



Dedicated to 60th Birth Anniversary of
His Majesty the Fourth Druk Gyalpo
Jigme Singye Wangchuck

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

BOARD OF DIRECTORS



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Secretary
Ministry of Education

DIRECTORS



Pema Wangda
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Royal Bhutan Army
Lungtenphug



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Ex-Commissioner
Royal Civil Service Commission



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Director General
Department of Public Accounts
Ministry of Finance



Dubthob Wangchug
Chief Executive Officer
National Pension and Provident Fund
Member Secretary

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Director General, Department of Public Accounts, Ministry of Finance
CHAIRPERSON

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Head, Internal Audit Unit
National Pension and Provident Fund
MEMBER SECRETARY

Kapil Sharma

Head, Public Enterprise Division
Ministry of Finance
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Royal Bhutan Army
MEMBER

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Joint Secretary
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Dubthob Wangchug

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National Pension and Provident Fund
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Dorji Tshering

Director
Royal Civil Service Commission
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Kapil Sharma

Head, Public Enterprise Division
Ministry of Finance
MEMBER

Norbu Wanghuk

Deputy Chief Planning Officer
Gross National Happiness Commission
MEMBER

Sangay Dorji

Examining Officer, Financial Regulation and Supervision Division,
Royal Monetary Authority of Bhutan
Ex-MEMBER

STATUTORY AUDITORS

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WHO IS WHO IN NPPF?

Dubthob Wangchug CHIEF EXECUTIVE OFFICER

Name	Designation	Department/Division
Mr. Dungtu Drukpa	General Manager	Finance and Accounts Department
Mr. Phuntsho Wangdi	General Manager	Real Estate Division
Mr. Tshewang Dorji	Head	Human Resource Division
Ms. Sayden	Head	Policy and Strategic Management Division
Mr. Sonam Yeshey	Head	Pension and Provident Fund Department
Mr. Kinga Thinley	Head	Credit Division
Mr. Kinzang Wangdi	Head	Information and Communication Technology
Mr. Dechen Tshering	Head	One Stop Solution
Ms. Tshering Lham	Head	Investment Department
Ms. Karma Yangzom Tshering	Head	Internal Audit Unit
Ms. Tshoki Lhamo	Head	Credit Review Unit
Mr. Karma Wangchuk	Company Secretary	Senior Management

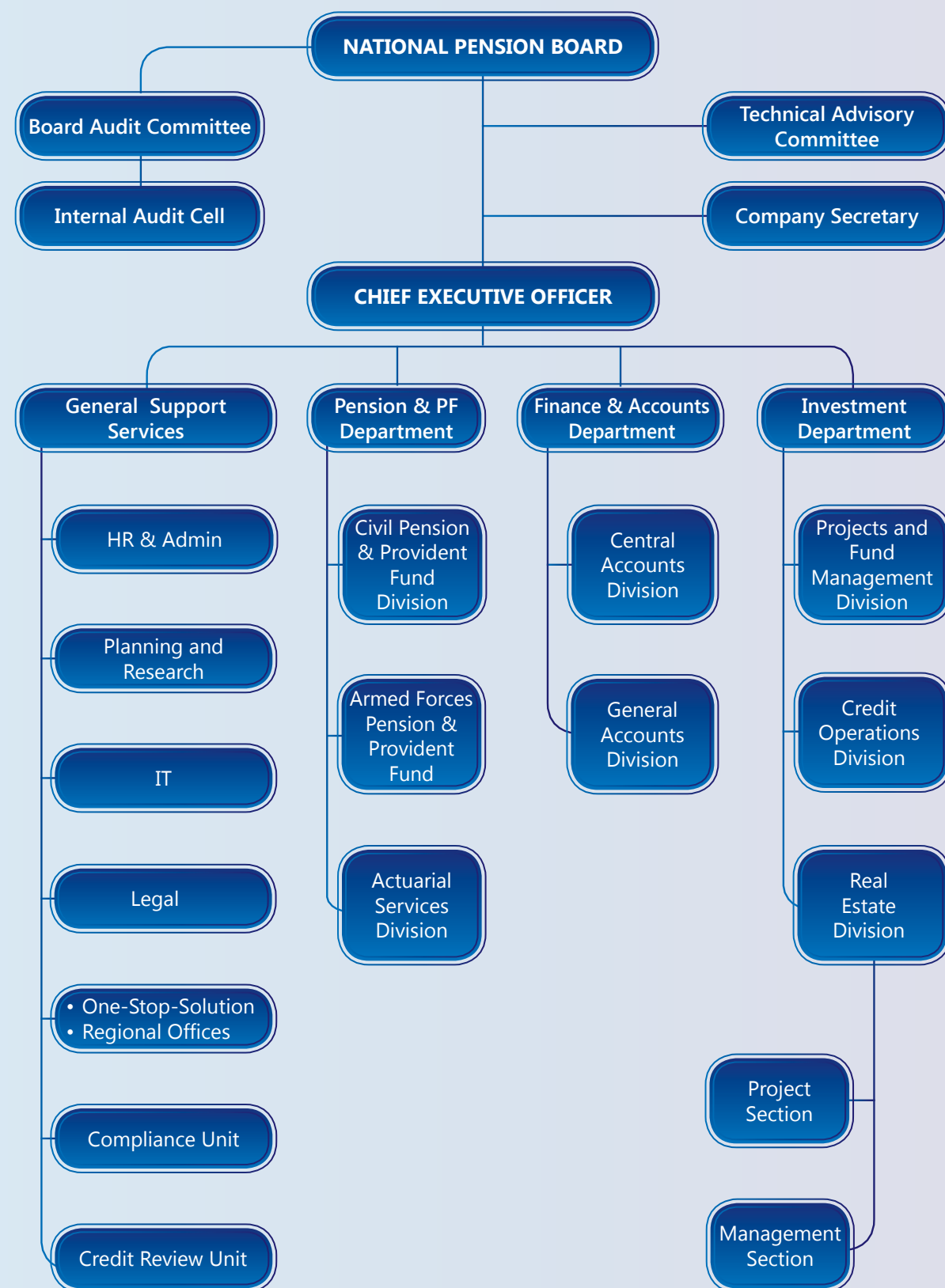
REGIONAL OFFICES

Name	Designation	Department/Division
Mr. Tshering Dorji C	Head, Regional Office	Phuentsholing
Mr. Jigme Tenzin	Head, Regional Office	Mongar
Mr. Dawa/ Mr. Chencho	Head, Regional Office	Samdrup Jongkhar
Mr. Raju Gurung/ Ms. Meera Gurung	Head, Regional Office	Gelephu

CONTACT ADDRESS

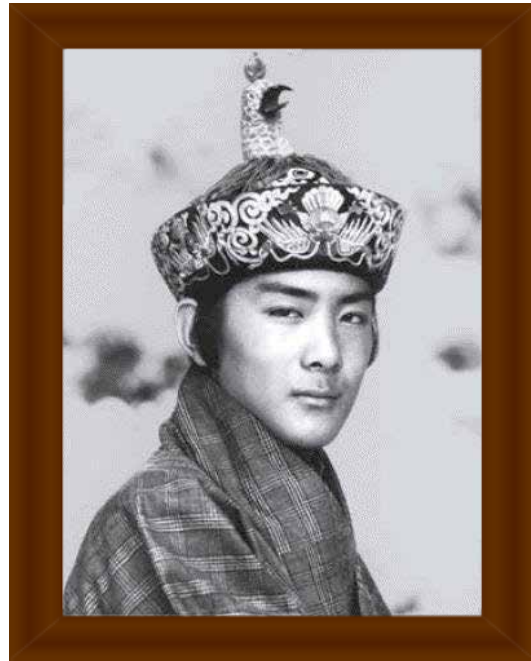
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ORGANOGRAM



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In realizing the importance of post service retirement benefits and in confirming that the existing post-service retirement benefits was inadequate, His Majesty the Fourth Druk Gyalpo King in 1998 on the 3rd Day of the Fourth month of the Earth Male Tiger Year of the Bhutanese Calender commended the Royal Civil Service Commission (RCSC) to review the post service retirement benefits for the civil servants.

The proposed National Pension and Provident Fund Plan (NPPFP) and the Armed Forces Pension and Provident Fund scheme (AFPPFS) has been conceptualized and formulated following the Royal Edict and as a result of various initiatives of the Government.

ACKNOWLEDGEMENT

The NPPF would like to sincerely acknowledge the support and guidance of the Royal Government, the Royal Monetary Authority of Bhutan and the Royal Audit Authority.

We would also like to thank the financial institutions for their co-operation and support to the NPPF. In particular, we would like to acknowledge the employees of the NPPF who has contributed in every effort possible for the overall enrichment of the NPPF.

NPPF AT A GLANCE

- Provides Pension and Provident Fund benefits to civil servants, corporate employees and members of the armed forces.
- Currently, there are 50,728 members and 4296 pension beneficiaries
- Collected contribution of Nu. 1,837.97 million during the year
- Delivers services to 445 government agencies, corporate entities and agencies under armed forces
- Distributed over Nu. 203 million as pension payment during the year.
- Provides loan facilities for the benefit of the members, which include three loan products comprising of housing, education and student loan schemes. There are 11,733 loan clients currently. It also finances projects, joint ventures and government sectors.
- Four Regional Offices extending services to all members.
- Over 74 pension delivery points through BOB, BNB, BDBL and Bhutan Post.
- Provide housing to 799 tenants in 92 residential buildings in four dzongkhags (Thimphu, Chhukha, Samdrup Jongkhar and Samtse).

Operational Highlights

- Fund Size: Total fund size of NPPF today is Nu. 17,498.79 million. It started with Nu. 1.97 billion in the year 2000 and grew by 15.00 % on average over the past 12 years.
- Investments: Overall investment portfolio during the year was Nu. 13,214.5 million.
- Total Revenue: Total revenue during the year was Nu. 1,279.84 million.
- Rate of Return: The rate of return distributed to the members during the year was 6.85 %.



EXECUTIVE SUMMARY

It is with great pride that NPPF brings out its 14th Annual Report covering the 2013-2014 financial year. As a social security organization, the NPPF is fulfilling an important societal purpose of providing financial security to our members after their retirement from service.

During the financial year, much of the domestic news headlines were dominated by discussions about the civil service pay revision. The Royal Government constituted the 2nd Pay Commission to study and propose the revision of the civil service pay scales. While NPPF understood fully the rationale for the revision, it was at the same time equally concerned about the impact an upward revision of the pay scales could have on the sustainability of pension scheme. In this regard, the NPPF was actively engaged in informing members of the Pay Commission on its concerns and recommending reforms based on actuarial studies. This is to compensate for pension expenses due to salary revision so that the sustainability of the retirement plan is balanced over the years.

One of the major initiatives that the NPPF undertook during the year was the formulation of its Second 5 Year Plan coinciding with the Royal Government's Eleventh 5 Year plan. This is intended to enable the NPPF to focus on programs and activities designed to achieve set targets in all areas of development. The NPPF will ensure that the Plan remains relevant and is implemented as outlined in the programs and aligned with the set targets through periodic review.

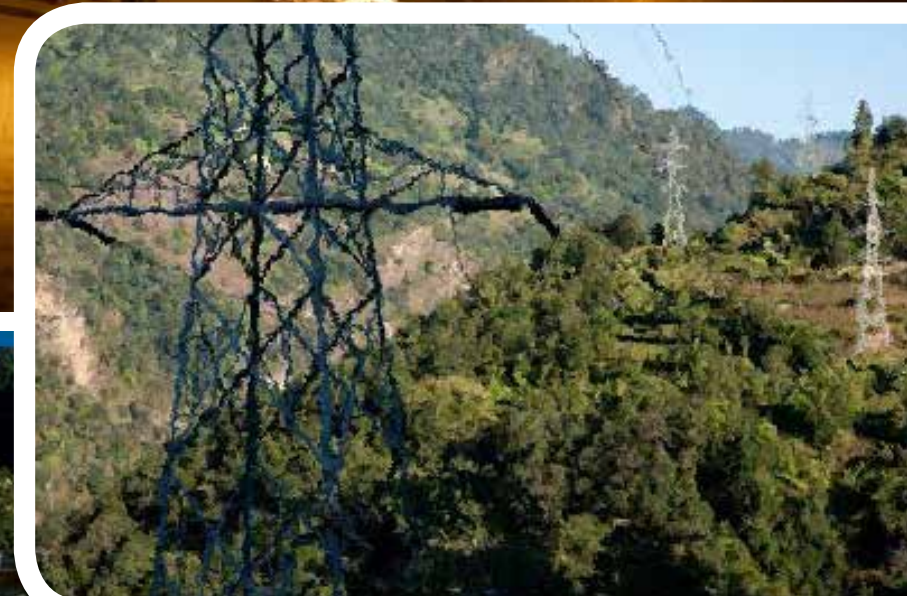
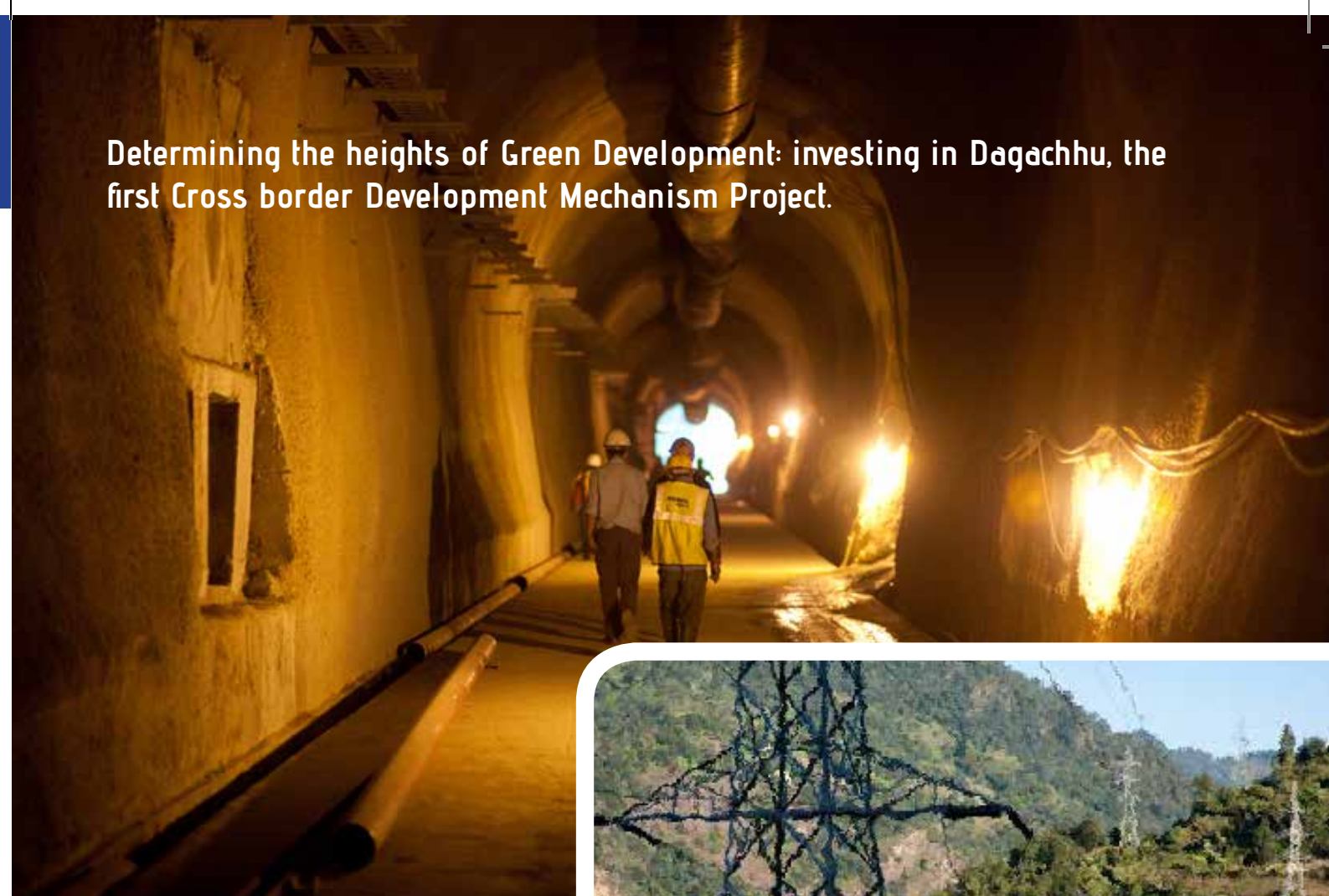
The NPPF's significance as a major source of funds in the economy has been growing steadily as it invests in numerous economic activities and projects. It has not only been contributing to socio-economic development of the country but also been playing active part in deepening the domestic capital market. However, generating a sustainable rate of return continues to remain challenging not only due to the NPPF's conservative mandate but also because of the lack of investment avenues. The unfavorable circumstances require us to continuously review our policies and plans so that there is an adequate balancing of risks against returns.

