand Total	436,694,775		374,668,962	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

PENSION FUND - Civil

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
Opening Balance	5,333,527,719	4,222,542,498
Add: Transfer / Adjustments	90,706	46,684
Adjusted Opening Balance	5,333,618,425	4,222,589,182
Add: Contribution received during the year	920,804,746	822,495,656
Interest during the year	353,956,388	288,442,881
Sub Total A	6,608,379,559	5,333,527,719
Less: Pension payment as per last account	172,768,234	116,928,681
Pension payment during the Year	76,427,151	55,839,553
Total Pension Payment	249,195,385	172,768,234
Less: Refund from Pension Fund as per last account	137,051,354	94,350,909
Refund from Pension fund during the year	72,040,816	42,700,445
Total Pension Refund	209,092,170	137,051,354
Sub Total B	458,287,555	309,819,588
Grand Total A - B	6,150,092,004	5,023,708,131

Schedule - 3A

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

PENSION FUND - Armed Force

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
Opening Balance	2,178,784,322	1,888,162,620
Add: Transfer / Adjustments	-	70,939
Adjusted Opening Balance	2,178,784,322	1,888,233,559
Add: Contribution received during the year	216,278,957	187,587,608
Interest during the year	118,895,685	102,963,155
Sub Total A	2,513,958,964	2,178,784,322
Less: Pension payment as per last account	176,270,190	134,622,354
Pension payment during the Year	48,279,632	41,647,836
Total Pension Payment	224,549,822	176,270,190
Less: Refund from Pension Fund as per last account	200,836,475	192,461,807
Refund from Pension fund during the year	6,984,781	8,374,668
Total Pension Refund	207,821,256	200,836,475
Sub Total B	432,371,077	377,106,664
Grand Total A - B	2,081,587,887	1,801,677,658

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

RESERVES

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
I. General Reserves		
Opening Balance	59,541,937	119,902,978
Add: Transfer from Revenue Account	8,132,083	
Less: Transferred to Revenue Account	-	11,233,649
Sub Total	67,674,020	108,669,329
Less: Merger of Memorandum Accounts	-	720,359
Less: Transferred to Unclaimed & Lapsed Fund	-	48,407,033
Sub Total	67,674,020	59,541,937
II. Unclaimed Contribution/Refund		
Opening Balance	48,407,033	-
Add: Transferred from General Reserve	-	48,407,033
Add: Transferred during the year		
Sub Total	48,407,033	48,407,033
III. Lapsed Fund		
Opening Balance	7,014,368	5,720,015
Add: Transferred during the year	-	1,294,353
Sub Total	7,014,368	7,014,368
IV. Other Unclaimed Monies		
Opening Balance	-	
Add: Transferred during the year	1,618,164	
Sub Total	1,618,164	
TOTAL RESERVES (I+II+III+IV)	124,713,585	114,963,338

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

LAPSED FUND*

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
I. CIVIL		
Opening Balance		
Add: Transfer during the Year	442,009	
Sub Total	442,009	
Less: Transferred to Reserve	-	
Total	442,009	
II. ARMED FORCE		
Opening Balance		
Add: Transfer during the Year	232,705	
Sub Total	232,705	
Less: Transferred to Reserve	-	
Total	232,705	
Grand Total (I+II)	674,714	

* 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

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

OTHER LIABILITIES

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
Stale Cheques	702,800	347,651
Interest Received in Advance	225,451	697,345
Unidentified deposit	6,493,767	186,179
Earnest Money	99,364	207,958
Security Deposit (Contractor)	10,896,786	461,278
Performance Guarantee	329,842	136,954
Security Deposit (Rent)	915,575	910,175
Excess Member Contribution	4,476,848	3,258,890
Outstanding liabilities for Expenses	10,710,231	4,841,454
Security Deposit - Power / Tenant (S/Jongkhar)	46,380	46,380
Security Deposit - Power / Tenant (P/Ling)	133,157	133,157
Security Deposit - Power / Tenant (Thimpu)	183,525	178,995
Payable to Contractor	-	67,581
Audit Recoveries	-	292,379
Housing / Education Loan closed A/c - Credit Balance	3,804,065	7,762,050
Total	39,017,790	19,528,425

