



# ANNUAL REPORT



**BHUTAN POWER CORPORATION LIMITED**



**VISION**

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

**MISSION**

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

**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 our actions, think of the consequences before taking any action, adopt fairness and transparency in all operations.



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



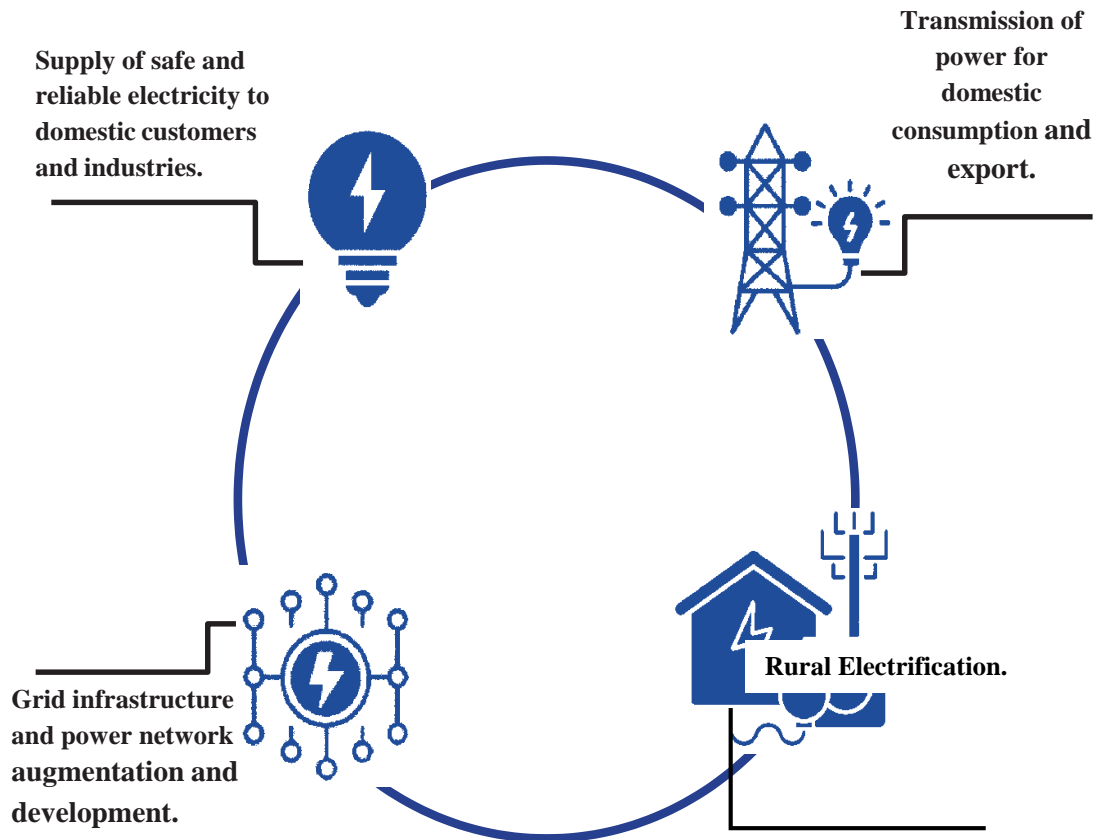
**The Damtse:** Remain loyal, dedicated and committed to achieving the Company's vision and mission, have strong allegiance to the Company identity and values and always work to uplift the public image of BPC and the Country at large.

## TABLE OF CONTENTS

<b>COMPANY PROFILE.....</b>	<b>1</b>
<b>YEAR IN REVIEW .....</b>	<b>2</b>
<b>BOARD OF DIRECTORS.....</b>	<b>4</b>
<b>MANAGEMENT TEAM .....</b>	<b>6</b>
<b>DIRECTORS' REPORT.....</b>	<b>7</b>
<b>CORPORATE GOVERNANCE REPORT.....</b>	<b>14</b>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>21</b>
<b>REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS .....</b>	<b>26</b>
<b>FINANCIAL STATEMENTS.....</b>	<b>32</b>
<b>ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS.....</b>	<b>38</b>
<b>ACCOUNTING POLICIES &amp; NOTES TO ACCOUNTS.....</b>	<b>38</b>
<b>COMPLIANCE CALANDER AND CHECKLIST .....</b>	<b>97</b>
<b>COMPLIANCE CALANDER AND CHECKLIST .....</b>	<b>97</b>
<b>MANAGEMENT REPORT.....</b>	<b>102</b>

## COMPANY PROFILE

On 1<sup>st</sup> 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 the 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.

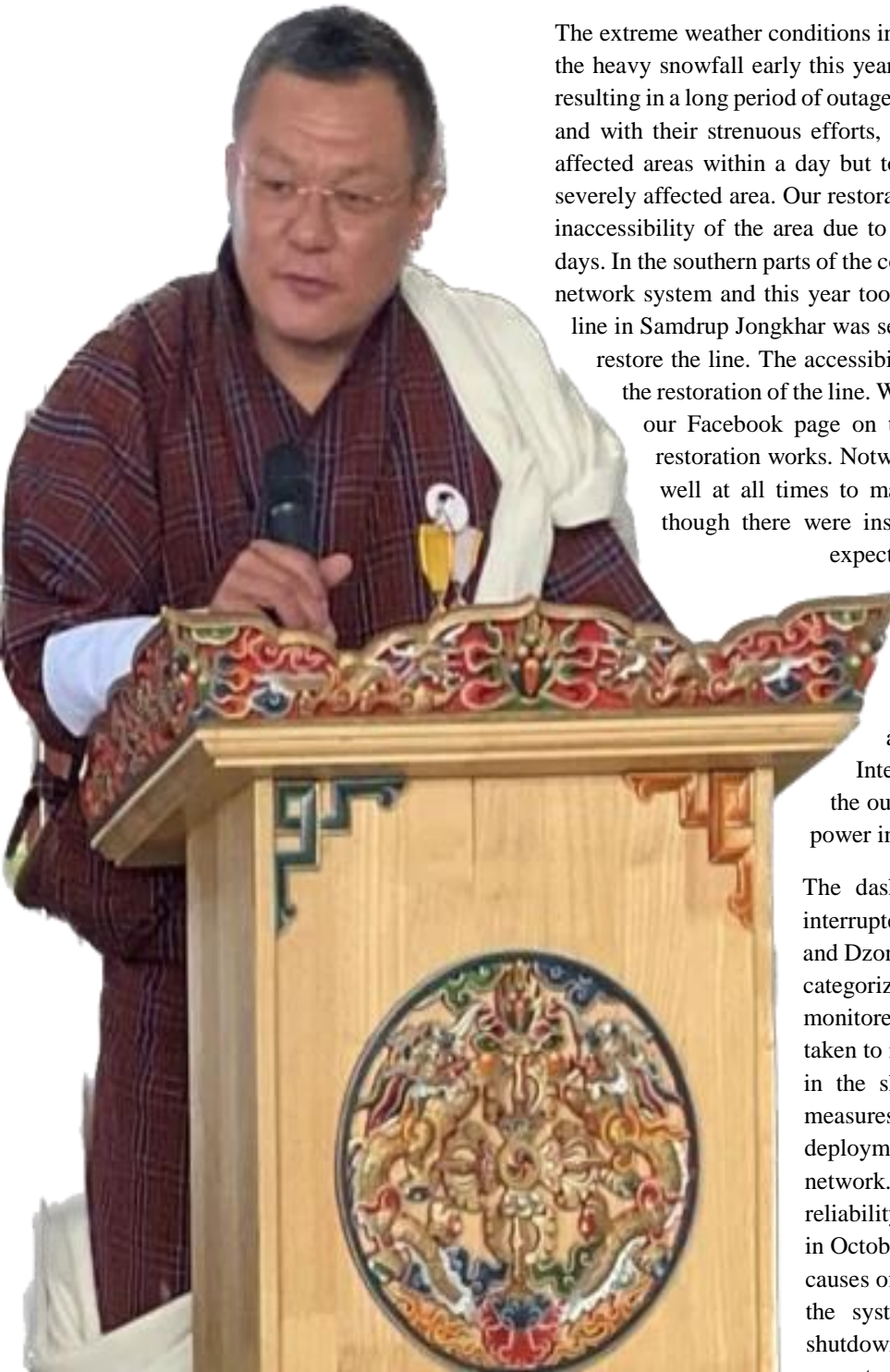
### Destination Statement

**To contribute Nu. 5,700 million as annual dividends to DHI in 2030**



## YEAR IN REVIEW

### From the CEO'S Desk



The extreme weather conditions in the northern and central parts of the country due to the heavy snowfall early this year had caused severe damage to our network system resulting in a long period of outages in some of the areas. Our people responded quickly and with their strenuous efforts, we were able to restore the supply in most of the affected areas within a day but took several days to restore the supply in the most severely affected area. Our restoration efforts were also severely hampered due to the inaccessibility of the area due to thick snow which remained un-melted for several days. In the southern parts of the country, the monsoon as always causes damage to the network system and this year too, a certain section of the Samrang- Jomotshangkha line in Samdrup Jongkhar was severely damaged and it took around thirteen days to restore the line. The accessibility is the main reason for the longer time taken on the restoration of the line. We kept our customers informed and updated through our Facebook page on the outages and the status of the progress of the restoration works. Notwithstanding the hardships, our workforce responded well at all times to maintain the network system and minimize outages though there were instances where restoration works took longer than expected.

As always, one of the single most challenging task today that the company face is to ensure an uninterrupted and reliable power supply. The improvement in reliability has been the main thrust area during the year. BPC developed Power Outage Interruption Dashboard to record, monitor and analyze the outages. The outage data are updated as and when the power interruptions occur.

The dashboard gives the number of outages, customers interrupted, SAIFI, SAIDI, and MAIFI for the overall system and Dzongkhag-wise for the selected period. The outages are categorized by causes and root causes are analyzed, and monitored for corrective actions. The appropriate actions are taken to improve reliability through systematic interventions in the short term and in the long term. The immediate measures taken are process improvements, technological deployment, and feeder automation of the distribution network. These measures saw marked improvement in reliability and the number of outages decreased from 1,237 in October 2022 to 444 in December 2022. One of the major causes of the outages is on account of planned shutdowns of the system taken for annual maintenance and ad hoc shutdown taken for contingencies. To address these outages, a system contingency is worked out for each of the

Dzongkhags. We are also upgrading our system, making new investments, replacing old systems, and bringing in a lot of technological intervention into our network system. With maturity, these works would definitely bring in improved reliability, minimize the outages and help us to provide improved services.



BPC as always accords high priority to safety at the workplace of its employees and to those who may get injured from our network system and its allied installations. Towards achieving overall safety, our Safety and Quality people

conducted intensive safety awareness programs for the employees of the company during the year. To the public at large, we intensified safety awareness programs through various social media platforms and in various reality shows in the country. Despite all the efforts, for the employees as well as for the public during the year it is unfortunate that there were accidents 14 accidents involving 5 employees and 9 public. Of these 6 were fatal, one was a BPC employee and 5 were public. Recommended actions on the lessons learnt from every accident are put into action plans to avoid the recurrence of similar nature accidents. It is also critical to see a change in the mindset, and behavioral aspects, adopting to standards and efforts from all stakeholders to avoid and mitigate accidents at the workplace. On the part of the BPC, conscientious efforts and policy interventions are being put in place for a safe working environment.

The human capacity resources and its development plans are seen as key in taking forward any initiatives. Identifying areas of resource input for critical sections of the operation remains a priority in the midst of the high attritions of employees that the company is experiencing lately. Many employees from different professions have left the company during the year, especially mid-level professionals. This trend is continuing in early 2023 as well. The challenge is on retaining those that we have groomed and nurtured over the years in various aspects of our operations. It would take a considerable amount of time and effort to develop the new potential to the level of those that have resigned. The Management is left with no other choice but to address the resource gap through intakes of new potentials and begin professional development. The company is committed on this front to being self-reliant and to achieving a center of excellence in the service that we provide.

The spread of COVID-19 over the last two years seriously impacted the delivery of our services, disrupted the entire supply chain system, and carrying out the operation and maintenance of our system was made difficult. With the easing of the COVID-19 pandemic restriction since March

2022, for the greater part of the year, the company focused on catching up on the backlog created by the pandemic on our network expansion works and other initiatives on improving the reliability and bringing our various services on the digital platform.

As in the past and in keeping with the global trend in utility, the main focused area was on increasing the reliance on technology intervention to improve customer services, through modernizing the grid and process improvement for both internal and external purposes. The Advanced metering system and solutions on a pilot basis in the upper Thimphu region were successfully completed. Moving ahead, increased reliance will be made on modernizing the grid and the company is keeping abreast with evolving technology in the utility sector. Automating our system will reduce the turnaround time of the services that we provide. The Management is building stronger systems by relying on and by keeping pace with the changing times and the transformation that is taking place in the utilities globally. We are proud in taking forward the initiatives and working collectively and responsibly to serve our customers ultimately aiming to contribute to the socio-economic development of our country.

All these initiatives would not have been possible without the guidance from the Shareholders, the Board, and the hard work put in by every employee of the company. On behalf of the employees and management of the company, I would like to take this opportunity to thank the shareholder and the Board of Directors for their support and guidance provided during the year. I also would like to sincerely acknowledge and recognize the concerted efforts put in by the employees and for their commitment to delivering prompt service during the year despite the numerous challenges faced in serving our customers.

Without their dedication and commitment, it would have been very difficult to provide prompt services to our valued customers.

Sonam Tobjey  
Chief Executive Officer

## BOARD OF DIRECTORS

### 1. Ms. Kesang Deki, Chairperson



Ms. Kesang Deki is the current Cabinet Secretary and has received a Master of Public Finance, Income Tax, and Finance from National Graduate Institute for Policy Studies Tokyo, Japan. She served as Collector at the Department of Revenue and Customs for more than 4 years. She also served as a Commissioner at Royal Civil Service Commission and as Director General at the Department of National Properties, Ministry of Finance. Before her appointment as Cabinet Secretary, she served as Finance Secretary.

### 2. Mr. Kunzang Dorji

Mr. Kunzang Dorji is currently serving as the Zimpon Wongma, Office of the Gyalpoi Zimpon. He has functioned for close to 25 years as a civil servant in various government agencies and international agencies. He earned his professional applied arts specialization degree from Delhi University, India, and Social Anthropology for his M.sc at the University of Oxford, the United Kingdom. He serves as an Independent Director on BPC Board.



### 3. Mr. Karma P. Dorji

Mr. Karma P. Dorji is the Director of the Department of Energy, Ministry of Energy and Natural Resources. He received his Masters of M.sc in International Development Technology from 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 BPC Board.



### 4. Mr. Kinzang Tobgay

As one of the first qualified CPAs in the country, Mr. Kinzang Tobgay has been in leadership positions in various public sector companies in Bhutan for the last 13 years. He has over 17 years of experience in the corporate and financial sector in Bhutan. Prior to his move to the private sector, he worked 7 years with Druk Holding and Investments (DHI) and resigned while holding the position of Director (Finance). He serves as an Independent Director on BPC Board.





**5. Ms. Dechen Wangmo**

Ms. Dechen Wangmo is the Director of the Corporate Affairs Department, at Druk Green Power Corporation Ltd. (DGPC). She completed Bachelor of Electrical Engineering from the University of Wollongong, Australia, and a Master of Business Administration from the Melbourne Business School, University of Melbourne, Australia. She has served DGPC in various capacities since 2008. Prior to joining DGPC, she worked as Head of the Billing and Collection Unit, ESD, BPC. She serves as a Non-independent Director on BPC Board.

**6. Mr. Sonam Lhundrup**

Mr. Sonam Lhundrup is the Nominee Director of Druk Holding and Investments (DHI) and has a Master of Law Degree (LL.M) from the George Washington University Law School, Washington DC, USA, and has received his Bachelor of Law (LL.B) from University of Mumbai, India. Prior to his current post, he served as a Senior Legal officer at the Ministry of Agriculture and Forests and as a Member Secretary of the Land Act Review Committee. He serves as a Non-Independent Director on BPC Board.

**7. Mr. Sonam Tobjey**

Mr. Sonam Tobjey is the incumbent Chief Executive Officer of BPC. He received his postgraduate studies from the University of Canberra, Australia, and received Masters of Commerce degree in Accountancy. He served as Director of Finance and Accounts Services before assuming the current post in August 2018. He serves as a Non-Independent Executive Director on BPC Board.

## MANAGEMENT TEAM



Mr. Sonam Tobjey, CEO, BPC



Ms. Dechen Dema,  
Director,  
Transmission Department



Mr. Thinley Gyeltshen,  
Director,  
Distribution Department



Ms. Kinley Dem, Director  
Corporate Services  
Department



Mr. Sangay Tenzin, Director  
Construction & Procurement  
Department

# **DIRECTORS' REPORT**

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## 1. Introduction

On behalf of the Board of Directors of Bhutan Power Corporation Limited (BPC), we are delighted to present this report on the company's performance for the year 2022. This report is prepared in accordance with Sections 177 and 178 of the Companies Act of Bhutan 2016, covering the period from January 1, 2022, to December 31, 2022, and is being presented to our shareholder Druk Holdings and Investments (DHI) and other stakeholders.

## 2. Overall System Performance

The country's national peak demand was recorded at 629.23 MW on December 28, 2022, at 16:03 hours, compared to 487.760 MW on December 30, 2021, at 16:00 hours. The increase in demand in the country has resulted in a significant rise in the load.

The number of customers for the year 2022 increased to 232,465 from 213,630 customers in 2021, with industrial consumption continuing to dominate the domestic load at around 75.65%. During the period of January to March 17, 2022, the Tala Hydropower Plant was shut down for inspection and repair of the Head Race Tunnel, resulting in a shortfall of domestically generated power. However, the shortfall was met through the import of power from India via the Indian Power Exchange by DGPC.