Due to the adverse balance of payments with India and the continuing rupee shortage, the Royal Government introduced various fiscal measures in combination with a restrictive monetary policy stance by the central bank. As such, housing and other loan schemes continued to remain suspended. Given the adverse economic atmosphere, the financial institutions including NPPF faced a challenging year with limited opportunities to expand our credit operations. On a positive note, the commencement of commercial operations in 2014 by the Dungsum Cement Project and the Dagachu Hydropower Project is expected to bring about a significant enhancement of revenues. NPPF has substantial shareholdings in Dagachu Hydropower Corporation Limited. NPPF also plans to invest in the Nikachu Hydropower project and is exploring investment opportunities in other hydropower projects, and other projects of Druk Holdings and Investments (DHI). Druk Air Corporation (DAC) will be undertaking a bond issue within the next two years to raise funds for the purchase of its third aircraft and this will provide NPPF with another opportunity to make a major investment.

Despite many difficulties, the NPPF had another year of good performance and as a result was able to declare a rate of return of -6.85% p.a. which is the highest as compared to the past few years. This was possible mainly due to the sound strategies under the guidance of the Board of Directors, Technical Advisory Committee and support of the Royal Government.

While the NPPF continues to face numerous challenges, these have also provided us opportunities to focus on change management and take initiatives and make necessary adjustments to improve our services for the benefit of all members and beneficiaries. The confidence that our members have placed in us and their support has helped us greatly in our approach to strengthen NPPF's role as a pension/social security organization that is relevant and responsive to the needs of our members and the country as a whole.

Determining the heights of Green Development: investing in Dagachhu, the first Cross border Development Mechanism Project.



CHAPTER 1: FINANCIAL PERFORMANCE

As stated in our Second 5 Year Master Plan, NPPF strives to serve the members and address long term solution by developing strategies to provide timely and adequate sustainable old age retirement income to members. Towards achieving these objectives, the NPPF had carried out numerous activities during the year.

Notwithstanding the slowdown in the economy, the NPPF experienced another year of good performance and recorded the second highest return of 7.07%. This was largely due to the sound and practical plans and strategies that were implemented under the guidance of the Board, the Technical Advisory Committee, and strong support of the Royal Government. It may be worth

reporting that as a gesture of support for the Royal Government's austerity measures, the NPPF also initiated various austerity measures of its own which resulted in significant savings.

1.1 Fund Size

During the year, the total size of the fund increased from Nu. 15,064.02 million to Nu. 17,498.79 million reflecting a growth of 16.16% as against the target of 16.12%. Over the past six years, the fund size has grown at an annual average of 17.92%. This makes the NPPF the third largest institutional investor in terms of asset size after the Bank of Bhutan and Bhutan National Bank.

Table 1.1. Financial Highlights

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Fund Size	7,565.93	8,973.22	10,782.36	12,926.37	15,064.02	17,498.79
Revenue	512.98	587.73	689.64	888.65	1,142.64	1,279.84
Mgt. Expenditure	42.33	48.06	52.81	57.74	50.74	60.78
Total Operating Expenditure	58.12	64.94	94.59	150.52	240.48	211.03
% of Non-Performing Loan	0.94%	0.25%	0.48%	0.44%	0.70%	1.69%
Surplus	454.85	522.79	595.05	735.07	906.99	1,072.01
Rate of Return (Actual)	6.71%	6.66%	6.41%	6.57%	6.70%	7.07%
Rate of Return (declared)	6.50%	6.25%	6.50%	6.50%	6.60%	

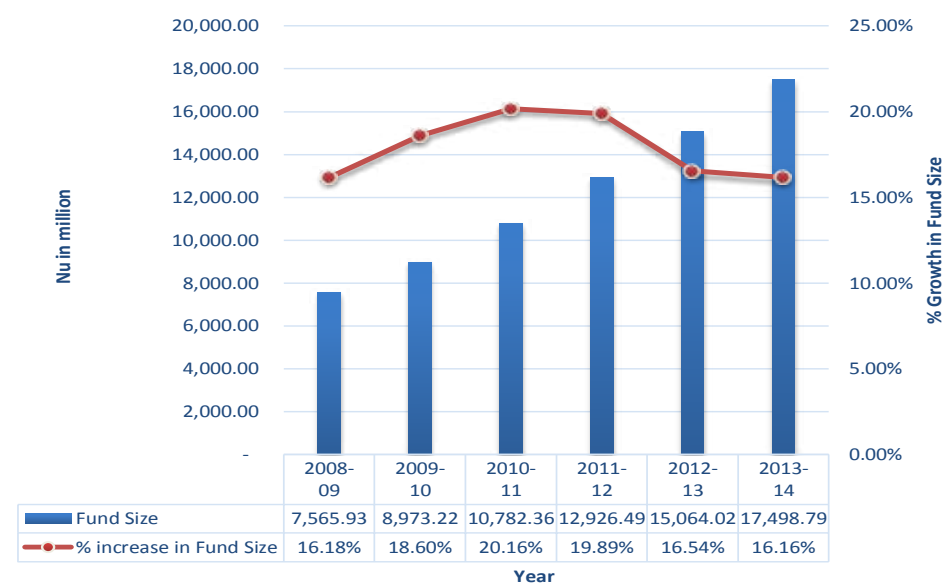


Figure 1.1 Growth in fund size over the last six years

1.2 Revenue

Gross revenue increased from Nu. 1,142.64 million to Nu. 1,279.84 million reflecting an increase of Nu.137.2 million or 12.01% as against the target of 9.35%. Investment income, comprising of income from loans, fixed deposits and bonds increased by 18.23% from Nu. 991.04 million in 2012-13 to Nu. 1,171.67 million in 2013-14. Rental income increased by 19.43%. However, there was a significant decrease in dividend income as compared to previous year. The decline in dividend income was mainly because of lower dividends from companies such as Bhutan National Bank and Penden Cement Authority in view of the adverse economic situation in the country. Kuensel Corporation Limited did not declare any dividends during the year.

over expenditure and participating in the austerity measures initiated by the Government. Due to stringent measures, it was able to save more than Nu. 8 million from its overall current budget.

Due to strict monitoring and the implementation of expenditure control measures, total operating expenses saw a significant decrease from Nu. 243.70 million to Nu. 211.03 million reflecting a reduction of 13.41%. The decrease in operating expenditures was mainly due to the ample provisions that had been maintained in accordance with the RMA's prudential regulations. At the same time, management expenses increased slightly from Nu.53.97 million to Nu. 60.77 million. The ratio of management expenses to revenue and to fund size were 4.75% and 0.35% and both were well within the targets of 5.18% and 0.35% respectively.

1.3 Expenditure

One of the main initiatives undertaken by the NPPF during the year was exercising close control

Table 1.2. Major Components of Income

Income Source	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Investments	442.98	510.93	606.36	831.20	991.04	1,171.67
Rental Income	24.93	26.53	30.59	31.75	34.20	40.85
Dividend Income	41.72	48.29	48.56	22.57	115.25	63.48

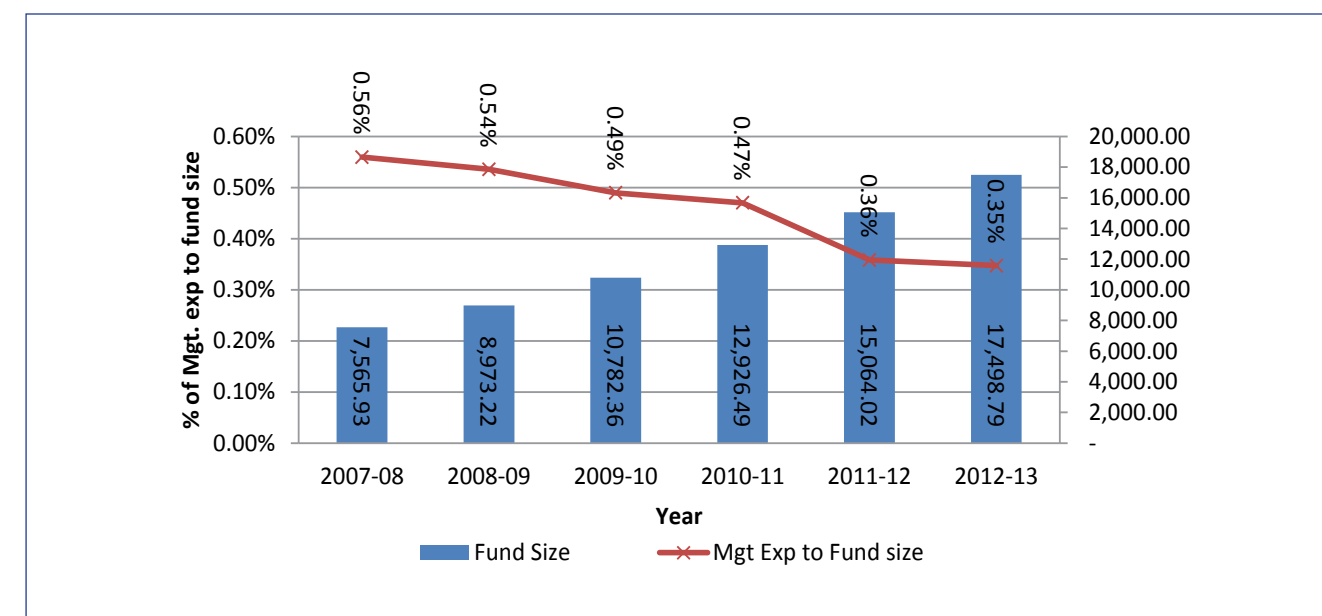


Fig. 1.2: Ratio of management expenses to fund size

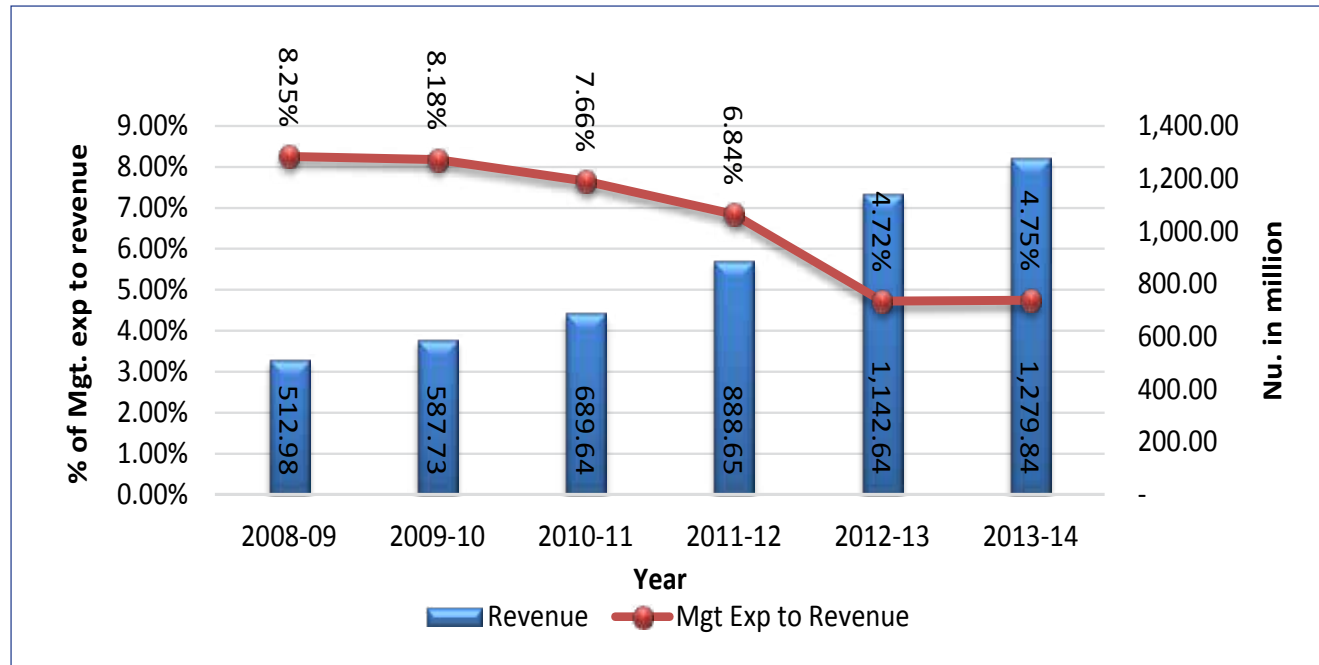


Fig. 1.3 Ratio of Management expenses to Revenue

1.4 Rate of return

Despite the challenges, the NPPF's performance has been good during the year. Consequently, distributable surplus for the year increased to Nu. 1,072.01 million as compared to Nu.903.94 million

in the previous year indicating a growth of 18.62% as against the target of 13.36%. Translating the surplus into the rate of return, NPPF achieved a return of 7.07 % against the target rate of 6.50 % for the year.

