

EXHIBIT TO THE ANNEXURE

Financial Highlights of Operation During 2007

	2007 Nu.in millions	2006 Nu. In millions
Income		
Gross earning from sale of Electricity	1760	1051
Other Revenue	25	81
Power Purchase	938(Gwh)	714(Gwh)
Cost Per unit(Nu.)	0.30	0.31
Power Sale	902(Gwh)	661(Gwh)
S.P. per unit(Nu.)	1.31	1.19
Employee cost	323	227
Employee cost per unit sold(Nu.)	0.36	0.34
Operation & Maintaimance Expenses	120	97
Operation & Maintaimance Expenses per unit (Nu.)	0.13	0.15
Profit before Depreciation and Tax(PBDT)	859	505
Profit Before Tax(PBT)	573	269
RATIO ANALYSIS		
GP ratio	48%	44.61%
Fixed Assets Turnover Ratio (Net block/sales)	4.48	3.94
Inventory Turnover Ratio (Inventory/sales)	0.23	0.47
Debtors Turnover Ratio (Debtors/sales)	0.09	0.03
Current Ratio (Current Assets/Current Liabilities)	2.19	4.13
Quick Ratio (Current Asset-inventory/current Liabilities)	1.64	2.96



BALANCE SHEET

Balance Sheet as at 31st December 2007

PARTICULARS	Schedules		As at 31st December 2007 Amount (Nu)	As at 31st December 2006 Amount (Nu)
SOURCES OF FUND				
Shareholders' Fund				
Share Capital	1	5,884,991,000		
Reserves and Surplus	2	1,410,283,828	7,295,274,828	5,732,685,904
Loan Funds	3		2,416,977,932	1,113,089,059
Profit and loss Account			376,147,871	43,279,224
Total			<u>10,088,400,631</u>	<u>6,889,054,187</u>
APPLICATION OF FUNDS				
Fixed Assets	4			
Gross Block		9,573,729,024		5,738,582,916
Less- Depreciation		1,571,417,216		1,287,535,856
Net Block		<u>8,002,311,808</u>		<u>4,451,047,060</u>
Capital Work in Progress		1,297,593,539		1,033,556,756
			9,299,905,347	<u>5,484,603,816</u>
Current Assets , Loans and Advances				
Inventories	5	412,005,091		526,518,522
Debtors	6	162,008,493		33,267,191
Cash and Bank Balances	7	802,702,385		1,038,364,875
Other Current Assets	8	26,800,087		7,672,300
Loan and Advances	9	230,189,598		247,337,951
Total Current Assets		1,633,705,653		1,853,160,839
Less: Current Liabilities and Provisions				
Current Liabilities	10	845,210,369		448,710,468
Net Current Assets			788,495,284	1,404,450,371
Total			<u>10,088,400,631</u>	<u>6,889,054,187</u>

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
 27 May, 2008


 U.K. Basu
 Partner


 Director


 Managing Director


 Chairman

PROFIT & LOSS ACCOUNT

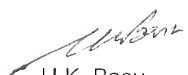
Profit and Loss Account for the year ended 31st December 2007

PARTICULARS	Schedules	2007 Amount (Nu)	2006 Amount (Nu)
INCOME			
Electricity Revenue	11	1,760,443,646	1,050,786,265
Other Revenue	12	24,791,266	80,725,941
Total		1,785,234,913	1,131,512,206
EXPENDITURE			
Purchase of Power		422,332,627	218,271,857
Employee Cost	13	323,252,339	260,430,444
Operation and Maintenance Expense	14	119,810,886	96,787,677
Administration and Other Expenses	15	34,178,782	23,632,063
Finance Charges	16	23,912,557	18,727,490
Prior period adjustments	17	2,565,079	8,146,780
Total		926,052,270	625,996,309
Profit before Depreciation		859,182,643	505,515,897
Depreciation		286,028,133	236,377,217
Profit/(Loss) after Depreciation		573,154,510	269,138,680
Provision for Tax		117,537,863	
Profit(Loss) after tax		455,616,647	269,138,680
Propose Dividend		100,000,000	
Transfer to Insurance Reserve		22,748,000	
Profit(Loss) for the period		332,868,647	269,138,680
Balance brought forward		43,279,224	(225,859,455)
Balance carried to Balance Sheet		376,147,871	43,279,224

Notes on Accounts 18
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For N.C. Mitra & Co.

