



**AUDIT REPORT
ON
THE FINANCIAL STATEMENTS
OF
BHUTAN POWER CORPORATION LIMITED
THIMPHU**

PERIOD: JANUARY 1, 2023, to DECEMBER 31, 2023

MARCH 2024

TITLE SHEET

Title	:	Audit Report on the financial statements of Bhutan Power Corporation Limited
AIN:		
Head of the Agency	:	Mr. Sonam Tobjey, Chief Executive Officer CID No. 10710002208
Finance Personnel	:	Kinley Dem, Director, Corporate Service Department CID No. 10709000345 Trishna Gurung, General Manager, F&A Division CID No. 11213002608
Period Audited	:	January 1, 2023 – December 31, 2023
Schedule of Audit	:	Planning: January 15 - January 17, 2024 Actual: January 17 – February 10, 2024 Reporting: <i>March 14, 2024</i>
Composition of Audit Team	:	<u>Team Leader:</u> Tashi Rinzing Schmidt, Managing Partner CID No. 11410002120 <u>Team Members:</u> 1. Ngawang Loday, Audit Manager CID No. 10604000452 2. Kezang Sonam Pelbar, Sr. Audit Associate CID No. 11410001001 3. Thinley Tenzin, Audit Associate CID No. 11512001347 4. Ugyen, Audit Associate CID No. 11516001403 5. Tshering Chozom, Audit Associate CID No. 10903001058
Supervising Officer	:	Tashi Rinzing Schmidt, Managing Partner
Engagement Letter	:	RAA(SA-05)/COAD/2023/783
Focal Person	:	Ngawang Loday Email: ngawang@rinzingfinancial.com Phone: +975 17339454
Date of Exit Conference	:	February 15, 2024

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2023

To the Shareholder(s) of Bhutan Power Corporation Limited

Opinion

We have audited the financial statements of **Bhutan Power Corporation Limited (the Company)**, which comprises the Statement of Financial Position as at 31 December 2023, Statement of Comprehensive Income, Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, of the financial position of the Company as at 31 December 2023, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

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 this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 31 December 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We do not have any matters to report under this for the current audit.

Other Information

The other information comprises the information included in the Director's Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 BAS, 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.

Auditors' 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 misstatements, 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion.

The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

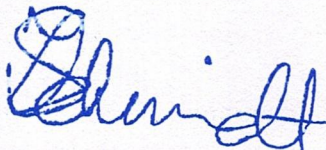
Report on Other Legal and Regulatory Requirements

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix I with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

- a. We have obtained all information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Company's Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of accounts; and
- d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

For Rinzing Financial Private Limited
Firm License No. 1036380



Tashi Rinzing Schmidt
Audit Partner
CPA License No. 34762



Date: March 14, 2024
Place: Thimphu, Bhutan

**REPORT ON MINIMUM AUDIT EXAMINATION
REQUIREMENTS**

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS

As requirement by section 266 of the Companies Act of Bhutan, 2016 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we report as follows:

1. The Company has maintained proper records of the property, plant & equipment in the assets register maintained in SAP to show full particulars including quantitative details and situation of the PPE. *The assets have been physically verified by the respective divisions during the year in a periodical manner, however, during the audit, we have found discrepancies during our physical verification. Please refer to the management report on the fixed assets audit observation.*
2. We have been informed that the company follows cost model for accounting of fixed asset. Therefore, the fixed assets of the Company have not been revalued during the year.
3. Physical verification was conducted at reasonable intervals. As the company is engaged in transmission and distribution of electricity, there is no stock of raw materials and finished goods.
4. In our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business. *However, during the audit, we have found discrepancies during our physical verification. Please refer to the management report on the fixed assets audit observation.*
5. In our opinion and according to the information and explanations given to us, *discrepancy was noticed on physical verification of inventory and based on the tolerance level, the appropriate authority has written off the inventory.*
6. The Company has reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs.
7. In our opinion and according to the information and explanations given to us, the company is engaged in transmission and distribution of electricity, quantitative reconciliation is carried out in respect of inventories.
8. In our opinion and according to the information and explanations given to us, obsolete, damaged, slow moving, and surplus goods/inventories has been determined and adequate provisions are made.
9. In our opinion and according to the information and explanations given to us, obsolete and surplus inventories are disposed off and proceeds from such disposals are accounted for appropriately.
10. In our opinion and according to the information and explanations given to us, the Company has a system of obtaining approval of Board/appropriate authority for writing off amounts due to material loss/discrepancies in physical/ book balances of inventories including stores and spares.
11. In our opinion, the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of inventory is the same as



- in the preceding year. However, for refurbished inventory, it should be properly determined. Please refer to the management report for the audit observation.
12. The Company has taken secured loans. In our opinion and on the basis of information and explanations given to us, the rate of interest and the other terms and conditions of above loans are not prejudicial to the interest of the Company.
 13. In our opinion and according to the information and explanations given to us, the Company has not granted any loan secured or unsecured to other companies, firms, or other parties and/ or to the companies under the same management. Except for the advances given to the contractors and suppliers in the normal course and as per the requirement of the business.
 14. In our opinion and according to the information and explanations given to us, the loans/ advances granted to officers/staff are in keeping with the provisions of service rules and no excessive / frequent advances are granted and accumulation of large advances against particular individual is avoided.
 15. In our opinion and according to the information and explanations given to us, the Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules, regulations, system and procedures.
 16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of Company and the nature of its business on issue of stores.
 17. In our opinion and according to the information and explanations given to us, having regard to certain exceptions that some of item purchased are of special nature where suitable alternative sources of supply does not exist for obtaining comparable quotations thereof, there is an adequate system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets.
 18. (a) & (b) On the basis of reviewing the books of account and relevant records of the Company and according to the information and explanations given to us, we are of the opinion that the Company has not entered into any transaction for purchases and sale of goods and service made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with the Company or firms in which the director(s) are directly or indirectly interested except DHI & its subsidiaries, the details of which is duly disclosed in the Related party transactions in notes to accounts to the financial statements. (b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the Company wherein directors are directly or indirectly interested.
 19. According to the information and explanations given to us and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, we are of the opinion that no personal expenses has been charged to



the Company accounts other than those payable under contractual obligations/service rule and/or in accordance with generally accepted business practice.

20. In our opinion and according to the information and explanations given to us, there are unserviceable or damaged stores, which have been provided for in the books of account.
21. *This section is not applicable to the company.*
22. *This section is not applicable to the company.*
23. *This section is not applicable to the company.*
24. In our opinion and according to the information and explanations given to us, the Company is regular in depositing rates and taxes, duties, royalties, and provident funds with the appropriate authorities.
25. In our opinion and according to the information and explanations given to us, there was no undisputed amount payable in respect of taxes, rates, duties, royalties, provident funds and other statutory deductions outstanding as on the last day of financial year.
26. *This section is not applicable to the company.*
27. *This section is not applicable to the company.*
28. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Electricity Regulatory Authority (ERA). Also, the Company has proper costing system for the purpose of fixation of tariff rates.
29. In our opinion and according to the information and explanations given to us, the credit sales policy of the Company is reasonable, and no credit rating of customers is carried out as the same is not applicable for the Company.
30. *This section is not applicable to the company.*
31. In our opinion and according to the information and explanations given to us, *the Company does not have a reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding amounts. Age wise analysis is carried out for management information. Please refer to the management report section of this report for further information related to sundry debtors.*
32. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the Company.
33. In our opinion and according to the information and explanations given to us, the activities carried out by the Company are lawful and intra-vires the Articles of the Company.
34. In our opinion and according to the information and explanations given to us, the activities /investment decisions are made subject to prior approval of the Board and investments in new projects.



35. In our opinion and according to the information and explanations given to us, the Company has established effective budgetary control system.
36. *This section is not applicable to the company.*
37. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if any, by the Company directly or indirectly are disclosed in the notes.
38. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors as we have not come across any such incidence where it is not complied.
39. In our opinion and according to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives / friends/ associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
40. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
41. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable.

In case of other service sector companies

1. All matters specified in the minimum audit examination and reporting requirements are applied to a service sector company.
2. The Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Electricity Regulatory Authority.
3. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
4. In our opinion and according to the information and explanations given to us, proper agreements are executed and that the terms and conditions of leases are reasonable

Computerized Accounting Environment:

1. The Company is using an enterprise resource planning software called SAP. The said software has been customized according to the requirements of the company.
2. In our opinion and according to the information and explanations given to us, the Company has adequate safeguard measures and back up facilities.
3. In our opinion and according to the information and explanations given to us, there



are backup facilities of keeping files as the files are all uploaded in SAP.

4. In our opinion and according to the information and explanations given to us, the operational controls are adequate to ensure correctness and validity of input data and out-put information.
5. In our opinion and according to the information and explanations given to us, the measures to prevent unauthorized access over the computer installation and files are in existence and adequate.
6. The company ensured completeness and integrity of data as well as smooth operation of the system during migration.

Other requirements:

1. Going Concern Problem

Based on the attached Financial Statements for the year ended December 31, 2023, audited by us, we have no reason to believe that the company is not a going concern on the statement of financial position date.

2. Ratio Analysis

Relevant ratio analysis has been carried out and the details are under Section "Ratio Analysis."

3. Compliance with the Companies Act of Bhutan 2016

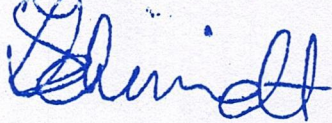
The company has complied with the various provisions of the Companies Act of Bhutan 2016, details are under section "compliance calendar & checklist."

4. Adherence to Laws, Rules, and Regulations

The audit of the Bhutan Power Corporation Limited is governed by the Companies Act of Bhutan 2016, Internal Service manual, and Bhutanese Accounting Standards. The scope of audit is limited to examination and review of the financial statements prepared by the management. During our audit, we have considered the compliance of the provisions of the said Act, rules and regulations as well as the Bhutanese Accounting Standards.

For Rinzing Financial Private Limited

Firm License No. 1036380



Tashi Rinzing Schmidt

Audit Partner

CPA License No. 34762

Date: *March 19, 2024*

Place: Thimphu, Bhutan



**FINANCIAL
STATEMENTS**

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

Statement of Financial Position as at December 31, 2023

Particular	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant, and equipment	4	38,831,495,566	38,379,945,418
Intangible assets	5	80,326,516	50,552,532
Right of use asset	6	28,039,277	29,382,144
Long-term loans and advances	7	4,022,012	8,514,407
Other receivables	8	199,330	199,330
Other non-current assets	9	34,593,727	40,346,309
Total non-current assets		38,978,676,428	38,508,940,140
Current assets			
Inventories	10	893,404,759	643,083,010
Amounts due from customers for contract work	11	119,230,945	425,738,438
Trade & other receivables	12	1,783,921,129	1,134,658,284
Cash and cash equivalents	13	1,311,339,683	397,041,032
Short-term loans and advances	7	4,153,603	3,699,326
Other current assets	14	459,075,376	1,004,505,183
Total current assets		4,571,125,495	3,608,725,273
TOTAL ASSETS		43,549,801,923	42,117,665,413
EQUITY AND LIABILITIES			
Shareholder's Equity			
Share Capital	15	11,200,642,905	11,157,502,000
Retained Earning		4,905,665,623	4,991,572,491
Asset Replacement Reserve		212,388,921	170,695,464
Other Comprehensive Income		(231,610,570)	(198,560,343)
Total Shareholder's equity		16,087,086,879	16,121,209,613
LIABILITIES			
Non-current liabilities			
Borrowings	16	18,413,513,288	17,297,178,328
Deferred grants	17	1,318,112,322	1,390,087,893
Deferred Customer's Contribution	18	74,830,064	86,394,019
Other payables	19	814,045,645	737,804,007
Employee benefit liabilities	20	684,983,730	767,707,521
Deferred Income Tax liabilities (Net)	21	1,477,390,490	1,330,617,098
Lease Liability	22	30,870,289	31,940,123
Total Non-current liabilities		22,813,745,827	21,641,728,989



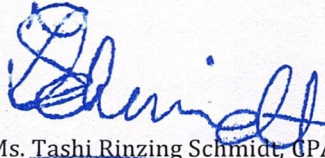
Bhutan Power Corporation Limited (A Royal Government of Bhutan Undertaking)
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)

Statement of Financial Position as at December 31, 2023

Particular	Note	December 31, 2023	December 31, 2022
Current liabilities			
Borrowings	16	370,447,933	424,000,615
Deferred grants	17	63,604,611	58,431,729
Deferred Customer Contribution	18	12,942,191	12,942,191
Amounts due to customers for contract work	11	76,102,240	1,221,932,519
Trade & other payables	23	3,281,458,886	2,361,332,735
Employee benefit liabilities	20	411,229,167	104,939,722
Income tax payable (net of advances)	24	365,495,451	134,819,680
Other current liabilities	25	63,853,407	33,176,414
Lease Liability	22	3,835,331	3,151,206
Total current liabilities		4,648,969,217	4,354,726,811
Total liabilities		27,462,715,044	25,996,455,800
TOTAL EQUITY AND LIABILITIES		43,549,801,923	42,117,665,413


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

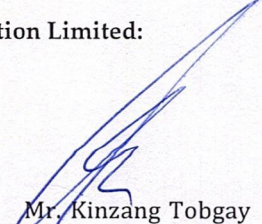
For Rinzing Financial Private Limited:

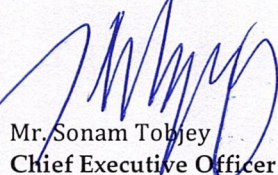

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 14, 2024
Place: Thimphu, Bhutan

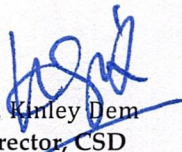


For Bhutan Power Corporation Limited:


Dasho Kesang Deki
Chairperson, BOD


Mr. Kinzang Tobgay
Chairperson, BARC


Mr. Sonam Tobjey
Chief Executive Officer


Ms. Kinley Dem
Director, CSD

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

Statement of Profit or loss and Other Comprehensive Income for the year ended December 31, 2023

Particular	Note	December 31, 2023	December 31, 2022
Revenue			
Income from sale of electricity	26	16,234,652,283	9,614,343,976
Income from construction contracts	27	2,287,412,240	3,039,039,464
Wheeling charges		1,318,531,303	1,850,323,504
Other income	28	367,908,472	347,419,173
Total Revenue		20,208,504,298	14,851,126,117
Expenditure			
Purchase of electricity		11,286,825,307	6,305,077,817
Construction material consumed and sub-		2,207,009,667	2,934,982,256
Operation and maintenance expenses	29	518,761,902	548,798,936
Employee benefit expenses	30	1,383,187,356	1,250,343,106
Finance costs	31	1,019,650,615	821,501,629
Loss/(gain) on foreign currency fluctuation		(121,604,217)	(45,681,568)
Depreciation and amortization expenses		1,774,404,337	1,509,989,511
Other expenses	32	318,510,856	334,774,035
Total Expenditure		18,386,745,822	13,659,785,721
Profit before income tax		1,821,758,475	1,191,340,395
Tax expenses			
- Current tax (2023)		424,468,758	330,262,075
- Deferred tax	21	146,773,393	31,271,090
- Tax Adjustment of earlier years		104,832,309	-
Net Profit for the year		1,145,684,017	829,807,230
Other Comprehensive Income			
Actuarial gains/(loss)		(33,050,227)	(48,885,676)
Tax expenses actuarial gains/(loss)		-	-
Other Comprehensive income net of tax		-	-
Total Comprehensive Income for the year		1,112,633,790	780,921,554
Earnings Per Share	33	102.55	78.87

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

For Rinzing Financial Private Limited:

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 19, 2024
Place: Thimphu, Bhutan



For Bhutan Power Corporation Limited:

Dasho Kesang Deki
Chairperson, BOD

Mr. Kinzang Tobgay
Chairperson, BARC

Mr. Sonam Tobjey
Chief Executive Officer

Ms. Kinley Dem
Director, CSD

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

Statement of Changes in Equity for the year ended December 31, 2023

	Equity Share capital Refer Note 15	Retained earnings	Asset Replacement Reserve	Actuarial gains/(losses)	Total Equity
Balance as at January 1, 2023	11,157,502,000	4,991,572,492	170,695,464	(198,560,343)	16,121,209,613
Net profit for the year	-	1,145,684,017	-	-	1,145,684,017
Other comprehensive income/(loss):					
Actuarial gain	-	-	-	(33,050,227)	(33,050,227)
Prior period Adjustment	-	(383,210,024)	-	-	(383,210,025)
Transfer to Asset Replacement Reserve	-	(41,693,457)	41,693,457	-	-
Transaction with the owners:					
Issue of Share Capital (MHPA ATS Capitalization)	43,140,905	-	-	-	43,140,905
Payment of Dividends for the year 2022	-	(806,687,403)	-	-	(806,687,403)
Balance as at December 31, 2023	11,200,642,905	4,905,665,623	212,388,921	(231,610,570)	16,087,086,879

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



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

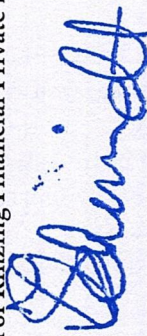
Statement of Changes in Equity for the year ended December 31, 2022 (Cont.)