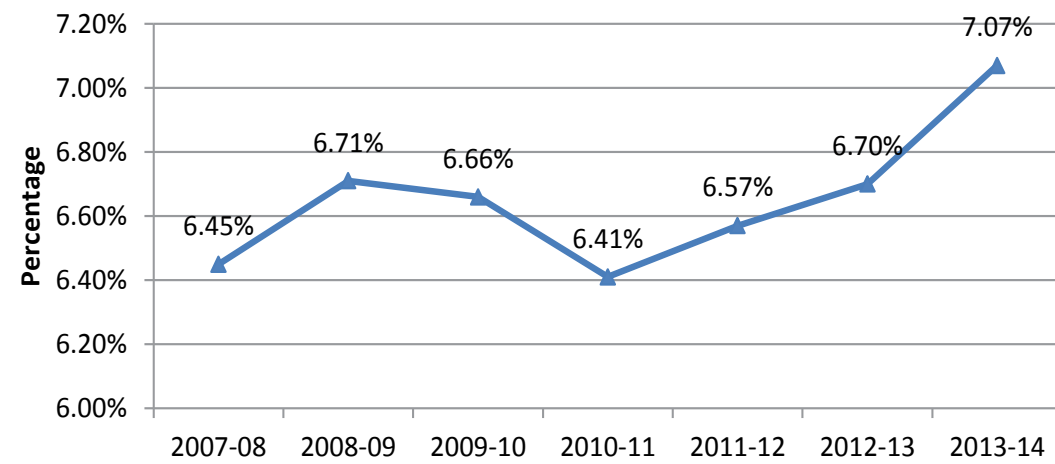


Fig. 1.4 Rate of Return



CHAPTER 2: PENSION AND PROVIDENT FUND OPERATIONS

The pension scheme was introduced in 2002 as a mandatory retirement saving scheme for civil servants, corporate employees and members of the armed forces in order to provide income security during old age. Both employees and employers make equal monthly contributions to the pension and provident fund schemes. It is estimated that the annual contributions to pension and provident fund accounts constitute about 5.22% of Gross Domestic Saving (GDS). According to the Bhutan Living Standard Survey 2012, pension income represents about 1.29% of household income.

As the pension is the NPPF's core function, the Asian Development Bank (ADB) provided a Technical Assistance grant to help develop far-reaching strategies for pension plans. The consultant under the project has been assisting the NPPF in the areas of actuarial valuation and risk based management of the pension scheme, while also up-grading the NPPF's institutional capacity. The project has identified that there is a need to update the strategic plans and to reformulate it on the basis of an occupational pension plan centered around the five risk based themes, namely; (i) Class of fund, (ii) Risk management, Governance and Control, (iii) Capital Support, (iv) Market Liquidity and Credit Risk and (v) Operational Risk.

Generally for a pension fund to be sustainable, the rate of contributions should be adequate to meet the current service cost or payment of benefits. This can be explained through the concept of the "funded ratio". The funded ratio measures the pension system's unfunded liabilities against its assets. Expressed as a percentage of the liabilities, the funded ratio is calculated by dividing net assets by the actuarial accrued liabilities. The result is the percentage of the accrued liabilities that are covered by assets. At 100%, a system has sufficient assets to pay all benefits earned to date by all its members. The NPPF's funded ratio currently stands at 50% in respect of the civil pension plan and 35% for armed forces pension plan. This implies that if no reforms are undertaken, the civil pension scheme would be sustainable until 2042, and the armed forces pension scheme until 2039.

Improving the funded ratios to 100% will require enormous funding by the government which do not look viable at this juncture. However, in spite of these un-mitigating circumstances the NPPF will continue its efforts to keep the funded ratio at least at the current level although it would be a challenge if there are any further ad-hoc increases in the civil service pay scales. It must be recognized that ad-hoc increases in salary scales has huge detrimental effects on the long-term sustainability of the pension plan. While it increases cash flow in the short-term, it increases the liabilities thereby further worsening the funded ratio in the long-run.

NPPF continued to follow up with the Royal Government on the adoption of the National Pension Policy. The draft policy, which was prepared under a World Bank technical assistance grant to the RMA, has been submitted to the Ministry of Finance for consideration by the Government. The draft has been studied by several committees and the last committee was constituted by the Ministry of Finance with representatives of all major stakeholders.

2.1 Membership coverage and beneficiaries

The membership of the pension plan continued to increase with the civil service growing by around 3% during the year. As on 30 June 2014, there were 418 employers registered with NPPF representing government agencies, public corporations and enterprises, joint venture companies and the armed forces.

Out of the total of 50,728 registered members, 39,157 were male and 11,571 were female. Most of the members were in age bracket of 25-35 years. NPPF members account for 6.75% of the total population. During the year, 3,436 new members joined the scheme while 1,583 members exited from the scheme.

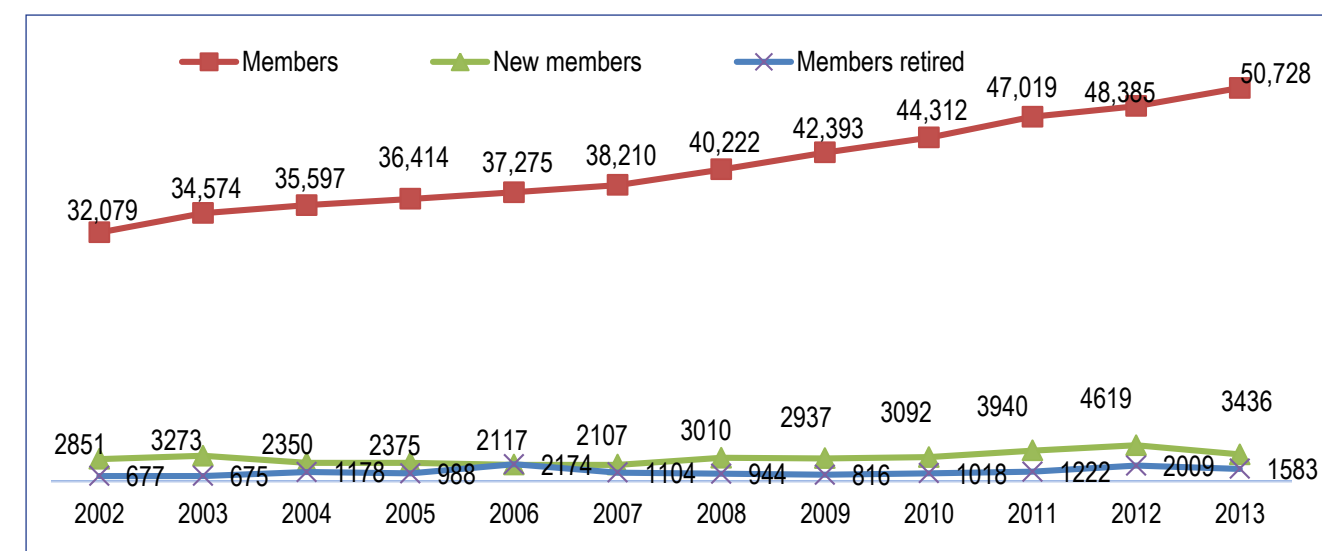


Fig. 2.1 Number of members and retirees (as on June 30 every year)

During the year, the number of members who exited from service decreased by 21% as compared to the previous year. As a result, the dependency ratio, i.e. the ratio of beneficiaries to active contributing members reached 3.1% thereby increasing the pension liability.

2.2 Civil Pension: Contribution and benefits

Every month, 11% is deducted from every member's salary and the employer makes a matching contribution. As such, a total amount

of Nu. 1,476.36 million was received as new contributions to the civil pension and provident fund during the year. This accounted for 8.5% of total fund size and was equal to 1.6% of GDP. Total contributions increased by 5.1% as compared to the previous year.

Similarly, a total of Nu.361.61 million was collected as contributions to the armed forces pension and provident fund by its members. This reflects an increase of 2.8% as compared to the previous year. Members of the armed forces contribute 12% from their salary with a matching contribution of 12% by the armed forces.

Table 2.1 Annual contribution collections

Category	Contribution rate	Contribution amount (Nu. million)	
		30.06.2014	30.06.2013
Civil service & corporations	22% (employee 11% and employer 11%)	1,476.36	1,404.10
Armed Forces	24% (employee 12% and employer 12%)	361.61	351.80
Total		1,837.97	1,755.90

Table 2.2 Contribution and Benefit payouts during 2013-14 (Nu. million)

	Civil	Armed Forces	Total
Inflow of contribution	1,476.36	361.61	1,837.97
Pension payout	133.3	70	203.3
Ratio of pension payout to inflow of contribution	9.0%	19.4%	11.1%

2.3 Pension payment

As the number of aging members grows overtime so does the NPPF's pension liability. However, with the average age of the members currently at about 34 years, the increase in pension expenses is limited at present. During the year, total pension payments to pensioners from both the civil and armed forces pension scheme amounted to Nu.203.05 million, an increase of 28% over previous year. As a result, the dependency ratio, which is the ratio of pensioners to contributing members climbed to 8.4 which is 6.9% more than in the previous year.

2.4 Refund of pension contribution

The members of the civil service, corporate bodies, public enterprises, joint venture companies and armed forces are eligible to receive lump-sum benefits if they separate from service after serving for more than 10 years. During the year, Nu.123.30 million was paid out from the pension account

as lump sum benefits to 1,094 members who separated from service with more than 10 years but less than 20 years of service.

Similarly, since 1 July 2010, those members under the civil pension and provident fund scheme, who have put in more than 30 years of service, are also entitled to receive a lump-sum benefit. In this respect, lump-sum benefits amounting to Nu.21.02 million was paid out to 158 members from the pension account.

Under armed forces pension scheme, members are required to serve more than 33 years to be eligible for a refund from pension account. A total of 26 members received Nu. 0.99 million as refund from pension scheme.

2.5 Provident Fund benefits

During the year, Nu.143.56 million was paid as provident fund benefits to members separating from both the civil and Armed Forces.

Table 2.3 Pension payout from Civil Pension Scheme during the year

Category	30.06.2014		30.06.2013	
	No. of Pensioners	Amount (in Nu. Million)	No. of Pensioners	Amount (in Nu. Million)
Normal Retirement Pension	937	95.54	761	70.8
Early Retirement Pension	240	18.56	187	13.44
Member Disability Pension	6	0.33	6	0.29
Surviving Spouse	138	6.54	112	5.24
Surviving Children	697	11.51	698	11.19
Orphans	18	0.44	19	0.46
Dependent Parent	2	0.10	2	0.09
Total	2,038	133.03	1,785	101.51

Table 2.4 Pension payout from Armed Forces Pension Scheme during the year

Category	30.06.2014		30.06.2013	
	No. of Pensioners	Amount (in Nu. Million)	No. of Pensioners	Amount (in Nu. Million)
Normal Retirement Pension	1,101	53.08	988	41.97
Early Retirement Pension	415	9.13	378	8.04
Member Disability Pension	-	-	-	-
Surviving Spouse	300	5.48	262	4.95
Surviving Children	424	2.09	400	1.94
Orphans	14	0.17	17	0.14
Dependent Parent	4	0.06	3	0.07
Total	2,258	70.02	2,048	57.11



CHAPTER 3: INVESTMENT AND CREDIT

3.1 Investments

A major concern of any pension scheme is the inherent uncertainty of returns on the assets backing the pension liabilities. As such, the objective of the investment policy is to generate a sufficient rate of return so as to ensure the viability and sustainability of the pension scheme. NPPF's investment strategy has always taken into account risk budgeting in terms of balancing of risk and returns. This is a fundamental requirement so that NPPF will have sufficient funds for payment of guaranteed benefits to its members. In the case of pension investments, ideally the duration of assets should be equal to the duration of liabilities. However, the matching of assets and liability is difficult and not possible in Bhutan.

Since investments are a fundamental function of the NPPF, the National Pension Board has ensured that the investment policy remains dynamic and responsive to the changing market environment. The Board adopted the Second 5 Year Master Plan, which covers the investment strategies extensively. In keeping with the plan, the consultant under the ADB TA is assisting the NPPF to review its investment policy according to a risk based investment management system. Assets are subject to market, credit and liquidity risks and it is the responsibility of the NPPF to identify, manage and mitigate such risks.

Another initiative that the NPPF took was to set up a special committee to review its interest rate policy. While the NPPF's interest rates are determined on the basis of the base rate as prescribed by the RMA, an important idea that emerged from the review was to fix a floor for interest rates so as to generate real rate of return. It was decided that, any revision of interest rates would also take into account the Consumer Price Index and an administration cost of 1 percent.

Against the backdrop of the continuing adverse balance of payments with India and the resultant shortage of Indian rupees the government introduced austere fiscal measures along with a restrictive monetary policy by the central bank. Under the circumstances NPPF faced a challenging

year with limited opportunities to expand its credit operations and other investments. The adverse circumstances negatively impacted on the performance of the financial sector as a whole during the year.

In spite of the unfavorable economic situation within the country, the NPPF continued to be seen as a primary source of funds for economically viable investments. However, given that investment opportunities are erratic and unpredictable, NPPF has been diversifying its investments into both equity and fixed income instruments and in a broad range of investments.

NPPF has been playing a significant role in deepening the domestic capital market, particularly the bond market. We were successful in encouraging several large projects to issue bonds at lower coupon rates than through direct borrowing from the financial institutions. All these investments were made through private placement of funds. We also took the opportunity to convert our subordinated loan of Nu.600 million to Dungsum Cement Corporation Limited (DCCL) into bonds worth Nu.500 million at the coupon rate of 10 % p.a. The balance of Nu. 100 million has been retained as regular term loan.

During the year NPPF made an investment of Nu.246.87 million in Druk Air Corporation bonds at coupon rate of 9 % p.a. Furthermore, we also intend to invest in subsequent bond issues by Druk Air for the purchase additional aircraft worth around USD 30.35 million. NPPF also made a private placement in Tashi Air's bond Series I worth Nu.125 million at the coupon rate of 9 % p.a.

NPPF also bought Royal Insurance Corporation of Bhutan's Series III bonds worth Nu. 500 million at coupon rate of 9.5 % p.a. through a private placement. The funds will mainly be used to enhance RICB's credit and Investments activities.

