



Bhutan Power Corporation Limited

Year of Incorporation : 1st July 2002

Registered Office : Norzin Lam
P.O Box 580
Thimphu, Bhutan

Telephone No. : +975-2-325095

Fax No. : +975-02-322279

Website : www.bpc.com.bt





Vision & Mission

Bhutan Power Corporation, as an entity entirely responsible for transmission, distribution and supply of electricity throughout the kingdom of Bhutan, and recognizing its role in the socio-economic development of the nation, would like to be customer-centric, commercially viable and socially conscious Corporation.

In order to integrate working philosophies of the different departments and units of the corporation, and to work towards a common goal, Mission Statements, covering all the major areas of BPC's business were constructed as follows:

- To be a socially and environmentally conscious leading corporate entity
- To ensure uninterrupted availability of transmission network for evacuation and supply of electricity to domestic and export markets
- To provide adequate, reliable, good quality and affordable electricity in a customer friendly, safe and efficient manner
- To ensure optimal and efficient utilization of resources and improve the financial strength of the corporation
- To build a dynamic corporate culture through a team of professional and productive employees who are motivated, dedicated and well informed
- To undertake power infrastructure expansion programs to improve reliability of supply and achieve electricity for all by 2020
- To provide the best value for goods and services in a consistent, transparent and timely manner
- To be the best public sector company and a role model of corporate governance in the country

Departments

Distribution & Customer Services Department

The Distribution & Customer Services Department

The Distribution & Customer Services Department (DCSD) is responsible for providing adequate, reliable, good quality, safe and affordable electricity in a customer friendly and efficient manner. The DCSD is made up of the following 21 divisions:

- 19 Electricity Services Divisions (ESD) in all dzongkhags except Gasa (Gasa fed from ESD, Punakha)
- Central Maintenance & Training Division (CMTD)
- Urban Electrification Division (UED) and Head Office cells.

The Department operates and maintains all electrical infrastructures at 33 kV level and below. This consists of 2,440 km of MV lines, 2,860 km of LV lines, 1,598 distribution substations, 20 mini-micro-hydels and 32 DG sets. There are 642 personnel in the DCSD covering a total of 67,418 customers. Besides O&M of the electrical infrastructures, the Divisions of the Department are also responsible for all customer services from services release, meter reading, billing, to handling of customer inquiries and complaints.

DCSD also implements improvement and up-gradation projects in urban areas. One such project is the improvement and upgradation works of Phuentsholing city, which is scheduled for completion by June 2007. Similarly, the power supply arrangement to various parts of Thimphu city is constantly upgraded to meet the fast growing load demand.

The Energy Purchases & Sales at the distribution level has gradually increased over the past years and the gap between the purchases and sales has reduced over the years, indicating reduction in the distribution losses.

The distribution losses calculated from the energy purchases and sales is 4.4% for the year 2006 and it was 5.45% in 2005. The customer base of BPC has reached 67,418 in December 2006, from a base of about 50,000 in 2004.



Substation Inauguration

Transmission Department

ROLES AND RESPONSIBILITIES

Transmission Department is mandated to ensure reliable availability of transmission network for evacuation of electricity to domestic and export markets from various generating stations.

The Department also functions as System Coordinator presently and will be the System Operator on establishment of National Load Dispatch Centre.

CONTRIBUTION TO REVENUE

Transmission Department's direct contribution to revenue of BPC is through the wheeling of energy from the generating companies for export to India amounting to over Nu.234 million on an average over the past three years.

In addition, the indirect revenue generation stems from sale of energy to the Distribution & Customer Services Department of BPC, which in turn supplies the same to Customers within Bhutan.

ACHIEVEMENTS

The achievement of the Department are a true reflection of the committed and dedicated efforts of its staff to excel in performance in meeting the

mandate, with Revenue Loss Impact Factor (RLIF) almost maintained at unity over the years.

Parameters	2004	2005	2006
SAIFI	20.57	5.2797	4.417
SAIDI	7.65	5.9384	2.885
RLIF	99.66	99.88	99.99

CURRENT ACTIVITIES

- Dismantling & construction of new Substation at Olakha
- Establishment of National Load Dispatch Centre (NLDC).
- Gearing up for taking over responsibility as System Operator.
- Construction of staff quarters Tintibi, Deothang, Dechhencholing and Gedu substations.
- Planning and Scheduling upgradation of Singhigaon and Semtokha Substations

FUTURE PLANS

- Upgrading existing substations based on rationalized planning.
- Setting up testing laboratory for protection relays, meters and gear.
- Implementation of LIVE maintenance of the transmission lines.



132kV-Kilikhar Sub-station

Development & Construction Department

The main function of the Development & Construction Department (DCD) is to undertake and implement planned major transmission system projects covering transmission lines and associated substations. Once the need and feasibility of the transmission project is established, DCD comes into play and undertakes the projects right from preparation of technical specifications and tender documents till the project is commissioned. Typical activities that are carried out by DCD for any project cover the following:

- Preparation of tender documents including technical specifications
- Tendering process and finalisation of contract award
- Contractor's Design and drawing approvals and clearance
- Construction Supervision and Quality Assurance
- Project Scheduling and monitoring
- Supervision of Commissioning and taking over

Currently, DCD is involved in the following works.

- Establishment of Power supply arrangement for Pasakha Industrial Estate, covering 3 x 63 MVA, 220/66kV Malbase substation, 66kV quadruple circuit from Malbase to Pasakha, 66kV terminal gantry and 66kV underground distribution at Pasakha
- Extension of power supply to Tsirang and Dagana covering 220kV Rurichhu Tsirang transmission line, 2 x 5 MVA 66/33kV substation at Tsirang, 33kV d/c line from Tsirang to Dagana and substation at Dagana
- 132kV Deothang – Rangia Transmission System
- 132kV and 66kV transmission system for Trongsa and Bumthang

All these projects, except the Trongsa and Bumthang line, would be completed in 2007.



Procurement Services Department

The mandate of the department is to procure the best value of goods and services in a timely, consistent and transparent manner.

PSD coordinates the major procurement of BPC and also manages the regional stores.

For effective and efficient Materials Management, PSD has initiated the Inventory Management System (IMS) and Micro Stores System (MSS). The IMS shall be installed in all the Regional Stores and the MSS in all Divisional and field units. After the full implementation of the IMS and MSS in BPC, the procurement, stores and inventory management would be fully computerized.

For Check and Balance, PSD is also coordinating the Reconciliation and Physical Verification of various Project Funded Works and O&M materials of all the Divisions/Units.



Central stores, Phuentsholing

Rural Electrification Department

The Rural Electrification Department (RED) is responsible for construction of medium voltage (MV) and low voltage (LV) lines, substations and provision of service connections to customers in rural areas. The mandate of the RED is to undertake distribution infrastructure expansion programs and work towards achieving the Royal Government's goal of "Electricity for All by the year 2020".

In the 9th Five Year Plan, 15,000 Households are targeted for electrification. The major source of funds for Rural Electrification Program is from the Asian Development Bank. RED also implements RE projects from grants from the Sustainable Development Agreement (SDA, Netherlands) and Austrian Coordination Bureau (ACB, Austria). In addition to these, the Royal Government of Bhutan also provides some funds for Rural Electrification.

At present, the RED has three Section Offices to supervise and monitor projects, which are mainly on contracts, and are scattered all over the country. The section offices under the RED are:

1. Distribution Construction Section-East (DCS-East), Trashigang
2. Distribution Construction Section-West (DCS-West), Thimphu
3. Distribution Construction Section-Central (DCS-Central), Gelephu.



Transporting Conductor for 132kV-Gyelpozhing-Nangkhor line

Finance and Accounts Department

The endeavor of the Finance and Accounts Department is to make the Corporation a self sustainable and profitable entity. Therefore, optimal and efficient use of resources; appropriate management control system; relevant budgeting mechanisms; and proper check and balance in the internal system are the important job aspect of the department.

The Department is further entrusted with the management of the corporate fund and asset in an efficient and effective manner.

At the operational level, the Department is mandated to ensure transparency in all its financial dealings; be accountable for all its financial transaction; and to build professionalism and team sprit for efficient and effective operation.



FAD Personnel

Human Resource & Administration Department

People in BPC are a friendly bunch, highly motivated with a driving ambition to be the best in whatever they do. They are with a zest for life that is reflected in all they do. Most of all, they make BPC a fun place to work for themselves and for their colleagues. People management practices to create this environment, distinguish BPC among other corporations. The policies enable all BPC employees to excel and innovate in what we do for our customers and in what we stand for as a corporation. During the year 2006, BPC recruited new employees from engineering, accounting, finance, and other academic backgrounds. At the same time, some employees either resigned or superannuated from the organization. BPC has a total of 1384 employees.

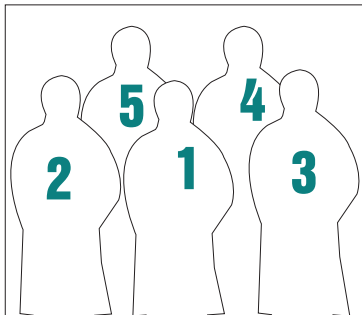
The organizational culture of BPC emphasizes learning and everyone in BPC is motivated to excel in their individual capacities and as team players. A culture that emphasizes performance, teamwork, leadership and social consciousness coupled with a strong training and performance management system are the hallmark of BPC. From the time of its inception, BPC has taken Corporate Governance seriously. Corporate Governance and social responsibility forms a part of the Vision and Mission of BPC. The company has completed or initiated many new initiatives to fulfill the compliance need as per the GG plus document. Most of the articles under the Section V – Good Governance that are relevant to a public corporation, have already been addressed.

An Internal Audit Cell has been created within the company. Proper monitoring and evaluating systems mainly through automation are already underway. A legal unit will soon be instituted. The Service Manual, Financial Manual and the Inventory Manuals are being re-done in keeping with changes facing the company, lessons learnt from experiences and adopting best business practices, both locally and globally.



