

# Bhutan Power Corporation Limited



Year of Incorporation	: 1 <sup>st</sup> July, 2002
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# Values of BPC

Achieving our Vision & 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**

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# Directors' Report

## Directors' Report on the Performance of Bhutan Power Corporation Limited for the year 2011

### Introduction

I am very much happy to present this report on the performance of the Bhutan Power Corporation Limited for the period covering 1<sup>st</sup> January 2011 to 31<sup>st</sup> December 2011 on behalf of the Board of Directors to Druk Holding and Investments Ltd. (DHI), the Shareholder of BPC.

### Operational Performance

The domestic electricity demand has been steadily growing over the years spurred by economic development activities and it has reached 276 MW. The customer base has grown over to 116,354 with the addition of 15,201 customers during the year largely on account of Rural Electrification coverage. BPC purchased 1,689.222 Million Units (MU) of electricity, mainly from Druk Green Power Corporation Limited (DGPC), to cater to the domestic demand, out of which royalty energy accounted for 1,044.301 MU. BPC's own internal generation from mini and micro hydel was 21.296 MU.

Total sale to various categories of customers was 1,619.945 MU reflecting a growth of about 3.6% over the previous year. During the year, BPC wheeled 5,273.100 MU of energy for export by DGPC to India as against 5,579.472 MU in 2010. The decrease is attributable to the increased domestic consumption of electricity. The global loss for the year was 1.34% as against 1.17% in 2011. The marginal increase in the loss is due to large extension of network in the dis

tribution system due to increased RE coverage. The domestic T&D loss for the period was 5.48% against 5.07 % in the previous year due to increased in distribution size.

Despite the growth in the customer base and increase in the network system, BPC has been able to efficiently manage the increased load demand and maintain the system reliability of SAIFI and SAIDI of 2.43 interruptions per customer per year and 4.44 hours of interruption per customer per year respectively, as compared to 2.5 and 4.62 in the previous year. To ensure timely and effective delivery of customer services, we continued expansion of the service centers with multi-task staff and such network offices stands at 186 numbers with the addition of 51 new service centers during the year.

The prompt customer services delivery is evidenced by the customer satisfaction survey conducted by the Institute of Management Studies through DHI which showed that 98.5% of the BPC customers are satisfied with overall service provided by BPC.

Commencing from 17<sup>th</sup> December of this year, BPC has been able to monitor the power systems operation online for carrying out effective dispatching of load and coordination with generating plants of DGPC and the Indian Eastern Grid system operator with the commissioning of the National Load Dispatch Center.

## Financial Performance

### Assets

The company has achieved huge growth in terms of building its asset base. The asset of the company is Nu 18,489 million as on 31<sup>st</sup> December 2011. This corresponds to an average growth rate of 19.633% over the last three years and 16.64% during the year.

### Net Worth

The net worth of the company today is Nu 13,695.86 million compared to Nu 11,751.4 million in 2010. The Company has achieved an average growth rate of 16.43 % in the net worth for the last three years. For the current year, the net worth has increased by about 16.55% from the previous year.

### Loan Portfolio

The Company has drawn a loan of Nu 240.75 million from JICA and Nu 163.01 million from ADB for Rural Electrification works totaling to Nu 413.76 million during the year as against Nu 1,708.524 million in the previous year. The Corporation also borrowed for the first time from the domestic capital market an amount of Nu 503.130 million for financing the Transmission expansion works. For the existing loan principal repayment, Nu 244.994 million were made during the year. The total loan portfolio stands at Nu 4,757.368 million for the period.

### Grants

The Company received capital grant and fund for Long term deposit work amounting to Nu 1,358.45 million for undertaking RE and deposit works for PHPA. The cumulative fund at the end of the year is Nu 3,461.92 million.

### Revenue

- i. BPC earned gross revenue of Nu

3,545.147 million during the year as compared to Nu 3,366.153million in the previous year. The growth in the overall revenue is about 5.32 % from the previous year. The revenue from electricity grew by 7.75% from Nu 2,626.41million in 2010 to Nu 2,829.97 million in 2011. The average tariff for the period is Nu 1.732 per kWh as compared to Nu 1.659 per kWh in 2010.

- ii. The wheeling revenue decreased by 9.65 % from Nu 651.66 million in 2010 to Nu 589.77 million in the current year.
- iii. Other revenue earned for the period is Nu 126.405 million.

### Expenditure

The overall expense for the period is Nu 1,798.583 million as compared to Nu 1,569.001 million in the previous year net of prior period adjustments. The increase in the spending is about 14.63% as compared to the previous year. The increase is on account of increase in the employee expense by 14.35%, Operation and Maintenance expense by 7.675% and Administrative expenses by 17.32% as compared to the previous year.

The interest paid by Corporation on account of interest payment amounts to Nu to Nu 98.33 million on its existing Loan at a weighted average interest rate of 7.61% p.a.

### Profit, Tax and Dividend

BPC made a net profit before tax of Nu 1,209.013 million for the year as against Nu 1,353.196 million in 2010 which is a decrease in the profitability by about 10.66%. The decrease is attributable to large increase in the depreciation expenses for the year as compared to the previous year and marginal increase in the expenses without a proportionate increase in the revenue earning. The Corporate Income Tax for the year is assessed at Nu 311.283 million as against Nu 354.776 million in 2010.



After appropriation of dividend of Nu 254.214 million for the year and transfer of Nu 8.270 million to Insurance reserve, an amount of Nu 624.044 million is transferred to retained profits as reserve to enable BPC to take up system expansion, improvement and upgradation works.

### Capital Expenditure

The Corporation spent Nu 2,562.884 million towards capital expenditure during the year. The capital budget achievement is about 69.075 % as compared to 85.53% of the previous year. From the cumulative capital works in progress, asset worth about Nu 2,067.48 million has been added during the year mostly on completion of the RE works. The balance capital works in progress as on date is Nu 4,249.662 million.

I am happy to report that BPC has been able to meet its capital commitments for system upgradation works from its own operating activities. However, its dependency on the RGoB assistance for Rural Electrification works which are financed through Loans still continues. The fund for larger Transmission Works related to Mega Power Projects such as 400 kV Punatshangchu and Mangdechhu Transmission Lines for the evacuation of Power under the 10,000 MW hydropower development plan are through Mega project-tied financing. Similarly, the fund for stringing ADSS cable and OPGW has been provided from the Royal Government of Bhutan to implement National Broad Band Master Plan.

### Power System Expansion Programs:

The work for construction of the 220 kV double circuit Dagachhu-Tsirang-Jigmeling and 132 kV Jigmeling-Lodrai transmission lines for linking the Eastern and Western Grids for enhancing national energy security have been completed. The 132kV Motanga Substation has been completed and was successfully commissioned. The substation

shall cater to reliable power supply to Industries in Motanga and further enhance the reliability of Kurichhu grid supply through grid interconnection through Rangia, Assam.

To improve the reliability of power supply to Samtse, Gomtu and Sipsoo and to meet the power requirement of upcoming Industrial Estate in Samtse, the contracts for construction of 66 kV D/C Samtse – Gomtu and Samtse – Sipsoo line and for construction of 220 kV D/C Malbase – Samtse Transmission Line have been awarded during the year.

In preparation for the provision of construction Power supply to Mangdechhu Hydropower Project, a MOU was signed for taking up the construction of infrastructure works to the different construction sites. The work for construction of 33 kV lines and associated substation & auto-reclosure, construction of Yurmoo substation (excluding the supply of power transformers) was awarded. Further, BPC shall be talking up the construction of transmission lines for evacuation of the power generated by Mangdechhu Hydroelectric Project and to this effect, an MOU was signed with MHPA on 29<sup>th</sup> December 2011. The Contract was also signed with WAPCOS/CEA for availing technical services for construction of 400 kV D/C Transmission Lines. Walk over survey of the 400 kV D/C Transmission Lines for MHEP has also been completed.

As part of improving the reliability of the electricity supply to Gasa and interior parts of Punakha Dzongkhags and also to cater to RE load, the plan for construction of 66 kV transmission line from Thimphu – Damji is initiated. The walk on survey for the line has been completed and the EIA work is going on.

The work on the ICT connectivity infrastructure projects under Broadband Master Plan of the Royal Government has progressed

very well during the year. The live - line replacement of ground wire with 383 km Optical Ground Wire (OPGW) for achieving national connectivity and creation of three International Gateways was completed on June 25, 2011

The work for laying of 'All Dielectric Self Supporting (ADSS) Optical fiber' project, for the ICT connectivity to Trashiyangtse and Gasa Dzongkhag headquarters and 201 Gewogs in the country through optical fiber networks by using low and medium voltage distribution poles which was initiated in December 2010 is progressing as scheduled and 776 km of ADSS cable installation was completed out of 1,290 km as on December 2011. A MOU was signed between BPC and DITT, MoIC, RGoB for implementation of the National Broad Band Master Plan Project.

As part of capacity building of BPC, the Engineering and Design services of BPC provided in-house technical services on the engineering and design aspects of all its transmission and distribution projects, except for the 400 kV Punatsangchhu-I Project and Mangdechu Project for which the technical services of Powergrid Corporation of India Limited and WAPCOS India Limited have been hired respectively.

### Rural Electrification (RE)

Over the last few years, BPC has been tirelessly pursuing the efforts for providing "Electricity for All by 2013" development priorities of the Country. Reaching of the grid electricity to 40,257 rural households has always been difficult considering the rough and inaccessible geographical terrain of the Country. Now it has even become more challenging since the last mile connectivity is in the periphery and the remoteness of the villages in difficult terrains continues to pose challenges especially in transporting the materials to work sites. Despite all odds, BPC has been able to achieve its target through its planned

initiatives to achieve the target. During the year 2011, BPC has electrified 7,553 rural homes through various funding sources, i.e. ADB, JICA and ADA. Through BPC's own funding Fill-in RE of 2,399 households were completed. Overall by the end of year 2011, BPC has managed to light 21,820 homes out of the 10th Plan target of 40,257 homes by the year 2013.