The domestic load for the year was met by purchasing total energy of 3,450.08 million Units (MU) of energy from DGPC, 8.96 MU of energy from embedded generation, and 203.92 MU of energy imported from India.

In comparison, the domestic load for the previous year was met by purchasing 2,649.54 MU of energy from DGPC and 21.41 MU from embedded generations. Furthermore, the total energy sold was 3,465.18 MU, compared to 2,474.83 MU in the previous year, indicating an increase of about 40.02%. However, the energy exported to India decreased to 7,239.78 MU from 8,074.71 MU in the previous year due to an increase in internal consumption.

Out of the total energy of 10,903.17 MU injected into the system, 10,705.38 MU was utilized. This translates to global energy loss for the year of 1.81%, compared to 1.83% in the previous year. Additionally, the domestic Transmission and Distribution (T&D) loss (excluding wheeling) in 2022 was 5.54%, a reduction from 7.34% in 2021. The T&D losses were maintained at limits comparable within the region. The Bhutan Power System Operator (BPSO) coordinated and monitored the load flow within the system.

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

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

### 3.1 Financial Position

Sl. No.	Item Description	Year 2022 (Nu. in million)	Year 2021 (Nu. in million)
1	Total value of assets of the company	42,117.66	35,798.86
2	Net worth of the Company	16,121.21	15,396.69
3	Gross Asset addition	1,526.38	1,653.29

### 3.2 Results of Operation

Sl. No.	Item Description	Year 2022 (Nu. in million)	Year 2021 (Nu. in million)		Percentage change
1	Total Revenue	14,851.13	10,876.57		36.55%
2	Wheeling Revenue	1,850.32	2,185.15		(15.32%)
3	Construction Contracts	3,039.04	1,328.02		129 %
4	Total Expenditure	13,659.79	8,996.42		51.84%
5	Profit Earned (before tax)	1,191.34	1,880.14		(36.64%)
6	The tax assessed provisionally	330.26			
7	Deferred Tax	31.27			
8	Net Profit Earned	829.81	1,356.91		(38.85%)
9	The Basic as well as Diluted Earnings Per Share	78.87	132.99		(40.69%)

The BPC's total revenue increased in the financial year due to an increase in electricity sales and revenue generated from construction contracts. However, income from the wheeling of energy decreased due to increased domestic consumption. The company's Profit After Tax (PAT) decreased primarily due to the increased cost of purchasing power and finance costs resulting from taking over the balance portion of the Mangdechhu Associated Transmission System cost apportioned to Kholongchu, Chamkharchhu-I, and Nikachhu Hydroelectric Projects. Other cost components showed marginal increases.

The domestic tariff 2021-22 expired on 30th June 2022. The Electricity Regulatory Authority approved the new tariff structure based on the tariff application submitted by BPC which came into effect on 1<sup>st</sup> September 2022 and will be applicable for three years until 30th June 2025. Unlike in the past, a uniform tariff of Nu. 2.66 per unit was approved for all customer categories. In the previous tariff structure, the approved tariff was Nu 5.06 per unit for LV customers, Nu 5.15 per unit for MV customers, and Nu 2.26 per for HV customers.

#### 4. Transfer to Reserves

As per the company's asset risk mitigation policy, an amount of Nu. 28.57 million (equivalent to 0.4% of the Nu.7,141.78 million of the total assets added during the year) is being proposed to be kept aside as the Company's Asset Replacement Reserve. The cumulative amount under this reserve will stand at Nu.199.26 million.

#### 5. Recommendation for payment of Dividend

The Board recommended paying a dividend of Nu. 806,687,043 during the 165<sup>th</sup> Board meeting held on 22<sup>nd</sup> March 2023.

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

The auditors have issued an unqualified audit report for the year, and there are no reservations, qualifications, or adverse remarks contained in the report that require explanation or additional information.

#### 7. Corporate Governance

The management of the Company and its governance are guided by the Companies Act of Bhutan 2016 and other relevant laws of the country. The management of the company is ensured by the BPC Board consisting of seven directors, including the Chairperson and the CEO. During the year, the company conducted 15 board meetings to deliberate and provide strategic guidance to the management and the company. The Board is supported by the Board sub-committees in the decision-making of the Board. The Board Audit and Risk Committee (BARC) conducted 9 meetings, the Board Tender and Technical Committee (BTTC) convened 11 meetings, and the Board Human Resource Committee (BHRC) conducted 6 board meetings during the year. The company also complied with the minimum

requirement to hold board meetings as prescribed by section 146 of the Companies Act of Bhutan 2016.

The Risk Oversight and Internal Control Systems management are entrusted to the Board Audit and Risk Committee (BARC). The independent Internal Audit Unit (IAU) works and reports directly to the BARC. The IAD regularly conducts planned reviews of the adequacy of the internal control mechanism in the field offices, and recommendations are implemented by the Management. In the year, the IAU developed the Internal Audit Clearance System, which shall ensure that pending audit observations are resolved within the time frame. The risk oversight function of the Board is also supported by the Risk Management Division of the company. The key risk areas are identified from across the company's operational activities, and corresponding measures to mitigate the adverse impacts are implemented on a continuous basis.

#### 8. Corporate Social Responsibility (CSR)

The CSR activities of the company are guided by the 2013 CSR framework issued by the DHI. BPC contributed Nu. 36.48 million towards electricity waiver for quarantine facilities and point of entry, Nu. 86.12 million towards the National Resilient fund, Nu 1 million BPC towards charitable contributions Nu. 0.18 million towards operational. The total contribution made during the year is Nu. 123.81 million.

#### 9. Transmission and Distribution System Highlights

The transmission and distribution network of the company underwent several expansion and upgradation works during the year, as detailed below:

Transmission System: Apart from the regular operation and maintenance of the transmission system, the company completed the installation, testing, and commissioning of the Supervisory Control and Data Acquisition (SCADA) system



at the Dechencholing substation. The network topology and GIS mapping under SMD, Jigmeling, and SMD, Phuentsholing have been completed, and the implementation of AMR/AMI for all the substations under SMD, Semtokha has been finished. These works are part of the Smart Grid implementation in the Transmission network system. The company also carried out upgradation works to enhance the capacities of the substation. A 10MVA, 66/11kV power transformer was shifted from Semtokha to Malbase and installed, tested, and commissioned. The 10MVA, 220/33kV transformer was shifted from Dagapela to Tsirang, and installed, tested, and commissioned. Upgradation of the Gelephu substation to meet the load requirement of the Gyalsung project has been completed, and retrofitting works of 132kV circuit breakers for transmission lines at Nganglam and Deothang substations were completed to facilitate auto-reclosure. Innovative measures were also taken to ease the operation and maintenance of the network at high altitude areas, such as the application of superhydrophobic coating (Si-COAT 570 Super) on the insulators to limit the ice accretion on the insulators at Ngadala in Bumthang, Chelela at Haa, and Changedaphu in Thimphu.

**Distribution System:** To cater to the increasing domestic load, the distribution network system is continually expanded and upgraded in line with the Distribution System Master Plan. The upgradation of 33/11kV substations at Thimphu Mini Hydel, Thimphu from 2x2.5 MVA to 2x10MVA, Babesa, Thimphu from 2x5 to 2x10 MVA was completed during the year. The power supply arrangement for Dhamdum, Motanga, and Jigmeling industrial estates was also completed. Under the Project “On-grid Rural Electrification of Off-grid households,” 125 households were connected to the grid supply during the year through balance JICA ODA-loan financing, and a total of 963 households were also electrified through BPC’s fill-in RE program during the year. The company continued to focus on improving customer services through the automation process. BPC completed the implementation of Distribution Automation and coordinated

smart automated switching system equipment across the country. The installation of Auto-Recloser Circuit Breakers (ARCB), Sectionalizers, and Fault Passage Indicators has significantly enhanced the reliability. BPC has also initiated the Advanced Metering Infrastructure (AMI) as a pilot project under Thimphu Dzongkhag which enables two-way communication between the utility and customers. The AMI system is planned to be scaled up to cover the remaining customers of Thimphu once the system matures. The Power Outage Management System (POMS) was developed and put in place. The report gives the number of outages and customers interrupted for the overall system and Dzongkhag wise. The root causes of outages are analyzed and monitored for corrective actions.

Departing from the ‘meter centric’ business approach, focusing on the proper identification of the right owner for service connection, providing better customer service, and direct interaction with the customers, BPC has embarked on a ‘Customer Centricity’ business approach.

Further, starting from July 1, 2022, BPC has also taken up the Operation and Maintenance of Electric Vehicle Charging Stations in the country.

## **10. Discontinuation of Business Operations**

In an effort to segregate and consolidate its generation assets under Druk Green Power Corporation Limited (DGPC), the embedded generation functions, assets, and 24 employees were transferred to DGPC starting July 1, 2022. Similarly, the Bhutan System Operation was delinked from BPC, effective July 1, 2022, and is now established as an independent system operator that reports directly to the Ministry. The assets, along with 33 employees, were transferred to the Office of the System Operator.

## **11. Human Resources**

The revised Service Rules and Regulations (SRR) took effect in March 2022, after receiving approval from the Ministry of

Labour and Human Resources. The updated service rules incorporated changes that had occurred in various aspects of human resource development and service entitlements since the last revision in July 2016.

One notable achievement of the HRAD in collaboration with the IT Team was the development of a blueprint to automate several internal processes, including the Online Note sheet Approval System, Online Promotion System, Online Increment System, Online Employee Transfer System, Online Job Descriptions, Online Employee Skill Mapping, Online Uniform Sizes, Online Knowledge Repository System, and Employee Welfare System. These online systems are expected to be operational by 2023, increasing the efficiency of the company's HR activities.

## **12. Challenges**

Despite its many achievements, the company faces various challenges, some of which are highlighted below:

### **12.1 Attrition**

During the year, the overall attrition rate of employees was 6%, with grade A and B mid-level professionals having the highest attrition rate of 12.04%. The company is now facing a shortage of employees in this category, despite providing a conducive working environment with assured professional development. To address this gap, the company has initiated recruitment.

### **12.2 Reliability**

The electricity grid is vulnerable to both natural and man-made disasters, which was evident when heavy snowfall in February caused significant and sustained power outages in several areas, including Thimphu, Paro, Wangduephodrang, Gasa, Haa, Bumthang, and high-altitude areas of other dzongkhags. The southern part of the country is also prone to reliability issues, particularly during monsoon seasons when

line interruptions are common. In urban and semi-urban areas, underground cables get damaged during excavations at construction sites, causing power outages. Excavator operators and construction site owners often fail to report such disruptions to BPC, compromising the reliable power supply and delaying fault location and restoration efforts. To analyze the number of outages, BPC consolidated power outage information and published it on the website. Time at which the system gets interrupted and the time at which the system gets restored is recorded. The interruptions are categorized as emergency request trip, maintenance trip, momentary trips, and permanent fault trip. A maximum of 2 days and a minimum of 2 minutes was taken to restore the system after permanent faults which were under the control of BPC. The outages caused by natural calamities took a longer time to restore despite concerted efforts. By monitoring outages and taking appropriate measures, a marked improvement in outages was achieved towards the last quarter of the year, with the outages decreasing significantly from 1,237 in October 2022 to 444 in December 2022.

### **12.3 Safety at Work**

Despite BPC's high priority to safety at the workplace, accidents occurred to both employees and the public during the year. A total of 14 accidents occurred of which 5 were BPC employees and 9 were public. Of these 6 were fatal, one was a BPC employee and 5 were public. The accidents were thoroughly investigated and remedial measures were put in place for the lapses. The company conducted intensive safety awareness programs for its employees and the public through various social media platforms and its Facebook page. BPC is conscious of safety and conscientious efforts and policy interventions are being put in place to ensure the safety not only of its employees but the public at large.

#### 12.4 Right of Way (RoW)

The Right of Way (RoW) continues to be a significant challenge for Bhutan Power Corporation (BPC). Despite following due process during the extensive electrification program carried out as part of the national program "Electricity for all," BPC is overwhelmed with requests to shift the poles by private individuals. Although electricity has reached every nook and corner of the country, the distribution system's service extensions and upgrades still need to be taken up to improve service reliability. Unlike in the past, building a network system is becoming increasingly challenging in securing the RoW.

#### 12.5 Future Outlook

The Druk Holding & Investments (DHI) is taking various reform initiatives to increase operational efficiency,

optimizing both human and capital resources, and improving customer services. Periodic reforms are necessary to ensure that the company is optimally organized, and human resources are utilized optimally to achieve the company's vision and mission. The key recommendations of the Organizational Development exercise of 2022 revolve around organizational structure and staffing to bring operational efficiency in terms of optimizing resources and improved customer services. With the implementation of these reform initiatives, BPC will have dynamic and efficient fit-size human resources to provide efficient service delivery and reliable and quality power supply. As a result of the business review and other reform initiatives undertaken by DHI, BPC is expected to have more robust and agile business operations to provide affordable, adequate, reliable, and quality electricity services to customers.

#### Acknowledgment

The Board of Directors extends sincere gratitude to Druk Holding & Investments for their continued guidance and support during the year. The Board also acknowledges and thanks the Royal Government of Bhutan, the Ministry of Energy and Natural Resources, Druk Green Power Corporation Limited, and the regulatory authorities for their policy guidance and support. Additionally, the Board expresses appreciation to the donor agencies for providing funding and technical support towards Rural Electrification work and to the customers and stakeholders for supporting BPC. The Board sincerely acknowledges, appreciates, commends, and values the individual and collective contributions made by the management and employees in achieving the targets and looks forward to continued commitment and hard work. The Board also expresses its deep gratitude to Dasho Ugen Chewang for his invaluable guidance and leadership during his 5 years as a Chairperson of the Board of Directors, which contributed significantly to the success of the company.

Tashi Delek!

For and on behalf of the BPC Board,



Ms. Kesang Deki  
Chairperson



# **CORPORATE GOVERNANCE REPORT**

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## Corporate Governance Report

The BPC Board of Directors is dedicated to establishing and upholding strong corporate governance practices across the entire Company. This commitment is critical in fulfilling their responsibilities to enhance the shareholder's value and in 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 2022.

### 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 Corporate Governance Code of the DHI, ensuring compliance with its principles.

### ii. Composition of the Board.

At present, the Board is comprised of seven (7) members, including the Chief Executive Officer, three (3) Independent Directors, and four (3) 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 actively promotes diversity and strives for a balanced mix of professionals with different set of skills, competencies, knowledge, and experiences to facilitate unbiased decision-making, as stated in the code.

**Table 1: Board Member, 2022**

The details of the Board of Directors and their date of appointment are:

Sl no.	Name	Designation	Appointment Date	Description	Status
1	Ms. Kesang Deki	Cabinet Secretary	14 <sup>th</sup> April, 2022	Chairperson	Independent
2	Mr. Karma P Dorji	Director, Dept. of Energy, MoENR	Reappointed on 4 <sup>th</sup> March, 2020	Board of Director	Non-independent
3	Mr. Kunzang Dorji	Zimpon Wongma, Office of the Gyalpoi Zimpon	Reappointed on 4 <sup>th</sup> March, 2020	Board of Director	Independent
4	Ms. Dechen Wangmo	Director, Corporate Affairs Department, Druk Green Power Corporation Limited	5 March, 2019	Board of Director	Non-independent
5	Mr. Sonam Lhundrup	General Counsel, DHI	14 <sup>th</sup> April, 2022	Board of Director	Non-independent
6	Mr. Kinzang Tobgay	Managing Partner, Bhutan Consultancy Services	Reappointed on 4 <sup>th</sup> March, 2020	Board of Director	Independent
7	Mr. Sonam Tobjey	Chief Executive Officer	23 August 2018	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 is composed of competent and experienced members who exhibit leadership, entrepreneurialism, and integrity and exercise sound judgment 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 it ensures that qualified individuals are appointed to senior positions within the company.

### **iv. Responsibilities of Chairperson**

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

The responsibilities of the Chairman, 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 transparent 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 records of Board meetings are taken and verify 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 the 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 Chairman 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 2022, 15 Board meetings were held. The dates of the meeting and attendance of the Directors are set below:

##### a) Dates of Board Meetings held in 2022 are as follows:

Sl. No	Date	Board Meeting No.
1	27-02-2022	150 <sup>th</sup> Board Meeting
2	04-03-2022	151 <sup>st</sup> Board Meeting
3	28-03-2022	152 <sup>nd</sup> Board Meeting
4	23-04-2022	153 <sup>rd</sup> Board Meeting
5	01-05-2022	154 <sup>th</sup> Board Meeting
6	29-06-2022	155 <sup>th</sup> Board Meeting
7	15-07-2022	156 <sup>th</sup> Board Meeting
8	29-07-2022	157 <sup>th</sup> Board Meeting
9	09-08-2022	158 <sup>th</sup> Board Meeting
10	17-09-2022	159 <sup>th</sup> Board Meeting
11	19-09-2022	160 <sup>th</sup> Board Meeting
12	10-10-2022	161 <sup>st</sup> Board Meeting
13	25-11-2022	162 <sup>nd</sup> Board Meeting
14	12-12-2022	163 <sup>rd</sup> Board Meeting
15	19-12-2022	164 <sup>th</sup> Board Meeting

##### b) Attendance of current Board Directors from 27<sup>th</sup> January till 31<sup>st</sup> December 2022:

Name of the Board Members	Attendance
Ms. Kesang Deki	11
Ms. Dechen Wangmo	13
Mr. Kunzang Dorji	12
Mr. Karma P Dorji	14
Mr. Kinzang Tobgay	14
Mr. Sonam Lhundrup	14
Mr. Sonam Tobjey	15

The Directors are notified of the meetings with at least two working days' notice in advance including the agenda along with a comprehensive set of board papers that provide adequate information on the topics to be discussed during the meeting. The Company Secretary is responsible for accurately recording and maintaining the minutes of the Board meetings, including the decisions made through circular resolutions.