10 Old Post Office Street,
 Kolkata-700001
 27 May, 2008


 U.K. Basu
 Partner


 Director


 Managing Director


 Chairman

SCHEDULES

Schedules forming part of Balance Sheet as at 31st December 2007

	As at 31st December, 2007 Amount(Nu)	As at 31stDecember, 2006 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	3,502,048,000
2,382,943 equity shares fully paid up in cash	2,382,943,000	2,211,281,000
Total	5,884,991,000	5,713,329,000
Schedule2: Reserves and Surplus		
(a) Capital Reserve		
As per Last account	19,356,904	19,786,895
Add. Additions during the year	1,368,610,350	(429,991)
	1,387,967,254	19,356,904
Less charged to Depreciation	431,426	-
(b) RGoB Grant Reserve Account	1,367,301,000	
(c) Insurance Reserve	22,748,000	-
Total	1,410,283,828	19,356,904
Schedule 3: Loan Funds		
Unsecured Loan :		
From Royal Government of Bhutan	2,409,848,638	1,105,402,900
Interest accrued & due on unsecured loans	7,129,294	7,686,159
Total	2,416,977,932	1,113,089,059



SCHEDULES

Schedule 4 : Fixed Assets

Particulars	Gross Block				Depreciation				Net Block as on 31/12/06 (Nu)		
	Gross Block as on 31/12/06 (Nu)	Additions during the year (Nu)	Disposal during the year (Nu)	Balance as on 31/12/07 (Nu)	Accumulated Depreciation as on 31/12/06 (Nu)	Prior Year	For the year (Nu)	On disposal		Accumulated Depreciation as on 31/12/07 (Nu)	Net Block as on 31/12/07 (Nu)
Land	29,954,275	12,874,704	10,000	42,818,978	-	-	-	-	-	42,818,978	29,954,275
Buildings	253,187,742	117,570,017		370,757,759	48,313,528	6,492,592	6,492,592		54,806,120	315,951,640	204,874,214
Other Civil Structures	169,407,511	258,091,689		427,499,201	26,592,858		34,514,667		61,107,524	366,391,676	73,873,710
Generation Equipments	704,826,280	6,693,734	18,890	711,501,125	186,082,910		33,558,057		219,640,967	491,860,158	510,738,691
Transmission Lines and Equipments	2,397,279,524	2,464,674,288		4,861,953,812	451,871,824		94,952,676		546,824,499	4,315,129,313	2,014,348,644
Distribution Lines	1,948,619,275	938,087,922		2,886,707,197	447,391,780		53,720,479		501,112,259	2,385,594,938	1,072,205,644
Other Equipments	126,623,488	21,429,120	178,432	147,874,176	66,951,558		48,263,262	12,088	115,202,733	32,671,443	496,698,460
Vehicles	95,985,754	14,319,205	2,337,773	107,967,186	54,325,843		13,143,131	2,134,685	65,334,289	42,632,897	41,659,911
Furniture and Fixtures	12,699,067	3,950,522		16,649,589	6,005,555		1,383,270		7,388,825	9,260,764	6,693,512
Total	5,738,582,916	3,837,691,202	2,545,095	9,573,729,024	1,287,535,856	-	286,028,133	2,146,772	1,571,417,216	8,002,311,808	4,451,047,060



SCHEDULES

Schedule 5: Inventories

Stores and spares in hand	384,688,152	497,619,005
Stores & Spares at Site	27,316,939	28,899,518
	412,005,091	526,518,522
Less: Provision for obsolescence	-	-
Total	<u>412,005,091</u>	<u>526,518,522</u>

Schedule 6: Sundry Debtors (Unsecured)

Debts outstanding for more than six months		
Considered Good		
Considered Doubtful		
Less: Provision for doubtful debts	-	-
Other Debts		
Considered Good	162,008,493	33,267,191
Considered Doubtful	2,290,974	2,003,824
	164,299,467	35,271,015
Less: Provision for doubtful debts	2,290,974	2,003,824
Total	<u>162,008,493</u>	<u>33,267,191</u>

