



Bhutan Power Corporation Limited

# ANNUAL REPORT 2025



Reliable Power



Energising Tomorrow



# Annual Report 2025

## Letter From CEO's Desk

The 2025 was a year of Resilience, Reliability and Digital Transformations underscoring the resilience and strength of our organization. Operating within an environment shaped by natural disruptions, rising demand, and accelerating complexity of energy transition, BPC continued to deliver its services with discipline and consistency and our performance reflecting the capability of our teams, reinforcing our position as an evolving power utility.

Our foremost responsibility remains the delivery of reliable, high-quality power to its customers. The monsoon season as usual exerted significant strain on our network infrastructure, with extensive damage aggravated by difficult terrain and limited accessibility. Despite these constraints, our operation and maintenance teams responded with discipline and resilience, restoring services efficiently and minimizing outage durations under demanding circumstances and in some instances, aerial supports were deployed to transport materials and expedite restoration efforts in remote areas. Their efforts demonstrate the strength of our operational capabilities and the commitment that defines our organization. I extend my sincere appreciation to all field personnel whose dedication ensured continuity of service during these periods of disruption.

On the safety front, we maintained zero work-related accidents from network operations. Safety is not merely a program at BPC; it is a mindset and a culture. Our Safety Team and the forefront employees worked tirelessly to embed safety protocols into every facet of our operations, ensuring that the pursuit of reliability never comes at the expense of our people. This achievement this milestone is not incidental, but the result of a deliberate, conscious, sustained effort to build a accountable and maturity safety culture. We will continue to uphold safety as our foremost priority consistently and uncompromisingly without exception.

On the demand side, the country's socio-economic transformation continues to drive sustained growth in electricity demand. During the year, the system recorded a coincidental peak of 1,477.00 MW on November 08, 2025, up from 1,026.44 MW in the previous year, with industrial expansion remaining the principal driver. The domestic generation fully met demand during the summer months, while lean-season requirements were supplemented through imports from India. As electricity demand continues to grow, power infrastructure development to support industrial growth is taken up. In parallel, we are proactively planning transmission connectivity for upcoming generation projects in the pipeline to ensure timely integration and system readiness. These strategic infrastructure investments are taken up in close coordination with the Department of Energy, MoENR, and Druk Green Power Corporation ensures alignment with the Renewable Energy Development Roadmap 2024 to enable efficient evacuation from upcoming hydropower and solar projects. This will also strengthen network capability, enhance system reliability, and support long-term revenue growth, thereby reinforcing the financial sustainability of the Corporation.

The year marked a strategic advancement in strengthening network infrastructure through targeted investments capacity expansion and in grid modernization.

On the Transmission Grid, high-capacity interconnections to Norbugang Industrial Park, expansion of critical cabling infrastructure, to support industrial growth, the successful

conversion of key substations to GIS technology and commissioning of new infrastructure has significantly increased grid capacity, system reliability, operational efficiency, and resilience. The integration of regional substations into a centralized control center for monitoring and control has further strengthened system coordination and faster restoration. Looking ahead, our focus remains on developing the critical East-West 400 kV corridor, enabling power evacuation for upcoming hydropower and solar projects. These initiatives will future-proof Bhutan's transmission network, delivering a safe, reliable, and efficient power system aligned with national development goals, capable of performing even under the most stressed operating conditions.

Distribution Modernization primarily focused on Substation Automation System are being initiated and successfully integrated into central Distribution Management System. At feeder levels, Distribution Automation equipment have been revamped to enable rapid fault detection, isolation, and quicker service restoration. To institutionalize and scale these efforts, a Distribution Automation Roadmap (2026–2030) has been strategically developed. All new investments will be guided by best utility practices in modernizing the grid and digitalization. Distribution Transformer metering has been completed for conventional transformer and works are ongoing to integrate the package substations.

The year has not been without operational challenges. Ensuring reliability and quality of power supply remains our foremost operational priority. While reliability indices have improved steadily over the years as a result of sustained interventions, Right of Way (ROW) constraints continue to pose a key challenge. Given the complex terrain of dense forests and steep mountain corridors, maintaining adequate clearance is both technically demanding and operationally critical.

ROW management is not only an operational requirement but also a critical risk mitigation measure for fire safety, grid resilience, and community protection. In view of heightened fire risks during the dry season, we have also introduced targeted technical fire mitigation interventions such as the MVCC conductors, silicon rubber sleeves and e-fusing tapes thereby strengthening asset protection and system resilience.

The employee attrition rate stood at 4.07%, compared to 3.15% in the previous year, reflecting a marginal increase while remaining within manageable levels. To ensure operational continuity, the Corporation filled all critical vacancies in a timely manner and recruited 228 employees during the year. As part of its retention strategy, structured exit interviews were conducted to identify underlying reasons for employee attrition to address the key, actionable drivers of attrition. Our strength as a utility is anchored in the capability and commitment of our people. We conducted 26 in-house training programs and 28 specialized courses abroad to equip our workforce with the skills required to navigate an increasingly complex and evolving energy landscape. Implemented targeted reward and recognition initiatives, and sustained investment in team building and workplace engagement

On Strengthening Governance and Operational Agility, the Druk Holding & Investments (DHI) has taken numerous reform measures aimed to enhance governance structure and increase

operational efficiency. This has enabled operating activities to be agile enabling build a robust governance processes facilitating to provide swift decision-making and respond to emergency events.

As we look to the year ahead, our vision and direction is anchored in a clear and forward-looking strategic intent which is to build a stronger, smarter, and more sustainable power system for Bhutan. Network Resilience and Grid Modernization will take the central role in our growth trajectory. We will continue to accelerate investments in grid strengthening, digitalization, and automation to build a future-ready network that is resilient, adaptive, and capable of integrating evolving energy demands and renewable sources at scale.

We will deepen and take forward collaboration with government agencies, development partners, customers, communities, financial institutions for fostering greater trust, confidence through transparency, responsiveness and consistent performance delivery.

We will sustain our unwavering commitment to safety while further investing in the growth, capability, and well-being of our employees recognizing that our people remain at the helm of the foundation of our long-term success. Together, these priorities will position the organization not only to meet future challenges, but to shape the future of Bhutan's energy landscape with confidence and purpose.

None of what we achieved during the year would have been possible without the steadfast support of our Shareholders, the guidance of our Board of Directors and the Ministry for timely policy interventions. The confidence in our leadership has enabled us to pursue our mission with clarity and conviction.

To every employee of Bhutan Power Corporation, you are the main drivers for all the success achieved thus far. Your dedication, resilience, and professionalism in the face of extraordinary challenges exemplify who we are as an organization. Together, we have demonstrated that we are not merely a utility, but a team united by a shared purpose to supply power to the nation, safely and reliably, against all odds.

To every employee of Bhutan Power Corporation, you are the driving force behind our success. Your dedication, resilience, and professionalism in the face of extraordinary challenges exemplify who we are as an organization. Together, we have proven that we are not merely a utility, but a team united by a shared purpose—to supply power to the nation safely and reliably, against all odds

As we move forward year after year, let us commit and carry this spirit with us rooted in purpose, unity, and service to the nation. Let us stand as one team, guided by one vision, and bound by an unwavering commitment to serve Tsa-Wa-Sum.

A handwritten signature in blue ink, appearing to read 'Sonam Tobjey', is written over a light blue horizontal line.

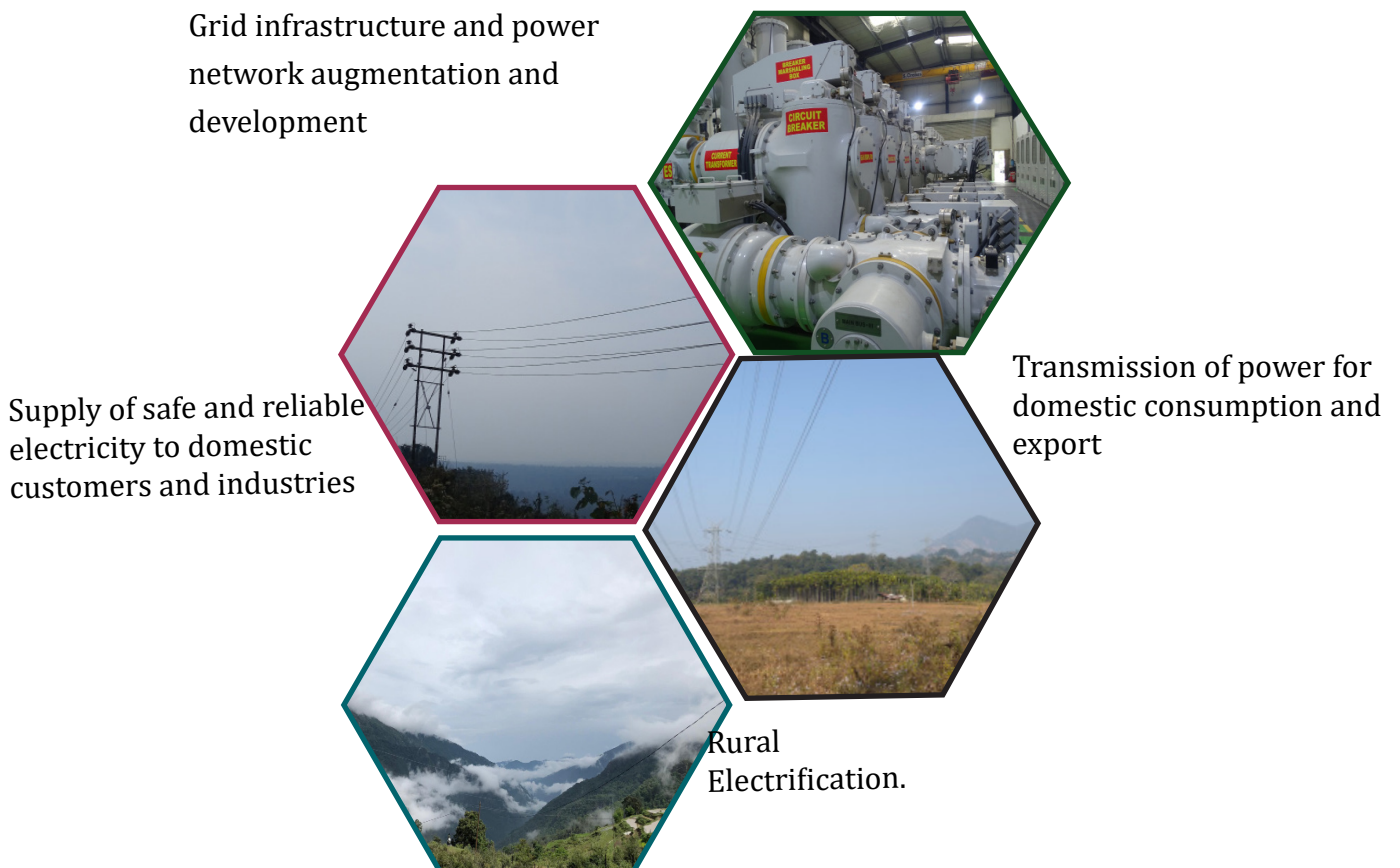
Sonam Tobjey  
Chief Executive Officer

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## Company Profile (About BPC)

On 1st July 2002, Bhutan Power Corporation Limited (BPC), a state-owned electric utility company was established and incorporated under the Companies Act of the Kingdom of Bhutan. The ownership of BPC was transferred to Druk Holding and Investments Limited (DHI), the commercial arm of the Royal Government of Bhutan in 2007.



BPC is the only company responsible for the transmission and distribution of electricity across the country and the broad mandates are to transmit, distribute, and supply electricity within the country, wheel surplus electricity for export, and build electrical network infrastructure for system expansion. BPC operates and maintains the Optical Ground Wire (OPGW) networks strung on its transmission lines and All - Dielectric Self-Supporting (ADSS) cables on the distribution lines covering all gewogs on behalf of the GovTech Agency, Royal Government of Bhutan. Some sections of the OPGW are owned by BPC.

## Destination Statement

To contribute Nu. 5,700 million as annual dividend to DHI by 2030

### Our Mission

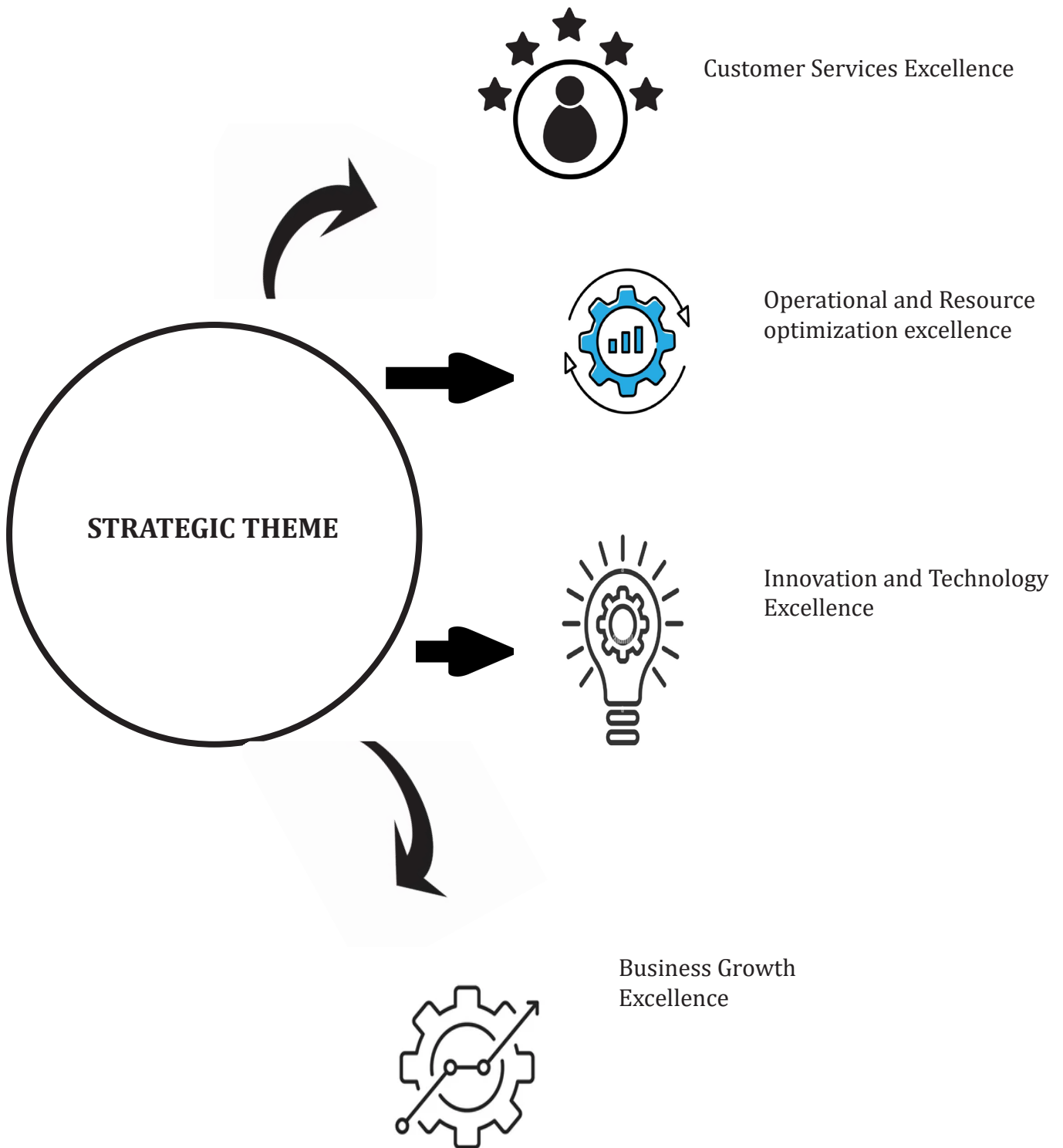
To provide affordable, adequate, reliable, and quality electricity services to customers.

### Our Vision

To be an innovative and efficient power utility driving the socio-economic transformation of Bhutan.

### Our Culture & Value

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



## Our Culture & Core Value

The values that BPC believed in and reinforces are Integrity, Mutual Respect, Professionalism, Accountability, Care, and Tha Damtse (IMPACT). The values are as described below:



**Integrity:** Be honest, ethical, trustworthy, and consistent in words and actions and do the right things even when no one is watching.



**Mutual Respect:** Honor and respect each other, support each other, and work together as a team.



**Professionalism:** Be professionally driven to be innovative, adaptive to change, maintain quality and standards and service excellence through proper planning and organizing.



**Accountability:** Take accountability and responsibility for all out actions, think of the consequences before taking any action, adopt fairness and transparency in all operation.



**Care:** Provide employees with a safe and conducive working environment, ensure public safety, excel in customer service, and work towards protecting and reserving environment



**The Damtse:** Remain loyal, dedicated and committed to achieving the Company's vision and mission, have strong allegiance to the Company identity and values and always work to uplift the public image of BPC and the Country at large.



## BOARD OF DIRECTORS

### 1. Ms. Kesang Deki, Chairperson



Ms. Kesang Deki is the Cabinet Secretary for the Royal Government of Bhutan, appointed in October 2022, where she also chairs the Committee of 4 Coordinating Secretaries and serves as Coordinating Secretary for the Governance Cluster. She holds a Master of Public Finance, Income Tax, and Finance from the National Graduate Institute for Policy Studies in Tokyo, Japan. Her extensive public service career encompasses leadership across key government portfolios, including Secretary of the Ministry of Finance (2021-2022), Director-General of the Department of National Properties (2019-2021), and a five-year tenure as Commissioner at the Royal Civil Service Commission (2014-2019) by appointment of His Majesty the King. Her foundational experience in finance includes serving as Collector (Head) of the Income Tax Division (2010-2014) and earlier roles in revenue and customs administration since 1993. In recognition of her distinguished service to the nation, His Majesty The King conferred the prestigious Red during the 118th National Day celebrations held in Bumthang on December 17, 2025.

### 2. Mr. Karma P. Dorji



Mr. Karma P. Dorji is the Director General of the Department of Energy, Ministry of Energy and Natural Resources. He received his Master's in International Development Technology from the State University of California, USA. He served as a Chief Engineer, DHPS, before assuming the current post. He serves as a Non-Independent Director on the BPC Board.

### 3. Mr. Kezang Jamtsho



Mr. Kezang Jamtsho is the present Chief Executive Officer of State Mining Corporation Ltd. He holds a Master's degree in Irrigation Engineering and Management from the Asian Institute of Technology, Bangkok, Thailand, and a Bachelor's degree in Civil Engineering from Regional Engineering College, Silchar, India. He has served in various capacities within the Ministry of Agriculture and Forests and completed his tenure as the Commissioner of the Anti-Corruption Commission of Bhutan.

#### 4. Mr. Passang Dorji



Passang Dorji is the CEO and an investor in Dawa Hospitality Private Limited. He is also the Honorary Consul of Finland to Bhutan. He has served as a Board Director in many public companies such as Bhutan National Bank, Drukair Corporation, Bhutan Telecom, Bank of Bhutan, and State Trading Corporation of Bhutan. He was also the Director, Department of Investments, Druk Holding and Investment, till 2018. He has a Master's in Business Administration and a Bachelor of Civil Engineering.

#### 5. Mr. Chencho T Namgay



Mr. Chencho T. Namgay is the Director of the Department of Investments, overseeing portfolio management in global financial markets, evolving asset classes, and Business Development at DHI. He has a Master's in Business Administration and an undergraduate degree in Technology (Electrical & Electronics).

#### 6. Mr. Sonam Tobgay



Mr. Sonam Tobgay currently serves as an Independent Director on the BPC Board. He holds a Postgraduate Diploma in Survey Engineering and a Master of Business Administration from the University of Canberra. Over the course of his career, he has served in key roles within the National Land Commission, the National Cadastral Resurvey Program, and Phuentsholing and Thimphu Thromde. Currently, he holds the position of Chief Survey Engineer at National Land Commission Secretariats.

#### 7. Mr. Sonam Tobjey



Mr. Sonam Tobjey is the Chief Executive Officer of BPC, the position he assumed since 23<sup>rd</sup> August 2018. He worked in the company since 2002 and held various positions in the Finance Department. The last post being the Director of Finance. Due to his long association with the company and being the senior management member for most part of his career in the company, he brings in an in-depth professional experience and management skills in various functional aspects of the company. He also served as the Board of Director of the Bank of Bhutan Ltd, erstwhile Wood Craft Center and the Royal Insurance Corporation of Bhutan Ltd. He serves as the Non-Independent Executive Director of BPC Board. He obtained Masters of Commerce Degree in Accountancy from University of Canberra, Australia in December 1995 and Bachelor of Commerce Degree from Shri Ram College of Commerce, University of New Delhi, India in June 1989.

## Management Team



**Mr. Sonam Tobjey,**  
CEO, BPC



Ms. Dechen Dema,  
Director,  
Transmission  
Department



Ms. Kinley Dem,  
Director,  
Corporate Services  
Department



Mr. Thinley Gyeltshen,  
Director,  
Distribution  
Department



Mr. Sangay Tenzin,  
Director,  
Construction &  
Procurement  
Department



Mr. Rinzin Dorji  
Company Secretary



## **DIRECTORS' REPORT**

**2025**

## DIRECTORS' REPORT

### 1. Introduction

On behalf of the Board of Directors of Bhutan Power Corporation Limited (BPC), I am pleased to present this report on the company's performance for the period January 1, 2025, to December 31, 2025 to our shareholder, the Druk Holding and Investments Limited (DHI), and other stakeholders. The report is prepared in accordance with Sections 177 and 178 of the Companies Act of Bhutan 2016.

### 2. Overall System Performance

With the increase in the domestic load largely driven by the socio-economic development of the country, the coincidental peak demand increased to 1,477.00 MW at 19:03:00 on November 08, 2025, from 1,026.44 MW at 18:36:16 on December 25, 2024. The industrial load contributed to the growth which today constitutes around 91.22% of the total domestic load. On the customer growth, the number of customers for the year increased to 262,234 from 255,517 in 2024.

The increase in both domestic energy sales and exports during the year was mainly driven by the commissioning of the Punatshachhu-II Hydropower plant, Suchhu Hydropower plant, and Sephu Solar plant. Consequently, domestic energy sales increased to 8,897.81 MU from 7,256.10 MU in 2024, representing a growth of 22.63%, while energy exports to India during the peak generation period increased to 7,924.69 MU from 5,456.44MU in 2025.

The energy sold during the year was met by purchasing 8,050.19 million Units (MU) of energy from DGPC, 7.55 MU from DSP Solar Initiative (DSP-SI), and 1,102.38 MU import at the border from the Indian Energy Exchange (IEX) and solar power through PTC. The energy imports were made during the lean generation period only from January to May and November to December 2025. In comparison, the domestic load for the previous year was met by purchasing 6,128.12 MU of energy from DGPC, 3.23 MU from DSP Solar Initiative and 1,406.38 MU import at the border through imports from IEX.

Out of the total energy of 17,707.25 MU (Ex-Bus energy of generating plants + actual import from India + Embedded Generations + DSP) injected into the system, 17,371.49 MU (domestic sales + actual export to India) was consumed. This translates to a global energy loss, including wheeling, of 1.90% for the year compared to 2.15% in the previous year. The marginal decrease in the loss was due to the high volume of domestic energy injected into the system, and the reduced energy imported from India during the lean generation period as compared to the previous year.

With the domestic load surpassing the generation during the lean season, the deficit energy

is imported from IEX by the DGPC. The unbalanced demand-supply situation necessitating power import from India requires compliance with the Indian Deviation Settlement Mechanism (DSM), a disciplinary tool which stipulates that the customers and generating entities must adhere to the schedules. With the signing of the DSM modality between the Royal Government of Bhutan (RGoB) and the Government of India (GOI) effective from 1st May 2024, Grid Discipline Mechanism (GDM) is already implemented for the domestic market in Bhutan. The Standard Operating Procedures (SOP) for the operationalization of GDM were also prepared. Energy accounting therefore has become more challenging than before.

The Bhutan Power System Operator (BPSO) coordinates and monitors the load flow within the system. With the implementation of GDM, the monitoring of the adherence to schedules, preparing and issuing the statement of charges for deviation, and maintaining the deviation pool account is carried out by BPSO.

### 3. The State of the Company's Affairs

#### 3.1 Independent Auditor's Report

The auditors have issued an unqualified audit report for the year. Their observations have been reported in the Management Report and the Management Appraisal Report.

#### 3.2 Financial Position

The key financial performance of the company for the year as compared to the previous year is summarized in the tables below:

Sl. No.	Item Description	Year 2025 (Nu. in million)	Year 2024 (Nu. in million)
1	Total value of assets of the company	57,594.20	46,744.60
2	Net worth of the Company	20,095.89	16,754.40
3	Gross Asset addition	12,427.85	3,192.90

#### 3.3 Results of Operation

Sl. No.	Item Description	Year 2025 (Nu. in million)	Year 2024 (Nu. in million)	Percentage change (%)
1	Total Revenue	28,999.44	25,098.65	15.54
2	Electricity Revenue	26,440.38	22,973.61	15.09
2	Wheeling Revenue	2,081.19	1,595.34	30.45

3	Construction Contracts	125.03	195.22	-36.95
4	Total Expenditure	26,117.38	22,103.35	18.16
5	Net Profit After Tax	2,482.15	1,974.71	25.70
6	The Basic as well as Diluted Earnings Per Share	183.51	176.35	4.06

The total revenue increased in the financial year due to an increase in the revenue from electricity sales. The income from the wheeling of energy has also increased. The income from construction contracts has decreased compared to 2024, as lesser amounts of deposit works were undertaken.

During the year, the company's Profit After Tax (PAT) for the year 2024 was restated to Nu. 1,974.71 million from the initial reported PAT of Nu. 1,708.59 million. The restatement was necessitated by the material prior-period errors relating to the understatement of income tax liabilities for the financial years 2019 to 2023 as well as the non-recognition of related deferred tax to date. As a result of restatement, the basic and diluted earnings per share for the same year has also increased from Nu.152.59 per share in 2024 to Nu. 176.35 per share. The company's Profit After Tax (PAT) for the year 2025 is Nu. 2,482.15 million.

### 3.4 Transfer to Reserves

Transfer to Asset Replacement Reserve amounts to Nu.49.71million for the year in line with the Asset Risk Mitigation Policy of the company, calculated at 0.4% of net gross value after disposal of assets. The net gross asset addition during the year amounts to Nu. 12,427.85 million. The total cumulative amount of asset replacement reserve stands at Nu.274.87 million.

### 3.5 Recommendation for Payment of Dividend

During the 183rd Board meeting, held on 17 March 2026, the Board recommended a dividend of Nu.745 million, equivalent to 30 % of the Profit after Tax for the year 2025. In the year 2025, the dividend declared and paid was Nu. 1,057,340,690.

## 4. Tariff

The current tariff schedule remained in effect till June 30, 2025. In line with the Tariff Determination Regulation (TDR), BPC submitted the tariff application for the period from July 1, 2025 to June 30, 2028 on February 14, 2025. While the revised tariff is still under review, ERA issued an interim tariff order on July 1, 2025, reinstating the energy rate for HV and MV customers at Nu. 1.6/kWh (down from Nu 1.90/kWh) and maintaining the average power purchase rate at Nu. 1.6 /kWh, with truing up to be conducted by ERA up to October

2025. Subsequently, as required by the National Energy Policy 2025 and in accordance with the Guideline for Determination of Domestic Electricity Tariff issued by the Department of Energy in July 2025, ERA revised the TDR 2025. BPC then re-submitted a tariff application on December 5, 2025.

## **5. Corporate Governance**

BPC continues to prioritize enhancing corporate governance, streamlining business processes and fostering an enabling working environment to improve operational efficiency. Governance is guided by the Companies Act of Bhutan 2016, the Corporate Governance Code issued by the DHI and other relevant laws of the country. The seven-member Board including the Chairperson and the Chief Executive Officer, provide strategic oversight and policy guidance.

During the year, the Board convened five meetings, supported by Board sub-committees addressing technical, financial, risks and human resource matters. The Board Audit and Risk Committee (BARC) and the Board Tender and Technical Committee (BTTC) convened ten meetings each, and the Board Human Resource Committee (BHRC) conducted one meeting, fully complying with statutory requirements. BARC oversees risk management and internal controls, supported by an independent Internal Audit team and the Strategy Division, with quarterly risk assessments conducted under DHI's risk framework.

## **6. Corporate Social Responsibility (CSR)**

BPC's CSR contributions in 2025, aligned with the 2013 DHI CSR framework, supported youth related activities, civil society organizations, printing and publications and religious activities, totalling Nu 971,325. Furthermore, copper scraps worth Nu. 916,800 was donated to the Dharma Arts to promote local businesses, bringing total CSR contributions for the year to Nu. 1,878,125.

## **7. Network Expansion**

To meet the growing electricity demand and to enhance reliability, BPC continued extensive network expansion and upgrades throughout the year. Some of the key works executed during the year are detailed below:

### **7.1 Transmission System**

The 66/33kV AIS at Phuentsholing was upgraded to GIS with a 30MVA capacity and commissioned on February 21, 2025. Supply, erection, testing and commissioning of 66 kV, 1C x 630 sq.mm Aluminium Conductor XLPE cable at Pasakha Industrial Park were successfully completed. Field surveys for the proposed new transmission lines were conducted in October 2025, with construction scheduled for 2026. A 2x 10MVA, 132/33 kV GIS substation at Panbang, Zhemgang, funded by IFC, was commissioned on November 9,

2025. The 33kV side of the Olakha Substation was upgraded to a GIS system.

The completion of key transmission lines, including the 220kV line from Damdum Substation to Norbugang Industrial Park (NIP) and the 400 kV transmission line from Pugli to NIP in November 2025, increased total substation capacity at NIP to 300 MVA. With completion of Punatsangchhu-II Hydropower Project in 2025, its transmission assets were transferred to BPC. Similarly, BPC also took over the 132 kV Transmission Line, Corlung substation and 33 kV distribution lines from Khorlochu Hydropower Limited.

