

ANNUAL REPORT

2009



BHUTAN POWER CORPORATION LIMITED

Website: www.bpc.bt

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BHUTAN POWER CORPORATION LIMITED

Meeting your energy needs

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BHUTAN POWER CORPORATION LIMITED



Year of Incorporation : 1st July, 2002

Registered Office : P.O Boz 580
Thimphu, Bhutan

Telephone No. : +975-2-325095

Fax No. : +975-2-322279

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Values of BPC

Achieving our Vision and Mission requires dedicated people who are bright, creative, and energetic, and who possess the following values:

- ✍ Integrity and honesty
- ✍ Care for customers and stakeholders
- ✍ Socially and environmentally conscious
- ✍ Taking on challenges

Vision

To be Customer Centric, Commercially Viable and Socially Conscious, and to contribute to the Socio-economic Development of the Country

Mission

To Transmit, Distribute and Supply Electricity within the Country, Wheel Electricity for Export, and practice Good Corporate Governance

“Electricity for All” by 2013



Departments

 **WELCOME**
7th BPC ANNUAL COMPANY WIDE MEETING
JANUARY 19-21, 2010





Distribution and Customer Services Department (DCSD)

The DCSD is responsible for providing adequate, reliable, good quality, safe and affordable electricity in a customer friendly and efficient manner, throughout the country. The DCSD has its branch offices, called Electricity Services Divisions (ESD), in all the 19 Dzongkhags except Gasa which is under the jurisdiction of the ESD Punakha presently. In addition to the 19 ESDs, are two support divisions of DCSD; the Central Maintenance and Training Division (CMTD) in Begana, and the Urban Electrification Division (UED), Thimphu. CMTD conducts training for field staff on professional development programs covering mostly practical lessons and also provides technical support to all the divisions. UED is entrusted with responsibilities for improvement and up-gradation of distribution networks in the urban areas including electrification of Phobjikha valley.

The department operates and maintains all electrical infrastructures at 33 kV level and below. This consists of 2997.42 km of medium voltage (MV) lines (33, 11 and 6.6kV), 4237.39km of low voltage (LV) lines, 1984 transformers of various kVA capacity, 19 mini/micro hydro power plants and 23 Diesel Generating (DG) sets.

The DCSD has 752 employees and caters to over 91,770 customers as of December 31, 2009 throughout the country. The Electricity Services Divisions are responsible for operation and maintenance of the distribution networks; attend to customer services such as service release, meter reading, billing, handling customer inquiries and complaints. A dedicated No Supply Call Center based in Thimphu, attends to customer complaints round the clock for all customers across the country. Taking the services closer to the customers, 133 service centers has been established across the country. In an effort to improve the customer services, DCSD is studying the various payment options such as internet banking for utility bill payment, & payment through SMS banking.

An initiative toward achieving 'Electricity for all by 2013', DCSD electrified 1845 household in 2009 through the "RE-Fill in" program implemented departmentally by the ESDs. RE-Fill in is a program to accelerate the electrification works in parallel to the RE Programs implemented by Rural Electrification Department.



Transmission Department (TD)



Transmission Department is responsible for up-keeping the values of BPC's Vision & Mission in ensuring safety & reliability of high voltage transmission lines and substation for evacuation of electricity to domestic market and wheel electricity to export markets from various generating stations.

Transmission Department is continuously offering innovative and transparent approach towards improvement of standards in O & M of transmission system. TD is responsible for wheeling of power and analysis of transmission assets to keep abreast with the growing demand. TD is also responsible for planning of high voltage system investments to meet the supply-demand scenario in domestic market with high standard of power quality supply and customer satisfaction.

One of the missions of TD is to study the system and strengthen the national grid at regional level. Automation and up-gradation of substations for improving the quality of supply through proper simulation planning and monitoring of systems is our process to achieve efficient access through BPC's networks.

It is apparent that Transmission is coping up with the system coordination activities both at regional level and national level. The National Load Dispatch Center (NLDC), is setting up the control systems. TD is actively participating in the coordination meeting with Eastern Region Load Dispatch Center (ERLDC), Kolkata to meet the Bi-lateral conditions of exporting electricity to India. Internal meetings like System Coordination Committee (SCC) and Protection Coordination Committee (PCC) meetings between DGPC and BPC is a mandate to accomplish safe, reliable and efficient system performance to contribute to national wealth through optimal load dispatch.

We are also advocating social and environmental responsibilities on a-forestation in compliance to the environment regulations of NEC and further develop our own guidelines to maintain transmission networks ROW/easement.

On the performance front, transmission is maintaining the base line targets and strengthening inter- departmental coordination for judicious use of available resources. Planning and monitoring of system up-gradation and investment is given priority. All the current and capital works have been implemented according to the targets.



Transmission Department (TD)

Important Events in 2009

- i. To meet the increasing load demand of capital city, Thimphu, TD completed the up-gradation works of Olakha Substation, SMD, Semtokha and commissioned on December 17, 2009 coinciding the National day.
- ii. TD took over the following transmission lines from D&CD:
 - a. 220kV S/C transmission line from Rurichhu – Tsirang on August 20, 2009.
 - b. 66kV S/C transmission line from Trongsa-Yurmo on October 7, 2008.

Achievements

The achievements of the Department for 2009 are as follows:

Parameters	2004	2005	2006	2007	2008	2009
SAIFI	20.57	5.2797	4.417	0.310	0.484	0.548
SAIDI	7.65	5.9384	2.885	0.104	0.149	0.149
RLIF	99.66	99.88	99.99	99.99	99.99	99.99

Transmission Department looks at developing a training centre for extra high voltage facilities to build capacity of the employees for meeting the supply-demand within Bhutan and export markets in India.



Development and Construction Department



Development & Construction Department (D&CD) is mandated for implementation/execution of major power transmission, sub-transmission & Infrastructure development in line with the company's approved investment plan. Once the need of the transmission project is established, DCD undertakes the following activities/task of the projects:

- A. Preparation of tender documents including technical specifications;
- B. Tendering process and finalization of contract award;
- C. Contractor's design and drawing approvals and clearance;
- D. Construction supervision and quality assurance;
- E. Project scheduling and monitoring; and
- F. Supervision of commissioning and taking over of the system.

Currently the department consists of following offices and its associated works/activities:

1. 400 kV Punatsangchhu – I Transmission Project Office at Lobeysa

The Project Office, headed by a Superintending Engineer with three divisions at Kamichhu in Wangdue, Dagapela and Lhamoizingkha in Dagana, each division is headed by a Sr. Project Manager. The office is responsible for construction of 400kV D/C transmission line from Punatsangchhu – I to Monitar (100 km) and 400kV D/C transmission line from Punatsangchhu I to Lhamoizingkha (110 km) for evacuation of power from Punatsangchhu-I Hydro Electric Project to India.

2. 220 kV Dagachhu – Tsirang – Jigmeling – Lodrai Transmission Project Office, Tsirang

The Project office, headed by a Superintending Engineer (Projects) with two divisions at Tsirang and Jigmeling in Sarpang, each headed by a Project Manager. The office is responsible for construction of 220 kV D/C Dagachhu – Tsirang – Jigmeling – Lodrai transmission line (60 km) with associated 220/66 kV substation at Tsirang and 220/132/33 kV substations at Jigmeling. Upon completion, this project would have Dagachhu Hydro Power Plant integrated with the Western Grid Point at Tsirang, with this, the East – West interconnection would be established and provides reliable power supply to the Eastern and Central region.

3. Transmission Construction Section – Central, Trongsa

The office, headed by a Project Manager is implementing the construction of 132 kV Tintibi – Yurmoo (33 km); 66 kV Yurmoo – Trongsa (20 km) and 66 kV Yurmoo – Bumthang S/C Transmission lines (35 km), with the Tintibi – Yurmoo – Trongsa line having already completed and charged at 33 kV since October, 2008; thereby extending the grid power from Kurichhu Hydro Power Plant to Trongsa dzongkhag, and further to Bumthang dzongkhags (through existing 11 kV line) who were earlier fed through restricted supply from Chhume Mini Hydro.



Development and Construction Department

4. Deothang – Rangia Project Office, Samdrupjongkhar

The office, headed by a Project Manager had successfully commissioned the 132 kV S/C Transmission line from Deothang to Rangia in India (56 km) along with bay extensions at Deothang and Rangia Substations. This line, LILOed at Motanga (Samdrupjongkhar) also feeds the Ferro Silicon Factory at Motanga. Presently, this office is executing the construction of a 132 kV LILO substation at Motanga and the 132 kV S/C transmission line (1 km) at Nganglam, Pemagatshel to supply power to Dungsam Cement Factory.

5. Malbase – Samtse Project Office, Phuentsholing

DCD would be opening the Project office during the year 2010, headed by a Superintending Engineer (Projects) with a division office at Samtse, headed by a Project Manager. The office will be responsible for construction of 220 kV S/C Malbase – Samtse transmission line (50 km), 66kV S/C Samtse-Gomtu transmission (15 km) and 66kV S/C Samtse-Sipsoo transmission (30 km) with associated 66 kV substation at Samtse and 33 kV substation at Sipsoo.

6. Future Plans/Activities:

The department has a series of Mega Projects to be executed during the 10th FYP. The developments of power infrastructure for evacuation of power from future Punatsangchhu – II & Mangdechhu Hydro Power Plant, for export, are some of the major projects in the pipeline.



Rural Electrification Department



BPC is mandated to take up huge volume of rural electrification activities during the 10th FYP period to cover more than 40,000 households. The Rural Electrification Projects are being implemented through various sources of funding viz, the Japan International Cooperation Agency (JICA) and the Asian Development Bank (ADB). In order to accelerate the RE coverage, BPC has been putting in its own resources as part of its social obligation in the 'Fill-in RE Project' through its annual RE programme.

During the year 2009, the Rural Electrification Department (RED) awarded more than 80 contracts for civil works under phase-I aiming at providing electricity services to over 15,000 households under the JICA and ADB-IV projects within the next one year. The physical implementation of the RE works in the field commenced with effect from October 2009. Simultaneously, the department also carried out distribution route survey and design of infrastructure under the 'Accelerated RE project' and subsequently arrived at the preliminary quantities of the materials required for the project.

In order to implement the RE works at an accelerated pace and ease transportation difficulties, BPC provided motorbikes to supervisors and linemen working in the fields so as to ensure that timely control over the quality of the works is put in place.





Procurement Services Department (PSD)

PSD is structured along functional units with each unit specialized in their own scope of activities with a total staff strength of 81 employees. The Head of the Department is responsible for the overall coordination amongst various units to achieve the departmental goals.

PSD has four Divisions:

- i. Procurement and Contracts Division –Head Quarter (P&CD-HQ), Thimphu
- ii. Regional Stores Division, Phuentsholing
- iii. Regional Stores Division, Gelephu
- iv. Regional Stores Division, Samdrup Jongkhar.

P&CD-HQ, Thimphu handles all tendering and contracts formulation while three Regional Stores Divisions located in Phuentsholing, Gelephu and Samdrup Jongkhar are involved in the day to day execution of the contracts with the suppliers and also handles all the receipts, warehousing, transportation, logistics and allied works spread over their own regions which are crucial for the smooth functioning of BPC. Beside, PSD has Strategic Planning Cell looking after the over all planning functions and strategic issues; and Inventory Management Unit looking after the inventory management and control.

