



Annual Report 2016

Values

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 in pursuit of GNH.

Our Mission

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

Company Profile

Bhutan Power Corporation Limited (BPC) has its genesis in the erstwhile Department of Power under the then Ministry of Trade and Industry, Royal Government of Bhutan. It was launched as a Public Utility Company on 1st July 2002 with the primary objective of bringing greater efficiency in the delivery of electricity supply services in Bhutan. With the establishment of Druk Holding and Investments Limited (DHI) in 2007, BPC was transferred to DHI as one of its foremost and biggest subsidiary companies.

With about 2,500 employees and net worth of about Nu. 21 billion at the end of 2016, BPC is one of the largest corporations in Bhutan.



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Board of Directors



Dasho Tshering Dorji, Chairman

Position: Secretary, Ministry of Foreign Affairs

Education: Masters of Science in Management, Arthur D. Little School of Management, Massachusetts, USA and completed Bachelors in English Honors from Kirori Mal College, University of Delhi, India

Experience: Ambassador to Bangladesh & Thailand.
Chief of Protocol, Ministry of Home and Cultural Affairs



Ms. Deki Wangmo, Member

Position: Chief Budget Officer

Education: Master of Business (Applied Finance), Queensland University of Technology, Brisbane, Australia

Experience: Chief Budget Officer, Department of National Budget, Ministry of Finance.



Mr. Om Prakash Nirola, Member

Position: Associate Director, Corporate Performance Department, Druk Holding & Investments

Education: Master of Business Administration, Bachelors of Arts (Honors) Economics

Experience: Management consultant, Chief Industries Officers, MOEA, Trainer & Facilitator of Entrepreneurship and Small and Medium Enterprises Development.



Mr. Singye Dorji, Member

Position: Chief Executive Officer, Wood Craft Center

Education: Bachelor's Degree in Commerce, Sherubtse College.

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



Mr. Lhaba Tshering, Member

Position: Chief Planning Officer, Gross National Happiness Commission

Education: Master in Economics, Wakayama University, Japan
Bachelors of Arts (Honors) English, Sherubtse College, Kanglung Bhutan

Experience: Deputy Chief Planning Officer, Perspective Planning Division, GNHC
Sr. Planning Officer, Planning, Monitoring and Coordination Division, GNHC
Program Officer, Department of Aid & Dept Management, Ministry of Finance.



Mr. Karma P Dorji, Member

Position: Chief Engineer, DHPS, Ministry of Economic Affairs

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

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



Mr. Gem Tshering

Position: Managing Director, Bhutan Power Corporation Limited

Education: B. Tech from Madras, India and completed Masters in Planning and Policy from AIIT, Thailand.

Experience: General Manager of Transmission Department, Executive Director of Distribution & Construction Department and Director of Transmission Wing in Bhutan Power Corporation.

Management Team



From Top, Left

Mr. Kuenzang Tobgye, GM, TD, Mr. Thinley Gyeltshen, GM, TCD, Mr. Nim Dorji, AD, HRAS, Mr. Shamsheer Pradhan, AD, TS, Mr. Dechen Choling, GM, RED, Mr. Namgay Wangchuk, GM, ICD.

Bottom, From Left

Mr. Tashi Penjor, Company Secretary, Mr. Drukchu Dorji, GM, PSD, Mr. Sonam Tobjey, Director, FAS, Mr. Gem Tshering, MD, Mr. Gorab Dorji, GM EDCD, Mr. Pradeep M. Pradhan, AD, CS, Mr. Sandeep Rai, GM, DCSD.





Directors' Report

Directors' Report on the Performance of Bhutan Power Corporation Limited for the year 2016

1. 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 the Company for the period covering 1st January 2016 to 31st December 2016 to Druk Holding and Investments Ltd. (DHI), the sole shareholder, and to other relevant stakeholders.

2. System Performance

The demand for electricity consumption for domestic purpose has been steady and the peak demand recorded was 335.87 MW as compared to 336.52 MW in the previous year. With the addition of 8,872 customers during the year, BPC today serves more than 177,151 customers. The additional customers were mostly a result of connection of rural homes in the countryside brought about by extensive Rural Electrification programme of the Company.

To meet the domestic demand for electricity 2084.687 Million Units (MU) of energy was purchased from Druk Green Power Corporation Limited (DGPC) during the year, as compared to 2142.167 MU during the previous year. Of the total purchases, royalty energy accounted for 1122.443 MU for the year as compared to 1093.593 MU in the previous year. The internal generation from embedded mini and micro hydel

plants owned by the company was 11.221 MU during the year.

The total sale for the year was 2,008.901 MU as compared to 2,057.141 MU in the previous year reflecting a reduction of about 7.38% over the year. The energy wheeled by BPC for export to India for DGPC increased to 5,779.321 MU from 5,541.759 MU in the previous year.

I am happy to report that BPC has been maintaining its Transmission and Distribution (T&D) losses at limits comparable within the region. Of the total energy of 7,877.694 MU received by the system during the year, 7,788.221 MU was utilized. This translates the global energy loss for the year to 1.14% as compared to 1.35% in the previous year. The domestic T&D loss for the period is 4.26% as compared to 4.83% in the previous year. The company has been able to maintain its losses within permissible limits due to timely preventive and planned maintenance and up-gradation of its network system.

The load flow within the system is coordinated and monitored by the Bhutan Power System Operator (BPSO). The BPSO monitors the power systems operations online for carrying out effective dispatching of load and coordination with generating plants of DGPC and the Indian Eastern Region Load Dispatch Center at Kolkata.

3. The State of the Company's Affairs

3.1 Financial Position

The gross assets of the Company for the year stands at Nu.27,963.65 million as compared to Nu.25,185.46 million in 2015. The net worth of the Company is Nu.21,785.91 million as compared to Nu.19,035.58 million in 2015. The gross assets added during the year was Nu.1,580.63 million as compared to Nu.1,500.34 million in 2015.

3.2 Results of Operation

The Company's sources of revenue and income are sale of electricity, construction contracts, wheeling charges and other income. The gross revenue for the year was Nu.11,757.02 million as compared to Nu. 9,769.65 million in 2015. The growth in revenue was 20% compared to 34% in 2015.

The revenue from electricity grew by 4.6% from Nu 4,588.08 million in 2015 to Nu 4,798.754 million in 2016. The previous year's growth was 14%. The decrease in growth is attributable to the tariff remaining constant, as there was no revision during the year. Wheeling revenue increased by 4% from Nu.632.27 million in 2015 to Nu.658.84 million in 2016. Income from construction contract grew by 41% from Nu.4,282.06 million in 2015 to Nu.6,017.82 million in 2016. Income from other sources increased by 9% from Nu.257.43 million in 2015 to Nu.281.60 million in 2016.



The major expenditure heads of the company are on the purchase of electricity, consumption of construction materials and sub-contracting charges, operation and maintenance expenses, employee benefits expenses, finance costs, loss on foreign currency fluctuation, depreciation and amortization expenses and other expenses. Total expense for the year was Nu 9,546.49 million as compared to Nu 7,788.22 million of the previous year.

Current tax has been provisionally assessed at Nu 577.72 million and deferred tax of Nu 84.83 million for the year. For the previous year it was Nu 519.78 million and Nu 71.09 million respectively.

Profit before income tax was Nu 2,210.53 million as compared to Nu 1,971.62 million in the previous year; a growth of about 12 %. Net profit for the year was Nu 1,547.98 million as compared to Nu 1,380.74 million in 2015. The basic as well as diluted earnings per share, for the year, was Nu 188.20 as against Nu 168.38 for the previous year.

4. Transfer to Reserves

In line with the asset risk mitigation policy of the Company, an amount of Nu. 6.32 million, equivalent to 0.4% of the Nu. 1,580.63 million net asset added during the year will be added to the Company's Asset Replacement Reserve. With this

transfer, the total cumulative amount under this reserve will stand at Nu 99.74 million.

5. Recommendation for payment of Dividend

The Company is recommending dividend of Nu 1,449,029,909, equivalent to 95% of its total Comprehensive Income of Nu 1,525,294,641 for the year. This translates to an earning of Nu 176.17 per share meeting the expectation of the shareholder. For the previous year, dividend of Nu 1,281,655,159, equivalent to 95% of the total Comprehensive Income and representing dividend of Nu. 155.82 per share was paid.

6. Explanation or information on every reservation, qualification or adverse remarks contained in the auditor's report.

The auditors have issued an unqualified Audit report for the year 2016.

7. Corporate Governance

The Company complied with the CG Code issued by DHI. Amongst other things, the Company's Board had 11 meetings and 10 meetings of various Board Committees, primarily Board Tender Committee and Board Audit and Risk Committee.

Considering risk management as an integral part of the Corporate Governance, Risk Management Division (RMD) in the company was instituted and RMD has completed its second year on August 2016.

Risk Management in the company started off with the identification of key risks faced by each department. While some risks were specific to a particular Department, many were common to most Departments. These risks are compiled as Risk Register at two levels – Departmental Risk Register and Corporate Risk Register. Some of the significant risks flagged in the Risk Registers are those related to ICT/SAP, aging T&D networks, performance/under performance of ESDs, etc.

8. Corporate Social Responsibility

The Corporate Social Responsibility of the company is guided by the Company Guidelines on Corporate Social Responsibility 2013 issued by DHI. BPC conducted Electrical Training for the Gerab Dratshang Monks from all over the country. The objective was to provide basic knowledge on house wiring, repair & maintenance and safety measures pertaining to electricity considering the difficulties faced by monks in remote Dratshangs, monasteries and various religious institutions. A total of 130 monks and 2 nuns attended the training. The basic knowledge, exposure and experience rendered from the electrical training is expected to assist the monks in solving minor internal electrical faults on their own without having to rely on our

line personnel in case of emergencies and urgencies.

The company also contributes in various small ways to help meet the constitutional mandate of maintaining a minimum of sixty percent of Bhutan's total land under forest cover for all time. During the year BPC participated in the mass tree plantation initiative organized by the Tendrel Initiatives spearheaded by IMS, Thimphu. The Company also planted trees in and around Jungshina to mark the Social Forestry Day.

In support of human cause, the company organized blood donation campaigns; it received a certificate of appreciation from the Ministry of Health in recognition of the effort.

9. Operational Highlights

The Operational Highlights are summarized below:

9.1 Power System Expansion Programs

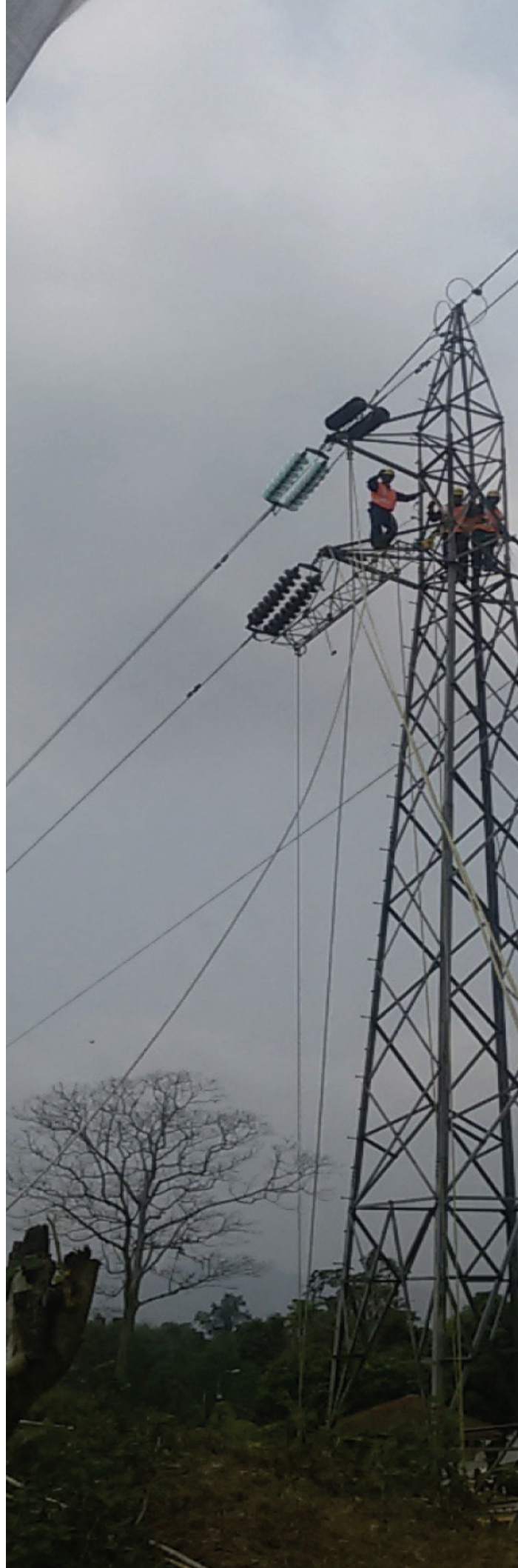
In line with its licensed activities and mandates, the Company undertakes continuous investments for system expansion. The following are the major ongoing as well as new initiatives undertaken during the year for power system expansion:

- a) Construction of 220/33kV Substation at Dagapela, Dagana
- b) Construction of 132kV Double Circuit transmission line from Kanglung to Phuntshotang, Phuntshothang to Motanga and Motanga to Nganglam.