BPC Management Retreat at Paro

Board of Directors



1 H. E. Lyonpo Yeshey Zimba
Hon'ble Tengye Lyonpo
Chairman

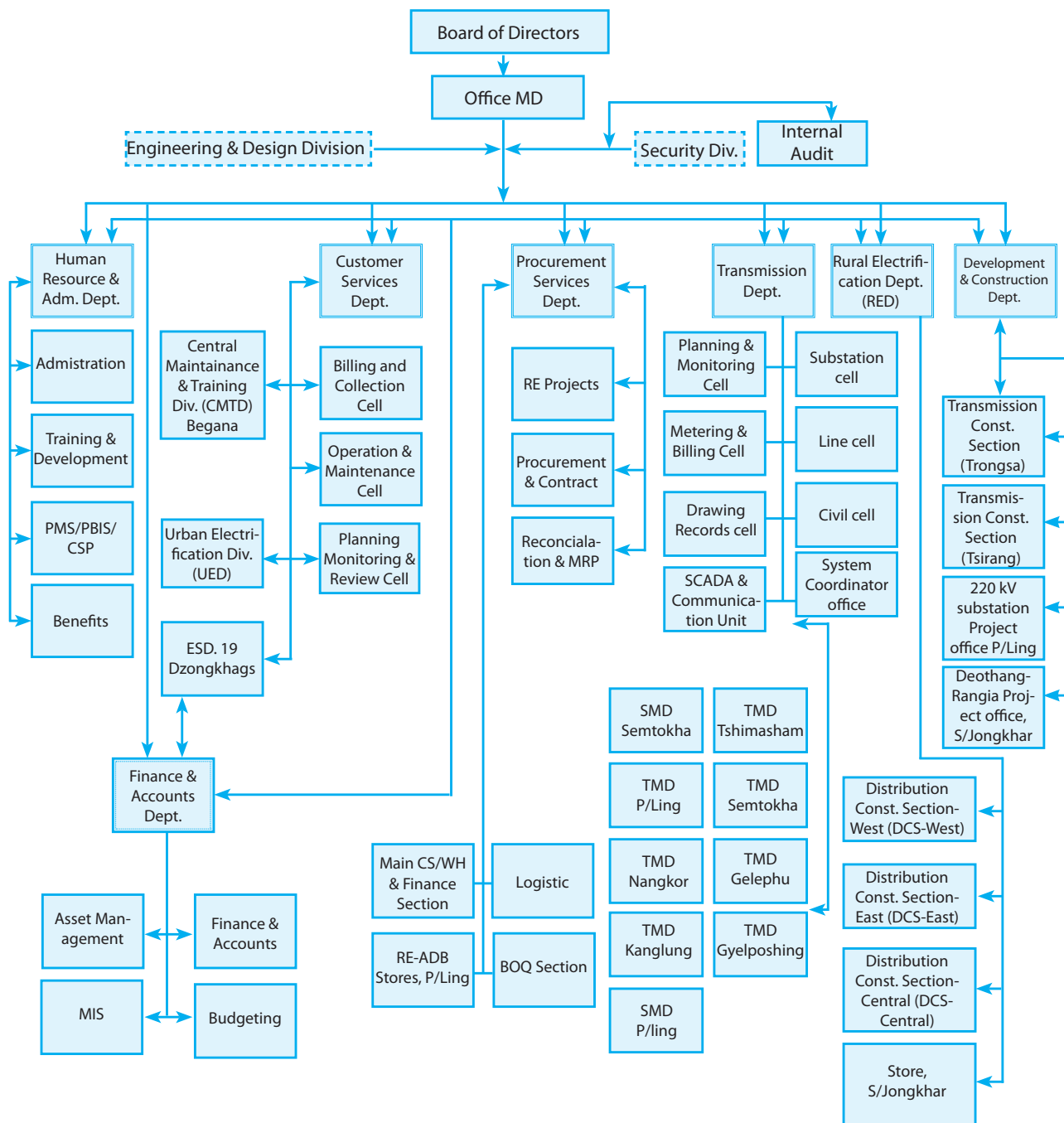
2 Dashi Sonam Tshering
Director General
Department of Energy
Director

3 Sonam Wangchuk
Director General
Department of Debt & Aid
Management
Director

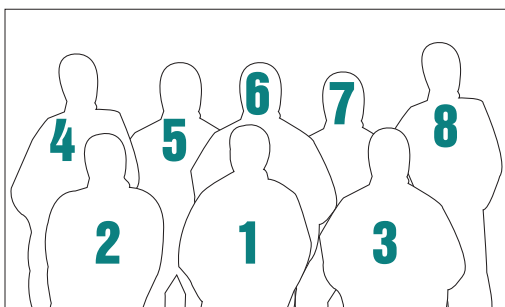
4 Yeshey Wangdi
Managing Director
Chhuka Hydro Power Corporation Ltd
Director

5 Chhewang Rinzin
Managing Director
Bhutan Power Corporation Ltd
Director/Member Secretary

Organogram



Management Team



1 Chhewang Rinzin, Managing Director

2 Gem Tshering, General Manager
Development & Construction Department

3 K.B. Wakhley, General Manager
Transmission Department

4 Nim Dorji, Sr. Manager
Procurement Services Department

5 Sonam Tobjee, General Manager
Finance & Accounts Department

6 Kinlay Dorjee, Sr. Manager
Distribution & Customer Services
Department

7 Gyeltshen Wangdi, General Manager
Rural Electrification Department

8 Namgye Penjore, Sr. Manager
Human Resource & Administration

Directors' Report

Directors' Report on the Performance of Bhutan Power Corporation Limited (1st January-31st December, 2006)

INTRODUCTION

The Board of Directors is pleased to present this report on the performance of the Bhutan Power Corporation Limited for the period 1st January 2006-31st December

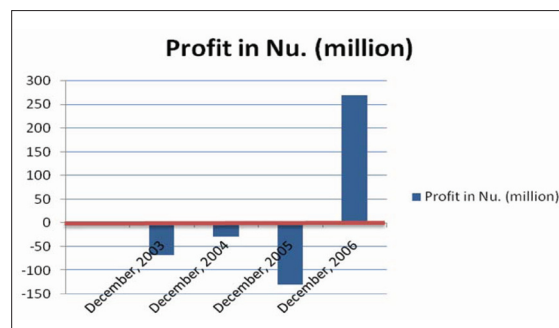


2006 including overviews of the audited accounts and financial statements, operation and maintenance, expansion programs and management initiatives.

This is the fourth year since corporatization of the company. It is the first year that the company has shown a profit from its operations. The profitability of the company since its incorporation is shown below :

Financial Year Ending:	Profit (Nu. million)
December 2003	-68.103
December 2004	-27.785
December 2005	-129.971
December 2006	269.139

BPC was created as a commercial entity but with extensive social mandates of the government especially in the rural electrification component of its many activities. Its business is also highly regulated as the sole agency for transmitting and distributing electricity in Bhutan. Under these circumstances, it is indeed remarkable that the company has become profitable so soon after its incorporation. BPC has also implemented a number of innovative initiatives which has enabled BPC to become a role model in corporate governance



in the country. During the year, BPC was also able to start most of its major projects of grid extension and complete many of its rural electrification projects. Both financially and operationally, the achievements during the year are highly commendable.

Directors' Report

AUDIT AND ACCOUNTS

The Accounts of BPC for the period 1st January to 31st December 2006 was audited by the Statutory Auditors of the Corporation, M/s N.C. Mitra & Company of Kolkata. Compared to the 2005 financial results, BPC has been able to achieve significant operational and financial improvements.

The electricity revenues grew by 20% to Nu. 797.455 million. The total sales of energy during the year was 661 million units (MU) as compared to 619 MU in 2005. Part of the increase in revenue was also due to the average increase of 12.2% in electricity tariff that be-

to 1,777 MU wheeled in 2005. Overall, there was a revenue growth of 22% as compared to 8% growth in 2005 with total revenues of Nu. 1,131.512 million.

While BPC saw major increases in revenues, the overall expenses decreased by 12% as compared to the 2005 expenses. The reduction in expenses was to a certain extent attributable to the capitalization of O&M expenses of the construction departments and units amounting to Nu. 39.564 million as part of the project overhead costs. Furthermore, there were no major losses from impairment of assets during 2006 as compared to the 2005 losses of Nu. 67 million. Other expenses remained almost the same except for the increase in the finance

The abridged profit and loss statement for the year 2006 as compared to 2005 is given in the table below:

PARTICULARS	FOR THE YEAR ENDED 31.12.2006	FOR THE YEAR ENDED 31.12.2005
INCOME	AMOUNT IN MILLION Nu.	AMOUNT IN MILLION Nu.
Electricity Revenue	1,050.786	874.067
Other Revenue	80.726	53.818
Total revenue	1,131.512	927.885
EXPENDITURE		
Purchase of Power	218.272	225.289
Other expenditure	407.724	416.455
Loss due to impairment of asset	-	67.433
Profit before Depreciation	505.516	218.708
Depreciation for the period	236.377	348.678
Profit/ (Loss) for the Year	269.139	(129.970)
Balance carried forward	(225.859)	(95.889)
Balance carried to Balance Sheet	43.279	(225.859)

came effective 1st July 2006. The internal generation of power from BPC-owned micro and mini hydropower stations and diesel generating sets also increased to 21.54 MU from 18 MU in 2005. BPC further earned Nu. 253 million as wheeling revenues for the 2,027 MU wheeled for export to India during 2006 as compared

charges mainly on account of the payment of interest on RE-I loan becoming due on completion of the grace period. RE-II and RE-III loans are still in the grace period. Total expenditure during 2006 was Nu. 625.997 million.

Directors' Report

BPC earned a profit of Nu. 505.516 million before depreciation which is an increase of 131% as compared to 2005. Profit after depreciation was Nu. 269.139 million. After adjusting the accumulated losses of Nu. 225.859 from the past three years, BPC has a retained profit of Nu. 43.279 million.

In keeping with the nature of the services offered, the financial performance of major business functions is as below :



During the year, BPC incurred capital expenditures of Nu. 1,007 million of which Nu. 363.843 million was capitalized. The balance amount of Nu. 643 million are still under capital works in progress. BPC also transferred the 220 kV Rurichhu Substation to Basochhu Hydro Power Corporation Limited. The net book value of the substation transfer was Nu. 308 million.