#### vii. Board Committees

From time to time, the Board forms Board Committees to help in the fulfillment of its obligations and tasks. The Board has entrusted specific responsibilities to the following Board Committees to facilitate the execution of its duties:



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

The appointment of Committee members and Chairperson is carried out by the Board. Each Committee, authorized by the Board, functions within well-defined terms of reference.

#### a. The Board Audit and Risk Committee

The company's Audit and Risk Committee consists of one independent Director and three non-independent Directors, with the Chairman designated by the Board.

##### i. Attendance of the Committee Members

Name of Committee Members	Attendance
Mr. Kinzang Tobgay	8
Mr. Karma P. Dorji	8
Mr. Sonam Lhundrup	8

##### ii. Meetings held during 2022

Sl. No	Date	Board Meetings No.
1	31-01-2022	64 <sup>th</sup> BARC Meeting
2	16-02-2022	65 <sup>th</sup> BARC Meeting
3	18-02-2022	66 <sup>th</sup> BARC Meeting
4	31-03-2022	67 <sup>th</sup> BARC Meeting
5	25-04-2022	68 <sup>th</sup> BARC Meeting
6	28-06-2022	69 <sup>th</sup> BARC Meeting
7	08-08-2022	70 <sup>th</sup> BARC Meeting
8	17-10-2022	71 <sup>st</sup> BARC Meeting
9	06-12-2022	72 <sup>nd</sup> BARC Meeting

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 the DHI Corporate Governance Code Appendix 2, page 37, which contains the detailed charter for the Board Audit Committee.

#### b. The Board Tender and Technical Committee

The Tender Committee of the company consists of two independent Directors, one Non-independent Director, and one non-independent Executive Director. The Chairman of the Committee is appointed by the Board.

##### i. Attendance of the Committee Members

Name of Committee Members	Attendance
Mr. Karma P. Dorji	10
Mr. Sonam Lhundrup	7
Ms. Dechen Wangmo	9
Mr. Sonam Tobjey	11

The terms of reference of the Board Tender and Technical 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 with the terms of the tender
- vii. In 2022, 13 Board Tender and Technical Committee meeting was held. The dates of the meeting are listed as follows:

ii. *Meetings held during 2022*

Sl. No	Date	BTTC Meeting No.
1	14-01-2022	39 <sup>th</sup> BTTC Meeting
2	25-02-2022	40 <sup>th</sup> BTTC Meeting
3	11-03-2022	41 <sup>st</sup> BTTC Meeting
4	28-04-2022	42 <sup>nd</sup> BTTC Meeting
5	23-06-2022	43 <sup>rd</sup> BTTC Meeting
6	29-06-2022	45 <sup>th</sup> BTTC Meeting
7	08-02-2022	46 <sup>th</sup> BTTC Meeting
8	17-02-2022	47 <sup>th</sup> BTTC Meeting
9	28-09-2022	48 <sup>th</sup> BTTC Meeting
10	26-10-2022	49 <sup>th</sup> BTTC Meeting
11	02-12-2022	50 <sup>th</sup> BTTC Meeting

c. **The Board Audit and HR Committee**

The role 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 to 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. The member secretary of the committee is the AD, HRAS.

i. **Attendance of Committee Members**

Name of Committee Members	Attendance
Mr. Kunzang Dorji	6
Ms. Dechen Wangmo	5
Mr. Sonam Lhundrup	5
Mr. Sonam Tobjey	6

The roles and responsibilities of the 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 undertake the study and present the proposal to Committee.

## Meetings held during 2022.

Sl. No	Date	BHRC Meeting No.
1	18-03-2022	49th BHRC meeting
2	25-04-2022	50th BHRC meeting
3	27-07-2022	51st BHRC meeting
4	29-08-2022	52nd BHRC meeting
5	20-10-2022	53rd BHRC meeting
6	06-12-2022	54th BHRC meeting

### d. Remuneration of the Chief Executive Officer and Board of Directors

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

Mr. Sonam Tobjey, CEO, received remuneration amounting to Nu. 3,681,423 for the period between January 1, 2022 to December 31, 2022. 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	Dasho Ugen Chewang	36,000.00
2	Ms. Kesang Deki, Cabinet Secretary	88,000.00
3	Mr. Kunzang Dorji	122,000.00
4	Mr. Kinzang Tobgay	136,000.00
5	Mr. Karma P Dorji	200,000.00
6	Ms. Dechen Wangmo	208,000.00
7	Mr. Sonam Lhundrup	184,000.00

### e. Annual General Meeting

The 20th Annual General Meeting of the company was held on 31<sup>st</sup> March 2022. The agenda included the review and adoption of the Audited Accounts for the fiscal year concluding on December 31<sup>st</sup>, 2022, along with the auditors' report, matters regarding the appointment and remuneration of auditors and the declaration of dividends for the year.

### f. Corporate Social Responsibility

The company's corporate social responsibility (CSR) initiatives are based on the 2013 CSR 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. BPC's contributions for the year include a donation of Nu. 36.48 million towards electricity waiver for quarantine facilities and point of entry, Nu. 86.12 million towards the National Resilient fund, Nu. 1 million for charitable causes, and Nu. 0.18 million for operational purposes. BPC's total contributions for the year is Nu. 123.81 million.

# **INDEPENDENT AUDITOR'S REPORT**



## INDEPENDENT AUDITOR'S REPORT



**TSHECHU & ASSOCIATES**  
EMPANELLED with RAA  
F - 03, Second Floor, BNB ATM Building,  
Jungshina - Taba Expressway, Thimphu

### INDEPENDENT AUDITOR'S REPORT

To,  
The Members  
Bhutan Power Corporation Limited (BPCL)  
Thimphu, Bhutan

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of **Bhutan Power Corporation Limited ("the Company")**, which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Comprehensive Income, Statement of Changes of Equity, and Statement of Cash Flows for the period 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 respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the period then ended in accordance with Bhutanese Accounting Standards (BAS).

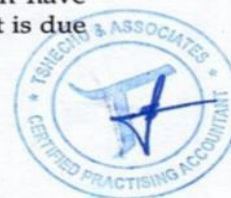
##### Basis for Opinion

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 Fund 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 audit opinion.

##### Emphasis of Matter

We draw attention to the restatement of 2021 and 2020 financial statements, which have been restated as described in Note 41 (vi) to the financial statements. The restatement is due



to excess interest accrued for MHPA loan, correction of land transfer entry and omission of repair & maintenance expenses for SAP License fee.

In accordance with the new standard BFRS 16 – lease, the Company during the year had accounted the Right of Use Asset for the leased and lease liability has been correspondingly reflected in the Statement of Financial Position as of 31 December 2022.

Our opinion is not modified in respect of this matter.

### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. 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 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 Fund or 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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 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 Fund'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 material uncertainty exists related to events or conditions that may cast significant doubt on the Fund'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 audit report. However, future events or conditions may cause the Fund 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, action 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 the public interest benefits of such communication.





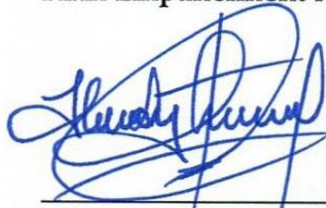
## Report on Other Legal and Regulatory Requirements

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 the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Fund insofar as it appears from our examination of the books;
- c) The 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 have been prepared in accordance with BAS; and
- d) The Company has complied with other legal and regulatory requirements to the extent applicable to the Company.

**For Tshechu & Associates**  
**Certified Practising Accountants**  
**Firm Empanelment No.: BH - 07**



Tshechu, FCPA (Aust.)

(Membership No. 9798359)

Managing Partner

Place: Thimphu

Dated:





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# **REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS**

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*Appendix - I*

**MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS  
BHUTAN POWER CORPORATION LIMITED  
FOR THE YEAR ENDED 31 DECEMBER 2022**

As required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks and test verification of accounts and records as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The Company has maintained proper records of the property, plant & equipment in the assets register maintained in SAP to show full particulars including quantitative details and situation of the property, plant & equipment. As explained to us, the assets have been physically verified by the management during the year in a phased/periodical manner which in our opinion is reasonable having regard to the size of Company and nature of its assets.
2. None of the property, plant & equipment have been revalued during the year.
3. As explained to us, the physical verification of stores and spares and ISU material etc. were conducted during the year and as the Company is engaged in transmission and distribution of electricity, there is no stock of raw material and finished goods and as such the question of physical verification of raw materials and finished goods does not arise.
4. The procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. On the review of the Physical verification report of stocks there is minor discrepancies mentioned in the report as compared to the book records.
6. The Company has reasonable system of recording receipts, issues and consumption of stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
7. As the Company is engaged in transmission and distribution of electricity, there is no question of quantitative reconciliation of the raw materials and finished goods, however, quantitative reconciliation is carried out at the end of the accounting year in respect of electricity.
8. The Company have identified obsolete/unserviceable /damaged stores or other items and made adequate provisions as required.
9. Material losses and discrepancies noted during physical verification of stock wherever written-off/adjusted were as per the approval of the appropriate authorities.
10. There are procedures of reporting of the scraps and unserviceable items identified/disclosed at the units to the Management for approval of sale/disposal and are auctioned dealt with in accordance with the sanctions and laid down procedures.
11. In our opinion and on the basis of our examination of stocks, the valuation of stocks is fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). The basis of valuation of stocks is the same as in the preceding year and there is no deviation in the basis of valuation.





12. The Company has taken secured loans & unsecured loans. The rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. The Company has not taken any loan from any companies under the same management.
13. The Company has not granted any loan to other companies, firms or other parties, except the advances given to the contractors and suppliers in the normal course and as per the requirement of the business.
14. The loans / advances granted by the Company to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive / frequent advances or accumulation of large advance against particular individual has been noted.
15. There is adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.
16. There is a reasonable system of authorization at proper level and an adequate system of Internal Control commensurate to the size of the Company and the nature of its business on issue and allocation of Stores and Labor to jobs.
17. There is adequate system of competitive biddings, commensurate with the size of the Company and nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. Further, the comments on the system of sale of goods and services are not applicable as the Company is engaged in the transmission, distribution, sale and purchase of electricity, which is regulated by the Bhutan Electricity Authority.
18. (a) As per the information and explanations given to us and based on the declarations received from the Directors, there is no transaction for purchases and sale of goods and services made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested.
- 18 (b) In course of our audit we have not come across any such transactions entered into by the Company wherein the director(s) are directly or indirectly interested are prejudicial to the interest of other shareholders and the Company.
19. No personal expenses have been debited to the Statement of Comprehensive Income.
20. The Company is engaged in distribution and sale of electricity, prices for which are regulated by the Bhutan Electricity Authority, and therefore the said clause is not applicable.
21. As the Company is engaged in transmission and distribution of electricity, there is no raw material and finished goods and as such this clause is not applicable. However, there are transmission/energy losses in the transmission of the electricity for the control of which the Company has laid down control measures and responsibilities.
22. As the Company is engaged in transmission and distribution of electricity, there is no question of maintenance of records for production of finished goods, by products. However, reasonable records of energy received and energy distributed are maintained by the Company to control transmission and distribution of electricity.
23. The Company is engaged in distribution and sale of electricity, prices for which are regulated by the Bhutan Electricity Authority, and therefore the said clause is not applicable.





24. The Company is regular in depositing its rates and taxes, duties, provident fund and other statutory dues with the appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with the current applicable taxation laws, and has been appropriately disclosed in the financial statements.
25. There was no undisputed amount payable in respect of rates, taxes, duties, provident funds and other statutory deductions at the yearend.
26. There is a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size of the Company and nature of its business.
27. The Company is engaged in distribution and sale of electricity, prices for which are regulated by the Bhutan Electricity Authority, and therefore the said clause is not applicable.
28. The Company is engaged in transmission and distribution of electricity and the due dates of bills raised on the customers are fixed based on the category of the customers and the region. In our opinion, the credit allowed to the customers is reasonable.
29. As there is no sale through commission agents, this clause is not applicable to the Company.
30. The system for follow-up with debtors and other parties for recovery of outstanding amounts are reasonable. Age-wise analysis of outstanding amounts is carried out by the management as and when required for information and follow-up action.
31. There was balance of Nu.396,671,413 in the Current Deposit Account and Nu.369,620 of Cash – in-Hand at the end of the year 2022
32. As explained to us, the activities carried out by the company are lawful and intra vires to the Articles of Incorporation of the Company.
33. There is no investment done during the year so this clause is not applicable.
34. The Company has an adequate and effective budgetary control mechanism.
35. As the Company is engaged in transmission and distribution of electricity and in no manufacturing activities, the said clause is not applicable.
36. Other than the remunerations and sitting fee to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. The remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement.
37. Directives of the Board have been complied with.
38. The Company is engaged in distribution and sale of electricity, the prices for which are fixed/regulated by the Bhutan Electricity Authority, set up by the Royal Government of Bhutan. On the basis of information received from the management, and on the basis of our review of the records and documents, price sensitive information, to the best of our knowledge; have not been transmitted by any officer of the Company, unauthorized to any other person with intent to benefit themselves.
39. The inter unit transaction/services and arrangement for services made with other agencies engaged in similar activities were dealt with proper record.
40. The terms and condition of Contract agreements/ work agreements and leases land are reasonable.





**Computerized Accounting Environment:**

1. The Company is using an enterprise resource planning software called SAP. The said software has been customized according to the requirements of the Company.
2. In our opinion the organizational and system development and other internal control are adequate with reference to the size and nature of the computer installations.
3. The Company has adequate safeguard measures and back up facilities.
4. As to the backup facilities and disaster recovery measures, the backup files are kept at different locations.
5. The operational controls are found adequate to ensure correctness and validity of input data and output information.
6. The measures taken by the Company to prevent unauthorized access over the computer installation and files are adequate.

**Going Concern**

Based on the net asset position reflected by the Statement of Financial Position as at 31 December 2022 and audited by us in accordance with the International Standards on Auditing and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Company is not a going concern on the Statement of Financial Position date.

As such we are in the opinion that the Company has no Going Concern problem at this stage.

**Ratio Analysis**

Financial and Operational Resume of the Company has been given in enclosed *Appendix - II* (Ratio Analysis).

**Compliance with the Companies Act of the Kingdom of Bhutan**

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

We have checked the Company's compliances under the Companies Act of Bhutan, 2016 and our observations are highlighted in *Appendix - III A & III B*.

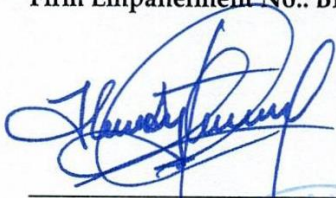
**Adherence to laws, Rules and Regulations-**

The Company has followed the Corporate Governance, which is in accordance and compliant of the provisions of the Corporate Governance Code and the Ownership Policy



developed by the Druk Holding and Investments Ltd., the Companies Act of Bhutan, 2016 and other statutory requirements, to the extent as applicable to the Company.

For Tshechu & Associates  
Certified Practising Accountants  
Firm Empanelment No.: BH - 07



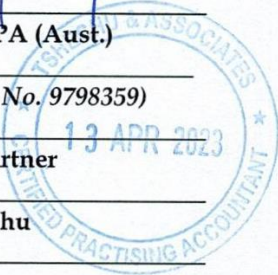
Tshechu, FCPA (Aust.)