1. Future Plans

PSD in pursuit of continuous improvement and to achieve the vision statement of providing best value for goods and services in a consistent, transparent and timely manner plans to adopt some of the strategies outlined below;

- i. ERP Implementation
- ii. Strategic Partnership/Alliances
- iii. Implementation of vendor appraisal
- iv. E-procurement

i. ERP Implementation

PSD plans to adopt supply chain management and take full advantage of the ERP system capabilities. Through the successful ERP implementation, PSD expects to achieve some of the following benefits;

- i. efficient and effective order handling by maintaining up to date and real time information
- ii. Achieve collaborative forecasting with user department for better inventory management.
- iii. As a solution to enhance coordination between PSD and user department for sharing real time information by improving flow of information and physical logistic of materials to meet the users requirement.

Procurement Services Department (PSD)



ii. Strategic Partnership/Alliances

PSD recognizes the impact of supplier for the overall performances to make effective purchasing process to reduce cost for better quality products with shorter lead time. In order to improve supplier performance, there is a need to develop a healthy buyer-supplier relationship to foster long term collaboration with a supplier based on trust and cooperation. Further, managing and developing supplier relationship have become very pertinent for BPC due to the vastly different nature of Stock Keeping Units (SKUs) in terms of value, technical specifications, availability, and supplier profiles; which are very critical to the smooth functioning of BPC.

iii. Implementation of vendor appraisal

PSD plans to adopt vendor appraisal as per the approved Vendor Performance Management System (VPMS) of BPC to measure and review supplier performance and to retain the best supplier with a goal to form a strategic partnership/alliances with the best performing supplier.

iv. E-procurement

E-procurement is also another strategy that PSD is planning to adopt to expedite and improve procurement performance. E-procurement like e-sourcing where internet technology is used to identify new suppliers for a specific category of purchasing requirements; and e-tendering where request for and receiving information on price, quality and delivery time from the suppliers through internet technology are some of the strategies that PSD plans to adopt in the near future.





Engineering Design and Contract Department - EDCD

The core mission of Engineering, Design & Contracts Department (hereafter referred to as EDCD) is to provide in-house technical and Engineering expertise keeping in pace with the state-of-the-art technology and seamless & integrated computer system. EDCD is entrusted with the tasks of planning, system analysis, design and ICT as one of its principal functions.

Currently, EDCD is engaged in the following major activities:

- a) Preparation of tenders for High Voltage Transmission Lines and Substations.
- b) Processing of Environment Clearances from NEC, and conducting EIAs.
- c) Performing Power System Network Studies using MiPower, GMAT, etc.
- d) Power System Planning using GIS, Electrical Asset Management via application of GPS and GIS.
- e) Design and preparation of tenders for civil infrastructure works.
- f) Conducting feasibility studies for Transmission Lines and Substations including detailed survey and Performing Feasibility Studies, geo-technical investigation works, fund mobilization and implementation of Small Hydropower Projects (embedded generation); such as Begana SHPP and Druk Bindu SHPP.
- g) Providing strategic and technical supports to other departments of the corporation.
- h) Overseeing the functional requirements of IT and providing timely support for all existing IT systems and analyze the needs for new requirements in management information system as well as other ICT initiatives.
- i) Standardization of equipment, designs and drawings.



Human Resource and Administration Department



The Human Resources and Administration Department's (HRAD) responsibility is managing BPC's most valued assets – “its people” who individually and collectively contribute to the achievement of Vision and Mission of Bhutan Power Corporation Limited (BPC).

The HRAD has three divisions namely Human Resources Management Division, Human Resources Development Division and Personnel Information & Administration Division.

Human Resources Management Division looks after functions like recruitment & selection, placement, transfer, PMS, promotion and annual increment calculation.

The training needs of all employees are taken care by the Human Resources Development Division which is mainly concerned with building the human resource capacity of BPC.

The various administrative services such as personnel information storage, issuance of post retirement benefits, employee leave, transport arrangement etc. are all under the purview of the Personnel Information & Administration Division.

Since BPC's corporatization HRAD has initiated several schemes for the benefit of the BPC employees and to make the whole system fair and transparent. Some of the schemes include Performance Management System, Performance Based Incentive Scheme and Early Retirement Scheme.

Currently there are twenty eight employees working under the HRA department.

HRAD will continue to ensure that employees are satisfied being with BPC and that they enjoy working for BPC.





Finance and Accounts Department

The Finance and Accounts Department endeavours to make the Corporation a financially self-sustainable and profitable entity. Therefore, optimal and efficient use of resources; instituting appropriate management control systems; putting in place an appropriate budgeting system for judicious allocation of resources and reporting mechanisms for proper monitoring of performances; and ensuring proper check and balance in the functioning of the internal control systems are some of the important functions of the department.

One of the main activities of Finance and Accounts Department is generation and creation of value through the effective use of resources by understanding the drivers of stakeholder value. The department is therefore focused on adding value to the organization through roles such as in house financial advisor and provider of information assurance. Towards ensuring optimal and efficient use of resources, the Department is entrusted with the management and investment of the corporate fund, determining both the short term and long term financing requirement, addressing the adequacy of the working capital requirement, ensuring that the financial and contractual obligations and all the liabilities of the corporation are met and also ensuring that the corporate assets are utilized in an efficient and effective manner.

At the operational level, the Department is mandated to ensure transparency in all its financial dealings; be accountable and responsible for all its financial and quasi-financial transactions including the statutory compliance; and to build professionalism and team spirit for efficient and effective operation for good corporate governance. Through the budgeting process, the Department assists BPC by providing a projection of the activities necessary to reach established goals. The provision, analysis and interpretation of information to the management is also one of the activities performed by the Department for the formulation of strategy, planning and decision making and control. The Department is committed to providing information that is understandable, relevant and reliable.

Towards achieving these objectives and to streamlining the Finance and Accounting function of the Corporation, the Finance and Accounts Department has adopted its own Accounting Rules and Regulations since 2009. The Budget Manual of the Corporation shall be ready for implementation beginning financial year 2010. The Finance and Accounts Department will also implement the SAP ERP in collaboration with the IT Division during the financial year 2010 to take care of its huge volume of financial and budgetary transactions. The implementation of ERP will therefore take us a step nearer in enabling transacting with real time online data and be able to generate the financial and management information instantaneously for quick and accurate decision making.

Finally, FAD aims to act as an aid to BPC in making decisions about the efficient allocation of resources and to provide a mechanism that assists the employees to discharge their accountability obligations for resources entrusted to them. Finance and Accounts Department also ensures that the reporting systems adopted conform to the best industry practices, so that financial information is reliable and useful for decision making purpose.

Board of Directors with Executives from Druk Holding and Investments



Standing Left to Right

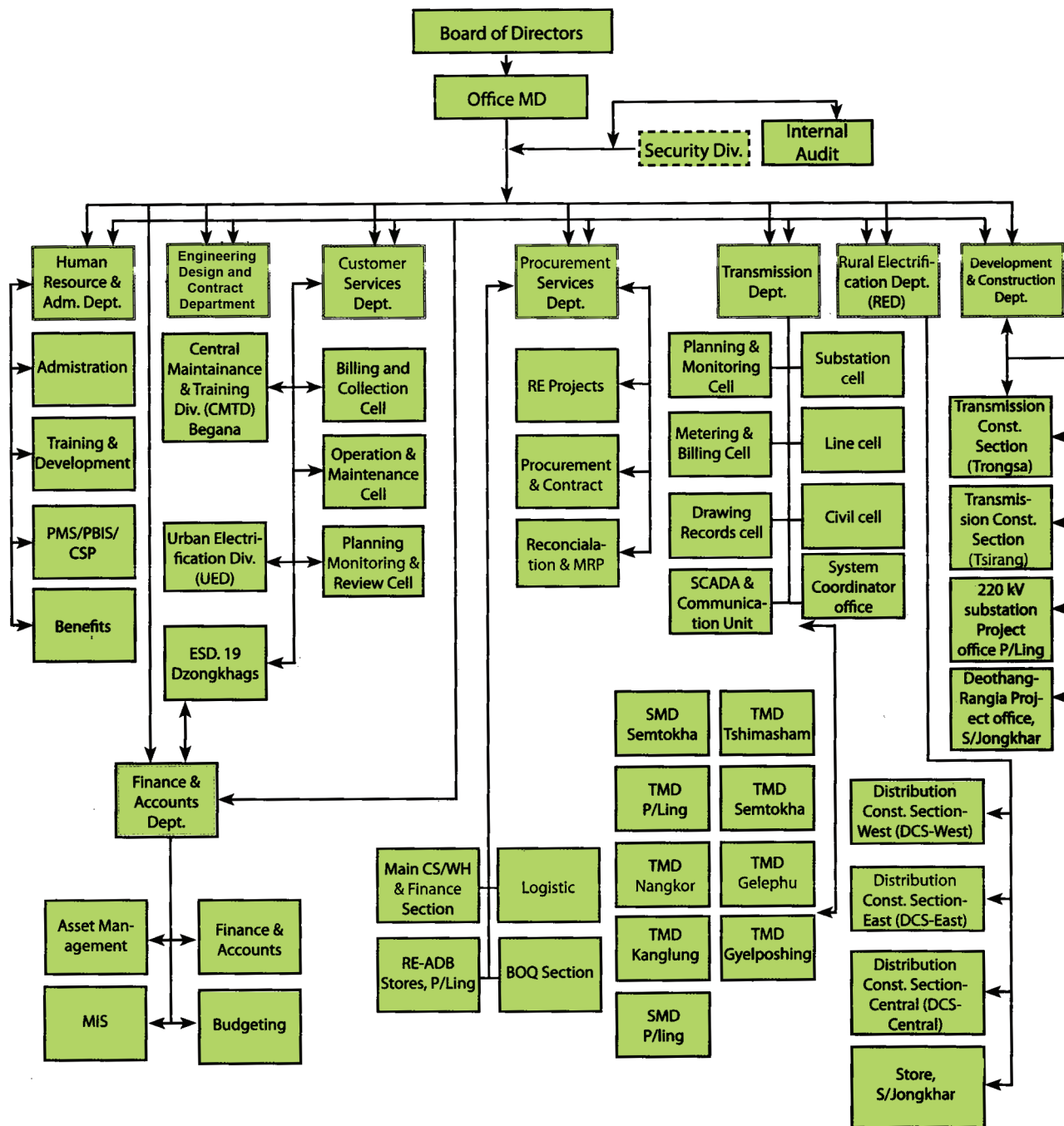
- 1** SONAM LHUNDRUP,
Company Secretary, DHI
- 2** DASHO CHHEWANG RINZIN,
Managing Director, DGPC
- 3** DASHO BHARAT TAMANG,
Managing Director
- 4** KARMA DUKPA,
Director, Department of Forest

Standing Left to Right

- 5** PHUB TSHERING,
Secretary General, BCCI
- 6** KUNZANG LHAMU,
Director, RED, GNHC
- 7** YESHEY WANGDI,
Director General, DoE, Chairman
- 8** KARMA YONTEN,
CEO, DHI



Organogram



Management Team



Front row from Right

- 1** SONAM TOBJEY,
Chief Finance Officer,
Finance and Accounts Department.
- 2** DASHO BHARAT TAMANG,
Managing Director
- 3** GEM TSHERING,
Executive Director,
Development and Construction
Department.