The cash inflow in 2006 from its operations increased substantially to Nu. 584.760 million from Nu. 69.445 million in 2005. However, the net cash inflow for the year decreased by Nu. 46 million largely on account of the large capital expenses towards its expansion programs. Even with the decrease in net cash inflow, adequate cash reserves are available to meet its operation and maintenance expenses, to service its debts, and to take care of the current liabilities and obligations of the capital works commitments during 2007.

Considering the profits and excellent cash flow situation, BPC is financially in a very sound situation. With increasing customers and consumption of electricity, revenues are expected to grow while with the initiatives taken to deliver its services more efficiently and effec-

Line of Business	Generation	Transmission	Distribution	Others	Total
REVENUE	0.000	242.281	878.083	11.148	1,131.512
EXPENDITURES	41.545	135.416	234.734	214.302	625.997
PROFIT	(41.545)	106.865	643.349	(203.153)	505.516

There was a substantial decrease in the depreciation expenses of Nu. 236.377 million in 2006 on account of change in the accounting policy. Depreciation for 2006 was based on the economic life of the assets unlike previous years when accelerated income tax rates were used. The depreciation differential of Nu. 136.841 million due to the change in depreciation rates would have reduced the profit after depreciation to Nu. 132.298 million.

tively, expenditures are not expected to grow at the same rates as revenues. BPC's financial performance is therefore posed to improve on a yearly basis albeit the requirement for huge injection of investments into the extensive expansion plans in both the transmission and the distribution systems. A major contributor to the performance of the company was the introduction of the Performance Based Incentive System (PBIS) in 2006.

Directors' Report

PERFORMANCE BASED MANAGEMENT

The Performance Based Incentive System was introduced to link incentives to performance against set targets so as to improve the productivity of its employees and to better manage its resources. In the first year, BPC set its targets on critical areas to become profitable, to improve reliability of supply, to reduce commercial and technical losses in the transmission and distribution systems, to control current expenditures, and to ensure safety including a number of other targets depending on the line of business.

The performance and achievements for the year have been assessed. The company has achieved almost all

was the control exercised on the current expenditure. While current expenses in the earlier years overshot the budget, there has been marked improvement in controlling the same during 2006, as detailed below :

Year	2002-2003 (18 months)	2004	2005	2006
Sanctioned (in million Nu.)	324	291	281	372
Expenditure (in million Nu.)	356	313	317	333
Variation (%)	10%	8%	13%	(-) 10%

There were also notable improvements in the system performance in terms of the system losses, reliability, collection efficiency of revenues, and utilization of capital budget works as shown below :

YEAR	2002-03	2004	2005	2006
Global Losses in the system	3.03%	4.56%	4.73%	2.85%
RELIABILITY				
SAIFI (interruptions/customer/year)			38.8	14.4
SAIDI (hrs of interruption/customer/yr)			25.0	23.1
COLLECTION EFFICIENCY				
Billed (in million of Nu.)		582.6	652.0	797.0
Outstanding (in million of Nu.)		60.2%	24.8	21.0%
Efficiency		89.66%	96.2%	97.4%
CAPITAL WORKS				
Budget (in million of Nu.)		1,040	2,168	1,404
Expenditure (in million of Nu.)		504	601	1,007
% Utilization		48.5%	27.7%	71.7%

of the targets and in some cases exceeded the targets. Within three years of its formation, the company came out of the red and made a profit of Nu. 269 million. Even after accounting for effects of using economic rate of depreciation, capitalization of operating costs of departments involved directly in construction, and setting aside the positive impact of increased wheeling revenue due to Tala generation, the profit for 2006 was Nu. 67 million against the target of Nu. 62 million. A major contributing factor to the financial performance

The reduced losses resulted in higher revenues. Improved collection efficiency brought in better cash flows. Similarly the improved utilization of budgeted funds is an indicator of the Corporation's judicious planning and control over the implementation of the many capital intensive projects that are currently being undertaken.

BPC has also become more safety-conscious with no fatal accidents reported during 2006. Customer satis-

Directors' Report

faction levels have improved with BPC introducing a number of initiatives to be more customer-centric in accordance with the visions for the company. These improvements have been achieved without increasing overall manpower strength.



The PBIS complements the Performance Management System, which is used to evaluate performance of individuals. With the success achieved during 2006, the PBIS targets for 2007 are being made more relevant and stringent to ensure that the company continues to properly operate and maintain its infrastructure, and uses its resources optimally.

OPERATION AND MAINTENANCE

BPC has increased its maintenance and up-gradation works at both transmission and distribution levels, mainly due to the fast economic growth in housing and industries around the country. Transmission and distribution account for most of the employees and activities within the company. Maintenance works are being continuously carried out and the high reliability in the supply of electricity achieved during 2006 is reflective of timely maintenance of the various electrical and civil infrastructures.

At the transmission level, numerous up-gradations and retrofitting works at various power substations were carried out. Infrastructure improvement works such as construction of breast walls in the Kilikhar–Lhuentse 132 kV transmission line section, construction of protection works (retaining/breast walls) in the Gelephu–Panbang 132 kV transmission line section, and maintenance works of civil infrastructure such as buildings have been undertaken. The upgradation of the Singyeg-aon substation was completed to meet the additional demand of power from the existing power intensive industries in the area. A plan was also finalized for the upgradation of the Simtokha–Olakha substation system to cater to the fast growth in demand in the Thimphu valley, and is now being implemented.

At the distribution level, apart from the regular maintenance works, vital up-gradation and system improvement works have been initiated in the major urban areas to improve the reliability of power supply. Following the 2004 floods, the Chenari power had been under shutdown. The power house has been partially brought back into operation. To provide better distribution reliability and good aesthetics, unitized/package secondary substations have been introduced in the Thimphu and Phuentsholing distribution systems. BPC intends to continue to introduce unitized substations in most of the urban centers.

To better plan and manage upgradation of the systems in urban areas which are growing very fast, a study was undertaken to plan and prepare Urban Electrification Master Plans for 19 Dzongkhags (excluding Gasa). This covers the long term plans in the urban areas including the investments for the period upto 2020.

BPC has also taken other distribution level initiatives to improve the distribution facilities and to improve the customer services. The implementation of Spot Billing in Thimphu has stabilized after teething problems both in software as well as hardware. The spot billing

Directors' Report

system will be rolled out to Phuentsholing from 2007. The plans for the implementation of the 'No Supply Call Center' in Thimphu to improve customer services has been finalized. This will be implemented during 2007. The computer generated complaint attendance mechanism will ensure prompt services to the customers.

In order to effectively utilize the manpower and to reduce costs, the initiative to multi-task has also been finalized. The non-core activities of the supply units will be de-centralized to Services Centers to be established in the rural areas with a minimum number of households. With this BPC can avoid further recruitment of new employees to meet the ever growing need for additional staff for the fast expanding distribution systems especially with the successful implementation of the Rural Electrification projects.

EXPANSION PROGRAMS

BPC continues to give priority to expand its transmission network system to connect the whole country to the existing grids. Upon completion of the current expansion programs, every Dzongkhag would be connected to the grid and Bhutan would have a reliable transmission backbone system.

The major problem of energy shortage and load shedding that the people of Trongsa and Bumthang have been facing would be alleviated with the completion of the construction of Tintibi-Trongsa-Bumthang transmission system. The project is being funded through a grant of Nu. 617 million from Government of India. Central Electricity Authority are the consultant for the project. The construction works of the 132 kV Tintibi-Yurmoo and 66 kV Yurmoo-Bumthang transmission lines are being taken up by joint venture of M/s Utkal Galvanisers (Bhubaneswar), M/s Bhutan Engineering Company Pvt. Ltd. & Partners. The construction of 33 kV substations at Yurmoo, Trongsa, and Bumthang along with staff quarters, and the 33 kV tower trans-



mission line from Yurmoo to Trongsa is being taken up by the POWERGRID Corporation of India. All activities have started. The Tintibi-Trongsa-Bumthang transmission system is scheduled to be completed within May 2008.

BPC has also started work on the Rurichhu-Tsirang-Dagana transmission system that will reach grid power supply to Tsirang and Dagana Dzongkhags and extend the western grid towards the eastern grid at a total cost of Nu. 801 million. Tata Consulting Engineers are the consultants for the project. The infrastructure works at Tsirang and Dagana are being taken up by M/s Gaseb Construction Company. The substation works at Tsirang and Dagana are being taken up by a joint venture of M/s Areva T&D and Bhutan Engineering Company. The Rurichhu-Tsirang transmission line work was awarded to a joint venture of Utkal Galvanisers and Bhutan Engineering Company & Partners. A 33 kV double circuit line is being constructed between Tsirang and Dagana instead of the earlier envisaged 66 kV transmission line due to the up-coming Dagachhu Hydroelectric Project which will require a 220 kV system to evacuate its power generation. This Rurichhu-Tsirang-Dagana transmission system is scheduled for completion by the end of 2007.

Directors' Report

The construction of 132 kV transmission line from Deothang in Bhutan to Rangia in India along with bay extensions is being financed through a grant of Nu. 312 million from the GOI. The work has been awarded to POWERGRID for construction on turnkey basis. The Bhutan section of the transmission line has already been completed and charged. The works of Indian section of transmission line with the bay extensions are expected to be completed within the first half of 2007.



After the completion of the above works, the remaining major works in transmission system would be the 220 kV Tsirang-Gelephu and Tsirang-Dagana transmission lines. The preliminary survey and environmental impact assessment studies have been completed. Once these lines are completed by the end of 2009, the eastern and western grids would form one grid for the whole country. This will ensure better reliability of Bhutan's power supply system and meet power requirements for the Dungsum Cement Project and the Gelephu Industrial Estate. BPC has also started the feasibility study for reaching a 220 kV transmission line to the proposed Samtse Industrial Estate.

Another major project that BPC is taking up is the development of the power infrastructures required for the upcoming industries at Pasakha at a total estimated cost of Nu. 532 million. The consultant for the project is

POWERGRID. The construction of Malbase 220/66/11 kV substation is being taken up M/s Larsen & Tourbo (L&T). M/s L&T is also taking up the construction of the distribution network of the 66 kV system in the Pasakha Industrial Estate with M/s Lhojong Construction Company undertaking the civil works. The 66 kV quadruple circuit transmission line from Malbase to Pasakha is being taken up by M/s Utkal Galvanizers and CEA is scrutinizing the designs and drawings. BPC is sourcing the 66 kV underground cables departmentally from the Phillipines. The construction works are progressing in keeping with the schedules for the Pasakha industries. It is scheduled that all components of the project will be completed by the middle of 2007.