## 7.2 Strategic Infrastructure Development

Investments were made in secure ICT colocation shelters at Wangdue (BHP premises, DGPC), Trongsa (Kewathang) and Bumthang (Garpang). These facilities protect critical hardware, enhance network resilience and minimize service interruptions across the national fiber network.

## 7.3 Digital Transformation: Data-Driven Asset Management

BPC completed a geo-referenced inventory and GPS mapping of national ADSS networks and ICT shelters, enabling predictive maintenance and data-driven decision making. The Ministry in collaboration with BPC and other energy sector agencies, has developed a comprehensive **Digitalization Roadmap** under the ADB SASEC Energy Program. The roadmap provides a strategic pathway for transforming BPC into a modern, resilient and consumer-centric utility driven by real-time data, automation and advanced analytics. While BPC has implemented several digital systems such as SCADA, enterprise platforms and automated metering solutions, the assessment found that many of these systems operate in isolated modes with limited integration between Information Technology (IT) and Operational Technology (OT). In addition, gaps exist in data governance, system interoperability and cybersecurity readiness.

The roadmap prioritizes strengthening operational efficiency, cybersecurity resilience, data-driven decision making, consumer engagement and environmental sustainability. Key initiatives proposed include establishing a Central Data Warehouse, deploying AI/ML-based smart meter analytics, implementing advanced grid technologies such as FLISR and Wide Area Protection and Control (WAPAC) and enhancing IT-OT integration.

A phased 10-year implementation plan is proposed to progressively build BPC's digital capabilities, enabling predictive maintenance, improved outage management, and enhanced visibility of grid operations and customer services.

## 7.4 Distribution System

Distribution network expansion and upgrades were carried out in line with the Distribution System Master Plan (DSMP) and Smart Grid Master Plan-2029 to improve reliability, power quality and operational efficiency. These efforts not only address the rising domestic demand but also strengthen supply reliability, improve power quality and optimize network expansions. Key achievements during the year include conversion of 33kV AIS/VCB to GIS

switchgear at the 33/11kV substation in Khuruthang, Punakha and Tashicholing, Samtse, alongside the repair of 2.5 MVA transformer at Khuruthang substation. Further, distribution networks in Thimphu, Paro, Sarpang, Samtse, Punakha, Trashigang, S/Jongkhar and Chhukha Dzongkhag were modelled using DIgSILENT PowerFactory software, validating the DSMP for future planning. Permanent power supply works for various Small Hydro Power Project sites are progressing steadily, with the supply to the Gyalsung Projects nearing completion. A total of 1,407 households were electrified through LT line extensions and single-phase distribution lines were converted to three-phase to enhance capacity and reliability.

The company has progressively expanded the distribution system automation to enhance network reliability and enable real-time operational visibility. Technology transfer and capacity building on state-of-the-art IEC 61850-based Substation Automation Systems (SAS) for 33/11 kV substations have been successfully completed in collaboration with globally renowned technology pioneer viz. Siemens and Schneider Electric. Subsequently, the Smart Grid team carried out system testing and end-to-end integration of selected 33/11 kV substations, notably Changangkha and Chubachhu, with the centralized Distribution Management System (DMS) in Thimphu.

Further, the procurement of Intelligent Electronic Devices (IEDs) for substations under Chukha, Samtse, Wangduephodrang, Punakha, and Bumthang was completed and is scheduled for installation and integration with the centralized DMS during 2026. In addition, robust industrial networking switches and Remote Terminal Units (RTUs) required for interfacing field signals with the DMS have been procured for all distribution substations. This establishes the necessary communication and control infrastructure and enables accelerated integration of substations into the centralized DMS platform.

The Distribution Transformer (DT) metering system was installed to improve visibility at the DT level and support outage reduction, with surge protection devices installed on approximately 1,000 DTs, yielding demonstrably improved equipment survivability and system stability. In addition, DT meters and associated accessories for Compact Substations and Packaged Substations were procured and scheduled for installation and integration during 2026. Approximately 53% of DTs now report to the central server, enabling monitoring of SAIFI, SAIDI, and MAIFI, DT loading profiles and phase unbalance through the OMNI software platform.

Distribution Automation (DA) equipment, including Auto Reclosers, Sectionalizers, and Fault Passage Indicators (FPIs), was deployed along distribution feeders to improve fault detection and service restoration, supported by a Distribution Automation Roadmap (2026–2030) for centralized remote monitoring and Fault Location, Isolation and Service restoration (FLISR) integration.

### **7.5 Network Optimization: ADSS Fiber Realignment**

To improve ICT reliability, BPC undertook realignment projects of 24F All-Dielectric Self-Supporting (ADSS) fiber optic cables alongside power line upgrades, reducing the risk of

physical damage and improving service delivery to remote Gewogs.

Project Route	Dzongkhag	New Alignment	Old Infrastructure Dismantled
Phuntshothang – Langchenphu	Samdrup Jongkhar	20 km (Razor section)	25 km
Waphu – Pangjokha (Laya)	Gasa	7.5 km	8 km

## 8. Operational Excellence: Reliability and Availability

### 8.1 Transmission

BPC achieved 100% service availability and reliability for the National Fiber Backbone and 98.74% transmission availability against a target of 98%. Drone-based inspection of the 66 kV transmission line at Kabreytar, Phuentsholing, enhanced operational efficiency and preventive maintenance.

### 8.2 Distribution

#### A. Reliability

Reliability improved significantly, with SAIFI decreasing from 2.4 in 2024 to 1.77 in 2025, and SAIDI decreasing from 3.59 in 2024 to 2.74 in 2025, reflecting fewer and shorter interruptions. Power quality assessments were conducted in five Dzongkhags namely Haa, Zhemgang, Lhuentse, Dagana and Trashiyangtse in 2025, covering 108 Distribution Transformers and 3,006 customers. The recommended remedial measures such as phase sequence corrections, load balancing, changing of tap positions, replacement of faulty parts and rectification of earthing were implemented. Similar assessments shall be carried out for the remaining Dzongkhags in 2026.

#### B. System losses

T&D losses were maintained at 1.9%, improved from 2.15% in 2024, while collection efficiency remained at 100% for HV and MV and 98% for LV. The improvement in the collection efficiency is a joint effort of all the employees and legal recourse taken up to collect the dues.

#### C. Customer Satisfaction Index

DHI’s independent survey reported a Customer Satisfaction Survey Index of 4.12 out of 5.

Management is actively implementing recommendations to further improve service quality.

## **9. Operation and maintenance of EV station**

In May 2025, BPC assumed the role of lead agency for nationwide procurement, installation and O&M of EV charging stations, building on its initial O&M responsibility since July 2022. In line with the Government directives, a Memorandum of Understanding (MoU) was signed in November 2025 between BPC and the Ministry of Infrastructure and Transport (MoIT). The Government will fund all EVCS-related works, including O&M expenses and electricity bills, until 2030, ensuring that charging services remain free for users. Bhutan has a total of 75 chargers installed across 40 stations in 20 Dzongkhags, comprising 43 DC chargers and 32 AC chargers. Thimphu has the highest concentration, with 13 DC chargers and 8 AC chargers.

## **10. Human Resources**

The Support Services Division (SSD) has been rolling out several programs to keep everyone motivated, engaged, and constantly leveling up in the wake of high employee turnover. The end goal of the same is to create a workspace that gives a feel good to be in the company, while at the same time ensuring professional development of employees.

### **10.1 Exit Interviews**

To figure out why people are moving out and how to keep our best talent, SSD sat down with 94 departing employees for exit interviews. The Management team is now diving into that feedback to turn those insights into real improvements for our retention strategy.

### **10.2 Recruitment & Onboarding Programs**

BPC expanded its workforce by 228 employees in 2025, while also reskilling and redesignating 103 linestaff to Technicians. A key part of this expansion was our structured onboarding program, which we held in two sessions of 101 and 49 participants, respectively. By focusing on BPC's vision, values, and internal processes, during the onboarding programs of all new recruitments made, we've made sure our new colleagues have the tools and the "know-how" to feel comfortable and get engaged from day one in the company.

### **10.3 Training and Development Opportunities**

Training and development remained a priority, with 26 in-house programs reaching 804 employees, 28 specialized courses abroad attended by 384 staff, and additional professional development through ITEC and Long-Term Training Programs (LTTP), MBAs programs. Digital learning was enhanced through 100 Coursera licenses.

### **10.4 Reward and Recognition Systems**

To ensure that dedication and excellence do not go unnoticed, BPC maintains a robust reward and recognition system designed to honor the hard work of its workforce. During the BPC Day celebration, the prestigious Employee of the Year award was presented to nine outstanding individuals, including four female and five male employees, highlighting the company's commitment to gender-inclusive excellence. Furthermore, the organization celebrated long-term loyalty and career milestones by facilitating the Royal Civil Service Commission's Service Medal Recognition, which honored employees for reaching 10, 20, and 30 years of dedicated service. These accolades serve as a testament to the enduring commitment of our staff and the value the company places on sustained professional contribution.

### **10.5 Equal Opportunity and Career Enhancement**

BPC continues to prioritize professional growth by ensuring that career advancement remains accessible and equitable for all employees. In 2025, the corporation awarded 278 merit-based promotions across various organizational levels, reinforcing a culture where performance and fairness drive career progression. Beyond standard promotions, BPC actively fosters specialization through structured training initiatives, empowering employees to cultivate high-level expertise within their specific expertise and domains.

The year saw significant upward mobility for 104 employees, highlighted by the advancement of 101 linestaff to Technician roles, the promotion of an Engineer to Senior Engineer, and the elevation of two Managers to the rank of General Manager. Additionally, in a move to strengthen job security and recognize long-term contribution, BPC successfully upgraded 67 daily wage workers to regular Technician positions, further solidifying the company's commitment to a motivated and stable workforce.

### **10.6 Employee Well-being, Work-Life Balance and Team -Building Activities**

In 2025, BPC further strengthened its commitment to employee well-being by implementing targeted family-support initiatives designed to help working parents navigate the complexities of professional and personal life. To this end, the dedicated daycare facilities in the Thimphu and Phuentsholing regions are being continued, providing a reliable and accessible environment for the children of our staff. Complementing these efforts, a specialized lactation room was commissioned at the Head Office in Thimphu, ensuring a private and supportive space for returning mothers. These infrastructure developments reflect BPC's holistic approach to workplace inclusivity, ensuring that parenthood and career progression remain mutually achievable goals.

The company spent approximately Nu. 1 million in a diverse array of sporting events nationwide which serves as a vital platform for team-building, transcending departmental boundaries to foster genuine camaraderie and shared purpose among the workforce. By

encouraging active participation and healthy competition, the corporation has successfully cultivated a more vibrant workplace culture, contributing to elevated levels of morale, motivation, and collective professional pride.

### **10.7 System Improvement for Faster Employee Services**

To further modernize its administrative infrastructure, has successfully transitioned to a fully functional HRIS online system, which now serves as the primary conduit for approvals within the Corporate Services Department. This digital migration has significantly optimized internal workflows, resulting in substantial savings of time and resources while enhancing the overall accuracy of documentation and operational efficiency.

A key milestone this year was the inhouse integration of the employee welfare system into the HRIS platform. By routing benefit requests and refunds through this automated interface, the corporation has drastically reduced processing lead times. This enhancement ensures that welfare support is delivered with greater speed and transparency, reinforcing BPC's commitment to leveraging technology for the direct benefit of its workforce.

## **11. Challenges**

Some of the key challenges faced by the company during the year are highlighted below:

### **11.1 Employee Turnover**

During 2025, the Company recorded the separation of 94 employees, resulting in an annual attrition rate of 4.07%. While this level of turnover remains within a manageable threshold, BPC proactively mitigated potential operational disruptions by promptly filling all critical vacancies.

To sustain organizational momentum, address evolving staffing requirements and support the expanded capital work plan in 2026, a total of 228 new employees were recruited during the year. These recruitment and separation figures exclude internal transitions involving staff who temporarily separated to pursue career enhancement opportunities before subsequently reintegrating into the BPC workforce.

### **11.2 Safety at Work**

Ensuring a safe working environment for employees and the public remains a top priority for the Company. Throughout the year, safety advocacy and awareness initiatives were comprehensively implemented across offices in all Dzongkhags. In compliance with established safety standards, regulations and guidelines, strong emphasis was placed on the consistent use of appropriate safety gear during operation and maintenance activities to achieve zero accidents.

Employees are regularly reminded and trained on safe work practices essential for carrying out their duties. Prior to commencement of any work, risk assessments are conducted and

deliberated upon to ensure safe working procedures and to minimize potential hazards. Through collective efforts, including the provision of essential safety equipment, improvements in occupational health and safety practices, and continuous capacity building of employees, BPC successfully recorded ZERO work related accidents among its employees in 2025.

Safety awareness videos were also updated and intensive safety awareness programs continue to be conducted for employees and the general public through BBS and various social media platforms. Despite these concerted efforts, five public related accidents were recorded during the year.

Ensuring the safety for both employees and the general public remains a key priority. Since obtaining ISO certification in 2017, BPC has strengthened its safety management systems and continuously enhanced its processes to minimize accidents. An online monitoring system documents daily operation and maintenance activities, tracks adherence to safe work practices and verifies compliance with safety regulations during field operations.

### **11.3 Right of Way (RoW)**

In recent years, particularly in urban and semi-urban areas, Right of Way (RoW) issues have led to increased safety concerns, public grievances related to compensation and land-use restrictions.

In response to resolutions adopted during the Fourth Parliament, a multi-agency Task Force comprising representatives from the Department of Energy, the National Land Commission Secretariat, the Electricity Regulatory Authority, and the BPC was established to undertake a comprehensive assessment and propose sustainable solutions to address RoW challenges.

Based on the Task Force's recommendations, the Lhyengye Zhungstog approved a comprehensive, flexible and prioritized "mixed-mode" compensation framework. The official directive for implementation was issued by the Secretary, Ministry of Energy and Natural Resources (MoENR) on November 4, 2025.

In line with the directive, BPC is currently developing the Standard Operating Procedure (SoP) to operationalize the framework. The compensation mechanism will be implemented following the finalization of the SoP.

### **10.4 Forest Fire**

In line with the National Forest Fire Prevention Strategy and the Distribution Infrastructure Resilience Improvement Plan 2025, nationwide mitigation measures were implemented in 2025 to reduce the risk of fire-related incidents originating from electrical infrastructure during the dry season.

Key mitigation measures undertaken included:

- I. Construction of Plain Cement Concrete (PCC) around substations and Load Break Switches (LBS) at a cost of Nu. 18.77 million;

- II. Installation of silicon sleeves, e-fusing tapes and spacers at a cost of Nu. 9.41 million;
- III. RoW clearing of distribution lines at a cost of Nu. 33.24 million; and
- IV. Conversion of ACSR bare conductors to Medium Voltage Covered Conductors (MVCC) at a cost of Nu. 122.098 million.

The PCC laying was prioritized for substations and LBS structures located in areas with dry vegetation. A total of 316 substations and 98 LBS structures were provided with PCC protection.

Silicon sleeves were installed on selected sections of the distribution line identified as high-risk zones, particularly at the jointing sections and termination points of LBS, pin insulators, transformers and drop-out fuses. This measure helps minimize the risk of ignition caused by electrical sparks during faulty conditions. A total 5.7 km of 11 kV and 7.79 km of 33 kV silicon rubber sleeves were installed across 164.616 km of 11kV distribution lines and 484.449 km of 33kV distribution lines.

E-fusing tapes were also applied at joints and vulnerable points across selected distribution feeders to reduce conductor burnouts during transient faults. In total, 1,178 rolls of e-fusing tape, equivalent to 11.78 km, were installed across 478.341 km of MV distribution lines.

For vegetation management, 3,982.187 km of MV line and 395.9 km of LV ABC were cleared to maintain the required RoW.

Additionally, 228.449 km of 11kV ACSR conductors, corresponding to 73km of line length, were converted to 11kV MVCC, while 8 km of 11kV MVCC (equivalent to 2.67 km of line length) was newly constructed. Furthermore, 14.484km of 33 kV MVCC has been procured and is currently being installed at identified sites.

These fire mitigation initiatives will be continued in the fire prone areas in 2026 to further enhance the resilience and safety of the distribution network.

## 11. Future Outlook

In alignment with Bhutan's 21st-Century Economic Roadmap, Druk Holding and Investments Limited (DHI) launched the DHI Group 10X Roadmap on August 14, 2025, embarking on a bold decade of transformative growth. This ambitious strategy commits DHI and its Group companies to achieve tenfold growth over the next ten years, drawing inspiration from the Gelephu Mindfulness City initiative and fully aligned with the Government's long term economic vision. By 2035, the 10X Roadmap envisions a significantly transformed economic landscape, targeting a revenue base of Nu. 700 billion and the establishment of a Nu. 30 billion Bhutan Future Fund.

For BPC, the strategic focus will be on expanding and modernizing the national transmission and distribution infrastructure to support the evacuation of approximately 20 GW of energy by 2034, increasing to 25 GW by 2040. This expansion aims to ensure high-quality, reliable power supply to energy-intensive industries, data centers and emerging economic clusters. To align BPC's strategic plan with that of DHI's 10X vision, the Renewal Energy Development

Roadmap (REDR) 2024 and National Energy Policy 2025 provide the guiding framework and investment benchmarks for strategic planning and execution.

To provide open transmission access for generating stations in line with the Renewal Energy Development Roadmap, BPC is working in close coordination with the Department of Energy and DGPC to plan the Associated Transmission System (ATS). The following ATS projects are being prioritized for implementation in 2026.

1. The East-West 400 kV D/C Transmission line connecting the 400 kV MHPA Line at Goling at Zhemgang. This line will serve as the primary corridor for evacuation of power from the Eastern grid to the Western grid.
2. The power evacuation arrangement for the 54 MW Gamri-I, 55 MW Gamri-II Hydropower Project and 130 MW Tshephu Solar farm.
3. 132 kV, D/C Transmission Lines from Jomori Hydropower Plant to Phuntshothang Substation.
4. 66 kV, D/C Transmission line from Druk Bindu Hydropower Plant to Jamtsholing substation.
5. 132 kV D/C Transmission line using HTLS conductors from the Wobthang Solar Farm to the Garpang Substation.
6. Construction of a 2x10 MVA, 132/33 kV Gas-Insulated Substation at Rewan, Mongar. This substation will support construction power supply for the 1,125 MW Dorjilung Hydropower Project while strengthening the regional power network to meet the growing electricity demand and enhance the overall system reliability in two dzongkhags.
7. Strengthening power supply to GMC through augmentation of the 400 kV GIS substation at Jigmeling with an additional 500 MVA capacity, along with conversion of the 132 kV AIS Gelephu Substation to GIS, including capacity increase of 2x100 MVA.
8. Capacity augmentation for NIP, Samtse through construction of 3x100 MVA ICT with associated works and installation of 240 MVAR capacitor Bank to cater to the anticipated increase in load.

## 12. Acknowledgment

On behalf of the Board of Directors, I would like to extend our sincere gratitude for the continued guidance and support provided by Druk Holding & Investments during the year. The board also deeply appreciates the support received from the Royal Government of Bhutan, the Ministry of Energy and Natural Resources, the Druk Green Power Corporation Limited, the Electricity Regulatory Authority and the Bhutan Power System Operator.

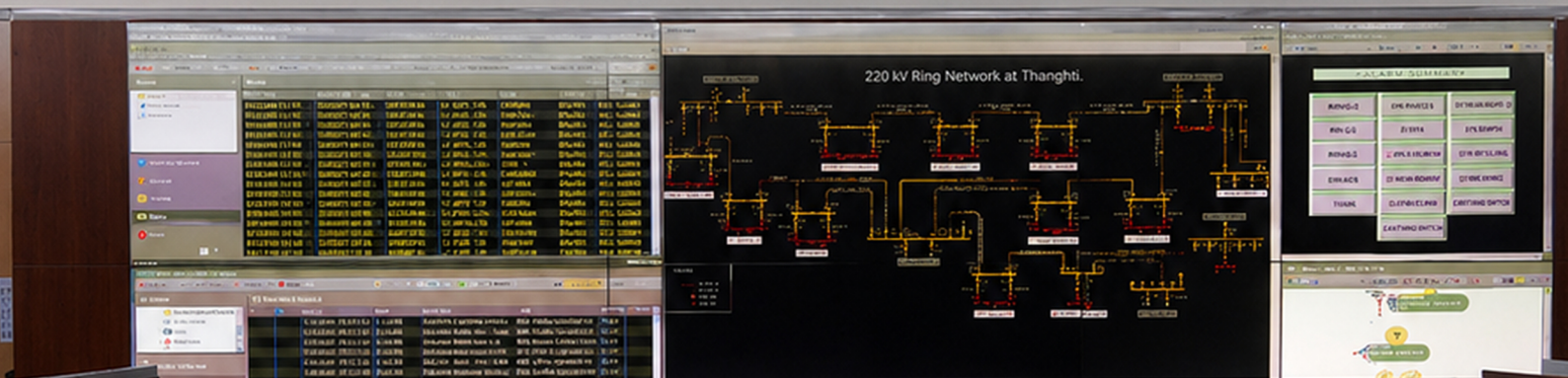
The Board further acknowledges the ADB, JICA, IFC and the domestic financial institutions for their proactive support in facilitating investments that enabled BPC to undertake capital works in a timely manner.

Finally, the Board would like to place on record its appreciation for the dedication and commitment of all employees. Their individual commitments and collective teamwork have been instrumental in achieving the year's performance. The Board remains committed to supporting the BPC in delivering efficient and reliable services to its customers and looks forward to the continued hard work and dedication of all employees in the years ahead.

Tashi Delek!

For and on behalf of the BPC Board,

  
(Dasho Kesang Deki)  
Chairperson



# CORPORATE GOVERNANCE REPORT 2025

The BPC Board of Directors is dedicated to establishing and upholding strong corporate governance practices across the Company. This commitment is critical to fulfilling their responsibilities to enhance shareholder value and aligning with the principles and recommendations outlined in the Corporate Governance Code.

The following statement outlines the application of the code's principle throughout the year 2025.

## A. The Board

### I. Board Charter

The Board charter outlines the guidelines governing the operations of the Board of directors, defining their roles and responsibilities and outlining the board's functions and authority. Its purpose is to ensure that all Board members are fully informed about their duties and obligations. The board charter adheres to the DHI's Corporate Governance Code, ensuring compliance with its principles.

### II. Composition of the Board.

Currently, the Board comprises seven (7) members, including the Chief Executive Officer, two Independent Directors, and four Non-Independent Directors. This arrangement guarantees a majority of independent directors in accordance with Clause 2.4.2. ii of the Corporate Governance Code. The Board activity promotes diversity and strives for a balanced mix of professionals with different sets of skills, competencies, knowledge, and experiences to facilitate unbiased decision-making, as stated in the code.

**Table 1: The details of the Board of Directors and the date of appointment, 2025**

Sl no.	Name	Designation	Appointment Date	Description	Status
1	Dasho Kesang Deki	Cabinet Secretary	Reappointed on March 18, 2024	Chairperson	Non-Independent
2	Mr. Karma P Dorji	Director General, Dept of Energy, MoENR	Reappointed on March 18, 2024	Board of Director	Non-Independent
3	Mr. Kezang Jamtsho	Chief Executive Officer, SMCL	Appointed on March 18, 2024	Board of Director	Independent
4	Mr. Passang Dorji	CEO, Dawa Hospitality Pvt Ltd	Appointed on March 18, 2024	Board of Director	Non-independent
5	Mr. Sonam Tobgay	Chief Survey Engineer, ULD, NLCS	Appointed on March 18, 2024	Board of Director	Independent
6	Mr. Chenchu T. Namgay	Director, DoI, DHI	Appointed on October 25, 2024	Board of Director	Non-Independent
7	Mr. Sonam Tobjey	Chief Executive Officer	Re-appointed on August 23, 2024	Member Secretary	Executive Director

### III. Board Responsibilities

The Board's duties align with Clause 2.4.1 of the Corporate Governance Code in the following manner:

The Board comprises competent and experienced members who exhibit leadership, entrepreneurialism, and integrity and exercise sound judgement in a transparent, accountable, and responsible manner. They act in the best interests of the company and shareholders, adhering to high standards of governance. All Board members are expected to safeguard the company's investments, enhance profitability, and uphold the company's core values while fulfilling their fiduciary duties.

The Board is responsible for providing guidance on the company's strategic plans, establishing its values and standards, and ensuring the implementation of an appropriate system for risk management and internal control. Collectively, the Board ensures that its obligations to shareholders are understood and fulfilled and that qualified individuals are appointed to senior positions within the company.

### IV. Responsibilities of the Chairperson

The role of a chairperson is to guide and lead the work of the Board. The Chairperson of the board shall also not chair any other Board committees.

The responsibilities of the Chairperson, amongst others, are as follows:

- a) Lead the Board to promote high standards of governance and to ensure Board effectiveness and smooth functioning on all aspects of its role in a rims and objective manner.
- b) Ensure effective accountability and governance of the company, consistent with relevant legislation
- c) Set the agenda and preside over board meetings to ensure that adequate time is available for discussion of all agenda items, in particular, on the strategic issues
- d) Conduct effective Board meetings and encourage a culture of openness, active participation and constructive debate.
- e) Ensure accurate record of Board meetings are taken and verifying that Board decisions are implemented
- f) Ensure that the directors receive complete, adequate and timely information to enable quality and informed decision-making
- g) Encourage constructive relations within the Board and between the Board and Management to ensure the company is managed effectively
- h) Participate in the selection and appointment of new board directors and the CEO in close collaboration with the shareholder (s)
- i) Approve leave, ex-country travel and training of CEO
- j) Meet shareholder expectations by leading and ensuring effective annual Board and CEO evaluation processes and
- k) Develop and maintain sound relations and communications with shareholders and stakeholders. This may include representing the company's interest in meetings with ministries, foreign company representatives and with other organizations within the country.

## V. Responsibilities of Chief Executive Officer

The responsibilities of the Chief Executive Officer, amongst others, are as follows:

- a) Managing the company in accordance with the strategy and performance targets. Policies and directives approved by the Board
- b) Recommending long term vision and strategy for the company to the Board
- c) Leading the Management team in managing day to day operations of the organization, its people and resources
- d) Implementing all Board approved plans, policies and performance targets
- e) Ensuring the authorities delegated from the Board are exercised in a competent manner and within the intent of such delegation and referring all matters outside his delegation to the Board for approval,
- f) Acting as the company’s interface with its operating environment and the business community
- g) Protecting and enhancing the image and reputation of the company
- h) Ensuring compliance with legal and regulatory obligation
- i) Promoting leadership development and proper succession planning for key positions in the company
- j) Ensuring ethical standards as established by Board are complied with
- k) Keeping the Board apprised of all matters of significance
- l) Keeping the Board Chairperson apprised of all matters of significance that occur between the Board meetings
- m) Providing the Board with accurate, relevant, timely and complete information and
- n) Other responsibilities as designated by the Board from time to time

## VI. Board Meetings

In 2025, five Board meetings and the Annual General Meeting were held. The dates of the meeting and the attendance records of the Directors are provided below:

**Table 2: Dates of Board Meetings held in 2025**

Sl. No	Date	Board Meeting No.
1	12-Feb-25	178th Board Meeting
2	17-Mar-25	Annual General Meeting
3	5-Mar-25	179th Board Meeting
4	9-May-25	180th Board Meeting
5	1-Aug-25	181st Board Meeting
6	1-Oct-25	182 Board Meeting

**Table 3: Attendance of Board Directors from March 17, 2025 till 31st December 2025**

SN	Name of the Board Directors	Attendance
1	Dasho Kesang Deki, Cabinet Secretary, Chairperson	4/5
2	Mr. Karma P Dorji, Director General, DOE, MOENR	3/5
3	Mr. Kezang Jamtsho, Chief Executive Officer, SMCL	4/5
4	Mr. Passang Dorji, CEO, Dawa Hospitality Pvt Ltd	5/5
5	Mr. Sonam Tobgay, Chief Survey Engineer, NLCS	5/5
6	Mr. Chenchu T. Namgay, Director, DoI, DHI	4/5
7	Mr. Sonam Tobjey, Chief Executive Officer, BPC	5/5

The Directors receive notices of meeting, typically at least two working days prior to the date of the meeting, along with the agenda complete with a full set of board papers to provide sufficient details of matters to be deliberated during the meeting.

The Company Secretary ensures to duly record and properly keep all the minutes of the Board meetings together with the decisions made by way of circular passed resolutions.

