

ELECTRICAL SAFETY TIPS



Install **ELCB/RCCB** in your house to **protect yourself** from electric **shocks** while handling electrical appliances.



Do not use damaged cables in service. It should be **repaired or replaced** immediately by a competent person. **Do not touch** or connect the **damaged electrical** appliances.



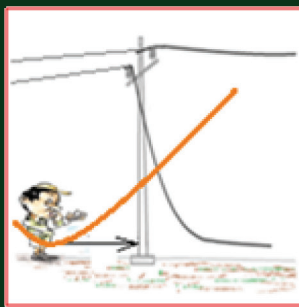
Use **standard** immersion water heater in a **plastic bucket** and not the home-made immersion water heater. **Unplug** the heater to check if the water is hot.



Do not construct houses or structures under or near electrical lines as it **cause danger** to life and property. Houses constructed below the power lines are **subjected to lightning strikes**.



Please **seek advice** from BPC local office if you wish to use **PORTABLE GENERATOR** in your premise during power supply outage. **Inappropriate use** of portable generator could **cause HAZARDS** as power can flow back to BPC system.



Always assume stray wires to be live and **stay away** from it. If you see a **fallen electrical wire/cable**, stay away and call **BPC at 1250(TOLL FREE)**.



Do NOT cut down trees near power lines. It could fall on power lines and lead to **fatal accidents**. **Watch out** for power lines before you climb a tree. You may get **electric shock** from the leakage current.



Watch out while using ladders for overhead wires and power lines. **Do not** lean ladder on the overhead wires and power cables.

ANNUAL REPORT 2012



BPC, Head Office

Bhutan Power Corporation Limited
Meeting your energy needs

For Further information, Contact Safety Compliance Division, BPC at safety@bpc.bt

Bhutan Power Corporation Limited



Year of Incorporation	: 1 st July, 2002
Registered Office	: P.O Box 580, Yarden Lam, Thimphu, Bhutan
Telephone No	: 975 2 325095
Fax No	: 975 2 322279
Website	: www.bpc.bt

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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1. Mr. Dorji Namgay-Managing Director, STCBL
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3. Dasho Chhewang Rinzin-Managing Director, DGPC
4. Dasho Penjor-Chairman
5. Dasho Yeshi Wangdi-Director General, DoPPS, MoEA
6. Dr. Damber S. Kharka, Director, DHI
7. Dasho Bharat Tamang-Managing Director, BPC

Directors' Report

Directors' Report on the Performance of Bhutan Power Corporation Limited for the year 2012

Introduction

It is with great pride that I present this report on the performance of the Bhutan Power Corporation Limited for the period covering 1st January 2012 to 31st December 2012 on behalf of the Board of Directors to Druk Holding and Investments Ltd. (DHI), the Shareholder of BPC and to the various stake holders.

System Performance

With the growth in the economic activities of the Country in line with the development priorities and strategies set by the Royal Government, the domestic electricity demand has been growing steadily over the years. The demand has reached to 284 MW as compared to 276 MW in the previous year. The customer base has reached to 131,695 with the addition of 15,341 customers during the year. The addition has been mostly the rural homes' connection of the Country brought about by extensive Rural Electrification coverage achievement made by the Company during the year.

The energy purchased for domestic consumption during the year was 1,834.03 Million Units (MU). The purchase is made from Druk Green Power Corporation Limited (DGPC). Of the total purchases, royalty energy accounted for 1,009.429 MU. From BPC's own internal generation from mini and micro hydel was 15 MU.

The total sale for the year was 1,769.59 MU as compared 1,619.945 MU in the previous reflecting a growth of about 9.24% over the previous year. With the increase in the domestic consumption, energy wheeled for export by DGPC to India decreased to 4,895.67 MU from Nu

5,273.100 MU in 2011. The hydro generation was also comparatively less during 2012.

One of the most important parameters to gauge performance of an Electric Utility company is the way the company achieves in reducing the system losses. I am happy to report that BPC has been able to make remarkable progress in maintaining its system losses comparable within the region. The global loss for the year was 1.18% as compared to 1.34% in 2011. The domestic T&D loss for the period was 4.32 against 5.48% in the previous year. The improvement in the loss is due to carrying out of timely preventive and planned maintenance of the system.

Customer care and delivery of services is in the forefront of our initiatives. The customer care is managed by multi-task employees through our service centers located near the customer premises. Customer complaints are handled through Contact Center initiated by DHI. Despite these efforts the customer satisfaction survey conducted by the Institute of Management Studies through DHI showed a marginal decline in the customer satisfaction index to 97 % from 98.5% in 2011. The Management has been concerned and has assured to re-look and bring improvement on this important aspect.

The other important component of the power system operation is the monitoring aspect of the load flow within the system. This function has been achieved fully now with the commissioning of National Load Dispatch Center which is fully operational. BPC is 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.

Financial Performance

Assets

The company has achieved huge growth in terms of building its asset base. The asset of the company stands at Nu 21,206.68 million as compared to 18,453.23 million as on 31st December 2011. This corresponds to growth rate of 14.92% over the last year.

Net Worth

The net worth of the company today is Nu 15,486.21 million as compared to Nu 13,695.86 million in 2011. The Company has achieved growth rate of 13.10% in the net worth for the year.

Loan Portfolio

The Company continues to rely heavily on soft borrowing with the help of the Royal Government of Bhutan for financing electrification of Rural Homes. These soft loans are made available by the Asian Development Bank (ADB) and the Japan International Cooperation Agency (JICA). During the year, BPC has drawn a loan of Nu 727.230 million from JICA and Nu 344.453 million from ADB totaling to Nu 1,071.683 million during the year as against Nu 413.76 million in the previous year. For the existing loan principal repayment, Nu 154.042 million was made during the year. The total loan portfolio stands at Nu 5,720.47 million for the period increasing the loan portfolio by 20.24%.

Grants

The Company received capital grant of Nu 232.523 million for executing rural Electrification works. The value of the cumulative grant stands at Nu 648.671 million.

BPC also executes deposit works for Power Transmission Projects and All Dielectric Self Supporting (ADSS) Project funded by Department of Information and Technology, Ministry of Communications for providing ICT connectivity infrastructures to the people of Bhutan over

power distribution line. For the said works, Nu 1,183.978 million has been received during the year and the cumulative fund at the end of the year is Nu 3,170.93 million.

Revenue

Gross revenue of Nu 4,140.276 million has been earned during the year as compared to Nu 3,541.817 million in the previous year. The growth in the revenue is about 16.9% as compared to 5.32% in the previous year. (The revenue from electricity grew by 9.42% from Nu 2,830.22 million in 2011 to Nu 3,096.90 million in 2012. The average tariff for the year is Nu 1.742 per kWh as compared to Nu 1.732 per kWh in 2011.

The wheeling revenue decreased by (6.90%) from Nu 588.77 million in 2011 to Nu 548.17 million in the current year. Other revenue earned for the period is Nu 495.20 million.

Expenditure

Total expense for the year is Nu 2,289.43 million as compared to Nu 1,795.25 million in the previous year which is an overall increase of about 27.53 %. The increase is on account of purchase of power by 23.4%, the employee cost by 31.23% (due to merger of corporate allowance with the basic pay, increase in the operation and maintenance cost by 23.51% and other administrative costs by 27.66%.

The interest paid by Corporation on account of interest payment amounts to Nu 149.893 million on its existing Loan at a weighted average interest rate of 7.52% p.a. as compared to Nu 98.33 million in the previous year. The increase is on account of NPPF loan attracting interest for the full year.

Profit, Tax and Dividend

BPC made a net profit before tax of Nu 1,212.32 million for the year as against Nu 1,209.013 million in 2011 which is a minimal increase. The minimal increase is attributable to substantial increase in the depreciation expenses for the

year as compared to the previous year and increase in the other expenses without a proportionate increase in the revenue earning. The Corporate Income Tax for the year is provisionally assessed at Nu 308.06 million as against Nu 311.28 million in 2011.

Appropriation of dividend of Nu 315.595 million for the year has been made during the year and Nu 9.919 million has been set aside for Insurance Reserve. Apart from usual appropriation of profits Group Investment Reserve initiated by the Druk Holdings and Investment (DHI) has been created for the year. For this reserve, Nu 405.765 million has been set aside. The objective of this reserve is to optimize on the limited pool of capital available in the group and maximize returns to the Government and facilitate transfer of capital among the companies in the group and within the legal framework in Bhutan amongst others.

Within this reserve, Nu 174.467 million for financing and buying back the equity component of the Associated Transmission System (ATS) of 4 JV Projects is earmarked. The purpose of the reserve is to enable BPC to accumulate fund of around Nu 4,098.30 million that will be required at today's cost to be ploughed back and ease its financial burden when taking over the ATS of the JV Hydro Power Projects.

With these appropriations of profit, the surplus of Nu 170.421million will be retained for reinvestment in the Capital works of the Company.

Capital Expenditure

The Company continues to invest heavily in building, augmenting and improving the system Infrastructures with a view to connect the whole Grid and provide reliable supply for domestic and export. The Corporation spent Nu 4,895.03 million (*the capital expenditure includes the cost of Punatsangchu Hydroelectric Project's 400kV Transmission Line, the Mangdechu Hydroelectric Project's Construction Power and ADSS which is executed as deposit work by BPC*) during the year as compared to Nu 2,562.884 million towards capital expenditure during the previous

year. The capital budget achievement is about 93.53 % as compared to 69.07% of the previous year. From the cumulative capital works in progress, asset worth about Nu 2,479.76 million has been added during the year mostly on completion of the RE works and the completion of the 220 kV Tsirang –Jigmiling Transmission line. The balance capital works in progress as on date is Nu 5,217.337 million.

On the financing aspect of capital works, I am happy to report that BPC has been able to meet its capital commitments for system up-gradation works from its own operating activities while they have borrowed for constructing the 220 kV Tsirang-Dagana Transmission line. The work for Rural Electrification Project is financed through soft loan scheme and grant from the Royal Government of Bhutan. The fund for construction of Associated Transmission System related to Mega Power Projects such as 400 kV Punatshangchu and Mangdechu for the evacuation of Power under the 10,000 MW hydropower development plan are through project-tied financing. Similarly, the fund for stringing the ADSS cable has been provided by the Royal Government of Bhutan to implement National Broad Band Master Plan Project.

Power System Expansion Programs:

On the power expansion works I would like to report on the status of the ongoing works and the new initiatives taken during the year. During the year, many of the works that BPC executed such as the construction of 220 kV D/C transmission line from Dagachhu-Tsirang-Jigmiling-Lodrai was completed and joint inspection carried out. The line can be charged by mid 2013 only with the completion of the 220 kV Substation at Tsirang and Jigmiling. With the charging of this line, the long awaited East-West Grid connection shall be materialized. The transmission line section from Tsirang to Dagapela was charged at 33 kV as interim measure to improve the reliability of power supply to Dagapela, Dagachhu Hydro Project and Dagana Dzongkhag.

The other works such as the 66 kV D/C Samtse – Gomtu and Samtse – Sipsoo line, construction

of 220 kV D/C Malbase – Samtse Transmission Line, the construction of 220 kV Substation at Tsirang and Jigmiling, the ADSS- Phase II, the PHPA-I Transmission Lines, the MHPA construction Power works are progressing as scheduled while some works are trailing behind despite best efforts made by the Company. The most impeding factor in these construction works faced by the company is on the Right of Ways issue.

Initiatives on the following works have been made during the year.

- i. The supply and construction of 2 Nos. of 400 kV double circuit transmission lines from pothead yard of Mangdechhu HEP to Jigmeling (via Goling) and the work is scheduled to be awarded in early 2013.
- ii. The contract for consultancy services for design & construction of 400 kV D/C Punatsangchhu II – Jigmeling transmission line was awarded to Power Grid Corporation of India Ltd.
- iii. The work for supply and construction of the pothead yard at Dagachhu HEP was awarded.
- iv. The work for supply and construction of 220/66 kV substation at Dhamdum and bay extension at Malbase and Gomtu substations was initiated and the work shall be awarded in early 2013.

Apart from other capital works, some of the major Transmission works that shall be initiated during the year 2013 includes:

- i. Supply and construction of 400 kV D/C Punatsangchhu II – Jigmeling Transmission line;
- ii. Supply and construction of 220 kV substations in Dagapela and Sunkosh;
- iii. Supply and Construction of 220 kV D/C transmission line from Dagapela to Sunkosh; and

- iv. Supply and construction 132 kV transmission line from Motanga to Nganglam.

BPC has been executing the ADSS project work for laying of 'All Dielectric Self Supporting (ADSS) Optical fiber' project for connectivity at the gewogs level financed by Ministry of Communication under the National Broad Band Master Plan Project. The Phase-I Project component covering 2 Dzongkhags and 131 Gewogs by June 30, 2012 covering 1,292 km has been completed against the initial target of 1,290 km. As per the actual survey, the length had increased to 1,304 km for implementation and 125 Gewogs are connected out of the 131 Gewogs identified. The ADSS Phase-II Project works for ICT connectivity of remaining Grid connecting 70 Gewogs is progressing as scheduled.