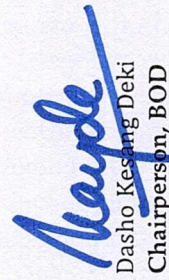
	Equity Share capital	Retained earnings	Asset Replacement Reserve	Actuarial gains/(losses)	Total Equity
	Refer Note 15				
Balance as at January 1, 2022	10,203,413,586	5,149,789,198	161,273,892	(149,674,667)	15,396,689,425
Net profit for the year	-	829,807,230	-	-	829,807,230
Other comprehensive income/(loss):					
Actuarial gain	-	-	-	(48,885,676)	(48,885,676)
Prior period adjustment	-	1,781,377	-	-	1,781,377
Transfer to Asset Replacement Reserve	-	(9,421,458)	9,421,572	-	114
Transaction with the owners:					
Issue of Share Capital (MHPA ATS Capitalization)	954,088,413	-	-	-	954,088,414
Payment of Dividends for the year 2021	-	(1,012,271,269)	-	-	(1,012,271,269)
Balance as at December 31, 2022	11,157,502,000	4,991,572,492	170,695,464	(198,560,343)	16,121,209,613

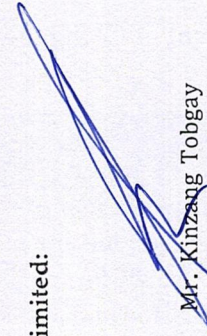
The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

For Rinzing Financial Private Limited:

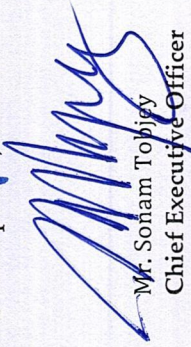
For Bhutan Power Corporation Limited:

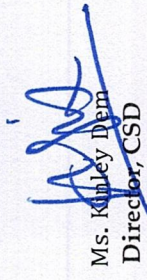

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 16, 2024
Place: Thimphu, Bhutan


Dashi Kesang Deki
Chairperson, BOD


Mr. Kinzang Tobgay
Chairperson, BARC




Mr. Sonam Tobgay
Chief Executive Officer


Ms. Kunley Dem
Director, CSD

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

Statement of Cash Flows for the year ended December 31, 2023

Particular	December 31, 2023	December 31, 2022
Cash flows from / (used in) operating activities		
Profit before income tax	1,821,758,475	1,191,340,395
Adjustments for:		
Depreciation and amortization expenses	1,774,404,337	1,509,989,511
Loss on disposal of property, plant and equipment	105,352,002	61,542,110
Interest expenses on borrowings	919,965,543	740,983,482
Interest income	(5,925,048)	(23,421,607)
Unwinding of discount on retention, security deposit & borrowings	99,685,071	81,163,935
Provision for doubtful debts	-	-
Provision on Obsolescence of Material	(2,506,330)	(22,067,097)
Prior period adjustment	(383,210,025)	1,781,377
Liabilities no longer required written back	(18,290,184)	(1,592,533)
Amortization of deferred grants	(66,802,690)	(66,793,232)
Amortization of deferred customer contribution	(13,597,008)	(13,284,599)
Operating profit before working capital changes	4,230,834,146	3,458,995,953
Decrease / (Increase) in inventories	(247,815,420)	(60,359,359)
Increase in amounts due from customers for contract work	306,507,493	(299,292,768)
Decrease / (Increase) in trade and other receivables	(649,262,845)	(416,139,351)
Decrease / (Increase) in current and non-current assets	500,110,925	1,145,643,757
Increase in long-term and short-term loans and advances	4,038,119	4,703,623
Decrease in amounts due to customers for contract work	(1,145,830,279)	(562,926,617)
Increase in trade and other payables	938,416,335	1,495,047,995
(Decrease)/ Increase in other current & non-current liabilities	106,532,920	98,071,896
Increase / (decrease) in provision	190,515,428	(111,770,948)
Net cash generated from operating activities before income tax	4,234,046,822	4,751,974,181
Income tax paid, net of refunds received	(298,625,296)	(404,367,024)
Net cash generated from operating activities	3,935,421,526	4,347,607,157
Cash used in investing activities		
Purchase of property, plant and equipment and Intangible assets	(2,022,700,614)	(8,780,341,744)
Receipt of deferred grants	-	3,833,135



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

Statement of Cash Flows for the year ended December 31, 2023

Particular	December 31, 2023	December 31, 2022
Receipt of deferred customer contribution	2,033,053	1,660,181
Proceeds from sale of property, plant and equipment	(337,036,990)	45,150,383
Redemption of bank term deposits (net)	-	(286,442,954)
Interest received	56,996,512	(21,055,402)
Net cash used in investing activities	(2,300,708,039)	(9,037,196,401)
Cash flows from financing activities		
Proceeds from Borrowings	905,490,807	6,572,603,419
Repayment of Borrowings	(412,767,605)	(2,298,162,100)
Interest paid	(324,829,102)	(301,081,064)
Payment of dividend on ordinary shares	(806,687,403)	(1,012,271,269)
Payment of Finance cost-Lease	(3,158,220)	(3,190,067)
Share Capital (MHPA ATS Capitalization)	43,140,905	954,088,528
Net cash generated from/use in financing activities	(598,810,618)	3,911,987,445
Net increase in cash and cash equivalents	1,035,902,869	(777,601,799)
Cash and cash equivalents at beginning of the year	397,041,032	1,220,324,401
Loss/(gain) on foreign currency fluctuation	(121,604,217)	(45,681,568)
Cash and cash equivalents at end of the year	1,311,339,683	397,041,032

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

For Rinzing Financial Private Limited:



Ms. Tashi Rinzing Schmidt, CPA
 Audit Partner
 CPA License No. 34762
 Date: March 14, 2024
 Place: Thimphu, Bhutan

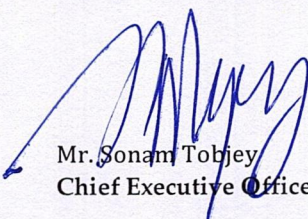


For Bhutan Power Corporation Limited:

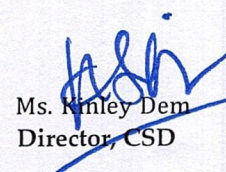


DASHO KESANG DEKI
 Chairperson, BOD

Mr. Kinzang Tobgay
 Chairperson, BARC



Mr. Sonam Tobjey
 Chief Executive Officer



Ms. Kinley Dem
 Director, CSD

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

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

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 Bhutan, 2016 with limited liability. The registered office of the Company is located at, Bhutan.

The Company is engaged in the 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. 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, 2023 were authorized for issue in accordance with the resolution of the Board of Directors dated February 28, 2024. The Company's financial statements are prepared in accordance with and are fully compliant with the Bhutanese Accounting Standards (BAS), except as stated otherwise in the financial statements.

2. Summary of Significant Accounting Policies

Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance and to comply with the Bhutanese Accounting Standards and the relevant provisions of The Companies Act of Bhutan, 2016.

These 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 3.



Foreign currency translation

i) 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.

ii) 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.

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 2.13 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 spares parts or servicing equipment can only be used in connection with an item of property, plant and equipment they are accounted for as property, plant and equipment.

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

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

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

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

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

The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired, 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.

Intangible assets

Intangible assets include identifiable capitalized software costs and are recognized at cost of acquisition/implementation less accumulated amortization 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.

Impairment of non-financial assets

The Company assesses at each Statement of Financial Position date whether there is any indication that an asset 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.

Impairment losses are recognized in profit and loss section of Statement of Comprehensive Income except for assets previously revalued, where the revalued amount is taken to Other Comprehensive Income (the 'OCI'). For such assets, the impairment is recognized in OCI upto the amount of previous revaluation.

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.



Financial Instruments

(i) Financial Assets

(a) Initial recognition and measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not carried at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(b) Classification and subsequent measurement

For the purpose of subsequent measurement, financial assets of the Company are classified in the following categories:

- a. Financial assets measured at amortized cost;
- b. Financial assets measured at fair value through other comprehensive income (FVTOCI); and
- c. Financial assets measured at fair value through profit and loss (FVTPL)

The classification of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

(1) Financial assets measured at amortized cost:

A financial asset is measured at amortized cost if both the following conditions are met:

- Business Model Test: The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows (rather than to sell the asset prior to its financial maturity to realize its fair value changes); and
- Cash Flow Characteristics Test: Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in Interest income in the profit or loss. The losses arising from impairment are recognized in the profit or loss. This category generally applies to trade and other receivables, bank fixed deposits, security deposits, cash and cash equivalents and employee loans, etc.



(2) Financial instruments measured at fair value through other comprehensive income (FVTOCI):

A financial instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- Business Model Test: The objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- Cash Flow Characteristics Test: The Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI). The category generally applies to Unquoted – Other Investments held by the Company.

(3) Financial instruments measured at fair value through profit and loss:

Fair value through profit and loss is the residual category. Any financial instrument which does not meet the criteria for categorization as at amortized cost or fair value through other comprehensive income is classified at FVTPL. Financial instruments included within FVTPL category are measured initially as well as at each reporting period at fair value. Fair value movements are recorded in statement of comprehensive income.

(c) Impairment of financial assets

The Company assesses impairment of financial assets, based on expected credit loss model as per BFRS-9 provides that impairment of financial assets will be done. Accordingly, the Company assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired, and in that case the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through Provisions / Allowance for Impairment Loss Account, and the amount of the loss is recognized in the Statement of Comprehensive Income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the Provisions / Allowance for Impairment Loss Account, to the extent the impairment loss was previously recognized on the respective asset. The amount of such reversal is recognized in the Statement of Comprehensive Income.



(d) Derecognition of financial assets

(e) A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- a. The rights to receive cash flows from the asset have been expired/transferred, or
- b. The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

When the Company has transferred an asset, it evaluates whether it has substantially transferred all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. When the Company has not transferred substantially all the risks and rewards of ownership of a financial asset, the financial asset is not derecognized.

When the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

(ii) Financial Liabilities

Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in other comprehensive income. These gains/losses are not subsequently transferred to profit and loss.



However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of comprehensive income. The Company has not designated any financial liability as at fair value through profit and loss.

Financial Liability at Amortized cost

Financial liabilities at amortized cost represented by trade and other payables, security deposits and retention money are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate.

Borrowings

Any difference between the proceeds (net of transaction costs) and the repayment amount is recognized in profit or loss over the period of the borrowings and subsequently measured at amortized cost using the effective interest method. 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 reporting period.

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. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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.



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.

As per DHI group accounting policies and BAS 2 requirement, the valuation of inventories should be based on the lower of cost or net realizable value. However, in the case of BPC, where inventories consist of unique items not readily available in the domestic market, the purchase cost is assumed as the net realizable value.

Asset Replacement Reserve

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

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.

Customer's Contribution for network construction / expansion

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



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.

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, Travel Allowance and Separation Allowance 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 Variable Pay 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.



Revenue Recognition

Accounting Policy

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Description of performance obligations are as follows:

Wheeling Charges

Wheeling charges are accounted on the basis of periodic billing to the power generating companies at the tariff rates approved by the Bhutan Electricity Authority. Input Method is used to recognize revenue after adjustment for line loss.

Sale of Electricity

Revenue attributable to sale of electricity is accounted for as per tariff rates approved by Bhutan electricity authority on the basis of billing to consumer under the billing cycle followed by the company including interest on delayed payment. Revenue is recognized as electricity is delivered and consumed by customers. Revenue also includes subsidy claims from royal government of Bhutan. Electricity delivered and consumed by customers for which bill has not been raised at the end of the reporting period is estimated and revenue is recognized accordingly as unbilled revenue.

Construction Contracts

Revenue from a Contract to provide services is recognized over time based on Input method where the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of performance obligation. Revenue, including estimated fees or profits, are recorded proportionally based on measure of progress. Output method where direct measurements of value to the customer based on surveys of performance completed to date.

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.



Interest income

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

Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

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.

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.

Provisions and contingent liabilities

- a) 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 balance sheet date and are not discounted to its present value.
- b) 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.



Lease

BPC recognizes a lease as a lease liability and a right-of-use asset if the lease transfers the right to control the use of an underlying asset for a period of time in exchange for consideration. The lease liability should be measured at the present value of the lease payments that are not paid at the balance sheet date. The right-of-use asset should be measured at cost, which is equal to the lease liability, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset should be depreciated over the shorter of the lease term and the useful life of the underlying asset.

The lease that do not meet the recognition criteria will continue as operating lease and shall be recognized in statement of Profit and Loss and disclosed accordingly.

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.

i) Useful lives of property, plant, and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these assets as detailed in the accounting policy vide note 2.3. 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.

ii) Fair Value measurement of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using



valuation techniques including the Discounted Cash Flow (DCF) model etc. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) 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.

iv) Unbilled revenue

The unbilled revenue is calculated using average of last three months consumption for the Low 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.



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Notes to Financial Statements

3. Property, plant, and equipment

Particulars	Freehold Land	Building and Civil Structures	Generation equipment	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2023	45,591,022	4,562,799,640	124,531,011	40,078,607,859	1,894,526,189	4,464,161,451	51,170,217,171
Cost							
Accumulated depreciation		(1,275,767,469)	(42,086,853)	(10,322,020,415)	(1150,397,016)	-	(12,790,271,753)
Book Value	45,591,022	3,287,032,171	82,444,158	29,756,587,444	744,129,173	4,464,161,451	38,379,945,418
Changes in book value during the year							
Additions		474,775,588	21,804,313	2,520,203,715	210,790,103	(1,259,279,177)	1,968,294,542
Disposals and sales	-	17,312,160	(805,473)	65,384,094	149,648,087	-	215,032,181
Depreciation on disposals/adjustments	-						
Depreciation	-	(167,908,025)	(6,024,550)	(1,382,694,343)	(191,656,345)	-	(1,580,375,238)
Total changes		324,178,472	14,974,290	1,202,893,466	168,781,845	1,259,279,177	451,550,148
Balance as at December 31, 2023							
Cost	45,591,022	5,037,575,229	146,335,324	42,598,811,574	2,105,316,292	3,204,882,274	53,138,511,714
Accumulated depreciation	-	(1,426,363,334)	(48,916,876)	(11,639,330,665)	(1,192,405,274)	-	(14,307,016,148)
Book value	45,591,022	3,611,211,895	97,418,448	30,959,480,909	912,911,018	3,204,882,274	38,831,495,566



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Notes to Financial Statements

Property, plant, and equipment (Contd.)

