



MEETING BHUTAN'S ELECTRICITY NEEDS

ANNUAL REPORT 2020

Year in Review

From CEO's Desk



The year 2020 was unprecedented for the utilities globally due to the COVID- 19 pandemic. The pandemic, as much as it imposed challenges to the fundamental systems built over the years and impeded the service delivery of utilities, it also provided the opportunities to reflect on the core business and services and engineer new pathways. Apart from planning and building systems and processes to adapt to the situation, utilizing technology, agility to ensure adaptation to unseen circumstances has been the learnings for the company. With the responsibility of serving the nation with efficiency in electricity transmission and distribution, BPC this year has come out stronger and commits to build greater systems, leveraging technology for the changing times and aspires to surpass the expectations of our stakeholders.

With the Country reporting the first COVID-19 positive case in March 2020, we prepared and reviewed our system operation contingency plan and the standard operating procedures as a measure to overcome the exigencies that the situation may provide. The thrust was to ensure uninterrupted power supply and prompt restoration of supply in case of any unforeseen outages both at the transmission and distribution levels. Priorities were given to operation and maintenance works against the planned works to ensure optimized and judicious usage of resources but with cognizance that the long-term strategy of system planning is not jeopardized.

The COVID- 19 pandemic taught us many invaluable lessons both at technical and on human behavior and utility operations perspective. The Company to keep abreast with the changing circumstances, reviewed the

five-year investment plan and the capital work plans of 2020 and reprioritized to align with the changing need of the times. We also revisited the Corporate Strategic Plan (CSP) document and frontloaded relevant initiatives to accelerate technology adoption, innovation and adapt to the changing situations and new ways of working. As COVID-19 continued to be a health emergency, BPC committed to keep its workforce safe and have necessary skills to create a collaborative response to build greater degree of flexibility and continued resiliency during crisis. Recognizing that Electrical energy is a basic and a fundamental need for all and that the industry is also very hazardous, we worked diligently to ensure the safety of our people by adhering to the industry protocols and that of the national institutions and standing in solidarity with the efforts of the Royal Government to keep all safe during such critical times.

While some outages of the distribution systems were inevitable, no major outages were recorded especially on the transmission network. BPC staff, more so on the ground at site, diligently worked with all the challenges of the situation, and was able to provide relatively an uninterrupted power supply throughout the country, considering the challenges in supply-chain apart from resource mobilization for operations in these unprecedented times. The innovative contingency plans, the coordination and the rigor of the employees positioned in villages to Gewogs and Dzongkhags provided the basis for the service delivery to our stakeholders this critical year.

It is important to report that post the 2nd nationwide lockdown, the Company was confronted with issues related to the high energy bills. The average billing

is widely adopted by utilities to continually bill the customers in the event meters cannot be read due to exigencies. The adoption by BPC received much criticisms and dissatisfaction from its customers due to high bills that coincided with the peak winter months. The company made concerted efforts to address the issue and would be working continually to ensure that no customer is charged for what is not consumed and BPC commits to solve any proven discrepancies and attend to the grievances and suggestions of the customers on priority. The existing standard operating procedures for meter reading and bill delivery are being reviewed holistically to ensure that the system is designed and tested for rigor and resilience to any situation and also avoid occurrence of similar issues in the future.

During the year, BPC stood in solidarity with the nation to combat the pandemic. BPC supported the various initiatives of the Royal Government by providing relief measures in the form of waiver of electricity charges to COVID-19 mitigation facilities, lowering the demand charges of the industries, deferral of payment of electricity charges, waiver of penalty and providing other logistic support as and when required.

Moving ahead, in line with the Corporate Strategic Plan 2019-2030, Digital Transformation Strategy, Distribution System Master Plan and Human Resource Master Plan, BPC would work towards evolving to a utility of the 21st century in providing safe and reliable power supply to all the customers. BPC is constantly seeking to innovate and adopt technologies to ease service delivery and operations in becoming much more agile and innovative.

Towards this the Digital Transformation Strategy focuses on digitalizing customer engagement, Grid Operation, and in managing the resources of the company and the systems. BPC has also initiated the Customer Service enhancement initiatives where all the critical services provided by BPC were digitally mapped which provided the Turn Around Time (TAT) of customers for each of these services objectively defined and an operating procedure implemented. The SoP for the TAT was implemented in five Electricity Services Divisions and this program would be replicated in other service areas in 2021 including designing online services.

On the human resource front, the Company launched the Human Resource Masterplan (2020-2030)

Document in July 2020. This was a significant step taken by the Company in recognizing the criticality of human resource as the most important asset as we venture into the next decade. The Masterplan guides and provides a blueprint to address the critical human capital challenges of the new decade and enables BPC to achieve Human Capital Excellence. Instituting the process of upskilling and reskilling the existing employees and automation as appropriate are some of the key considerations.

I would like to acknowledge and thank the Board of Directors for their unwavering support and guidance throughout the year and I take this opportunity to sincerely acknowledge, commend and value the contributions made by employees of the Company in achieving the level of performance during the year despite COVID -19 pandemic. I would also like to thank all our customers, stakeholders and look forward for continued support and inspiration. I strongly believe that working together hand in hand, we can continue to grow and play a critical role in the socio-economic development of our Country.

BPC would like to express our heartfelt gratitude and appreciation for the selfless effort put in by the Desuung and the COVID Taskforce under the benevolent guidance of His Majesty the Druk Gyalpo in overcoming the challenges posed by the COVID-19 pandemic and keeping all of us safe.



Sonam Tobjey
Chief Executive Officer

COMPANY PROFILE

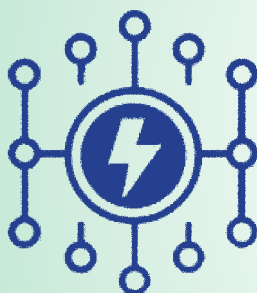
Bhutan Power Corporation Limited (BPC) was formed on 1st July 2002 and subsequently incorporated under the Companies Act of the Kingdom of Bhutan on 8th August 2002. It is the sole power transmission and distribution Company in the Country, wholly owned by the Royal Government of Bhutan under the umbrella ownership of the Druk Holding and Investments Limited (DHI). The broad mandates of BPC are to transmit, distribute and supply electricity within the country and wheel electricity for export. More specifically BPC is responsible for the following:



Supply of safe and reliable electricity to domestic customers and industries



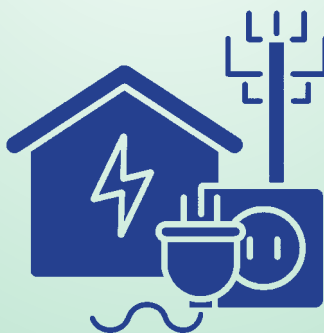
Transmission of power for domestic consumption and export



Grid infrastructure and power network augmentation and development



Electricity generation through small hydropower plants



Rural Electrification

BPC also owns and operates Optical Ground Wire (OPGW) networks on some of its transmission lines and All-Dielectric Self-Supporting (ADSS) cables on the distribution lines covering 201 Gewogs as per the license issued by Bhutan InfoComm and Media Authority (BICMA) on 1st July, 2007 to enter into the ICT infrastructure facilitator business. Additionally, BPC was granted the license to operate as the Bhutan Power System Operator on 1st July 2014.



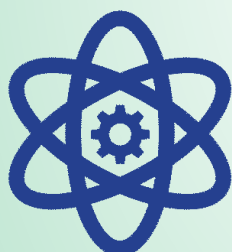
VISION

To be 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

IMPACT: - Integrity, Mutual Respect, Professionalism, Accountability, Care, and “Tha Dhamtse”.

DESTINATION STATEMENT

To make BPC into a 45 billion company by 2020

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

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BOARD OF DIRECTORS



Dasho Ugen Chewang
Chairman

Dasho Ugen Chewang is the current Chairman of Druk Holding and Investments (DHI) and has received Masters in Business Administration in Business Management and Accounting from Syracuse University, New York, USA. He served as Auditor General for more than nine years. He serves as a Non-Independent Director on BPC Board.



Dasho Kunzang Dorji
Member

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



Karma P. Dorji
Member

Mr. Karma P. Dorji is the Director of Department of Hydropower and Power Systems, MoEA. 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.



Kinzang Tobgay
Member

As one of the first qualified CPAs in the country, Kinzang Tobgay has been in leadership positions in various public sector companies in Bhutan for the last 13 years. He has over 17 years' 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.



Dechen Wangmo
Member

Ms. Dechen Wangmo is the Director of Corporate Affairs Department, 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 Head of Billing and Collection Unit, ESD, BPC. She serves as an Independent Director on BPC Board..



Sonam Lhundrup
Member

Mr. Sonam Lhundrup is the General Counsel of Druk Holding and Investments (DHI) and has 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 has served as Senior Legal officer at the Ministry of Agriculture and Forests and as a Member Secretary of Land Act Review Committee. He serves as a Non-Independent Director on BPC Board.



Sonam Tobjey
CEO

Mr. Sonam Tobjey is the 5th Chief Executive Officer (CEO) of Bhutan Power Corporation Ltd. (BPC). He received his post graduate studies from University of Canberra, Australia and received Masters of Commerce degree in Accountancy. He served as Director (Finance and Accounts Services) before assuming the current post. He serves as a Non-Independent Executive Director on BPC Board.

MANAGEMENT TEAM



Sonam Tobjey
Chief Executive Officer



Dechen Dema
Director
Strategy and Technology
Services



Thinley Gyeltshen
Director
Transmission Services



Sandeep Rai
Director
Distribution Services



Kinley Dem
Director
Finance and Accounts
Services



Sangay Tenzin
Director
Human Resources and
Corporate Services



DIRECTORS' REPORT

Directors' Report on the Performance of Bhutan Power Corporation Limited for the year 2020

1. Introduction

It gives me immense pleasure on behalf of the Board of Directors of the Company, to present the performance of the Company for the period covering 1st January 2020 to 31st December 2020 to our shareholder, Druk Holding and Investments Ltd. (DHI) and other stakeholders.

At the very outset, I would like to report that the year 2020 has been unprecedented. With the detection of the 1st COVID-19 case in the Country in early March 2020 and the concomitant response measures at the national level, the Company's performance was adversely impacted. The net impact for the year is estimated at Nu. 888.36 million. Some of the factors include decrease in purchase and sale of electricity due to industrial shutdowns, deferral of revenue collections, waiver of electricity charges in support of the national relief measures, and revenue losses against the forecast despite adjustments in terms of increased wheeling. BPC also had to reprioritize its capital works and defer some to the next financial year. However, we ensured that such reprioritization did not have a material impact on the network expansion programs. Despite adverse impact on BPC, its contribution at the national level in tiding over the negative impacts of the pandemic was important.

In the face of the pandemic, BPC prepared and put in place a robust contingency plan with detailed operating procedures to ensure uninterrupted supply of electricity at the operational level. Despite significant challenges, BPC ensured prompt restoration of supply of electricity and adhered to the Government's safety standards in keeping all our frontline employees safe. I am happy to report that the BPC did not undergo any major outages during the year including the two lock downs.