- c) Construction of 132/33kV substation at Motanga, Samdrup Jongkhar and 132kV bay extension at Kanglung and Nganglam substation.
- d) Construction of 66kV transmission line from Thimphu to Gasa.
- e) Construction of 66/33/11kV Substation at Pangbesa, Paro and 66kV Double Circuit transmission line (LILO to the substation) at Pangbesa.
- f) Construction of 66kV transmission line from Jemina to Changedaphu, Thimphu

The company is also engaged in the construction of Associated Transmission System (ATS) for the Hydro Electric Project Authorities and the following are the works at hand / new works initiated for the year:

- a) Construction of two numbers 400 kV D/C transmission lines from pothead yard of Punatsangchhu-I Hydroelectric Project to Lhamoizingkha is taken up by BPC as deposit work for PHPA I for the evacuation of power from Punatsangchhu-I Hydroelectric Project.
- b) Construction of two numbers 400kV D/C transmission lines from pothead yard of Mangdechhu Hydroelectric Project to Jigmeling





is taken up by BPC as deposit work for MHPA for the evacuation of power from Mangdechhu Hydroelectric Project.

- c) Construction of one number 400 kV D/C transmission line from pothead yard of Punatsangchhu-II Hydroelectric Project to Jigmeling is taken up by BPC as deposit work for PHPA II for the evacuation of power from Punatsangchhu-II Hydroelectric Project.
- d) Construction of 400/220kV GIS ICT substation at Jigmeling, Sarpang as a deposit work from MHPA.
- e) Construction of 132kV Double Circuit transmission line from Merung to Corlung, 132/33kV substation at Corlung in Trashiyangtse and 33 kV Sub-transmission line is taken up by BPC as deposit work for Kholongchhu Hydroelectric Project for providing construction power supply to the Kholongchhu Hydroelectric Project.
- f) Construction of 1 No. 400 kV D/C (Quad) from Jigmeling to Indo-Bhutan Border as a deposit work from MHPA.
- g) Construction of 1 No. 132 kV D/C from Mangdechhu to Yurmoo substation as a deposit work from MHPA.

- h) Construction of 1 No. 132 kV D/C from pothead yard of Nikachhu HEP to pothead yard of Mangdechhu HEP as a deposit work from THyE.

9.2 Rural Electrification (RE)

Bhutan 2020 - A Vision for Peace, Prosperity and Happiness, envisioned to provide electricity for all by 2020. In line with the vision of His Majesty the Fourth Druk Gyalpo, the Company initially targeted to provide electricity for all by 2017. However, the Royal Government revised the target in its 10th Five Year Plan and entrusted the Company to provide electricity for all by 2013 with the on-grid electrification of 40,257 households. The company tried its best to meet the target, and at the end of the 10th FYP it was able to achieve 94% coverage. Today, the company has achieved 99.5% coverage. By the end of 2017, the Company will be achieving electricity for all with the electrification of Lingshi under Thimphu Dzongkhag, Lunana under Gasa Dzongkhag and Jigmecholing under Sarpang Dzongkhag. Meanwhile, BPC will continue to meet requests and requirements for new connections emanating from RE fill-ins for new households.

The Company faced certain challenges in Last Mile RE connectivity. One of the major challenges was the inaccessibility of work sites and the difficulty of transporting required materials to such sites. This was coupled with harsh

weather conditions, difficult geographical terrains and scattered work sites. The severe working conditions made it difficult to recruit and retain laborers at the work sites. In some cases, BPC did not receive required support from the community, which further delayed the progress of RE works.

9.3 System Improvement Works

System improvement is a continuous activity in the Company. It is necessary in order to improve supply reliability and meet the increasing demand for power. Also, continual system improvement helps to improve safety and reduce energy loss.

In the distribution system, besides replacement of old conductors, up-gradation of transformers, replacement of overloaded conductors and transformers, conversion of bare conductors to LV ABC, the Distribution & Customer Services Department (DCSD) carried out the following activities:

- a) Construction of 33kV OH lines for Kholongchu Project,
- b) Construction of 33/11kV substation at Khalangzi, Mongar,
- c) Construction of LV UG distribution network for Merak village,
- d) Supply and construction of 33/11kV, 2x5 MVA GIS Substation, Lungtenphu,

- e) Supply and construction of 33/11kV, 2x3 MVA Substation, Sipsoo, Samtse,
- f) Up-gradation of 33/11kV, 5MVA substation to 33/11kV, 2x5 MVA Substation, Samtse
- g) Signing of a contract with M/s Merx Exponere Media Private Ltd for the Technical Museum at Paro.

Further, for the improvement of customer services, DCSD developed and distributed Customer Service Charter 2016 and carried out required system adjustments for real time transactions using Bank of Bhutan's MBoB facility.

In the transmission system, the Transmission Department (TD) carried out up-gradation of the Paro Substation and Singyegaon Substation, re-alignment of S/C 66kV Phuentsholing- Singyegaon transmission line, re-alignment works at 132kV Dewathang-Motanga Transmission Line, commissioning of 8MVA Transformer at Watsa and retrofitting of old EPAC3000 with new MiCOM P442 Numerical distance protection relays in substations in the eastern Bhutan by Control and Protection Division.

In order to meet its mandates, the company also formed two new departments viz. Renewable Energy Department (RED) and Information & Communication Department (ICD), during the year.

RED was established with the mandate to serve as focal point of contact between BPC and the various stakeholders on all matters related to renewable energy. The department is mandated to revamp all the mini and micro hydroelectric plants under the company. Besides, based on feasibility, the department shall undertake activities related to the enhancement of capacity, increase of efficiency and automation of the power plants. The department will also carry out the feasibility of building new mini hydropower generation projects for reliable power supply to the area. RED completed the rehabilitation of Chumey Mini Hydropower Plant on March 17, 2016; a contract was signed between BPC and EGAT in August 2016, for the 'Rehabilitation and Automation of the Thimphu Mini Hydropower Plant at Jungshina.

On the other hand, ICD was formed with keyman dates to operate & maintain the National Fiber Optic Network, drive BPC's business growth by extending access to Information and Communication Technologies (ICTs) and for successful operation & sustainability of SAP ERP system at BPC. As of today, fiber optic network has been extended to all the 20 Dzongkhags, 200 Gewogs, 196 Community Centers, all major Hydropower Plants, BPC's ESDs spread across the country, IT Tech Park and the Royal Academy. The department also maintains the Nation's international ICT gateway, which runs via Gelephu and

Phuentsholing into India. The RGoB is also in the process of rolling out fiber to hospitals, colleges, central schools and regional government offices. Currently BPC houses a Tier-III DataCenter where all the critical services such as mail, SAP ERP, Cloud Storage server and Unified Communication are hosted locally that supports and facilitates BPC's business processes around the clock. With the recent establishment of ITD's own R&D lab, the Company aspires to come up with product and process innovations as well as ICT tools with the potential to bring cost savings and system improvements.

10. Human Resources Management

The Company's policy considers human resource as its main asset for its success. Thus, it is imperative for the Company to have the right quality and quantity of people at the right place.

In 2015, the Company had temporarily held up recruitment as the management was in the process of assessing its manpower in line with BPC HR Master Plan (2014 – 2020). As such, only 23 urgent requirements were recruited in 2015. Therefore, in 2016 the Company recruited 164 employees in various positions to replace employees who resigned, to meet the requirements of the two new departments and to take up the 132kV Kholongchu Project in Trashigang. Further, in 2016 nine employees were

transferred to BPC from other DHI Owned Companies, while nine BPC employees who were on contract were regularized. With the resignation of 87 employees in 2016, total manpower strength of the Company at the end of the year was 2441.

During the year, the company developed Recruitment and Selection Guideline to clarify and standardize recruitment processes in line with current legislations and best practices.

10.1 Human Resource Development

The Company HR policy states that in order to keep up with the continuing changes and market demands, the Company shall equip employees with the right qualification, knowledge, skills, and attitude to achieve overall objectives of the Company and to provide high standards of professional services to the public. HR development initiatives are also designed to attract and retain the best talent and to motivate existing employees.

The year 2016 was a very successful year in terms of HR training and development. The Company provided a total of 3,266 man-days of training, consisting of in-country as well as ex-country short term training.

In order to develop its internal HR development capacity, the Company established a Training Center in Begana. Located 17 kilometers away from

Thimphu, the center has four classrooms and can accommodate more than 100 trainees at a time. It also has lodging and recreational facilities. In 2016, 95% of the Company's in-country trainings were conducted at the center.

As per its Long Term Training policy, the company granted two fully funded Scholarship in 2016 to pursue Masters in Engineering (Transmission Power System Planning and Design) and Masters in Information Technology. The Company also provided one partially funded scholarship to pursue Masters in Power System Engineering.

The Company also signed a Memorandum of Understanding (MoU) with the following external agencies and trained 236 employees under the arrangements:

- i) Korea Electric Power Corporation (KEPCO) to develop technical and business cooperation, support each other through technical assistance, sharing of knowledge, joint work, exchanges of information and experience in the field of electricity sector and business development.
- ii) Electricity Generating Authority of Thailand (EGAT) to develop technical and business cooperation with BPC and share and support each other through technical assistance, sharing of knowledge, training, and exchange programs as well as business development.

- iii) Metropolitan Electricity Authority, Thailand (MEA) for exchange of information, exchange of technology, deputation of personnel, on-the-job training & customized training, and;
- iv) Asian Institute of Technology (AIT), Thailand for mutual cooperation in promoting, participating and delivering postgraduate degree programs and short courses and conducting training and building capacity of professional working in BPC.

10.2 Other activities

The Company's foundation day (BPC DAY) was celebrated at Garpang, Bumthang. This was a departure from the usual practice of observing the day at the Company's headquarters in Thimphu. A Management Retreat was held at Basochhu, Wangdue, to review performances as well as to discuss and finalise action plans to improve the Company's performance.

The company believes that sports and recreation are critical for the quality of life and wellbeing of employees. Guided by this belief, the company provides opportunities to its employees to participate in sports and recreational activities conducted within and outside the company.

In 2016, employees participated in various sports activities conducted by various agencies. During the year, the

Company won the Football Tournament organized by DHI for and amongst DHI Owned Companies and the Samdrup Jongkhar Open Football Tournament. The Company also emerged runners up of the Tsirang Women Football Tournament and the Veteran Badminton Championship held in Thimphu.

Challenges

Some of the major challenges faced by the Company in its pursuit of expanding its infrastructure network system and to provide uninterrupted and reliable power supply to its customers were:

Right of way and clearance issue for new power infrastructures and their constructions.

Shifting and relocating of the existing lines at all voltage levels.

Disruption in 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

On behalf of the Board of Directors of the Company, I would like to place on record our sincere gratitude to the Chairman and officers of Druk Holding & Investments for their continued guidance and support during the year. Our sincere appreciation is also extended to our customers, business partners, vendors – both international and domestic, bankers, and financial institutions.



Windmill at Wangdi Phodrang

The Directors are thankful to the Royal Government of Bhutan, the various Ministries, and Regulatory Authorities in terms of the policy guidance and support. We would also like to duly acknowledge the support and cooperation rendered by all those agencies that have been 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.

Finally, we appreciate and value the contributions made by all our employees for making Bhutan Power Corporation Limited what it is today.

