



Annual Report
2013

Values of BPC

Integrity, mutual respect for each other,
professionalism, accountability, care and
“Tha Dhamtse”.



A nighttime photograph of a traditional building with a hill in the background. The building has a white facade with dark wooden window frames and a tiled roof. A large, dark, conical tree stands in front of the building. The sky is dark blue, and a bright, circular light source is visible on the right side of the image. The foreground shows a paved area and a low wall.

Our Vision

"To be the best electric utility in the region committed to quality services, maximization of value, and sustainable socio-economic development"

Our Mission

To Transmit, Distribute and Supply Electricity within the Country, wheel Electricity for Export, and Practice Good Corporate Governance.

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Board of Directors



Dasho Penjor, Chairman

Other position

Board Member, Druk Holding & Investments

Education

M.A Economics Degree
North Eastern University, Boston

Experience:

Zimpoen(Royal Chamberlain) HM's Secretariat
Deputy Governor, Royal Monetary Authority



Dasho Yeshe Wangdi, Member

Director General
Department of Hydropower and Power System,
Ministry of Economic Affairs,

Other Position:

Board of Director, Druk Green Power Corporation

Education:

Masters Degree in Electrical Engineering of Missouri, Rolla, USA.
Bachelor of Technology in Electrical Engineering, Indian Institute of Technology,
Kharagpur, India

Experience:

Managing Director, Chhukha Hydropower Corporation Limited,
Superintending Engineer, Department of Power



Dasho Chewang Rinzin, Member

Managing Director,
Druk Green Power Corporation Ltd

Other Position:

Chairman, Dagachhu Hydropower Corporation Ltd. and DHI Infra

Education:

Masters in Electrical Engineering, University of Wisconsin, USA
Bachelors in Electrical Engineering, University of Wisconsin, USA

Experience:

Managing Director, Bhutan Power Corporation Ltd.
Managing Director, Kurichhu Hydropower Corporation Ltd & Kurichhu Project
Authority



Dasho Bharat Tamang, Member Secretary

Managing Director,
Bhutan Power Corporation Ltd.

Other Position:

Board of Director, Druk Green Power Corporation Ltd.

Education:

Masters of Science in Electrical Engineering, University of Missouri, Rolla, USA
Bachelor of Technology in Electrical Power Engineering, Karnataka Regional
Engineering Collegem Surathkal, Karnataka State, University of Mysore, India

Experience:

Energy Specialist, Department Of Energy, Ministry of Trade & Industry
Chief Engineer, Head of Division, Planning & Coordination Division, DoE,
Ministry of Trade and Industry



Mr. Lekzang Dorji, Member

Director
Department of National Budget
Ministry of Finance

Education:

Master Degree in Professional Accountancy, University of Canberra, Australia
Bachelor of Commerce (Hons), Shri Ram College of Commerce, University of Delhi, Delhi

Experience:

Chief Planning Officer, Planning & Policy Division, MoF
Secondment with the World Bank Headquarters, Washington DC, US (South Asia Region- Financial Management Unit)



Dr. Damber Singh Kharka, Member

Director
Corporate Performance Department
Druk Holding and Investments Ltd.

Other Position:

Board of Director, Bhutan National Bank & Bhutan Trust Fund.

Education:

Ph.D. in Business Management, Guru Jambheshwar University of Science & Technology, Hisar, India, 2011
M.A. Economics, University of New Brunswick, Canada
PGC in Administrative Management, RIM, Bhutan
B.Com, Sherubtse College, Delhi University

Experience:

Director, Corporate Performance Department, DHI,
Senior Lecturer, Private Sector Development Center, RIM
Senior Lecturer, Research and Consulting Center, RIM



Mr. Dorji Namgay, Member

Managing Director
DHI Infra

Other Position:

Chairman, Technical Coordination Committee, Dagachu Hydropower Corporation.

Education:

Msc. Hydropower Engineering, Norwegian University of Science & Technology, Trondheim, Norway
Civil Engineering, Royal Bhutan Polytechnic, Deothang, Bhutan

Experience:

CEO, State Trading Corporation of Bhutan Ltd., Phuentsholing
General Manager, Procurement Services Department, BPC.
Project Director/Manager, Hotel & Tourism Management Training Institute



Mr. Jigme Thinley, Member

Director,
Department of Labour
Ministry of Labour and Human Resources

Other Position:

Board of Director, NHDCL & Construction Development Board

Education:

Masters Degree from Population Studies at the International Institute of Population Sciences, Mumbai, India.

Experience:

Census Commissioner on secondment for the Population and Housing Census project at the capacity of both Project Manager and Chief Demographer
Project Director, Government to Citizen Project

Management Team



Top Left to right: Mr. Norbu Tshering, GM, DCSD, Mr. Gorab Dorji, GM, EDCD, Mr. Nim Dorji, GM, HRAD, Mr. Shamsheer Pradhan, GM, TCD

Bottom Left to right: Mr. Thinley Gyeltshen, GM, TD, Mr. Gem Tshering, Director, Dasho Bharat Tamang, Managing Director, Mr. Sonam Tobje, CFO, Mr. Pradeep Pradhan, GM, PSD, Mr. Drukchu Dorji, GM, RED

Director's Report

Director's Report on the Performance of Bhutan Power Corporation Limited for the year 2013

Introduction

On behalf of the Board of Directors of Bhutan Power Corporation Limited, I have the privilege to present this report on the performance of Company for the period covering 1st January 2013 to 31st December 2013 to Druk Holding and Investments Ltd. (DHI), the sole Shareholder, and to the other relevant stakeholders.

System Performance

The domestic electricity demand has been growing steadily over the years keeping pace with the growth in the economic activities of the country. The peak demand today has reached to 314 MW as compared to 284 MW in the previous year. During the year 14,802 customers were added and BPC today services 146,497 customers. The addition has been mostly through service connection of the rural homes in the country side brought about by extensive Rural Electrification coverage made by the Company.

To meet the domestic consumption demand of power, 1,901.7266 Million Units (MU) of energy were purchased from Druk Green Power Corporation Limited (DGPC) during the year. Of the total purchases, royalty energy accounted for 1,116.0281 MU. The internal generation from embedded mini and micro hydels owned by the company was 18.446 MU in 2013.

The total sale for the year was 1,841.4657 MU as compared to 1,769.59 MU in the previous year reflecting a growth of about 4.1% over the previous year. The energy wheeled by

BPC for export to India for DGPC increased to 5,557.62726 MU from 5,273.100 MU in 2012.

On the System Performance, BPC has been able to maintain its system losses within the lower limit comparable within the region. Of the total energy of 7,481.868 MU received by the system during the year, 7,399.092 MU was the total utilization of energy (internal sales including wheeling). This translates the global energy loss for the year to 1.11% as compared to 1.18% in 2012. The domestic T&D loss for the period is 4.30% and for the previous year the loss was 4.32%. The improvement in the loss is due to timely preventive, planned maintenance and up-gradation of the network system.

The load flow within the system is monitored by the National Load Dispatch Center, which has been in operation since 2012. The Center monitors the power systems operation online for carrying out effective dispatching of load and coordination with generating plants of DGPC and the Indian Eastern Region Load Dispatch Center at Kolkatta.

Financial Reports

The financial reporting of the company has undergone a significant change from this year with the adoption of the Bhutanese Accounting Standards (BAS). I am happy to report that the Company has adopted all the required Bhutanese Accounting Standards Phase I from the first year of its implementation. With the convergence of the reporting system of the company to the BAS, a significant milestone has been achieved making the BPC's reporting system comparable to the International Financial Reporting Standards.

Auditors' Report

While the Auditors had made no adverse comments on the audit report of the year, emphasis of matter has been drawn on the advance of Nu 400 million paid out of the Group Investment Reserve to the Shareholder during the year.

They have observed certain internal control weaknesses and improvements required to be made in the area of asset and inventory management. The auditors have also observed instances of certain compliance failure. I assure that the company will address the weakness in internal control system and compliance issues during the year.

I am also happy to report that the qualifications in the Audit report of 2012 have been resolved during the year.

Assets

The asset of the company stands at Nu 27,851.588 million as compared to Nu 24,084.85 million as on December 31, 2012. The net

worth of the company today is Nu 21,789.948 million as compared to Nu 18,364.391 million in December 31, 2012.

Borrowings

The Company has not taken additional borrowing during the year to finance the capital investments except for the soft loans provided by the Royal Government of Bhutan for financing rural electrification works. These soft borrowings are made available on behalf of the Royal Government of Bhutan to BPC by the Asian Development Bank (ADB), the Japan International Cooperation Agency (JICA) and the Austrian Federal Government (ADA). During the year, BPC has drawn Nu 169.243 million from JICA, Nu 119.360 million from ADB, and 249.327 million from ADA totaling to Nu 537.930 million during the year. For the previous year, the total borrowings were Nu 1,071.683 million. The principal repayment of Nu 196.756 million has been made during the year for the existing borrowings and the total borrowings portfolio stands at Nu 6,061.639 million for the period.



Headloading en-route Ngadala

Government Grants

The Company received capital grant of Nu 11.212 million during the year for executing rural electrification works.

Funds for Deposit Contract Works

BPC executes works for construction of Power Transmission Lines for Punatshangchhu Hydro Electric Project Authority I & II (PHPA-1 and II) and Mangdechu Hydro Electric Project Authority (MHPA) for evacuation of power from the generating plants under construction. For these said works, BPC has received Nu 1,249.445 million, Nu 348.887 million and Nu 961.957 million respectively from the Hydropower Project Authorities during the year.

For the implementation of All Dielectric Self Supporting (ADSS) Project funded by Department of Information and Technology, Ministry of Communications for providing ICT connectivity infrastructures over power distribution lines to the various Community e-centres (Ce-C) in each gewog, we received Nu 24.44 million during the year.

Revenue

Gross revenue of Nu 6,420.292 million has been earned during the year as compared to Nu 6,284.090 million in the previous year. The overall revenue has grown marginally by about 2.2%. The revenue from electricity sale grew by 7.9% from Nu 3,103.37 million in 2012 to Nu 3,346.62 million in 2013. The revenue from wheeling of power increased to Nu 623.43 from Nu 548.17 million in 2012. Other revenue earned for the period is Nu 447.11 million as compared to Nu 495.20 million in 2012.

The average tariff for the year is Nu 1.808 per kWh as compared to Nu 1.732 per kWh in 2012.

Operating Expenditure

Total expense for the year is Nu 5,047.84 million as compared to Nu 5,018.97 million in

the previous year, which included expenses on purchase of power, finance costs and depreciation.

Profit, Tax and Dividend

BPC made a net profit after tax of Nu 963.273 million for the year as against Nu 898.32million in 2012. The provisionally self-assessed tax for the year is Nu 409.182 million of which Nu 57.55 million is treated as deferred tax expenses.

The Board of Directors proposes of dividend of Nu 260.08 million for the year and transfer of Nu 510.54 million to Group Investment Reserve. The Board also proposes to set aside Nu 5.04 million as Insurance Reserve.

Capital Investment

During the year, Nu 1,570.21 was invested in capital investment for network expansion and for augmenting and improving the ageing grid network. This investment represents 1.6 times of the Profit after tax of the current year before dividend. During the year asset worth about Nu 1,259 million has been added mostly on the distribution network system.

On financing these capital works, BPC has been able to meet its capital commitments for system up-gradation works from its own operating activities while the work for Rural Electrification Project has been financed through soft borrowings scheme and grant from the Royal Government of Bhutan.

For the construction contract works of building associated transmission system (ATS) for Punatsangchhu Hydroelectric Projects I and II, the Mangdechu Hydroelectric Project and All Dielectric Self Supporting (ADSS) Project, the Corporation spent Nu 2,685.16 million.

Power System Expansion Programs

I would like to report on the status of the major ongoing works of the power system expansion

works and the new initiatives taken during the year since these works are critical for building a reliable network system.

The works on the construction of 220 kV Double circuit Malbase – Samtse Transmission Line and construction of 66 kV Double circuit Samtse–Gomtu and Samtse–Sipsu Lines have been delayed due to Right of Way issues beyond the control of the Company. With the issues resolved, now the works will be executed without any further delay.

The 220kV substations at Tsirang and Jigmiling have been commissioned and charged during the year. With the commissioning of these inter-connecting Substations and the associated 220/132 kV transmission lines already built & commissioned, the East-West link has been established for providing reliable power supply through exchange of energy between Western and Eastern grids of Bhutan.

The work for supply and construction of 220/66 kV substation at Dhamdum, Samtse and bay extension at Malbase and Gomtu substations was awarded during the year at a total cost of Nu 410.317 million.

For the year 2014, the construction of following new Transmission lines shall be initiated:

- i. Construction of 66 kV Single Circuit Transmission Line from Thimphu to Gasa.
- ii. Construction of 132 kV transmission line from Motanga to Phuntshothang and from Kanglung to Phuntshothang.

I am also happy to report that the company made a good progress on construction of Associated Transmission lines for the Mega Hydroelectric Projects as well. The works for the construction of 132 kV Yurmoo substation at Trongsa and associated 33 kV distribution scheme for construction power supply to Mangdechhu HEP has been completed and power supply is made available to all the construction sites of the MHPA. The construction of Pothead Yard

for Dagachu Hydro Power Corporation (DHPC) Limited (DHPCL) was completed and handed over to DHPC. The 220 kV transmission line for evacuation of 126 MW Dagachhu power was completed two years back. The contract works of building the ADSS- Phase II Network for ICT connectivity of remaining 70 Geogs is progressing and will be completed in 2014. The PHPA-I and MHPA Transmission Lines works are also in progress as per revised schedule.

The work for supply and construction of 400 kV Double Circuit Transmission Line from pothead yard of Punatsangchhu II Hydro Electric Project to Jigmeling will be awarded in 2014.

In executing the National Grid Network infrastructure development works, the Engineering and Design Services of BPC is providing 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 and II Associated Transmission Line Project and Mangdechhu Line Project, the consultancy services are provided by the Power Grid Corporation of India Limited and WAPCOS India Limited respectively.

Rural Electrification (RE)

BPC was entrusted with a mandate to provide electricity for all by 2013 in the 10th Five Year Plan (FYP) with a total of 40,257 households to be electrified through on-grid supply scheme. Despite best efforts, BPC could fulfill only 94% of the targets due to major challenges faced during the implementation of the RE works. One of the major challenges faced was the inaccessibility of work sites in the last mile connectivity wherein the transportation of materials has been the single most challenge. This was coupled with harsh climatic conditions and difficult geographical terrain resulting in severe working conditions, thereby making it difficult to get laborers and also retain the existing workers to work at the site. In some cases, BPC lacked support from the community, which further delayed the progress of RE work.

Despite all these challenges, I am proud to report that BPC has electrified 37,654 households under the various RE programs including 5,782 households under the Fill-in RE project financed by the BPC during the plan period. With this RE coverage, 94% of the rural homes have grid supply access. For the balance households not electrified, BPC is putting all its efforts to complete the works as soon as possible to enhance the quality of life and living conditions in our countryside.

Net work reliability

We recognize reliability of power supply as the key indicator for customer services. Our System Average Interruption Duration Index (SAIDI) performance was 0.146 minutes at the Transmission level and 2.799 hours at the distribution level.

System Improvement works

BPC carries out extensive system augmentation works not only to improve system reliability but also to reduce the loss reduction every year. At

the low voltage level, all the bare Low Voltage (LV) conductors that have either lived their life and/or needed up-gradation are replaced by Arial Bunched Conductors (ABC). Further, the overhead bare conductors are also being replaced depending on the load growth with an aim to replace the lowest sized squirrel conductor and for environment protection from likely electric fire hazards.