Particulars	Freehold Land	Building and Civil Structures	Generation equipment	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2022							
Cost	45,575,191	4,189,856,110	124,943,212	33,716,306,554	2,069,680,753	2,788,352,267	42,934,714,085
Accumulated depreciation	-	(1,123,655,085)	(38,497,263)	(9,206,108,707)	(1,349,336,371)	-	(11,717,597,426)
Book Value	45,575,191	3,066,201,024	86,445,949	24,510,197,846	720,344,382	2,788,352,267	31,217,116,659
Changes in book value during the year							
Additions	15,831	373,142,713	6,429,460	899,473,289	191,617,407	1,675,809,184	8,756,411,510
Disposals and sales	-	(199,182)	(6,841,661)	(60,360,302)	(366,771,971)	-	(520,908,425)
Depreciation on disposals/adjustments	-	199,182	1,987,415	46,176,128	347,963,183	-	415,414,359
Depreciation	-	(149,129,691)	(5,577,005)	(418,929,010)	(146,011,046)	-	(1,488,088,686)
Total changes	15,831	224,013,023	(4,001,791)	466,360,105	26,797,573	1,675,809,184	7,162,828,759
Balance as at December 31, 2022							
Cost	45,591,022	4,562,799,640	124,531,011	12,912,706,971	1,894,526,189	4,464,161,451	51,170,217,171
Accumulated depreciation	-	(1,275,767,469)	(42,086,853)	(4,705,118,694)	(1,150,471,947)	-	(12,790,271,753)
Book value	45,591,022	3,287,032,171	82,444,158	8,207,588,278	744,054,241	4,469,361,199	38,379,945,418



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Notes to Financial Statements

Capital work-in-progress as at December 31, 2023 and December 31, 2022 comprises of the following:

Particulars	As at December 31, 2023	As at December 31, 2022
Generation equipment	-	-
Transmission lines	1,608,480,897	1,406,958,483
Distribution Assets	1,165,931,632	1,840,544,015
Smart Grid	86,214,524	215,178,056
Buildings	96,374,316	124,420,723
Other Civil Structures	115,168,642	37,778,624
Others	3,608,700	53,129,632
Advance for capital works	129,103,563	786,151,919
Total	3,204,882,274	4,464,161,451

Note: Materials amounting to Nu. 701,005,615, Nu. 1,113,800,738 and Nu. 679,594,730 in the years 2023, 2022 and 2021 respectively are included in the carrying amount of Capital Work-In-Progress as it is procured for the capital works.

3. Intangible assets

Computer Software	As at December 31, 2023	As at December 31, 2022
Opening gross carrying value (i)	277,699,473	320,711,022
Additions	54,406,071	23,930,234
Disposal		(66,941,782)
Closing gross carrying value(ii)	332,105,544	277,699,473
Opening accumulated amortization (iii)	(227,146,941)	(270,989,471)
Depreciation on Disposal	146,120	64,402,624
Additions	(24,778,207)	(20,560,094)
Closing accumulated amortization (iv)	(251,779,028)	(227,146,941)
Net carrying value (ii-iv)	80,326,516	50,552,532



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Notes to Financial Statements

3. Right of Use Asset –Land

Particulars	Amount in Nu.
Balance as at January 1, 2023	
Cost	36,852,026.94
Accumulated depreciation	(7,469,883)
Book Value	29,382,143.94
Changes in book value during the year	
Additions	-
Disposals and sales	-
Depreciation on disposals/adjustments	-
Depreciation	(1,342,867)
Total changes	(1,342,867)
Balance as at December 31, 2023	
Cost	36,852,027
Accumulated depreciation	(8,812,750)
Book Value	28,039,277

4. Long-term loans and advances

	As at December 31, 2023	As at December 31, 2022
Advance to employees:		
Bike loan	3,706,927	8,103,963
Welfare loan	-	5,000
Mobile phone loan	315,085	405,444
Total	4,022,012	8,514,407

Short-term loans and advances

	As at December 31, 2023	As at December 31, 2022
Advance to employees:		
- Bike loan	3,540,125	2,899,871
- Welfare loan	8,340	120,873
- Mobile phone loan	605,138	678,582
Total	4,153,603	3,699,326



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Notes to Financial Statements

5. Other receivables

	As at December 31, 2023	As at December 31, 2022
Security Deposit for Land Lease	199,330	199,330
Total	199,330	199,330

9. Other non-current assets

	As at December 31, 2023	As at December 31, 2022
Prepaid Expenses	34,215,545	40,346,309
Advance to Suppliers	238,182	
Advance to Others	140,000	
Total	34,593,727	40,346,309

10. Inventories

	As at December 31, 2023	As at December 31, 2022
Stores and spare parts	847,283,904	553,151,806
Stock - ISU	31,693,888	83,760,360
Stock - Uniform	6,079,293	3,184,942
Stock - Infocom Spares	9,028,094	6,172,652
Less: Provision for obsolete inventory	(680,420)	(3,186,750)
Total	893,404,759	643,083,010

11. Amount due from/to customers for contract work

	As at December 31, 2023	As at December 31, 2022
<u>Amounts due from customers for contract work</u>		
Work in progress -Construction Contracts	3,710,754,461	1,404,815,816
Less: Progress billing and advances received	3,591,523,516	979,077,378
Total	119,230,945	425,738,438



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Notes to Financial Statements

Amounts due to customers for contract work

Progressive billing and advances received	8,733,917,156	11,559,203,888
Less: Work in progress -Construction Contracts	8,810,019,396	12,781,136,407
Total	(76,102,240)	(1,221,932,519)

Recognized and included in financial statements as:

Amounts due from customers for construction contracts

- Current portion	119,230,945	425,738,438
- Non-current portion		

Amounts due to customers for construction contracts

- For short term contract	3,641,427,953	4,585,684,418
- For long term contract	(3,565,325,713)	(3,363,751,899)
Total	(76,102,240)	(1,221,932,519)

12. Trade & other receivables

	As at December 31, 2023	As at December 31, 2022
Receivables against transmission and supply of electricity	1,743,595,412	889,762,215
Less: Provision for doubtful debts	(57,881,535)	(57,881,535)
Net Receivables	1,685,713,877	841,880,680
Subsidy receivable on Electricity from RGOB	61,356,049	251,450,004
Other receivables	36,851,203	41,327,599
Total	1,783,921,129	1,134,658,284



Bhutan Power Corporation Limited (A Royal Government of Bhutan Undertaking)
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Notes to Financial Statements

12.1 Expected Credit loss (ECL) on outstanding receivables from customers are provided using Simplified method which was uniformly applied for all DHI owned companies. Three years data was taken to calculate Probability of Default (PD) and Loss Given Default (LGD). ECL Is the product of PD, LGD, Exposure at Default (EAD) and Economic Factor Adjustment (EFA) as shown below:

The table below gives the information on ECL. ECL calculated for 2022 and 2023 based on Simplified method are Nu. 4,508,730 and Nu. 1,630,179 respectively.

2022

Aging	Outstanding Amt	Current to 1-30	1-30 to 31-60	31-60 to 61-90	61-90 to Above 90	Above 90	PD	LGD	EFA	DF	ECL
Current	797,264,782	17.11%	65.79%	61.26%	93.88%	100.00%	6.47%	5.44%	104.89%	91.74%	2,701,773
1-30	6,544,012		65.79%	61.26%	93.88%	100.00%	37.84%	5.44%	104.89%	91.74%	129,628
31-60	2,572,862			61.26%	93.88%	100.00%	57.51%	5.44%	104.89%	91.74%	77,461
61-90	2,091,010				93.88%	100.00%	93.88%	5.44%	104.89%	91.74%	102,765
Above 90	28,597,389					100.00%	100.00%	5.44%	104.89%	91.74%	1,497,103
											4,508,730

2023

Aging	Outstanding Amt	Current to 1-30	1-30 to 31-60	31-60 to 61-90	61-90 to Above 90	Above 90	PD	LGD	EFA	DF	ECL
Current	935,512,561	8.60%	59.85%	57.45%	95.48%	100.00%	2.82%	4.88%	104.89%	91.74%	1,240,854
1-30	5,963,326		59.85%	57.45%	95.48%	100.00%	32.83%	4.88%	104.89%	91.74%	91,937
31-60	1,496,597			57.45%	95.48%	100.00%	54.85%	4.88%	104.89%	91.74%	38,548
61-90	762,898				95.48%	100.00%	95.48%	4.88%	104.89%	91.74%	34,205
Above 90	4,783,659					100.00%	100.00%	4.88%	104.89%	91.74%	224,634
											1,630,179

The provision from earlier years amounts to Nu. 57,881,535 based on aging reports which is higher than the one calculated on simplified method. For 2022 no entries was made as it was the first time in implementation of standard for which BPC was to observe three years trend and make adjustment in the following years.



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Notes to Financial Statements

13. Cash and cash equivalent

	As at December 31, 2023	As at December 31, 2022
Cash in hand	806,021	369,620
Bank balances in current accounts	1,310,533,662	396,671,413
Balance with bank towards staff welfare fund	-	-
Total	1,311,339,683	397,041,032

13.1 There are no restricted cash and cash equivalents.

14. Other current assets

	As at December 31, 2023	As at December 31, 2022
Deposit against Employee Insurance Policies (Refer Note 40 (vi))	-	364,051,776
Interest accrued on Employee Insurance Policies	-	72,841,128
Fixed deposits with Banks having original tenure of more than twelve months:		
- Depreciation funds for OPGS/ADSS assets	286,442,954	286,442,954
- Other fixed deposit	-	-
Interest accrued on Fixed Deposits:		
- Depreciation funds for OPGS/ADSS assets	73,983,279	52,154,189
- Other fixed deposit	-	59,426
Accrued Unbilled Trade Receivables	(3,991,959)	98,946,940
Prepaid Expenses	69,117,069	34,639,181
Advance to Suppliers	26,254,680	80,497,719
Advance to employees:		
- Travel and salary advance	304,000	204,966
- Expenses	-	-
Advance to Others	6,965,353	12,461,382
Assets Held for Disposal	-	2,205,492
Total	459,075,376	1,004,505,183



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Notes to Financial Statements

15. Share Capital

	As at December 31, 2023	As at December 31, 2022
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:		
11,200,642 Equity Shares of Nu. 1,000/- each	11,200,642,905	11,157,502,000
Total	11,200,642,905	11,157,502,000

15.1 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).

15.2 Reconciliation of Equity shares Outstanding

	As at December 31, 2023	As at December 31, 2022
At the beginning of the year		
- Number of shares	11,157,502	10,235,301
- Amount (in Nu.)	11,157,502,000	11,157,502,114
At the end of the year		
- Number of shares	11,200,643	11,157,502
- Amount (in Nu.)	11,200,642,905	11,157,502,114
Total	11,200,642	10,235,301



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Notes to Financial Statements

16. Borrowings

	As at December 31, 2023	As at December 31, 2022
i)Secured borrowings:		
Term loan from 'National Pension and Provident Fund' (Refer Note 17.1) for Transmission Lines Project	764,575,037	838,547,412
ii)Unsecured borrowings:		
Term loans from 'Royal Government of Bhutan' (Refer Note 17.2)		
- for Rural Electrification Projects	2,160,920,532	2,307,026,714
- for JICA I	1,469,746,438	1,637,354,130
- for JICA II	1,059,484,354	1,118,624,205
Borrowing BAS adjustment	(84,451,858)	(162,559,132)
iii) Mangdechhu Hydroelectric Project	10,523,223,401	10,383,386,852
iv) Bank Overdraft	1,265	3
Interest accrued but not due on borrowings	2,290,462,053	1,598,798,760
Commercial Paper	600,000,000	-
Total	18,783,961,221	17,721,178,943

Borrowings analyzed as follows:

	As at December 31, 2023	As at December 31, 2022
Current portion	370,447,933	424,000,615
Non-current portion	18,413,513,288	17,297,178,328
Total	18,783,961,221	17,721,178,943

Nature of Security, Interest Rate and terms of repayments:

16.1 Term loan from NPPF:

Term loan of Nu.764,575,037 from National pension and provident fund is outstanding as on 31st December 2023 for setting up of the various transmission lines projects and are secured by the Guarantee provided by the Druk Holding and Investments (DHI) Limited for a Guarantee Fee of 0.85%per annum and carry fixed rate of interest of 8% per annum and are repayable within 12 years including moratorium period of 1 year and last installment due on January 01, 2030. The guarantee fee paid for 2023 amounts to Nu. 7,252,927 for 2023.



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Notes to Financial Statements

16.2 Other Term Loans:

- i) Rural electrification Loan I (RE-I) of Nu.99,648,819 is outstanding as on 31st December 2023 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. 146,606,701.96 is outstanding as on 31st December 2023 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.218,739,704 is outstanding as on 31st December 2023 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.822,371,426 is outstanding as on 31st December 2023 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 V (RE-V) of Nu.664,140,664 is outstanding as on 31st December 2023 from the Royal Government of Bhutan for Rural Electrification Works and is repayable within 32 years at an interest rate of 6% in 48 semi-annually equal installments with last installment due on March 15, 2043.
- vi) Rural electrification Loan JICA- Phase 1 of Nu.1,469,746,438 is outstanding as on 31st December 2023 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.
- vii) Rural electrification loan -JICA Loan II of Nu. 1,059,484,353 is outstanding as on 31st December 2023 from the Royal Government of Bhutan at an interest rate of 0.01% on Japanese Yen with last installment due on December 2051
- viii) Rural electrification Loan ADA of Nu.209,413,215 outstanding as on 31st December 2023 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 annual equal installments with last installment due on December 31, 2029.

16.3 Mangdechu Hydro Project Authority (MHPA) Loan of Nu.12,813,685,454 is outstanding as on 31st December 2023. The loan is on moratorium period, with a rate of interest of 10% p.a repayable in semi-annual installments with a tenure of 15 years. During the year



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Notes to Financial Statements

2023, there was additional capitalization of 132/33 kV Yurmoo substation taken over by BPC amounting to Nu. 183,298,249.09. The details of MHPA loan is shown below:

Particulars	Amount (Nu.)	Interest Rate
MHPA Loan	8,969,197,384	10%
CHEL & KHEL	2,969,304,363	10%
Nikachu I NPPF Loan	175,121,327	9%
Nikachu II BOB Loan	700,062,381	8.10%
Total	12,813,685,455	

16.4 BPC has two active Overdraft facilities with Bank of Bhutan Limited amounting to Nu. 500 million (OD I) and Nu. 438 million (OD II). OD I are secured by the Guarantee provided by DHI for a Guarantee Fee of 0.30% per annum and carry fixed rate of interest of 9.15% per annum. The guarantee fee paid to DHI for 2023 amounts to Nu. 7,252,926 and Nu. 143,189.27 for 2022. The OD II are secured by the substation assets as follows:

Asset	Amount (Nu.)
220/66/11 Kv Semtokha Substation	136,533,249.25
66/33 Kv Olakha Substation	53,904,337.48
66/33 /11Kv Dechencholing Substation	18,829,122.05
66/33 /11Kv Bjemina Substation	10,778,165.15
66/33 /11Kv Lobesa Substation	17,187,367.81
66 /11Kv Haa Substation	9,643,621.08
66 Kv Chumdo Switching Substation	4,209,227.75
Total Value for 2023	251,085,090.57

16.5 Refer Note 40(vii) for transaction wise detail under each borrowing.



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17. Deferred grant

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, 2023	As at December 31, 2022
As at January 1	1,448,519,622	1,511,479,719
Addition/Received		3,833,135
Less: Transferred to 'Other Income'	(66,802,690)	(66,793,232)
As at December 31	1,381,716,932	1,448,519,622

Deferred grant analyzed as follows:

	As at December 31, 2023	As at December 31, 2022
Current portion	63,604,611	58,431,729
Non-current portion	1,318,112,322	1,390,087,893
Total	1,381,716,933	1,448,519,622

18. Deferred customer's contribution

	As at December 31, 2023	As at December 31, 2022
As at January 1	99,336,210	110,960,628
Received during the year	2,033,053	1,660,181
Less: Transferred to 'Other Income'	(13,597,008)	(13,284,599)
As at December 31	87,772,255	99,336,210

Deferred customer's contribution analyzed as follows:

	As at December 31, 2023	As at December 31, 2022
Current portion	12,942,191	12,942,191
Non-current portion	74,830,064	86,394,019
Total	87,772,255	99,336,210



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Notes to Financial Statements

19. Other Payables

	As at December 31, 2023	As at December 31, 2022
Security deposits		
- Energy meters	398,635,924	379,283,026
- Others (Refer Note 20.1)		14,103,185
Performance security		-
Retention money	11,090,813	5,529,615
Payable to employees		85,734
Other liabilities	404,318,908	338,802,446
Total	814,045,645	737,804,007

20. Employee benefit liabilities

	As at December 31, 2023	As at December 31, 2022
Provision for:		
- Gratuity	684,419,010	661,571,352
- Separation Benefits	117,144,469	105,211,965
- Leave encashment	90,049,396	71,564,875
- Performance Based Variable Pay	189,552,762	-
Payables to employees	15,047,260	34,299,050
Total	1,096,212,897	872,647,242

Employee benefit liabilities analyzed as follows:

	As at December 31, 2023	As at December 31, 2022
Current portion	411,229,167	104,939,722
Non-current portion	684,983,730	767,707,521
Total	1,096,212,897	872,647,242