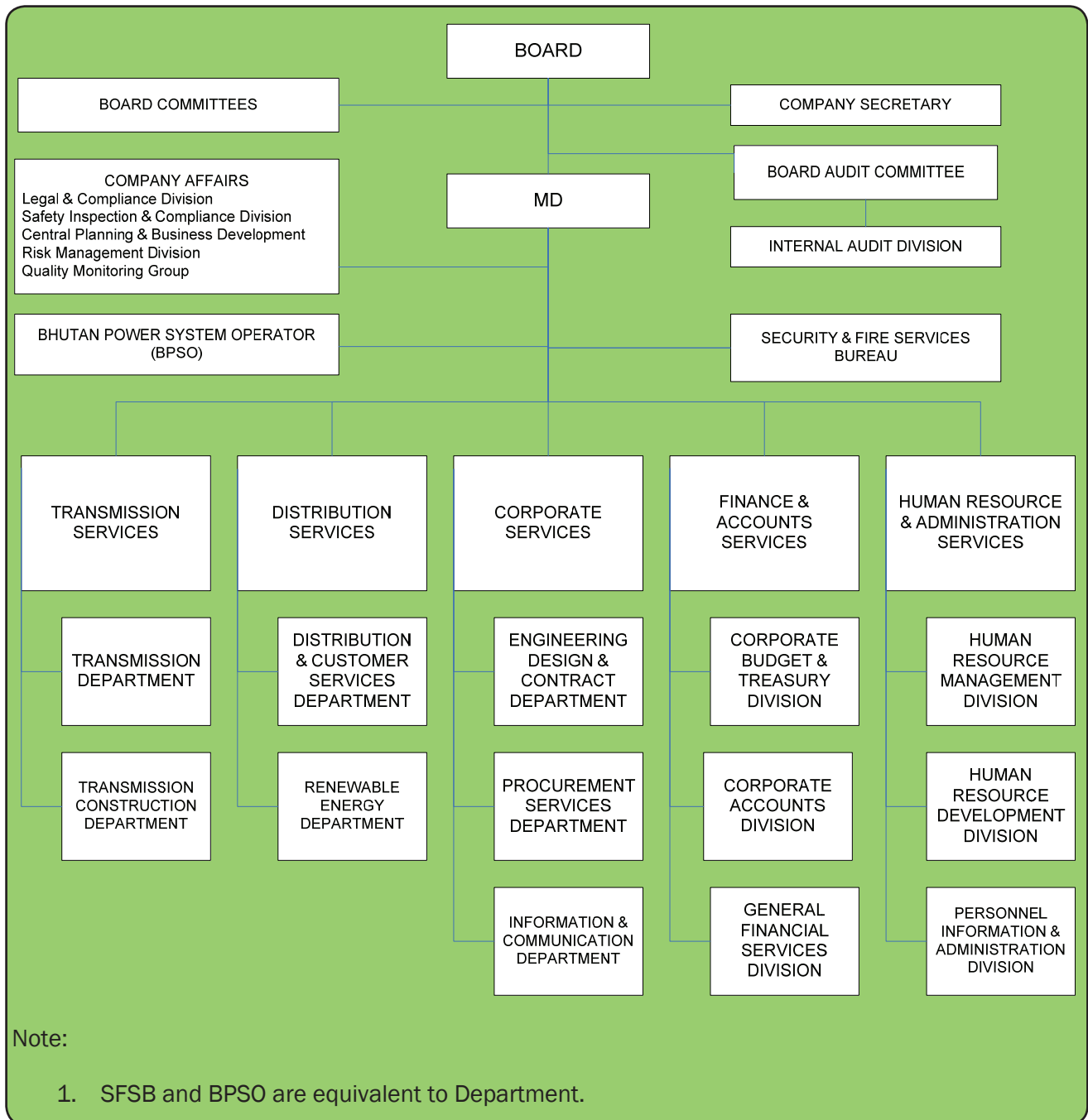
Tashi Delek!

For and on behalf of the BPC Board



(Tshering Dorji)
Chairman

Organization Structure



The background of the cover features a large, dark green hexagon with a white border. To the left of this hexagon is a light green triangle. Below the hexagon is a dark green triangle, and to the right is a light green triangle. The text 'Corporate Governance Report' is centered within the white area of the hexagon.

Corporate Governance Report

Corporate Governance

The Board of Directors and the Management of BPC are committed towards ensuring good corporate governance practices in the company. Good corporate governance practices are implemented and maintained at all times in the Company so as to enhance shareholder's values consistent with the principles and recommendations for best practices set out in the Corporate Governance Code issued by DHI. The company is pleased to present below various aspects, which describe the manner in which it has applied the Principles of the Code during the year 2016.

A. The Board

i) Board Charter

The Board Charter sets out the principles for the operations of the Board of Directors, including their roles, responsibilities and powers. The Charter is in line with the Corporate Governance code of DHI and ensures that all Board members are aware of their duties and responsibilities.

ii) Composition of the Board

Currently, the Board constitutes of seven (7) members, including the Managing Director, five Independent Directors and one Non-Independent Director. This composition ensures that the company's Board has a majority of independent directors at all times as per the Corporate Governance Code Clause 2.4.2.ii.

The composition of the Board also shows that there is a diversity and balance of skills, competence, knowledge and experience to enhance objective decision making as published in the code.

iii) Board Responsibilities

The Board's responsibilities are as reflected in the Corporate Governance code Clause 2.4.1

B. Board Committees

In keeping with good corporate governance practices, the company has the following Board Committees to assist the Board in the execution of its responsibilities:

- i) Board Audit and Risk Committee
- ii) Board Tender Committee
- iii) Board HR Committee

The Board appoints the members and Chairperson of each Committee. Each Board Committee operates under clearly defined terms of reference approved by the Board.

i) Board Audit and Risk Committee

The objective of the Board Audit and Risk Committee (BARC) is, among others, to provide assurance to the Board by conducting objective and independent review of financial, operational, and administrative transactions and decisions. The Committee is also responsible for ensuring effective internal controls and risk management system at the company.

The Company used the Board Audit Committee Charter as defined in the DHI Corporate Governance Code, Appendix 2, pg.37, to define the duties and responsibilities of the committee.

The BARC of the company comprises of the following members, all being independent Directors, with the Chairman appointed by the Board:

Name of Committee Members	Designation
Mr. Lhaba Tshering, Chairperson	Chief Planning Officer, PPD, GNHC
Mr. Singye Dorji	CWO, Wood Craft Centre
Mr. Karma P. Dorji	Chief Engineer, DHPS, MOEA
Ms. Deki Wangmo	Dy. Chief Budget, Dept. of National Budget, MOF

ii) Board Tender Committee

The primary objective of the Board Tender Committee (BTC), is to ensure that the company's procurement of goods, works and services are conducted as per defined systems and processes.

The Tender Committee of the company comprises the following members, two independent Directors, one Non-independent Director and one Executive Director, with the Chairman nominated by the Board

Name of Committee Members	Designation
Mr. Karma P Dorji, Chairperson (Independent Director)	Chief Engineer, DHPS, MOEA
Ms. Deki Wangmo, Member (Independent Director)	Dy. Chief Budget, Dept. National Budget, MOF
Mr. Om Prakash Nirola, Member (Non-independent Director)	Associate Director, CPD, DHI
Mr. Gem Tshering, Member (Executive Director)	MD, BPC

iii) Board HR Committee

The function of the Board Human Resource Committee (BHRC) is to assess proposals related to the human resource issues recommended by the Management for approval and/or recommendation to the BPC Board. The BHRC may also direct the management to undertake studies and present proposals to the Committee. The BHRC of the company comprises of the following members, all being appointed by the Board from time to time. The Head of HR is the member secretary of the Committee.

Name of Committee Members	Designation
Mr. Om Prakash Nirola, Chairperson (Non-independent Director)	Associate Director, CPD, DHI
Dasho Tshering Dorji, Member (Independent Director)	Secretary, MOFA
Mr. Singye Dorji, Member (Independent Director)	CEO, Woodcraft Centre
Mr. Gem Tshering, Member (Executive Director)	MD, BPC

C. Board Process

i. Board meetings

In 2016, 11 Board meetings were held and the attendance of the Directors are presented below:

Name of Board Directors	Attendance
Dasho Tshering Dorji	9
Ms. Deki Wangmo	7
Mr. Om Prakash Nirola	7
Mr. Lhaba Tshering	6
Mr. Singye Dorji	11
Mr. Karma P Dorji	9
Mr. Gem Tshering	8

ii Director's Remuneration

As in the previous year, the Board Directors received a fixed amount of money as a sitting fee. As such, the remuneration is not based on commission or a percentage of profits or turnover.

Each Director is paid a sitting fee of Nu 8,000 (eight thousand) and Nu. 5,000 (five thousand) per sitting for every board meeting and board committee meeting respectively.

The remuneration of the Board Directors for the year 2016 is as follows:

Directors	Fees
Full Board	Nu. 521,000.00
Board Audit Committee	Nu. 50,000.00
Board Tender Committee	Nu. 130,000.00
Total	Nu. 701,000.00

D. Risk Management and Internal Control

The Board also takes responsibility to identify, isolate and manage significant risks within the company's business environment. The Risk Management Division (RMD) of the company completed its second year on August 2016. As a good practice, risk management in BPC started off with the identification of key risks faced by each department, at the beginning of the year. While some risks were specific to a particular Department, many were common across departments. These risks were then compiled in the form of a Risk Register at two levels – Departmental Risk Register and Corporate Risk Register. Some of the

significant risks flagged in the Risk Registers related to ICT/SAP, aging Transmission and Distribution networks, performance/under performance of Electricity Services Divisions, etc. The Management is responsible for implementing the measures and activities for risk management. It also provides assurance to the board adequate systems and processes are in place for risk management. On its part, the board, through the Board Audit and Risk Committee, monitors and reviews the various internal control and risk management mechanisms in place.

Corporate Social Responsibility

In line with the DHI Corporate Social responsibility Guideline – 2013, the company ensures to implement meaningful and sustainable CSR programs under three basic categories viz. legal compliance, operation and charitable contributions.

The objective of CSR is to provide support to the government and be responsible for the better environment, improved community and society's lives around which the company operates. Further, in line with its business operation, the company also aims to minimize and mitigate the impact of its businesses on the environment and society through various programs such as planting trees, donating blood and making charity contribution.

In 2016, BPC contributed Nu. 9,086,575.06 for various activities within the CSR budget approved by DHI. The CSR initiatives carried out in 2016 were as follows:

i) Operation Contribution

a) Monk Training

In 2016 BPC conducted electrical training for the Gerab Dratshang monks from all over the country. The training was conducted in two (2) batches from September 5 to 16, 2016 and September 19 to 30, 2016 with the objective to provide basic knowledge on house wiring, repair & maintenance and safety measures pertaining to electricity considering the difficulties faced by monks in remote Dratshangs, monasteries and various religious institutions. Various topics including safety and basic tools, familiarization and identification of wiring materials, installation and testing of various types of domestic wiring, estimating and costing of domestic wiring, installation, testing and commissioning of earthing system and cables, MCB, main switch sizing and basic firefighting techniques were covered during the training.

In total 132 monks (65 monks in batch I and 67 monks in Batch II including two nuns) attended the training. The company spent a total of Nu. 537,235.82 for the above training.



Monks trained at Bagana

b) Tree Plantation

To compensate the impact of the company's business on the environment, the company initiated tree plantation in Jungzhina, Thimphu in 2016. The company also participated in the 108000 tendrel tree plantation held across the country in dedication of his Royal Highness, the Gyalsey. Further, BPC also sponsored the plantation of 8552 seedlings in Sarpang Dzongkhag, for which, BPC was also conferred with a certificate of appreciation from the Tendrel Initiative Board.

BPC has contributed a total of Nu. 515,000.00 for the tree plantation in Sarpang Dzongkhag.

ii. Charitable Contribution

The company also sponsored and made donations for few numbers of restoration and renovation of religious sites, philanthropic requests, NGOs, cultural and sport events and youth events in 2016. The company initiated the LED lighting of Trongsa Dzong to commemorate the 109th National Day, 2016 celebration. Further, blood donation initiative was also held as an annual event to contribute to society's need in small way.

BPC has contributed Nu. 8,034,339.24 under the charitable contribution.

Financial Performance Highlights

- i) Annual Turnover for 2016 was Nu 11,757.019 million representing an overall growth by 20.46% from the previous year
- ii) The revenue earned from electricity sale was Nu 4,798.755 million
- iii) The revenue earned from wheeling was Nu 658.842 million
- iv) The revenue earned from construction contracts was Nu. 6,017.820 million
- v) Other revenue earned was Nu 281.602 million
- vi) The average tariff for the year was Nu 2.375 per kWh.
- vii) Total expense for the year was Nu 9,546.491 million
- viii) Cash flow for the year was negative by (1,752.150) million
- ix) Capital investment for the year was Nu 2,576.495 million
- x) Total capital works expenditure (including Construction Contract Works) was Nu 8, 518.73 million
- xi) Property, Plant and Equipment at cost was Nu 26,928.263 million of which Nu 2,814.925 million is in Capital Work in Progress.
- xii) The total Shareholders Equity is Nu 13,928.563 million of which Nu 8,225.118 is the Paid up capital.
- xiii) The total debt outstanding for the year was Nu 6,177.739.