In the Urban areas, besides the numerous small up-gradation works that were being taken up, the large improvement works carried out includes the underground cabling works at lower market, main area of Samdrup Jongkhar town which will be commissioned in early 2014. The construction of 2.5 MVA 33/11/ kV substation at Bumthang and Ha municipal area has been commissioned during the year and the work at Sarpang will be commissioned in early 2014. The 33 kV State of Art GIS Substation at Diesel Power House at Thimpu has been commissioned during the year and the Babesa Substation work is progressing as per schedule and will be commissioned by mid 2014.



Some of the RE sites of Jigmecholing under Sarpang Dzongkhag

At the Transmission level, some of the major improvement works carried out were the replacement of old Chukha days' 11 kV SF6 Circuit Breakers at Semtokha with new 11 kV Vacuum Circuit Breakers, commissioning of 5 MVA transformer at Nangkhor substation and re-location of KP 20 and KP 21 towers on the Kuirchu-Pemagatshel 132kV transmission line route.

Corporate Strategic Plan

BPC has taken a step during the year to build a roadmap for future by revising its Corporate Strategic Plan to guide the Corporation in the next 5 years. Series of consultation meetings and expert opinions were sought and gathered to bring about final Corporate Strategic Plan. The shift in the thinking process has been to introduce the "Balanced Scorecard" techniques to strategize and initiate result oriented targets. The plan is in the final stage and will be ready for implementation from 2014 onwards.

In this connection we would also like to take this opportunity to report to the Shareholder that on the Futuristic Plans & Initiatives that BPC has started working on:

(a) Feasibility study to form a transmission construction company in a phased manner. We think there is an opportunity for National capacity building , & local resources and expertise mobilization :

- (i) Profit center of BPC to start with;
- (ii) Subsidiary of DHI/BPC with private 26% & public share holding;
- (iii) Independent Transmission & Distribution Company by divesting & roll out – release the handholding!)

In this connection, it is also learnt that MoEA, RGoB is considering ADB TA study on the bifurcation of BPC T&D.

(b) Formulation of Smart Grid Master Plan for futuristic technology deployment to adopt "state of art" protection, control & management functions and to bring about operational efficiencies in grid asset utilization (generation, transmission, distribution, communication) through synergy/integration with ICT. Smart grid concept and its opportunity values have to be made aware to the Policy and Regulatory bodies to drive the initiative forward. EV is one technology which needs to be integrated with grid infrastructures for sustainable deployment.

(c) BPC Board and Management would like to submit and propose to the Shareholder to consider allowing atleast 1% of the PAT towards R&D budget (Strategy-ex) to support futuristic initiatives and innovations in BPC.

Human Resources Management Initiatives

The company attaches high priority in developing its human resources and capacity building. Against the targeted 10,000 training man-days for the year, a total of 18,395 person days including short term training program and long term training program was achieved. As on 31/12/2013, there were 7 employees studying



Damaged Conductor due to lightning stike at TKS028

abroad, 2 pursuing the Bachelors Degree program and 8 pursuing advanced diploma. During the same period 7 completed Masters degree and 3 completed Bachelors degree courses and joined the Company.

Further, following initiatives have been taken during the year to improve the employee productivity and morale.

The development of HRAD Master Plan has been initiated which is on the final stage of formulation. Once finalized, the HR Master plan shall set the strategy direction and provide guidance in human resources planning and development in BPC.

Sports and Recreation Policy has been developed and put in place with an intention to provide equal opportunities to all employees to participate in sports and recreational activities conducted within and outside the Company, recognizing sports and recreation as one of the activities which will have far reaching personal, social and environmental benefits.

Employee Grievance Redressal system has been introduced to enable the employees to submit their grievance. An appropriate Policy is under formulation stage. Suitable redressal actions shall be taken by the Committee formed at Regional and Corporate Head Office once the policy guidelines are approved and circulated.

The company has recruited 80 employees in various positions during the year and in the same period more than 76 employees were separated from BPC services. To improve the recruitment process, HRAD in collaboration with IT Division has introduced Online Job Application system to facilitate applicants from far off places without having to come to BPC Head Office. This initiative is expected to reduce the paper work in future.

It is also a great honour to report that on 17th December 2013, 1,015 employees of BPC were awarded "The Civil Service Award" for their



Maintenance Work at SW35 at Docula

dedicated services from His Majesty the Druk Gyalpo. 42 employees received Gold Medals, 278 employees received Silver Medals, 691 employees were awarded Bronze Medals and 4 employees received Lifetime Achievement Awards.

Corporate Governance

To enhance the good governance and to provide strategic guidance to the company eight numbers of Board meetings were held. The Annual General Meeting for the year 2012 was held on 6th April 2013. Three Board Human Resource Committee and three Board Audit Committee meetings were also held during the year.

Besides, a number of Board Tender Committee meetings were held regularly to decide and finalize on the procurement of goods, services and works.

In all the meetings, the quorum as required was duly maintained and all the Hon'ble Board of Directors declared no conflict of interest in each of these meetings.

Monitoring of Performance

The performance of both financial and non-financial aspects 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 corporation has achieved all the key targets and the overall achievement of BPC with respect to Compact targets is 97.86% as compared to the achievement of 96.68% in 2012.

Performance Based Incentive System (PBIS) Achievement

The Corporation has achieved all the key targets set for the year and the overall achievement of the company for the year increased to 98.75% as compared to 96.75 % in the previous year.

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

BPC upholds the mainstream principles of GNH. Our main contribution towards this cause comes from lighting the rural homes, which uplifts the socio economic condition of rural and semi-rural areas of the Country. I am proud and happy to report that BPC has made a significant progress and today more than 97 % of the Bhutanese homes all over the country have access to grid electricity supply as compared to 89 % in the previous year.

The corporation also supported through monetary contributions the needy individuals, various religious bodies, and other institutions in line with its Donation Policy during the year. A total amount of Nu 0.768 million was paid during the year for the purpose.



Newly commissioned 220/132 kV Jigmeling substation

Challenges

Some of the issues that have posed a challenge in our drive to expand the network system and to provide uninterrupted and reliable power supply to its customers are:

- a. Right of ways and clearance issues for new constructions;
- b. Shifting and relocating of the existing lines at all voltage levels;
- c. Disruption in the supply in the vast grid network of power system due to *force majeure* conditions (wind, storm, thunder/lightning, snow, rain and sometimes man-made).

On the human resource front, the challenge is in retaining experienced employees and living up to their expectations which has resulted in high employee attrition rate over the past few years despite efforts by the Management to motivate their morale and improve their productivity by engaging them in trainings, and in innovations and special initiatives for professional career development and job satisfaction.

Acknowledgement

The Board of Directors and the Management team would like to extend sincere gratitude by acknowledging the timely assistance provided by the Ministry of Economic Affairs, the Ministry of Finance and the Department of Hydropower Systems, Department of Renewal Energy, Bhutan Electricity Authority in terms of policy guidance. We would also like to duly acknowledge the support and cooperation rendered by all those agencies that have been closely associated with BPC directly or indirectly. We are also thankful to the ADB, JICA and ADA for providing funding and technical support towards Rural Electrification works. Our gratitude goes to Druk Holding & Investments for their guidance and continued support during the year.

Finally; the Board would like to thank employees of the Corporation and the

Management Team for having maintained their high level of professionalism, dedication in their works and for delivering good and consistent results. I am confident that with the able leadership of the management and with continued team efforts, BPC will continue to fulfill its core mandates. Towards this end, the Board would like to assure the employees of BPC our firm support in their pursuit in realizing the goals and missions.

Tashi Delek.

For and on behalf of the BPC Board


(Dasho Penjore)
Chairman

Company Profile

Our Profile

Bhutan Power Corporation Limited (BPC) was formed as an offshoot of the erstwhile Department of Power, Ministry of Trade & Industry and was launched as a public utility company on 1st July 2002 with an objective that the corporatization of the utility functions would lead to greater efficiency and better delivery of electricity supply services in the power sector.

Today, the ownership of the Bhutan Power Corporation Limited (BPC) is transferred to the Druk Holding and Investments Limited (DHI) by the Royal Government of Bhutan for strategic management of state owned enterprises.

Our Purpose

BPC builds, owns, operates and maintains the entire electrical transmission and distribution network in the country including 19 mini and micro hydropower plants. Besides sale of electricity to customers within the country, BPC is responsible for “wheeling” of power over its transmission lines from the large hydropower plants owned by the Druk Green Power Corporation (DGPC) for export to India. BPC has also been entrusted with the task of 100% electrification of the country through implementation of Rural Electrification (RE) projects and power grid expansion to provide growing electricity demand of industries, commercial, institutional and residential customers all over the country. BPC is also licensed to build ICT connectivity infrastructures such as OPGW and ADSS over power lines to provide not only electricity supply services but also facilitate bulk communication of digital data, information and voice in the country. BPC, is thus a provider of the “wire” services for both electricity supply as well as ICT.

With the Royal Government’s vision of developing 10,000 MW of hydropower capacity by 2020, BPC has also been mandated to construct the associated transmission system (ATS) including 400 kV lines and interconnecting power pooling substations required for evacuation of power from these mega hydropower plants upto the Bhutan-India border.

Our Vision

“To be the best electric utility in the region committed to quality services, maximization of value, and sustainable socio-economic development”

Our Mission

To Transmit, Distribute and Supply Electricity within the Country, wheel Electricity for Export, and Practice Good Corporate Governance.

Our Value

Integrity, mutual respect for each other, professionalism, accountability, care and “*Tha Dhamtse*”.

Our Network

The BPC Grid network covers the whole Country. The oldest system was established since mid Sixties and in Seventies with the commissioning of the mini hydel generation plants in each district headquarter. Most of the

old assets are now being replaced. While our present network system is fairly new, maintaining the vast grided network of assets remains a challenge especially those in the periphery of the country. The overview of the

company's network system is detailed below:

	Transmission system (66 kV upto 400 kV	Distribution system (400/230 V upto 33 kV	Total
Overhead lines	1,014.296 km	11,717.16 km	12,731.46 km
Underground cables	6.02 km	419.14 km	425.16 km
Transmission Towers	3,039 Towers	-	3,039 Towers
Transformer capacities	949.50 MVA	481.752 MVA	1,431.25 MVA
Number of Transformers	87 Numbers	3,948 Numbers	4,035 Numbers
Generation Capacity (Diesel)			8,238 kVA
Generation Capacity (small hydro)			6680 kW
Total Generation Capacity			14,094 kW
Total energy purchased (2013)			1,901.73 GWh
Total Energy sold (2013)			1,841.466 GWh
Total Energy wheeled (2013)			5,557.63 GWh
Total energy generated (2013)			18.46 GWh
Peak Domestic Demand			313.94 MW
Customer Connections			
(i) Residential			145,724
(ii) LV Bulk			710
(iii) MV			47
(iv) HV			16
Losses			
(i) Global Loss			4.30%
(ii) Distribution Loss			8.02%
(iii)Transmission Loss			0.72%
SAIDI		2.799 hours	
SAIFI		2.181	
CAIDI		1.28 hours	

Customer Service

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 a centralized Contact Center located in Thimphu. The center has recorded 83,807 customer calls during the year (March to December). The customer complaint mostly included; No supply complaint whenever there is no electricity in their premises,

reasons for disconnection of supply and verification of outstanding bills.

The average time taken by the call center to respond to the customer ranged from 45 seconds to one minute. The agent generally took a longer time to respond to queries related to outstanding bill. The time taken by the field people to attend to the complaint is not being recorded at the moment in the system.

Our customer satisfaction index (CSI) was 3.79 out of 5 for the year 2013 based on third party survey result.

New Connections

14,802 customers were added to the network system during the year 2013.

Safety

With the increasing network system, safety issue for our employees as well as the public at large from the usage of electricity has become a concern. We continually strive to improve our safety standards through development of proper safety process, creating safety awareness campaigns to the public, continuous monitoring of adherence to the safety standards. Inspite of these initiatives, we continue to have accidents in our work environment and those using electricity.

	BPC Employees		On BPC Contract		Other Employees		General Public		Livestock		Total		Total
Year	Fatal	Non Fatal	Fatal	Non Fatal	Fatal	Non Fatal	Fatal	Non Fatal	Fatal	Non Fatal	Fatal	Non Fatal	(Fatal + Non Fatal)
2012	0	0	0	1	0	0	5	2	2	0	7	3	10
2013	0	1	0	1	0	1	4	0	4	0	8	3	11

All the accidents related to electricity usage were reported to the Bhutan Electricity Authority and work accidents to the Department of Labour, Ministry of Labour Human Resources. The accident cases were thoroughly investigated by Safety Inspection & Compliance Division and recommendation to take corrective actions were made to the concerned Department and Division to avoid recurrence of similar accidents.

Safety Inspection & Compliance Division after analyzing the cause and effect of the accidents, the lessons learnt from the accident and preventive measures to be taken were circulated within BPC via e-mail in the form of Accident Bulletin in an effort to educate our employees and create awareness to the common hazards leading to accidents. With these initiatives, we expect the work related hazards and incidents related to using the electricity to reduce over the years. There were few instances of forest fires attributed to electric line fault and arch on account of tree/branch touching/falling due to wind, storm and/or thunder and lightning.



Constructed RE lines at Serthi

Compliance

No breach of the GRID code or serious breaches of the safety standards was recorded during the year. The Regulator has also not observed any non compliance during the year.

Our People

We recognize human asset as key to our performance achievements and delivery outputs. We work hard towards attracting and retaining quality people and provide them with an opportunity for professional career development through trainings and higher studies. BPC encourages employees' innovation efforts and initiatives to bring about out changes, efficiencies and improvements in practices & processes for delivery of quality services. We have also mutual respect for each other.

As a part of corporate policy, Organization Climate Survey was conducted with an

objective of finding out the actual organization climate of the employees, assess their satisfaction and determine their engagement level. The Organization Climate Index for the year was 3.66 which is between fair and good but is above satisfactory level. The index has decreased in comparison to the previous year. BPC has also started a system of merit award of employees and team works' recognition of best performance achievements.

Employee Statistics

(i) Engineers	182
(ii) Others	1,993
Total	2,175
Composition of work force	
Male	1,771
Female	404
Recruited during the year	75
Separated during the year	68



ACSR conductor being transported manually
at Lauri RE site

Financial Performance

- i. Annual turnover for 2013 was Nu 6,420.292 million representing an overall growth by about 2.2% from the previous year.
- ii. The revenue earned from electricity sale was Nu 3,346.62 million.
- iii. The revenue earned from wheeling was Nu 623.43 million.
- iv. Other revenue earned was Nu 447.11 million.
- v. The average tariff for the year was Nu 1.808 per kWh.
- vi. Total expense for the year was Nu 5,047.84 million.
- vii. Profit after tax for the year was Nu 963.273 million.
- viii. Cash flow for the year was positive on Nu 498.13 million.
- ix. Capital investment for the year was Nu 1,570.21 million.
- x. Total capital works expenditure (including Construction Contract Works) was Nu 4,255.38 million
- xi. Property, Plant and Equipment at cost was Nu 22,071.205 million of which Nu 4,189.385 million is in Capital Work in Progress.
- xii. The total Share Holders Equity is Nu 12,273.697 million of which Nu 8,190.191 is the Paid up capital.
- xiii. The total debt outstanding for the year was Nu 6,061.64 million.