Back row from Right

- 4** KARMA WANGCHUK TAMANG,
Offtg. General Manager,
Procurement Service Department
- 5** KINLAY DORJEE, General Manager
Distribution & Customer Service Department
- 6** SURESH NEPAL, Offtg. General Manager
Rural Electrification Department
- 7** J.D. SHARMA, General Manager,
Engineering Design and Contract Department
- 8** CHHOMO. D. RINCHEN, General Manager,
Human Resource & Administration Department.
- 9** NIMA DORJI, Offtg. General Manager,
Transmission Department



Directors' Report

Directors' Report on the Performance of Bhutan Power Corporation Limited

(1st January -31st December 2009)

Introduction

On behalf of the Board of Directors of the company and myself, I take this opportunity to report the performance of Bhutan Power Corporation Limited for the period 1 January 2009 to 31 December 2009.

BPC has been mandated to operate and maintain the electricity transmission and distribution network in the country, deliver uninterrupted and reliable power supply within the country and ensure that power is wheeled for export to India. BPC is also entrusted with the daunting task of expanding the transmission and distribution network so that the ever growing demand for electricity by both industries and domestic customers are met. The other challenging task for BPC is fulfilling the Royal Government's vision of "Electricity for all by 2013" which entails implementation of a well charted road map to achieve the objective by the deadline set.

This report includes an overview of the activities taken up by the Corporation during the year to meet the core mandates of BPC and the important objectives set by the Royal Government; report on the audited financial performance of the company for the year 2009; highlights the performance of BPC vis-à-vis the Compact signed with DHI; performance of BPC vis-à-vis the targets set in the Performance Based Incentive System (PBIS), management initiatives undertaken during the year to further improve the performance of the Corporation; and provision of better services to its customers.

Compact signed with DHI

Druk Holding and Investments Ltd., the holding company of BPC, had introduced a system of entering into a Compact with its subsidiary companies, including BPC, in a move to promote better corporate governance and instill management accountability. The Compact outlines the major activities to be taken up by BPC for the year and accordingly these have been set as targets to be achieved for the year.

While the revenue target of Nu. 2,985 million as outlined in the Compact could not be achieved due to the fact that the energy sales volume as per the forecast could not be met, the profit target has been achieved. Although the reliability index (SAIDI and SAIFI) targets were not achieved, an overall customer satisfaction index of 93.53% has been achieved against a target of 92%. 7,529 new customers were also added to BPC's system against a target of 5,000 new customers.

Directors' Report



Targets pertaining to improving our customer services such as rolling out spot billing system in all Dzongkhags and carrying out safety awareness/advocacy programs have also been achieved. Targets related to critical works such as rural electrification, National Load Dispatch Centre (NLDC), Optical Ground Wire (OPGW) project, etc., have also been achieved.

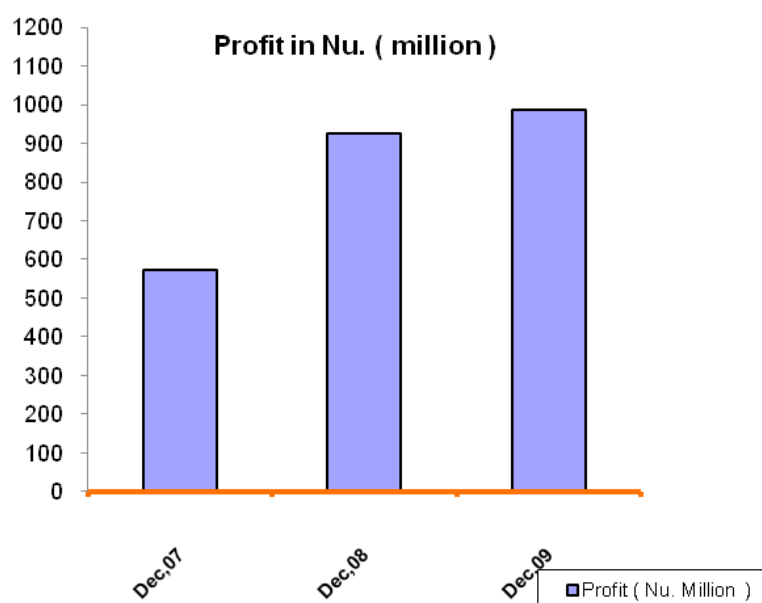
All in all, BPC's achievements vis-à-vis the compact targets are fairly commendable.

Audit and Accounts

The accounts of BPC for the period from 1st January to 31st December 2009 was audited by M/s S.S. Kothari & Associates, the new statutory auditors of the Corporation commencing from this financial year. The previous auditors M/s N.C Mitra & Company resigned as our auditors after successfully completing their tenure of three years.

The report shows that the performance of the Corporation in terms of profitability has improved as compared to the previous years. The profitability trend of the company for the past three years is shown below:

Financial Year Ending	Profit before tax (million Nu.)
December 2007	573.148
December 2008	927.127
December 2009	986.452





Directors' Report

BPC earned a gross revenue of Nu 2,899.487 million during the year as compared to Nu 2,388.702 million in the previous year. The growth in the revenue is about 21% from 2008. The revenue from sale of electricity grew by 37% from Nu 1,572.249 million in 2008 to Nu 2,161.087 million in 2009. The corresponding sale of energy increased to 1,371.917 MU as compared to 1,072.439 MU in 2008. The internal generation of power from the company owned micro and mini hydropower plants increased to 25.278 MU from 22.824 MU in 2008. The energy from diesel generating sets decreased substantially to 0.138 MU in 2009 from 1.236 MU in 2008. The decrease has been on account of grid supply reaching most parts of the country over the years.

While the financial performance in terms of turnover has increased substantially as compared to last year, the Gross Profit ratio declined to 49% from 54 % as compared to the previous year. This resulted from the higher increase in the cost of purchase of power as compared to the growth in the revenue earning.

The increase in the electricity revenue also came from the average electricity tariff revision of 10% effective from 1 July 2009. The weighted average tariff for the year 2009 was Nu 1.56 per unit as compared to Nu 1.46 per unit for the previous year.

The quantity of energy purchased during the year increased to 1,416.994 MU as compared to 1,127.597 MU for the previous year. This has led to a substantial increase in the cost for purchase of power from Nu 457.506 million in 2008 to Nu 779.288 million in 2009. The increase is on account of the growth in the Industrial load whereby the corporation had to pay Nu 391.83 million as non-royalty energy charges for the year.

The quantitative figures for purchase and sale of power as compared to the previous year are summarized below:

	2009		2008	
	Units (kWh)	Amount (millionNu.)	Units (kWh)	Amount (million)
Purchase	1,416.994	779.288	1,127.597	457.506
mini/micro hydropower plants	25.278		22.824	
Diesel Generators	0.138		1.236	
Sale	1,371.917	2,138.553	1,072.439	1,560.570

During the same period, energy wheeled decreased to 5,404.816 MU from 5,922.376 MU in the previous year, from Druk Green Power Corporation's hydropower generating plants for export to

Directors' Report



India. Consequently, the revenue earnings from wheeling decreased to Nu 675.602 million in 2009 from Nu 740.297 million in 2008. The decrease in the energy wheeled is about 9% and is attributable to the increased consumption of energy in the domestic market thereby decreasing the quantum of energy available for export to India as well as the reduced quantum of energy generated by DGPC this year as compared to the previous year.

The trend in the energy wheeled and the revenue earned over the last three years is tabulated below:

Financial Year	2009	2008	2007
Energy Wheeled (MU)	5,404.816	5,922.376	4,533.204
Revenue earned (Nu in million)	675.602	740.297	566.652

The overall expenses increased from Nu 1,093.611 million in 2008 to Nu 1,478.108 million during the year net of prior period adjustments. The increase in the spending is about 35% as compared to the previous year which is largely driven by the increase in the purchase of power cost which grew by 70% as compared to the previous year. The employee cost increased by 17% due to revision of salary during the year.

During the year, the Corporation paid an interest on Loan for RE Projects and THPA transmission asset amounting to Nu 112.659 million. The RE and THPA asset loans attract an interest rate of 6% and 9% respectively per annum.

The current expenditure of the Construction Departments and Units have been capitalized as part of project's overhead costs beginning from the financial year 2006. Such costs amounting to Nu 74.793 million have been charged to capital works during the year as compared to Nu 31.592 million during the previous year. The increase is on account of RE works under ADB and JICA funding and Punatsangchhu works getting started during the year.

Accordingly, BPC made a profit of Nu 1,421.379 million as compared to Nu 1,295.091 million in 2008 before depreciation expenses and taxes. The increase in the profitability is about 9.75% as compared to last year. The net profit after depreciation is Nu 986.452 million. The Corporate Income Tax for the year is assessed at Nu 254.015 million. The Company therefore made a profit after tax of Nu 732.437 million for the year. From this profit, a dividend of Nu 333.109 million has been declared for the year against Nu 151.220 million paid last year. An amount of Nu 1.832 million has also been transferred to Insurance Reserve. With these appropriations of profit, the company has been able to plough back Nu 397.496 million as equity for funding the capital infrastructure works that the company undertakes.



Directors' Report

The Profit and Loss Account for the year is as under:

	2009	2008
INCOME	Amount (million	Amount (million Nu.)
Electricity Revenue	2,161.087	1,572.250
Wheeling	675.602	740.297
Other Revenue	62.798	76.156
Total	2,899.487	2,388.702
EXPENDITURE		
Purchase of Power	779.288	457.506
Employee Cost	434.656	370.334
Operation and Maintenance Expense	120.862	127.321
Administration and Other Expenses	40.123	36.013
Finance Charges	112.659	121.176
Prior period adjustments	(9.480)	(18.739)
Total	1,478.108	1,093.611
Profit before Depreciation	1,421.379	1,295.091
Depreciation	434.927	367.964
Profit after Depreciation	986.452	927.127
Provision for Tax	254.015	242.074
Excess assessed Tax for earlier years		15.441
Profit after tax	732.437	669.612
Proposed Dividend	333.109	151.220
Transfer to Insurance Reserve	1.832	22.460
Profit for the period	397.496	495.932
Balance brought forward	872.080	376.148
Balance carried to Balance Sheet	1,269.575	872.080

Directors' Report



The Company has also prepared the financial report by line of business as supplementary information. The profitability of the Corporation by its three core business functions are given below.

(all figures in million Nu.)

	Generation	Transmission	Distribution	Others	Total
REVENUE		675.602	2,161.087	62.798	2,899.487
EXPENDITURE	29.198	233.614	1,102.637	112.659	1,478.108
PROFIT	(29.198)	441.988	1,058.450	(49. 861)	1,421.379

On the network expansion program, the Board would like to report that during the year, the Corporation spent Nu 1,324.667 million towards capital expenditure. Of this, asset worth Nu 473.961 million has been added and Nu 850.704 million is still on Capital works in progress which shall be added to asset as and when the work gets completed during the course of the subsequent year.

While the main source of cash for meeting the expenses of the corporation during the year has come from its own operations, some of the capital works were supplemented by grant from RGoB including fund for RE works as part of counterpart financing. The larger portion of the RE works were financed through Loans.

The Corporation received capital grant worth Nu 520.463 million during the year for under taking various Capital works such as RE, transmission and OPGW ground replacement works. After adjustment and transfers of the grant to paid-up equity capital, the net grant balance is Nu 996.72 million.