Key Financial Ratios

Particulars	2016	2015
Fixed Assets Turnover Ratio (Sales / Average Net Block)	0.69	0.60
Current Ratio (Current Assets / Current Liabilities)	1.38	1.81
Quick Ratio (Current Asset-Inventory / Current Liabilities)	1.31	1.67
Interest Coverage Ratio (Profit before interest & tax/Interest)	19.76	16.87
Debt Service Coverage Ratio (PAT+Depreciation+Interest / (Interest +Principal Repayment)	6.45	7.32
Gearing Ratio (Debt/Net Fixed Asset)	25.39%	26.86%
Debt Equity Ratio (Debt /average Equity)	44.69%	45.97%
Return on Asset (Profit after tax)/average net total assets	9.12%	8.43%
Return on Equity (return available/ Average Equity)	11.20%	10.32%

Year in REVIEW



January

- Award of Meritorious and Fast track
- Appointment of Regional Directors
- Award of National Competence certificate
- Inauguration of BPC Day Care Center



April

- Appointment of GM, ICD and GM, RED



February

- Contract award for The Royal Academy, Pangbesa, Paro
- Contract award for the construction of SS at Corlung
- Contract award for the construction of TL to DHI-Infra



August

- Award of Meritorious promotion
- Induction for new recruits



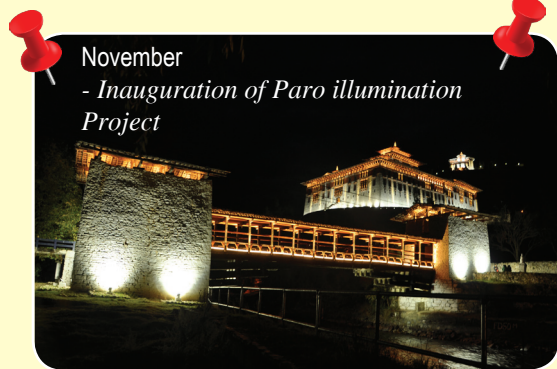
May
-Contract agreement
between BPC and
Power Grid, India
-MoU signing with
EGAT



June
-certification contract signing with Ms
Bureau Veritas Certification Pvt. Ltd
-Participating during Social Forestry day



September
- Launching real time transaction of BPC bill payment
via MBOB



November
- Inauguration of Paro illumination
Project



December
-Management
Retreat at Basochhu



July
-14th BPC day celebration in
Garpang, Bumthang
-IT service center launched



March
- Handing-taking over
Tala asset

October
-BPC won the DHI football tournament Cup
-Electrical training for monks of Gerab Dratshang
-Safety Awareness Campaign



Operational Highlights

1) Implementation of M-BoB with real time transaction

During the year, BPC launched the real time transaction of its bill payment via M-BoB application on 1st September 2016. The alignment of real time transaction was inaugurated by the Managing Director of BPC and the Chief Technical Officer of BOB in the BPC boardroom.

Earlier payments for BPC bills via M-BoB were not real-time transaction as the transactions had to be updated manually

in the BPC system which took at least one day. This was problematic for those customers who tried to pay their bills on the last day of the deadline. With the launch of real time transactions facility, payments are updated instantly in both the BPC and Bank of Bhutan systems solving issues, which the customers faced earlier. Meanwhile, the companies are working together to enable the payment of BPC bills via Internet banking on a real time basis.

2) LV UG distribution network for Merak Village UG Project



Launching of Real-time transaction of BPC bill payment via M-BoB with BOB

During the year, BPC successfully completed the procurement & laying of Under Ground (UG) cables at Merak Village under Trashigang Dzongkhag. The total of 244 households are connected through UG network and the total LT line length is 1.574 kms. The project was completed in a time span of

3.3 months at a cost of 5.673 million.

With this LV UG network, the aesthetic and uniqueness of Merak village will be preserved in long run.

3) Technical Museum



A contract agreement was signed with M/s Merx Exponere Media Pvt. Limited for the Design, Fabrication and Execution of Technical Museum at Jangsa, Paro at a contract price of Nu. 48.5 million. Jangsa mini hydel, which is the second oldest hydropower plant, was inaugurated by the Third King Jigme Dorji Wangchuk in 1968. The project is expected to complete in 2017. It would be the first of its kind in Bhutan.

Hydropower Plant” (8th August 2016)

The Contract for “Rehabilitation and Automation of Thimphu Mini Hydro Power Plant, Thimphu” was signed between BPC and Electricity Generating Authority of Thailand on December 08, 2016 at contract value of USD 400,000 (USD Four Hundred Thousand only). The duration of the Contract is 8 (Eight) months.

4) Contract Signed between BPC and EGAT for “Rehabilitation & Automation of Thimphu Mini

Thimphu Mini Hydro Power Plant has very historical importance in the power sector of Bhutan since it is the oldest

power plant and marks the starting of hydropower development in Bhutan. The power house was inaugurated by His Royal Highness Namgay Wangchuck on February 8, 1967. This year, marked the 50th Year of operation and BPC

would like to coincide the complete rehabilitation work with the 50th unwavering operation of the plant. The Rehabilitation and Automation work will be managed, monitored and supervised by Renewable Energy Department.



Contract signed between BPC and EGAT for rehabilitation of Thimphu mini hydel



Auditors' Report

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BHUTAN POWER CORPORATION LIMITED

1. Opinion

We have audited the financial statements of **Bhutan Power Corporation Limited**, which comprise the Statement of Financial Position as at December 31, 2016, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date and a summary of significant accounting policies and other explanatory notes and information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with the requirements the 'Bhutanese Accounting Standards'.

2. Basis For Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements as per the Auditor General's Standing Instruction issued by the Royal Audit Authority of Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 'Bhutanese Accounting Standards', and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



4. Auditor's Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement; whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

5. Report on Other Legal and Regulatory Requirements

- a. As Required by Section 264 of The Companies Act of Bhutan 2016, we report that, in our opinion and to the best of our information and according to the explanations given to us, these financial statements are prepared in accordance with the requirements of 'The Companies Act of Bhutan 2016' 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, 2016;
 - 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.
- b. As required by Section 265 of The Companies Act of Bhutan 2016, we report that;
- i. 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;
 - ii. in our opinion, proper books of accounts have been kept by the Company so far as appears from our examination of those books;
 - iii. 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.
 - iv. based on the information, explanations and management representations received during the course of our audit, the Company has complied with all the applicable and relevant legal and regulatory requirements.



- c. As required by Section 255 (e) of The Companies Act of Bhutan 2016, we enclose in the Annexure hereto statement on the 'Minimum Audit Examination and Reporting Requirements' to the extent applicable to the Company.



Place: New Delhi
Dated: 10.03.2017

For S.P. CHOPRA & CO.
Chartered Accountants
ICAI Firm Regn. No. 080346N

(Pawan K. Gupta)
Partner
M. No. 092529

ANNEXURE TO AUDITOR'S REPORT

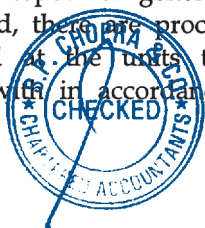
(Referred to in paragraph 5.c of our Report of even date)

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. 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.
8. The Company in an earlier year, given an interest free advance of Nu. 400 million to its Holding Company, Druk Holding and Investments Limited (DHI) in terms of the agreement entered with DHI. During the current year, the said advance, which had been shown as 'Advance to Holding Company' has been adjusted as consideration of the transfer of 4,000,000 equity shares of the face value of Nu. 100/- each of Dungsam Cement Corporation Limited (DCCL) in the name of the Company by DHI. Further, during the year the Company has transferred certain lands to DHI at its cost / book value, by adjustment of the Retained Earnings in terms of the DHI Land Policy and Implementation Guidelines. *As the investment in shares has been made at its face value and lands have been transferred at its cost/book value, without ascertaining their respective fair/market value, whether the same is prime facie not prejudicial to the interest of the Company, could not be commented by us.*



The Company during the year had also given inter-corporate loans to a group company Dagachhu Hydropower Corporation Limited in line with the DHI Inter Corporate Loan policy. The rate of interest and other terms and conditions of these loans granted by the Company were prime facie not prejudicial to the interest of the Company.

9. The advance given to the Holding Company, Druk Holding and Investments Limited and inter-corporate loans given to the group company, Dagachhu Hydropower Corporation Limited were adjusted / repaid along with the interest, wherever stipulated, during the year as detailed in para - 9 above. Further, other than these advances / loans the Company has not granted any loan to any other parties except the loans and advances given to its employees or suppliers/other parties in the normal course of business for which the recovery/adjustments are being made generally as per the agreement / contract / purchase orders except where stated otherwise in the Financial Statements.
10. The loans and advances granted by the Company to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive / frequent advances or accumulation of large advance against particular individual has been noted during our test verification.
11. In our opinion and according to the information and explanations given to us there are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.
12. In our opinion and according to the information and explanations given to us there is adequate system of competitive biddings, commensurate with the size of the Company and nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. Further, the comments on the system of sale of goods and services are not applicable as the Company is engaged in the transmission, distribution, sale and purchase of electricity which is regulated by the Bhutan Electricity Authority.
13. As per the information and explanations given to us and based on the declarations received from the Directors, there is no transaction for purchases and sale of goods and services made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested. However, as the Directors of the Company are all Government nominees, there are some transactions with other Government Companies/Agencies, which were generally found to be as per the directives, sanctions, rules and regulations of the Government.
14. In our opinion and according to the information and explanations given to us, the unserviceable or damaged stores or other items wherever identified have been properly dealt with and accounted for in the accounts.
15. As the Company is engaged in transmission and distribution of electricity, there is no raw material and finished goods and as such this clause is not applicable. However, there are transmission/energy losses in the transmission of the electricity for the control of which the Company has laid down control measures and responsibilities.
16. As the Company is engaged in transmission and distribution of electricity, there is no question of maintenance of records for production of finished goods, by products. However, reasonable records of energy received and energy distributed are maintained by the Company to control transmission and distribution of electricity.
17. In our opinion and according to the information and explanations given to us adequate records are being maintained by the Company in respect of generation and sale/disposal of scrap and unserviceable items. Further, as informed, there are procedures of reporting of the scraps and unserviceable items identified/disclosed at the units to the Management for approval of sale/disposal and are auctioned/dealt with in accordance with the sanctions and laid down procedures.



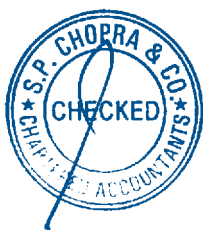
18. Based on test verification of the records and as per the information and explanations given to us, in our opinion, the Company is regular in depositing its provident fund, salary tax, health tax, contract tax, Bhutan sales tax and other applicable statutory dues with the appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with the current applicable Taxation laws.
19. Based on test verification of the records and as per the information and explanations given to us, there was no undisputed amount payable in respect of rates, taxes, duties, royalties, provident funds and other statutory deductions at the yearend other than tax deducted at source (TDS) which was later on paid within the stipulated time period.
20. According to the information and explanations given to us, and on the basis of our test verification of the accounts and other records etc. to the best of our knowledge, no personal expenses have been debited to the Statement of Comprehensive Income other than those payable under contractual obligations / service rules.
21. In our opinion and according to the information and explanations given to us the Company has reasonable system of recording receipts, issues and consumption of stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
22. As the Company is engaged in transmission and distribution of electricity, there is no question of quantitative reconciliation of the raw materials and finished goods, however, quantitative reconciliation is carried out at the end of the accounting year in respect of electricity.
23. Based on our verification and according to the information and explanations given to us the material losses and discrepancies noted during physical verification of stock wherever written-off/adjusted were as per the approval of the appropriate authorities.
24. There is a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size of the Company and nature of its business.
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 Deposits with Banks.
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 Memorandum 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 34 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.
37. The Company is engaged in distribution and sale of electricity, the prices for which are fixed/regulated by the Bhutan Electricity Authority, set up by the Royal Government of Bhutan. On the basis of information received from the management, and on the basis of our review of the records and documents, price sensitive information, to the best of our knowledge, have not been transmitted by any officer of the Company, unauthorisedly to any other person with intent to benefit themselves.
38. Computerized Accounting Environment :
 - a) The organizational and system development controls and other internal controls were generally found to be adequate in relation to the size and the nature of computer installations.
 - b) Adequate safeguard measures and backup facilities exist in the organization.
 - c) Adequate backup facilities and disaster recovery measures including keeping the files in different and remote locations is in place.
 - d) The operational controls were generally found to be adequate to ensure correctness and validity of input data and output information.
 - e) Adequate measures are in place to control unauthorized access over computer installations and files.
39. General :
 - a) Based on the net asset position reflected by the Statement of Financial Position as at December 31, 2016 and audited by us in accordance with the International Standards on Auditing and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Company is not a going concern on the Statement of Financial Position date.
 - b) According to the information and explanations given to us and based on the Compliance Checklist compiled by the Company, the Company has complied with the provisions of The Companies Act of Bhutan, 2016.



- c) *The audit of the Company conducted by us is governed by The Companies Act of Bhutan 2016 and scope of work is limited to the examination and review of the Financial Statements as provided to us by the management. In the course of audit we have considered the compliance of the provisions of the said Companies Act and its Article of Incorporation. It is not possible for us to comment as regards adherence to all Laws, Rules and Regulations, System, Procedures and Practices by the Company, as comprehensive Compliance Reporting and Recording System of the Company in this regard is currently not in place. However, any non-compliance or departure from accepted practice and approved systems / procedures having effect on financial statements that came to our notice during the course of our audit is properly impacted / disclosed in the accounts.*
- d) Financial and Operational Resume of the Company has been given in enclosed Exhibit-I.