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

FIXED ASSETS

Particulars	Rate of Depreciation	GROSS BLOCK				DEPRECIATION				Net Block as on 30.06.2012	Net Block as on 30.06.2011	
		Original cost as on 01.07.11	Addition during the year	Adj. during the year	Original cost as on 30.06.2012	Accumulated Dep as on 01.07.2011	Dep. during the year	Adj. of Depreciation during the year	Total Accumulated Depreciation as on 30.06.2012			
R.E.Land		32,826,028	-	-	32,826,028	-	-	-	-	-	32,826,028	32,826,028
R.E.Building	3%	270,983,412	20,166,315	-	291,149,727	66,182,400	8,577,815	-	74,760,215	-	216,389,511	204,801,012
R.E.Furniture & Fixtures	15%	168,877	-	-	168,877	164,873	102	-	164,975	-	3,902	4,004
R.E.Electrical & Fittings	15%	16,231,644	1,959,928	-	18,191,572	14,848,012	1,485,024	-	16,333,036	-	1,858,536	1,383,632
R.E.Equipments	15%	1,214,066	65,640	-	1,279,706	387,574	178,714	-	566,288	-	713,418	826,492
Road/Parking	3%	3,565,890	-	-	3,565,890	363,555	363,555	-	727,110	-	2,838,780	3,202,336
SUB TOTAL (A)		324,989,918	22,191,883	-	347,181,801	81,946,414	10,605,210	-	92,551,624	-	254,630,177	243,043,505
Office Building	3%	7,468,971	-	-	7,468,971	1,176,162	224,069	-	1,400,231	-	6,068,740	6,292,809
Office Electricals & Fittings	15%	552,464	-	-	552,464	432,499	82,870	-	515,369	-	37,095	119,965
Computer & Office Equipments	15%	13,871,649	2,675,965	-	16,547,614	6,668,333	2,076,586	-	8,744,919	-	7,802,695	7,203,317
Office Furniture & Fittings	15%	2,927,060	329,755	-	3,256,815	2,104,683	315,569	-	2,420,252	-	836,563	822,376
Telephone/ EPABX/LAN	15%	624,725	3,511	-	628,236	432,273	55,180	-	487,453	-	140,783	192,451
Motor Vehicles	15%	1,273,195	-	-	1,273,195	712,640	190,979	-	903,619	-	369,576	560,555
Carpet	15%	79,520	1,725	-	81,245	40,152	10,449	-	50,601	-	30,644	39,368
Curtain/Upholstrey	15%	81,921	-	-	81,921	62,232	10,394	-	72,626	-	9,295	19,689
SUB TOTAL (B)		26,879,505	3,010,956	-	29,890,461	11,628,974	2,966,095	-	14,595,069	-	15,295,392	15,250,530
GRAND TOTAL (A+B)		351,869,423	25,202,839	-	377,072,262	93,575,388	13,571,305	-	107,146,693	-	269,925,569	258,294,035
Previous Financial Year		351,918,874	5,397,006	5,446,467	351,869,423	83,561,717	13,212,182	3,198,510	93,575,388		258,294,035	

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

CAPITAL WORK IN PROGRESS

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
IT Development	1,409,980	-
Real Estate Development	112,677,347	56,671,101
Total	114,087,327	56,671,101