The Corporation has drawn a loan of Nu 174.629 million from JICA and Nu 183.711 million from ADB during the year for Rural Electrification works. Further an amount of Nu 3.266 million was transferred from THPA being the final loan balance on account of THPA assets taken over by the BPC. The Corporation also made a principal repayment of Nu 102.591 on account of the existing loans.

During the year, the cash flow of the corporation has been favourable. The cash inflow from operation increased by Nu 627 million as compared to the inflow of Nu 356 million in the previous year. The increase has been largely contributed by the improved cash from operations. The cash balance as on 31st December 2009 stands at Nu 1,786 million as compared to Nu 1,159 million for the previous year. BPC therefore has adequate cash resources and working capital at the moment to service its debts, meet its current liabilities and all of its capital commitments for 2010.

Performance Based Incentive System

The concept of Performance Based Incentive System (PBIS), which was introduced in the year 2006, is an integral part of the corporation's performance management system. The performance parameters and targets for 2009 were finalized as presented in the PBIS 2009 document.



Directors' Report

The main focus of the PBIS, as always, is to ensure that the levels of past achievement which have already reached the ceiling are maintained and targets for other performance indicators which have scope of improvement are raised to reasonable levels. Non-achievement of any of the performance parameters which have reached the ceiling in the past years is reflected in the respective unit's performance by reducing the overall achievement of the unit by 25% in 2009.

The following Table shows the corporate level targets set and achievements at the end of the year:

Sl. No.	Activity	Weight - age	Target	Actual achievement	Overall achievement in %
1	Profit	30%	Nu. 960 million (pre-tax)	986.452	30%
2	Capital Works	30%	As per schedule defined under DCD (70%), TD (15%), UED (10%) and RED (5%)	54.93%	16.48%
3	Reliability*	10%	SAIFI of 6.5 and SAIDI of 14	SAIFI of 8.526 and SAIDI of 17.211	0.00%
4	System energy losses	10%	Within 1.1%	1.03%	10%
5	Budgetary Compliance	10%	Within Nu. 100.852 million	Nu. 80.564 million	10%
6	Asset utilization factor	10%	A minimum of 26.41%	25.65%	9.71%
	Total	100%			76.20%

The Compact targets have been included in/dove-tailed into the PBIS targets for 2009. The Compact outlines the major activities to be taken up or achieved by BPC for the year. The evaluation of the performance and achievements for the year was carried out in line with the procedures enumerated in the PBIS 2009 document. The Corporation has fully achieved targets for parameters such as the Profit (before tax), System energy losses & current budget compliance and the achievement of other targets were computed according to the level of achievement.

BPC's PBIS system ensures that the targets set are measureable and therefore realistic targets are set subject to the approval of the Board. The system also follows the need to ratchet the targets over

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previous years' performance till the maximum/optimum is reached. Where no further improvement is considered achievable, such parameters are not considered directly as targets in PBIS but any underachievement of these parameters would entail reduction in the overall performance of the unit by 25%.

The achievement in SAIFI in 2009 was 8.526 (interruptions per customer per year) and that of SAIDI was 17.211 (hours per customer per year), against the targets of 6.5 and 14 respectively. Since the achievements in both these parameters exceeded the targeted values, the reliability target for this year has not been achieved, resulting in a score of zero against this parameter.

BPC has performed well in other important areas such as the profit parameter and the system losses. The profit before tax from audited accounts for 2009 is Nu 986.452 million, which is higher than the targeted value of Nu 960 million, resulting in full score against this parameter. In terms of system energy losses, the total energy received by the system during the year 2009 was 6,847.226 GWh and the total utilization of energy (internal sales plus the energy wheeled) was 6,776.732 GWh. Thus the global loss in the system works out to 1.03%, against the target of 1.10%.

It is a priority for BPC to ensure that the quality of system performance is not compromised due to inadequate resource mobilizations and therefore full resource support is made available for the operation and maintenance of the system, while strict monitoring of the controllable costs ensures that BPC does not overspend its controllable current budget. Since the inception of the PBIS, the trend has been that the actual expenditure under the controllable current budget is lower than the budget provisioned. For 2009, the actual expenditure under controllable current budget is Nu 80.564 million, against the budgetary provision of Nu 100.852 million, which resulted in a full score against this parameter.

Operation and Maintenance

It is the continuous effort of BPC to provide safe, reliable and affordable electricity to all its customers by improving and expanding its service infrastructure and carrying out systematic system automation and up-gradation in a timely manner, both at the transmission and distribution levels. The Corporation is also responsible for a reliable transmission network for the evacuation of electricity from the various generating stations to domestic and export markets.

The domestic electricity demand has reached 237 MW in 2009 against the average firm generation capacity of 288 MW. The challenge that BPC is likely to face is to match the supply and demand of electricity in view of the lean flow generation constraints in winter when the demand is at its maximum. The additional generation is not likely to be available till the commissioning of the Punatsangchu-I HEP by 2015 in which case, demand side management may have to be resorted to such as arrangements for re-import of power unless other supply side augmentation initiatives are put in place on time. This would hinder the domestic load growth which could affect the operations of BPC,



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the electricity industry and the economy as a whole till additional generation capacities are added on to the Grid.

As the System Coordinator both at a regional level and national level, the National Load Dispatch Center (NLDC) being set up by BPC, will be responsible for setting up the control systems and BPC continues to actively participate in the coordination meetings with Eastern Region Load Dispatch Center (ERLDC), Kolkata to meet the bi-lateral conditions of exporting electricity to India. Internally, System Coordination Committee (SCC) and Protection Coordination Committee (PCC) meetings between DGPC and BPC are being continued, thereby maintaining a well coordinated functioning of the power systems in the country. On the environmental front, BPC advocates the policy of afforestation in compliance to the environment regulations of NEC, while developing guidelines to maintain transmission networks ROW/Easement and substations to meet the desired energy demand of the nation.

A major achievement during the year was the completion of the upgradation of Olakha Substation at Semtokha, which was commissioned on 17 December 2009, to meet the increasing load demand of the capital city, Thimphu.

The Corporation has plans to develop a training centre for extra high voltage facilities to build the capacity of employees for meeting the supply-demand within Bhutan and export markets in India.

On the distribution level, a total of 7,529 new customers were added to the system during the year, thus taking the total customer base of BPC to 91,770 customers.. Being a service oriented company, enhancing customer services is one of the most important tasks for BPC. With this perspective, a dedicated call center based in Thimphu attends to customer complaints round the clock for the whole country and 133 service centers have been established across the Dzongkhags and regions, thus taking the services closer to the customers. In yet another effort to improve the customer services, BPC initiated the study of various bill payment options for the consumers such as internet fund transfer, payment through SMS, etc.

Addressing the unique problem being faced in the Southern region, the design and construction of 33 kV line from Nganglam to Panbang was initiated by using telescopic poles. Another initiative taken during the year to improve metering efficiency and monitoring was to introduce Automatic Meter Reading (AMR) on a pilot basis for the industrial customers.

Power Expansion Programs

As per the mandate of the Royal Government of Bhutan, it is planned that a total of 40,257 households would be provided with power supply through on-grid power supply scheme during the 10 FYP. Of these households, about 15,712 households are targeted under the JICA ODA Loan and about 8,767 households through the ADB's Grant Assistance. About 800 households have been targeted for RE

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under a Grant Assistance from the Government of Austria (RE of Phobjikha valley). In addition, BPC will be taking up electrification of about 6,019 households in all the twenty Dzongkhags through the “Fill-in” RE Project. Of this, 1,845 households have already been electrified through BPC financing. The remaining 8,959 households initially earmarked for RE during the 11th FYP have also been included for RE in the 10th FYP, to be taken up through the Accelerated RE Project (ARE). While the funds for the first three projects are secured, RGoB is currently mobilizing financing for the ARE Project.

Taking into account the colossal work to be carried out under each project, the individual RE projects under ADB and JICA loan/grant scheme were divided into numerous packages for award to different contractors. The tenders for procurement of materials for most of packages under these two Projects have been awarded and the delivery of materials is under process. Labour contracts for most of the packages have also been awarded and erection works started. The packages that could not be awarded were re-tendered and contracts for these packages were also signed.

For the ARE Project, the route surveys, compilation of data and Geographic Information System (GIS) mapping of the data were completed for the nineteen targeted Dzongkhags. Based on this data, an Environmental Impact Assessment was carried out by the local Environmental Consultant, hired by ADB, and would be submitted to NEC for the mandatory environment clearances. Feasibility study of the project is being carried out with the Project Preparatory Technical Assistance from the ADB, which commenced from November 2009.

The construction of transmission and distribution lines and substations to enable expansion of the existing electrical grid network is very important for BPC to reach electricity to all parts of the country. The Indian section of the 132 kV Deothang – Rangia transmission line along with Bay Extensions (financed by GOI) was completed by May 2008 and commissioned in January 2009. BPC also took up additional works like construction of LILO arrangement at Motanga substation, painting of towers as per the Defense Aviation requirements and shifting of 33 kV bay at Rangia substation.

The construction of the 66 kV Yurmoo-Bumthang Transmission line is progressing well and is targeted for completion by May 2010. PowerGrid, India had been awarded the deposit work for the construction of 132 kV Yurmoo-Trongsa line and 33 kV substations at Trongsa and Bumthang. While the Yurmoo-Trongsa line was completed and charged in October 2008, the 33 kV Kewathang substation at Trongsa was charged in August 2009 and the 33 kV Garpang substation at Bumthang was charged in January 2010. The transmission system is scheduled for inauguration in 2010.

The works for the construction of the 220 kV Dagachhu-Tsirang-Jigmeling-Lodrai Double Circuit Transmission Line was awarded to M/s. Shyama Power on 20 February 2009 and is progressing as per schedule. The Tsirang-Jigmeling-Lodrai section of the line is targeted for completion by December 2010 to complete the OPGW link as required by the Ministry of Information and Communications (MoIC). The construction works for the 400 kV double circuit Punatshangchhu-I Transmission line



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was scheduled for award by December 2009, which was put on hold due to a late proposal to adopt High Temperature Low Sag (HTLS) conductors on the Transmission Line instead of Aluminum Conductor Steel Reinforced (ACSR) Moose.

With the massive power system expansion both in transmission and distribution as well as associated other infrastructure works, BPC is keeping pace with all the services related to Engineering, Design and Contracts. BPC no longer depends on external consultancy firms for its engineering and design. Presently, except for the 400 kV Punatsangchhu transmission system for which the technical services of POWERGRID are hired as per RGoB's directives, all other projects are being handled in-house. The designs for various civil works contracts are provided in-house, while for contracts of turn-key nature the contractor's designs are vetted, commented / approved by BPC's own engineers. The tasks associated with planning, power system analysis, design and Information Technology (IT) services are all undertaken in-house.

During the year, Power System Load Flow Studies of Rural Electrification (RE) works in all the 20 Dzongkhags have been completed. The 66 kV Olakha substation has also been commissioned. Based on additional requirements, the control room is being extended by construction of one-more floor.

The works of 220 kV transmission line from Dagachhu-Tsirang-Jigmeling-Gelephu (60 km) have been tendered out and the contract with successful bidder signed. The contractor's tower designs have been reviewed and finalised. Based on the approved foundation designs, site works are progressing.

The tenders for 220/132kV Jigmeling and 220 kV Tsirang substations have been floated and the evaluation is under way.

