



Annual Report 2014

A background image of a sunset. On the left, a large, dark silhouette of a tree with many leaves is visible. On the right, a portion of a Ferris wheel is visible, showing its spokes and some of its cars. The sky is a warm, orange-brown color, and the sun is a bright, glowing orb on the right side, casting a lens flare. The overall mood is peaceful and serene.

Values of BPC

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



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.

CONTENTS



Board of Directors	5
Management Team	7
Directors' Report	8
Company Profile	15
Auditor' Report	20
Exhibit to the Annexure	22
Financial Statement	28

Board of Directors



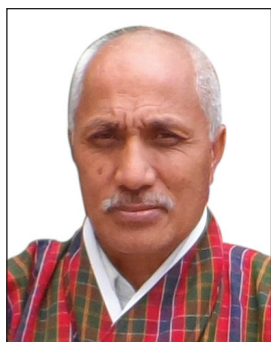
Dasho Tshering Dorji, Chairman

Position: Secretary,
Ministry of Home and Culture Affairs

Education: Masters of Science in Management , Arthur D. Little School of Management, Massachusetts, USA.
B.A Eng (Hons) from Kirori Mal College, University of Delhi, India

Experience: Ambassador to Bangladesh & Thailand.
Chief of Protocol, Ministry of Foreign Affairs

Meeting Attendance: 5/5



Dasho Bharat Tamang, Member Secretary

Position: Managing Director,
Bhutan 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
Superintending Engineer, Projects Planning & Investigation Division, DoE, Ministry of Trade & Industry

Meeting Attendance : 5/5



Mr. Karma P Dorji, Member

Position: Chief Engineer, DHPS
Ministry of Economic Affairs

Education: M.sc in International Development Technology, State University of California (Hambolt University) Arcara, United States
Electrical Engineering, PSG College of Technology, Coimbatore, Tamil Nadu

Experience: Executive Engineer, Planning & Coordination Div, DHPS, MoEA.

Meeting Attendance: 5/5


Mr. Phento Tshering, Member

Position: Chief Forestry Officer, Thimphu Division
Ministry of Forest & Agriculture

Education: M.sc in Mountain Forest Ecology & Management,
University of Natural Resources & Applied Life Sciences
M.sc in Forestry & Administration, Indra Gandhi National
Forest Academy, Dehradun

Experience: Divisional Forest Officer, Wangdue Territorial Forest
Division

Meeting Attendance: 5/5


Mr. Singye Dorji, Member

Position: Chief Executive Officer
Wood Craft Center

Education: Bachelors Degree in Commerce, Sherubtse College

Experience: Executive Director, Lhaki Group of Companies
Managing Director, Bhutan Board Products Limited.

Meeting Attendance: 5/5


Ms. Kesang Chuki Dorjee, Member

Position: Director,
KCD Production

Education: B.A Political Science, Indraprastha College, Delhi
University

Experience: BBS Head of Children & Women Unit, Sr. Producer/
Anchor
Vast Board Member

Meeting Attendance: 5/5


Mr. Sonam Lhundup, Member

Position: General Counsel, DHI

Education: Master of Law Degree (LL.M) from the George
Washington University Law School, Washington DC,
USA.
Bachelor of Law (LL.B) from the University of Mumbai,
India

Experience: Senior Legal Officer with the MoA and as member of the
Land Act Review Committee as its Member Secretary.
Legal Legal Officer at the Policy and Planning Division
of the Ministry of Agriculture

Meeting Attendance: 4/5

Management Team



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

Directors' Report on the Performance of Bhutan Power Corporation Limited for the year 2014

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 2014 to 31st December 2014 to Druk Holding and Investments Ltd. (DHI), the sole Shareholder, and to the other relevant stakeholders.

System Performance

The demand for electricity consumption for domestic purpose has been growing steadily over the years keeping in pace with the growth in the economic activities of the country. The peak demand has reached to 333.14 MW as compared to 314 MW in the previous year. During the year 13,299 customers were added and BPC today serves more than 159,796 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, 2064.300348 Million Units (MU) of energy was purchased from Druk Green Power Corporation Limited (DGPC) during the year as compared to 1,901.7266 Million Units during the previous year. Of the total purchases, royalty energy accounted for 1059.199596 MU for the year as compared to 1,116.0281MU in the previous year. The internal generation from embedded mini and micro hydels owned by the company was 16.699 MU during the year. The total sale for the year was 1,977.182 MU as compared to 1,841.4657 MU in the previous

year reflecting a growth of about 7.37% over the previous year. The energy wheeled by BPC for export to India for DGPC decreased to 5,044.3265MU from 5,557.62726 MU in 2013. On the System Performance, I am happy to report that BPC has been maintaining its system losses at limits comparable within the region. Of the total energy of 7,129.818 MU received by the system during the year, 7,049.132 MU was the total utilization of energy (internal sales including wheeling). This translates the global energy loss for the year to 1.13% as compared to 1.11% in 2013. The domestic T&D loss for the period is 3.87% and for the previous year the loss was 4.30%. The company has been able to maintain its losses and bring in gradual reduction due to timely preventive, planned maintenance and up-gradation of the network system.

The load flow within the system is coordinated and monitored by the National Load Dispatch Center. 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

I am happy to report that the Company has fully adopted the financial reporting standards in line with the Bhutanese Accounting Standards (BAS) from 2013 onwards. With the adoption of the financial reporting system of the company to the BAS, the company's reporting systems are comparable to the International Financial Reporting Standards.

Auditors' Report

The Audit Report for the year contains no adverse comments from the Auditors. The emphasis of matter drawn on the advance of Nu 400 million paid out of the Group Investment Reserve to the Shareholder in 2013 still remains although the shareholder ratified the payment in the AGM last year.

They have made observation on certain internal control weaknesses and areas of improvements required in the asset and inventory management. I am sure that the company will address the weakness in internal control system identified during the year.

Assets

The asset of the company stands at Nu 25,056 million as compared to Nu 23,319 million as on December 31, 2013. The net worth of the company today is Nu 18,871 million as compared to Nu 17,258 million in December 31, 2013.

Borrowings

The funds generated from operating activities are generally adequate to meet the investment activities of the company. The Company has not taken additional borrowing during the year to finance its capital investments. The company has however continued to rely on soft loans provided for financing rural electrification works. These soft borrowings are made available to BPC by the Asian Development Bank (ADB), the Japan International Cooperation Agency (JICA) and the Austrian Federal Government (ADA) on behalf of the Royal Government of Bhutan. During the year, BPC has drawn Nu 135.344 million from JICA, Nu 161.945 million from ADB, and Nu 22.849 million from ADA totaling to Nu 320.138 million. For the previous year, the total borrowings were Nu 537.930 million. The principal repayment of Nu 196.756 million has been made during the year for the existing borrowings. The total borrowings portfolio for the year stands at Nu 6,185.02 million against Nu 6,061.639 million in the

previous year.

Government Grants

The Royal Government of Bhutan still continues to support BPC in network expansion programs. The Company received capital grant of Nu 171.074 million during the year for rural electrification at Soe and Naro under Lingshi Gewog, construction of 132kV D/C Transmission line from Phuntshothang to Motanga and for design, supply and Installation of 2x300kW Wind Power Generation Project at Rubessa, Wangdue. This is to report that the wind generation BPC is constructing will be the first of its kind that will be harnessed through wind in the country.

Construction Contract Works

Apart from constructing network expansion works to provide reliable power supply within country, BPC also executes associated transmission system (ATS) works for Punatshangchhu Hydro Electric Project Authority I & II (PHPA-1 and II) and Mangdechhu Hydro Electric Project Authority (MHPA) for evacuation of power from these generating plants which are under construction. For these works, BPC has received Nu 1,602.86 million, Nu 497.294 million and Nu 1,050.00 million respectively from the Hydropower Project Authorities during the year.

Revenue

Gross revenue of Nu 7,275.06 million has been earned during the year as compared to Nu 6,405.57 million in the previous year. The overall revenue grew by 13.57% from the previous year. The revenue from sale of electricity is Nu 4,032.66 million for the year as compared to Nu 3,346.62 million in 2013. The revenue from wheeling of power decreased to Nu 575.05 million from Nu 623.43 million in 2013. Other revenue earned for the period is Nu 247.84 million as compared to Nu 224.98 million in 2013, an increase in the earning by 10.2%.

The revenue from construction contracts earned during increased from Nu 209.40 million in 2013 to 221.80 million during the year achieving a growth in the earning by 5.9%.

The average tariff for the year is Nu 1.966 per kWh as compared to Nu 1.808 per kWh in 2013.

Operating Expenditure

The total expense incurred for the year including on purchase of power, finance costs and depreciation expenses is Nu 5,681.97 million as compared to Nu 5,033.11 million in the previous year.

Profit, Tax and Dividend

The Company made a net profit after tax of Nu 1,002.97 million for the year as compared to Nu 963.27 million in 2013. The provisionally self-assessed tax for the year is estimated at Nu 590.11 million of which Nu 415.29 million is the current year's tax and Nu 174.83 million in deferred tax expenses.

From the profit earned from the year, the Board of the company proposes and recommends a dividend of Nu 85.72 per share for the year and this translates to total dividend payout of Nu 702.08 million. In addition, and the Board also recommends to transfer of Nu 100.297 million to Investment Reserve and set aside Nu 13.56 million to Asset Replacement Reserve.

Capital Investment

During the year, the company spent Nu 1,668.54 million as compared to Nu 1,570.21 million in the previous year in capital works for network expansion and for augmenting and improving the ageing grid network. This investment represents 1.66 times of the Profit after tax of the current year before dividend. During the year asset worth about Nu 3,388.90 million has been added.

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, and the Mangdechu Hydroelectric, the Corporation spent Nu 2,535.42 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 electrical power network system.