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

DETAILS OF INVESTMENTS IN EQUITY SHARES / BONDS

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
QUOTED (AT COST)		
<u>PENDEN CEMENT AUTHORITY LIMITED</u>		
215453 Equity Shares of Nu. 100/- each fully paid up including 71818 nos. of bonus shares received in 2008-09. (Market value Nu. 193,907,700)	14,450,563	14,450,563
<u>STATE TRADING CORPORATION OF BHUTAN LIMITED</u>		
22,050 Equity shares of Nu. 100/- each fully paid up bonus shares including 7,350 bonus share received in 2011-12 (Market value Nu. 4,189,500)	490,000	490,000
<u>BHUTAN NATIONAL BANK LIMITED</u>		
1,832,388 Equity shares of Nu. 100 each fully paid up including right issues of 916,194 nos. of shares issued in 2011-12. (Market value Nu. 1,062,785,040)	583,411,978	171,124,678
<u>KUENSEL CORPORATION LTD</u>		
36750 Equity shares of Nu. 100 each fully paid up (Market value Nu. 4,777,500)	3,675,000	3,675,000
<u>DRUK PNB</u>		
50 Equity shares @ Nu. 100 fully paid including right issue of 17 nos. of share in 2011-12 (Market value Nu. 17,500)	5,000	3,300
<u>TBANK LIMITED</u>		
379 Equity shares @ Nu. 100 fully paid (Market value Nu. 94,750)	37,900	37,900
Total Quoted	602,070,441	189,781,441
UNQUOTED (AT COST)		
<u>Equity Shares</u>		
<u>DAGACHU HYDRO POWER CORPORATION LIMITED</u>		
486000 Equity Share of Nu.1000 each (Paid up Nu 879.54 per share)	427,456,375	306,907,745
<u>Bond</u>		
7.50% 421,630 Nos. DRUK AIR BOND - 2013	427176734	427,176,734
7.50% 188,131 Nos. DRUK AIR BOND - 2014 (Guaranteed by The Royal Government of Bhutan)	191059416	191,059,415
468,108 Nos. of RICBL Bond @ Nu. 1,000/-	498,869,749	468,108,000
104,000 Nos. of Druk PNB Bonds @ Nu. 1,000/-	110,688,767	
Total unquoted	1,655,251,042	1,393,251,894
Total	2,257,321,483	1,583,033,335

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

OTHER INVESTMENTS

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
Loans		
To The Royal Government of Bhutan		
RGOB Budget Fund Account	448,148,423	560,183,997
To Institutions / Companies		
Secured Loan to Royal Insurance Corpn of Bhutan Ltd. Note 1	438,000,000	661,000,000
Partially secured Loan to Bhutan Dev. Finance Corp. Ltd Note 2	550,000,000	560,000,000
Secured Loan to Tashi Infocom Ltd. Note 3	362,219,329	252,834,989
Secured Loan to Bhutan Ferro Alloys Ltd. Note 4	198,219,393	238,474,106
Secured Loan to Druk Ferro Alloys Ltd.. Note 5	25,835,143	29,010,884
Loan to Bhutan Broadcasting Services Ltd. Note 6	-	6,917,994
Loan to Dagachu Hydro Power Ltd. Note 7	420,384,877	115,260,274
Loan to Dungsam Cement Company Ltd . Note 8	1,010,000,000	848,078,948
Loan to Kuensel Corporation Ltd. Note 9	18,926,072	23,507,447
Loan to Druk Doethjung Resort Note 10	9,400,959	4,691,096
Loan to Yangphei Real Estate Note 11	156,273,151	64,670,959
Loan to Dungsam Polymers Ltd. Note 12	135,289,038	-
Loan to Wood Craft Centre Note 13	9,981,145	-
Loan to Bhutan Power Corporation Ltd. Note 14	540,844,073	-
Loan to Bhutan Insurance Ltd. Note 15	71,190,959	-
Sub Total (I)	4,394,712,562	3,364,630,693
To Members		
Pension Loan	29,066	235,060
Housing Loan	2,166,175,531	1,681,898,021
Education Loan	1,878,607,874	1,266,089,232
Staff Vehicle Loan	9,135,900	7,342,680
Staff Housing Loan	48,872,690	41,733,424
Student Loan	19,728,955	-
Sub Total (II)	4,122,550,016	2,997,298,416
Total (I+II)	8,517,262,578	6,361,929,110
Less: Provision for Non Performing Loans.	31,791,963	20,229,930
Total (A)	8,485,470,615	6,341,699,180
Deposits		
Fixed Deposit- Bhutan National Bank Ltd.	1,171,949,815	2,301,907,518
- Druk Punjab National Bank Ltd.	26,842,691	-
- TBank Ltd	103,750,000	75,150,753
- Bhutan Development Bank Ltd.	318,688,525	40,299,178
Sub Total (B)	1,621,231,031	2,417,357,450
Grand Total (A+B)	10,106,701,646	8,759,056,630

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.