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 up to the 220 kV level. For the 400 kV Punatsangchhu-I Line Project, the NLDC and Mangdechhu Line Project, the technical services of Powergrid Corporation of India Limited and WAPCOS India Limited were hired respectively.

Rural Electrification (RE)

BPC has been untiringly pursuing the objective of providing "Electricity for All by 2013" the development priorities of the Country set by the Royal Government. While reaching the grid electricity to 40,257 rural households has not been easy task considering the rough and inaccessible geographical terrain of the Country, BPC has been able to make a laudable stride in the pursuit of this objective of the Royal Government.

I am happy to report that during the year, BPC has added 688.37 km of MV lines, 778.21 km of LV lines, and 620 distribution substations to distribution system. With this addition, 6,791 rural households have been lighted. BPC through its own funding, RE Fill-in initiatives have lighted 1,119 rural households. The overall target

achieved by BPC is 31,475 households against the estimated target of 40,257 households as on December 2012 lifting the RE coverage with grid connection to 89%.

For the balance household, BPC is optimistically targeting to complete the works by 2013. However, the spillover of certain pockets of the works cannot be ruled out mainly due to challenging geographical terrains, harsh climatic conditions and inaccessibility to road which makes the construction activities very challenging and difficult. Notwithstanding the challenges, BPC is committed in its endeavour to light the rural homes to achieve the Royal Government of Bhutan objective of electricity for all and for enhancing the quality of living in rural Bhutan.

Operation and Maintenance

BPC continuously strives to provide safe reliable and efficient power supply to all its consumers by improving and expanding its service infrastructure and carrying out systematic system up-gradation in a timely manner, both at the transmission and distribution level.

Various re-allocation and realignment of transmission Lines such as the relocation of tower CB113 of 220kV D/C Chukha-Birpara transmission line, Re-routing of 132 kV Kilikhar-Kanglung(1.107 km) transmission lines, realigning the 66kV Chukha-Thimphu line transmission line with underground cable were carried out during the year as part of O&M.

The most challenging O&M work faced during the year was the Restoration of Yurmoo-Garpang line at Ngadala, Trongsa which collapsed in late February 2012 due to heavy snow and cold weather. The restoration works took seventeen days despite the harshest weather condition at the Ngadala mountain top.

The O&M group have overcome harshest weather and most difficult terrain in length and breadth of the country and kept the electric power flowing through uninterrupted veins of transmission network. They have put collective effort in snow and hailstorm with freezing environment in the north and northwestern and hot and humid en-

vironment in the southern belt of the country to keep the lights on and provide reliability in the system.

System Improvement

BPC executes numerous system augmentation works to improve system reliability and loss reduction measures. At the rural level, all the bare Low Voltage (LV) conductors constructed prior to launching of the Rural Electrification Project by the Government are replaced by Arial Bunched Conductors (ABC). The Conductors are also being replaced depending on the load growth with an aim to replace the lowest sized squirrel conductor.

At the Urban area, depending on the age of the system, timely up-gradation work is being carried out. At the moment, the underground cabling works at lower market, main area of Samdrup Jongkhar town is being executed. The construction of 33 kV Substation at Bumthang with Gas Insulated Switchgear (GIS), Sarpang and Haa will be completed in mid 2013. With the completion of these works, system reliability in these areas will greatly be enhanced. The work for construction of 33 kV State of Art GIS Substation at Babesa and Diesel Power House at Thimphu has been awarded during the year. When completed by the end of 2014, the reliability of the core Thimphu area shall be greatly improved aimed at achieving the target of providing uninterrupted (24x7) electricity supply in core areas of Thimphu.

At the transmission system the 2x20MVA, 220/66kV transformer at Semtokha substation which was constructed in the mid eighties was upgraded to 2x50/63MVA, 220/66kV and commissioned in all respects on 31st July 2012 without taking any power shutdown, which is remarkable job on-line.

The 8MVA, 66/33kV transformer installed at Gedu substation for Tala Hydroelectric Project Authority was under-loaded since the commissioning of the Tala Hydro Plant was relocated to 66/33/11kV at Olathang substation at Paro to meet the growing power demand there.

IT and Smart Grid Initiatives

Realizing the importance of Information technology in enhancing its business operation, the company has made good progress on this front. The SAP-ERP system implemented for integrated management of information systems and business operations has stabilized now removing the system teething problem encountered in the initial phase of its implementation. The Management Information System and customer management is now on line and on real time basis. With the NLDC becoming fully operational 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 OPWG fiber in Power Transmission lines and ADSS in the Distribution lines for which 10 GBPS IP Ethernet is being established for which the connectivity work is entrusted to Bhutan Telecom limited.

The metering component and data recovery management has taken a back step during the year for which the Company shall take adequate steps next year if it is found commercially viable.

Human Resources Management

Considering that employees constitute important resources in its drive towards excelling in its initiatives and accomplishing corporate goals, the Human Resource Development and capacity building continues to receive high priority. This is reflected in the 20,346 man days of training including the long term training programs imparted during the year. As on 31/12/2012, there were 23 employees studying abroad out of which total of 11 employees are pursuing the Masters Degree program and balance pursuing advanced diploma and graduate courses. Four employees are pursuing their studies in country.

To meet the ever increasing requirement of manpower triggered by continuous expansion of the system and the mandated of constructing the ATS for Mega Power Projects, 152 new employees from various academic disciplines were recruited during the year and 81 employees got separated for various reasons during the year as

compared to 39 in the previous year.

Further, to assist BPC on all matters concerning human resource management and capacity development, the development of BPC HR Master Plan 2020 has been initiated during the year. The report when ready in 2013 is expected to provide BPC a comprehensive guideline/roadmap to achieve BPC's planned targets.

Corporate Governance

To enhance the good governance, to deliberate strategic issues confronting the company and to provide appropriate policy directives to the company, Board meetings were held as and when required. During the year seven Board meeting were held and the quorum requirements were duly maintained. The Annual General Meeting for the year 2011 was held on 6th April 2012, thereby complying with the Companies Act, 2000. Besides required numbers of 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 business processes such as maintenance works, projects works, customer services, inventory management, procurements, management of personnel emoluments, budgeting and planning, asset accounting are fully streamlined with the implementation of the SAP-ERP system thereby enhancing transparency in operation.

Governance initiatives have been further reinforced during the year by revising the Corporate Strategic Plan 2007 and revising the delegation of Financial Power. The Corporate strategy reflects the vision and mission of the changed business environment in which BPC has to operate while the delegation of financial Power brings in clarity and guidance in the exercise of financial powers and delineates accountability and responsibility thereof.

Monitoring of Performance

The performance both financial and non financial of the company is managed and monitored

through signing of the Compact with DHI and through the Performance Based Incentive system (PBIS) which is the management tool of monitoring performance at all levels.

Compact Signed with DHI

The Compact target set by has mostly been achieved during the year. The overall achievement of BPC with respect to Compact targets is 96.68% as compared to the achievement of 96.6% in 2011. There were very targets not achieved while some of the targets were dropped during the year.

Performance Based Incentive System (PBIS) Achievement

The other parameter to monitor performance is the Performance Based Incentive System (PBIS) which was introduced in the year 2006. The Corporation has achieved most of the targets set for the year and the overall achievement of the company for the year increased to 96.75% as compared to 82.27% in the previous year. Some of the minor non achieved targets shall be addressed appropriately in 2013.

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

One of the vision statements of BPC is to uphold the mainstream principles of GNH in all of its plans, operations and activities. This component is manifested by BPCs' contribution in lighting the rural homes to uplift the socio economic condition of rural side of the Country. BPC also through its own funding and initiatives contributes to RE-fill in programme to enhance the RE coverage to electrify the left out or newly built homes in the already electrified rural areas. On this front, I am proud to report that BPC has made a significant progress and today 89 % of the Bhutanese homes in the country have access to grid electricity supply.

In addition, the corporation also supports through monetary contributions, or in-kind to various religious and other institutions, the needy indi-

viduals in line with its Donation Policy. The total amount of monetary donation was Nu 3.602 million during the year as against Nu 0.749 million in 2011.

The blood donation campaign is done on yearly basis and was organized as part of BPC celebration on July 2012 in collaboration with the JDWNR Hospital. This year 100 Units of Blood were donated.

Challenges

Most of the achievement made through the year has not been an easy task for the company. The company still grapples with lot of challenges in fulfilling its mandates. A major challenge faced has been 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 due to peak winter load. While the problem is likely to continue until additional generations are available, as an interim solution, arrangement for re-import of power from India through energy banking (a kind of barter system) concept facilitated by the Department of Hydropower Systems (DHPS), Druk Green Power Corporation Limited (DGPC) and the BPC in close consultation with Indian counterpart agencies have progressed well during the year. All these arrangements will come at a cost. The other real challenge has been to maintain the Quality and Reliability of Electric Service to the ever growing expectation and to the satisfaction of customers in future. The Monsoon caused landslide and disrupted power supply to Gasa for almost three months. 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. Even to carry out scheduled preventive maintenance and other operational maintenance of its vast electricity assets as per norms and codes of utility practices has become difficult since customers' do not like to bear even a minute of outages. Right of ways issues, shifting and relocating of the existing lines at all voltage levels has always posed a challenge in our drive to provide uninterrupted and reliable power

supply to its customers.

The other biggest challenge that continually plagues BPC is the high attrition rate in the Management and mid management level. Retaining experienced employees and living up to the high expectations of our employees has become very difficult which not only results in high employee attrition rate but also reduces the employee productivity, employee morale and motivations.

While this issue has been given a high priority at the Board and Share Holder's Level through appropriate measures, the high attrition rate still continues and is inevitable given the ample 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 to acknowledge the timely assistance extended by the Ministry of Economic Affairs, the Ministry of Finance and the Department of Hydropower Systems, Department of Renewal Energy in terms of policy interventions and other matters. We would like to duly acknowledge the support and cooperation given by the Department of Forests, Bhutan Electricity Authority, National Land Commission, National Environment Commission, Druk Green Power Corporation Limited., Punatshangchu Hydro Electric Project Authority and Mangdechu Hydro Electric Project Authority. Our sincere appreciation and thank also goes to 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 Ltd, M/s WIPRO India Ltd, M/s. KEPCO, Korea and other organizations and institutions who have been closely associated with BPC.

We would like to convey our gratitude to the ADB, JICA and ADA for providing funding and technical support towards Rural Electrification works. Our gratitude also goes to Druk Holding & Investments for their guidance and continued support all through the year. Without these supports it would not have been possible 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 and the certification audits of Project accounts by the Royal Audit Authority.

Finally; the Board would like to congratulate the Management Team and its employees for good performance of the Company during the year despite high employee attrition rate. The Board is confident that with the able leadership of the management and with continued team work, BPC will continue to grow and fulfill its core mandates. Towards this end, the Board would like to assure the management and staff of BPC of our firm support in their endeavor and zeal to realize the goals and missions of the Corporation; to achieve the target of "Electricity for all by 2013" and in construction of Associated Transmission System for evacuating the power from the Generating Stations in line with the Royal Government's vision of developing 10,000 MW of hydropower capacity by 2020.

Tashi Delek.

For and on behalf of the BPC Board



(Penjore)
Chairman

DEPARTMENT

Distribution & Customer Services Department

The Distribution & Customer Services Department (DCSD) is responsible for providing reliable, good quality and safe electricity to all its customers in the Country, in the most efficient manner possible. The Department comprises of 4 (four) Regional Corporate Offices (RCO), 19 (nineteen) Electricity Services Divisions (ESD), 3 (three) Divisions in the Head Office and 2 (two) support divisions (i.e. CMTD and UED). Wind Power Division has been created during the year to implement the wind power pilot project initiated by Department of Renewal Energy, Ministry of Economic Affairs.

The Department operates and maintains all electrical infrastructures at 33 kV level and below. Today it maintains 4,285.3 km of MV lines, 14,264.19 km of LV lines, 3,291 distribution substations, 20 mini/micro-hydels and 32 DG sets. Today, with total manpower strength of little over 900 it caters to around 131,695 customers.

The DCSD also operates and maintains mini/micro hydels across the country. The micro-mini hydels have been particularly useful in supplying power to important customers during the grid failure.

Besides O&M of electrical infrastructures, the Department is also responsible for providing all customer related services from releasing service connection, meter reading and billing to handling of customer inquiries and complaints. The multi-tasked employees manage service centers which are located near the customers. Customer complaints are handled through Contact Center.

Additionally, in order to help achieve the Royal Government's initiative to electrify all house-

holds by 2013, the Department has been entrusted to carry out electrification of households left out by Rural Electrification Programs. Such left out households especially in the rural areas are electrified through the "RE- Fill in" program every year. In 2012, 1,119 households were electrified and the total number of households electrified today through the RE-Fill in program stands at 4,952.