I am very happy to report that the construction of the 66 kV Double Circuit Transmission Lines from Samtse to Sipsoo and Samtse to Gomtu and the construction of 220 kV Double Circuit Transmission Line from Malbase to Samtse was completed, commissioned and capitalised in the year. The works pertaining to the construction of 220 kV substation in Tsirang and Jigmelingwas completed in all respects and capitalised. First time in the history of substation construction in Bhutan, asphalt laying was carried out in the switchyard on account of very high ground resistivity in the substation area.

I am also very happy to report that in order to reach reliable and quality power to Gasa Dzongkhag, BPC is constructing (i) 66 kV Single Circuit transmission line from existing 66 kV substation at Pangrizampa, Thimphu to Damji, Gasa, (ii) 33 kV substation at Damji, Gasa and, (iii) 66 kV bay extension at existing 66 kV substation at Pangrizampa, Thimphu. The construction of the 66 kV Transmission Line from Thimphu to Gasa was tendered out, evaluated and contract was awarded on November 6, 2014 at contract value of Nu. 341.738 million.



Changing of insulator disc of 400kV line (TD).

Major works pertaining to construction of 220/66/33 kV Substation at Dhamdhum, Samtse has been completed and the work is 80% completed.

The construction of 132 kV Double Circuit Tower Type Distribution Line from Motanga-Phuntshothang was tendered out and bids received / evaluated. The work had to be retendered as the bids received were non responsive and therefore, limited bids had to be sought from selected firms. The bids will be received in January 2015. The construction of 132 kV Transmission Line from Kanglung to Phuntshothang and Motanga to Nganglam was tendered out and bids will be received in February 2015.

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 two numbers 400kV D/C transmission lines taken up by BPC as a deposit work for PHPA I for the evacuation of power from Punatsangchhu-I Hydro Electric Project to India is progressing well despite issues and it is 77% completed. The contract schedule of completion by August 2014 could not be met. The revised schedule of completion is June 2016.

Construction of two numbers 400kV D/C transmission lines taken up by BPC as a deposit work for MHPA for the evacuation of power from Mangdechhu Hydro Electric Project

made good progress and 141 tower foundation is casted and 15 tower erection completed after the receipt of the Environment Clearance.

The contract for construction of 400 kV Transmission line from pothead yard Punatsangchhu II in Wangdue to Jigmeing, Sarpang, taken up by BPC as a deposit work for PHPA II, was awarded on January 16, 2014 at a contract value of Nu. 1809.112 million.

During the year, detail survey and EIA study of the transmission line was completed.

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. BPC tried all its efforts to meet the mandate, and at the end of the 10th FYP, BPC achieved 94% coverage. The spillover works were carried forward and in 2014 BPC electrified 3198 households through various RE programs and as of December 2014, BPC has electrified total of 40,852 households achieving the mandates of 10th FYP. The achievement is due to the increase of households which were left out or where new constructions came up in the targeted areas.



Materials being transported manually (DCD).

We are still struggling to reach grid electricity to some difficult and remote areas such as Laya in Gasa, Shingkar Lauri in Samdrup Jongkhar, Kheng Shingkar and Bardo in Zhemgang, Doban/Jigmecholing in Sarpang, Dorora in Dagana, Getana in Chukha and Sombaykha in Haa.

In the 11th FYP, BPC will work towards reaching grid electricity to 3 more remote Geogs of Soe, Naro and Lingshi. Lunana would be the last Geog remaining to be electrified in future.

Last mile RE connectivity was full of challenges. 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 labourers 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 of all challenges, I am proud and happy to report that BPC has made a significant progress and today about 97% of the Bhutanese homes all over the country have access to grid electricity supply as compared to 94% in the previous years. Maintaining the reliability of supply of the extended grid network at affordable price will be a challenge.

System Improvement works

System improvement is a continuous activity in BPC. It is necessary in order to improve the supply reliability and meet the increasing power demand. Also, such system improvement works help improve safety and reduce energy loss. Old infrastructures that have lived their life or lines that are overloaded are replaced with new infrastructures of suitable types and sizes.

In the distribution system, measures are taken to reduce under-sizing of conductors, and the squirrel conductors (smallest size of conductor in the BPC system) are no longer procured



Chopper used for transporting materials (DCD).

and used in the system. Existing ones are being continuously replaced by monitoring their load and useful life. As part of distribution system capacity addition and improvement works, BPC in 2014 constructed 33/11 kV substations at Babesa, Samdrup Jongkhar, Mongar, Lungtenphug and Sibsü and carried up-gradation of 5 MVA (2 x 2.5 MVA) RICB substation in Thimphu to 10 MVA (2 x 5 MVA).

In the transmission system, relay retrofitting works were carried out in Haa, Watsa, Lobeysa and Tintibi substations. Newly established Control and Protection Division in collaboration with the of maintenance team of the substation maintenance divisions completed the works successfully. Re-alignment of 220kV Rurichhu-Semtokha line at Semtokha was carried out. Regular maintenance works were hampered due to these re-alignment works.

Corporate Governance

To enhance the good governance and to provide strategic guidance to the company nine numbers of Board Meetings were held. The Annual General Meeting for the year 2013 was held on 14th April, 2014. Besides regular board meetings, two Board Audit Committee meetings and 6 number of Board Tender Committee meetings were also held 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.

Human Resources Management Initiatives

The company attaches high priority in developing its human resources and capacity building. A total of 1276 employees were trained in-country and 434 were trained ex-country achieving 14466 man-days of training for 2014. As on 31st December 2014, there were 17 employees pursuing Masters Degree abroad and 5 pursuing Diploma/Advance Diploma. During the same period, 4 employees completed Masters Degree and 5 completed Diploma courses and returned to the country to contribute in system improvement and upgradation. In the year, BPC instituted Employee Grievance Redressal Procedure of Bhutan Power Corporation Limited (BPC - GRP). This document has incorporated the requirements of the Labour & Employment Act of Bhutan 2007 and the Grievance Procedure Regulation, 2009 and is on the final stage of publication. The purpose of this document is to provide an effective Grievance Redressal Mechanism for efficient and speedy disposal of any grievances related to the employees.

In order to outline long term HR requirements of the company, BPC has developed HR Master-plan 2014-2020. Master plan covers all aspects of human resource operation and strategies, which provides guidance for decision-making, reference for human resource planning and management, etc. The Master Plan Report will function as a broad guideline to BPC on numerous HR development and management issues in its march towards achieving the Company's vision and mission targets.

BPC also revised BPC Service Rules & Regulations to meet the human resources requirements and strategy to retain its employees. After the approval of the Board, BPC sought approval/endorsement of DHI on certain provisions and will be fully implemented once BPC receives endorsement/approval of DHI.



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.

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:

1. Right of ways and clearance issue for new power infrastructures and their constructions.
2. Shifting and relocating of the existing lines at all voltage levels.
3. Disruption in the supply in the vast grid network of power system due to force majeure conditions (wind, storm, thunder, lightening, snow, rain and sometimes man made)

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

(Tshering Dorji)
Chairman



Team work to pull the conductor (TD).

Company Profile

Bhutan Power Corporation Limited (BPC) was formed as an offshoot of the erstwhile Department of Power, the then Ministry of Trade and Industry and was launched as 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. Later the ownership was transferred to Druk Holding and Investment Limited (DHI), the commercial arm of the Royal Government of Bhutan, established in 2007 upon issuance of Royal Charter in 2007 “to hold and manage the existing and future investments of the Royal Government for the long term benefit of the people of Bhutan”

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 business

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 Limited (DGPC) for export to India. 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. BPC tried all its efforts to meet the mandate, and at the end of the 10th FYP, BPC achieved 94% coverage. The spillover works were carried forward and in 2014 BPC electrified 3198 households through various RE programs and as of December 2014, BPC has electrified total of 40,852 households achieving the mandates of 10th FYP. The achievement is due to the increase of households which were left out or where new constructions came up in the targeted areas.

We are still struggling to reach grid electricity to some difficult and remote areas such as Laya in Gasa, Shingkar Lauri in Samdrup Jongkhar, Kheng Shingkar and Bardo in Zhemgang, Doban/Jigmecholing in Sarpang, Dorora in Dagana, Getana in Chukha and Sombaykha in Haa.

In the 11th FYP, BPC will work towards reaching grid electricity to 3 more remote Geogs of Soe, Naro and Lingshi. Lunana would be the last Geog remaining to be electrified in future.

BPC is also entrusted for 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 to 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. BPC was also given two new licenses by Bhutan Electricity Authority (BEA) i.e., License to construct and operate 500kW Rubesa Wind Power Plant and License for System Operation of Power System in the Kingdom of Bhutan.

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 400kV lines and Inter-connecting power pooling substations required for evacuation of power from these mega hydropower plants upto the Bhutan-India border.

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, maintain the vast gridded 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 (66kV up to 400kV)	Distribution system(400/230 V up to 33kV)	Total
Overhead lines	1096.655 km	12,749.72 km	13,846.375 km
Underground lines	6.02 km	469.07 km	475.09 km
Transmission Towers	3295 Towers	-	3925 Towers
Transformer capacities	949.59 MVA	504.063 MVA	1,453.653 MVA
Number of Transformers (including 33 kV)	81 Numbers	4,287 Numbers	4368
Generation Capacity (Diesel)			8238 KVA
Generation Capacity (small hydro)			7920 KW
Total Generation Capacity			15,334 KW
Total Energy purchased (2014)			2064.30GWh
Total Energy sold (2014)			2004.83 GWh
Total Energy Wheeled(2014)			5044.33 GWh
Total Energy Generated (2014)			16.699 GWh
Peak Domestic Demand			333.41 MW
Customer Connections			
Residential			158,952
LV Bulk			778
MV			51
HV			15
Losses			
Global Loss			3.87%
Distribution Loss			8.75 %
Transmission Loss			0.5%

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 91,558 customer calls during the year (March to December). Our customer satisfaction index was 3.79 out of 5 for the year 2014 based on third party survey result.