(Membership No. 9798359)

Managing Partner

Place: Thimphu

Dated:





# FINANCIAL STATEMENTS

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

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

	Note	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	38,379,945,418	31,217,116,659	30,658,527,662
Intangible assets	5	50,552,532	49,721,551	45,625,858
Right of use asset	6	29,382,144	-	-
Long-term loans and advances	7	8,514,407	11,358,916	1,214,737
Other receivables	8	199,330	199,330	199,330
Other non-current assets	9	40,346,309	27,775,503	33,504,834
<b>Total non-current assets</b>		<b>38,508,940,139</b>	<b>31,306,171,960</b>	<b>30,739,072,422</b>
<b>Current assets</b>				
Inventories	10	643,083,010	560,656,553	428,512,611
Amounts due from customers for contract work	11	425,738,438	126,445,670	567,178,342
Trade & other receivables	12	1,134,658,284	718,518,933	803,649,995
Cash and cash equivalents	13	397,041,032	1,220,324,401	1,050,453,495
Short-term loans and advances	14	3,699,326	5,558,440	2,392,734
Other current assets	15	1,004,505,183	1,861,181,926	1,443,836,671
<b>Total current assets</b>		<b>3,608,725,273</b>	<b>4,492,685,921</b>	<b>4,296,023,848</b>
<b>TOTAL ASSETS</b>		<b>42,117,665,412</b>	<b>35,798,857,881</b>	<b>35,035,096,270</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholder's Equity</b>				
Share Capital	16	11,157,502,000	10,203,413,586	10,203,413,586
Retained earnings		4,991,572,492	5,181,676,613	4,505,036,489
Asset replacement Reserve		170,695,464	161,273,892	154,660,723
Other Comprehensive Income		(198,560,343)	(149,674,667)	(164,801,326)
<b>Total Shareholder's equity</b>		<b>16,121,209,613</b>	<b>15,396,689,424</b>	<b>14,698,309,472</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	17	17,297,178,328	12,395,187,419	12,746,489,046
Deferred grants	18	1,390,087,893	1,453,439,333	1,476,845,988
Deferred Customer's Contribution	19	86,394,019	97,731,231	122,771,587
Other payables	20	737,804,007	674,687,725	735,500,200
Employee benefit liabilities	21	767,707,521	657,704,412	722,052,174
Deferred Income Tax liabilities (Net)	22	1,330,617,098	1,299,346,008	1,190,669,587
Lease Liability	23	31,940,123		
<b>Total Non-current liabilities</b>		<b>21,641,728,989</b>	<b>16,578,096,126</b>	<b>16,994,328,583</b>



**Statement of Financial Position Contd.,**

<b>Current liabilities</b>				
Borrowings	17	424,000,615	580,001,278	817,460,693
Deferred grants	18	58,431,729	58,040,386	44,191,091
Deferred Customer Contribution	19	12,942,191	13,229,397	1,182,106
Amounts due to customers for contract work	11	1,221,932,519	1,784,859,136	930,323,741
Trade & other payables	24	2,361,332,735	867,877,273	1,325,914,555
Employee benefit liabilities	21	104,939,722	277,828,103	150,182,734
Income tax payable (net of advances)	25	134,819,680	208,924,629	36,929,400
Other current liabilities	26	33,176,414	33,312,130	36,273,894
Lease Liability	23	3,151,206	-	-
<b>Total current liabilities</b>		<b>4,354,726,811</b>	<b>3,824,072,331</b>	<b>3,342,458,215</b>
<b>Total liabilities</b>		<b>25,996,455,800</b>	<b>20,402,168,457</b>	<b>20,336,786,797</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42,117,665,412</b>	<b>35,798,857,881</b>	<b>35,035,096,270</b>

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


For Tshechu & Associates  
Certified Practising Accountants  
Firm Empanelment No.: BH - 07

For Bhutan Power Corporation Limited



Tshechu, FCPA(Aust.)  
(Membership No. 9798359)  
Managing Partner  
Place : Thimphu

Date :

Chairperson



Director



Chief Executive Officer



Director, Corporate Service  
Department



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


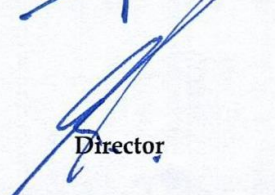
	Note	For the year ended	
		31 December 2022	31 December 2021
<b>Revenue</b>			
Income from sale of electricity	27	9,614,343,976	7,035,684,791
Income from construction contracts	28	3,039,039,464	1,328,077,395
Wheeling charges		1,850,323,504	2,185,145,564
Other income	29	347,419,173	327,649,609
<b>Total Revenue</b>		<b>14,851,126,117</b>	<b>10,876,557,358</b>
<b>Expenditure</b>			
Purchase of electricity		6,305,077,817	3,842,861,396
Construction material consumed and sub-contracting charges		2,934,982,256	1,275,783,815
Operation and maintenance expenses	30	548,798,936	472,660,340
Employee benefit expenses	31	1,250,343,106	1,300,681,594
Finance costs	32	821,501,629	641,641,276
Loss/(Gain) on foreign currency fluctuation (net)		(45,681,568)	(195,485,132)
Depreciation and amortization expenses		1,509,989,511	1,442,333,500
Other expenses	33	334,774,035	215,940,229
<b>Total Expenditure</b>		<b>13,659,785,721</b>	<b>8,996,417,017</b>
Profit before income tax		1,191,340,395	1,880,140,314
Tax expenses	25		
- Current tax - current year		330,262,075	410,939,202
- Deferred tax		31,271,090	108,676,421
- Tax adjustment of earlier years			3,614,232
<b>Net Profit for the year</b>		<b>829,807,230</b>	<b>1,356,910,486</b>
<b>Other Comprehensive Income</b>			
Actuarial gains/(loss)		(48,885,676)	15,126,659
Tax expenses actuarial gains/(loss)		(25,690,534)	4,537,998
Other Comprehensive income net of tax		(23,295,143)	10,588,661
<b>Total Comprehensive Income for the year</b>		<b>806,612,088</b>	<b>1,367,499,147</b>
<b>Earnings Per Share</b>	<b>34</b>	<b>78.87</b>	<b>132.99</b>

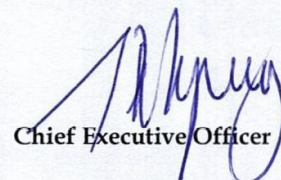
The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

For Tshechu & Associates  
 Certified Practising Accountants  
 Firm Empanelment No.: BH - 07

  
 Tshechu, FCPA (Aust.)  
 (Membership No. 9798359)  
 Managing Partner  
 Place : Thimphu  
 Date : 14 APR 2023  


For Bhutan Power Corporation Limited

  
 Chairperson  
  
 Director

  
 Chief Executive Officer

  
 Director, Corporate Service  
 Department





Bhutan Power Corporation Limited (A Royal Government of Bhutan Undertaking)  
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)  
Statement of Changes in Equity for the year ended 31 December 2022

	Equity capital Refer Note 15	Share	Retained earnings	Asset Reserve	Replacement	Actuarial gains/(losses)	Total Equity
Balance as at 1 January 2022	10,203,413,586		5,181,676,612		161,273,892	(149,674,667)	15,396,689,425
Net profit for the year		-	829,807,230		-	-	829,807,230
Other comprehensive income/(loss):							
Actuarial gain						(48,885,676)	(48,885,676)
Prior period Adjustment			1,781,377		-		1,781,377
Transfer to Asset Replacement Reserve		-	(9,421,458)		9,421,572	-	114
Transaction with the owners:							
Issue of Share Capital (MHPA ATS Capitalization)	954,088,414						954,088,414
Payment of Dividends for the year 2021			(1,012,271,269)		-		(1,012,271,269)
Balance as at 31 December 2022	11,157,502,000		4,991,572,492		170,695,464	(198,560,343)	16,121,209,613

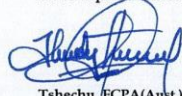
The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Bhutan Power Corporation Limited (A Royal Government of Bhutan Undertaking)  
(All amounts are in Bhutanese Ngultrum ('Nu.') unless stated otherwise)  
Statement of Changes in Equity for the year ended 31 December 2021

	Equity capital Refer Note 15	Share	Retained earnings	Asset Reserve	Replacement	Actuarial gains/(losses)	Total Equity
Balance as at January 1, 2021	10,203,413,586		4,505,036,489		154,660,723	(164,801,326)	14,698,309,473
Net profit for the year		-	1,356,910,486		-	-	1,356,910,486
Other comprehensive income/(loss):							
Actuarial gain		-	-		-	15,126,659	15,126,659
Prior period adjustment			(213,068,649)				(82,821,638)
Transfer to Asset Replacement Reserve		-	(6,613,169)		6,613,169	-	-
Transaction with the owners:							
Payment of Dividends for the year 2020			(460,588,545)		-	-	(460,588,545)
Balance as at 31 December 2021	10,203,413,586		5,181,676,612		161,273,892	(149,674,667)	15,396,689,425

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

For Tshechu & Associates  
Certified Practising Accountants  
Firm Empanelment No.: BH - 07

  
Tshechu, FCPA (Aust.)

(Membership No. 9798359)

Managing Partner

Place : Thimphu

Date :

14 APR 2023



For Bhutan Power Corporation Limited

  
Chairperson

  
Chief Executive Officer

  
Director

  
Director, Corporate Service Department

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

	For the year ended	
	31 December 2022	31 December 2021
<b>Cash flows from / (used in) operating activities</b>		
Profit before income tax	1,191,340,395	1,880,140,341
<b>Adjustments for:</b>		
Depreciation and amortization expenses	1,509,989,511	1,442,333,500
Loss on disposal of property, plant and equipment	61,542,110	653,052
Interest expenses on borrowings	740,983,482	784,939,148
Interest income	(23,421,607)	(22,153,166)
Unwinding of discount on retention, security deposit & borrowings	81,163,935	87,391,894
Provision for doubtful debts	-	18,495,011
Provision on Obsolescence of Material	(22,067,097)	23,921,885
Prior period adjustment	1,781,377	(213,068,649)
Liabilities no longer required written back	(1,592,533)	(2,669,023)
Amortization of deferred grants	(66,793,232)	(69,570,360)
Amortization of deferred customer contribution	(13,284,599)	(13,632,318)
<b>Operating profit before working capital changes</b>	<b>3,458,995,953</b>	<b>3,686,091,550</b>
Decrease / (Increase) in inventories	(60,359,359)	(156,065,827)
Increase in amounts due from customers for contract work	(299,292,768)	440,732,673
Decrease / (Increase) in trade and other receivables	(416,139,351)	66,636,051
Decrease / (Increase) in current and non-current assets	1,145,643,757	(414,426,098)
Increase in long-term and short-term loans and advances	4,703,623	(13,309,884)
Decrease in amounts due to customers for contract work	(562,926,617)	854,535,395
Increase in trade and other payables	1,495,047,995	(455,368,260)
(Decrease)/ Increase in other current & non-current liabilities	98,071,896	(63,774,240)
Increase / (decrease) in provision	(111,770,948)	78,424,265
<b>Net cash generated from operating activities before income tax</b>	<b>4,751,974,181</b>	<b>4,023,475,624</b>
Income tax paid, net of refunds received	(404,367,024)	(242,558,205)
<b>Net cash generated from operating activities</b>	<b>4,347,607,157</b>	<b>3,780,917,419</b>
<b>Cash used in investing activities</b>		
Purchase of property, plant and equipment and Intangible assets	(8,780,341,744)	(2,183,481,368)
Receipt of deferred grants	3,833,135	60,013,000
Receipt of deferred customer contribution	1,660,181	639,253
Proceeds from sale of property, plant and equipment	45,150,383	418,976,826





Redemption of bank term deposits (net)	(286,442,954)	40,412,114
Interest received	(21,055,402)	(15,448,774)
<b>Net cash used in investing activities</b>	<b>(9,037,196,401)</b>	<b>(1,678,888,949)</b>
<b>Cash flows from financing activities</b>		
Proceeds from Borrowings	6,572,603,419	(115,129,079)
Repayment of Borrowings	(2,298,162,100)	(986,487,702)
Interest paid	(301,081,064)	(174,467,107)
Payment of dividend on ordinary shares	(1,012,271,269)	(460,588,545)
Payment of Finance cost-Lease	(3,190,067)	
Share Capital	954,088,528	
<b>Net cash generated from/use in financing activities</b>	<b>3,911,987,445</b>	<b>(1,736,672,433)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(777,601,799)</b>	<b>365,356,038</b>
Cash and cash equivalents at beginning of the year	1,220,324,401	1,050,453,495
Loss/(gain) on foreign currency fluctuation	(45,681,568)	(195,485,132)
<b>Cash and cash equivalents at end of the year</b>	<b>397,041,032</b>	<b>1,220,324,401</b>

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

For Tshechu & Associates  
Certified Practising Accountants  
Firm Empanelment No.: BH - 07

For Bhutan Power Corporation Limited

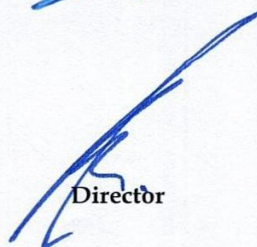


Tshechu, FCPA(Aust.)  
(Membership No. 9798359)  
Managing Partner  
Place : Thimphu

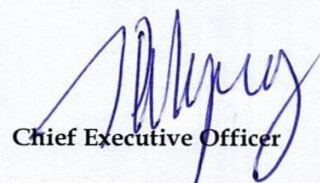
Date :




Chairperson



Director



Chief Executive Officer



Director, Corporate Service  
Department

# ACCOUNTING POLICIES & NOTES TO ACCOUNTS

Bhutan Power Corporation Limited (A Royal Government of Bhutan Undertaking)

## Notes to Financial Statements

### 1. General Information

Bhutan Power Corporation Limited ('Company') is a wholly owned subsidiary of Druk Holding & Investments (DHI), A Royal Government of Bhutan undertaking. The Company has been incorporated and registered under The Companies Act of Bhutan, 2016 with limited liability. The registered office of the Company is located at, Bhutan.

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

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

The financial statements of the Company for the year ended December 31, 2022 were authorized for issue in accordance with the resolution of the Board of Directors dated March 22, 2023. 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 including the Accounting Standard Rules for Companies in Bhutan, 2012.

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)

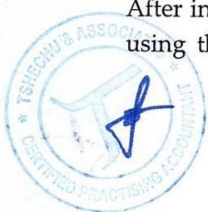
The classification of financial assets depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition.

#### **(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) De-recognition of financial assets**

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

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

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

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

**(ii) Financial Liabilities**

**Initial recognition and measurement**

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

**Subsequent measurement**

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in





own credit risk are recognized in other comprehensive income. These gains/losses are not subsequently transferred to profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of comprehensive income. The Company has not designated any financial liability as at fair value through profit and loss.

#### **Financial Liability at Amortized cost**

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

#### **Borrowings**

Any difference between the proceeds (net of transaction costs) and the repayment amount is recognized in profit or loss over the period of the borrowings and subsequently measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### **Trade and other payables**

Trade and other payables are obligations incurred by the Company towards purchase of electricity and other goods and availing the services that have been acquired or availed in the ordinary course of business. Trade and other payables are classified under current liabilities, if payment is due within 12 months as at Statement of Financial Position date, if not, they are classified under non-current liabilities. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

#### **Derecognition**

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



**Cash and cash equivalents**

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

**Inventories**

Inventory consists of stores and spares held for operation and maintenance and use in construction of an asset. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost formula and comprises cost of purchases and other incidental expenses incurred in acquiring inventories and bringing them to their existing location and condition.

**Asset Replacement Reserves**

The reserve is 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.

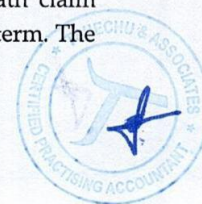
Retirement benefit liabilities are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount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

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

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

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

The employees of the Company are covered under an insurance policy with death claim benefit in the event of death of the employee while in service and within the policy term. The





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

### **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 is measured at the present value of the lease payments that are not paid at the balance sheet date. The right-of-use asset is 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 is 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.

### **3. Critical accounting estimates and assumptions**

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

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

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

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





**i) Useful lives of property, plant and equipment**

The costs of property, plant and equipment are depreciated on a straight-line basis over their respective useful lives. Management estimates the useful lives of these assets as detailed in the accounting policy vide note 2.3. Changes in the expected level of usage, technological developments, level of wear and tear could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised and could have an impact on the profit in future years.

**ii) Fair Value measurement of Financial Instruments**

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discounted Cash Flow (DCF) model etc. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

**iii) Retirement benefit obligations**

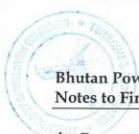
The costs of retirement benefits and present value of the retirement benefit obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate,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

**iv) Unbilled revenue**

The unbilled revenue is calculated using average of last three months consumption for the Low voltage consumer and the actual consumption for the Medium and High Voltage consumer. This is consistent with the revenue recognition methodology adopted in prior years and reflects the billing profile of the customers. Actual electricity usage could differ from those estimates.







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

4. Property, plant and equipment

(Amount in Nu.)

Particulars	Freehold Land	Building and Civil Structures	Generation equipment's	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2022							
Cost	45,575,191	4,189,856,110	124,943,212	33,716,306,554	2,069,680,753	2,788,352,267	42,934,714,085
Accumulated depreciation	-	(1,126,836,961)	(38,497,263)	(9,199,839,117)	(1,352,424,085)	-	(11,717,597,426)
Book Value	45,575,191	3,063,019,149	86,445,949	24,516,467,436	717,256,668	2,788,352,267	31,217,116,659
Changes in book value during the year							
Additions	15,831	373,142,713	6,429,460	6,509,396,916	191,617,407	1,675,809,184	8,756,411,510
Disposals and sales	-	(199,182)	(6,841,661)	(147,095,611)	(366,771,971)	-	(520,908,425)
Depreciation on disposals/adjustments	-	199,182	1,987,415	65,264,579	347,963,183	-	415,414,359
Depreciation	-	(149,129,691)	(5,577,005)	(1,187,370,945)	(146,011,046)	-	(1,488,088,686)
Total changes	15,831	224,013,023	(4,001,791)	5,240,194,939	26,797,573	1,675,809,184	7,162,828,759
Balance as at December 31, 2022							
Cost	45,591,022	4,562,799,640	124,531,011	40,078,607,859	1,894,526,189	4,464,161,451	51,170,217,171
Accumulated depreciation	-	(1,275,767,469)	(42,086,853)	(10,321,945,483)	(1,150,471,947)	-	(12,790,271,753)
Book value	45,591,022	3,287,032,171	82,444,158	29,756,662,375	744,054,241	4,464,161,451	38,379,945,418

Property, plant and equipment (Contd.)

(Amount in Nu.)