In a mutually beneficial arrangement, NPPF agreed to deposit Nu. 400 million with the Bhutan

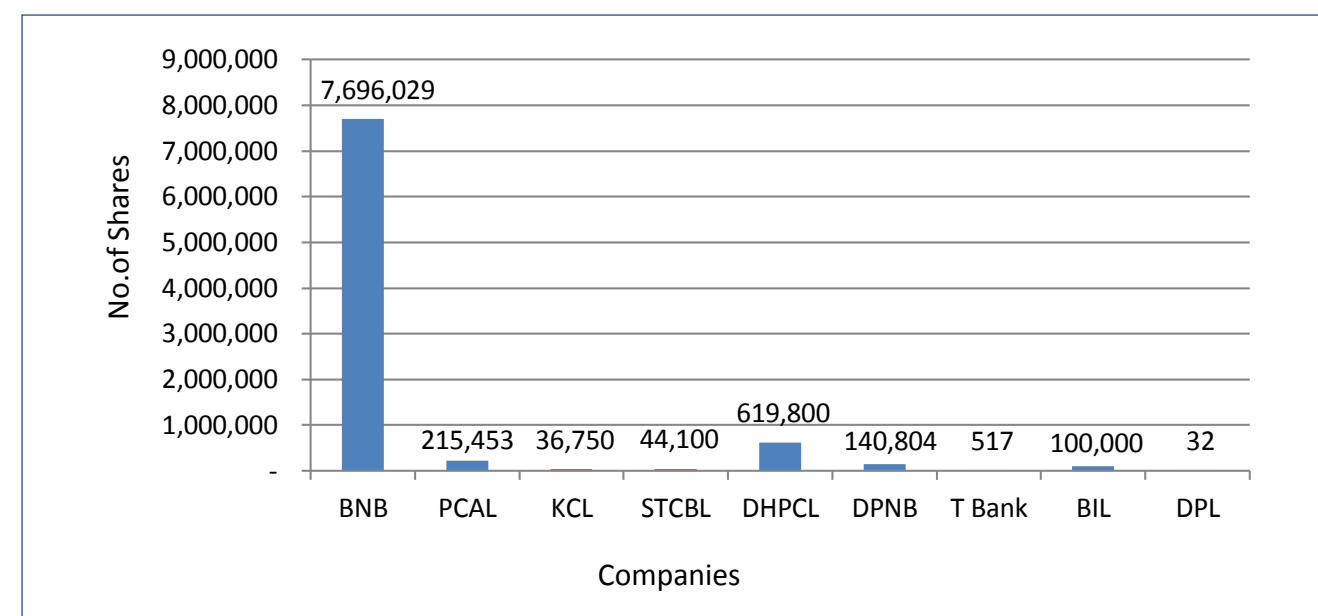


Fig. 3.1 NPPF Investments in Shares of Companies

Development Bank (BDBL) for a period of two years with a maturity term of 3 years. Under this arrangement, the NPPF will deposit Nu.50 million each quarter at affixed rate of 8.5 % p.a. The NPPF will place the funds with the BDBL on a quarterly basis irrespective of its liquidity position.

During the year, both short and long term bank deposit rates offered by commercial year remained fairly high. The average deposit rate of the commercial banks was 8.5 % p.a. This enabled NPPF to manage its liquidity position quite well.

Investments in the equity market continued to be limited. During the year, only one company, Dungsum Polymers Limited, made an Initial Public Offering for 403,031 shares marked at Nu.165 per share. However, since the issue was oversubscribed, share allotments were limited to 32 shares per applicant and the NPPF's request for a private placement was not acceded.

With the economy projected to grow at an annual nominal average of 10 % during the Eleventh 5 Year Plan period, investment opportunities look promising. NPPF plans to invest in the upcoming Nikachu Hydropower Project, both in terms of equity participation as well as through consortium loan. NPPF also looks forward to investment opportunities in other planned hydropower projects, DHI projects and other public-private-partnership companies. NPPF plans to increase its

equity exposure to 15 % of total funds in next five years.

3.2 Credit Operations

Given the current adverse economy, housing and other loan schemes continue to be suspended and therefore the financial sector including NPPF had a challenging year as it was limited in its ability to expand its credit operations.

Unlike the other financial institutions, NPPF has a limited credit mandate and it currently provides only Housing, Education and Student loans to its members. These loan products have been well received and are viewed positively by members because of their monetary and social impact on them and their families.

3.2.1 Member Housing Loan

The moratorium on housing loans and the revision of the base rate by the RMA adversely affected the performance of the NPPF. However, in spite of the suspension, the NPPF's housing loan portfolio continued to grow. As on 30 June 2014, the housing loan portfolio amounted to Nu. 3,259.44 million covering 706 active clients, reflecting a growth of 8%.

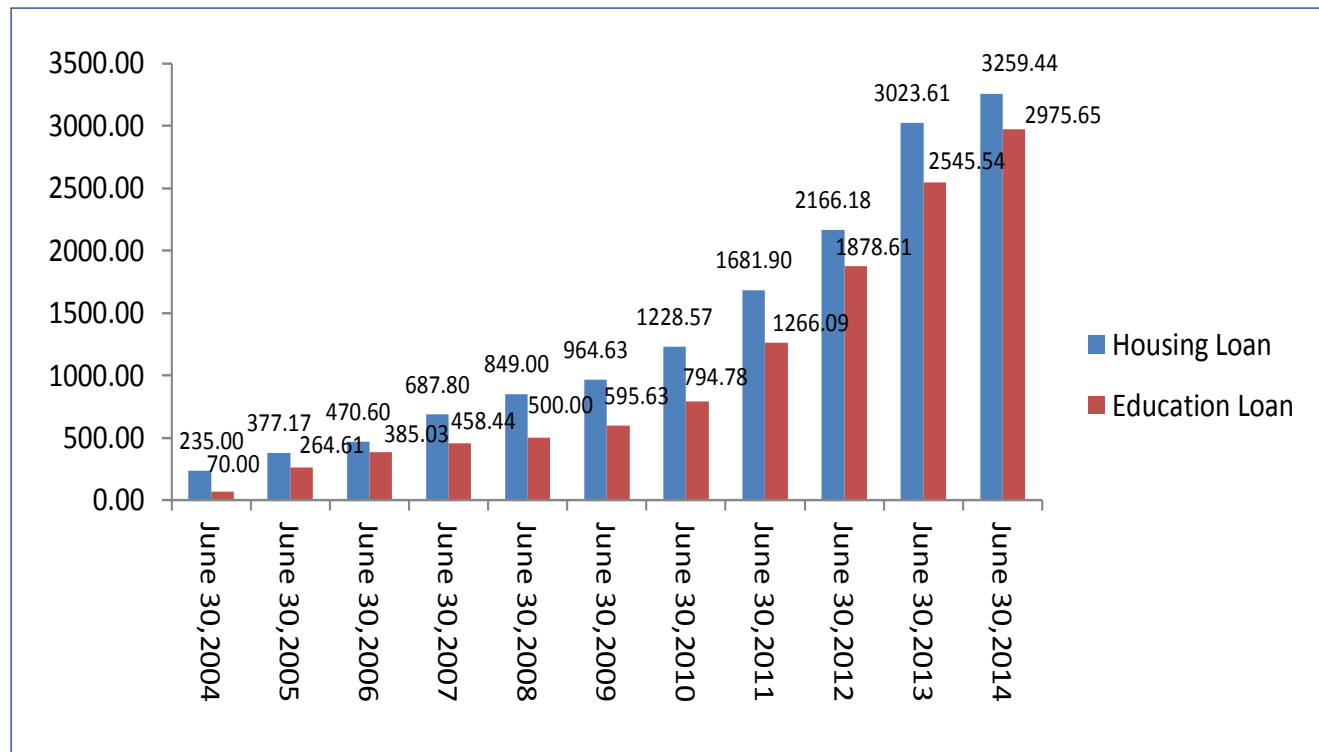


Fig. 3.2 Growth in Loan Portfolio (2004-2014)

With a view to promote home ownership for its members, the NPPF provided financing to Yangphel Real Estate for the construction of 136 apartments at Chamjeykha in Kabesa, Thimphu. It is expected that the project will benefit NPPF members by enabling them to acquire apartments with the Home Ownership scheme in which the NPPF will provide loan up to 75% of the cost of the apartment at an interest rate of 10% p.a. However, despite actively publicizing the facility, so far only nine members have availed loans under the scheme. The NPPF and Yangphel will continue to promote the project so that the members can gain home ownership under the scheme.

3.2.2 Member's Education Loan

During the year, the Member's Education loan portfolio recorded a growth of 16% increase from a sanctioned amount of Nu. 2,545.54 million to a sanctioned amount of Nu.2,975.65 million, covering 10,802 clients. The number of clients increased by 1,194 over the previous year. At an annual interest rate of 9%, this loan scheme has continued to be very popular with the members. However, since the portfolio had reached close to the maximum

exposure limit under the overall policy, the maximum loan amount had been brought down to Nu.200,000 per client since December, 2011. In view of NPPF's improved liquidity position during the year and given the popularity of the product, the maximum limit of the loan was revised to one and half times the member's accumulated provident fund balance, subject to a ceiling of Nu.500,000. Consequently, there was a significant increase in this loan portfolio during the year.

3.2.3 Student Loans

The Student Loan Scheme was introduced in order to benefit aspiring students who need financial support to pursue further studies. The interest rate is kept at 8% p.a. until the completion of their studies and 9% p.a. thereafter. The borrower has the option to repay the loan within one year of completing his/her studies, or within six months after employment, whichever comes earlier. This product has also been well received by members. As of 30 June 2014, the student loan portfolio had increased to a sanctioned amount of Nu.70.09 million from Nu. 59.48 million. Currently, the Student loan portfolio has 225 clients.

3.2.4 Risk Management policy

The NPPF has a well established governance structure for risk management. The Internal Audit and Credit Review Units are responsible for ensuring compliance with the policies and regulations. At the same time, every effort is made to minimize the risk of default through stringent appraisal and monitoring system. However, despite

strict adherence to risk control measures, as compared to the other financial institutions, there was an increase in overall non-performing loan (NPL) ratio from 0.7% to 1.69% during the current year. This increase of the NPL ratio is comparable to that of the other financial institutions as a result of the slowdown in the real estate market.

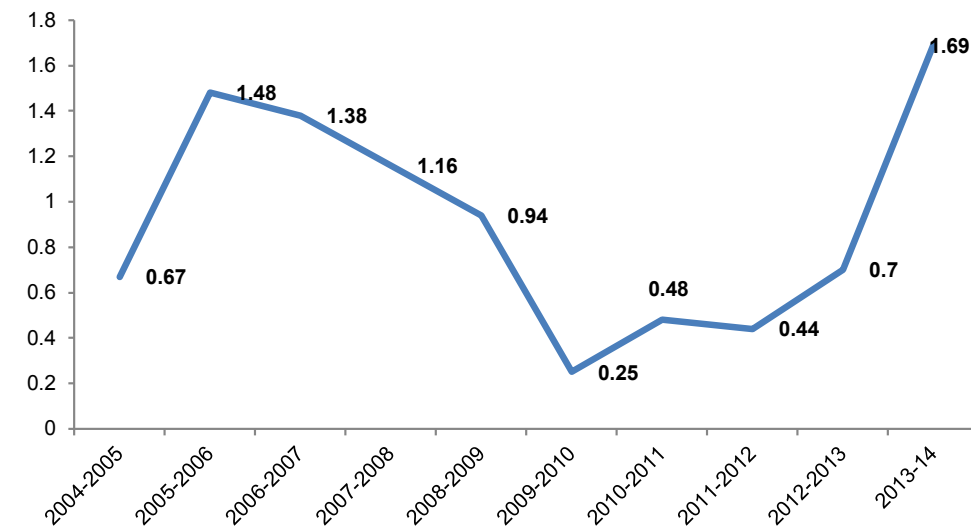


Fig. 3.3 Non Performing Loan (%)



CHAPTER 4: REAL ESTATE MANAGEMENT

Today, NPPF is one of the biggest real estate developers in the country. Apart from providing affordable apartments on rent, NPPF has been instrumental in containing the increase in rental charges in the market by maintaining its own rents at reasonable levels. It would be reasonable to surmise that without the NPPF's restraining influence on house rents, housing occupancy in the market would have been much higher than what is prevalent today.

During the year, NPPF introduced several new initiatives in managing its real estate assets. These include the Home Ownership Program and finalization of the Home Ownership Policy and manual papers. As a pilot project under the Home Ownership project, the NPPF will soon begin the construction of a building in Thimphu under its direct supervision. The construction will be executed departmentally in order to find out the real cost of construction and thereby ascertain the actual cost of homeownership. Through this project, NPPF hopes to provide affordable housing

by reducing the construction cost through the use of different types of materials. If this pilot project is successful, it will be repeated in other Dzongkhags for the benefit of our members.

As a part of its corporate social responsibility (CSR), the NPPF constructed a Day Care Center in its housing colony in Thimphu for the benefit of working parents. The Center is catering to many children from the colony, and we have received positive feedback from many parents.

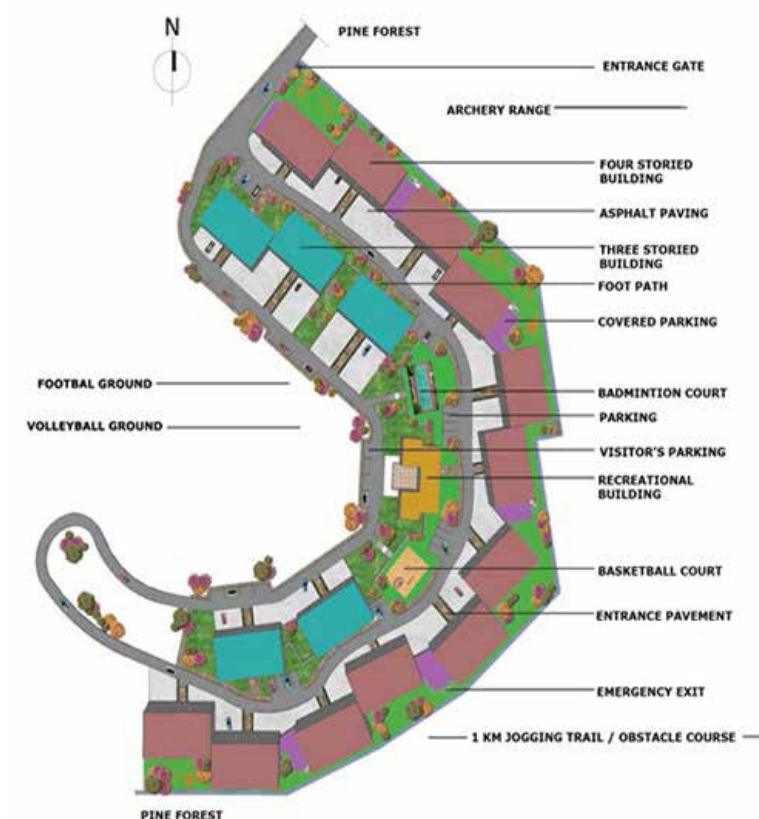
In a significant step, the NPPF carried out a review and revision of its Housing Management Rules and Regulations to bring about consistency with the Tenancy Act. The revised Regulations which were implemented from July 2013 have not only improved the welfare of the tenants by protecting their rights, but also streamlined many other issues confronting the NPPF.

During the year, NPPF completed the construction of its corporate head office at Chubachu. It is

a landmark building with modern amenities located in the center of the City. Once the NPPF shifts to the new building, it will improve the working environment and help improve services to the members. Also, it will generate more returns as some portions of the building have been rented out to the Bhutan Power Corporation, the Credit Information Bureau and several private offices and shops. Furthermore, with the completion of three residential buildings in NPPF colony in Thimphu each of which has 20 units, the NPPF made a significant contribution in increasing housing stock in the capital. The apartments have all been rented out, which has helped many members meet their housing requirements. The "special real estate project" that is being carried out by the NPPF on behalf of the Ministry of Health and the Ministry of Finance is also nearing completion.

The construction of three residential buildings in Phuentsholing for the Ministry of Health is expected to be handed over to Health and Finance Ministries by the deadline of November 2014. This will help the Phuentsholing General Hospital to accommodate its doctors and support staff in the hospital complex.

Phuentsholing faces an acute shortage in housing as a consequence of which many Bhutanese live across the border in India. With a view to contribute towards addressing the housing shortage in Phuentsholing, NPPF plans to construct 108 apartments in the area near Norgay Cinema Hall.



The consultancy work for the residential cum shopping complex has been completed and the project is expected to commence shortly. At the same time, we also plan to alleviate the housing shortage in Samdrup Jongkhar through the construction of one Class II type building.