New Connections

13,299 customers were added to the network system during the year 2014.

Safety

In the year 2014, BPC has suffered a number of fatal accidents to its employees and daily wage workers while carrying out operation and maintenance of the electricity supply services across the country. There were two fatal accidents, one at Dagapela and the other at Bidung, Trashigang, where five (5) lives were lost, and a non-fatal one at Bumthang. The main cause of the accidents were non-compliance to safety norms and non-adherence to the safety management system as pointed out by the Bhutan Electricity authority (BEA) in their compliance orders issued to BPC. Since the accidents are preventable in nature and being repetitive violation, BEA had penalized BPC with fines to the tune of Nu. 1.97 million. BPC Management has initiated administrative actions as per BPC Service Rules and Regulation 2010 to the concern officials/staff responsible for the incidents.

The BPC budget for 2015 had accorded top most priority on safety and declared the budget theme as “Ensuring Safety and Security at all times”. Hence, a number of safety initiatives are being taken. The following are the activities being under taken:

Creating awareness and training of field staff

on the use of hot stick for replacement of HV fuse of transformer also termed as stickology is being taken up region wise. This will drastically reduce accidents related to GO switch mis-operation and replacement of HV fuse.

BPC will engage a consultant to review the present safety plan and policies as well as review the safety management system of BPC. Also conduct in-house training on behavioral change program on safety for the management members and staff of all levels

Our people



Poles transported manually to the sites (DCD).

We recognize 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 and improvements in practices and processes for delivery of quality services. We have also mutual respect for each other.

As 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 was 3.73 which is equivalent to 74.6% falling between fair and good but is above satisfactory level. The index has increased/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 achievement.

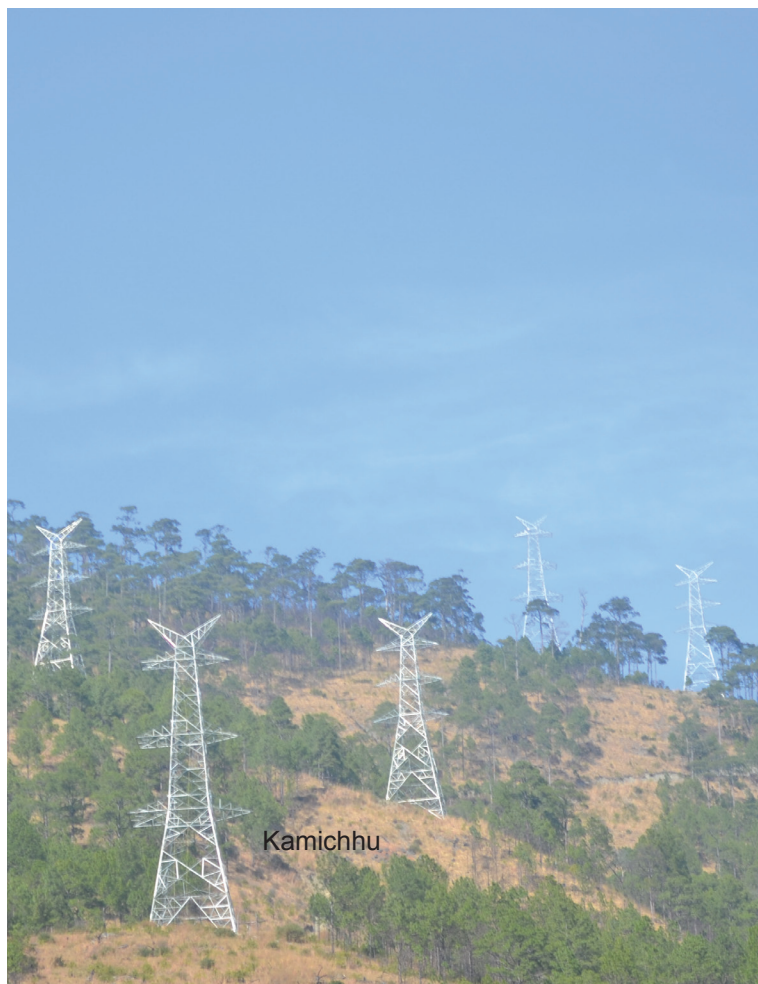
Employee Statistics

Engineer	1609
Others	662
Total	2271
Composition of work force	
Male	1850
Female	421
Recruited during the year	177
Separated during the year	11

Financial Performance for the year

1. Annual turnover for 2014 is Nu 7,275.06 million as compared to Nu 6,405.56 million in the previous year representing an overall growth by about 13.57% from the previous year.
2. The revenue earned from electricity sale is Nu 4,032.66 million as compared to 3,346.62 million in the previous year translating to a growth of 20.50%.
3. The revenue earned from wheeling is Nu 575.05 million as compared to Nu 623.43 million in the previous year.
4. The gross revenue from Construction Contract is Nu 2,419.40 million.
5. Other revenue earned is Nu 247.839 million.
6. The average tariff for the year is Nu 1.966 per kWh.
7. Total expense for the year is Nu 5,681.97 million including purchase of power, construction expense, finance Costs and depreciation.
8. Profit after tax earned for the year is Nu 1,002.97 million.
9. The asset of the company stands at Nu 25,056 million as compared to Nu 23,319.49 million as on December 31, 2013.
10. The net worth of the company today is Nu 18,871.42 million as compared to Nu 17,257.85 million in December 31, 2013.
11. Cash flow for the year is positive by Nu 1,096.63 million.
12. Capital investment for the year is Nu 1,668.54 million.
13. Amount spent for construction contracts including advance is Nu 2,535.42 million.

18 Ensuring Safety and Security at all times

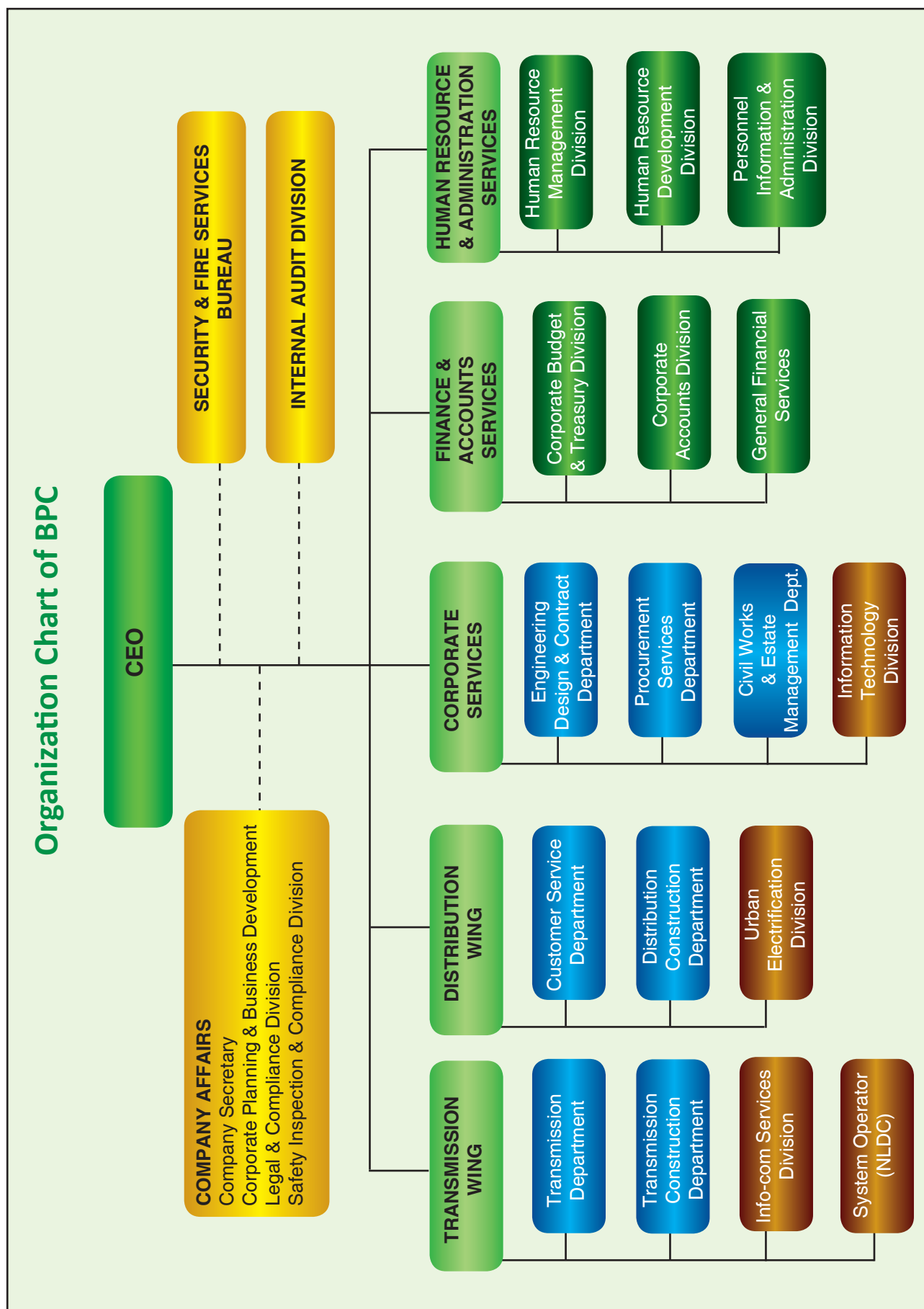


14. Property, Plant and Equipment at cost was Nu 23,895.94 million of which Nu 2,435.72 million is in Capital Work in Progress. 13,035.62 million of which Nu 8,190.191 is Paid up capital.
15. Gross asset added during the year is Nu 3,388.99 million.
16. The total Share Holders Equity is Nu
17. The total debt outstanding for the year is Nu 6,185.02 million.
18. Earnings Per Share
 Basic EPS (Nu) 122.46
 Diluted EPC (Nu) 121.94

Key Financial Ratios

Particulars	2014	2013
GP ratio (Profit before Income tax/Total Revenue)	0.219	0.214
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.493	0.487
Debtors Turnover Ratio (Energy Sales/Average Debtors)	31.747	32.035
Current Ratio (Current Assets/Current Liabilities)	1.674	1.638
Quick Ratio (Current Asset-Inventory/Current Liabilities)	1.602	1.537
Interest Coverage Ratio (Profit before interest & tax/Interest)	13.391	9.088
Debt Service Coverage Ratio (PAT+Dep+Interest/(Interest + Principal Repayment)	5.979	5.040
Gearing Ratio (Debt /Gross Value of Fixed Asset)	28.82%	33.54%
Gearing on net Fixed asset	38.5%	45.0%
Debt Equity Ratio (Debt/average Equity)	48.88%	50.73%
Return on asset (Profit after tax)/average net total assets	6.79%	7.32%
Return on equity (Return available /Average Equity)	7.93%	8.06%





Auditors Report

S.P. CHOPRA & CO.