BPC has also started work on its new Corporate Head Office Building in Thimphu and is due for completion by end of 2008. Consultancy services for the establishment of the National Load Dispatch Center in the Corporate Building has been signed with POWERGRID. The state of the art NLDC will house the System Operator for managing the generation, transmission, and distribution in the most efficient, reliable and cost effective manner for domestic power supply as well as for export management. The total investment towards the Corporate Building and the NLDC is estimated at Nu. 400 million.

The upgradation of the electricity supply system for Phuentsholing and Samtse at a cost of Nu. 365 million are almost completed. The old Phuentsholing system is being upgraded with most of the systems in the main city area being put underground. The problem of erratic power supply at Samtse will be alleviated once the 33 kV system from Gomtu is charged.

In the Rural Electrification drive of BPC, a total 13,284 households have so far been provided with electricity as part of the 9th Five Year Plan targets at a total cost of Nu. 983.941 million received for RE through grants and loans. ADB RE-III will be completed by 31st March

Directors' Report

2007 and RE SDA-II will be completed by 30th June 2007. ACB-IV RE was completed in December 2006. The Rural Electrification is indeed one of the most successful of all the development programs in Nation. It has been possible through a well established procurement system within BPC for materials and through the participation of local contractors for the actual field implementation.

Most of the 9th Five Year Plan projects would be completed within the plan period itself. With some of the bigger projects like the Tintibi-Trongsa-Bumthang transmission system, there has been some initial delays. However, funding has now been arranged for all these projects. BPC will be completing these important transmission system expansion projects within the extended 9th Five Year Plan.

HUMAN RESOURCE DEVELOPMENT

Importance continues to be given to the growth and development of its employees. During the year, BPC recruited new employees from engineering, accounting, finance, and other academic backgrounds. At the same time, many employees either resigned or superannuated from BPC. The total strength of BPC at the end of 2006 was 1384. Long term and short term trainings for its employees to fill the knowledge, skill, and competency gap in the company have been undertaken on a regular basis both in-country and outside. 6129 man-days of training were imparted to the employees as compared to 5157 man-days trainings in 2005. This constitutes an average of 4.42 man-days training per employee.

Many changes and initiatives were introduced in the human resources administration and management during the year. The annual increments of the employees were for the first time based on their performance in keeping with the Performance Management System and not as a pre-approved increment as was the earlier practice.



The PMS which was first introduced in 2004 is therefore now fully functional. A Human Resource Management and Information System (HRMIS) has been put in place to better manage and improve the efficiency in the human resources administration. The PBIS system has also been fully implemented with achievements vis-à-vis the targets becoming the means for incentive pay-outs.

A number of the vacant Heads of Department positions have been filled but attracting and retaining skilled and qualified people at both managerial and technical positions continues to be a major challenge. The Corporate Strategy Plan and the Service Manual were reviewed, and are expected to be approved during 2007. Every attempt continues to be made to make the working environment and remunerations attractive so that BPC can attract and retain competent employees.

OTHER MANAGEMENT INITIATIVES

Capacity Building for BPC

A Technical Assistance from the Asian Development Bank called “ADB TA 4599 – Capacity Building for Bhu-

Directors' Report

tan Power Corporation Ltd” has been completed and many of the key recommendations such as lines of business reporting, process documentation, etc. have already been implemented. A spreadsheet based Corporate Planning Model has been developed and BPC is earnestly updating and using it for planning, reporting and simulation purposes. With some fund balance from the TA, BPC purchased Microsoft Navision which is mid-size Enterprise Resource Planning (ERP) software. The Inventory Management System and the Business Analytic Module (MIS) of the Navision System is being currently customized for BPC's needs and would be used to resolve many of the longstanding problems with inventory and material management. A Micro Stores System (MSS) has also been developed in-house. The IMS system would be installed in the bigger stores such as the Central Store and RE Stores and the MSS in all the divisional and unit stores. This would be linked together currently through FTP systems so that BPC would have timely access and control over the inventory and materials all over the country. The MIS (Management Information System) from the Navision would give timely updates and information to BPC management on the Key Performance Indicators. This would expedite and also streamline the planning process of the company. Other management initiatives are the drafting of the Financial Manual, and Inventory Manual which should be completed in 2007.

Engineering and Design Division (EDD)

In order for BPC to build its in-house engineering and design capacity, Engineering and Design Division has been created in BPC. This division is mainly responsible for the engineering works such as design and construction standards, safety manuals, setting of standards both for O&M and construction. The division also looks after long term study of load forecast, identification of load centers for new substation, etc. The division is also entrusted with conducting pre-feasibility stud-

ies for identified major transmission and substation works and it is envisaged that they would gradually conduct the detailed feasibility studies including detailed survey/ soil investigation, etc. The division is also responsible for checking the technical and contractual specification of all contract documents before it is floated to the public.

The IT Cell has also been placed under the EDD. The IT Cell would carry out the regular IT system maintenance and up-gradation works, maintain the servers for various application within the company including the mail and web server. IT cell is also asked to ensure the compatibility and synergy between the many new and old systems that are being implemented in BPC.

Capacity Building of local Bhutanese Contractors

BPC is also working towards developing the capacity of the local Bhutanese Construction firms by making it mandatory for all contractors participating in the contract works of BPC to have a local Bhutanese Construction firm as a partner. In the RE contract works, only local Bhutanese Construction firms are allowed to participate in the works. This is being done to build a sustainable support for construction works from the private sector of the country. Realizing that presently, there is low capacity amongst the local contractors, BPC is doing whatever possible to help enable the contractors to develop further. This is being done through regular monitoring of sites to ensure the people (skilled and unskilled) of the Bhutanese firms are working alongside their foreign partners; releasing of fund for works done by Bhutanese firms directly to them and also deputing BPC engineers to work with the company when necessary.

Directors' Report

CORPORATE GOVERNANCE

BPC, from the time of its inception, has taken Corporate Governance seriously. Corporate Governance and social responsibility forms a part of the Vision and Mission of BPC. BPC has completed or initiated many new initiatives to fulfill the compliance need as per the GG plus document. Most of the articles under the Section V – Good Governance that are relevant to a public corporation such as BPC, have already been addressed. An Internal Audit Cell has been created within the company, proper monitoring and evaluating systems mainly through automation are already underway. The Service Manual, Financial Manuals and the Inventory Manuals are being re-done in keeping with changes facing the company, lessons learnt from experiences and adopting best business practices, both locally and globally.

BPC is also supporting various not-for-profit organizations through financial means and BPC's services. By the very nature of BPC's business and mandate, it is inevitable that BPC has to construct its towers around the country. Nevertheless, every care and precaution is being taken to respect right of way (ROW) laws; compliance with environmental laws and regulations; avoiding private properties as far as possible; and public awareness campaign are conducted and public buy-in towards BPC's projects are being sought.

BPC is also undertaking public awareness programs for the use of electricity, safety issues, and generally the supply rules for electricity with the general public at every opportunity. In keeping with the government policy of poverty reduction and to improve the living standards of the people of Bhutan, BPC continues to support lower tariffs and lifeline electricity tariffs for the low voltage consumers.

ACKNOWLEDGEMENT


The Board of Directors congratulates the BPC management and staff on its major turnaround in 2006. This is due to the commitment and hard work of all the employees in the company. The Board also takes pride first in the initiation of the PBIS which is a first time in the country amongst the government owned corporations and secondly in the very successful achievement of the targets laid out in the PBIS 2006.

The Board is very happy to be part of the new management and IT initiatives taking place in BPC and pledge its support to the various endeavors of the company to become a leading Corporate Body not only in the country but in the South Asian Region as well.

We are also very happy with the dynamic leadership and management of the Managing Director and his management team. BPC's growth has a great multiplying effect on the country's economy and social developments therefore, when we, the Board, BPC management and all the employees of BPC, work towards the betterment and growth of BPC is in effect contributing to the growth of the Nation. The year 2007 promises greater growth and exciting projects and new initiatives and the Board is confident that BPC would continue to surpass its own achievements and every year would be a year of success and growth.

Tashi Delek!

For and on behalf of the Board



Yeshey Zimba
(Chairman)

Auditors' Report

TO THE MEMBERS OF BHUTAN POWER CORPORATION LIMITED

1. We have audited the attached Balance Sheet of M/s Bhutan Power Corporation Limited as at 31st December, 2006 and the related Profit & Loss Account and Cash Flow statement of the Corporation for the year ended on that date annexed thereto all of which we have signed under reference to this report. These



financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the generally accepted auditing standards and in keeping with the "General Terms of Reference and Minimum Audit Examination and Reporting Requirements" issued by the Royal Audit Authority, as given in Schedule XIV of the Companies Act of The Kingdom of Bhutan, 2000.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Section II schedule XIV thereto (the Minimum Audit Examination and reporting requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.

4. We report that:

4.1 Our examination was made in accordance with the generally accepted accounting standards and accordingly included such tests of accounting records and such other auditing procedures as we considered appropriate for the purpose of our audit.

4.2 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

4.3 In our opinion proper books of account as required by law have been kept by the Corporation so far as appears from our examination of the books.

4.4 The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt within this report have

Auditors' Report

been prepared on the basis of generally accepted accounting principles and that the financial statements are in agreement with the books of account.

4.5 Registrations of immovable assets (land) taken over from Department Of Power, Chukha Hydro Power Corporation and Kurichu Hydro Power Corporation are pending.

4.6 The Corporation has adopted new rates of depreciation on the basis of management estimates regarding economic lives of the respective assets with effect from this year. Such rates are less than the maximum permissible rates prescribed in the Income Tax Act of the Kingdom of Bhutan. Consequential contribution to increase in profitability comes to Nu. 136,840,947.00.

4.7 Financial Impact which may arise out of non reconciliation/non confirmation in respect of Security Deposit is not readily ascertainable.