As of 30 June 2014, NPPF has real estate assets worth Nu. 496.90 million accounting for 2.84% of the total Fund. The rental income from real estate operations as of June 2014 amounted to Nu. 40.85 million which is equivalent to 3.20% of the total revenue.

Table 4.1 Location wise rental income details

Sl. No.	Location	No. of Buildings	No. of Flats	Annual Rental Income
1	Thimphu	45	414	26,450,100
2	Phuentsholing	37	296	11,684,527
3	SamdrupJongkhar	7	69	2,199,814
4	Samtse	3	20	517,240
Total				40,851,681



CHAPTER 5: ONE STOP SOLUTION

As NPPF considers our members to be the most valuable asset, we continuously strive to exceed their expectations by recognizing and anticipating their needs. Therefore, the "One Stop Solution" (OSS) was created to provide a one window solution for all our members and beneficiaries.

The OSS manages online application registration, SMS and Email services. All enquires about loan and pension related issues are handled by the OSS. Recognizing that excellent customer service starts by first taking the time to get to know the customer, OSS also periodically gathers feedback and suggestions so that it can continuously improve its service. It also caters to customer's grievances and assists all the clients.

OSS has been constantly involved in updating our member's information and coordinating with our regional offices in Phuentsholing, Gelephu, Mongar and SamdrupJongkhar.

Currently, the OSS is formulating plans to enhance its systems with the objective to take the services closer to the members. It is therefore continuously improving service delivery through robust online services and self-help desk facilities.



CHAPTER 6: INFORMATION AND COMMUNICATION TECHNOLOGY

Modern businesses all over the world rely on IT systems to function and maintain high standards of efficiency and customer service. Accordingly, NPPF invests heavily in its IT system and today uses advanced technology to manage its operations. During the year, the IT Department introduced several initiatives to improve the systems. These include customizing the human resource management, inventory management, asset management and real estate management systems. The customization of human resource management system has been completed and is being implemented in the office. At the same time, with assistance from the ADB, NPPF was able to construct a data center and has ordered high value equipment such as servers and data storage facilities. With their procurement, the NPPF will be able to efficiently manage its systems with high speed connectivity, and up-to-date equipment and state of the art technology.

Other initiatives include enhancing the online security system. In this regard, NPPF procured and installed the "Unified Threat Management" (UTM) as an additional security to the existing firewall. With the installation of UTM, the NPPF's

network now has two layers of security protection. Further, in order to simplify reconciliation of our accounts with banks, enhancement of Ascend Banking Solution (ABS) system was carried out by incorporating an automatic bank reconciliation process feature in the ABS.

The importance of a dynamic MIS system cannot be overstated in a modern management system. NPPF is currently in the process of building a comprehensive business intelligence solution in developing a dynamic MIS system. This will enable sharing of information among staff at all levels and facilitate real time decision making.

Apart from upgrading our servers to remove clutters and enable distribution of work, we have developed plans to enhance and upgrade the existing Civil and Armed Forces Pension systems to higher levels. With a new system in place, the pension and provident fund system will have all the features necessary to accommodate the envisaged reforms. Furthermore, the online systems will continue to be up-graded so that the members will be able to access their pension and provident fund information easily on line.



CHAPTER 7: HUMAN RESOURCES



Recognizing that human resource is the key to success, NPPF continues to accord the highest priority to enhancing human resource development and welfare of our staff. Some of the programs include the encouragement of on-the-job learning and enhancing productivity through multi-tasking.

As part of a program for employees' professional development, a total of 73 employees underwent various ex-country and in-country training programs. Twenty two employees attended eight short-term ex-country training programs, and 65 employees attended 16 short-term in-country training programs. One significant area of HR development program was in the area of customer service. NPPF organized a week-long Culture-Based Customer Care training program at the Institute for Management Studies (IMS) for 21 mid-level and support staff. This has proven to be highly beneficial to the NPPF in improving its customer services.

In order to reward dedicated and deserving officials appropriately, NPPF has been strengthening its Performance Management System (PMS) based on its past experience. The latest revision of the PMS includes the infusion of the concepts of Balanced Score Card (BSC) and alignment of individual performance targets with that of NPPF. The system has also been incorporated in the HR system, which is being developed currently.

NPPF also adopted its revised Service Rules during the year as a timely response to the needs and challenges of changing times. The revision was made in order to strengthen the governance structure of the NPPF for the success and growth of the organization.

We would also like to place on record our appreciation to Mr. Bachu Phub Dorji for his significant contribution during his tenure in the Board. Mr. Bachu Phub Dorji resigned as the representative of the RCSC from the Board who had served as its Director since June 2010. The NPPF had benefitted immensely from his valuable contribution and support as a Board member.



FUTURE PLANS

NPPF believes in making progressive changes to ensure high quality service delivery and, therefore every year, policies and programs are reviewed, formulated, and implemented taking into consideration the long term sustainability of the pension plan. Accordingly, it ensures that the policies and programs of the NPPF are consistent with its 5 Year Master Plan and aligned with government policies and the Eleventh 5 Year Plan.

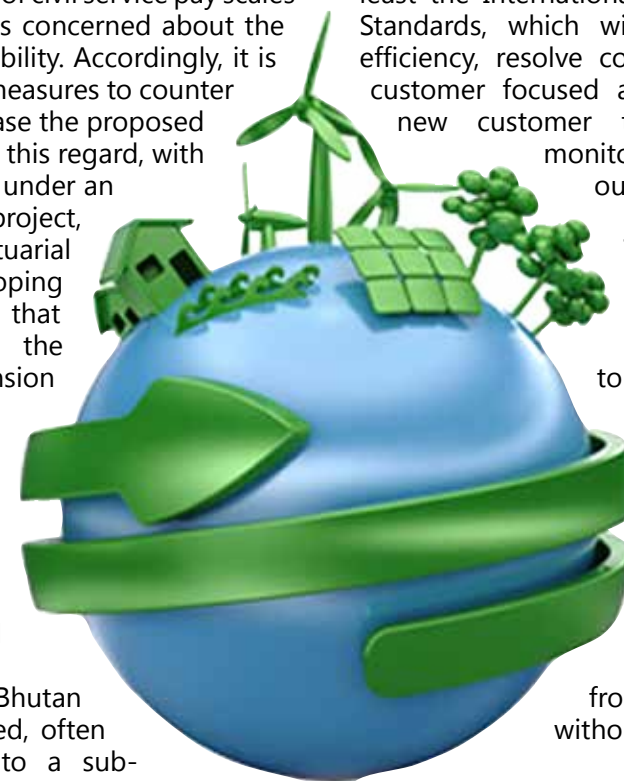
With the proposed revision of civil service pay scales in the pipeline, the NPPF is concerned about the projected increase in its liability. Accordingly, it is proposing several reform measures to counter the increase in liability in case the proposed salary revision is passed. In this regard, with the support of consultants under an ADB technical assistance project, the NPPF is reviewing actuarial valuations and developing proposals and reforms that are required to ensure the sustainability of the pension scheme. At the same time, the NPPF will continue to strongly pursue with the government to pass the draft of the National Pension Policy which will pave the way for the passage of the National Pension Act.

Investment options within Bhutan continued to remain limited, often forcing NPPF to resort to a sub-optimal investment strategy. However, future investment prospects are improving and NPPF will pursue its long term strategic investment plans in line with its 5 Year Master Plan for 2013-2018.

NPPF continues to remain one of the biggest real estate developers in the country. In this respect, it plans to promote homeownership to provide an opportunity to every member to own a decent house or an apartment of their own. NPPF is working progressively to build affordable flats which our members can purchase through our home ownership loan scheme. This will not only promote public-private partnership but will also encourage our members to inculcate the habit of bank savings. In this regard, this scheme will not only greatly benefit the members in particular but also the country as a whole in addressing the housing shortage.

Studies have shown that Bhutanese generally have a low savings habit. This often leads to destitution in old age. In this respect, NPPF has been carrying out studies to find out possibility of implementing a Voluntary Savings Scheme which will help the members to have savings for their old age aside from the pension paid by NPPF.

NPPF is embarking on a very ambitious plan to implement ISO 10002 Service Standards, or at least the International Social Security Association Standards, which will help achieve operational efficiency, resolve complaints by adopting more customer focused approach, engage staff with new customer training opportunities and monitor and continually improve our business handling process.



Technology is at the forefront of all of NPPF's operations. Huge investments have been made in technology to enhance efficiency in our systems. Today, studies are underway to continuously improve services with the help of technology in providing information on their desk and through mobile phone applications. This will greatly help members' access information from anywhere and anytime without having to visit NPPF office.

Ever since its ground establishment by the Fourth Druk Gyalpo in 1998, the NPPF has come a long way. Though compact and a growing organization, in just over a decade the NPPF has climbed appreciable heights. From promoting environmental development through hydropower green development to selfless dedication to our members, we are glad that we are a part of this progress and professional development. Further, the NPPF expresses its dedication and its commitment to reach more of the population and deliver more of its services efficiently. Therefore, we place high accord on the cooperatives that our members have showered on us. The journey is long and challenging and we welcome your active participation in this expedition.

Together, we look forward for continued efforts to promoting Gross National Happiness.

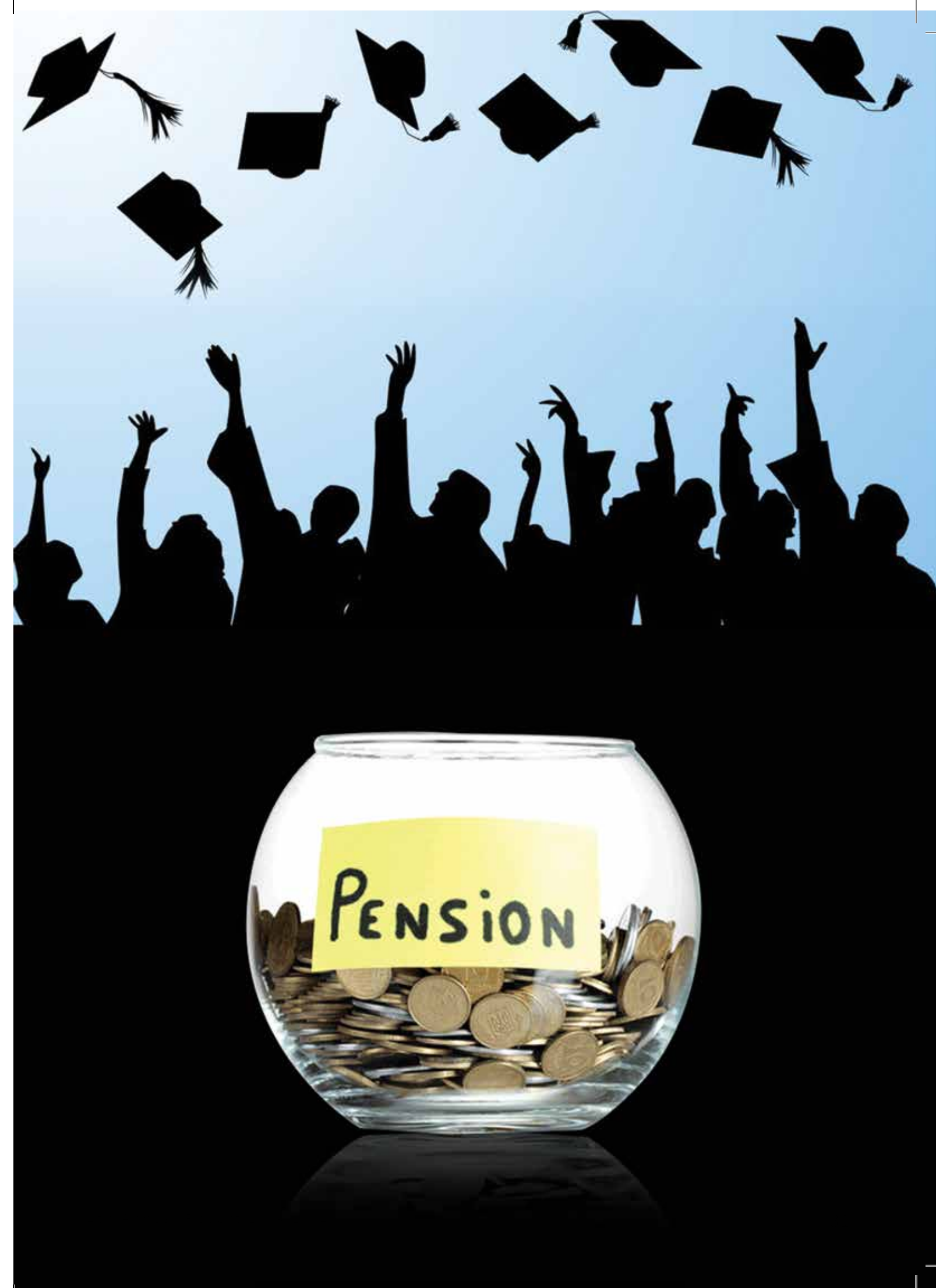
ADFIAP Awards 2014 cites members' outstanding achievements



In recognition for their contribution to the sustainable development of their respective countries, thirteen (13) member-institutions were honoured the ADFIAP “Outstanding Development Project Awards” during the 37th ADFIAP Annual Meetings held in Moscow, Russia on April 23-25, 2014.

The winner for this year’s Awards in Environmental Development Category is:

NPFF’s “From the Strengths of Hydro-Power to Sustainable Green Development: Dagachhu Hydro-Power Project in Bhutan”.



Our Reference.....

Date.....

To
The Assistant Auditor General
Corporation & Financial Institutions Division
Royal Audit Authority
Bhutan Integrity House
Bhutan

**Subj: Audit Report along with Minimum Audit Report & Transaction Audit Report of
NPPF Ltd. for the Year ended 30th June 2014**

Dear Sir,

This is with reference to your Letter No: RAA (SA-17)/CFID/2014/1319 dt 13th May 2014 regarding Audit Engagement of National Pension & Provident Fund Ltd.

We enclose herewith our Audit Report along with the following documents for the year ended 30th June 2014:-

Sl. No.	Particulars	Page No
1	Auditor's Report on the Financial Statements	1 - 2
2	Report on Minimum Audit Examination Requirement	3 - 7
3	Financial Statements	8 - 33
4	Accounting Policies & Notes to Accounts	34 - 35
5	Ratio Analysis	7
6	Compliance Certificate and Compliance Checklist	Not Applicable
7	Transaction Audit Report	36 - 44
8	Follow-up report of earlier years	45 - 62

Please do the needful.

Yours Faithfully
For **RAY & CO.**
Chartered Accountants

SUBRATA ROY
(Partner)



Place : Kolkata
Dated : 22/10/2014

Copy to : CEO, NPPF Ltd.

Our Reference.....

Date.....

THE BOARD OF DIRECTORS,
NATIONAL PENSION & PROVIDENT FUND,
THIMPHU, BHUTAN

We have audited the accompanying Statement of Financial Position of **NATIONAL PENSION & PROVIDENT FUND, (THE FUND)** as at 30th June 2014 and the Statement of Comprehensive Income and Statement of Cash Flows of The Fund for the year ended on that date annexed thereto, which we have signed under reference to this report.