Chartered Accountants

31-F, Connaught Place

New Delhi- 110 001

Tel: 91-11-23313495-6-7

Fax: 91-11-23713516

Website : www.spchopra.in

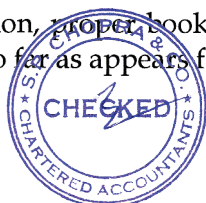
E-mail: spc1949@spchopra.in

spc@bol.net.in

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, 2014, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of 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;



: 2 :

- (c) the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows dealt with by this report are in agreement with the books of account.
5. In our opinion and to the best of our information and according to the explanations given to us, the financial statements are prepared in accordance with the requirements of 'The Companies Act of The Kingdom of Bhutan, 2000' and the 'Bhutanese 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, 2014;
 - 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 :

- 4 APR 2015



For S.P.CHOPRA & CO.

Chartered Accountants

Firm Registration no. 000346N

(PAWAN K. GUPTA)

Partner

Membership No. 092529

+

Exhibit to the Annexure

ANNEXURE TO AUDITORS' REPORT

(Referred to in paragraph 3 of our Report of even date)

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 so carried out. Further, in some units/divisions the physical verification reports were not found to be adequate/proper to depict the physical verification as the same were not containing the complete particulars/details such as the date / period of verification, 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.
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.



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8. The Company in the earlier year had given an *interest free advance of Nu. 400 million to its Holding Company (DHI). The same has been shown as 'Advance to Holding Company' and has been given without entering into any agreement / contract with DHI, in the absence of which, the purpose of advance and period/terms of adjustment / repayment thereof are unknown so far. 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 terms of adjustment / repayment of interest free advance of Nu. 400 million given to the Holding Company (DHI) are not known so far as detailed in above para. Further, other than the said advance 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.



Contd..p/3

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 allocating man-hours utilized to the respective jobs, commensurate with the size of the Company and nature of its business.



Contd..p/4

: 4 :

25. There is a reasonable system of authorization at proper levels, and adequate system of internal control commensurate with the size of the Company and nature of its business, on issue of stores and allocation of material and labour to the 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 are disclosed in Note 33 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 found to be complied with by the Company.



Contd..p/5

: 5 :

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 :
- 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.
 - Adequate safeguard measures and backup facilities exist in the organization.
 - Adequate backup facilities and disaster recovery measures including keeping the files in different and remote locations is in place.
 - The operational controls were generally found to be adequate to ensure correctness and validity of input data and output information.
 - Adequate measures are in place to control unauthorized access over computer installations and files.
39. General :
- Based on the net asset position reflected by the Statement of Financial Position as at December 31, 2014 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.
 - According to the information and explanations given to us and based on the Compliance Checklist compiled by the Company, the Company has complied with the provisions of The Companies Act of the Kingdom of Bhutan, 2000.
 - 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.*



Contd..p/6

S.P.CHOPRA & CO.

Continuation sheet

: 6 :

- d) Financial and Operational Resume of the Company has been given in enclosed Exhibit-I.

Place : New Delhi
Dated:

4 APR 2015



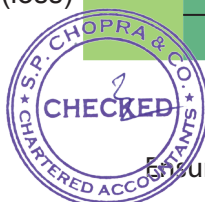
For S.P.CHOPRA & CO.
Chartered Accountants
ICAI Firm Regn. No. 000346N

(PAWAN K.GUPTA)
Partner
Membership No. 092529

Financial Statement

Statement of Financial Position

	Note	As at	
		December 31, 2014	December 31, 2013
Current assets			
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,401,306,634	17,543,536,330
Intangible assets	6	96,108,373	108,980,532
Investments	7	-	300,000,000
Trade & other receivables	8	199,330	12,084,985
Long-term loans and advances	9	513,858,635	575,135,790
Other non-current assets	10	437,507,988	-
Total non-current assets		19,448,980,960	18,539,737,637
Current assets			
Inventories	11	243,455,211	293,074,902
Investments	7	300,000,000	-
Amounts due from customers for contract work	12	422,899,516	517,537,097
Trade & other receivables	13	130,711,090	137,003,950
Cash and cash equivalents	14	2,379,916,062	1,285,285,949
Short-term loans and advances	15	781,554,958	1,511,040,090
Other current assets	16	1,348,922,860	1,035,810,745
Total current assets		5,607,459,697	4,779,752,733
Total Assets		25,056,440,657	23,319,490,370
EQUITY AND LIABILITIES			
Shareholder's Equity			
Share Capital	17	8,190,191,000	8,190,191,000
Retained earnings		3,932,673,019	3,705,358,937
Investment Reserve		916,304,916	405,764,916
Asset Replacement Reserve		74,117,037	69,077,037
Accumulated other comprehensive income/ (loss)		(77,670,430)	(96,694,566)
Total equity		13,035,615,542	12,273,697,324




Liabilities**Non-current liabilities**

	Note	December 31, 2014	December 31, 2013
Deferred grants	19	918,352,779	773,535,321
Deferred Customer's Contribution	20	3,204,880	-
Amounts due to customers for contract work	12	77,664,316	81,935,850
Employee benefit liabilities	21	307,685,539	337,034,049
Deferred Income Tax liabilities (net)	22	480,369,787	305,542,154
Other non-current liabilities	23	896,481,543	764,008,953
Total Non-current liabilities		8,672,021,702	8,126,938,867

Current liabilities

Borrowings	18	196,757,453	196,757,453
Deferred grants	19	20,972,254	16,022,046
Deferred Customer Contribution	20	112,452	-
Amounts due to customers for contract work	12	2,034,541,505	1,272,249,697
Trade & other payables	24	357,086,401	961,922,985
Employee benefit liabilities	21	172,554,807	143,690,521
Income tax payable (net of advance)	25	233,181,272	132,625,317
Other current liabilities	26	333,597,269	195,586,160
Total current liabilities		3,348,803,413	2,918,854,179
Total liabilities		12,020,825,115	11,045,793,046
Total equity and liabilities		25,056,440,657	23,319,490,370

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

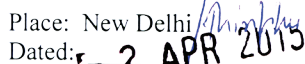

Chief Financial Officer

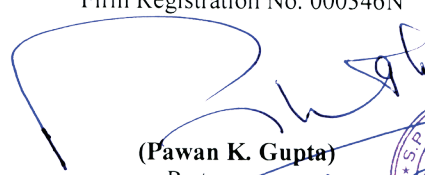

Director


Managing Director


Chairman

As per our report of even date attached
For S.P. CHOPRA & CO.
Chartered Accountants
Firm Registration No. 000346N

Place: New Delhi
Dated:  2 APR 2015


(Pawan K. Gupta)
Partner
Membership No. 093539



Statement of Comprehensive Income

For the year ended			
	Note	December 31, 2014	December 31, 2013
Revenue			
Income from sale of electricity		4,032,661,485	3,346,621,611
Income from construction contracts	27	2,419,503,773	2,210,533,317
Wheeling charges		575,053,223	623,431,238
Other income	28	247,839,377	224,978,639
Total Revenue		7,275,057,858	6,405,564,805
Expenditure			
Purchase of electricity		1,493,389,240	1,151,658,271
Construction material consumed and sub-contracting charges		2,197,708,575	2,001,129,967
Operation and maintenance expenses	29	267,902,009	233,854,641
Employee benefit expenses	30	689,582,338	674,719,437
Finance costs	31	128,572,118	169,690,881
Loss/(gain) on foreign currency fluctuation (net)		2,523,716	(2,000,685)
Depreciation and amortization expenses		813,619,900	713,891,421
Other expenses	32	88,673,400	90,164,791
Total Expenditure		5,681,971,296	5,033,108,724



Profit before income tax

Tax expenses

- Current tax

- Deferred tax

Net Profit for the year

Earnings per share ('EPS')

Basic EPS (Nu.)

Diluted EPS (Nu.)

Profit for the year


Other comprehensive income (loss):

Actuarial gains/ (loss)

Total comprehensive income for the year

For the year ended		
Note	December 31, 2014	December 31, 2013
	1,593,086,562	1,372,456,081
25		
	415,284,847	351,630,058
	174,827,633	57,552,343
	1,002,974,082	963,273,680
33		
	122.46	117.77
	121.94	117.77
	1,002,974,082	963,273,680
	19,024,136	(9,608,498)
	1,021,998,218	953,665,182

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


Chief Financial Officer


Director


Managing Director



Chairman

As per our report of even date attached

For S.P. CHOPRA & CO.