The detailed survey of 66 kV transmission line from Samtse to Sipsu was undertaken, along with that of 220 kV Malbase – Samtse and 66 kV Samtse – Gomtu transmission lines.

In addition to use of software tools like PLSCAD, BPC has developed its own excel-based software for tower profiling, preparation of tower schedule, sag-tension calculation and stringing charts. In the field of electricity generation, BPC has completed the feasibility study of 20 MW Begana Small Hydropower Project and is processing for Government clearance for its development.

BPC has also obtained the environmental clearance for the major transmission line projects (400 kV transmission line from Punashangchhu Hydropower Project (I) to Lhamoizingkha, Punashangchhu Hydropower Project (I) to Monitar, 220 kV transmission line from Malbase to Samtse, 66 kV transmission line from Samtse – Sipsu and 66 kV transmission line from Samtse to Gomtu) in the pipeline. The detailed Environmental Impact Assessment (EIA) for the proposed 20 MW Begana SHP was undertaken and submitted to the National Environment Commission Secretariat for review and issuance of environmental clearance.

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As part of upgrading its base information, BPC has also completed about 90 % of mapping & management of all distribution facilities using GPS (Global Positioning System) and GIS (Geographic Information System).

Human Resource Development and Management

BPC places utmost importance on development of institutional capacity and the professional skills of its human resource. The Corporation is committed to building up a platform for its employees to display their skills, professionalism and productivity as well as aiding them in their endeavor to develop their proficiency and enhance their knowledge. In order to develop in-house human resource capacity, 9,032 man days of training, both in-country and ex-country, were conducted. In order to meet the increased demands being placed on BPC and the growing challenges of providing electricity to the whole country, BPC recruited 150 new employees (10 female employees and 140 male employees) from engineering, finance and other academic backgrounds. The total number of employees in BPC as of 31 December 2009 is 1,774 (322 female employees and 1,452 male employees).

The employees of BPC are a dedicated and professional lot, who believe in professionalism and team work to achieve success in the various endeavors of the Corporation. BPC believes in motivating these employees to reach greater heights of success and one way of facilitating this is through the “career ladder” approach and to the extent the competency is not prejudiced, going for in-house selection to fill-in the vacant posts. For instance, the vacant posts of General Manager-Transmission Department, General Manager-Procurement Services Department and General Manager-Rural Electrification Department was notified internally and were successfully filled up by BPC's own senior employees. Similarly, 11 other senior employees were promoted and placed as Superintending Engineers and Regional Managers in the various regions of the country.

As BPC is one of the largest service sector corporations in Bhutan, it is not possible for the senior management to interact with all the Managers and other employees in the various Divisional offices on a daily basis. However, an on-going practice of BPC is to organize an annual company wide meeting where the Division Managers and other relevant officers, representing the employees of BPC, are given an opportunity to meet with the senior management and discuss past performance, the way forward and the challenges faced in their day to day work. This meeting also serves as an excellent platform for the employees to interact and share common problems and solutions with each other. The 7th Annual Company Wide Meeting was held in Phuentsholing from January 19-21, 2010.

Procurement Services of BPC

With the huge responsibility of the vision of “Electricity for all by 2013”, BPC is gearing up in full swing for the various RE projects, for which tenders are being carried out and materials being procured.



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In such a scenario, centralized procurement services in the Corporation play an even greater role than before. Besides the routine procurement of materials for BPC funded works, efforts are being fully focused on the timely procurement of materials for the ADB and JICA funded RE works.

BPC signed supply contract packages worth over Nu 2.352 billion and materials worth of Nu 1.242 billion have been delivered to the site offices and the construction sites. The practice of Bulk tender procurement of goods as being done in BPC has the benefit of economy of scale (quantities and cost).

Transportation of the RE materials were outsourced to private transporters through open tender and the transportation of materials to the sites are being carried out in earnest.

Apart from procurement of materials in a timely manner, continuous effort is being made to streamline BPC's supply chain management, starting from its procurement process to inventory management to warehousing till the delivery at site. Recognizing that materials not being delivered on time at site could be a major impediment for implementation of planned works, a feasibility study of a procurement system based on accepted norms of EOQ and Re-order level to move away from requisition based system was conducted. Documented procedure for long term supply mechanism for critical and proprietary items was also carried out. The vendor performance rating system has also been initiated.

As always, a customer satisfaction survey for vendors and users was conducted during the year and the outcome of the survey was promising, providing inputs in areas that the procurement services require improvement.

Corporate Social Responsibility (CSR) and subscription to the philosophy of Gross National Happiness (GNH)

BPC's operational philosophy is closely entwined with the four pillars of GNH – sustainable development, preservation & promotion of cultural values, conservation of the natural environment and establishment of good governance. As enshrined in BPC's vision statement, being socially conscious and contributing to the socio-economic development of the country stands high on the company's priorities. BPC's implementation efforts towards achieving 100% rural electrification (RE) through provision of electricity access to reduce poverty and provide clean energy for socio-economic and environment preservation is the direct support to the cause of GNH. Accordingly, BPC made significant contributions to the victims of the earthquake which hit parts of Eastern Bhutan in late 2009. It also undertook the task of internal electrification of Lhakhangs and some villages which were effected by the earthquake by means of providing free materials and services. A blood donation campaign was also undertaken in collaboration with the JDWNR Hospital in Thimphu. In an effort to help poor beneficiaries in the rural areas after the completion of a RE project, BPC already has a system in place whereby such customers can stagger their security deposits (energy and meter)

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over six months instead of having to make a one-time payment which may not be affordable to them. Furthermore, in order to streamline its CSR initiatives, a donation policy has also been formulated and put in place. All these initiatives are in line with the first GNH pillar of sustainable development. The company also supports and promotes the national sport (archery) by means of contributing/sponsoring the Bhutan Archery Federation's tournaments. It also makes contributions to Lhakhangs in kind and cash. Such activities are in line with the second GNH pillar of preservation & promotion of cultural values.

As enshrined in its Corporate Strategic Plan (CSP), BPC has also taken up the initiative of planting twice the number of trees cut to obtain the Right-of-Way for new transmission and distribution lines. BPC resorts to using innovative technologies such as Ariel Bundled Conductors (ABC) in order to minimize the Right-of-Way in environmentally protected areas. Public consultations and strict compliance to the environmental rules/regulations are done in all projects undertaken by BPC. These initiatives are in line with the third GNH pillar of conservation of the natural environment.

BPC has instituted systems in place such as the Performance Based Incentive System (PBIS), the Performance Management System (PMS), etc, which are ultimately aimed at enhancing good governance and instituting responsibility & accountability. All processes and systems in BPC are also very transparent and open. BPC has had no adverse records as of now with any auditing body. All these go to show that policies in BPC are very much in line with the fourth GNH pillar of establishing good governance. BPC top management has been constantly advocating to upholding the highest standards of core values in Quality, Integrity and Safety (QIS) management system in BPC.

Other Management Initiatives

Enterprise Resource Planning (ERP)

The Corporate Strategic Plan (CSP) – 2007 of BPC implies the adoption of an ERP platform although not explicitly. The CSP states that a Management Information System (MIS) be adopted for proper material management, have an HR information system integrated with other IT systems, implementation of a general ledger system with an appropriate software and in general to streamline our business processes. All these come under the purview of an ERP system and in general can be implemented through the adoption of an ERP platform.

BPC put forth its serious plans to implement an ERP platform for integration of the various systems and functions in place in BPC. An ERP platform would enable BPC to integrate its various business functions on an Information Technology (IT) system translating into increasing BPC's operational efficiency. This initiative was then spearheaded by DHI, the holding company of BPC, and accordingly a SAP based ERP software was selected during the year through an international bidding process. An approval was obtained from the Board in principle for implementation of the ERP software into the BPC system and the selection of a System Integrator.



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The following benefits are envisaged as a result of the adoption of an ERP platform:

- Improved operational efficiency
- Reduction in outages
- Improved customer service
- Single window contact centre for customer care
- Better quality and reliability of supply
- Quick complaint redressal
- Reduction in billing cycle time

The integration and implementation of the ERP platform into the BPC system is expected to take at least 12 months and the process is currently being initiated.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I take this opportunity to extend our appreciation to the management and employees of BPC for their hard work and commitment displayed during the year. The achievements of the company with respect to the targets set in the Compact signed with the DHI and the PBIS show that the company has performed very well during the year. It is a matter of great satisfaction for the Board to report that over the years since 2006, the Company's financial performance has been showing an increased trend of annual profits and that the company has been able to meet the dividend targets set by the DHI.

The need for making delivery of services more efficient and cost-effective, planning and timely upgradation and system expansion programs & also fulfilling the target of "Electricity for all by 2013" require BPC to be ever dynamic, agile, responsive and innovative. I am happy to mention that we have the leadership and management team in BPC who have these traits to take the company forward and fulfill the mandates and objectives of the government. Implementation of ERP, NLDC, East-West transmission link, HR capacity building measures are some of the worthy initiatives being undertaken by the company to cope up with the future needs and complexity of the power system, enhance the energy security of the country and to make its business functions and processes more efficient. I am also happy to mention that BPC has put in place well charted plans and strategies to fulfill the RGoB's target of "Electricity for all by 2013" and I have no doubt that the company will be able to fulfill these targets. Another important initiative that is underway is the Organizational Development exercise, which will enable BPC to focus on building an organization and manpower that will be able to cope up with its increased mandates and future growth and complexity of the power system.

I would like to acknowledge the valuable guidance provided by all the members of the Board during the year. BPC being one of the largest company in the country, issues that require the Board's attention are wide ranging, complex and have huge financial and other implications. I therefore take this opportunity to further solicit the continued support of all the Board members in guiding

Directors' Report



our company. I would also like to acknowledge the cooperation and support rendered by different agencies of the Royal Government to the BPC, particularly the Department of Energy, Ministry of Economic Affairs for timely policy interventions, the NEC and Department of Forests and Park Services for their cooperation in providing environmental clearances for the RE projects and Druk Green Power Corporation for rendering utmost cooperation to ensure reliable power supply to the customers. The Board would also like to place on record its appreciation to the DHI for its timely guidance and support on strategic issues and matters related to the BPC.

Last but not the least, the Board has full confidence that under the dynamic leadership of Dasho Bharat Tamang, Managing Director and with the continued dedicated support from the management team and employees, BPC will continue to keep up its excellent performance and contribute to the overall socio-economic development of the country. Towards this end, on behalf of Board and myself, I would like to assure the management and staff of BPC of the Board's full support in the endeavor to realize the goals, missions and visions of the Corporation.

Tashi Delek

For and on behalf of the Board

Yeshe Wangdi
(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, 2009 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 been prepared on the basis of generally accepted accounting principles and that the financial statements are in agreement with the books of account.



Auditors' Report



- 5 As disclosed in Accounting Policy No. 3 of schedule 19 the method of accounting for depreciation followed by the Company is based on calculations made at the rates which are different from those prescribed by the Companies Act of Kingdom of Bhutan, 2000.
- 6 In our opinion and to the best of our information and according to the explanations given to us and subject to our comments in para 5 above, the said accounts together with schedules, significant accounting policies and notes on accounts, give the information 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 2009 ;
 - 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.