Schedule 7: Cash and Bank Balances

Cash in hand	4,162,456	1,523,156
Bank Balances in Current Account with BoB	175,458,682	306,359,828
RMA Bills	458,072,480	-
Fixed Deposit	165,008,767	730,481,890
Total	<u>802,702,385</u>	<u>1,038,364,875</u>

Schedule 8: Other Current Assets

Pre-Paid Expenses	2,780,382	1,581,921
BST refund	4,196,201	(587,832)
Welfare loan	166,662	220,066
Misc. current asset	7,989,947	470,752
Interest income receivable	2,960,153	3,602,173
Prepaid tax (TDS)	8,706,741	2,385,220
	<u>26,800,087</u>	<u>7,672,300</u>



SCHEDULES

Schedule 5: Inventories

Stores and spares in hand	384,688,152	497,619,005
Stores & Spares at Site	27,316,939	28,899,518
	412,005,091	526,518,522
Less: Provision for obsolescence	-	-
Total	<u>412,005,091</u>	<u>526,518,522</u>

Schedule 6: Sundry Debtors (Unsecured)

Debts outstanding for more than six months		
Considered Good		
Considered Doubtful		
Less: Provision for doubtful debts	-	-
Other Debts		
Considered Good	162,008,493	33,267,191
Considered Doubtful	2,290,974	2,003,824
	164,299,467	35,271,015
Less: Provision for doubtful debts	2,290,974	2,003,824
Total	<u>162,008,493</u>	<u>33,267,191</u>

Schedule 7: Cash and Bank Balances

Cash in hand	4,162,456	1,523,156
Bank Balances in Current Account with BoB	175,458,682	306,359,828
RMA Bills	458,072,480	-
Fixed Deposit	165,008,767	730,481,890
Total	<u>802,702,385</u>	<u>1,038,364,875</u>

Schedule 8: Other Current Assets

Pre-Paid Expenses	2,780,382	1,581,921
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Prepaid tax (TDS)	8,706,741	2,385,220
	<u>26,800,087</u>	<u>7,672,300</u>



SCHEDULES

	As at 31st December, 2007 Amount(Nu)	As at 31st December, 2006 Amount(Nu)
Schedule 9: Loans and Advances		
Unsecured, considered good		
Personal Advances	141,147	1,261,978
Advances to Suppliers/Contractors	207,792,645	244,407,073
Travel advance to employees	210,920	414,577
Advance to employees for expenses	417,719	1,240,966
Advance to employees for cap. Works	33,221	13,357
Other advance	21,593,947	-
Total	<u>230,189,598</u>	<u>247,337,951</u>
Schedule 10: Current Liabilities		
Sundry Creditors - Suppliers	20,745,905	2,920,293
Sundry Creditors - Contractors	167,562,781	78,218,105
Sundry Creditors - Power	40,038,090	24,959,356
Capacity Reserve charge	2,555,550	2,299,161
Provision for Expenses	1,616,363	2,256,762
Energy & Meter Security	56,597,877	46,973,199
Security deposit from Suppliers/Contractor	4,528,477	7,739,646
EMD from supplier/contractor	75,081	79,932
Other employee related liabilities	1,289,084	929,019
Leave Encashment - Payable	21,805,690	15,164,850
Bonus Payable	27,936,684	33,345,999
Provision for gratuity	136,137,128	108,113,624
Retention Money - Contractors	74,109,079	92,683,781
Deposit receipt-deposit work	72,660,018	33,026,724
Unpaid cheques	14,157	-
Proposed Dividend	100,000,000	-
Provision for tax	117,537,863	-
Share Application	545	16
Total	<u>845,210,369</u>	<u>448,710,468</u>



SCHEDULES

Schedules forming part of the Profit and Loss Account for the year ended 31st December 2007