Over the years, the Department has witnessed sharp growth in domestic consumption of energy. As a result, the Department is implementing improvement and up-gradation schemes in urban as well as rural areas on a yearly basis. Such initiative has not only helped to improve power supply reliability and quality but also helped to reduce the overall system loss. Today, the distribution system loss stands at 5.84% as compared to 6.38% in 2011.

The Department is also constantly improving its customer services. It is currently exploring possibilities of providing multiple payment options to its customers. With the contact center fully functional now, the Department is confident that its customer services would be further improved.

While improvement in power reliability and customer services are necessary, it comes with a cost. It is therefore important to find a balance between investment and cost of electricity. This is not to say that safety can be compromised. Every effort is being made to improve safety and create safety awareness. Replacement of bare LV conductors by Aerial Bunched Conductors (ABC) in rural areas is one of many such initiatives taken up by the Department in the interest of public safety.



Development and Construction Department,

Transmission Wing

Development and Construction Department (D&CD) under Transmission Wing (TW) is responsible 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 work for supply and construction of 2 Nos. of 400 kV double circuit transmission lines from pothead yard of Mangdechhu HEP to Jigmeling (via Goling) was initiated and the contract for the work is scheduled to be awarded in early 2013.
- b) The contract for consultancy services for design and construction of 400 kV D/C Punatsangchhu II – Jigmeling transmission line was finalized and signed with Power Grid Corporation of India Ltd.
- c) The work for supply and construction of 220 kV D/C transmission line from Dagachhu-Tsirang-Jigmiling-Lodrai was completed and joint inspection with completed with the operation Department. The line shall be charged in mid 2013 with the completion of the 220 kV Substation at Tsirang and Jigmiling. The transmission line section from Tsirang to Dagapela was charged at 33 kV as interim measure to improve the reliability of power supply to Dagapela, Dagachhu Hydro Project and Dagana.
- d) The supply and construction of the pothead yard at Dagachhu HEP was finalized and awarded to M/s. Shyama Power India Ltd..
- e) The contracts for the construction of the 33 kV distribution lines and substations, 2 x 15 MVA, 132/33 kV substation at Yurmoo and supply of 2 x 15 MVA, 132/33 kV transformers for Mangdechhu HEP

construction power were completed.. The commissioning of the substation is postponed due to some rectifications works that needs to be carried out.

- f) The tender for the supply and construction of 220/66 kV substation at Dhamdum and bay extension at Malbase and Gomtu substations is in advanced stage and the work is expected to be awarded by first quarter of 2013.
- g) The Department has been able to finalize the area for the relocation of the waste disposal at Garpang, Bumthang in close consultation with the Dzongkhag Administration. The disposal site is relocated to a place called Kikila and the work is being executed and is progressing as scheduled.

The Department continues to implement, monitor and supervise the ongoing Transmission Line construction. While some work are progressing as scheduled, some are behind the schedule. The Department is putting all efforts to bring the work back on track despite numerous challenges faced such as the right of ways issue for the construction of 66 kV D/C Samtse – Gomtu and Samtse – Sipsoo and construction of 220 kV D/C Malbase – Samtse Transmission Line and the inability of the contractor to mobilize and retain the adequate workers.

Engineering support especially for the finalization of the substation requirements and review of design & drawings of the substations should be strengthened.

- i. For the financial year 2013, the Department shall initiate the work for construction of 400 kV D/C Punatsangchhu II – Jigmeling transmission line; 220 kV substations in Dagapela and Sunkosh; 220 kV D/C transmission line from Dagapela to Sunkosh; and 132 kV transmission line from Motanga to Nganglam.

Transmission Department

The 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 network for transmitting electric power from hydro power plant to load centers within Bhutan for local consumption and for export to India. TD is also actively involved in system study and strengthening of the power system with other stakeholders both within and outside the country.

As of 31st December 2012, TD has 594 personnel posted under eight Divisions, three Regional Superintending Engineer offices and the Head Office. Year 2012 has been very challenging for TD particularly for the Division offices as they had to execute numerous unplanned works besides regular operation and maintenance works. These works were crucial to provide safe right of way to towns, school and other infrastructures and to provide uninterrupted power supply. Despite the numerous challenges, the achievement of the Transmission Department for the year 2012 has been very good and has been able to achieve most of the targets set for 2012. Some of the important works amongst other that the Department successfully executed during the year includes;

The Up-gradation of 2x20MVA, 220/66kV transformer to 2x50/63MVA, 220/66kV transformer at 220kV Semtokha Substation was completed. The Up-gradation works was undertaken by M/s KEPCO, South Korea and was commissioned on 31st July 2012.

Re-routing of 132 kV transmission lines passing through the proposed new township at Denchi, Pemgatshel was carried out by TMD, Nangkhor. Total line length of 3.035km with six towers was re-aligned and the work was completed by mid 2012.

Re-routing of 132 kV Kilikhar-Kanglung transmission lines which was passing through the Kilikhar Middle Secondary School was carried by TMD, Gyelpozhing. All the works were completed and the power was supplied from the re-aligned route from 16th November 2012. The total length of the new line is 1.107km spanning six towers between KK02 to KK07.

i. Relocation of CB113 of Chukha-Birpara line, Phuentsholing

Relocation of tower CB113 of 220kV D/C Chukha-Birpara transmission line was executed by TMD, Phuentsholing and is expected to be completed by January 2013.

ii. Dead-end Tower and 33kV line at Yurmoo substation, Trongsa

TMD, Gelephu carried out the construction of the dead end tower and 0.34km 33kV line at 132/33kV Yurmoo substation and the work was completed.

Re-aligning the 66kV Chukha Thimphu transmission with Underground cable at Babesa, Thimphu for the IT Park by TMD Olakha. The work shall be completed by March 2013.

Restoration of Yurmoo-Garpang line at Ngadala, Trongsa which collapsed due to the snow and the cold weather on the 66kV Yurmoo-Garpang at Ngadala in late February 2012. A team comprising staff of TMD Olakha, TMD Phuentsholing and TMD Gelephu took up the restoration work in the heavy snow, hailstorm and foggy environment by providing 33kV pole structure in April 2012. Despite the harshest weather condition at the Ngadala top the restoration team completed the work on 24th April 2012.

iii. Relocation of

8MVA, 66/33kV transformer installed at Gedu substation for Tala Hydroelectric Project Authority was completed by SMD Semtokha.



TMD Nangkor Staffs restoration work between KP75-KP76 in September 2012



TMD Gelephu staffs at Ngadala 2nd time restoration in December 2012

Operation and Maintenance of the lines and substations

Transmission Department is very fortunate to have very dedicated and hardworking site staffs in fields. They have overcome harshest weather and most difficult terrain in length and breadth of the country and kept the electric power flowing through un-interrupted veins of transmission network. They have put collective effort in snow and hailstorm with freezing environment in the north and northwestern and hot and humid environment in the southern belt of the country to keep the lights on, generating revenue for BPC and for the country.

Achievement for the year

The achievements of the Department for the year 2012 vis-à-vis the previous year are as follows.

The major Initiatives for the Department for 2013 are:

A. Power supply for upcoming Education City at Wang Sisina.

estimated to cost of Nu.133.1 Million.

B. Retrofitting of old 11kV SF6 Circuit Breaker at 220kV Semokha substation have become very old shall be replaced by VCB breakers to provide reliable power supply to Thimphu.

Re-location of KP-20 of 132kV Kurichu-Pemagatshel transmission line on the Gyelpozhing-Nganglam highway which has become unstable due to road cutting works. Despite the protections and other remedial measures, the location has now become critical to be relocated due to 2010-2012 downpours.

Year	Total Energy Purchased in MU	Total Energy wheeled in MU	Transmission Losses in %
2010	1628.034479	5579.472267	0.52
2011	1689.222445	5273.100043	0.75
2012	1830.372196	4895.671108	0.96

Procurement Services Department (PSD)

The Annual Report of Procurement Services Department (PSD) 2012 gives an overview of achievements, performance and constraints faced by the Procurement Services Department. During the year, PSD has procured the goods to fulfill its core objectives i.e. “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.

During the year, materials worth Nu. 238 million under the Austrian Development Agency (ADA) and Nu. 212 million for the BPC funded capital works were procured during the year. These materials were delivered to various department and divisions for final use.

To enhance the transparency and to bring in uniformity in the bidding process, PSD has revised and updated the existing Standard Bidding Document 2003 for Goods by incorporating the best practices adopted by the RGOB and other international Organizations. The Standard Bidding Document 2012 has been reviewed and approved by the BPC Board for implementation from 1st January 2013.

As mandated by DHI and as a part of center of excellence in Procurement, PSD has established the consultancy unit in PSD, Head

Office rendering the consultancy services to various DOCs under DHI.

PSD has completed the vendor registration for the preferred or restricted brands which was approved by the BPC Board on 28th December 2012. As part of monitoring the initiatives implemented in the past, PSD has assessed the supplier's performances through Vendor Performance Management System (VPMS) in order to retain the best supplier in BPC's supplier base and debar non-performing suppliers. The BPC Management approved the vendor Performance Assessment Report submitted by PSD on 3rd August 2012 and vendors were informed accordingly.

PSD took initiatives in managing the inventories by adjusting the requirements from the buffer stock so that the existing inventories are utilized to the extent possible. Towards this exercise, materials worth Nu 160 million were adjusted from the buffer stock.

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



Rural Electrification Department

Bhutan Power Corporation Limited (BPC) has been entrusted to fulfill one of the most important development priorities of the country, i.e. “Electrification for All by 2013”, which involves reaching grid electricity to 40,257 rural households. The entrustment of this mandate posed a huge challenge to BPC, of the fact that up to the end of the 9th FYP; only 52% was the coverage of Rural Electrification (RE). This entrustment is remarkably reflected in the performance achieved by the Rural Electrification Department during the year. Against all challenges 688.37 km of MV lines, 778.21 km of LV lines, and 620 distribution substations were added in the distribution network system. We were able to connect 6,791 rural homes to grid electricity. BPC through its own funding carried out Fill-in RE of around 1,119 households. Overall, BPC has lighted around 31,475 rural homes against the

estimated target of 40,257 homes as on December 2012. This connection takes the RE coverage to 89% RE .

BPC will be completing most the RE works which had been entrusted by second quarter of the fiscal year 2013. However, it is anticipated that few packages will be spilled over mainly due to challenges arising from geographical terrains, harsh climatic conditions and inaccessibility to road. This has lead to transportation of RE materials as being a major challenge. On top of that, the contractors are facing major challenges with the workforces since labourers are not willing to work on such complex and difficult environment.. Despite all these, RED is all set to complete the target and help achieve electricity for all by 2013 and enhance the quality of living in our countryside.



Transformers to be transported across the Chumkhar Chu without bridge.



Telescopic pole being transported at RE site



Transportation of transformer and ABC cable to the RE sites to achieve electricity for all.



Engineering Design and Contracts Department

The Engineering Design and Contracts Department provides technical support to other departments in the following areas:

- i. Planning and Designing of the transmission lines and substations and Distribution systems (including survey and investigations)
- ii. System studies at macro level and Load Sanctions (Industrial)
- iii. Environmental and GIS related activities
- iv. Review of vendor drawings and designs for projects and BPC procurements
- v. Hydro power developments feasibility studies and rehabilitation of existing plants
- vi. Standardization and need based technical support to all departments
- vii. All IT related requirements for business of BPC
- viii. Planning, designing and development of all civil infrastructures

During the year the following milestones were achieved:

- Completed the revision of distribution design and construction standards after detailed consultative discussion with all relevant stakeholders.
- Completed the design, layout drawings, schemes and tender for the following projects;

a. 220/66kV Substation at Samtse

b. 66kV Thimphu – Damji Transmission line

- Completed the Walk-on survey of 220kV Dagapela – Sunkosh Transmission line and substation for the construction power supply of Sunkosh Hydroelectric Project
- Reviewed all the vendor drawings of the ongoing transmission and distribution project including that of Rural Electrification projects
- Completed the EIA study and acquisition of statutory clearances for the following projects

a. 220/66kV Substation at Samtse

b. 66kV Thimphu – Damji Transmission line

c. 2 x 400 kV D/C transmission line from Mangdechhu to Jigmeling

- To provide effective connectivity from various locations to ERP systems in head office, the Department has undertaken the Fiber Network Solution for BPC WAN using the pair of fiber allocated for BPC in all 19 districts. The connectivity will be through 10 Gbps at 19 locations using the ETX 5300 and 1 Gbps at 39 locations with ETX 203AX. The project is now completed except for the testing of the connectivity for all locations. Once completed BPC will use WAN for all the IT and ERP related functions thereby enhancing the speed of the connectivity.

During the year, three core technical divisions were created namely (a) electrical design and

quality control division, (b) civil design and quality control division, (c) environmental and GIS division for effective functioning of EDCD roles and responsibilities. With these organizational changes including the recruitment/transfer of right people in right job and with imparting of specialized training of right people and usage of state of art tools including design software. The Department has been making consistent and sustained progress in developing its core technical competencies. Today BPC is proud

to have its own technical competencies to an extent where the dependency to external consultancy for transmission and distribution works is reduced to a large extent.