The 3rd day April 2010
Place: Kolkata

For S. S. KOTHARI & ASSOCIATES
Chartered Accountants

(P. K. BHATTACHARYA)
Partner





Annexure - I

REFERRED TO IN OUR AUDIT REPORT OF EVEN DATE MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENT

- 1.1 The Corporation has maintained proper records to show full particulars including quantitative details of the fixed assets.
In accordance with a phased programme adopted by the Company to complete physical verification all fixed assets within a cycle of 3 years, certain fixed assets have been physically verified during the year. Pending ascertainment of the extent of discrepancies, if any, on completion of reconciliation of book balances with the physical balance, no adjustment in accounts has been carried out for the same.
- 1.2 None of the fixed assets have been revalued during the year.
- 1.3 The physical verifications of stores and spares at all locations except for ESD Samtse and ES Tashigang were conducted in 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 are adequate in relation to the size of the Corporation and the nature of its business. However, efforts should be made to complete physical verification of stores and spares at all locations within the year.
- 1.5 The discrepancies noticed in physical verification of stocks as compared to book records in respect of Central Stores, which were not material, have been adjusted in the books accounts. However, in respect of other stores shortage /excess have not been adjusted pending ascertainment of the same on compilation and finalization of the physical verification reports as also completion of physical verification of ESD Samtse and Tashigang.
- 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. During the year the Company has ascertained the extent of slow-moving and non-moving items at Central Stores and based on technical assessment of the items, provision for Nu. 1337,773 has been made towards obsolescence. Slow moving and non-moving items of other Regional Stores and O&M stores are in the process of being ascertained.



Annexure - I



- 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 loans to any company under the same Management.

- 1.9 The Corporation, wherever it has given any loan and advances to its staff or other parties against purchase 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 The Corporation has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the company as well as to ensure adherence to the rules/regulations and system and procedures.

However, the system of maintenance of records regarding stores and spares (capital and revenue) needs to be further improved to generate periodical list of items highlighting the specific status such as moving, and non-moving for Regional and Sub-stores..

- 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, 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 In absence of declarations received from the Directors, we are unable to specifically ascertain whether there is any transaction 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. However, the Directors of the Corporation are all Government nominees and there may or may not be transactions with other government companies.





Annexure - I

- 1.14 The damaged items have been identified and auctioned off during the year. No further provision is required on this account.
- 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 transported by the Corporation, there is no insurance policy for handling/transit losses within Bhutan.
- 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 maintains 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 regular in depositing its provident fund, salary tax and health tax, contract tax, Bhutan sales tax dues with the appropriate authorities.
- 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 system of recording receipts, issues and consumption of stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
- 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.



Annexure - I



- 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, this 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 out by the management as and when required for information and follow-up action.
- 1.29 The Corporation generally has surplus cash/bank balances and based on future requirements, funds are invested in Fixed Deposit with Banks and in RMA Bills.
- 1.30 According to the information and explanations given to us, and on the basis of examination of books and records, in our opinion and 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 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 and in Secured Bonds of Royal Monetary Authority of Bhutan.
- 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.





Annexure - I

- 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 During the year the Corporation has identified the slow-moving and non-moving items of stores and spares and based on technical assessments of the items, provision has been made. .
- 2 Computerized Accounting Environment
- a) The organizational and system development controls and other internal controls should be adequately strengthened by introducing on-line recording of transactions.
 - b) Adequate safeguard measures and backup facilities exist in the organization.
 - c) Adequate backup facilities and disaster recovery measures including keeping the files in different and remote locations is in place.
 - d) There is an adequate operational control to ensure correctness and validity of input and output data information, except in certain cases of inventory where the output data should be made more exhaustive in order to make effective validation checks for the same. However, the Management has taken necessary action to address the issue in future.
 - e) Adequate measures are in place to control unauthorized access over computer installations and files.
3. Based on the net asset position reflected by the Corporation's Balance Sheet as at 31st December, 2009 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.
4. 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, except in case of charging of Depreciation in accounts as disclosed in Accounting Policy No. 3 of Schedule 19.



Annexure - I



5. 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.
6. Financial and Operational Resume of the Corporation has been given in Exhibits to this Annexure – I.

Place: Kolkata
The 3rd day April 2010

For S. S. KOTHARI & ASSOCIATES
Chartered Accountants

(P. K. BHATTACHARYA)
Partner





Exhibit to the Annexure

PROFIT VARIANCE ANALYSIS FOR THE YEAR ENDED 31.12.2009

PARTICULARS	2009 Amount (Nu)	2008 Amount (Nu)	Variance	Ramarks
INCOME				
Electricity Revenue	2,836,689,369	2,312,546,610	524,142,760	F
Other Revenue	62,798,019	76,155,534	(13,357,515)	F
Total	2,899,487,388	2,388,702,144	510,785,244	
EXPENDITURE				
Purchase of Power	779,288,080	457,505,726	321,782,353	A
Employee Cost	434,656,011	370,334,231	64,321,780	A
Operation and Maintenance Expenses	120,862,101	127,321,280	(6,459,179)	A
Administration and Other Expenses	40,123,186	36,012,540	4,110,646	A
Finance Charges	112,659,178	121,175,732	(8,516,554)	A
Prior period adjustments	(9,480,427)	(18,738,547)	9,258,120	F
Total	1,478,108,128	1,093,610,962	384,497,166	
Profit before Depreciation	1,421,379,260	1,295,091,181	126,288,078	F
Depreciation	434,927,367	367,963,781	66,963,586	A
Profit/(Loss) after Depreciation	986,451,893	927,127,400	59,324,492	F

NOTE

F= Favourable

A=Adverse



Exhibit to the Annexure



FINANCIAL HIGHLIGHTS OF OPERATIONS DURING 2009

Particulars	2009 Nu in millions	2008 Nu in millions
INCOME		
Gross earning from sale of Electricity	2,837	2,313
Other Revenue	63	76
Power Purchase (Gwh)	1,414.44	1,128
Cost Per unit(Nu.)	0.55	0.41
Power Sale (Gwh)	1,371.91	1,072
S.P. per unit(Nu.)	1.56	1.46
Employee cost	435	370
Employee cost per unit sold(Nu.)	0.32	0.35
Operation & Maintenance expenses	121	127
Expenses per unit (Nu.)	0.09	0.11
Profit before Depreciation and Tax(PBDT)	1,421.38	1,295.09
Profit Before Tax(PBT)	986.45	927.13
RATIO ANALYSIS		
GP ratio	49.02%	54.22%
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.309	0.275
Inventory Turnover Ratio (Sales/Average Inventory)	8.43	6.54
Debtors Turnover Ratio (Sales/Average Debtors)	18.567	17.236
Current Ratio (Current Assets/Current Liabilities)	1.771	2.174
Quick Ratio (Current Asset-Inventory/Current Liabilities)	1.556	1.819





Balance Sheet

BALANCE SHEET AS AT 31st DECEMBER ,2009

PARTICULARS	Schedules	As at 31st December 2009 Amount (Nu)	As at 31st December 2008 Amount (Nu)
SOURCES OF FUND			
Shareholders' Fund			
Share Capital	1	7,258,771,000	5,886,485,000
Reserves and Surplus	2	2,343,672,132	2,815,355,845
		9,602,443,132	8,701,840,845
Loan Funds	3	2,518,789,820	2,260,427,102
Total		12,121,232,952	10,962,267,947
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		11,760,087,034	11,302,037,304
Less- Depreciation		2,354,721,911	1,928,067,519
Net Block		9,405,365,122	9,373,969,785
Capital Work in Progress		1,387,106,350	536,400,606
		10,792,471,472	9,910,370,392
Current Assets, Loans and Advances			
Inventories	5	369,996,149	318,155,573
Debtors	6	199,233,517	106,324,812
Cash and Bank Balances	7	1,785,694,297	1,159,052,228
Other Current Assets	8	337,765,215	103,744,558
Loan and Advances	9	359,351,198	260,393,460
Total Current Assets		3,052,040,375	1,947,670,631
Less: Current Liabilities and Provisions			
Current Liabilities	10	701,329,446	330,212,283
Provisions	11	1,021,949,450	565,560,793
Total current liabilities and Provisions		1,723,278,896	895,773,076
		1,328,761,480	1,051,897,555
Net Current Assets		1,328,761,480	1,051,897,555
Total		12,121,232,952	10,962,267,947

Notes on Accounts 19

Schedule 1 to 11 and Schedule 19 form an integral part of the Balance Sheet

In terms of our separate report of even date

For S. S. Kothari & Associates
Chartered Accountants

21 Old Court House Street
Kolkata-700001
The 3rd April 2010


P.K. BHATTACHARYA
Partner


Director

Managing Director


Chairman

Exhibit to the Annexure



PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31.12. 2009

PARTICULARS	Schedules	2009 Amount(Nu)	2008 Amount (NU)
INCOME			
Electricity Revenue	12	2,836,689,369	2,312,546,610
Other Revenue	13	62,798,019	76,155,534
Total		2,899,487,388	2,388,702,144
EXPENDITURE			
Purchase of Power		779,288,080	457,505,726
Employee Cost	14	434,656,011	370,334,231
Operation and Maintenance Expenses	15	120,862,101	127,321,280
Administration and Other Expenses	16	40,123,186	36,012,540
Finance Charges	17	112,659,178	121,175,732
Prior period adjustments	18	(9,480,427)	(18,738,547)
Total		1,478,108,128	1,093,610,962
Profit before Depreciation		1,421,379,260	1,295,091,181
Depreciation		434,927,367	367,963,781
Profit/(Loss) after Depreciation		986,451,893	927,127,400
Provision for Tax		254,015,170	242,074,346
Excess assessed Tax for earlier years			15,441,090
Profit(Loss) after tax		732,436,722	669,611,965
Proposed Dividend		333,109,181	151,220,000
Transfer to Insurance Reserve		1,832,000	22,460,000
Profit(Loss) for the period		397,495,542	495,931,965
Balance brought forward		872,079,836	376,147,871
Balance carried to Balance Sheet		1,269,575,377	872,079,836
Notes on Accounts	19		

Schedules 12 to 19 form integral part of the Profit and Loss Account
In terms of our separate report of even date

For S. S. Kothari & Associates
Chartered Accountants





P.K. BHATTACHARYA Director Managing Director Chairman



21 Old Court House Street
Kolkata-700001




Cash Flow Statement

	For the period from 1st January to 31st December 2009	For the period from 1st January to 31st December 2008
	Amount (Nu).	Amount (Nu).
Net cash flow from operating activities (Note - 1)	1,671,191,048	1,310,974,801
Returns on investments and servicing of finance (Note 2)	(249,958,723)	(200,791,345)
Tax paid during the year	(242,074,346)	(132,978,953)
Capital expenditure (Note 3)	(1,312,153,374)	(976,329,467)
Net cash inflow/(outflow) from investing activities	(1,804,186,442)	(1,310,099,765)
Net cash inflow/(outflow) before financing	(132,995,394)	875,037
Financing (Note 4)	759,637,464	355,474,806
Net cash inflow/(outflow) from financing activities	759,637,464	355,474,806
Increase/(Decrease) in cash	626,642,070	356,349,842
Opening cash and cash equivalents	1,159,052,228	802,702,385
Closing cash and cash equivalents	1,785,694,297	1,159,052,228
Cash Inflow	626,642,070	356,349,842