	For the year Amount (Nu)	2006 Amount (Nu)
Schedule 11: Electricity Revenue		
Electricity Revenue	1,108,996,811	741,261,058
Meter Rent	3,153,493	4,441,966
Late Payment surcharge	4,488,220	3,300,449
Sundries	996,105	1,295,073
Demand Charges	74,328,593	44,948,447
Connection charges	1,828,623	2,207,684
Wheeling charges	566,651,801	253,331,589
Total	<u>1,760,443,646</u>	<u>1,050,786,265</u>
Schedule 12: Other Revenue		
Revenue grant	11,500,000	20,560,000
Interest from FDR	11,280,738	18,600,832
Income from deposit works	3,636,739	1,463,712
Tender form sales	879,850	472,500
Sale and repair of Transformer	1,145,111	711,439
Profit /(loss) on sale/disposal/impairment of Assets	2,059,971	1,148,121
Rental income	9,115,167	7,256,780
Hire charges	376,645	523,527
Liquidated damages	(21,288,168)	26,151,043
Other misc. income	6,085,214	3,837,986
Total	<u>24,791,266</u>	<u>80,725,941</u>



SCHEDULES

	For the year Amount (Nu)	2006 Amount (Nu)
Schedule 13: Employee Cost		
Salary and Wages	179,219,994	135,434,809
Contribution -PF	11,701,627	9,948,308
Training expenses	26,737,254	30,520,645
Gratuity	28,458,551	10,098,509
Medical Expenses	1,882,410	3,291,989
Travelling expenses	16,118,467	17,577,876
Travelling expenses (outside country)	1,218,151	660,265
Leave travel concession	12,559,791	9,799,008
Leave encashment	17,717,930	9,900,269
Bonus	27,638,163	33,198,767
Total	323,252,339	260,430,444
Schedule 14: Operation and Maintenance costs		
Repair and maint. Of building	3,384,364	1,740,732
R&M of vehicles & transport equipt.	15,560,551	17,357,612
R&M of Distribution system	36,884,691	28,403,260
R&m of others Civil structures	3,374,363	3,729,644
R&M of Transmission System	14,068,531	6,189,434
R&M of hydels	2,089,062	3,156,329
R&M of DG sets	25,864,256	24,006,906
R&M of office equipment	2,432,073	1,363,549
R&M of other electrical equipment	443,387	175,404
R&M of plant and machineries	3,443,767	2,734,337
R&M Of meters and metering equipt.	3,095,339	2,421,111



SCHEDULES

	For the year Amount (Nu)	2006 Amount (Nu)
R&M of furnitures	702,364	15,035
Consumables	7,627,788	3,788,306
Lubricants	840,353	1,706,018
Total	<u>119,810,886</u>	<u>96,787,677</u>
Schedule 15: Administrative and Other Expenses		
Bank charges	1,945,721	1,186,249
Rates and taxes	847,770	125,217
Telephone /fax/internet charges	4,343,063	4,246,217
Postage/courier/telegram	385,479	357,634
Electricity charges	2,368,101	2,062,170
Rent on building hired	1,632,755	1,730,806
Printing and Stationery	5,580,282	4,727,429
Uniforms	952,929	2,428,071
Hospitality/Entertainment expenses	2,189,971	1,962,807
Advertisement expenses	2,224,973	967,325
Audit fees and expenses	361,237	433,982
Audit recoveries	213,660	-
Donations & contributions	5,362,757	554,115
Other current asset written off	-	11,300
Bad debt expenses	295,675	131,823



SCHEDULES

	For the year Amount (Nu)	2006 Amount (Nu)
Rent on other properties	450,020	326,754
Water Cess/sewerage	94,590	99,137
Insurance charges on fixed asset	751,879	709,224
Meeting fees	675,577	315,000
License fee	2,041,428	-
Consultancy fees & charges	292,834	210,612
Registration charges	113,000	32,588
Books, periodicals and newspapers	202,736	260,744
Misc. adm & general expenses	162,417	78,976
Rental of vehicle	413,331	-
Loss on sale/disposal of stores and spares	276,600	673,884
Total	<u>34,178,782</u>	<u>23,632,063</u>
Schedule 16: Finance Charges		
Interest on RGOB unsecured loan	23,912,557	18,727,490
Total	<u>23,912,557</u>	<u>18,727,490</u>
Schedule 17: Prior period expenses		
Purchase of Power	(6,071)	1,403,160
Establishment Expenses	(2,485,402)	(1,998,740)
Adm & General expenses	(79,309)	879,851
Repair and Maintenance	5,171,064	(491,994)
Adjustment to past billing	(10,762)	(80)
Prior period Energy charge	(10,110)	5,581,466
Consumer dues written off	(5,806)	(18,230)
Revenue Grant	-	3,343,623
Excess pro. for doubtful debts	(8,525)	(552,275)
Total	<u>2,565,079</u>	<u>8,146,780</u>