As part of the Corporate Social Responsibility, upon instruction from the management, the Department has taken up the re-modeling and construction works of the traditional lamp house and minor civil repair works at Dechenphodrang Lhakhang.



Human Resource and Administration Department (HRAD)

The area of focus given by the the HRAD during the year is segregated into two main segments:

1. For the Company

a. *Human Capital Management Module in SAP-ERP System*

The main focus for the HR team in the year been to streamline and stabilize the HCM SAP System. With the stabilization of the HCM module, payment related to employees has can be verified and processed faster. The greater advantage is that the system has helped to manage the personnel information system very effectively thereby facilitating efficiency in the way we function.

b. *Organizational Climate Study 2012*

With the help of the National Statistical Bureau, HRAD conducted the Organizational Climate Study (OCS) from August to November 2012. More than 72.5% or 1,539 employees out of total of 2,123 employees took part in the study. The survey covered a wide range of questions from employee aspiration to company rules, workload and training facilities. The OCS report can now be used by the Management/Board in making policy decisions and for planning future HR initiatives.

c. *BPC HR Master Plan 2020*

To assist BPC on all matters concerning human

resource management and development, HRAD has initiated the process of developing the BPC HR Master Plan 2020. The development of Master Plan when completed is expected to provide a comprehensive guideline/road-map to achieve BPC's planned targets.

d. *BPC Annual Conference/BPC Day 2012*

The BPC Annual Conference 2012 was arranged in Paro. HRAD also organized the celebration of BPC Day 2012 marking BPC's one decade of service to the nation on July 1, 2012.

e. *Corporate Social Responsibility*

In line with BPC's CSR policy HRAD organized two rounds of blood donation campaigns in BPC. For the needy patients of JDWNR Hospital, BPC could donate more than 100 units of blood in 2012. Additionally HRAD collected about Nu. 1.9 Million as voluntary contribution from the employees of BPC for the reconstruction of Wangdue Dzong.

f. *Online Asset Declaration*

In compliance to Anti Corruption Commission's requirement of declaring annual assets, HRAD assisted the employees of BPC in making online asset declaration.

g. *Recruitment*

To meet the manpower requirement of the Company HRAD recruited 152 employees in 2012.

2. For the Employees

a. *Tshokor/Moenlam*

For the well-being of all BPC employees and their family members HRAD organized a Tshokor ceremony at the BPC Corporate Building on July 1, 2012 as part commemorating BPC day. The Tshokor ceremony was performed by the monks of Semtokha Shedra. On the same day, Moenlam ceremony was also organized at Dechenphodrang Monastery.

b. *Rock climbing*

To inculcate the good values of teamwork, cooperation and interaction, HRAD organized Rock Climbing, Free Falling and Rappelling adventures for the head office employees in the mountains of Begana. With the support of our Security colleagues, the excursion was made totally safe and thrilling.

Challenges

The biggest challenge for HRAD as of now is the retention of experienced employees and living up to the high expectations of our employees. In 2012, BPC saw 81 employees leaving the company for other companies. The OCS study revealed that BPC employees have low satisfaction level on various employee development tools like Training, Promotion and Performance Management System.

To address all the challenges, the development of HR Master Plan 2020 was initiated. HRAD expects the study to show a clear roadmap as ways and means to address the current challenges. With high hopes pinned on the HR Master Plan 2020, HRAD looks ahead to a more exciting year in 2013.



FINANCE AND ACCOUNTS SERVICES (FAS)

Optimization and judicious use of resources are the core functions of the Finance and Accounts Services to make the Corporation a financially self-sustainable and profitable entity. Towards achieving this, appropriate management control systems such as the budgeting system for allocation of resources, reporting mechanisms for proper monitoring of performances; and ensuring proper check and balance in the internal control systems are institutionalized within the system.

FAS manages the corporate fund both the short term and long term financing requirement without compromising the adequacy of the working capital requirement to ensure that the contractual obligations and all the liabilities of the corporation are met while at the same time ensuring that the corporate assets are utilized in an efficient and effective manner.

At the operational level, FAS ensures transparency in all its financial dealings; and be accountable to all financial and quasi-financial transactions including the statutory and regulatory compliance and adherence to relevant rules and regulations. We also keep abreast with the reporting systems that 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 stabilization of the SAP ERP implemented in 2011 which addresses 20 different functional domain of Business. Most of the mundane functions in financial

accounting, inventory management, billing and collection, human resource management, operation and maintenance are automated and integrated thereby reducing much of the clerical works. The annual accounts of BPC has been successfully closed for the second year from the SAP ERP though certain minor configuration issues still needs to be addressed.

The reporting system shall be further brought in line with the International Level with the implementation of the Bhutanese Accounting Standards in a phased manner from January 2013. This will pose a great challenge considering that this elaborated and comprehensive reporting system will be implemented for the first time and given limited experience on this front. Nevertheless, with the continued support from the Management and team spirit from within, we should be able to shift and adopt the new reporting system though we may encounter lot of problems.

FAS have always accorded high priority in capacity building not only to develop and nurture professionalism and team spirit for efficient and effective day to day functioning but for sustained capacity growth. With imparting of regular training to our employees and post graduates joining our team, FAS have made a steady progress on capacity building over the years and widened our professional outlook. Today FAS manages with confidence both the finance and accounting function of the company professionally whose asset base of Nu 3,937 million at the time of its incorporation has grown to Nu 21,206.676 million.

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 31st December, 2012 and the related Profit and Loss Account and Cash Flow Statement of the Corporation for the year ended on that date annexed thereto. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by Schedule XIV in terms of Section 75 of The Companies Act of The Kingdom of Bhutan, 2000, we enclose in the Annexure hereto statement on the 'Minimum Audit Examination and Reporting Requirements' as specified in part-II of the said Schedule to the extent applicable to the Corporation.
4. Further to our comments in the Annexure referred to in paragraph 3 above we report that;
 - (a) 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;
 - (b) 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 those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.

- (d) In our opinion and to the best of our information and according to the explanations given to us, these accounts **subject to Note No. (6.a) Re: Non-identification/segregation of slow/non moving stock resulting in non provision for obsolete stock, Note No. (6.b) Re: Valuation of the inventory at cost and not at lower of cost or net realizable value, resulting in non-compliance of the accounting policy on valuation of inventory and Note No. (8); Re: Non receipt of confirmation/reconciliation from the lenders, suppliers, contractors and other parties, the impact of these notes on the accounts could not be determined/quantified or even estimated by the management in the absence of any details/working**, and read with other Notes and Significant Accounting Policies in Schedule-19 give the information as required by The Companies Act of The Kingdom of Bhutan, 2000, in the manner so required and give a true and fair view:-
- a) in the case of Balance Sheet, of the state of affairs of the Corporation as at 31st December 2012;
 - b) in the case of Profit and Loss Account, of the profit of the Corporation for the year ended on that date; and
 - c) in the case of the Cash Flow Statement, of the cash flows of the Corporation for the year ended on that date.

For S.P.CHOPRA & CO.
CHARTERED ACCOUNTANTS
Firm Registration no. 000346N



(PAWAN K. GUPTA)
PARTNER
M.NO. 92529

PLACE: NEW DELHI

DATE :

9 MAY 2013

BALANCE SHEET

BALANCE SHEET AS AT 31st DECEMBER, 2012

Particulars	Schedule No.	As at 31.12.2012 (in Nu.)	As at 31.12.2011 (in Nu.)
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	8,178,979,000.00	7,315,673,000.00
Reserves and surplus	2	7,307,230,006.18	6,380,189,499.81
LOAN FUNDS			
Secured loans	3	503,130,000.00	503,130,000.00
Unsecured loans		5,217,337,157.49	4,757,367,762.69
TOTAL		21,206,676,163.67	18,453,230,262.50
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross block	4	16,906,798,723.59	14,710,587,207.42
Less : Depreciation		3,923,318,885.44	3,294,024,410.67
Net block		12,983,479,838.15	11,416,562,796.75
Capital work-in-progress		6,664,930,050.40	4,249,662,125.32
INVESTMENTS			
	5	300,000,000.00	300,000,000.00
CURRENT ASSETS, LOANS AND ADVANCES			
Current Assets			
Inventories	6	550,512,844.65	579,029,017.30
Sundry debtors	7	91,855,685.76	181,439,070.43
Cash and bank balances	8	1,947,613,988.71	3,215,297,008.41
Other current assets	9	139,548,543.65	127,414,306.60
Loan and advances	10	1,817,739,493.47	958,146,340.15
		4,547,270,556.24	5,061,325,742.89
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	11	1,888,360,548.44	1,684,077,674.35
Provisions	12	1,400,643,732.68	890,242,728.11
		3,289,004,281.12	2,574,320,402.46
NET CURRENT ASSETS			
		1,258,266,275.12	2,487,005,340.43
Significant accounting policies and notes forming part of the Financial Statements			
	19		
TOTAL		21,206,676,163.67	18,453,230,262.50


Chief Financial Officer


Director


Managing Director


Chairman

As per our report of even date attached
For S.P. CHOPRA & CO.
Chartered Accountants

Place : New Delhi

Dated : **19 MAY 2013**


(Pawan K. Gupta)
Partner

Membership No.092529
Firm Registration No. 000346N



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED ON 31ST DECEMBER, 2012

Particulars	Schedule No.	Current Year (in Nu.)	Previous Year (in Nu.)
Income:			
Electricity revenue	13	3,096,900,387.03	2,830,220,728.27
Wheeling charges		548,171,915.17	588,767,718.71
Other revenue	14	495,203,484.56	122,828,866.13
Total Income		4,140,275,786.76	3,541,817,313.11
Expenditure:			
Purchase of power		1,158,991,280.46	939,036,850.36
Employee cost	15	708,176,635.25	539,637,569.38
Operation and maintenance	16	185,787,093.92	150,428,774.16
Administration and other expenses	17	86,584,030.23	67,824,643.28
Finance charges	18	149,892,790.35	98,325,665.60
Total Expenses		2,289,431,830.21	1,795,253,502.78
Profit before depreciation and tax		1,850,843,956.55	1,746,563,810.33
Depreciation for the year		638,523,255.25	537,551,202.34
Profit before tax		1,212,320,701.30	1,209,012,607.99
Tax expense			
- Current tax		308,060,967.00	311,282,799.00
- Earlier year/s		2,559,921.25	11,201,218.79
Net Profit for the year		901,699,813.05	886,528,590.20
Proposed Dividend		315,594,935.00	254,214,286.00
Transferred to Group Investment Reserve		231,297,822.00	-
Transferred to Transmission System Buy Back Reserve		174,467,094.00	-
Transferred to Insurance Reserve		9,919,030.00	8,269,922.00
Profit for the year after appropriation		170,420,932.05	624,044,382.20
Balance brought forward		2,788,594,120.37	2,164,549,738.17
Surplus carried to Reserve and Surplus		2,959,015,052.42	2,788,594,120.37
Significant accounting policies and notes forming part of the Financial Statements	19		


Chief Financial Officer


Director


Managing Director


Chairman

As per our report of even date attached
For S.P. CHOPRA & CO.
Chartered Accountants

Place : New Delhi
Dated : _____

9 MAY 2013


(Pawan K. Gupta)
Partner
Membership No.092529
Firm Registration No. 000346N



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	Year ended 31.12.2012 (in Nu.)	Year Ended 31.12.2011 (in Nu.)
A CASH FLOW FROM OPERATING ACTIVITIES:		
Profit before tax/operating profit	1,212,320,701.30	1,209,012,607.99
Adjustment for:		
Depreciation expense	638,523,255.25	537,551,202.34
Interest Income (Net)	(104,566,126.28)	(48,003,107.82)
Finance charges	149,892,790.35	98,325,665.60
Provision for bad debts	3,300,072.37	392,534.69
Other dues written off	303,742.46	-
Debtors (ISU) written off	172,439.50	-
Liabilities/provisions no longer required, written back	(3,046,008.74)	(6,979,069.30)
Prior period depreciation	6,401,638.21	4,978,863.94
Loss on sale/disposal of assets	13,942,522.27	704,924,325.39
	<u>704,924,325.39</u>	<u>6,300,315.74</u>
Operating profit before working capital changes		
Adjustments for working capital changes:		
(Increase)/Decrease in Inventories	28,516,172.65	(213,934,947.52)
(Increase)/Decrease in Sundry debtors	86,110,872.80	(79,655,841.84)
(Increase)/Decrease in other current assets	49,358,150.41	570,226,309.55
(Increase)/Decrease in Loans & advances	(346,286,785.58)	125,728,016.66
Increase/(Decrease) in Current liabilities	162,860,341.91	602,801,530.97
Increase/(Decrease) in Provisions	140,959,388.57	121,518,140.76
	<u>121,518,140.76</u>	<u>(502,377,042.73)</u>
Cash flow from operating activities	2,038,763,167.45	2,304,367,038.27
Income Tax Paid	(515,866,288.99)	(365,967,218.79)
Net cash flow from operating activities	1,522,896,878.46	1,938,399,819.48
B CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of fixed assets (including CWIP)	(4,895,025,467.33)	(2,562,883,832.63)
Sale of fixed assets	253,973,085.12	44,193,778.45
Interest Income (Net)	42,769,996.36	48,585,769.51
Net Cash used in investing activities	(4,598,282,385.85)	(2,470,104,284.68)