Chartered Accountants

Firm Registration No. 000346N

Place: New Delhi
Dated:  2 APR 2015

(Pawan K. Gupta)

Partner

Membership No. 093529



Statement of Changes in Equity for the year ended December 31, 2014

	Equity Share capital Refer Note 17	Retained earnings	Investment Reserve	Asset Replacement Reserve	Actuarial gains/(losses)	Total Equity
Balance as at January 1, 2014	8,190,191,000	3,705,358,937	405,764,916	69,077,037	(96,694,566)	12,273,697,324
Net profit for the year		1,002,974,082				1,002,974,082
Other comprehensive income:						
Actuarial gains (losses)					19,024,136	19,024,136
Transfer to Investment Reserve		(510,540,000)	510,540,000			-
Transfer to Asset Replacement Reserve		(5,040,000)		5,040,000		-
Transaction with the owners						
Payment of Dividends for the year 2013		(260,080,000)				(260,080,000)
Balance as at December 31, 2014	8,190,191,000	3,932,673,019	916,304,916	74,117,037	(77,670,430)	13,035,615,542

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, 2013

	Equity Share capital Refer Note 17	Retained earnings	Investment Reserve	Transmission System Buy Back Reserve	Asset Re-placement Reserve	Actuarial gains/(losses)	Total 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 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 Cash Flow

	For the year ended	
	December 31, 2014	December 31, 2013
Cash flows from / (used in) operating activities		
Profit before income tax	1,593,086,562	1,372,456,081
Adjustments for:		
Depreciation and amortization	813,619,900	713,891,421
Net loss / (gain) on sale of property, plant and equipment	8,763,180	17,181,873
Interest expenses	128,572,119	169,690,881
Interest income	(89,717,467)	(112,629,193)
Provision for doubtful debts	(1,178,989)	427,550
Provision for obsolescence of Inventory	(983,375)	-
Liabilities/provisions no longer required, written back	(1,435,894)	(66,676)
Amortization of Government grants	(21,306,399)	(15,597,419)
Amortization of deferred customer contribution	(56,226)	-
Operating profit before working capital changes	2,429,363,411	2,145,354,516
Decrease / (Increase) in Inventories	50,603,065	23,827,029
Decrease / (Increase) in amount due from customer contract works	94,637,582	2,462,830,761
Decrease / (Increase) in Trade and other receivables	(301,522,018)	(560,405,477)
Increase / (Decrease) in Amounts due to customers for contract work	758,020,274	(2,047,159,149)
Increase / (Decrease) in Trade and other payables	(312,185,152)	245,223,068
Net cash generated from operating activities before income tax	2,718,917,162	2,269,670,747
Income tax paid, net of refunds received	(314,728,892)	(315,081,078)
Net cash generated from operating activities	2,404,188,270	1,954,589,670
Cash flows from / (used in) investing activities		
Purchase of property, plant and equipment and Intangible assets	(1,668,539,090)	(1,570,212,613)
Receipt/(repayments) of government grants	171,074,065	5,489,749



	For the year ended	
	December 31, 2014	December 31, 2013
Receipt/(repayments) of Deferred customer contribution	3,373,558	
Proceeds from sale of property, plant and equipment	1,257,865	48,642,648
Inter-Corporate deposit to Holding Company	600,000,000	(400,000,000)
Redemption of bank term deposits (net)	(332,644,394)	567,583,781
Interest received	183,383,568	71,078,768
Net cash generated from investing activities	(1,042,094,428)	(1,277,417,667)
Cash flows from / (used in) financing activities		
Proceeds from Borrowings	320,137,771	537,930,288
Issue of share Capital	-	11,212,000
Repayment of Borrowings	(196,757,453)	(196,757,453)
Interest paid	(130,764,047)	(215,833,294)
Payment of dividend on ordinary shares	(260,080,000)	(315,594,935.0)
Net cash used in financing activities	(267,463,729)	(179,043,394)
Net increase in cash and cash equivalents	1,094,630,113	498,128,609
Cash and cash equivalents at beginning of the year	1,285,285,949	787,157,340
Cash and cash equivalents at end of the year	2,379,916,062	1,285,285,949

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

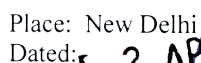

Chief Financial Officer


Director

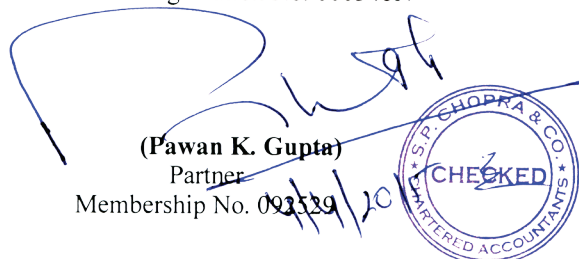

Managing Director


Chairman

As per our report of even date attached
For S.P. CHOPRA & CO.
Chartered Accountants
Firm Registration No. 000346N

Place: New Delhi
Dated: 

2 APR 2015


(Pawan K. Gupta)
Partner
Membership No. 093529



Statement of Cash Flow

1. General information

Bhutan Power Corporation Limited ('Company') is a wholly owned subsidiary of Druk Holding & Investments (DHI), 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

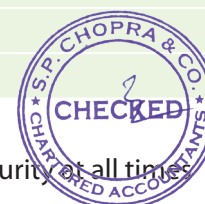
power from Hydropower Plants to the Bhutan-India border.

The financial statements of the Company for the year ended December 31, 2014 were authorized for issue in accordance with the resolution of the Board of Directors dated April 02, 2015.

2. Bhutanese Accounting Standards (BAS)

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 from the year 2013 onwards 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 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 Capital Management

The Company manages its funds / capital so as to ensure that funds are available to meet future commitments, working capital requirements and also the dividend and tax expectations of the its holding Company Druk Holding & Investments and Royal Government of Bhutan. Capital expenditure is mostly met from operating cash flows and fixed term borrowing are made only for major capital projects and such borrowings are repaid when the project is completed and is generating positive cash flows.

3.3 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.

3.4 Property, plant and equipment

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 3.18 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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 markup/fee construction contracts.



The 'recoverable costs incurred on the contract plus an addition of the fixed markup / fee agreed with the customer under the contractual terms' as at the date of Statement of Financial Position is treated as Work in Progress - 'Construction Contracts'.

Progress billing and advances are deducted from the value of the Work in Progress - '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 3.21.

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.

3.10 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 Statement of Financial Position 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.

3.11 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.

3.12 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.

3.13 Inventories

Inventory consists of stores and spares held for operation and 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.

3.14 Investment and Asset Replacement Reserve

The nature and purpose of these reserves are as follows:

i. Investment Reserve:

The reserve created during the earlier year/s 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 Investment Reserve 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. Asset Replacement Reserve:

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

3.15 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.

3.16 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.

3.17 Customer's Contribution for network construction / expansion

Contribution received from customers towards the construction / extension of distribution network / assets at the customer's site is treated as Deferred Customer's Contribution in the Statement of Financial Position and is recognized to the Statement of Comprehensive Income on a systematic basis over the useful life of the related distribution network / assets and the distribution network / assets are capitalised under Property, plant and equipment.

3.18 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.

3.19 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.

3.20 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.

The employees of the Company are covered under an insurance policy with death claim benefit in the event of death of the employee while in service and within the policy term. The policy has been underwritten through Single premium which will be refunded at the end of policy period/term with pre-decided/fixed policy bonus / benefit and after deduction of death claim paid within the policy term. The Single premium paid has been considered as 'Deposit against Employees Insurance Policy' and the death claims paid/payable are accounted for as expense and are reduced from the same during the year of incurrence / intimation of death claim and the policy bonus / benefit is accounted for as income and added to the same on prorated basis over the Policy period/ term by credit to 'Other Income'.

3.21 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 are 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.

3.22 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.

3.23 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.

3.24 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 equipment's	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2014							
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	-	(335,187,691)	(428,685,712)	(3,275,821,337)	(487,974,278)	-	(4,527,669,018)
Book Value	68,675,374	1,256,573,449	286,300,198	11,286,444,624	456,157,313	4,189,385,372	17,543,536,330
Changes in book value during the year							
Additions	100,003	401,131,496	6,010,090	2,851,658,396	137,402,814	(1,753,669,043)	1,642,633,755
Disposals and sales	-	(3,134,807)	-	(12,446,932)	(17,636,212)	-	(33,217,952)
Depreciation on disposals	-	1,570,097	-	6,824,533	14,802,278	-	23,196,907
Depreciation	-	(66,934,378)	(41,025,953)	(537,431,733)	(129,450,342)	-	(774,842,406)
Total changes in book value	100,003	332,632,407	(35,015,864)	2,308,604,263	5,118,537	(1,753,669,043)	857,770,304
Balance as at December 31, 2014							
Cost	68,775,377	1,989,757,828	720,995,999	17,401,477,425	1,063,898,193	2,435,716,329	23,680,621,152
Accumulated depreciation	-	(400,551,972)	(469,711,665)	(3,806,428,537)	(602,622,343)	-	(5,279,314,517)
Book value	68,775,377	1,589,205,856	251,284,334	13,595,048,888	461,275,855	2,435,716,329	18,401,306,634



Property, plant and equipment (Contd.)