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Notes to Financial Statements

21. Deferred Income Tax Liabilities (Net)

The analysis of deferred income tax assets and liabilities and gross movement is as under:

	As at December 31, 2023	As at December 31, 2022
Opening balance	1,330,617,097	1,299,346,008
Charged to Statement of Comprehensive	146,773,393	31,271,090
Total	1,477,390,490	1,330,617,098

Note 21.1: The Deferred Tax Liability for the year ended December 31, 2023 is as shown below:
For the year December 31, 2023

Assets & Liabilities	Carrying Amount	Tax Base	Taxable Temporary Difference (DTL)	Deductible Temporary Difference (DTA)
Property, Plant & Equipment	35,734,979,084	30,476,040,823	(5,258,938,261)	(1,577,681,478)
Provision for bad debts	57,881,535	-	57,881,535	17,364,460
Provision for obsolete materials	680,420	-	680,420	204,126
Retention money-non current	(11,090,813)	(12,335,537)	(1,244,424)	(373,327)
Borrowings	(4,605,699,465)	(4,690,151,323)	(84,451,859)	(25,335,557)
Employee benefit obligation	(684,419,010)	(861,756,259)	(177,337,249)	(53,201,174)
Provision for transfer grant	(44,932,765)	-	44,932,765	13,563,005
Provision for carriage charges	(27,001,688)	-	27,001,688	8,100,506
Provision for Travel allowance	(45,210,016)	-	45,210,016	13,563,005
Deferred Government grants	(1,381,716,932)	(939,025,111)	442,691,820	132,807,546
Total				(1,477,390,490)
Deferred Tax Liability in 2022				(1,330,617,098)
Deferred Tax Liability for 2023				146,773,392



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Notes to Financial Statements

22. Lease Liability

Balance as on 01.01.2023	Payment made during the year	Balance at 31.12.2023
35,091,329.40		34,705,619

Lease liabilities analyzed as follows:

	As at December 31, 2023	As at December 31, 2022
Current portion	3,835,331	3,151,206
Non-current portion	30,870,289	31,940,123
Total	34,705,620	35,091,329

23. Trade Payable

	As at December 31, 2023	As at December 31, 2022
Trade payables:		
- electricity	2,319,870,006	1,182,876,412
- suppliers & contractors	188,253,085	94,383,102
- services	173,087,695	474,045,755
Security deposits		
- Energy meter	25,647,805	8,350,325
- Capacity reserve charges	34,867,167	29,196,076
Performance security	8,326,013	7,542,169
Retention money	523,473,955	557,461,972
Accrued expenses	3,116,201	3,046,943
Other liabilities	4,816,958	4,429,982
Total	3,281,458,886	2,361,332,735

24. Income tax payable (net of advances)

	As at December 31, 2023	As at December 31, 2022
Provision for corporate income tax	424,468,758	330,262,075
Less: Advance tax and income tax deducted at source	(58,973,307)	(195,442,395)
Total	365,495,451	134,819,680



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Notes to Financial Statements

24.1 Details of Income Tax is as under:

	As at December 31, 2023	As at December 31, 2022
Current income tax		
Current tax on profits for the year	424,468,758	330,262,075
Total Current income tax	424,468,758	330,262,075
Deferred income tax		
Increase/(decrease) in deferred tax liabilities	146,773,392	31,271,090
Total Deferred income tax	146,773,392	31,271,090
Income tax expense	571,242,150	361,533,165

24.2 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:

	2023	
Current tax on profit for the year	424,468,757	330,262,075
Reconciliation of tax on accounting profit:		
Profit Before Income Tax	1,821,758,475	1,191,340,395
Tax calculated at domestic tax rate 30%	546,527,542	357,402,119
Adjustments:		
Donations	1,141,345	123,814,477
Fines and penalties		11,250
Provision for doubtful debts	-	-
Provision for obsolete materials	(2,506,330)	(22,067,097)
Prior Period tax Adjustment		271,534,006
Medical	64,971	19,200
Gratuity	88,221,084	(15,658,597)
Transfer grant	1,034,826	540,724
Carriage charges	(321,869)	279,840
Separation allowance	887,925	538,265
BAS adjustments	75,982,192	57,461,056
Impact due to depreciation	(571,366,760)	(506,939,935)
Reconciled with tax expense as above	424,468,757	330,262,075



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Notes to Financial Statements

24.3 The applicable corporate income tax rate has remained same, i.e. 30% for the current year and earlier year ended on December 31, 2023 and December 31, 2022 respectively.

25. Other current liabilities

	As at December 31, 2023	As at December 31, 2022
Statutory liabilities	34,392,419	25,162,841
Welfare grant fund	-	-
Other payables	29,460,988	8,013,573
Total	63,853,407	33,176,414

26. Income from sale of electricity

	For the year ended	
	December 31, 2023	December 31, 2023
Revenue - Low voltage customers	1,856,219,021	2,605,427,365
Revenue - Medium voltage customers	441,913,683	735,093,141
Revenue - High voltage customers	13,900,030,441	6,239,353,524
Miscellaneous income	36,489,138	34,469,946
Total	16,234,652,283	9,614,343,976

27. Income from construction contracts

	For the year ended	
	December 31, 2023	December 31, 2023
Value of contracts performed and service charges	2,287,071,964	3,038,851,318
Estimation charges for works	340,276	188,146
Total	2,287,412,240	3,039,039,464

The income from value of contracts performed and service charges are shown in detail below:

	December 31, 2023	December 31, 2022
Long-term contracts:		
- MHPA	-	-
- Puna I	-	-
- Transmission Project Office-Changedaphu	2,070,269,100	2,684,239,089
- Transmission Project Office-Thimphu	12,098,966	92,750,602,88
- Electrification Department	108,247,117	186,176,394
Short-term contracts:	96,797,057	75,685,231
Total	2,287,412,240	3,038,851,318



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Notes to Financial Statements

28. Other Income

	For the year ended	
	December 31, 2023	December 31, 2022
Interest income on:		
- Depreciation Fund		-
- Benefit Accrued on Employee Insurance Policies (Refer Note 40 (iv))	5,925,048	23,421,607
- Other Fixed Deposits		-
Penalties and liquidated damages	40,568,122	24,350,103
Revenue Grant	920,259	11,135,322
Amortization of deferred grants (Refer Note 17)	66,802,690	66,793,232
Amortization of deferred customer's contribution (Refer Note 18)	13,597,008	13,284,599
Liabilities no longer required written back	18,290,184	1,592,533
Write-back of Provision on Obsolescence of Material	2,506,330	-
Scrap Sales	46,139,665	22,060,435
Tender form sales	230,500	239,300
Hire and lease charges**	18,408,459	11,294,205
Other miscellaneous income	154,520,207	151,180,740
Total	367,908,472	347,419,173

** The Company as a lessor provides disclosures for operating leases as required by IFRS 16 relating to total of future minimum lease receipts as per lessor's significant leasing arrangements.

	December 31, 2023	December 31, 2022
Not Later than one year	10,408,760	9,879,721
Later than one year but not later than five years	10,408,760	9,879,721
Later than five years	-	-



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Notes to Financial Statements

29. Operation and maintenance expenses

	For the year ended	
	December 31, 2023	December 31, 2022
Repairs and maintenance:		
- Material/Stores	206,837,063	166,905,628
- Services	200,836,448	193,411,483
- Meter Equipment	1,751,822	1,561,780
- Vehicle running expenses (POL)	39,499,840	51,091,336
- Consumables	5,846,354	7,785,008
- Others	63,990,375	128,043,701
Total	518,761,902	548,798,936

30. Employee benefit expenses

	For the year ended	
	December 31, 2023	December 31, 2022
Salaries, wages, bonus and allowances	1,121,911,107	989,103,371
Contribution to provident and pension fund	93,353,459	100,599,051
Contribution for gratuity and leave encashment	158,788,042	150,151,537
Workmen and staff welfare expenses	9,134,748	10,489,147
Total	1,383,187,356	1,250,343,106

31. Finance Costs

	For the year ended	
	December 31, 2023	December 31, 2022
<u>Interest on long term borrowings from:</u>		
Royal Government of Bhutan for Rural Electrification Projects	73,236,749	77,302,283
National Pension and Provident Fund	63,909,184	80,019,083
MHPA Loan	772,370,572	556,919,387
Guarantee fee	7,252,927	8,337,168
BoB Overdraft & Intercompany Loan		14,434,271
Other finance charges	37,892	135,435
Unwinding of discount on retention, security deposit and borrowings	99,685,071	81,163,935
Finance Cost Lease	3,158,220	3,190,067
Total	1,019,650,615	821,501,629



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Notes to Financial Statements

32. Other Expenses

	For the year ended	
	December 31, 2023	December 31, 2022
Travelling expenses	17,059,066	15,264,791
Rent charges**	7,756,941	8,955,131
Rates and taxes	1,628,931	842,535
Printing and stationary	4,485,587	5,454,015
License and registration fees	115,043,823	44,023,128
Audit fees and expenses	1,078,950	823,050
Office expenses	6,208,452	6,862,279
Consultancy fees	1,362,303	1,509,822
Legal fees	-	-
Entertainment expenses	6,038,431	4,475,779
Publicity and Advertisement expenses	1,149,836	2,334,220
Insurance charges	9,640,750.62	7,698,323
Donations & contributions expenses	2,134,100	123,814,477
Vehicle Hire charges	713,409	1,302,173
Bad debt expenses	-	-
Provision for obsolete materials	-	-
Loss on disposal of property, plant and equipment	105,352,002	61,542,110
Board meeting expenses and sitting fees	159,560	1,651,732
Management Fee for holding Company	33,829,826	36,949,730
Miscellaneous expenses	4,868,888	11,270,740
Total	318,510,856	334,774,035

**The lease that do not fall under financial lease is recognized as operating lease for total of future minimum lease payments under non-cancellable operating leases for each of the following:

Particulars	December 31, 2023	December 31, 2022
Not Later than one year	5,172,842	4,947,226.00
Later than one year but not later than five years	14,637,115	14,805,862.00
Later than five years	2,554,620	2,554,620.00



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Notes to Financial Statements

33. Earnings per share (EPS)

	For the year ended	
	December 31, 2023	December 31, 2022
Basic EPS attributable to Ordinary shares		
Net Profit attributable to the owners of the Company	1,145,684,017	829,807,230
Issued and outstanding ordinary shares at the beginning/end of the year	11,157,502	10,203,414
Effect of ordinary shares issued during the year	14,538	2,614
Weighted average number of ordinary/diluted shares	11,172,040	10,521,443
Basic/Diluted EPS attributable to ordinary/diluted shares	102.55	78.87

34. Fair value measurement

Financial instruments by category:

Particulars	As at December 31, 2023			As at December 31, 2022		
	FVTPL	FVTOCI	Amortized cost	FVTPL	FVTOCI	Amortized cost
<u>Financial assets</u>						
Investments	-	-	-	-	-	-
Long-term loans and advances	-	-	4,022,012	-	-	8,514,407
Other receivables	-	-	36,851,203	-	-	41,327,599
Security Deposit	-	-	199,330	-	-	199,330
Amount due from customers for contract work	-	-	119,230,945	-	-	425,738,438



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Trade & other receivables	-	-	1,783,921,129	-	-	1,134,658,284
Cash and cash equivalents	-	-	1,311,339,683	-	-	397,041,032
Short-term loans and advances	-	-	4,153,603	-	-	3,699,326
Total financial assets	-	-	3,222,866,702	-	-	1,969,850,817
<u>Financial liabilities</u>						
Borrowings	-	-	18,783,961,221	-	-	17,721,178,943
Other payables	-	-	814,045,645	-	-	737,804,007
Amount due to customers for contract work	-	-	76,102,240	-	-	1,221,932,519
Trade & other payables	-	-	3,281,458,886	-	-	2,361,332,735
Total financial liabilities	-	-	22,955,567,992	-	-	22,042,248,204

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the BAS.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.



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Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities included in level 3.

(ii) Valuation technique used to determine fair value

The carrying amounts of loans and advances, trade and other receivables, cash and cash equivalents and trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The fair values for financial instruments such as borrowings, retention money and security deposits were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

(iii) Significant estimates

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (ii) above.

35. Capital Management

(a) Risk management

The Company is formed as a wholly owned subsidiary of Druk Holding & Investments Limited (DHI).

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 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.



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Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are made mainly for capital projects. Such borrowings are repaid based on applicable terms and conditions. The amount mentioned under total equity in balance sheet is considered as Capital.

(b) Financial risk management

The Company's activities expose it to credit risk, liquidity risk and market risk (i.e., foreign currency risk, interest rate risk and price risk).

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the impact of it in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade & other receivables, financial assets measured at amortized cost	Aging analysis	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed facilities
Market risk - foreign exchange	Future commercial transactions and recognized financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cash flow forecasting Sensitivity analysis	Diversification of liability
Market risk - interest rate	Long-term borrowings at fixed rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from financial institutions
Market risk - price risk	Investments in equity securities	Sensitivity analysis	Continuous monitoring of Company's performance

(1) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.



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(i) Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are of two categories:- electricity consumers and construction consumers.

Electricity consumers:-Initially 30 days credit period is given to the Consumers. For defaulting consumers, 2% of the billed amount is charged as penalty. If the consumer further fails to pay the bill within 3 months or 90 days from the billing date the supply is disconnected until clearing of the dues. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically. Further being a sole distributor of electricity, the Company expects to recover all its dues from the customers.

Construction consumers:- Generally for all the construction contracts executed by the Company, the clients deposit the amount estimated for construction of the project in advance. Any excess deposit over the final value of work executed by the Company is refunded upon completion of the work. However, for the mega projects the payments are received based on the work progress bills/reports submitted by the Company to the clients since the amount involved in such projects are quite significant. Trade receivables of construction consumers are non-interest bearing and are generally on credit term of 30-45 days or term as per the contract. The Company regularly monitors its outstanding customer receivables.

The requirement for impairment is analyzed at each reporting date based on the Company's laid down policies. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 34.

(ii) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's finance department. Deposits of surplus funds are made only with approved counterparties in accordance with the Company's policy. Counterparty credit limits are reviewed by the Companies' Board of Directors on an annual basis. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments. For banks and financial institutions, only high rated banks/institutions are accepted.



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Loans are given to employees as per the Company policy and the receipt of repayment are reviewed on regular basis. The maximum tenure of each employee loan fixed by the management is of 36 months.

Financial Assets are considered to be of good quality and there is no significant credit risk.

(2) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. This is generally performed in accordance with practice and limits set by the Company.

(i) Maturities of financial liabilities

The tables below analyze the Company's financial liabilities into relevant maturity groupings based on the contractual maturities for all financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities as at December 31, 2023	Less than 1 year	More than 1 year	Total
Trade and Other Payables	3,281,458,886	814,045,645	4,095,504,531
Borrowings	370,447,933	18,413,513,288	18,783,961,221
Total financial liabilities	3,651,906,819	19,227,558,933	22,879,465,752
Contractual maturities of financial liabilities as at December 31, 2022	Less than 1 year	More than 1 year	Total
Trade and Other Payables	2,361,332,735	737,804,007	3,099,136,742
Borrowings	424,000,615	17,297,178,328	17,721,178,943
Total financial liabilities	2,785,333,350	18,034,982,336	20,820,315,685

* For borrowings where the rate of interest, loan tenure etc. are yet to be determined by the Royal Government of Bhutan, no interest component has been considered in the contractual maturities.



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(3) Market risk

(i) Foreign currency risk

Foreign Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency exposure through its borrowings which are in foreign currency. The risk is measured through a forecast of highly probable foreign currency cash flows. Further the Company manages its foreign currency risk by maintaining its foreign currency exposure.

Foreign currency risk exposure

The Company's exposure to foreign currency risk at the end of the reporting period are as follows:

Particulars	As at December 31, 2023		As at December 31, 2022	
	Euro in Nu.	Yen in Nu.	Euro in Nu.	Euro in Nu.
Financial liabilities	209,413,216	2,529,230,791	229,610,035	2,755,978,335
Net exposure to foreign currency risk	209,413,216	2,529,230,791	229,610,035	2,755,978,335

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

Particulars	Impact on profit before tax	
	As at December 31, 2022	As at December 31, 2022
YEN Sensitivity		
Nu. depreciate by 5% (2023:5%)	126,461,540	137,798,917
Nu. appreciate by 5% (2023:5%)	(126,461,540)	(137,798,917)
EURO Sensitivity		
Nu. depreciate by 5% (2023:5%)	10,470,660	11,480,502
Nu. appreciate by 5% (2023:5%)	(10,470,660)	(11,480,502)



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(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations and bank deposits.