Note-12: The Loan secured by mortgage of project assets

Note-13: The loan is secured by mortgage of the Joinery Unit's assets of the Joinery Units

Note-14: The loan is secured by mortgage of the 220kV double circuit transmission lines

Note-15: The loan is secured by mortgage of the Book Debts consisting of commercial, industrial, housing loan, etc.

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

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

ADVANCES AND OTHER CURRENT ASSETS

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
Security Deposit - Power / Rent	355,995	355,995
Security Deposit - Water meter	63,000	63,000
Rent Receivable	1,980,450	2,277,055
Other Receivable	463,858	696,058
Advance to Contractors	12,258,869	720,000
Staff Advance	271,500	97,712
Prepaid Expenses	103,983	296,897
Land/Home Ownership*	67,135,209	52,506,959
Total	82,632,864	57,013,675

* As at 30.06.2012, NPPF has title of ownership of Land valuing Nu.29.80 million, the balance amount is laying as advance against the purchase of Land (previous year Nu. 52,506,959)

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

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2012

CASH AND BANK BALANCES

PARTICULARS	AS AT 30.06.2012	AS AT 30.06.2011
	Nu	Nu
Cash at Bank	80,916,327	52,335,567
Petty Cash	2,810	6,327
Total	80,919,137	52,341,894

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012

INCOME FROM INVESTMENT

PARTICULARS	FOR THE YEAR	FOR THE YEAR
	ENDED 30.06.2012	ENDED 30.06.2011
	Nu.	Nu.
Manufacturing & Industries		
Interest on Loan to Bhutan Ferro Alloys Limited	22,075,374	26,241,642
Interest on Loan to Druk Ferro Alloys Limited	3,344,259	3,816,976
Interest on Loan to Dagachu Hydro Power Corporation	17,924,603	10,000,000
Interest on Loan to Dungsam Cement Company Ltd	94,319,374	37,443,587
Interest on Loan to Dungsam Polymers Ltd	8,719,038	
Interest on Loan to Wood Craft Centre	968,034	
	147,350,682	77,502,205
Service & Tourism		
Interest on Loan to Tashi Infocom Limited	29,048,286	21,773,659
Interest on Loan to Bhutan Broadcasting Services Limited	902,298	-
Interest on Druk Air Bond	45,192,076	46,034,563
Interest on loan to Kuensel Corporation	2,121,425	2,054,247
Interest on loan to Druk Doethjung	709,863	191,096
Interest on Loan to Yangphel Real Estate	11,602,192	1,670,959
Interest on Loan to Bhutan Power Corporation Ltd.	37,714,073	
	127,290,213	71,724,523
Institutions/RGOB		
Interest on Loan to Bhutan Development Finance Corporation Limited	39,129,041	39,738,698
Interest on Loan to Royal Insurance Corporation of Bhutan Limited	40,705,722	47,738,808
Interest on Loan to Bhutan Insurance Ltd	2,734,795	
Interest on Loan to RGOB Budget Fund Account	23,499,859	29,345,260
Interest on RICBL Bond	31,363,270	30,761,749
Interest on Druk PNB Bond	6,688,767	
	144,121,453	147,584,515
Members and Staff		
Interest on Loan to Members-Housing	187,578,377	143,143,764
Interest on Loan to Members-Education	158,884,491	83,082,576
Interest on Loan to Members - Pension	15,979	43,478
Interest on Loan to Members - Student Loan	582,542	
Interest on Loan to Staff- Vehicle	476,424	475,753
	347,537,814	226,745,572
Deposits		
Interest on RMA Discount Bills	-	-
Interest on Fixed Deposits with Banks	64,901,612	82,800,166
	64,901,612	82,800,166
TOTAL	831,201,773	606,356,981