4.8 Paid-up Equity Share Capital of the Corporation has been reduced by transferring Assets worth Nu. 307,221,277 to Basochhu Project pending compliance of the provision of Section 10 of the Companies Act of the Kingdom of Bhutan, 2000.

4.9 Indirect Expenditure incurred in the projects amounting to Nu. 39,563,876 have been capitalized

during the year. Such expenditures were considered as revenue expenditures up to the previous year.

5 In our opinion and to the best of our information and according to the explanations given to us and subject to our comments in the annexure as referred to in Para 3 and in Para 4.5, 4.6 , 4.7, 4.8 and 4.9 the said accounts together with schedules, significant accounting policies and notes on accounts give the information as required by the Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and give a true and fair view:-

- a) In the case of Balance Sheet, of the state of affairs as at 31st December 2006 and
- b) In the case of Profit and Loss Account of the Corporation's profit for the year ended on that date and
- c) In the case of the Cash Flow Statement, of the movement of cash during the year ended on that date.

March 27, 2007
Place: Kolkata.

For N.C.Mitra & Co.
Chartered Accountants




(U.K.Basu)
Partner

Annexure

ANNEXURE REFERRED TO OUR AUDIT REPORT OF EVEN DATE

- 1.1 The Corporation has maintained proper records to show the full particulars including quantitative details of the fixed assets.

However, the codification of fixed assets has not been given in the fixed assets register.

The management has not carried out physical verification of fixed assets in 2006. Such physical verification has been conducted in 2004.

- 1.2 None of the fixed assets have been revalued during the year.

- 1.3 The physical verification of stores and spares at Central Stores and R.E Stores, Phuentsholing were conducted twice in the year.

However, independent physical verification of stores and spares in other units have not been conducted throughout the year.

As the Corporation is engaged in transmission and distribution of electricity, the question of physical verification of finished goods and raw materials does not arise.

- 1.4 In our opinion and according to information and explanation given to us, the procedures of physical verification of stock followed by the management should be improved to reach the level of adequacy in relation to the size of the Corporation and the nature of its business.

Stores at all the units should be physically verified at periodic interval.

- 1.5 The discrepancies noticed in physical verification of stocks as compared to book records have been adjusted in the books of account.

- 1.6 On the basis of our examination of stock records, we are of the opinion that the valuation of the stock is fair and proper and in accordance with the normally accepted accounting principles and as per the policy of the Corporation except for the fact that provision requirement based on slow & non-moving items for the year has not been ascertained in every unit (except at Central Stores at P'ling).

The basis of valuation of stock is same as in the preceding year.

- 1.7 The Corporation has taken unsecured loans from the Royal Government of Bhutan and the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Corporation.

The Corporation has not taken any loan from any Companies under the same management.

- 1.8 The Corporation has not granted any loans, secured or unsecured to any other companies, firms or other parties and/or to the companies under the same management.



Annexure

- 1.9 The Corporation, wherever it has given any loan and advances to its staff or other parties against purchases orders/Work orders has generally ensured that repayments/ adjustments are made promptly and as per the stipulations.
- 1.10 The loans/advances granted by the Corporation to officers/staff are in keeping with the provisions of its service rules. We have not come across instances of excessive/frequent advances or any accumulation of large advances against particular individual.
- 1.11 In our opinion and according to information and explanation given to us during the course of our audit, the Corporation needs to strengthen its internal controls and systems in respect of Material Management, storage and billing. We also recommend that the bugs in the present IT module need to be reviewed for taking corrective actions. As explained to us management has taken appropriate measures in this regard.
- 1.12 There is a system of competitive bidding commensurate with the size of the Corporation and nature of its business, for the purchase of goods and services including stores, raw materials, plant and machinery, equipment and other assets.

The Corporation is engaged in transmission and distribution of electricity and purchase and sales of electricity is regulated by the Bhutan Electricity Authority.

- 1.13 There are no transactions for purchases and sales of goods and services made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with companies or firms in which the director(s) are directly or indirectly interested. The Directors of the Corporation are all Government nominees and there may or may not be transactions with other government companies but in our opinion such transactions are not prejudicial to the interest of the Corporation.
- 1.14 The damaged items have been identified and auctioned off during the year. No further provision is required.
- 1.15 As the Corporation is mainly engaged in transmission and distribution of electricity, this clause is not applicable.

With regard to stores items, transformers and other project items directly procured, the Corporation does not have any insurance policies for handling/transit losses.

- 1.16 The Corporation is engaged in transmission and distribution of electricity, and so there is no question of breakage/loss in transit to its raw materials, finished goods and packing materials. However, reasonable records of energy received and energy distributed are maintained by the Corporation.
- 1.17 The Corporation does not properly maintain scrap register to record sale and disposal of scraps. However, scraps and unserviceable items as disclosed by the Units were reported to the Board for approval of disposal and accordingly, based on Board's approval, they were auctioned at Phuntsholing.
- 1.18 According to the records of the Corporation examined by us and according to the information and explanations given to us, in our opinion, the corporation is generally regular depositing its provident fund, salary tax and health tax, contract tax, Bhutan sales tax dues with the appropriate authorities except in certain units where delays were observed, like:-



Annexure

a) Electricity Service Division, (ESD), Thimpu:-

b) Central Maintenance and Training Divisions (CMTD), Begana:-

c) Transmission Division (TD), Gelephu :-

The Corporation was not required to pay / deposit or provide for in its books for corporate tax, in view of losses incurred over past few years.

- 1.19 There was no undisputed amount payable in respect of tax deducted at source.
- 1.20 According to the information and explanations given to us, and on the basis of our checking of the accounts and other books and records, to the best of our knowledge, no personal expenses have been debited to the Profit & Loss account other than those payable under contractual obligations/ service rules.
- 1.21 The Corporation has reasonable records of recording receipts, issues and consumption of stores. The records were not found, in some cases, updated at the time of audit. However, the method of allocating materials to respective jobs needs to be streamlined.
- 1.22 Quantitative reconciliation is carried out at the end of the accounting year in respect of electricity.
- 1.23 Board approval has been obtained for all write offs of losses in the books.
- 1.24 There is a reasonable system of authorization at proper levels and adequate system of internal control commensurate with the size of the Corporation and nature of its business, on issue of stores and allocation of labour to jobs.
- 1.25 The price for sale of electricity is fixed by the Bhutan Electricity Authority.
- 1.26 The Corporation is engaged in transmission and distribution of electricity and the due dates of bills raised on the customers are fixed based on the category of the customers and the region. In our opinion, the credit allowed to the customers is reasonable.
- 1.27 As there is no sale through commission agents, hence the above clause is not applicable to the Corporation.
- 1.28 In our opinion, the system for follow-up with debtors and other parties for recovery of outstanding amounts are reasonable.
- Age-wise analysis of outstanding amounts is carried for the management as and when required for information and follow-up action.
- 1.29 The Corporation generally has substantial surplus cash/bank balances and based on future requirement, funds are invested in Fixed Deposit account.
- 1.30 According to the information and explanations given to us, and on the basis of examination of books and records, in our opinion, to the best of our knowledge, the activities carried out by the Corporation are lawful and intra vires to the Articles of Incorporation of the Corporation.
- 1.31 On the basis of our verification and according to the information and explanations given to us, the Corporation has a regular system of approval of the Board for all capital investment decision. Investments in new projects



Annexure

are made after considering the technical and economic feasibility of such projects.

The Corporation has not made any financial investments of its funds in securities except occasional investments of surplus fund in Fixed Deposits with Banks.

- 1.32 The Corporation has an adequate budgetary control system.
- 1.33 The details of remunerations paid to the Managing Director and sitting fees paid to other directors are disclosed in the Notes to the Accounts.
- 1.34 According to the information and explanations given to us, the directives of the Board have been complied with.
- 1.35 Price fixation is done by the Bhutan Electricity Authority, set up by the Royal Government of Bhutan. On the basis of information received from the management, and on the basis of our verification of records and documents, Price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Corporation, unauthorisedly to any other person with intent to benefit themselves.
- 1.36 The Corporation has not identified slow-moving and non-moving goods (except central stores, p'ling) and as such we have not been able to determine the extent of provision required for the year.

We have also proposed that the Corporation should adopt a policy of identifying such in the course of the bi-annual physical verifications conducted by its management.

2. Based on the net asset position reflected by the Corporation's Balance Sheet as at 31st December, 2006 and audited by us in accordance with the generally accepted auditing standards and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Corporation is not a going concern on the Balance Sheet date.
3. According to the information and explanation given to us by the management and based on a Compliance Checklist completed by the Corporation Officials, the Corporation has complied with all the provisions of the Companies Act of the Kingdom of Bhutan, 2000. Details given in the separate checklist attached.
4. It is not possible for us to comment as regards adherence to all Laws, Rules and Regulations, System, Procedures and Practices by the Corporation, as comprehensive Compliance Reporting and Recording System of the Corporation in this regard is currently not in place. However, any non compliance or departure from accepted practice and approved system/ procedures having effect on financial statements that came to our notice during the course of our audit have been indicated by the way of notes on accounts and appropriately dealt with in our Management Reports.
5. Financial and Operational Resume of the Corporation has been given in Exhibits to this Annexure.

March 27, 2007
Place: Kolkata.