The Company has only fixed rate borrowings and bank deposits which are carried at amortized cost. Interest expenses and income, are therefore not subject to interest rate risk as defined in BFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(iii) Price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. Investment is done in accordance with the limits set by the Company.

36. 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. Fellow subsidiaries are as shown below:

Sl.no.	Name of Company
1	Bank of Bhutan Ltd.
2	Bhutan Telecom Ltd.
3	Druk Air Corporation Ltd.
4	Druk Green Power Corporation Ltd.
5	Dungsam Cement Corporation Ltd.
6	Natural Resources Development Corporation Ltd.
7	Bhutan Board Product Ltd.
8	Construction Development Corporation Ltd.



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Sl.no.	Name of Company
9	State Trading Corporation of Bhutan Ltd.
10	Dungsam Polymers Ltd.
11	Penden Cement Authority Ltd.
12	Menjong Sorig Pharmaceutical Limited
13	Thimphu Tech Private Ltd.
14	State Mining Corporation Ltd.
15	Koufuku International Ltd.
16	Tangsibji Hydro Electric

A summary of the Company's transactions with related entities are included below:

Name of Related Party	Relationship	Nature of transaction with related party	Amount outstanding as on December 31, 2023 (Amount in Nu. Receivables/(Payables))	Transactions during the year (Amount in Nu. Debit/(Credit))
Bank of Bhutan	Fellow subsidiary	a) Balance with BoBL	1,285,273,015.38	
		b)Interest expense		48,500,129.55
		c)Sale of electricity		(4,125,879.00)
		d)Maintenance of others		
Bhutan Telecom	Fellow subsidiary	a)Communication, telephone and internet charges		1,630,856.45
		b)Sale of electricity		(47,245,966.58)
		c)Rental income on lease		(4,678,083.93)
		d)Income from deposit works		(17,465,397.31)



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Name of Related Party	Relationship	Nature of transaction with related party	Amount outstanding as on December 31, 2023 (Amount in Nu. Receivables/(Payables))	Transactions during the year (Amount in Nu. Debit/(Credit))
		e)Repair & maintenance		16,355,747.50
Druk Green Power Corporation Ltd.	Fellow Subsidiary	a)Trade receivables	3,454,230.29	
		b)Trade payables	(1,738,231,371.23)	
		c)Purchase of energy		5,737,718,646.86
		d)Wheeling revenue		(346,529,739.21)
		e)Sale of electricity		(8,213,715.25)
Drukair Corporation Ltd.	Fellow Subsidiary	a)Trade receivables	79,287.80	
		b)Flight tickets		2,057,216.00
		c)Sale of electricity		(794,401.00)
Dungsam Cement Corporation Ltd.	Fellow Subsidiary	a)Trade receivables b)Deposit Received c)Sale of Electricity	24,192,740.81 (3,224,160)	(240,833,326.26)
Natural Resources Development Corporation Ltd.	Fellow Subsidiary	a)Sale of electricity b)Purchase of furniture c)Trade receivables	60,450.00 15,736.00	(2,095,939.41)
Bhutan Board Product Ltd.	Fellow Subsidiary	a)Sale of electricity b)Running and Maintenance of others c)Trade Payables		(11,395,975.00) 123,893
Construction Development	Fellow Subsidiary	a)Sale of electricity	(168,000)	(5,635,847.02)



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Name of Related Party	Relationship	Nature of transaction with related party	Amount outstanding as on December 31, 2023 (Amount in Nu. Receivables/(Payables))	Transactions during the year (Amount in Nu. Debit/(Credit))
Corporation Ltd.		b) Deposit received-current		
Dungsam Polymers Ltd.	Fellow Subsidiary	a) Sale of electricity		(118,635,820)
Druk Holding & Investments Ltd.	Holding Company	a) Sale of electricity b) Brand management fee c) Dividend d) Lease rent e) Corporate guarantee fee f) Trade payables g) Training expenses	(1,638,493.42)	(7,934,019.56) 33,829,826.30 806,687,403 7,252,926.88 81,454.34
Koufuku International Ltd.	Fellow Subsidiary	a) Sale of electricity		(343,459.20)
Thimphu Tech Park Ltd.	Fellow Subsidiary	a) Sale of electricity b) Staff Training c) License & Regist. d) Consultancy		(7,694,497.20) 6,884,567.44 19206.46 (288,136.56)
State Mining Corporation Ltd.	Fellow Subsidiary	a) Sale of electricity b) Cost of Materials c) Capital Work in Progress d) Trade Receivables	916,866.07 53,317.28	(218,327) 52,567.88
State Trading Corporation of Bhutan Ltd.	Fellow Subsidiary	a) Sale of electricity b) Running & Maintenance of Vehicle c) Trade Payables	(14,439.32)	(729,475) 2,999,835.21



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Name of Related Party	Relationship	Nature of transaction with related party	Amount outstanding as on December 31, 2023 (Amount in Nu. Receivables/(Payables))	Transactions during the year (Amount in Nu. Debit/(Credit))
Penden Cement Authority Ltd	Fellow Subsidiary	a) Sale of electricity b) Lease rent		(213,491.60) 33,603.24
Tangsibji Hydro Electric	Fellow Subsidiary	a) Other Miscellaneous Income	-	(3,813,118.28)
Menjong Sorig	Fellow Subsidiary	a) Sale of electricity b) Trade Receivables	- 66,182	(471,252) -

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 Bhutan, 2016.

Summary of compensation paid to the KMP, Mr. Sonam Tobjey, Chief Executive Officer.

	For the year ended	
	December 31, 2023	December 31, 2022
Basic Salary and contract allowance	3,005,836	2,908,584
Performance based variable allowances	121,143	338,691
Performance based incentive scheme	121,191	-
Sitting fees	92,000	216,000
Contribution to provident fund	225,438	218,148
Other allowances	122,400	-
Total	3,688,008	3,681,423

The sitting fees to the Board of Directors:

Sl.no.	Name of Board Director	Amount (Nu.)
1	Dasho Kesang Deki	40,000
2	Dasho Kunzang Dorji	24,000
3	Kinzang Tobgay	80,000
4	Karma P Dorji	96,000



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5	Sonam Lhendrup	116,000
6	Dechen Wangmo	60,000

As the liability for gratuity are provided on actuarial basis for the Company as a whole, the amounts pertaining to KMP are not ascertainable separately and as such could not be included above.

Note:

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

37. Employee benefits

(a) Disclosures as required under BAS-19 "Employee Benefits" are as under: -

(i) **Change in present value of obligation:**

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2023	Year ended 31st December, 2022	Year ended 31st December, 2023	Year ended 31st December, 2022
Present Value of obligation at the beginning of year	661,571,351	663,330,773	90,049,396	76,420,687
Interest cost	49,402,027	48,913,190	-	3,559,059
Current Service Cost	38,819,057	39,260,001	-	7,935,261
Past Service Cost	-	-	-	-
Benefit Paid	(88,092,031)	(103,831,788)	-	(63,864,893)
Net actuarial (Gain) / Loss on obligation	22,718,605	13,899,176	-	47,514,760
Present value of the defined benefit at the end of period/year	684,419,009	661,571,351	-	71,564,874
Current Liability	75,569,904	59,064,315	90,049,396	4,143,153
Non-current Liability	608,849,105	602,507,036	-	71,564,874



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Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2023	Year ended 31st December, 2022	Year ended 31st December, 2023	Year ended 31st December, 2022
Present Value of obligation at the beginning of year	38,766,811	22,327,887	38,865,150	22,327,887
Interest cost	2,892,590	1,597,754	2,893,954	1,595,244
Current Service Cost	3,361,118	3,654,902	3,361,466	3,717,698
Benefit Paid	(5,218,882)	(4,711,932)	(5,368,032)	(4,774,677)
Net actuarial (Gain) / Loss on obligation	5,131,128	15,898,200	5,456,941	15,998,998
Present value of the defined benefit at the end of period/year	44,932,765	38,766,811	45,210,016	38,865,150
Current Liability	3,378,077	2,858,123	2,963,618	2,963,618
Non-current Liability	41,554,688	35,908,688	35,901,532	35,901,532

Particulars	Carriage Charges	
	Year ended 31st December, 2023	Year ended 31st December, 2022
Present Value of obligation at the beginning of year	27,580,004	24,210,862
Interest cost	2,018,014	1,749,620
Current Service Cost	2,369,768	3,211,443
Benefit Paid	(4,709,651)	(4,681,223)
Net actuarial (Gain) / Loss on obligation	(256,447)	3,089,302
Present value of the defined benefit at the end of period/year	27,001,688	27,580,004
Current Liability	1,739,352	1,611,461
Non-current Liability	25,262,336	25,968,543



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Notes to Financial Statements

(ii) Expense recognized in the Statement of Comprehensive Income

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2023	Year ended 31st December, 2022	Year ended 31st December, 2023	Year ended 31st December, 2022
Current Service Cost	38,819,057	39,260,001	-	7,935,261
Interest cost	49,402,027	48,913,190	-	3,559,059
Past Service Cost	-	-	-	-
Immediate recognition of gain/loss-other long term employee benefits	-	-	-	47,514,760
Net actuarial (Gain) / Loss recognized in the year	22,718,605	13,899,176	-	-
Expenses recognized in Statement of Profit and Loss	88,221,084	88,173,191	53,669,511	59,009,080

*In the Statement of Comprehensive Income, expenses recognized is Nu. 53,669,511 and the liability has been taken as per actual leave balance at the end of year amounting to of Nu. 90,049,396

Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2023	Year ended 31st December, 2022	Year ended 31st December, 2023	Year ended 31st December, 2022
Current Service Cost	3,361,118	3,654,902	3,361,466	3,717,698
Interest cost	2,892,590	1,597,754	2,894,491	1,595,244
Net actuarial (Gain) / Loss recognized in the year	5,131,128	15,898,200	5,456,941	15,998,998
Expenses recognized in Statement of Profit and Loss	6,253,708	5,252,656	6,255,957	5,312,942

Particulars	Carriage Charges	
	Year ended 31st December, 2023	Year ended 31st December, 2022
Current Service Cost	2,369,768	3,211,443
Interest cost	2,018,014	1,749,620
Net actuarial (Gain) / Loss recognized in the year	(256,447)	3,089,302



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Expenses recognized in Statement of Profit and Loss	4,387,782	4,961,063
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(iii) **Actuarial assumptions**

Principal assumptions used for actuarial valuation are:

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2023	Year ended 31st December, 2022	Year ended 31st December, 2023	Year ended 31st December, 2022
Method used	Projected unit credit method			
Discount rate	8%	8%	-	8%
Rate of Increase in Compensation levels	5.50% p.a.	5.50% p.a.	-	6.00% p.a.
Rate of return on plan assets	0.00%	0.00%	-	0.00%
Expected Average remaining working lives of employees (years)	12.34 years	12.16 years	-	12 years

Particulars	Transfer Grant, Separation Allowance & Carriage Charges	
	Year ended 31st December, 2023	Year ended 31st December, 2022
Method used	Projected unit credit method	
Discount rate	8%	8%
Rate of Increase in Compensation levels	6.00% p.a.	6.00% p.a.
Rate of return on plan assets	0.00%	0.00%
Expected Average remaining working lives of employees (years)	12.31 years	12.37 years

(iv) **Sensitivity analysis**

Gratuity

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	657,779,940	(26,639,070)	-3.9%
Base rate	684,419,009	-	-
(-0.50%)	712,881,900	28,462,890	4.2%
2. Salary Escalation Rate			



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1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+1.00%)	744,219,173	59,800,164	8.7%
Base rate	684,419,009		-
(-1.00%)	631,202,093	(53,216,916)	-7.8%
3. Attrition Rate			
(+1.00%)	691,483,632	7,064,622	1.0%
Base rate	684,419,009	-	-
(-1.00%)	676,941,847	(7,477,163)	-1.1%

Carriage Charges

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	25,559,384	(1,442,304)	-5.3%
Base rate	27,001,688	-	-
(-0.50%)	28,574,919	1,573,231	5.8%
2. Increase in Transport Cost			
(+1.00%)	30,327,640	3,325,952	12.3%
Base rate	27,001,688	-	-
(-1.00%)	24,162,406	(2,839,282)	-10.5%
3. Attrition Rate			
(+1.00%)	27,529,309	527,621	2.0%
Base rate	27,001,688	-	-
(-1.00%)	26,418,982	(582,706)	-2.2%

Separation Allowance

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	42,940,197	(2,269,819)	-5.0%
Base rate	45,210,016	-	-
(-0.50%)	47,678,747	2,468,732	5.5%
2. Salary Escalation Rate			
(+1.00%)	50,421,206	5,211,190	11.5%
Base rate	45,210,016	-	-
(-1.00%)	40,735,141	(4,474,875)	-9.9%
3. Attrition Rate			



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1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+1.00%)	45,976,403	766,388	1.7%
Base rate	45,210,016	-	-
(-1.00%)	44,366,002	(844,014)	-1.9%

Transfer Grant

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	42,664,842	(2,267,923)	-5.0%
Base rate	44,932,765	-	-
(-0.50%)	47,399,577	2,466,812	5.5%
2. Salary Escalation Rate			
(+1.00%)	50,140,056	5,207,291	11.6%
Base rate	44,932,765	-	-
(-1.00%)	40,461,766	(4,470,999)	-10.0%
3. Attrition Rate			
(+1.00%)	45,611,562	678,797	1.5%
Base rate	44,932,765	-	-
(-1.00%)	44,177,239	(755,526)	-1.7%

Description of risks

Valuations are performed on certain basic set of pre-determined assumptions and other regulatory framework which may vary over time. Thus, the Company is exposed to various risks in providing the above gratuity benefit which are as follows:

Interest rate risk: The plan is exposed to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability (as shown in financial statements).



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Liquidity risk: This is the risk that the plan is not able to meet the short-term gratuity payouts. This may arise due to non-availability of enough cash / cash equivalent to meet the liabilities or holding of illiquid assets.

Salary escalation risk: The present value of the defined benefit plan is calculated with the assumption of salary increase of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

Demographic risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. Thus, the plan is exposed to the risk of actual experience turning out to be worse compared to the assumption

Asset liability mismatching or market risk: The duration of the liability is longer than the duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

Investment risk: The plan is exposed to the probability or likelihood of occurrence of losses relative to the expected return on any particular investment.

38. Capital commitments

The Company has contractual commitments of Nu.1,012,212,771.62 and Nu. 879,341,801.37 as at December 31, 2023 and December 31, 2022 respectively; on account of capital expenditures relating to acquisition of Property, plant and equipment, but not recognized as liabilities as on the reporting date.

39. Contingent liabilities

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

1. Mr. Jit Bdr Sunwar V. BPC

On 8th October 2019, Mr. Sunwar suffered an electrocution incident that resulted in permanent disability to his right arm at a BPC work site in Trongsa. Despite not being a regular employee of BPC, Mr. Sunwar had been engaged to perform routine work of replacing the fuse on the electric pole for BPC. The victim, along with his legal representative, reported the case to the Department of Labor. In reference to letter vide MoICE/DoL/LPD/18/613 dated 27th Nov, 2023, The



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Department of Labor determined that Mr. Sunwar was acting as a BPC employee at the time of the work accident and, accordingly, was entitled to compensation under the Regulation on Health, Safety, and Welfare, 2022, amounting to Nu. 441,562/-. Dissatisfied with this decision, the victim initiated legal proceedings against BPC. BPC has been served with a court summons (Case No. 23-2019-2023/9433, dated November 14, 2023), and the case is currently ongoing in the civil bench of the Thimphu District Court.

2. Office of Attorney General V. BPC

On 25th June, 2022, two students from Chumithang Middle Secondary School were electrocuted while returning from school by the overhead 11kV line in Bhawanjora due to low ground clearance caused by flood. One student sustained burn injury on his left hand, left ankle, and left foot, while the other suffered minor bruises on his forehead and chin. The incident was reported to the Office of the Attorney General, and on February 10, 2023, they submitted a charge sheet against BPC in the Phuntsholing Dungkhag Court and charged with criminal nuisance under sections 410 and 509 of the Penal Code of Bhutan 2004, as a misdemeanor. According to the charge sheet, the Office of the Attorney General claims a total compensation of Nu. 2,925,167.90/-. The case is ongoing in the Phuntsholing Dungkhag Court.