In terms of our separate report of even date

For S. S. Kothari & Associates
Chartered Accountants

21 Old Court House Street
Kolkata-700001
The.....2010


P.K. BHATTACHARYA
Partner


Director


Managing Director


Chairman



Schedules



Schedules forming part of Balance Sheet as at 31st December 2009

	As at 31st December, 2009 Amount(Nu)	As at 31st December, 2008 Amount(Nu)
Schedule1: Share Capital		
PARTICULARS		
Authorised Share Capital (7,500,000 equity shares of Nu 1000/- each)	<u>7,500,000,000</u>	<u>7,500,000,000</u>
Issued, Subscribed and Paid up		
4,875,828 equity shares fully paid up for consideration other than cash (previous year 3,503,542)	4,875,828,000	3,503,542,000
2,382,943 equity shares fully paid up in cash	2,382,943,000	2,382,943,000
Total	<u>7,258,771,000</u>	<u>5,886,485,000</u>
Schedule2: Reserves and Surplus		
(a) Profit and Loss Account	1,269,575,377	872,079,836
(b) Capital Reserve		
As per Last account	45,060,595	20,234,828
Add. Additions during the year		25,517,628
Less Charged to Depreciation	691,861	691,861
Less Trasfers/Adjustment	14,035,512	
	30,333,223	45,060,595
(c) RGoB Grant Reserve Account	1,853,007,413	1,367,301,545
Addition during the year	520,462,919	485,886,395
Less adjustment during the year	1,376,746,800	180,526
	996,723,532	1,853,007,413
d) Insurance Reserve	47,040,000	45,208,000
Total	<u>2,343,672,132</u>	<u>2,815,355,845</u>
Schedule 3:Loan Funds		
Unsecured Loan :		
From Royal Government of Bhutan	2,503,250,827	2,244,275,621
Interest accrued & due on unsecured loans	15,538,993	16,151,481
Total	<u>2,518,789,820</u>	<u>2,260,427,102</u>



Schedules forming part of the Balance Sheet as at 31st December, 2009

Schedule-4 : Fixed Assets

Particulars	Gross Block			Accumulated Depreciation as on 31/12/08 (Nu)	Prior Year (Nu)	Depreciation			Net Block as on 31/12/09 (Nu)	Net Block as on 31/12/08 (Nu)
	Gross Block as on 31/12/08 (Nu)	Additions during the year (Nu)	Disposal during the year (Nu)			For the year (Nu)	On disposal (Nu)	Accumulated Depreciation as on 31/12/09 (Nu)		
Land	59,118,638	645,867		59,764,505	-			0	59,764,505	59,118,638
Buildings	421,353,842	117,572,182	699,206	538,226,818	67,203,351	14,735,942	185,747	81,753,545	456,473,273	354,150,491
Other Civil Structures	453,775,677	10,096,038		463,871,715	102,384,304	47,840,368		150,224,672	313,647,043	351,391,373
Generation Equipments	711,501,125	584,800		712,085,925	253,624,267	33,983,299		287,607,565	424,478,360	457,876,858
Transmission Lines	6,187,391,203	127,943,201	89,973	6,315,244,432	699,159,690	178,428,276	411	877,587,555	5,437,656,877	5,488,231,514
Distribution Lines	3,130,400,141	120,072,190	6,995,561	3,243,476,769	568,314,003	71,353,402	862,322	638,805,084	2,604,671,686	2,562,086,137
Other Equipments	186,099,977	50,537,306	2,784,517	233,852,766	160,652,033	64,767,174	2,084,441	223,334,765	10,518,001	25,447,944
Vehicles	134,002,603	38,063,056	5,185,217	166,880,443	67,944,546	16,307,368	5,042,035	79,209,878	87,670,564	66,058,057
Furniture and Fixtures	18,394,098	8,446,788	157,226	26,683,660	8,785,325	7,511,540	98,019	16,198,846	10,484,814	9,608,773
Total	11,302,037,304	473,961,430	15,911,700	11,760,087,034	1,928,067,519	434,927,367	8,272,975	2,354,721,912	9,405,365,122	9,373,969,785
Figures for Previous year	9,573,729,024	1,745,006,723	16,698,442	11,302,027,304	1,571,417,216	367,963,789	11,313,478	1,928,067,519	9,373,969,785	



Schedules



Schedule 5: Inventories

Stores and Spares	341,614,278	297,833,143
Stores & Spares at Site	28,381,871	20,322,430
Total	369,996,149	318,155,573
Less: Provision for obsolescence	-	-
Total	369,996,149	318,155,573

Schedule 6: Sundry Debtors (Unsecured)

Debts outstanding for more than six months	28,010,508	3,629,953
Other Debts	177,390,962	107,405,788
	205,401,471	111,035,741
Less: Provision for doubtful debts	-	-
Sundry Debtors	-	-
Considered Good	199,233,517	106,324,812
Considered Doubtful	6,167,954	4,710,929
	205,401,471	111,035,741
Less: Provision for doubtful debts	6,167,954	4,710,929
Total	199,233,517	106,324,812

Schedule 7: Cash and Bank Balances

Cash in hand	3,095,489	4,197,748
Bank Balances in Current Account with BoB	1,522,727,735	178,936,813
RMA Bills	-	120,593,550
Fixed Deposit	82,373,520	742,786,496
Fixed Deposit -Gratuity fund	177,497,553	112,537,622
Total	1,785,694,297	1,159,052,228

Schedule 8: Other Current Assets

Pre-Paid Expenses	73,140,814	73,979,461
BST refund	968,760	3,157,401
Welfare loan	120,357	131,636
Miscellaneous current asset	6,789,286	8,590,015
Interst income receivable	5,731,132	7,841,836
Prepaid tax (TDS)	251,014,866	10,044,209
	337,765,215	103,744,558

Schedule 9: Loans and Advances

Unsecured,considered good		
Personal Advances	51,184	101,609
Advances to Suppliers/Contractors	351,959,476	256,244,590
Travel advance to employees	366,366	87,249
Advance to employees for expenses	265,200	248,669
Advance to employess for capital Works	760	106,632
Other advance	6,708,211	3,604,712
	359,351,198	260,393,460





Schedules

Schedule 10: Current Liabilities

Sundry Creditors - Suppliers	74,225,336	1,915,742
Sundry Creditors - Contractors	36,289,671	4,941,039
Sundry Creditors - Power	289,531,561	46,640,180
Capacity Reserve charge	7,683,898	5,994,225
Energy & Meter Security	78,410,079	71,416,439
Security deposit from Suppliers/Contractor	6,048,944	5,922,470
EMD from supplier/contractor	378,483	204,394
Income Tax deducted from Contractors/Suppliers	70,271	
Other employee related liabilities	3,869,606	1,761,325
Leave Encashment - Payable	27,600,620	24,367,227
Bonus Payable	38,345,492	31,127,906
Retention Money - Contractors	67,022,324	52,448,987
Deposit receipt-deposit work	71,822,508	83,458,097
Unpaid cheques	30,654	14,252
	701,329,446	330,212,283

Schedule 11: Provisions

Provision for Expenses	15,071,137	11,761,529
Provision for gratuity	177,679,616	160,504,918
Provision of corporate Income tax	496,089,516	242,074,346
Proposed Dividend	333,109,181	151,220,000
	1,021,949,450	565,560,793



Schedules



Schedules forming part of the Profit and Loss Account for the year ended 31st December 2009

Schedule 12: Electricity Revenue

	2009 Amount (Nu)	2008 Amount (Nu)
Electricity Revenue	1,947,732,336	1,440,091,570
Sundries	22,534,329	11,679,977
Demand Charges	190,820,725	120,478,021
Wheeling charges	675,601,979	740,297,041
Total	2,836,689,369	2,312,546,610

Schedule 13: Other Revenue

Revenue grant	305,337	8,831,512
Interest on FDR	13,920,455	20,384,387
Income from deposit works	4,072,129	9,965,709
Tender form sales	2,923,700	1,992,368
Sale and repair of Transformer	923,836	893,937
Profit /(loss) on sale/disposal/ of Assets	4,875,074	2,099,359
Rental income	9,641,825	9,572,674
Hire charges	957,295	297,191
Liquidated damages	12,488,573	15,144,084
Other misc. income	12,689,795	6,974,314
Total	62,798,019	76,155,534

Schedule 14: Employee Cost

Salary	276,366,396	205,667,139
PF Contribution	17,275,808	14,027,910
Staff Training	35,849,370	32,946,517
Gratuity	13,042,078	27,119,035
Medical expenses reimbursements	1,004,132	1,559,518
TA/DA (In Country)	23,396,545	19,311,037
TA/DA (Outside Country)	3,006,821	2,116,115
Leave travel Concession	14,216,809	13,485,119
Leave Encashment	16,195,361	16,697,159
Bonus	33,431,559	33,257,528
Uniforms	871,132	4,147,155
Total	434,656,011	370,334,231





Schedules

Schedule 15: Operation and Maintenance costs

Repair and Maintenance of		
Building	4,049,116	2,205,245
Vehicles and transport equipment	19,929,857	17,965,092
Distribution system	35,645,932	29,310,171
Other civil structures	5,175,289	3,247,566
Transmsiion system	22,063,838	10,833,746
Hydels	1,972,895	387,503
Diesel Generators	3,957,426	19,362,267
Office equipment	1,709,187	1,625,515
Other electrical equipment	128,159	367,381
Plant and machineries	7,283,789	8,018,468
Meter and metering equipment	4,480,619	3,212,237
Furniture	397,487	35,984
Other assets	909,054	687,031
Consumables	11,563,286	30,015,166
Lubricants	258,395	47,907
Povision of obsolescence of material	1,337,773	
Total	120,862,101	127,321,280

Schedule 16: Administrative and Other Expenses

Bank charges	1,550,301	2,119,305
Rent on Buildings Hired	1,482,336	1,911,377
Rent on Other Properties Hired/ Lease Line Rent	967,580	625,780
Rates and Taxes	424,317	817,608
Water Cess/ Sewerage Charges	108,054	128,902
Rental Vehicle	-	9,650
Rental of Land	12,140	
Telephone/Fax/Internet Expenses	3,458,057	4,278,316
Postage/ Courier/ Telegram	320,298	356,652
Printing and Stationery	8,504,921	7,202,905
Meeting Fees	1,334,540	632,560
Consultancy Fees / Charges	713,371	383,520
Registration Charges	-	-
License Fess	5,469,279	3,894,428
Auditors Fees / Expenses	452,723	389,789



Schedules



Hospitality and Entertainment Expenses	2,629,251	2,753,181
Publicity and Advertisement	1,990,648	1,744,983
Books , Periodicals and Newspapers	153,843	113,111
Electricity Charges	3,683,112	2,991,212
Misc. Administration and General expenses	720,739	1,607,346
Insurance Charges on Fixed Assets	893,321	662,949
Donations and Contributions	4,410,565	1,010,000
Transportation charges	577,915	181,215
Writeoffs	125,008	73,622
Provison for doubtful debts (Net)	1,502,274	2,693,710
Bad Debts written off	136,919	-
Audit Recoveries	(1,498,326)	(569,580)
	40,123,186	36,012,540

Schedule 17: Finance Charges

Interest on RGOB unsecured loan RE	42,105,104	50,621,659
Interest on RGOB unsecured loan on THPA asset	70,554,074	70,554,074
	112,659,178	121,175,732