Particulars	Freehold Land	Building and Civil Structures	Generation equipment's	Network System	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2013							
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	-	(287,553,009)	(395,108,106)	(2,802,805,127)	(395,030,053)	-	(3,880,496,295)
Book Value	66,353,374	1,266,686,304	315,552,461	10,710,403,974	479,608,862	3,878,540,352	16,717,145,327
Changes in book value during the year							
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 & 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
Balance as at December 31, 2013							
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	-	(335,187,691)	(428,685,712)	(3,275,821,337)	(487,974,278)	-	(4,527,669,018)
Book value	68,675,374	1,256,573,449	286,300,198	11,286,444,624	456,157,313	4,189,385,372	17,543,536,330



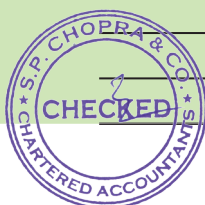
- 5.1 Capital work-in-progress as at December 31, 2014 and December 31, 2013 comprise the following:

Particulars	As at December 31, 2014	As at December 31, 2013
Generation equipments	24,027,370	20,827,980
Transmission lines	497,677,964	1,270,558,737
Distribution Assets	1,643,498,748	2,557,838,643
Optical fibers	306,936	-
Buildings	134,349,115	258,629,948
Other Civil Structures	17,826,986	17,553,808
Others	18,311,896	6,365,582
Advance for works	99,717,315	57,610,674
Total	2,435,716,329	4,189,385,372

- 5.2 Borrowing costs amounting to Nu 2,389,037 and Nu.1,67 4,300 has been capitalized by the Company for the year ended December 31, 2014 and December 31, 2013 respectively on qualifying assets at an nominal interest rate as defined in the respective Loan agreement.
- 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 against issue of Share Capital to DHI.
- 5.4 Gross carrying value includes Fixed Assets of Nu. 34.92 million transferred from Gaeddu College of Business Studies against which shares are pending to be issued to the Government / DHI.
- 5.5 Property, plant and equipment are pledged as securities for borrowings.[Refer note 18.1]
- 5.6 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, 2014	As at December 31, 2013
Opening gross carrying value (i)	188,978,009	187,697,454
Additions	25,905,335	1,280,555
Disposals	-	-
Closing gross carrying value(ii)	214,883,344	188,978,009
Opening accumulated amortization (iii)	(79,997,477)	(42,822,591)
Addition	(38,777,494)	(37,174,886)
Closing accumulated amortization (iv)	(118,774,971)	(79,997,477)
Net carrying value (ii-iv)	96,108,373	108,980,532



7. Investments

	As at December 31, 2014	As at December 31, 2013
Long Term - Other Investments - Unquoted:		
300,000 RICBL Bonds Series II at Nu. 1,000/- per bond	300,000,000	300,000,000
Total	300,000,000	300,000,000

Investments analyzed as follows:

	As at December 31, 2014	As at December 31, 2013
Current portion	300,000,000	-
Non-current portion	-	300,000,000
Total	300,000,000	300,000,000

8. Trade & other receivables

	As at December 31, 2014	As at December 31, 2013
Security Deposit for Land Lease	199,330	-
Receivable against supply of electricity	-	12,084,985
Total	199,330	12,084,985

9. Long-term loans & advances

	As at December 31, 2014	As at December 31, 2013
Advance to contractors	505,205,117	572,956,095
Prepaid Expenses	8,321,930	-
Advances to employees		
- Bike Loan	138,189	1,992,000
- Welfare Loan	193,399	187,695
Total	513,858,635	575,135,790



10. Other non-current assets

	As at December 31, 2014	As at December 31, 2013
Deposit against Employee Insurance Policy (Refer Note 37 (vi))	437,507,988	-
Total	437,507,988	-

11. Inventories

	As at December 31, 2014	As at December 31, 2013
Stores and spare parts	205,102,477	245,912,682
Stock- ISU	48,031,199	57,230,595
Stock –Uniform	1,357,157	1,950,622
Less: Provision for obsolete inventory	(11,035,622)	(12,018,997)
Total	243,455,211	293,074,902

12. Amounts due from/to customers for contract work

	As at December 31, 2014	As at December 31, 2013
<u>Amounts due from customers for contract work</u>		
Work in progress -Construction Contracts	5,766,065,531	4,633,041,476
Less: Progress billing and advances received	5,343,166,015	4,115,504,379
Total	422,899,516	517,537,097
<u>Amounts due to customers for contract work</u>		
Work in progress -Construction Contracts	1,632,284,747	416,593,281
Less: Progress billing and Advances received	3,744,490,568	1,770,778,828
Total	(2,112,205,821)	(1,354,185,547)
<u>Recognized and included in financial statements as:</u>		
Amounts due from customers for construction contracts		
- Current portion	422,899,516	517,537,097
- Non-current portion	-	-
Amounts due to customers for construction contracts		
- For short term contract	77,664,316	81,935,850
- For long term contract	2,034,541,505	1,272,249,697
Total	(2,112,205,821)	(1,354,185,547)



13. Trade & other receivables

	As at December 31, 2014	As at December 31, 2013
Receivables against transmission and supply of electricity	138,693,118	146,164,967
Less: Provision for doubtful debts	(7,982,028)	(9,161,017)
Total	130,711,090	137,003,950

14. Cash and cash equivalents

	As at December 31, 2014	As at December 31, 2013
Cash in hand	2,305,369	2,527,820
Bank balances in current accounts	2,367,458,994	1,274,436,354
Balance with bank towards Staff Welfare Fund	10,151,699	8,321,775
Total	2,379,916,062	1,285,285,949

14.1 There are no restricted cash and cash equivalents.

15. Short-term loans and advances

	As at December 31, 2014	As at December 31, 2013
Advance to Holding Company	400,000,000	1,000,000,000
Advances to suppliers	24,820,233	213,903,174
Advances to contractors	325,780,073	271,881,326
BST Receivable	313,000	313,000
Advances to employees		
- Travel and salary advance	25,250	1,855,570
- Expenses	257,994	810,487
- Bike Loan	1,556,849	2,149,576
- Welfare Loan	606,362	457,455
Prepaid expenses	9,642,754	3,589,498
Other advances (Refer Note 15.1)	18,552,443	16,080,004
Total	781,554,958	1,511,040,090

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



16. Other current assets

	As at December 31, 2014	As at December 31, 2013
Interest accrued:		
- on fixed deposits (Refer Note 16.1)	29,245,709	49,469,185
- on RICBL Bonds	9,692,055	9,692,054
- on advance paid to Holding Company	-	73,442,626
Fixed deposits having original tenure of more than three months		
- with Bank for Gratuity liability (Refer Note 37 (i))	98,182,053	327,544,555
- other fixed deposits	827,335,209	265,328,313
Accrued Unbilled Debtor	367,850,647	287,518,681
Other receivables	16,617,187	22,815,331
Total	1,348,922,860	1,035,810,745

16.1 Includes interest accrued of Nu. 5,046,289 (Previous Year: Nu. 14,672,904) on fixed deposits held with Banks towards Gratuity Liability.

17. Share Capital

	As at December 31, 2014	As at December 31, 2013
Authorized:		
15,000,000 Equity Shares of Nu. 1,000/- each	15,000,000,000	15,000,000,000
Total	15,000,000,000	15,000,000,000
Issued, Subscribed and fully Paid up:		
8,190,191 Equity Shares of Nu. 1,000/- each	8,190,191,000	8,190,191,000
Total	8,190,191,000	8,190,191,000

17.1 All ordinary shares are ranked equally. Fully paid shares carry one vote per share and carry 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)

17.2 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: 3,314,363) have been allotted pursuant to conversion of grant of Royal Government of Bhutan.



17.3 Reconciliation of Equity shares Outstanding

	As at December 31, 2014	As at December 31, 2013
At the beginning of the year		
- Number of shares	8,190,191	8,178,979
- Amount (in Nu.)	8,190,191,000	8,178,979,000
Add: issued during the year		
- Number of shares	-	11,212
- Amount (in Nu.)	-	11,212,000
Less: Redeemed during the year		
- Number of shares	-	-
- Amount (in Nu.)	-	-
At the end of the year		
- Number of shares	8,190,191	8,190,191
- Amount (in Nu.)	8,190,191,000	8,190,191,000

18. Borrowings

	As at December 31, 2014	As at December 31, 2013
i) Secured borrowings:		
Term loan from 'National Pension and Provident Fund' (Refer Note 18.1)		
- for Transmission Lines Project	419,275,000	461,202,500
ii) Unsecured borrowings:		
Term loans from 'Royal Government of Bhutan' (Refer Note 18.2)		
- for Rural Electrification Projects	5,325,858,359	5,050,578,802
- for Tala Hydroelectric Project	439,886,952	549,858,691
	6,185,020,311	6,061,639,993

Borrowings analyzed as follows

	As at December 31, 2014	As at December 31, 2013
Current portion	196,757,453	196,757,453
Non-current portion	5,988,262,858	5,864,882,540
Total	6,185,020,311	6,061,639,993



Nature of Security:

- 18.1 Term loan of Nu 419,275,000 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% per annum and is repayable within 12 years in 24 half yearly equal installments with last installment due on September 01, 2024.
- 18.2 Other Term Loans:
- i) Rural electrification Loan I (RE-I) of Nu. 174,385,435 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 I (RE-I) of Nu. 174,385,435 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.
 - iii) Rural electrification Loan I (RE-I) of Nu. 174,385,435 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.
 - iv) Rural electrification Loan II (RE-II) of Nu. 311,539,241 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 February 15, 2032.
 - v) Rural electrification Loan III (RE-III) of Nu. 382,794,482 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 March 15, 2036.
 - vi) Loan for Tala Transmission Lines of Nu. 439,886,952 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.
 - vii) Rural electrification loan - RE IV and V, JICA Loan I and II and the ADA loan of Nu. 4,457,139,201 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.
- 18.3 Refer Note 38(vii) for transaction wise detail under each borrowing.



19. Deferred grants

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.