Particulars	Freehold Land	Building and Civil Structures	Generation equipment's	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2021							
Cost	45,575,191	3,984,513,420	1,157,609,148	31,868,279,485	1,868,064,903	2,719,068,663	41,643,100,810
Accumulated depreciation	-	(1,005,040,509)	(649,088,749)	(8,115,916,400)	(1,214,527,491)	-	(10,984,573,148)
Book Value	45,575,191	2,979,472,911	508,520,400	23,752,363,086	653,527,412	2,719,068,663	30,658,527,662
Changes in book value during the year							
Additions	-	245,530,783	20,109,666	1,859,063,512	208,777,019	69,283,604	2,402,764,584
Disposals and sales	-	(40,188,093)	(1,052,775,602)	(11,036,444)	(7,151,169)	-	(1,111,151,309)
Depreciation on disposals/adjustments	-	21,480,305	656,811,579	8,209,524	5,020,022	-	691,521,430
Depreciation	-	(143,276,757)	(46,220,094)	(1,092,132,242)	(142,916,616)	-	(1,424,545,709)
Total changes	-	83,546,237	(422,074,451)	764,104,351	63,729,256	69,283,604	558,588,997
Balance as at December 31, 2021							
Cost	45,575,191	4,189,856,110	124,943,212	33,716,306,554	2,069,680,753	2,788,352,267	42,934,714,085
Accumulated depreciation	-	(1,126,836,961)	(38,497,263)	(9,199,839,117)	(1,352,424,085)	-	(11,717,597,426)
Book value	45,575,191	3,063,019,149	86,445,949	24,516,467,436	717,256,668	2,788,352,267	31,217,116,659





Capital work-in-progress as at 31 December 2022 and 31 December 2021 comprises of the following:

Particulars	(Amount in Nu.)		
	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Generation equipment	-	2,984,411	2,984,411
Transmission lines	1,406,958,483	69,592,353	1,420,937,356
Distribution Assets	1,840,544,015	1,443,690,323	895,831,792
Smart Grid	215,178,056	54,371,465	-
Buildings	124,420,723	122,674,873	142,028,574
Other Civil Structures	37,778,624	33,562,895	42,127,342
Others	53,129,632	594,585	6,228,258
Advance for capital works	786,151,919	1,060,881,362	208,930,930
<b>Total</b>	<b>4,464,161,451</b>	<b>2,788,352,267</b>	<b>2,719,068,663</b>

Note: Materials amounting to Nu.1,113,800,738, Nu. 679,594,730 and Nu. 335,329,658 in the years 2022, 2021 and 2020 respectively are included in the carrying amount of Capital Work-In-Progress as it is procured for the capital works.

#### 5. Intangible assets

Computer Software	(Amount in Nu.)		
	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Opening gross carrying value (i)	320,711,022	298,827,538	291,056,738
Additions	23,930,234	21,883,484	7,770,800
Disposal	(66,941,782)	-	-
Closing gross carrying value(ii)	277,699,473	320,711,022	298,827,538
Opening accumulated amortization (iii)	(270,989,471)	(253,201,679)	(237,460,259)
Depreciation on Disposal	64,402,624		
Additions	(20,560,094)	(17,787,792)	(15,741,421)
Closing accumulated amortization (iv)	(227,146,941)	(270,989,471)	(253,201,679)
Net carrying value (ii-iv)	50,552,532	49,721,551	45,625,858



## 6. Right of Use Asset -Land

(Amount in Nu.)

Particulars	Right of Use Asset- Land	Total
Balance as at January 1, 2022		
Cost	36,852,026.94	36,852,026.94
Accumulated depreciation	(6,129,151)	(6,129,151)
Book Value	30,722,875	30,722,875
Changes in book value during the year		
Additions	-	-
Disposals and sales	-	-
Depreciation on disposals/adjustments	-	-
Depreciation	(1,340,731)	(1,340,731)
Total changes	(1,340,731)	(1,340,731)
Balance as at December 31, 2022		
Cost	36,852,027	36,852,027
Accumulated depreciation	(7,469,883)	(7,469,883)
Book Value	29,382,144	29,382,144

## 7. Long-term loans and advances

(Amount in Nu.)

	31 December 2022	31 December 2021	1 January 2021
Advance to employees:			
- Bike loan	8,103,963	10,710,384	751,403
- Welfare loan	5,000	100,460	15,843
- Mobile phone loan	405,444	548,073	447,491
Total	8,514,407	11,358,916	1,214,737

## 8. Other receivables

(Amount in Nu.)

	31 December 2022	31 December 2021	1 January 2021
Security Deposit for Land Lease	199,300	199,330	199,330
Total	199,300	199,330	199,330

## 9. Other non-current assets

(Amount in Nu.)

	31 December 2022	31 December 2021	1 January 2021
Prepaid Expenses	40,346,309	27,775,503	33,478,684
Advance to Others	-	-	26,150
Total	40,346,309	27,775,503	33,504,834





# 10. Inventories

	(Amount in Nu.)		
	31 December 2022	31 December 2021	1 January 2021
Stores and spare parts	553,151,806	475,505,783	361,228,739
Stock - ISU	83,760,360	103,734,142	63,221,142
Stock - Uniform	3,184,942	715,063	868,451
Stock - Infocom Spares	6,172,652	5,955,412	4,526,240
Less: Provision for obsolete inventory	(3,186,750)	(25,253,847)	(1,331,963)
<b>Total</b>	<b>643,083,010</b>	<b>560,656,553</b>	<b>428,512,611</b>

# 11. Amount due from/to customers for contract work

	(Amount in Nu.)		
	As at 31 <sup>st</sup> December2022	As at 1 <sup>st</sup> December2021	As at January 2021
<b>Amounts due from customers for contract work</b>			
Work in progress -Construction Contracts	1,404,815,816	592,823,702	1,453,809,372
Less: Progress billing and advances received	979,077,378	466,378,032	886,631,029
<b>Total</b>	<b>425,738,438</b>	<b>126,445,670</b>	<b>567,178,342</b>
<b>Amounts due to customers for contract work</b>			
Progressive billing and advances received	11,559,203,888	13,669,531,743	11,562,039,314
Less: Work in progress -Construction Contracts	12,781,136,407	15,454,390,878	12,492,363,055
<b>Total</b>	<b>(1,221,932,519)</b>	<b>(1,784,859,136)</b>	<b>(930,323,741)</b>

## Recognized and included in financial statements as:

<b>Amounts due from customers for construction contracts</b>			
- Current portion	425,738,438	126,445,670	567,178,342
- Non-current portion			-
<b>Amounts due to customers for construction contracts</b>			
- For short term contract	4,585,684,418	2,887,484,295	527,692,473
- For long term contract	(3,363,751,899)	(1,102,625,160)	402,631,268
<b>Total</b>	<b>(1,221,932,519)</b>	<b>(1,784,859,136)</b>	<b>(930,323,741)</b>



## 12. Trade & other receivables

	As at 31 December 2022	As at 31 December 2021	(Amount in Nu.) As at 1 January 2021
Receivables against transmission and supply of electricity	889,762,215	342,459,039	488,380,352
Less: Provision for doubtful debts	(57,881,535)	(57,881,535)	(39,386,524)
<b>Net Receivables</b>	<b>841,880,680</b>	<b>284,577,505</b>	<b>448,993,829</b>
Subsidy receivable on Electricity from RGOB	251,450,004	405,881,516	325,691,628
Other receivables	41,327,599	28,059,912	28,964,539
<b>Total</b>	<b>1,134,658,284</b>	<b>718,518,933</b>	<b>803,649,995</b>







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

The table below gives the information on ECL. ECL calculated for 2021 and 2022 based on Simplified method are Nu. 4,021,723 and Nu. 4,508,730 respectively.

2021											(Amount in Nu.)
Aging	Outstanding Amt	Current to 1-30	1-30 to 31-60	31-60 to 61-90	61-90 to Above 90	Above 90	PD	LGD	EFA	DF	ECL
Current	83,571,738	17.59%	65.89%	65.68%	97.10%	100.00%	7.39%	5.36%	102.55%	0.92	311,802
1-30	17,907,244		65.89%	65.68%	97.10%	100.00%	42.03%	5.36%	102.55%	0.92	379,824
31-60	7,450,593			65.68%	97.10%	100.00%	63.78%	5.36%	102.55%	0.92	239,829
61-90	6,250,922				97.10%	100.00%	97.10%	5.36%	102.55%	0.92	306,340
Above 90	55,159,363					100.00%	100.00%	5.36%	102.55%	0.92	2,783,929
											4,021,723

2022											(Amount in Nu.)
Aging	Outstanding Amt	Current to 1-30	1-30 to 31-60	31-60 to 61-90	61-90 to Above 90	Above 90	PD	LGD	EFA	DF	ECL
Current	797,264,782	17.11%	65.79%	61.26%	93.88%	100.00%	6.47%	5.44%	104.89%	91.74%	2,701,773
1-30	6,544,012		65.79%	61.26%	93.88%	100.00%	37.84%	5.44%	104.89%	91.74%	129,628
31-60	2,572,862			61.26%	93.88%	100.00%	57.51%	5.44%	104.89%	91.74%	77,461
61-90	2,091,010				93.88%	100.00%	93.88%	5.44%	104.89%	91.74%	102,765
Above 90	28,597,389					100.00%	100.00%	5.44%	104.89%	91.74%	1,497,103
											4,508,730

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

### 13. Cash and cash Equivalents

	As at 31 December 2022	As at 31 December 2021	(Amount in Nu.) As at 1 January 2021
Cash in hand	369,620	1,377,489	1,585,200
Bank balances in current accounts	396,671,413	1,218,946,912	1,025,104,237
Balance with bank towards staff welfare fund	-	-	23,764,058
<b>Total</b>	<b>397,041,032</b>	<b>1,220,324,401</b>	<b>1,050,453,495</b>

13.1 There are no restricted cash and cash equivalents.

### 14. Short-term loans and advances

	As at 31 December 2022	As at 31 December 2021	(Amount in Nu.) As at 1 January 2021
Advance to employees:			
- Bike loan	2,899,871	4,716,892	1,528,056
- Welfare loan	120,873	169,149	167,621
- Mobile phone loan	678,582	672,399	697,057
<b>Total</b>	<b>3,699,326</b>	<b>5,558,440</b>	<b>2,392,734</b>

### 15. Other current assets

	As at 31 December 2022	As at 31 December 2021	(Amount in Nu.) As at 1 January 2021
Deposit against Employee Insurance Policies (Refer Note 40 (vi))	364,051,776	348,624,441	338,253,717
Interest accrued on Employee Insurance Policies	72,841,128	49,419,521	27,687,588
Fixed deposits with Banks having original tenure of more than twelve months:			
- Depreciation funds for OPGS/ADSS assets	286,442,954	259,587,886	230,293,028
- Other fixed deposit			300,000,000
Interest accrued on Fixed Deposits:			
- Depreciation funds for OPGS/ADSS assets	52,154,189	31,098,786	15,228,780
- Other fixed deposit	59,426	59,426	59,426
Accrued Unbilled Trade Receivables	98,946,940	679,619,326	477,683,901



Prepaid Expenses	34,639,181	25,874,653	23,467,480
Advance to Suppliers	80,497,719	23,979,878	6,396,332
Advance to employees:			
- Travel and salary advance	204,966	6,000	12,000
- Expenses	-	-	96,185
Advance to Others	12,461,382	24,543,614	24,658,233
Assets Held for Disposal	2,205,492	418,368,394	-
<b>Total</b>	<b>1,004,505,183</b>	<b>1,861,181,926</b>	<b>1,443,836,671</b>

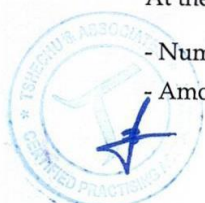
#### 16. Share capital

	As at 31 December 2022	As at 31 December 2021	(Amount in Nu.) As at 31 December 2020
<b>Authorized:</b>			
15,000,000 Equity Shares of Nu. 1,000/- each	15,000,000,000	15,000,000,000	15,000,000,000
<b>Total</b>	<b>15,000,000,000</b>	<b>15,000,000,000</b>	<b>15,000,000,000</b>
<b>Issued, Subscribed and fully Paid up:</b>			
11,157,502 Equity Shares of Nu. 1,000/- each	11,157,502,000	10,203,413,586	10,203,413,586
<b>Total</b>	<b>11,157,502,000</b>	<b>10,203,413,586</b>	<b>10,203,413,586</b>

16.1 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)

#### 16.2 Reconciliation of Equity shares Outstanding

	As at 31-Dec-22	As at 31-Dec-21	(Amount in Nu.) As at 01-Jan-21
At the beginning of the year			
- Number of shares	10,235,301	10,203,414	10,203,414
- Amount (in Nu.)	11,157,502,000	10,203,413,586	10,203,413,586
At the end of the year			
- Number of shares	11,157,502	10,203,414	10,203,414
- Amount (in Nu.)	11,157,502,000	10,203,413,586	10,203,413,586



## 17. Borrowings

	As at 31 December 2022	As at 31 December 2021	(Amount in Nu.) As at 1 January 2021
<b>i) Secured borrowings:</b>			
Term loan from 'National Pension and Provident Fund' (Refer Note 17.1.i for Transmission Lines Project)	838,547,412	941,103,600	1,653,503,654
<b>ii) Unsecured borrowings:</b>			
Term loans from 'Royal Government of Bhutan' (Refer Note 17.2)			
- for Rural Electrification Projects	2,307,026,714	3,576,001,553	3,738,317,801
- for JICA I	1,637,354,130	1,756,967,003	2,005,894,678
- for JICA II	1,118,624,205		
Borrowing BAS adjustment	(162,559,132)	(90,950,848)	(158,990,596)
iii) Mangdechhu Hydroelectric Project	10,383,386,852	5,710,499,125	5,710,499,125
iv) Bank Overdraft	3	-	330,985
Interest accrued but not due on borrowings	1,598,798,760	1,081,568,263	614,394,094
	<b>17,721,178,943</b>	<b>12,975,188,696</b>	<b>13,563,949,740</b>

Borrowings analyzed as follows:	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Current portion	424,000,615	580,001,278	817,460,693
Non-current portion	17,297,178,328	12,395,187,419	12,746,489,046
<b>Total</b>	<b>17,721,178,943</b>	<b>12,975,188,696</b>	<b>13,563,949,740</b>





**Nature of Security, Interest Rate and terms of repayments:****17.1 Term loan from NPPF:**

- i) Term loan of Nu.838,547,412 from National pension and provident fund is outstanding as on 31 December 2022 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 2022 amounts to Nu. 7,908,813.95 for 2022.

**17.2 Other Term Loans:**

- i) Rural electrification Loan I (RE-I) of Nu.107,952,888 is outstanding as on 31 December 2022 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. 164,932,540 is outstanding as on 31 December 2022 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.236,968,013 is outstanding as on 31 December 2022 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.869,364,080 is outstanding as on 31 December 2022 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.698,199,159 is outstanding as on 31 December 2022 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.1,499,015,745.28 is outstanding as on 31 December 2022 which is net of amount of Nu. 1,637,354,130 (after retranslation) and Nu. 138,338,385 (BAS Adjustment) from Royal Government of Bhutan for Rural Electrification Works and is repayable within 30 years at an interest rate of 0.01% on Japanese Yen in 61 semi-annually equal installments with last installment due on May 20, 2047.
- vii) Rural electrification loan -JICA Loan II of Nu. 1,118,624,205 is outstanding as on 31 December 2022 from the Royal Government of Bhutan is now closed. The rate of interest and the loan tenure shall be determined by the Royal Government of Bhutan.
- viii) Rural electrification Loan ADA of Nu.229,610,035 outstanding as on 31 December 2022 from Royal Government of Bhutan for Rural Electrification Works and is repayable





within 12 years at an interest rate of 0.7% on EURO in 12 semi-annually equal installments with last installment due on December 31, 2029.

- 17.3** Mangdechhu Hydro Project Authority (MHPA) Loan of Nu.10,384,032,641 is outstanding as on 31 December 2022. The loan is on moratorium period, with a rate of interest of 10% p.a repayable in semi-annual installments with a tenure of 15 years. During the year 2022, there was additional MHPA ATS taken over by BPC amounting to Nu. **4,675,129,995** as shown below:

(Amount in Nu.)

	Amount	Interest Rate
CHEL & KHEL	2,969,304,363	10%
MHPA Additional	828,078,862	10%
Nikachu I NPPF Loan	183,289,878	9%
Nikachu II BOB Loan	694,456,892	
<b>Total</b>	<b>4,675,129,995</b>	

- 17.4** BPC has two active Overdraft facilities with Bank of Bhutan Limited amounting to Nu. 500 million (OD I) and Nu. 227 million (OD II). OD I are secured by the Guarantee provided by DHI for a Guarantee Fee of 0.30% per annum and carry fixed rate of interest of 9.15% per annum. The guarantee fee paid for 2022 amounts to Nu. 143,189.27 for 2022. The OD II are secured by the substation assets as follows:

(Amount in Nu.)

Asset	Amount
220/66/11 Kv Semtokha Substation	136,533,249.25
66/33 Kv Olakha Substation	53,904,337.48
66/33 /11Kv Dechencholing Substation	18,829,122.05
66/33 /11Kv Bjemina Substation	10,778,165.15
66/33 /11Kv Lobesa Substation	17,187,367.81
66 /11Kv Haa Substation	9,643,621.08
66 Kv Chumdo Switching Substation	4,209,227.75
<b>Total Value for 2022</b>	<b>251,085,090.57</b>

- 17.5** Refer Note 41() for transaction wise detail under each borrowing.





### 18. 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.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
As at January 1	1,511,479,719	1,521,037,079	1,546,883,963
Addition/Received	3,833,135	60,013,000	30,023,744
Less: Transferred to 'Other Income'	(66,793,232)	(69,570,360)	(55,870,627)
As at December 31	1,448,519,622	1,511,479,719	1,521,037,079

Deferred grant analyzed as follows:

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Current portion	58,431,729	58,040,386	44,191,091
Non-current portion	1,390,087,893	1,453,439,333	1,476,845,988
Total	1,448,519,622	1,511,479,719	1,521,037,079

### 19. Deferred customer's contribution

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
As at January 1	110,960,628	123,953,693	140,562,766
Received during the year	1,660,181	639,253	-
Less: Transferred to "Other Income"	(13,284,599)	(13,632,318)	(16,609,073)
As at December 31	99,336,210	110,960,628	123,953,693

Deferred customer's contribution analyzed as follows:

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Current portion	12,942,191	13,229,397	1,182,106
Non-current portion	86,394,019	97,731,231	122,771,587
Total	99,336,210	110,960,628	123,953,693





## 20. Other Payables

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Security deposits			
- Energy meters	379,283,026	344,730,027	326,980,099
- Others (Refer Note 20.1)	14,103,185	15,372,472	14,103,185
Performance security	-	40,000	382,564
Retention money	5,529,615	23,558,640	148,393,522
Payable to employees	85,734	94,609	119,022
Other liabilities	338,802,446	290,891,977	245,521,808
<b>Total</b>	<b>737,804,007</b>	<b>674,687,725</b>	<b>735,500,200</b>

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

## 21. Employee benefit liabilities

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
<b>Provision for:</b>			
- Gratuity	661,571,352	663,330,774	615,327,827
- Separation Benefits	105,211,965	68,866,636	64,617,944
- Leave encashment	71,564,875	76,420,688	68,667,055
- Performance Based Incentive Scheme	-	-	-
- Performance Based Variable Allowance	-	100,849,169	98,917,759
- Payables to employees	34,299,050	26,065,248	24,704,324
<b>Total</b>	<b>872,647,242</b>	<b>935,532,515</b>	<b>872,234,908</b>

Employee benefit liabilities analyzed as follows:

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Current portion	104,939,722	277,828,103	150,182,734
Non-current portion	767,707,521	657,704,412	722,052,174
<b>Total</b>	<b>872,647,242</b>	<b>935,532,515</b>	<b>872,234,908</b>





## 22. Deferred Income Tax Liabilities (Net)

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

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021
Opening balance	1,299,346,008	1,190,669,587
Charged to Statement of Comprehensive Income	31,271,090	108,676,421
	<b>1,330,617,098</b>	<b>1,299,346,008</b>

Note 22.1: The Deferred Tax Liability for the year ended December 31, 2022 is as shown below:

For the year ended 31 December 2022

(Amount in Nu.)