	Year ended 31.12.2012 (in Nu.)	Year Ended 31.12.2011 (in Nu.)
C CASH FLOW FROM FINANCING ACTIVITIES:		
Receipts of Grants/Reserves (Net of Refund)	1,204,241,628.32	1,320,465,845.50
Proceeds from Unsecured Loans	963,099,394.80	671,888,990.63
Dividend Paid	(254,214,286.00)	(99,607,482.00)
Finance charges	(105,424,249.43)	(77,259,889.81)
Net cash flow from financing activities	1,807,702,487.69	1,815,487,464.32
Net Increase in cash and bank balances	(1,267,683,019.70)	1,283,782,999.12
Cash and bank balances at the beginning of the year	3,215,297,008.41	1,931,514,009.29
Cash and bank balances at the end of the year	1,947,613,988.71	3,215,297,008.41

Note to cash flow statement:

Cash and bank balances consists of cash in hand and balance with banks as under:

Cash in hand	2,363,515.29	14,440,123.14
Balance with Banks		
- Current accounts	778,176,650.00	1,987,987,045.21
- Fixed deposits	582,634,144.52	986,415,113.40
Fixed Deposits with Finance Corporation	350,000,000.00	-
Gratuity Deposits	227,822,504.20	221,634,218.53
Balance with Banks towards Staff Welfare Account	6,617,174.70	4,820,508.13
	<u>1,947,613,988.71</u>	<u>3,215,297,008.41</u>


Chief Financial Officer

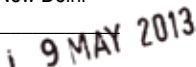

Director


Managing Director


Chairman

As per our report of even date attached
For S.P. CHOPRA & CO.
Chartered Accountants

Place : New Delhi

Dated : 


(Pawan K. Gupta)
Partner
Membership No.092529
Firm Registration No. 000346N



SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31st DECEMBER 2012

		As at 31.12.2012 (in Nu.)	As at 31.12.2011 (in Nu.)
SCHEDULE - '1' : SHARE CAPITAL			
Authorised:			
15,000,000 (Previous Year: 7,500,000) Equity Shares of Nu 1000/- each		<u>15,000,000,000.00</u>	<u>7,500,000,000.00</u>
Issued, Subscribed and fully Paid up:			
8,178,979 (Previous Year: 7,315,673) Equity Shares of Nu. 1000/- each, fully paid up (Note-1)		8,178,979,000.00	7,315,673,000.00
Total		<u>8,178,979,000.00</u>	<u>7,315,673,000.00</u>
Notes:			
1. Include 4,875,828 (Previous Year: 4,875,828) equity shares allotted for consideration other than cash and 3,303,151 (Previous Year: 2,439,845) equity shares allotted pursuant to conversion of grant of Royal Government of Bhutan.			
2. 100% Share Capital is held by the Holding Company M/s Druk Holding & Investments (A Royal Government of Bhutan undertaking)			
SCHEDULE - '2' : RESERVES AND SURPLUS			
Capital Reserve			
As per Last account	35,256,383.44		36,461,355.62
Less: Net adjustment during the year	-		212,878.82
Less: Transferred to Other Misc. Income	<u>(1,413,044.00)</u>	<u>33,843,339.44</u>	<u>(1,417,851.00)</u>
			35,256,383.44



		As at 31.12.2012 (in Nu.)	As at 31.12.2011 (in Nu.)
RGoB Grant Reserve			
As per Last account	3,497,180,989.00		2,183,780,094.32
Add: Receipts during the year	232,523,000.00		1,428,000,095.28
Less: Adjustments/Transfers	-		(114,599,199.60)
Less: Transferred to Long Term Project Reserve	(2,217,726,951.00)		-
Less: Conversion to Share Capital	<u>(863,306,000.00)</u>	648,671,038.00	<u>-</u>
			3,497,180,990.00
Long Term Project Reserve			
As per Last account	-		-
Add: Disbursements / Receipts during the year	1,183,978,427.00		-
Add: Transferred from RGoB Grant Reserve Account	2,217,726,951.00		-
Less: Refund/Adjustment on completion/transfer of assets	<u>(230,775,067.17)</u>	3,170,930,310.83	<u>-</u>
			-
Group Investment Reserve			
	-		-
Add: Addition during the year	<u>231,297,822.00</u>	231,297,822.00	<u>-</u>
			-
Transmission System Buy Back Reserve			
As per Last account	-		-
Add: Addition during the year	<u>174,467,094.00</u>	174,467,094.00	<u>-</u>
			-
Insurance Reserve			
As per Last account	59,158,007.00		50,888,085.00
Add: Addition during the year	<u>9,919,030.00</u>	69,077,037.00	<u>8,269,922.00</u>
			59,158,007.00
Depreciation Reserve			
As per Last account	-		-
Add: Addition during the year	<u>19,928,312.49</u>	19,928,312.49	<u>-</u>
			-
Surplus in Profit and Loss Account		2,959,015,052.42	2,788,594,120.37
Total		<u>7,307,230,006.18</u>	<u>6,380,189,499.81</u>
Note: For Nature/Purpose of the Reserves refer to Note 11 of Schedule-19			



		As at 31.12.2012 (in Nu.)	As at 31.12.2011 (in Nu.)
SCHEDULE - '3' : LOAN FUNDS			
Secured Loans			
From 'National Pension and Provident Fund'			
(Unconfirmed - Secured by first mortgage charge of project assets)			
- For Transmission Lines Project		503,130,000.00	503,130,000.00
Unsecured Loans			
From 'Royal Government of Bhutan'			
(Unconfirmed - Unsecured)			
-For Rural Electrification Projects	4,557,506,729.47		3,489,954,435.41
-For Tala Hydroelectric Project	<u>659,830,428.02</u>	5,217,337,157.49	<u>764,283,327.28</u>
Total		<u>5,720,467,157.49</u>	<u>4,757,367,762.69</u>
Note: Refer Note 9 of Schedule-19 for detail of Loan Funds.			



SCHEDULE- '4': FIXED ASSETS

	GROSS BLOCK				DEPRECIATION				NET BLOCK		
Description	As at 01.01.2012	Additions during the year	Sale/Dispos- al/ adjust- ments during the year	As at 31.12.2012	Accumulated Depreciation as on 01.01.2012	Prior Period Depreciation	For the year	Sale/Disposal/ adjustments during the year	Accumulated Depre- ciation as on 31.12.2012	As at 31.12.2012	As at 31.12. 2011
Land	65,908,373.90	445,000.00	-	66,353,373.90	-	-	-	-	-	66,353,373.90	65,908,373.90
Buildings	794,079,376.23	98,360,607.24	1,389,978.39	891,050,005.08	127,904,079.37	179,290.04	28,259,108.00	459,960.96	155,882,516.45	735,167,488.63	666,175,296.86
Other Civil Struc- tures	617,234,446.47	46,308,267.37	353,406.21	663,189,307.63	221,627,232.43	79,573.18	24,607,389.00	67,483.72	246,246,710.89	416,942,596.74	395,607,214.04
Generation Equip- ments	710,660,567.21	-	-	710,660,567.21	355,009,765.59	-	34,280,863.29	-	389,290,628.88	321,369,938.33	355,650,801.62
Transmission Lines and Equipment	6,702,267,653.36	824,781,646.27	65,055,188.64	7,461,994,110.99	1,265,545,765.52	(2,191,666.65)	233,503,432.92	1,681,889.50	1,495,175,642.29	5,966,818,468.70	5,436,721,887.84
Distribution Lines	5,033,266,552.72	1,025,955,182.73	8,006,745.50	6,051,214,989.95	869,304,913.85	8,330,720.84	192,840,769.34	3,591,422.29	1,066,884,981.74	4,984,330,008.21	4,163,961,638.87
Other Equipments	549,884,948.85	444,564,406.18	205,762,847.62	788,686,507.41	320,245,892.20	2,854.75	99,278,893.72	6,957,359.14	412,570,281.53	376,116,225.88	229,639,056.65
Vehicles	200,513,183.29	31,952,465.73	2,513,727.94	229,951,921.08	114,302,715.57	-	22,257,493.88	2,477,159.61	134,083,049.84	95,868,871.24	86,210,467.72
Furniture and Fixtures	36,772,105.39	7,389,966.73	464,131.78	43,697,940.34	20,084,047.15	866.05	3,495,305.10	395,143.47	23,185,074.83	20,512,865.51	16,688,059.24
Current Year's Total	14,710,587,207.42	2,479,757,542.25	283,546,026.08	16,906,798,723.59	3,294,024,411.67	6,401,638.21	638,523,255.25	15,630,418.69	3,923,318,885.44	12,983,479,838.15	11,416,562,796.75
Previous Year's Total	12,720,419,308.00	2,067,480,414.00	77,312,515.00	14,710,587,208.42	2,778,312,766.50	4,978,863.93	537,551,202.35	26,818,421.11	3,294,024,410.67	11,416,562,796.75	
Note: Gross Block of Fixed Assets includes Fixed Assets transferred from erstwhile Department of Power, Royal Government of Bhutan at a written down value of Nu. 1,760.89 million.											



		As at 31.12.2012 (in Nu.)	As at 31.12.2011 (in Nu.)
SCHEDULE - '5' : INVESTMENT			
Long Term- Other Investments:			
300,000 RICBL Bond Series II @ Nu 1000 per Bond		<u>300,000,000.00</u>	<u>300,000,000.00</u>
Total		300,000,000.00	300,000,000.00
SCHEDULE - '6' : INVENTORIES			
Stores & Spares	497,273,584.22		515,908,455.98
Stock - ISU Material	52,833,851.89		62,526,401.10
Stock - Uniform	<u>405,408.54</u>	<u>550,512,844.65</u>	<u>594,160.22</u>
			579,029,017.30
			-
Total		<u>550,512,844.65</u>	<u>579,029,017.30</u>
SCHEDULE - '7' : SUNDRY DEBTORS			
(Unsecured)			
Debts outstanding for a period exceeding six months	6,409,676.98		5,460,949.86
Other Debts	94,179,476.51		181,411,515.93
	<u>100,589,153.49</u>		<u>186,872,465.79</u>
Less: Provision for doubtful debts (Refer Note-5 of Schedule -19)	<u>(8,733,467.73)</u>	<u>91,855,685.76</u>	<u>(5,433,395.36)</u>
			181,439,070.43
Total		<u>91,855,685.76</u>	<u>181,439,070.43</u>
SCHEDULE - '8' : CASH AND BANK BALANCES			
Cash in hand		2,363,515.29	14,440,123.14
Balance with banks :			
- Current accounts	778,176,650.00		1,987,987,045.21
- Fixed deposits	<u>582,634,144.52</u>	<u>1,360,810,794.52</u>	<u>986,415,113.40</u>
Fixed Deposits with Bhutan Development Finance Corporation Ltd.		350,000,000.00	-
Fixed Deposits with banks for Gratuity Liability (Refer Note 3 of Schedule-19)		227,822,504.20	221,634,218.53



	As at 31.12.2012 (in Nu.)		As at 31.12.2011 (in Nu.)
Balance with bank towards Staff Welfare Fund	6,617,174.70		4,820,508.13
Total	<u>1,947,613,988.71</u>		<u>3,215,297,008.41</u>
SCHEDULE - '9' : OTHER CURRENT ASSETS			
Interest accrued on:			
- fixed deposits	55,988,687.07	19,510,187.66	
- RICBL bonds	9,720,491.80	9,747,123.29	
- advance paid to Holding Co. (Druk Holding & Investments)	<u>25,344,262.00</u>	<u>-</u>	29,257,310.95
Receivable-OPGW revenue	8,197.18		629,612.11
Other receivables	48,265,795.20		97,306,273.14
Security deposit with others	221,110.40		221,110.40
Total	<u>139,548,543.65</u>		<u>127,414,306.60</u>
SCHEDULE - '10' : LOANS AND ADVANCES			
(Unsecured, considered good)			
Advance to Holding Co. (Druk Holding & Investments)-Unsecured	600,000,000.00		-
Advances to suppliers	23,012,266.83		32,859,027.16
Advances to contractors	577,574,882.19		852,992,649.16
Advance Income tax (including Tax deducted at source)	523,267,428.99		9,961,061.25
BST receivable	5,510,141.20		2,183,516.68
Advance to employees:			
- Expenses	252,678.03	329,268.40	
- Bike loan	7,278,567.17	5,111,616.12	
- Others	<u>130,779.00</u>	<u>387,041.00</u>	5,827,925.52
Welfare loan	413,110.18		372,639.06
Other Advances:			
- Pre-paid expenses	38,828,378.31	40,555,085.67	
- others	<u>41,471,261.57</u>	<u>13,394,435.65</u>	53,949,521.32
Total	<u>1,817,739,493.47</u>		<u>958,146,340.15</u>