### IT and Smart Grid Initiatives

It has always been an endeavour of BPC to be in the forefront in many of the initiatives in the corporate sector. One such initiative is in the field of ICT. BPC has embarked and implemented the SAP-ERP for integrated management of information systems and business operations. The Management Information System and customer management is now on line and on real time basis though we had teething problems in the early phase of its implementation. Further with the commissioning of the NLDC during the year, power system operations can also be monitored on line. The connectivity of the BPC system shall also be more reliable with the lighting of the OPGW fiber in Power Transmission lines and ADSS in the Distribution lines.

### Human Resources Management

Human Resource Development and capacity building has always been on the forefront of BPCs' drive towards excelling in its initiatives. Therefore, the Corporation accords high priority in Human Resource Development and invests on capacity development both in short term and the long term training programs. A total of 10,720 person days of trainings was conducted both in-country and ex-country. BPC also provided 4 full scholarships and 3 partial scholarships for eligible employees to pursue Masters Degrees in fields relevant to BPC. As on 31/12/2011, there were 33 employees studying abroad out of which total of 16 employees are pursuing the Masters degree program.



To meet the huge requirement of manpower due to its continuous growth, 190 new employees from various academic disciplines were recruited during the year and 39 employees got separated for various reasons.

### Corporate Governance

To enhance the good governance and provide appropriate policy directives to the company, five Board meetings were held during the year. In all these meetings, the quorums requirements were duly maintained. The Annual General Meeting for the year 2010 was held on 7<sup>th</sup> April 2011, thereby complying with the Companies Act, 2000. Besides numerous Sub Board Committee meetings were held regularly to decide on Audit and Human resources issues and to finalize the procurement of goods, services and works.

The implementation of the SAP-ERP during the year is also a step towards further enhancing good governance by BPC. Under this technology, many business processes such as maintenance works, projects, customer services, procurements, budgeting and planning, asset accounting are fully integrated. SAP ERP delivers a comprehensive set of standardized, integrated, cross-functional business processes and the adoption of such world class technology and business practices which shall be institutionalized and sustained by BPC in the years to come by, shall have a long bearing on enhancing transparency in operation and thereby institutionalizing good corporate governance in the system.

### Monitoring of Performance

The performance of the company continues to be monitored through signing of the Compact with DHI and through the Performance Based Incentive system (PBIS) which is the management tool of monitoring performance.

### Compact Signed with DHI

The parameter is through the Compact target which is signed with DHI outlining the major activities to be taken up and achieved by BPC for the year. BPC has achieved most of the targets set in the compact for 2011, including the profit margin. The overall achievement of BPC with respect to Compact targets is 96.6% as compared to the achievement of 99.86% in 2011. The slight fall back is on account of non-achievement in the Capital spending target.

### Performance Based Incentive System (PBIS) Achievement

The other parameter is the Performance Based Incentive System (PBIS) which was introduced in the year 2006. While the Corporation has achieved most of the targets set such as the Profit, reliability (SAIFI and SAIDI), and current budget compliance and at the same time maintaining and sustaining the earlier targets, the company could not achieve the target set on system loss and capital budget spending. Because of this the overall achievement of the company for the year decreased to 82.27% as compared to 83.42% in the previous year. The Management has assured to the board that this shall be addressed appropriately in 2012.

### Corporate Social Responsibility and subscription to the Philosophy of Gross National Happiness (GNH)

As reflected in the corporate strategy and BPC's vision statement, BPC continues to uphold the mainstream principles of GNH in all of its plans, operations and activities. In particular, BPCs' main contribution to socio economic development of the country is towards Rural Electrification works which alleviates poverty and uplift the social condition in rural side of the Country. BPC also through its own funding and initiative, implements 'RE fill-in' project in order to electrify the left out or newly built homes in the al-

ready electrified rural areas.

On the rural electrification program, I am proud to report that BPC has made a remarkable progress and today 86% of the Bhutanese homes in the country have access to grid electricity supply.

The corporation also supports through monetary contributions, or in-kind to various religious and other institutions in line with its Donation Policy. The total amount of monetary donation was Nu 0.749 million for the year. BPC has also initiated the water supply to Dongkola Monastery under Paro Dzongkhag and the scheme shall be completed by 2012.

Also as part of BPC celebration on July 2011, a blood donation campaign was organized in the BPC Corporate Office premises in collaboration with the JDWNR Hospital, Thimphu. The blood donation campaign is done on yearly basis.

## Challenges

A major challenge for BPC is to match the supply and demand of electricity in view of the lean flow generation constraints in winter when the demand for power is at its maximum. This problem is likely to continue until additional generations are available. For interim solution, arrangement for re-import of power from India through energy banking (a kind of barter system) concept is being facilitated by the Department of Hydropower Systems (DHPS), Druk Green Power Corporation Limited (DGPC) and the BPC in close consultation with Indian counterpart agencies. While the extensive Grid expansion and supply extension is taking place both for rural electrification as well as for meeting the accelerated power demand for socio-economic development by various sectors of the economy, a real challenge that is emerging is how to maintain the Quality and Reliability of Electric Service to the ever growing expectation and to the satisfaction

of customers in future. Customers' do not like to bear even a minute of "light off" electric supply situation while BPC have to do carry on the scheduled preventive maintenance and other operational and maintenance of its vast electricity assets as per norms and codes of utility practices. Another challenge would be the willingness and understanding of the customers to rise in tariff vis a viz the increase in cost of electric utility services for quality, quantity and reliability fueled by annual inflation in costs of goods and services which are mostly imported. More than 80 % of the electrical goods (capital and spares) have to be imported.

On the Human Resource front, the challenge during the year has been on the high attrition rate of employees from BPC, particularly at the management and mid-management level, due to more attractive service conditions in other organizations. While this issue has been given a high priority at the Board and Share Holder's Level through appropriate measures, the attrition may still continue given the vast employment prospects of skilled human resources in the construction sector of Hydro Power Projects.

## Acknowledgement

On behalf of the Board of Directors and the Management, I take this opportunity to extend our sincere gratitude and appreciation and acknowledge the timely assistance rendered by the Ministry of Economic Affairs, Ministry of Finance and the erstwhile Department of Energy in terms of policy interventions and other matters. We would also like acknowledge the support and cooperation given by the Department of Forests, Bhutan Electricity Authority, Land Commission, National Environment Commission, Druk Green Power Corporation Limited., Punatshangchu Hydro Electric Project Authority and Mangdechu Hydro Electric Project Authority. We would like to thank the Power Grid Corporation of India Ltd, Central Electricity Authority of India, Water and Power


Consultancy Services of India Ltd, Assam State Electricity Board, West Bengal State Electricity Transmission & Distribution Corporation Limited, PTC Limited, M/s. Wipro India Ltd, Electricity Generating Authority of Thailand, Provincial Electricity Authority of Thailand, M/s. KEPCO, Korea, other organizations and institutions who have been closely associated with BPC. We are also grateful to the ADB, JICA and ADA for their funding and technical assistance towards Rural Electrification works. Our special gratitude goes to Druk Holding & Investments for their guidance and continued support all through the year. Without these supports it would have been very difficult for BPC to achieve its targets.

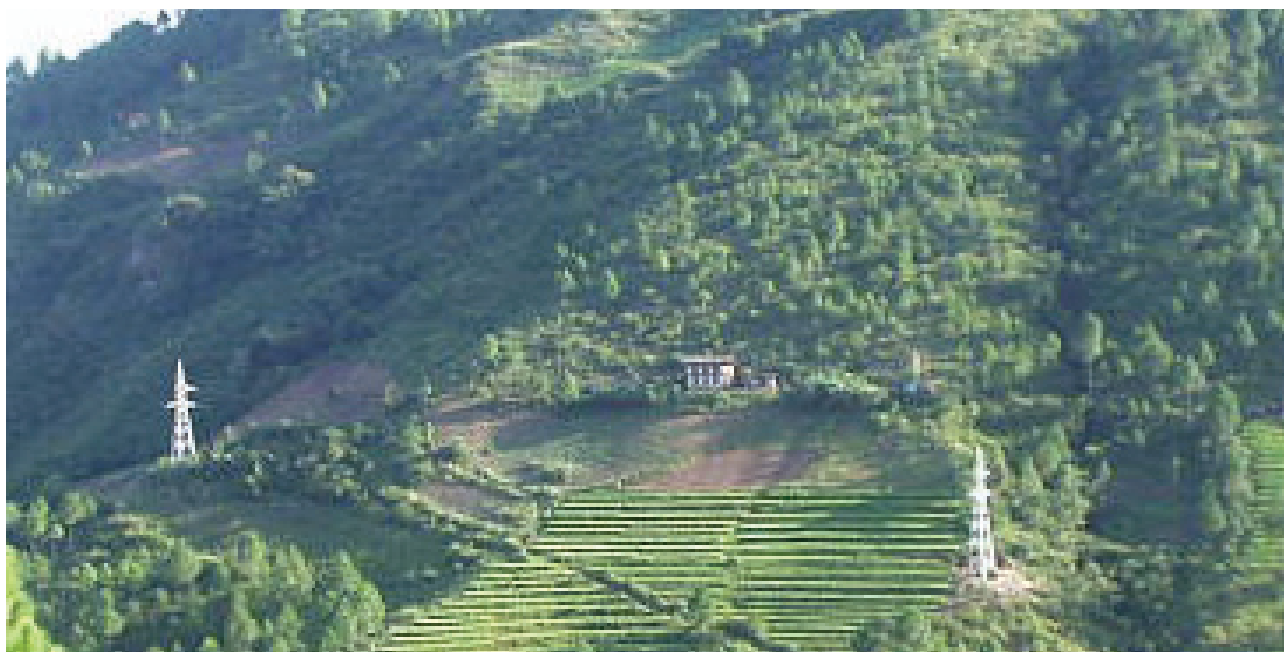
The Board would also like to place on record its appreciation for timely auditing of the BPC's books of accounts by the Royal Audit Authority. We would also like to thank the Company's Statutory Auditors M/s S.S Kothari & Associates, Chartered Accountants from Kolkata who had been auditing the BPC books of accounts for the past three years and recommending appropriate measures and best practices during the course of their audit. From this year, they have successfully completed their term as auditor of BPC.

Last but not the least; the Board would like to thank the Management Team and its employees for good performance of the Company during the year. The Board is confident that with the dynamic leadership of the present management and the Management working hand in hand with its employees, BPC will continue to grow and contribute to the overall socio-economic development of the country. Towards this end, the Directors would like to assure the management and staff of BPC of our unwavering support in their endeavor and zeal to realize the goals and missions of the Corporation.