It is pertinent to report that one of the key issues that the Company confronted post the 2nd Nation Wide Lock Down was related to the meter reading and bill delivery. While the average billing is widely adopted by utilities to bill the customers in the event meters cannot be read due to contingencies, the adoption by BPC received much criticism and dissatisfaction from its customers. In addition to the immediate remedial

measures, we are reviewing meter reading and billing system and processes, and would like to assure to bring marked improvement in terms of efficiency, transparency and automation.

The Company also learnt valuable lessons from the COVID-19 pandemic. BPC's five-year investment plan and capital works of 2020 were reprioritized to accelerate automation and digitalization of service delivery. This should enable BPC to evolve to the next level utility service provider.

Having highlighted the challenges and opportunities, I would now like to now present the overall operational and financial performance of the Company.

2. On the System Performance

The national peak demand of 374.5 MW was recorded on December 24, 2020 at 15:00 hours as compared to 387.66 MW recorded on 1st January 2019 at 1902 hours. The reduction in peak load is attributable to the COVID-19 pandemic resulting in reduced demand in HV, MV, and LV bulk consumers.

BPC today serves about 213,630 customers as compared to 202,426 customers in 2019. The industrial consumption continues to dominate the domestic load at 71.97 %. The domestic load was met by purchasing 2,128.58 Million Units (MU) of energy from DGPC and 25.44 MU from BPC's embedded generations. For the previous year 2,419.42 MU was purchased and the internal generation was 20.247 MU. A total of 1,961.32 MU of energy was sold as compared to 2,280.34 MU in the previous year, which is less by about 14 %. However, the energy wheeled for export to India increased to 9,156.72 MU from 6,163.19 MU in the previous year due to increase in the generation of power and decrease in the domestic consumption.

As in the past, BPC has been maintaining its Transmission and Distribution (T&D) losses at limits comparable within the region. Out of the total energy of 11,285.30 MU injected into the system, the global energy loss for the year is 1.40% compared to 1.85 % in the previous year. The domestic T&D loss (excluding wheeling) in 2020 was 8.95% compared to 6.53 % in 2019. As the loss has increased as compared to

HIGHLIGHTS BY THE NUMBERS

Total number
of employees



2326

Number
of customers



213,630

Energy wheeled for
export to India



9,156.72 MU

Contribution towards
COVID Fund



Nu. 644.54 million

Total revenue
earned



Nu. 9,040.27 million

Total
assets



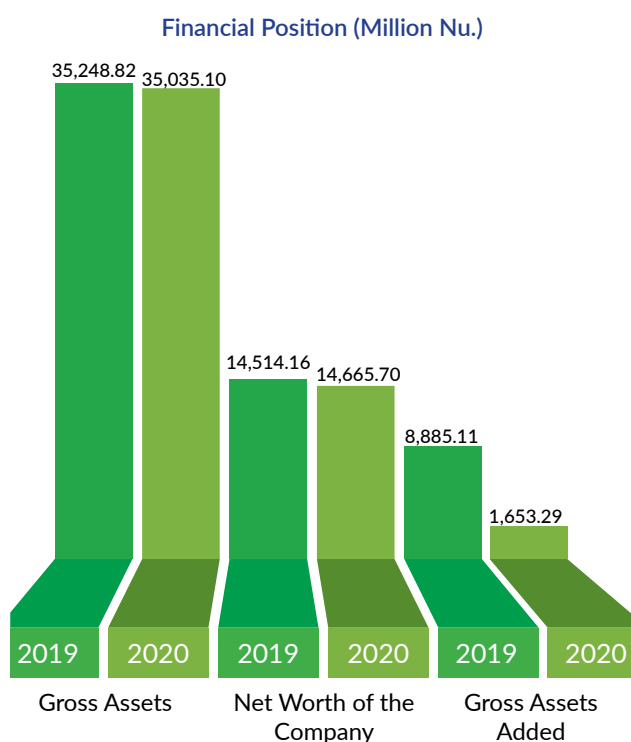
Nu. 35,035.10 million

the previous year, a detailed technical study is being carried out to find out the causes and rectify any technical and non-technical errors if any, and institute an objective measure to reduce the losses. The load flow within the system is coordinated and monitored by the Bhutan Power System Operator (BPSO).

3. The State of the Company's Affairs

3.1 Financial Position

The total value of assets of the Company stands at Nu. 35,035.10 million, compared to Nu 35,248.82 million in 2019. The net worth of the Company stands at Nu. 14,665.70 million compared to Nu. 14,514.16 million in the previous year. The gross asset added during the year is Nu. 1,653.29 million as compared to Nu. 8,885.11 million in 2019.



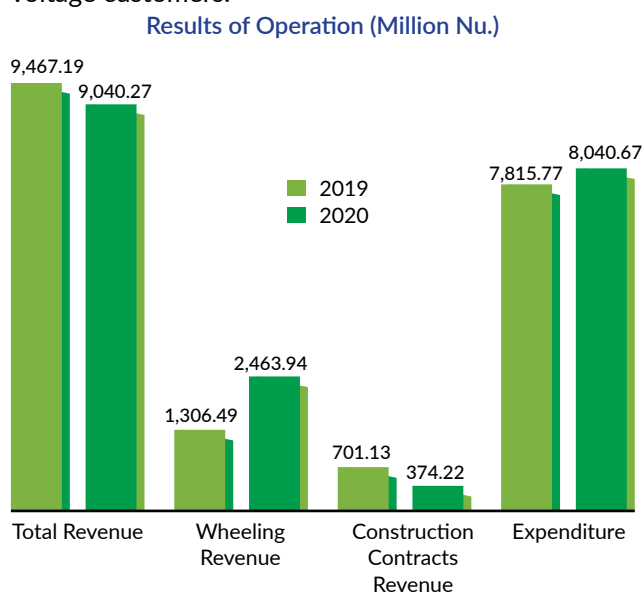
3.2 Results of Operation

The Company during the year earned total revenue of Nu. 9,040.27 million as compared to Nu 9,467.19 million in 2019. The total earnings decreased by 4.51 % as compared to 2019 mainly due to decrease in electricity revenue of 17% and income from construction contracts. Due to the pandemic, some of the HV and MV customers did not operate at full capacity while many of the service sectors were closed during the year.

The revenue from wheeling increased by 89% from Nu. 1,306.49 million in 2019 to Nu. 2,463.94 million

due to increased generation of power from early onset of monsoon and decrease in the domestic consumption. For construction contracts revenue, major construction contracts have been completed thereby reducing the income from construction contracts significantly by 47 % from Nu. 701.13 million in 2019 to Nu. 374.22 million during the year. The total expenditure for the year is Nu. 8,040.67 million as compared to Nu. 7,815.77 million for the previous year. The increase is attributable to increase in finance costs, loss on foreign currency fluctuation, depreciation and other expenses.

BPC received total amount of Nu.1,089.03 million during the year from the Royal Government of Bhutan being the subsidy provided to low voltage and medium voltage customers.



The Profit earned for the year before providing provisional income tax is Nu. 999.60 million as compared to Nu. 1,651.42 million in the previous year; a decrease by 39.47 %. The tax assessed provisionally is Nu. 177.52 million and a deferred tax of Nu. 202.04 million.

The net profit earned is Nu. 554.53 million as compared to Nu. 1,184.02 million in 2019. The basic as well as diluted earnings per share is Nu. 54.18 and was Nu. 143.86 for the previous year.

As reported in the beginning, the financial performance of the Company was impacted by the COVID- 19 pandemic. The company took a net hit of Nu. 888.36 million from the pandemic on its financial performance during the year. Among other things, the main components of COVID-19 pandemic impact includes Nu. 875.98 million on account of foregone

electricity revenue and reduced demand charges of Nu. 165.14 million, Nu. 18.26 million in waiver of electricity charges against relief measures and other support services, and Nu.49.14 million in penalty waiver.

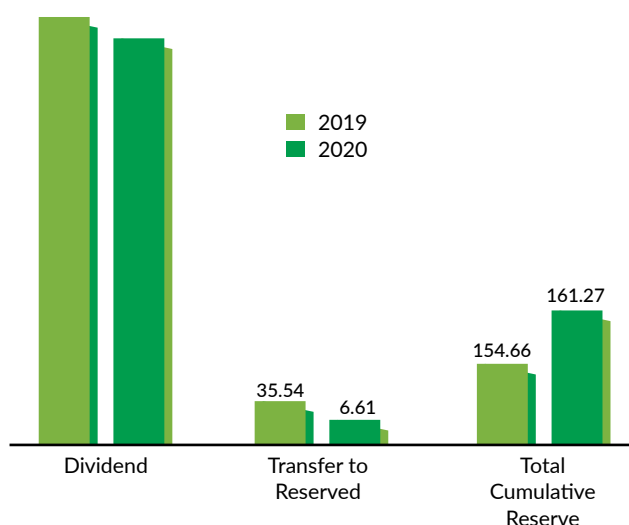
At the same time, BPC received an interest waiver benefit of Nu. 100.51 million.

Notwithstanding the net impact, going forward, I would like to assure the Shareholder that the company would bounce back from its low performance in view of its revised strategic plans and frontloading of important initiatives on automation and digitalization.

4. Transfer to Reserves

An amount of Nu. 6.61 million, equivalent to 0.4% of the Nu.1,653.29 million of the total assets added during the year will be set aside as the Company's Asset Replacement Reserve according to the asset risk mitigation policy. The cumulative amount under this reserve will stand at Nu.161.27 million.

Appropriation from Profit after Tax (Million Nu.)



5. Recommendation for payment of Dividend

During the year, the Board is recommending dividend of 4.50% of the Paid-up Share Capital, amounting to Nu. 460,588,545/-. In the previous year, a dividend of 4.03% of Paid-up Share Capital amounting to Nu 412,141,454/- was paid.

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

The auditors have issued an unqualified Audit report for the year 2020. I am happy to report that the Company has been consistently receiving unqualified Audit Report over the years which is reflective of the careful management, and robust internal checks and controls, in keeping with BPC's CORE values.

7. Corporate Governance

The company is governed, controlled and managed in compliance with the Companies Act of Bhutan 2016 and other relevant laws of the country. Its governance framework is also guided by the CG Code issued by DHI. The service rules, regulations and standard operating procedures of the company are well aligned to promote proper corporate governance. The Board's decisions are supported by the dynamic Board subcommittees of the Board Tender and Technical Committee, the Board Audit and Risk Committee, the Board Human Resource Committee and the Board Strategy Committee. During the year, the Company convened 9 Board meetings, and 31 Sub- Board Committee meetings.

The risk management function of the company is overseen by the Risk Management Division (RMD) through active oversight from the Board Audit & Risk Committee (BARC). The risk register of the company is religiously reviewed by the Management, the Board and DHI for further mitigation measures. In 2020, the Internal Audit Division (IAD) carried out the audit of the Risk Registers and the overall risk management processes covering the years 2017, 2018 and 2019, which was 'a first' since the institution of RMD in 2014. The IAD findings, recommendations and observations have been presented to the BARC and the Management.

The Internal Audit Division (IAD) plays a critical role in overseeing the company's risk management, governance and internal control processes. IAD is gradually shifting from traditional voucher-based auditing to Process, Thematic & Strategic auditing in addition to compliance auditing. This has enabled the Management and the Board to take timely remedial action. Despite the COVID-19 movement restrictions, IAD conducted compliance audit of the divisional offices as planned.