Place : New Delhi
Dated: 10.03.2017

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


(PAWAN K GUPTA)
Partner
Membership No. 092529

Statement of Financial Position

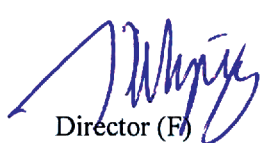
		As at	
	Note	December 31, 2016	December 31, 2015
ASSETS			
Non-current assets			
Property, plant and equipment	5	20,081,667,343	18,437,820,812
Intangible assets	6	22,270,869	56,559,502
Investments	7	400,000,000	-
Trade & other receivables	8	199,330	199,330
Long-term loans and advances	9	21,232,269	420,069,277
Other non-current assets	10	889,398,616	847,963,353
Total non-current assets		21,414,768,427	19,762,612,274
Current assets			
Inventories	11	338,720,596	425,349,163
Amounts due from customers for contract work	12	2,730,129,875	485,810,049
Trade & other receivables	13	153,550,758	105,495,521
Cash and cash equivalents	14	1,283,776,538	3,035,926,578
Short-term loans and advances	15	42,058,006	38,066,217
Other current assets	16	2,000,645,551	1,332,199,617
Total current assets		6,548,881,324	5,422,847,145
TOTALASSETS		27,963,649,751	25,185,459,419
EQUITY AND LIABILITIES			
Shareholder's Equity			
Share Capital	17	8,225,118,000	8,225,118,000
Retained earnings		5,125,414,610	4,497,478,996
Investment Reserve		616,601,916	1,016,601,916
Asset Replacement Reserve		93,413,037	87,673,037
Actuarial gain/(loss)		(131,984,736)	(109,300,713)
Total Shareholder's equity		13,928,562,827	13,717,571,236
Liabilities			
Non-current liabilities			
Borrowings	18	5,895,655,075	5,953,118,042
Deferred grants	19	1,133,960,055	898,683,522
Deferred Customer's Contribution	20	2,979,976	3,092,428
Employee benefit liabilities	21	426,750,457	382,524,097
Deferred Income Tax liabilities (net)	22	636,294,353	551,463,686
Other non-current liabilities	23	1,206,772,305	681,339,770
Total Non-current liabilities		9,302,412,221	8,470,221,545



Statement of Financial Position Contd.,

As at			
	Note	December 31, 2016	December 31, 2015
Current liabilities			
Borrowings	18	282,084,353	196,757,453
Deferred grants	19	33,107,110	24,891,343
Deferred Customer Contribution	20	112,452	112,452
Amounts due to customers for contract work	12	2,476,269,941	930,279,750
Trade & other payables	24	222,151,875	411,674,304
Employee benefit liabilities	21	209,905,567	202,815,969
Income tax payable (net of advances)	25	370,899,141	336,611,845
Other current liabilities	26	1,138,144,264	894,523,522
Total current liabilities		4,732,674,703	2,997,666,638
Total liabilities		14,035,086,924	11,467,888,183
TOTAL EQUITY AND LIABILITIES		27,963,649,751	25,185,459,419

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


Director (F)


Director


Managing Director


Chairman



As per our report of even date attached

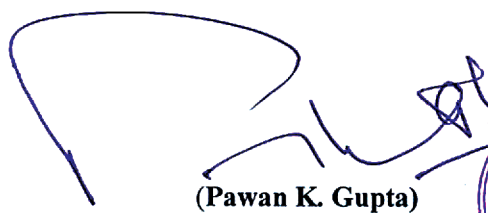
For S.P. CHOPRA & CO.

Chartered Accountants

ICAI Firm Registration No. 000346N

Place: New Delhi

Dated **10 MAR 2017**


(Pawan K. Gupta)
Partner

Membership No. 092529



As at			
	Note	December 31, 2016	December 31, 2015
Revenue			
Income from sale of electricity		4,798,754,607	4,588,080,855
Income from construction contracts	27	6,017,820,095	4,282,061,608
Wheeling charges		658,842,555	632,268,364
Other income	28	281,602,102	257,430,496
Total Revenue		11,757,019,359	9,759,841,323
Expenditure			
Purchase of electricity		1,408,260,254	1,550,124,223
Construction material consumed and sub-contracting charges		5,471,306,437	3,892,900,878
Operation and maintenance expenses	29	407,466,635	311,798,776
Employee benefit expenses	30	960,513,177	876,916,718
Finance costs	31	117,805,753	124,257,613
Loss on foreign currency fluctuation (net)		72,895,465	43,028
Depreciation and amortization expenses		914,215,675	861,450,835
Other expenses	32	194,027,339	170,730,654
Total Expenditure		9,546,490,735	7,788,222,725



Statement of Comprehensive Income (contd.)

		As at	
	Note	December 31, 2016	December 31, 2015
Profit before income tax		2,210,528,624	1,971,618,598
Tax expenses	25		
- Current tax		577,719,294	519,783,722
- Deferred tax		84,830,666	71,093,899
Net Profit for the year		1,547,978,664	1,380,740,977
Earnings per share ('EPS')	33		
Basic EPS (Nu.)		188.20	.38
Diluted EPS(Nu.)		188.20	168.38
Profit for the year		1,547,978,664	1,380,740,977
Other comprehensive income/(loss):			
Actuarial gain/ (loss)		(22,684,023)	(31,630,283)
Total comprehensive income for the year		1,525,294,641	1,349,110,694

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


Director (F)


Director


Managing Director


Chairman




As per our report of even date attached

For S.P. CHOPRA & CO.

Chartered Accountants

ICAI Firm Registration No. 000346N

Place: New Delhi
Dated: 10 MAR 2017


(Pawan K. Gupta)
Partner
Membership No. 092529



Statement of Changes in Equity for the year ended December 31, 2016

	Equity Share capital Refer Note 17	Retained earnings	Investment Reserve	Asset Re- placement Reserve	Actuarial gains/(losses)	Total Equity
Balance as at January 1, 2016	8,225,118,000	4,497,478,996	1,016,601,916	87,673,037	(109,300,713)	13,717,571,236
Net profit for the year	-	1,547,978,664	-	-	-	1,547,978,664
Other comprehensive income/(loss):						
Actuarial gain/(loss)	-	-	-	-	(22,684,023)	(22,684,023)
Prior period adjustment for foreign exchange difference on Borrowings (net)	-	(26,119,025)	-	-	-	(26,119,025)
Prior period adjustment for deferred Government Grant	-	350,975	-	-	-	350,975
Cost of transfer of Lands to DHI (Refer Note 38 (iii))	-	(6,879,841)	-	-	-	(6,879,841)
Transfer to Investment Reserve	-	400,000,000	(400,000,000)	-	-	-
Transfer to Asset Replacement Reserve	-	(5,740,000)	-	5,740,000	-	-
Transaction with the owners:						
Payment of Dividends for the year 2015	-	(1,281,655,159)	-	-	-	(1,281,655,159)
Balance as at December 31, 2016	8,225,118,000	5,125,414,610	616,601,916	93,413,037	(131,984,736)	13,928,562,827

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



Statements of Changes in Equity for the year ended December 31, 2015

	Equity Share capital Refer Note 17	Retained earnings	Investment Reserve	Asset Re- placement Reserve	Actuarial gains/(losses)	Total Equity
Balance as at January 1, 2015	8,190,191,000	3,932,673,019	916,304,916	74,117,037	(77,670,430)	13,035,615,542
Net profit for the year	-	1,380,740,977	-	-	-	1,380,740,977
Other comprehensive income/ (loss):						-
Actuarial gain/(loss)	-	-	-	-	(31,630,283)	(31,630,283)
Transfer to Investment Reserve	-	(100,297,000)	100,297,000	-	-	-
Transfer to Asset Replacement Reserve	-	(13,556,000)	-	13,556,000	-	-
Transaction with the owners:						
Issue of share capital	34,927,000	-	-	-	-	34,927,000
Payment of Dividends for the year 2014	-	(702,082,000)	-	-	-	(702,082,000)
Balance as at December 31, 2015	8,225,118,000	4,497,478,996	1,016,601,916	87,673,037	(109,300,713)	13,717,571,236

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



Statement of Cash Flows

	For the year ended	
	December 31, 2016	December 31, 2015
Cash flows from / (used in) operating activities		
Profit before income tax	2,210,528,624	1,971,618,598
Adjustments for:		
Depreciation and amortization	914,215,675	861,450,835
Net loss / (gain) on sale of property, plant and equipment	43,426,266	(1,502,701)
Interest expenses	117,805,752	124,257,613
Interest income	(155,514,882)	(128,593,192)
Write-back/off of Provision for doubtful debts	(10,937,210)	9,807,021
Write-back of Provision of obsolescence of Material	(1,387,460)	(9,399,991)
Net Prior period adjustment against retained earnings:		
- for foreign exchange difference on Borrowings	(26,119,025)	-
- for deferred government grant	350,975	-
Liabilities no longer required, written back	(3,047,961)	(22,586)
Amortization of grants	(29,757,220)	(23,959,455)
Amortization of deferred customer's contribution	(112,452)	(112,452)
Operating profit before working capital changes	3,059,451,082	2,803,543,690
Decrease / (Increase) in Inventories	88,016,027	(172,493,961)
Decrease / (Increase) in amount due from customer contract works	(2,244,319,826)	37,492,626
Decrease / (Increase) in Trade and other receivables	(138,750,973)	291,995,073
Increase / (Decrease) in Amounts due to customers for contract work	1,545,990,191	(777,124,114)
Increase / (Decrease) in Trade and other payables	613,538,266	473,919,215
Net cash generated from operating activities before income tax	2,923,924,767	2,657,332,529
Income tax paid, net of refunds received	(543,431,998)	(416,353,149)
Net cash generated from operating activities	2,380,492,769	2,240,979,380

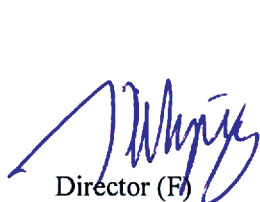
Cash flows from / (used in) investing activities

Purchase of property, plant and equipment and Intangible assets	(2,576,495,055)	(883,680,609)
Receipt of government grants	273,249,529	8,209,286
Investment in shares of Dungsam Cement Corporation Limited	(400,000,000)	-
Proceeds from sale of property, plant and equipment	2,415,376	26,767,169
Inter-Corporate deposit to Holding Company	400,000,000	-



	For the year ended	
	December 31, 2016	December 31, 2015
Redemption of Investment	-	300,000,000
Deposits made in Fixed Deposits with Banks (net)	(572,562,256)	(350,807,725)
Interest received	114,674,106	141,155,252
Net cash generated from investing activities	(2,758,718,309)	(758,356,627)
Cash flows from / (used in) financing activities		
Proceeds from Borrowings	223,095,280	161,612,637
Issue of share Capital	-	34,927,000
Repayment of Borrowings	(195,231,346)	(196,757,453)
Interest paid	(120,133,275)	(124,312,421)
Payment of dividend on ordinary shares	(1,281,655,159)	(702,082,000)
Net cash used in financing activities	(1,373,924,500)	(826,612,237)
Net increase in cash and cash equivalents	(1,752,150,040)	656,010,516
Cash and cash equivalents at beginning of the year	3,035,926,578	2,379,916,062
Cash and cash equivalents at end of the year	1,283,776,538	3,035,926,578

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


Director (F)


Director


Managing Director


Chairman




As per our report of even date attached

For S.P. CHOPRA & CO.

Chartered Accountants

ICAI Firm Registration No. 000346N

Place: New Delhi
Dated: 10 MAR 2017


(Pawan K. Gupta)
Partner
Membership No. 092529



Notes to Financial Statements

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, 2016 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 and 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.

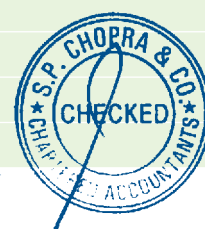
The financial statements of the Company for the year ended December 31, 2016 were authorized for issue in accordance with the resolution of the Board of Directors dated March 2, 2017.

2. Bhutanese Accounting Standards (BAS)

2.1 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 in preparing the financial statements from the year 2013 onwards to the extent as applicable to the Company as under.

No.	BAS	
Phase – I (w.e.f. January 1, 2013)		
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



No.	BAS	
Phase – I (w.e.f. January 1, 2013)		
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
Phase – II (w.e.f. January 1, 2016)		
16	BAS 19	Employee Benefits
17	BAS 36	Impairment of Assets
18	BAS 38	Intangible 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 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 paragraphs have been early adopted the same have been disclosed in the respective note/ accounting policy.

2.3 The BAS of Phase – II, applicable from January, 2016 were already adopted with effect from January 1, 2013 along with the adoption of the BAS of Phase –I and the changes in accounting policies consequent on adoption of above BAS had been accounted for in accordance with the transition provisions of the respective BAS and has been accounted for retrospectively by restating the comparatives from the previous GAAP to BAS with effect from January 1, 2013.