Tashi Delek.

For and on behalf of the BPC Board

  
(Penjore)  
Chairman



# DEPARTMENT

## Distribution and Customer Services Department (DCSD)

The Distribution and Customer Services Department (DCSD) is responsible for providing adequate, reliable, good quality and safe electricity in a customer friendly and efficient manner, throughout the country. This is achieved through its Electricity Services Divisions (ESD) offices, established in all the 19 Dzongkhags except Gasa which is under the jurisdiction of the ESD Punakha at present. Besides the 19 ESDs, we have two support divisions one at the Central Maintenance and Training Division (CMTD) in Begana, Thimphu which conducts training to our staff as part of the professional development program and provide technical support to the ESDs. The other one is the Urban Electrification Division (UED) entrusted with responsibilities for improvement and up-gradation of networks in the urban areas.

The department operates and maintains all electrical infrastructures at 33kV level and below. This consists of more than 3,500 km of medium voltage (MV) lines (33 kV, 11kV and 6.6kV), more than 5,000 km of low voltage (LV) lines, more than 2,500 transformers, 19 mini/micro hydro power plants and 23 Diesel Generating (DG) sets.

The current employee strength of the Department is around 999 employees which cater to over 116,354 customers 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 call center based in Thimphu, attends to customer complaints round the clock across the country. For taking the services closer to the customer premises, 186 service centers are set up across the country. In an effort to improve the customer services, DCSD in collaboration with the Bank of Bhutan has made it possible for customers of Thimphu and Phuentsholing to pay the electricity bills online.

An initiative toward achieving Electricity to all by 2013, DCSD also carries out electrification through the program “RE-Fill in” and has electrified more than 800 household in 2011. RE-Fill in is a program to accelerate the electrification works in parallel to the Rural Electrification Programme under RED.





## Transmission Department (TD)

Transmission Department (TD) is responsible for operation and maintenance (O&M) of high voltage (66kV and above) transmission system in Bhutan. It ensures reliable transmission system for evacuation of electricity to domestic market and wheel electricity to export markets from various generating stations.

Transmission Department is actively involved in system study and strengthening of the power system with other stakeholders both within and outside the country.

During the year 2011 apart from regular operation and maintenance work TD has also executed numerous works. These works were critical to providing uninterrupted transmission network for reliable supply. The key drivers for undertaking the works were mainly:

- i. Due to growth in electricity use;
- ii. Roads and infrastructure development in some area;
- iii. New town planning;
- iv. Aging transmission system; and
- v. Accommodation requirement for the staffs.

Transmission Department's achievement for the year 2011 has been commendable in terms of system reliability, judicious use of resources and capital works achievement. Some of the important works that were undertaken by the Department in 2011 are:

- i. Up-gradation of 2x20MVA to 2x50/63MVA at 220/66/11kV Semtokha Substation. This was done to cater the increasing load of Thimphu and as contingencies measures for the north-western region. The work was awarded to M/s KEPCO, South Korea under BPC funding. This work shall be complete by mid 2012.
- ii. Re-alignment works of 66kV Chukha Thimphu transmission as a deposit work at IT Park, Babeysa, Wangchutaba was taken up by TMD Olakha in coordination with TD head office. Since 66kV line ran through the area earmarked for development of IT, TD has to put 66kV underground cable as best alternative to give way to the IT park infrastructure development. The work shall be completed by June 2012.
- iii. Re-routing of 132 kV transmission lines which is passing through the proposed new township at Denchi, Pemgatshel is being carried out departmentally by TMD, Nangkhor. The fund for this work is from RGoB and shall be completed by mid 2012.

Apart from above works, many miscellaneous work both civil and electrical were implemented during the year and were completed as planned.

On the system performance, the achievements of the Department for the year vis-à-vis the previous year are as follows:

Parameters	2004	2005	2006	2007	2008	2009	2010	2011
SAIFI	20.57	5.2797	4.417	0.31	0.484	0.548	0.324	0.5731
SAIDI	7.65	5.9384	2.885	0.104	0.149	0.149	0.1345	0.3744
RLIF	99.66	99.88	99.99	99.99	99.99	99.99	99.99%	99.99%

# Development and Construction Department, Transmission Wing

Development and Construction Department (D&CD) under Transmission Wing (TW) is mandated for implementation of major power transmission, sub-transmission & related Infrastructure development works in line with the Transmission expansion network plan.

During the year, the following milestones were achieved:

- a) The OPGW link between Gelephu to Tsirang was established as per the requirement of RGOB which will be second International Broadband Gateway of Bhutan via Gelephu to India.
- b) The 132kV Motanga Substation was commissioned which will cater to reliable power supply to Industries in Motanga and further supply to Rangia, Assam in near future.
- c) The National Load Dispatch Center (NLDC) was commissioned on December 17, 2011 coinciding with our National Day. The complete data and voice connectivity from the control center in Thimphu to the back-up control center and the western load dispatch center at Malbase, Eastern Load Dispatch Center in Tintibi and to all the 66 kV and above substations and the generating stations in Bhutan was commissioned on the Optical Fibers (OPGW). The NLDC, a tool for online monitoring, control and coordination of the power system operation, is aimed towards coordinated network management and control among BPC substations, the DGPC generating stations and the Indian grid.
- d) The 470 km of Live line Replacement of the Existing Ground Wire with the OPGW on the 220kV and 132kV & 66kV transmission line was successfully implemented. The project was the first

phase of the National ICT Broadband Master Plan. With completion of those projects, optical fiber has reached in eighteen Dzongkhags.

Some of the works that are still under construction phase are:

- i. Construction of two numbers 400kV D/C transmission lines for the evacuation of power from Punatsangchhu-I Hydro Electric Project to India.
- ii. construction of 66 kV D/C Samtse – Gomtu and Samtse – Sipsoo and construction of 220 kV D/C Malbase – Samtse Transmission Line to improve the reliability of power supply to Samtse, Gomtu and Sipsoo and to meet the power requirement of upcoming Industrial Estate in Samtse.
- iii. The work for construction of 33 kV lines and associated distribution substations & auto-reclosure and 132 kV Yurmoo substation for construction supply to MHEP.
- iv. The first phase of live line installation of All Dielectric Self Supporting (ADSS) optical fiber on distribution pole at voltage level 33kV & below. Nearly 77% of the work has been completed. This project will be extending fiber to 131 gewogs in 20 Dzongkhags.

Numerous problems and constraints are encountered for Project implementation such as the limited number of supervisors and engineers at site since recruiting new supervisors and engineers has become very difficult as they prefer to join either Civil Service or the Hydro Projects; the sites are under difficult and harsh geographical terrain without access roads and facilities (especially in transmission line); difficulty in getting and retaining labour force in the



Transmission work site; and delays in the work schedule due to factors both internal and external. Despite these challenges and difficulties, the Department is putting in all efforts to complete the works as planned and is quite optimistic to complete the works without substantial delay from its schedule.

For the coming financial year, the plan of the Department is to initiate the construction of the following works.

- i. 220 kV Substation at Samtse, bay extensions at Malbase and Gomtu Substation;
- ii. 66 kV D/C line from Dechencholing to Gasa;
- iii. 400 kV TL works to evacuate power generated by Mandechhu Hydro Electric Project;
- iv. 220 kV substations in Dagapela and Sunkosh;
- v. 220 kV D/C transmission line from Dagapela to Sunkosh; and
- vi. 132 kV transmission line from Motanga to Phuntshothang.
- vii. Fiber connectivity to the remaining

70 gewogs (excluding four off grid gewogs), would be achieved in the next phase, which is also expected to be awarded by the second week of April, 2012. By October 2013, Fiber connectivity to 20 Dzongkhag, 201 Gewogs, 201 Community Centers, Institutes under Royal University of Bhutan, and finally to the National Referral Hospitals will be achieved. BPC's contribution to the growth of ICT, because of safe and secured Optical fiber network, will touch all aspects of Bhutanese life to overcome the digital divide that exist in the society. With the implementation of the project, country will have a safe, secure, reliable and high capacity optical fiber network; the costs of ICT services are expected to come down which will reduce the cost of economic transaction and service delivery; availability of Optical network in all areas of the country is expected to facilitate equitable economic growth; and Income and employment generation.





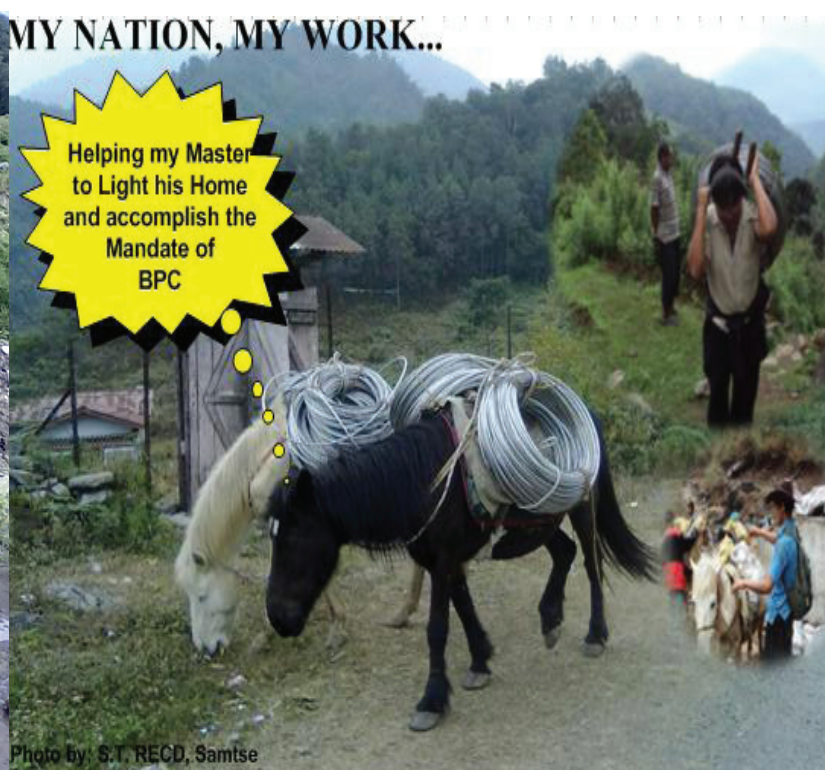
## Rural Electrification Department (RED)

BPC has been entrusted to fulfill one of the most important development priorities for the country, i.e. “Electrification for All by 2013”, which involves reaching grid electricity to about 40,257 rural households. The entrustment of this mandate posed a huge challenge to BPC, considering that up to end of the 9<sup>th</sup> FYP, only 52% was the coverage of RE. BPC is however following a well charted plan to achieve the target. During the fiscal year, BPC has electrified 7,553 rural homes through various funding sources, i.e. ADB, JICA and ADA. Overall BPC has lighted 21,820 homes against the estimate target of 40,257 homes as on December, 2011 and today 80% of the homes in the country have access to grid electricity supply.