Management's Responsibility

The Management is responsible for preparation and fair presentation of the financial statements in accordance with the Generally Accepted Accounting Principles and Bhutanese Accounting Standards Phase I. The responsibility includes maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material mis-statements and reasonable in the circumstances.

Our Responsibility

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

Scope of Audit

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



Opinion

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 give 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 Statement of Financial Position, of the state of affairs of the Fund as at 30th June 2014;
- b) In the case of Statement of Comprehensive Income, of the surplus for the year ended on that date and
- c) In the case of the Statement Cash Flows, of the Cash Flows for the year ended on that date.

Other Legal Regulatory Requirements

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

For RAY & CO.
Chartered Accountants
FRN : 313124E

SUBRATA ROY
(Partner)
Mem. No.: 051205



Place : Kolkata

Date : 22nd Oct 2014

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

BALANCE SHEET AS AT 30TH JUNE, 2014

LIABILITIES

	SCHEDULE NO	AS AT 30.06.2014	AS AT 30.06.2013
Non-Current liabilities			
Members' & Employers' Contribution to PF - Civil	1	2,812,788,444	2,443,183,930
Members' & Employers' Contribution to PF - Armed Forces	1A	1,046,322,724	946,871,711
Interest Credited to PF Account - Civil	2	1,298,763,318	1,106,068,457
Interest Credited to PF Account - Armed Forces	2A	571,190,011	495,289,674
Pension Fund - Civil	3	8,626,562,937	7,358,610,470
Pension Fund - Armed Forces	3A	2,694,260,814	2,384,549,014
Reserves	4	168,421,587	133,953,943
Lapsed Fund	5	3,702,628	2,323,778
Gratuity Liability		14,003,700	12,414,498
Current Liabilities			
Other Liabilities	6	51,380,090	37,431,864
General Provision on Standard Assets		194,150,249	127,962,479
Interest in Suspense		17,244,840	15,356,442
		17,498,791,343	15,064,016,260

ASSETS

Non Current Assets			
Fixed Assets:			
Gross Block		702,402,370	425,399,671
Less: Accumulated Depreciation	7	139,593,917	117,795,491
Net Block	7	562,808,454	307,604,180
Capital Work in Progress	8	65,042,563	208,298,463
Deferred Revenue Expenditure		7,200,061	3,381,284
Investments in Equity Shares/ Bonds	9	3,285,443,025	2,466,979,441
Other Investments	10	9,838,823,109	8,790,234,810
Gratuity Investment		13,084,529	11,889,888
Current Assets			
Advance and Other Deposits	11	413,812,395	405,807,966
Other Receivables	10	970,567,351	1,128,697,165
Cash and Cash Equivalents	12	2,342,009,855	1,741,123,064
		17,498,791,343	15,064,016,260
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.

For Ray & Co
FRN313124E
Chartered accountants

(SUBRATA ROY)
Partner.
Membership No. 051205

Kolkata, Dated 22nd Oct 2014



CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

CHAIRPERSON

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN
REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 2014

REVENUE

	SCHEDULE NO.	FOR THE YEAR ENDED 30.06.2014	FOR THE YEAR ENDED 30.06.2013
Income from Investment	13	1,171,671,871	991,041,149
Rental Income	14	40,851,681	34,204,237
Dividend	15	63,484,674	115,253,933
Other Revenue	16	3,829,290	2,141,937
		1,279,837,517	1,142,641,256

EXPENSES

Provident Fund Management Expenses	18&19	20,871,304	19,410,222
Pension Management Expenses	18&19	39,906,292	34,555,357
Depreciation	7	21,798,426	13,913,103
Provision for Standard Assets		66,187,770	(2,681,132)
Provision for Sub Standard Assets		62,264,309	178,506,739
Total Expenses		211,028,100	243,704,290
Surplus		1,068,809,416	898,936,967
Prior Period Income	17	3,200,826	4,832,413
Total Distributable Surplus		1,072,010,242	903,769,380
Distribution of Surplus			
Return on Member's and Employers contribution to PF (Civil)		252,596,162	212,471,623
Return on Member's and Employers contribution to PF (Armed Forces)		101,408,660	87,299,451
Return on Pension Fund (Civil)		523,364,446	449,558,623
Return on Pension Fund (Armed Forces)		161,282,805	144,954,847
Transferred to General Reserve		33,358,169	9,484,836
		1,072,010,242	903,769,380
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.

For Ray & Co.
 FRN313124E
 Chartered Accountants


 (SUBRATA ROY)
 Partner,
 Membership No. 051205

Kolkata, Dated 22nd Oct 2014


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


CHAIRPERSON

NATIONAL PENSION AND PROVIDENT FUND			
THIMPHU, BHUTAN			
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2014			
	Year ended 30th June 2014	Year ended 30th June 2013	
Cash Flow from Operating Activities			
Receipts from:			
Interest	904,529,850	854,968,099	
Rent	40,513,479	30,090,137	
Dividend	63,430,211	115,209,833	
Other Income	7,030,116	4,132,592	
Payments for:			
Management Expenses	58,642,615	50,970,753	
Security Deposit from Suppliers	68,837	(31,597)	
Security Deposit from Tenants	(4,076,833)	(18,481)	
Land/Home Ownership Scheme	-	4,788,000	
Net Receipts from Operating Activities	960,869,037	948,691,987	
Cash Flow from Investing Activities			
Receipts from:			
Repayment of Pension Loans	-	34,022	
Payment for:			
Increase/(decrease) in Deposits	813,969,094	294,179,720	
Increase/(decrease) in Loans to entities	(342,216,352)	10,047,074	
Increase/(decrease) in Shares and Bonds	841,913,280	264,283,625	
Increase/(decrease) in Member Housing Loan	129,622,832	398,852,754	
Increase/(decrease) in Member Education Loan	126,706,227	(140,912,433)	
Increase/(decrease) in Vehicle Loan	(2,390,426)	(801,653)	
Increase/(decrease) in Staff Housing Loan	(3,686,855)	(217,363)	
Increase/(decrease) in Student Loan	9,498,815	17,618,752	
Increase/(decrease) in Purchase of Fixed Assets (Including Work in Progress)	64,313,527	171,349,291	
Net Cash Flow from Investing Activities	(1,637,730,143)	(1,014,365,744)	
Cash Flow from Financing Activities (Member Transactions)			
Receipts from:			
Contributions to the NPPFP - PF	476,898,474	445,437,676	
- Pension	999,883,076	958,708,126	
Contributions to the AFPPFS - PF	137,743,609	132,959,176	
- Pension	223,597,961	219,194,448	
Payments of Refunds and Pensions:			
NPPFP - PF	165,870,943	202,165,538	
- Pension	256,343,737	200,195,327	
AFPPFS - PF	62,991,577	68,319,752	
- Pension	75,168,966	60,741,124	
Net Cash Flow from Financing Activities	1,277,747,897	1,224,877,684	
Net movement in Cash and Cash Equivalents	600,886,792	1,159,203,927	
Opening Cash and Cash Equivalents	1,741,123,064	581,919,137	
Closing Cash and Cash Equivalents	2,342,009,855	1,741,123,064	


RAY & CO.
CHARTERED ACCOUNTANTS
 KOLKATA

RECONCILIATION BETWEEN OPERATING SURPLUS AND CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 30th June 2014	Year ended 30th June 2013
Operating Surplus	1,068,809,416	898,936,967
Non Cash Charges		
Depreciation	21,798,426	13,913,103
Amortization of Software	4,238,112	2,626,734
Provision against Loan	128,452,079	175,825,607
Adjustment of excess depreciation		(2,841,757)
Movement in Accruals		
Revenue Receivable	(267,534,687)	(140,231,251)
Accounts Payable	(3,692,333)	(1,146,887)
Gratuity Payable	1,589,202	1,141,413
Prior Period income	3,200,826	4,832,413
Loss on assets disposals/derecognition	-	373,567
Land/home ownership scheme	-	(4,788,000)
Security deposit	4,007,996	50,078
Net receipts from Operating Activities	960,869,037	948,691,987

Note:

The statement of cash flows has been prepared using the direct method

This is the statement of cash flows referred to in our report of even date

For Ray & Co
FRN313124E
Chartered Accountants

(SUBRATA ROY)
Partner.

Membership No. 051205

Kolkata. Dated 22nd Oct 2014



[Signature]
DIRECTOR

[Signature]
CHAIRPERSON

CHIEF EXECUTIVE OFFICER
National Pension & Provident Fund
Thimphu : Bhutan

Schedule - 1

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - CIVIL

PARTICULARS	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2014	AS AT 30.06.2014	AS AT 30.06.2013	AS AT 30.06.2013
	Nu.	Nu.	Nu.	Nu.
Opening Balance	1,745,271,921	1,745,445,281	1,523,884,512	1,524,057,793
Add / (Less): Adjustments	(69,559)	(69,638)	(514,584)	(514,584)
Adjusted Opening Balance	1,745,202,362	1,745,375,643	1,523,369,928	1,523,543,209
Add: Contribution during the Year	237,775,992	237,775,992	221,901,993	221,902,072
Sub Total A	1,982,978,354	1,983,151,635	1,745,271,921	1,745,445,281
Less: Refunds as per last a/c	523,734,297	523,798,975	456,457,930	456,522,840
Refunds during the year	52,903,206	52,905,067	67,276,367	67,276,135
Sub Total B	576,637,503	576,704,042	523,734,297	523,798,975
Net Contribution A-B	1,406,340,851	1,406,447,593	1,221,537,624	1,221,646,306
Grand Total	2,812,788,444		2,443,183,930	



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 1A

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - ARMED FORCES

PARTICULARS	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION	MEMBERS' CONTRIBUTION	EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2014	AS AT 30.06.2014	AS AT 30.06.2013	AS AT 30.06.2013
	Nu.	Nu.	Nu.	Nu.
Opening Balance	615,041,983	615,282,837	548,568,524	548,758,427
Add / (Less): Adjustments	(306,750)	(306,751)	(50,431)	-
Adjusted Opening Balance	614,735,233	614,976,086	548,518,093	548,758,427
Add: Contribution during the Year	68,773,884	68,773,884	66,523,890	66,524,410
Sub Total A	683,509,117	683,749,970	615,041,983	615,282,837
Less: Refunds as per last a/c	141,694,700	141,758,409	121,867,753	121,931,462
Refunds during the year	18,741,627	18,741,627	19,826,947	19,826,947
Sub Total B	160,436,327	160,500,036	141,694,700	141,758,409
Net Contribution A-B	523,072,790	523,249,934	473,347,283	473,524,428
Grand Total	1,046,322,724		946,871,711	



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 2

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

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 30.06.2014	AS AT 30.06.2014	AS AT 30.06.2013	AS AT 30.06.2013
	Nu.	Nu.	Nu.	Nu.
Opening Balance	867,881,713	842,407,718	761,237,964	735,759,394
Add / (Less): Adjustments	80,685	80,684	410,218	410,232
Adjusted Opening Balance	867,962,398	842,488,402	761,648,181.93	736,169,625.94
Add: Interest during the Year	126,294,513	126,301,649	106,233,531	106,238,092
Sub Total A	994,256,911	968,790,051	867,881,713	842,407,718
Less: Refunds of interest as per last a/c	314,841,685	289,379,289	281,008,435	255,599,503
Refunds of interest during the year	30,040,517	30,022,153	33,833,250	33,779,786
Sub Total B	344,882,202	319,401,442	314,841,685	289,379,289
Net Contribution A-B	649,374,709	649,388,609	553,040,028	553,028,429
Grand Total	1,298,763,318		1,106,068,457	



Schedule - 2A

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

INTEREST ON MEMBERS' & EMPLOYERS' CONTRIBUTION TO PF - ARMED FORCES

PARTICULARS	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION	INTEREST ON MEMBERS' CONTRIBUTION	INTEREST ON EMPLOYERS' CONTRIBUTION
	AS AT 30.06.2014	AS AT 30.06.2014	AS AT 30.06.2013	AS AT 30.06.2013
	Nu.	Nu.	Nu.	Nu.
Opening Balance	327,244,461	325,811,366	283,637,169	282,157,900
Add/(Less): Adjustments	-	-	(34,164)	0
Adjusted Opening Balance	327,244,461	325,811,366	283,603,005	282,157,900
Add: Interest during the Year	50,697,983	50,710,677	43,641,456	43,653,466
Sub Total A	377,942,444	376,522,043	327,244,461	325,811,366
Less: Refunds of interest as per last a/c	79,600,299	78,165,854	65,175,458	63,924,837
Refunds of interest during the year	12,773,838	12,734,485	14,424,841	14,241,017
Sub Total B	92,374,137	90,900,339	79,600,299	78,165,854
Net Contribution A-B	285,568,307	285,621,705	247,644,162	247,645,513
Grand Total	571,190,011		495,289,674	



Schedule - 3

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

PENSION FUND - CIVIL

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
Opening Balance	8,017,093,352	6,608,379,559
Add: Transfer / Adjustments	110,172	(1,142,740)
Adjusted Opening Balance	8,017,203,524	6,607,236,820
Add: Contribution received during the year	1,000,821,586	960,297,909
Interest during the year	523,364,446	449,558,623
Sub Total A	9,541,389,556	8,017,093,352
Less: Pension payment as per last account	350,700,986	249,195,385
Pension payment during the Year	133,040,794	101,505,601
Total Pension Payment	483,741,780	350,700,986
Less: Refund from Pension Fund as per last account	307,781,896	209,092,170
Refund from Pension Fund during the year	123,302,943	98,689,726
Total Pension Refund	431,084,839	307,781,896
Sub Total B	914,826,619	658,482,882
Grand Total A - B	8,626,562,937	7,358,610,470



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 3A

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

PENSION FUND - ARMED FORCES

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
Opening Balance	2,877,661,215	2,513,958,964
Add: Transfer / Adjustments	613,501	-
Adjusted Opening Balance	2,878,274,717	2,513,958,964
Add: Contribution received during the year	222,984,460	218,747,404
Interest during the year	161,282,805	144,954,847
Sub Total A	3,262,541,982	2,877,661,215
Less: Pension payment as per last account	281,469,030	224,549,822
Pension payment during the Year	70,123,047	56,919,208
Total Pension Payment	351,592,077	281,469,030
Less: Refund from Pension Fund as per last account	211,643,172	207,821,256
Refund from Pension Fund during the year	5,045,919	3,821,916
Total Pension Refund	216,689,091	211,643,172
Sub Total B	568,281,167	493,112,201
Grand Total A - B	2,694,260,814	2,384,549,014



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 4

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

RESERVES

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
I. General Reserves		
Opening Balance	77,158,856	67,674,020
Add: Transferred from/(To) Revenue Account	33,358,169	9,484,836
Sub Total	110,517,025	77,158,856
II. Unclaimed Contribution/Refund		
Opening Balance	48,544,224	48,407,033
Add: Transferred during the year	-	137,191
Sub Total	48,544,224	48,544,224
III. Lapsed Fund		
Opening Balance	7,014,368	7,014,368
Add: Transferred during the year	674,714	-
Sub Total	7,689,082	7,014,368
IV. Other Unclaimed Monies		
Opening Balance	1,236,494	1,618,164
Add: Transferred during the year	524,972	52,603
Less: Payment during the year	90,210	434,273
Sub Total	1,671,256	1,236,494
TOTAL RESERVES (I+II+III+IV)	168,421,587	133,953,943