		As at 31.12.2012 (in Nu.)	As at 31.12.2011 (in Nu.)
SCHEDULE - '11' : CURRENT LIABILITIES			
Sundry Creditors:			
- Power	765,896,211.22		573,936,443.32
- Suppliers	36,750,657.01		35,172,645.34
- Contractors	123,264,043.24		39,618,333.86
- Services	2,441,545.69		4,925,596.97
- Others	18,346,296.64		16,771,570.20
- GR/IR Clearing Account	<u>110,183,678.15</u>	1,056,882,431.95	<u>120,378,643.94</u>
			790,803,233.63
Security Deposits:			
- Energy meter	136,588,849.20		139,979,881.10
- Deposit works	141,282,382.86		448,809,729.44
- Capacity reserve charge	<u>6,227,823.10</u>	284,099,055.16	<u>7,766,475.00</u>
			596,556,085.54
Performance security		4,627,434.96	3,941,289.03
Interest accrued & due on unsecured loans		80,460,821.61	35,992,280.69
Retention money		431,440,414.65	225,980,515.42
Statutory liabilities-TDS		16,123,446.00	11,850,485.81
Welfare Grant Fund		6,617,174.70	4,720,508.13
Payable to employees		2,220,689.92	2,074,353.27
Other liabilities		5,889,079.49	12,158,922.83
Total		<u>1,888,360,548.44</u>	<u>1,684,077,674.35</u>
SCHEDULE - '12' : PROVISIONS			
Employee Benefits:			
- Gratuity (Refer Note-3 of Schedule-19)	324,819,913.00		223,991,963.00
- Leave encashment	45,915,689.54		33,576,231.71
- Performance Based Incentive Scheme	59,649,188.00		42,254,821.00
- Performance Based Variable Allowance	<u>35,320,241.14</u>	465,705,031.68	<u>24,922,627.40</u>
			324,745,643.11
Provision for Corporate Tax		619,343,766.00	311,282,799.00
Proposed Dividend		315,594,935.00	254,214,286.00
Total		<u>1,400,643,732.68</u>	<u>890,242,728.11</u>



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 2012

		Current Year (in Nu.)	Previous Year (in Nu.)
SCHEDULE - '13': ELECTRICITY REVENUE			
Electricity Revenue:			
- LV Domestic Rural	86,411,593.03		84,826,095.95
- LV Domestic Urban	161,226,834.47		136,930,940.39
- LV Agriculture	1,328,587.32		3,883,627.24
- LV Bulk	124,218,510.87		113,096,711.83
- LV Commercial	72,570,576.19		75,232,583.90
- LV Industrial	17,393,575.55		16,206,398.60
- LV Institutional	74,133,787.66		89,107,885.55
- LV PH auxiliaries	1,686,501.52		1,710,747.00
- LV Street Lighting	6,054,150.49		4,801,610.67
- LV Temporary Connections	39,571,323.13		30,679,140.33
- MV Connections	208,343,323.63		201,527,687.85
- HV Connections	1,983,317,676.62	2,776,256,440.48	1,794,074,260.90
Demand Charges:			
- MV Connections	38,385,581.37		35,292,586.37
- HV Connections	270,814,855.51	309,200,436.88	218,652,515.40
Connection charges		2,523,491.91	2,481,972.84
IIT charges		349,600.31	211,528.02
Meter Testing charges		75,034.00	148,439.95
Meter Damage charges		274,407.71	135,315.34
Meter theft penalty charges (Bill Load Assessment)		110,224.28	12,250,978.47
Meter transfer/shifting charges		45,839.00	42,262.00
Reconnection and disconnection charges		-	173,573.36
Late Payment charges (Surcharges)		104,560.00	7,249,829.70
Electricity cable charges (Charges for change of S/Cable)		6,540,855.09	19,718.27
Misc income-sundries		1,419,497.37	1,484,318.34
Total		3,096,900,387.03	2,830,220,728.27
SCHEDULE - '14': OTHER REVENUE			
Lease of OPGW optical		1,199,002.49	4,585,000.89
Revenue grant		4,000,000.00	517,199.60
Income from deposit works		232,730,304.99	2,530,534.51
Tender form sales		2,318,350.00	1,651,500.00



		Current Year (in Nu.)	Previous Year (in Nu.)
Penalties and Liquidated damages		55,210,750.72	27,760,599.65
Scrap sales		4,719,262.73	11,830,571.46
Claim for property loss		69,318.00	-
Hire charges Received		418,216.74	483,022.11
Sale and repair of transformer		-	251,079.15
Cheque return charges		28,000.00	-
Recoveries on account of Audit observations		260,664.00	157,109.48
Excess/Shortages of material		282,268.66	
<u>Interest Income on:</u>			
- fixed deposits (Gross-TDS: Nu 1,411,401)	59,108,172.40		27,903,107.82
- RICBL bonds (Gross-TDS: Nu 1,005,000)	20,113,691.88		20,100,000.00
- advance to Holding Company (Gross-TDS: Nil)	25,344,262.00	104,566,126.28	-
Liabilities no longer required written back		3,046,008.74	6,979,069.30
Prior Period Income/expenses (Refer Note 13 of Schedule -19)		43,667,454.33	(10,555,533.87)
Other misc. sales-materials		4,628,945.97	3,554,308.47
Other misc. income		38,058,810.91	25,081,297.56
Total		495,203,484.56	122,828,866.13
SCHEDULE - '15': EMPLOYEE COST			
<u>Salaries, wages and bonus:</u>			
Salary	304,331,517.29	220,398,081.03	
Salary- Casual	1,700,010.00	1,653,421.00	
Employee insurance	854,942.50	1,281,469.00	
Corporate allowance	22,209,299.00	93,459,958.85	
Contract allowance	992,045.40	724,065.10	
Position allowance	4,759,454.10	3,048,879.89	
Mobile allowance	1,626,683.89	1,434,829.62	
Fuel allowance	3,323,427.45	2,334,914.04	
Multitasking allowance	10,096,810.42	8,362,015.37	
Night shift allowance	4,330,993.73	4,292,958.10	
Voltage hazard allowance	4,331,651.78	3,899,935.33	
Officiating allowance	29,959.00	19,367.00	
Overtime allowance	10,663,715.67	526,293.89	
Cash handling allowance	289,260.24	265,760.90	
Difficulty allowance	445,074.00	381,544.39	
Housing allowance	145,560.00	94,437.60	
Miscellaneous allowance	-	27,124.00	342,205,055.11
<u>Contribution to funds/Benefits:</u>			
Leave encashment	33,681,739.87	18,719,053.15	
Gratuity	101,430,732.04	21,571,055.28	



		Current Year (in Nu.)	Previous Year (in Nu.)
PF contribution	32,524,263.96		23,198,610.93
Leave travel concession	21,782,069.43		16,958,606.84
Performance based variable allowance	29,310,615.56		22,580,092.23
Performance based incentive system	59,386,689.00	278,116,109.86	41,906,000.00
<u>Workmen and staff welfare expenses:</u>			144,933,418.43
Staff training	49,843,397.11		46,806,865.14
Medical expenses reimbursements	1,745,851.00		728,470.00
Transfer grant	3,661,271.65		1,981,260.31
Carriage charge	1,700,017.01		344,054.40
Uniforms	3,000.00		43,810.00
Welfare contribution	-		199,500.00
Uniform consumption	2,976,584.15	59,930,120.92	2,395,135.99
Total		708,176,635.25	539,637,569.38
SCHEDULE - '16': OPERATION AND MAINTENANCE			
Repair & Maintenance:			
- Material/Stores	50,326,875.97		61,696,879.21
- Services	53,612,297.35		41,906,140.00
- Travel/TA & DA	21,435,041.60		19,353,308.51
- Other Assets	22,567,702.48		113,840.00
- Furniture, Fixture and Fittings	137,868.20		177,141.71
- Office equipment	1,875,609.10		2,076,032.10
- Vehicle running expenses (POL)	17,526,993.00		15,111,844.40
- Consumables	8,261,503.59		4,313,117.51
- Meter equipment	2,338,393.42	178,082,284.71	793,848.10
Stores and spare parts consumed		7,704,809.21	4,886,622.62
Total		185,787,093.92	150,428,774.16
SCHEDULE - '17': ADMINISTRATIVE AND OTHER EXPENSES			
<u>Travelling Expenses:</u>			
- Local	16,387,876.22		13,850,962.76
- Foreign	2,420,775.20	18,808,651.42	2,421,746.86
Rent:			
- Building	397,025.00		274,300.00
- Lease Line & others	6,938,100.26	7,335,125.26	2,000,945.76
Rates and Taxes		1,361,822.68	2,105,781.05
Water Cess/ Sewerage charges		453,719.97	244,407.02
Leasehold Charges		119,533.86	11,712.00



	Current Year (in Nu.)		Previous Year (in Nu.)
Telephone/Fax/Internet expenses	3,729,775.74		3,055,587.92
Postage/ Courier/ Telegram	221,686.90		217,741.33
Printing and stationery	9,501,895.17		10,078,037.36
Meeting fees	926,130.00		1,242,914.00
Consultancy fees	377,600.00		-
License fess	3,530,233.98		5,930,446.77
Audit Fees and Expenses	680,888.70		516,755.10
Recreation / Sports and Welfare expenses	894,952.00		684,957.00
Canteen expenses	685,182.00		539,899.70
Hospitality and entertainment expenses	4,089,260.75		3,569,609.05
Publicity and advertisement	2,314,351.69		2,153,976.71
Books, Periodicals and Newspapers	210,226.51		175,259.27
Electricity charges	5,380,388.60		4,814,673.18
Insurance charges on Fixed Assets	1,168,273.66		683,024.20
Bank charges	108,910.97		845,501.75
Donations and Contributions	3,601,946.27		748,333.00
Adjustment Past Billing	265,192.95		246,679.58
Exchange rate fluctuation (Loss)	5,141.35		-
Provison for doubtful debts (Net)	3,300,072.37		392,534.69
Other dues written off	303,742.46		-
Debtors (ISU) writen off	172,439.50		-
Loss on sale/disposal of assets	13,942,522.27		6,300,315.74
Misc. Administration and General expenses	3,094,363.20		4,718,541.48
Total	86,584,030.23		67,824,643.28
SCHEDULE - '18': FINANCE CHARGES			
On Loan From 'Royal Government of Bhutan' :			
- For Rural Electrification Projects	58,587,195.54	45,410,945.75	
- For Tala Hydroelectric Project	45,899,494.54	37,737,886.33	83,148,832.08
On Loan From 'National Pension and Provident Fund' :			
- For Tansmission Lines Project	45,406,100.27		15,176,833.52
Total	149,892,790.35		98,325,665.60



SCHEDULE-19

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 2012

A. GENERAL INFORMATION

Bhutan Power Corporation Limited (hereinafter referred to as 'Corporation') is a wholly-owned subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Corporation is engaged in providing electricity to the residents of the Kingdom of Bhutan and wheel electricity from the large Hydropower Plants for export to India. It owns, operates and maintains the entire Transmission and Distribution network in the Country including 19 mini and Micro Hydropower Plants. Apart from construction of Distribution network system, Corporation is also mandated to construct the associated Transmission Lines and Substations required for evacuation of power from Hydropower Plants to the Bhutan-India border.

B. SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of preparation of Financial Statements**

The accompanying Financial Statements are prepared under the historical cost convention in accordance 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 otherwise. The accounting policies have been consistently applied by the Corporation and are consistent with those used in the previous year.

2. **Use of Estimates**

The preparation of Financial Statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the Financial Statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known or materialized.

3. **Tangible Fixed Assets**

- (a) Fixed assets are accounted for on historical cost basis (inclusive of the costs attributable for bringing the assets to their working conditions for their intended use) less accumulated depreciation and impairment loss, if any.
- (b) Expenditure on up-gradation/reconductoring relating to existing fixed assets is add-



- ed to the cost of such assets where it increases its performance/life significantly.
- (c) Financing costs relating to acquisition of fixed assets are included to the extent they relate to the period till such assets are constructed and are ready to be put to use.
- (d) Expenditure (including indirect and overheads) during construction period attributable to the fixed assets (new projects and substantial expansion) incurred up to the date of commercial production are capitalized when the asset is put to use.
- (e) Capital Work-in-Progress is stated at the amount expended up to the date of the Balance Sheet.

4. Intangible asset

Intangible asset is stated at cost of acquisition/implementation less accumulated depreciation and is amortized over the useful life as estimated by the Management.