8. Corporate Social Responsibility (CSR)

The Company's CSR activities are guided by the CSR framework of 2013 issued by the DHI. CSR activities are broadly categorized into legal compliance, operational and charitable contributions in relation to the core business activities of the Company. The company made CSR contributions from Nu. 0.57 Million for the year.

9. Support to the COVID-19 Response

At the national level, BPC played a significant role to alleviate the difficulty faced by the country by supporting the various initiatives of the Government including relief measures in the form of waiver of electricity charges to COVID-19 mitigation facilities, lowering the demand charges of the industries, deferral of payment of electricity charges, waiver of penalty, and providing other logistic and vehicular support. BPC stood in solidarity with the nation to combat the pandemic by directly contributing Nu. 206.07 million to the Government's COVID-19 Relief Fund. I would like to report that BPC's total direct support towards the COVID-19 pandemic amounts to about Nu. 644.54 Million (Demand charge concession, penalty waiver, electricity charge waiver to COVID-19 facilities and other support, and contribution to COVID Relief Fund).

10. Strategy Initiatives

Pursuant to the Corporate Strategic Plan 2019-2030, BPC developed strategic roadmaps for Digital Strategy, Distribution System Master Plan, and Human Resource Master Plan. The Digital Strategy focuses on digitalizing Customer Engagement, Grid Operation, Enterprise and Human Resource Functions.

An excel based Asset Performance Management to monitor the equipment health and enable predictive analytic led maintenance was instituted during the year. The Company will pilot this on selected assets in 2021 before wider implementation.

In terms of business diversification, BPC carried out detailed assessment of the design capacity of transmission and distribution system and established the Center of Excellence. The transformer maintenance and repair services expansion plans have been finalized and operations commenced at Jigmeling, Gelephu.

The study on a self-sustaining model for the operation & maintenance of the national fiber network has been conducted and stakeholder consultations are being held.

11. Transmission and Distribution System highlights

I will now report on the System Expansion highlights for the transmission and distribution network of the company.

11.1. Transmission System

Apart from the normal operation and maintenance of the transmission system, the installation of SCADA in Olakha, Kanglung, Kilikhar and Nganglam substations were completed and major replacement of the 33kV switchgears in Phuentsholing substation, retrofitting existing electromechanical overcurrent and earth fault relays in 132kV lines with directional numerical relays MiCOM P14DB in eastern substations were carried out.

The 400-kV transmission line for Punatsangchhu II, the 132-kV transmission line from Merung to Corlung and 132 kV substation at Corlung for Kholongchu Hydroelectric Limited has been taken over by BPC for the operation and maintenance purpose while the ownership of these assets still remains with the respective Hydroelectric Projects.

The construction of 400 kV transmission lines from Punatsangchhu I to Lhamoyzingkha was completed and the O&M phase of the transmission lines was initiated. The construction of 132 kV D/C transmission line from Nikachhu to Mangdechhu for THyE has been completed and the 132-kV substation at Phuntshothang has also been completed, tested and commissioned.

In terms of augmentation, the upgradation of the transmission lines in and around Thimphu with HTLS conductor, and upgradation of the Semtokha and Dechencholing substation has been initiated. These works are being executed in-house to develop expertise in Transmission Services.

BPC also undertook two deposit work contracts including the construction of 66 kV towers and stringing for training purpose for Jigme Wangchuk Power Training Institute (JWPTI), and construction



of 132 kV pothead yard to terminate the 132 kV D/C Nikachhu – Mangdechhu Transmission Line.

11.2 Distribution System

Key Customer Service enhancement initiatives were taken up during the year. All the critical services provided by BPC were mapped and the Turn Around Time (TAT) for each of these services were revised, defined and documented. To begin with, the TAT was implemented in five Electricity Services Divisions and their impacts are monitored. The TAT implementation program will be replicated in other Service areas in 2021. The services and TAT shall be digitalized to enable the Customers to avail online services and transparently monitored. The Customer Charter of 2016 was reviewed and revised during the year to align with the revised Distribution Code of the Bhutan Electricity Authority (BEA). To promote timely delivery of bills, an online billing system was developed and implemented that will notify the customers on the bills every month and deliver the bills electronically. More than 3,000 customers have registered for the service so far and BPC set a target of total registration of 72,000 customers by 2021.

During the year, the Distribution System Master Plan (DSMP) for all the Dzongkhags are completed with the completion of the DSMP for the balance 9 Dzongkhags. The DSMP will be the basis for implementing all system augmentation works by the ESDs in the future.

The Smart Grid Master Plan (SGMP) received a major thrust during the year with the completion of mapping of the network topology using GIS, which provides detailed information of the physical electric distribution network system for 10 Dzongkhags. The remaining Dzongkhags shall be completed in 2021. This GIS data and network topology is an essential input requirement for the application of Outage Management System (OMS) in the Distribution Management System which is a component of Smart Grid.

BPC completed installing the Automatic Meter Reading (AMR) system for all of its HV and MV customers after successfully integrating the AMR data with the ISU billing system for automatic meter reading/billing. This has enabled BPC to bill all HV and MV customers automatically increasing the billing efficiency and reducing human error. The AMR system shall be implemented to other customers progressively over the years.

To increase the operational efficiency, BPC has successfully carried out installation of Fault Passage Indicators (FPIs) on the two problematic overhead radial feeders of the 33 kV Lobeysha- Gangtey/ Phobjikha feeder and the 33 kV Dorokha – Sombaykha which has improved the supply reliability. Due to significant benefit in fault detection and reduction of outage duration, BPC plans to roll out the activity in other problematic overhead radial feeders.



On the network extension program to reach Grid Supply, works are ongoing to connect Off-grid Households to the grid system. Under JICA's funding, around 1,429 households across the country using the solar powers will be connected to the grid electricity. 708 households have been connected to the grid as of December 2020 and the balance shall be completed by the end of 2021.

12. Human Resources

BPC has always recognized Human Resource Capital as the pivotal asset and engine for the growth and success of the Company. As the Company evolved over the last two decades, its human asset has witnessed significant transformation and growth both in terms of physical size and talent pool.

I am happy to report that the launch of a well-crafted Human Resource Masterplan (2020-2030) Document in July 2020 was a significant step taken by the Company, embracing the importance of human capital asset as we venture into the next decade. The Masterplan document provides a blueprint to addresses the critical human capital challenges of the new decade and enable BPC to achieve Human Capital Excellence as envisioned in the DHI Roadmap Document: Into the Next Decade.

The company has migrated from manual paper-based Performance Evaluation System (PMS rating) to the digital (online) system thereby enhancing the transparency of the rating process. BPC continued to provide two full, and two partial scholarships to pursue Masters Program during the year. Despite the COVID-19 pandemic, the employees continue to build their knowledge and skills through virtual learning programs.

A key challenge for the Company has always been retention of talents. Of the 65 employees separated during the year, 32 of them resigned before superannuation. However, the Company was successful in attracting young talents and recruited 49 employees for various positions within the Company.

13 Challenges

Among the many challenges, I would like to highlight the following to our shareholders.

13.1 Digitalization of Customer Service

One of the foremost challenges is with regard to the

customers services, particularly in going digital. The rapid advances in and adoption of information technology means growing customer expectations in the ease of service availability, delivery, and going online to the extent possible. BPC must constantly seek to innovate and adopt technologies to ease service delivery and join the next level of utility companies by overcoming the legacy issues and becoming much more agile and innovative than it is today. Some of the initiatives to promote usage of technology includes adoption of AI, real time monitoring and data analytics based on IOT and digitalization of information, and adoption of appropriate technologies such as remote sensing and drone to track the asset operation and maintenance of critical installations. However, this would also entail significant investments.

13.2 Right of Way

The Right of Ways (RoW) issues is s another major challenge and is expected to continue with ever increasing developmental activities. BPC keeps on receiving the complaints of BPC infrastructure being put in the private properties with a request to shift the structures.

13.3 Human Resources

On the human resource front, the key challenge is in the retention of trained and skilled manpower. To address the challenge, BPC must institute the process of upskilling and reskilling the existing employees, and automation as appropriate.

14. Way forward

With the wisdom and guidance of the DHI and the Board, the challenges faced by BPC are not insurmountable. BPC shall strive hard to put initiatives and measures to address these challenges.

BPC shall adopt the Customer centric model in line with the Digital Strategy of BPC and present various personalized customer experiences to different categories of customers so that the customers develop a personal relationship with BPC in sharing their service expectations. BPC will continue to improve its services such as turn-around time, online bill delivery system, supply reliability and implement the plans and measures provided in the Digital Strategy to overcome the customer service challenges.

On the Right of Way issues, while BPC can do little on the infrastructure already constructed, for the new



structures, proper assessment, consultation process is being initiated with the relevant stakeholders to secure the Right of Ways before building our infrastructures and RoW issues are not anticipated.

To take care of human capacity challenges, Human Resource Masterplan (2020-2030) Document has been specifically prepared and finalized in July 2020 to address and mitigate all the challenges related to Human resources.

Acknowledgement

To conclude, on behalf of the Board, I would like to extend my sincere gratitude to the Druk Holding & Investments for their continued guidance and support rendered during the year. I would also like to acknowledge and thank the Royal Government of Bhutan, the various Ministries, and Regulatory Authorities for their policy guidance and support, and thank o the donor agencies for providing funding and technical support towards Rural Electrification works and to our customers and stakeholders for supporting BPC.

Last but not the least, the Board would like to sincerely acknowledge, appreciate, commend and value the contributions made by all employees in achieving good performance during the year despite the COVID -19 pandemic.

Tashi Delek!

For and on behalf of the BPC Board

(Dasho Ugen Chewang)
Chairman



CORPORATE GOVERNANCE REPORT

The Board of Directors of BPC is committed towards ensuring that good corporate governance practices are implemented and maintained throughout the Company as a fundamental part of discharging its duties to enhance shareholder's values consistent with the principles and recommendations for best practices as set out in the Corporate Governance code.

The Board is pleased to set out statement below which describes the manner in which it has applied the principle of the code during the year 2018.

A. The Board

i. Board Charter

The Board charter sets out the principles for the operations of the Board of directors, roles and responsibilities, describes the functions and powers of the board to ensure all the Board members are

aware of their duties and responsibilities. The Board charter is in line with the Corporate Governance code of DHI.

ii. Composition of the Board.

Currently, the Board constitutes of seven (7) members, comprising of one Chief Executive officer, one Independent Director and five Non-Independent Director. This composition ensures that there are majority of independent directors at all times as per the Corporate Governance Code Clause 2.4.2.ii.