3. Summary of Significant Accounting Policies

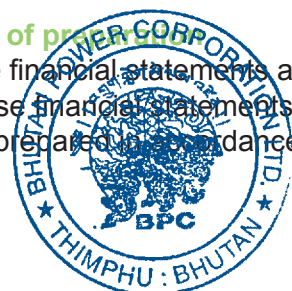
3.1 Basis of preparation
These financial statements are general purpose financial statements that have been prepared on a going concern basis and to

comply with the BAS, the Generally Accepted Accounting Principles and the relevant provisions of The Companies Act of the Kingdom of Bhutan, 2016 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 historical cost. The historical cost of property, plant and equipment is determined as the fair value

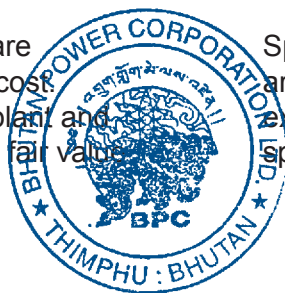
of the asset at the date of acquisition and comprises its net purchase price after deducting for any trade discount and rebates, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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 equipment are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipment are



treated as property, plant and equipment when they are expected to be used during more than one year. Also, where the sparesparts 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, disposed of or when no future economic benefits are expected to arise from the continued use, are derecognized from the financial statements. The gains and losses are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

3.5 Intangible assets

Intangible assets include identifiable capitalized software costs and are recognized at cost of acquisition/ implementation less accumulated amortisation and any other provision for impairment losses. Subsequent costs are included only when it is probable that the item associated with the cost will generate future economic benefits and the cost can be reliably measured.

Internally generated intangible assets are recognized only when the asset created can be identified and it is probable that the asset created will generate future economic benefits and the costs can be measured reliably. Otherwise, the expenditure is charged to profit and loss for the year of incurring the expenditure.

Amortisation is calculated and recognized using the straight-line basis over the estimated useful life as estimated by the management.

The useful lives and the amortization methods are reviewed annually and are adjusted as appropriate at the end of each reporting year, with any changes recognized as a change in the accounting estimate.

An intangible asset is derecognized when disposed of or when no future benefits are expected to arise from the



continued use of the asset. The gains and losses are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

3.6 Impairment of assets

The Company assesses at each Statement of Financial Position 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. The impairment losses are recognized in the Statement of Comprehensive Income and if material, are disclosed separately.

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'.

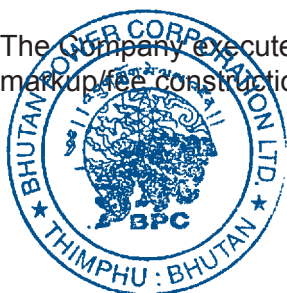
Progress billing and advances are deducted from the value of the Work in Progress - 'Construction Contracts' for the specific contract and recorded as 'Amounts Due from Customers for Contract Work' and in case progress billing and advances exceed this value, the same are recorded under liabilities as '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 Reserves

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 capitalized 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.

prorate 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 recommended by the Board of Directors and approved by the ordinary shareholders in the Annual General Meeting.

3.24 Provisions and contingent liabilities

The Company creates a provision when there is a present obligation arising as result of past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation, at the balances sheet date and are not discounted to its present value.

A disclosure for a contingent liability is made when there is a present obligation arising as a result of past event that probably will not require an outflow of resources or where a reliable estimate of the obligation cannot be made.

4. 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.

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.

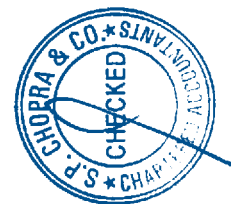
d) Unbilled revenue

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. This is consistent with the revenue recognition methodology adopted in prior years and reflects the billing profile of the customers. 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, 2016							
Cost	69,290,029	2,267,644,384	763,688,027	18,412,460,764	1,164,914,293	1,819,056,036	24,497,053,534
Accumulated depreciation	-	(469,592,438)	(496,446,672)	(4,377,574,757)	(715,618,855)	-	(6,059,232,722)
Book Value	69,290,029	1,798,051,946	267,241,355	14,034,886,007	449,295,438	1,819,056,036	18,437,820,812
Changes in book value during the year							
Additions	609,840	204,769,112	246,273,352	963,716,574	161,370,330	995,868,662	2,572,607,870
Disposals and sales	(6,879,841)	(8,784,529)	(65,456,327)	(27,667,020)	(32,610,765)	-	(141,398,482)
Depreciation on disposals/adjustments	-	258,978	45,850,245	12,501,365	30,066,413	-	88,677,001
Depreciation	-	(80,954,285)	(34,330,995)	(626,299,190)	(134,455,389)	-	(876,039,859)
Total changes	(6,270,001)	115,289,276	192,336,274	322,251,729	24,370,589	995,868,662	1,643,846,530
Balance as at December 31, 2016							
Cost	63,020,029	2,463,628,967	944,505,053	19,348,510,318	1,293,673,858	2,814,924,698	26,928,262,923
Accumulated depreciation	-	(550,287,745)	(484,927,422)	(4,991,372,582)	(820,007,831)	-	(6,846,595,580)
Book value	63,020,029	1,913,341,222	459,577,631	14,357,137,736	473,666,027	2,814,924,698	20,081,667,343



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, 2015							
Cost	68,775,377	1,989,757,828	720,995,999	17,401,477,425	1,063,898,193	2,435,716,329	23,680,621,151
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	461,275,850	2,435,716,329	18,401,306,634
Changes in book value during the year							
Additions	701,285	287,356,883	42,692,031	1,044,679,102	123,656,683	(616,660,293)	882,425,692
Disposals and sales	(186,633)	(9,470,327)	(3)	(33,695,763)	(22,640,583)	-	(65,993,309)
Depreciation on disposals	-	322,972	-	18,579,887	21,826,130	-	40,728,989
Depreciation	-	(69,363,437)	(26,735,007)	(589,726,108)	(134,822,642)	-	(820,647,194)
Total changes in book value	514,652	208,846,091	15,957,021	439,837,119	(11,980,412)	(616,660,293)	36,514,178
Balance as at December 31, 2015	-	-	-	-	-	-	-
Cost	69,290,029	2,267,644,384	763,688,027	18,412,460,764	1,164,914,293	1,819,056,036	24,497,053,534
Accumulated depreciation	-	(469,592,438)	(496,446,672)	(4,377,574,757)	(715,618,855)	-	(6,059,232,722)
Book value	69,290,029	1,798,051,946	267,241,355	14,034,886,007	449,295,438	1,819,056,036	18,437,820,812



5.1 Capital work-in-progress as at December 31, 2016 and December 31, 2015 comprise the following:

Particulars	As at	
	December 31, 2016	December 31, 2015
Generation equipment	6,333,792	2,643,636
Transmission lines	1,635,876,349	123,821,678
Distribution Assets	735,561,670	1,273,590,931
Buildings	92,001,311	74,122,650
Other Civil Structures	16,012,857	20,570,634
Others	539,679	117,456,635
Advance for capital works	328,599,041	206,849,871
Total	2,814,924,698	1,819,056,036

5.2 Borrowing costs amounting to Nu. 1,526,555 and Nu. 611,996 has been capitalized by the Company for the year ended December 31, 2016 and December 31, 2015 respectively on qualifying assets at a 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 DHL.

5.4 Certain Property, plant and equipment are pledged as securities against borrowings. (Refer Note 18.1)

6. Intangible assets

Computer Software	As at	
	December 31, 2016	December 31, 2015
Opening gross carrying value (i)	215,839,129	214,883,344
Additions	3,887,185	1,254,918
Disposals	(2,549,729)	(299,133)
Closing gross carrying value(ii)	217,176,585	215,839,129
Opening accumulated amortization (iii)	(159,279,627)	(118,774,971)
Additions	(38,175,816)	(40,803,641)
Depreciation on disposals	2,549,727	298,985
Closing accumulated amortization (iv)	(194,905,716)	(159,279,627)
Net carrying value (i-iv)	22,270,869	56,559,502



7. Investments

	As at December 31, 2016	As at December 31, 2015
Long Term - Other Investments - Unquoted:		
4,000,000 Equity Shares of Nu. 100/- each of Dungsam Cement Corporation Limited, fully paid up	400,000,000	-
Total	400,000,000	-

8. Trade & other receivables

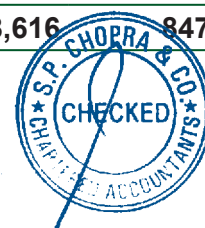
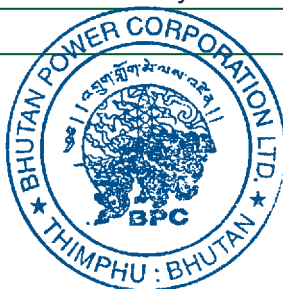
	As at December 31, 2016	As at December 31, 2015
Security Deposit for Land Lease	199,330	199,330
Total	199,330	199,330

9. Long-term loans & advances

	As at December 31, 2016	As at December 31, 2015
Advance to Holding Company	-	400,000,000
Advance to others	80,150	5,226,200
Prepaid Expenses	18,077,704	8,024,718
Advances to employees		
- Bike Loan	2,536,974	5,856,734
- Welfare Loan	140,334	176,777
- Advance-M/Phone Loan	397,107	784,848
Total	21,232,269	420,069,277

10. Other non-current assets

	As at December 31, 2016	As at December 31, 2015
Deposit against Employee Insurance Policies (Refer Note 37 (v))	572,751,069	491,063,498
Fixed deposits with Banks(having original tenure of more than twelve months)for Gratuity liability (Refer Note 37 (i))	287,175,365	343,000,945
Interest accrued on Fixed Deposits for Gratuity Liability	29,472,182	13,898,910
Total	889,398,616	847,963,353



11. Inventories

	As at December 31, 2016	As at December 31, 2015
Stores and spare parts	286,964,752	379,834,091
Stock- ISU	50,182,973	45,452,379
Stock - Uniform	768,671	645,953
Stock-Infocom Spares	1,052,370	1,052,370
Less: Provision for obsolete inventory	(248,170)	(1,635,630)
Total	338,720,596	425,349,163

12. Amounts due from/to customers for contract work

	As at December 31, 2016	As at December 31, 2015
<u>Amounts due from customers for contract work</u>		
Work in progress -Construction Contracts	8,667,188,638	10,900,618,715
Less: Progress billing and advances received	5,937,058,763	10,414,808,666
Total	2,730,129,875	485,810,049

<u>Amounts due to customers for contract work</u>		
Work in progress -Construction Contracts	9,172,134,152	1,510,314,422
Less: Progress billing and advances received	11,648,404,093	2,440,594,172
Total	(2,476,269,941)	(930,279,750)

Recognized and included in financial statements as:

Amounts due from customers for construction contracts

- Current portion	2,730,129,875	485,810,049
- Non-current portion	-	-

Amounts due to customers for construction contracts

- For short term contract	72,649,186	97,362,301
- For long term contract	2,403,620,755	832,917,449
Total	(2,476,269,941)	(930,279,750)

13. Trade & other receivables

	As at December 31, 2016	As at December 31, 2015
Receivables against transmission and supply of electric- ity	160,402,597	123,284,570
Less: Provision for doubtful debts	(6,851,839)	(17,789,049)
Total	153,550,758	105,495,521



- 13.1 Provision for doubtful debts on outstanding receivables from customers are provided for on the basis of ageing analysis for each of the customers as on the reporting date with increasing percentages on each ageing category. The table below gives the information on the movement of the provision during the year.

Particulars	As at January 1, 2016	Amount written back and credited to Statement of Comprehensive Income	As at December 31, 2016
Provision for doubtful Debts	17,789,049	10,937,210	6,851,839

14. Cash and cash equivalents

	As at December 31, 2016	As at December 31, 2015
Cash in hand	2,454,777	2,859,720
Bank balances in current accounts	1,267,286,771	3,021,309,990
Balance with bank towards Staff Welfare Fund	14,034,990	11,756,868
Total	1,283,776,538	3,035,926,578

- 14.1 There are no restricted cash and cash equivalents.