40. Additional disclosures

- (i) 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.
- (ii) In the opinion of the management, the value of assets other than property, plant and equipment, 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.
- (iii) In line with the asset replacement policy of BPC, an amount of 0.4% of net Gross value after disposal of asset added at the end of each reporting date is transferred every year to the Asset Replacement Reserve. The financial statements 2023 reflects the transfer



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for the year 2022 which was approved in the Annual General Meeting (AGM) held on March 31, 2023. The transfer of Nu. 13,127,919 for the year 2023 is also made which is to be ratified in the upcoming Annual General Meeting.

- (iv) In 2023, there was change in the rules of the earned leave which came with the salary revision of the employees with effect from October 1, 2023. As per the revised rules, there is no carrying forward and accumulation of earned leave at the end of the financial year. The employees have the option of either availing leave or encashing the earned leave within the same financial year. Due to this reason, the earned leave accrued as on December 31, 2023, has not been valued by an actuarial valuer and has been reflected as current liabilities in the Statement of Financial Position. The earned leave of 30 days accrued during the year has been booked as expenditure and the leave balance if any beyond 30 days has been charged to Retained Earnings.
- (v) The Company has gained Nu. 121,604,217 (Previous year gain of Nu. 45,681,568) on account of exchange difference arising from translating foreign exchange long term borrowings for JICA I, JICA II (Japanese Yen) and ADA (Euro) in domestic currency.
- (vi) BPC applied for an interim tariff revision to the Electricity Regulatory Authority due to the adverse impact of the revised tariff (September 1, 2022 till June 30, 2025) on the financial performance. An interim tariff adjustment was approved by the Electricity Regulatory Authority where the cost of purchase of power exceeding the weighted average cost of Nu. 1.60/kWh is to be recovered from the HV/MV customer and RGoB for LV customers. The impact of tariff adjustment to be recovered for the year 2022 is Nu. 196,578,617 and has been charged to Retained Earnings during the year.
- (vii) In 2022, Performance Based Variable Allowance (PBVA) provision was not kept as the company did not meet the yearly target, however, during the AGM held on March 31, 2023, the PBVA for 2022 was approved amounting to Nu. 91,209,373 which has been charged to Retained Earnings during the year. For 2023, PBVA and Performance Based Incentive System (PBIS) provision has been kept amounting to Nu. 84,859,585.20 and Nu. 93,923,570.70 respectively which is to be ratified in the upcoming Annual General Meeting.
- (viii) The detail of Loans Funds for the year is as under:



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Particulars	Loan outstanding as on 1.1.2023	Disbursemen t during the year	Repayment during the year	Loan Outstanding as on 31.12.2023	Interest Paid/provided for during the year
ADB-RE I	107,952,888	-	8,304,068	99,648,820	6,111,794
ADB-RE II	164,932,540	-	18,325,838	146,606,702	9,126,267
ADB-RE III	236,968,013	-	18,228,309	218,739,704	13,634,288
ADB-RE IV	869,364,080	-	46,992,653	822,371,427	
ADB-RE V	698,199,159	-	34,058,496	664,140,664	40,708,260
ADA	229,610,035	-	20,196,819	209,413,216	1,476,212
JICA-I	1,637,354,130	-	167,607,692	1,469,746,438	148,641
JICA-II	1,118,624,205	-	59,139,851	1,059,484,354	2,031,287
NPPF	838,547,412	-	73,972,375	764,575,037	63,909,184
MHPA	4,698,955,927	100,662,112	-	4,799,618,039	469,895,593
BoB OD & Inter corporate loan (DHI)	-	1,256,687,403	656,687,403	600,000,000	-
Loan from NPPF(ATS)	172,353,897	-	4,411,731	167,942,166	15,259,940
FEIF Int Loan-NPPF I	7,171,655	-	1,308,572	5,863,083	-
FIEF Int Loan-DGPC	1,609,810	-	293,733	1,316,077	-
IDC-Loan from MHPA	1,839,622,060	39,495,232	-	1,879,117,292	-
Loan from BoB(ATS)	660,720,000	24,654,855	10,354,809	675,020,047	-
IDC-Loan from BoB	33,649,140	-	8,606,806	25,042,334	-
Loan from CHEL	2,217,677,000	-	-	2,217,677,000	-



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

Notes to Financial Statements

Particulars	Loan outstanding as on 1.1.2023	Disbursement during the year	Repayment during the year	Loan Outstanding as on 31.12.2023	Interest Paid/provided for during the year
DC-Loan from CHEL	751,627,363	-	-	751,627,363	-
Total	16,284,939,313	1,421,500,866	1,128,489,154	16,577,951,027	909,516,505

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

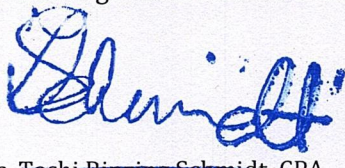
	2023		2022	
	Units(kWh)	Amount (in Nu. Millions)	Units (kWh)	Amount (in Nu. Millions)
Purchase	5,323.72	8,730.82	3,450.08	5,506.84
Hydel			8.96	-
Import	587.35	2,735.49	203.92	798.23
Sale	5,744.01	16,234.65	3,473.01	9,614.34

41. Subsequent events

- The Board of Directors has proposed a final dividend of 9.44% of share capital for the financial year ended December 31, 2023. The total dividend of Nu.1,057 million is approved by the board members in the General Meeting held to adopt the financial statements for the year ended December 31, 2023. These financial statements do not reflect this dividend payable.

Signatures to 'Notes 1 to 41' of the Financial Statements

For Rinzing Financial Private Limited:



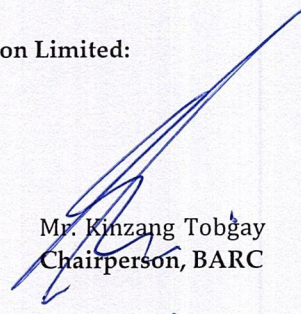
Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: March 14, 2024
Place: Thimphu, Bhutan



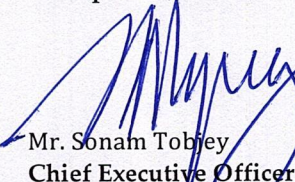
For Bhutan Power Corporation Limited:



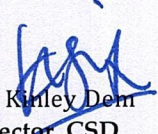
Dashi Kesang Deki
Chairperson, BOD



Mr. Kinzang Tobgay
Chairperson, BARC



Mr. Sonam Tobgye
Chief Executive Officer



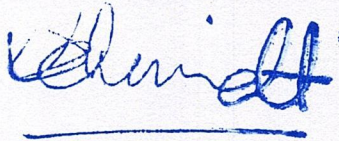
Ms. Kinley Dem
Director, CSD

RATIO ANALYSIS

Ratio Analysis

Particulars	2023	2022
NP ratio	5.67%	6%
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.580	0.476
Debtors Turnover Ratio (Energy Sales/Average Debtors)	8.753	11.774
Current Ratio (Current Assets/Current Liabilities)	0.983	0.829
Quick Ratio (Current Asset-Inventory/Current Liabilities)	0.791	0.681
Interest Coverage Ratio (Profit before interest & tax/Interest)	2.787	2.450
Debt Service Coverage Ratio (PAT+Dep+Interest/(Interest + Principal Repayment)	2.834	2.538
Gearing Ratio (Debt /Gross Value of Fixed Asset)	37.37%	37.72%
Gearing on net Fixed asset	52.61%	52.17%
Debt Equity Ratio (Debt/average Equity)	116.64%	112.45%
Return on Capital Employed (EBIT/(Capital+Reserve+long term liability)	8.24%	6.02%
Return on asset (Profit after tax)/average net total assets	3.29%	2.66%
Return on equity (return available /Average Equity)	7.11%	5.27%

For Rinzing Financial Private Limited: ·



Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: *March 14, 2024*
Place: Thimphu, Bhutan



COMPLIANCE CALENDAR AND CHECKLIST

Compliance Calendar and Check List for Compliance to Provision of the Companies Act of Bhutan, 2016

N o.	Section	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
1	28	Changes to Articles/Approval	Yes			Amended Article XIII of the AOI of BPC to increase the subscription from Nu. 10,203,413 to Nu. 11,157,502/- in 20 th AGM, 2023
2	47	Change of name/Approval		No		No changes in the name of the company.
3	123	Increase or consolidation of share capital	Yes			Declared a dividend of 9.89% of the total share capital which amounts to Nu. 1,012,271,269/- in 19 th AGM, 2022 Declared a dividend of 7.23% of the total share capital which amounts to Nu. 806,687,403/- in 20 th AGM, 2023 Decrease of 2.66% of the total share capital between the financial year of 2021-2022
4	124	Reduction of share capital		No		No such reduction in the share capital.
5	82	License Copy and Share Certificate filing	Yes			Share certificate bearing 11,157,502 numbers equity shares of Nu. 1000/- each amounting to Nu. 11,157,502,000/-
6	107	Public offer of shares & Debentures- ROC Approval			NA	
		MANAGEMENT & ADMINISTRATION				
7	217	Registered Office of Company	Yes			Registration number: L20020821BHU043, Bhutan Power Corporation Limited, Yarden Lam, Chubachu, Thimphu,
		(Postal Address & Contact Number)	Yes			Post Box: 580, #325095/325096
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	Yes			In all business letters, documents, bills, invoice, letter paper, notices and other publication have the official seal, letter head and registered name and the address of its registered office.
9	241	Financial Year of Companies as of 31st Dec	Yes			The financial year was 31 st Dec, as per section 241 of CAB, 2016
	242	Extension up to 15 months - ROC approval			NA	
	243	Extension up to 18 months - Authority's approval			NA	
10	245	Financial Statements to follow BAS	Yes			Adopted the financial statement along with the notes to the financial statement and audit report in 20 th AGM, 2023
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	YES			The report of the company was filed as per section 268 of CAB, 2016
12	177	Annual General Meeting (Minutes)	YES			Minutes of 20 th AGM- March 31, 2023(2:00PM)
13	180	Extraordinary General Meeting (Minutes)		No		No extraordinary General meeting had held so far, as per section 180 of CAB, 2016
14	185	Notice for calling general meeting	Yes			As per section 185 of the CAB, 2016
15	187	listed Co. - written as well as in media Public Co/Private Co. - Written Notice	Yes			As per section 187 of the CAB, 2016
16	190	Chairman of meeting (CEO cannot chair)	Yes			Ms. Kesang Deki, Secretary, Cabinet secretary, Chairperson of 20 th AGM, 2023
17	192	Representation of corporations at meetings	Yes			Representative of the shareholders in 20 th AGM, 2023



N o.	Section	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
		(appointed by Board Directors)				
18	193	Ordinary and special resolutions (Minutes)	Yes			Minutes of 20 th AGM 2023
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	Yes			Maintained as per section 195-198 of CAB, 2023
20	199	Declaration and payment of dividend (199-209)	Yes			Declared a profit after Tax (PAT), Thereby being able to declare substantial dividend to the shareholders in 20 th AGM, 2023
21	232	Books of account to be kept by company (location & time)	Yes			The books of accounts of the financial statements and audit were kept in the registered office.
22		Board's report (signed by Chairman)	Yes			Signed by CEO, Chairman of board meeting.
23	252	Appointment and removal of Auditors Need to re-appoint annually (251-259)	Yes			Appointed Mr. Tshechu, Associate Chartered Accountant from Thimphu, Bhutan as an Auditor to audit BPC in 20 th AGM, 2023
24	260	Resignation of Auditors from office (Annual Resignation)		No		Auditors are appointed by Royal Audit Authority.
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	Yes			As per AASBB and requirement by RAA
26	133	Number of directors	Yes			There are 4 Director at present.
27	134	One third of all Public Companies shall be independent	Yes			Declared at least 1/3 of the Directors as independent Director.
28	138	(Minimum No. & retirement on rotation)	Yes			Reappointed Mr. Sonam Lhendrup, the nominee Director of DHI, Ms. Dechen Wangmo, Director of Corporate Affairs, DGPC
29	139	Additional directors	Yes			Not appointed any additional Director as per section 139 of CAB, 2016 in 20 th AGM, 2023.
30	140	Consent to act as directors	Yes			As per section 140 of CAB, 2016
31	141	Certain persons not to be appointed as Directors	Yes			In compliance with the provision.
32	142	Resignation by a director	Yes			The Director can resign as per section 141 of CAB, 2016
33	143	Removal of directors	Yes			No records of such removal in 20 th AGM, 2023
34	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt)	Yes			More than 4 Board meetings in a year.
35	152	General powers of the board	Yes			As per section 152 of CAB, 2016
36	156	Restriction on powers of Board	Yes			As per section 156 of CAB, 2016
37	210	Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)	Yes			The appointment of CEO of the company is in compliance with chapter 9 of the CAB, 2016.
38	213	Company Secretary required in all Public Companies	Yes			The company have a position of the Company Secretary as per section 213 of CAB, 2016.
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)			NA	
40	157	No loans to directors (only for Public Co.)	Yes			Company shall not make a loan to any Director, or give any guarantee or provide any security in connection to the loan.
41	53	Inter-corporate investments (investments to be disclosed) apply old rule	Yes			Supervised by Regulatory Authority.
42	158	Conflict of Interest Transactions by Board	Yes			The Board of directors have to declare the conflict of interest while entering into any contract for the sale, purchase or supply of any



N o.	Section	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA	REMARKS
						goods, materials or service as per section 158 of CAB, 2016.
43	161	Standard of care required by directors (Reckless decision)	Yes			Shall act honest and in good faith in the best interest of the Company and shall exercise the care, diligence and skill.
		STATUTORY RECORD AND INSPECTION				
44	228	Statutory record and inspection	Yes			The records of the following register are kept in the registered office.
	(a)	Register of buy-back of shares			NA	
	(b)	Register of transfers			NA	
	(c)	Register of charges			NA	
	(d)	Register of inter-corporate loans			NA	
	(e)	Register of inter-corporate investments			NA	
	(f)	Register of contracts in which directors are interested			NA	
	(g)	Register of directors	Yes			
	(h)	Register of directors' shareholding			NA	



MANAGEMENT REPORT

Management Report

1. Determining value for refurbished Inventory items (3.3.5)

In the course of our audit, we have identified a critical aspect relating to the valuation of refurbished inventory items. The company engages in the refurbishment of inventory items for potential future use, and the determination of their value necessitates careful estimation. As articulated in discussions with Mr. Rinzin Wangdi (ICT/SUIT), the valuation of refurbished items is currently established on the basis of the depreciated value and the anticipated useful life of the respective inventory item. It has come to our attention, however, that all refurbished items are uniformly booked under GL code 269000 batch "O&M_REFUB".

Upon analysis, we observed the distribution of values for the refurbished items, outlined as follows:

Values in Nu.	Number of Material
less than 1	258
1 to 100	128
101 to 1000	13
Greater than 1000	109
Total	508

Significantly, 258 materials are valued at less than Nu. 1, raising concerns about the comprehensive determination of the refurbished item values. In light of this, we recommend that management takes proactive corrective measures to reassess and accurately determine the values for the refurbished items in an expedited manner. This will contribute to enhancing the accuracy and reliability of financial reporting for the company.

Management Response:

The 258 refurbished items with value less than 1 have been accounted in the "O&M_REFUB" GL for the assets which have been completely depreciated in the book value to zero. The same shall be corrected in the system after assessing and assigning a value to each item after determining the useful life. Henceforth, refurbished items will be received in the O&M_REFUB GL with value assessed depending on the depreciated value or useful life of the item.

Auditor's further comment:

The acknowledgment of the need for correction in the system and the implementation of a revised valuation approach for future refurbished items demonstrate a proactive approach. Although the 258 refurbished items book value is zero, as the company has added back inventories as "O&M_REFUB" there should be a value determined based on the usage capacity. It is recommended that the company establishes a systematic and documented process for assessing the useful life of refurbished items to ensure consistency and transparency in the valuation process. Also, review and reassess all the refurbished items.



Who is accountable?