Assets & Liabilities	Carrying Amount	Tax Base	Taxable Temporary Difference (DTL)	Deductible Temporary Difference (DTA)
Property, Plant & Equipment	33,995,718,643	29,284,515,465	(4,711,203,178)	(1,413,360,954)
Provision for bad debts	(57,881,535)	-	57,881,535	17,364,460
Provision for obsolete materials	(3,186,750)	-	3,186,750	956,025
Retention money-non current	(5,529,615)	(6,328,739)	(799,123)	(239,737)
Security deposit	(14,103,185)	(16,759,951)	(2,656,766)	(797,030)
Borrowings	(4,900,445,917)	(5,063,005,049)	(162,559,132)	(48,767,739)
Employee benefit obligation	(661,571,352)	(852,418,429)	(109,847,076)	(57,254,123)
Provision for transfer grant	(38,766,811)	-	38,766,811	11,630,043
Provision for carriage charges	(27,580,004)	-	27,580,004	8,274,001
Provision for Travel allowance	(38,865,150)	-	38,865,150	11,659,545
Deferred Government grants	(1,448,519,622)	(982,124,922)	466,394,700	139,918,410
<b>Total</b>				<b>(1,330,617,098)</b>
<b>Deferred Tax Liability in 2021</b>				<b>(1,299,346,008)</b>
<b>Deferred Tax Liability for 2022</b>				<b>31,271,090</b>



### 23. Lease Liability

(Amount in Nu.)

Balance as on 01.01.2022	Payment made during the year	Balance at 31.12.2022
35,445,191.59	353,862.19	35,091,329.40

Lease liabilities analyzed as follows:

(Amount in Nu.)

Particular	Amount
Current portion	3,151,206
Non-current portion	31,940,123
<b>Total</b>	<b>35,091,329</b>

### 24. Trade & Other Payable

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Trade payables:			
- electricity	1,182,876,412	404,789,522	588,932,036
- suppliers & contractors	94,383,102	109,670,651	31,460,242
- services	474,045,755	5,809,767	3,087,787
Security deposits			
- Energy meter	8,350,325	12,677,629	7,472,170
- Capacity reserve charges	29,196,076	28,444,479	12,797,160
Performance security	7,542,169	6,587,539	5,651,585
Retention money	557,461,972	281,509,724	661,889,411
Accrued expenses	3,046,943	14,289,325	11,337,032
Other liabilities	4,429,982	4,098,637	3,287,133
<b>Total</b>	<b>2,361,332,735</b>	<b>867,877,273</b>	<b>1,325,914,555</b>





## 25. Income tax payable (net of advances)

(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Provision for corporate income tax	330,262,075	410,939,202	125,333,034
Less: Advance tax and income tax deducted at source	(195,442,395)	(202,014,573)	(88,403,634)
	<b>134,819,680</b>	<b>208,924,629</b>	<b>36,929,400</b>

### 25.1 Details of Income Tax is as under:

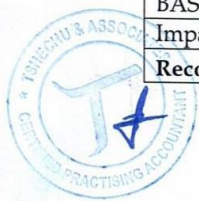
(Amount in Nu.)

	As at 31 December 2022	As at 31 December 2021
<b>Current income tax</b>		
Current tax on profits for the year	330,262,075	410,939,202
<b>Total Current income tax</b>	<b>330,262,075</b>	<b>410,939,202</b>
<b>Deferred income tax</b>		
Increase/(decrease) in deferred tax liabilities	31,271,090	108,676,421
<b>Total Deferred income tax</b>	<b>31,271,090</b>	<b>108,676,421</b>
<b>Income tax expense</b>	<b>361,533,165</b>	<b>523,229,855</b>

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

(Amount in Nu.)

	2022	
<b>Current tax on profit for the year</b>		<b>330,262,075</b>
<b>Reconciliation of tax on accounting profit:</b>		
Profit Before Income Tax		<b>1,191,340,395</b>
Tax calculated at domestic tax rate 30%		<b>357,402,119</b>
Adjustments:		
Donations	123,814,477	37,144,343
Fines and penalties	11,250	3,375
Provision for doubtful debts	-	-
Provision for obsolete materials	(22,067,097)	(6,620,129)
Prior Period tax Adjustment	271,534,006	81,460,202
Medical	19,200	5,760
Gratuity	(15,658,597)	(4,697,579)
Transfer grant	540,724	16,217
Carriage charges	279,840	83,952
Separation allowance	538,265	161,840
BAS adjustments	57,461,056	17,238,317
Impact due to depreciation	(506,939,935)	(152,081,981)
<b>Reconciled with tax expense as above</b>		<b>330,262,075</b>





25.3 The applicable corporate income tax rate has remained same, i.e. 30% for the current year and earlier year ended on December 31, 2021 and December 31, 2020 respectively.

#### 26. Other current liabilities

	As at 31 December 2022	As at 31 December 2021	As at 1 January 2021
Statutory liabilities	25,162,841	9,136,091	12,547,688
Welfare grant fund	-	-	23,724,058
Other payables	8,013,573	24,176,039	2,148
<b>Total</b>	<b>33,176,414</b>	<b>33,312,130</b>	<b>36,273,894</b>

#### 27. Income from sale of electricity

	For the year ended	
	31 December 2022	31 December 2021
Revenue - Low voltage customers	2,605,427,365	2,872,765,026
Revenue - Medium voltage customers	735,093,141	451,148,286
Revenue - High voltage customers	6,239,353,524	3,714,224,621
Miscellaneous income	34,469,946	(2,453,143)
<b>Total</b>	<b>9,614,343,976</b>	<b>7,035,684,791</b>

#### 28. Income from construction contracts

	For the year ended	
	31 December 2022	31 December 2021
Value of contracts performed and service charges	3,038,851,318	1,327,890,538
Estimation charges for works	188,146	186,856
<b>Total</b>	<b>3,039,039,464</b>	<b>1,328,077,395</b>

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

	31 December 2022	31 December 2021
Long-term contracts:		
- MHPA	-	52,680,817
- Puna I	-	232,058
- Transmission Project Office-Changedaphu	2,684,239,089	957,436,563
- Transmission Project Office-Thimphu	92,750,602,88	13,888,260
- Electrification Department	186,176,394	260,190,720
Short-term contracts:	75,685,231	43,462,120
<b>Total</b>	<b>3,038,851,318</b>	<b>1,327,890,538</b>





## 29. Other Income

	(Amount in Nu.)	
	For the year ended	
	31 December 2022	31 December 2021
Interest income on:		
- Depreciation Fund	-	-
- Benefit Accrued on Employee Insurance Policies (Refer Note 40 (iv))	23,421,607	21,731,933
- Other Fixed Deposits	-	421,233
Penalties and liquidated damages	24,350,103	12,605,778
Revenue Grant	11,135,322	79,141,131
Amortization of deferred grants (Refer Note 17)	66,793,232	69,570,360
Amortization of deferred customer's contribution (Refer Note 18)	13,284,599	13,632,318
Liabilities no longer required written back	1,592,533	2,669,023
Write-back of Provision on Obsolescence of Material	-	-
Scrap Sales	22,060,435	-
Tender form sales	239,300	159,800
Hire and lease charges**	11,294,205	11,528,945
Other miscellaneous income	151,180,740	116,189,088
<b>Total</b>	<b>347,419,173</b>	<b>327,649,609</b>

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

Particulars	(Amount in Nu.)	
	31 December 2022	31 December 2021
Not Later than one year	9,879,721	12,324,006
Later than one year but not later than five years	9,879,721	10,264,403
Later than five years	-	-

## 30. Operation and maintenance expenses

	(Amount in Nu.)	
	For the year ended	
	31 December 2022	31 December 2021
11Repairs and maintenance:		
- Material/Stores	166,905,628	91,935,267
- Services	193,411,483	197,779,962
- Meter Equipment	1,561,780	3,415,104
- Vehicle running expenses (POL)	51,091,336	34,094,901
- Consumables	7,785,008	10,424,048
- Others	128,043,701	135,011,058
<b>Total</b>	<b>548,798,936</b>	<b>472,660,340</b>



### 31. Employee benefit expenses

(Amount in Nu.)

	For the year ended	
	31 December 2022	31 December 2021
Salaries, wages, bonus and allowances	989,103,371	1,040,714,306
Contribution to provident and pension fund	100,599,051	100,089,430
Contribution for gratuity and leave encashment	150,151,538	151,384,241
Workmen and staff welfare expenses	10,489,147	8,493,616
<b>Total</b>	<b>1,250,343,106</b>	<b>1,300,681,594</b>

### 32. Finance cost

(Amount in Nu.)

	For the year ended	
	31 December 2022	31 December 2021
Interest on long term borrowings from:		
Royal Government of Bhutan for Rural Electrification Projects	77,302,283	81,133,181
National Pension and Provident	80,019,083	123,552,039
MHPA Loan	556,919,387	338,795,626
Guarantee fee	8,337,168	10,370,559
BoBL Overdraft & Interoperate Loan	14,434,271	328,413
Other finance charges	135,435	69,565
Unwinding of discount on retention, security deposit and borrowings	81,163,935	87,391,894
Finance Cost Lease	3,190,067	
<b>Total</b>	<b>821,501,629</b>	<b>641,641,276</b>

### 33. Other expenses

(Amount in Nu.)

	For the year ended	
	31 December 2022	31 December 2021
Travelling expenses	15,264,791	17,707,871
Rent charges**	8,955,131	13,563,618
Rates and taxes	842,535	822,052
Printing and stationary	5,454,015	6,275,567
License and registration fees	44,023,128	26,716,647
Audit fees and expenses	823,050	1,156,941
Office expenses	6,862,279	8,695,398
Consultancy fees	1,509,822	523,347
Legal fees	-	-
Entertainment expenses	4,475,779	5,903,083
Publicity and Advertisement expenses	2,334,220	2,245,044
Insurance charges	7,698,323	3,922,682
Donations & contributions expenses	123,814,477	36,070,608
Vehicle Hire charges	1,302,173	375,078





Bad debt expenses	-	18,495,011
Provision for obsolete materials	-	23,921,885
Loss on disposal of property, plant and equipment	61,542,110	653,052
Board meeting expenses and sitting fees	1,651,732	1,409,207
Management Fee for holding Company	36,949,730	30,688,451
Miscellaneous expenses	11,270,740	16,794,688
<b>Total</b>	<b>334,774,035</b>	<b>215,940,229</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:

	31.12.2022	31.12.2021
Not Later than one year	4,947,226.00	8,955,130.94
Later than one year but not later than five years	14,805,862.00	13,902,356.94
Later than five years	2,554,620.00	2,529,600.00

#### 34. Earnings per share ('EPS')

(Amount in Nu.)

	For the year ended	
	31 December 2022	31 December 2021
<b>Basic EPS attributable to Ordinary shares</b>		
Net Profit attributable to the owners of the Company	829,807,230	1,356,910,486
Issued and outstanding ordinary shares at the beginning/end of the year	10,203,414	10,203,414
Effect of ordinary shares issued during the year	2,614	-
<b>Weighted average number of ordinary/diluted shares</b>	<b>10,521,443</b>	<b>10,203,414</b>
<b>Basic/Diluted EPS attributable to ordinary/diluted shares</b>	<b>78.87</b>	<b>132.99</b>



### 35. Fair Value Measurement

Financial instruments by category:

(Amount in Nu.)

	As at 31 December 2022			As at 31 December 2021		
	FVTPL	FVT OCI	Amortized cost	FVTPL	FVT OCI	Amortized cost
<b>Financial assets</b>						
Investments	-	-		-	-	
Long-term loans and advances	-	-	8,514,407	-	-	11,358,916
Other receivables	-	-	199,330	-	-	199,330
Amount due from customers for contract work	-	-	425,738,438	-	-	126,445,670
Trade & other receivables	-	-	1,134,658,284	-	-	718,518,933
Cash and cash equivalents	-	-	397,041,032	-	-	1,220,324,401
Short-term loans and advances	-	-	3,699,326	-	-	5,558,440
<b>Total financial assets</b>	-	-	<b>1,969,850,817</b>	-	-	<b>2,082,405,689</b>
<b>Financial liabilities</b>						
Borrowings	-	-	17,721,178,943	-	-	12,975,188,696
Other payables	-	-	737,804,007	-	-	674,687,725
Amount due to customers for contract work	-	-	1,221,932,519	-	-	1,784,859,136
Trade & other payables	-	-	2,361,332,735	-	-	867,877,273
<b>Total financial liabilities</b>	-	-	<b>22,042,248,205</b>	-	-	<b>16,302,612,829</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.



## 36. 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
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 day's credit period is given to the Consumers. For defaulting consumers, 2% of the billed amount is charged as penalty. If the consumer further fails to pay the bill within 3 months or 90 days from the billing date the supply is disconnected until clearing of the dues. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically. Further being a sole distributor of electricity, the Company expects to recover all its dues from the customers.

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

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

#### ii) Financial instruments and cash deposits

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

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

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





## (2) Liquidity risk

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

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

### (i) Maturities of financial liabilities

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

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

(Amount in Nu.)

Contractual maturities of financial liabilities as at 31 December 2022	Less than 1 year	More than 1 year	Total
Trade and Other Payables	2,361,332,735	737,804,007	3,099,136,742
Borrowings	424,000,615	17,297,178,328	17,721,178,943
<b>Total financial liabilities</b>	<b>2,785,333,350</b>	<b>18,034,982,336</b>	<b>20,820,315,685</b>
Contractual maturities of financial liabilities as at 31 December 2021	Less than 1 year	More than 1 year	Total
Trade and Other Payables	867,877,273	674,687,725	1,542,564,997
Borrowings	580,001,278	12,395,187,419	12,975,188,696
<b>Total financial liabilities</b>	<b>1,447,878,550</b>	<b>13,069,875,143</b>	<b>14,517,753,694</b>

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





### (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.

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

Currency	As at 31 December 2022		As at 31 December 2021	
	Euro in Nu.	Yen in Nu.	Euro in Nu.	Yen in Nu.
Financial liabilities	229,610,035	2,755,978,335	246,269,009	2,883,373,505
Net exposure to foreign currency risk	229,610,035	2,755,978,335	246,269,009	2,883,373,505

#### Sensitivity

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

	(Amount in Nu.) Impact on profit before tax	
	31 December 2022	31 December 2021
<b>YEN Sensitivity</b>		
Nu. Depreciate by 5% (2022:5%)	137,798,917	144,168,675
Nu. Appreciate by 5% (2022:5%)	(137,798,917)	(144,168,675)
<b>EURO Sensitivity</b>		
Nu. Depreciate by 5% (2022:5%)	11,480,502	12,313,450
Nu. Appreciate by 5% (2022:5%)	(11,480,502)	(12,313,450)



## (ii) Interest rate risk

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

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

## (iii) Price Risk

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

## 37. Related Party Transactions

The Company is a wholly owned subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The Company has no subsidiary, Company. The Company considers that for the purpose of BAS 24 the Royal Government of Bhutan is in a position of control over it, and therefore regards the Royal Government of Bhutan and its controlled companies/corporations as related parties for the purpose of the disclosures required by BAS 24.

Fellow subsidiaries are as shown below:

Sl.no.	Name of Company
1	Bank of Bhutan Ltd.
2	Bhutan Telecom Ltd.
3	Druk Air Corporation Ltd.
4	Druk Green Power Corporation Ltd.
5	Dungsam Cement Corporation Ltd.
6	Natural Resources Development Corporation Ltd.
7	Bhutan Board Product Ltd.
8	Construction Development Corporation Ltd.
9	State Trading Corporation of Bhutan Ltd.
10	Dungsam Polymers Ltd.
11	Penden Cement Authority Ltd.
12	Menjong Sorig Pharmaceutical Limited
13	Thimphu Tech Private Ltd.
14	State Mining Corporation Ltd.
15	Koufuku International Ltd.
16	Tangsibji Hydro Electric





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

(Amount in Nu.)