With regard to the plan for 2012, within the second quarter of the fiscal year 2012, RED will award the JICA2 civil work estimated to

electrify around 3,728 homes. It will also continue to execute the RE works which are ongoing.

Reaching the grid electricity to our rural homes has always been a challenge and difficult considering the rough and inaccessible geographical terrain of the Country. Today it has become even more challenging since we are with the last mile connectivity which is in the periphery. The main difficulty faced is transporting the materials to work sites. Notwithstanding all these odds, BPC has been able to achieve the target through its plan initiatives and is very optimistic to realize the “Electrification for All by 2013” vision of the Royal Government of Bhutan and is wholeheartedly working to achieve the On-grid RE targets as soon as possible to help enhancing the quality of life in rural areas of the country.



## Procurement Services Department (PSD)

The Annual Report of Procurement Services Department 2011 gives an overview of achievements, performance and constraints faced by the Procurement Services Department. During the year 2011, PSD has procured the goods to fulfill its vision “to procure the best value of goods and services in a consistent, transparent and timely manner” and has dedicated to the highest standards of service, conduct and continuous improvements in consonance with the corporate goals. PSD has focused on the timely delivery of materials to complete the BPC planned work on time. Further, one of the focus areas has been to procure and deliver the rural electrification materials to the various project sites in-order to complete the Rural Electrification by 2013 as mandate of Royal Government of Bhutan.

During the year 2011 PSD has procured materials worth Nu. 390.00 million for ADB-V and JICA- II projects and Nu. 206 million for BPC funded capital works. These materials were delivered to various department and divisions for final use. Initiatives were

also taken to retrofit old and in-complete materials so that these materials could be used in various works.

Of the many initiatives PSD has taken to streamline the procurement functions, PSD has revised and updated the existing BPC Procurement Manual 2003 by incorporating the best practices adopted by the RGOB and other Organizations. The new Procurement Manual 2012 has been reviewed and approved by the BPC Board of Directors for implementation from the 1<sup>st</sup> of January 2012. Furthermore, PSD has also completed the revision of Standard Bidding Document 2003 for goods based on the Procurement Manual 2012, which shall be implemented from 2012.

Despite the numerous constraints in the supply chain of the procurement process, PSD strives to constantly fulfill the various material requirements of BPC strive to excel in the services it provides to the various user departments and divisions.



# Engineering Design and Contracts Department

In line with the objective of formation of EDD, the main intent of EDCD is to develop and build the internal skills and capacity levels of BPC to institutionally strengthen its engineering and design requirements without the much dependency on external consultancy firms/consultants.

Towards achieving this, the organogram has been restructured to address the needs of the various departments which clearly define the functional roles and responsibilities within the department. Apart from the core divisions, other two Divisions i.e. IT Divisions and Civil Works Division provide the technical support.

The main mandate for IT Division is to cater to the requirements of IT in carrying out the business of BPC. Apart from the regular function of maintenance of existing systems and augmentation of systems based on functional need of specific IT application, the Division has carried out implementation of corporate plans such as the SAP ERP implementation that has been successfully taken up.

The main task of CWD is to oversee the requirement of maintenance, construction, supervision and monitoring of all civil infrastructures including maintenance and rehabilitation of micro and mini hydro plants in BPC.

Most of the support by EDCD is provided in the following areas.

- Planning and Designing of the transmission lines and substations (including surveys) and Distribution systems;
- System studies at macro level and Load Sanctions (Industrial);

- Environmental and GIS related activities;
- Review of drawings and designs for projects and procurements;
- Hydro power developments feasibility studies; and
- Standardization and need based technical support to all Departments.

The highlights of achievements of the Department during the year are:

- Completed the review of all the drawings and designs for the ongoing projects on timely manner.
- For the construction of 66kV underground transmission lines at Babesa designed the underground cable trench system and the dead end towers and acquisition of statutory clearances.
- For the Druk Bindu Hydro-power project completed the detailed Project Report acquisition of the statutory clearances and the EIA report for the project. Completed walk on survey for 2 x 400 kV D/C transmission line from Mangdechhu to Jigmeling.
- Completed walk on survey for 66kV Thimphu – Damji transmission line and awarded the EIA works.
- Designed and finalized the tender for 132/33kV substation at Yurmoo.
- Finalized the layout design for the Pothead yard at Dagachhu.



- Finalized the design and specifications for the tender for the RE projects.
- As part of Corporate Social Responsibility, substantial completion (completed civil works) of Water Supply to Dongkola Monastery as per the target.
- Completed design and award of work for construction of building infrastructure at Mongar and Samtse.
- Completed SAP ERP implementation works though it requires stabilization on certain modules such as ISU.
- Completed installation and commissioning of SAP ERP hardwares.
- Completed IP VPN/ BPC WAN for all locations in 13 districts and SAP ERP are operated from VPN WAN.

One of the main challenges faced by the Department is the shortage of manpower. The employee separation of the company has hit the highest to this Department leading a substantial vacuum. During the year, couple of senior and experienced staffs have either resigned or went on EOL due to which some of the targets were rendered difficult to be accomplished. The manpower constraint has somehow been addressed for the time being through inter-departmental transfers and recruitment. Despite the human resource constraints, the Department is all out with plans to undertake the following initiatives during the year.

- Revision and development of standards for Distribution System and procurement manual for works.
- Finalization of design, layout drawings, schemes and tender for

the following works;

- 220/66kV Substation at Samtse
- 66kV Thimphu – Damji Transmission line
- Finalization of design, drawings and obtain approval for the following infrastructure;
  - New HQ building at Thimphu
  - Multi-storied building with basement and ground floor parking spaces at the present HQ premise.
- Walk-on survey of 220kV Dagapela – Sunkosh Transmission line
- Complete EIA study and acquisition of statutory clearances for the following projects;
  - 220/66kV Substation at Samtse
  - 66kV Thimphu – Damji Transmission line
  - 2 x 400 kV D/C transmission line from Mangdechhu to Jigmeling.
- SAP ERP/ISU Stabilization including SAP ERP hardware, network equipments and security system.
- Termination of 1 pair fiber allocated for BPC in all 19 districts for ERP system connectivity.
- Technical design for the establishment of tier III data recovery center in Bumthang.

## Human Resource & Administration Department (HRAD)

Right from the formation of BPC in 2002 the Human Resource & Administration Department (HRAD) has consistently worked towards making BPC into a Company where employees are happy, satisfied and highly motivated. It has always been the goal of HRAD to provide the best working environment and the right training to our employees so that they are able to work to their maximum potential. BPC today is seen as an attractive destination for many job seekers in the job market.

Owing to the rapid growth in Bhutan's power sector driven by the accelerated hydro power development program of the RGoB, the employees of BPC have become vulnerable of being attracted by other power companies offering better incentives. As a response to such developments, HRAD initiated several schemes and financial incentives to retain the experienced employees of BPC. At present BPC is the only DOC Company which compensates employees for working on weekends/holidays. The HR team also takes pride in being able to introduce clear-cut career ladder for all performing employees of BPC. HRAD has been continuously carrying out trainings for BPC employees to enhance their skills and preparing them for shouldering greater responsibilities. Further, taking BPC's sustainability into consideration HRAD shall continue to initiate schemes and programs to benefit the employees of BPC.

In line with the BPC SRR 2010, three new divisions were formed under HRAD. Starting from January 2012 BPC appointed Managers to head the three new divisions. With the appointment of the three Managers the three new divisions became fully functional. The three divisions under HRAD are Human

Resource Management Division (HRMD), Human Resource Development Division (HRDD) and Personnel Information and Administration Division (PIAD). In addition to the three divisions HRAD could successfully set up sub-divisional offices in all the twenty Dzongkhags. The people working in the sub-divisional offices are referred to as Dzongkhag Admin Staff (DAS) and they report to Manager PIAD for any HR related issue.

In 2011 HRAD wholeheartedly adopted the Human Capital Management (HCM) module of SAP ERP system. The SAP system in which BPC invested millions of Ngultrums brought immense benefit to HRAD in terms of data accuracy and storage of employee related information. HRAD can proudly state that the monthly salary processing for the entire BPC of 2000 plus employees is carried out solely from the HR office in Thimphu. With the HCM system in place HRAD can now oversee and generate reports for any employee related expenses that BPC is incurring. The system can also help HRAD in verifying the genuineness of claims put up by employees from anywhere in BPC. Taking the advantage of the HCM system HRAD now hopes to completely computerize all the functions under HRAD.

HRAD firmly believes that the ultimate mission of HRAD is to work in accordance to the directives of the Board/Management in providing the best service to our internal customers i.e. the employees of BPC. The HR team is more than confident of living up to the expectations of the Board/Management, fulfilling the aspirations of the employees and marching hand in hand with everyone to achieve BPC's Vision and Missions.



## FINANCE AND ACCOUNTS SERVICES (FAS)

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

Towards ensuring optimal and efficient use of resources, the FAS 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 FAS 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; adherence to relevant rules and regulations and to build professionalism and team spirit for efficient and effective operation for good corporate governance.

Finance and Accounts Services 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. This adequate reporting requirement is now strengthened and institutionalized with the implementation of SAP ERP software in 2011 with 20 modules which addresses 20 different functional domain of Business. Functions like financial accounting, inventory management, billing and collection, human resource management are automated and integrated. The old legacy system was

done away with and SAP was rolled out live on 1<sup>st</sup> April 2011. Trainings were imparted extensively to all the users before going live with the SAP-ERP system to minimize operational issue related to the user. Functional leads are involved today for every module to assist the users while using SAP. While we encountered some system teething problem at the initial stages, we were able to resolve most of it with the maturity of the system and user becoming conversant with the system. The annual accounts of BPC for the year 2011 were successfully closed using the SAP ERP though certain minor configuration issues still needs to be addressed.