## **B. Board Committees**

The Board may from time to time establish Board Committees as is considered appropriate to assist in carrying out its duties and responsibilities. The Board has delegated certain functions to the following Board Committees to assist in the execution of its responsibilities:

- a. Board Audit and Risk Committee
- b. Board Tender and Technical Committee
- c. Board HR Committee

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

### **a) Board Audit and Risk Committee (BARC)**

The company's Audit and Risk Committee (BARC) consists of one independent Director and two non-independent Directors, with the Chairperson designated by the Board. The Board members were changed during the 21<sup>st</sup> AGM dated March 18<sup>th</sup>, 2025 and thus there were different BARC members in 2025.

**Table 4: Attendance of the Board Audit & Risk Committee Members**

SN	Name of the Board Directors	Presence	Absence	Attendance
1	Mr. Chencho T Namgay	10	0	10/10
2	Mr. Passang Dorji	7	3	7/10
3	Mr. Sonam Tobgay	10	0	10/10

**Table 5: Meetings held during 2025**

Sl. No	Date	Board Meetings No.
1	15 <sup>th</sup> January, 2025	89th BARC Meeting
2	13 <sup>th</sup> February, 2025	90th BARC Meeting
3	24 <sup>th</sup> April 2025	91st BARC Meeting
4	29 <sup>th</sup> July 2025,	92nd BARC Meeting
5	8 <sup>th</sup> September 2025	93rd BARC Meeting
6	25 <sup>th</sup> September 2025	94th BARC Meeting
7	3 <sup>rd</sup> November 2025	95th BARC Meeting
8	20 <sup>th</sup> November 2025	96th BARC Meeting
9	2 <sup>nd</sup> December 2025	97th BARC Meeting
10	29 <sup>th</sup> December 2025	98th BARC Meeting

In 2025, a total of ten (10) Board Audit and Risk Committee (BARC) meetings were held. The dates of the meeting held are set below:

The primary purpose of the Audit and Risk Committee is to ensure the Board's confidence through an impartial and independent evaluation of financial, operational, and administrative controls and procedures. This committee is responsible for establishing and upholding internal controls and managing risks. For more comprehensive information, please refer to the DHI Corporate Governance Code Appendix 2, page 37, which contains the detailed charter for the Board Audit Committee.

#### **b) Board Tender and Technical Committee**

The company's Tender Committee consists of two independent Directors, one Non-independent Director, and one non-independent Executive Director. The board appoints the Chairperson of the Committee.

**Table 6: Attendance of the Committee Members**

Name of Committee Members	Attendance
Mr. Karma P Dorji, Director General, DOE, MOENR	10/10
Mr. Kezang Jamtsho, CEO, SMCL	9/10
Mr. Sonam Tobgay, Chief Survey Engineer, Thimphu Thromde	9/10
Mr. Sonam Tobjey, Chief Executive Officer, BPC	10/10

Pursuant to the terms of reference of the Board Tender Committee, the main responsibilities of Tender Committee are as follows:

- I. To satisfy itself that proper procurement procedures has been followed as per the norms provided in the Procurement Manual,
- II. All Bidders have been provided with equal time and opportunity for submission of bids,
- III. Modifications of the bidding documents, if any, have been communicated simultaneously to all Bidders,
- IV. Response to any Bidder's query has been sent to all Bidders simultaneously,
- V. No specific Bidder / Bidders have been put to undue advantage / disadvantage due to actions of BPC,
- VI. That the evaluation committee has carried out the work in strict compliance to the terms of the tender
- VII. In 2025, 10 Board Tender and Technical Committee meeting was held. The dates of the meeting are listed as follows:

**Table 7: Meetings held during 2025**

Sl. No	Date	Board Meetings No.
1	March 25	63rd BTTC
2	May 16	64th BTTC
3	June 10	65th BTTC
4	June 30	66th BTTC
5	July 24	67th BTTC
6	August 5	68th BTTC
7	August 22	69th BTTC
8	September 24	70th BTTC
9	November 17	71st BTTC
10	December 18	72nd BTTC

### c) Board Human Resource Committee

The function of the Board-Level Human Resource Committee (BHRC) is to evaluate the Human Resource (HR) proposals put forth by the management for approval or recommendation by the BPC Board. The members of the company's Board HR Committee are selected by the Board periodically, with the chairperson appointed by the Board.

**Table 8: Attendance of Committee Members**

Name of Committee Members	Attendance
Mr. Passang Dorji	2/2
Mr. Kezang Jamtsho	1/2
Mr. Chencho Tshering Namgay	2/2
Mr. Sonam Tobjey	2/2

The roles and responsibilities of Board HR Committee but not limited to as follows:

- I. Review proposals submitted by the Management and approve or recommend to the Board.
- II. Carry out the Selection Interview for Head of Wings/Services.
- III. Carry out any other responsibility related to HR as assigned or delegated by the BPC Board.

The Board HR Committee may also suggest proposals and direct Management to undertake the study and present the proposal to the Committee.

In 2025, two BHRC meetings were held, and the dates of the meetings are provided below:

**Table 9: Meetings held during 2025**

Sl.No	Date	Board Meetings No.
1	18-Aug-25	58th BHRC
2	17-Sep-25	59th BHRC

**C. Remuneration of the Chief Executive Officer and Board of Directors**

The DHI determines the sitting fee of the Board members. The fees are fixed and not based on a commission, percentage of profits, or turnover.

Mr. Sonam Tobjey, the CEO, received remuneration amounting to Nu. 5,030,102,721.00 for the period between January 1, 2025 to December 31, 2025. This information is disclosed in Note no. 37 (Related Party Transaction under the sub-heading Key Management Personnel) of the Financial Statements. The remunerations of the Board of Directors in the form of sitting fees were paid as follows:

Sl. no	Name of Directors	Amount (Nu.)
1	Ms. Kesang Deki, Cabinet Secretary Secretary	61000
2	Mr. Karma Penjor Dorji, Director General, DoE, MoENR	91000
3	Mr. Kezang Jamtsho, Chief Executive Officer, SMCL	105000
4	Mr. Passang Dorji, CEO, Dawa Hospitality Pvt. Ltd	104000
5	Mr. Sonam Tobgay, Chief Survey Engineer, NLCS	156000
6	Mr. Chencho Tshering Namgay, Department of Investments, DHI, Thimphu	136000

#### **D. Annual General Meeting**

The 22nd Annual General Meeting was held on March 17, 2025. The agenda focused on key corporate governance matters, including the review and approval of the Audited Financial Statements and Auditor's Report for the fiscal year ending December 31, 2024. Additionally, shareholders addressed the appointment and remuneration of the statutory auditors and approved the declaration of dividends for the year.

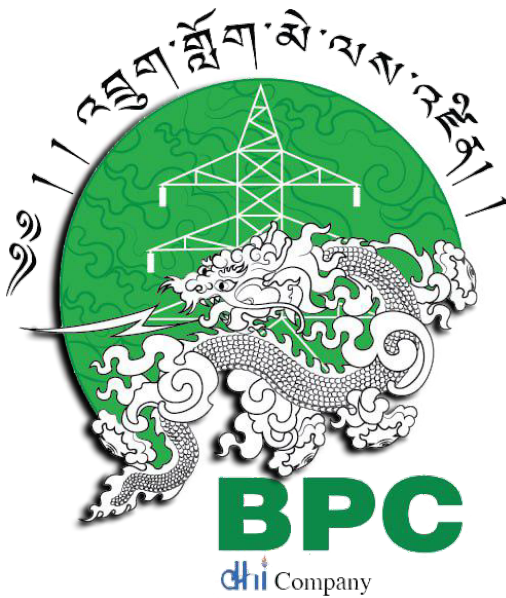
#### **E. Corporate Social Responsibility**

The company's corporate social responsibility (CSR) initiatives are based on the 2013 CS framework introduced by the DHI. These initiatives encompass ensuring legal compliance, making operational contributions and providing charitable contributions that are in line with the company's core business activities. In 2025, BPC has contributed Nu. 1.88 million for various activities, keeping within the approved CSR budget by DHI.



**INDEPENDENT  
AUDITOR'S REPORT  
2025**





# AUDIT REPORT ON THE FINANCIAL STATEMENTS OF BHUTAN POWER CORPORATION LIMITED

PERIOD: JANUARY 1, 2025, to DECEMBER  
31, 2025

February 2025



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**INDEPENDENT AUDITOR'S REPORT**

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## INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

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 2025, 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 2025, 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.

### Emphasis of Matter

We draw attention to [Note 40](#) to the financial statements, which explains that the comparative financial information has been restated due to material prior-period errors relating to the understatement of income tax liabilities for the financial years 2019 to 2023 and the non-recognition of related deferred tax to date. The correction has resulted in a material adjustment to opening retained earnings as at 1 January 2024 and to comparative profit for the year ended 31 December 2024. Our opinion is not modified in respect of this matter.

### 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 2025. 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



**Kunzang Pasa Tenzin**

Audit Partner

CPA License No. 10534147

Date: *March 23, 2026*

Place: Thimphu, Bhutan





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**REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS**

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## 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 maintains proper records showing full particulars of fixed assets, including quantitative details and location. During our review, certain assets were noted to be under the custodianship of employees on long-term study leave, affecting physical accountability. Management has since transferred custodianship and updated the asset register accordingly.
2. The Company did not revalue its fixed assets during the year.
3. Physical verification of stores and spares was conducted at reasonable intervals. The Company, being engaged in transmission and distribution of electricity, does not maintain raw materials or finished goods inventories in the conventional sense.
4. Based on the information and explanations provided to us, and to the extent of our audit coverage and procedures performed, we are of the opinion that the procedures followed by management for physical verification of inventories are reasonable and adequate in relation to the size of the Company and the nature of its operations.
5. Based on our audit procedures and to the extent of our audit coverage and testing, no material discrepancies were observed between physical verification results and book records.
6. The Company maintains a reasonable system for recording receipts, issues, and consumption of materials and stores and for allocating materials consumed to respective jobs.
7. Quantitative reconciliation of major inventory items is carried out at year end.
8. Based on the information and explanations provided to us and to the extent of our audit coverage, obsolete, damaged, slow-moving, and surplus inventories are identified periodically, and adequate provisions are made where necessary.
9. Based on our audit procedures and to the extent of our testing, obsolete and surplus inventories, where applicable, are disposed of through appropriate procedures, and the proceeds are properly accounted for.
10. The Company has a system requiring approval from the Board or appropriate authority for writing off material losses or discrepancies in inventory balances.





11. Based on our audit procedures and to the extent of our audit coverage, inventory valuation is fair and in accordance with applicable accounting standards. The basis of valuation is consistent with that of the preceding year.
12. Based on the information and explanations provided to us and to the extent of our audit procedures, the rate of interest and terms of loans availed by the Company are prima facie not prejudicial to its interest. We noted that directly attributable bond transaction costs were initially expensed instead of being adjusted against the carrying amount of the liability and amortized using the effective interest rate method as required by BFRS 9. This has since been corrected and is now compliant with BFRS 9.
13. To the best of our knowledge and based on the information and explanations provided to us, and to the extent of our audit coverage and procedures performed, the Company has not granted loans to other companies or related parties, except for advances to contractors and suppliers in the normal course of business.
14. Based on our audit procedures and to the extent of our coverage, loans and advances granted to officers and staff are in accordance with service rules, and no excessive or frequent advances were noted.
15. Based on our audit procedures and to the extent of our testing, the Company has established an adequate system of internal controls to ensure completeness and accuracy of accounting records and safeguarding of assets.
16. Based on the information and explanations provided to us and to the extent of our audit coverage, there exists a reasonable system of authorization at appropriate levels and an adequate internal control system over the issue of stores.
17. Based on our audit procedures and review of procurement records, and to the extent of our testing, procurement of goods and services is carried out through competitive bidding processes commensurate with the size and nature of operations.
18. (a) To the best of our knowledge and based on the information and explanations provided to us, and to the extent of our audit coverage and review of records, except for transactions with DHI and its subsidiaries (which are appropriately disclosed in the financial statements), no transactions were identified with directors or related parties that were not conducted at reasonable terms.  
(b) Based on our examination of records and to the extent of our audit procedures performed, nothing has come to our attention to indicate that any transaction involving directors was prejudicial to the interests of the Company or its shareholders.





19. Based on the information and explanations provided to us and to the extent of our audit coverage, unserviceable or damaged stores identified during the year have been appropriately provided for in the books of account.
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 requirement is not applicable to the Company given the nature of its operations.
22. This requirement is not applicable to the Company.
23. This requirement is not applicable to the Company.
24. Based on the information and explanations provided to us and to the extent of our audit coverage, the Company has generally been regular in depositing statutory dues with the appropriate authorities. However, during tax computations for the years 2019 to 2023, unpaid accrued interest was not added back as required under applicable tax laws. A subsequent tax assessment resulted in an additional tax liability of Nu. 624,648,273.55, which has been recognized through restatement of prior period financial statements in accordance with BAS 8.
25. To the best of our knowledge and based on the information and explanations provided to us, and to the extent of our audit coverage, no undisputed statutory dues were outstanding as at the reporting date.
26. This requirement is not applicable to the Company.
27. This requirement is not applicable to the Company.
28. The Company follows a structured tariff determination process. Tariff rates are approved by the Electricity Regulatory Authority (ERA), supported by an appropriate costing system.
29. The Company's credit policy is reasonable considering the regulated nature of its operations. Formal credit rating of customers is not applicable.
30. This requirement is not applicable to the Company.
31. Based on our audit procedures and to the extent of our testing, the Company maintains a reasonable system for continuous follow-up of outstanding receivables, including age-wise analysis for management monitoring.





32. Based on the information and explanations provided to us and to the extent of our audit coverage, liquid resources are managed prudently, and no excessive idle balances were observed.
33. To the best of our knowledge and based on the information and explanations provided to us, and to the extent of our audit coverage, the activities carried out by the Company are lawful and intra vires the Articles of Incorporation.
34. Investment decisions are subject to prior approval of the Board and feasibility assessment.
35. The Company has established an effective budgetary control system.
36. This requirement is not applicable to the Company.
37. Remuneration, commission, and other payments to Directors and the Chief Executive Officer are properly disclosed in the notes to the financial statements.
38. Based on the information and explanations provided to us and to the extent of our audit coverage, nothing has come to our attention to indicate non-compliance with directives of the Board of Directors.
39. To the best of our knowledge and based on management representations and to the extent of our audit coverage, nothing has come to our attention to indicate that officials have transmitted unpublished price-sensitive information.
40. Based on our audit procedures and to the extent of our review, proper records are maintained for inter-unit transactions and service arrangements.
41. Based on our audit procedures and to the extent of our review of agreements, lease agreements are properly executed and the terms and conditions are reasonable.

**In the case of other service sector companies**

1. All matters specified under the Minimum Audit Examination and Reporting Requirements, to the extent relevant and applicable to a service sector company, have been addressed in the foregoing paragraphs.
2. Based on the information and explanations provided to us and to the extent of our audit coverage and procedures performed, the Company maintains a reasonable system of costing to ascertain the cost of its services. This system supports management in making informed pricing and tariff decisions.
3. Based on our review and to the extent of our audit procedures performed, proper records are maintained for inter-unit transactions and service arrangements with other agencies engaged in similar activities.





4. Based on our audit procedures and review of agreements, and to the extent of our coverage, lease agreements are properly executed and the terms and conditions are reasonable.

**Computerized Accounting Environment:**

1. The Company uses SAP as its Enterprise Resource Planning (ERP) system. Based on the information and explanations provided to us and to the extent of our audit procedures performed, the organizational and system development controls, including general IT controls, are adequate relative to the size and nature of the Company's operations.
2. Based on our review and to the extent of our audit coverage, adequate safeguard measures and backup facilities are in place to protect financial data and ensure system continuity.
3. Based on the information and explanations provided to us and to the extent of our audit procedures performed, backup and disaster recovery arrangements exist, including storage of data in secure and controlled environments.
4. Based on our audit procedures and review of system controls, and to the extent of our coverage, operational controls within the SAP system are adequate to ensure the correctness and validity of input data and output information.
5. Based on the information and explanations provided to us and to the extent of our audit testing, appropriate access controls, including user authentication and role-based access mechanisms, are implemented to prevent unauthorized access to the system and data.
6. Based on the information and explanations provided to us and to the extent of our audit coverage, data migration during system changeover was managed to ensure completeness and integrity of financial data, and the system is operating satisfactorily post-migration.

**Other requirements:**

**1. Going Concern Problem**

Based on our audit procedures and review of financial information, we have no indication that the Company is not a going concern as at 31 December 2025.

**2. Ratio Analysis**

Relevant ratio analysis has been carried out, and the details are under the section "[Ratio Analysis](#)."

**3. Compliance with the Companies Act of Bhutan 2016**

The Company has complied with the relevant provisions of the Companies Act of Bhutan 2016. Compliance details are documented in the "[compliance calendar & checklist](#)."





#### 4. Adherence to Laws, Rules, and Regulations

During our audit, we considered compliance with applicable laws, rules, regulations, and Bhutanese Accounting Standards. Nothing has come to our attention indicating material non-compliance affecting the financial statements.





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**FINANCIAL STATEMENTS**

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**BHUTAN POWER CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025**  
*(Amount in Nu.)*


Particulars	Note	December 31, 2025	December 31, 2024 (Restated)	January 1, 2024 (Restated)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	51,437,343,040	42,920,819,966	38,831,495,566
Intangible assets	5	56,253,106	64,278,737	80,326,516
Right of Use Asset (Land)	6	42,141,585	43,629,916	28,039,277
Long-term loans and advances	7	4,129,821	13,857,529	4,022,012
Other receivables	8	-	1,634,707	199,330
Other non-current assets	9	92,096,125	29,772,373	34,593,727
<b>Total non-current assets</b>		<b>51,631,963,677</b>	<b>43,073,993,229</b>	<b>38,978,676,428</b>
<b>Current assets</b>				
Inventories	10	788,914,387	665,303,988	893,404,759
Amount Due from customers for contract work	11	-	1,405,548	119,230,945
Trade & other receivables	12	3,061,224,210	1,931,818,529	1,783,921,129
Cash and cash equivalents	13	409,687,278	280,607,493	1,311,339,683
Short-term loans and advances	7	6,814,710	8,637,929	4,153,603
Other current assets	14	1,695,599,909	782,838,576	459,075,376
<b>Total current assets</b>		<b>5,962,240,495</b>	<b>3,670,612,064</b>	<b>4,571,125,495</b>
<b>Total Assets</b>		<b>57,594,204,172</b>	<b>46,744,605,292</b>	<b>43,549,801,923</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholder's Equity</b>				
Share Capital	15	13,519,751,699	11,197,513,979	11,200,642,905
Retained earnings		6,490,466,915	5,550,224,994	4,652,111,455
Investment Reserve		-	-	-
Asset Replacement Reserve		274,871,909	225,160,517	212,388,921
Other comprehensive income		(189,204,396)	(218,498,278)	(231,610,570)
		<b>20,095,886,128</b>	<b>16,754,401,212</b>	<b>15,833,532,711</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	16	28,584,722,128	20,595,940,419	18,413,513,288
Deferred grants	17	1,184,773,720	1,251,443,021	1,318,112,322
Deferred Customer's Contribution	18	171,426,391	101,900,059	74,830,064
Other Payables	19	1,056,046,252	871,139,083	814,045,645
Employee benefit liabilities	20	557,393,329	782,509,053	684,983,730
Deferred Income Tax liabilities (net)	21	951,674,342	1,094,866,673	1,106,296,384
Lease Liability (land)	22	45,017,042	46,292,794	30,870,289
<b>Total Non-current liabilities</b>		<b>32,551,053,205</b>	<b>24,744,091,102</b>	<b>22,442,651,721</b>
<b>Current liabilities</b>				
Borrowings	16	564,596,782	381,857,440	370,447,933
Deferred grants	17	63,337,833	63,471,222	63,604,611
Deferred Customer Contribution	18	14,149,890	12,942,191	12,942,191



**BHUTAN POWER CORPORATION LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025**  
*(Amount in Nu.)*

Particulars	Note	December 31, 2025	December 31, 2024 (Restated)	January 1, 2024 (Restated)
Amounts due to customers for construction contract	11	218,042,703	135,620,599	76,102,240
Trade & other payables	23	3,487,075,530	3,211,187,294	3,281,458,886
Employee benefit liabilities	20	322,747,148	297,878,464	411,229,167
Income tax payable (net of advance)	24	212,828,462	1,074,944,626	990,143,724
Other current liabilities	25	58,340,573	62,540,459	63,853,407
Lease Liability (land)	22	6,145,918	5,670,683	3,835,331
<b>Total current liabilities</b>		<b>4,947,264,839</b>	<b>5,246,112,978</b>	<b>5,273,617,490</b>
<b>Total liabilities</b>		<b>37,498,318,044</b>	<b>29,990,204,080</b>	<b>27,716,269,212</b>
<b>Total equity and liabilities</b>		<b>57,594,204,172</b>	<b>46,744,605,292</b>	<b>43,549,801,923</b>

For Rinzing Financial Private Limited  
 Firm License No. 1036380



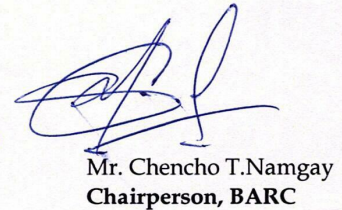
**Kunzang Pasa Tenzin**  
 Audit Partner  
 CPA License No. 10534147  
 Date: *March 23, 2025*  
 Place: Thimphu, Bhutan



For Bhutan Power Corporation Limited:



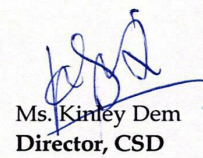
Dasho Kesang Deki  
 Chairperson, BOD



Mr. Chencho T. Namgay  
 Chairperson, BARC



Mr. Sonam Tobjey  
 Chief Executive Officer



Ms. Kinley Dem  
 Director, CSD

**BHUTAN POWER CORPORATION LIMITED**


**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2025**

(Amount in Nu.)

Particulars	Note	December 31, 2025	December 31, 2024 (Restated)
<b>Revenue</b>			
Income from sale of electricity -Domestic	26	21,937,970,421	17,028,161,623
Income from sale of electricity -Import		4,502,410,995	5,945,450,745
Income from construction contracts	27	125,033,101	195,217,535
Wheeling charges		2,081,194,225	1,595,343,160
Other income	28	352,828,710	334,468,120
<b>Total Revenue</b>		<b>28,999,437,453</b>	<b>25,098,641,183</b>
<b>Expenditure</b>			
Purchase of electricity-Domestic		15,641,549,096	10,667,324,929
Purchase of electricity-Import		3,694,750,431	5,977,731,533
Construction material consumed and sub-contracting charges		113,026,728	173,195,098
Operation and maintenance expenses	29	559,453,093	490,494,928
Employee benefit expenses	30	1,820,276,106	1,782,227,897
Finance costs	31	1,477,536,927	1,024,465,676
Loss/(gain) on foreign currency fluctuation (net)		170,627,468	(271,516,534)
Depreciation and amortization expenses		2,254,351,384	1,880,901,625
Other expenses	32	385,811,098	378,524,574
<b>Total Expenditure</b>		<b>26,117,382,331</b>	<b>22,103,349,727</b>
<b>Profit before income tax</b>		<b>2,882,055,122</b>	<b>2,995,291,456</b>
Tax expenses	24		
- Current tax (2025)		554,554,036	965,429,580
- Deferred tax		(143,192,331)	(11,429,711)
- Tax Adjustment of earlier years		(11,456,960)	66,586,401
<b>Net Profit for the year</b>		<b>2,482,150,377</b>	<b>1,974,705,186.36</b>
<b>Other comprehensive income (loss):</b>			
Actuarial gains (loss)		29,293,882	13,112,292
<b>Total comprehensive income for the year</b>		<b>2,511,444,259</b>	<b>1,987,817,478</b>
<b>Earnings per share (EPS)</b>	33	183.51	176.35

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

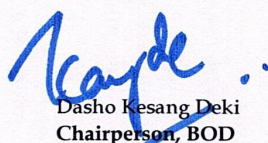
For Rinzing Financial Private Limited  
Firm License No. 1036380

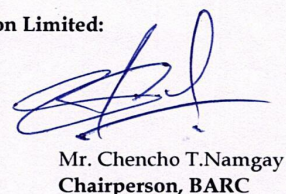


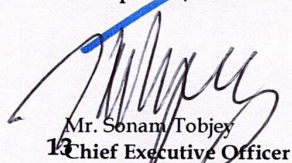
**Kunzang Pasa Tenzin**  
Audit Partner  
CPA License No. 10534147  
Date: March 23, 2026  
Place: Thimphu, Bhutan

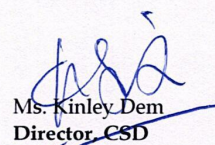


For Bhutan Power Corporation Limited:

  
Dasho Kesang Deki  
Chairperson, BOD

  
Mr. Chencho T. Namgay  
Chairperson, BARC

  
Mr. Sonam Tobjey  
Chief Executive Officer

  
Ms. Kinley Dem  
Director, CSD

**BHUTAN POWER CORPORATION LIMITED**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2025**

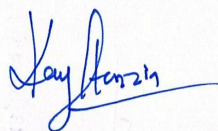
*(Amount in Nu.)*

	Equity Share capital	Retained earnings	Asset Replacement Reserve	Actuarial gains/(losses)	Total Equity
	Refer Note 15				
Balance as at January 1, 2025	11,197,513,979	5,550,222,949*	225,160,517	(218,498,278)	16,754,399,168
Net profit for the year	-	2,482,150,377	-	-	2,482,150,377
<b>Other comprehensive income/(loss):</b>					
Actuarial gain	-	-	-	29,293,882	29,293,882
Prior period Adjustment	-	45,543,364.14	-	-	45,543,364
Transfer to Asset Replacement Reserve	-	(49,711,392)	49,711,392	-	-
<b>Transaction with the owners:</b>					
Share capital adjustment	2,322,237,720	-	-	-	2,322,237,720
Payment of Dividends for the year 2024	-	(1,537,738,383)	-	-	(1,537,738,383)
<b>Balance as at December 31, 2025</b>	<b>13,519,751,699</b>	<b>6,490,466,915</b>	<b>274,871,909</b>	<b>(189,204,396)</b>	<b>20,095,886,128</b>

\*Restated

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

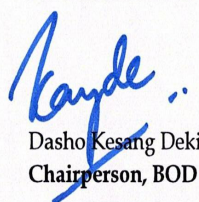
For Rinzing Financial Private Limited  
 Firm License No. 1036380



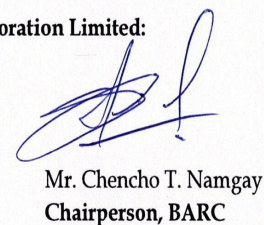
**Kunzang Pasa Tenzin**  
 Audit Partner  
 CPA License No. 10534147  
 Date: *March 23, 2024*  
 Place: Thimphu, Bhutan



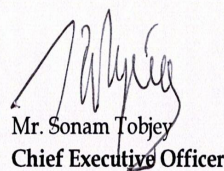
For Bhutan Power Corporation Limited:



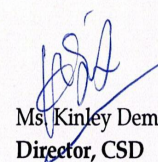
Dasho Kesang Deki  
 Chairperson, BOD



Mr. Chencho T. Namgay  
 Chairperson, BARC



Mr. Sonam Tobjey  
 Chief Executive Officer



Ms. Kinley Dem  
 Director, CSD

**BHUTAN POWER CORPORATION LIMITED**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025**  
 (Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024 (Restated)
<b>Cash flows from/ (used in) operating activities</b>		
Profit before income tax	2,882,055,122	2,995,291,456
<b>Adjustments for:</b>		
Depreciation and amortization	2,254,351,384	1,880,901,625
Net loss / (gain) on sale of property, plant and equipment	71,167,245	33,480,003
Interest expenses	1,409,762,083	951,750,828
Interest income	(2,590,411)	-
Unwinding of discount on retention, security deposit & borrowings	67,774,844	72,714,848
Provision for doubtful debts	(57,198,096)	-
Provision for obsolescence of Inventory	923,277	1,443,881
Prior period adjustment	(579,104,909)	(6,479,363)
Liabilities/provisions no longer required, written back	(2,960,112)	(2,531,165)
Amortization of Government grants	(66,802,690)	(66,802,690)
Amortization of deferred customer contribution	(16,258,333)	(14,384,607)
	<b>5,961,119,404</b>	<b>5,845,384,816</b>
Decrease / (Increase) in Inventories	(124,533,676)	226,656,890
Decrease / (Increase) in amount due from customer contract works	1,405,548	117,825,397
Decrease / (Increase) in Trade and other receivables	(1,070,572,878)	(149,332,777)
Increase / (Decrease) in current and non current assets	(468,576,299)	(240,523,035)
Increase / (Decrease) in loans & advances	11,550,927	(14,319,844)
Increase / (Decrease) in Amounts due to customers for contract work	82,422,104	59,518,359
Increase / (Decrease) in Trade and other payables	278,848,348	(67,740,427)
Increase / (Decrease) in current and non current liabilities	179,906,766	73,038,348
Increase / (Decrease) in provision	(170,953,157)	(2,713,088)
<b>Cash generated from operations</b>	<b>4,680,617,088</b>	<b>5,847,794,639</b>
Income tax paid, net of refunds received	<b>(780,564,966)</b>	<b>(947,215,080)</b>
<b>Net cash generated from operating activities</b>	<b>3,900,052,121</b>	<b>4,900,579,560</b>
<b>Cash used in investing activities</b>		
Purchase of property, plant and equipment and Intangible assets	(10,569,699,349)	(5,880,170,642)
Receipt of deferred customer contribution	86,992,364	41,454,602
Proceeds from sale of property, plant and equipment	(262,830,437)	(123,078,246)
Redemption of bank term deposits (net)	(502,696,110)	(107,287,074)
Interest received	(1,222,265)	28,868,263
<b>Net cash used in investing activities</b>	<b>(11,249,455,796)</b>	<b>(6,040,213,096)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Borrowings	10,834,898,360	3,323,264,212



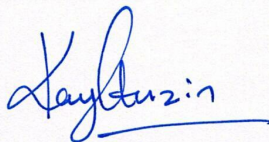
**BHUTAN POWER CORPORATION LIMITED**  
**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025**

*(Amount in Nu.)*

Particulars	December 31, 2025	December 31, 2024 (Restated)
Repayment of Borrowings	(2,271,300,246)	(1,463,817,572)
Interest paid	(2,035,536,123)	(413,820,776)
Payment of dividend on ordinary shares	(1,537,738,383)	(1,057,340,690)
Payment of Finance cost-Lease	(4,705,336)	(4,738,369)
Share Capital (MHPA ATS Capitalization)	2,322,237,720	(3,128,926)
<b>Net cash generated from/use in financing activities</b>	<b>7,307,855,993</b>	<b>380,417,880</b>
<b>Net increase in cash and cash equivalents</b>	<b>(41,547,682)</b>	<b>(759,215,657)</b>
Cash and cash equivalents at beginning of the year	280,607,493	1,311,339,683
Loss/(gain) on foreign currency fluctuation	170,627,468	(271,516,534)
<b>Cash and cash equivalents at end of the year</b>	<b>409,687,279</b>	<b>280,607,493</b>

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

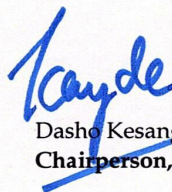
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 Firm License No. 1036380



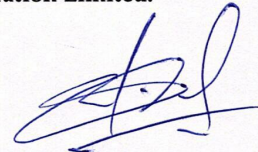
**Kunzang Pasa Tenzin**  
 Audit Partner  
 CPA License No. 10534147  
 Date: *March 23, 2025*  
 Place: Thimphu, Bhutan



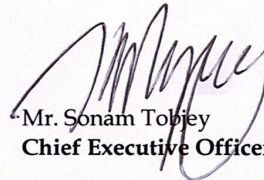
**For Bhutan Power Corporation Limited:**



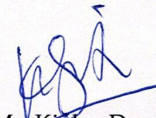
Dasho Kesang Deki  
 Chairperson, BOD



Mr. Chencho T. Namgay  
 Chairperson, BARC



Mr. Sonam Tobjey  
 Chief Executive Officer



Ms. Kinley Dem  
 Director, CSD



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**ACCOUNTING POLICIES & NOTES TO ACCOUNTS**

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## 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, 2025, were authorized for issue in accordance with the resolution of the Board of Directors dated March 5, 2026. 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 amortisation and any other provision for impairment losses. Subsequent costs are included only when it is probable that the item associated with the cost will generate future economic benefits and the cost can be reliably measured.