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

Table 1: Board Member, 2018

The details of the Board of Directors and the date of appointment

Sl no.	Name	Designation	Appointment Date	Description	Board of Director in other company	Status
1	Dasho Ugen Chewang	Chairman Druk Holding and Investments	8 March, 2017	Chairman	BOB	Non-Independent
2	Mr. Karma P Dorji	Chief Engineer, Dept. of Hydropower & Power System	Reappointed on 4 th March, 2020	Board of Director		Non-independent
3	Dasho Kunzang Dorji	Zimpon Wongma, Office of the Gyalpoi Zimpon	Reappointed on 4 th 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	4 March, 2020	Board of Director		Non-independent
6	Mr. Kinzang Tobgay	Managing Partner, Bhutan Consultancy Services	Reappointed on 4 th March, 2020	Board of Director		Independent
7	Mr. Sonam Tobjey	Chief Executive Officer	23 August 2018	Member Secretary		Executive Director

Table 2: Board Members retired as on March 2010

Sl no.	Name	Designation	Appointment Date	Retired on	Description
1	Mr. Sherab Namgay	Associate Director, Dept. of Investment, DHI	5 March, 2018	4 March, 2020	Member

iii. Board Responsibilities

The Board's responsibilities are in line with the Corporate Governance code Clause 2.4.1 as follows:

The Board is led by an effective and experienced Board comprising of members who exercises leadership, enterprise, integrity and provides sound judgment in transparent, accountable and responsible manner.

The Board members leads and acts in the best interest of the company and shareholders including practicing high level of good governance. All Board members are expected to protect the company's investment and increase profitability as well as uphold the core values of company with due regard to fiduciary duties.

The Board has the responsibilities in guiding on the company's strategic plans, setting company's values and standards, ensuring appropriate risk management and internal control system is in place and implemented.

The Board collectively ensures obligations to shareholders are understood and met and senior positions in the company are filled by the right person.

iv. Responsibilities of Chairman

The role of a Chairman 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 rims and objective manner.
- b. Ensure effective accountability and governance of the company, consistent with relevant legislation
- c. Set the agenda and preside over board meetings to ensure that adequate time is available for discussion of all agenda items, in particular, on the strategic issues
- d. Conduct effective Board meetings and encourage a culture of openness, active participation and constructive debate.
- e. Ensure accurate record of Board meetings are taken and verifying that Board decisions are implemented
- f. Ensure that the directors receive complete, adequate and timely information to enable quality and informed decision-making
- g. Encourage constructive relations within the Board and between the Board and Management to ensure the company is managed effectively
- h. Participate in the selection and appointment of new board directors and the CEO in close collaboration with the shareholder (s)
- i. Approve leave, ex-country travel and training of CEO
- j. Meet shareholder expectations by leading and ensuring effective annual Board and CEO evaluation processes and



- k. Develop and maintain sound relations and communications with shareholders and stakeholders. This may include representing the company's interest in meetings with ministries, foreign company representatives and with other organizations within the country.

v. **Responsibilities of Chief Executive Officer**

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

- a. Managing the company in accordance with the strategy and performance targets. Policies and directives approved by the Board
- b. Recommending long term vision and strategy for the company to the Board
- c. Leading the Management team in managing day to day operations of the organization, its people and resources
- d. Implementing all Board approved plans, policies and performance targets
- e. Ensuring the authorities delegated from the Board are exercised in a competent manner and within the intent of such delegation and referring all matters outside his delegation to the Board for approval,
- f. Acting as the company's interface with its operating environment and the business community
- g. Protecting and enhancing the image and reputation of the company
- h. Ensuring compliance with legal and regulatory obligation
- i. Promoting leadership development and proper succession planning for key positions in the company
- j. Ensuring ethical standards as established by Board are complied with
- k. Keeping the Board apprised of all matters of significance
- l. Keeping the Board 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 2020, 9 Board meetings were held. The dates of the meeting and attendance of the Directors are set below:

a) **Dates of Board Meetings held in 2020:**

Sl. No	Date	Board Meeting No.
1	4 March, 2020	131 st Board Meeting
2	3 April, 2020	132 nd Board Meeting
3	13 April, 2020	133 rd Board Meeting
4	17 April, 2020	134 th Board Meeting
5	19 May, 2020	135 th Board Meeting
6	5 August, 2020	136 th Board Meeting
7	3 October, 2020	137 th Board Meeting
8	29 October, 2020	138 th Board Meeting
9	30 November, 2020	139 th Board Meeting

b) **Attendance of current Board Directors from 4th March till 31st December 2020:**

Name of the Board Members	Attendance
Dasho Ugen Chhewang	8/12
Ms. Dechen Wangmo	9/9
Mr. Kunzang Dorji	2/9
Mr. Karma P Dorji	9/9
Mr. Kinzang Tobgay	9/9
Mr. Sonam Lhundrup	8/9
Mr. Sonam Tobjey	9/9

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

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

B. Board Committees

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

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

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

a. Board Audit and Risk Committee

The Audit and Risk Committee of the company comprises the following members, with one independent and 3 non-independent Directors, with the Chairman identified by the Board.

i. Attendance of the Committee Members

Name of Committee Members	Attendance
Mr. Kinzang Tobgay	14/14
Mr. Karma P. Dorji	14/14
Mr. Sonam Lhundrup	13/14
Mr. Gembo Jamphel	13/14
Mr. Sherab Namgay	1/14 (Retired on 4 th March, 2020)
Mr. Subash Rai	1/14 (Offtg. Chief Internal Auditor)

ii. Meetings held on

In 2020, 13 Board Audit and Risk Committee meetings were held. The dates of the meeting held are set below:

Sl. No	Date	Board Meetings No.
1	12 February, 2020	40 th BARC Meeting
2	27 February, 2020	41 st BARC Meeting
3	12 March, 2020	42 nd BARC Meeting
4	26 March, 2020	43 rd BARC Meeting
5	6 April, 2020	44 th BARC Meeting
6	28 April, 2020	45 th BARC Meeting
7	15 May, 2020	46 th BARC Meeting
8	18 May, 2020	46 th BARC Meeting
9	26 June, 2020	47 th BARC Meeting
10	28 July, 2020	48 th BARC Meeting
11	11 September, 2020	49 th BARC Meeting
12	2 ^d October, 2020	50 th BARC Meeting
13	30 October, 2020	51 st BARC Meeting
14	24 November, 2020	52 nd BARC Meeting

The objective of the Audit and Risk Committee are, among others, is to provide assurance to the Board by giving an objective and independent review of financial, operational, administrative controls and procedures, establishing and maintaining internal controls and risk management. The detailed Board Audit committee charter can be referred in the DHI Corporate Governance Code Appendix 2, pg.37.

b. Board Tender and Technical Committee

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

i. Attendance of the Committee Members

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

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

- To satisfy itself that proper procurement procedures has been followed as per the norms provided in the Procurement Manual,
- all Bidders have been provided with equal time and opportunity for submission of bids,
- modifications of the bidding documents, if any, have been communicated simultaneously to all Bidders,
- response to any Bidder's query has been sent to all Bidders simultaneously,
- no specific Bidder / Bidders have been put to undue advantage / disadvantage due to actions of BPC,
- that the evaluation committee has carried out the work in strict compliance to the terms of the tender
- In 2020, 10 Board Tender and Technical Committee meeting was held. The dates of the meeting is listed as follows:

ii. Meetings held on:

Sl. No	Date	BTTC Meeting No.
1	5 March, 2020	16 th BTTC Meeting
2	10 April, 2020	17 th BTTC Meeting
3	14 April, 2020	18 th BTTC Meeting
4	3 June, 2020	19 th BTTC Meeting
5	3 July, 2020	20 th BTTC Meeting
6	21 July, 2020	21 th BTTC Meeting
7	16 September 2020	22 th BTTC Meeting
8	8 October, 2020	23 th BTTC Meeting
9	28 October, 2020	24 th BTTC Meeting
10	11 December, 2020	25 th BTTC Meeting

c. Board HR Committee

The function of The Board Level Human Resource Committee is to assess the proposals related to the Human Resource (HR) issues recommended by the Management for approval or recommendation to the BPC Board.



The Board HR Committee of the company comprises the following members, all being appointed by the Board from time to time and chairman identified by the Board. The AD, HRAS is the member secretary.

i. Attendance of Committee Members

Name of Committee Members	Attendance
Dasho Kunzang Dorji	4/8
Ms. Dechen Wangmo	7/8
Mr. Sonam Lhundrup	6/8
Mr. Sonam Tobjey	8/8
Mr. Sherab Namgay	2/8 (Retired on 4 th March, 2020)

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

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

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

In 2019, 8 BHRC meetings were held and the date of the meetings is listed below:

Sl. No	Date	BHRC Meeting No.
1	7 February, 2020	36 th BHRC Meeting
2	28 February, 2010	37 th BHRC Meeting
3	28 April, 2020	38 th BHRC Meeting
4	8 June, 2020	39 th BHRC Meeting

5	27 July, 2020	40 th BHRC Meeting
6	29 September, 2020	41 st BHRC Meeting
7	9 November, 2020	42 nd BHRC Meeting
8	23 November, 2020	43 rd BHRC Meeting

d. Director's Remuneration

The DHI will determine the sitting fee of the Board members. The fees are fixed sum and not by a commission or percentage of profits or turnover. The remuneration of the Board Directors for the year 2020 is as follows:

Directors	Fees
Full Board	Nu. 476,000
Board Audit and Risk Committee	Nu. 208,000
Board Tender and Technical Committee	Nu 180,000
Board HR Committee	Nu. 124,000
Annual General Meeting	Nu. 36,000
Compact Negotiation Meeting	Nu. 18000
Total	Nu. 1,042,000

e. Annual General Meeting

The 17th Annual General Meeting was held on 25th March, 2020. The meeting discussed on the consideration of audited accounts for the financial year ended 31st December, 2019 and auditors' report, appointment, remuneration of auditors' and declaration of dividend.

The AGM also discussed on the appointment and retirement of directors' and remuneration of the Chief Executive Officer. As per the section 138 of the Companies Act of Bhutan 2016, the Directors need to retire during AGM. Mr. Sherab Namgay retired from





BPC Board while Mr. Sonam Ihundrup was appointed as the new Director of BPC. The AGM also reappointed Dasho Kunzang Dorji and Mr. Kinzang Tobgay and declared them as the independent directors of BPC.

f. Risk Management and Internal Control

The Board, through its sub-committee Board Audit & Risk Committee (BARC) continues to play an instrumental role in the institutionalization and mainstreaming of Risk Management functions and activities within and across the company. While the BARC assumes the overall ownership and oversight, the implementation of risk management activities and initiatives is sponsored by the Management.

The Risk Management Division (RMD) carries out the identification and analysis of risks the company is expected to experience and the implementation of risk mitigation measures in collaboration with the Risk Focal Persons from various Services & Departments. This constitutes the key aspect of risk management and control improvement functions in BPC.

RMD provides the quarterly report on the status of risk mitigation activities to BARC as a part of risk governance, communication and reporting measures.

The Board shall continue to provide support to enhance maturity of risk management framework and processes within the company, with a focus on capacity building and skill progression.

g. Corporate Social Responsibility

In line with the Company's guideline on the CSR of DHI, the company ensures to implement meaningful and sustainable CSR programs under three basic categories viz. legal compliance, operation and charitable contributions.

The objective of CSR is to provide support to the government and be responsible for the better environment, improved community and society's lives around which, the company operates. Further, in line with its business operation, the company also aims to minimize and mitigate the impact of its businesses on the environment and society through various programs such as planting trees, donating blood and making charity contribution and to the Covid-19 Relief Fund.

In 2020, BPC has contributed Nu. **208,057,892.24/-** for various activities keeping within the approved CSR budget by DHI.



AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

To
The Members
Bhutan Power Corporation Limited
Thimphu, Bhutan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Bhutan Power Corporation Limited (BPCL)**, which comprise the Statement of Financial Position as at 31 December 2020 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, of the financial position of the Company as at 31 December 2020, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our ethical requirements in accordance with these requirements.

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

Emphasis of Matter

We draw attention to the following:

- i. During the year, the BPC has paid Nu. 206,070,728.00 to Ministry of Finance as contribution towards COVID-19 Relief Fund.
- ii. Based on the press release issued by the Prime Minister's Office on April 12th, 2020, interest on loans from domestic financial institutions were waived as a part of COVID-19 relief measure from April to March 2021. The BPC has benefited by Nu.100,507,092.41 in 2020 from the interest waiver support. The equivalent amount was deducted from the interest expenses incurred for the year and then disclosed the benefit in the Note 39 – Additional Disclosures.

Our opinion is not modified in respect of this matter.

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 Bhutanese Accounting Standards (BAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
- ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
- iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
- v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

For Tshechu& Associates
Certified Practising Accountants
FEN: BH-05

Tshechu, CPA (9798359)
Engagement Partner
Place :Thimphu, Bhutan
Date: 9/4/2021



MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS
BHUTAN POWER CORPORATION LIMITED FOR THE YEAR ENDED
31 DECEMBER 2020

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 no material discrepancies mentioned in the report as compared to the book records.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of the stock is fair and proper and in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB). Further, there is no deviation in the basis of valuation, as compared to the earlier period/year.
7. 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.
8. 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.
9. 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.
10. There are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.
11. 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.
12. 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.
13. The unserviceable or damaged stores or other items wherever identified have been properly dealt with and Provision for loss accounted for in the accounts.
14. 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.
15. 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.

16. 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.
17. 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.
18. There was no undisputed amount payable in respect of rates, taxes, duties, provident funds and other statutory deductions at the yearend.
19. No personal expenses have been debited to the Statement of Comprehensive Income.
20. 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.
21. 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.
22. Material losses and discrepancies noted during physical verification of stock wherever written-off/adjusted were as per the approval of the appropriate authorities.
23. 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.
24. There is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labor to jobs.
25. 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.
26. 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.
27. As there is no sale through commission agents, this clause is not applicable to the Company.
28. 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.
29. There was balance of Nu.1,025,104,237 in the Current Deposit Account and Nu.1,585,200 of Cash-in-Hand at the end of the year 2020.
30. As explained to us, the activities carried out by the company are lawful and intra virus to the Articles of Incorporation of the Company.
31. There is no investment done during the year so this clause is not applicable.
32. The Company has an adequate and effective budgetary control mechanism.
33. As the Company is engaged in transmission and distribution of electricity and in no manufacturing activities, the said clause is not applicable.
34. 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. It was found that the company also made payments to evaluation committee members of Board Level Tenders and the auction committee members.
35. Directives of the Board have been complied with.
36. 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.

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 2020 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-III** (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-05


Tshechu, CPA
(Membership No.: 9798359)
Engagement Partner
Place : Thimphu, Bhutan
Date : 9/4/2021



Financial Statements for the year ended 2020

STATEMENT OF FINANCIAL POSITION

(Amount in Nu.)

	Note	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
ASSETS				
Non-current assets				
Property, plant and equipment	4	30,658,527,662	31,157,418,161	23,038,202,033
Intangible assets	5	45,625,858	53,596,479	65,061,864
Long-term loans and advances	6	1,214,737	2,908,590	535,714
Other receivables	7	199,330	199,330	199,330
Other non-current assets	8	33,504,834	39,901,566	505,962,594
Total non-current assets		30,739,072,422	31,254,024,126	23,609,961,535
Current assets				
Inventories	9	428,512,611	384,102,415	320,200,209
Amounts due from customers for contract work	10	567,178,342	1,071,256,239	3,879,746,630
Trade & other receivables	11	803,649,995	792,250,402	441,616,179
Cash and cash equivalents	12	1,050,453,495	430,170,308	470,756,785
Short-term loans and advances	13	2,392,734	2,538,171	1,017,493
Other current assets	14	1,443,836,671	1,314,478,084	1,333,493,332
Total current assets		4,296,023,848	3,994,795,619	6,446,830,627
TOTAL ASSETS		35,035,096,270	35,248,819,745	30,056,792,161
EQUITY AND LIABILITIES				
Shareholder's Equity				
Share Capital	15	10,235,301,000	10,235,301,000	8,225,118,000
Other Equity		4,430,403,104	4,278,860,186	4,810,988,778
Total Shareholder's equity		14,665,704,104	14,514,161,186	13,036,106,778
Liabilities				
Non-current liabilities				
Borrowings	16	12,746,489,046	12,770,628,702	7,652,348,999
Deferred grants	17	1,347,425,686	1,366,163,594	1,407,709,019
Deferred Customer's Contribution	18	122,771,587	129,947,393	133,927,981
Other payables	19	735,500,200	1,196,750,594	588,715,827
Employee benefit liabilities	20	722,052,174	618,299,995	416,320,426
Deferred Income Tax liabilities (Net)	21	1,232,017,352	1,029,972,515	884,944,965
Total Non-current liabilities		16,906,256,046	17,111,762,793	11,083,967,217

STATEMENT OF FINANCIAL POSITION (CONTD.)

(Amount in Nu.)

	Note	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Current liabilities				
Borrowings	16	938,138,599	1,311,012,228	438,639,273
Deferred grants	17	44,191,091	41,519,811	51,514,024
Deferred Customer Contribution	18	1,182,106	10,615,373	10,460,990
Amounts due to customers for contract work	10	930,323,741	958,038,578	1,212,126,319
Trade & other payables	22	1,325,914,555	891,059,739	3,876,877,081
Employee benefit liabilities	20	150,182,734	302,152,735	215,591,468
Income tax payable (net of advances)	23	36,929,400	70,454,915	45,439,793
Other current liabilities	24	36,273,894	38,042,388	86,069,218
Total current liabilities		3,463,136,120	3,622,895,767	5,936,718,166
Total liabilities		20,369,392,166	20,734,658,560	17,020,685,383
TOTAL EQUITY AND LIABILITIES		35,035,096,270	35,248,819,745	30,056,792,161

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

For Tshechu & Associated
Certified Practising Accountants
Firm Empanellment No.: BH-05

For Bhutan Power Corporation Limited



Chairman



Chief Executive Officer



Tshechu, CPA
(Membership No: 9789359)
Managing Partner
Place: THIMPHU




Director



Director, Finance & Accounts Services

STATEMENT OF PROFIT OR LOSS

(Amount in Nu.)

	Note	For the year ended	
		December 31,2020	December 31, 2019
REVENUE			
Income from sale of electricity	25	5,978,266,835	7,209,755,687
Income from construction contracts	26	374,224,423	701,125,249
Wheeling charges		2,463,935,978	1,306,493,330
Other income	27	223,841,054	249,814,599
Total Revenue		9,040,268,289	9,467,188,865
EXPENDITURE			
Purchase of electricity		3,169,729,213	3,750,116,270
Construction material consumed and sub-contracting charges		346,207,887	636,954,693
Operation and maintenance expenses	28	406,600,471	464,606,599
Employee benefit expenses	29	1,256,083,743	1,150,613,962
Finance costs	30	866,961,599	384,821,835
Loss/(Gain) on foreign currency fluctuation (net)		196,322,205	62,356,314
Depreciation and amortization expenses		1,389,084,309	1,162,254,340
Other expenses	31	409,682,529	204,043,283
Total Expenditure		8,040,671,957	7,815,767,295

STATEMENT OF COMPREHENSIVE INCOME

(Amount in Nu.)

Profit before income tax		999,596,332	1,651,421,569
Tax expenses	23.1		
- Current tax – current year		177,520,580	322,636,158
- Deferred tax		202,044,837	143,919,911
- Tax adjustment of earlier years		65,503,707	846,015
Net Profit for the year		554,527,208	1,184,019,486
Earnings per share ('EPS')	32		
Basic EPS (Nu.)		54.18	143.86
Basic/Diluted EPS (Nu.)		54.18	143.86
Profit for the year		554,527,208	1,184,019,486
Other Comprehensive Income (Loss):			
Items That Will Not be Re-Classified to Profit/Loss:			
Fair Valuation of Investment		-	-
Actuarial Gains (Loss)		9,157,164	(153,390,191)
Tax Expense Relating to These Items		2,747,149	(52,187,546)
Total Comprehensive Income for the Year		560,937,223	978,441,749

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

For Tshechu & Associated
Certified Practising Accountants
Firm Empanellment No.: BH-05

For Bhutan Power Corporation Limited



Chairman



Chief Executive Officer



Tshechu, CPA
(Membership No: 9789359)
Managing Partner
Place: THIMPHU




Director



Director, Finance & Accounts Services

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(Amount in Nu.)

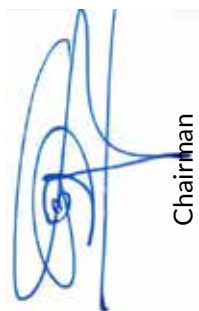
	Equity Share capital	Retained earnings	Investment Reserve	Asset Replacement Reserve	Actuarial gains/ (losses)	Total Equity
	Refer Note 15					
Balance as at January 1, 2019	8,225,118,000	4,195,068,243	572,157,472	104,785,492	(20,568,299)	13,076,560,909
Net profit for the year	-	1,184,019,486	-	-	-	1,184,019,486
Other comprehensive income/(loss):	-	-	-	-	(153,390,191)	(153,390,191)
Actuarial gain						(41,561,769)
Prior period adjustment of deferred tax on Employee Benefit Obligation		(41,561,769)				
Prior period adjustment of Depreciation Reserve Fund	-	(134,117,588)	-	-	-	(134,117,588)
Prior period adjustment of tax on remeasurement gains/losses	-	52,187,546	-	-	-	52,187,546
Transfer of land to DHI	-	(25,007,573)	-	-	-	(25,007,573)
Transfer of Investment Reserve	-	-	(572,157,472)	-	-	(572,157,472)
Transfer to Asset Replacement Reserve	-	(14,334,804)	-	14,334,804	-	-
Transaction with the owners:	-	(882,555,161)	-	-	-	(882,555,161)
Payment of Dividends for the year 2018						
Issue of Share Capital	2,010,183,000	-	-	-	-	2,010,183,000
Balance as at December 31, 2019	10,235,301,000	4,333,698,380	(0)	119,120,296	(173,958,490)	14,514,161,185
Balance as at January 1, 2020	10,235,301,000	4,333,698,379		119,120,296	(173,958,490)	14,514,161,186
Net profit for the year		554,527,208				554,527,208

Other Comprehensive Income: Actuarial Gains (Losses)							9,157,164	9,157,164
Transfer to Asset Replacement Reserve						35,540,427	-	-
Transaction with the Owners: Payment of Dividends for the year 2019						(412,141,454)	(412,141,454)	
Balance as at December 31, 2020						10,235,301,000	4,440,543,705	154,660,723
								(164,801,326)
								14,665,704,104

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

For Tshechu & Associated
Certified Practising Accountants
Firm Empanellment No.: BH-05

For Bhutan Power Corporation Limited



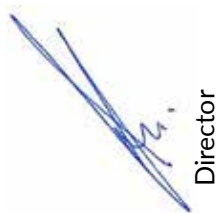
Chairman



Chief Executive Officer



Tshechu, CPA
(Membership No: 9789359)
Managing Partner
Place: THIMPHU

Director



Director, Finance & Accounts Services

STATEMENT OF CASH FLOWS

(Amount in Nu.)