Key Financial Ratios

Particulars	2013	2012
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.486	0.515
Current Ratio (Current Assets/Current Liabilities)	2.415	1.680
Quick Ratio (Current Asset-Inventory/Current Liabilities)	2.251	1.518
Interest Coverage Ratio (Profit before interest & tax/Interest)	9.088	9.434
Debt Service Coverage Ratio (PAT+Depreciation+Interest /(Interest + Principal Repayment)	5.040	4.865
Gearing Ratio (Debt/ Net Fixed Asset)	45.0%	44.1%
Debt Equity Ratio (Debt/average Equity)	50.73%	50.42%
Return on asset (Profit after tax)/average net total assets	7.28%	7.37%
Return on equity (return available /Average Equity)	8.06%	7.92%

Auditors Report

TO THE MEMBERS OF BHUTAN POWER CORPORATION LIMITED

1. We have audited the accompanying financial statements of '**Bhutan Power Corporation Limited** (the '**Company**'), which comprise the Statement of Financial Position as at December 31, 2013 and Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes and information. These financial statements are the responsibility of the Company'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 Company.



4. Further to our comments in the Annexure referred to in paragraphs 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 purposes of our audit and found them to be satisfactory;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the Statements of Financial Position, Comprehensive Income, Changes in Equity and Cash Flows dealt with by this report are in agreement with the books of account.
5. Without qualifying our opinion, we draw attention to the following notes in the financial statements:
- a. **Note No. (2);** Re: Preparation of the financial statements as per Bhutan Accounting Standards (BAS) and resultant impact thereof due to change in the accounting policies adopted as per BAS as compared to those followed earlier under GAAP.
 - b. **Note No. (36.viii);** Re: Interest free advance of Nu. 400 million to the Holding Company without explicit approval of Board of Directors and non adjustment of the same from Group Investment Reserve (GIR).
6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements are prepared in accordance with the requirements of 'The Companies Act of The Kingdom of Bhutan, 2000' and the 'Bhutan Accounting Standards' to the extent applicable in the manner so required and give a true and fair view:



- i. in the case of the Statement of Financial Position, of the state of affairs of the Company as at December 31, 2013;
- ii. in the case of the Statement of Comprehensive Income, of the Profit of the Company for the year ended on that date;
- iii. in the case of the Statement of Changes in Equity, of the movement in equity for the year ended on that date; and
- iv. in the case of the Statement of Cash Flows, of the cash flows for the year ended on that date.

Place: New Delhi
Date : 11.04.2014



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

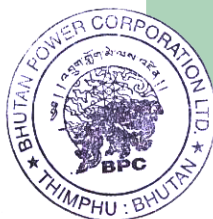
(PAWAN K.GUPTA)
PARTNER
Membership No. 092529



Financial Statement

Statement of Financial Position

	Note	As at		
		December 31, 2013	December 31, 2012	January 1, 2012
ASSETS				
Non-current assets				
Property, plant and equipment	5	17,543,536,330	16,717,145,327	15,015,768,078
Intangible assets	6	108,980,532	144,874,863	142,943,444
Investments	7	300,000,000	300,000,000	300,000,000
Work in progress- construction contracts	8	4,986,785,003	2,912,449,387	681,780,019
Trade & other receivables	9	12,084,985	25,268,618	38,452,250
Long-term loans and advances	10	575,135,790	688,552,772	605,362,239
Total non-current assets		23,526,522,640	20,788,290,967	16,784,306,029
Current assets				
Inventories	11	293,074,902	316,901,931	370,599,277
Work in progress- construction contracts	8	62,849,753	69,198,162	33,801,957
Trade & other receivables	12	137,003,950	91,855,686	182,038,579
Cash and cash equivalents	13	1,285,285,949	787,157,340	2,003,227,202
Short-term loans and advances	14	1,511,040,090	475,753,696	194,993,940
Other current assets	15	1,035,810,745	1,555,700,217	1,576,386,972
Total current assets		4,325,065,389	3,296,567,032	4,361,047,927
Total Assets		27,851,588,029	24,084,857,999	21,145,353,956
EQUITY AND LIABILITIES				
Shareholder's Equity				
Share Capital	16	8,190,191,000	8,178,979,000	7,315,673,000
Additional paid in capital		-	-	384,917,000
Retained earnings		3,705,358,937	3,057,680,192	3,215,202,517
Capital reserve		-	-	92,447,000
Group Investment Reserve		405,764,916	231,297,822	-
Transmission System Buy Back Reserve		-	174,467,094	-
Insurance Reserve		69,077,037	69,077,037	59,158,007
Accumulated other comprehensive income (loss)		(96,694,566)	(87,086,068)	-
Total shareholder's equity		12,273,697,324	11,624,415,077	11,067,397,524
Liabilities				
Non-current liabilities				



	Note	As at		
		December 31, 2013	December 31, 2012	January 1, 2012
Borrowings	17	5,864,882,540	5,523,709,705	4,603,326,216
Deferred grants	18	773,535,321	785,480,662	568,555,081
Amounts due to customers for construction contracts	8	5,741,987,328	3,190,864,152	2,217,726,951
Employee benefit liabilities	19	337,034,049	316,634,595	221,449,106
Deferred Income Tax liabilities (net)	20	305,542,154	247,989,811	191,813,272
Other non-current liabilities	21	764,008,953	433,107,098	204,452,078
Total non-current liabilities		13,786,990,345	10,497,786,023	8,007,322,704
Current liabilities				
Borrowings	17	196,757,453	196,757,453	154,041,547
Deferred grants	18	16,022,046	15,597,419	7,845,411
Amounts due to customers for construction contract	8	144,295,878	210,480,544	482,611,686
Trade & other payables	22	961,922,985	1,040,122,481	773,131,326
Employee benefit liabilities	19	143,690,521	129,779,608	91,584,145
Income tax payable (net of advances)	23	132,625,317	96,076,337	301,321,738
Other current liabilities	24	195,586,160	273,843,057	260,097,875
Total current liabilities		1,790,900,360	1,962,656,899	2,070,633,728
Total liabilities		15,577,890,705	12,460,442,922	10,077,956,432
Total equity and liabilities		27,851,588,029	24,084,857,999	21,145,353,956

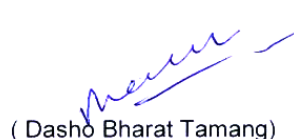
The above Statement of Financial Position should be read in conjunction with the accompanying notes.


(Sonam Tobje)

Chief Financial Officer


(Lekzang Dorji)

Director


(Dasho Bharat Tamang)

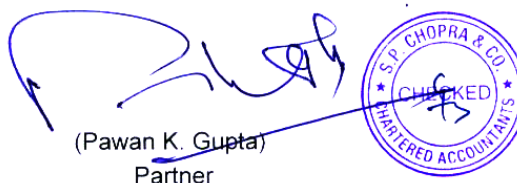
Managing Director


(Dasho Penjore)

Chairman



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


(Pawan K. Gupta)
Partner



Place : New Delhi

Dated : _____

11 APR 2014

Membership No. 092529

Firm Registration No. 000346N

Statement of Comprehensive Income

	For the year ended		
	Note	December 31, 2013	December 31, 2012
Revenue			
Income from sale of electricity		3,346,621,611	3,102,374,534
Income from construction contracts	25	2,210,533,317	2,389,650,831
Wheeling charges		623,431,238	548,171,915
Other income	26	237,704,870	243,897,996
Gain/(loss) on foreign currency fluctuation (net)		2,000,685	(5,141)
Total Revenue		6,420,291,721	6,284,090,135
Expenditure			
Purchase of electricity		1,151,658,271	1,158,991,280
Construction material consumed and sub-contracting charges		2,001,129,967	2,172,409,846
Operation and maintenance expenses	27	245,873,638	185,787,094
Employee benefit expenses	28	674,719,437	632,172,035
Finance costs	29	169,690,881	150,001,701
Depreciation and amortization expenses		713,891,421	638,523,255
Other expenses	30	90,872,025	81,089,590
Total Expenditure		5,047,835,640	5,018,974,801



For the year ended		
Note	December 31, 2013	December 31, 2012
Profit before income tax	1,372,456,081	1,265,115,334
Tax expenses		
- Current tax	351,630,058	310,620,888
- Deferred tax	57,552,343	56,176,539
Net Profit for the year	963,273,680	898,317,907
Earnings per share ('EPS')		
Basic and Diluted EPS (Nu.)	117.77	116.04
Profit for the year	963,273,680	898,317,907
Other comprehensive income (loss):		
Actuarial gains (loss)	(9,608,498)	(87,086,068)
Total comprehensive income for the year	953,665,182	811,231,839

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.


(Sonam Tobjey)

Chief Financial Officer


(Lekzang Dorji)

Director


(Dasho Bharat Tamang)

Managing Director


(Dasho Penjore)

Chairman



Place : New Delhi

Dated : 11 APR 2014

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


(Pawan K. Gupta)

Partner

Membership No. 092529

Firm Registration No. 000346N



Statement of Changes in Equity for the year ended December 31, 2013

	Equity Share capital Refer Note 16	Retained earnings	Group Investment Reserve	Transmission System Buy Back Reserve	Insurance Reserve	Actuarial gains/(losses)	Total Shareholder's Equity
Balance as at January 1, 2013	8,178,979,000	3,057,680,192	231,297,822	174,467,094	69,077,037	(87,086,068)	11,624,415,077
Net profit for the year	-	963,273,680	-	-	-	-	963,273,680
Other comprehensive income:							
Actuarial gains (losses)	-	-	-	-	-	(9,608,498)	(9,608,498)
Transfer to Group Investment Reserve	-	-	174,467,094	(174,467,094)	-	-	-
Transaction with the owners:							
Issue of share capital	11,212,000	-	-	-	-	-	11,212,000
Payment of Dividends for the year 2012	-	(315,594,935)	-	-	-	-	(315,594,935)
Balance as at December 31, 2013	8,190,191,000	3,705,358,937	405,764,916	-	69,077,037	(96,694,566)	12,273,697,324

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Statement of Changes in Equity for the year ended December 31, 2012

	Equity Share capital Refer Note 16	Additional paid in capital	Capital reserve	Retained earnings	Group Investment Reserve	Transmission System Buy Back Reserve	Insurance Reserve	Actuarial gains/(losses)	Total Equity
Balance as at January 1, 2012	7,315,673,000	384,917,000	92,447,000	3,215,202,517	-	-	59,158,007	-	11,067,397,524
Net profit for the year	-	-	-	898,317,907	-	-	-	-	898,317,907
Other comprehensive income:									
Actuarial gains (losses)	-	-	-	-	-	-	-	(87,086,068)	(87,086,068)
Transfer to reserves									
Transfer to Group Investment Reserve	-	-	-	(231,297,822)	231,297,822	-	-	-	-
Transfer to Transmission system buy back reserve	-	-	-	(174,467,094)	-	174,467,094	-	-	-
Transfer to Insurance Reserve	-	-	-	(9,919,030)	-	-	9,919,030	-	-
Transaction with the owners									
Issue of bonus shares	385,942,000	-	-	(385,942,000)	-	-	-	-	-
Issue of shares out of capital reserve	92,447,000	-	(92,447,000)	-	-	-	-	-	-
Allotment of shares out of paid in capital	384,917,000	(384,917,000)	-	-	-	-	-	-	-
Payment of Dividends of F. Y. 2011	-	-	-	(254,214,286)	-	-	-	-	(254,214,286)
Balance as at December 31, 2012	8,178,979,000	-	-	3,057,680,192	231,297,822	174,467,094	69,077,037	(87,086,068)	11,624,415,077

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Statement of Cash Flows

	For the year ended	
	December 31, 2013	December 31, 2012
Cash flows from / (used in) operating activities		
Profit before income tax	1,372,456,081	1,265,115,334
Adjustments for:		
Depreciation and amortization	713,891,421	638,523,255
Net loss / (gain) on sale of property, plant and equipment	17,181,873	13,942,522
Interest expenses	169,690,881	150,001,701
Interest income	(112,629,193)	(115,699,840)
Provision for doubtful debts	427,550	3,300,072
Liabilities/provisions no longer required, written back	(66,676)	(3,046,009)
Amortization of Government grants	(15,597,419)	(7,845,411)
Operating profit before working capital changes	2,145,354,516	1,944,291,626
Decrease / (Increase) in Inventories	23,827,029	53,697,346
Decrease / (Increase) in Work in progress- construction contracts	(2,069,266,898)	(2,266,065,573)
Decrease / (Increase) in Trade and other receivables	(560,405,477)	366,985,890
Increase / (Decrease) in Amounts due to customers for contract work	2,484,938,510	701,006,059
Increase / (Decrease) in Trade and other payables	245,223,068	514,263,709
Net cash generated from operating activities before income tax	2,269,670,747	1,314,179,058
Income tax paid, net of refunds received	(315,081,078)	(515,866,289)
Net cash generated from operating activities	1,954,589,670	798,312,769
Cash flows from / (used in) investing activities		
Purchase of property, plant and equipment and Intangible assets	(1,570,212,613)	(2,609,747,532)
Receipt/(repayments) of government grants	5,489,749	232,523,000
Proceeds from sale of property, plant and equipment	48,642,648	253,973,085
Inter-Corporate deposit to Holding Company	(400,000,000)	(600,000,000)
Redemption of bank term deposits	567,583,781	51,613,158
Interest received	71,078,768	53,903,710
Net cash generated from investing activities	(1,277,417,667)	(2,617,734,578)

	For the year ended	
	December 31, 2013	December 31, 2012
Cash flows from / (used in) financing activities		
Proceeds from Borrowings	537,930,288	1,117,140,942
Issue of Share Capital	11,212,000	-
Repayment of Borrowings	(196,757,453)	(154,041,547)
Interest paid	(215,833,294)	(105,533,160)
Payment of dividend on ordinary shares	(315,594,935)	(254,214,286.0)
Net cash used in financing activities	(179,043,394)	603,351,948
Net increase in cash and cash equivalents	498,128,609	(1,216,069,862)
Cash and cash equivalents at beginning of the year	787,157,340	2,003,227,202
Cash and cash equivalents at end of the year	1,285,285,949	787,157,340

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Supplementary disclosure of cash flow information

Non-cash transactions:	For the year ended	
	Dec 31, 2013	Dec 31, 2012
Issue of ordinary shares for consideration other than cash	-	385,942,000


(Sonam Tobjev)

Chief Financial Officer


(Lekzang Dorji)

Director


(Dasho Bharat Tamang)

Managing Director


(Dasho Penjore)

Chairman



Place : New Delhi

Dated : _____

11 APR 2014

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



(Pawan K. Gupta)
Partner

Membership No. 092529

Firm Registration No. 000346N



Notes to Financial Statements

1. General information

Bhutan Power Corporation Limited ('Company') is a wholly owned subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Company has been incorporated and registered under The Companies Act of the Kingdom of Bhutan, 2000 with limited liability. The registered office of the Company is located at Thimphu, Bhutan.

The Company is engaged in supply of electricity to the residents of the Kingdom of Bhutan and wheeling of electricity from the large Hydropower Plants in Bhutan for export to India. The Company also carries out business of construction of electricity project/ distribution network system.

The Company owns, operates and maintains the entire electricity transmission and distribution network in the Kingdom of Bhutan including 19 Mini and Micro Hydropower Plants. Apart from construction of distribution network system, the Company is also mandated to construct the associated Transmission Lines and Substations required for evacuation of power from Hydropower Plants to the Bhutan-India border.

The financial statements of the Company for the year ended December 31, 2013 were authorized for issue in accordance with the resolution of the Board of directors dated April 04, 2014.

2. Transition to Bhutan Accounting Standards (BAS)

Till the year ended December 31, 2012, the Company prepared its financial statements in accordance with generally accepted accounting principles (GAAP) and the provisions of the Companies Act of the Kingdom of Bhutan, 2000.