15. Short-term loans and advances

	As at December 31, 2016	As at December 31, 2015
Advances to suppliers	13,883,730	10,715,918
BST Receivable	-	313,000
Advances to employees		
- Travel and salary advance	42,400	108,159
- Expenses	1,432,102	1,012,787
- Bike Loan	3,447,370	3,640,272
- Welfare Loan	468,295	573,114
-Advance-M/phone loan	903,780	613,104
Prepaid expenses	9,695,174	11,951,791
Other advances (Refer Note 15.1)	12,185,155	9,138,072
Total	42,058,006	38,066,217

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



16. Other current assets

	As at December 31, 2016	As at December 31, 2015
Interest accrued on Fixed Deposits:		
- for Others	23,882,205	5,112,410
- for Investment Reserve	2,983,607	7,364,384
- for Gratuity Liability	10,878,486	-
Fixed deposits with Banks (having original tenure of more than three months):		
- for Others	857,000,718	333,324,042
- for Investment Reserve	600,000,000	600,000,000
- for Gratuity liability (Refer Note 37 (i))	104,711,160	-
Accrued Unbilled Trade Receivables	399,728,479	385,233,752
Other receivables	1,460,896	1,165,029
Total	2,000,645,551	1,332,199,617

17. Share Capital

	As at December 31, 2016	As at December 31, 2015
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:		
8,225,118 Equity Shares of Nu. 1,000/- each	8,225,118,000	8,225,118,000
Total	8,225,118,000	8,225,118,000

17.1 All Equity shares are Ordinary shares and 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 4,910,755 equity shares (Previous year:4,910,755) 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, 2016	As at December 31, 2015
At the beginning of the year		
- Number of shares	8,225,118	8,190,191
- Amount (in Nu.)	8,225,118,000	8,190,191,000
Add: Issued during the year		
- Number of shares	-	34,927
- Amount (in Nu.)	-	34,927,000
At the end of the year		
- Number of shares	8,225,118	8,225,118
- Amount (in Nu.)	8,225,118,000	8,225,118,000

18. Borrowings

	As at December 31, 2016	As at December 31, 2015
i) Secured borrowings:		
Term loan from 'National Pension and Provident Fund' (Refer Note 18.1)	335,420,000	377,347,500
- for Transmission Lines Project		
ii) Unsecured borrowings:		
Term loans from 'Royal Government of Bhutan' (Refer Note 18.2)	5,622,375,952	5,442,612,781
- for Rural Electrification Projects	219,943,476	329,915,214
- for Tala Hydroelectric Project		
	6,177,739,428	6,149,875,495

Borrowings analyzed as follows

	As at December 31, 2016	As at December 31, 2015
Current portion	282,084,353	196,757,453
Non-current portion	5,895,655,075	5,953,118,042
Total	6,177,739,428	6,149,875,495



Nature of Security:

18.1 Term loan of Nu. 335,420,000 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. 157,777,298 has been obtained from the Royal Government of Bhutan for Rural Electrification Works and is repayable within 30 years at an interest rate of 6% in 60 semi-annually equal installments with last installment due on August 15, 2035.

ii) Rural electrification Loan II (RE-II) of Nu. 274,887,566 has been obtained from the Royal Government of Bhutan for Rural Electrification Works and is repayable within 24 years at an interest rate of 6% in 48 semi-annually equal installments with last installment due on August 15, 2031.

iii) Rural electrification Loan III (RE-III) of Nu 346,337,865 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.

iv) Rural electrification Loan IV (RE-IV) of Nu 1,127,823,671 has been obtained from the Royal

Government of Bhutan for Rural Electrification Works and is repayable within 24 years at an interest rate of 0% in 48 semi-annually equal installments with last installment due on March 15, 2041.

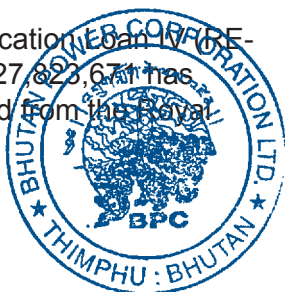
v) Rural electrification Loan JICA-Phase 1 of Nu 1,884,285,586 has been obtained from Royal Government of Bhutan for Rural Electrification Works and is repayable within 30 years at an interest rate of 0.01% on Japanese Yen in 61 semi-annually equal installments with last installment due on May 20, 2047.

vi) Rural electrification Loan ADA of Nu 279,334,253 has been obtained from Royal Government of Bhutan for Rural Electrification Works and is repayable within 12 years at an interest rate of 0.7% on EURO in 12 semi-annually equal installments with last installment due on December 31, 2029.

vii) Loan for Tala Transmission Lines of Nu. 219,943,476 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.

viii) Rural electrification loan – RE V and JICA Loan II of Nu. 1,551,929,714 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 27 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, 2016	As at December 31, 2015
As at January 1	923,574,865	939,325,033
Received during the year	273,249,520	8,209,287
Less: Transferred to the Statement of Comprehensive Income	(29,757,220)	(23,959,455)
As at December 31	1,167,067,165	923,574,865

Deferred grant analyzed as follows:

	As at December 31, 2016	As at December 31, 2015
Current portion	33,107,110	24,891,343
Non-current portion	1,133,960,055	898,683,522
Total	1,167,067,165	923,574,865

20. Deferred Customer's Contribution

	As at December 31, 2016	As at December 31, 2015
As at January 1	3,204,880	3,317,332
Less : Transferred to the Statement of Comprehensive Income	(112,452)	(112,452)
As at December 31	3,092,428	3,204,880

Deferred Customer's Contribution analyzed as follows:

Current portion	112,452	112,452
Non-current portion	2,979,976	3,092,428
Total	3,092,428	3,204,880



21. Employee Benefit Liabilities

	As at December 31, 2016	As at December 31, 2015
Provision for:		
- Gratuity (Refer Note 37(i))	451,100,565	405,785,435
- Leave encashment	41,376,857	36,006,408
- Performance Based Incentive Scheme	75,930,133	75,645,862
- Performance Based Variable Allowance	68,248,469	67,902,361
Total	636,656,024	585,340,066

Employee benefit liabilities analyzed as follows:

	As at December 31, 2016	As at December 31, 2015
Current portion	209,905,567	202,815,969
Non-current portion	426,750,457	382,524,097
Total	636,656,024	585,340,066

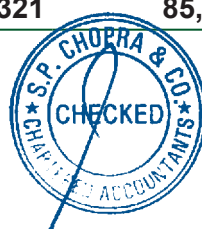
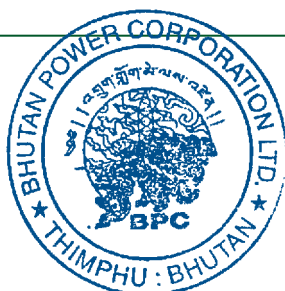
22. Deferred Income Tax liabilities (net)

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:

	For the year ended	
Particulars	December 31, 2016	December 31, 2015
Opening Balance	551,463,686	480,369,787
Charged to the Statement of Comprehensive Income	84,830,666	71,093,899
Closing Balance	636,294,353	551,463,686

Note 22.1: The movement in deferred income tax assets and liabilities during the year ended December 31, 2016 and December 31, 2015 are as under:

Deferred income tax liabilities	As at January 1, 2016	Adjustment to Statement of Comprehensive Income	As at December 31, 2016
Property, plant and equipment	577,249,321	85,051,514	662,300,834
Total	577,249,321	85,051,514	662,300,834



Deferred income tax assets	As at January 1, 2016	Adjustment to Comprehensive Income	As at December 31, 2016
Provision for doubtful debts	5,336,715	(3,281,163)	2,055,552
Training	19,958,231	3,918,248	23,876,479
Provision for obsolete inventories	490,689	(416,238)	74,451
Total	25,785,634	220,848	26,006,482

23. Other non-current liabilities

	As at December 31, 2016	As at December 31, 2015
Security Deposits		
- Energy meter	208,248,827	194,447,557
- Others (Refer Note 23.1)	16,759,951	16,759,951
Performance security	42,171	85,185
Retention money	981,572,232	469,897,953
Payables to employees	149,124	149,124
	1,206,772,305	681,339,770

23.1 Include the deposit received from Punatshangchhu-I Hydroelectric Project Authority as compensation for BPCL assets at Wangdue Phodrang 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, 2016	As at December 31, 2015
Trade payables:		
- electricity	28,930,898	223,675,778
- suppliers & contractors	189,954,115	178,597,763
- services	3,266,862	8,356,719
Other payables	-	1,044,044
Total	222,151,875	411,674,304



25. Income tax payable (net of advances)

	As at December 31, 2016	As at December 31, 2015
Provision for corporate tax	577,719,294	519,783,722
Less: Advance income tax and tax deducted at source	(206,820,153)	(183,171,877)
Total	370,899,141	336,611,845

25.1 Details of Income Tax is as under:

	As at December 31, 2016	As at December 31, 2015
Current income tax		
Current tax on profits for the year	577,719,294	519,783,722
Total Current income tax	577,719,294	519,783,722
Deferred income tax		
Origination and reversal of temporary differences	84,830,666	71,093,899
Total Deferred income tax	84,830,666	71,093,899
Income tax expense	662,549,960	590,877,621

25.2 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, 2016	As at December 31, 2015
Profit before tax	2,210,528,623	1,971,618,598
Tax calculated at domestic tax rates	663,158,587	591,485,579
Income tax effect due to:		
-Medical expenses	-	211,265
-Donations	213,000	549,600
-Fines and Penalties	282,615	1,073,445
- Depreciation on disposal	27,368,018	12,308,393
- Reversal on disposal of asset	(28,472,261)	(14,750,661)
Income tax charge	662,549,960	590,877,621

25.3 The applicable corporate income tax rate was same, i.e. 30% for the current year and earlier year ended on December 31, 2016 and December 31, 2015.



26. Other current liabilities

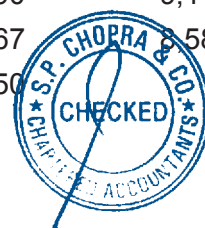
	As at December 31, 2016	As at December 31, 2015
Security deposits:		
- Energy meter	8,311,329	2,719,018
- Capacity reserve charges	8,525,727	9,607,950
- Performance security	6,035,000	4,880,832
Retention money	1,034,934,197	820,119,816
Interest accrued but not due on borrowings	29,744,150	32,071,672
Statutory liabilities	4,615,043	8,444,669
Welfare Grant Fund	13,994,990	11,716,868
Payables to employees	1,717,497	517,898
Accrued Expenses	21,056,197	1,791,400
Other liabilities	9,210,134	2,653,399
Total	1,138,144,264	894,523,521

27. Income from construction contracts

	For the year ended	
	December 31, 2016	December 31, 2015
Value of contracts performed and service charges	6,017,510,163	4,281,806,936
Estimation charges for works	309,932	254,672
Total	6,017,820,095	4,282,061,608

28. Other Income

	For the year ended	
	December 31, 2016	December 31, 2015
Interest income on:		
- Fixed deposits	43,692,610	21,906,171
-Benefit Accrued on Employee Insurance Policies (Refer Note 37 (v))	47,226,700	45,430,224
-Fixed Deposit on Investment Reserve	37,619,223	25,979,651
- Fixed Deposits on Gratuity Liability	26,451,759	15,725,365
- RICBL bonds	-	10,407,945
- Inter-Corporate Loan	524,590	9,143,835
Penalties and liquidated damages	17,875,767	8,583,015
Revenue Grant	64,750	-



	For the year ended	
	December 31, 2016	December 31, 2015
Amortization of deferred grants (Refer Note 19)	29,757,220	23,959,455
Amortization of deferred customer's contribution (Refer Note 20)	112,452	112,452
Liabilities no longer required written back	3,047,961	22,588
Write-back of Provision on Obsolescence of Material	1,387,460	9,399,992
Write-back/off of Provision for doubtful debts	10,937,210	(9,807,021)
Scrap Sales	10,713,961	4,634,690
Tender form sales	919,600	2,214,300
Hire and lease charges	1,799,377	1,546,939
Other miscellaneous income	49,471,463	88,170,896
Total	281,602,102	257,430,496

29. Operation and maintenance expenses

	For the year ended	
	December 31, 2016	December 31, 2015
Repairs and maintenance:		
- Material/Stores	127,351,510	76,477,552
- Services	140,622,673	105,027,304
- Meter Equipment	1,677,105	1,170,447
- Vehicle running expenses (POL)	27,803,926	24,286,630
- Consumables	15,148,274	10,862,999
- Others	94,863,147	93,973,844
Total	407,466,635	311,798,776

30. Employee benefit expenses

	For the year ended	
	December 31, 2016	December 31, 2015
Salaries, wages, bonus and allowances	737,312,914	676,875,343
Contribution to provident and pension fund	44,664,305	40,987,790
Contribution for gratuity and leave encashment	86,712,384	84,569,041
Workmen and staff welfare expenses	91,823,574	74,484,544
Total	960,513,177	876,916,718

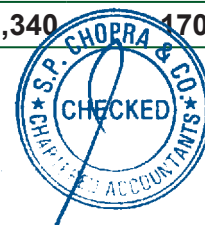


31. Finance cost

	For the year ended	
	December 31, 2016	December 31, 2015
<u>Interest on long term borrowings from:</u>		
Royal Government of Bhutan for:		
- Rural electrification Projects	51,493,492	53,199,462
- Tala Hydro Electric Project	35,945,361	35,945,361
National Pension and Provident fund for:		
- Transmission Lines Project	31,756,607	35,599,384
Other finance charges	136,848	125,402
Total	119,332,308	124,869,609
Less: Amounts capitalized on qualifying assets	1,526,555	611,996
Total	117,805,753	124,257,613