Name of Related Party	Relationship	Nature of transaction with related party	Amount outstanding as on December 31, 2022 (Amount in Nu. Receivables/(Payables))	Transactions during the year (Amount in Nu. Debit/(Credit))
Bank of Bhutan	Fellow subsidiary	a) Balance with BoBL b) Bank charges c) Sale of electricity d) Maintenance of others e) Interest On Borrowing (OD)	390,694,517	135,435 (5,206,123) 500,000 10,248,767.03
Bhutan Telecom	Fellow subsidiary	a) Communication, telephone and internet charges		7,212,479
		b) Sale of electricity c) Rental income on lease d) Income from deposit works e) Repair & maintenance f) Non Trade Payable	(3,073,035)	(54,325,821) (4,306,565) (18,236,950) 12,043,398.00
Druk Green Power Corporation Ltd.	Fellow Subsidiary	(a) Trade receivables b) Trade payables c) Purchase of energy d) Wheeling	17,368,664 (907,705,302)	4,366,219,702



		e) revenue		(1,029,988,424)
		e) Transfer of asset		268,777,716.00
		f) Sale of electricity		(11,961,079)
		g) Non trade payable	(17,324,845)	
Druk Air Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	85,881	
		b) Flight tickets		1,505,466
		c) Sale of electricity		(935,248)
Dungsam Cement Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	17,905,496	
		b) Deposits received	(3,224,160)	
		c) Sale of electricity		(209,349,053)
Natural Resources Development Corporation Ltd.	Fellow Subsidiary	a) Sale of electricity		(3,238,029)
		b) Purchase of furniture		457,115
		c) Trade receivables		
		d) Purchase of timber	273,170	11,2134
Bhutan Board Product Ltd.	Fellow Subsidiary	a) Purchase of asset		
		b) Sale of electricity		
		c) Running & maintenance		
Construction Development Corporation Ltd.	Fellow Subsidiary	a) Trade Receivables	56,069	
		b) Sale of electricity		(3,169,060)





Druk Holding & Investments Ltd.	Holding Company	a) Dividend	1,012,271,269	
		b) Lease rent		2,390,927
		c) Brand management fees		36,949,730
		d) Sale of electricity		(786,589)
		e) Rental income on lease		(89,752)
		f) Corporate guarantee fee		8,337,168
		g) Trade payables	(8,052,003.22)	
Koufuku International Ltd.	Fellow Subsidiary	a) Sale of electricity		(739,619)
Thimphu Tech Park Ltd.	Fellow Subsidiary	a) Trade receivables	532,022	
		b) Annual Maintenance charges & Others		16,247,267,77
		c) Sale of electricity		(974,284)
State Mining Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	2,210,571	
		b) Sale of electricity		(3,133,248)
State Trading Corporation of Bhutan Ltd.	Fellow Subsidiary	a) Purchase of assets	33,219,712	
		b) Running & Maintenance of vehicle		7,266,067
		c) Sale of electricity		
Penden Cement Authority Ltd	Fellow Subsidiary	a) Trade receivables	7,906,967	
		b) Rental expense		385,502
		c) Sale of electricity		(50,216,854)
		d) Deposits		49,000



Tangsibji Hydro Electric	Fellow Subsidiary	a) Deposits received b) Sale of electricity	(1,182,864)	(972,920)
Menjong Sorig	Fellow Subsidiary	a) Purchase of Health supplement b) Sale of electricity c) Trade receivables d) Deposit Received	45,380 (1,536)	50,680 (539,342)
Bhutan Hydro Power Services Ltd.	Fellow Subsidiary	a) Advance b) Trade receivable c) Deposit Received d) Sale of electricity e) CWIP f) Deposit Received	5,327,123 155,900 (6,130,324)   (547,390)	   (3,008,658)  31,070,762

#### 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	
	31 December 2022	31 December 2021
Basic Salary and contract allowance	2,908,584	2,709,530
Performance based variable allowances	338,691	289,285
Performance based incentive scheme	-	-
Sitting fees	216,000	168,000
Contribution to provident fund	218,148	203,214
Other allowances	-	-
<b>Total</b>	<b>3,681,423</b>	<b>3,370,029</b>

The sitting fees to the Board of Directors:

(Amount in Nu.)

Sl.no.	Name of Board Director	Amount
1	Dasho Ugyen Chewang	36,000
2	Dasho Kesang Deki	88,000
2	Dasho Kunzang Dorji	112,000
3	Kinzang Tobgay	136,000
4	Karma P Dorji	200,000
5	Sonam Lhendrup	208,000
6	Dechen Wangmo	184,000

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

**Note:**

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

**38. Employee Benefits**

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



▪ Change in present value of obligation:

(Amount in Nu.)

	Gratuity		Leave Encashment	
	Year ended 31 December, 2022	Year ended 31 December, 2021	Year ended 31 December, 2022	Year ended 31 December, 2022
Present Value of obligation at the beginning of year	663,330,773	615,327,826	76,420,687	663,330,773
Interest cost	48,913,190	47,209,935	3,559,059	48,913,190
Current Service Cost	39,260,001	39,279,547	7,935,261	39,260,001
Past Service Cost				
Benefit Paid	(103,831,788)	(25,203,633)	(63,864,893)	(56,231,698)
Net actuarial (Gain) / Loss on obligation	13,899,176	(13,282,903)	47,514,760	55,236,870
Present value of the defined benefit at the end of period/year	661,571,351	663,330,773	71,564,874	76,420,687
Current Liability	59,064,315	65,498,362	4,143,153	76,420,687
Non-current Liability	602,507,036	597,832,411	71,564,874	

(Amount in Nu.)

	Transfer Grant		Separation Allowance	
	Year ended 31 December, 2022	Year ended 31 December, 2022	Year ended 31 December, 2022	Year ended 31 December, 2021
Present Value of obligation at the beginning of year	22,327,887	22,327,887	22,327,887	20,823,663
Interest cost	1,597,754	1,597,754	1,595,244	1,573,638
Current Service Cost	3,654,902	3,654,902	3,717,698	1,483,446
Benefit Paid	(4,711,932)	(4,711,932)	(4,774,677)	(1,153,193)
Net actuarial (Gain) / Loss on obligation	15,898,200	15,898,200	15,998,998	(399,667)
Present value of the defined	38,766,811	38,766,811	38,865,150	22,327,887



benefit at the end of period/year				
Current Liability	2,858,123	2,858,123	2,963,618	2,838,908
Non-current Liability	35,908,688	35,908,688	35,901,532	19,488,979

(Amount in Nu.)

Carriage Charges		
	Year ended 31 December 2022	Year ended 31 December 2021
Present Value of obligation at the beginning of year	24,210,862	22,971,351
Interest cost	1,749,620	1,747,515
Current Service Cost	3,211,443	1,664,624
Benefit Paid	-4,681,223	-1,127,414
Net actuarial (Gain) / Loss on obligation	3,089,302	-1,045,214
Present value of the defined benefit at the end of period/year	27,580,004	24,210,862
Current Liability	1,611,461	3,316,819
Non-current Liability	25,968,543	20,894,043

i) Expense recognized in the Statement of Comprehensive Income.

(Amount in Nu.)

	Gratuity		Leave Encashment	
	Year ended 31 December, 2022	Year ended 31 December, 2021	Year ended 31 December, 2022	Year ended 31 December, 2021
Current Service Cost	39,260,001	39,279,547	7,935,261	7,753,633
Interest cost	48,913,190	47,209,935	3,559,059	994,828
Past Service Cost	-	-		
Immediate recognition of gain/loss-other long term employee benefits	-	-	47,514,760	55,236,870
Net actuarial (Gain) / Loss recognized in the year	13,899,176	(13,571,333)	-	(31,335)
Expenses recognized in Statement of Profit and Loss	88,173,191	86,489,483	59,009,080	63,985,331

\*In the Statement of Comprehensive Income, expenses recognized is Nu. 62,531,201 and the liability has been taken as per actuarial valuation of Nu. 76,420,688.





(Amount in Nu.)

	Transfer Grant		Separation Allowance	
	Year ended 31 December, 2022	Year ended 31 December, 2021	Year ended 31 December, 2022	Year ended 31 December, 2021
Current Service Cost	3,654,902	1,483,446	3,717,698	1,483,446
Interest cost	1,597,754	1,573,579	1,595,244	1,573,638
Net actuarial (Gain) / Loss recognized in the year	15,898,200	(398,875)	15,998,998	(399,667)
Expenses recognized in Statement of Profit and Loss	5,252,656	3,057,025	5,312,942	3,057,084

(Amount in Nu.)

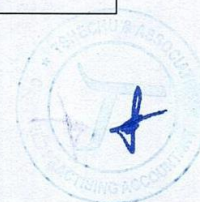
	Carriage Charges	
	Year ended 31 December, 2022	Year ended 31 December, 2021
Current Service Cost	3,211,443	1,664,624
Interest cost	1,749,620	1,747,515
Net actuarial (Gain) / Loss recognized in the year	3,089,302	(1,045,214)
Expenses recognized in Statement of Profit and Loss	4,961,063	3,412,139

#### Actuarial Assumptions:

Principal assumptions used for actuarial valuation are:

(Amount in Nu.)

	Gratuity		Leave Encashment	
	Year ended 31 December, 2022	Year ended 31 December, 2021	Year ended 31 December, 2022	Year ended 31 December, 2021
Method used	Projected unit credit method			
Discount rate	8%	8%	8%	8%
Rate of Increase in Compensation levels	6.00% p.a.	6.00% p.a.	6.00% p.a.	6.00% p.a.
Rate of return on plan assets	0.00%	0.00%	0.00%	0.00%
Expected Average remaining working lives of employees (years)	12.16 years	15 years	12 years	12 years





(Amount in Nu.)

	Transfer Grant Separation Allowance Carriage Charges	
	Year ended 31 December, 2022	Year ended 31 December, 2021
Method used	Projected unit credit method	
Discount rate	8%	8%
Rate of Increase in Compensation levels	6.00% p.a.	6.00% p.a.
Rate of return on plan assets	0.00%	0.00%
Expected Average remaining working lives of employees (years)	12.37 years	12 years

## ii) Sensitivity Analysis

### Gratuity

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	634,474,767	(27,096,584)	-4.10%
Base rate	661,571,351	-	-
(-0.50%)	690,596,801	29,025,450	4.40%
<b>2. Salary Escalation Rate</b>			
(+1.00%)	722,669,322	61,097,971	9.20%
Base rate	722,669,322		
(-1.00%)	607,485,085	(54,086,266)	-8.20%
<b>3. Attrition Rate</b>			
(+1.00%)	669,767,261	8,195,910	1.20%
Base rate	661,571,351	-	0.00%
(-1.00%)	652,814,228	(8,757,123)	-1.30%

### Carriage Charges

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	26,097,332	(1,482,672)	-5.40%
Base rate	27,580,004	-	-
(-0.50%)	29,195,461	1,615,457	5.90%
<b>2. Increase in Transport Cost</b>			
(+1.00%)	30,992,973	3,412,969	12.40%
Base rate	27,580,004		
(-1.00%)	24,659,782	(2,920,222)	-10.60%
<b>3. Attrition Rate</b>			
(+1.00%)	28,115,141	535,137	1.90%
Base rate	27,580,004	-	0.00%
(-1.00%)	26,992,467	(587,537)	-2.10%





### Separation Allowance

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	37,000,533.00	(1,864,617.00)	4.80%
Base rate	38,865,150.00	-	-
(-0.50%)	40,885,399.00	2,020,249.00	5.20%
<b>2. Salary Escalation Rate</b>			
(+1.00%)	43,164,210.00	4,299,060.00	11.10%
Base rate	38,865,150.00	-	-
(-1.00%)	35,149,631.00	(3,715,519.00)	-9.60%
<b>3. Attrition Rate</b>			
(+1.00%)	39,868,445.00	1,003,295.00	2.60%
Base rate	38,865,150.00	-	-
(-1.00%)	37,756,591.00	(1,108,559.00)	-2.90%

### Transfer Grant

(Amount in Nu.)

1. Discount Rate	Defined Benefit Obligation (DBO)	Net Effect in DBO	% Effective
(+0.50%)	36,902,650	(1,864,160)	-4.80%
Base rate	38,766,811	-	-
(-0.50%)	40,786,600	2019789	5.20%
<b>2. Salary Escalation Rate</b>			
(+1.00%)	43,064,928	4298118	11.10%
Base rate	38,766,811	-	-
(-1.00%)	35,052,235	(3714576)	-9.60%
<b>3. Attrition Rate</b>			
(+1.00%)	39,738,376	971565	2.50%
Base rate	38,766,811	-	-
(-1.00%)	37,689,986	(1076825)	-2.80%

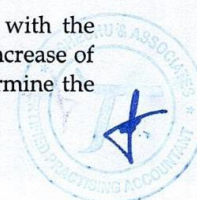
### Description of risks

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.

### 39. Capital Commitments

The Company has contractual commitments of Nu.879,341,801.37 and Nu. 756,986,453.16 as at December 31, 2022 and December 31, 2021 respectively; on account of capital expenditures relating to acquisition of Property, plant and equipment, but not recognized as liabilities as on the reporting date.

### 40. Contingent Liabilities

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

Radhika Rai Vs. BPC:

Late Mr. Bikaram Rai, an excavator driver while transporting excavator from Dorokha, Samtse met with an electrical accident. The truck carrying excavator got stuck on the ADSS cable and while clearing the truck, he came into contact with 11 kV distribution and passed away on the way to Samtse hospital. His wife Mrs. Radika Rai filed case against BPC claiming negligence of BPC and compensation for the death of her husband. She has claimed a compensation of Nu. 4.8 million. If BPC happens to lose the case, BPC may have to pay compensation of Nu. 4.8 million.

### 41. Additional Disclosures

- i. Due to the COVID-19 pandemic, there is significant increase in the expense on donations and contributions. The following monetary assistance was provided by BPC:
  - a. BPC waived the electricity charges from January to June for quarantine facilities, Point of Entries and Outposts along the southern border based on letter from the Ministry of Finance letter number DRC/Fiscal Measures-Covid/2021/1012 dated 17<sup>th</sup> February 2021 and further directives from the DHI vide DHI/CEO/DOC/2021/63 dated 1/3/2021. The waiver amounted to Nu.36, 485,726
  - b. As per the letter no.15/DHI/CEO/DOC/2022/117 dated 5<sup>th</sup> April 2022, BPC contributed Nu. 86,120,000 as CSR contribution to the National Resilience Fund.
- i. Based on the SOP shared by RMA , BPC received 1% rebate on principle outstanding on the deferment period till June, 2022. The total rebate amounts to Nu. 11,128,901.08 booked as revenue grant.



- ii. In the 142nd meeting of the Board of Directors of the company held on 29th April 2021, the Board decided to transfer the embedded generation assets of BPC to DGPC and also as per the approval letter received from DHI with reference number DHI/BOARD/2022/15 dated 4th January 2022. With completion of the joint physical handing/taking over exercises between DGPC and BPC, the record of discussion was held to complete the Transfer Modality as per the agreement signed on 4th April 2022 which required the completion of transfer of assets as on 30th June 2022 amounting to Nu. 268,777,716.
- iii. As per the technical assessment of the slow and non-moving material identified based on ageing and usage level of the inventory generated from ERP (SAP) System and also based on identification/segregation of obsolete stock at the time of physical verification, the adequate provision has been made in the accounts towards obsolete material.
- iv. In the opinion of the management, the value of assets other than 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.
- v. The Company has gained Nu. 45,681,568 (Previous year incurred loss of Nu. 195,485,132) on account of exchange difference arising from translating foreign exchange long term borrowings for JICA I (Japanese Yen) and ADA(Euro) in domestic currency.
- vi. Prior period adjustment

Discriptions	Amounts (Nu.)	
Opening Retained Earning for 2021		4,342,902,064
Adjustment for the interest accreued more as IDC portion as loan for 2019&2020 Portion	130,247,010.61	
Adjustment for share capital for previous land	31,887,413.84	
Restated Opening Retained Earning for 2021		4,505,036,488.45
Closing Retained Earning for 2021		4,943,274,471.00
Adjustment for interest accrued more for MHPA loan as IDC portion was taken as loan for 2019, 2020 &2021 portion	230,689,766.47	
Adjustment for share capital for previous land	31,887,413.84	
Adjustment for Omitted R&M Expenses for 2021	(24,175,039.39)	
Revised Closing Retained earning for 2021		5,181,676,611.92





The impact and reason for the above adjustments are shown below:

Discriptions	2019	2020	2021	Total
Adjustment for the interest expense that was accrued more in books of accounts	26,675,214.09	103,571,796.51	100,442,755.86	230,689,766.47
Adjustment of retained earning with share capital for previous year's land transfer to DHI	31,887,413.84			31,887,413.84
Adjustment of R&M Expenses for SAP Licence for 2021			(24,175,039.39)	(24,175,039.39)

- vii. The Company has taken single premium insurance policies with Royal Insurance Corporation of Bhutan Limited (RICB), for coverage of its employees with death claim benefit in the event of death while in service and within the respective policy term. The policies have been underwritten through Single premium, which will be refunded at the end of respective policy period/term with pre-decided/fixed policy bonus/ benefit and after deduction of death claims paid within the respective policy term. The policy premiums paid and bonus/benefit accrued thereon aggregating to Nu. 436,892,904 as on the reporting date have been considered as 'Deposit against Employees Insurance Policy' under 'Current Assets' in the Statement of Financial Position. The death claim benefits of Nu.1,050,000 paid during the year have been reduced from the same and accounted for as 'Employee Benefit Expense' and the policies bonus / benefit of Nu. 72,841,128 accrued under the policies during the year have been added in the same on prorated basis by credit to 'Other Income'.
- viii. BPC took over assets from MHPA ATS, on 70:30 debt equity ratio. The total value of the asset taken over amounts to Nu. 5,615,664,211 out of which Nu. 954,088,528 is equity and Nu. 4,675,129,995 as loan.

With the increase in share capital from MHPA asset capitalization, Nu.114 is adjusted with Asset Replacement Reserve to round the share capital amount to thousands.



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

(Amount in Nu.)