	For the year ended	
	December 31, 2020	December 31, 2019
Cash flows from / (used in) operating activities		
Profit before income tax	999,596,332	1,651,421,569
Adjustments for:		
Depreciation and amortization expenses	1,389,084,309	1,162,254,340
Loss on disposal of property, plant and equipment	8,987,077	37,440,831
Interest expenses on borrowings	744,770,270	447,516,568
Interest income	(24,000,344)	(64,961,017)
Unwinding of discount on retention, security deposit & borrowings	122,191,329	(62,694,733)
Provision for doubtful debts	32,782,314	2,488,365
Provision on Obsolescence of Material	15,500	(2,657,642)
Liabilities no longer required written back	(18,640,939)	(15,904,722)
Amortization of deferred grants	(55,870,627)	(51,610,485)
Amortization of deferred customer contribution	(16,609,073)	(10,416,494)
Operating profit before working capital changes	3,182,306,147	3,092,876,580
Decrease / (Increase) in inventories	(44,425,697)	(61,244,564)
Increase in amounts due from customers for contract work	504,077,897	2,808,490,390
Decrease / (Increase) in trade and other receivables	(44,181,907)	(353,122,589)
Decrease / (Increase) in current and non-current assets	209,820,740	125,753,686
Increase in long-term and short-term loans and advances	1,839,289	(3,893,554)
Decrease in amounts due to customers for contract work	(27,714,838)	(254,087,740)
Increase in trade and other payables	453,495,756	(2,947,353,821)
(Decrease)/ Increase in other current & non-current liabilities	(463,018,887)	403,331,549
Increase / (decrease) in provision	(39,060,658)	135,150,645
Net cash generated from operating activities before income tax	3,733,137,844	2,945,900,584
Income tax paid, net of refunds received	(276,549,802)	(246,279,505)
Net cash generated from operating activities	3,456,588,042	2,699,621,078
Cash used in investing activities		
Purchase of property, plant and equipment and Intangible assets	(891,231,193)	(1,412,779,112)

STATEMENT OF CASH FLOWS (CONT.)

(Amount in Nu.)

Receipt of deferred grants	39,804,000	70,846
Receipt of deferred customer contribution	-	6,590,288
Proceeds from sale of property, plant and equipment	20,927	2,818,040
Redemption of bank term deposits (net)	(335,814,498)	149,318,652
Interest received	27,032,248	274,964,954
Net cash used in investing activities	(1,160,188,517)	(979,016,331)
Cash flows from financing activities		
Proceeds from Borrowings	78,639,384	457,491,143
Repayment of Borrowings	(1,236,903,168)	(250,397,480)
Interest paid	(302,033,306)	(575,928,569)
Payment of dividend on ordinary shares	(412,141,454)	(1,454,712,633)
Net cash generated from/use in financing activities	(1,872,438,544)	(1,823,547,539)
Net increase in cash and cash equivalents	423,960,981	(102,942,791)
Cash and cash equivalents at beginning of the year	430,170,308	470,756,785
Loss/(gain) on foreign currency fluctuation	196,322,205	62,356,314
Cash and cash equivalents at end of the year	1,050,453,495	430,170,308

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

For Tshechu & Associated
Certified Practising Accountants
Firm Empanellment No.: BH-05


Tshechu, CPA
(Membership No: 9789359)
Managing Partner
Place: THIMPHU





Chairman



Director

For Bhutan Power Corporation Limited



Chief Executive Officer



Director, Finance & Accounts Services

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 including 19 Mini and Micro Hydropower Plants. Apart from construction of distribution network system, the Company is also mandated to construct the associated Transmission Lines and Substations required for evacuation of power from Hydropower Plants to the Bhutan-India border.

The financial statements of the Company for the year ended December 31, 2020 were authorized for issue in accordance with the resolution of the Board of Directors dated March 22, 2021. 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

2.1 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.

2.2 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.



2.3 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 equipments are normally treated as inventory and expensed as consumed. However, major spare parts and stand-by equipments are treated as property, plant and equipment when they are expected to be used during more than one year. Also, where the spares parts or servicing equipment can only be used in connection with an item of property, plant and equipment they are accounted for as property, plant and equipment.

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

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

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

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

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

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

2.4 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.

2.5 Impairment of non-financial assets

The Company assesses at each Statement of Financial Position date whether there is any indication that an asset may be impaired based on internal or external factors. If any such indication exists, the Company estimates the recoverable amount of the assets. If the carrying amount of asset/cash generating unit exceeds the recoverable amount on the reporting date, the carrying amount is reduced to the recoverable amount. The recoverable amount is measured as the higher of the net selling price and the value in use determined by the present value of estimated future cash flows.

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

2.6 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.

2.7 Financial Instruments

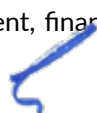
(i) Financial Assets

(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.

a. 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.

b. 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.

c. 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 the incurred loss model as per BFRS-9 provides that impairment of financial assets will be done as per the provision of BAS-39 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 recognised 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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the Provisions / Allowance for Impairment Loss Account, to the extent the impairment loss was previously recognised on the respective asset. The amount of such reversal is recognised in the Statement of Comprehensive Income.

(d) Derecognition 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.

(i) 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/ loss 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.

2.8 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.

2.9 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.

2.10 Investment and Asset Replacement Reserves

The nature and purpose of these reserves are as follows:

i. Investment Reserve:

The reserve created during the earlier year/s under the 'Group Investment Reserve (GIR) Scheme' as per the DHI Ownership Policy to retain earnings in the DHI owned Companies (DoCs) to finance Projects of strategic importance. The stated objectives of Investment Reserve are as under:

- To build funds for investments.
- To build funds to meet National exigencies.
- To optimize on the limited pool of capital available in the group and maximize returns to the Government and the State.



- To facilitate transfer of capital among the Companies in the group and within the legal framework in Bhutan.
- To enable the DoCs to optimize its capital structure and improve returns.
- To provide predictability in flow of funds from DoCs to DHI and to MoF.

ii. Asset Replacement Reserve:

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

2.11 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.

2.12 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.

2.13 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.

2.14 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'.

2.15 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 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 in 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.

2.16 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.

2.17 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.

2.18 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.

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.



4. Property, plant and equipment

Particulars	Freehold Land	Building and Civil Structures	Generation equipment's	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2020							
Cost	45,575,191	3,464,962,593	1,151,247,268	30,928,312,309	1,702,910,388	3,481,129,780	40,774,137,528
Accumulated depreciation	-	(853,471,372)	(600,260,561)	(7,091,443,198)	(1,070,544,236)	-	(9,616,719,367)
Book Value	45,575,191	2,611,491,220	549,986,708	23,836,869,111	632,366,151	3,481,129,780	31,157,418,161
Changes in book value during the year							
Additions	-	523,080,618	6,361,880	950,213,825	165,865,187	(762,061,117)	883,460,393
Disposals and sales	-	(3,529,791)	-	(10,246,650)	(720,672)	-	(14,497,112)
Depreciation on disposals/ adjustments	-	1,805,339	-	3,016,114	667,655	-	5,489,108
Depreciation	-	(150,191,347)	(47,828,188)	(1,035,695,971)	(139,627,382)	-	(1,373,342,888)
Total changes	-	371,164,819	(41,466,308)	(92,712,681)	26,184,789	(762,061,117)	(498,890,499)
Balance as at December 31, 2020							
Cost	45,575,191	3,984,513,420	1,157,609,148	31,868,279,485	1,868,054,903	2,719,068,663	41,643,100,810
Accumulated depreciation	-	(1,001,857,381)	(649,088,749)	(8,124,123,056)	(1,209,503,963)	-	(10,984,573,148)
Book value	45,575,191	2,982,656,039	508,520,400	23,744,156,429	658,550,940	2,719,068,663	30,658,527,662

Property, plant and equipment (Contd.)

Particulars	Freehold Land	Building and Civil Structures	Generation equipment's	Network System	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2019							
Cost	70,433,629	2,925,359,331	1,144,799,345	22,761,242,426	1,657,821,516	3,030,964,880	31,590,621,127
Accumulated depreciation	-	(733,608,202)	(555,077,459)	(6,287,735,320)	(975,998,113)	-	(8,552,419,094)
Book Value	70,433,629	2,191,751,129	589,721,886	16,473,507,106	681,823,403	3,030,964,880	23,038,202,033
Changes in book value during the year							
Additions	-	544,042,963	8,101,122	8,237,719,177	89,327,067	450,164,900	9,329,355,228
Disposals and sales	(24,858,438)	(4,439,702)	(1,653,199)	(70,649,294)	(44,238,195)	-	(145,838,827)
Depreciation on disposals/ adjustments	-	1,756,848	1,628,867	38,579,654	38,607,013	-	80,572,382
Depreciation	-	(121,620,018)	(47,811,969)	(842,287,533)	(133,153,136)	-	(1,144,872,656)
Total changes	(24,858,438)	419,740,091	(39,735,179)	7,363,362,005	(49,457,252)	450,164,900	8,119,216,128
Balance as at December 31, 2019							
Cost	45,575,191	3,464,962,593	1,151,247,268	30,928,312,309	1,702,910,388	3,481,129,780	40,774,137,528
Accumulated depreciation	-	(853,471,372)	(601,260,561)	(7,091,443,198)	(1,070,544,236)	-	(9,616,719,367)
Book value	45,575,191	2,611,491,220	549,986,708	23,836,869,111	632,366,151	3,481,129,780	31,157,418,161

4.1 Capital work-in-progress as at December 31, 2020, December 31, 2019 and January 1, 2019 comprises of the following:

Particulars	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Generation equipment	2,984,411	9,346,291	4,999,648
Transmission lines	1,420,937,356	2,388,355,394	2,170,394,586
Distribution Assets	895,831,792	864,679,312	518,970,782
Buildings	142,028,574	114,583,795	123,335,627
Other Civil Structures	42,127,342	48,885,967	84,212,551
Others	6,228,258	1,033,313	2,319,972
Advance for capital works	208,930,930	54,245,709	126,731,714
Total	2,719,068,663	3,481,129,780	3,030,964,880

5. Intangible assets

Computer Software	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Opening gross carrying value (i)	291,056,738	285,140,439	219,106,646
Additions	7,770,800	5,916,299	66,033,794
Closing gross carrying value(ii)	298,827,538	291,056,738	285,140,440
Opening accumulated amortization (iii)	(237,460,259)	(220,078,576)	(204,530,023)
Additions	(15,741,421)	(17,381,684)	(15,548,553)
Closing accumulated amortization (iv)	(253,201,679)	(237,460,259)	(220,078,576)
Net carrying value (ii-iv)	45,625,858	53,596,479	65,061,864

6. Long-term loans and advances

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Advance to employees:			
- Bike loan	751,403	2,279,459	-
- Welfare loan	15,843	126,721	107,171
- Mobile phone loan	447,491	502,410	428,543
Total	1,214,737	2,908,590	535,714



7. Other receivables

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Security Deposit for Land Lease	199,330	199,330	199,330
Total	199,330	199,330	199,330