For N.C.Mitra & Co.
Chartered Accountants



(Signature)
(U.K.Basu)
Partner

BPC Annual Report 2006

Exhibit to the Annexure

Financial Highlights of Operation During 2006

	2006 Nu. In millions	2005 Nu.in millions
INCOME		
Gross earning from Sale of Electricity	1051	874
Other Income	81	55
Power Purchase(Gwh)	714	636
Cost per Unit (Nu)	0.31	0.36
Power Sale(Gwh)	661	619
S.P.per Unit (Nu)	1.19	1.04
Employee Cost	227	274
Employee Cost per unit sold (Nu)	0.34	0.44
Operation and Maintenance Expenses	97	104
Operation and Maintenance Expenses per unit (Nu)	0.15	0.14
Profit before Depreciation(PBDT)	539	219
Profit after Depreciation(PBT)	302	(130)
Loss without Khaling impairment	-	(62)
RATIO ANALYSIS		
GP Ratio	48%	31%
Fixed Assets turnover ratio	4.87	5.83
Inventory turnover ratio	0.47	0.73
Debtors turnover ratio	0.03	0.06
Current ratio	4.13	5.72
Quick ratio	2.96	3.8



Balance Sheet

Balance Sheet as at 31st December 2006

PARTICULARS	Schedules		As at 31st December 2006 Amount (Nu)	As at 31st December 2005 Amount (Nu)
SOURCES OF FUND				
Shareholders' Fund				
Share Capital	1	5,713,329,000		5,747,897,000
Reserves and Surplus	2	19,356,904	5,732,685,904	19,786,895
Loan Funds	3		1,113,089,059	1,010,250,901
Profit and loss Account			43,279,224	
Total			6,889,054,187	6,777,934,796
APPLICATION OF FUNDS				
Fixed Assets	4			
Gross Block		5,738,582,916		5,686,935,300
Less- Depreciation		1,287,535,856		1,060,813,644
Net Block		4,451,047,060		4,626,121,656
Capital Work in Progress		1,033,556,756		390,820,285
			5,484,603,816	5,016,941,940
Current Assets , Loans and Advances				
Inventories	5	526,518,522		626,068,151
Debtors	6	33,267,191		51,242,812
Cash and Bank Balances	7	1,038,364,875		1,085,167,822
Other Current Assets	8	7,672,300		5,569,697
Loan and Advances	9	247,337,951		92,677,314
Total Current Assets		1,853,160,839		1,860,725,796
Less: Current Liabilities and Provisions				
Current Liabilities	10	448,710,468		325,592,395
Net Current Assets			1,404,450,371	1,535,133,400
Profit and loss Account (Dr. Balance)			-	225,859,455
Total			6,889,054,187	6,777,934,796

Notes on Accounts

18

Schedule 1 to 10 and Schedule 18 form an integral part of the Balance Sheet

In terms of our separate report of even date

For N.C. Mitra & Co.


10 Old Post Office Street,
Kolkata-700001
The 27 March 2006


U.K. Basu
Partner




Director


Managing Director


Chairman
26/3/07

Profit & Loss Account

Profit and Loss Account for the year ended 31st December 2006

		For the year ended 31st December 2006	For the year ended 31st December 2005
PARTICULARS	Schedules	Amount (Nu)	Amount (Nu)
INCOME			
Electricity Revenue	11	1,050,786,265	874,067,203
Other Revenue	12	80,725,941	53,818,090
Total		1,131,512,206	927,885,294
EXPENDITURE			
Purchase of Power		218,271,857	225,289,069
Employee Cost	13	260,430,444	273,806,792
Operation and Maintenance Expense	14	96,787,677	103,877,909
Administration and Other Expenses	15	23,632,063	28,093,089
Finance Charges	16	18,727,490	7,125,722
Prior period adjustments	17	8,146,780	3,551,934
Loss due to Impairment of Assets			67,432,805
Total		625,996,309	709,177,320
Profit before Depreciation		505,515,897	218,707,973
Depreciation		236,377,217	348,678,473
Profit/(Loss) after Depreciation		269,138,680	(129,970,500)
Profit/(Loss) for the period		269,138,680	(129,970,500)
Balance brought forward		(225,859,455)	(95,888,956)
Balance carried to Balance Sheet		43,279,224	(225,859,455)

Notes on Accounts 18

Schedule 11 to 18 form an integral part of the Profit & Loss Account

In terms of our separate report of even date

For N.C. Mitra & Co.

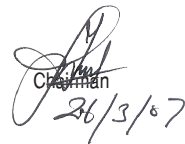
10 Old Post Office Street,
Kolkata-700001
The 27 March 2006


U.K. Basu
Partner




Director


Managing Director


Chairman
26/3/07

Schedules

Schedules forming part of Balance Sheet as at 31st December 2006

	As at 31st December, 2006 Amount (NU)	As at 31st December, 2005 Amount (NU)
Schedule1: Share Capital		
PARTICULARS		
Authorised Share Capital (7,500,000 equity shares of Nu 1000/- each)	7,500,000,000	7,500,000,000
Issued, Subscribed and Paid up		
3,502,048 equity shares fully paid up for consideration other than cash	3,502,048,000	3,813,136,000
2,211,281 equity shares fully paid up in cash	2,211,281,000	1,934,761,000
Total	5,713,329,000	5,747,897,000
Schedule2: Reserves and Surplus		
Capital Reserve		
As per Last account	19,786,895	6,887,178
Add. Additions during the year	(429,991)	12,899,717
Total	19,356,904	19,786,895
Schedule 3: Loan Funds		
Unsecured Loan :		
From Royal Government of Bhutan	1,105,402,900	1,007,519,544
Interest accrued & due on unsecured loans	7,686,159	2,731,357
Total	1,113,089,059	1,010,250,901



Schedules

Schedule 4 : Fixed Assets

Particulars	Gross Block				Prior Year	Depreciation				Net Block as on 31/12/05 (Nu)
	Gross Block as on 31/12/05 (Nu)	Additions during the year (Nu)	Disposal during the year (Nu)	Balance as on 31/12/06 (Nu)		Accumulated Depreciation as on 31/12/05 (Nu)	For the year (Nu)	On disposal	Accumulated Depreciation as on 31/12/06 (Nu)	
Land	29,389,350	564,924	-	29,954,275	-	-	-	-	-	29,954,275
Buildings	249,917,219	3,345,925	75,402	253,187,742	39,744,852	8,581,866	13,190	8,581,866	48,313,528	204,874,214
Other Civil Structures	165,033,893	4,373,619	-	169,407,511	90,034,675	5,499,126	-	5,499,126	95,533,801	73,873,710
Generation Equipments	667,826,136	5,590,246	425,233	672,991,148	126,275,099	35,977,359	-	35,977,359	162,252,457	510,738,691
Transmission Lines and Equipments	2,673,892,171	32,298,441	308,911,089	2,397,279,524	304,670,401	85,800,617	7,540,138	85,800,617	382,930,880	2,014,348,644
Distribution Lines	1,106,829,008	209,733,389	-	1,316,562,398	195,121,438	49,235,316	-	49,235,316	244,356,753	1,072,205,644
Other Equipments	700,332,738	91,019,427	836,667	790,515,498	256,512,710	37,983,087	678,760	37,983,087	293,817,037	496,698,460
Vehicles	82,239,870	15,693,062	1,947,178	95,985,754	43,668,357	12,080,405	1,422,918	12,080,405	54,325,843	41,659,911
Furniture and Fixtures	11,474,915	1,224,152	-	12,699,067	4,786,113	1,219,442	-	1,219,442	6,005,555	6,693,512
Total	5,686,935,300	363,843,185	312,195,569	5,738,582,916	1,060,813,644	-	236,377,217	9,655,006	1,287,535,856	4,451,047,060
										4,626,121,656



Schedules

	As at 31st December, 2006 Amount (NU)	As at 31st December, 2005 Amount (NU)
Schedule 5: Inventories		
Stores and spares in hand	497,619,005	608,439,469
Stores & Spares at Site	28,899,518	20,051,760
	526,518,522	628,491,229
Less: Provision for obsolescence	-	2,423,078
Total	526,518,522	626,068,151
Schedule 6: Sundry Debtors (Unsecured)		
Debts outstanding for more than six months		
Considered Good		
Considered Doubtful		2,207,651
Less: Provision for doubtful debts	-	2,207,651
Other Debts		
Considered Good	33,267,191	51,242,812
Considered Doubtful	2,003,824	2,727,841
	35,271,015	53,970,652
Less: Provision for doubtful debts	2,003,824	2,727,841
Total	33,267,191	51,242,812
Schedule 7: Cash and Bank Balances		
Cash in hand	1,523,156	1,099,186
Bank Balances in Current Account with BoB	306,359,828	320,041,580
Fixed Deposit	730,481,890	764,027,056
Total	1,038,364,875	1,085,167,822



Schedules

	As at 31st December, 2006 Amount(Nu)	As at 31st December, 2005 Amount(Nu)
Schedule 8: Other Current Assets		
Pre-Paid Expenses	1,581,921	1,592,244
BST refund	(587,832)	3,500
Welfare loan	220,066	200,070
Misc. current asset	470,752	449,286
Interest income receivable	3,602,173	1,968,435
Prepaid tax (TDS)	2,385,220	1,356,161
	7,672,300	5,569,697
Schedule 9: Loans and Advances		
Unsecured, considered good		
Personal Advances	1,261,978	86,450
Advances to Suppliers/Contractors	244,407,073	90,715,197
Travel advance to employees	414,577	284,899
Advance to employees for expenses	1,240,966	1,568,480
Advance to employees for cap. Works	13,357	22,288
	247,337,951	92,677,314
Schedule 10: Current Liabilities		
RE- Tariff subsidy -interest free refundable to RGoB	-	18,249,000
Sundry Creditors - Suppliers	2,920,293	19,740,314
Sundry Creditors - Contractors	78,218,105	20,587,334
Sundry Creditors - Power	24,959,356	18,912,403
Capacity Reserve charge	2,299,161	
Provision for Expenses	2,256,762	2,038,512
Energy & Meter Security	46,973,199	34,899,813
Security deposit from Suppliers/Contractor	7,739,646	7,440,022
EMD from supplier/contractor	79,932	97,325
Other employee related liabilities	929,019	2,585,902
Leave Encashment - Payable	15,164,850	14,564,971
Bonus Payable	33,345,999	17,793,750
Provision for gratuity	108,113,624	97,617,509
Income Tax deducted from Contractors/Suppliers	-	244,855
Retention Money - Contractors	92,683,781	54,672,947
Deposit receipt-deposit work	33,026,724	16,146,864
Share Application	16	876
	448,710,468	325,592,395



Schedules

Schedules forming part of the Profit and Loss Account for the year ended 31st December 2006