CASH FLOW STATEMENT

	For the period from 1st January to 31st December 2007	For the period from 1st January to 31st December 2006
	Amount (Nu).	Amount (Nu).
Net cash flow from operating activities (Note - 1)	1,032,509,226	584,760,431
Returns on investments and servicing of finance (Note 2)	(12,631,820)	3,487,427
Taxation	-	-
Capital expenditure (Note 3)	(4,099,269,693)	(702,890,972)
Net cash inflow/(outflow) from investing activities	(4,111,901,513)	(699,403,545)
Net cash inflow/(outflow) before financing	(3,079,392,286)	(114,643,114)
Financing (Note 4)	2,843,729,797	67,840,167
Management of liquid resources(Note 5)	-	-
Net cash inflow/(outflow) from financing activities	2,843,729,797	67,840,167
Increase/(Decrease) in cash	<u>(235,662,489)</u>	<u>(46,802,947)</u>
Opening cash and cash equivalents	1,038,364,875	1,085,167,822
Closing cash and cash equivalents	802,702,385	1,038,364,875
Cash Inflow	<u>(235,662,489)</u>	<u>(46,802,947)</u>
In terms of our separate report of even date		

In terms of our separate report of even date

For N.C. Mitra & Co.

10 Old Post Office Street,
Kolkata-700001
27 May, 2008


U.K. Basu
Partner


Director


Managing Director


Chairman

NOTES FOR CASH FLOW

Note - 1. Net Cash flow from Operating Activities

		For the period from 1st January to 31st December 2007	For the period from 1st January to 31st December 2006
		Amount (Nu).	Amount (Nu).
Indirect Method			
Net profit before tax/operating profit		573,154,510	269,138,680
Add: Increase in Capital Reserve			-
Add back:- Depreciation charges			
	286,028,133		236,377,217
Interest payable	23,912,557		18,727,490
Prior Period Depreciation	-		-
Loss on sale of fixed assets		309,940,690	-
			255,104,707
Deduct:- Profit on sale of fixed assets	2,059,971		1,148,121
Interest receivable	11,280,738		22,214,917
		113,340,708	23,363,037
		869,754,492	500,880,349
(Increase)/Decrease in stock		114,513,432	99,549,628
(Increase)/Decrease in Debtors		(128,741,302)	17,975,621
(Increase)/Decrease in Loans & advances		17,148,353	(154,660,637)
(Increase)/Decrease in other current assets		(19,127,786)	(2,102,603)
Increase/(Decrease) in Creditors		178,962,038	123,118,073
Net cash flow from operating activities		<u>1,032,509,226</u>	<u>584,760,431</u>
Note - 2 Returns on investments and servicing of finance			
Interest received		11,280,738	22,214,917
Interest paid		23,912,557	18,727,490
Dividends paid		-	-
Dividend received		-	-
Total		<u>(12,631,820)</u>	<u>3,487,427</u>



NOTES FOR CASH FLOW

	For the period from 1st January to 31st December 2007	For the period from 1st January to 31st December 2006
Note - 3 Capital expenditure		
Payments to acquire intangible fixed assets	-	-
Payments to acquire tangible fixed assets	(3,837,691,202)	(363,843,185)
Payments for capital work-in -progress	(264,036,784)	(642,736,471)
Receipts from sales of tangible fixed assets	2,458,293	303,688,683
Total	<u>(4,099,269,693)</u>	<u>(702,890,972)</u>
Note -4 Financing		
Issue of Shares & Debentures-cash	171,662,000	276,520,000
Issue of Shares & Debentures-other than cash	-	(311,088,000)
Increase in Capital reserve	1,368,178,924	(429,991)
Loan taken	1,303,888,873	102,838,158
Total	<u>2,843,729,797</u>	<u>67,840,167</u>
Note - 5 Management of Liquid resources		
Purchase of treasury bills	-	-
Sale of treasury bills	-	-
Total	<u>-</u>	<u>-</u>

In terms of our separate report of even date

For N.C. Mitra & Co.