The Ministry of Finance embarked on the process of developing Accounting Standards to promote high quality financial reporting which are consistent with international practices. Pursuant to this development, the Ministry of Economic Affairs of Royal Government of Bhutan has issued the Accounting Standard Rules for Companies in Bhutan, 2012, notifying the Bhutan Accounting Standards ('BAS') to be implemented by the Companies in Bhutan in three phases (I, II and III) with effect from January 1, 2013. Consequently, the Company has followed the BAS notified for implementation with effect from January 1, 2013 (Phase-I), in preparing the financial statements for the year ended December 31, 2013 to the extent as applicable to the Company as under.

No.	BAS	
1	BAS 1	Presentation of financial statements
2	BAS 2	Inventories
3	BAS 7	Cash flow statements
4	BAS 8	Accounting policies, changes in accounting estimates and errors
5	BAS 10	Events after the balance sheet date
6	BAS 11	Construction contracts
7	BAS 12	Income taxes
8	BAS 16	Property, plant and equipment
9	BAS 18	Revenue
10	BAS 20	Accounting for Govt. Grants and Disclosure of Govt. Assistance
11	BAS 21	The effects of changes in foreign exchange rates
12	BAS 23	Borrowing costs
13	BAS 24	Related party disclosures
14	BAS 33	Earnings per share
15	BAS 37	Provisions, contingent liabilities and contingent assets



2.2 Based on the notification issued by the Accounting and Auditing Standards Board of Bhutan dated December 13, 2013, the Company has prepared its restated opening balance sheet as at January 1, 2012 in accordance with the provisions of the aforesaid BAS. Changes in accounting policies consequent on adoption of above BAS have been accounted for in accordance with the transition provisions of the respective BAS and in case where the specific transition provisions do not exist, the change in policy has been accounted for retrospectively by restating the comparatives. The resultant impact of such changes in accounting policies up to the transition date has been adjusted in the retained earnings as of January 1, 2012.

2.3 Reconciliation of the Company's Statement of Financial Position prepared under GAAP and as per BAS as at January 1, 2012, and December 31, 2012, are presented in Note 37.i and 37.ii respectively to the financial statements. Reconciliation of the Company's Statement of Comprehensive Income for the year ended December 31, 2012 prepared under GAAP and as per BAS is disclosed in Note 37.iii to the financial statements. The transition from previous GAAP to BAS had no significant impact on the Cash Flows for the year ended December 31, 2012.

2.3 The Company has not early adopted those paragraphs of BAS which are having linkages to BAS which are to be implemented under Phase II (with effect from January 01, 2016) and Phase III (with effect from January 01, 2018). These paragraphs would be applied when the respective BAS will be adopted. However, in the cases where such paras have been early adopted the same have been disclosed in the respective note/ accounting policy.

3. Summary of Significant Accounting Policies

3.1 Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance and to comply with the BAS, the Generally Accepted Accounting Principles and the relevant provisions of The Companies Act of the Kingdom of Bhutan, 2000 including the Accounting Standard Rules for Companies in Bhutan, 2012.

The said financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies and the reported amounts of revenue, expenses, assets and liabilities may differ from the estimates. In areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

3.2 Foreign currency translation

(a) Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates referred to as the "functional currency". The functional currency and presentation currency of the Company is Bhutanese Ngultrum.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation



where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

3.3 Property, plant and equipment

The Company has adopted the transitional provision available under BAS-16 'Property, Plant and Equipment' and has elected to continue the carrying value existing as at the date of transition i.e. on January 1, 2012 as the deemed cost.

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Property, plant and equipment are initially recognized at cost. The initial cost of property, plant and equipment comprises its net purchase price after deducting for any trade discount and rebates, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The cost of self-constructed assets includes the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (Refer note 3.15 below for accounting policy of borrowing cost). The cost of self-constructed assets not put to use and advances paid towards the acquisition of property, plant and equipment outstanding at each Statement of Financial Position date, are disclosed as Capital work-in-progress.

Subsequent to initial recognition, property, plant and equipment are stated

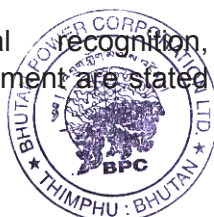
at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Spare parts and servicing equipments are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipments are treated as property, plant and equipment when they are expected to be used during more than one year. Also, where the spares parts or servicing equipment can only be used in connection with an item of property, plant and equipment they are accounted for as property, plant and equipment.

Depreciation on property, plant and equipment is computed using the straight line method over the estimated useful lives. Freehold land is not depreciated as it has an unlimited useful life whereas leasehold land is depreciated on a straight line method over the primary term of the lease.

The Company has based on evaluation performed by the technical Department, established the estimated range of useful lives of assets for depreciating its property, plant and equipment as follows:



Buildings	30 years
Generation Civil works	30 years
Transmission assets	30 years
Distribution assets	30 years
Computer equipment	5 years
Vehicles	6.67 years
Furniture and Fixtures	10 years
Office equipment	5 years

Significant parts of property, plant and equipment which are required to be replaced at intervals and have specific useful lives are recognized and depreciated separately.

The useful life, residual value and depreciation method are reviewed, and adjusted appropriately, at least at each Statement of Financial Position date to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits. Change in the estimated useful life, residual value and / or depreciation method, if any, is depreciated prospectively over the asset's remaining revised useful life.

The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired or otherwise disposed off are eliminated from the financial statements and the resulting gains and losses are included in the Statement of Comprehensive Income.

3.4 Intangible assets

Intangible assets include computer software and are carried at cost of acquisition/implementation less accumulated amortisation. Amortisation is recognized on a straight line basis over the estimated useful life as estimated by the management.

3.5 Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired based on internal or external factors. If any

such indication exists, the Company estimates the recoverable amount of the assets. If the carrying amount of asset/cash generating unit exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

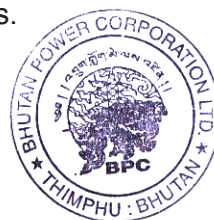
3.6 Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the Income tax authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.



The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and liabilities on net basis. Management evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation.

The income tax liabilities are recognized when, despite the Company's belief that its income tax return positions are supportable, the Company believes, it is more likely than not, based on the technical merits, that certain positions may not be fully sustained upon review by income tax authorities. Benefits from tax positions are measured at the single best estimate of the most likely outcome.

At each Statement of Financial Position date, the tax positions are reviewed, and to the extent that new information becomes available which causes the Company to change its judgment regarding the adequacy of existing income tax liabilities, such changes to income tax liabilities are duly recognized in income tax expense in the year in which such determination is made.

Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax charge for the year in which the assessment is completed.

3.7 Investments

Investments primarily meant to be held over long term period (i.e. for more than 12 months from date of acquisition) 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.

3.8 Construction Contracts

Construction contract is a contract specifically negotiated for the construction of an asset or of a group of assets, which are interrelated or interdependent in terms of design, technology, function, purpose or use. According to its characteristics, a construction contract can either be accounted for separately i.e. segmented into several components which are each accounted separately or combined with another construction contract in progress to form a single construction contract for accounting purposes.

The Company executes cost plus mark up / fee construction contracts and the 'recoverable costs incurred on the contract plus an addition of the fixed mark up / fee agreed with the customer under the contractual terms' as at the date of Statement of Financial Position is treated as 'Construction Contracts'.

Progress billing and advances are deducted from the value of the 'Construction Contracts' for the specific contract and recorded as Amounts Due from Customers for Contract Work and in case progress billing and advances exceed this value, the same are recorded under liabilities as Amounts Due to Customers for Contract Work. For the revenue recognition policy on construction contracts, refer note 3.19.

Amounts expected to be recovered or settled within 12 months from the reporting date are classified as current assets / liabilities. If not, they are presented under non-current assets / liabilities.



3.9 Trade and other receivables

Trade receivables are amounts due from customers in the ordinary course of business of transmission and supply of electricity. Trade receivables also include progress billing under construction contracts. Trade receivables are initially recognized at the sale/recoverable value and are assessed at each Balance Sheet date for collectability. The Company estimates the portion of its trade receivables that are uncollectable based on ageing, conduct of the customer and business/historical experience and provision for doubtful trade receivables is accordingly provided for. Trade receivables are classified as current assets if collection is expected within twelve months as at Statement of Financial Position date, if not, they are classified under non-current assets.

3.10 Loans and advances

Loans and advances represent advances given to suppliers and contractors in the ordinary course of the business activities of the Company. Advances also include inter corporate deposits placed by the Company for earning interest income. Loan and advances are initially recognized at the value of cash advanced and are assessed at each Statement of Financial Position date for recoverability and the provision is recognized when it is more likely that the Company will not be able to collect the same. Loans and advances are classified under current assets if payment is recoverable within one year or less as at Statement of Financial Position date, if not, they are classified under non-current assets.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank balances and deposits, other short-term highly liquid investments with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent and which are subject to an insignificant risk of changes in value.

3.12 Inventories

An inventory consists of stores and spares held for operation & maintenance and use in construction of an asset.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost formula and comprises cost of purchases and other incidental expenses incurred in acquiring inventories and bringing them to their existing location and condition.

3.13 Group Investment and Insurance Reserve

The nature and purpose of these reserves are as follows:

i. Group Investment Reserve:

The reserve created during the earlier 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.

ii. Insurance Reserve:

Reserve created to mitigate the risk of assets of the Company against any damages due to natural calamities.

3.14 Borrowings

Borrowings are stated at principal outstanding and interest accrued and due on such borrowings based on the applicable interest rate. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.



3.15 Grants

Grants from Government and Non-Government sources are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants relating to expense items are recognized as income on a systematic basis over the periods that the related costs, which it is intended to compensate, are expensed. The unallocated portion of such grant is presented as part of Deferred Grants in the Statement of Financial Position.

Grants related to non-current assets are treated as Deferred Income in the Statement of Financial Position and are recognized to the Statement of Comprehensive Income on a systematic basis over the useful life of the related assets.

Grant received as compensation for expenses/ losses already incurred or with no future related costs is recognized as income in the year it is received or becomes receivable.

BAS 20-Accounting for Government Grant and disclosure of Government Assistance has been implemented by the Company retrospectively for the grants existed as on the transition date except its Para 10A regarding recognition of the benefit of government loan at below market rate of interest as a government grant, as the same is applicable from January 1, 2018 and the Company has not decided for the early implementation of the same.

3.16 Borrowing Costs

Borrowing costs consist of interest and other costs that Company incurs in connection with the borrowing of funds.

General and specific borrowing costs (net of investment income on temporary investment of those borrowings) that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the costs of the asset, until such time the assets are substantially ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, which is two years

or more as decided by the Company keeping in view the nature of assets and past trend of time taken for their completion.

All other borrowing costs are charged as expense to Statement of Comprehensive Income in the period they occur.

The Company has adopted the transitional provisions available in BAS 23, "Borrowing costs" and has elected to apply the provisions of the Standard from transition date i.e. January 1, 2012.

3.17 Trade and other payables

Trade and other payables are obligations incurred by the Company towards purchase of electricity and other goods and availing the services that have been acquired or availed in the ordinary course of business. Trade and other payables are classified under current liabilities, if payment is due within 12 months as at Statement of Financial Position date, if not, they are classified under non-current liabilities.

3.18 Employee benefit liabilities

Contribution to Provident Fund administered by National Pension and Provident Fund is charged to Statement of Comprehensive Income as and when they fall due.

Retirement benefit liabilities are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Gratuity and Leave encashment are provided for based on actuarial valuation as at the Statement of Financial Position date. Retirement benefit liabilities are discounted to present value applying the pre-tax rate of return on Government bonds of similar tenure and currency. Increase in the liability due to passage of time is recognized as interest expense. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.



Further, the contribution towards the gratuity liability is invested in fixed deposits with the banks.

The expected cost of Performance Based Incentive and Variable Allowances is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and a reliable estimate of the obligation can be made.

3.19 Revenue Recognition

Revenue is recognized to the extent that it is probable that the associated economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

The following specific recognition criteria must also be met before revenue is recognized:

(a) Electricity Business:

Revenue attributable to sale of electricity is accounted for as per the tariff rates approved by the Bhutan Electricity Authority on the basis of billing to consumers under the billing cycle followed by the Company. Revenue is recognized as electricity is delivered and consumed by customers. Accordingly, Revenue also includes an estimate of unbilled revenue. Unbilled revenue represents an estimate of electricity consumed by customers since the date of each customer's last billed meter reading that has not been billed at the reporting date.

Wheeling charges (transmission charges) are accounted on the basis of periodic billing to the power generating companies at the tariff rates approved by Bhutan Electricity Authority.

(b) Construction Business:

The Company executes cost plus construction contracts for construction of electrical infrastructure. In the case of a cost plus contract, the outcome can be estimated reliably when it is probable that the economic benefits associated with the contract will flow to the Company and

the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably. Accordingly revenue from a cost plus contract is recognized by reference to the recoverable costs incurred during the year plus the fixed mark up under the contractual terms.

(c) Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

(d) Liquidated damages and penalties

Liquidated damages and penalties occur when contractors/suppliers fail to meet the key performance indicators set out in their contract with the Company. Income resulting from claims for liquidated damages and penalties is recognized as other income when all performance obligations are met (including when a contractual entitlement exists), it can be reliably measured and it is probable that the economic benefits will flow to the Company.

(e) Other items of revenue

Other items of revenue which arise from the provision of services incidental to the core activities of the business are recognized when the services are provided and it is probable that economic benefits associated with the transaction will flow to the Company and amount can be measured reliably.

3.20 Earnings per share ('EPS')

The Company presents the basic and diluted EPS data for its ordinary shares. Basic EPS is computed by dividing the net profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is computed by adjusting the net profit for the year attributable to the ordinary shareholders and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.



3.21 Dividends

Dividends (including interim dividends) to ordinary shareholders is recognized as a liability and deducted from shareholders' equity in the period in which the dividends are declared by the Board of directors and approved by the ordinary shareholders.

3.22 Critical accounting estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the year in which they become known.

Actual results may differ from management's estimates if these results differ from historical experience or other assumptions do not turn out to be substantially accurate, even if such assumptions were reasonable when made.

The said estimates are based on the facts and events, that existed as at the date of statement of financial position, or that occurred after that date but provide additional evidence about conditions existing as at the statement of financial position date.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

4. Critical accounting estimates and assumptions

a) Useful lives of electricity generation, transmission and distribution assets

The costs of electricity generation, transmission and distribution assets are depreciated on a

straight-line basis over their respective useful lives. Management estimates the useful lives of these assets to be within 30 years. Changes in the expected level of usage, technological developments, level of wear and tear could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised and could have an impact on the profit in future years.

b) Retirement benefit obligations

The costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, retirement benefit obligations are sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

c) Provision for doubtful debts

As at each Statement of Financial Position date, the Company assesses recoverability of trade receivables. Provision for doubtful debts is recognized based on the historical experience of collectability of debts. The Company estimates the portion of its outstanding receivables that cannot be collected based on aging schedules at an increasing percentage of each aging category. Actual doubtful debts could differ from these estimates.

d) Unbilled revenue

The unbilled revenue is calculated using average of last three months consumption for the Low voltage consumer and the actual consumption for the Medium and High Voltage consumer.

Actual electricity usage could differ from those estimates.