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

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

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





An intangible asset is derecognized when disposed of or when no future benefits are expected to arise from the continued use of the asset. The gains and losses are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

#### **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 up to 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:
- The rights to receive cash flows from the asset have been expired/transferred, or
  - 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, Medium and high voltage consumer. This is consistent with the revenue recognition methodology adopted in prior years and reflects the billing profile of the customers. Actual electricity usage could differ from those estimates.



## 4. Property, plant, and equipment

(Amount in Nu.)

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, 2025							
Cost	41,206,529	5,319,902,585	148,953,595	45,365,086,377	2,229,186,114	5,888,139,049	58,992,474,248
Accumulated depreciation	-	(1,609,059,852)	(55,118,251)	(13,068,329,599)	(1,339,146,580)	-	(16,071,654,282)
<b>Book Value</b>	<b>41,206,529</b>	<b>3,710,842,732</b>	<b>93,835,344</b>	<b>32,296,756,778</b>	<b>890,039,535</b>	<b>5,888,139,049</b>	<b>42,920,819,966</b>
<b>Changes in book value during the year</b>							
Additions	(33,158,948)	531,806,368	22,660,904	11,677,521,816	221,633,892	(1,855,363,644)	10,565,100,388
Disposals and sales	-	-	-	-	-	-	-
Depreciation on disposals/adjustments	-	3,272,864	2,487,445	89,892,416	92,494,150	-	188,146,875
Depreciation	-	(200,766,401)	(6,946,639)	(1,822,277,599)	(206,733,549)	-	(2,236,724,189)
<b>Total changes</b>	<b>(33,158,948)</b>	<b>334,312,831</b>	<b>18,201,710</b>	<b>9,945,136,633</b>	<b>107,394,492</b>	<b>(1,855,363,644)</b>	<b>8,516,523,074</b>
Balance as at December 31, 2025							
Cost	8,047,581	5,851,708,952	171,614,499	57,042,608,194	2,450,820,006	4,032,775,405	69,557,574,636
Accumulated depreciation	-	(1,806,553,389)	(59,577,445)	(14,800,714,782)	(1,453,385,979)	-	(18,120,231,596)
<b>Book value</b>	<b>8,047,581</b>	<b>4,045,155,563</b>	<b>112,037,054</b>	<b>42,241,893,411</b>	<b>997,434,027</b>	<b>4,032,775,405</b>	<b>51,437,343,040</b>



4. Property, plant, and equipment (Contd...)

(Amount in Nu.)

Particulars	Freehold Land	Building and Civil Structures	Generation equipment	Network system	Others	Capital Advances and Construction work in progress	Total
<b>Balance as at January 1, 2024</b>							
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)
<b>Book Value</b>	<b>45,591,022</b>	<b>3,611,211,895</b>	<b>97,418,448</b>	<b>30,959,480,909</b>	<b>912,911,018</b>	<b>3,204,882,274</b>	<b>38,831,495,566</b>
<b>Changes in book value during the year</b>							
Additions	-	282,327,356	2,618,271	2,766,274,803	123,869,822	2,683,256,775	5,858,347,027
Disposals and sales	-	-	-	-	-	-	(4,384,493)
Depreciation on disposals/adjustments	(4,384,493)	4,305,771	149,600	41,657,594	45,532,280	-	91,645,245
Depreciation	-	(187,002,289)	(6,350,975)	(1,470,656,529)	(192,273,586)	-	(1,856,283,379)
<b>Total changes</b>	<b>(4,384,493)</b>	<b>99,630,837</b>	<b>(3,583,104)</b>	<b>1,337,275,869</b>	<b>(22,871,484)</b>	<b>2,683,256,775</b>	<b>4,089,324,400</b>
<b>Balance as at December 31, 2024</b>							
Cost	41,206,529	5,319,902,585	148,953,595	45,365,086,377	2,229,186,114	5,888,139,049	58,992,474,248
Accumulated depreciation	-	(1,609,059,852)	(55,118,251)	(13,068,329,599)	(1,339,146,580)	-	(16,071,654,282)
<b>Book value</b>	<b>41,206,529</b>	<b>3,710,842,732</b>	<b>93,835,344</b>	<b>32,296,756,778</b>	<b>890,039,535</b>	<b>5,888,139,049</b>	<b>42,920,819,966</b>



Capital work-in-progress as at December 31, 2025 and December 31, 2024 comprises of the following:

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Generation equipment	-	-
Transmission lines	2,117,659,070	4,306,725,131
Distribution Assets	1,691,667,499	1,095,013,985
Smart Grid	102,459,785	88,917,976
Buildings	23,399,361	96,267,172
Other Civil Structures	33,627,108	40,027,045
Others	1,151,157	3,608,700
Advance for capital works	62,811,425	257,579,039
<b>Total</b>	<b>4,032,775,405</b>	<b>5,888,139,049</b>

Note: Materials amounting to Nu. 746,256,870, Nu. 481,287,934 and Nu. 701,005,615 in the years 2025, 2024 and 2023 respectively are included in the carrying amount of Capital Work-In-Progress as it is procured for the capital works.



5. Intangible assets

(Amount in Nu.)

Computer Software	December 31, 2025	December 31, 2024
Opening gross carrying value (i)	336,189,837	332,105,544
Additions	7,819,534	4,084,293
Disposal	-	-
Closing gross carrying value(ii)	344,009,371	336,189,837
Opening accumulated amortization (iii)	(271,911,100)	(251,779,028)
Depreciation on Disposal	6,707,039	2,111,500
Additions	(22,552,203)	(22,243,572)
Closing accumulated amortization (iv)	(287,756,265)	(271,911,100)
Net carrying value (ii-iv)	56,253,106	64,278,737

6. Right of Use Asset -Land

(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Balance as at January 1, 2025		
Cost	54,960,635	36,852,026.94
Accumulated depreciation	(11,332,765)	(9,182,037)
Book Value	43,627,870	27,669,990
Changes in book value during the year		
Additions	4,511,357	18,108,608
Disposals and sales	4,946,897	-
Depreciation on disposals/adjustments	1,756,175	225,990
Depreciation	(2,806,921)	(2,374,674)
Total changes	8,407,507	15,959,925
Balance as at December 31, 2025		
Cost	54,525,095	54,960,635
Accumulated depreciation	(12,383,511)	(11,330,721)
Book Value	42,141,585	43,629,915



7. Long-term loans and advances

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Advance to employees:		
Bike loan	3,950,474	13,664,201
Welfare loan	-	-
Mobile phone loan	179,346	193,328
<b>Total</b>	<b>4,129,821</b>	<b>13,857,529</b>

Short-term loans and advances

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Advance to employees:		
- Bike loan	6,463,483	8,182,701
- Welfare loan		
- Mobile phone loan	351,228	455,228
<b>Total</b>	<b>6,814,710</b>	<b>8,637,929</b>

8. Other receivables

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Security Deposit for Land Lease	-	1,634,707
<b>Total</b>	<b>-</b>	<b>1,634,707</b>



9. Other non-current assets

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Prepaid Expenses	89,505,714	29,772,373
Interest on Fixed Deposit	2,590,411	
<b>Total</b>	<b>92,096,125</b>	<b>29,772,373</b>

10. Inventories

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Stores and spare parts	571,252,363	619,976,205
Stock - ISU	38,763,654	37,455,859
Stock - Uniform	5,352,872	2,285,609
Stock - Infocom Spares	6,282,899	7,710,617
Capital Spares	170,310,176	
Less: Provision for obsolete inventory	(3,047,578)	(2,124,301)
<b>Total</b>	<b>788,914,387</b>	<b>665,303,988</b>



11. Amount due from/to customers for contract work

(Amount in Nu.)

	December 31, 2025	December 31, 2024
<u>Amounts due from customers for contract work</u>		
Work in progress -Construction Contracts	-	10,436,085
Less: Progress billing and advances received	-	9,030,536
<b>Total</b>	-	<b>1,405,548</b>

(Amount in Nu.)

	December 31, 2025	December 31, 2024
<u>Amounts due to customers for contract work</u>		
Progressive billing and advances received	503,367,148	8,325,902,418
Less: Work in progress -Construction Contracts	721,409,852	8,461,523,018
<b>Total</b>	<b>(218,042,703)</b>	<b>(135,620,599)</b>

	December 31, 2025	December 31, 2024
<u>Amounts due to customers for contract work</u>		
Progressive billing and advances received	503,367,148	8,325,902,418
Less: Work in progress -Construction Contracts	721,409,852	8,461,523,018
<b>Total</b>	<b>(218,042,703)</b>	<b>(135,620,599)</b>





Recognized and included in financial statements as:

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Amounts due from customers for construction contracts		
- Current portion	-	1,405,548
- Non-current portion	-	-
Amounts due to customers for construction contracts		
- For low value contract	147,256,780	135,716,005
- For high value contract	70,785,924	(95,405)
<b>Total</b>	<b>(218,042,703)</b>	<b>(135,620,599)</b>

## 12. Trade & other receivables

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Receivables against the transmission and supply of electricity	2,455,612,573	1,884,705,914
Less: Provision for doubtful debts	(683,439)	(57,881,535)
<b>Net Receivables</b>	<b>2,454,929,134</b>	<b>1,826,824,379</b>
Subsidy receivable on Electricity from RGOB	33,122,647	64,022,911
Purchase of Power Adjustment	553,890,000	-
Other receivables	19,282,429	40,971,240
<b>Total</b>	<b>3,061,224,210</b>	<b>1,931,818,529</b>





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 provision from earlier years amounts to Nu. 57,881,535 based on aging reports which is higher than the one calculated on simplified method. During the year there was transition from Incurred Credit Loss to Expected Credit Loss. The amount of ECL was Nu. 683,439 and for Nu. 157,198,096 the differential amount was write back through Retained Earnings. The ECL Calculation for 2025 is shown below:

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	ECL
Current	1,758,690,828	4.77%	32.95%	49.28%	13.01%	100.00%	0.10%	16.47%	103.50%	302,047
1-30	4,653,033		32.95%	49.28%	13.01%	100.00%	2.11%	16.47%	103.50%	16,754
31-60	896,141			49.28%	13.01%	100.00%	6.41%	16.47%	103.50%	9,792
61-90	353,892				13.01%	100.00%	13.01%	16.47%	103.50%	7,847
Above 90	2,035,592					100.00%	100.00%	16.47%	103.50%	346,999
										<b>683,439</b>



13. Cash and cash equivalent

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Cash in hand	289,471	183,405
Bank balances in current accounts	409,397,807	280,424,088
<b>Total</b>	<b>409,687,278</b>	<b>280,607,493</b>

a. There are no restricted cash and cash equivalents.

14. Other current assets

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Deposit against Employee Insurance Policies (Refer Note 40 (vi))	-	-
Interest accrued on Employee Insurance Policies	-	-
Fixed deposits with Banks having original tenure of more than twelve months:		
- Depreciation funds for OPGS/ADSS assets	393,835,727	393,730,028
- FD with BDBL	500,000,000	-
Interest accrued on Fixed Deposits:		
- Depreciation funds for OPGS/ADSS assets	48,927,692	45,115,016
Accrued Unbilled Trade Receivables	712,921,415	143,554,011
Prepaid Expenses	34,945,203	42,107,780
Advance to Suppliers	4,271,246	118,924,023
Advance to employees:		
- Travel and salary advance	-	-
Advance to Others	698,626	14,311,673
Assets Held for Disposal	-	25,096,045
<b>Total</b>	<b>1,695,599,909</b>	<b>782,838,576</b>



15. Share Capital

(Amount in Nu.)

	December 31, 2025	December 31, 2024
<b>Authorized:</b>		
15,000,000 Equity Shares of Nu. 1,000/- each	15,000,000,000	15,000,000,000
<b>Total</b>	<b>15,000,000,000</b>	<b>15,000,000,000</b>
<b>Issued, Subscribed and fully Paid up:</b>		
13,519,751.70 Equity Shares of Nu. 1,000/- each	13,519,751,699	11,197,513,979
<b>Total</b>	<b>13,519,751,699</b>	<b>11,197,513,979</b>

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

(Amount in Nu.)

	December 31, 2025	December 31, 2024
At the beginning of the year		
- Number of shares	11,197,514	11,197,514
- Amount (in Nu.)	11,197,514,393	11,197,514,000
At the end of the year		
- Number of shares	13,519,752	11,197,514
- Amount (in Nu.)	13,519,751,720	11,197,514,000
<b>Total</b>	<b>13,519,751.70</b>	<b>11,197,514</b>



16. Borrowings

(Amount in Nu.)

	December 31, 2025	December 31, 2024
i)Secured borrowings:		
Term loan from 'National Pension and Provident Fund' (Refer Note 16.1) for Transmission Lines Project	544,859,244	631,426,254
ii)Unsecured borrowings:		
Term loans from 'Royal Government of Bhutan (Refer Note 16.2)	-	-
- for Rural Electrification Projects	1,837,236,897	1,970,853,708
- for JICA I	1,320,014,069	1,300,206,852
- for JICA II	891,559,642	872,059,117
Borrowing BAS adjustment for JICA I	54,825,056	(12,764,579)
iii) Mangdechhu Hydroelectric Project	8,560,461,070	10,649,670,556
v) Bank Overdraft BOB	-	523
vi) Bank Overdraft BDBL	-	-
Interest accrued but not due on borrowings	1,899,866,734	2,896,368,584
NIP Loan-NPPF (Phase I & Phase II)	3,540,301,529	2,669,976,844
PHPA	4,289,337,031	-
Loan - International Finance Corporation	1,776,800,000	-
Bonds	4,000,260,320	-
Interest Accrued on PHPA	433,797,318	-
<b>Total</b>	<b>29,149,318,910</b>	<b>20,977,797,859</b>



**Borrowings analyzed as follows:**

*(Amount in Nu.)*

	December 31, 2025	December 31, 2024
Current portion	564,596,782	381,857,440
Non-current portion	28,584,722,128	20,595,940,419
<b>Total</b>	<b>29,149,318,910</b>	<b>20,977,797,859</b>

**Nature of Security, Interest Rate and terms of repayments:**

**16.1** Term loan from NPPF:

Term loan of Nu.544,859,244 from National pension and provident fund is outstanding as on 31<sup>st</sup> December 2025 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 2025 amounts to Nu. 5,123,302 in 2025.

**16.2** Other Term Loans:

- i) Rural electrification Loan I (RE-I) of Nu.83,040,683 is outstanding as on 31<sup>st</sup> December 2025 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. 109,955,027 is outstanding as on 31<sup>st</sup> December 2025 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.182,283,087 is outstanding as on 31<sup>st</sup> December 2025 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.728,836,121 is outstanding as on 31<sup>st</sup> December 2025 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.596,023,673 is outstanding as on 31<sup>st</sup> December 2025 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.1,320,014,069 is outstanding as on 31<sup>st</sup> December 2025 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. 891,559,642 is outstanding as on 31<sup>st</sup> December 2025 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.137,548,307 is outstanding as on 31<sup>st</sup> December 2025 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 Bank of Bhutan Limited (BoB) : OD-I, account no. 201983219 with OD limit of Nu. 340,000,000.00 per month which carries an interest rate of 9.99% per annum. (Interest rate revised to 9.99% from 9.15% w.e.f from September 2025). This OD is secured by the guarantee provided by DHI for a guarantee fee of 0.30% per annum. The guarantee fee paid to DHI for 2025 amounts to Nu. 0.58 million for this OD. OD-II, account no. 202615176 with OD limit of Nu. 300,000,000.00 per month also carries an interest rate of 9.99% per annum and is secured by the following substation assets.

Asset	Amount (Nu.)
220/66/11 Kv Semtokha Substation	178,411,655
66/33 Kv Olakha Substation	43,011,255
66/33 /11Kv Dechencholing Substation	65,670,817
66/33 /11Kv Bjemina Substation	7527,762
66/33 /11Kv Lobesa Substation	13,042,500
66 /11Kv Haa Substation	3,125,000

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



16.5 During the year additional loan of Nu.121 million was availed for Norbugang Industrial Park (NIP) (Phase I) where Nu. 3,006,303.583 is outstanding on 31.12.2025 for the period of 10 year at fixed interest rate of 8.10% per annum. The following assets were mortgaged:

SL No	Items	Asset Description	Amount Nu. (Millions)
1	400kV TL	400kV D/C TL from Pugli to NIP - 28KM	897.9
2	220kV TL	220kV D/C TL from Damdum substation to NIP 7.76KM	105.9
3	66kV TL	66kV D/C TL from Diana to NIP 1 KM	9.7
4	GIS Substation	400/220/66/33kV Indoor GIS at NIP	2,072.40
5	NIP Ring	66kV Ring network through UG cabling including switching stations at Industrial premises	493.7
6	AIS Substation	66kV Dumdum AIS upgradation	
7	Building & Civil Structure	Building & Civil Structures	10
7.1	GIS Building	PEB building (Control room)	21.1
7.2	GIS Building	PEB building (400kV GIS)	21.1
7.3	GIS Building	PEB building (220kV GIS)	31.6
7.4	GIS Building	PEB building (66kV GIS)	31.6
7.5	Building & Civil Structure	CCTV	1.2
7.6	Civil Structure	Other Civil Structure: Road, Drainage, Boundary wall, Gantry structures, cable trenches, protection work etc. and other misc. civil works	89.3
7.7	Fire Fighting	Fire Emulsifier & Hydrant systems	38.3
<b>Total</b>			<b>3,824</b>

Additional loan (Phase II) of Nu.500 million was availed for the same project at 10.56 % interest rate per annum.

16.6 The loan balance of Tangsibji Hydro Electric Limited of Nu. 286,505,630 as on 31.12.2025

16.7 During the year Nu. 300 million Bank Overdraft facility from Bhutan Development Bank limited was availed.



- 16.8 BPC availed IFC loan of Nu. 1,776,800,000 at 8.5% during the year for Smart Grid modernization and Pangbang substation.
- 16.9 During the reporting period, BPC issued bonds in two tranches. The first tranche amounted to Nu. 500,717,600.00 and carries a coupon rate of 8.5%, while the second tranche amounted to Nu. 3,499,542,720.00 and carries a coupon rate of 9.0%. The bonds are secured against substation assets with a valuation of Nu. 4,707,762,478.65 and land valued at Nu. 1,293,470,694.00, with a combined collateral value of Nu. 6,001,233,172.65 as follows:

SI No	Location Details	List of Assets	Sum Insured
1	Phuntsholing	220/66/11 KV Singhegaon GIS Substation	1,630,041,227.16
2		66/33/11 KV Substation, Gedu	11,500,717.83
3		220/66/33 KV Substation, Gomtu	20,049,283.20
4		220/66/33 KV Substation, Malbase	205,864,046.62
5		220/66/33 KV Substation, Phuntsholing	35,642,098.34
6	Damdum, Samtse substation (220/66/11KV) Samtse	220/66/11KV Dhamdum Substation	266,733,197.51
7	chang gedaphu, Thimphu	66/33 KV GIS substation, Changedaphu	172,559,558.46
8	Olathathang, Paro	66/33KV substation, Olathang	105,633,655.62
9	Pangbesa, Paro	66/33/11 KV GIS Substation, Pangbisa	109,395,052.66
10	Damji, Gasa	66/33/11 KV GIS Substation, Damji, Gasa	121,670,304.28
11	Kanglung, Trashigang	Kanglung substation	19,918,098.00
12	Kilikar, Mongar	Kilikar Substation	19,822,814.15
13	Samdrup Jongkhar	Motanga Substation	7,820,113.00
14	Samdrup Jongkhar	Dewathang Substation	18,549,543.25
15	Samdrup Jongkhar	Ngalam Substation	23,157,338.60
16	Pema Gatshel	Nangkhor Substation	23,705,384.70
17	Phuntshothang, Samdrup Jongkhar	132/33 KV Phuntshothang, Substation	49,113,794.47
18	Motanga, Samdrup Jongkhar	132/33 KV Motanga, Substation	52,767,092.80
19	Tintibi, Zhemgang	132/33/11 KV Substation, Tintibi	24,018,579.23
20	Samdrup Jongkhar	Corlung Substation	99,738,475.96
21	Trongsa	Yurmo substation	112,969,696.82
22	Thimphu	Dochula Substation	85,891,812.00
23		Jamjee Substation	427,260,124.82



Sl No	Location Details	List of Assets	Sum Insured
24	Wangdue	Gewathang Substation	33,886,346.64
25	Tsirang	Dhajay Substation	61,761,912.14
26	Dagana	Dagapela Substation	146,643,772.02
27	Sarpang	Gelephu substation	73,553,827.32
28		Jigmeling Substation	748,094,611.05
		<b>Total Assets Insured</b>	<b>4,707,762,478.65</b>

Freehold land value

Dzongkhag	Gewog/Throm	Thram No.	Plot No.	Area	Valuation as per NLCS
Thimphu	Kawang	433	KAW-188	8.184 acres	34,838,011.00
Thimphu	Mewang	877	MEW-3164	2.205 acres	9,386,341.00
Thimphu	Chang	1249	CHG-2278	5.77 acres	165,885,192.00
Thimphu	Genye	175	GNY-531	4.47 acres	19,028,093.00
Thimphu	Simtokha	3001	SM1-732	298822 Sq.ft	333,574,999.00
Thimphu	Core	5403	Core-429	931 Sq.ft	5,771,008.00
Thimphu	Core	5312	Core-333	1124 Sq.ft	6,371,855.00
Thimphu	Core	5408	Core-434	1455 Sq.ft	2,450,104.00
Thimphu	Core	5407	Core-433	1423 Sq.ft	2,396,218.00
Thimphu	Core	5491	Core-416	6278 Sq.ft	6,540,345.00
Thimphu	Simtokha	3057	SMI-3	3884 Sq.ft	5,739,380.00
Thimphu	Core	5396	Core-422	942 Sq.ft	12,106,314.00
Thimphu	Core	6915	Core-382	1987 Sq.ft	11,113,872.00
Thimphu	Chang Ganay	4220	GA1-002	6600 Sq.ft	46,659,739.00
Thimphu	Kawang Damisa	4995	DA1-305	27709 Sq.ft	11,565,163.00
Thimphu	Chang Zamtog	5828	CZ1-537	39720 Sq.ft	66,885,302.00
Thimphu	LungtenPhu	920	LT1-514	152879 Sq.ft	257,436,006.00
Thimphu	Jungshina	2484	JN1-421	113081 Sq.ft	190,419,358.00
Chukha	Pasakha	1804	PGI-1739	387715 Sq.ft	105,303,394.00
	<b>Total Land Valued</b>				<b>1,293,470,694.00</b>





**16.10** During the year there was asset transfer of Nu. 3,619.52 million for PHPA I and 60% debt amounting to Nu. 2,171.71 million was entered in the books of accounts based on the handing taking note. Similarly, Nu. 3,025.18 million assets for PHPA II were transferred along with 70 % debt which amounts to Nu. 2,117.62 million.



**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.

*(Amount in Nu.)*

	December 31, 2025	December 31, 2024
As at January 1	1,314,914,243	1,381,716,932
Addition/Received		
Less: Transferred to 'Other Income'	(66,802,690)	(66,802,690)
<b>As at December 31</b>	<b>1,248,111,553</b>	<b>1,314,914,243</b>

Deferred grant analyzed as follows:

*(Amount in Nu.)*

	December 31, 2025	December 31, 2024
Current portion	63,337,833	63,471,222
Non-current portion	1,184,773,720	1,251,443,021
<b>Total</b>	<b>1,248,111,553</b>	<b>1,314,914,243</b>

**i) Deferred customer's contribution**

*(Amount in Nu.)*

	December 31, 2025	December 31, 2024
As at January 1	114,842,250	87,772,255
Received during the year	86,992,364	41,454,602
Less: Transferred to 'Other Income'	(16,258,333)	(14,384,607)
<b>As at December 31</b>	<b>185,576,281</b>	<b>114,842,250</b>



18. Deferred customer's contribution analyzed as follows:

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Current portion	14,149,890	12,942,191
Non-current portion	171,426,391	101,900,059
<b>Total</b>	<b>185,576,281</b>	<b>114,842,250</b>

19. Other Payables

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Security deposits		
- Energy meters	541,502,200	405,703,363
- Others (Refer Note 19.1)		
Performance security	101,000	
Retention money	224,728	1,603,508
Payable to employees		
Other liabilities	514,218,325	463,832,211
<b>Total</b>	<b>1,056,046,252</b>	<b>871,139,083</b>

20. Employee benefit liabilities

(Amount in Nu.)

	December 31, 2025	December 31, 2024
<b>Provision for:</b>		
- Gratuity	538,263,526	737,429,415
- Separation Benefits	102,196,443	118,390,946
- Leave encashment	-	-
- Performance-Based Incentive Scheme	233,896,431	222,805,327
- Payables to employees	5,784,078	1,761,829
<b>Total</b>	<b>880,140,477</b>	<b>1,080,387,517</b>



Employee benefit liabilities are analyzed as follows:

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Current portion	322,747,148	297,878,464
Non-current portion	557,393,329	782,509,053
<b>Total</b>	<b>880,140,477</b>	<b>1,080,387,517</b>

### 21. Deferred Income Tax Liabilities (Net)

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

(Amount in Nu.)

	December 31, 2025	December 31, 2024	January 1, 2024
Opening balance	1,094,866,673	1,106,296,384	1,330,617,098
Charged to Statement of Comprehensive	(143,192,331)	(11,429,711)	(224,320,713)
<b>Total</b>	<b>951,674,342</b>	<b>1,094,866,673</b>	<b>1,106,296,384</b>



Note 21.1: The Deferred Tax Liability for the year ended December 31, 2025 is as shown below:

For the year December 31, 2025

(Amount in Nu.)