10 Old Post Office Street,
Kolkata-700001
27 May, 2008


U.K. Basu
Partner


Director


Managing Director


Chairman

SCHEDULES 18

Notes on accounts forming part of Balance Sheet as at 31st December 2007 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. FIXED ASSETS

a) 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 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.

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



SCHEDULES 18

3. 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 during the year. Leasehold Land is amortized over the period of its lease.

4. 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.

5. 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.

6. 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.
- iii. Delayed payment surcharge is determined and recognized on receipt of overdue payments from the consumers.



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- 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.

Penalty claims etc. is recognized on cash basis.

Interest

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

7. 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.

8. 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.

9. 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.

10. 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.



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11. 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 is capitalized. 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) Provision for Taxation has been made in the accounts after the following adjustment:-

Amount in Nu.

Particulars	2007	2006
Book profit for the year	573,154,510	269,138,680
Less set off carried forward losses	(93,561,722)	225,859,455
Less difference between maximum allowable depreciation as per Income Tax Act and depreciation charged in the Accounts as per the provision of rule 4.1 of the Income Tax Act	(87,799,910)	136,840,947
Taxable Profit (loss) after adjustment	391,792,877	(93,561,722)
Provision for Corporate Income tax @ 30%	117,537,863	

- 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 2007 value of such Investment is Nu.111,322,779 as against the total Gratuity liability of Nu. 136,137,128 indicating a shortfall of Nu.24,814,349 which shall be invested in the year 2008.
 - 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. 895,520 pertaining to such Investment have been credited to Gratuity Liability.
 - 4) There has been a domestic tariff revision from July 2007. The revised weighted average tariff is Nu.1.311 /unit as compared to Nu.1.19/unit before the revision.
 - 5) The Party wise list of Security Deposit from consumers has been reconciled with the , General ledger balance subject to difference of Nu 1,142,572.80 (excess in General Ledger).



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- 6) 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.
- 7) a) During the year 2007 the Corporation received the following subsidies:-
I. Nu 1,500,000 for the purpose of Energy Conservation and Efficiency Project.
II. Nu 10,000,000 for the Repair and Maintenance of DG sets.

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

- 8) a) The Royal Government of Bhutan has infused Nu. 173,850,701 as fresh equity Capital during the year towards Rural Electrification Project and Transmission project.
- b) The Corporation refunded Nu 2,188,701 to Department of Aid and Debt Management, Ministry of Finance, by way of reduction of Equity Share Capital.
- 9) During the year, the THPA transmission asset provisionally estimated at Nu 2,278,835,383 has been transferred to the corporation on 1st July 2007 vide executive order no DOE/HQ/Tala-1/2007-08/3 dated 4th July, 2007 by way of credit to RGOB Grant Reserve Account amounting to Nu. 1367,301,000 being 60% of the aforesaid amount. The remaining 40% i.e Nu.911,534,153.00 has been transferred to Unsecured Loan from RGOB in accordance with the corresponding agreement between the RGOB and The Government of India.
Interest during construction Nu. 395,439,476.00 has been capitalized to the credit of Unsecured Loan from RGOB.
- 10) The Corporation has a outstanding Unsecured Loans from the Royal Government of Bhutan amounting to Nu.1,102,875,009 for RE I, II and III. 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.

However, the loan repayment schedule furnished by the Ministry of Finance reflected a higher amount of Nu 4,757,295 than the book balance for which appropriate adjustment entries are pending.

- 11) The Corporation has transferred Nu 18.402 million to Druk Holding Investments as temporary loan as per the MoF/ PED/01/2007/1773 dated 11th October 2007 of the Finance Secretary.
- 12) Movement of Capital work in progress during the year are as stated below:-



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	<u>Amount in Nu.</u>
CWIP as on 1st January 2007	1,033,556,755.79
Add: - Addition During the year	1,350,248,573.53
Total	<u>2,383,805,329.32</u>
Less - Capitalized During the year	1,067,648,301.02
Less – Charges to Operation and maintenance	<u>18,563,488.88</u>
Balance CWIP as on 31st December 2007	<u>1,297,593,539.42</u>

The CWIP of the following works has been charged to revenue expenditure during the year since some of the expenses could not be linked with any specific capital assets and some were in revenue nature.