Schedule 18: Prior period expenses

Prior period energy Charge	(10,355,100)	(18,398,218)
Adjustment to past billing	66,032	48,803
Other misc income	(181,896)	(1,906,468)
Purchase of Power	-	2,821,706
Establishment Expenses	(22,050)	(240,740)
Adm & General expenses	(86,008)	2,734,091
Repair and Maintenance	1,223,434	(2,878,845)
Current liab. No longer required	(9,122)	(644,402)
Excess pro.for doubtful debts	(45,250)	(273,755)
Consumer dues written off	-	(720)
Depreciation	(70,468)	
	(9,480,427)	(18,738,547)





Notes for cash Flow Statement

Note - 1. Net Cash flow from Operating Activities

	For the period from 1st January to 31st December 2009	For the period from 1st January to 31st December 2008
	Amount (Nu).	Amount (Nu).
Indirect Method		
Net profit before tax/operating profit	986,451,893	927,127,400
Add: Increase in Capital Reserve	-	-
Add back:- Depreciation charges	434,927,367	367,963,781
Interest payable	112,659,178	121,175,732
Prior Period Depreciation	-	-
Loss on sale of fixed assets	547,586,545	489,139,513
Deduct:- Profit on sale of fixed assets	4,875,074	2,099,359
Interest receivable	13,920,455	20,384,387
	<u>18,795,529</u>	<u>22,483,746</u>
	<u>1,515,242,908</u>	<u>1,393,783,168</u>
(Increase)/Decrease in stock	(51,840,576)	93,849,518
(Increase)/Decrease in Debtors	(92,908,705)	55,683,681
(Increase)/Decrease in Loans & advances	(98,957,738)	(30,203,862)
(Increase)/Decrease in other current assets	(234,020,656)	(76,944,472)
Increase/(Decrease) in Creditors	633,675,815	(125,193,232)
Net cash flow from operating activities	<u>1,671,191,048</u>	<u>1,310,974,801</u>
Note - 2 Returns on investments and servicing of finance		
Interest received	13,920,455	20,384,387
Interest paid	112,659,178	121,175,732
Dividends paid	151,220,000	100,000,000
Dividend received	-	-
Total	<u>(249,958,723)</u>	<u>(200,791,345)</u>
Note - 3 Capital expenditure		
Payments to acquire intangible fixed assets	-	-
Payments to acquire tangible fixed assets	(473,961,430)	(1,745,006,723)
Payments for capital work-in -progress	(850,705,743)	761,192,933
Receipts from sales of tangible fixed assets	12,513,799	7,484,323
Total	<u>(1,312,153,374)</u>	<u>(976,329,467)</u>



Notes for cash Flow Statement



Note -4 Financing

Issue of Shares & Debentures-cash	-	-
Issue of Shares & Debentures-other than cash	1,372,286,000	1,494,000
Increase in Capital reserve	(871,011,254)	510,531,636
Loan taken	258,362,718	(156,550,830)
Total	<u>759,637,464</u>	<u>355,474,806</u>





Schedule 19

Notes on accounts forming part of the Balance Sheet as on 31st December, 2009 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, except in the cases and to the extent stated elsewhere. 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 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 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 conditions for their intended use less accumulated depreciation. 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.



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

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, which are different from the rates prescribed under Section 66(3) of the Companies Act of the Kingdom of Bhutan, 2000. No depreciation is provided on fixed assets sold or retired during the year.

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 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 of expenditure incurred in the normal course of business in bringing such inventories to its location.
- iii. Obsolete, slow moving and defective stocks are generally 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 on the consumers, net of discount for prompt payment of bills, and do not include any duty payable to the Government.





Schedule 19

- 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 on the consumers.
- 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.

Penalty claims etc. are 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 as and 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 rates. Exchange differences arising on foreign currency transactions are recognized in the Profit & Loss Account.



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9. Contingent Liabilities

Liabilities are provided if there are reasonable prospects of such liabilities maturing. Other contingent liabilities are disclosed by way of note.

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.

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 are 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) Bhutan Power Corporation Limited was incorporated on 1st July 2002 as wholly owned company of the Royal Government of Bhutan and Fixed Assets transferred from erstwhile Department of Power was taken at written down value of Nu.1, 760.89 million. Subsequently, Bhutan Power Corporation Limited has become a subsidiary company of Druk Holding & Investments Limited (a Royal Government of Bhutan Undertaking) consequent upon transfer of shares from the Ministry of Finance, Royal Government of Bhutan to Druk Holding & Investments Ltd., and currently all the shares are held by the Holding Company.
- 2) (a) Provision for Taxation has been made in the accounts after the following adjustment:-
Amount in Nu





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	2009	2008
Book profit for the year	986,451,893	927,127,400
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 (Nu 577,502,074-Nu 434,927,367.1)	(142,574,707)	(122,906,624)
Taxable Profit (loss) after adjustment	843,877,186	804,220,776
Add Provision for Doubtful Debts (Net)	1,502,274	2,693,710
Provision of obsolescence of material	1,337,773	
Taxable Profit	846,717,234	806,914,486
Provision for Corporate Income tax @ 30%	254,015,170	242,074,346

(b) The final tax liability is subject to assessment by the concerned Authority.

3) Gratuity:

- a) Gratuity liability has been computed on the assumption that all the employees ceased to be employed as on 31st December 2009.
- b) 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 31st December 2009 value of such Investment is Nu.177,497,553 as against the total Gratuity liability of Nu. 177,679,616 indicating a shortfall of Nu.182,083 which shall be invested in the year 2010.
- c) 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. 7,684,780 pertaining to such Investment have been credited to Gratuity Liability.
- 4) There has been a domestic tariff revision from July 2009. The revised weighted average tariff is Nu.1.561 /unit as compared to Nu.1.455/unit before the revision.
- 5) Particulars of Subsidy received during the year.



Schedule 19



Sl.no	Source	Amount	Purpose
1	Asian Development Bank, Technical Assistance	305,337	Material received for ADB Pilot Project

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

6) Details of Capital Grants received during the year.

Sl.No	Source	Amount	Purpose
1	Department of Energy	33,150,000.00	ACB fund for RE -Phubjikha
2	Department of Energy	209,270,000.00	Gol fund for Trongsa - Tingtibi - Bumthang Trans. Lines
3	Department of Energy	48,668,000.00	RE -ADB IV
4	Department of Energy	13,376,000.00	Accelerated RE
5	Department of Energy	115,184,000.00	JICA –RE
6	Department of Energy	5,997,335.00	ACB fund for Rangjung Hydro Power Project
7	Department of Energy	1,159,000.00	RE -ACB V
8	Department of Info. & Tech.	83,100,000.00	Replacement of ground wire with OPGW
9	THPA	4,985,545.69	Difference in initial and final handed over asset figures
10	Department of Energy	5,573,038.00	Electrification of VVIP colony
	Total	520,462,919	

7) In the previous year, excess noticed on physical verification of stock Nu. 30,274,923 had been transferred to Capital Reserve Account. Subsequently, certain mistakes in the compilation of physical verification sheets have been noticed, which had resulted in overstatement of such excess by Nu. 14,035,512. Accordingly, Nu. 14,035,512 has been transferred back from Capital Reserve Account with a corresponding decrease in the value of inventories in the current year.





Schedule 19

8) Particulars of Unsecured Loans from Royal Government of Bhutan.

Particulars	Opening Balance as on 1.1.2009	Received during the year	Repaid during the year	Interest	Balance as on 31.12.2009
RE I	224,209,844		8,304,068	13,137,036	215,905,776
RE II	421,494,268		18,325,838	24,593,274	403,168,430
RE III	437,479,408		-	4,374,794	437,479,408
THPA Asset Loan	1,155,051,271	3,226,360	75,961,179	70,554,074	1,082,316,451
RE JICA	6,040,831	174,629,162			180,669,992
RE IV	-	183,710,770			183,710,770
Total	2,244,275,621	361,566,291	102,591,085	112,659,178	2,503,250,827

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

Particulars	Amount in Nu
CWIP as on 1.1.2009	536,400,606
Addition during the year	1,194,063,603
Total	1,730,464,209
Capitalized /Adjustment during the year	343,357,860
Balance as on 31.12. 2009	1,387,106,350

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

Sl.No	Divisions	Amount (Nu)
i)	D&CD	3,117,894
ii)	TCS Tsirang	8,560,057
iii)	TCS Trongsa	5,456,277
iv)	TCS Deothang	1,078,876
v)	400 KV Punatahngchu	10,176,525
vi)	RED , HQ	5,454,777
vii)	RECD Thimphu	6,433,270
viii)	RECD Tsirang	6,274,641
ix)	RECD Samtse	3,515,297
x)	RECD S Jongkhar	4,489,210
xi)	RECD Gelephu	6,749,978
xii)	RECD Mongar	9,274,478
xiii)	Urban Electrification	4,211,673
	Total	74,792,952



Schedule 19



- 11) 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 and 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.

The Corporation has procured Inventory Management Software amounting to Nu 1.310 million in 2007 which was funded by Asian Development Bank. Such contribution has been credited to the Capital Reserve and proportionate amount of Nu 261,870 have been adjusted from depreciation

- 12) A reserve fund of Nu 1.832 million has been appropriated from retained earning to mitigate the risk of BPC assets against any damages due to natural calamities. This is not funded separately

- 13) Remunerations paid/payable to the Managing Director (excluding gratuity) during the year.

	<u>2009</u>	<u>2008</u>
Remuneration	Nu. 1,270,760/-	Nu. 1,152,000/-
Sitting fees	Nu. 151,000/-	Nu. 322,000 /-

- 14) Quantitative Information of purchase and sales of power:

2009		2008		
	Units (kWh)	Amount	Units (kWh)	Amount
Purchase	1,416,993,805	779,288,080	1,127,596,699	457,505,726
Hydel	25,278,331		22,824,375	
DG	137,821		1,235,638	
Sale	1,371,914,829	2,138,553,061	1,072,438,818	1,560,569,591





Schedule 19

15) Cost of Energy purchased from the Generating companies:

Unit	Energy Drawn (MU)	Royalty Energy				Additional Energy			Total (M. Nu)
		Available (MU)	Paid at Royalty charge (MU)	Rate (Nu)	Amount (M.Nu)	Quantity (MU)	Rate (Nu)	Amount (M. Nu)	
CHP	273.32	315.86	273.32	0.30	82.00	262.70	0.90	236.43	605.46
THP	956.77	651.52	956.77	0.30	287.03				
KHP	184.35	54.85	54.85	0.30	16.46	129.50	1.20	155.40	171.85
Total	1,414.43	1,022.23			385.48	392.20		391.83	777.31

16) The Corporation is contingently liable for unexecuted Capital commitment contracts amounting to Nu. 2,953 million and claims against the Company not acknowledged as debts Nu. 10.334 million.

17) Segment Results for the year 2009 are given below:-

	Generation	Transmission	Distribution	Others	Total
REVENUE		675.602	2,161.087	62.798	2,899.487
EXPENDITURES	29.198	233.614	1,102.637	112.659	1,478.108
PROFIT	(29.198)	441.988	1,058.450	(49. 861)	1,421.379

18) Previous year's figures have been regrouped /rearranged wherever necessary.

Signatures to Schedules 1 to 19.

For S. S. KOTHARI & ASSOCIATES
Chartered Accountants


(P. K. BHATTACHARYA)

Partner

The 3rd April, 2010




Director


Managing Director


Chairman