5. Property, plant and equipment

Particulars	Freehold Land	Building and Civil Structures	Generation equipments	Network system	Others	Advances and Construction in progress	Total
<u>Balance as at January 01, 2013</u>							
Cost	66,353,374	1,554,239,313	710,660,567	13,513,209,101	874,638,915	3,878,540,352	20,597,641,622
Accumulated depreciation	-	(287,553,902)	(395,108,106)	(2,802,804,234)	(395,030,053)	-	(3,880,496,295)
Book Value	66,353,374	1,266,685,411	315,552,461	10,710,404,867	479,608,862	3,878,540,352	16,717,145,327
<u>Changes in book value during the year</u>							
Additions	2,322,000	57,829,468	4,325,343	1,099,331,502	94,278,726	310,845,020	1,568,932,058
Disposals and sales	-	(20,307,640)	-	(50,274,642)	(24,786,049)	-	(95,368,331)
Depreciation on disposals	-	1,256,063	-	7,530,868	20,756,880	-	29,543,811
Depreciation	-	(48,890,745)	(33,577,606)	(480,547,078)	(113,701,106)	-	(676,716,534)
Total changes in book value	2,322,000	(10,112,855)	(29,252,264)	576,040,651	(23,451,549)	310,845,020	826,391,004
<u>Balance as at December 31, 2013</u>							
Cost	68,675,374	1,591,761,140	714,985,910	14,562,265,961	944,131,592	4,189,385,372	22,071,205,349
Accumulated depreciation	-	(335,188,584)	(428,685,712)	(3,275,820,444)	(487,974,278)	-	(4,527,669,018)
Book value	68,675,374	1,256,572,556	286,300,197	11,286,445,518	456,157,313	4,189,385,372	17,543,536,330



Particulars	Freehold Land	Building and Civil Structures	Generation equipments	Network System	Others	Advances and Construction in progress	Total
Balance as at January 01, 2012							
Cost	65,908,374	1,411,313,823	710,660,567	11,735,534,206	635,117,939	3,748,550,363	18,307,085,272
Accumulated depreciation	-	(235,214,849)	(360,827,243)	(2,381,733,344)	(313,541,757)	-	(3,291,317,193)
Book Value	65,908,374	1,176,098,973	349,833,324	9,353,800,863	321,576,182	3,748,550,363	15,015,768,078
Changes in book value during the year							
Additions	445,000	144,668,875	-	1,850,736,829	448,261,683	129,989,989	2,574,102,376
Disposals & sales	-	(1,743,385)	-	(73,061,934)	(208,740,707)	-	(283,546,026)
Depreciation on disposals	-	527,445	-	5,273,312	9,829,662	-	15,630,419
Depreciation	-	(52,866,497)	(34,280,863)	(426,344,202)	(91,317,958)	-	(604,809,521)
Total changes	445,000	90,586,438	(34,280,863)	1,356,604,004	158,032,680	129,989,989	1,701,377,248
Balance as at December 31, 2012							
Cost	66,353,374	1,554,239,313	710,660,567	13,513,209,101	874,638,915	3,878,540,352	20,597,641,622
Accumulated depreciation	-	(287,553,902)	(395,108,106)	(2,802,804,234)	(395,030,053)	-	(3,880,496,295)
Book value	66,353,374	1,266,685,411	315,552,461	10,710,404,867	479,608,862	3,878,540,352	16,717,145,327



5.1 Capital work-in-progress as at December 31, 2013, December 31, 2012 and January 01, 2012 comprise the following:

Particulars	As at		
	December 31, 2013	December 31, 2013	January 1, 2012
Generation equipments	20,827,980	17,775,734	16,146,908
Transmission lines	1,270,558,737	699,538,225	802,820,500
Distribution Assets	2,557,838,643	2,895,005,270	2,330,741,489
Buildings	258,629,948	112,438,977	123,390,591
Other Civil Structures	17,553,808	21,833,315	13,923,395
Others	6,365,582	1,783,235	315,881,896
Advance for works	57,610,674	130,165,596	145,645,584
Total	4,189,385,372	3,878,540,352	3,748,550,363

5.2 Borrowing costs amounting to Nu. 1,674,300 and Nu. 362,874 has been capitalized by the Company for the year ended December 31, 2013 and December 31, 2012 respectively on qualifying assets at a rate of 0.02% respectively.

5.3 Gross carrying value includes Fixed Assets transferred from erstwhile Department of Power, Royal Government of Bhutan at a written down value of Nu 1,760.89 million.

5.4 Property, plant and equipment are pledged as securities for borrowings. [Refer note 17.1]

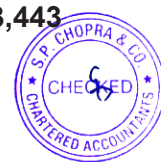
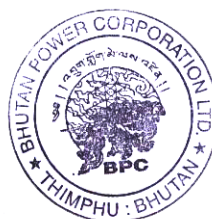
5.5 The Company has early adopted Para 43 of BAS 16 'Property, plant and equipment' which is effective from annual period commencing from January 01, 2016. The early adoption does not have material impact on the financial statements of the Company.

6. Intangible assets

Computer Software	As at	
	December 31, 2013	December 31, 2012
Opening gross carrying value (i)	187,697,454	152,052,299
Additions	1,280,555	35,645,155
Disposals	-	-
Closing gross carrying value(ii)	188,978,009	187,697,454
Opening accumulated amortization (iii)	(42,822,591)	(9,108,856)
Addition	(37,174,886)	(33,713,735)
Closing accumulated amortization (iv)	(79,997,477)	(42,822,591)
Net carrying value (ii-iv)	108,980,532	144,874,863

Net carrying value as at January 01, 2012 (i-iii)

142,943,443



7. Investments

Long Term - Other Investments
– Unquoted
300,000 RICBL Bonds Series II
at Nu. 1,000/- per bond

Total

As at		
December 31, 2013	December 31, 2012	January 01, 2012
300,000,000	300,000,000	300,000,000
300,000,000	300,000,000	300,000,000

8. Work in progress- Construction Contracts/Amounts due from/to customers for contract work

Work in progress -Construction Contracts

Less: Advances received

Total

As at		
December 31, 2013	December 31, 2012	January 01, 2012
5,049,634,756	2,981,647,549	715,581,976
(5,886,283,206)	(3,401,344,696)	(2,700,338,637)
(836,648,450)	(419,697,147)	(1,984,756,661)

Recognized and included in financial statements as:

Work in progress-Construction Contracts:

- Current portion

- Non-current portion

Amounts due to customers for construction contracts:

- Current portion

- Non-current portion

Total

62,849,753	69,198,162	33,801,957
4,986,785,003	2,912,449,387	681,780,019
144,295,878	210,480,544	482,611,686
5,741,987,328	3,190,864,152	2,217,726,951
(836,648,450)	(419,697,147)	(1,984,756,661)

8.1 When advances from customers exceed the value of work in progress- construction contracts, the same are presented on gross basis under liabilities as part of amounts due to customers for contract work.

9. Trade & other receivables

Receivables against supply of electricity (Refer Note 9.1)

Total

As at		
December 31, 2013	December 31, 2012	January 01, 2012
12,084,985	25,268,618	38,452,250
12,084,985	25,268,618	38,452,250

9.1 Receivable from a consumer in 60 equated monthly installments of Nu. 1,098,636 with last installment due on November 15, 2015.



10. Long Term Loans & Advances

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Advance to Holding Company	-	600,000,000	-
Advance to contractors	572,956,095	81,883,028	600,587,149
Advances to employees			
- Bike Loan	1,992,000	6,375,378	4,775,090
- Welfare Loan	187,695	294,366	-
Total	575,135,790	688,552,772	605,362,239

11. Inventories

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Stores and spare parts	245,912,682	263,662,670	307,478,716
Stock- ISU	57,230,595	52,833,852	62,526,401
Stock –Uniform	1,950,622	405,409	594,160
Less: Provision for obsolete inventory	(12,018,997)	-	-
Total	293,074,902	316,901,931	370,599,277

12. Trade & other receivables

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Receivables against transmission and supply of electricity	146,164,967	100,589,154	187,471,974
Less: Provision for doubtful debts	(9,161,017)	(8,733,468)	(5,433,395)
Total	137,003,950	91,855,686	182,038,579



13. Cash and cash equivalents

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Cash in hand	2,527,820	2,363,515	14,440,123
Bank balances in current accounts	1,274,436,354	778,176,650	1,983,966,571
Balance with bank towards Staff Welfare Fund	8,321,775	6,617,175	4,820,508
Total	1,285,285,949	787,157,340	2,003,227,202

13.1 There are no restricted cash and cash equivalents.

14. Short term loans and advances

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Advance to Holding Company	1,000,000,000	-	-
Advances to suppliers	213,903,174	23,012,267	32,859,027
Advances to contractors	271,881,326	365,526,257	106,759,916
BST Receivable	313,000	5,510,141	-
Advances to employees			
- Travel and salary advance	1,855,570	130,779	387,941
- Expenses	810,487	252,678	328,368
- Bike Loan	2,149,576	903,190	336,526
- Welfare Loan	457,455	118,744	372,639
Prepaid expenses	3,589,498	38,828,378	40,555,086
Other advances (Refer Note 14.1)	16,080,004	41,471,262	13,394,437
Total	1,511,040,090	475,753,696	194,993,940

14.1 Includes BST advance paid to contractors & other miscellaneous advances.



15. Other current assets

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Interest accrued:			
- on fixed deposits	49,469,185	55,890,326	19,510,188
- on RICBL Bonds	9,692,054	9,720,492	9,747,123
- on advance paid to Holding Company	73,442,626	25,442,623	-
Fixed deposits having original tenure of more than three months			
- with Bank for Gratuity liability (Refer Note 36(viii))	327,544,555	227,822,504	221,634,219
- other fixed deposits	265,328,313	932,634,145	990,435,588
Accrued Unbilled Revenue	287,518,681	280,963,643	270,109,107
Other receivables	22,815,331	23,226,484	64,950,747
Total	1,035,810,745	1,555,700,217	1,576,386,972

16. Share Capital

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Authorized			
15,000,000 Equity Shares of Nu. 1,000/- each	15,000,000,000	15,000,000,000	7,500,000,000
Total	15,000,000,000	15,000,000,000	7,500,000,000
Issued, Subscribed and Fully Paid up			
8,190,191 Equity Shares of Nu. 1,000/- each	8,190,191,000	8,178,979,000	7,315,673,000
Total	8,190,191,000	8,178,979,000	7,315,673,000

16.1 All ordinary shares are ranked equally. Fully paid shares carry one vote per share and the right to dividends. There are no restrictions on the transfer of shares in the Company or on voting rights between holders of shares. Entire share capital is held by the Holding Company M/s Druk Holding & Investments (A Royal Government of Bhutan Undertaking).

16.2 4,875,828 equity shares (Previous year: 4,875,828) have been allotted for consideration other than cash and 3,314,363 equity shares (Previous year: 3,303,151) have been allotted pursuant to conversion of grant of Royal Government of Bhutan.



16.3 Reconciliation of Equity Shares Outstanding:

	As at		
	December 31, 2013	2012	January 01, 2012
At the beginning of the year			
- Number of shares	8,178,979	7,315,673	7,315,673
- Amount (in Nu.)	8,178,979,000	7,315,673,000	7,315,673,000
Add: issued during the year			
- Number of shares	11,212	863,306	-
- Amount (in Nu.)	11,212,000	863,306,000	-
Less: Redeemed during the year			
- Number of shares	-	-	-
- Amount (in Nu.)	-	-	-
At the end of the year			
- Number of shares	8,190,191	8,178,979	7,315,673
- Amount (in Nu.)	8,190,191,000	8,178,979,000	7,315,673,000

17. Borrowings

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
i) Secured borrowings			
Term loan from National Pension and Provident fund (Refer Note 17.1)			
- for Transmission Lines Project	461,202,500	503,130,000	503,130,000
ii) Unsecured borrowings:			
Term loans from Royal Government of Bhutan (Refer Note 17.2)			
- for Rural Electrification Projects	5,050,578,802	4,557,506,729	3,489,954,435
- for Tala Hydroelectric Project	549,858,691	659,830,429	764,283,328
	6,061,639,993	5,720,467,158	4,757,367,763



Borrowings analyzed as follows:

	As at		
	December 31, 2013	2012	January 01, 2012
Current portion	196,757,453	196,757,453	154,041,547
Non-current portion	5,864,882,540	5,523,709,705	4,603,326,216
Total	6,061,639,993	5,720,467,158	4,757,367,763

Nature of security:

17.1 Term loan of Nu. 461,202,500 from National pension and provident fund has been obtained for setting up of the project “220 kV Double Circuit Transmission Lines from Dagapela-Tsirang-Gelephu to Lodrai and is secured by first mortgage charge on project assets and carry fixed rate of interest of 9% p.a and is repayable within 12 years in 24 half yearly equal installments with last installment due on September 01, 2024.

17.2 Other Term Loans:

- i) Rural electrification Loan I (RE-I) of Nu. 182,689,503 has been obtained from the Royal Government of Bhutan for Rural Electrification Works and is repayable within 30 years at an interest rate of 6% in 60 semi-annually equal installments with last installment due on August 15, 2035.
- ii) Rural electrification Loan II (RE-II) of Nu. 329,865,079 has been obtained from the Royal Government of Bhutan for Rural Electrification Works and is repayable within 24 years at an interest rate of 6% in 48 semi-annually equal installments with last installment due on August 31, 2032.
- iii) Rural electrification Loan III (RE-III) of Nu. 401,022,791 has been obtained from the Royal Government of Bhutan for Rural Electrification Works and is repayable within 24 years at an interest rate of 6% in 48 semi-annually equal installments with last installment due on September 15, 2035.
- iv) Loan for Tala Trasmission Lines of Nu. 549,858,691 has been obtained from the Royal Government of Bhutan and is repayable within 12 years at an interest rate of 9% in semi-annually equal installments with last installment due on December 15, 2018.
- v) Rural electrification loan - RE IV and V, JICA Loan I and II and the ADA loan of Nu. 4,137,001,429 has been obtained from the Royal Government of Bhutan is still effective and not closed. The rate of interest and the loan tenure shall be determined by the Royal Government of Bhutan.

17.3 Refer Note 36(viii) for transaction wise detail under each borrowing.



Grants are received from the Royal Government of Bhutan as counterpart financing to the Rural Electrification Loan to carry out the rural electrification works for the civil component and establishment expenses. The material costs are financed through the loan. There are no unfilled conditions and contingencies attached to this grant.



Employee benefit liabilities analyzed as follows:

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Current portion	143,690,521	129,779,608	91,584,145
Non-current portion	337,034,049	316,634,595	221,449,106
Total	480,724,570	446,414,203	313,033,251

20. Deferred Income Tax liabilities (net)

Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities and the gross movement on the deferred income tax income liability (net) is as under:

Particulars	For the year ended	
	December 31, 2013	December 31, 2012
Opening Balance	247,989,811	191,813,272
Income Statement charge	57,552,343	56,176,539
Closing Balance	305,542,154	247,989,811

Deferred tax liability (net) of Nu 191,813,272 as on 01.01.2012 i.e the date of initial recognition of the deferred tax assets and liability has been charged to Retained Earnings.