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012

RENTAL INCOME

Location	FOR THE YEAR ENDED 30.06.2012	FOR THE YEAR ENDED 30.06.2011
	Nu.	Nu.
Thimphu	18,867,249	18,781,485
Phuentsholing	10,440,735	9,474,032
Samdrup Jongkhar	1,954,182	1,854,770
Samtse	488,275	474,950
Total	31,750,441	30,585,237

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012

DIVIDEND INCOME

PARTICULARS	FOR THE YEAR ENDED 30.06.2012	FOR THE YEAR ENDED 30.06.2011
	Nu.	Nu.
Bhutan National Bank Ltd	-	26,111,529
State Trading Corporation of Bhutan Ltd	294,000	245,000
Penden Cement Authority Ltd	21,545,300	21,545,300
Kuensel Corporation Ltd	735,000	661,500
TOTAL	22,574,300	48,563,329

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012

OTHER INCOME

PARTICULARS	FOR THE YEAR ENDED 30.06.2012	FOR THE YEAR ENDED 30.06.2011
	Nu.	Nu.
Processing Fees on Housing & Education Loans	2,559,140	1,186,200
Miscellaneous Income	559,468	1,572,129
Profit on Sale of shares	-	1,372,000
TOTAL	3,118,608	4,130,329

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012

PRIOR PERIOD INCOME

PARTICULARS	FOR THE YEAR ENDED	FOR THE YEAR ENDED
	30.06.2012	30.06.2011
	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 AND PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012

DETAILS OF COMMON EXPENSES DISTRIBUTED TO PF & PENSION FOR THE YEAR ENDED 30.06.2012

PARTICULARS	Sr. Mgt Exps	Admin. Exps	Finance Exps	Investment Exps.	IT Expenses	RE Expenses	Grand Total	Pension - 65%	PF - 35%
Pay & Allowance	3,139,814	5,330,493	3,845,119	8,235,988	2,460,049	8,150,281	31,161,745	20,255,134	10,906,611
Actuarial Consultancy Fees	-	-	-	-	-	-	-	-	-
Overseas Training	357,461	776,274	2,085,565	1,473,379	841,153	1,207,845	6,741,677	4,382,090	2,359,587
Canteen Expenses	19,501	30,706	14,014	39,657	61,280	23,246	188,404	122,463	65,941
Printing & Stationary	6,210	562,811	36,781	163,130	20,367	72,376	861,675	560,089	301,586
Postage	1,190	134,535	1,425	15,235	745	13,795	166,925	108,501	58,424
Telephone Expenses	96,559	121,653	22,799	51,780	60,727	132,810	486,326	316,112	170,214
Entertainment Expenses	8,010	199,356	-	8,256	-	23,120	238,742	155,182	83,560
Rent	-	166,000	104,400	-	-	-	270,400	175,760	94,640
Travelling & Conveyance	133,406	293,279	75,202	387,837	106,170	749,944	1,745,838	1,134,795	611,043
Advertisement	-	331,509	23,100	61,400	-	39,785	455,794	296,266	159,528
Motor Car Expenses	132,134	-	-	-	-	650	132,784	86,310	46,474
Bank Charges	300	-	905,328	38	1,754	-	907,420	589,823	317,597
Rates & Taxes	-	-	-	-	-	650,664	650,664	422,932	227,732
Insurance	-	-	-	-	-	445,209	445,209	289,386	155,823
Office Maintenance/Furniture Maint	5,603	723,468	1,820	26,536	260	83,020	840,707	546,459	294,247
Seminar / Workshop / Conference	176,636	270,974	-	206,600	88,324	186,896	929,430	604,130	325,301
Sitting Fees	400,784	18,000	-	87,060	1,000	-	506,844	329,449	177,395
IT Expenses / AMC	6,200	45,700	20,460	15,105	1,614,399	29,150	1,731,014	1,125,159	605,855
Books and Periodicals	4,800	2,400	1,100	-	-	2,015	10,315	6,705	3,610
Subscription and Donation	34,335	29,210	36,111	18,000	3,000	14,805	135,461	88,050	47,411
Gifts / Presentations	5,800	4,900	-	-	-	12,000	22,700	14,755	7,945
Audit fees and Expenses	-	-	282,813	-	-	-	282,813	183,828	98,985
Amortization of Deferred Revenue Expenses/Software	-	-	-	-	2,695,837	-	2,695,837	1,752,294	943,543
Miscellaneous Expenses	-	-	4	-	-	-	4	3	1
Lease Line rent	54,858	-	-	1,596	689,267	-	745,721	484,718	261,002
R E Maintenance	-	-	-	-	-	660,777	660,777	429,505	231,272
Membership Fees	-	-	200,000	1,000,000	-	-	1,200,000	780,000	420,000
Write-off	-	-	-	56,096	-	-	56,096	36,463	19,634
CIB Report	-	-	-	1,527,700	-	-	1,527,700	993,005	534,695
GRAND TOTAL	4,583,602	9,041,268	7,656,041	13,375,392	8,644,331	12,498,388	55,799,022	36,269,364	19,529,658