	For the year ended 31st December 2006 Amount (Nu)	For the year ended 31st December 2005 Amount (Nu)
Schedule 11: Electricity Revenue		
Energy Charges	741,261,058	599,678,730
Meter Rent	4,441,966	3,942,886
Late payment surcharge	3,300,449	3,756,916
Sundries	1,295,073	1,248,698
Demand Charges	44,948,447	41,971,584
Connection charges	2,207,684	1,387,827
Wheeling Charges	253,331,589	222,080,561
Total	1,050,786,265	874,067,203
Schedule 12: Other Revenue		
Revenue grant	20,560,000	-
Interest from FDR	18,600,832	19,453,909
Sale and repair of Transformer	711,439	2,416,955
Profit/(loss) on sale/disposal/impairment of Assets	1,148,121	(778,460)
Rental income	7,256,780	7,300,118
Liquidated damages	26,151,043	17,517,139
Other misc. income	3,837,986	2,446,265
Income from deposit works	1,463,712	2,423,988
Tender form sales	472,500	1,475,450
Hire charges	523,527	1,562,727
Total	80,725,941	53,818,090
Schedule 13: Employee Cost		
Salary and Wages	135,434,809	145,236,132
Contribution -PF	9,948,308	10,681,641
Training expenses	30,520,645	26,454,546
Gratuity	10,098,509	22,511,499
Medical Expenses	3,291,989	618,272
Travelling expenses	17,577,876	22,050,710
Travelling expenses (outside country)	660,265	4,440,445
Leave travel concession	9,799,008	10,504,094
Leave encashment	9,900,269	13,515,703
Bonus	33,198,767	17,793,750
	260,430,444	273,806,792



Schedules

	For the year ended 31st December 2006 Amount (Nu)	For the year ended 31st December 2005 Amount (Nu)
Schedule 14: Operation and Maintenance costs		
Repair and maint. Of building	1,740,732	5,382,888
R&M of vehicles & transport equipt.	17,357,612	21,671,385
R&M of Distribution system	28,403,260	27,265,276
R&M of others Civil structures	3,729,644	6,454,734
R&M of Transmission System	6,189,434	11,714,827
R&M of hydels	3,156,329	1,586,545
R&M of DG sets	24,006,906	17,872,478
R&M of office equipment	1,363,549	1,484,882
R&M of other electrical equipment	175,404	78,663
R&M of plant and machineries	2,734,337	7,418,182
R&M of meters and metering equipt.	2,421,111	620,879
R&M of furnitures	15,035	244,993
Consumables	3,788,306	480,575
Lubricants	1,706,018	1,601,603
Total	96,787,677	103,877,909
Schedule 15: Administrative and Other Expenses		
Bank charges	1,186,249	1,964,001
Rates and taxes	125,217	70,818
Telephone /fax/internet charges	4,246,217	4,980,143
Postage/courier/telegram	357,634	375,342
Electricity charges	2,062,170	1,931,483
Rent on building hired	1,730,806	2,324,135
Printing and Stationery	4,727,429	4,464,184
Uniforms	2,428,071	848,575
Hospitality/Entertainment expenses	1,962,807	1,365,429
Advertisement expenses	967,325	2,034,380
Audit fees and expenses	433,982	316,824
Audit recoveries	-	500
Donations & contributions	554,115	-
Other current asset written off	11,300	-
Stores and spares written off	-	8,413
Bad debt expenses	131,823	222,646



Schedules

	For the year ended 31st December 2006 Amount (Nu)	For the year ended 31st December 2005 Amount (Nu)
Rent on other properties	326,754	376,094
Water Cess/sewerage	99,137	140,589
Insurance charges on fixed asset	709,224	1,025,266
Meeting fees	315,000	586,000
Consultancy fees & charges	210,612	130,430
Registration charges	32,588	7,228
Books, periodicals and newspapers	260,744	26,086
Misc. adm & general expenses	78,976	3,897,758
Transportation charges	-	160,797
Loss on sale/disposal of stores and spares	673,884	835,968
	23,632,063	28,093,089
Schedule 16: Finance Charges	18,727,490	7,125,722
Interest on RGOB unsecured loan	18,727,490	7,125,722
Schedule 17: Prior period expenses		
Purchase of Power	1,403,160	(1,830)
Establishment Expenses	(1,998,740)	(134,264)
Adm & General expenses	879,851	160,938
Repair and Maintenance	(491,994)	(2,430)
Adjustment to past billing	(80)	(107,453)
Prior period Energy charge	5,581,466	4,254,592
Consumer dues written off	(18,230)	-
Prior period Miscellaneous Income	3,343,623	961,495
Excess pro. for doubtful debts	(552,275)	(1,579,115)
	8,146,780	3,551,934



Cash Flow Statement

	For the period from 1st January to 31st December 2006	For the period from 1st January to 31st December 2005
	Amount (Nu).	Amount (Nu).
Net cash flow from operating activities (Note - 1)	584,760,431	69,445,181
Returns on investments and servicing of finance (Note 2)	3,487,427	12,328,187
Taxation	-	-
Capital expenditure (Note 3)	(702,890,972)	(593,573,406)
Net cash inflow/(outflow) from investing activities	(699,403,545)	(581,245,220)
Net cash inflow/(outflow) before financing	(114,643,114)	(511,800,039)
Financing (Note 4)	67,840,167	696,480,863
Management of liquid resources(Note 5)	-	-
Net cash inflow/(outflow) from financing activities	67,840,167	696,480,863
Increase/(Decrease) in cash	(46,802,947)	184,680,823
Opening cash and cash equivalents	1,085,167,822	900,486,998
Closing cash and cash equivalents	1,038,364,875	1,085,167,822
Cash Inflow	(46,802,947)	184,680,824

In terms of our separate report of even date

For N.C. Mitra & Co.

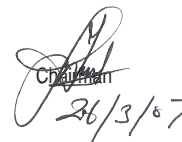
10 Old Post Office Street,
Kolkata-700001
The 27 March 2007


U.K. Basu
Partner




Director


Managing Director


Chairman
26/3/07

Notes for Cash Flow

Note - 1. Net Cash flow from Operating Activities

	For the period from 1st January to 31st December 2006	For the period from 1st January to 31st December 2005
	Amount (Nu).	Amount (Nu).
Indirect Method		
Net profit before tax/operating profit	269,138,680	(129,970,500)
Add: Increase in Capital Reserve		-
Add back:- Depreciation charges	236,377,217	348,678,473
Interest payable	18,727,490	7,125,722
Prior Period Depreciation		-
Loss on sale of fixed assets	255,104,707	68,211,265
Deduct:- Profit on sale of fixed assets	1,148,121	
Interest receivable	22,214,917	19,453,909
	23,363,037	19,453,909
	500,880,349	274,591,052
(Increase)/Decrease in stock	99,549,628	(201,169,787)
(Increase)/Decrease in Debtors	17,975,621	52,801,581
(Increase)/Decrease in Loans & advances	(154,660,637)	(75,772,026)
(Increase)/Decrease in other current assets	(2,102,603)	2,480,738
Increase/(Decrease) in Creditors	123,118,073	16,513,623
Net cash flow from operating activities	584,760,431	69,445,181
Note - 2 Returns on investments and servicing of finance		
Interest received	22,214,917	19,453,909
Interest paid	18,727,490	7,125,722
Dividends paid	-	-
Dividend received	-	-
Total	3,487,427	12,328,187
Note - 3 Capital expenditure		
Payments to acquire intangible fixed assets	-	-
Payments to acquire tangible fixed assets	(363,843,185)	(489,080,489)
Payments for capital work-in -progress	(642,736,471)	(112,252,041)
Receipts from sales of tangible fixed assets	303,688,683	7,759,125
Total	(702,890,972)	(593,573,406)



Notes for Cash Flow

	For the period from 1st January to 31st December 2006	For the period from 1st January to 31st December 2005
Note -4 Financing		
Issue of Shares & Debentures-cash	276,520,000	363,799,768
Issue of Shares & Debentures-other than cash	(311,088,000)	9,434,088
Increase in Capital reserve	(429,991)	12,899,717
Loan taken	102,838,158	310,347,290
Total	67,840,167	696,480,863
Note - 5 Management of Liquid resources		
Purchase of treasury bills	-	-
Sale of treasury bills	-	-
Total	-	-

For N.C. Mitra & Co.

10 Old Post Office Street,
Kolkata-700001
The 27 March 2007

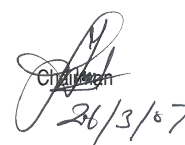

U.K. Basu

Partner




Director


Managing Director


Chairman
26/3/07

Schedules 18

Notes on accounts forming part of Balance Sheet as at 31st December 2006 and the Profit and Loss Account for the year ended on that date.

A. Nature of Operations

Bhutan Power Corporation Limited is engaged in providing electricity to all residents of the Kingdom of Bhutan. It is involved in construction and erection of transmission towers, transmission power lines and substations for procurement of power from the power generation corporations in Bhutan and in transmission and distribution of the same both within the country and in export of power to India.

B. Significant Accounting Policies

1. Basis of Preparation

The financial statements have been prepared to comply in all material respects with the generally accepted accounting principles and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000. The financial statements have been prepared under the historical cost convention on an accrual basis except as stated otherwise. The accounting policies have been consistently applied by the Corporation and except for the changes in accounting policy discussed more fully below, are consistent with those used in the previous year.

The preparation of financial statements in conformity with generally accepted principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

2. Changes in Method of Accounting

a) Rates of Depreciation

The Corporation has adopted new rates of depreciation on the basis of management estimates regarding economic lives of the respective assets with effect from this year. Such rates are less than the maximum permissible rates prescribed in the Income Tax Act of the Kingdom of Bhutan 2001.

b) Indirect Expenses and overheads relating to projects incurred during the construction period are capitalized.

3. Fixed Assets

Fixed Assets are stated at cost of acquisition, including any costs attributable for bringing the assets to their working condition for their intended use less accumulated depreciation and impairment losses. The date of capitalization is the actual date when the particular asset has been put to use. Capital work in progress is stated at amount expended up to the date of the Balance Sheet.

Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such



Schedules 18

assets are ready to be put to use.

In respect of the Right of ways and easement rights over land not belonging to the Corporation, the Corporation holds NOCs from the relevant authorities.

4. Depreciation

Depreciation on fixed assets is provided on straight line method at the rates prescribed by the management on the basis of the economic life of the Assets. No depreciation is provided on fixed assets sold or retired ring the year. Leasehold Land is amortized over the period of it lease.

5. Grants & Subsidies

Capital Receipts including Grants and Subsidies from the Government related to depreciable assets are treated as Capital Reserves, unless otherwise specified by the Government, and to be apportioned over the life of the asset by way of depreciation charge.