The movement in deferred income tax assets and liabilities during the year ended December 31, 2012 and December 31, 2013 are as under:

Deferred income tax liabilities	As at January 01, 2013	Adjustment to Statement of Comprehensive Income	As at December 31, 2013
Property, plant and equipment	265,259,217	62,050,709	327,309,926
Total	265,259,217	62,050,709	327,309,926

Deferred income tax assets	As at January 01, 2013	Adjustment to Statement of Comprehensive Income	As at December 31, 2013
Provision for doubtful debts	2,620,040	128,265	2,748,305
Training	14,649,366	764,402	15,413,768
Provision for inventories	-	3,605,699	3,605,699
Total	17,269,406	4,498,366	21,767,772



Deferred income tax liabilities

	As at January 01, 2013	Adjustment to Statement of Comprehensive Income	As at December 31, 2013
Property, plant and equipment	206,588,804	58,670,413	265,259,217
Total	206,588,804	58,670,413	265,259,217

Deferred income tax assets

	As at January 1, 2013	Adjustment to Statement of Comprehensive Income	As at December 31, 2013
Provision for doubtful debts	1,630,019	990,022	2,620,040
Training	13,145,514	1,503,852	14,649,366
Total	14,775,533	2,493,874	17,269,406

20.1 There are no unrecognized deferred taxes.

21. Other non-current liabilities

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Security Deposits			
- Energy meter	136,761,103	118,653,294	124,885,699
- Deposit works	-	-	987,802
- Others (Refer Note 21.1)	16,759,951	16,759,951	16,759,951
Retention money	610,487,899	297,693,853	61,818,626
	764,008,953	433,107,098	204,452,078

21.1 Include deposit received from Punatshangchhu-I Hydroelectric Project Authority as compensation for BPCL assets at Wangdue which will be adjustable after the assets being transferred to the PHPA-I on completion of the project.



22. Trade & other payables

	As at		
	December 31, 2013	December 31, 2012	January 1, 2012
Trade and other payables:			
- electricity	650,805,260	765,896,211	573,024,487
- suppliers & contractors	309,325,093	270,198,378	195,169,623
- services	1,725,678	2,441,546	4,925,597
Other payables	66,954	1,586,346	11,619
Total	961,922,985	1,040,122,481	773,131,326
23. Income tax payable (net of advances)			

	As at		
	December 31, 2013	December 31, 2012	January 1, 2012
Provision for corporate tax	351,630,058	619,343,766	311,282,799
Less: Advance income tax and Tax deducted at source	(219,004,741)	(523,267,429)	(9,961,061)
Total	132,625,317	96,076,337	301,321,738

	As at	
	December 31, 2013	December 31, 2012
Current income tax		
Current tax on profits for the year	351,630,058	308,060,967
Adjustment in respect of prior period	-	2,559,921
Total Current income tax	351,630,058	310,620,888
Deferred income tax		
Origination and reversal of temporary differences	57,552,343	56,176,539
Adjustment in respect of prior years		
Total Deferred income tax	57,552,343	56,176,539
Income tax expense	409,182,401	366,797,427

Reconciliation between the provisions for income tax to the amount computed by applying the statutory income tax rate to the income before provision for income tax is summarized below:



	As at	
	December 31, 2013	December 31, 2012
Profit before tax	1,372,456,082	1,265,115,334
Tax calculated at domestic tax rates	411,736,824	379,534,600
Income tax effect due to:		
- Other non-deductible expenses		
Medical expenses	253,603	331,526
Donation	191,400	209,771
Fines and penalties	15,532	-
- Others	(3,014,958)	-
- BAS Transition adjustments	-	(15,838,390)
Income tax charge	409,182,401	364,237,506

The applicable corporate income tax rate was same, i.e. 30% for the current year and earlier year ended on December 31, 2013 and December 31, 2012 respectively.

24. Other current liabilities

	As at		
	December 31, 2013	December 31, 2012	January 01, 2012
Security deposits:			
- Energy meter	21,458,359	17,935,555	15,094,182
- Capacity reserve charges	8,616,301	6,227,823	7,766,475
- Performance security	3,329,772	4,632,017	2,971,162
Retention money	86,432,308	133,746,562	164,161,890
Interest accrued but not due on borrowings	34,318,408	80,460,822	35,992,281
Statutory liabilities	13,520,985	16,123,446	15,542,582
Welfare Grant Fund	8,321,775	6,617,175	4,720,508
Payables to employees	3,496,058	2,220,690	2,074,353
Accrued Expenses	12,469,074	4,826,560	10,028,590
Other liabilities	3,623,120	1,052,407	1,745,852
Total	195,586,160	273,843,057	260,097,875

25. Income from construction contracts

	For the year ended	
	December 31, 2013	December 31, 2012
Value of contracts performed & service charges	2,210,533,317	2,389,650,831
Total	2,210,533,317	2,389,650,831



26. Other income

Interest income on:

- Fixed deposits

- RICBL bonds

- Advance to Holding Company

Penalties and liquidated damages

Revenue grants

Amortization of deferred grants (Refer Note18)

Liabilities no longer required written back

Scrap Sales

Tender form sales

Hire and lease charges

Other miscellaneous income

Total

For the year ended	
December 31, 2013	December 31, 2012
44,529,193	70,241,886
20,100,000	20,113,692
48,000,000	25,344,262
40,144,042	55,210,751
-	4,000,000
15,597,419	7,845,411
66,676	3,046,009
7,885,375	4,719,263
1,749,099	2,318,350
1,769,268	1,617,219
57,863,798	49,441,153
237,704,870	243,897,996

27. Operation and maintenance expenses

Repairs and maintenance:

- Material/Stores

- Services

- Meter Equipment

- Vehicle running expenses (POL)

- Consumables

- Others

Provision on Obsolescence of Material

Total

For the year ended	
December 31, 2013	December 31, 2012
90,149,337	58,031,685
68,295,910	53,612,297
1,099,689	2,338,393
20,946,739	17,526,993
6,358,940	8,261,504
47,004,027	46,016,222
12,018,996	-
245,873,638	185,787,094



28. Employee benefits expense

Salaries, wages, bonus and allowances
Contribution to provident and pension fund
Contribution for gratuity and leave encashment
Workmen and staff welfare expenses
Total

For the year ended	
December 31, 2013	December 31, 2012
523,754,226	488,950,651
35,466,914	32,524,264
61,914,221	59,107,871
53,584,076	51,589,249
674,719,437	632,172,035

29. Finance Costs

Interest on long term borrowings from:
Royal Government of Bhutan for:
- Rural electrification Projects
- For Tala Hydro Electric Project
National Pension and Provident fund for:
- Transmission Lines Project
Other finance charges
Total
Less: Amounts capitalized on qualifying assets
Total

For the year ended	
December 31, 2013	December 31, 2012
57,570,003	58,950,070
70,827,968	45,899,495
42,835,161	45,406,100
132,049	108,910
171,365,181	150,364,575
1,674,300	362,874
169,690,881	150,001,701

30. Other expenses

Travelling expenses
Rent charges
Rates and taxes
Printing and stationary
License and registration fees
Audit fees and expenses
Office expenses
Consultancy fees
Entertainment expenses

For the year ended	
December 31, 2013	December 31, 2012
19,271,661	18,808,651
4,507,054	7,454,659
1,034,768	1,361,823
13,454,540	9,712,122
8,142,695	3,530,234
814,207	680,889
6,741,411	5,090,365
4,429,055	377,600
5,021,640	4,984,213



	For the year ended	
	December 31, 2013	December 31, 2012
Insurance charges	2,061,457	1,168,274
Donations and Contributions	1,218,017	3,601,946
Bad debt/Provision for doubtful debts	707,234	3,300,072
Loss on disposal of property, plant and equipment	17,181,873	13,942,522
Board meeting expenses and sitting fees	868,000	926,130
Miscellaneous expenses	3,382,356	3,835,738
Total	90,872,025	81,089,590

31. Earnings per share ('EPS')

Reconciliations of net profit for the year and ordinary shares used in the computation of basic and diluted EPS are as follows:

	For the year ended		
	December 31, 2013	December 31, 2012 (Restated)	December 31, 2012 (Previous GAAP)
Basic EPS attributable ordinary shares			
Net profit attributable to the owners of the Company	963,273,680	898,317,907	901,699,813
Issued and outstanding ordinary shares at the beginning of the year	8,178,979	7,701,615	7,701,615
Effect of ordinary shares issued during the year	934	39,780	39,780
Weighted average number of ordinary shares outstanding at the end of the year	8,179,913	7,741,395	7,741,395
Basic and Diluted EPS attributable to ordinary shares	117.76	116.04	116.48

32. Related party transactions

The Company is a wholly owned subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Company considers that for the purpose of BAS 24 the Royal Government of Bhutan is in a position of control over it, and therefore regards the Royal Government of Bhutan and its controlled companies/corporations as related parties for the purpose of the disclosures required by BAS 24.

A summary of the Company's transactions with the Royal Government of Bhutan and its related entities is included below:



Name of Related Party	Relationship	Nature of transaction with related party	Amount in Nu.
Royal Government of Bhutan	Ultimate holding	a) Borrowings for rural electrification project	5,050,578,802
		b) Borrowings for Tala hydroelectric project.	549,858,690
		c) Grants received for rural electrification	15,289,505
		d) Other reimbursements	560,000
Druk Holding & Investments	Holding Company	a) Consideration for issue of equity shares	8,190,191,000
		b) Payment of dividend	315,594,935
		c) Placement of inter-corporate deposit.	1,000,000,000
Druk Green Power Corporation Limited	Fellow Subsidiary	(a) Purchase of electricity for transmission and distribution	1,145,824,393
		(b) Wheeling charges	623,431,239
Druk Air Corporation Limited	Fellow Subsidiary	Air Travel Service	3,232,797
Royal Insurance Corporation of Bhutan Ltd	Government undertaking	a) Insurance services	1,073,344
		b) Investment in Bonds	300,000,000
		c) Interest income earned on bonds	20,100,000
DHI& DHI owned Companies	Holding & Subsidiary	Supply of electricity	70,347,053

Key management personnel ('KMP')

KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly including any director whether executive or otherwise. Key management personnel of the company for the purpose of disclosure of compensation include the Managing Director as required by the Companies Act of the Kingdom of Bhutan 2000.



Summary of compensation paid to the KMP:

	For the year ended	
	December 31, 2013	December 31, 2012
Basic Salary and contract allowance	1,390,500	1,350,000
Performance based variable allowances	322,043	69,662
Performance based incentive scheme	159,900	112,795
Sitting fees	127,000	126,000
Contribution to provident fund	101,976	95,272
Total	2,101,419	1,753,729

As the liabilities for gratuity and leave encashment are provided on actuarial basis for the Company as a whole, the amounts pertaining to KMP are not included above.

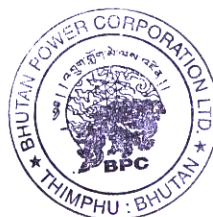
Note:

- Reimbursement of expenses incurred by related parties for and behalf of the Company and vice-versa, and the related outstanding amounts have not been included in the above disclosures.
- The disclosures given above have been reckoned on the basis of information available with the Company and relied upon by the Auditors.

33. Change in accounting policy

In the current year, the Company changed its accounting policy for valuation of retirement benefit liabilities towards gratuity and leave encashment. Previously such liabilities were estimated by the management on accrual basis without actuarial valuation. From the year ended December 31, 2013, the Company has provided for gratuity and leave encashment on actuarial basis with retrospective effect. The impact of this change in accounting policy on the financial statements resulted in decreased employee benefit expenses and retirement benefit liabilities of gratuity and leave encashment by Nu. 24,168,423, Nu.19,290,829 and Nu.11,712,392 as at December 31, 2013, 2012 and January 1, 2012 respectively. Further, the change in accounting policy has also resulted in decrease in employee benefit expense by Nu.76,004,601 for the year ended December 31, 2012, however, increased the expense by Nu.29,799,799 for the year ended December 31, 2013.

In the current year, the Company changed its accounting policy for capitalization of borrowing costs on general borrowings. Previously, the Company used to capitalize borrowing cost related to specific borrowings only. The Company has not applied this change retrospectively, in view of the accounting policy option available under BAS 23. Accordingly, the Company has not capitalized borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or before the effective date of the standard. As the commencement date for capitalization of all the general borrowings costs is prior to the effective date there is no capitalization of borrowing cost during the year 2013 on account of this changed policy and hence and hence, there is no impact of this policy change on the Financial Statements of the Company.



34. Capital Commitments

The Company has contractual commitments of Nu 4,613,129,615, Nu 4,755,593,062 and Nu 7,028,600,994 as at December 31, 2013, December 31, 2012 and January 1, 2012 respectively; pertaining to capital expenditures relating to acquisition of Property, plant and equipment.

35. Contingent liabilities

As on the reporting date, there are two pending litigation against the Company in the appellate Court. For both the cases, the lower court has passed the judgment in favour of the company and has been appealed to the higher court by the defendants. The probable amount of the claims from the case to the company is to the tune of Nu 6,819,043 and is contingent on the judgment which in the opinion of the Management is not significant.

36. Other Notes to Accounts

i. Gratuity:

The liability towards Gratuity has been kept in the fixed deposits with the banks. As on December 31, 2013 there is a balance of Nu. 342,217,459 in the fixed deposits (including interest of Nu 14,672,904 accrued thereon) earmarked towards gratuity liability of Nu 343,937,434 as on December 31, 2013, showing a shortfall of Nu 1,719,975. 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. 24,587,667 (Previous year: Nu. 95,357,804) has been made in the accounts.

- ii. As per last domestic tariff revision from October 1, 2013, the revised weighted average tariff is Nu. 1.808 /unit as compared to Nu. 1.742 /unit prior to the revision.

- iii. 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.
- iv. As per the technical assessment of the slow and non moving material identified based on ageing and usage level of the inventory generated from ERP (SAP) System and also based on identification/segregation of obsolete stock at the time of physical verification, the adequate provision has been made in the accounts towards obsolete material.
- v. 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 Statement of Financial Position.
- vi. The letters have been sent to most of the parties for confirmation of the balances under trade and other receivables, loans and advances and trade and other payables, however, due to non receipt of the response from few parties, the balances are subject to confirmation / reconciliation in some cases. The impact, if any, subsequent to the confirmation/reconciliation will be taken in the year of confirmation/reconciliation.



- vii. During the year, Company has given an interest free advance of Nu. 400 million to 'Druk Holding and Investments (DHI)', the 100% Holding Company. The said advance has been given from Group Investment Reserve (GIR) and will be convertible into shares of 'Dungsam Cement Corporation Limited (DCCL)' another DHI owned Company at the issue price applicable to the institutional investors as per the directions of DHI conveyed to the Company vide their letter no. DHI/CEO/BPC/2013/582 dated August 5, 2013.

As per the Powers delegated by the Board of Directors (Board) to the Company's officials in terms of Section 83(3) of The Companies Act of The Kingdom of Bhutan 2000 (Act), no official of the Company is authorized to approve the loan for investment / inter-corporate loan and in the absence of delegation of such power to the Company's officials, the same requires the approval of Board in terms of Section 83(2) of Act. The Board while deliberating on the issue "reiterated on the need of putting in place a legal framework for use of GIR as approved during the

Annual General Meeting of the Company and in the absence of legal framework, Board could not approve inter-corporate loan requested by DHI. However, the Board reminded DHI to issue directives to the Company to release the said advance from GIR fund without need of Board to approve the same". As such, the advance of Nu. 400 million has been given to DHI without the explicit approval of the Board, the delegated authority as per the Section 83(2) of Act. The said advance given towards investment in the DHI owned Company, as per the direction of DHI is to be adjusted from GIR as per the direction of DHI, however, the same has not been adjusted from GIR and has been considered / shown in the accounts as 'Advance to Holding Company'.

Further, the said advance has been given without entering into any agreement/ contract with DHI, in the absence of which, the interest, if any, receivable on the same and the period / terms of adjustment / repayment are not yet finalized/ decided.

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

(Amount in Nu.)