	As at December 31, 2014	As at December 31, 2013
As at January 1	789,557,367	801,078,081
Received during the year	171,074,065	4,076,705
Less: Transferred to the Statement of Comprehensive Income	(21,306,399)	(15,597,419)
As at December 31	939,325,033	789,557,367

Deferred grant analyzed as follows:]

	As at December 31, 2014	As at December 31, 2013
Current portion	20,972,254	16,022,046
Non-current portion	918,352,779	773,535,321
Total	939,325,033	789,557,367

20. Deferred Customer's Contribution

	As at December 31, 2014	As at December 31, 2013
As at January 1	-	-
Received during the year	3,373,558	-
Less : Transferred to the Statement of Comprehensive Income	(56,226)	-
As at December 31	3,317,332	-
Deferred Customer's Contribution analyzed as follows:		
Current portion	112,452	-
Non-current portion	3,204,880	-
Total	3,317,332	-



21. Employee Benefit Liabilities

	As at December 31, 2014	As at December 31, 2013
Provision for:		
- Gratuity (Refer Note 37(i))	341,518,127	343,937,434
- Leave encashment	33,580,410	34,744,167
- Performance Based Incentive Scheme	65,725,377	63,809,990
- Performance Based Variable Allowance	39,416,431	38,232,979
Total	480,240,345	480,724,570

Employee benefit liabilities analyzed as follows:

	As at December 31, 2014	As at December 31, 2013
Current portion	172,554,806	143,690,521
Non-current portion	307,685,539	337,034,049
Total	480,240,345	480,724,570

22. Deferred Income Tax liabilities (net)

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

Particulars	For the year ended	
	December 31, 2014	December 31, 2013
Opening Balance	305,542,154	247,989,811
Charged to the Statement of Comprehensive Income (Refer Note 22.1)	174,827,633	57,552,343
Closing Balance	480,369,787	305,542,154

The movement in deferred income tax assets and liabilities during the year ended December 31, 2014 and December 31, 2013 are as under:



Deferred income tax liabilities	As at January 1, 2014	Adjustment to Comprehensive Income	As at December 31, 2014
Property, plant and equipment	327,309,926	175,132,049	502,441,975
Total	327,309,926	175,132,049	502,441,975
Provision for doubtful debts	2,748,305	(353,697)	2,394,608
Training	15,413,768	953,126	16,366,894
Provision for obsolete inventories	3,605,699	(295,013)	3,310,686
Total	21,767,772	304,416	22,072,188

22.1 The Company has reassessed the deferred tax liability as at December 31, 2014 towards depreciation allowable as per income tax on Property, plant and equipment with reference to their original acquisition cost in the ERP, which has resulted in cumulative impact of increase in deferred tax liability of Nu 104,470,910 out of the total increase of Nu 174,827,633.10 in the deferred tax liability during the year.

23. Other non-current liabilities

	As at December 31, 2014	As at December 31, 2013
Security Deposits		
- Energy meter	177,825,971	136,761,103
- Others (Refer Note 23.1)	16,759,951	16,759,951
Performance security	1,869,100	-
Retention money	699,859,161	610,487,899
Payables to employees	167,360	-
	896,481,543	764,008,953

23.1 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.

24. Trade & other payables

	As at December 31, 2014	As at December 31, 2013
Trade payables:		
- electricity	157,820,542	650,805,260
- suppliers & contractors	199,150,860	309,325,093
- services	114,998	1,725,678
Other payables	-	66,954
Total	357,086,400	961,922,985



Income tax payable (net of advances)

	As at December 31, 2014	As at December 31, 2013
Provision for corporate tax	415,284,847	351,630,058
Less: Advance income tax and tax deducted at source	(182,103,575)	(219,004,741)
Total	233,181,272	132,625,317

	As at December 31, 2014	As at December 31, 2013
Current income tax		
Current tax on profits for the year	415,284,847	351,630,058
Total Current income tax	415,284,847	351,630,058
Deferred income tax		
Origination and reversal of temporary differences	70,356,723	57,552,343
On reassessment in ERP (Refer Note 22.1)	104,470,910	-
Total Deferred income tax	174,827,633	57,552,343
Income tax expense	590,112,480	409,182,401

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, 2014	As at December 31, 2013
Profit before tax	1,593,086,562	1,372,456,081
Tax calculated at domestic tax rates	477,925,969	411,736,824
Income tax effect due to:		
- Other non-deductible expenses		
Medical expenses	215,185	253,603
Donations	219,120	191,400
Fines and Penalties	322,224	15,532
- Others	-	(3,014,958)
- Depreciation on Disposal	69,59,072	-
- Deferred Tax on reassessment in ERP (Refer Note 22.1)	104,470,910	-
Income tax charge	590,112,480	409,182,401

The applicable corporate income tax rate was same, i.e. 30% for the current year and earlier year ended on December 31, 2014 and December 31, 2013.



26. Other current liabilities

	As at December 31, 2014	As at December 31, 2013
Security deposits:		
- Energy meter	1,436,874	21,458,359
- Capacity reserve charges	1,850,350	8,616,301
- Performance security	3,130,240	3,329,772
Retention money	229,638,968	86,432,308
Liabilities against asset taken over (Refer Note 5.4)	34,927,119	-
Interest accrued but not due on borrowings	32,126,479	34,318,408
Statutory liabilities	520,228	13,520,985
Welfare Grant Fund	10,111,699	8,321,775
Payables to employees	1,905,376	3,496,058
Accrued Expenses	15,638,014	12,469,074
Other liabilities	2,311,920	3,623,120
Total	333,597,267	195,586,160

27. Income from construction contracts

	For the year ended	
	December 31, 2014	December 31, 2013
Value of contracts performed and service charges	2,419,503,773	2,210,533,317
Total	2,419,503,773	2,210,533,317

28. Other Income

	For the year ended	
	December 31, 2014	December 31, 2013
Interest income on:		
- Fixed deposits	51,183,625	44,529,193
- RICBL bonds	19,728,363	20,100,000
- Advance to Holding Company	18,805,479	48,000,000
Policy Benefit Accrued on Employee Insurance Policy (Refer Note 37 (vi))	13,846,510	-



	For the year ended	
	December 31, 2014	December 31, 2013
Penalties and liquidated damages	37,410,732	40,144,042
Revenue Grant	674,873	-
Amortization of deferred grants (Refer Note 19)	21,306,399	15,597,419
Amortization of deferred customer's contribution(Refer Note 20)	56,226	-
Liabilities no longer required written back	1,435,894	66,676
Write-back of Provision on Obsolescence of Material	983,375	(12,018,997)
Write-back of Provision for doubtful debts	1,178,989	(707,234)
Scrap Sales	8,193,040	7,885,375
Tender form sales	1,963,569	1,749,099
Hire and lease charges	721,883	1,769,268
Other miscellaneous income	70,350,420	57,863,798
Total	247,839,377	224,978,639

29. Operation and maintenance expenses

	For the year ended	
	December 31, 2014	December 31, 2013
Repairs and maintenance:		
- Material/Stores	95,722,242	90,149,337
- Services	79,747,834	68,295,910
- Meter Equipment	69,109	1,099,689
- Vehicle running expenses (POL)	23,939,096	20,946,739
- Consumables	7,389,074	6,358,940
- Others	61,034,654	47,004,026
	267,902,009	233,854,641



30. Employee benefits expenses

	For the year ended	
	December 31, 2014	December 31, 2013
Salaries, wages, bonus and allowances	534,625,279	523,754,226
Contribution to provident and pension fund	37,049,557	35,466,914
Contribution for gratuity and leave encashment	60,447,393	61,914,221
Workmen and staff welfare expenses	57,460,109	53,584,076
	689,582,338	674,719,437

31. Finance cost

	For the year ended	
	December 31, 2014	December 31, 2013
Interest on long term borrowings from:		
Royal Government of Bhutan for:		
- Rural electrification Projects	55,593,247	57,570,003
- Tala Hydro Electric Project	35,945,361	70,827,968
National Pension and Provident fund for:		
- Transmission Lines Project	39,310,487	42,835,161
Other finance charges	112,061	132,049
Total	130,961,156	171,365,181
Less: Amounts capitalized on qualifying assets	2,389,037	1,674,300
Total	128,572,119	169,690,881

32. Other expenses

	For the year ended	
	December 31, 2014	December 31, 2013
Travelling expenses	18,236,468	19,271,661
Rent charges	5,356,658	4,507,054
Rates and taxes	1,146,081	1,034,768
Printing and stationary	11,725,366	13,454,540



	For the year ended	
	December 31, 2014	December 31, 2013
License and registration fees	9,892,796	8,142,695
Audit fees and expenses	1,108,816	814,207
Office expenses	7,175,074	6,741,411
Consultancy fees	2,287,715	4,429,055
Entertainment expenses	4,372,863	5,021,640
Publicity and Advertisement expenses	1,610,237	2,036,057
Insurance charges	2,200,515	2,061,457
Donations and Contributions	805,400	1,218,017
Loss on disposal of property, plant and equipment	8,846,636	17,181,873
Board meeting expenses and sitting fees	1,105,298	868,000
Miscellaneous expenses	12,803,477	3,382,356
Total	88,673,400	90,164,791

33. Earnings per share ('EPS')

Basic EPS attributable to Ordinary shares	For the year ended	
	December 31, 2014	December 31, 2013
Net Profit attributable to the owners of the Company	1,002,974,078	963,273,680
Issued and outstanding ordinary shares at the beginning of the year	8,190,191	8,178,979
Effect of ordinary shares issued during the year	-	934
Weighted average number of ordinary shares	8,190,191	8,179,913
Basic EPS attributable to ordinary Shares	122.46	117.77
Shares pending issue against assets taken over (Refer Note 5.4)	34,927	-
Average number of diluted shares	8,225,118	8,179,913
Diluted EPS attributable to ordinary Shares	121.94	117.76