Sl. No.	Particulars	Carrying Amount of Assets/Liability as on 31.12.2025	Tax Base of Assets/Liability as on 31.12.2025	Temporary Difference	Deferred Tax Asset/(Liability)
1	Property, Plant & Equipment	47,502,962,325.84	40,982,210,267.34	(6,520,752,058.50)	(1,434,565,452.87)
2	Provision for Bad Debts	683,438.94	-	683,438.94	150,356.57
3	Provision for Obsolete Materials	3,047,577.73	-	3,047,577.73	670,467.10
4	Retention Money	(224,727.51)	(256,373.76)	(31,646.25)	(6,962.18)
5	Interest (Borrowings)	(2,333,664,053.00)	-	2,333,664,053.00	513,406,091.66
6	BAS Adjustment (Borrowings)	(54,825,056.41)	-	54,825,056.41	12,061,512.41
7	Employee Benefit Obligation	(538,263,526.00)	(882,303,851.33)	(344,040,325.33)	(75,688,871.57)
8	Bonus Payable	(233,896,430.83)	(182,293,189.43)	51,603,241.40	11,352,713.11
9	Provision for Transfer Grant	(40,300,166.00)	(2,448,805.00)	37,851,361.00	8,327,299.42
10	Provision for Carriage Charges	(20,398,512.00)	(1,986,841.00)	18,411,671.00	4,050,567.62
11	Provision for Travel Allowance	(41,497,765.00)	(2,552,600.00)	38,945,165.00	8,567,936.30
	<b>Deferred Tax Liability in 2025</b>	<b>44,243,623,105.76</b>	<b>39,910,368,606.82</b>	<b>(4,325,792,465.60)</b>	<b>(951,674,342.43)</b>
	<b>Deferred Tax Liability in 2024</b>				<b>(1,094,866,673.15)</b>
	<b>Net Charged in 2025</b>				<b>(143,192,330.72)</b>



**22. Lease Liability**

Particulars	Amount (Nu.)
Opening Balance as at 1 January 2025	51,963,477
Addition	4,511,357
Repayment	6,165,795
Interest Expenses	(4,705,336)
Disposals/adjustment	(6,772,333)
<b>Closing Balance as at 31 December 2025</b>	<b>51,162,961</b>

Lease liabilities analyzed as follows:

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Current portion	6,145,918	5,670,683.02
Non-current portion	45,017,043	46,292,794.29
<b>Total</b>	<b>51,162,961</b>	<b>51,963,477.31</b>

**23. Trade Payable**

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Trade payables:		
- electricity	2,705,115,039	1,987,381,831
- suppliers & contractors	20,907,059	709,625,596
- services	249,363,893	36,506,546
Security deposits		
- Energy meter	11,539,122	41,846,245
- Capacity reserve charges	28,426,255	27,549,357
Performance security	2,734,687	4,998,943
Retention money	466,485,237	393,797,852
Accrued expenses	4,025,602	2,536,970
Other liabilities	(1,521,365)	6,943,954
<b>Total</b>	<b>3,487,075,530</b>	<b>3,211,187,294</b>



**24. Income tax payable (net of advances)**
*(Amount in Nu.)*

	December 31, 2025	December 31, 2024 (Restated)	January 1, 2024 (Restated)
Provision for corporate income tax	554,554,036	1,590,077,854	1,049,117,031
Less: Advance tax and income tax deducted at source	(341,725,574)	(515,133,228)	(58,973,307)
<b>Total</b>	<b>212,828,462</b>	<b>1,074,944,626</b>	<b>990,143,724</b>

**24.1 Details of Income Tax is as under:**
*(Amount in Nu.)*

	December 31, 2025	December 31, 2024 (Restated)	January 1, 2024 (Restated)
<b>Current income tax</b>			
Current tax on profits for the year	554,554,036	1,074,944,626	990,143,724
<b>Total Current income tax</b>	<b>554,554,036</b>	<b>1,074,944,626</b>	<b>990,143,724</b>
<b>Deferred income tax*</b>			
Deferred Tax Expense before rate change (30%)	434,580,553	-	-
Effect of change in tax rate from 30% to 22%	(577,772,884)	-	-
<b>Net Increase/(decrease) in deferred tax liabilities</b>	<b>(143,192,331)</b>	<b>(11,429,711)</b>	<b>(224,320,713)</b>
Prior period Tax (Excess provision written Back)**	(11,456,960)	66,586,401	104,832,309
<b>Income tax expense</b>	<b>399,904,745</b>	<b>1,130,101,316</b>	<b>870,655,320</b>

\*Deferred tax assets and liabilities have been measured using the tax rate of 22%, being the rate expected to apply in the periods in which the related temporary differences reverse. The rate is based on tax laws enacted in 2025, following changes in Bhutan tax legislation effective from 2026. In line with **BAS 12, paragraph 47**, deferred tax is recognized using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realized or the liability is settled.

\*\*During the year ended 31 December 2025, the Company has written back excess provision for income tax created in the previous year (2024). The reversal has been recognized under "Tax Expense" in the Statement of Profit and Loss, thereby reducing the overall tax charge for the current year. The adjustment represents the difference between the originally estimated provision and the actual tax liability determined. The corresponding liability in the balance sheet has been reduced accordingly.



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:

	2025	2024
<b>Current tax on profit for the year</b>	<b>554,554,036</b>	<b>965,429,580.41</b>
<b>Reconciliation of tax on accounting profit:</b>		
Profit Before Income Tax	2,882,055,122	2,995,291,456
Tax calculated at domestic tax rate 30%	864,616,537	898,587,437
Adjustments:		
Donations	1,843,125	1,520,426
Fines and penalties	34,893,677	6,050,040
Provision for obsolete materials	923,277	1,443,881
Medical	-	10,500
Gratuity	75,293,226	96,409,827.00
Transfer grant	4,340,921	6,515,880
Carriage charges	1,747,559	3,850,980
Separation allowance	4,448,883	6,581,813
BAS adjustments- Govt Grants	(23,702,879)	(23,702,879)
Impact due to depreciation	(723,155,361)	(590,833,8449)
Depreciation on retired Asset	16,049,082	98,640,927.76
Finance cost Lease	-	4,738,368.59
Impact of interest Accrued and paid	(451,804,737)	469,895,592.72
Loss on sale of asset	-	33,480,003
<b>(Profit) as per I. Tax Act</b>	<b>1,822,931,894</b>	<b>3,183,062,196</b>
Bonus	25,581,560	35,036,406
<b>Adjusted Income</b>	<b>1,848,513,454</b>	<b>3,218,098,601</b>
<b>Reconciled with tax expense as above</b>	<b>554,554,036</b>	<b>965,429,580.41</b>

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, 2025 and December 31, 2024 respectively.

25. Other current liabilities

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Statutory liabilities	22,809,500	31,931,128
Welfare grant fund	-	-
Other payables	35,531,072	30,609,332
<b>Total</b>	<b>58,340,573</b>	<b>62,540,459</b>

26. Income from sale of electricity

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Revenue - Low voltage customers	2,140,631,340	1,930,450,181
Revenue - Medium voltage customers	362,113,702	292,837,560
Revenue - High voltage customers	23,915,367,882	20,740,256,069
Miscellaneous income	22,268,492	10,068,558
<b>Total</b>	<b>26,440,381,416</b>	<b>22,973,612,369</b>

27. Income from construction contracts

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Value of contracts performed and service charges	124,895,664	195,003,490
Estimation charges for works	137,437	214,045
<b>Total</b>	<b>125,033,101</b>	<b>195,217,535</b>





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

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Long-term contracts:		
- MHPA	-	9,998,228
- Puna I	-	-
- Transmission Project Office-Changedaphu	-	91,802,002
- Transmission Project Office-Thimphu	-	-
- Construction Department	61,455,366	32,890,712.
Short-term contracts:	63,577,735	60,526,593
<b>Total</b>	<b>125,033,101</b>	<b>195,217,535</b>



28. Other Income

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Interest on Fixed Deposits	2,590,411	-
Penalties and liquidated damages	17,100,021	5,012,696
Revenue Grant	-	-
Amortization of deferred grants (Refer Note 17)	66,802,690	66,802,690
Amortization of deferred customer's contribution (Refer Note 18)	16,258,333	14,384,607
Liabilities no longer required written back	2,960,112	2,531,165
Write-back of Provision on Obsolescence of Material	-	-
Scrap Sales	4,311,680	24,161,666
Tender form sales	20,700	108,900
Hire and lease charges**	18,612,412	19,795,437
Other miscellaneous income	224,172,351	201,670,959
<b>Total</b>	<b>352,828,710</b>	<b>334,468,120</b>

\*\* 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.

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Not Later than one year	17,690,071	17,202,907
Later than one year but not later than five years	60,665,830	49,613,878.33
Later than five years	-	-



29. Operation and maintenance expenses

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Repairs and maintenance:		
- Material/Stores	147,611,239	170,256,815
- Services	256,207,193	204,776,688
- Meter Equipment	770,545	1,011,866
- Vehicle running expenses (POL)	34,803,397	36,426,464
- Consumables	7,261,799	7,432,948
- Others	112,798,920	70,590,147
<b>Total</b>	<b>559,453,093</b>	<b>490,494,928</b>

30. Employee benefit expenses

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Salaries, wages, bonus and allowances	1,509,487,791	1,482,838,958
Contribution to provident and pension fund	102,384,534	98,674,940
Contribution for gratuity and leave encashment	161,616,500	170,575,050
Workmen and staff welfare expenses	46,787,280	30,138,950
<b>Total</b>	<b>1,820,276,106</b>	<b>1,782,227,897</b>



31. Finance Costs

(Amount in Nu.)

	December 31, 2025	December 31, 2024
<u>Interest on long term borrowings from:</u>		
Royal Government of Bhutan for Rural Electrification Projects	63,488,797	68,121,232
National Pension and Provident Fund	47,093,359	56,099,307
MHPA Loan	590,015,879	752,371,553
Guarantee fee	10,206,053	6,175,961
BoB Overdraft & Intercorporate Loan	25,724,646	17,070,365
THyE/Nikachu Loan	34,733,224	29,243,987
Commercial paper	-	17,753,400
Other finance charges	65,877	65,624
Unwinding of discount on retention, security deposit and borrowings	67,774,844	72,714,848
Finance Cost Lease	4,705,336	4,738,369
IFC	-	
BONDS	203,604,843	
PHPA	428,933,703	
<b>Total</b>	<b>1,477,536,927</b>	<b>1,024,465,676</b>



32. Other Expenses

(Amount in Nu.)

	December 31, 2025	December 31, 2024
Travelling expenses	26,093,829	20,671,643
Rent charges**	7,050,440	7,179,228
Rates and taxes	3,556,916	1,251,907
Printing and stationary	4,448,160	4,166,066
License and registration fees	129,238,850	225,123,310
Audit fees and expenses	853,581	1,861,982
Office expenses	6,250,800	6,493,253
Consultancy fees	1,820,425	1,167,349
Legal fees	10,000	106,000
Entertainment expenses	10,739,905	7,333,920
Publicity and Advertisement expenses	2,392,810	899,572
Insurance charges	11,054,056	8,475,854
CSR Expenses	1,878,125	1,970,426
Vehicle Hire charges	1,176,376	1,041,219
Bad debt expenses		
Provision for obsolete materials	923,277	1,443,881
Loss on disposal of property, plant and equipment	71,167,245	33,480,003
Board meeting expenses and sitting fees	-	335,828
Management Fee for holding Company	56,290,746	43,839,851
Miscellaneous expenses	50,865,558	11,683,282
<b>Total</b>	<b>385,811,098</b>	<b>378,524,574</b>

\*\*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:



(Amount in Nu.)

Particulars	December 31, 2025	December 31, 2024
Not Later than one year	6,893,909	3,363,036
Later than one year but not later than five years	13,649,672	9,927,108
Later than five years	6,824,836	3,111,036

33. Earnings per share (EPS)

(Amount in Nu.)

	December 31, 2025	December 31, 2024
<b>Basic EPS attributable to Ordinary shares</b>		
Net Profit attributable to the owners of the Company	2,494,703,192	1,708,598,203
Issued and outstanding ordinary shares at the beginning/end of the year	13,519,752	11,197,514
Effect of ordinary shares issued during the year	197,231	(8.57)
Weighted average number of ordinary/diluted shares	13,716,983	11,197,506
Basic/Diluted EPS attributable to ordinary/diluted shares	181.87	152.59



34. Fair value measurement

(Amount in Nu.)

Particulars	December 31, 2025			December 31, 2024		
	FVPL	FVOCI	Amortized cost	FVPL	FVOCI	Amortized cost
<i>Financial assets</i>						
Investment				-	-	
Long term loans and advances			4,129,821			13,857,529
Security deposit			-	-		1,634,707
Cash and cash equivalents			409,687,278	-		280,607,493
Trade receivables			2,488,051,781	-		1,890,847,290
Short term loans and advances			6,814,710	-		8,637,929
Amount due from customers for contract work			-	-		1,405,548
Other receivables			19,282,429	-		40,971,240
<b>Total financial assets</b>			<b>2,927,966,019</b>		<b>-</b>	<b>2,237,961,735</b>
<i>Financial liabilities</i>						
Borrowing			29,149,318,910	-		20,977,797,859
Trade payables			3,487,075,530	-		3,211,187,294
Amount due to customers for contract work			218,042,703			135,620,599
Other payables			1,056,046,252	-		871,139,083
<b>Total financial liabilities</b>			<b>33,910,483,396</b>		<b>-</b>	<b>25,195,744,835</b>



**(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.

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.

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



Risk	Exposure arising from	Measurement	Management
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.

**(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.

**(ii) 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. **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.



Loans given to employees are 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 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.



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.

(Amount in Nu.)

Contractual maturities of financial liabilities as at December 31, 2025	Less than 1 year	More than 1 year	Total
Trade and Other Payables	3,487,075,530	1,056,046,252	4,543,121,782
Borrowings	564,596,782	28,584,722,128	29,149,318,910
<b>Total financial liabilities</b>	<b>4,051,672,311</b>	<b>29,640,768,381</b>	<b>33,692,440,692</b>
Contractual maturities of financial liabilities as at December 31, 2024	Less than 1 year	More than 1 year	Total
Trade and Other Payables	3,211,187,294	871,139,083	4,082,326,377
Borrowings	381,857,440	20,595,940,419	20,977,797,859
<b>Total financial liabilities</b>	<b>3,593,044,734</b>	<b>21,467,079,501</b>	<b>25,060,124,236</b>

### (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:

(Amount in Nu.)

Particulars	December 31, 2025		December 31, 2024	
	Euro in Nu.	Yen in Nu.	Euro in Nu.	Euro in Nu.
Financial liabilities	137,548,307	2,211,573,710	145,255,755	2,172,265,969
Net exposure to foreign currency risk	137,548,307	2,211,573,710	145,255,755	2,172,265,969

### Sensitivity

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

(Amount in Nu.)

Particulars	Impact on profit before tax	
	December 31, 2025	December 31, 2024
<b>YEN Sensitivity</b>		
Nu. depreciate by 5% (2025:5%)	110,578,686	108,613,298
Nu. appreciate by 5% (2025:5%)	(110,578,686)	(108,613,298)
<b>EURO Sensitivity</b>		
Nu. depreciate by 5% (2025:5%)	6,877,415	7,262,788
Nu. appreciate by 5% (2025:5%)	(6,877,415)	(7,262,788)

#### (i) 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.



(i) 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. (BoBL)
2	Bhutan Telecom Ltd. (BTL)
3	Druk Air Corporation Ltd. (DACL)
4	Druk Green Power Corporation Ltd. (DGPC)
5	Dungsam Cement Corporation Ltd. (DCCL)
6	Natural Resources Development Corporation Ltd. (NRDCL)
7	Bhutan Board Product Ltd. (BBPL)
8	Construction Development Corporation Ltd. (CDCL)
9	State Trading Corporation of Bhutan Ltd. (STCBL)
10	Dungsam Polymers Ltd. (DPL)
11	Penden Cement Authority Ltd.(PCAL)
12	Menjong Sorig Pharmaceutical Limited (MSPL)
13	Thimphu Tech Private Ltd. (TTPL)
14	State Mining Corporation Ltd.
15	Koufuku International Ltd.
16	Tangsibji Hydro Electric
17	National Digital Identity
18	CrawFish Himalayan Limited (CHL)
19	Druk Meterology Limited (DML)



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

Company/ Fellow Subsidiy	Description	Amount (Nu.)
BBPL	Intragroup - Purchase of assets	
	Intragroup - Sale of Energy, Power & Resources	(8,140,045)
	Intragroup - Trade receivables	
BHSL	Intragroup - Sale of Energy, Power & Resources	(3,362,251.74)
NDI	Intragroup - Sale of Energy, Power & Resources	
BOB	Intragroup - Balances with BoBL	681,023,940
	Intragroup -Remittance in transit with BoBL	(307,684,277)
	Intragroup - Current portion of term loan	(17,782,092)
	Intragroup - Non-Current portion of Term Loan from BoBL	(610,128,987)
	Interest on borrowings-Intergroup	60,649,435.30
	Intragroup - Sale of Energy, Power & Resources	(4,352,791.51)
	Intragroup Bonds	2,798,300,000
	Intragroup interest on bonds	143,486,880.80
	Intragroup - Purchase of Services	566,377.30
BTL	Furniture, fixtures, computers & Office equipment	2,853,330
	Intragroup - Performance/ Security deposits Received	(736,400.73)
	Intragroup - Purchase of Services	15,025,643.60
	Intragroup - Revenue from services	(68,401,569.59)
	Intragroup trade Payables	(1,192,119.76)
CDCL	Intragroup - Sale of Energy, Power & Resources	(4,213,695.88)
	Intragroup - Advances Paid	40,447,099.52
	Intragroup trade Payables	4,976,264.71
	Intragroup trade receivables	110,372
	Intragroup - Performance/ Security deposits received	(25,544,549.77)
DACL	Intragroup - Purchase of Services	3,581,277
	Intragroup trade receivables	29,564
	Intragroup - Sale of Energy, Power & Resources	(842,015)
DCCL	Intragroup trade receivables	21,068,837.73



Company/ Fellow Subsidiy	Description	Amount (Nu.)
	Intra group deposits received - noncurrent	(3,389,180.00)
	Intragroup - Sale of Energy, Power & Resources	(260,644,143.92)
CHL	Intragroup - Sale of Energy, Power & Resources	865,821
DGPC	Intragroup trade payables	(1,309,422,083.69)
	Intragroup - Purchase of Energy ,Power & Resources	8,009,598,866.04
	Intragroup trade receivables	15,023,896.31
	Intragroup - Sale of Energy, Power & Resources	(13,399,065.260)
	Intragroup - Wheeling Income	(1,332,380,015.14)
DHPC	Intragroup trade receivables	47,815
	Intragroup - Sale of Energy, Power & Resources	(328,529)
	Intragroup - Wheeling Income	(80,750,895.04)
DHEL	Intragroup Performance/ Security deposits received	(16,608.16)
	Intragroup - Sale of Energy, Power & Resources	(73,141.83)
	Intragroup - Advances Received	(22,019,233.36)
DHI	Intragroup non-trade payables	(1,167,342.27)
	Equity Shares held by DHI	(13,519,751,699.40)
	Intergroup Dividends relating to current year	(1,537,738,382.87)
	INTERGROUP CORPORATE GUARANTEE & Management FEES	66,496,798.93
	Interest on borrowings-Intergroup	16,612,502.06
	Intragroup - Sale of Energy, Power & Resources	(36,440.03)
DPL	Intragroup trade receivables	281,405.00
	Intragroup - Performance/ Security deposits received	(180,000.00)
	Intragroup - Sale of Energy, Power & Resources	(2,832,534.00)
KHEL	Intragroup - Sale of Energy, Power & Resources	(7,370,599.19)
	Intragroup Performance/ Security deposits received	(1,134,961)
	Intragroup - Non Trade receivables	14,248
	Power Infrastructure	629,477,911.91
	Intragroup - Trade receivables	1,313,559.00
KIL	Intragroup - Sale of Energy, Power & Resources	(495,920)
	Intragroup - Revenue from Services	(45,851.76)



Company/ Fellow Subsidy	Description	Amount (Nu.)
	Intra-group Rent Receivable (Non-Trade)	3,283.82
MSPCL	Intragroup - Sale of Energy, Power & Resources	(485,317)
	Intragroup Performance/ Security deposits received	(1,536)
NRDCL	Intragroup trade receivables	76,828
	Intragroup - Purchase of Services	887,266.43
	Intragroup - Sale of Energy, Power & Resources	(1,891,305.07)
PCAL	Intragroup trade receivables	2,035,035.39
	Intragroup - Sale of Energy, Power & Resources	(135,894,719.66)
	Intragroup - Nontrade payables	(258,535)
SICBL	Vehicles	15,353,827.00
	Intragroup - Purchase of Services	11,209,864.84
	Intragroup Performance/ Security deposits received	(1,256,247.20)
	Intragroup - Sale of Energy, Power & Resources	(2,506,335.27)
THEL	Intragroup - Purchase of Energy, Power & Resources	515,687,800.62
	Intragroup - Sale of Energy, Power & Resources	(2,523,750.79)
	Intragroup wheeling income	(100,269,509.71)
	Intragroup trade receivables	2,190,268.15
	Intragroup trade payables	(96,417,648.92)
SMCL	Intragroup - Advances Received	(2,343,165.02)
	Intragroup - Sale of Energy, Power & Resources	(8,561,462.67)
TTPL	Intragroup trade receivables	468,160.00
	Intragroup - Purchase of Services	230,477.64
	Intragroup - Sale of Energy, Power & Resources	(4,165,560.00)
DML	Intragroup - Sale of Energy, Power & Resources	(12,748.40)



**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.**

*(Amount in Nu.)*

	For the year ended	
	December31, 2025	December31, 2024
Basic Salary, contract and fixed allowances	4,093,512	3,919,554
Performance based variable allowances	663,627	627,306
Sitting fees	133,000	104,000
Contribution to provident fund	251,928	238,320
Other allowances	139,963	272,861
<b>Total</b>	<b>5,282,030</b>	<b>5,162,041</b>

The sitting fees to the Board of Directors:

Sl.no.	Name of Board Director	Amount (Nu.)
1	Dasho Kesang Deki	61,000
2	Karma P Dorji	91,000
3	Kezang Jamtsho	105,000
4	Passang Dorji	104,000
5	Sonam Tobgay	156,000
6	Chencho Tshering Namgay	136,000

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:

(Amount in Nu.)

Particulars	Gratuity	
	Year ended 31st December, 2025	Year ended 31st December, 2024
Present Value of obligation at the beginning of year	737,429,415	684,419,009
Interest cost	55,464,647	52,895,773
Current Service Cost	44,174,139	43,514,054
Past Service Cost	-	454,375
Benefit Paid	(88,242,659)	(46,443,700)
Net actuarial (Gain) / Loss on obligation	(6,357,906)	2,589,904
Fair value of Contribution paid into plan	(204,204,110)	-
Present value of the defined benefit at the end of period/year	538,263,526	737,429,415
Current Liability	73,621,802	63,876,191
Non-current Liability	464,641,724	673,553,224

(Amount in Nu.)

Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2025	Year ended 31st December, 2024	Year ended 31st December, 2025	Year ended 31st December, 2024
Present Value of obligation at the beginning of year	45,567,406	44,932,765	45,795,420	45,210,016
Interest cost	3,547,440	3,516,659	3,561,530	3,536,752
Current Service Cost	3,242,286	4,948,274	3,439,953	5,046,281
Benefit Paid	(2,448,805)	(1,949,053)	(2,552,600)	(2,001,219)
Net actuarial (Gain) / Loss on obligation	(9,608,161)	(5,881,239)	(8,746,535)	(5,996,409)
Present value of the defined benefit at the end of period/year	40,300,166	45,567,406	41,497,765	45,795,420



Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2025	Year ended 31st December, 2024	Year ended 31st December, 2025	Year ended 31st December, 2024
Current Liability	3,095,054	3,389,021	3,341,481	3,597,711
Non-current Liability	37,205,112	42,178,385	38,156,284	42,197,709

Particulars	Carriage Charges	
	Year ended 31st December, 2025	Year ended 31st December, 2024
Present Value of obligation at the beginning of year	27,028,120	27,001,688
Interest cost	2,082,776	2,093,951
Current Service Cost	1,651,624	3,411,620
Benefit Paid	(1,986,841)	(1,654,591)
Net actuarial (Gain) / Loss on obligation	(8,377,167)	(3,824,548)
Present value of the defined benefit at the end of period/year	20,398,512	27,028,120
Current Liability	3,008,303	1,994,010
Non-current Liability	17,390,209	25,034,110

(ii) Expense recognized in the Statement of Comprehensive Income

(Amount in Nu.)

Particulars	Gratuity		Carriage charges	
	Year ended 31st December, 2025	Year ended 31st December, 2024	Year ended 31st December, 2025	Year ended 31st December, 2024
Current Service Cost	44,174,139	43,514,054	1,651,624	3,411,620
Interest cost	55,464,647	52,895,773	2,082,776	2,093,951
Past Service Cost	-	-		
Immediate recognition of gain/loss-other long term employee benefits	-	-		



Particulars	Gratuity		Carriage charges	
	Year ended 31st December, 2025	Year ended 31st December, 2024	Year ended 31st December, 2025	Year ended 31st December, 2024
Expected Interest on planned asset	8,000,000			
Expenses recognized in Statement of Profit and Loss	91,638,786	96,409,827	3,734,400	5,505,571

(Amount in Nu.)

Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2025	Year ended 31st December, 2024	Year ended 31st December, 2025	Year ended 31st December, 2024
Current Service Cost	3,242,286	4,948,274	3,439,953	5,046,281
Interest cost	3,547,440	3,516,659	3,561,530	3,536,752
Expenses recognized in Statement of Profit and Loss	6,789,728	8,464,933	7,001,483	8,583,033



**Actuarial assumptions**

Principal assumptions used for actuarial valuation are:

(Amount in Nu.)

Particulars	Gratuity		Carriage Charges	
	Year ended 31st December, 2025	Year ended 31st December, 2024	Year ended 31st December, 2025	Year ended 31st December, 2024
Method used	Projected unit credit method			
Discount rate	8%	8%	8%	8%
Rate of Increase in Compensation levels	6% p.a.	6% p.a.	6% P.a	6% P.a
Rate of return on plan assets	8.25%	0.00%	0.00%	0.00%
Expected Average remaining working lives of employees (years)	13 years	15 years	13 years	15 years

(Amount in Nu.)

Particulars	Transfer Grant & Separation Allowance	
	Year ended 31st December, 2025	Year ended 31st December, 2024
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)	13 years	15 years



(iv) Sensitivity analysis  
Gratuity

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Chnage
(+0.50%)	714,473,858	(27,993,778)	-3.77%
Base rate	742,467,636	-	-
(-0.50%)	772,400,329	29,932,693	4.03%
<b>2. Salary Growth Rate</b>			
(+0.5%)	774,819,844	32,352,208	4.36%
Base rate	742,467,636	-	-
(-0.5%)	711,984,843	(30,482,793)	-4.11%
<b>3. Mortality Rate</b>			
(+10.00%)	742,467,636	-	0.0%
Base rate	742,467,636	-	-
(-10.00%)	742,467,636	-	-0.0%
<b>4 Employer Turnover Ratio</b>			
(+0.5%)	737,051,458	(5,416,178)	-0.73%
Base rate	742,467,636	0	0.0%
(-0.5%)	748,257,340	5,789,704	0.78%



Carriage Charges

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation(DBO)	Net Effect in DBO	% Effective
(+0.50%)	19,615,893	(782,619)	-3.84%
Base rate	20,398,512	-	-
(-0.50%)	21,236,860	838,348	4.11%
<b>2. Increase in Transport Cost</b>			
(+0.50%)	21,303,828	905,316	4.44%
Base rate	20,398,512	-	-
(-0.50%)	19,547,038	(851,474)	-4.17%
<b>3. Mortality Rate</b>			
(+10.00%)	20,398,515	0	0.0%
Base rate	20,398,512	-	0.0%
(-10.00%)	20,398,515	0	0.0%
<b>4. Employer turnover rate</b>			
(+0.50%)	20,492,890	94,378	0.46%
Base rate	20,398,512	0	0.0%
(-0.50%)	20,301,752	(96,760)	-0.47%



Separation Allowance

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Change
(+0.50%)	40,007,408	(1,490,357)	-3.59%
Base rate	41,497,765	-	0.00%
(-0.50%)	43,089,403	1,591,638	3.84%
<b>2. Salary Growth Rate</b>			
(+0.50%)	43,223,949	1,726,184	4.16%
Base rate	41,497,765	-	0.00%
(-0.50%)	39,869,084	(1,628,681)	-3.92%
<b>3. Mortality Rate</b>			
(+10.00%)	41,497,765	-	0.00%
Base rate	41,497,765	-	0.00%
(-10.00%)	41,497,765	-	0.00%
<b>4. Employer turnover rate</b>			
(+0.50%)	41,651,913	154,148	0.37%
Base rate	41,497,765	-	0.00%
(-0.50%)	41,340,563	(157,202)	-0.38%



Transfer Grant

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation(DBO)	Net Effect in DBO	% Effective
(+0.50%)	38,852,390	(1,447,776)	-3.59%
Base rate	40,300,166	-	0.00%
(-0.50%)	41,846,329	1,546,163	3.84%
<b>2. Salary Growth Rate</b>			
(+0.50%)	41,976,975	1,676,809	4.16%
Base rate	40,300,166	-	0.00%
(-0.50%)	38,718,076	(1,582,090)	-3.93%
<b>3. Mortality Rate</b>			
(+10.00%)	40,300,166	0	0.00%
Base rate	40,300,166	-	0.00%
(-10.00%)	40,300,166	0	0.00%
<b>4. Employer turnover rate</b>			
(+0.50%)	40,447,918	147,752	0.37%
Base rate	40,300,166	0	0.00%
(-0.50%)	40,149,447	(150,719)	-0.37%





### 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).

**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. 616,252,422 and 1,012,212,771.62 as at December 31, 2025 and December 31, 2024 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 Assets & Liabilities

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

#### 39.1 Pema Dorji v. Bhutan Power Corporation Limited.

The Liquidated Damages refund pertaining to this case with Druk Zorig Gongphel was closed as per Judgment No. 19/1917 dated December 3, 2019, issued by the Thimphu District Court. BPC filed for enforcement and recovered a sum of Nu. 300,000. However, Mr. Pema Dorji filed a bankruptcy petition, to which BPC submitted response on July 11, 2024, before Commercial Bench II. The case is scheduled for further proceedings in accordance with court procedures. The total outstanding receivable amount is Nu. 1,517,238. The Contractor absconded and Arrest warrant is still active.