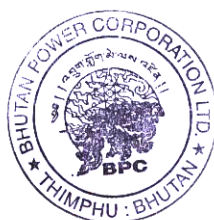
Particulars	Loan outstanding as on 01.01.2013	Disbursement during the year	Repayment during the year	Loan Outstanding as on 31.12.2013	Interest Paid/ provided for during the year
From Royal Government of Bhutan (Unsecured)					
a. For Rural Electrification works					
ADB-RE I	190,993,571	-	8,304,068	182,689,503	11,144,060
ADB-RE II	348,190,917	-	18,325,838	329,865,079	20,195,073
ADB-RE III	419,251,099	-	18,228,309	401,022,791	24,556,570
ADB-RE IV	1,029,180,345	31,755,670	-	1,060,936,015	70,827,968
ADB-RE V	343,529,831	87,604,695		431,134,526	-



Particulars	Loan outstanding as on 01.01.2013	Disbursement during the year	Repayment during the year	Loan Outstanding as on 31.12.2013	Interest Paid/ provided for during the year
ADA	40,727,707	249,327,055	-	290,054,762	-
JICA-I	1,610,366,216	51,013,301	-	1,661,379,517	-
JICA-II	575,267,043	118,229,567	-	693,496,610	-
	4,557,506,729	537,930,288	44,858,215	5,050,578,803	126,723,671
b. For Tala Transmission Lines					
THP	457,428,925	-	76,238,154	381,190,771	-
THP- IDC	202,401,503	-	33,733,584	168,667,919	-
	659,830,428	-	109,971,738	549,858,690	-
From National Pension and Provident Fund (Secured)					
NPPF	503,130,000	-	41,927,500	461,202,500	42,835,161
	503,130,000	-	41,927,500	461,202,500	42,835,161
Total	5,720,467,157	537,930,288	196,757,453	6,061,639,993	169,558,832

- ix. During the year amount of Nu. 11,212,000 was received from the Royal Government of Bhutan being the balance fund for Rural Electrification works of Phobjikha and the same has been adjusted by issue of 11,212 Equity Shares (Face Value of Nu. 1000 each) to the Druk Holding and Investments, the Holding Company.
- x. Quantitative detail of purchase, generation and sales of power for the year is as under.

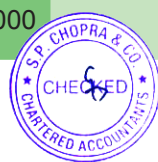
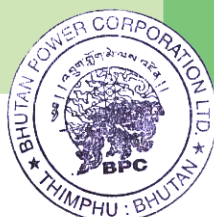
	2013		2012	
	Units (kWh)	Amount	Units (kWh)	Amount
Purchase	1,859.5893	1,151.6583	1,834.7047	1,158.75
Hydel	18.3925		15.2089	
DG	0.0537		0.1770	
Sale	1,841.4657	3,328.9535	1,769.5890	3,085.46



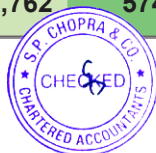
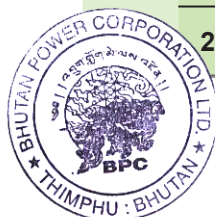
37. The impact of adopting BAS

(i) Statement of financial position as at January 01, 2012.

	Sub Notes	Previous GAAP	Adjustments under BAS	Reclassification or regrouping	As at January1, 2012 (Restated)
Assets					
Non-current assets					
Property, plant and equipment	(a), (c)	15,666,224,922	(650,456,844)	-	15,015,768,078
Intangible assets		-	142,943,443	-	142,943,443
Investments		300,000,000	-	-	300,000,000
Work in progress-construction contracts	(b)	-	681,780,019		681,780,019
Trade & other receivables	(d)	-	-	38,452,250	38,452,250
Loans and advances	(d)	-	-	605,362,239	605,362,239
Total Non-current assets		15,966,224,922	174,266,618	643,814,489	16,784,306,029
Current assets					
Inventories	(c)	579,029,017	(208,429,740)	-	370,599,277
Work in progress-construction contracts	(b)	-	33,801,957	-	33,801,957
Trade receivables	(d)	181,439,070	-	599,509	182,038,579
Cash and cash equivalents	(d)	3,215,297,008	-	(1,212,069,807)	2,003,227,202
Short term loans and advances	(d)	905,667,787	-	(710,673,847)	194,993,940
Other current assets	(d), (e)	183,584,956	270,109,107	1,122,692,909	1,576,386,971
Total Current assets		5,065,017,840	95,481,324	(799,451,236)	4,361,047,927
Total Assets		21,031,242,762	269,747,942	(155,636,748)	21,145,353,956
EQUITY AND LIABILITIES					
Equity attributable to shareholders					
Ordinary shares		7,315,673,000	-	-	7,315,673,000
Additional paid in capital	(f)		384,917,000	-	384,917,000

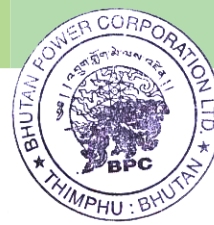


	Sub Notes	Previous GAAP	Adjustments under BAS	Reclassification or regrouping	As at January 1, 2012 (Restated)
Capital reserve	(f) (g)	35,256,383	57,190,617	-	92,447,000
Retained earnings / (deficit)	(m)	2,788,594,120	426,608,397	-	3,215,202,517
Insurance Reserve		59,158,007	-	-	59,158,007
RGoB Grant Reserve Account	(b), (f)	3,497,180,989	(3,497,180,989)	-	-
Total Equity		13,695,862,500	(2,628,464,976)	-	11,067,397,524
Liabilities					
Non-current liabilities					
Borrowings	(d)	4,757,367,762	-	(154,041,547)	4,603,326,216
Deferred grants	(h)	-	568,555,081	-	568,555,081
Amounts due to customers for Construction contract	(b)	-	2,217,726,951	-	2,217,726,951
Employee benefit liabilities	(i)	331,540,505	(11,712,392)	(98,379,007)	221,449,106
Deferred income tax liabilities (net)	(j)	-	191,813,272	-	191,813,272
Other non-current liabilities	(d)	-	-	204,452,078	204,452,078
Total Non-current liabilities		5,088,908,267	2,966,382,913	(47,968,476)	8,007,322,704
Current liabilities					
Borrowings	(d)	-	-	154,041,547	154,041,547
Deferred grants	(d), (h)	-	7,845,411	-	7,845,411
Amounts due to customers for Construction contract	(b)	-	482,611,686	-	482,611,686
Trade payables	(d)	790,803,234	-	(17,671,908)	773,131,326
Employee benefit liabilities	(d)	-	-	91,584,145	91,584,145
Income tax payable (net of advances)	(d)	311,282,799	-	(9,961,061)	301,321,738
Other current liabilities	(k), (d)	1,144,385,962	(254,214,286)	(630,073,801)	260,097,875
Total Current liabilities		2,246,471,995	236,242,811	(412,081,078)	2,070,633,728
Total Liabilities		7,335,380,262	3,202,625,723	(460,049,554)	10,077,956,432
Total equity and liabilities		21,031,242,762	574,160,747	(460,049,554)	21,145,353,956



(ii) Statement of financial position as at December 31, 2012.

	Sub Notes	Previous GAAP	Adjustments under BAS	Reclassification or regrouping	As at December 31, 2012 (Restated)
Assets					
Non-current assets					
Property, plant and equipment	(a), (c)	19,648,409,889	(2,931,264,562)		16,717,145,327
Intangible assets		-	144,874,863		144,874,863
Investments		300,000,000	-		300,000,000
Work in progress-construction contracts	(b)		2,912,449,387		2,912,449,387
Trade & other receivables	(d)		-	25,268,618	25,268,618
Long-term loans and advances	(d)		-	688,552,772	688,552,772
Total Non-current assets		19,948,409,889	126,059,688	713,821,390	20,788,290,967
Current assets					
Inventories	(c)	550,512,845	(233,610,914)		316,901,931
Work in progress-construction contracts	(b)	-	69,198,162		69,198,162
Trade receivables		91,855,686	(0)		91,855,686
Cash and cash equivalents	(d)	1,947,613,989	-	(1,160,456,649)	787,157,340
Short term loans and advances	(d)	1,817,739,493	-	(1,341,985,797)	475,753,696
Other current assets	(d), (e)	139,548,544	280,963,643	1,135,188,030	1,555,700,217
Total Current assets		4,547,270,556	116,550,891	(1,367,254,416)	3,296,567,032
Total Assets		24,495,680,445	242,610,579	(653,433,025)	24,084,857,998
EQUITY AND LIABILITIES					
Equity attributable to shareholders					
Ordinary shares		8,178,979,000	-		8,178,979,000
Capital reserve	(g)	33,843,339	(33,843,339)		



	Sub Notes	Previous GAAP	Adjustments under BAS	Reclassification or regrouping	As at December 31, 2012 (Restated)
Retained earnings / (deficit)	(m)	2,959,015,052	98,665,139.12		3,057,680,192
Group Investment Reserve	(d)	231,297,822	-	-	231,297,822
Transmission System Buy Back Reserve	(d)	174,467,094	-	-	174,467,094
Insurance Reserve		69,077,037	-		69,077,037
Depreciation Reserve	(d)	19,928,312	-	(19,928,312)	-
Long Term Project Reserve		3,170,930,311	(3,170,930,311)		-
RGoB Grant Reserve	(f)	648,671,038	(648,671,038)		-
Accumulated other comprehensive income (loss)	(i)	-	(87,086,068)		(87,086,068)
Total Equity		15,486,209,006	(3,841,865,617)	(19,928,312)	11,624,415,077
Liabilities					
Non-current liabilities					
Borrowings		5,720,467,157	-	(196,757,453)	5,523,709,705
Deferred grants	(h)	-	785,480,662	-	785,480,662
Amounts due to customers for Construction contract	(b)	-	3,190,864,152		3,190,864,152
Employee benefit liabilities	(i)	465,705,032	(19,290,829)	(129,779,608)	316,634,595
Deferred income tax liabilities (net)	(j)	-	247,989,811		247,989,811
Other non-current liabilities		-	-	433,107,098	433,107,098
Total Non-current liabilities		6,186,172,189	4,205,043,796	106,570,037	10,497,786,023
Current liabilities					
Borrowings		-	-	196,757,453	196,757,453
Deferred grants	(h)	-	15,597,419		15,597,419
Amounts due to customers for Construction contract	(b)	-	210,480,544		210,480,544
Trade payables	(d)	1,056,882,432	-	(16,759,951)	1,040,122,481
Employee benefit liabilities	(i)	-	-	129,779,608	129,779,608
Income tax payable (net of advance)	(d)	619,343,766	-	(523,267,429)	96,076,337
Other current liabilities	(k),(d)	1,147,073,051	(315,594,935)	(557,635,059)	273,843,057



	Sub Notes	Previous GAAP	Adjustments under BAS	Reclassification or regrouping	As at December 31, 2012 (Restated)
Total Current liabilities		2,823,299,249	(89,516,972)	(771,125,378)	1,962,656,899
Total Liabilities		9,009,471,439	4,115,526,825	(664,555,341)	12,460,442,922
Total equity and liabilities		24,495,680,445	273,661,208	(684,483,653)	24,084,857,999

(iii) Income Statement for the year ended December 31, 2012

	Sub Notes	For the year ended December 31, 2012		
		Previous GAAP	BAS Adjustments	BAS (restated)
Revenue				
Income from sale of electricity	(e)	3,096,900,387	5,474,147	3,102,374,534
Income from construction contracts	(b)	232,730,305	2,156,920,526	2,389,650,831
Wheeling charges		548,171,915	-	548,171,915
Other income	(l)	262,473,180	(18,575,184)	243,897,996
Total Revenue		4,140,275,787	2,143,819,489	6,284,095,276
Expenditure				
Purchase of electrical energy		1,158,991,280	-	1,158,991,280
Construction Material consumed and Sub-Contracting Charges	(b)	-	2,172,409,846	2,172,409,846
Operation and maintenance expenses		185,787,094	-	185,787,094
Employee benefit expenses	(i),(d)	708,176,635	(76,004,601)	632,172,034
Loss on foreign currency fluctuation (net)		5,141	-	5,141
Finance costs	(d)	149,887,649	114,052	150,001,701
Depreciation and amortization expenses		638,523,255	-	638,523,255
Other expenses	(e),(d)	86,584,030	(5,494,441)	81,089,589
Profit before income tax		1,212,320,701	52,794,633	1,265,115,334
Income tax expenses	(j)			358,874,043
- Income tax		310,620,888	-	310,620,888
- deferred tax		-	56,176,539	56,176,539
Profit for the year		901,699,813	(3,381,906)	898,317,907
Profit for the year		901,699,813	(3,381,906)	898,317,907
Other comprehensive income (loss):				
Actuarial gains (losses)	(i)	-	(87,086,068)	(87,086,068)
Total comprehensive income for the year		901,699,813	(90,467,974)	811,231,839



Notes

(a) The impact of BAS on property, plant and equipments is as under:

Particulars	As at Jan 1, 2012	As at Dec 31, 2012
Balance of property, plant and equipment (previous GAAP)	15,666,224,922	19,648,409,889
<i>Adjustments:</i>		
Reclassification of Computer software as Intangible assets	(142,943,443)	(144,874,863)
Funds received for construction of assets in India now adjusted against CWIP balance of those assets	(236,437,000)	(236,437,000)
Reclassification of construction contract assets to Construction contract receivable	(618,750,086)	(2,913,729,209)
Reclassification of inventory (refer note (c) below)	208,429,740	233,610,914
Capital advances now considered as part of CWIP	145,645,584	130,165,596
Prior period depreciation of 2012 adjusted in 2011	(6,401,638)	-
Balance as at Jan 1, 2012 (restated)	15,015,768,079	16,717,145,327

(b) The Company enters into contract for construction of assets on a cost plus margin basis. Under the previous GAAP, the Cost of construction is accumulated in CWIP (for transmission line assets) and Deposit works (for other assets). Funds received from customers are recognized in long term project reserve (for transmission line assets) and deposit works liability (for other assets). When construction is completed, the CWIP/deposit works and long term project reserve/deposit works liability are knocked off. Only the margin arising thereof as indicated above was recognized in profit and loss account. Under BAS, revenue and costs of construction contracts has been recognized in the Statement of Comprehensive Income based on stage of completion method, which was determined as recoverable costs incurred on the contract during the year plus fixed mark up. As at Jan 1, 2012, the retained earnings have been increased by Nu. 14,209,499 which was the short mark up (cumulative) on the contracts. Further, the accumulated CWIP/Deposit works of Nu. 715,581,975 have been re-classified as Construction contracts (receivable) as under.

a) CWIP transferred from Property, plant and equipments	618,750,086
b) Reclassification Deposit work receivable recognized already in previous year	33,801,957
C) Short margin of Opening contracts	14,209,498
C) Prior period construction contract income restated in 2011 from 2012	48,820,434
	715,581,975

The Long-term project fund which was parked under RGoB Grant reserve account as on December 31, 2011 amounting to Nu. 2,217,726,951 and Deposit works liability of Nu. 482,611,686 have been presented as Construction contracts (payable) in the Statement of Financial Position.



As on December 31, 2012, the accumulated CWIP/Deposit works of Nu. 2,981,647,548 have been re-classified to Construction contracts receivable as under:

a) CWIP transferred from Property, plant and equipments	2,913,729,209
b) Reclassification Deposit work receivable recognized already in previous year	69,198,162
c) Cumulative impact of short and or excess margin of Opening and FY 2012	(1,279,823)
	2,981,647,548

As on December 31, 2012, Long-term project reserve lying in RGoB Grant reserve account as on December 31, 2011 of Nu. 3,190,864,152 and Deposit works liability of Nu. 210,480,544 have been presented as Construction contracts (payable) in the Statement of Financial Position. The revenue and costs for the year 2012 have been grossed up by Nu. 2,172,409,846 and also the contract revenue have been reduced by Nu. 15,489,320 for excess mark up recognized under previous GAAP.