Particulars	Loan outstanding as on 1.1.2022	Disbursement during the year	Foreign Exchange Disbursement	Repayment during the year	Loan Outstanding as on 31.12.2022	Interest Paid/provided for during the year
ADB-RE I	116,256,956	-	-	8,304,068	107,952,888	6,659,863
ADB-RE II	183,258,377	-	-	18,325,838	164,932,540	10,299,121
ADB-RE III	255,196,321	-	-	18,228,309	236,968,013	14,713,283
ADB-RE IV	916,356,733	-	-	46,992,653	869,364,080	
ADB-RE V	732,257,655	-	-	34,058,496	698,199,159	42,817,205
ADA	246,269,009	-	-	16,658,974	229,610,035	1,607,089
JICA-I	1,756,967,003	-	-	119,612,874	1,637,354,130	159,639
JICA-II	1,126,406,502	-	-	7,782,297	1,118,624,205	1,046,083
NPPF	941,103,600	-	-	102,556,189	838,547,412	72,137,536
MHPA	5,710,499,125	-	-	1,011,543,197	4,698,955,927	556,919,387
BoB OD & Inter corporate loan (DHI)	-	1,925,642,404	-	1,925,642,404	-	14,434,271
Loan from NPPF(ATS)	-	173,717,664	-	1,363,676.00	172,353,897	7,881,547
FEIF Int Loan-NPPF I	-	7,817,444	-	645,789	7,171,655	-
FIEF Int Loan-DGPC	-	1,754,770	-	144,960	1,609,810	-
IDC-Loan from MHPA	-	1,839,622,060	-	-	1,839,622,060	-
Loan from BoB(ATS)	-	660,720,000	-	-	660,720,000	-
IDC-Loan from BoB	-	33,649,140	-	-	33,649,140	-
Loan from CHEL	-	2,217,677,000	-	-	2,217,677,000	-
DC-Loan from CHEL	-	751,627,363	-	-	751,627,363	-
<b>Total</b>	<b>11,984,571,281</b>	<b>7,612,082,884</b>	<b>-</b>	<b>3,311,714,852</b>	<b>16,284,939,313</b>	<b>728,675,024</b>





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

*(Amount in Nu.)*

	2022		2021	
	Units(kWh)	Amount (in Nu. Millions)	Units ( kWh)	Amount (in Nu. Millions)
Purchase	3,450.08	5,506.84	2,649.54	3,842.86
Hydel	8.96	-	21.41	-
Import	203.92	798.23	00	00
Sale	3,465.17	9,614.34	2,474.83	7,035.68

- xi. The Bhutan Electricity Authority approved the tariff revision with effect from 1 September 2022. The tariff structure is as follows:

Tariff Structure	Unit	1 <sup>st</sup> September 2022 to 30 <sup>th</sup> June 2023	1 <sup>st</sup> July 2023 to 30 <sup>th</sup> June 2024	1 <sup>st</sup> July 2024 to 30 <sup>th</sup> June 2025
<b>Low Voltage (LV)</b>				
LV Block I(Rural*) 0-100 kWh	Nu/kWh	0	0	0
LV Block I (High landers) 0-200 kWh	Nu/kWh	0	0	0
LV Block I(Others) 0-100 kWh	Nu/kWh	1.28	1.28	1.28
LV Block II(All) >100 kWh	Nu/kWh	2.66	2.66	2.66
<b>Medium Voltage (MV)</b>				
Energy Charge	Nu./kWh	1.60	1.60	1.60
Demand Charge	Nu./kVA/Month	170	170	170
<b>High Voltage (HV)</b>				
Energy Charge	Nu./kWh	1.60	1.60	1.60
Demand Charge	Nu./kVA/Month	496	496	496
Wheeling	Nu/kWh	0.23	0.23	0.23

For HV and MV customers, the demand charges is to be levied on the maximum demand recorded in the billing month. If the maximum demand is lower than 95% of contract demand for HV and 80% of contract demand for MV customers, then the demand charges shall be levied 95% and 80% respectively. The weighted average power purchase tariff has been revised to Nu.1.60/kWh.

#### 42. Subsequent events

- The Board of Directors has proposed a final dividend of 7.23% of share capital for the financial year ended December 31, 2022. The total dividend of Nu. 806,687,403 is subject to approval of the members in the General Meeting to be held to adopt the financial statements for the year ended December 31, 2022. These financial statements do not reflect this dividend payable.
- In line with the Asset replacement policy of the Company, the Board of Directors has proposed an amount of Nu.28,565,538 to be transferred to Asset Replacement Reserve for the financial year ended December 31, 2022, which is calculated at 0.4% on the asset addition during the year. This is subject to approval of the members in



the General Meeting to be held to adopt the financial statements for the year ended December 31, 2022. These financial statements do not reflect this transfer.

- iii. During the Annual General Meeting (AGM) held on March 31, 2023, it was approved that the company will provide a performance-based variable allowance equivalent to 5% of the employees' basic salary, as well as a performance-based incentive scheme for one month. The estimated total cost of the approved scheme is Nu. 91,209,373, which will be adjusted from retained earnings as a subsequent event.

**Signatures to 'Notes 1 to 41' of the Financial Statements  
For and on behalf of the Board of Directors**

For Tshechu & Associates  
Certified Practising  
Accountants  
Firm Empanelment No.: BH - 07



Tshechu, FCPA(Aust.)  
(Membership No. 9798359)  
Managing Partner  
Place : Thimphu

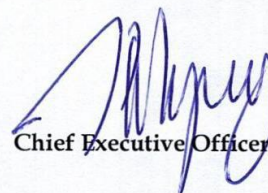
Date :



Chairperson



Director



Chief Executive Officer



Director, Corporate Service  
Department





### Ratio Analysis

### Appendix - II

Particulars	2022	2021
NP ratio	6%	12%
Fixed Assets Turnover Ratio (Sales/ Average Net Block)	0.476	0.385
Debtors Turnover Ratio (Energy Sales/ Average Debtors)	11.774	11.553
Current Ratio (Current Assets/Current Liabilities)	0.829	1.175
Quick Ratio (Current Asset-Inventory/ Current Liabilities)	0.681	1.028
Interest Coverage Ratio ( Profit before interest & tax/ Interest)	2.450	3.930
Debt Service Coverage Ratio ( PAT+Dep+Interest/ (Interest + Principal Repayment)	2.538	2.817
Gearing Ratio ( Debt /Gross Value of Fixed Asset)	37.72%	32.06%
Gearing on net Fixed asset	52.17%	45.56%
Debt Equity Ratio ( Debt/ average Equity)	112.45%	86.23%
Return on Capital Employed ( EBIT/ (Capital+Reserve+long term liability)	6.02%	9.07%
Return on asset (Profit after tax)/ average net total assets	2.66%	4.80%
Return on equity ( return available / Average Equity)	5.27%	9.02%

For Tshechu & Associates  
 Certified Practising Accountants  
 Firm Empanelment No.: BH - 07



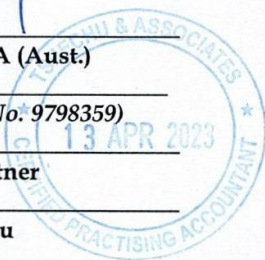
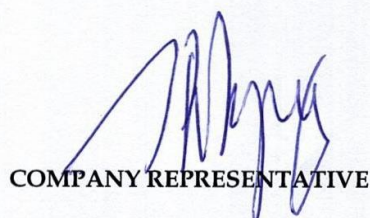
Tshechu, FCPA (Aust.)

(Membership No. 9798359)

Managing Partner

Place: Thimphu

Dated:

COMPANY REPRESENTATIVE

# COMPLIANCE CALANDER AND CHECKLIST

## BHUTAN POWER CORPORATION LIMITED COMPLIANCE CALENDAR FOR THE YEAR ENDED ON 31 DECEMBER 2022

Sl No.	Activity	The Companies Act of Bhutan 2016	Timeliness	Remarks
1	Submission of Annual Return	267	On or before 31 July	Yes, Annual Return was submitted on 12 April 2022.
2	Annual General Meeting	177	On or Before 30 <sup>th</sup> June	Yes, AGM was held on 14 April 2022
3	Notice Calling General Meeting	185	21 days before the AGM	22 March 2022
4	Payment of Dividend		-	Payment of dividend was made on 13 May 2022 (was made within 30 days)
5	Presentation of B/S, P&L A/c and cash flow statement at every AGM	244	-	Yes, presented on 14 April 2022
6	Filing of documents with Registrar	247	-	12 April 2022
7	Appointment of Auditors	251	-	Auditors are appointed by Royal Audit Authority for a period of three years.
8	Consent to Act as a Directors	140	Within 30 days of appointment or reappointment with the registrar.	YES
9	Board Meetings	146 & 149	At least four meetings in a year	150 <sup>th</sup> BM (27 February 2022) 151 <sup>st</sup> BM (4 March 2022) 152 <sup>nd</sup> BM (28 March 2022) 154 <sup>th</sup> BM (1 May 2022) 155 <sup>th</sup> BM (29 June 2022) 156 <sup>th</sup> BM (15 July 2022) 157 <sup>th</sup> BM (29 July 2022) 158 <sup>th</sup> BM (9 August 2022) 159 <sup>th</sup> BM (17 September 2022) 160 <sup>th</sup> BM (19 September 2022) 161 BM (10 October 2022)





				162 <sup>nd</sup> BM (25November 2022)
				163 <sup>rd</sup> BM (12December 2022)
10	Appointment of CEO	210	Every 5 years	Yes, Mr. Sonam Tobjey was reappointed as CEO on 23.08.2021 for 3 years
11	Power of Regulatory Authority to accord approval	412	Approval of Regulatory Authority	YES
12	Appointment of Company Secretary	213	As prescribed by MTI	YES
13	Statutory Record and Inspection	228	All times	YES

For Tshechu & Associates  
 Certified Practising  
 Accountants  
 Firm Empanelment No.: BH - 07

For Bhutan Power Corporation Limited



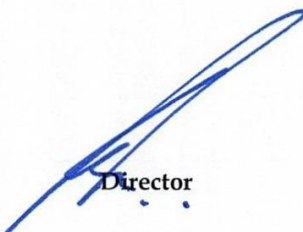
Tshechu, FCPA(Aust.)  
 (Membership No. 9798359)  
 Managing Partner  
 Place : Thimphu  
 Date :



Chairperson



Chief Executive Officer



Director



Director, Corporate Service  
 Department

### Appendix - III B

#### CHECK LIST FOR COMPLIANCE TO PROVISION OF THE COMPANIES ACT OF BHUTAN, 2016

Page-1

NAME OF COMPANY: Bhutan Power Corporation Limited

REGISTERED NO: 145

No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA
1	28	Changes to Articles/ Approval		√	
2	47	Change of name/ Approval		√	
3	123	Increase or consolidation of share capital	√		
4	124	Reduction of share capital		√	
5	82	License Copy and Share Certificate filing	√		
6	107	Public offer of shares & Debentures-ROC Approval			√
		<b>MANAGEMENT &amp; ADMINISTRATION</b>			
7	217	Registered Office of Company (Postal Address & Contact Number)	√		
8	221	Publication of name by Company (Letter Head, Seals and Sign Board)	√		
9	241	Financial Year of Companies as of 31 Dec.	√		
	242	Extension up to 15 months - ROC approval			√
	243	Extension up to 18 months - Authority's approval			√
	245	Financial Statements to follow BAS for SMEs	√		
10	267	Annual Return Submission On/before 31 May for listed; others 31 July	√		
11	177	Annual General Meeting (Minutes)	√		
12	180	Extraordinary General Meeting (Minutes)		√	
13	185	Notice for calling general meeting	√		
	187	listed Co. - written as well as in media			√
		Public Co/Private Co. - Written Notice	√		
14	190	Chairman of meeting (CEO cannot chair)	√		
15	192	Representation of corporations at meetings (appointed by Board Directors)			√
16	193	Ordinary and special resolutions (Minutes)	√		
17	195	Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198)	√		



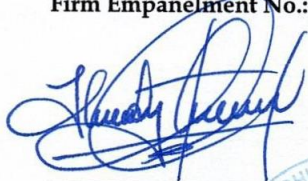


Page-2					
No.	Ss.	INCORPORATION OF A COMPANY & SECURITIES	YES	NO	NA
18	199	Declaration and payment of dividend(199-209)	√		
19	232	Books of account to be kept by company (location & time period)	√		
20		Board's report (signed by Chairman)	√		
21	252	Appointment and removal of Auditors Need to re-appoint annually(251-259)		√	
22	260	Resignation of Auditors from office (Annual Resignation)		√	
23	266	Auditing standards (Audit using Auditing Standards issued by AASBB)	√		
24	133	Number of directors	√		
25	134	One third of all Public Companies shall be independent			√
	138	(Minimum No & Retirement on Rotation)			√
26	139	Additional directors		√	
27	140	Consent to act as directors		√	
28	141	Certain persons not to be appointed as Directors	√		
29	142	Resignation by a director		√	
30	143	Removal of directors		√	
31	146	Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt )	√		
32	152	General powers of the board	√		
33	156	Restriction on powers of Board	√		
34	210	Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only)	√		
35	414	Appointment of selling or buying agents (govt. Approval obtained or not)		√	
36	157	No loans to directors (only for Public Co.)		√	
37	53	Inter-corporate investments (investments to be disclosed) apply old rule		√	
38	158	Conflict of Interest Transactions by Board		√	
39	213	Companies to have secretaries	√		
40	161	Standard of care required by directors (Reckless decision)		√	



Page-3					
STATUTORY RECORD AND INSPECTION					
41	228	Statutory record and inspection	√		
42	(a)	Register of buy-back of shares		√	
43	(b)	Register of transfers		√	
44	(c)	Register of charges		√	
45	(d)	Register of inter-corporate loans		√	
46	(e)	Register of inter-corporate investments		√	
47	(f)	Register of contracts in which directors are interested	√		
48	(g)	Register of directors	√		
49	(h)	Register of directors' shareholding	√		

For Tshechu & Associates  
 Certified Practising Accountants  
 Firm Empanelment No.: BH - 07



Tshechu, FCPA (Aust.)

(Membership No. 9798359)

Managing Partner

Place: Thimphu

Dated:





# **MANAGEMENT REPORT**

## AUDIT FINDINGS AND RECOMMENDATIONS

The Auditor while reviewing the accounting records, internal controls and operations of the Company observed certain deficiencies and lapses as detailed under of the report.

### DEFICIENCIES & LAPSES

#### 1. Non - Capitalization of Assets - 287,591,343.91 (2.1.22)

The Distribution Management System (DMS) of COMPANY was in operation since 2<sup>nd</sup> June 2020 as per the Relieving Order Reference No. BPC/DCSD/ESD/per/- 1/2020/316 dated 2<sup>nd</sup> June 2020. However, the total amount of Nu. 287,591,343.92 pertaining to Distribution Management System was accounted as Capital Work-in-Progress in the books of BPC as at 31 December 2022.

The entity is required to depreciate the assets in use as per the accounting standards.

The management is requested to clarify on the issue noted.

#### Auditee's Response:

*The project could not be financially settled due to LD issues. The project shall be capitalized in 2023 after concurrence of LD amount with OSI.*

#### Auditor's Further Comments:

*The response furnished by the management is acknowledged. However, although the management had some issues with the contractor regarding the levy of LD charges, the operation of the assets since 2020 had assisted BPC to monitor and control electric power distribution networks efficiently. Therefore, the non - capitalization of the assets firstly is non - compliance to the existing accounting standards, and secondly, it is misstating the financial figures.*

*The Company shall capitalized the assets as agreed and update the status to the RAA.*

Who is Accountable?

Direct Accountability: Mr.Kishore Chhetri, Project Manager,  
Smart Grid Section  
(CID: 10211000865)

Supervisory Accountability: Mr. Chador Phuntsho, General Manager,  
Distribution & Customer Service Division  
(CID: 11501002595)

#### 2. Non - Extension of Performance Guarantee - Nu. 1,908,085.00 (2.2.13)

The construction of G + 2 Staff Quarter along with the site development works at Denchi, Pemagatshel was awarded to M/s Kharsa Construction Private Limited at Nu.





19,060,846.23 for the contract period of 22 months as per the contract documents No.11/BPC/DCSD/ESD/ - PG - TECH - PMCU/2019/346 dated 16th October 2019.

The actual date of completion as per the agreement was on 17th November 2021. However, the contractor had failed to complete the work on intended completion date and availed time extension for two times. The final completion date was deliberated and approved by the Corporate Tender Committee (CTC) on 25<sup>th</sup> August 2022.

It has been noted that the contractor had failed to complete on the extended due date. Further, the physical progress of the works was only 68.03% as per the Work Progress Report as at 31 December 2022. It was also observed that the performance guarantee submitted by the contractor had expired on 30 September 2022.

The management is recommended to review and take necessary action.

Auditee's Response:

*ESD Pemagatshel has intimated M/s Kharsa Construction before the expiry of BG requesting for an extension. After failing the renewal from M/s Kharsa Construction, ESD has written to BDBL (the issuing authority of BG) for the encashment. However, BDBL refused for encashment citing the reasons that RMA rule does not allow for encashment of BG. BPC is still following up with BDBL. BPC has retention amount (10% of the all-running bills) passed till date which would be forfeited in lieu of performance security in case the contractor fails to perform the work.*

Auditor's Further Comments:

*The responses of the management is noted. However, the fact is that the existing performance guarantee was valid only till 30 September 2022 and it was not renewed still.*

*The Company shall submit the renewed or a new performance guarantee letter to the RAA at the earliest.*

Who is Accountable?

Direct Accountability: Mr. Dorji, Executive Civil Engineer,  
ESD, Pemagatshel  
CID: 11107001788

Supervisory Accountability: Mr. Dechen Dorji, Chief Manager  
ESD, Pemagatshel  
CID: 11101000120







**BHUTAN POWER CORPORATION LIMITED**

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