To effectively manage the Finance function, three divisions were created to perform the various functions namely the (a) Corporate Accounts Division; (b) Corporate Budget and Treasury Division and; (c) General Finance Services. The Corporate Accounts Division takes care of the day to day financial transactions, ensure statutory compliance and manage tax issues. The Corporate Budget and Treasury Division looks after the investment, revenue and the budgetary aspect of the corporation. The General Finance Services Division looks after the asset management of the company and any other issues relating to tender opening and evaluation.

In terms of capacity building, FAS has been able to gradually strengthen its human resources requirement and professional outlook over the years. With virtually no post graduate degree holder in its employee strength at the time of the formation of BPC in 2002, today it has four such degree holders while two are pursuing the post graduate program. This has not only helped institutional capacity building of FAS and putting in place a succession plan but also helped in gaining confidence level to handle the finance and accounting function of the company professionally whose asset base of Nu 3,937 million at the time of its incorporation has been growing at an average rate of 19.26% per annum over the years.

# AUDITORS' REPORT

## TO THE MEMBERS OF BHUTAN POWER CORPORATION LIMITED

1. We have audited the attached Balance Sheet of Bhutan Power Corporation Limited (the Corporation) as at 31<sup>st</sup> December, 2011 and the related Profit and 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, evidences 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 of Schedule XIV thereto (the Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure - I a statement on the matters specified therein, to the extent applicable.
4. We report that:
  - 1.1 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 purposes of our audit.
  - 1.2 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.



- 1.3 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.
- 1.4 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.
- 5 In our opinion and to the best of our information and according to the explanations given to us, the said accounts *subject to Note No:C6 in Schedule 20 regarding configuration errors in the SAP-ERP System and their likely effect on Sundry Debtors and Security Deposits the extent of which has not yet been ascertained* and read 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 of the Corporation as at 31<sup>st</sup> December 2011;
  - 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.

Dated, the 23 day of March,2012  
Kolkata.

For S. S. KOTHARI & ASSOCIATES  
Chartered Accountants  
(FRN: 305147E)



(P.K. BHATTACHARYA)  
Partner  
(Membership No. 015899)



# Balance Sheet

## BALANCE SHEET AS AT 31st DECEMBER, 2011

PARTICULARS	Schedules	As at 31st December 2011 Amount (Nu)	As at 31st December 2010 Amount (Nu)
<b>SOURCES OF FUND</b>			
<b>Shareholders' Fund</b>			
Share Capital	1	7,315,673,000	7,315,673,000
Reserves and Surplus	2	6,380,189,500	13,695,862,500
<b>Loan Funds</b>	3	4,793,360,043	4,100,405,277
<b>Total</b>		<u>18,489,222,543</u>	<u>15,851,757,549</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	4		
Gross Block		14,710,587,207	12,720,419,308
Less- Depreciation		3,294,024,411	2,778,312,766
Net Block		11,416,562,797	9,942,106,543
Capital Work in Progress		4,249,662,125	3,754,258,707
		15,666,224,922	13,696,365,250
<b>INVESTMENTS</b>			
Other Investment	5	300,000,000	300,000,000
<b>Current Assets , Loans and Advances</b>			
Inventories	6	579,029,017	365,094,070
Debtors	7	181,439,070	102,175,763
Cash and Bank Balances	8	3,215,297,008	1,931,514,009
Other Current Assets	9	183,584,956	754,393,928
Loan and Advances	10	905,667,787	1,031,395,804
<b>Total Current Assets</b>		5,065,017,840	4,184,573,574
Less: Current Liabilities and Provisions			
Current Liabilities	11	1,742,174,973	1,146,352,511
Provisions	12	799,845,246	1,182,828,764
Net Current Assets		2,522,997,621	1,855,392,299
<b>Total</b>		<u>18,489,222,543</u>	<u>15,851,757,549</u>
Notes on Accounts	20		

Schedule 1 to 12 and Schedule 20 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 23 March 2012



P.K. BHATTACHARYA  
Partner

Chief Finance Officer

Director

Managing Director

Chairman

# PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31st DECEMBER 2011

PARTICULARS	Schedules	2011 Amount (Nu)	2010 Amount (Nu)
<b>INCOME</b>			
Electricity Revenue	13	2,829,974,049	2,626,409,761
Wheeling Charges		588,767,719	651,659,742
Other Revenue	14	126,405,331	88,083,334
<b>Total</b>		<b>3,545,147,098</b>	<b>3,366,152,837</b>
<b>EXPENDITURE</b>			
Purchase of Power		939,036,850	897,450,929
Employee Cost	15	539,637,569	472,137,739
Operation and Maintenance Expense	16	150,428,774	139,712,776
Administration and Other Expenses	17	67,577,964	57,601,683
Finance Charges	18	98,325,666	78,108,094
Prior period write backs	19	3,576,465	(76,010,178)
<b>Total</b>		<b>1,798,583,288</b>	<b>1,569,001,042</b>
Profit before Depreciation		1,746,563,810	1,797,151,795
Depreciation		537,551,202	443,955,868
Profit/(Loss) after Depreciation		1,209,012,608	1,353,195,927
Excess assessed Tax for earlier years		11,201,219	-
Provision for Tax		311,282,799	354,766,000
Profit after tax		886,528,590	998,429,927
Proposed Dividend		254,214,286	99,607,482
Transfer to Insurance Reserve		8,269,922	3,848,084
<b>Profit(Loss) for the period</b>		<b>624,044,382</b>	<b>894,974,361</b>
Balance brought forward		<b>2,164,549,738</b>	<b>1,269,575,377</b>
Balance carried to Balance Sheet		<b>2,788,594,120</b>	<b>2,164,549,738</b>
Notes on Accounts	20		

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

21 Old Court House Street  
Kolkata-700001  
The 23 March 2012



P.K. BHATTACHARYA  
Partner



Chief Finance Officer



Director



Managing Director




Chairman

# CASH FLOW STATEMENT

	For the period from 1st January to 31st December 2011	For the period from 1st January to 31st December 2010
	Amount (Nu)	Amount (Nu)
<b>Net cash flow from operating activities ( Note - 1)</b>	2,304,949,700	1,595,595,693
Returns on investments and servicing of finance ( Note 2)	(149,930,040)	(379,613,317)
Tax paid during the year	(365,967,219 )	(254,015,170)
Capital expenditure ( Note 3)	(2,518,690,054)	(3,647,849,646)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(3,034,587,313)</b>	<b>(4,281,478,134)</b>
Net cash inflow/(outflow) before financing	(729,637,613)	(2,685,882,441)
Financing (Note 4)	2,013,420,612	2,831,702,153
Management of liquid resources( Note 5)	-	-
Net cash inflow/(outflow) from financing activities	2,013,420,612	2,831,702,153
<b>Increase/(Decrease ) in cash</b>	<b>1,283,782,999</b>	<b>145,819,712</b>
Opening cash and cash equivalents	1,931,514,009	1,785,694,297
Closing cash and cash equivalents	3,215,297,008	1,931,514,009
Cash Inflow	<b>1,283,782,999</b>	<b>145,819,712</b>

In terms of our separate report of even date

For S. S. Kothari & Associates  
Chartered Accountants

21 Old Court House Street  
Kolkata-700001  
The 23 March 2012

  
P.K. BHATTACHARYA  
Partner

  
Chief Finance Officer

  
Director

  
Managing Director



  
Chairman



# NOTES FOR CASH FLOW STATEMENT

Note - 1. Net Cash flow from Operating Activities

	For the period from 1st January to 31st December 2011	For the period from 1st January to 31st December 2010
	Amount (Nu).	
Net profit before tax/operating profit	624,044,382	1,353,195,927
Add back:- Depreciation charges	537,551,202	443,955,868
Deduct Interest receivable	48,003,108	31,603,957
Prior period depreciation	4,978,864	-
Loss on sale of fixed asset	6,300,316	-
	-	-
Deduct:- Profit on sale of fixed assets		
	<b>1,223,197,322</b>	<b>1,843,655,931</b>
(Increase)/Decrease in stock	(213,934,948)	4,902,079
(Increase)/Decrease in Debtors	(79,263,307)	97,057,754
(Increase)/Decrease in Loans & advances	125,728,017	(913,729,437)
(Increase)/Decrease in other current assets	570,808,971	(417,018,228)
Increase/(Decrease) in Creditors	(678,413,645)	980,727,594
Net cash flow from operating activities	<b>2,304,949,700</b>	<b>1,595,595,693</b>
<b>Note - 2 Returns on investments and servicing of finance</b>		
Interest received	48,003,108	31,603,957
Interest paid	98,325,666	78,108,094
Dividends paid	99,607,482	333,109,181
Dividend received	-	-
<b>Total</b>	<b>(149,930,040)</b>	<b>(379,613,317)</b>
<b>Note - 3 Capital expenditure</b>		
Payments to acquire intangible fixed assets	-	-
Payments to acquire tangible fixed assets	(2,067,480,414)	(1,009,032,646)
Payments for capital work-in -progress	(495,403,418)	(2,367,152,357)
Receipts from Sale of fixed asset	44,193,778	28,335,357
(Increase)/Decrease in Long Term Investment	-	(300,000,000)
<b>Total</b>	<b>(2,518,690,054)</b>	<b>(3,647,849,646)</b>
<b>Note -4 Financing</b>		
Issue of Shares & Debentures-cash	-	56,902,000
Issue of Shares & Debentures-other than cash	-	-
Increase in Capital reserve	1,320,465,846	1,193,184,696
Loan taken	692,954,766	1,581,615,457
<b>Total</b>	<b>2,013,420,612</b>	<b>2,831,702,153</b>