Name of Unit	Name of work	Charged to O&M
Transmission Const.	Improvement and Upgradation of Transmission System	32,145
	Transmission systemen of Eastern Grid	1,937,353
	Nganglam-Gelephu-Tingtibi civil work	2,671,997
	Kilikhar-Lhuntse Transmission lines	6,966,940
UES (Capital)	Construction of Substation in and around Thimphu	4,942,772
	Chenary re-hab works	5,000
	IUES P/Ling & Samtse (Work)	201,620
Esd Pema Gatshel	Construction of lines and SS	71,800
ESD, Samtse	Improvement and Upgradation of Existing system	1,121,119
ESD Tashi Yangtse	Black topping of roads	287,080
ESD Paro	Construction of lines and SS	298,755
TMD Gyelposhing	Transmission system	26,909
	Total	18,563,489

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

Sl.No.	Units	Amount (Nu)
i)	DCS East Tashigang	7,431,980
ii)	DCS Central	4,537,198
iii)	UED	3,295,326
iv)	D&CD	4,186,403
v)	TCS Tsirang	3,985,422
vi)	TCS Trongsa	2,918,078
vii)	TCS Pasakha	2,791,975
viii)	Deothang Rangia Project	1,087,804
ix)	RED Current	4,483,472
x)	DCS West Current	6,912,355
	Total	34,717,659



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14) The Corporation has procured an Emergency Restoration System (ERS) in the year 2006 (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. 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.

During the year the Corporation has procured Inventory Management Software amounting to Nu 1.310 million which was funded by Asian Development Bank. Such contribution has been credited to the Capital Reserve and proportionate amount of Nu 1,434.90 have been adjusted from depreciation

15) A reserve fund of Nu 22.748 million has been appropriated from retained earning to mitigate the risk of BPC assets against any damages due to natural calamities.

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

	<u>2007</u>	<u>2006</u>
Managing Director's remuneration	Nu.1,032,497/-	Nu 589,130/-
Directors' sitting fees	Nu. 223,000/-	Nu 299,000/-.

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

	2007		2006	
	Units (kWh)	Amount	Units (kWh)	Amount
Purchase	950,172,172	422,332,627	714,338,743	218,271,857
Hydel	21,199,553		19,898,927	
DG	1,655,482		1,643,301	
Sale	902,466,115	1,183,325,404	661,008,885	786,209,505

18) Cost of Energy purchase from the Generating company was as follows:-

Unit	Energy drawn (MUs)	Royalty Energy			Non-Royalty Energy			Total (M. Nu)
		Quantity (MUs)	Rate (Nu)	Amount (M.Nu)	Quantity (MUs)	Rate (Nu)	Amount (M.Nu)	
CHPC	194.656428	314.43368	0.30	94.33010	-119.77725	1.20	143.73270	-49.40260
THPA	537.033702	369.21157	0.30	110.76347	167.82213	1.20	201.38656	312.15003
Total	731.69013	683.64525		205.09357	48.04488		57.65386	262.74743

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- 19) The Corporation is contingently liable for the following:-
(a) Capital commitment for unexecuted contracts amounting to Nu. 1,368.966 million

20) Segment Results for the year 2007 are given below:-

	Generation	Transmission	Distribution	Others	Total
REVENUE	0	566.652	1,193.792	24.791	1,785.235
EXPENDITURES	38.281	174.258	689.448	24.065	926.052
PROFIT	(38.281)	392.394	504.344	0.726	859.183

21) The company proposes a dividend of Nu 100 million during the year and is subject to the approval of the Board.

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

Signature for Schedule 1 to 18.

In terms of our separate report of even date

For N.C. Mitra & Co.

10 Old Post Office Street,
Kolkata-700001

27 May, 2008


U.K. Basu
Partner


Director


Managing Director


Chairman