34. Related party transactions

The Company is a wholly owned subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Company has no subsidiary Company. 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 outstanding as on December 31, 2014 (Amount in Nu.)	Transactions during the year (Amount in Nu.)
Royal Government of Bhutan	Ultimate holding	a) Borrowings for rural electrification project	Cr. 5,325,858,359	Disbursement(Cr.) : 320,137,771 Repayment (Dr.): 44,858,215
		b) Borrowings for Tala hydroelectric project	Cr. 439,886,952	Repayment (Dr.) : 109,971,738
		c) Grants received for rural electrification	Cr. 939,325,033	Received (Cr.) : 171,074,065
		d) Interest Paid/payable on Borrowings	Cr. 32,126,479	Cr. 91,538,608
Druk Holding & Investments	Holding Company	a) Issue of Share Capital	Cr. 8,190,191,000	
		b) Payment of dividend		260,080,000
		c) Inter-corporate deposit given	Dr. 400,000,000	600,000,000
		d) Inter-corporate deposit given in earlier year received back		18,805,479
		e) Sale of electricity		
		f) Interest received on Inter-corporate deposit		
Druk Green Power Corporation Limited	Fellow Subsidiary	(a) Purchase of electricity for transmission and distribution	Cr. 157,820,542	1,485,590,323
		(b) Wheeling charges	Dr. 127,415,559	575,053,223
Druk Air Corporation Limited	Fellow Subsidiary	Air Travel Service		7,299,938



Name of Related Party	Relation-ship	Nature of transaction with related party	Amount outstanding as on December 31, 2014 (Amount in Nu.)	Transactions during the year (Amount in Nu.)
Royal Insurance Corporation of Bhutan Ltd	Government undertaking	a) Insurance Premium paid	Dr. 437,507,988.	424,136,478
		b) Deposit against Employees Insurance Policy		
		c) Investment in Bonds	Dr. 300,000,000	19,728,363
		d) Interest income earned on bonds		13,846,510
		e) Benefits accrued on Insurance Policy		475,000
		f) Death Benefit Claims under Employees Insurance Policy		

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, 2014	December 31, 2013
Basic Salary and contract allowance	1,432,224	1,390,500
Performance based variable allowances	347,625	322,043
Performance based incentive scheme	165,624	159,900
Sitting fees	113,000	127,000
Contribution to provident fund	105,024	101,976
Total	2,163,497	2,101,419

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 ascertainable separately and as such could not be included above.



Note:

- i) 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.
- ii) The disclosures given above have been reckoned on the basis of information available with the Company and relied upon by the Auditors.

35. Capital Commitments

The Company has contractual commitments of Nu 8,129,728,401 and Nu 4,613,129,615 as at December 31, 2014 and December 31, 2013 respectively; pertaining to capital expenditures relating to acquisition of Property, plant and equipment.

36. Contingent liabilities

As on the reporting date, there are two pending litigation filed against the Company in the Courts of Law in the Country. The probable amount of the claims from the case to the company is to the tune of Nu 69.26 million and is contingent on the judgment.

37. Other Notes to Accountsi. Gratuity:

The liability towards Gratuity is funded through fixed deposits with the banks. As on December 31, 2014 there is balance of Nu. 103,228,342 in the fixed deposits (including interest of Nu. 5,046,289 accrued thereon) earmarked towards gratuity liability of Nu. 341,518,127 as on December 31, 2014, showing shortfall of Nu 238,289,785 which shall be made good in the coming year/s by further investing in the fixed deposits. However, the liability has been fully provided in the accounts and during the year a provision of Nu.10,576,437 (Previous year: Nu.24,587,667) has been made in the accounts.

- ii. As per last domestic tariff revision from October 1, 2014, the revised weighted average tariff is Nu. 1.996/unit as compared to Nu. 1.808 /unit prior to the revision.
- iii. 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.
- iv. 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.
- v. 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.



- vi. During the year, the Company has taken a single premium insurance policy with Royal Insurance Corporation of Bhutan Limited (RICB), for coverage of its employees with death claim benefit in the event of death while in service and within the policy term of five years. The policy has been underwritten through Single premium, which will be refunded at the end of policy period/term with pre-decided/fixed policy bonus / benefit of Nu. 226,828,522 and after deduction of death claims paid within the policy term. The Single premium of Nu. 424,136,478 paid during the year have been considered as 'Deposit against Employees Insurance Policy' under 'Other Non-Current Assets' in the Statement of Financial Position. The death claim benefits of Nu. 475,000 paid/payable during the year have been reduced from the same and accounted for as 'Employee Benefit Expense' and the policy bonus / benefit of Nu. 13,846,510 accrued under the policy has been added in the same on prorate basis by credit to 'Other Income'.
- vii. The detail of Loans Funds for the year is as under:

(Amount in Nu.)

Particulars	Loan out-standing as on 01.01.2014	Disbursement during the year	Repayment during the year	Loan Out-standing as on 31.12.2014	Interest Paid/ provided for during the year
From Royal Government of Bhutan (Unsecured)					
a. For Rural Electrification works					
ADB-RE I	182,689,503	-	8,304,068	174,385,435	10,645,816
ADB-RE II	329,865,079	-	18,325,838	311,539,241	19,095,523
ADB-RE III	401,022,791	-	18,228,309	382,794,482	23,462,871
ADB-RE IV	1,060,936,015	77,515,359	-	1,138,451,374	-
ADB-RE V	431,134,526	84,429,052	-	515,563,578	-
ADA	290,054,762	22,848,892	-	312,903,654	-
JICA-I	1,661,379,517	64,140,665	-	1,725,520,182	-
JICA-II	693,496,610	71,203,803	-	764,700,413	-
	5,050,578,803	320,137,771	44,858,215	5,325,858,359	53,204,210
b. For Tala Transmission Lines					
THP	381,190,771	-	76,238,154	304,952,617	35,945,361
THP- IDC	168,667,919	-	33,733,584	134,934,335	-
	549,858,690	-	109,971,738	439,886,952	35,945,361
From National Pension and Provident Fund (Secured)					
NPPF	461,202,500	-	41,927,500	419,275,000	39,310,487
	461,202,500	-	41,927,500	419,275,000	39,310,487
Total	6,061,639,993	320,137,771	196,757,453	6,185,020,311	128,460,058

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



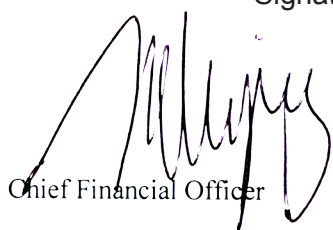
	2014		2013	
	Units (kWh)	Amount	Units (kWh)	Amount
Purchase	2,032.3061	1,493.3892	1,859.5893	1,151.6583
Hydel	16.6886		18.3925	
DG	0.0104		0.0537	
Sale	1,977.1825	3,946.6301	1,841.4657	3,328.9535

38. Subsequent events

- The Board of Directors has proposed a final dividend of Nu 85.72 per share for the financial year ended December 31, 2014. The total dividend of Nu. 702,081,857 is subject to approval of the members in the General Meeting to be held to adopt the financial statements for the year ended December 31, 2014. These financial statements do not reflect this dividend payable.
- The Board of Directors has proposed an amount of Nu. 100,297,408 as transfer to Investment Reserve for the financial year ended December 31, 2014 as part of the GIR policy of the Group, which is subject to approval of the members in the General Meeting to be held to adopt the financial statements for the year ended December 31, 2014. These financial statements do not reflect this transfer.
- In line with the Asset replacement policy of the Company, the Board of Directors has proposed an amount of Nu 13,555,961 to be transferred to Insurance Reserve for the financial year ended December 31, 2014, 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 to adopt the financial statements for the year ended December 31, 2014. These financial statements do not reflect this transfer.

Signatures to 'Notes 1 to 38' of the Financial Statements

For and on behalf of the Board of Directors


Chief Financial Officer


Director


Managing Director


Chairman

As per our report of even date attached

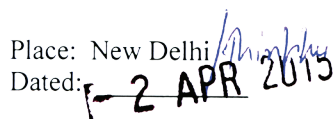
For S.P. CHOPRA & CO.

Chartered Accountants

Firm Registration No. 000346N

Place: New Delhi

Dated:


2 APR 2015

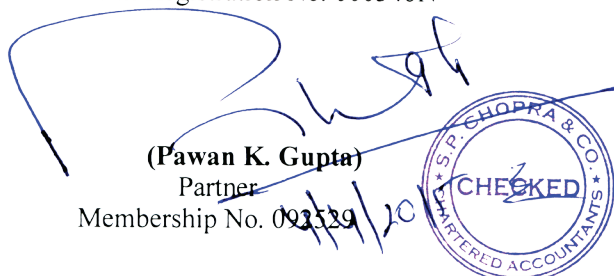

(Pawan K. Gupta)
Partner
Membership No. 093529



Exhibit to the Annexure

Bhutan Power Corporation Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

RATIO ANALYSIS

Particulars	2014	2013
GP ratio	0.219	0.214
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.493	0.487
Debtors Turnover Ratio (Energy Sales/Average Debtors)	31.747	32.035
Current Ratio (Current Assets/Current Liabilities)	1.674	1.638
Quick Ratio (Current Asset-Inventory/Current Liabilities)	1.602	1.537
Interest Coverage Ratio (Profit before interest & tax/Interest)	13.391	9.088
Debt Service Coverage Ratio (PAT+Dep+Interest/(Interest + Principal Repayment)	5.979	5.040
Gearing Ratio (Debt /Gross Value of Fixed Asset)	28.82%	33.54%
Gearing on net Fixed asset	38.5%	45.0%
Debt Equity Ratio (Debt/average Equity)	48.88%	50.73%
Return on asset (Profit after tax)/average net total assets	6.79%	7.32%
Return on equity (Return available /Average Equity)	7.93%	8.06%