Given the ongoing bankruptcy proceedings and uncertainty surrounding recoverability, the outstanding balance is disclosed as a contingent asset. No asset has been recognised in the financial statements as recovery is not considered virtually certain.

#### 39.2 Office of the Attorney General v. Bhutan Power Corporation Limited

The Office of the Attorney General charged BPC under Sections 410 and 411 of the Penal Code of Bhutan for criminal nuisance in connection with the electrocution of a student on June 25, 2022, involving an 11 kV distribution line. The case was filed on February 10, 2024, with a demand for compensation of Nu. 2,925,167.90.

The Phuntsholing Drungkhag Court held the opening statement hearing on April 9, 2025, where BPC presented its defense against the charges. During the rebuttal hearing on December 26, 2025, OAG emphasized the risks associated with the 11 kV high-voltage line and alleged that ground clearance standards were compromised. OAG submitted that BPC should be held liable for criminal nuisance and ordered to pay compensatory damages to the victim. BPC has been directed to submit its rebuttal by the first week of February 2026.

Following completion of the evidence hearing on 28 October 2025, OAG submitted a compensation claim of Nu. 2,460,000 for two victims. Based on legal assessment and case developments, the likelihood of BPC being required to compensate the victims is assessed as high.

In accordance with BAS 37, the matter meets the criteria for recognition of a provision. Accordingly, a provision of Nu. 2,460,000 has been recognised in the financial statements for the year ended 31 December 2025.



#### 40. Restatement of Prior-Period Errors

##### a. Background and Nature of the Errors

During the year ended 31 December 2025, the Company identified errors relating to the tax treatment of accrued interest on borrowings in prior reporting periods.

Under the applicable Income Tax Act, interest expense is deductible for tax purposes only upon payment. In prior years (2019-2023), the Company claimed tax deductions for accrued but unpaid interest. Following a tax assessment completed in 2025, the tax authorities determined that such deductions were not allowable, resulting in additional income tax payable amounting to Nu. 624,648,273.55 relating to prior periods.

In addition, the Company had not recognised deferred tax assets in prior reporting periods in respect of deductible temporary differences arising from accrued interest on borrowings.

Management has concluded that these matters represent prior-period errors as defined in BAS 8, as reliable information regarding the tax deductibility requirements was available at the time the prior financial statements were authorised.

Accordingly, the comparative information has been restated retrospectively.

Deferred tax assets have been measured using the enacted corporate income tax rate of 22%, in accordance with BAS 12.

##### b. Impact on Statement of Profit or Loss

Year Ended 31 December 2024 (Comparative - Restated)

*(Amount in Nu.)*

Particulars	Previously Reported	Adjustment	Restated
Tax expense	1,286,693,253	-	1,020,586,270
Profit before tax	2,995,291,456	-	2,995,291,456
Profit for the year	1,708,598,203	266,106,983	1,974,705,186
Basic earnings per share	152.59	-	176.35
Diluted earnings per share	152.59	-	176.35



c. Impact on Statement of Financial Position

i. As at 31 December 2024 (Comparative - Restated)

(Amount in Nu.)

Particulars	Previously Reported	Adjustment	Restated
Deferred tax liability	1,732,067,762	(637,201,088.49)	1,094,866,673
CIT Provision	450,296,352	624,648,273.55	1,074,944,626
Retained earnings	5,537,672,179	12,552,814.94	5,550,224,994

ii. As at 1 January 2024 (Third Statement of Financial Position)

(Amount in Nu.)

Particulars	Previously Reported	Adjustment	Restated
Deferred tax liability	1,477,390,490.09	(371,094,105.59)	1,106,296,384.50
CIT Provision	365,495,450.70	624,648,273.55	990,143,724.25
Retained earnings	4,905,665,623.26	(253,554,167.96)	4,652,111,455.30

In accordance with **BAS 1**, a third statement of financial position as at 1 January 2024 has been presented due to the material impact of the restatement on the opening balances of the comparative period.

d. Reconciliation of Retained Earnings

i. As at 1 January 2024

Description	Amount (Nu.)
Retained earnings as previously reported	4,905,665,623
Adjustment - Additional tax for 2019-2023	(624,648,273.55)
Adjustment - Recognition of deferred tax asset	+371,094,105.59
<b>Restated retained earnings at 1 January 2024</b>	<b>4,652,111,456</b>



**ii. Movement During 2024 (Comparative Year)**

Description	Amount (Nu.)
Previously reported profit for 2024	1,708,598,203
Adjustment - additional tax expense	-
Adjustment - deferred tax recognition	(11,429,711)
Restated profit for 2024	1,974,705,186
Dividends declared	1,537,738,383
<b>Closing retained earnings at 31 December 2024 (Restated)</b>	<b>5,550,224,994</b>

**e. Deferred Tax Reconciliation**

*(Amount in Nu.)*

Description	2025	2024 (Restated)
Opening balance	1,094,866,673	1,106,296,384
Prior-period adjustment	-	371,094,105.59
Recognised in profit or loss	(143,192,331)	(11,429,711)
Closing balance	951,674,342	1,094,866,673

Deferred tax assets arise primarily from deductible temporary differences related to accrued interest on borrowings.

**f. Disclosure Regarding Dividends**

The restatement reduced retained earnings as at 1 January 2024 and 31 December 2024. Dividends declared in prior periods were based on previously reported profits.

**g. Statement of Compliance**

The prior-period errors have been corrected retrospectively in accordance with BAS 8. Comparative figures have been restated, and a third statement of financial position has been presented due to the material impact of the restatement.



#### 41. 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 transfer of Nu. 49,711,392 for the year 2025 is also made which is to be ratified in the upcoming Annual General Meeting.
- (iv) The Company has loss of Nu. 170,627,468 (Previous year gain of Nu. 271,516,534) on account of exchange difference arising from translating foreign exchange on long term borrowings for JICA I, JICA II (Japanese Yen) and ADA (Euro) in domestic currency.
- (v) With the overall reconciliation of energy, BPC has expensed Nu. 553.890 million more for the purchase of energy compared to the approved average rate of Nu. 1.6 per unit which is impacting the financials of BPC. Therefore, BPC requested ERA to accord adjustment of Nu. 553.890 million in line with the interim tariff order No. ERA/TD/Tariff/2025-2026/02 dated July 1, 2025 at the earliest. For this BPC has booked Nu. 553.89 million under purchase of power adjustment.



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

Particulars	Loan outstanding as on 1.1.2025	Disbursement/Adjustment during the year	Repayment/adjustment during the year	Loan Outstanding as on 31.12.2025	Interest Paid/provided for during the year
ADB-RE I	91,344,751.41	-	8,304,068	83,040,682	5,169,283
ADB-RE II	128,280,864.24	-	18,325,838	109,955,027	7,009,633
ADB-RE III	200,511,395.35	-	18,228,309	182,283,087	11,433,984
ADB-RE IV	775,378,773.79	-	46,992,653	728,386,121	
ADB-RE V	630,082,168.15	-	34,058,496	596,023,672	36,690,032
ADA	145,255,755.40	-	7,707,448	137,548,307	1,203,548
JICA-I	1,300,206,851.99	-	19,807,217	1,320,014,069	137,390
JICA-II	872,059,116.82	-	19,500,525	891,559,642	1,844,928
NPPF	631,426,254.44	-	86,767,010	544,859,244	47,093,359
MHPA	4,802,548,332.94	-	1,382,907,712	3,419,640,621	302,538,703
Inter corporate loan (DHI)	-	899,581,452	899,581,452	-	16,612,502.06
Loan from NPPF(ATS)	159,981,988.57	-	5,251,486	154,730,503	14,172,185
FIEF Int Loan-DGPC	965,123	-	965,123	-	-
IDC-Loan from MHPA	1,833,729,520.13	-	527,715,967	1,306,013,553	-
Loan from BoB(ATS)	643,869,526.25	-	15,958,446	627,911,080	51,537,291
OD from BOB -I	250	1,728,256,850	1,728,257,100	-	4,213,756
OD from BOB -II	273	1,713,219,006	1,713,219,279	-	4,898,388
OD from BDBL		212,262,242	212,262,242		265,441
Loan from CHEL	2,152,451,205.88	-	130,451,588	2,021,999,618	221,767,700
IDC-Loan from CHEL	748,971,597	-	2,655,765.93	743,660,065	-
Loan for THYE	307,153,261.81		20,647,631	286,505,630	34,733,224
Loan from NPPF NIP	2,669,976,844	837,801,739	-	3,540,301,529	-
Bonds	-	4,001,475,000		4,001,475,000	203,604,843
IFC Loan	-	1,776,800,000		1,776,800,000	-



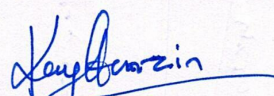
**BHUTAN POWER CORPORATION LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2025**

(Amount in Nu.)

Particulars	Note	December 31, 2025	December 31, 2024 (Restated)
<b>Revenue</b>			
Income from sale of electricity -Domestic	26	21,937,970,421	17,028,161,623
Income from sale of electricity -Import		4,502,410,995	5,945,450,745
Income from construction contracts	27	125,033,101	195,217,535
Wheeling charges		2,081,194,225	1,595,343,160
Other income	28	352,828,710	334,468,120
<b>Total Revenue</b>		<b>28,999,437,453</b>	<b>25,098,641,183</b>
<b>Expenditure</b>			
Purchase of electricity-Domestic		15,641,549,096	10,667,324,929
Purchase of electricity-Import		3,694,750,431	5,977,731,533
Construction material consumed and sub-contracting charges		113,026,728	173,195,098
Operation and maintenance expenses	29	559,453,093	490,494,928
Employee benefit expenses	30	1,820,276,106	1,782,227,897
Finance costs	31	1,477,536,927	1,024,465,676
Loss/(gain) on foreign currency fluctuation (net)		170,627,468	(271,516,534)
Depreciation and amortization expenses		2,254,351,384	1,880,901,625
Other expenses	32	385,811,098	378,524,574
<b>Total Expenditure</b>		<b>26,117,382,331</b>	<b>22,103,349,727</b>
<b>Profit before income tax</b>		<b>2,882,055,122</b>	<b>2,995,291,456</b>
Tax expenses	24		
- Current tax (2025)		554,554,036	965,429,580
- Deferred tax		(143,192,331)	(11,429,711)
- Tax Adjustment of earlier years		(11,456,960)	66,586,401
<b>Net Profit for the year</b>		<b>2,482,150,377</b>	<b>1,974,705,186.36</b>
<b>Other comprehensive income (loss):</b>			
Actuarial gains (loss)		29,293,882	13,112,292
<b>Total comprehensive income for the year</b>		<b>2,511,444,259</b>	<b>1,987,817,478</b>
<b>Earnings per share (EPS)</b>	33	183.51	176.35

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

For Rinzing Financial Private Limited  
Firm License No. 1036380

  
Kunzang Pasa Tenzin

Audit Partner  
CPA License No. 10534147

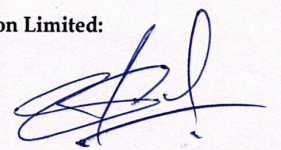
Date: March 23, 2026

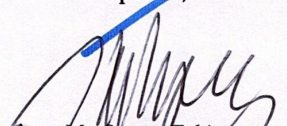
Place: Thimphu, Bhutan

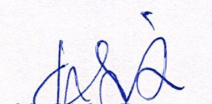


For Bhutan Power Corporation Limited:

  
Dasho Kesang Deki  
Chairperson, BOD

  
Mr. Chencho T. Namgay  
Chairperson, BARC

  
Mr. Sonam Tobjey  
Chief Executive Officer

  
Ms. Kinley Dem  
Director, CSD



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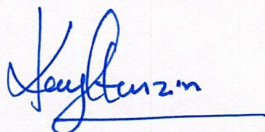
## RATIO ANALYSIS

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**BHUTAN POWER CORPORATION LIMITED  
RATIO ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2025**

Particulars	December 31, 2025	December 31, 2024 (Restated)
NP ratio	8.56%	7.87%
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.69	0.71
Debtors Turnover Ratio (Energy Sales/ Average Debtors)	9.88	7.85
Current Ratio (Current Assets/ Current Liabilities)	1.21	0.70
Quick Ratio (Current Asset-Inventory/ Current Liabilities)	1.05	0.57
Interest Coverage Ratio (Profit before interest & tax/ Interest)	2.95	3.92
Debt Service Coverage Ratio ( PAT+Dep+Interest/ (Interest + Principal Repayment)	3.04	3.47
Gearing Ratio (Debt /Gross Value of Fixed Asset)	44.25%	39.25%
Gearing on net Fixed asset	61.42%	56.55%
Debt Equity Ratio (Debt/ average Equity)	158.20%	128.75%
Return on Capital Employed (EBIT/ (Capital+Reserve+long term liability)	8.96%	10.76%
Return on asset (Profit after tax)/ average net total assets	5.87%	5.56%
Return on equity (return available / Average Equity)	13.47%	12.12%

**For Rinzing Financial Private Limited**  
Firm License No. 1036380



**Kunzang Pasa Tenzin**  
Audit Partner  
CPA License No. 10534147  
Date: *March 23, 2026*  
Place: Thimphu, Bhutan





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## COMPLIANCE CALENDER AND CHECKLIST

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

No.	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 decrease in share subscription from 11,200,643 to 11,197,514 in the 22nd AGM, 2025
2	47	Change of name/Approval		NO		
3	123	Increase or consolidation of share capital	YES			Declared a dividend of 90% of PAT, which amounts to Nu. 1,538 Million
4	124	Reduction of share capital		NO		
5	82	License Copy and Share Certificate filing	YES			Share certificate bearing 11,197,514 numbers of equity shares of Nu. 1000/- each amounting to Nu. 11,197,514,000/-
6	107	Public offer of shares & Debentures-ROC Approval			NA	

No.	Section	MANAGEMENT & ADMINISTRATION	YES	NO	NA	REMARKS
7	217	Registered Office of Company	YES			Registration No. L20020821BHU043, BHUTAN POWER CORPORATION LIMITED YARDEN LAM, CHUBACHU, THIMPHU.
		(Postal Address & Contact Number)	YES			PO box No. 580, #325095/#325096
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	YES			In all business letters, official documents, bills, invoices, letter papers, notices, and other publications have the official sign and seal with letterhead and registered name and the address of its registered office.
9	241	Financial Year of Companies as of 31st Dec	YES			The FY- 31st December as per section 241 of CAB, 2016.



No.	Section	MANAGEMENT & ADMINISTRATION	YES	NO	NA	REMARKS
	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 the 22nd AGM, 2025
11	267	Annual Return Submission On/before 31st May for listed; others 31st July	YES			filed
12	177	Annual General Meeting (Minutes)	YES			Minutes of 22nd AGM, 17th March, 2025(09:30 am)
13	180	Extraordinary General Meeting (Minutes)		NO		
14	185	Notice for calling general meeting	YES			As per section 185
15	187	listed Co. - written as well as in media Public Co/Private Co. - Written Notice	YES			As per section 187
16	190	Chairman of meeting (CEO cannot chair)	YES			Dasho Kesang Deki, Secretary, Cabinet Secretary, Chairperson of the Board meeting and AGM, 2025
17	192	Representation of corporations at meetings (appointed by Board Directors)	YES			Representative of shareholder (DHI) In the AGM, 2025
18	193	Ordinary and special resolutions (Minutes)	YES			maintained a Minutes of the general meeting as per section 193
19	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	YES			Maintained minutes of the AGM and Board meetings as per section 195.
20	199	Declaration and payment of dividend (199-209)	YES			Declared a PAT, 90% of PAT, amounting to Nu. 1,538 million for the year 2024.



No.	Section	MANAGEMENT & ADMINISTRATION	YES	NO	NA	REMARKS
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, the books include sub-section (A, B, C) as per section 232.
22		Board's report (signed by Chairman)	YES			Every board report is signed by the CEO.
23	252	Appointment and removal of Auditors Need to re-appoint annually (251-259)	YES			Appointed m/s Rinzing Financial Pvt Ltd, Thimphu as an Auditor to audit BPC in the 22nd AGM, 2025
24	260	Resignation of Auditors from office(Annual Resignation)		NO		
25	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	YES			As per the AASBB and as per the requirement by RAA
26	133	Number of directors	YES			6
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			Ms. Tashi Lhamo director, DoF, Dhi Retired. Mr. Chenchu T. Namgay Director, DoI, DHI Appointed. Dated 25th Oct, 2024.  No retirement and reappointment as per the 22nd AGM, 2025.
29	139	Additional directors	YES			There is no appointment of additional Director in the 22nd AGM, 2025
30	140	Consent to act as directors	YES			as per section 140.
31	141	Certain persons not to be appointed as Directors	YES			In compliance with section 141
32	142	Resignation by a director	YES			Can resign as per section 142, but there is no resignation by Director as per 22nd AGM, 2025
33	143	Removal of directors	YES			No removal of Director as per the 22nd AGM, 2025
34	146	Board meetings	YES			More than 4 Board meetings in the FY.



No.	Section	MANAGEMENT & ADMINISTRATION	YES	NO	NA	REMARKS
		(4 Meetings for Public Cos & 2 Meetings for Pvt)				
35	152	General powers of the board	YES			As per section 152
36	156	Restriction on powers of Board	YES			As per section 156
37	210	Appointment of Chief Executive Officer (Max 5 years terms & 2 consecutive terms only)	YES			The appointment of the CEO As per letter no. DHI/HRA/21/2024/760 dated 19.07.2024 extended for 3 years from 23rd Aug, 2024.
38	213	Company Secretary required in all Public Companies	YES			Appointed as per section 213.
39	414	Appointment of selling or buying agents (govt. Approval obtained or not)			NA	
40	157	No loans to directors (only for Public Co.)		NO		In compliance with section 157.
41	53	Inter-corporate investments (investments to be disclosed) apply old rule	YES			Supervised by the Corporate Regulatory Authority.
42	158	Conflict of Interest Transactions by Board	YES			As per section 158
43	161	Standard of care required by directors (Reckless decision)	YES			As per section 161



No.	Section	STATUTORY RECORD AND INSPECTION	YES	NO	NA	REMARKS
44	228	Statutory record and inspection				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	





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**MANAGEMENT APPRAISAL REPORT**

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## 1. Inconsistent Levy of Departmental Charges on Deposit Works [1.2.9]

Revenue Foregone: Nu. 80,937.27

### Condition

Audit review of deposit works executed by Thimphu ESD during 2025 noted inconsistent application and non-levy of mandatory departmental charges.

Although the BPC Deposit Work Guidelines, 2024 require a mandatory departmental charge of 10% on all deposit works, the following were observed:

- Several deposit works were executed without levying the required 10% departmental charges.
- In certain cases, departmental charges appear to have been waived without documented approval.
- Management was unable to provide written approval, justification, or authority for the waiver or non-levy of departmental charges.
- The Delegation of Power does not authorise waiver of departmental charges.

Based on audit verification of identified deposit works where departmental charges were not levied, the following was quantified:

- **Total value of identified deposit works:** Nu. 809,372.69
- **Departmental charges applicable @ 10%:** Nu. 80,937.27

Accordingly, the Company forewent departmental charge revenue of Nu. 80,937.27 during 2025.

### Criteria

Section 3.7.2 of BPC Deposit Work Guidelines, 2024, require:

*“Departmental charge of 10% of the deposited work value shall be payable by the Client and shall be reflected in the detailed cost estimate. The final departmental charge payable shall be 10% of the actual value of the work implemented.”*

Further, the **Delegation of Power** does not provide authority to waive or vary departmental charges.

Under **BAS 1 - Presentation of Financial Statements**, paragraph 15, financial statements shall present fairly the financial performance of the entity, which requires complete and accurate recognition of revenue.

### Cause

The inconsistency appears to have arisen due to:

- Absence of effective controls to ensure uniform application of approved guidelines; and
- Lack of monitoring and supervisory review over billing and revenue recognition for deposit works.





### Effect / Risk

- **Loss of revenue** amounting to Nu. 80,937.27 during 2025.
- **Non-compliance** with approved internal guidelines and Delegation of Power.
- Risk of **preferential treatment** and governance concerns arising from discretionary application of charges.
- Weak revenue assurance controls, increasing the risk of recurrence and audit observations.

### Audit Conclusion

The non-levy and inconsistent application of departmental charges are not in accordance with the BPC Deposit Work Guidelines, 2024, and lack authority under the Delegation of Power. This represents a control weakness and has resulted in quantifiable revenue loss during the year. Given the mandatory nature of departmental charges, such non-compliance exposes the Company to governance and revenue leakage risks, and warrants strengthened oversight to ensure equitable and consistent treatment of all customers.

### Recommendation

Management should:

1. Recover unbilled departmental charges amounting to Nu. 80,937.27.
2. Ensure that any deviations from approved guidelines are:
  - Supported by formal approval from the competent authority; and
  - Properly documented and disclosed.
3. Strengthen controls to ensure uniform and mandatory levy of departmental charges across all ESDs.
4. Implement periodic supervisory reviews of deposit work billing to prevent recurrence.

### Management Response

*Management acknowledges this audit observation and the recommendations given therein. While the BPC Deposit Work Guidelines 2024 generally mandate a 10% departmental charge, certain exceptions were made to address specific operational challenges. These decisions were primarily driven by the need to resolve Right-of-Way (RoW) issues, where BPC infrastructure was located on private land without prior compensation to landowners.*

*To facilitate the shifting of these lines and minimize inconvenience to property owners whose development activities were constrained, a cost-sharing model was adopted.*

*Under this arrangement:*

- *The client agreed to bear specific labor costs either in cash or kind associated with shifting the infrastructure as outlined in the Deposit Work Guideline, in cases where the client desires the line to be shifted immediately. If the client desires to get the work done later, the whole cost is borne by the company.*
- *The material cost, technical labour cost, and other services not included above shall be borne by BPC.*
- *The dismantled materials become the property of BPC.*





- The 10% departmental charge is applicable if the client bears the entire cost of the work and is also the sole beneficiary from the work so executed.

Since all the works have been completed and executed effectively, going forward it will be made sure that proper written approvals are sought, if there are any deviations from the deposit work guideline.

Therefore, it is respectfully requested that the audit memo may be dropped.

**The memo has been treated as settled:**

The audit observation on inconsistent levy of departmental charges on deposit works has been treated as **settled** based on management's acknowledgment of the issue, explanation of operational challenges, and commitment to strengthen compliance going forward.

Based on management's response and assurances, the matter is considered justified and settled.

**Compliance to be made by management:**

No immediate compliance action is pending. However, management's assurance regarding:

- Strict compliance with the Deposit Work Guidelines, 2024, and
- Obtaining proper written approvals for any deviations,

shall be verified during subsequent audits to confirm effective and consistent implementation of the revised control measures.



## 2. Inaccurate Recording, Amortisation, and Impairment Assessment of Intangible Assets [7.2.40]

### Condition

Audit review of the **intangible assets register as at 31 December 2025** identified the following issues:

#### 1. Inactive Intangible Assets Not Derecognised

Several intangible assets marked as *inactive* in the register (including, inter alia, **PLS CADD, 12D Model software, and Astra licences**) continue to be recognised at original cost with either fully amortised balances or residual net book values. These assets no longer provide economic benefits to the Company and have not been formally derecognised.

#### 2. Uniform Amortisation Period Applied

All intangible assets, irrespective of their nature, functionality, or expected pattern of economic benefit, are amortised over a **blanket useful life of five (5) years**. This approach does not reflect the actual consumption of economic benefits, particularly for specialised project software such as **SCADA software, e-Procurement systems, and SAP Fiori implementations**, which have differing usage patterns and useful lives.

#### 3. Absence of Impairment Assessment

No impairment assessments have been performed for intangible assets, including those that are inactive, obsolete, or abandoned. As a result, the register continues to reflect carrying values for assets that may no longer be recoverable.

The quantified position as per the register is as follows:

Particulars	Amount (Nu.)
Total intangible assets recorded	344,009,370.97
Accumulated amortisation	287,758,244.74
Net book value	56,251,126.23

The net book value includes inactive and potentially impaired assets.

### Criteria

**BAS 38 – Intangible Assets**, paragraph 97, requires:

*“The depreciable amount of an intangible asset with a finite useful life shall be allocated on a systematic basis over its useful life.”*

Paragraph 88 of BAS 38 further requires the useful life of an intangible asset to reflect the **expected pattern of consumption of economic benefits**.

Paragraph 112(b) of BAS 38 requires derecognition of an intangible asset when:

*“No future economic benefits are expected from its use or disposal.”*

**BAS 36 – Impairment of Assets**, paragraph 9, requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired. Where such indication exists, an impairment test is mandatory.





### Cause

The issues appear to have arisen due to:

- Absence of periodic review of the intangible asset register;
- Lack of asset-specific assessment of useful lives; and
- Failure to perform impairment assessments for inactive or obsolete software assets.

### Effect / Risk

- Overstatement of intangible assets in the statement of financial position.
- Misstatement of amortisation expense, affecting profit measurement.
- Non-compliance with BAS 38 and BAS 36, increasing regulatory and audit risk.
- Reduced reliability of the asset register for management decision-making.

### Audit Conclusion

The continued recognition of inactive intangible assets, uniform amortisation without regard to actual useful lives, and absence of impairment assessment are not in compliance with BAS 38 and BAS 36. These deficiencies have resulted in potential overstatement of intangible assets and misstatement of expenses.

### Recommendation

Management should:

1. **Conduct a comprehensive review** of the intangible asset register to identify assets that are inactive, obsolete, or abandoned.
2. **Derecognise intangible assets** from which no future economic benefits are expected, in accordance with BAS 38.
3. **Reassess the useful life** of each intangible asset based on actual usage and expected economic benefits.
4. **Perform impairment testing** for assets where indicators of impairment exist and recognise impairment losses where applicable.
5. Update amortisation schedules to reflect revised useful lives and ensure ongoing compliance with BAS 2020.

### Management Response

*Management acknowledges the audit observation and the related recommendations on the intangible assets. The Management is already having a comprehensive review of the intangible asset register, in coordination with IT/SUIT and user departments, to identify and derecognise inactive, obsolete, or defunct assets. The useful lives of the remaining intangible assets will be reassessed based on actual usage patterns and expected economic benefits, and impairment assessments will be performed where indicators of impairment exist.*

*Necessary write-offs, impairment losses, and amortisation adjustments will be recognised during the relevant reporting periods. In addition, internal controls over intangible assets will be strengthened by ascertaining the life of software from the procuring offices, and periodic reviews will be implemented to ensure compliance with the requirements of the Bhutanese Accounting Standards (BAS).*





Management expects to complete these actions prior to migration to SAP HANA which is on 30.06.2026. In line with that, we would request for the observation to be dropped.

**The memo has been treated as settled:**

The audit observation on inaccurate recording, amortisation, and impairment assessment of intangible assets has been treated as **settled** based on management's immediate derecognition of inactive intangible assets, their assurance to reassess the useful lives of assets in 2026, and their commitment to perform impairment assessments where indicators exist.

Based on management's response and assurances, the matter is considered justified and settled.

**Compliance to be made by management:**

No immediate compliance action is pending. However, management's assurance regarding:

- Reassessment of useful lives of the existing intangible assets,
- Proper initial assessment of useful lives for new intangible assets, and
- Identification of impairment indicators for finite-life assets and impairment testing for indefinite-life assets,

shall be verified during subsequent audits to confirm effective and consistent implementation of the revised control measures.



### 3. Inadequate Asset Custodianship Controls for Employees on Long-Term Study Leave [7.2.31]

#### Condition

Audit review of the asset register and supporting documentation identified that certain fixed assets continue to remain under the custodianship of employees who are currently pursuing further long-term studies as below:

Personnel No.	Asset No.	Asset Description
30002022	4401260	Writing Table with Door
30002022	4404492	Steel Truk Box
30002022	4402622	Revolving Chair RC 7000
30002022	4402664	Laptop (Dell Latitude) 3420, i5, 14", Mfg: 2021
30002022	33012916	Cable / Conductor Cutter
30001255	2403514	Dell LED Monitor 27"
30001255	2403389	Laptop: Lenovo ThinkPad T450P
<b>30001255</b>	<b>2404332</b>	<b>Dell Laptop - Standard Type</b>
<b>30002060</b>	<b>2404515</b>	<b>Dell Laptop (Standard Type)</b>
<b>30002458</b>	<b>24882</b>	<b>Dell Laptop (Standard Type)</b>
30002726	44459	Medium Office Working Table Set
30002726	4405085	Visitor Chair without Arm (WCC)
30002726	3304854	Line Man Tool Bag
30002726	3300484	Metal Tool Box
30002726	35852	Garmin GPSMAP64S
30002726	2403504	Dell LED Monitor 24"
30002726	33006529	Digital Clamp-on Meter 600V
30002726	4009517	Godrej Executive Revolving Chair (Full Back - Leoma)

As per information provided by the HR Unit, there are no existing guidelines, rules, or internal directives requiring employees proceeding on long-term study leave to:

- transfer asset custodianship; or
- physically hand over assets to employees who remain in active service.