Schedule - 5

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

LAPSED FUND

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
I. CIVIL		
Opening Balance	1,613,148	442,009
Add: Transferred during the Year	1,011,517	1,171,139
Sub Total	2,624,665	1,613,148
Less: Transferred to Reserve	442,009	-
Total	2,182,656	1,613,148
II. ARMED FORCE		
Opening Balance	710,630	232,705
Add: Transferred during the Year	1,042,047	477,925
Sub Total	1,752,677	710,630
Less: Transferred to Reserve	232,705	-
Total	1,519,972	710,630
Grand Total (I+II)	3,702,628	2,323,778

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



Schedule - 6

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

OTHER LIABILITIES

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
Stale Cheques	839,661	971,081
Interest Received in Advance	104,796	201,304
Unidentified deposit	6,344,953	6,314,047
Earnest Money	105,910	168,565
Security Deposit (Contractor)	9,263,348	6,196,091
Performance Guarantee	286,056	292,238
Security Deposit (Rent)	5,223,256	910,771
Excess Member Contribution	5,138,958	4,914,592
Outstanding Liabilities (Current/Capital)	17,512,676	12,309,741
Security Deposit - Power / Tenant	536,057	361,347
TDS payable	193,747	217,584
Housing / Education Loan closed A/c - Credit Balance	5,830,673	4,574,503
Total	51,380,090	37,431,864



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

FIXED ASSETS

Particulars	Rate of Depreciation	GROSS BLOCK			DEPRECIATION			Net Block as on 30.06.2014	Net Block as on 30.06.2013
		Original cost as on 01.07.13	Addition during the year	Adj. during the year	Original cost as on 30.06.2014	Accumulated Dep as on 01.07.2013	Dep. during the year		
R.E.Land	-	76,347,937	-	-	76,347,937	-	-	76,347,937	76,347,937
R.E.Building	3%	290,384,363	80,476,571	7,468,971	378,329,905	83,136,757	1,624,300	94,887,262	207,247,606
R.E.Furniture & Fixtures	15%	168,877	-	-	168,877	167,944	555	168,499	378
R.E.Electrical & Fittings	15%	21,043,462	10,352,041	552,464	31,947,967	15,691,817	2,193,324	18,437,604	5,351,645
R.E.Equipments	15%	1,279,707	177,200	-	1,456,907	733,397	189,427	921,824	546,310
Road/Parking	3%	5,206,991	3,446,001	-	8,652,992	620,039	209,175	829,214	4,566,952
SUB TOTAL (A)		394,431,337	94,451,813	8,021,435	496,904,585	100,349,953	2,176,763	115,244,402	294,081,383
Office Building	3%	7,468,971	122,379,122	(7,468,971)	122,379,122	1,624,300	(1,624,300)	1,981,536	120,397,586
Office Electricals & Fittings	15%	552,464	56,634,076	(552,464)	56,634,076	552,463	(552,463)	4,585,033	52,049,043
Office Road/Parking	3%	-	2,084,595	-	2,084,595	-	33,753	33,753	2,050,842
Computer & Office Equipments	15%	17,506,457	1,179,351	-	18,685,808	10,853,966	2,042,126	12,896,092	5,789,716
Office Furniture & Fittings	15%	3,301,621	218,495	-	3,520,116	2,675,484	191,465	2,866,949	633,167
Telephone/ EPABX/LAN	15%	634,460	6,355	-	640,815	508,194	42,525	550,719	126,266
Motor Vehicles	15%	1,273,195	-	-	1,273,195	1,094,598	178,596	1,273,194	1
Carpet	15%	81,245	48,893	-	130,138	58,692	12,748	71,440	58,598
Contain Upholstery	15%	149,921	-	-	149,921	77,840	12,957	90,797	59,124
SUB TOTAL (B)		30,968,334	182,550,887	(8,021,435)	205,497,786	17,445,538	9,080,739	24,349,514	181,148,271
GRAND TOTAL (A+B)		425,399,671	277,002,699	-	702,402,370	117,795,491	21,798,426	139,593,917	562,808,454
Previous Financial Year		377,072,261	50,139,347	(1,811,938)	425,399,670	107,146,639	13,913,103	117,795,491	307,604,180



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

CAPITAL WORK IN PROGRESS

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
IT Development	3,118,440	1,236,420
Real Estate Development	61,924,124	207,062,043
Total	65,042,563	208,298,463



Schedule - 9

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

DETAILS OF INVESTMENTS IN EQUITY SHARES / BONDS

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	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.161,589,750)	14,450,563	14,450,563
<u>State Trading Corporation Limited</u>		
44,100 Equity shares of Nu. 100/- each fully paid up bonus shares including 22,050 bonus share received in 2012-13 (Market value Nu. 8,820,000)	490,000	490,000
<u>Bhutan National Bank Limited</u>		
7,696,029 Equity shares of Nu. 100 each fully paid up including 2,198,865 bonus share received in 2013-14 (Market value Nu. 1,539,205,800)	583,411,978	583,411,978
<u>Kuensel Corporation Limited</u>		
36,750 Equity shares of Nu. 100 each fully paid up (Market value Nu. 4,410,000)	3,675,000	3,675,000
<u>Druk Punjab National Bank Limited</u>		
140,804 Equity shares @ Nu. 100 each fully paid up (Market value Nu. 24,781,504)	42,231,200	42,231,200
<u>TBank Limited</u>		
517 Equity shares @ Nu. 100 each fully paid up including 138 right issues of share in 2012-13 (Market value Nu. 69,795)	51,700	51,700
<u>Bhutan Insurance limited</u>		
100,000 Equity shares @ Nu. 100 each fully paid up (Market value Nu. 15,000,000)	29,500,000	29,500,000
<u>Dungsam Polymers Limited</u>		
32 Equity shares @ Nu. 100 each fully paid up (Market value Nu. 5,920)	5,280	-
Sub Total Quoted	673,815,721	673,810,441
Less: Provision on diminution of share price	31,949,696	8,500,000
Total Quoted	641,866,025	665,310,441



DETAILS OF INVESTMENTS IN EQUITY SHARES / BONDS

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
UNQUOTED (AT COST)		
Equity Shares		
<u>Dagachu Hydro Power Corporation Limited</u>		
619,800 Equity Share of Nu.1000 each fully paid up	619,800,000	619,800,000
<u>Credit Information Bureau</u>		
13,750 Equity shares @ Nu. 100 each fully paid up	1,375,000	-
Total unquoted	621,175,000	619,800,000
Bond		
421,630 Nos. Druk Air Bond - 2013	-	421630000
78,407 Nos. Druk Air Bond - 2014 (Guaranteed by The Royal Government of Bhutan)	78,407,000	188131000
246,887 Nos. of Druk Air Corporation Bond Series I @ Nu. 1,000/-	246,887,000	-
468,108 Nos. of Royal Insurance Corporation of Bhutan Ltd. Bond Series II@ Nu. 1,000/-	468,108,000	468,108,000
500,000 Nos. of Royal Insurance Corporation of Bhutan Ltd. Bond Series III@ Nu. 1,000/-	500,000,000	-
104,000 Nos. of Druk PNB Bond @ Nu. 1,000/-	104,000,000	104,000,000
500,000 Nos. of Dungsam Cement Corporation Ltd. Bond Series I @ Nu. 1,000/-	500,000,000	-
125,000 Nos. of Tashi Air Pvt. Ltd. Bond Series I@ Nu. 1,000/-	125,000,000	-
Total Bonds	2,022,402,000	1,181,869,000
Total	3,285,443,024.95	2,466,979,440.95



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

OTHER INVESTMENTS

PARTICULARS	AS AT 30.06.2014		AS AT 30.06.2013	
	Gross Investment	Other receivables (Current)	Gross Investment	Other Investments (Non-Current)
	Nu.	Nu.	Nu.	Nu.
Loans				
To The Royal Government of Bhutan				
RGOB Budget Fund Account	224,058,806	106,302,300	336,095,606	212,604,600
To Institutions / Companies				
Secured Loan to Royal Insurance Corp. of Bhutan Ltd. Note 1	361,464,235	139,307,555	392,614,415	279,101,111
Partially secured Loan to Bhutan Dev. Bank Ltd. Note 2	430,000,000	110,000,000	540,000,000	430,000,000
Secured Loan to Tashi Infocomm Ltd. Note 3	292,278,926	39,483,163	328,970,007	292,930,042
Secured Loan to Bhutan Ferro Alloys Ltd. Note 4	117,446,044	39,867,123	157,930,616	117,160,048
Secured Loan to Druk Ferro Alloys Ltd. Note 5	18,222,011	4,396,269	22,254,995	18,334,343
Loan to Dagachhu Hydro Power Ltd. Note 6	747,843,797	30,000,000	687,843,797	
Loan to Dungsam Cement Corporation Ltd. Note 7	1,141,179,561	111,000,000	1,035,180,822	1,010,000,000
Loan to Kuensel Corporation Ltd. Note 8	9,455,828	4,103,367	14,942,528	9,967,548
Loan to Druk Doethjung Resort Note 9	27,667,397	27,667,397	18,205,753	18,205,753
Loan to Yangphel Real Estate Note 10	223,068,976	12,156,683	205,569,188	
Loan to Dungsam Polymers Ltd Note 11	133,165,747	3,604,432	146,260,305	126,570,000
Loan to Wood Craft Centre Ltd. Note 12	6,721,181	2,240,396	8,960,349	6,712,595
Loan to Bhutan Power Corporation Ltd. Note 13	453,419,171	41,927,500	496,598,500	440,238,750
Loan to Natural Resource Development Corporation Ltd. Note 14	44,130,048	5,313,414	51,857,945	46,749,906
Sub Total (I)	4,230,121,727	650,951,297	4,443,284,827	3,696,418,493
To Members				
Pension Loan				
Housing Loan	2,748,015,506	51,935,566	2,601,092,852	2,448,122,847
Education Loan	1,943,154,822	264,452,012	1,771,651,326	1,547,130,712
Staff Vehicle Loan	6,159,083	1,573,832	8,439,397	6,865,295
Staff Housing Loan	48,103,280	1,407,636	50,282,047	47,519,479
Student Loan	54,449,357	247,010	39,980,229	39,976,685
Sub Total (II)	4,799,882,049	319,616,055	4,471,445,850	4,089,615,018
Total (I+II)	9,030,003,776	970,567,351	8,914,730,677	7,786,033,512
Less: Provision for Non Performing Loans	240,613,315	240,613,315	201,798,702	201,798,702
Total (A)	8,789,390,461	7,818,823,109	8,712,931,975	7,584,234,810
				1,128,697,165

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OTHER INVESTMENTS

PARTICULARS	AS AT 30.06.2014		AS AT 30.06.2013	
	Gross Investment	Other Investments (Non-Current)	Gross Investment	Other Investments (Non-Current)
	Nu.	Nu.	Nu.	Nu.
Deposits				
Fixed Deposit- Bhutan National Bank Ltd.	475,000,000	475,000,000	511,000,000	
- Druk PNB Ltd.				
- TBank Ltd	100,000,000	100,000,000	100,000,000	
- Bhutan Development Bank Ltd.	1,445,000,000	1,445,000,000	595,000,000	
Sub Total (B)	2,020,000,000	2,020,000,000	1,206,000,000	
Grand Total (A+B)	10,809,390,461	9,838,823,109	9,918,931,975	8,790,234,810
				1,128,697,165

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 the Land and Building of the Company.

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

Note -8: The loan is secured by mortgage of the printing machines of the Company.

Note -9: The loan is secured by mortgage of the land and project assets.

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

Note -11: The Loan secured by mortgage of project assets.

Note -12: The loan is secured by mortgage of the Joinery Unit's assets of the Joinery Units

Note -13: The loan is secured by mortgage of the 220kV double circuit transmission lines

Note -14: The loan is secured by mortgage of the stone crushing machine and support machineries of the project



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NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 11

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

ADVANCES AND OTHER DEPOSITS

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
Security Deposit - Power / Rent	741,357	331,995
Security Deposit - Water meter	63,000	63,000
Rent Receivable	6,432,752	6,094,550
Interest Accrued but not due	363,154,061	290,702,838
Other Receivable	2,244,026	1,092,590
Advance for Investment	12,000,000	78,500,115
Staff Advance	30,000	43,323
Prepaid Expenses	419,199	251,556
Land/Home Ownership- Note- 1	28,728,000	28,728,000
Total	413,812,395	405,807,966

Note 1: As at 30.06.2014, the ownership title transfer for land at Bumthang and Paro is under process and the amount is treated as advance payment.



NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

Schedule - 12

SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 30TH JUNE 2014

CASH AND CASH EQUIVALENTS

PARTICULARS	AS AT 30.06.2014	AS AT 30.06.2013
	Nu	Nu
Cash at Bank	177,497,120	62,105,209
Cash in Hand	12,735	17,855
Cash Equivalents	2,164,500,000	1,679,000,000
Total	2,342,009,855	1,741,123,064

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



Schedule - 13

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

INCOME FROM INVESTMENT

PARTICULARS	FOR THE YEAR	FOR THE YEAR
	ENDED 30.06.2014	ENDED 30.06.2013
	Nu.	Nu.
Manufacturing & Industries		
Interest on Loan to Bhutan Ferro Alloys Ltd.	13,841,210	17,996,948
Interest on Loan to Druk Ferro Alloys Ltd.	2,487,015	2,939,852
Interest on Loan to Dagachu Hydro Power Corporation	60,000,000	54,658,920
Interest on Loan to Dungsam Cement Corporation Ltd.	146,529,350	101,000,000
Interest on Loan to Dungsam Polymers Ltd.	13,335,679	12,824,980
Interest on Loan to Wood Craft Centre Ltd.	807,003	1,024,629
Interest on Dungsam Cement Corporation Ltd. Bond	10,410,959	-
	247,411,216	190,445,330
Service & Tourism		
Interest on Loan to Tashi Infocom Ltd.	31,537,606	34,979,366
Interest on Druk Air Bond	30,212,056	45,732,076
Interest on loan to Kuensel Corporation Ltd.	1,216,058	1,688,056
Interest on loan to Druk Doethjung Resort	1,961,644	1,304,795
Interest on Loan to Yangphel Real Estate	17,499,788	17,298,158
Interest on Loan to Bhutan Power Corporation Ltd.	41,199,765	44,640,726
Interest on Loan to Natural Resource Development Corporation Ltd.	5,815,899	1,857,945
Interest on Tashi Air Ltd. Bond	1,910,959	-
	131,353,775	147,501,121
Institutions/RGOB		
Interest on Loan to Bhutan Development Bank Ltd.	35,820,821	38,311,096
Interest on Loan to Royal Insurance Corporation of Bhutan Ltd.	42,890,329	35,808,220
Interest on Loan to Bhutan Insurance Ltd.	-	1,356,090
Interest on Loan to RGOB Budget Fund Account	11,805,380	17,635,988
Interest on Royal Insurance Corporation of Bhutan Ltd. Bond	53,421,455	31,363,236
Interest on Druk Punjab National Bank Ltd. Bond	7,800,000	7,800,000
	151,737,985	132,274,630
Members and Staff		
Interest on Loan to Members-Housing	260,045,112	222,025,391
Interest on Loan to Members-Education	165,355,224	159,193,437
Interest on Loan to Members - Pension	-	328
Interest on Loan to Members - Student Loan	3,623,815	2,381,148
Interest on Loan to Staff- Vehicle	544,778	589,741
	429,568,929	384,190,045
Deposits		
Interest on Fixed Deposits with Banks	211,599,966	136,630,024
	211,599,966	136,630,024
TOTAL	1,171,671,871	991,041,149