# Schedules forming part of Balance Sheet as at 31st December 2011

	As at 31st December, 2011 Amount(Nu)	As at 31st December, 2010 Amount(Nu)
<b>Schedule1: Share Capital</b>		
<b>PARTICULARS</b>		
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	4,875,828,000	4,875,828,000
2,439,845 equity shares fully paid up in cash	<u>2,439,845,000</u>	<u>2,439,845,000</u>
	<u>7,315,673,000</u>	<u>7,315,673,000</u>
<b>Schedule2: Reserves and Surplus</b>		
<b>(a) Profit and Loss Account</b>	<b>2,788,594,120</b>	<b>2,164,549,738</b>
(b) Capital Reserve		
As per Last account	36,461,356	30,333,223
Less Net adjustment during the year	212,879	6,869,536
Less Charged to Depreciation	1,417,851	741,403
	<u>35,256,383</u>	<u>36,461,356</u>
(c ) RGoB Grant Reserve Account	<u>2,183,780,094</u>	<u>996,723,532</u>
Addition during the year		
(a) RGoB	458,000,095	496,072,000
(b) Puna Tshangchu 400 kV	970,000,000	750,000,000
( c ) Less adjustment during the year	114,599,200	59,015,438
	<u>3,497,180,989</u>	<u>2,183,780,094</u>
(d ) Insurance Reserve	<u>59,158,007</u>	<u>50,888,084</u>
<b>Total</b>	<u><b>6,380,189,500</b></u>	<u><b>4,435,679,272</b></u>
<b>Schedule 3:Loan Funds</b>		
ADB-RE1	199,297,639	207,601,708
ADB-RE11	366,516,755	384,842,592
ADB-RE111	437,479,408	437,479,408
ADB-RE IV	1,002,740,264	865,247,020
ADB-RE V	25,517,004	-
JICA I	1,455,425,979	1,207,658,052
JICA II	2,977,386	-
THPA (GOI)	533,667,079	686,143,388
Intrest during Construction THPA (GOI)	230,616,248	296,506,604
NPPF	503,130,000	-
Interest accrued & due on unsecured loans	35,992,281	14,926,505
<b>Total</b>	<u><b>4,793,360,043</b></u>	<u><b>4,100,405,277</b></u>



# Schedules forming part of the Balance Sheet as at 31st December, 2011

## Schedule-4 : Fixed Assets

Particulars	Gross Block as on 31.12.2010	Additions during the year	Disposal during the year	Balance as on 31.12.2011	Accumulated Depreciation as on 31.12.2010	Prior Year	Depreciation For the year	On disposal	Accumulated Depreciation as on 31.12.2011	Net Block as on 31.12.2011	Net Block as on 31.12.2010
Land	62,658,377	3,249,997		65,908,374	-	-			-	65,908,374	62,658,377
Buildings	657,382,278	137,012,479	315,381	794,079,376	101,791,967	21,655	26,209,390	118,933	127,904,079	666,175,297	555,590,311
Other Civil Structures	542,618,297	75,478,575	862,426	617,234,446	199,569,251	22,680	22,639,113	603,812	221,627,232	395,607,214	343,049,046
Generation Equipments	711,859,438	681,130	1,880,001	710,660,567	321,443,648	-	35,316,063	1,749,945	355,009,766	355,650,802	390,415,790
Transmission Lines and Equipment	6,755,539,556	0	53,271,902	6,702,267,653	1,051,125,672	-	223,978,834	9,558,741	1,265,545,766	5,436,721,888	5,704,413,884
Distribution Lines	3,473,038,438	1,566,765,421	6,537,307	5,033,266,553	710,644,376	5,172,076	156,172,501	2,684,039	869,304,918	4,163,961,635	2,762,394,062
Other Equipments	300,397,817	259,866,214	10,379,082	549,884,949	280,647,007	208	49,268,891	9,670,214	320,245,892	229,639,057	19,750,810
Vehicles	185,577,026	18,345,349	3,409,192	200,513,183	95,411,137	(238,086)	21,042,523	1,912,859	114,302,716	86,210,468	90,165,889
Furniture and Fixtures	31,348,081	6,081,249	657,225	36,772,105	17,679,708	330	2,923,887	519,878	20,084,047	16,688,058	13,668,373
<b>Total</b>	<b>12,720,419,308</b>	<b>2,067,480,414</b>	<b>77,312,515</b>	<b>14,710,587,208</b>	<b>2,778,312,767</b>	<b>4,978,864</b>	<b>537,551,202</b>	<b>26,818,421</b>	<b>3,294,024,415</b>	<b>11,416,562,793</b>	<b>9,942,106,542</b>
<b>Figures for previous year</b>	<b>11,760,087,034</b>	<b>1,006,138,774</b>	<b>48,700,376</b>	<b>12,720,419,308</b>	<b>2,354,721,911</b>	<b>-</b>	<b>443,955,868</b>	<b>20,365,563</b>	<b>2,778,312,766</b>	<b>9,942,106,542</b>	



	As at 31st December, 2011 Amount(Nu)	As at 31st December, 2010 Amount(Nu)
<b>Schedule 5: Long Term Investment</b>		
Other Investments		
300,000 RICBL Bond Series II @ Nu 1000 per Bond	<u>300,000,000</u>	<u>300,000,000</u>
<b>Schedule 6: Inventories</b>		
Stock A/c -spares	515,908,456	343,849,536
Stores & Spares at Site	-	21,244,534
Stores- Unserviceable	-	-
Stock A/c-ISU Material	62,526,401	-
Stock Uniform Account	594,160	-
<b>Total</b>	<u><b>579,029,017</b></u>	<u><b>365,094,070</b></u>
<b>Schedule 7: Sundry Debtors (Unsecured )</b>		
Debts outstanding for more than six months	5,460,950	2,203,666
Other Debts	181,411,516	105,012,958
<b>Total</b>	<u><b>186,872,466</b></u>	<u><b>107,216,624</b></u>
Sundry Debtors		
Considered Good	181,439,070	102,175,763
Considered Doubtful	5,433,395	5,040,861
	186,872,466	107,216,624
Less: Provision for doubtful debts	5,433,395	5,040,861
<b>Total</b>	<u><b>181,439,070</b></u>	<u><b>102,175,763</b></u>
<b>Schedule 8: Cash and Bank Balances</b>		
Cash in hand	14,440,123	5,572,653
Bank Balances in Current Account with BoB	1,983,966,570	738,509,334
Fixed Deposit	986,415,113	988,461,258
Gratuity Deposits	221,634,219	198,970,764
Balance with BNB	4,020,475	-
BNB- Staff Welfare Account	4,820,508	-
<b>Total</b>	<u><b>3,215,297,008</b></u>	<u><b>1,931,514,009</b></u>
<b>Schedule 9: Other Current Assets</b>		
Receivable-OPGW Revenue	629,612	-
Other receivable	97,306,273	66,455,339
Interest Income Receivable	29,257,311	29,839,973
Prepaid Tax	9,961,061	505,224,102
BST Receivable	5,875,613	869,242
Pre-Paid Expenses	40,555,086	42,821,940
Prepaid Loan	-	109,183,332
	<u><b>183,584,956</b></u>	<u><b>754,393,928</b></u>



	As at 31st December, 2011 Amount(Nu)	As at 31st December, 2010 Amount(Nu)
<b>Schedule 10: Loans and Advances</b>		
Unsecured, considered good		
Salary Advance	37,123	49,910
Travel advance to employees	349,918	45,465
Welfare loan	372,639	389,515
Advance against Expenses to Employees	328,368	390,911
Advance against Expenses to Employees- CWIP	900	10,321
Other Advance	13,394,436	6,615,115
Advance -Bike Loan	5,111,616	-
Advances to Suppliers	32,859,027	-
Advances to Contractors	852,992,649	1,023,894,566
Security Deposit with Others	221,110	-
	<b>905,667,787</b>	<b>1,031,395,804</b>
<b>Schedule 11: Current Liabilities</b>		
Sundry Creditors - Power	573,936,443	428,748,326
Sundry Creditors - Suppliers	35,172,645	92,605,949
Sundry Creditors - Contractors	39,618,334	187,895,844
Sundry Creditor Service	4,925,597	-
Sundry Creditor-Others	16,771,570	-
GR/IR Clearing Account	120,378,644	-
Capacity Reserve charge	7,766,475	7,653,375
Security Deposit-Energy Meter Operations	139,979,881	95,359,302
SD-Deposit Work	448,809,729	88,248,281
Performance Security-Supplier	2,964,513	7,342,870
Performance Security-Contractor	976,776	-
EMD-supplier	17,675	117,247
Retention Money Supplier	1,609,034	-
Retention Money-Contractor	223,876,176	139,250,547
Retention from Others	495,306	-
Training Fund	62,474	-
Employee Related Liability	562,438	693,644
Performance Based Incentive Scheme Payable	42,254,821	41,914,587
Leave Encashment Payable	33,576,232	30,183,563
Employee Payable	1,511,915	1,408,307
Performance Based Variable Allowance Payable	24,922,627	24,806,866
Welfare Grant Fund	4,720,508	-
TDS from Contractors/Suppliers	11,850,486	-
BST refund	3,692,097	-
Unpaid Cheques	190,735	123,803
Other Vendor Revocery	1,492,643	-
Rec-ADSS Fibre	39,198	-
	<b>1,742,174,973</b>	<b>1,146,352,511</b>



	As at 31st December, 2011 Amount(Nu)	As at 31st December, 2010 Amount(Nu)
<b>Schedule 12: Provisions</b>		
Provision for gratuity	223,991,963	201,927,286
Provision for Audit fee	120,000	120,000
Provision of Corporate Income tax	311,282,799	850,855,516
Provision for Expenses	10,236,198	30,318,480
Proposed Dividend	254,214,286	99,607,482
	<b><u>799,845,246</u></b>	<b><u>1,182,828,764</u></b>