Direct Accountability- (Gorab Dorji, GM, Procurement Division, CID-10205003198)

Supervisory Accountability- (Sangay Tenzin, Director, CPD,CID-11702000004)

2. Non-Reconciliation of Bank Accounts (3.3.7)

During our audit examination, it came to our attention that a specific set of bank accounts exhibits reconciliation discrepancies. The details of the non-reconciled amounts are outlined below for reference.

Cash at Bank	Amount per GL	Amount per balance confirmation / BRS	Difference
1000/235073 BNB- Main A/c (Bwall	19,109,716.64	18,978,804.64	130,912.00
1000/235076 BOB-Main A/C-Bwallet	(155,286.23)	5,387,316.17	(5,542,602.40)
1000/235079 TBank-Main A/C-TPay	2,003,129.00	2,003,686.00	(557.00)
1000/235082 BDB-Main A/C-BDBMob	2,809,766.76	2,817,627.76	(7,861.00)
1000/235085 Digital Kidu-Main AC	1,379,340.79	1,314,984.79	64,356.00
1000/235700 BoB-ESD S/Kha ImpA/c	104,728.48	91,484.48	13,244.00
1000/235701 BoB-ESD S/kha ImpPay	(8,638,330.54)		
1000/235900 BoB-ESD MongarImpA/c	1,504.24	-	1,504.24
1000/235310 BOB-ESD Thi Rev A/C	4,814,586.27	6,794,584.30	(1,979,998.03)
1000/235312 BOB-ESD Th.RevRptA/c	11,989.00		
1000/250001 CHQ-DEP-Thimphu	2,550,385.03	870,663.00	1,679,722.03
1000/235910 BOB-ESD Mongar Rev	946,671.88	956,750.88	(10,079.00)

Cash in hand	Amount per GL	Amount per BRS	Difference
1000/255000 CDesk Clg-T/phu	90,808.00	122,682.00	(31,874.00)

We would like to urge the company to reconcile these accounts as soon as possible.

Management Response:

1. CHQ Desk-Thimphu, CDesk Clg T/Phu, Bwallet transactions pertaining to BNB, TBank, Digital Kidu - After reviewing past records, it was discovered that payments were made directly into the revenue account instead of being allocated against consumer account numbers. This office has cross-checked a few customer accounts and found no outstanding balances against the customers. However, we will work out the details and identify the unreconciled amounts against each GL code. A detailed report will be submitted accordingly.
2. Samdrup Jongkhar and Mongar Imprest A/c- The details for the difference is worked out by the Divisionsfor which corrective action shall be taken at the earliest.

Auditor's further comment:

While appreciating the efforts made by Management to investigate and address the issues, it is important for the company to conduct comprehensive reconciliations on a priority basis. This is being recommended to ensure adoption of a consistent and systematic approach to reconciliation processes to avoid the accumulation of unreconciled amounts. This will not only enhance the accuracy of financial records but



also contribute to improved transparency and reliability in the company's financial management. It is recommended that the company conduct a thorough review and reconciliation of all relevant accounts, providing a detailed report on the identified unreconciled amounts and taking corrective actions promptly to rectify the discrepancies.

Who is accountable?

Direct Accountability- 1. (Peldon, DCSD, CID-10204000452)

2. (Thinley Gyeltshen, Accountant-CID-11505002316)

Supervisory Accountability- 1. (Karma Langzom, DCSD, CID_10902001543)

2. (Ashis Rai, AFO, CID_11202001841)

3. Sundry Debtors balance stagnant for more than 365 days – Nu.2,814,643.18 (3.2.13)

Upon a comprehensive review of the company's books of account, it has been identified that the sundry debtors balance as of December 31, 2023, stands at Nu. 948,519,040.29. Notably, an amount of Nu. 2,814,643.18 is associated with debtor balances that have been outstanding for more than 365 days. It is essential to highlight that litigation has been initiated only for an amount of Nu. 713,180.66, leaving a significant portion unresolved. Historical data indicates prolonged outstanding balances, some dating back to 2011, raising concerns about the effectiveness of debt recovery efforts.

Number of days	Amount in Nu.
< 31	935,512,560.84
< 61	5,963,325.55
< 91	1,496,596.69
< 121	762,897.74
< 365	1,969,016.29
>=365	2,814,643.18
Total	948,519,040.29

Below is the bifurcation of sundry debtor - more than 365 days:

Year	Amount in Nu.		Days
	Debit	Credit	
2011	65,897.85		>=365
2012		(12,377.51)	>=365
2014	883.49		>=365
2015		(133.77)	>=365
2016		(754.95)	>=365
2017	10,631.84		>=365
2018	61,611.11		>=365
2019	201,385.99		>=365
2020	416,762.60		>=365
2021	981,313.61		>=365
2022	1,075,327.54		>=365
2023	14,095.38		>=365
Grand	2,827,909.41	(13,266.23)	2,814,643.18



In light of these findings, we strongly recommend a thorough review and prompt resolution of outstanding sundry debtor balances, particularly those outstanding for an extended period. The company should consider implementing intensified efforts to recover the overdue amounts, aiming to enhance overall cash flow management.

Management Response:

We have been consistently following up with customers. During COVID 19 pandemic, we have halted the disconnection as per office order from CEO vide letter number 16/BPC/CEO/ORD/2020/101 dated April 30, 2020. Once disconnection was resumed, we have been disconnecting and tracing the customers. However, due to a large base of customers, some customers have already moved out from the premises and some could not pay due to huge dues. We assure that we will realize the dues as soon as possible. Some of the customers are already with BPC legal for perusal.

Auditor's further comment:

The response of the management is noted. While the challenges posed by the large customer base, coupled with the impact of the COVID-19 pandemic may have impeded the debt recovery efforts, however, it is to emphasize that establishing a system of having a regular update on the long overdue debtors would facilitate efficient and timely collection of outstanding dues.

Therefore, the management should ardently follow-up and make concerted effort to collect the outstanding dues under intimation to RAA.

Who is accountable?

Direct Accountability- (Name: Dawa Jamtsho, Designation: Head, BCU, CID-10808000721)

Supervisory Accountability- (Name: Sonam P Tshewang, Sr. Manager, CID-11405000127)

4. Inadequate Fixed Assets Management

During the physical verification conducted on February 8, 2024, we have observed the following:

a) Missing Assets (3.2.2)

Below is the list of assets that were missing during the physical verification.

Asset	Asset description	Qty	Cost Center	Base Unit of Measure
3300566	Container	1	EDD_HO_CAP	NO
3300781	KSE testing equipment (K-100 DM Kit)	1	EDD_HO_CAP	SET
24747	Workabout Pro 3rd Gen for SBM	1	DCSD_H_CAP	NO
24748	Workabout Pro 3rd Gen for SBM	1	DCSD_H_CAP	NO
24749	Workabout Pro 3rd Gen for SBM	1	DCSD_H_CAP	NO
24750	Workabout Pro 3rd Gen for SBM	1	DCSD_H_CAP	NO
24752	Docking station cum charging station for	1	DCSD_H_CAP	NO
4400610	"file rack, Wood craft, 12 nos"	12	DCSD_H_CAP	NO



Asset	Asset description	Qty	Cost Center	Base Unit of Measure
4400611	"reception counter, Wood craft, 1 no"	1	DCSD_H_CAP	NO
4400612	"Security counter, Wood craft, 1 no"	1	DCSD_H_CAP	NO
4400613	"workstation 8 seater set, Wood craft, 1	1	DCSD_H_CAP	NO
4400614	"workstation 7 seater set, Wood craft, 1	1	DCSD_H_CAP	NO
4400615	"workstation 3 seater set, Wood craft, 2	2	DCSD_H_CAP	NO
4400658	Godreg Half back revolving chair,	150	DCSD_H_CAP	NO
4400659	"Glen Dimplex convector panel heaters,	14	DCSD_H_CAP	NO

To address this issue, we recommend an immediate and thorough investigation into the circumstances surrounding the missing of the assets. Based on the investigation, take corrective action to resolve the missing assets.

Management Response:

With regard to the assets pertaining to ERD, the container is utilized in DHI projects and it is physically stationed at Dagapela. The record in E&RD says it is transferred and proper handing-taking from BPC to DHI shall be initiated at the earliest.

The KSE testing equipment is physically present in E&RD.

The asset pertaining to DCSD (Workabout Pro 3rd Gen for SBM 4 nos) have been issued to ESD, Thimphu.

As for the other assets listed in favour of DCSD: Most probably the assets have been mistakenly booked in the Division's name. This could have occurred as a result of shifting the BPC office from RICBL building to the new or present BPC building. We will anyway make an effort to see how the asset transfers were made.

Auditor's further comment:

During our physical verification, the above listed assets were not present, and no supporting documentation were provided to prove that the assets are in place. As for the KSE testing equipment, per the fixed assets register there are 2 numbers of this assets, only 1 asset was present during the verification. With regard to Workabout Pro 3rd Gen for SBM (4 nos), the DCSD failed to physically furnish the assets for our physical verification. Also, we recommend rectifying the cost center if the assets are present with the ESD, Thimphu.

With regard to other assets, we recommend that DCSD take prompt action to locate the missing assets and take corrective action to update the assets register and furnish the records for our verification.

Who is accountable?

Direct Accountability-

For ERD- (Mr. Chench Rinzin, Project Manager, TCD TPO, CID-10805000014.)

For DCSD (Mr. Dawa, Office Secretary, CID-11410002888)

Supervisory Accountability-

For ERD- (Mr. Sonam Tshering, General Manager, Manager, ERD, CID-10906001571)

For DCSD (Mr. Karma Chhophel, GM, CID- 11505001758)



b) One Asset with multiple asset code (3.2.13)

During the transfer of assets from one division to another, we have observed that the initially assigned asset codes are removed, and new asset codes are assigned. This process also results in a change in the capitalized date of the assets, leading to inaccurate asset information. The sample list of assets is listed below:

New Asset	Capitalized on	Asset description	Actual Asset Code	Actual Capitalized Date
2404156	1-Jan-23	Dell Laptop(Standard Type)	2402612	21-Dec-18
341192	1-Jan-23	A4 Laserjet Printer M402dne	34398	17-Oct-18
44009726	1-Jan-23	Drawer Cabinet (Wood)	44001223	16-Oct-16
44009738	1-Jan-23	Easy Sofa tribble seater (wooden)	44005000	1-Jan-20
44009739	1-Jan-23	Centre table with self small	44005001	1-Jan-20
2404186	1-Jan-23	Dell Latitude 3410 (i7) Laptop	2403230	25-Nov-21
2404223	1-Jan-23	Dell Latitude 5410	2403404	1-Jan-22
2404348	1-Jan-23	Laptop Dell Latitude e5440	2403009	1-Jan-22
44008881	1-Jan-23	Executive Revolving chair: Full back	44006395	1-Jan-22
44009769	1-Jan-23	work station 4 seater	44005542	31-May-21
2404349	1-Jan-23	Dell Laptop (High End)	2402892	1-Jan-22

To ensure accurate and consistent asset tracking, we recommend maintaining the original asset codes when transferring assets between divisions. Additionally, the capitalized date should remain unchanged during the transfer process to preserve the correct historical information of the assets. This practice will help in avoiding discrepancies and maintaining accurate records of the assets' acquisition and transfer history. Implementing these recommendations will enhance the overall integrity and reliability of the asset management system.

Management Response:

This is coming as per the standard practice of SAP ERP. To customise that and keep the same asset code, it will be costing the company too much. Although the asset number is changed, we can trace the asset and see from where it is coming and hence there is no issue with accounting of the asset. However, with the Rise with SAP (S4/HANA) implantation from March this year, this will be taken care of and we will be having a unique identifier per asset which will remain for the life of assets.

Auditor's further comment:

Based on the management response, the compliance to this shall be reviewed in the following audit period with the implementing of the new system "Rise with SAP (S4/HANA)"

Who is accountable?

Direct Accountability- (Radha Chhetri, DCA, CID-31204000071)

Supervisory Accountability- (Rinzin Wangda, Associate Engineer, CID-10605001098)



MANAGEMENT APPRAISAL REPORT

PART I

Management Appraisal Report

1. Internal control issue related to bank reconciliation process

During our audit, a notable internal control issue surfaced in the bank reconciliation process. The examination revealed a lack of adherence to a structured reconciliation procedure for the company's bank accounts. The absence of a systematic approach raises concerns about the accuracy and reliability of financial reporting, increasing the risk of errors and misstatements as pointed out in the "non-reconciliation of bank account" observation. This deficiency underscores the need for the company to implement a standardized reconciliation process to mitigate potential discrepancies and strengthen its internal controls. Below are the observed internal controls issues in the following bank reconciliation process.

Particulars	Amount per GL	Amount per Balance confirmation	Difference	Remark
1000/ 236910 BOB-ESD Paro Rev A/ c	661,020.48	438,247.72	222,772.76	Per the BRS provided the difference amounts are cheque issued but not credited by bank. However, upon verification it was "cheque deposited by customer not credited by bank". This should have been booked under "236912 BOB-ESD Paro Nu.820,396 worth of cheque was credited in the bank; Nu.1174 cash in hand was credited in the bank by December 31, 2023. However, This has been adjusted in January 2024
1000/ 236710 BOB-ESD HAA Rev A/ c	521,446.58	1,343,016.58	(821,570.00)	The cheque has been already deposited by December 31, 2023. However, This has been adjusted in January 2024
1000/ 250023 CHQ-DEP-Haa	820,396.00	820,396.00	-	Unencashed cheque of 2022 (Nu.435,402.50) was kept pending although the cheque validity is 6 months. This has been adjusted and transferred to "unclear cheque" on Feb 7, 2024.
1000/ 235000 BOB-HQ Imp. A/ c	2,727,130.37			Excess deposit by the employee in December 2023. This has been refunded to employee on February 7, 2024
1000/ 235001 BOB-HQ Imp. Pay. A/ c	(9,257,239.58)	2,727,130.37	-	The Shortage amount was deposited by the employee on January 2024
1000/ 235002 BOB-HQ Imp. Recpt A/ c	7,917,000.00			Inter transaction between the ledgers
1000/ 235510 BOB-ESD P/ ling Rev	72,657,298.74	72,678,096.54	(20,797.80)	
1000/ 235512 BOB-ESD P/ ling Rev Rpt	1,870,158.24			
1000/ 235520 BOB-ESSD Gedu A/ c	306,312.00	306,212.00	100.00	
1000/ 237300 BOB-ESD Tras. Imp. A/ c	2,802,090.00			
1000/ 237301 BOB-ESD Tras. Imp. Pay	(2,810,000.00)			
1000/ 237302 BOB-ESD Tras. Imp. Rpt	7,910.00			
1000/ 235530 BOB-ESSD T/ lakha A/ c	980.00	1,000.00	(20.00)	
1000/ 255022 C.Desk Clg-Haa ESD	1,174.00	1,174.00	-	The cash in hand certificate shows a balance of Nu.1,174. However, this amount was deposited in the bank by Dec. 31, 2023. Therefore, cash in hand as of December 31, 2023 should be Nu. 0.
1000/ 250001 CHQ-DEP-Thimphu	2,550,385.03	870,663.00	1,679,722.03	The cheque in hand certificate shows a balance of Nu.2,550,385.03. However, this amount do not the cheque details. Per the reconciliation statement, only Nu.870,663 worth of cheque is there.

- Providing of wrong balance confirmation
- Improper recording of BRS

It is essential that the company remains diligent in ensuring the effectiveness of the reconciliation process to enhance the overall integrity of financial information. Continued monitoring and periodic reviews will be crucial in safeguarding against future discrepancies and maintaining the reliability of financial reporting.

Management Response:

BPC implemented the epayment system in 2022 and BRS manual was prepared and circulated to the FAD. A training on the new BRS system was also given but due to the huge volume of transaction and the new system, there has been few mistakes while preparing the BRS. This shall be rectified and monitored on a monthly basis. You are requested to kindly drop the observation.

The memo has been treated as settled:

Based on response and the management's way forward, the observation has been settled.



Compliance to be made by management:

Management should establish and strictly adhere to a standardized Bank Reconciliation Statement (BRS) process, ensuring accuracy in balance confirmations and proper recording of transactions. Management is urged to conduct monthly reviews of the BRS to identify and rectify any mistakes promptly, thereby minimizing errors associated with the new system and the high transaction volume. Additionally, we recommend having a refresher course on the new BRS system with the relevant focals.