NATIONAL PENSION & PROVIDENT FUND
THIMPHU - BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2012

DETAILS OF PF & PENSION EXPENSES AFTER ALLOCATION OF COMMON EXPENSES FOR THE YEAR ENDED 30.06.2012

PARTICULARS	PF Mgt. Exps	35% of common		FOR THE YEAR ENDED 30.06.2012	FOR THE YEAR ENDED 30.06.2011	Pension Mgt. Exps	65% of common		FOR THE YEAR ENDED 30.06.2012	FOR THE YEAR ENDED 30.06.2011	FOR THE YEAR ENDED 30.06.2012	FOR THE YEAR ENDED 30.06.2011
		Exps					Exps					
Pay & Allowance	1,876,657	10,906,611	-	12,783,268	10,868,856	1,004,987	20,255,134	21,260,121	15,433,148	34,043,389	26,302,004	652,447
Actuarial Consultancy Fees	-	-	-	2,797,168	185,365	19,400	4,382,090	19,400	467,082	19,400	7,952,906	5,578,149
Overseas Training	437,581	2,359,587	-	65,941	2,164,320	373,647	122,463	4,755,738	3,413,829	7,952,906	205,924	242,779
Canteen Expenses	-	301,586	-	71,204	56,304	22,800	108,501	131,301	84,456	202,505	140,760	939,433
Printing & Stationary	12,780	58,424	-	170,214	166,820	-	316,112	231,375	266,513	486,326	398,195	140,760
Telephone Expenses	-	170,214	-	103,892	175,399	7,439	162,621	162,621	164,400	272,992	274,000	140,760
Entertainment Expenses	20,333	94,640	-	673,094	682,119	58,644	1,134,795	1,193,439	1,015,078	1,866,533	1,695,196	140,760
Travelling & Conveyance	62,051	611,043	-	46,474	50,512	-	86,310	86,310	79,928	132,784	130,440	140,760
Advertisement	3,063	159,528	-	317,655	431,774	75,000	589,823	664,823	882,285	982,478	1,314,059	140,760
Motor Car Expenses	58	227,732	-	155,823	186,739	-	289,386	289,386	280,108	445,209	466,847	140,760
Bank Charges	-	294,247	-	296,252	316,999	1,070	546,459	547,529	481,236	843,782	798,235	140,760
Rates & Taxes	-	325,301	-	177,395	155,680	45,000	604,130	624,005	1,540,324	949,305	2,049,401	140,760
Insurance	-	605,855	-	610,765	1,138,071	1,650	329,449	374,449	233,520	551,844	389,200	140,760
Office Maintenance/umiture	2,005	4,910	-	3,610	6,956	-	1,125,159	1,126,909	1,701,946	1,737,574	2,840,017	140,760
Maint	-	4,741	-	56,411	15,488	-	88,050	88,050	23,232	144,461	38,720	140,760
Seminar / Workshop / Conference	-	7,945	-	7,945	7,672	-	14,755	14,755	11,508	22,700	19,180	140,760
Sitting Fees	-	98,985	-	98,985	108,970	-	183,828	183,828	163,454	282,813	272,424	140,760
IT Expenses/ AMC	-	943,543	-	943,543	1,108,887	-	1,752,294	1,752,294	1,663,331	2,695,837	2,772,218	140,760
Books and Periodicals	-	261,002	-	231,272	136,788	-	484,718	484,718	205,181	745,721	341,969	140,760
Subscription and Donation	9,000	420,000	-	420,000	581,312	-	429,505	429,505	871,968	660,777	1,453,280	140,760
Gifts / Presentations	-	19,634	-	19,634	130,124	-	780,000	1,645,635	943,093	2,065,635	943,093	140,760
Audit fees and Expenses	-	534,695	-	534,695	345,650	-	993,005	993,005	518,475	1,527,700	864,124	140,760
Amortization of Deferred Revenue Expenses/Software	-	19,529,658	-	21,958,095	20,586,970	2,560,172	36,269,364	38,829,536	32,221,057	60,787,631	52,808,027	140,760
Miscellaneous Expenses	-	1	-	1	53,766	-	3	3	80,649	4	134,415	140,760
Lease Line rent	-	261,002	-	231,272	136,788	-	484,718	484,718	205,181	745,721	341,969	140,760
R.E Maintenance	-	420,000	-	420,000	581,312	-	429,505	429,505	871,968	660,777	1,453,280	140,760
Membership Fees	-	19,634	-	19,634	130,124	-	780,000	1,645,635	943,093	2,065,635	943,093	140,760
Write-off	-	534,695	-	534,695	345,650	-	993,005	993,005	518,475	1,527,700	864,124	140,760
CIB Report	-	19,529,658	-	21,958,095	20,586,970	2,560,172	36,269,364	38,829,536	32,221,057	60,787,631	52,808,027	140,760
GRAND TOTAL	2,428,437	19,529,658	21,958,095	21,958,095	20,586,970	2,560,172	36,269,364	38,829,536	32,221,057	60,787,631	52,808,027	140,760