# Schedules forming part of the Profit and Loss Account for the year ended 31st December 2011

## Schedule 13: Electricity Revenue

	For the year 2011 Amount (Nu)	For the year 2010 Amount (Nu)
Electricity Revenue - LV Domestic Rural	84,826,096	60,542,292
Electricity Revenue - LV Domestic Rural	136,930,940	113,973,143
Electricity Revenue - LV Agriculture	3,883,627	2,750,330
Electricity Revenue - LV Bulk	113,096,712	101,232,406
Electricity Revenue - LV Commercial	75,232,584	64,359,319
Electricity Revenue - LV Industrial	16,206,399	14,784,248
Electricity Revenue - LV Institutional	89,107,886	67,582,435
Electricity Revenue - LV PH auxiliaries	1,710,747	1,761,273
Electricity Revenue - LV Street Lighting	4,801,611	4,454,187
Electricity Revenue - LV Temporary Connections	30,679,140	37,841,596
Electricity Revenue - MV Connections	201,527,688	168,955,696
Electricity Revenue - HV Connections	1,794,074,261	1,753,848,536
Demand Charge (HV)	218,652,515	181,775,678
Demand Charge (MV)	35,292,586	32,796,215
Adjustment Past Billing	(246,680)	(242,677)
Connection Charges	2,481,973	2,738,928
IIT charges	211,528	-
Misc Income-Sundries	1,484,318	757,325
Meter Testing Charges	148,440	92,700
Meter Damage Charges	135,315	-
Meter Theft Penalty Charges (Bill Load Assessment)	12,250,978	1,914,157
Meter Transfer/Shifting Charges	42,262	58,792
Reconnection and Disconnection Charges	173,573	-
Late Payment Charges (Surcharges)	7,249,830	14,298,640
Electricity Cable Chg (Chg for change of S/Cable)	19,718	47,019
Cost of burnt meter	-	87,522
Wheeling charges	588,767,719	651,659,742
<b>Total</b>	<b>3,418,741,767</b>	<b>3,278,069,504</b>

## Schedule 14: Other Revenue

Lease of OPGW optical	4,585,001	3,303,397
Revenue Grant	517,200	
Income from Fixed Deposits with Banks	48,003,108	31,603,957
Income from deposit works	2,530,535	6,750,629
Tender form sales	1,651,500	1,747,500
Penalties and Liquidated damages	27,760,600	20,495,884
Scrap Sales	11,830,571	-
Other Misc Sales-Materials	3,554,308	-
Hire Charges Recd	483,022	920,397
Other Misc. Income	25,081,298	11,807,478
Sale and repair of Transformer	251,079	1,251,025



	For the year 2011 Amount (Nu)	For the year 2010 Amount (Nu)
Rental income	-	10,008,629
Audit recoveries	157,109	194,437
<b>Total</b>	<b>126,405,331</b>	<b>88,083,334</b>
<b>Schedule 15: Employee Cost</b>		
Salary	220,398,081	208,125,389
Salary- Casual	1,653,421	1,719,657
Employee Insurance	1,281,469	1,186,625
Corporate Allowance	93,459,959	51,186,164
PVBA	22,580,092	24,806,866
Performance Based Incentive system	41,906,000	41,856,118
Contract Allowance	724,065	-
Position Allowance	3,048,880	2,854,239
Mobile Allowance	1,434,830	1,203,686
Fuel allowance	2,334,914	1,892,079
Multitasking Allowance	8,362,015	6,908,365
Night shift allowance	4,292,958	4,494,422
Voltage hazard allowance	3,899,935	3,580,936
Officiating allowance	19,367	10,417
Overtime allowance	526,294	650,343
Cash handling allowance	265,761	266,533
Difficulty Allowance	381,544	388,409
Housing Allowance	94,438	-
Miscellaneous allowance	27,124	-
Leave Encashment	18,719,053	17,242,683
Gratuity	21,571,055	21,180,217
PF Contribution	23,198,611	22,013,686
Leave travel Concession	16,958,607	15,923,046
Staff Training	46,806,865	37,841,409
Medical expenses reimbursements	728,470	1,299,590
Transfer Grant	1,981,260	2,502,025
Carriage charge	344,054	-
Uniforms	43,810	2,810,336
Welfare Contribution	199,500	194,500
Uniform Consumption	2,395,136	-
	<b>539,637,569</b>	<b>472,137,739</b>
<b>Schedule-16 : Operation and Maintenance</b>		
Repair & Maintenance-Material/Stores	61,696,879	81,604,193
Repair & Maintenance-Services	41,906,140	13,623,262
Repair & Maintenance-Travel/TA&DA	19,353,309	18,395,713
Repair & Maintenance -Other Assets	113,840	198,685
R & M of Furniture, Fixtures and Fittings	177,142	319,895
Repair & Maintenance-Office Equipment	2,076,032	2,523,441
Repair & Maintenance-Vehicle Running Expenses	15,111,844	12,914,308



	For the year 2011 Amount (Nu)	For the year 2010 Amount (Nu)
Repair & Maintenance-Consumables	4,313,118	4,471,994
Repair & Maintenance-Meter Equipment	793,848	5,661,285
Material Consumed	4,886,623	-
<b>Total</b>	<b>150,428,774</b>	<b>139,712,776</b>
<b>Schedule 17: Administrative and Other Expenses</b>		
TA/DA ( In Country)	13,850,963	13,728,783
TA/DA ( Abroad)	2,421,747	2,679,168
Rent on Buildings Hired	274,300	291,587
Rent on Other Properties Hired/ Lease Line Rent	2,000,946	1,483,295
Rates and Taxes	2,105,781	894,528
Water Cess/ Sewerage Charges	244,407	145,849
Leasehold	11,712	6,483
Rental Vehicle	-	25,000
Telephone/Fax/Internet Expenses	3,055,588	2,900,706
Postage/ Courier/ Telegram	217,741	318,033
Printing and Stationery	10,078,037	8,299,812
Meeting Fees	1,242,914	1,373,415
License Fess	5,930,447	5,951,676
Auditors Fees / Expenses	516,755	377,227
Recreation / Sports and Welfare expenses	684,957	821,808
Canteen Expenses	539,900	297,619
Hospitality and Entertainment Expenses	3,569,609	4,136,270
Publicity and Advertisement	2,153,977	2,493,134
Books , Periodicals and Newspapers	175,259	119,764
Electricity Charges	4,814,673	4,270,141
Misc. Administration and General expenses	4,718,541	1,274,749
Insurance Charges on Fixed Assets	683,024	617,167
Bank Charges	845,502	1,135,631
Donations and Contributions	748,333	1,633,887
Transportation charges	-	78,672
Writeoffs	-	21,896
Provision for doubtful debts (Net)	392,535	514,937
Bad Debts written off	-	413,047
Loss on sale/disposal of asset	6,300,316	1,297,398
	<b>67,577,964</b>	<b>57,601,683</b>
<b>Schedule 18: Finance Charges</b>		
Interest on Loan from ADB-RE I	12,140,548	12,638,792
Interest on Loan from ADB-RE II	22,394,174	23,493,724
Interest on Loan from ADB-RE III	10,876,224	4,374,794
Interest on Loan from THPA(GOI)	37,737,886	37,600,784
Interest on Loan from NPPF	15,176,834	-
	<b>98,325,666</b>	<b>78,108,094</b>



**Schedule 19: Prior period expenses**

	For the year 2011 Amount (Nu)	For the year 2010 Amount (Nu)
Prior period energy Charge	-	(450,989)
Adjustment to past billing	-	28,891
Other misc income- prior period	(126,325)	(1,604,250)
Current liab. No longer required	(6,979,069)	(3,758,886)
Miscellaneous charge	(20)	
Purchase of Power	(9,920,630)	32,365
Establishment Expenses	(340,790)	94,202
Adm & General expenses	968,845	(65,567,600)
Repair and Maintenance	14,995,589	1,547,863
Excess pro.for doubtful debts		(1,641,638)
Depreciation	4,978,864	(4,690,136)
	<u>3,576,465</u>	<u>(76,010,178)</u>



## Schedule 20

### Notes on accounts forming part of the Balance Sheet as at 31<sup>st</sup> December, 2011 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.

- (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 economic life of the assets, which is in conformity with the clarifications obtained from the Company Registry Division, Ministry of Economic Affairs and the Department of Revenue & Customs, Ministry of Finance, Royal Government of Bhutan.

### 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 Weighted Average 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.
- 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.

## 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) The Company is a wholly-owned subsidiary of Druk Holding & Investments Limited (a Royal Government of Bhutan undertaking).
- 2) Gross Block of Fixed Assets includes Fixed Assets transferred from erstwhile Department of Power, Royal Government of Bhutan at written down value of Nu 1,760.89 million.
- 3) (a) Provision for Taxation has been made in the accounts after the following adjustment:-



Amount in Nu

	2011	2010
Book Profit as per economic depreciation rate for the year	1,209,012,608	1,353,195,928
Less difference between maximum allowable depreciation as per Income Tax Act as per the provision of rule 4.1 of the Income Tax Act and Depreciation charged in the Accounts ( Nu 542,768,156.12-Nu 721,925,943.49)	(179,157,787)	(171,569,964)
Taxable Profit (loss) after adjustment	1,029,854,821	1,181,625,964
Add Provision for Bad Debts	392,535	927,984
Medical expenses	385,995	-
Donation	335,000	-
Training	6,640,984	
Taxable Profit (loss)	1,037,609,334	1,182,553,947
Provision for Corporate Income tax @ 30%	311,282,799	354,766,184

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

4) Gratuity:

- a) Gratuity liability has been computed on the assumption that all the employees ceased to be employed as on 31<sup>st</sup> December 2011.
- 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 31<sup>st</sup> December 2011 value of such Investment is Nu 221,634,218.53 as against the total Gratuity liability of Nu 223,991,963 indicating a shortfall of Nu 2,357,744.47 which shall be invested in the year 2012.

- 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. 5,507,051 pertaining to such Investment have been credited to Gratuity Liability.

- 5) There has been a domestic tariff revision from 1<sup>st</sup> August 2010. The revised weighted average tariff is Nu.1.732 /unit as compared to Nu. 1,659 /unit before the revision.
- 6) Certain configuration errors in the Revenue Modules of SAP-ERP System have resulted into:



- a. Partial non-reconciliation of balances on Clarification Account, On Account Payments and Security Deposits Accounts with individual Accounts of Sundry Debtors;
- b. Partial non-reconciliation of Profit Centre-wise Revenue and Debtors; and
- c. Non-ascertainment of age-wise analysis of individual balances of Sundry Debtors.

Such errors are in the process of being reconciled and rectified. Pending completion of such reconciliation / rectification, likely effects of the same on Sundry Debtors and Security Deposits as stated above could not be ascertained at this stage. However the Management does not anticipate any material effect arising out of above and also the overall Revenue of the Corporation has been stated correctly in the Profit and Loss Account.