Under BAS, unbilled revenue has been accrued which has increased other current assets and retained earnings by Nu. 270,109,107 as at January 1, 2012. Accrual of unbilled revenue for the year 2012 increased other current assets and revenue from electricity by Nu. 280,963,643. However, on net basis, it has an impact of Nu. 10,854,536 thereby increasing revenue and other current assets during the year 2012.

(c) Under the previous GAAP, capital spares and stand-by equipments were carried as inventories. However, under BAS, these have been considered as item of property, plant and equipment and hence reclassified from inventories to property, plant and equipments amounting to Nu. 208,429,740 and Nu. 233,610,914 as at January 1, 2012 and December 31, 2012 respectively.

Further, under previous GAAP, the Company had recognized electricity expense and corresponding revenue consumption (self billing). However, under BAS, self revenue recognition has been discontinued which reduced the revenue from electricity and electricity expense by Nu 5,380,389 during the year. This, however, did not have any impact on the profit for the year.

(d) Under BAS, many of the line items have been reclassified or regrouped to bring the consistency in the presentation. Further, under BAS, all the assets and liabilities are presented as current and non-current as required by BAS unlike previous GAAP. These reclassifications or regrouping did not have material impact on the financial statements.

(f) The Company has received grants for RE work from RGoB and recognized the funds received in RGoB Grant Reserve account under the previous GAAP. The RGoB Grants received in pursuant to the subsidiary financing arrangements from the year 2009 in accordance with the terms of arrangement thereof, are to be accounted for under BAS 20. Accordingly, the following grants covered by the subsidiary financing arrangements: (i) RE - ADB IV; (ii) JICA RE; (iii) ADB V and (iv) JICA 2 are accounted for as deferred grants under BAS. Other Grants or funds are accounted for as under:

(e) Under the previous GAAP, revenue from sale of electricity was recognized when electricity was consumed by the Customers and billing was done. Energy supplied and consumed as at reporting date for which billing was not done were not accrued (unbilled revenue).



RGoB Grant Reserve Account as per previous GAAP (December 31, 2011)	3,497,180,989
Less:	
ACB - Phubjikha treated as Capital Reserve as per the instruction of RGoB and accordingly, reclassified to Capital reserve from RGoB reserve grant account.	(92,447,000)
Funds received for construction of assets in India now adjusted against CWIP balance of those assets	(236,437,000)
Prior year income statement charge now recognized (as prior period adjustment)	(4,677,038)
Reclassification of RGoB funds to additional paid in capital, being capital contribution by RGoB for construction of assets	(384,917,000)
Reclassification of Deposit work liability for long term project from RGoB Grants now transferred to Deferred Grants	(2,217,726,951)
Reclassification of RGoB Grants to deferred grants under BAS 20	(560,976,000)
Balance as at January 1, 2012 (restated)	-
RGoB Grant Reserve Account as per previous GAAP (December 31, 2012)	648,671,038
Less:	
Funds received for construction of assets in India now adjusted against CWIP balance of those assets (opening adjustment)	(236,437,000)
Prior year income statement charge now recognized (as prior period adjustment)	(4,677,038)
Reclassification of RGoB Grants to deferred grants under BAS 20	(407,557,000)
Balance as at December 31, 2012 (restated)	-

- (g) The Capital reserves under previous GAAP consisting of donated assets (capital grants) of Nu. 15,424,492 as at January 1, 2012 and Nu. 14,011,448 which was reclassified to Deferred grants on the respective dates. It had also a balance of Nu. 19,831,891 as at January 1, 2012 and December 31, 2012, which was unallocated amounts received for acquiring assets and was treated as prior period adjustment under BAS and hence taken to retained earnings thereby increasing retained earnings by that amount. During the year 2012, Nu. 14,011,508 have been re-classified to Deferred Grants.
- (h) As discussed above, RE grants are accounted for as Government grants under BAS and presented as deferred grants as below:

Amount re-classed from RGoB Grant Reserve account	560,976,000
Amount re-classed from Capital reserve (as per note (g))	15,424,492
Balance as at January 1, 2012 (restated)	576,400,492

During the year 2012, under BAS, deferred grants were amortized (refer Note I below for details). For further movement in deferred grants during the year 2012, refer Note 18.

- (i) Under previous GAAP, the Company used to provide for the liability towards Gratuity and Leave encashment based on management estimates. However, the Company has changed the accounting policy and measured its liability based on the actuarial valuation (refer note



33 on change in accounting policy for further details). The Company also decided a policy to take actuarial gains/ (losses) to equity through Other Comprehensive Income. This resulted in decrease of the Gratuity and leave liability by Nu. 11,712,392.

During the year 2012, the actuarial valuation of Gratuity and Leave liability resulted into lower liability under BAS by Nu. 19,290,829. Further, during the year 2012, there was total reduction in employee cost of Nu. 76,004,601, which is further analyzed as under:

Further reduction in the liability during the year 2012 (19,290,829 - 11,712,392)	(7,578,437)
Reduction in cost due to recognition of actuarial loss in Other Comprehensive Income	(87,086,068)
Increase in expense Gratuity expense on account of rectification of interest income (refer note (l) below)	11,133,714
Increase in Leave expense on account of rectification of Other miscellaneous income (refer note (l) below)	7,526,190
Net decrease in employee cost for the year 2012	(76,004,601)

- (j) The Company did not recognize deferred taxes under previous GAAP. However, under BAS, deferred tax liability of Nu. 191,813,272 and Nu. 247,989,811 have been recognized as at January 1, 2012 and December 31, 2012 respectively. During the year 2012, additional deferred tax liability was recognized by Nu. 56,176,539 thereby increasing deferred tax liability and decreasing profit for the year.
- (k) The Company has made a provision for proposed dividend of Nu. 254,214,286 under the previous GAAP as at January 1, 2012. However, under BAS, proposed dividend is not an adjusting event and hence, the same has been reversed which decreased the liability by such amount as at January 1, 2012.

During the year 2012, the Company has made provision for proposed dividend of Nu. 315,594,935, the same has been reversed under BAS which decreased the liability by the same amount.

- (l) During the year, following adjustments are made under BAS in other income thereby decreasing the other income by Nu. 18,575,184.

i) Amortization of grants (recognition of deferred income on Grants)	6,432,367
ii) Interest on Fixed deposits wrongly recognized in Provision for Gratuity (FD for Gratuity liability)	11,133,714
iii) Prior period income adjusted retrospectively under BAS	(43,667,454)
iv) Other miscellaneous income recognized	7,526,190
Total decrease in Other income	(18,575,184)



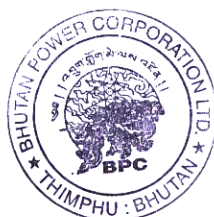
- (m) The following is a summary of transition adjustments to the company's retained earnings from previous GAAP to BAS:

Opening Balance of retained earnings (under previous GAAP)	2,788,594,120
<i>Add:</i>	
Accrual of unbilled revenue of 2011 [refer Note (e)]	270,109,107
Reversal of proposed dividend of 2011 [refer Note (k)]	254,214,286
Unallocated grant amount treated as prior period adjustment [refer Note (g)]	19,831,891
Prior year income statement charge of Grant now recognized as prior period adjustment [refer Note (f)]	4,677,038
Other prior period income and expense incurred in 2012 adjusted in opening retained earnings	43,667,455
Reversal of excess gratuity liability as at January 1, 2012 [refer Note (i)]	863,922
Reversal of excess Leave liability as at January 1, 2012 [refer Note (i)]	10,848,470
Short fall in mark up to January 1, 2012 for construction contracts [refer Note (b)]	14,209,498
Sub-total	3,407,015,789
<i>Less:</i>	
Recognition of deferred tax liability	(191,813,272)
Balance as at January 1, 2012 (restated)	3,215,202,517

Opening Balance of retained earnings (December 2012 -under previous GAAP)	2,959,015,052
<i>Add:</i>	
Restatement adjustments in opening retained earnings	426,608,397
Income statement adjustments for the year 2012	(3,381,906)
Adjustment of proposed dividend in the year 2012	61,380,649
Bonus issue of shares during the year 2012	(385,942,000)
Balance as at December 31, 2012 (restated)	3,057,680,192

- (n) Adjustments to the Statement of Cash flows

The transition from Previous GAAP to BAS had no significant impact on cash flows generated by the Company.



38. Subsequent events

- i. The Board of Directors has proposed a final dividend in respect of the financial year ended December 31, 2013 of Nu. 31.76 per share, amounting to a total dividend of Nu. 260,083,894 which is subject to approval of the members in the General Meeting to be held on April 14, 2014. These financial statements do not reflect this dividend payable.
- ii. The Board of Directors has proposed an amount of Nu. 510,535,051 as transfer to GIR for the financial year ended December 31, 2013 as part of the GIR policy of the Group, which is subject to approval of the members in the General Meeting to be held on April 14, 2014. These financial statements do not reflect this transfer.
- iii. In line with the Insurance reserve policy of the Company, the Board of Directors has proposed an amount of Nu. 5,037,470 to be transferred to Insurance Reserve for the financial year ended December 31, 2013, which is calculated at 0.4% on the gross asset additions during the year. This is subject to approval of the members in the General Meeting to be held on April 14, 2014 and these financial statements do not reflect this transfer.
- iv. A case has been filed against the Company on the dispute arising out of a contractual issue by one of the supplier. The impact of the claim if any arising out of this dispute shall be determined on the conclusion of the proceeding. The amount involved is to the tune of Nu 61 million.

Signatures to 'Notes 1 to 38' of the Financial Statements For and on behalf of the Board of Directors



(Sonam Tobje)
Chief Financial Officer



(Lekzang Dorji)
Director



(Dasho Bharat Tamang)
Managing Director



(Dasho Penjore)
Chairman



Place : New Delhi

Dated : _____

11 APR 2014

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



(Pawan K. Gupta)
Partner



Membership No. 092529

Firm Registration No. 000346N

Annexure to Auditor's Report

Minimum Audit Requirement 2013

1. The Company has maintained proper records of the fixed assets in the fixed assets register maintained in ERP to show full particulars including quantitative details and situation of the fixed assets. In the fixed assets register though the unit/division wise location is mentioned, however, *the location within the unit/division is not mentioned therein, which needs to be mentioned to ascertain the exact 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 Company 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.* Further, at some units/divisions the physical verification reports were not found to be adequate/proper as the same did not contain the complete particulars/details such as the date / period of verification, team composition or authentication/signatures of the officials who carried out the physical verification. Further, in some cases, the impact of discrepancies noticed in the physical verification has not been given in the accounts as the same, as informed, are under reconciliation. However, considering the nature of the discrepancies as explained to us, there will be no material impact on the accounts.
2. None of the fixed assets have been revalued during the year.
3. As explained to us the physical verification of stores and spares and ISU material etc. were conducted during the year and as the Company 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 reasonable and adequate in relation to the size of the Company and the nature of its business, however, needs to be further strengthened by *retaining the working sheets/supporting papers of the physical verification so carried out.*
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 accounting policy of the Company.
7. The Company has taken secured loan from National Pension and Provident Fund and unsecured loans from the Royal Government of Bhutan. The rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. The Company has not taken any loan from any companies under the same management.
8. **During the earlier year the Company had granted an unsecured advance of Nu. 600 million to its Holding Company M/s Druk Holding and Investments (DHI) at an interest of 8% p.a. which is repayable on May 31, 2014. The rate of interest and other terms and conditions of such advance are not prima facie prejudicial to the interest of the Company. Further, refer to 'Note 36.viii' of the Financial Statements regarding interest free advance of Nu. 400 million given to DHI as per their direction, though the Board of Directors of the Company has not explicitly approved the same. The said advance as per the direction of DHI was adjustable from Group Investment Reserve (GIR), however, the same has been shown as 'Advance to Holding Company' and has been given without any agreement / contract with DHI, in the absence of which, the interest, if any, receivable on the same and the period/terms of adjustment / repayment are not yet prescribed/ determined. As such, whether the said advance is prime facie prejudicial to the interest of Company or not could not be commented by us.**
9. The repayment of the principal amount and payment of interest on the advance granted to its Holding Company in the earlier year has not yet become due and for the advance given during the current year such terms, if any, agreed are not known so far as detailed in above para. Further, other than these advances the Company 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 Company to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive/frequent advances or accumulation of large advance against particular individual has 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 Company 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 Company 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 Company 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 Company 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.
15. As the Company 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 Company has laid down control measures and responsibilities.
16. As the Company 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 Company 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 Company 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 Company 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.*
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 Statement of Comprehensive Income other than those payable under contractual obligations / service rules.
21. In our opinion and according to the information and explanations given to us the Company 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 Company 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 of
&25. internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of material, man hours and labour to respective jobs.
26. The Company is engaged in distribution and sale of electricity, prices for which are regulated by the Bhutan Electricity Authority.
27. The Company 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 Company.
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 Company generally has surplus cash/bank balances and based on future requirements, funds are invested in Fixed Deposit with Banks and in Bonds of Government Companies/Corporations.



31. According to the information and explanations given to us, and on the basis of test examination of books and records, in our opinion and to the best of our knowledge, the activities carried out by the Company are lawful and intra vires to the Articles of Incorporation of the Company.
32. On the basis of our verification and according to the information and explanations given to us, the Company 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 Company has an adequate and effective budgetary control mechanism.
34. As the Company is engaged in transmission and distribution of electricity and in 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 32 of 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 Company. However, the reference is invited to '*Note 36.viii of the Financial Statements regarding interest free advance of Nu. 400 million given to DHI as per their direction, though the Board of Directors of the Company has not explicitly approved the same as stated in the said Note.*
37. The Company 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 Company, 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 Statement of Financial Position as at December 31, 2013 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 Company is not a going concern on the Statement of Financial Position date.
- b) According to the information and explanations given to us by the management and based on the Compliance Checklist compiled by the Company, the Company has complied with all the provisions of The Companies Act of the Kingdom of Bhutan, 2000 except Section 55(c) Re: non mentioning of the address of the registered office on the bill raised for Electricity Energy Consumption, Section 66(5) Re: Delay in payment of dividend after its declaration in Annual General Meeting and Section 71(1.d) Re: Non mentioning of the explanation in the Directors' Report as to the qualification/adverse comments in the Auditors' Report as detailed in the enclosed Compliance Checklist.
- c) *The audit of the Company 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 Company, as comprehensive Compliance Reporting and Recording System of the Company 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 Company has been given in enclosed Exhibit-I.

Place: New Delhi
Date : 11.04.2014



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 2013

RATIO ANALYSIS

Particulars	2013	2012	As per Previous GAP in 2012
GP ratio	0.214	0.201	0.49
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.486	0.515	0.33
Debtors Turnover Ratio (Energy Sales/Average Debtors)	32.035	36.813	7.50
Current Ratio (Current Assets/Current Liabilities)	2.415	1.680	23.69
Quick Ratio (Current Asset-Inventory/Current Liabilities)	2.251	1.518	1.97
Interest Coverage Ratio (Profit before interest & tax/Interest)	9.088	9.434	1.74
Debt Service Coverage Ratio (PAT+Dep+Interest/(Interest + Principal Repayment)	5.040	4.865	13.30
Gearing Ratio (Debt /Gross Value of Fixed Asset)	33.54%	33.84%	33.8%
Gearing on net Fixed asset	45.0%	44.1%	
Debt Equity Ratio (Debt/average Equity)	50.73%	50.42%	
Return on asset (Profit after tax)/average net total assets	7.28%	7.37%	5.17%
Return on equity (return available /Average Equity)	8.06%	7.92%	7.89%

Net Asset	13,463,131,490	12,983,479,838	11,410,161,159
Average Net Asset Block	13,223,305,664	12,196,820,498	-