Note:

1. Pay & Allowance includes Nu. 1,385,291.00 Paid to Director (Previous year 1,084,777)
2. Sitting Fees includes Nu. 68,000 paid to Director (Previous year Nu. 46,000)

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

**SIGNIFICANT ACCOUNTING POLICIES FOR THE
YEAR ENDED 30th JUNE 2012.**

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 GEPF) 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.



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

**NOTES FORMING PART OF ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE, 2012**

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. 9,287,663 (Previous Year-Nu.7,941,057/-) has been shown as Gratuity Investment and Nu. 11,273,085 (Previous Year-Nu. 8,845,710/-) as Gratuity Liability as on 30th June' 2012. Gratuity Investment includes Interest Receivable on Bank Deposits Nu. 441,953 (Previous Year – Nu. 396,543/-)
4. In keeping with the accounting policy consistently been followed the Real Estates assets (land & building) are classified as fixed assets instead of investment property and policy will be reviewed and changed within the time frame for implementation of the relevant Bhutanese Accounting Standard (BAS) as prescribed by the Accounting and Auditing Standards Board of Bhutan.
5. NPPF has the following commitments as on 30 June 2012 :
 - a. Capital Expenditure Nu. 152.80 million for real estate development.
 - b. Nu.58.544 million towards uncalled equity share subscription for Dagachu Hydro Power Project.
 - c. Nu.376.904 million loans sanctioned but yet to be disbursed to Dagachu Hydro Power Project, Druk Doethjung Resort, Yangphel Real Estate, Bhutan Insurance Limited, Natural Resource Development Corporation and Wood Craft Centre.
 - d. Nu.7.98 million for acquisition of land for Home Ownership Scheme



6. Return to the members @ 6.50 % (previous year 6.50 %) for the year has been decided by the National Pension Board during the 63rd Board meeting held on 26th October 2012.

6. Previous year figures have been regrouped/rearranged wherever necessary.

Signature to Schedules 1 to 21


DIRECTOR


CHAIRMAN





**National Pension and
Provident Fund**

www.nppf.org.bt



Any queries on

- » Loan
- » PF
- » Pension



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325168

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