Consequently, assets assigned to such employees continue to be reflected under their names in the asset register, despite their prolonged absence from the workplace.

#### Criteria

As a matter of sound asset management and internal control practices, custodianship of assets should be clearly assigned to employees who:

- have physical access to the assets; and
- are actively accountable for their safeguarding, use, and return.

Internal control principles also require that asset registers clearly reflect current custodianship and accountability to prevent disputes and loss.



### Cause

The issue has arisen due to:

- Absence of formal guidelines or internal policies governing asset custodianship during long-term study leave; and
- Lack of coordination between HR processes and asset management controls when employees proceed on extended absence.

### Effect/ Risk

- **Weak accountability** over assets assigned to employees who are not physically present.
- Increased risk of **loss, misuse, or damage** to assets without clear responsibility.
- Potential **disputes** during asset verification, handover, or recovery.
- Reduced reliability of the asset register as a control and monitoring tool.

### Audit Conclusion

In the absence of formal guidelines governing asset custodianship for employees on long-term study leave, assets continue to be assigned to individuals who are unable to exercise effective control or accountability. This represents a control weakness in asset management and exposes the Company to avoidable operational and governance risks.

### Recommendation

Management should:

1. Develop and issue **formal guidelines or internal directives** requiring mandatory transfer of asset custodianship when employees proceed on long-term study leave.
2. Ensure that assets are:
  - physically verified;
  - formally handed over; and
  - reassigned to employees who remain in active service or to designated custodial units.
3. Update the asset register to reflect current custodianship supported by handover documentation.
4. Align HR processes with asset management controls to ensure that future long-term absences trigger automatic custodianship review.

### Management Response

*The requirement to hand over the assets to succeeding officials or the concerned head will be included in the study leave Sanction Order and the respective supervisors shall be made to follow the same henceforth.*

*For those employees already on study leave, the items were handed over to the successor custodian in their respective offices, however, the corresponding entries in the system were not done. The message to the respective directors has been conveyed to follow up on the transfer of the assets in the system.*

*The details are as follows:*



EID	Name	Remarks
30002022	Rinchen Wangmo	Handing Taking attached
30001255	Yenten Jamtsho	Not on study leave. Doing Distance Education
30002060	Sherab Tenzin	Only laptop
30002458	Chimmi Rinzin	Only laptop
30002726	Dawa Jamtsho	Handing Taking attached



འབྲུག་རྒྱལ་ཁེ་ལས་འཛིན།  
**Bhutan Power Corporation Limited**  
 (An ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 Certified Company)  
 Registered Office, Thimphu  
 Distribution Department  
 Electricity Services Division  
 Thimphu: Bhutan



2K26/S1187

February 10, 2026

**Handing Over and Taking over Note**

SI #	Asset Code	Asset Description	Qty
1	44459	Medium office working table set	1
2	44005085	Visitor Chair without arm ( WCC )	1
3	33004844	Metal Tool Box	1
4	35852	Gramin GPSMAP645	1
5	2403504	Dell LED Monitor 24"	1
6	44009517	Godrej Executive Revolving Chair full back-Leoma	1
7	33006529	Digital Clamp on Meter 600V	1
8	33004854	Line Man Tool Bag	1

Above mentioned assets were handed over for proper maintaining book of accounts in the system.

Handed Over By:

  
 Dawa Jamtsho  
 30002726

Taken Over By:

  
 Kinga Wangmo  
 30001481  
 ESD, Thimphu

Counter Sign By:

  
 Sorlam Pelden Tshewang  
 Sr. Manager

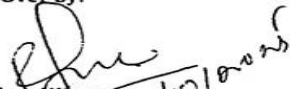
Phone: [Office Number]; e-mail: [OfficeEMailId]; Web: www.bpc.bt



**Annexure V  
List of Assets**

Sl.#	Mat.#	Description	Qty	Unit	Remarks
1	4401260	Writing Table with Door	1	No	Asset in the name of EID# 30002022 (Ms. Rinchen Wangmo)
2	44002622	Revolving chair RC	1	No	Asset in the name of EID# 30002022 (Ms. Rinchen Wangmo)
3	4404492	Steel Trunk Box	2	No	Asset in the name of EID# 30002022 (Ms. Rinchen Wangmo)
4	4401241	Dewan (Three seater) with cushion	1	No	Approved for Auction
5	2402664	Laptop (Dell latitude) 3420, i5, 14' Mfg 2021	1	No	Asset will be transferred to SSD along with the Employee

Handed Over by:

  
Rinchen Wangmo  
Section Officer 09/10/2025

Taken Over by:

  
Dorji Mo  
Senior Office Secretary

  
Karma Dorji  
Senior Manager

**The memo has been treated as settled:**

The observation is considered resolved, subject to follow-up verification.

Management has acknowledged the control weakness and confirmed that:

- The requirement for mandatory handover of assets will be incorporated into study leave sanction orders going forward; and
- For employees already on study leave, physical handover of assets has been completed to successor custodians, with instructions issued to the respective Directors to update the custodianship details in the system.

Based on management's response and corrective actions initiated, the control gap has been addressed at a procedural level.

**Compliance to be made by management:**

No immediate compliance action is pending.

However, management assurance regarding proper handover and system updating of assets for employees proceeding on long-term study leave shall be verified during subsequent audits, to confirm effective and consistent implementation of the revised control measures.



#### 4. Absence of Approved POL Fuel Rates and Inadequate Audit Trail [5.2.25]

##### Condition

During the audit of POL (fuel and lubricants) expenses for the year ended 31 December 2025, it was observed that the applicable POL fuel rates were not formally documented or approved.

Specifically:

- POL payments appear to have been processed based on verbal confirmation between HR and fuel stations, without formal approval documentation.
- No HR office order, management circular, or written authorisation from a competent authority specifying approved POL fuel rates for the audit period was provided.
- Despite fluctuations in fuel prices and regulatory requirements, Directors were paid a fixed POL allowance of Nu. 5,263 per month throughout 2025, as detailed below:

Month	Personnel ID	Grade	POL Allowance (Nu.)
Jan–Dec 2025	3000****	A	5,263 per month

##### Criteria

**BPC Service Rules and Regulations (SRR) 2022 require that:**

- POL allowance and fuel reimbursement be based on approved fuel rates; and
- POL rates be reviewed and fixed bi-annually, effective 1 January and 1 July of each year.

Further, principles of sound internal control and audit trail require that all payments be:

- supported by formal approvals, and
- traceable to documented rates authorised by a competent authority.

##### Cause

The condition appears to have arisen due to:

- Failure to issue periodic HR office orders or circulars approving POL rates; and
- Weak enforcement of SRR 2022 requirements governing POL allowance determination and review.

##### Effect / Risk

- Weak audit trail, limiting verifiability of POL expenses.
- Risk of overpayment or underpayment of POL allowances.
- Non-compliance with SRR 2022, exposing the Company to governance and regulatory risk.
- Increased risk of financial misstatement due to unsupported expense recognition.



**Audit Conclusion**

In the absence of formally approved POL fuel rates and supporting documentation, POL payments made during 2025, including fixed allowances paid to Directors, lack adequate audit support and are not fully compliant with SRR 2022.

**Recommendation**

**Management should:**

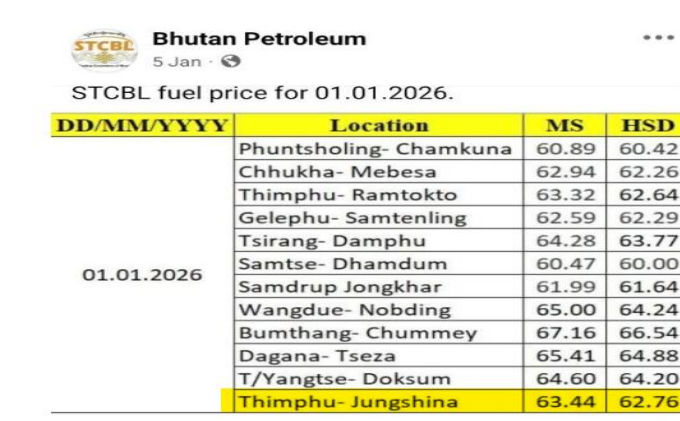
1. Issue a formal HR office order or circular, approved by a competent authority, clearly specifying:
  - o Approved POL fuel rates;
  - o Effective dates (1 January and 1 July); and
  - o The method for calculating POL allowances in accordance with SRR 2022.
2. Apply approved POL rates consistently across all eligible personnel.
3. Ensure that all POL and payroll records are supported by documented approvals to strengthen audit trail and compliance.

**Management Response**

The management acknowledges that no formal internal records have been maintained for these transactions to date. Historically, POL payments were processed based on verbal communication with Bhutan Oil Distributors (BOD), Thimphu, during the months of January and July. This informal approach was largely sustained by the fact that BOD, Thimphu, does not typically provide written confirmation on fuel prices, with price updates generally being communicated verbally across the industry. The management continued to rely on these informal channels for operational expediency.


However, management recognizes that the lack of a documented audit trail creates risks regarding the verifiability and transparency of fuel expenses. As a corrective and preventive measure moving forward, we are committed to formalizing the process by ensuring that a written fuel price revision order is issued before changing the POL. To further justify this transition, the formalization of these rates will serve to mitigate the risk of overpayment or underpayment during fuel price fluctuations and will ensure that the Company remains compliant with its internal governance framework.

Additionally, to enhance consistency and compliance, the management shall review the selection of fuel depots and henceforth follow the same. This holistic approach will ensure that all future POL payments are backed by a robust and traceable documentation system.



DD/MM/YYYY	Location	MS	HSD
01.01.2026	Phuntsholing- Chamkuna	60.89	60.42
	Chhukha- Mebesa	62.94	62.26
	Thimphu- Ramtokto	63.32	62.64
	Gelephu- Samtenling	62.59	62.29
	Tsirang- Damphu	64.28	63.77
	Samtse- Dhamdum	60.47	60.00
	Samdrup Jongkhar	61.99	61.64
	Wangdue- Nobding	65.00	64.24
	Bumthang- Chummey	67.16	66.54
	Dagana- Tseza	65.41	64.88
	T/Yangtse- Doksum	64.60	64.20
	Thimphu- Jungshina	63.44	62.76



 **འབྲུག་གློག་ལམ་འཛུགས།**  
**Bhutan Power Corporation Limited**  
(An ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 Certified Company)  
Registered Office, Thimphu  
Corporate Services Department  
Support Services Division  
Thimphu: Bhutan

BPC/SSD/AERS/2026/03 February 09, 2026

**Office Order**


To: Senior Manager, AERS, SSD, CSD, BPC, Thimphu  
Copy to: Director (s) & General Manager(s), BPC, Thimphu for kind information.  
From: General Manager, SSD, CSD, BPC, Thimphu  
Subject: **Revision of POL Payment**

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As per the fuel rate information shared by STCB on its official Facebook page, the following fuel rates apply to POL payments for eligible BPC employees.

The diesel rate has been fixed at Nu. 62.76 per litre on 1st January 2026. Accordingly, the same rate shall be applied for POL payment from 1<sup>st</sup> January 2026 till 30<sup>th</sup> June 2026.

---

  
Rinchen Wangdi

**The memo has been treated as settled:**

*The observation is considered resolved, subject to implementation verification.*

*Management has acknowledged the absence of formal documentation supporting POL fuel rate approvals and has committed to formalising the process going forward. Specifically, management has undertaken to:*

- *Issue written fuel price revision orders prior to any change in POL rates;*
- *Ensure that future POL allowances are supported by documented approvals;*
- *Review and standardise the selection of fuel depots; and*
- *Establish a more robust and traceable documentation framework for POL payments.*

*These corrective measures address the control weakness identified and are expected to strengthen compliance with SRR 2022 and internal governance requirements.*

**Compliance to be made by management:**

*Implementation of the revised documentation and approval process for POL fuel rates shall be verified during subsequent audits to ensure sustained compliance and effectiveness of the control measures.*





## 5. Additional Tax Paid on Prior Years and Non-Recognition of Deferred Tax on Accrued Interest [1.2.73]

**Additional Tax Paid: Nu. 624,648,273.55**

### Condition

#### (a) Additional Tax Paid Following Tax Assessment

In 2025, the tax authorities completed an assessment for the income year 2023 and determined that accrued interest expenses, which had not been paid, were incorrectly claimed as tax deductions in prior years.

This resulted in additional tax payable amounting to Nu. 624,648,273.55, relating to disallowed interest expenses for the years 2019 to 2023.

Management adjusted this amount through retained earnings in 2025.

#### (b) Non-Recognition of Deferred Tax on Accrued Interest

Audit review further noted that the Company has not recognised deferred tax arising from accrued interest on borrowings to date.

Under prevailing tax laws, interest expense is deductible only upon payment. Accordingly, accrued but unpaid interest gives rise to deductible temporary differences. However, no deferred tax asset has been recognised in respect of these temporary differences.

Additionally, during the year, the new Income Tax Act revised the corporate income tax rate from 30% to 22%. Deferred tax balances have not been recomputed or measured using the enacted rate of 22%.

### Criteria

**BAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, paragraph 5, defines prior-period errors as:**

*“Omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorised for issue.”*

**BAS 12 – Income Taxes, paragraph 24, states:**

*“A deferred tax asset shall be recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.”*

**Paragraph 47 of BAS 12 further requires:**

*“Deferred tax assets and liabilities shall be measured at the tax rates that have been enacted or substantively enacted by the end of the reporting period.”*

### Cause

- Incorrect deduction of accrued but unpaid interest in prior years, leading to understatement of tax liabilities.
- Non-recognition of deferred tax assets on accrued interest, despite deductible temporary differences being present.





- Deferred tax balances not updated to reflect the revised enacted corporate tax rate of 22%.

#### Effect / Risk

- Overstatement of prior-year profits due to incorrect tax deductions.
- Understatement of tax liabilities and deferred tax assets.
- Misstatement of retained earnings and distortion of profit after tax.
- Non-compliance with BAS 8 and BAS 12, increasing audit and regulatory risk..

#### Audit Conclusion

Both the **additional tax liability** arising from disallowed accrued interest deductions and the **non-recognition of deferred tax on accrued interest** constitute **prior-period errors** under BAS 8.

These errors reflect omissions and misstatements in prior-year financial statements, as reliable information was available but not properly applied.

Accordingly, both issues require **restatement of prior-year financial statements** to ensure compliance with BAS 8 and BAS 12.

#### Recommendation

Management should:

- Restate prior-year financial statements to reflect the additional tax liability of Nu. 624,648,273.55.
- Recognise deferred tax assets on accrued but unpaid interest retrospectively in accordance with BAS 12.
- Recompute deferred tax balances using the enacted corporate income tax rate of 22%.
- Establish a systematic process for identifying and tracking temporary differences to ensure ongoing compliance with BAS 12.

#### Management Response

*The management acknowledges the error and the tax amount Nu. 624,648,273.55, relating to disallowed interest expenses for the years 2019 to 2023 has been restated to the Retained earnings by document number 100110850 dt. 31.12.2025 and deferred tax has been recognized retrospectively with the incorporation of 22% tax rate and have booked deferred tax income of Nu. 143,192,330.72. The adjustment entry is made by document number 100110853 dt.31.12.2025 as shown below:*



Display Document: Data Entry View

Data Entry View

Document Number: 100110050    Company Code: BPC1    Fiscal Year: 2025  
 Document Date: 31.12.2025    Posting Date: 31.12.2025    Period: 12  
 Reference:    Cross-Comp.No.:    Ledger Group:     
 Currency: BTN    Texts exist:   

Co.	Item	PK	S.	Account	Description	Amount	Curr.	Tx	Cost Center	Commitment Item	Funds Center	Profit Center	Clrng doc.
BPC1	1	50		488600	Tax Adj for Prior Yr	624,648,273.55	BTN	10	COR_HO_A	488000	CORP_HO	CORP_HO	
	2	40		119000	Profit and Loss A/c	624,648,273.55	BTN			110000	FAS_REV_HO	FAS_REV_HO	

Display Document: Data Entry View

Data Entry View

Document Number: 100110053    Company Code: BPC1    Fiscal Year: 2025  
 Document Date: 31.12.2025    Posting Date: 31.12.2025    Period: 12  
 Reference:    Cross-Comp.No.:    Ledger Group:     
 Currency: BTN    Texts exist:   

Co.	Item	PK	S.	Account	Description	Amount	Curr.	Tx	Cost Center	Commitment Item	Funds Center	Profit Center	Clrng doc.
BPC1	1	40		169000	Def. Income Tax Liab	780,393,419.12	BTN			1650000	COMMON_FC	CORP_HO	
	2	50		489101	Def. Income Tax Expen	143,192,330.72	BTN		COR_HO_A	489100	CORP_HO	CORP_HO	
	3	50		119000	Profit and Loss A/c	637,201,088.40	BTN			110000	FAS_REV_HO	FAS_REV_HO	

**The memo has been treated as settled:**

The observation is considered **resolved**.

Based on management's corrective actions, including:

- Restatement of financial statements,
- Computation and recognition of deferred tax using the enacted tax rate of 22%, and

the matter has been appropriately addressed in the financial statements.

**Compliance to be made by management:**

None.



## 6. Incorrect Adjustment through Retained Earnings - Refund of Liquidated Damages (LD) [1.2.73]

**Amount: Nu. 443,493.82**

### Condition

During 2024, Liquidated Damages (LD) amounting to **Nu. 443,493.82** were recognised as income following the failure of the vendor, Power Construction, to meet contractual obligations. The income recognition was based on information available and approvals in place during the 2024 reporting period.

In 2025, the vendor submitted an application requesting a refund of the liquidated damages (LD). The refund was subsequently approved by the competent authority during the same year, in accordance with Section 12.8(i) of the Revised Delegation of Power (November 2021), which permits the grant of extensions beyond the stipulated time for execution of works or supplies under Post-Award Matters in Procurement. Management accounted for the refund by adjusting retained earnings, treating the transaction as a prior-period error.

### Criteria

**BAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors**, paragraph 5, defines prior-period errors as:

*“Omissions from, and misstatements in, the entity’s financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:*

- (a) was available when financial statements for those periods were authorised for issue; and*
- (b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.”*

Paragraphs 41–42 of BAS 8 require that only qualifying prior-period errors be corrected retrospectively through retained earnings.

### Cause

Management interpreted the refund of LD approved in 2025 as a correction of a prior-year error, rather than recognising it as a new event arising from a subsequent decision by the competent authority.

### Effect/ Risk

- Incorrect bypassing of the **Profit and Loss Account** in 2025.
- Misstatement of current-year income and retained earnings.
- Non-compliance with BAS 8, increasing the risk of regulatory observation.
- Precedent risk, whereby current-period transactions may be inappropriately routed through retained earnings.

### Audit Conclusion

The LD income was correctly recognised in 2024 based on reliable information available at that time. The refund approval was neither available nor reasonably knowable at the time the 2024 financial statements were authorised for issue. Accordingly, refund in 2025 represents a new event and does not constitute a prior-period error under BAS 8. Accordingly, adjustment through retained earnings is not appropriate.

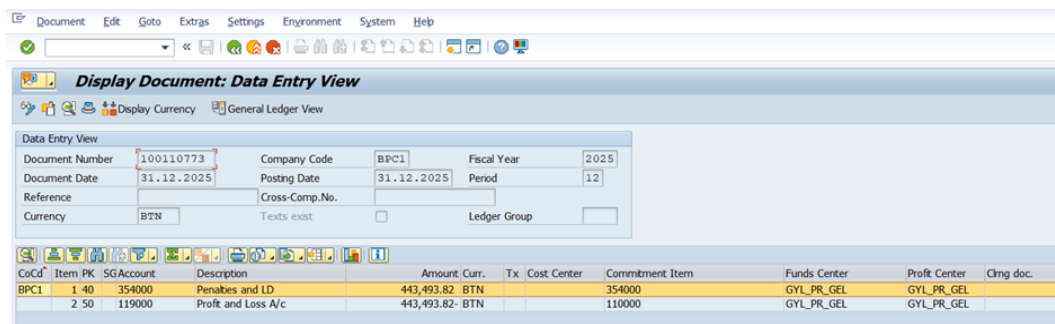
## Recommendation

Management should:

- Reverse the adjustment made through retained earnings; and
- Recognise the refund of Nu. 443,493.82 as a **current-year expense or reversal of income** through the Profit and Loss Account in 2025.

## Management Response

BPC acknowledges the auditor's observation and confirms that the entry has been rectified through the Profit and Loss account vide document number 100110773, as shown below:



The screenshot shows the SAP 'Display Document: Data Entry View' interface. The document number is 100110773, dated 31.12.2025. The table below shows the accounting entries:

CoCd	Item PK	SG Account	Description	Amount	Curr.	Tx	Cost Center	Commitment Item	Funds Center	Profit Center	Cimg doc.
BPC1	1 40	354000	Penalties and LD	443,493.82	BTN			354000	GYL_PR_GEL	GYL_PR_GEL	
	2 50	119000	Profit and Loss A/c	443,493.82	BTN			110000	GYL_PR_GEL	GYL_PR_GEL	

### The memo has been treated as settled:

The observation is considered resolved.

Management has rectified the accounting treatment by reversing the adjustment made through retained earnings and recognising the refund of Nu. 443,493.82 through the Profit and Loss Account for 2025 (vide document number 100110773).

Based on the corrective action taken, the accounting treatment is now aligned with BAS 8.

### Compliance to be made by management:

None.





## 7. Incorrect Initial Recognition and Subsequent Measurement of Bonds at Amortised Cost [1.2.73]

**Directly Attributable Issuance Costs: Nu. 1,214,680.00**

### Condition

During the year, the Company issued two series of bonds, CB013 and CB014. Audit review noted that all bond-related costs, including directly attributable transaction costs, were expensed in full in the year of issuance.

The following costs were identified in relation to the bond issuances:

- Total directly attributable, non-recurring costs: Nu. 1,214,680.00
- Total recurring costs: Nu. 6,001,707.85

Directly attributable costs included, inter alia:

- Prospectus approval committee fees
- Initial listing fees
- Brokerage fees
- Advertising costs directly related to bond issuance

These costs were not deducted from the bond proceeds and were not amortised over the bond tenure using the Effective Interest Rate (EIR) method. As a result, the bonds were not initially recognised and subsequently measured in accordance with amortised cost requirements.

### Criteria

**BFRS 9 – Financial Instruments**, paragraph 5.1.1, states:

*“At initial recognition, an entity shall measure a financial liability at its fair value minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.”*

Paragraph B5.4.1 of BFRS 9 further requires that such transaction costs be amortised over the life of the instrument using the Effective Interest Rate method.

Only costs that are not directly attributable or are recurring in nature are required to be expensed as incurred.

### Cause

Management did not distinguish between:

- Directly attributable bond issuance costs, and
- Recurring or non-attributable costs,

and did not apply amortised cost accounting or the EIR method for the bonds issued during the year.

### Effect / Risk

- **Overstatement of expenses** in the year of bond issuance.
- **Misstatement of bond liabilities** at initial recognition.



- **Misstatement of finance costs** over the tenure of the bonds.
- Non-compliance with BFRS 9, exposing the Company to regulatory and audit risk.
- Distortion of reported profitability in the year of issuance and future periods.

### Audit Conclusion

Directly attributable bond issuance costs amounting to **Nu. 1,214,680.00** should not have been expensed in full during the year. These costs should have been deducted from the bond proceeds and amortised over the bond tenure using the Effective Interest Rate method, in accordance with BFRS 9.

### Recommendation

Management should:

1. **Reclassify directly attributable bond issuance costs** of Nu. 1,214,680.00 from expenses to the bond liability.
2. **Recompute the initial carrying amounts** of Bonds CB013 and CB014.
3. **Determine and apply the Effective Interest Rate (EIR)** for each bond series.
4. **Amortise the issuance costs** over the respective bond tenures and adjust finance costs accordingly.
5. Ensure proper identification and accounting treatment of bond issuance costs for all future bond issuances.

### Management Response

*Management acknowledges the audit observation regarding non-compliance with BFRS 9 – Financial Instruments in relation to the initial recognition and subsequent measurement of Corporate Bonds CB013 (Phase I) and CB014 (Phase II) issued during the reporting period.*

*In line with the auditors' recommendations and the requirements of BFRS 9, management has undertaken corrective accounting actions to appropriately recognize and measure the bonds at amortized cost. The corrective measures implemented are detailed below:*

#### 1. Reclassification of Bond Issuance Costs

*A review of bond-related expenditures was carried out to distinguish between directly attributable, non-recurring issuance costs and recurring, non-attributable costs. Accordingly, the non-recurring, directly attributable bond issuance costs amounting to Nu. 1,214,680.00, which were initially expensed to the Statement of Profit or Loss, have been reclassified and deducted from the respective bond proceeds.*

*As a result of this adjustment, the revised initial carrying amounts of the bond liabilities for CB013 and CB014 have been restated as follows:*

<b>Corporate Bond</b>	<b>Initial bond amount (Nu)</b>	<b>Revised initial bond amount (Nu)</b>	<b>Difference (Nu)</b>
126128 Bond Phase I, CB013	501,475,000.00	500,717,600.00	757,400.00
126129 Bond Phase II, CB014	3,500,000,000.00	3,499,542,720.00	457,280.00
<b>Total</b>	<b>4,001,475,000.00</b>	<b>4,000,260,320.00</b>	<b>1,214,680.00</b>



Account Number	*																																																																									
Company Code	BPC1	Bhutan Power Corp Limited																																																																								
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Revised initial bond amount.

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### Determination of Effective Interest Rate (EIR)

Based on the revised initial carrying amounts and contractual cash flows, the applicable Effective Interest Rates (EIR) have been determined as follows:

- CB013 (Phase I): 8.52%
- CB014 (Phase II): 9.20%

### 3. Revision of Amortization Schedule

A revised amortization schedule has been prepared for both bond series using the respective EIRs determined above. Based on the revised schedule, the coupon interest expense recognized, and the total bond balances (bond liability plus accrued interest) as at 31 December 2025 are as follows:



Corporate Bond	Coupon interest expenses (Nu)	Bond balance (Revised initial bond amount + Accrued Interest) (Nu)
487008 Int.on Bond-Phase I, CB013	27,169,102.37	527,886,702.37
487009 Int.on Bond-Phase II, CB014	176,435,741.09	3,518,478,461.09
<b>Total</b>	<b>203,604,843.46</b>	<b>4,046,365,163.46</b>

Account Number \*

Company Code BPC1 Bhutan Power Corp Limited

Fiscal Year 2025

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All Documents in Currency \* Display Currency BTN Company code currenc

Period	Debit	Credit	Balance	Cumulative balance
Bal. Carryfor...				
1				
2				
3				
4				
5				
6	32,439,438.01		32,439,438.01	32,439,438.01
7	29,870,237.33		29,870,237.33	62,309,675.34
8	29,870,237.33		29,870,237.33	92,179,912.67
9	29,753,455.48		29,753,455.48	121,933,368.15
10	29,870,237.33		29,870,237.33	151,803,605.48
11	29,753,455.48		29,753,455.48	181,557,060.96
12	29,870,237.33	7,822,454.83	22,047,782.50	203,604,843.46

Total coupon interest expense booked.

Vendor 1200987 RSEBL

Company Code BPC1 Bhutan Power Corp Limited

Fiscal Year 2025

Display crncy BTN

Bals Special G/L

Transaction	Bal. Carried Fwd	Debit	Credit	Balance
Advance to Others		497,825.00	497,825.00	
Total		497,825.00	497,825.00	
Account balance		324,342,779.83	370,447,623.29	46,104,843.46-
Total		324,840,604.83	370,945,448.29	46,104,843.46-

Total coupon interest accrued (payable) as on 31.12.2025 is Nu. 46,104,843.46

Revised initial bond amount Nu. 4,000,260,320.00 + Coupon interest accrued (payable) Nu.46,104,843.46= Total bond liability Nu. 4,046,365,163.46 as indicated above.

Management has taken note of the observation and remains committed to ensuring compliance with applicable financial reporting standards.

**The memo has been treated as settled:**

The observation is considered resolved.





Management has reclassified directly attributable bond issuance costs amounting to Nu. 1,214,680.00 from expenses to the respective bond liabilities and recomputed the initial carrying amounts of Bonds CB013 and CB014 in accordance with BFRS 9.

The Effective Interest Rates (EIR) have been determined and applied, and revised amortisation schedules have been prepared. Coupon interest expense and bond liabilities as at 31 December 2025 have been recalculated based on the revised carrying amounts and EIR methodology.

Based on the corrective actions taken, the initial recognition and subsequent measurement of the bonds are now aligned with BFRS 9 – Financial Instruments.

**Compliance to be made by management:**

None.



## 8. Incomplete and Unclear Breakdown of Deviation Settlement Mechanism (DSM) Liability [1.2.65]

Balance as at 31 December 2025: Nu. 77,906,585.01

### Condition

Audit review of the DSM (Deviation Settlement Mechanism) liability account identified that balances recorded as at 31 December 2025 were incomplete and insufficiently supported.

The DSM liability account reflected a total balance of Nu. 77,906,585.01. Management provided an industry-wise breakdown amounting to Nu. 75,164,974.40, leaving **unidentified balances of Nu. 2,741,610.61**.