2. Absence of adequate transactional audit trail for BNBL Account 0000034966003

We have noted that the company failed to maintain accurate transaction records resulting to inadequate transactional audit trail. For instance, performance security deposit by JD Trader, the company booked the following journal entry:

Date	Particular	Debit (Nu.)	Credit (Nu.)
21-Oct-22	235002 BOB-HQ Imprest Receipt Account	173,430	
	155000 JD Trader (3052)		173,430

The actual journal entries that should have been booked for audit trail:

Date	Particular	Debit (Nu.)	Credit (Nu.)
26-Oct-22	235088 BNB-BPC CA main A/C	173,430	
	155000 JD Trader (3052)		173,430
26-Oct-22	235002 BOB-HQ Imprest Receipt Account	173,430	
	235088 BNB-BPC CA main A/C		173,430

We encourage that the company to follow proper accounting principal for recording transactions.

Management Response:

The BNBL account number 0000034966003 is an inactive account and is used mainly to facilitate transactions such as encashing the BNB EMDs in drafts or cheque as the bank does not allow encashments if BPC doesnot maintain an account with them. The account has not been used for any BPC payments/ receipts. Therefore, it was assumed that the initial account balance had not changed.

As observed by the auditors, we will ensure that the bank confirmation would be obtained and reconciliation shall be carried henceforth. You are requested to drop the observation.

The memo has been treated as settled:

Based on response and the management's way forward, the observation has been settled.

Compliance to be made by management:

Management should establish and consistently adhere to proper accounting principles for recording transactions, ensuring accurate and complete journal entries. Specifically, for inactive accounts such as BNBL Account 0000034966003, where transactions may be infrequent, it is imperative to maintain an adequate transactional audit trail. Going forward, the company should obtain bank confirmations for all



the bank accounts that are not closed with the bank even if the balance is nil and conduct reconciliations to ensure the accuracy of account balances.

3. Non- Compliance with BPC Service Rule & Regulation 2022 – Nu. 151,000 (Salary Advances)

During the examination of the salary advances provided by the company, it was noted that an amount totalling to Nu. 151,000 remained outstanding at the end of the financial year 2023. Per the provisions outlined in the company's service rule regarding salary advances, specifically clause 4.3.5 (b). According to this clause, *"The salary advance shall be recovered in six instalments or before 31st December of the current year (whichever is earlier). The employee has the option of liquidating the salary advance any time before the end of the financial year."*

It is observed that although the advances have eventually been recovered in the year 2024, the salary amounting to Nu. 151,000 was not liquidated within the stipulated timeframe of the financial year 2023. This non-compliance with the service rule of the company highlights a need for improved oversight and adherence to established policies and procedures regarding salary advances.

Following are the details of salary advances:

Sl. No.	Date	Document No.	Employee No.	Profit Center	Amount in Nu.
1	27/01/2023	9000001045	30000670	GYL_TOMS	50,000.00
2	10/2/2023	9000001551	30001314	MON_ESD	15,000.00
3	5/7/2023	9000002947	30001733	SAM_ESD	21,000.00
4	5/2/2023	9000001420	30001125	SAM_ESD	15,000.00
5	23/06/2023	9000002853	30001280	SAM_ESD	50,000.00
GRAND TOTAL					151,000.00

Therefore, the management should justify for the aforementioned lapses and take necessary actions hereafter to improve the system of the company.

Management Response:

Due to a communication gap, the recovery of the advance was delayed. However, as observed, the advances have been settled within 15 days of the new financial year. Henceforth, with the implementation of the Rise with SAP (S4/HANA), this issue will not crop up as the S4 has better integration of modules, all advances will be auto settled unlike now, wherein we have to punch the recovery of advances manually for each employee.

The memo has been treated as settled:

Based on response and the management's way forward, the observation has been settled.

Compliance to be made by management:

The compliance related to the salary advance will be followed by in the following audit period.



4. Non-Compliance to Supply Rule for MV/HV and LV

As per supply rule for MV/HV and supply rule for LV, clause 31.4 (HV/MV) and clause 30.4 (LV) under right to disconnect or refuse supply to a customer state that *“The supply to a Customer who has not made the payment for 2 consecutive bills shall be disconnected by issuing prior disconnection notice. Such notice may also be served in the bill of the Customer.”*

During our review, it has come to our attention that there are instances where unpaid bills have been outstanding for a period exceeding 60 days, contrary to the established supply rule of the company. Thus, indicating a breach of the aforementioned supply rule. This observation highlights concerns regarding adherence to company policies and the need for corrective measures to ensure compliance with established procedures.

Number of days	Amount in Nu.
< 31	935,512,560.84
< 61	5,963,325.55
< 91	1,496,596.69
< 121	762,897.74
< 365	1,969,016.29
>=365	2,814,643.18
Total	948,519,040.29

Upon the review of the electricity connection, out of 10 samples listed below, 7 customers electricity connections were not disconnected. Thus, indicating a breach of the aforementioned supply rule.

Profit Center	Contract Account	Posting Date	Grid Interval	Electricity Connection
THI_ESD	70024453	6-Apr-22	>=365	□
THI_ESD	130022306	10-Aug-22	>=365	×
THI_ESD	70017302	13-Aug-22	>=365	□
THI_ESD	30008188	19-Nov-22	>=365	□
THI_ESD	40061509	20-Nov-22	>=365	□
PHU_ESD	90000632	1-Jun-22	>=365	□
THI_ESD	40086333	7-May-22	>=365	□
THI_ESD	130025197	22-Mar-21	>=365	×
THI_ESD	130019998	11-Apr-21	>=365	×
THI_ESD	70037727	14-Jul-22	>=365	□

To address the observed instances of non-compliance with the supply rules for MV/HV and LV, particularly regarding the prolonged outstanding bills exceeding 60 days, we recommend implementing a comprehensive set of corrective measures. Conduct a thorough review of internal controls and processes related to billing and disconnection procedures, introducing enhanced monitoring mechanisms, and establishing regular training and awareness programs for both staff



and customers. Additionally, improve communication channels for issuing disconnection notices and conduct periodic compliance audits to identify and rectify any systemic issues. These measures will collectively reinforce adherence to company policies, ensuring a more effective and compliant approach to billing and disconnection procedures.

Management Response:

We have been consistently following up with customers to realise the outstanding dues. Of the above list, the PHU-ESD consumer no. 90000632 has been disconnected by ESD, P/ling and the same has been forwarded to our Legal office for taking legal actions. The case is still under litigation with the court.

We would like to inform you that all customers listed above have also been disconnected. Some customers have even cleared their dues: Customer # THI-ESD 70024453 and THI-ESD-40061509

The memo has been treated as settled:

Based on response and the management's action taken on the issues highlighted, the observation has been settled.

Compliance to be made by management:

Although actions have been taken, further compliance to supply rule will be followed up in the following audit period.

5. One asset code for multiple quantities

The audit reveals instances where a single asset code is associated with multiple quantities of the same asset. This practice may lead to challenges in accurately tracking and managing individual assets within the organization. The lack of unique identification for each unit of the asset makes it difficult to monitor their movements, locations, and individual conditions. Consequently, this could result in potential discrepancies in the overall asset management system.

Below are the list of sampled assets with multiple quantities for one asset code:

Asset	Capitalized on	Asset description	Quantity	Base Unit of Measure
4400658	11-Feb-10	Godreg Half back revolving chair,	150	NO
35555	31-Dec-18	Router(ARCB)	120	NO
4400656	17-Nov-09	"chair without arm rest, Wood craft, 28	28	NO
4400657	7-Jan-10	"High Back Executive chairs, 28 nos."	28	NO
35557	31-Dec-18	GUI client Licence	19	NO
4400655	17-Nov-09	"chair with arm rest, Wood craft, 19 nos"	19	NO
4400608	17-Nov-09	"workstation 2 seater set, Wood craft, 17	17	NO
4400592	17-Nov-09	"Conference Table 2 seater, Wood craft, 16	16	NO
4400659	18-Feb-10	"Glen Dimplex convactor panel heaters,	14	NO
4400596	17-Nov-09	"Executive table set, Wood craft, 13 nos"	13	NO
4400610	17-Nov-09	"file rack, Wood craft, 12 nos"	12	NO
4400607	17-Nov-09	"workstation 3 seater set, Wood craft, 10	10	NO
4400609	17-Nov-09	"workstation 1 seater set, Wood craft, 10	10	NO



It is advisable to assign a distinct asset code for each individual unit of an asset, even when procured as a part of a bulk purchase. This approach ensures precise tracking, monitoring, and management of each asset unit, enhancing the accuracy and reliability of the asset management system. Implementing a unique identification system for each quantity will facilitate more efficient reporting, reduce the risk of errors, and improve overall accountability in the organization's asset management processes.

Management Response:

Since the assets were from prior to implementation of SAP ERP, the data will be reverified on the asset quantities and will be updated accordingly on the conditions of the physical assets. After the implementation of SAP, BPC has been capitalizing individual assets and allotting individual asset numbers.

The memo has been treated as settled:

Based on the management response way forward, the observation has been settled.

Compliance to be made by management:

The management has to ensure that the going forth assets procured in bulk should have a different asset code for each unit. The compliance will be followed up in the following audit period.



PART II

MANAGEMENT APPRAISAL REPORT

1. Physical Verification of Fixed Assets for a division conducted by their own respective staff

We have observed that physical verification for the division was conducted by its own respective staff. While this approach provides a direct involvement of division personnel in the audit process, it raises concerns related to independence and objectivity. The lack of external involvement in the verification process may compromise the integrity of the audit results, potentially leading to unintentional oversight or bias in the reported findings. It is essential to ensure an independent and impartial verification process to enhance the reliability and credibility of the audit outcomes.

We recommend implementing a system where physical verification for a division is conducted by personnel who are independent of the division being audited. This practice will enhance objectivity, reduce the risk of inadvertent errors or biases, and strengthen the overall reliability of the audit process. Establishing clear guidelines and protocols for independent verification will contribute to a more robust and transparent auditing framework within the organization.

Management Response:

As per the clause 8.3 of the Inventory Manual 2016, the physical inventory verification is to be carried out by an independent team comprising of finance member (at each micro-store) and with a member from internal audit (at regional stores) appointed by the head of the division. For 2023 the physical inventory verification was carried out by a team appointed by the division at the Head Office with each team led by an officer from PD (HO), CS and RS in the micro-stores. Due to change in the Organisation Structure member from FAS at each micro-store/ESD was not possible due to pooling of already constraint FAS resources at the region. However, since the team is led with an officer from HO/CS/RS at the each of the micro-stores and the verification at regional stores has finance members from the region the integrity of the result of the physical verification is maintained.

The same clauses for the physical verification is also being amended in the recently revised Inventory Manual.

Physical verification for the fixed asset is being currently done also by the Internal Audit Unit. The annual physical verification of also done by the respective department/division. Henceforth to maintain the independence, the physical verification will be done by other departments/divisions

The memo has been treated as settled:

Based on response and the management's action taken on the issues highlighted, the observation has been settled.

Compliance to be made by management:

None



2. No Asset code attached to physical assets

We have observed the lack of proper asset identification codes. This absence of codes complicates the physical verification process. Below are sampled list of assets:

Asset	Asset description	Quantity	Cost Center
2403567	Apple Mac Book Pro 13"	2	EDD_HO_CAP
2403770	Laptop Dell Latitude 3410	2	EDD_HO_CAP
2501510	Panasonic Telephonic KX-TS880MX	1	EDD_HO_CAP
27033	Xerox WorkCenter 7220i multiprinter	1	EDD_HO_CAP
44009769	work station 4 seater	1	EDD_HO_CAP
24534	Laptop Dell	1	HRD_HO_CAP
2401817	Dell Latitude Laptop Type2 (E6430)	1	HRD_HO_CAP
2402677	"Desktop Computers, Acer	1	HRD_HO_CAP
2402678	"Desktop Computers, Acer	1	HRD_HO_CAP
2403336	Dell Laptop (High End)	1	HRD_HO_CAP
2403458	Dell Laptop (Standard type)	1	HRD_HO_CAP
2403459	Dell Laptop (Standard type)	1	HRD_HO_CAP
2403460	Dell Laptop (Standard type)	1	HRD_HO_CAP
33055	Commercial Spin Bike of 22KG	1	HRD_HO_CAP
33058	Full Body Vibration Platform Fitness m/c	1	HRD_HO_CAP

Management Response:

Some assets were missed out while assigning the asset codes, however those assets shall be assigned codes and pasted today. The lapse came about because of the transfer of assets from one individual to another.

24534	Laptop Dell	1	HRD_HO_C AP	Will be pasted today
2401817	Dell Latitude Laptop Type2 (E6430)	1	HRD_HO_C AP	To be surrendered for auction
2402677	"Desktop Computers, Acer	1	HRD_HO_C AP	To be surrendered for auction
2402678	"Desktop Computers, Acer	1	HRD_HO_C AP	To be surrendered for auction



2403336	Dell Laptop (High End)	1	HRD_HO_C AP	Will be pasted today
2403458	Dell Laptop (Standard type)	1	HRD_HO_C AP	Will be pasted today
2403459	Dell Laptop (Standard type)	1	HRD_HO_C AP	Will be pasted today
2403460	Dell Laptop (Standard type)	1	HRD_HO_C AP	Will be pasted today
33055	Commercial Spin Bike of 22KG	1	HRD_HO_C AP	Will be pasted today
33058	Full Body Vibration Platform Fitness m/c	1	HRD_HO_C AP	Will be pasted today

The memo has been treated as settled:

Based on the management's action taken on the issues highlighted, the observation has been settled.

Compliance to be made by management:

None



PRIOR YEAR AUDIT FOLLOW UP REPORT

Summary of Follow-up Report for Statutory Audit for the year 2022 and prior years

Accounting Year	Total No. of recommendation provided/ pending for implementation	No. of recommendation implemented	Balance recommendations to be implemented
2022	2	2	0

Detailed Follow-up Report for the year ended December 31, 2022

Para No.	Observations in brief	Management's Current Response	Auditor's last comment	Status of Compliance
1	Non-Capitalization of Assets – 287,591,343.91	Response letter No. 12/BPC/DD/GEN/2023/31 dated May 24, 2023. We have capitalized the assets purchased and installed as part of the Distribution Management System (DMS) Project as per the RAA recommendations. Therefore, we would like to submit the Financial Completion Report for DMS Project- with the item wise asset details and assets codes, for your kind consideration. In view of the above, BPC would like to request RAA to kindly drop the pending above cited audit observation.	Per letter no. RAA/FUCD/(SA-14)/BPCL/2023/48, the RAA has dropped the observation based on the capitalization of the assets. Hence, this observation will be deemed settled.	Implemented
2	Non-Extension of Performance Guarantee – Nu.1,908,085	Based on BPC vide letter no. 18/MISC/BPC/CEO/2023/53 d.t.17.02.2023, BDBL, Trashiyangtse encashed the said Performance Security BG amounting to Nu, 1,908,085.00 (Ngultrum One million nine hundred eight thousand and eighty five) only and deposited to BPC account. The status report along with copies of SAP ERP system generated deposit details has been submitted to RAA settlement of observations. RAA vide letter no. RAA/FUCD/(SA-14)/BPCI/2023/48, dt.	In light of the management's comprehensive response and the accompanying supporting documents, the observation related to the non-extension of the performance guarantee by the contractor is hereby considered null and void. The termination of the contract with the contractor and the subsequent takeover of the project by the Electricity Services Division for completion have satisfactorily addressed the concerns raised. Therefore, we confirm that this observation is now treated as settled.	Implemented



Para No.	Observations in brief	Management's Current Response	Auditor's last comment	Status of Compliance
		<p>13/07/2023 (copy attached), acknowledged the deposit of encashed BG however, till the completion of works and intimation of the same to RAA, the observations will remain unresolved. Since the contractor couldn't complete the works further, the contract has been terminated by ESD, Pema Gatschel, BPC, vide letter no. 06/BPC/DCSD/ESD-PG/TECH-PMCU/2023/352, dt. 06/10/2023 (letter copy attached) and sought approval to take up the balance works departmentally vide Notesheet no. 06/BPC/DCSD/ESD-PG/TECH-PMCU/2023/352, dt. 10/11/2023 (Notesheet copy attached). Accordingly, works is being executed departmentally, the works will be completed in all aspect by end of February, 2024. Pictorial evidence on the status of the works at site is attached for kind information and requested to drop the observation.</p>		