5. Depreciation

- (a) Depreciation on the tangible assets is charged on straight line method at the rates notified by the Tariff Determination Regulation, 2007 issued by the Bhutan Electricity Authority, which is in conformity with The Companies Act of The Kingdom of Bhutan, 2000 and clarifications obtained from the Department of Revenue & Customs, Ministry of Finance, Royal Government of Bhutan.
- (b) Depreciation on addition to an asset is calculated on pro-rata basis from the date of such addition and no depreciation is charged in respect of assets sold/discarded/destroyed/dismantled during the year.
- (c) Assets costing up to Nu. 5000 are fully depreciated in the year of acquisition.

6. Grants and Subsidies

- (a) Capital Receipts, Grants and Subsidies from the Government/Other Agencies related to depreciable assets are treated as Reserves and apportioned/adjusted over the life of the asset by credit to 'Other Miscellaneous Income' to offset the depreciation charged on the assets or in the manner as specified in the agreement with the Government/Agency.
- (b) Grant and subsidy relating to an expense is recognized as income over the period/s necessary to match them with the related cost which they are intended to compensate.
- (c) Other Grants and subsidies from 'Royal Government of Bhutan (RGoB)' are considered as Capital Grant and recognized on cash basis.

7. Inventory Valuation

- (a) Stores and Spares are valued at lower of cost or net realizable value.
- (b) Cost is computed on weighted average basis and comprises of expenditure incurred in the normal course of business in bringing such inventories to its location. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale.



- (c) Obsolete, slow moving and defective stocks are generally identified at the time of physical verification of inventories and wherever necessary, adjustment is made for the same.
- (d) As the Corporation is engaged in the distribution of electricity, there are no finished goods or raw materials.
- (e) Loose tools are charged off to consumption on purchase.

8. Investments

Investments primarily meant to be held over long term period are valued at cost. Provision is made when in the opinion of the management there is a decline, other than temporary, in the carrying value of such investments. Current investments are stated at the lower of cost or quoted/fair value.

9. Revenue Recognition

- (a) Electricity Revenue 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.
- (b) Rates for electricity and wheeling charges are as approved by the Bhutan Electricity Authority.
- (c) Other items of revenue are recognized and accounted for on accrual basis except penalty and liquidated charges/claims which are recognized on cash basis.
- (d) Interest income is recognized on time proportion basis taking into account the amounts invested and interest thereon.
- (e) Doubtful debts are provided for in the accounts based on the policy of the Corporation as decided by the Board from time to time.

10. Retirement Benefits

- (a) The Corporation contributes to Provident Fund administered by National Pension and Provident Fund and such contributions are charged to revenue on the basis of as and when the contribution to the Fund becomes due.
- (b) Gratuity, Leave encashment and medical benefits are provided for in the Financial Statements on accrual basis as estimated by the management. Further, the liability towards Gratuity is funded through investment in the fixed deposits with the banks.

11. Foreign Currency Transactions

Foreign currency transactions are recorded at the exchange rate prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currency existing at Balance Sheet date are translated using the closing exchange rates other than those covered by forward contracts, which are stated at the contracted rates. Exchange rate differences arising on settlement of transaction and on translation of monetary items are recognized as income or expense in the year in which they arise.



12. Provisions and Contingent Liabilities

A provision is recognized when there is a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. These are reviewed at each balance sheet date and adjusted to reflect the best current estimate.

Contingent liabilities are disclosed when there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Corporation or a present obligation that arises from past events where it is either not probable that an outflow of resources will be required to settle or a reliable estimate of the amount cannot be made. These are disclosed by way of Note.

13. Taxation

Current Tax is determined as the amount of tax payable in respect of taxable income for the year based on applicable rates and laws. Deferred tax is not recognized in the accounts.

C. NOTES TO ACCOUNTS

1. Estimated amount of contracts remaining to be executed on Capital Account and not provided for in the accounts (net of advances): Nu. 4,755,593,062 (Previous Year: Nu. 7,028,600,994).
2. (a) Provision for Taxation for the current year 2012 has been made on the taxable profits determined after making adjustments as per Income Tax Act as detailed below

(Amount in Nu)

	2012	2011
Profit as per Profit and Loss Account	1,212,320,701	1,209,012,608
Add/(Less) : Adjustments on account of :		
- Difference between maximum allowable depreciation as per the provisions of rule 4.1 of the Income Tax Act and Depreciation charged in the Accounts (Nu. 834,091,300 – Nu. 638,523,255)	(195,568,045)	(179,157,787)
- Provision for Bad Debts	3,300,072	392,535
- Medical expenses	1,105,085	385,995
- Donation	699,235	335,000
- Training	5,012,840	6,640,984
Taxable Profit after adjustments	1,026,869,888	1,037,609,335
Provision for Corporate Income tax @ 30%	308,060,967	311,282,799



- (b) The Income Tax assessment has been completed up to the year 2010 as per the Rules of the Income Tax Act of the Kingdom of Bhutan, 2001.

3. **Gratuity:**

The liability towards Gratuity has been funded through investment in the fixed deposits with the banks. As on 31st December, 2012 there is a balance of Nu 235,767,493 in the fixed deposits (including interest of Nu 7,944,989 accrued thereon) earmarked towards gratuity liability of Nu 324,819,913 as on 31st December, 2012, showing a shortfall of Nu 89,052,420. The said shortfall shall be made good in the coming year/s by investing in the fixed deposits, however, the liability has been fully provided in the accounts and during the year a provision of Nu. 101,430,732 (Previous year: Nu. 21,571,055) has been made in the accounts.

4. As per last domestic tariff revision from 1st August, 2010, the revised weighted average tariff is Nu 1.742 /unit as compared to Nu. 1.732 /unit before the revision.
5. Provision for doubtful debts is made as per the policy approved by the Board. Due to streamlining of the ERP (SAP) system the ageing of the debtors balances based on which the provision has been made at the stipulated rate could be generated on net basis i.e. after adjustment of credit balances and not for the debit balances on which the provision is required to be made. Accordingly the provision has been made on net balances, due to which, the possibility of short provisioning cannot be ruled out, however, the management is of the view that impact thereof, if any, shall not be material.
6.
 - (a) ERP (SAP) System implemented with effect from 1st April, 2011 treated all the items of inventory held as on 31st March, 2011 as receipts on 1st April, 2011 without reference to actual dates of its receipts, hence the slow and non moving material could not be ascertained from SAP. Further, the Corporation also has procedure of identification/segregation of slow/non moving stock based on technical assessment at the time of physical verification, however, the said exercise has also not been carried out during the year at most of the units/divisions. As such, the extent of slow/non-moving stock could not be identified /quantified and accordingly no provision for obsolete stock is made in the accounts.
 - (b) As per the accounting policy the store and spares are valued at lower of cost or net realizable value. In the SAP though the elements of cost are identified, however, there is no system fed to ascertain the net realizable value. As such, the material is not being valued at lower of cost or net realizable value but only at cost, to that extent the accounting policy of the Corporation has not been followed and its impact on the profitability also is not ascertainable.
7. In the opinion of the management, the value of assets other than fixed assets and investments, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Balance Sheet.
8. Balances in the accounts of lenders, suppliers, contractors and other parties are subject to confirmation/reconciliation.



9. The detail of Loans Funds for the year is as under:

(Amount in Nu)

Particulars	Loan outstanding as on 01.01.2012	Disbursement during the year	Repayments during the year	Loan outstanding as on 31.12.2012	Interest Paid/ provided during the year
From 'Royal Government of Bhutan' (Unsecured)					
a. For Rural Electrification Projects					
RE I	199,297,639	-	8,304,068	190,993,571	11,642,304
RE II	366,516,755	-	18,325,838	348,190,917	21,294,623
RE III	437,479,408	-	18,228,309	419,251,099	25,650,268
RE JICA-I	1,455,425,979	154,940,237	-	1,610,366,216	-
RE IV- ADB	1,002,740,264	26,440,081	-	1,029,180,345	-
RE JICA-II	2,977,386	572,289,657	-	575,267,043	-
RE V- ADB	25,517,004	318,012,827	-	343,529,831	-
ADA Loan	-	40,727,707	-	40,727,707	-
	3,489,954,435	1,112,410,509	44,858,215	4,557,506,729	58,587,195
b. For Tala Hydroelectric Project					
THP	533,667,079	-	76,238,154	457,428,925	45,899,495
THP IDC	230,616,248	4,730,433	32,945,178	202,401,503	-
	764,283,327	4,730,433	109,183,332	659,830,428	45,899,495
From 'National Pension and Provident Fund' (Secured)					
Transmission Lines	503,130,000	-	-	503,130,000	45,406,100
	503,130,000	-	-	503,130,000	45,406,100
Total	4,757,367,762	1,117,140,942	154,041,547	5,720,467,157	149,892,790

10. Movement of Capital Work-in-Progress for the year is as under.

Particulars	2012 (Nu. Million)	2011 (Nu. Million)
Balance at the beginning of the year	4,249.662	3,754.259
Addition during the year	4,895.026	2,275.341
Total	9,144.688	6,029.600
Capitalized /Adjustments during the year	2,479.758	1,779.938
Balance at the end of the year	6,664.930	4,249.662



11. The detail of the Grant and Reserves included in 'Reserve and Surplus' is as under:

(a) Capital Reserve

Grants received against depreciable assets and proportionate depreciation thereon (apportioned over the life of the assets) adjusted during the year by credit to 'Other Miscellaneous Income' is Nu. 1,413,044 (Previous Year: Nu. 1,417,851).

(b) RGoB Grant Reserve

Grants received from 'Royal Government of Bhutan' towards contribution for various projects. During the year amount of Nu. 863,306,000 was adjusted from the said Grant for issue of 863,306 Equity Shares (face value of Nu. 1000 each) to the Holding Company. Further, the detail of Grants received from 'Royal Government of Bhutan' during the year is as under:

Purpose of Grant	2012(Nu.)	
JICA-I RE	70,000,000	
JICA-II RE	95,000,000	
Laya RE	11,920,000	
ADB V- RE	55,603,000	
Total	232,523,000	

(c) Long Term Project Reserve

Amounts received from various organizations/agencies for construction of specified long term projects/fixed assets, the ownership of which after completion/commissioning is to be transferred to the respective organization/agency as per the agreement with them. Till the construction of the project/asset the amount received is credited in the Reserve and at the time of transfer of the project/fixed asset the amount equivalent to the book value of the project/fixed asset is adjusted by debit to the Reserve with correspondence credit to the project/fixed asset. During the year amount of Nu. 230,775,067 was debited/adjusted to/from the Reserve towards the cost of project/fixed assets transferred to the respective agencies. Further, amount of Nu. 2,217,726,951 which though pertaining to Long Term Projects, but was lying under 'RGoB Grant Reserve' was transferred to 'Long Term Project Reserve' based on the reconciliation carried out during the year.

(d) Insurance Reserve

Reserve created to mitigate the risk of assets of the Corporation against any damages due to natural calamities. During the year amount of Nu 9,919,030 (Previous year: Nu. 8,269,922) has been appropriated from Profit to the said unfunded Reserve.

(e) Depreciation Reserve

Grants received (towards the assets which though financially transferred to the concerned



agency/department, are to be maintained by the Corporation as per agreement with the respective agency/department) and held as reserve to ensure the availability of the funds at the time when the asset is fully depreciated or is required to be replaced.

(f) Group Investment Reserve

The reserve created during the year under the 'Group Investment Reserve (GIR) Scheme' as per the DHI Ownership Policy to retain earnings in the DHI owned Companies (DoCs) to finance Projects of strategic importance. The stated objectives of GIR are as under:

- To build funds for investments.
- To build funds to meet National exigencies.
- To optimize on the limited pool of capital available in the group and maximize returns to the Government and the State.
- To facilitate transfer of capital among the Companies in the group and within the legal framework in Bhutan.
- To enable the DoCs to optimize its capital structure and improve returns.
- To provide predictability in flow of funds from DoCs to DHI and to MoF.

(g) Transmission System Buy Back Reserve

The reserve created during the year to secure fund to buy back Transmission System that the Corporation shall be executing for evacuating the Power for 10,000 MW by 2020 on deposit work basis from the Project Authorities and Joint Venture Companies (JV Companies). On completion of ATS projects within Bhutan, the built-in asset shall be transferred to Corporation including the transfer of Loan and Equity liabilities. While for the Inter Government model projects, there is no financing to be arranged by Corporation, for the JV Projects, Corporation has to buyback 15% (The project shall be financed under a debt equity ratio of 70:30 and the JV shall own equal share holding) equity component of Public Sector Undertaking (PSU) of Government of India while the 15% equity component of DGPC shall be transferred as grant to Corporation.

12. (a) Remunerations paid/payable to the Managing Director during the year.