Schedule - 14

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

RENTAL INCOME

Location	FOR THE YEAR ENDED	FOR THE YEAR ENDED
	30.06.2014	30.06.2013
	Nu.	Nu.
Thimphu	26,450,100	19,915,927
Phuentsholing	11,684,527	11,499,310
Samdrup Jongkhar	2,199,814	2,274,750
Samtse	517,240	514,250
Total	40,851,681	34,204,237



Schedule - 15

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

DIVIDEND INCOME

PARTICULARS	FOR THE YEAR ENDED	FOR THE YEAR ENDED
	30.06.2014	30.06.2013
	Nu.	Nu.
Bhutan National Bank Ltd.	42,108,276	91,472,809
Penden Cement Authority Ltd.	19,390,770	21,545,300
Kuensel Corporation Ltd.	-	441,000
Druk Punjab National Bank Ltd.	985,628	844,824
Bhutan Insurance Ltd.	1,000,000	950,000
TOTAL	63,484,674	115,253,933



Schedule - 16

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

OTHER INCOME

PARTICULARS	FOR THE YEAR ENDED	FOR THE YEAR ENDED
	30.06.2014	30.06.2013
	Nu.	Nu.
Processing Fees on Member loans	1,429,861	940,508
Miscellaneous Income	2,399,429	1,201,429
TOTAL	3,829,290	2,141,937



Schedule - 17

NATIONAL PENSION & PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

PRIOR PERIOD INCOME

PARTICULARS	FOR THE YEAR ENDED 30.06.2014	FOR THE YEAR ENDED 30.06.2013
	Nu	Nu
Conversion of membership fees for Credit Information Bureau into share	1,000,000	-
Interest and supervision charges on Ministry of Health project	2,373,576	-
Excess depreciation charged in the previous year	-	2,841,757
Rent receivable not accounted in 2011-12	-	2,905,638
Less: Variances in distribution of return to members	172,750	914,982
Total	3,200,826	4,832,413



Schedule- 18

NATIONAL PENSION AND PROVIDENT FUND
THIMPHU : BHUTAN

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

DETAILS OF COMMON EXPENSES DISTRIBUTED TO PF & PENSION

PARTICULARS	Sr. Mgt Exps	Admin. Exps	Finance Exps	Investment Exps.	IT Expenses	RE Expenses	Grand Total	Pension - 66%	PF - 34%
Pay & Allowance	2,525,555	4,353,919	3,219,322	7,406,771	2,178,317	10,765,325	30,448,209	20,096,478	10,352,731
Consultancy Fees	-	20,000	-	-	-	-	20,000	13,200	6,800
Overseas Training	4,964,753	-	-	-	-	-	4,964,753	3,276,737	1,688,016
Canteen Expenses	41,282	89,872	24,591	33,090	60,709	22,146	271,689	179,315	92,374
Printing & Stationery	76,485	492,466	58,700	252,056	26,540	125,400	1,031,646	680,887	350,760
Postage	-	133,269	-	20,450	-	7,610	161,329	106,477	54,852
Telephone Expenses	96,802	99,793	40,170	107,944	85,168	134,779	564,655	372,673	191,983
Entertainment Expenses	-	565,880	-	-	-	18,000	583,880	385,361	198,519
Rent	-	207,000	-	-	-	-	207,000	136,620	70,380
Travelling & Conveyance	128,451	161,172	83,686	412,878	56,517	629,243	1,471,946	971,484	500,462
Advertisement	-	480,828	-	-	-	119,329	600,157	396,103	204,053
Motor Car Expenses	167,114	-	-	-	-	-	167,114	110,295	56,819
Bank Charges	20	-	15,024	557	-	-	15,601	10,296	5,304
Rates & Taxes	-	-	-	-	-	329,848	329,848	217,700	112,148
Insurance	7,706	-	-	-	-	279,311	287,017	189,431	97,586
Office/Furniture Maintenance	-	1,179,467	-	-	-	-	1,179,467	778,448	401,019
Seminar / Workshop / Conference	1,553,474	-	-	-	-	-	1,553,474	1,025,293	528,181
Sitting Fees	1,168,740	333,182	-	-	3,000	-	1,504,922	983,248	511,673
IT Expenses / AMC	-	-	-	-	2,202,590	25,600	2,228,190	1,470,606	757,585
Books and Periodicals	-	500	-	-	-	-	500	330	170
Subscription and Donation	12,000	420,000	-	-	-	-	432,000	285,120	146,880
Gifts / Presentations	21,500	-	4,645	-	-	-	26,145	17,256	8,889
Audit fees and Expenses	-	-	196,858	-	-	-	196,858	129,926	66,932
Amortization of Deferred Revenue Expenses	-	-	-	-	4,238,112	-	4,238,112	2,797,154	1,440,958
Lease Line rent	-	-	-	-	923,516	-	923,516	609,521	313,995
R E Maintenance	-	-	-	-	-	1,418,459	1,418,459	936,183	482,276
Membership Fees	59,510	-	200,000	-	-	-	259,510	171,277	88,233
CIB Report	-	-	-	782,300	-	-	782,300	516,318	265,982
GRAND TOTAL	10,823,391	8,537,347	3,842,995	9,016,046	9,774,468	13,875,048	55,869,296	36,873,736	18,995,561



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

SCHEDULE FORMING PART OF THE REVENUE ACCOUNT FOR THE YEAR ENDED 30TH JUNE 2014

DETAILS OF PF & PENSION EXPENSES AFTER ALLOCATION OF COMMON EXPENSES

PARTICULARS	PF Mgt. Exps		34% of common		FOR THE YEAR ENDED 30.06.2014		FOR THE YEAR ENDED 30.06.2013		Pension Mgt. Exps		66% of common		FOR THE YEAR ENDED 30.06.2014		FOR THE YEAR ENDED 30.06.2013	
			Exps		ENDED 30.06.2014	ENDED 30.06.2013	ENDED 30.06.2014	ENDED 30.06.2013	ENDED 30.06.2014	ENDED 30.06.2013	Exps		ENDED 30.06.2014	ENDED 30.06.2013	ENDED 30.06.2014	ENDED 30.06.2013
Pay & Allowance	1,810,668		10,352,731		12,163,399	11,885,824	1,495,464	1,495,464	20,096,478		13,200	21,592,942	19,516,577	33,756,341	31,402,401	
Consultancy Fees	-		6,800		6,800	14,391	29,334	29,334	42,534		110,127	42,534	110,127	49,334	124,518	
Overseas Training	-		1,688,016		1,688,016	1,689,447	-	-	3,276,737		3,156,117	3,276,737	3,156,117	4,964,753	4,855,564	
Canteen Expenses	6,119		92,374		98,493	129,733	40,510	40,510	179,315		240,892	219,825	240,892	318,318	370,625	
Printing & Stationery	4,990		350,760		355,750	281,225	74,123	74,123	680,887		517,986	755,010	517,986	1,110,759	799,211	
Postage	-		54,852		54,852	46,691	-	-	106,477		86,712	106,477	86,712	161,329	133,403	
Telephone Expenses	1,210		191,983		193,192	182,580	28,708	28,708	372,673		335,584	401,380	335,584	594,573	518,164	
Entertainment Expenses	-		198,519		198,519	17,986	-	-	385,361		33,403	385,361	33,403	583,880	51,389	
Rent	-		70,380		70,380	110,040	-	-	136,620		204,360	136,620	204,360	207,000	314,400	
Travelling & Conveyance	15,257		500,462		515,719	613,974	56,677	56,677	971,484		1,100,169	1,028,161	1,100,169	1,543,880	1,714,143	
Advertisement	-		204,053		204,053	170,132	11,900	11,900	396,103		493,810	408,003	493,810	612,057	493,810	
Motor Car Expenses	-		56,819		56,819	53,100	-	-	110,295		98,615	110,295	98,615	167,114	151,716	
Bank Charges	37,500		5,304		42,804	146,084	287,500	287,500	10,296		340,601	297,796	340,601	543,312	543,312	
Rates & Taxes	-		112,148		112,148	237,886	-	-	217,700		441,417	217,700	441,417	329,848	679,103	
Insurance	-		97,586		97,586	127,232	-	-	189,431		236,288	189,431	236,288	287,017	363,520	
Office Furniture Maintenance	-		401,019		401,019	378,060	-	-	778,448		702,110	778,448	702,110	1,179,467	1,080,170	
Seminar / Workshop / Conference	-		528,181		528,181	366,699	-	-	1,025,293		662,442	1,025,293	662,442	1,504,922	1,019,141	
Sitting Fees	-		511,673		511,673	243,671	-	-	993,248		1,348,272	993,248	1,348,272	1,504,922	1,591,943	
IT Expenses / AMC	-		757,585		757,585	548,516	-	-	1,470,606		1,018,673	1,470,606	1,018,673	2,228,190	1,567,189	
Books and Periodicals	-		170		170	12,499	-	-	330		23,212	330	23,212	500	35,710	
Subscription and Donation	-		146,880		146,880	34,382	-	-	285,120		63,853	285,120	63,853	432,000	98,235	
Gifts / Presentations	-		8,889		8,889	2,398	-	-	17,256		4,453	17,256	4,453	26,145	6,850	
Audit fees and Expenses	-		66,932		66,932	68,721	-	-	129,926		127,625	129,926	127,625	196,858	196,347	
Amortization of Deferred Revenue	-		-		-	-	-	-	-		-	-	-	-	-	
Expenses	-		1,440,958		1,440,958	919,357	-	-	2,797,154		1,707,377	2,797,154	1,707,377	4,238,112	2,626,734	
Lease Line rent	-		313,995		313,995	168,970	-	-	609,521		313,801	609,521	313,801	923,516	482,770	
R E Maintenance	-		482,276		482,276	257,257	-	-	936,183		477,764	936,183	477,764	1,418,459	735,021	
Membership Fees	-		88,233		88,233	164,097	-	-	171,277		304,752	171,277	304,752	1,266,851	468,850	
Loss on sale of assets/ derecognition	-		-		-	130,748	-	-	-		242,818	-	242,818	-	373,567	
Write-off	-		-		-	39,017	-	-	-		72,461	-	72,461	-	111,478	
CIB Report	-		265,982		265,982	369,705	-	-	516,318		686,595	516,318	686,595	782,300	1,056,300	
GRAND TOTAL	1,875,744		18,995,561		20,871,304	19,410,223			36,873,736		3,032,556	39,906,292	34,555,357	60,777,596	53,965,580	

Note:

1. Pay & Allowance includes Nu. 1,439,370 Paid to Director (Previous year 1,220,340)
2. Sitting Fees includes Nu. 145,000 paid to Director (Previous year Nu. 73,000)



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

**SIGNIFICANT ACCOUNTING POLICIES FOR THE
YEAR ENDED 30th JUNE 2014.**

Schedule - 20

1. Basis of preparation of Financial Statements:

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

2. Contribution to Pension & Provident Fund:

The 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 commercial banks and their branches up to the end of the financial 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. Allocation of Common Expenses:

Common expenses between the pension and provident fund are allocated on the basis of each fund size at the beginning of the year.

4. Return to Members:

The return on members' account is decided by the National Pension Board and credited to members' account accordingly.

5. Investment:

Equities are stated at cost or market price whichever is lower. In case of equities in listed securities, market value is given as disclosure. Provision is made on diminution in the value of equity shares. The stated values for all interest bearing assets (loans, bonds, deposits etc.) include interest accrued up to the last date of the Financial Year.

6. Fixed Assets:

(a) Fixed assets transferred from Royal Insurance Corporation of Bhutan Limited (erstwhile managers of GEPP) are disclosed at original cost and corresponding accumulated depreciation. Land cost is inclusive of the expenses incurred for land development. The other fixed assets are stated at the historical cost and/or at the cost of procurement/acquisition.

(b) The depreciation on fixed assets is provided in 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.



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- (c) 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.
- (d) Expenditure on ongoing software development is debited to capital work-in-progress. On completion, the expenditure shall be amortized over period of five years.

7. Revenue and its recognition:

- (a) **Interest income from investment:**
Interest income from investment (loan to members, loan/bonds to entities and term deposits) are accounted for on accrual basis on the principal outstanding and at the rate applicable up to the last date of the financial year.
- (b) **Dividend:**
Dividend is recognized when it is declared.

8. Government grants:

- (a) **Capital Grants**
Capital Grant is set off against value of assets procured out of such Grant.
- (b) **Revenue Grants**
The Government grant is treated on cash basis and related expenditures charged against the related grant.

9. Gratuity benefits:

Gratuity liability to employees is provided on accrual basis as per estimates and is funded annually in earmarked account.

10. Provisions:

The provisions on loans other than standard and watch are provided based on the classification and the rates as per the Prudential Regulations prescribed by the Royal Monetary Authority of Bhutan.



Schedule – 21

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

**NOTES FORMING PART OF ACCOUNTS FOR THE
YEAR ENDED 30TH JUNE, 2014**

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 categorized 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. 13,084,529 (Previous Year-Nu.11,889,888) has been shown as Gratuity Investment and Nu.14,003,700 (Previous Year-Nu. 12,414,498) as Gratuity Liability as on 30th June' 2014. Gratuity Investment includes Interest Receivable on Bank Deposits Nu.670,031 (Previous Year – Nu. 616,803)
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. The provision for substandard assets includes Nu. 23.45 million provision for diminution of share value (previous year Nu. 8.50 million)
6. The National Pension & Provident Fund is a tax exempted entity and therefore no estimation of tax liability has been ascertained and accounted for.
7. NPPF has the following commitments as on 30 June 2014 :
 - a. Capital Expenditure of Nu. 5.28 million for Real Estate Development.
 - b. Nu. 19.29 million loans for Druk Doethjung Resort
 - c. Nu.1,878 million for investment in Druk Air bond.



- d. Nu 3.30 million for acquisition of land for Home Ownership Scheme.
8. The loan outstanding against the Board of Directors as on 30th June 2014 amounts to Nu.44.801million (previous year 18.58 million).
 9. Royal Government of Bhutan guaranteed the payment of pension to employees by virtue of adoption of National Pension and Provident Fund Plan Rules & Regulations of the Kingdom of Bhutan 2002 (as amended in 2010).
 10. Return to the members @ 6.85% (previous year 6.60 %) for the year has been decided by the National Pension Board during the 78th Board meeting held on 6th October 2014.
 11. Previous year figures have been regrouped/rearranged wherever necessary.

Signature to Schedules 1 to 21

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

CHAIRPERSON