- 7) Up to previous year, Cost for the purpose of valuation of Inventories had been calculated on FIFO basis. During the year on introduction of SAP ERP with effect from 1<sup>st</sup> April, 2011, the basis of valuation has been changed and Cost is calculated on Weighted Average basis. However, the resultant effect of such change on the value of Inventories, Total Current Assets and Profit and Loss Account for the year, which, in the opinion of the Management, is not likely to be material, have not been ascertained.
- 8) During the year the Corporation has decided to make provision for Doubtful Debts up to 4 % of total Sundry Debtors based on the collection pattern of the past years. Accordingly Nu 392,534.69 has been provided for the year.
- 9) Details of Capital Grants received during the year.

Sl.no	Particulars	Amount in Nu	Purpose
1	PHPA-1	970,000,000	Construction of 400kV transmission line
2	DIT, MoIC	257,745,481	National Broadband Master plan
3	BICMA	16,281,470	OPGW lines
4	Department of Energy	12,737,000	RE ACB VI
5	Department of Energy	9,053,000	ACO-Laya
6	Department of Energy	4,287,000	ADB V
8	Department of Energy	7,500,000	JICA
9	Department of Energy	50,000,000	JICA
10	Department of Energy	30,844,000	ADB IV
	<b>Total</b>	<b>1,358,447,951</b>	





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

Particulars	Balance as on 1.1.2011	Received during the year	Repaid during the year	Interest	Balance as on 31.12.2011
RE I	207,601,708	-	8,304,068	12,140,548	199,297,639
RE II	384,842,592	-	18,325,838	22,394,174	366,516,755
RE III	437,479,408	-	-	10,876,224	437,479,408
THP	686,143,388	-	152,476,308	37,737,886	533,667,079
THP IDC	296,506,604	-	65,890,357	-	230,616,248
RE JICA-I	1,207,658,052	247,767,927	-	-	1,455,425,979
RE IV- ADB	865,247,020	137,493,244	-	-	1,002,740,264
RE JICA-II	-	2,977,386	-	-	2,977,386
RE V- ADB	-	25,517,004	-	-	25,517,004
NPPF	-	503,130,000	-	15,176,834	503,130,000
Total	4,085,478,772	916,885,562	244,996,571	98,325,666	4,757,367,763

8) Movement of Capital work in progress during the year is as stated below:-

Particulars	Amount in Nu
CWIP as on 1.1.2011	3,754,258,707
Addition during the year	2,275,341,024
Total	6,029,599,731
Capitalized /Adjustment during the year	1,779,937,605
Balance as on 31.12. 2011	4,249,662,125

9) Adjustment of assets transferred to Capital Reserve.

- 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 for the year Nu 0.430 million 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 depreciation for the year Nu 0.262 million have been adjusted from capital reserve.

- iii. The Corporation has received Tools and Plants amounting to Nu 6.982 million from Japan International Cooperation Agency which has been credited to Capital Reserve. Depreciation for the year for the capitalized items amounting to Nu 0.726 million has been adjusted from capital reserve.
- 10) A reserve fund of Nu 8.270 million has been appropriated from retained earnings to mitigate the risk of BPC assets against any damages due to natural calamities. This is not funded separately.
- 11) Remunerations paid/payable to the Managing Director (excluding gratuity) during the year.

	2011	2010
Remuneration	Nu. 1,461,923/-	Nu. 1,258.044/-
Sitting fees	Nu. 138,000/-	Nu. 142,000/-

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

	2011		2010	
	Units ( MU)	Amount in Nu million	Units ( MU)	Amount in Nu million
Purchase	1,689.2224	939.04	1,631.283	897.451
Hydel	20.9818		23.211	
DG	0.3138		0.246	
Sale	1,619.9450	2,805.78	1,570.772	2,606.415

- 13) The Corporation is contingently liable for unexecuted Capital commitment contracts amounting to Nu. 9,499 million and claims against the Company not acknowledged as debts Nu. 7,200 million.



14) Segment Results for the year 2011 are given below:-

	Generation	Transmission	Distribution	Others	Total
Revenue	-	588.768	2,829.974	126.405	3,545.147
Expenditures	10.802	220.425	1,469.033	98.326	1,798.586
Profit	(10.802)	368.343	1,360.941	28.080	1,746.561

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

Signatures to Schedules 1 to 20.

For S. S. KOTHARI & ASSOCIATES  
Chartered Accountants



(P. K. BHATTACHARYA)  
Partner  
The 23 March, 2012



Chief Finance Officer



Director



Managing Director



Chairman



# ANNEXURE – I

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

- 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, all movable fixed assets have been physically verified during the year by most of the Department/ Divisions and no discrepancies were noticed on such verification, except in some of the Department/Divisions arising out of inter-Unit transfer of assets, which are under reconciliation to be transferred to appropriate Department/Divisions.
- 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 were conducted during 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 explanations 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.
- 1.5 The discrepancies noticed on physical verification of stocks as compared to book records have been adjusted except in RSD, Phuentsholing and, RSD, Samdrup Jongkhar and the discrepancies were not material. In respect of RSD, Phuentsholing and RSD Samdrup Jongkhar, shortages of Nu. 28,916 and excess of Nu. 268,343 have been ascertained.
- 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. The SAP ERP System implemented with effect from 1<sup>st</sup> April, 2011 has considered all the stocks under Inventory as on 31<sup>st</sup> March, 2011 as Receipts on 1<sup>st</sup> April, 2011 without reference to actual dates of receipts of respective items when the data was migrated. Hence the extent of Slow-moving items and Non-moving items could not be ascertained from the System. However, some of the Divisions have ascertained the Slow-moving and Non-moving items at Nu.1,100,937 and Nu.1,267,224 respectively on the basis of records maintained earlier to the date of implementation of SAP ERP, but no technical assessment has been carried out to determine the technical obsolesces. During the year the basis of valuation of stocks has been changed from FIFO method to Weighted Average method. However the effect of such change on the total value of Inventories, which in the opinion of the Management would not be material, have not been ascertained.



- 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 loans and advances to its staff or other parties against purchases orders / work orders, has generally ensured that repayments / adjustments are made promptly and as per the stipulations.
- 1.10 The loans and 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, inter-Departmental communications should be adequately strengthened so that timely and effective adjustments involving Revenue, Assets and Liabilities may be carried out.
- 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 purchases and sales of electricity are regulated by the Bhutan Electricity Authority.
- 1.13 As per the declarations received from the Directors, there is no 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.
- 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.
- 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 Royal Monetary Authority 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 decisions. 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 funds 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.
- 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 at Central Stores and based on technical assessments of the items, provision has been made.

## 2 Computerized Accounting Environment

- a) The SAP ERP System has been implemented with effect from 1<sup>st</sup> April, 2011. At present the System, being in the first year of implementation, reveals certain drawbacks in the organizational and system development controls particularly with regard to Revenue and Inventory Modules and we feel that the System should consider these drawbacks and modify the System accordingly. .
- 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) As per the SAP ERP System presently in operation, any particular Profit Centre / Division is allowed to make entries pertaining to other Profit Centre / Division without any knowledge or approval of that other Profit Centre / Division. This is a weakness in the operational control relating to Input Data, which should be addressed immediately.
- 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 31<sup>st</sup> December, 2011 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 explanations given to us by the management and based on a Compliance Checklist compiled by the Corporation Officials, the Corporation has complied with all the provisions of the Companies Act of the Kingdom of Bhutan, 2000.
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 systems / 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

For S. S. KOTHARI & ASSOCIATES

Dated, the 23 day of March 2012

Chartered Accountants

(FRN: 305147)

(P. K. BHATTACHARYA)

Partner

Membership No: 015899



# PROFIT VARIANCE ANALYSIS FOR THE YEAR ENDED 31.12.2011

PARTICULARS	2011 Amount (Nu)	2010 Amount (Nu)	Variance	Remarks
INCOME				
Electricity Revenue	2,829,974,049	2,626,409,761	203,564,287	
Wheeling Charges	588,767,719	651,659,742	(62,892,023)	
Other Revenue	126,405,331	88,083,334	38,321,997	
Total	<b>3,545,147,098</b>	<b>3,366,152,837</b>	<b>178,994,261</b>	
EXPENDITURE				
Purchase of Power	939,036,850	897,450,929	41,585,922	
Employee Cost	539,637,569	472,137,739	67,499,830	
Operation and Maintenance Expense	150,428,774	139,712,776	10,715,999	
Administration and Other Expenses	67,577,964	57,601,683	9,976,281	
Finance Charges	98,325,666	78,108,094	20,217,572	
Prior period write backs	3,576,465	(76,010,178)	79,586,643	
Total	<b>1,798,583,288</b>	<b>1,569,001,042</b>	<b>229,582,246</b>	
Profit before Depreciation	1,746,563,810	1,797,151,795	(50,587,985)	
Depreciation	537,551,202	443,955,868	93,595,334	
Profit/(Loss) after Depreciation	1,209,012,608	1,353,195,927	(144,183,319)	



# EXHIBIT TO THE ANNEXURE

## FINANCIAL HIGHLIGHTS OF OPERATIONS

### DURING 2011

Particulars	2011 Nu in millions	2010 Nu in millions
Gross earning from sale of Electricity	3,418.74	3,278.07
Other Revenue	126.41	88.08
Power Purchase ( Gwh)	1,689.22	1,631.28
Cost Per unit(Nu.)	0.556	0.550
Power Sale ( Gwh)	1,619.95	1,570.77
S.P. per unit(Nu.)	1.732	1.659
Employee cost	539.64	472.14
Employee cost per unit sold(Nu.)	0.333	0.312
Operation & Maintenance expenses	150.43	139.71
Expenses per unit (Nu.)	0.089	0.086
Profit before Depreciation and Tax(PBDT)	1,746.56	1,797.15
Profit Before Tax(PBT)	<u>1,209.01</u>	<u>1,353.20</u>

Particulars	2011 Nu in millions	2010 Nu in millions
<b>RATIO ANALYSIS</b>		
GP ratio	0.493	0.534
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.332	0.348
Inventory Turnover Ratio (Sales/Average Inventory)	7.51	9.16
Debtors Turnover Ratio (Sales/Average Debtors)	24.11	21.75
Current Ratio (Current Assets/Current Liabilities)	1.99	1.80
Quick Ratio (Current Asset-Inventory/Current Liabilities)	1.76	1.64