Nature of Remuneration	Amount paid/payable during 2012 (Nu.)	Amount paid/payable during 2011 (Nu.)
Basic Salary	900,000	696,624
Contract Allowance	450,000	417,972
Performance Based Variable Allowance (PBVA)	69,662	67,227
Performance Based Incentive Scheme (PBIS)	112,795	130,419
Sitting fees (for attending Board Meetings)	126,000	138,000
Leave Encashment & LTC	90,000	72,770
Total	1,748,457	1,523,012

Note: The above is exclusive of provision towards Gratuity, Leave Encashment and contribution to Provident Fund.



- (b) During the year sitting fee of Nu. 800,130 (Previous year : Nu. 1,104,914) has been paid to other Directors for attending the Meetings of the Board and its sub-committees.

13. The detail of Prior Period Income (net) credited in 'Other Revenue' is as under:

Nature of Expense/Income	Amount (Credited)/ Debited during 2012 (Nu.)	Amount (Credited)/ Debited during 2011 (Nu.)
<u>Income</u>		
- Deposit work	48,820,434	126,325
- Energy Charge	9,095	20
Total Income	48,829,529	126,345
<u>Expense</u>		
- Purchase of power	(911,956)	(9,920,630)
- Establishment	(490,068)	(340,790)
- Administration & General	162,460	968,845
- Repairs & Maintenance	-	14,995,589
- Depreciation	6,401,638	4,978,865
Total Expense	(5,162,074)	(10,681,879)
Net Income/(Expense)	43,667,455	(10,555,534)

14. Quantitative detail of purchase, generation and sales of power for the year is as under.

	2012		2011	
	Units (MU)	Amount (Nu million)	Units (MU)	Amount (Nu million)
Purchase	1,834.7047	1,158.99	1,689.2224	939.04
Self Generation:	15.2089		20.9818	
- Hydel	0.1770		0.3138	
- DG				
Sale	1769.5890	3,085.46	1,619.9450	2,806.02



15. Segment Results for the year 2012 are as under.

(Amount in Nu million)

Segments	Generation	Transmission	Distribution	Others	Total
Revenue	-	548.172	3,096.900	495.203	4,140.276
Expenditures	9.749	248.270	1,881.519	149.893	2,289.432
Profit/(Loss)	(9.749)	299.902	1,215.381	345.311	1,850.844

16. Previous year's figures have been regrouped /re-classified wherever considered necessary.

**Signatures to 'Schedules 1 to 19' of the Financial Statements
For and on behalf of the Board of Directors.**


Chief Financial Officer


Director


Managing Director


Chairman

Place : Thimphu

Date : 9 MAY 2013



ANNEXURE-I

ANNEXURE TO AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE

1. The Corporation has maintained proper records to show full particulars including quantitative details and situation of the fixed assets. As explained to us, the fixed assets have been physically verified by the management during the year in a phased/periodical manner which in our opinion is reasonable having regard to the size of Corporation and nature of its assets. *However, the process of physical verification needs to be strengthened by retaining the working sheets/supporting papers in support of physical verification so carried out. Further, in some units/divisions the physical verification reports were not found to be adequate/proper to depict the physical verification as the same were not containing the complete particulars/details such as the date / period of verification, extent/coverage of verification, team composition or authentication/signatures of the officials who carried out the physical verification. Further, in the case of certain units/divisions where the discrepancies were noticed in the physical verification, the impact has not been given in the accounts as the same, as informed, are under reconciliation.*
2. None of the fixed assets have been revalued during the year.
3. As explained to us the physical verification of stores and spares were conducted during the year and as the Corporation is engaged in transmission and distribution of electricity, there is no stock of raw material and finished goods and as such the question of physical verification of raw materials and finished goods does not arise.
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, however, needs to be further strengthened by *retaining the working sheets/supporting papers in support of physical verification so carried out. Further, in some units/divisions the physical verification reports were not found to be adequate/proper to depict the physical verification as the same were not containing the complete particulars/details such as the date / period of verification, extent/coverage of verification, team composition or authentication/signatures of the officials who carried out the physical verification.*
5. In the case of some units/divisions, discrepancies were noted on physical verification of the stock, which as informed were under reconciliation and are yet to be adjusted in the accounts and impact, if any, will be taken at the time of reconciliation. However, considering the nature of the discrepancies as explained to us, there will be no material impact on the accounts.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of the stock is fair and proper and in accordance with the normally accepted accounting principles and as per the policy of the Corporation *except to the extent of our comments as given in Note 6 of Schedule-19 attached to the Financial Statement regarding; (a)non-identification/segregation of slow/non moving stock resulting in non provision for obsolete stock in the accounts, and (b)material not being valued at lower of cost or net realizable value but only at cost resulting in non-compliance of the accounting policy on valuation of stock.*



7. The Corporation has taken unsecured loans from the Royal Government of Bhutan and other agencies/organizations. 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.
8. During the year the Corporation has granted an unsecured advance of Nu. 600 million to its Holding Company M/s Druk Holding and Investments at the interest of 8% which is repayable on 31st May, 2014. The rate of interest and other terms and conditions of such advance are not prima facie prejudicial to the interest of the Corporation.
9. The repayment of the principal amount and payment of interest on the advance granted to its Holding Company as detailed in above para has not yet started as per the agreement of advance. Further, other than the said advance the Corporation has not granted any loan to any other parties except the loans and advances given to its employees or suppliers/other parties in the normal course of business for which the recovery/adjustments are being made generally as per the agreement/contract/purchase orders except where stated otherwise in the Financial Statements.
10. The loans and advances granted by the Corporation to its officers/staff are as per the provisions of service rules or as per the business requirement. Instance of excessive/frequent advances or accumulation of large advance against particular individual has not been noted during our test verification.
11. In our opinion and according to the information and explanations given to us there are 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 Corporation as well as to ensure adherence to the rules/regulations and system and procedures.
12. In our opinion and according to the information and explanations given to us there is adequate system of competitive biddings, 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. Further, the comments on the system of sale of goods and services are not applicable as the Corporation is engaged in the transmission, distribution, sale and purchase of electricity which is regulated by the Bhutan Electricity Authority.
13. As per the Information and explanations given to us and based on the declarations received from the Directors, there is no transaction for purchases and sale of goods and services made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested. However, as the Directors of the Corporation are all Government nominees, there are some transactions with other Government Companies/Agencies, which were generally found to be as per the directives, sanctions, rules and regulations of the Government.



14. In our opinion and according to the information and explanations given to us, the unserviceable or damaged stores or other items wherever identified have been properly dealt with and accounted for in the accounts. *However, reference is invited to our comments regarding slow/non-moving stock as detailed in Note 6.a of Schedule-19 attached to the Financial Statement.*
15. As the Corporation is engaged in transmission and distribution of electricity, there is no raw material and finished goods and as such this clause is not applicable. However, there are transmission/energy losses in the transmission of the electricity for the control of which the Corporation has laid down control measures and responsibilities.
16. As the Corporation is engaged in transmission and distribution of electricity, there is no question of maintenance of records for production of finished goods, by products. However, reasonable records of energy received and energy distributed are maintained by the Corporation to control transmission and distribution of electricity.
17. In our opinion and according to the information and explanations given to us adequate records are being maintained by the Corporation in respect of generation and sale/disposal of scrap and unserviceable items. Further, as informed, there are procedures of reporting of the scraps and unserviceable items identified/disclosed at the units to the Management for approval of sale/disposal and are auctioned/dealt with in accordance with the sanctions and laid down procedures.
18. Based on test verification of the records and as per the information and explanations given to us, in our opinion, the Corporation is regular in depositing its provident fund, salary tax, health tax, contract tax, Bhutan sales tax and other applicable statutory dues with the appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with the current applicable Taxation laws.
19. Based on test verification of the records and as per the information and explanations given to us, there was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the yearend other than tax deducted at source (TDS) which was later on paid within the stipulated time period. *However, as per the amended provisions of the Income Tax Act, the TDS is to be deducted at the time of bill payment/disbursement or credit in the books of accounts whichever is earlier. It was noted that the same was not followed as the instances were observed where the TDS was not deducted at the time of booking/credit but later on at the time of payment resulting in delay in deduction and deposit of TDS.*
20. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records etc. 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.



21. In our opinion and according to the information and explanations given to us 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.
22. As the Corporation is engaged in transmission and distribution of electricity, there is no question of quantitative reconciliation of the raw materials and finished goods, however, quantitative reconciliation is carried out at the end of the accounting year in respect of electricity.
23. Based on our verification and according to the information and explanations given to us the material losses and discrepancies noted during physical verification of stock wherever written-off/adjusted were as per the approval of the appropriate authorities.
24. There is a reasonable system of authorization at proper levels and adequate system
- &25. of internal control commensurate with the size of the Corporation and nature of its business, on issue of stores and allocation of material, man hours and labour to respective jobs.
26. The Corporation is engaged in distribution and sale of electricity, prices for which are regulated by the Bhutan Electricity Authority.
27. 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.
28. As there is no sale through commission agents, this clause is not applicable to the Corporation.
29. 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.
30. 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.
31. 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.
32. On the basis of our verification and according to the information and explanations given to us, the Corporation has system and procedures for obtaining the approval of the Board/delegated authority for all capital investment decisions and investments in new projects/ventures are made after considering the technical and economic feasibility of such projects as per the stipulated procedures.



33. The Corporation has an adequate and effective budgetary control mechanism.
34. As the Corporation is engaged in transmission and distribution of electricity and no manufacturing activities, the said clause is not applicable.
35. In our opinion and according to the information and explanations given to us, other than the remunerations and sitting fees to the Managing Director and sitting fees to other Directors, no other payments in the nature of remuneration and commission has been paid to the Managing Director and Directors. The remunerations and sitting fees paid to the Managing Director and other Directors are disclosed in Note 12 of Schedule-19 to the Financial Statement.
36. As per the information and explanations given to us and based on our review of the transactions the directives of the Board have been complied with by the Corporation.
37. The Corporation is engaged in distribution and sale of electricity, the prices for which are fixed/regulated 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 review of the 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.
38. Computerized Accounting Environment :
- a) The organizational and system development controls and other internal controls were generally found to be adequate in relation to the size and the nature of computer installations.
 - 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) The operational controls were generally found to be adequate to ensure correctness and validity of input data and output information.
 - e) Adequate measures are in place to control unauthorized access over computer installations and files.
39. General :
- a) Based on the net asset position reflected by the Balance Sheet as at 31st December, 2012 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.



- b) According to the information and explanations given to us by the management and based on a Compliance Checklist compiled by the Corporation, the Corporation has complied with all the provisions of The Companies Act of the Kingdom of Bhutan, 2000.
- c) *The audit of the Corporation is governed by The Companies Act of the Kingdom of Bhutan, 2000 and scope of work is limited to the examination and review of the Financial Statements as provided to us by the management. In the course of audit we have considered the compliance of the provisions of the said Companies Act and its Article of Incorporation. 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 is properly impacted/disclosed in the accounts.*
- d) Financial and Operational Resume of the Corporation has been given in enclosed Exhibit-I.

Place: New Delhi
Date : 9th May, 2013

For S.P.CHOPRA & CO.
Chartered Accountants
Firm Registration No. 000346N


(PAWAN K. GUPTA)
Partner
Membership No. 092529



EXHIBIT TO THE ANNEXURE

FINANCIAL HIGHLIGHTS OF OPERATIONS DURING 2012

Particulars	2012	2011
Gross earning from sale of Electricity	3,645.07	3,418.74
Other Revenue	495.20	126.41
Power Purchase (Gwh)	1,834.70	1,689.22
Cost Per unit (Nu.)	0.632	0.556
Power Sale (Gwh)	1,769.59	1,619.95
S.P. per unit (Nu.)	1.742	1.732
Employee cost	708.18	539.64
Employee cost per unit sold (Nu.)	0.400	0.333
Operation & Maintenance expenses	185.79	150.43
Expenses per unit (Nu.)	0.101	0.089
Profit before Depreciation and Tax (PBDT)	1,850.84	1,746.56
Profit Before Tax (PBT)	1,212.32	1,209.01

RATIO ANALYSIS

Particulars	2012	2011
GP ratio	0.447	0.493
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.339	0.332
Inventory Turnover Ratio (Sales/Average Inventory)	7.331	7.510
Debtors Turnover Ratio (Sales/Average Debtors)	26.675	24.108
Current Ratio (Current Assets/Current Liabilities)	1.383	1.993
Quick Ratio (Current Asset-Inventory/Current Liabilities)	1.215	1.765
Interest Coverage Ratio (Profit before interest & tax/Interest)	9.09	13.30
Debt Service Coverage Ratio (PAT+Dep+Interest/(Interest + Principal Repayment)	5.561	4.43
Gearing Ratio (Debt /Gross Value of Fixed Asset)	34%	32%
RoCE (PAT/Capital+Reserve+Long Term Liability)	0.152	0.186
Return on asset (Profit after tax)/average net total assets	7.39%	8.30%
Return on equity (return available /Average Equity)	7.27%	7.54%
Gearing on net Fixed asset	44.06%	41.7%
Debt Equity Ratio	46.12%	40.47%