Further, within the identified balances:

- An amount of Nu. 4,710,626.54 relates to DSM payable to BPCL itself (“Residential BPC”).
- This balance represents income that should be recognised by the Company.
- However, a **year-wise breakdown** of this self-payable amount was not provided, preventing appropriate determination of:
  - the portion relating to the current year; and
  - any portion relating to prior years.

As a result, proper accounting treatment of the DSM liability and related income could not be concluded.

### Criteria

**BAS 1 – Presentation of Financial Statements**, paragraph 15, requires financial statements to present fairly the financial position and performance of the entity, which necessitates **clear identification and accurate classification of liabilities and income**.

**BAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** requires that income and liabilities be recognised in the correct period, and that any corrections relating to prior periods be appropriately assessed and disclosed.

As a matter of sound accounting practice and internal control, all balances held under clearing or settlement accounts such as DSM must be fully reconciled, identifiable, and supported by documentation.

### Cause

The condition appears to have arisen due to:

- Incomplete reconciliation of DSM transactions;
- Lack of clarity over internal offsets where the Company is both payer and recipient; and
- Absence of a year-wise tracking mechanism for DSM receipts and settlements.





**Effect / Risk**

- **Risk of misstatement** of liabilities and income in the financial statements.
- Unidentified balances of **Nu. 2,741,610.61** may indicate errors, omissions, or misclassifications.
- Failure to recognise DSM income payable to self may result in understatement of revenue and overstatement of liabilities.
- Weak internal controls over DSM accounting increase the risk of delayed settlement, disputes, and audit observations.

**Audit Conclusion**

The DSM liability account contains unidentified balances and self-payable amounts not properly analysed or recognised as income. The breakdown provided is incomplete and does not support accurate financial reporting as at 31 December 2025.

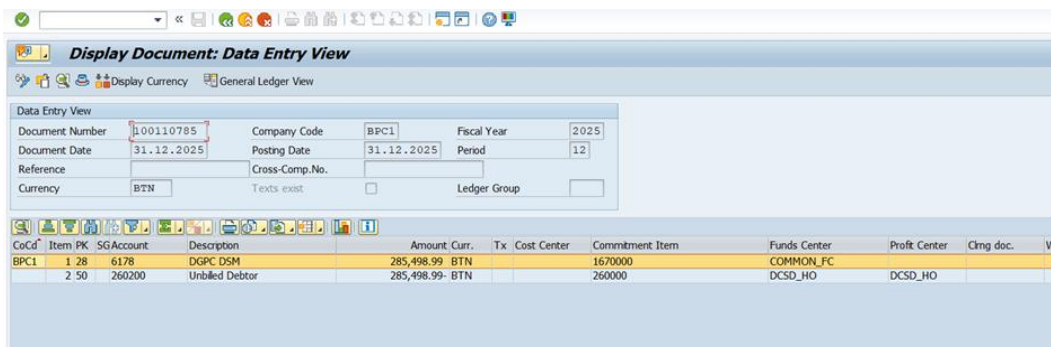
**Recommendation**

Management should:

1. Provide a complete reconciliation of the DSM liability account, clearly identifying the unidentified balance of Nu. 2,741,610.61.
2. Prepare and submit a year-wise breakdown of the “Residential BPC” amounting to Nu. 4,710,626.54.
3. Recognise the current-year portion as income in the Profit and Loss Account.
4. Assess the prior-year portion, if any, and treat it in accordance with BAS 8, including evaluation of whether retrospective adjustment is required.
5. Strengthen controls over DSM accounting, including documentation, reconciliation, and periodic supervisory review.

**Management Response**

The management acknowledges the observations on incomplete and unclear breakdown of DSM liability. From the initial observed amount of Nu. 77,906,585.01, Nu. 285,498.99 was adjusted with unbilled debtor against GDC by Finance as follows:



CoCd	Item	PK	SGAccount	Description	Amount	Curr.	Tx	Cost Center	Commitment Item	Funds Center	Profit Center	Cnng doc.	W
BPC1	1	28	6178	DGPC DSM	285,498.99	BTN			1670000	COMMON_FC			
	2	50	260200	Unbilled Debtor	285,498.99	BTN			260000	DCSD_HO	DCSD_HO		

From the balance amount of Nu. 77,621,086.02 Nu. 7,452,237.15 is now taken to DSM Income for the year 2025. As per the Grid Discipline Mechanism Regulation under the clauses 42 of the Accounting of charges for Deviation , “For LV and MV consumers less than 2MW , Transmission and Distribution





Licensee shall be liable for any payment or receivable of deviation charges as per the deviation charges statement. “

Current balance in DSM payable is Nu. 70,168,848.87 which is identified among following customers:

SL. No	Name	CA number	GDM amount	Grand Total [ (+)payable, (-) receivable]
1	SD Ferro Silicon Private Limited	150000211	1,449,219.07	(1,449,219.07)
2	Chukha Ferro Alloys Private Limited	10107981	232,461.89	(232,461.89)
3	Dungsam Cement Corporation Limited	150000300	2,086,776.75	(2,086,776.75)
4	Bhutan Carbide & Chemical Limited	20000305	361,770.29	(361,770.29)
5	Bhutan Ferro Alloys Limited	20000306	1,320,799.10	(1,320,799.10)
6	Penden Cement Authority	150000100	392,774.26	(392,774.26)
7	Bhutan Concast Private Limited	20000304	97,727.65	(97,727.65)
8	Bhutan Silicon Metals Pvt. Ltd	20000401	427,394.03	(427,394.03)
9	Lhaki Steel & Rolling Private Limited	20000402	909,839.60	(909,839.60)
10	Saint Gobain Private Limited	20000015	81,260.48	(81,260.48)
11	Druk Wang Alloys Limited	20000303	1,117,036.81	(1,117,036.81)
12	Druk Wang Alloys Limited II	10021482	973,970.89	(973,970.89)
13	Pelden Enterprise	20000302	(236,310.85)	236,310.85
14	Druk Ferro Alloys Limited	20000504	1,055,609.50	(1,055,609.50)
15	Tashi Metals Private Limited	20000204	459,525.25	(459,525.25)
16	Ugyen Ferro Alloys Limited	20000301	111,862.53	(111,862.53)
17	GDL Hongtsho	150000900	978,901.28	(978,901.28)
18	GDC Taba	150000904	2,299,275.85	(2,299,275.85)
19	GDC Damjee	20000001	3,104,665.68	(2,819,166.69)
20	GDL Samcholing	150001200	15,521,977.34	(15,521,977.34)
21	GDL Dagapela	150001100	3,847,016.32	(3,847,016.32)
22	GDL Jamjee	150000903	1,979,998.04	(1,979,998.04)
23	GDL Gedu	10016182	1,992,862.68	(1,992,862.68)
24	M/S.Lhaki Steel and Rolling Private Limited (Unit 2)	20000008	(6,889.99)	6,889.99
25	Bhutan Brewery Pvt. Ltd.	20000012	617,283.99	(617,283.99)
26	Lhaki Cement	140000203	363,228.03	(363,228.03)
27	GDL Jigmeling	10155960	26,106,725.23	(26,106,725.23)
28	GDC Dhandum	10160867	2,807,586.16	(2,807,586.16)
			-	<b>(70,168,848.87)</b>

**The memo has been treated as settled:**

The observation is considered resolved.

Management has undertaken reconciliation of the DSM liability account and adjusted the previously unidentified balance of Nu. 285,498.99. Further, an amount of Nu. 7,452,237.15 has been recognised as DSM income for the year 2025 in accordance with the applicable Grid Discipline Mechanism Regulation. The remaining DSM payable balance of Nu. 70,168,848.87 has been identified and allocated among respective customers, supported by updated reconciliation records.

Based on the corrective actions taken and supporting documentation provided, the DSM liability account has been reconciled and appropriately accounted for as at 31 December 2025.

**Compliance to be made by management:**

None.



## 9. Recognition of Provision for Legal Case [1.2.31]

**Provision Required: Nu. 2,460,000**

### Condition

A legal case previously disclosed as a **contingent liability in 2024** relates to criminal nuisance charges filed by the Office of the Attorney General (OAG) against the Company under **Sections 410 and 411 of the Penal Code of Bhutan**, following the electrocution of a student on **25 June 2022** involving an 11 kV distribution line. The case was filed on **10 February 2023**.

During 2025:

- The evidence hearing was completed on 28 October 2025; and
- The OAG is claiming compensation of Nu. 2,460,000 for two victims.

Based on information obtained from the Company's legal counsel, the **probability of the Company being required to compensate the victims is high**. However, no provision was recognised in the financial statements for the year ended 31 December 2025.

### Criteria

**BAS 37 – Provisions, Contingent Liabilities and Contingent Assets**, paragraph 14, requires a provision to be recognised when:

- (a) an entity has a present obligation as a result of a past event;*
- (b) it is probable that an outflow of resources will be required to settle the obligation; and*
- (c) a reliable estimate can be made of the amount of the obligation.*

Paragraph 23 of BAS 37 defines “probable” as **more likely than not**.

### Cause

The provision was not recognised despite updated legal developments, possibly due to reliance on the prior classification as a contingent liability without reassessing recognition criteria based on latest information.

### Effect / Risk

- **Understatement of liabilities** and expenses in the 2025 financial statements.
- Overstatement of profit for the year.
- Non-compliance with BAS 37, increasing audit and regulatory risk.
- Reduced transparency regarding the Company's legal exposure.

### Audit Conclusion

Based on the completion of evidence hearing, the quantified claim amount, and legal counsel's assessment that the likelihood of compensation is high, the obligation meets the **recognition criteria for a provision under BAS 37**.

### Recommendation

Management should:

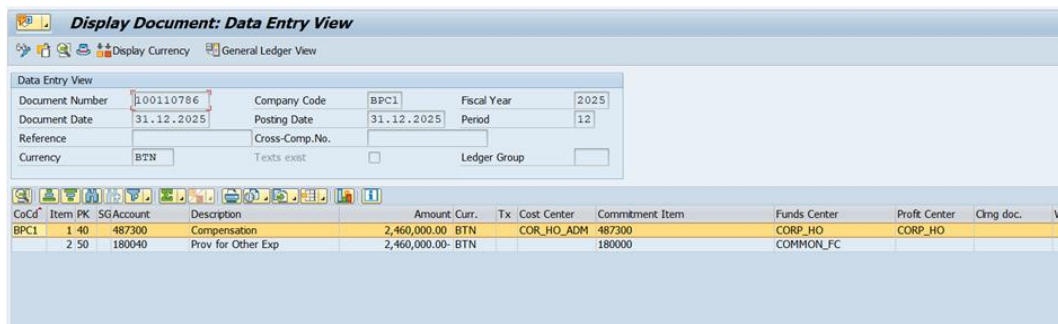
- **Recognise a provision of Nu. 2,460,000** in the financial statements for the year ended 31 December 2025; and



- Disclose the nature of the obligation, expected timing, and uncertainties involved, in accordance with BAS 37.

**Management Response**

Management acknowledges the audit observation and the amount has been shown as a provision in books of 2025. The liability has been duly booked under document number 100110786, as evidenced below.



CoCd	Item PK	SGAccount	Description	Amount	Curr.	Tx	Cost Center	Commitment Item	Funds Center	Profit Center	Cimg doc.	W
BPC1	1 40	487300	Compensation	2,460,000.00	BTN		COR_HO_ADM	487300	CORP_HO	CORP_HO		
	2 50	180040	Prov for Other Exp	2,460,000.00	BTN			180000	COMMON_FC			

In view of the above, we request you to kindly drop the issue and treat the matter as closed.

**The memo has been treated as settled:**

***The observation is considered resolved.***

Management has recognised a provision of Nu. 2,460,000 in the financial statements for the year ended 31 December 2025, in accordance with BAS 37. The liability has been duly recorded under document number 100110786.

Based on the corrective action taken, the obligation has been appropriately recognised and disclosed in compliance with BAS 37.

**Compliance to be made by management:**

None.



## 10. Misclassification of POL Expenses and Incorrect Provision Booking [1.2.10]

### Condition

During the review of **POL (fuel and lubricants) accounting**, it was observed that fuel payments made to fuel stations are recorded in **POL books maintained for each vehicle**. These balances represent **advances or prepaid fuel balances** to be utilised in subsequent periods.

As a normal year-end process, fuel expenses are required to be **reversed to the extent of unutilised POL book balances**, with corresponding **prepaid expenses** recognised to carry forward to the next financial year.

However, for the following locations, the Company did not apply the correct year-end adjustment for the year ended **31 December 2025**:

Location	POL Book Balance as at 31-Dec-2025 (Nu.)
CPO Samdrup Jongkhar	65,500.00
ESD Mongar	139,528.97
ED_HO, Thimphu	40,000.00

Instead of reversing the expenses and recognising prepaid balances, **incorrect entries were passed by debiting fuel expenses to create provisions**, resulting in misclassification.

### Criteria

**BAS 1 - Presentation of Financial Statements**, paragraph 15, requires financial statements to present fairly the financial position and performance of the entity.

Paragraph 27 of BAS 1 requires expenses to be recognised in the period in which the related economic benefits are consumed.

Amounts paid in advance for goods or services to be received in future periods are required to be recognised as **prepaid expenses**, and **not as provisions**, in accordance with sound accrual accounting principles.

### Cause

The issue appears to have arisen due to:

- Inadequate review of year-end POL adjustments; and
- Misunderstanding of the distinction between **prepaid expenses** and **provisions** during closing entries.

### Effect/ Risk

- **Overstatement of expenses** for the year ended 31 December 2025.
- **Creation of unnecessary and incorrect provisions**, misstating liabilities.
- Misrepresentation of prepaid balances, weakening the accuracy of the statement of financial position.
- Reduced reliability of year-end adjustments and cut-off controls.





### Audit Conclusion

The POL book balances represent **unutilised fuel advances** and should have been recognised as **prepaid expenses**. The creation of provisions in lieu of prepaid balances is incorrect and has resulted in misstatement of expenses and liabilities.

### Recommendation

Management should:

1. **Reverse the incorrect provision entries** recorded for the affected locations.
2. **Reverse fuel expenses** to the extent of unutilised POL book balances.
3. **Recognise prepaid POL expenses** to be carried forward to the next financial year.
4. Strengthen review and approval controls over year-end POL adjustments to prevent recurrence.

### Management Response

The mistaken entry is reversed by document number 100110777, 100110778 and 100110779 and correct entry made by 100110780, 100110781 and 100110782 as shown below.

**Display Document: Data Entry View**

Display Currency    General Ledger View

Data Entry View

Document Number: 100110781    Company Code: BPC1    Fiscal Year: 2025  
 Document Date: 31.12.2025    Posting Date: 31.12.2025    Period: 12  
 Reference:    Cross-Comp.No.:  
 Currency: BTN    Texts exist:     Ledger Group:

Co. ...	Item	PK	SC Account	Description	Amount	Curr.	Tx	Cost Center	Commitment Item	Funds Center	Profit Center	Clng d
BPC1	1	40	284000	Prepaid Expense	40,000.00	BTN	10		270000	ED_HO	ED_HO	
	2	50	450600	Vehicle Expenses-POL	40,000.00-	BTN	10	ED_HO_OPR	450600	ED_HO	ED_HO	

**Display Document: Data Entry View**

Display Currency    General Ledger View

Data Entry View

Document Number: 100110782    Company Code: BPC1    Fiscal Year: 2025  
 Document Date: 31.12.2025    Posting Date: 31.12.2025    Period: 12  
 Reference:    Cross-Comp.No.:  
 Currency: BTN    Texts exist:     Ledger Group:

Co. ...	Item	PK	SC Account	Description	Amount	Curr.	Tx	Cost Center	Commitment Item	Funds Center	Profit Center	Clng
BPC1	1	40	284000	Prepaid Expense	139,528.97	BTN	10		270000	ESD_MONGAR	MON_ESD	
	2	50	450600	Vehicle Expenses-POL	139,528.97-	BTN	10	MO_ESD_O...	450600	ESD_MONGAR	MON_ESD	

We request the auditor to kindly consider dropping the issue based on the above rectification entry made.





**The memo has been treated as settled:**

*The observation is considered resolved.*

*Management has reversed the incorrect provision entries (document numbers 100110777, 100110778 and 100110779) and passed the appropriate corrective entries (document numbers 100110780, 100110781 and 100110782) to recognise the POL balances as prepaid expenses.*

*Based on the rectification entries reviewed, the classification of POL expenses and liabilities has been corrected in accordance with BAS 1 and accrual accounting principles.*

**Compliance to be made by management:**

*None.*





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**PRIOR YEAR FOLLOW-UP REPORT**

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Follow-Up Report on Previous Years' Management Reports

Summary of Follow-up Report

Accounting year	Total No. of recommendations provided	No. of recommendations implemented	No. of recommendations partially implemented	Balance recommendations to be implemented
2024	1	1	0	0

Para No.	Observations in brief	Management's response - current status	Status of Compliance																												
1	<p>Inventory Discrepancies and Capitalization Issues at Storage Location 0016 (Plant THD1)</p> <table border="1" data-bbox="263 884 837 1182"> <thead> <tr> <th colspan="2">Project Information</th> </tr> </thead> <tbody> <tr> <td>Project Name</td> <td>: Construction of 33kV D/C Line using ACSR (Wolf) Conductor from 132/33kV Yurmoo substation to Project Site, Samcholing</td> </tr> <tr> <td>Project Completion Date</td> <td>: 10/27/2022</td> </tr> <tr> <td>Asset Code per SAP</td> <td>: 16549</td> </tr> <tr> <td>Asset Name per SAP</td> <td>: 33kV D/C Wolf Cond. from Yurmoo SS to Semcholing</td> </tr> </tbody> </table> <p>Upon reviewing the inventory records and associated project details for the construction of the 33kV D/C Line using ACSR (Wolf) Conductor from the 132/33kV Yurmoo Substation to the Project Site in Samcholing, we identified several discrepancies that impact the accuracy of inventory balances and capitalization.</p> <p>As of December 31, 2024, the total inventory balance at Storage Location 0016 amounted to Nu. 1,815,631.64. The discrepancies identified are categorized as follows:</p>	Project Information		Project Name	: Construction of 33kV D/C Line using ACSR (Wolf) Conductor from 132/33kV Yurmoo substation to Project Site, Samcholing	Project Completion Date	: 10/27/2022	Asset Code per SAP	: 16549	Asset Name per SAP	: 33kV D/C Wolf Cond. from Yurmoo SS to Semcholing	<p><u>Management Response:</u>  <b>AUC 49473 Details and Recovery from Contractor.</b>            After the capitalization of 33kV line at Samcholing, Trongsa, the spare materials were added to AUC number 49473 under TPO, Changedaphu amounting to Nu. 1,906,372.89.</p> <p>However, the contractor didn't return materials worth Nu. 194,386.48 to the project office, Samcholing. So, a total of Nu. 291,579.73 (150% of the total cost) were recovered from the contractor.</p> <p>The cost of the remaining materials in the AUC amounts to Nu. 1,711,986.41.</p> <table border="1" data-bbox="853 1220 1212 1512"> <thead> <tr> <th>Material</th> <th>Material Description</th> <th>Qty</th> <th>Rate</th> <th>Unit</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>295</td> <td>Preform termination - 150sqmm</td> <td>81</td> <td>380.00</td> <td>NO</td> <td>30,780.00</td> </tr> <tr> <td>296</td> <td>Guy preform for 7/8</td> <td>33</td> <td>348.00</td> <td>NO</td> <td>11,484.00</td> </tr> </tbody> </table>	Material	Material Description	Qty	Rate	Unit	Amount	295	Preform termination - 150sqmm	81	380.00	NO	30,780.00	296	Guy preform for 7/8	33	348.00	NO	11,484.00	<p>The action taken report was submitted to RAA Vide letter no. 23/BPC/RAA/CEO/2025/01 dated 9th May, 2025</p> <p><b>Status: (Implemented)</b></p>
Project Information																															
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Para No.	Observations in brief					Management's response - current status						Status of Compliance
	Sl. No.	Amount	Obs. No.	Issues	Resolved and moved to MAR							
	1	75,523.59	1.1	Inventories used during the project but omitted from capitalization	Yes							
	2	3,221.65	1.2	Reclassification of mistakenly capitalized asset as inventory	Yes							
	3	1,711,986.4	1.3	Missing inventories or unaccounted transfers to RSD, Gelephu	No							
	4	24,900	1.4	Unidentified account balances	Yes							
	<b>Total</b>	<b>1,815,631.64</b>										
<p>These discrepancies, as observed between SAP records and physical inventories, are detailed as follows:</p> <p><b>1. Missing Inventories and Unaccounted Transfers to RSD, Gelephu [7.2.17]</b>            After the completion of the project, the contractor returned the unused inventories to BPCL. The cost of incomplete and missing inventories was recovered from the contractor, while the remaining complete and usable inventories were officially handed over to BPCL as per the handover document dated December 14, 2022.</p> <p>The inventories were then physically transferred to the Regional Stores Division (RSD), Gelephu. However, the transfer could not be updated in SAP due to discrepancies between the physical stock and SAP records. As a result:</p> <ul style="list-style-type: none"> <li>SAP still reflects these inventories at their original storage location, despite their physical transfer.</li> <li>A physical verification at RSD, Gelephu revealed that some of the transferred inventories were missing, amounting to Nu. 1,283,878.16.</li> </ul>												
						344	SWG wire	5	477.27	NO	2,386.35	
						352	Mid span Jointing Sleeve (Wolf)	346	220.00	NO	76,120.00	
						378	P.G.Clamp (Wolf)	97	147.45	NO	14,302.65	
						381	Guy Insulator	477	670.71	SE T	319,928.67	
						486	33 kV Pin Insulator	29.55	87.27	KG	2,578.83	
						490	G.I.Wire 8 SWG	1,264.08	89.45	KG	113,071.96	
						514	GI stay wire 7/8SWG	16	151.00	NO	2,416.00	
						517	Danger plate (Medium voltage - 33 kV)	59	872.52	SE T	51,478.68	
						552	Spike Earthing	64	1,338.68	SE T	85,675.52	
						555	GI stay set assembly	96	780.00	SE T	74,880.00	
							GI Eye Hook 16mm					



Para No	Observations in brief	Management's response - current status	Status of Compliance																																																																																																																																																														
	<ul style="list-style-type: none"> <li>The discrepancies have prevented the completion of SAP updates, resulting in an overstatement of inventory balances at the original location and an unaccounted reduction at RSD, Gelephu.</li> </ul> <p>The table below details the missing inventory items:</p> <p style="text-align: right;">(Amount in Nu.)</p> <table border="1"> <thead> <tr> <th>Code</th> <th>Material Description</th> <th>Per SAP*</th> <th>Per Physical Verification</th> <th>Difference</th> </tr> </thead> <tbody> <tr><td>295</td><td>Preform termination - 150sqmm</td><td>30,780.00</td><td>-</td><td>30,780.00</td></tr> <tr><td>296</td><td>Guy preform for 7/8 SWG wire</td><td>11,484.00</td><td>11,484.00</td><td>-</td></tr> <tr><td>344</td><td>Mid span Jointing Sleeve (Wolf)</td><td>2,386.35</td><td>-</td><td>2,386.35</td></tr> <tr><td>352</td><td>P.G.Clamp (Wolf)</td><td>76,120.00</td><td>-</td><td>76,120.00</td></tr> <tr><td>378</td><td>Guy Insulator</td><td>14,302.65</td><td>9,731.70</td><td>4,570.95</td></tr> <tr><td>381</td><td>33 kV Pin Insulator</td><td>319,928.67</td><td>10,731.36</td><td>309,197.31</td></tr> <tr><td>486</td><td>G.I.Wire 8 SWG</td><td>2,578.83</td><td>-</td><td>2,578.83</td></tr> <tr><td>490</td><td>GI stay wire 7/8SWG</td><td>113,071.96</td><td>87,321.09</td><td>25,750.87</td></tr> <tr><td>514</td><td>Danger plate (Medium voltage - 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Para No	Observations in brief	Management's response - current status					Status of Compliance
	<p>Conduct a joint reconciliation involving BPCL's Finance, Procurement, and Warehouse teams to compare SAP records, handover documents, and the physical stock at RSD, Gelephu.</p> <p>Identify and document the reasons for the stock discrepancies, including potential losses, misallocation, or unrecorded transfers.</p> <p>Update SAP to reflect the actual inventory status at each location.</p> <ul style="list-style-type: none"> <li><b>Formal Investigation of Missing Inventories</b></li> </ul> <p>Initiate an internal review to determine whether the missing inventories were misplaced, lost, or unaccounted for during the transfer process.</p> <p>If necessary, recover losses through appropriate measures, including contractor liability or internal responsibility checks.</p>		<p>Clamp for HT</p>				
5808	GI Steel Tubular Pole 410-SP-65, 12m	4	30,875.00	SE T	123,500.00		
		TOTAL			1,711,986.40		
<p><b>Conversion of AUC to Inventory.</b></p> <p>The AUC (49473) amount needed to be converted into inventory in order to systematically issue the materials from TPO, Changedaphu storage location to other offices.</p> <p>With the support from officials from SUIT, the AUC cost was successfully converted to inventory and now lies in the storage location of TPO, Changedaphu (Refer Table 1 for the details).</p> <p>Out of the missing materials reported as difference in the observation with value of Nu. 1,283,878.16 incomplete materials worth Nu. 630,809.32 have been returned by the project office to RSD as shown in the table below. The balance materials worth Nu. 653,068.84 shall be reconciled, updated in the SAP by the concerned project officials and shall hand over physically to the RSD.</p>							
Code	Material Description	Difference	Incomplete (handed over to RSD)	Missing			
295	Preform termination - 150sqmm	30,780.00	30,780.00	0.00			
296	Guy preform for	-					



Para No	Observations in brief	Management's response - current status				Status of Compliance
			7/8 SWG wire			
		344	Mid span Jointing Sleeve (Wolf)	2,386.35	954.54	1,431.81
		352	P.G.Clamp (Wolf)	76,120.00	4,840.00	71,280.00
		378	Guy Insulator	4,570.95	4570.95	
		381	33 kV Pin Insulator	309,197.31	3353.55	305,843.76
		486	G.I.Wire 8 SWG	2,578.83		2,578.83
		490	GI stay wire 7/8SWG	25,750.87		25,750.87
		514	Danger plate (Medium voltage - 33 kV)	2,416.00	1963	453.00
		517	Spike Earthing	51,478.68	51,478.68	
		552	GI stay set assembly	40,160.40	38821.72	1,338.68
		555	GI Eye Hook 16mm Dia 250 mm Long	-		



Para No.	Observations in brief	Management's response - current status					Status of Compliance
		993	Anti-climbing Device	540.12		540.12	
		1272	33kV Polymer Strain insulator assembly	348,040.00	212,440.00	135,600.00	
		1501	Preform deadend termination -shield wire	333.96		333.96	
		2088	GI stranded Earth Shield Wire 7/2 mm	34,519.43		34,519.43	
		5586	Galvanized Cross arm assly H-frame (O)	-			
		5587	Galvanized Cross brace arm assembly	225,908.90	154,908.96	70,999.94	
		5593	Galvanised Stay Clamp for HT	5,596.36	3,197.92	2,398.44	
		5808	GI Steel Tubular Pole 410-SP-65, 12m	123,500.00	123,500.00	0.00	

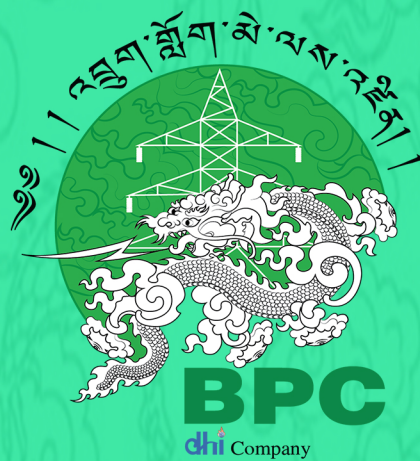




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Para No.	Observations in brief	Management's response - current status			Status of Compliance
		1,283,878.16	630,809.32	653,068.84	
<p><b><u>Additional Management Responses (Post-Exit):</u></b>            For the materials listed incomplete set amounting to Nu. 630,809.32 items, the Management will form a team and assign the tasks to make the items in complete set after the proper assessment. For those items that can't be made in complete set, further assessment on their usage will be done with proper valuation of the items. Regarding the missing items amounting to Nu.653,068.84, re-verification and reconciliation will be carried out accordingly by the same team as recommended by the auditor. Necessary treatment shall be carried out by the department as per the company norms. The action taken report on the same will be submitted to RAA latest by first quarter of fiscal year 2025. Considering the above, it is requested to drop the observation.</p> <p><b><u>Auditor's Further Comments:</u></b>            We acknowledge the management's response and their commitment to resolving the identified issues. As part of the Action Taken Report (ATR) for the RAA's review, management is required to provide a detailed report outlining the reconciliation and revaluation processes undertaken for the incomplete and missing inventories. Additionally, management should ensure that all necessary adjustments are accurately reflected in the SAP system to align with the physical stock records.</p> <p><b><u>Who is accountable?</u></b>  <b>Direct Accountability-</b> Name: Amrit Bdr. Limbu, Designation: Associate Engineer, CID: 11204000983  <b>Supervisory Accountability-</b> Name: Tshering Wangchuk, Designation: Head, TOMU, Yurmoo, CID: 10711001814</p>					





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