Grants and subsidies from Government are recognized on cash basis. Grant/subsidy relating to an expense is recognized as income over the periods necessary to match them with the related cost which they are intended to compensate.

6. Inventory

- i. Inventories are valued at lower of cost or net realizable value.
- ii. Cost is calculated on FIFO basis and comprises expenditure incurred in the normal course of business in bringing such inventories to its location.
- iii. Obsolete, slow moving and defective stocks are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.
- iv. As the Corporation is engaged in the distribution of electricity, there are no finished goods or raw materials.
- v. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale.
- vi. Loose tools are charged off to consumption on purchase.

7. Revenue Recognition

Electricity Revenue

- i. Revenue from the Sale of Electricity within Bhutan is recognized on the basis of bills raised to the consumers net of discount for prompt payment of bills and do not include any duty payable to the Government.
- ii. Revenues from Demand charges, Connection charges, Wheeling charges or any other amounts recoverable from the consumers, except delayed payment surcharge, are also recognized on the basis of bills raised to the consumers.



Schedules 18

- iii. Delayed payment surcharge is determined and recognized on receipt of overdue payments from the consumers.
- iv. Rates for electricity and wheeling charges are as approved by the Bhutan Electricity Authority.
- v. Doubtful debts are provided for in the accounts based on the policy of the Corporation as decided by the Board from time to time.

Other Revenue

Revenues other than electricity revenue, as mentioned above, are recognized and accounted for on accrual basis, except where stated otherwise.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

8. Retirement benefits

- i) The Corporation contributes to Provident Fund administered by National Pension and Provident Fund and such contributions are charged to revenue every year on the basis of when the contribution to the Fund becomes due.
- ii) Gratuity is provided on the basis of entitlement of each employee as per the Corporation's Service Rules at the end of the year without doing actuarial valuation.
- iii) Leave encashment and medical benefits are provided for in the financial statements on accrual basis without doing actuarial valuation.

9. Foreign Currency Transactions

Transactions in foreign currency are recorded using the exchange rate prevailing at the date of transactions. At the Balance Sheet date monetary assets and liabilities denominated in foreign currency are recorded using the closing exchange rates. All other foreign currency assets and liabilities are stated at the rates ruling at the year end other than those covered by forward contracts, which are stated at the contracted rate. Exchange differences arising on foreign currency transactions are recognized in the Profit & Loss Account.

10. Contingent Liabilities

Liabilities are provided if there are reasonable prospects of such liabilities maturing. Other contingent liabilities barring frivolous claims not acknowledged as debt are disclosed by way of note, if any.

11. Income Tax:

Current Tax is determined in respect of taxable income for the year based on applicable rates & laws. Deferred tax is not recognized in the books.



Schedules 18

12. Expenditure on new projects and substantial expansion:

Expenditure on material, labour and contractors appointed for executing the project are capitalized. Indirect expenditure and overheads relating to projects incurred during construction period and all direct capital expenditure on expansion is capitalized. Direct expenditure is capitalized only if they increase the value of the asset beyond its original standard of performance.

C. Notes on accounts.

- 1) Fixed Assets transferred from erstwhile Department of Power at the time of Corporatisation was taken at written down value of Nu.1, 760.89 million as on 1st July, 2002.
- 2) No Provision for Taxation has been made in the accounts in view of following adjustment:-

	Nu.
Book Profit for the year 2006	269,138,680
Less: - set off carried forward losses of last three	225,859,455
Income years as per section 17 of the Income Tax Act	<u>43,279,225</u>
Less: - Difference between maximum allowable depreciation	136,840,947
as per Income Tax Act and Depreciation charged in the accounts	
as per provision of Rule 4.1 of the Income Tax Act.	
Loss after adjustment	<u>(93,561,722)</u>

- 3) a) In respect of Gratuity the Corporation has been depositing the difference between opening and closing liability in fixed deposit specifically marked as "Investment towards Gratuity Liability".
As on December 2006 value of such Investment is Nu.94,719,890 as against the total Gratuity liability of Nu. 108,113,624 indicating a shortfall of Nu.13,393,734 which shall be invested in the year 2007.
- b) In accordance with the Generally Accepted Accounting Principle and provision of section 12.2 of Income Tax Act of Kingdom of Bhutan 2001 interest income of Nu.7,400,365 pertaining to such Investment have been credited to Gratuity Liability.

Such income, however, erroneously considered as income of the Corporation amounting to Nu. 3,768,281 in the years 2003 to 2005 and therefore accounted in this year through prior period adjustment.

- 4) There has been a domestic tariff revision from July 2006. The revised weighted average tariff is Nu.1.29 /unit as compared to Nu.1.15/unit before the revision.
- 5) In absence of Party wise list of Security Deposit from consumers, General ledger balance of Nu. 46,973,199 have been reflected in this account.
- 6) The Corporation has started purchasing of power from Tala Hydroelectric Project Authority from 1st August 2006.



Schedules 18

- 7) Registration of title deeds in respect of the immovable properties(land) taken over from Department Of Power, Kurichu Hydro Power Corporation and Chukha Hydro Power Corporation, in favour of the Corporation has not yet been done.
- 8) As per the Accounting Policy of the Corporation the fixed assets are to be capitalized in the books on the basis of date they are put to use. However, in some cases the assets have been capitalized on the date of completion of the projects and not on the date of charging of lines. The impact on the depreciation for such capitalization is not material and hence not ascertained.
- 9) The Chenary Mini-Hydel project in Eastern Bhutan which suffered extensive damage in the year 2004 due to heavy flood. This project has started functioning during this year and therefore no loss is contemplated in this regard.
- 10) a) During the year 2006 the Corporation received the following subsidies:-
 - I. Nu 1,500,000 for the purpose of Energy Conservation and Efficiency Project.
 - II. Nu 19,060,000 for the Repair and Maintenance of DG sets.

The above subsidies have been utilised for the purposes envisaged in the respective memorandum of Grants.

- b) The Corporation has refunded a Revenue Grant of Nu.18,249,000 sanctioned in the year 2005, to the Budget and Accounts Department, Ministry of Finance vide letter no DOE/PCD/MOF(DBA)/2005-06/862 dated February 7, 2006.
- 11) a) The Royal Government of Bhutan has infused Nu. 279,434,000 as fresh equity Capital during the year towards Rural Electrification Project and Transmission project.
- b) The Corporation has transferred Nu 312,198,808 to BHPCL and refunded Nu 1,804,051 to Department of Aid and Debt Management, Ministry of Finance, by way of reduction of Equity Share Capital.
- 12) The Corporation has received term loans from the Royal Government of Bhutan amounting to Nu. 5,907,907 for RE II and Nu 100,279,517 for RE III respectively. During the year Principal repayment of Nu. 8,304,068 have been made for RE I. The other two project loans i.e. RE II and RE III are in grace period.

- 13) The figure for disposal of Transmission and equipment lines have been arrived as follows:

	Nu.
Value of Assets transferred to Basochhu project	307,221,277
Add: - Amount over capitalized in the year 2005	1,689,812
Amount of Transmission and equipment lines disposed	<u>308,911,089</u>



Schedules 18

14) Movement of Capital work in progress during the year are as stated below:-

	Nu.
CWIP as on 1st January 2006	390,820,285
Add: - Addition During the year	976,715,040
	1,367,535,325
Less - Capitalized During the year	333,978,569
Balance CWIP as on 31st December 2006	1,033,556,756

15) O&M expenditure pertaining to the following units have been capitalized during the year:-

Sl.No.	Units	Amount (Nu)
i)	DCS East Tashigang	11,950,754
ii)	DCS Central	3,390,000
iii)	UED	4,736,477
iv)	D&CD	3,500,410
v)	TCS Tsirang	2,962,703
vi)	TCS Trongsa	1,966,790
vii)	TCS Pasakha	2,056,417
viii)	Deothang Rangia Project	718,753
ix)	RED Current	1,740,734
x)	DCS West Current	6,540,839
	Total	39,563,877

Contrary to earlier practice of charging such expenditure to Revenue up to the year 2005, the above amount has been capitalized.

16) The Corporation has procured an Emergency Restoration System (ERS) included in the Asset schedule under Transmission Lines and Equipments for which Chukha Hydro Power Corporation and Kurichu Hydro Power Corporation had contributed Nu.8.60 million & Nu.4.30 million respectively the balance of the cost (Nu 4.30 million) is borne by the Corporation. Such contribution was credited to the capital reserve in the previous year. Proportionate amount of depreciation of Nu 429,991 pertaining to cost borne by the above two agencies has been deducted from the capital reserve during the year.

17) Director's payments during the year was as follows:

	2006	2005
Managing Director's remuneration	Nu.589,130 /-	Nu 479,280/-
Directors' sitting fees	Nu.299,000 /-	Nu 293,000/-



Schedules 18

18) Quantitative Information of purchase and sales of power were as follows:

Particulars	Year 2006		Year 2005	
	Units (kWh)	Amount (Nu)	Units (kWh)	Amount (Nu)
Purchase	714,338,743	218,271,857	636,535,695	225,289,069
Hydel	19,898,927		16,926,541	
DG	1,643,301		1,426,743	
Sale	661,008,885	786,209,505	619,291,427	641,650,314

19) The Corporation is contingently liable for the following:-

- An unsettled Claim for refund of Liquidity Damages imposed on the contractors in respect of earlier years amounting to Nu.22,050,313.00.
- Capital commitment for unexecuted contracts amounting to Nu. 1,666,501,330.

20) Segment Results for the year 2006 are given below:-

	Generation	Transmission	Distribution	Others	Total
REVENUE	0.000	242.281	878.083	11.148	1,131.512
EXPENDITURES	41.545	135.416	234.734	214.302	625.997
PROFIT	(41.545)	106.865	643.349	(203.153)	505.515

21) Previous year figures have been regrouped /rearranged wherever necessary.

Notes on Accounts

18

Schedule 1 to 10 and Schedule 18 form an integral part of the Balance Sheet

In terms of our separate report of even date

For N.C. Mitra & Co.

10 Old Post Office Street,
Kolkata-700001
The 27 March 2006


U.K. Basu
Partner




Director


Managing Director


Chairman
26/3/07