32. Other expenses

	For the year ended	
	December 31, 2016	December 31, 2015
Travelling expenses	43,620,746	39,217,968
Rent charges	7,055,793	5,511,521
Rates and taxes	1,456,614	1,021,907
Printing and stationary	12,816,563	16,854,897
License and registration fees	15,922,786	11,888,813
Audit fees and expenses	855,301	940,985
Office expenses	8,769,571	8,281,034
Consultancy fees	250,000	200,000
Entertainment expenses	7,548,721	5,641,879
Publicity and Advertisement expenses	3,097,806	2,410,579
Insurance charges	2,848,263	2,697,309
CSR expenses	8,017,347	1,857,000
Vehicle Hire charges	1,324,487	474,395
Loss on disposal of property, plant and equipment	43,426,266	25,264,468
Board meeting expenses and sitting fees	1,397,648	1,347,642
Management Fee for holding Company	17,419,105	14,298,844
Miscellaneous expenses	18,200,324	32,821,413
Total	194,027,340	170,730,654



33. Earnings per share ('EPS')

	For the year ended	
	December 31, 2016	December 31, 2015
Basic EPS attributable to Ordinary shares		
Net Profit attributable to the owners of the Company	1,547,978,664	1,380,740,977
Issued and outstanding ordinary shares at the beginning of the year	8,225,118	8,190,191
Effect of ordinary shares issued during the year	-	10,187.04
Weighted average number of ordinary shares	8,225,118	8,200,378
Basic EPS attributable to ordinary Shares	188.20	168.38
Average number of diluted shares	8,225,118	8,200,378
Diluted EPS attributable to ordinary Shares	188.20	168.38

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, 2016 (Amount in Nu.)	Transactions during the year (Amount in Nu.)	
Royal Government of Bhutan	Ultimate holding	a) Borrowings for rural electrification project	Cr. 5,622,375,952	Disbursement (Cr.)	123,916,065
				Repayment (Dr.)	46,384,321
		b) Borrowings for Tala hydroelectric project	Cr. 219,943,476	Repayment (Dr.)	109,971,738
		c) Grants received for rural electrification.		Received (Cr.)	273,249,520
			Cr. 1,167,067,165	Received (Cr.)	273,600,495
Druk Holding & Investments	Holding Company	d) Interest Paid/payable on Borrowings	Cr. 29,744,150		Cr. 85,912,298
		a) Issue of Share Capital	Cr. 8,225,118,000		
		b) Payment of dividend			1,281,655,159
		c) Inter-corporate deposit adjusted/repaid.			Cr. 400,000,000
		d) Brand Management fee paid.			17,419,105
Druk Green Power Corporation Limited	Fellow Subsidiary	(e) Transfer of Land at cost			6,879,841
		(a) Purchase of electricity for transmission and distribution.	Cr. 32,383,003		Dr. 1,402,795,938
		(b) Wheeling charges	Dr. 20,285,295		Cr. 617,472,079
		(c) Electricity charges	Dr. 727,873		Cr. 11,794,409
		(a) Wheeling charges	Dr. 2,698,502		41,370,476
Dagachhu Hydro Power Corporation	Fellow Subsidiary	(b) Inter-Corporate Loan given			200,000,000
		(c) Inter-Corporate Loan repaid			200,000,000
Druk Air Corporation Limited	Fellow Subsidiary	(d) Interest received on inter-corporate loan			524,590
		Air Travel Service			15,021,274
Dungsam Cement Corporation Limited	Fellow Subsidiary	a. Investment in Equity Shares	Dr. 400,000,000		
		b. Electricity charge received			205,651,164
		c. Trade receivable	Dr. 18,975,813		
		d. Non-Trade receivable	Dr. 980,102		
Royal Insurance Corporation of Bhutan Ltd	Government undertaking	a) Insurance Premium paid			36,260,870
		b) Deposit against Employees Insurance Policy	Dr. 572,751,068		
		a) Benefits accrued on Insurance Policies			47,226,700
		b) Death Benefit Claims under Employees Insurance Policies adjusted			1,800,000



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, Dasho Bharat Tamang, the former Managing Director retired on June 30, 2015.

	For the year ended	
	December 31, 2016	December 31, 2015
Basic Salary and contract allowance		860,531
Performance based variable allowances	179,974	297,545
Performance based incentive scheme	94,298	169,400
Sitting fees	-	89,000
Contribution to provident fund	-	63,105
Total	274,272	1,479,581

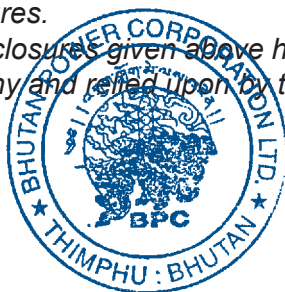
Summary of compensation paid to the KMP, Mr. Gem Tshering, the present Managing Director w.e.f. July 01, 2015.

	For the year ended	
	December 31, 2016	December 31, 2015
Basic Salary and contract allowance	1,559,040	768,000
Performance based variable allowances	164,761	120,000
Performance based incentive scheme	135,240	79,200
Sitting fees	115,000	88,000
Contribution to provident fund	107,184	52,800
Other allowances	97,400	68,641
Total	2,178,625	1,176,641

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:

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



35. Capital Commitments

The Company has contractual commitments of Nu 5,461,181,557 and Nu 8,577,724,815 as at December 31, 2016 and December 31, 2015 respectively; on account of capital expenditures relating to acquisition of Property, plant and equipment, but not recognized as liabilities as on the reporting date.

36. Contingencies Liabilities

The contingencies where the probability of future payments is assessed not remote as well as those contingencies assessed as remote are disclosed.

The Tax Authority has carried out the Tax assessment of the Company for the income tax assessment year 2014 and 2015. In assessing the Tax for these periods, the Tax Authority has assessed that the Company is liable to pay additional tax of Nu 8,187,310 and Nu 23,499,496 for the assessment year 2014 and 2015 respectively being the disallowance of tax deductible expenses of Brand Management Fee paid to the Holding Company and the Performance Based Variable Allowance paid to its employees. Based on the clarification sought by the Holding Company from the Tax Authority, the Tax Authority has agreed to review the issue and conveyed to keep the assessed tax liability on hold till the Authority arrives at a decision on the issue. Considering that these demands are at assessment level and the management is of the view that the same shall not be sustainable, no provision towards these demands is considered necessary.



37. Other Notes to Accounts

Gratuity:

- i) The liability towards Gratuity is funded through fixed deposits with the banks. As on December 31, 2016 there is balance of Nu. 432,237,194 in the fixed deposits (including interest of Nu. 40,350,669 accrued thereon) earmarked towards gratuity liability of Nu. 451,100,565 as on December 31, 2016, showing shortfall of Nu 18,863,371 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 (net) of Nu 45,315,130 (Previous year: Nu. 64,267,308) has been made in the accounts.
- ii) 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.
- iii) 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.
- iv) 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, which in the view of the management will not be material keeping in view the past experience.

- v) The Company has taken single premium insurance policies 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 respective policy term. The policies have been underwritten through Single premium, which will be refunded at the end of respective policy period/ term with pre-decided/fixed policy bonus/ benefit and after deduction of death claims paid within the respective policy term. The policy premiums paid and bonus/benefit accrued thereon aggregating to Nu. 572,751,069(after deducting death claims of Nu. 3,600,000 paid/ payable under the policies) as on the reporting date 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. 1,800,000 paid/payable during the year have been reduced from the same and accounted for as 'Employee Benefit Expense' and the policies bonus / benefit of Nu. 47,226,700 (Previous year Nu 45,430,224) accrued under the policies during the year have been added in the same on prorated basis by credit to 'Other Income'.

- vi) The Company had during the year 2013 given an interest free advance of Nu. 400 million to its Holding Company, Druk Holding and Investments Limited (DHI). The said advance, which had been shown as 'Advance to Holding Company' in terms of the agreement entered with DHI, during the year has been adjusted as consideration of the transfer of 4,000,000 equity shares of the face value of Nu. 100/- each of Dungsam Cement Corporation Limited (DCCL) in the name of the Company by DHI. Further, during the year the Company has transferred certain lands to DHI at its cost / book value, by adjustment of the Retained Earnings in terms of the DHI Land Policy and Implementation Guidelines.



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

(Amount in Nu.)

Particulars	Loan out-standing as on 01.01.2016	Disburse-ment during the year	Foreign Exchange difference ((gain)/loss)	Repayment / Adjustment during the year	Loan Out-standing as on 31.12.2016	Interest Paid/ provided for during the year
From Royal Government of Bhutan (Unsecured)						
A) For Rural Electrification works						
ADB-RE I	166,081,366	-	-	8,304,068	157,777,298	9,649,327
ADB-RE II	293,213,404	-	-	18,325,838	274,887,566	16,896,422
ADB-RE III	364,566,173	-	-	18,228,309	346,337,865	21,275,474
ADB-RE IV	1,138,451,374	-	(12,153,809)	(1,526,107)	1,127,823,671	-
ADB-RE V	593,026,203	107,050,723	-	-	700,076,926	-
ADA	312,903,654	-	(33,569,401)	-	279,334,253	1,946,087
JICA-I	1,734,189,750	5,193,412	144,902,425	-	1,884,285,586	199,626
JICA-II	840,180,857	11,671,931	-	-	851,852,788	1,526,555
	5,442,612,781	123,916,065	99,179,215	43,332,108	5,622,375,952	51,493,492
B) For Tala Transmission Lines						
THP	228,714,463	-	-	76,238,154	152,476,308	35,945,361
THP- IDC	101,200,751	-	-	33,733,584	67,467,168	-
	329,915,214	-	-	109,971,738	219,943,476	35,945,361
From National Pension and Provident Fund (Secured)						
NPPF	377,347,500	-	-	41,927,500	335,420,000	31,756,607
	377,347,500	-	-	41,927,500	335,420,000	31,756,607
Total	6,149,875,495	123,916,065	99,179,215	195,231,346	6,177,739,428	119,195,459

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

	2016		2015	
	Units (kWh)	Amount	Units (kWh)	Amount
Purchase	2,084.6880	1,408.26	2,100.9782	1,550.12
Hydel	11.2209	-	14.6759	-
DG	-	-	0.0022	-
Sale	2,008.9012	4,771.65	2,057.1410	4,560.32




38. Subsequent events

The Board of Directors has proposed a final dividend of Nu 176.17 per share for the financial year ended December 31, 2016. The total dividend of Nu. 1,449,029,909 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, 2016. These financial statements do not reflect this dividend payable.

In line with the Asset replacement policy of the Company, the Board of Directors has proposed an amount of Nu 6,322,506 to be transferred to Asset Replacement Reserve for the financial year ended December 31, 2016, 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, 2016. These financial statements do not reflect this transfer.

The Board of Directors in the 100th Board meeting held on 2nd February 2017 approved the transfer of Land registered in the name of the Company measuring 50.405 acres at cost amounting to Nu 6,879,841 to its holding company, Druk Holdings and Investment Limited. The transfer has been effected in the books of the Company as at the end of the reporting period by adjustment to the Retained Profit.

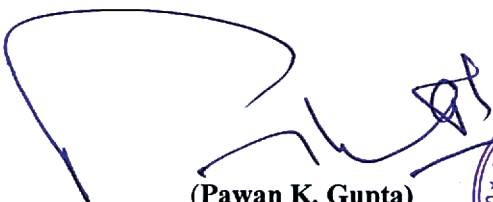
Signatures to 'Notes 1 to 38' of the Financial Statements
For and on behalf of the Board of Directors

 Director (F)  Director  Managing Director  Chairman



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

Place: New Delhi
Dated: 10 MAR 2017


(Pawan K. Gupta)
Partner
Membership No. 092529



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

RATIO ANALYSIS

Particulars	2016	2015
NP ratio	0.188	0.202
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.692	0.597
Debtors Turnover Ratio (Energy Sales/Average Debtors)	38.285	39.641
Current Ratio (Current Assets/Current Liabilities)	1.384	1.809
Quick Ratio (Current Asset-Inventory/Current Liabilities)	1.312	1.667
Interest Coverage Ratio (Profit before interest & tax/Interest)	19.764	16.867
Debt Service Coverage Ratio (PAT+Dep+Interest/(Interest + Principal Repayment)	6.452	7.372
Gearing Ratio (Debt /Gross Value of Fixed Asset)	25.39%	26.86%
Gearing on net Fixed asset	35.7%	36.9%
Debt Equity Ratio (Debt/average Equity)	44.69%	45.97%
Return on Capital Employed (EBIT/(Capital+Reserve+long term liability)	11.58%	10.55%
Return on asset (Profit after tax)/average net total assets	9.12%	8.44%
Return on equity (return available /Average Equity)	11.20%	10.32%


 Director (F)

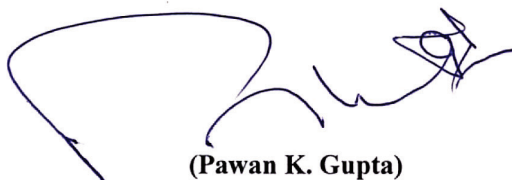

 Director


 Managing Director


 Chairman

As per our report of even date attached

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


 (Pawan K. Gupta)

Partner
 Membership No. 092529



Place: New Delhi
 Dated: 10 MAR 2017

10 MAR 2017