8. Other non-current assets

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Fixed deposits with Banks having original tenure of more than twelve months:			
- Depreciation funds for OPGS/ADSS assets	-	-	22,558,799
- Other fixed deposit	-	-	423,677,244
Interest accrued on Fixed Deposits:			
- Depreciation funds for OPGS/ADSS assets	-	-	1,381,340
- Other fixed deposit	-	-	29,480,311
Prepaid Expenses	33,478,684	39,875,416	19,194,662
Advance to Suppliers	-	-	3,125,588
Advance to Others	26,150	26,150	6,544,150
Total	33,504,834	39,901,566	505,962,594

9. Inventories

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Stores and spare parts	361,228,739	330,466,387	273,053,052
Stock - ISU	63,221,142	48,943,172	46,461,178
Stock - Uniform	868,451	348,497	461,301
Stock - Infocom Spares	4,526,240	5,660,820	4,198,782
Less: Provision for obsolete inventory	(1,331,963)	(1,316,462)	(3,974,104)
Total	428,512,611	384,102,415	320,200,209

10. Amount due from/to customers for contract work

	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
<u>Amounts due from customers for contract work</u>			
Work in progress -Construction Contracts	1,453,809,372	4,865,174,734	11,418,359,609
Less: Progress billing and advances received	886,631,029	3,793,918,494	7,538,612,980
Total	567,178,342	1,071,256,239	3,879,746,630
<u>Amounts due to customers for contract work</u>			
Progressive billing and advances received	12,492,363,055	11,887,511,861	11,741,543,395
Less: Work in progress -Construction Contracts	11,562,039,314	10,929,473,282	10,529,417,076
Total	930,323,741	958,038,578	1,212,126,319
<u>Recognized and included in financial statements as:</u>			
<u>Amounts due from customers for construction contracts</u>			
- Current portion	567,178,342	1,071,256,239	3,879,746,630
- Non-current portion	-	-	-
<u>Amounts due to customers for construction contracts</u>			
- For short term contract	400,604,577	(23,694,037)	(625,633)
- For long term contract	529,719,163	981,732,615	1,212,751,952
Total	(930,323,741)	(958,038,578)	(1,212,126,319)

11. Trade & other receivables

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Receivables against transmission and supply of electricity	488,380,352	377,480,377	112,038,044
Less: Provision for doubtful debts	(39,386,524)	(6,604,210)	(4,115,844)
Net Receivables	448,993,829	370,876,168	107,922,200
Subsidy receivable on Electricity from RGOB	325,691,628	416,978,507	323,979,810
Other receivables	28,964,539	4,395,728	9,714,169
Total	803,649,995	792,250,402	441,616,179



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

Particulars	As at January 1, 2020	Amount debited to 'Other Income'	As at December 31, 2020
Provision for doubtful Debts	6,604,210	32,782,314	39,386,524

12. Cash and cash equivalents

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Cash in hand	1,585,200	2,165,713	3,099,722
Bank balances in current accounts	1,025,104,237	402,394,857	446,657,006
Balance with bank towards staff welfare fund	23,764,058	25,609,738	21,000,057
Total	1,050,453,495	430,170,308	470,756,785

12.1 There are no restricted cash and cash equivalents.

13. Short-term loans and advances

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Advance to employees:			
- Bike loan	1,528,056	1,528,056	59,072
- Welfare loan	167,621	371,795	357,188
- Mobile phone loan	697,057	638,320	601,233
Total	2,392,734	2,538,171	1,017,493

14. Other current assets

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Deposit against Employee Insurance Policies (Refer Note 40 (iv))	338,253,717	330,836,730	494,034,658
Interest accrued on Employee Insurance Policies	27,687,588	6,961,711	202,526,339
Fixed deposits with Banks having original tenure of more than twelve months:			
- Depreciation funds for OPGS/ADSS assets	230,293,028	151,324,441	89,490,115
- Other fixed deposit	300,000,000	194,478,530	48,885,580
Interest accrued on Fixed Deposits:			
- Depreciation funds for OPGS/ADSS assets	15,228,780	7,172,684	12,504,098
- Other fixed deposit	59,426	31,873,304	10,119,047
Accrued Unbilled Trade Receivables	477,683,901	543,448,525	457,085,537
Prepaid Expenses	23,467,480	21,809,300	17,078,515
Advance to Suppliers	6,396,332	2,294,813	1,372,395
Advance to employees:			
- Travel and salary advance	12,000	-	-
- Expenses	96,185	100,000	120,000
Advance to Others	24,658,233	24,178,049	277,047
Total	1,443,836,671	1,314,478,084	1,333,493,332

15. Share Capital

	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Authorized:			
15,000,000 Equity Shares of Nu. 1,000/- each	15,000,000,000	15,000,000,000	15,000,000,000
Total	15,000,000,000	15,000,000,000	15,000,000,000
Issued, Subscribed and fully Paid up:			
10,235,301 Equity Shares of Nu. 1,000/- each	10,235,301,000	10,235,301,000	8,225,118,000
Total	10,235,301,000	10,235,301,000	8,225,118,000



15.1 All Equity shares are Ordinary shares and are ranked equally. Fully paid shares carry one vote per share and carry the right to dividends. There are no restrictions on the transfer of shares in the Company or on voting rights between holders of shares. Entire share capital is held by the holding Company M/s Druk Holding & Investments (A Royal Government of Bhutan Undertaking)

15.2 Reconciliation of Equity shares Outstanding

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
At the beginning of the year			
- Number of shares	10,235,301	8,225,118	8,225,118
- Amount (in Nu.)	10,235,301,000	8,225,118,000	8,225,118,000
At the end of the year			
- Number of shares	10,235,301	10,235,301	8,225,118
- Amount (in Nu.)	10,235,301,000	10,235,301,000	8,225,118,000

16. Borrowings

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
i) Secured borrowings:			
Term loan from 'National Pension and Provident Fund' (Refer Note 16.1.i) - for Transmission Lines Project	-	209,637,500	251,565,000
ii) Unsecured borrowings:			
Term loan from 'National Pension and Provident Fund' (Refer Note 16.1.ii) - for Transmission Lines Project	1,653,503,654	1,995,832,138	2,000,000,000
Term loans from 'Royal Government of Bhutan' (Refer Note 16.2)			
- for Rural Electrification Projects	3,738,317,801	3,796,187,243	3,739,510,611
- for JICA I	2,005,894,678	1,917,828,990	1,932,206,737
Borrowing BAS adjustment for JICA I	(168,559,701)	(185,548,020)	(203,113,621)
- for Mangdechhu Hydroelectric Project	5,710,499,125	5,710,499,125	-
Bank Overdraft	330,985	457,491,143	-
Interest accrued but not due on borrowings	744,641,104	179,712,811	370,819,545
	13,684,627,645	14,081,640,930	8,090,988,272

Borrowings analyzed as follows

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Current portion	938,138,599	1,311,012,228	438,639,273
Non-current portion	12,746,489,046	12,770,628,702	7,652,348,999
Total	13,684,627,645	14,081,640,930	8,090,988,272

Nature of Security, Interest Rate and terms of repayments:**16.1 Term loan from NPPF:**

- i) Term loan of Nu.1,381,079,608 & Nu. 272,424,046 from National pension and provident fund is outstanding as on 31st December 2020 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 and April 01, 2030 respectively.

16.2 Other Term Loans:

- i) Rural electrification Loan I (RE-I) of Nu.124,561,025 is outstanding as on 31st December 2020 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. 201,584,215 is outstanding as on 31st December 2020 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.273,424,630 is outstanding as on 31st December 2020 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.963,349,386 is outstanding as on 31st December 2020 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.766,316,150 is outstanding as on 31st December 2020 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.1,837,334,977 is outstanding as on 31st December 2020 which is net of amount of Nu. 2,005,894,678 (after retranslation) and Nu. 168,559,701 (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 ADA of Nu.292,487,780 is outstanding as on 31st December 2020 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.

viii) Rural electrification loan – JICA Loan II of Nu.1,116,594,615 is outstanding as on 31st December 2020 from the Royal Government of Bhutan is still effective and not closed. The rate of interest and the loan tenure shall be determined by the Royal Government of Bhutan.

16.3 MHPA Loan of Nu.5,710,499,125 is outstanding as on 31st December 2020. 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.

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

17. Deferred grant

Grants are received from the Royal Government of Bhutan as counterpart financing to the Rural Electrification Loan to carry out the rural electrification works for the civil component and establishment expenses. The material costs are financed through the loan. There are no unfilled conditions and contingencies attached to this grant.

	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
As at January 1	1,407,683,405	1,459,223,044	1,479,308,052
Addition/Received	39,804,000	70,846	31,350,000
Less: Transferred to 'Other Income'	(55,870,627)	(51,610,485)	(51,435,008)
As at December 31	1,391,616,777	1,407,683,405	1,459,223,044

Deferred grant analyzed as follows:

	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
Current portion	44,191,091	41,519,811	51,514,024
Non-current portion	1,347,425,686	1,366,163,594	1,407,709,019
Total	1,391,616,777	1,407,683,405	1,459,223,044

18. Deferred customer's contribution

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
As at January 1	140,562,766	144,388,972	10,028,633
Received during the year	-	6,590,288	144,739,888
Less: Transferred to "Other Income"	(16,609,073)	(10,416,494)	(10,379,549)
As at December 31	123,953,693	140,562,766	144,388,972

Deferred customer's contribution analyzed as follows:

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Current portion	1,182,106	10,615,373	10,460,990
Non-current portion	122,771,587	129,947,393	133,927,982
Total	123,953,693	140,562,766	144,388,972

19. Other Payables

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Security deposits			
- Energy meters	326,980,099	302,419,893	268,996,014
- Others (Refer Note 19.1)	14,103,185	16,047,438	14,722,420
Performance security	382,564	1,040,234	-
Retention money	148,393,522	693,903,533	304,880,870
Payable to employees	119,022	139,924	116,523
Other liabilities	245,521,808	183,199,573	22,558,799
Total	735,500,200	1,196,750,594	611,274,626

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



20. Employee benefit liabilities

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Provision for:			
- Gratuity	615,327,827	577,816,748	393,272,158
- Separation Benefits	64,617,944	61,286,155	47,983,000
- Leave encashment	68,667,055	61,858,658	35,701,995
- Performance Based Incentive Scheme	-	109,882,504	80,342,775
- Performance Based Variable Allowance	98,917,759	99,068,397	72,393,418
- Payables to employees	24,704,324	10,540,269	2,218,548
Total	872,234,908	920,452,730	631,911,894

Employee benefit liabilities analyzed as follows:

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Current portion	150,182,734	302,152,735	215,591,468
Non-current portion	722,052,174	618,299,995	416,320,426
Total	872,234,908	920,452,730	631,911,894

21. Deferred Income Tax Liabilities (Net)

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

Particulars	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Opening balance	1,029,972,515	884,944,965	774,604,080
Charged to Statement of Comprehensive Income	202,044,837	145,027,549	110,340,885
Closing Balance	1,232,017,352	1,029,972,515	884,944,965

Note 21.1: The Deferred Tax Liability for the year ended December 31, 2020 is as shown below:

For the year December 31, 2020

Assets & Liabilities	Carrying Amount	Tax Base	Taxable Temporary Difference (DTL)	Deductible Temporary Difference (DTA)
Property, Plant & Equipment	27,985,084,858	24,238,837,592	3,746,247,266	-
Provision for bad debts	39,386,524	-	-	39,386,524
Provision for obsolete materials	1,331,963	-	-	1,331,963
Retention money-non current	148,393,522	169,738,452	21,344,930	-
Security deposit	14,103,185	16,759,951	2,656,766	-
Borrowings- JICA I	1,837,334,977	2,005,894,678	168,559,701	-
Employee benefit obligation	615,327,826	818,970,724	203,642,897	-
Bonus payable	98,917,759	168,527,133	69,609,374	-
Provision for transfer grant	20,822,930	-	-	20,822,930
Provision for carriage charges	22,971,351	-	-	22,971,351
Provision for separation allowance	20,823,663	-	-	20,823,663
Total			4,212,060,934	105,336,430
Net Deferred Liability				4,106,724,504
Deferred Tax Liability for 2020				1,232,017,352

22. Trade & Other Payables

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Trade payables:			
- electricity	588,932,036	605,461,894	682,637,123
- suppliers & contractors	31,460,242	53,683,427	826,258,671
- services	3,087,787	2,578,636	31,028,652
Security deposits			
- Energy meter	7,472,170	6,790,906	6,247,390
- Capacity reserve charges	12,797,160	23,934,599	11,408,012
Performance security	5,651,585	8,791,258	5,249,983
Retention money	661,889,411	154,519,519	2,272,997,670
Accrued expenses	11,337,032	31,273,236	15,229,568
Other liabilities	3,287,133	4,026,264	3,261,211
Total	1,325,914,555	891,059,739	3,854,318,282



23. Income tax payable (net of advances)

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Provision for corporate income tax	125,333,034	322,636,158	263,448,377
Less: Advance tax and income tax deducted at source	(88,403,634)	(199,993,697)	(218,008,583)
	36,929,400	122,642,461	45,439,793

23.1 Details of Income Tax is as under:

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Current income tax			
Current tax on profits for the year	177,520,580	322,636,158	262,495,503
Total Current income tax	177,520,580	322,636,158	262,495,503
Deferred income tax			
Increase/(decrease) in deferred tax liabilities	202,044,837	143,919,911	69,886,754
Total Deferred income tax	202,044,837	143,919,911	69,886,754
Adjustment of tax for prior years	65,503,707	846,015	58,343,375
Income tax expense	445,069,124	466,556,069	332,382,257

23.2 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:

	2020	
Current tax on profit for the year		177,520,580
Reconciliation of tax on accounting profit:		
Profit Before Income Tax		999,596,332
Tax calculated at domestic tax rate 30%		299,878,900
Adjustments:		
PBIS & PBVA	9,034,915	2,710,475
Donations	207,878,060	62,363,418
Fines and penalties	16,345,989	4,903,797
Provision for doubtful debts	32,782,314	9,834,694
Provision for obsolete materials	15,500	4,650
Gratuity	37,511,079	11,253,324
Transfer grant	1,141,653	342,496
Carriage charges	1,048,472	314,542
Separation allowance	1,141,664	342,499
BAS adjustments	(130,807,682)	(39,242,305)
Impact due to depreciation	(476,594,574)	(142,978,372)
Rebate 5% for COVID-contribution		(34,412,544)
Tax on re-measurement gains		2,747,149
Reconciled with tax expense as above		177,520,580

23.3 The applicable corporate income tax rate has remained same, i.e. 30% for the current year and earlier year ended on December 31, 2020 and December 31, 2019 respectively. However, 5% rebate on current year tax has been availed as per letter number DRC/TAX/A&L/D016/758 dated 7/1/2021 for contribution towards COVID-19 relief fund.

24. Other current liabilities

	As at December 31, 2020	As at December 31, 2019	As at January 1, 2019
Statutory liabilities	12,547,688	12,471,332	65,109,161
Welfare grant fund	23,724,058	25,569,738	20,960,057
Other payables	2,148	1,318	-
	36,273,894	38,042,388	86,069,218

25. Income from sale of electricity

For the year ended

	December 31, 2020	December 31, 2019
Revenue - Low voltage customers	2,771,510,536	3,218,995,928
Revenue - Medium voltage customers	334,282,316	577,195,660
Revenue - High voltage customers	2,838,744,025	3,392,998,805
Miscellaneous income	33,729,958	20,565,293
Total	5,978,266,835	7,209,755,686

26. Income from construction contracts

	For the year ended	
	December 31, 2020	December 31, 2019
Value of contracts performed and service charges	373,538,031	700,777,329
Estimation charges for works	686,391	347,920
Total	374,224,423	701,125,249

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

	December 31, 2020	December 31, 2019
Long-term contracts:		
- MHPA	80,724,860	236,548,267
- Puna I	65,682,320	306,314,217
- Puna II	-	43,639,737
- Kholongchu	-	29,287,442
Short-term contracts:	227,130,851	84,987,666
Total	373,538,031	700,777,329



27. Other Income

	For the year ended	
	December 31, 2020	December 31, 2019
Interest income on:		
- Depreciation Fund	2,815,040	6,710,762
- Benefit Accrued on Employee Insurance Policies (Refer Note 40 (iv))	21,125,878	49,337,714
- Other Fixed Deposits	59,426	8,912,541
Penalties and liquidated damages	9,350,065	57,023,529
Revenue Grant	-	4,000
Amortization of deferred grants (Refer Note 17)	55,870,627	51,610,485
Amortization of deferred customer's contribution (Refer Note 18)	16,609,073	10,416,494
Liabilities no longer required written back	18,640,939	15,904,722
Scrap Sales	120,555	9,858,767
Tender form sales	279,400	681,700
Hire and lease charges	7,283,412	3,144,397
Other miscellaneous income	91,686,638	36,209,489
Total	223,841,054	249,814,599

28. Operation and maintenance expenses

	For the year ended	
	December 31, 2020	December 31, 2019
Repairs and maintenance:		
- Material/Stores	98,463,077	111,176,825
- Services	148,620,312	184,026,016
- Meter Equipment	1,640,417	7,864,278
- Vehicle running expenses (POL)	24,425,684	30,343,775
- Consumables	11,221,073	13,085,966
- Others	122,229,909	118,109,739
Total	406,600,471	464,606,599

29. Employee benefit expenses

	For the year ended	
	December 31, 2020	December 31, 2019
Salaries, wages, bonus and allowances	1,013,518,175	884,762,860
Contribution to provident and pension fund	93,699,800	58,903,750
Contribution for gratuity and leave encashment	144,548,974	141,575,702
Workmen and staff welfare expenses	4,316,794	65,371,650
Total	1,256,083,743	1,150,613,962

30. Finance cost

	For the year ended	
	December 31, 2020	December 31, 2019
Interest on long term borrowings from:		
Royal Government of Bhutan for Rural Electrification Projects	86,214,158	90,885,450
National Pension and Provident	64,367,576	183,530,310
MHPA Loan	572,614,433	143,935,873
Guarantee fee	6,159,175	17,452,745
BoB Overdraft	15,322,123	11,190,643
Other finance charges	92,804	521,546
Unwinding of discount on retention, security deposit and borrowings	122,191,329	(62,694,733)
Total	866,961,599	384,821,835

31. Other expenses

	For the year ended	
	December 31, 2020	December 31, 2019
Travelling expenses	19,148,825	36,610,206
Rent charges	10,806,935	11,107,240
Rates and taxes	1,121,475	7,301,014
Printing and stationary	9,463,471	10,418,996
License and registration fees	24,877,841	21,707,493
Audit fees and expenses	1,054,240	1,227,065
Office expenses	7,171,698	7,931,675
Consultancy fees	369,406	413,406
Legal fees	-	20,000
Entertainment expenses	4,968,765	7,763,917
Publicity and Advertisement expenses	1,186,901	1,921,889
Insurance charges	2,745,473	2,899,075
Donations & contributions expenses	226,312,991	2,189,216
Vehicle Hire charges	308,162	1,934,237
Bad debt expenses	32,782,314	2,488,365
Provision for obsolete materials	15,500	(2,657,642)
Loss on disposal of property, plant and equipment	8,987,077	37,440,831
Board meeting expenses and sitting fees	1,375,669	2,012,777
Management Fee for holding Company	31,651,172	24,331,782
Miscellaneous expenses	25,334,616	26,981,741
Total	409,682,529	204,043,283



32. Earnings per share ('EPS')

	For the year ended	
	December 31, 2020	December 31, 2019
Basic EPS attributable to Ordinary shares		
Net Profit attributable to the owners of the Company	554,527,208	1,184,019,486
Issued and outstanding ordinary shares at the beginning/ end of the year	10,235,301	8,225,118
Effect of ordinary shares issued during the year	-	5,507
Weighted average number of ordinary/diluted shares	10,235,301	8,230,625
Basic/Diluted EPS attributable to ordinary/diluted shares	54.18	143.86

33. Fair Value Measurement

Financial instruments by category:

Particulars	As at December 31, 2020			As at December 31, 2019		
	FVTPL	FVTOCI	Amortized cost	FVTPL	FVTOCI	Amortized cost
<u>Financial assets</u>						
Investments	-	-	-	-	-	-
Long-term loans and advances	-	-	1,214,737	-	-	2,908,590
Other receivables	-	-	199,330	-	-	199,330
Amount due from customers for contract work	-	-	567,178,342	-	-	1,071,256,239
Trade & other receivables	-	-	803,649,995	-	-	792,250,402
Cash and cash equivalents	-	-	1,050,453,495	-	-	430,170,308
Short-term loans and advances	-	-	2,392,734	-	-	2,538,171
Total financial assets	-	-	2,425,088,634	-	-	2,299,323,041
<u>Financial liabilities</u>						
Borrowings	-	-	13,684,627,645	-	-	14,081,640,930
Other payables	-	-	735,500,200	-	-	1,062,633,005
Amount due to customers for contract work	-	-	930,323,741	-	-	958,038,578
Trade & other payables	-	-	1,325,914,555	-	-	891,059,739
Total financial liabilities	-	-	16,676,366,142	-	-	17,127,489,841

(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 counter party 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.

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

Construction consumers:- Generally for all the construction contracts executed by the Company, the clients deposit the amount estimated for construction of the project in advance. Any excess deposit over the final value of work executed by the Company would be 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 counter parties in accordance with the Company's policy. Counter party 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 counter party'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.

Contractual maturities of financial liabilities as at December 31, 2020	Less than 1 year	More than 1 year	Total
Trade and Other Payables	1,325,914,555	735,500,200	2,061,414,756
Borrowings	938,138,599	12,746,489,046	13,684,627,645
Total financial liabilities	2,264,053,154	13,481,989,247	15,746,042,401
Contractual maturities of financial liabilities as at December 31, 2019	Less than 1 year	More than 1 year	Total
Trade and Other Payables	891,059,739	1,196,750,594	2,087,810,332
Borrowings	1,311,012,228	12,770,628,702	14,081,640,930
Total financial liabilities	2,202,071,967	13,967,379,296	16,169,451,263
Contractual maturities of financial liabilities as at January 1, 2019	Less than 1 year	More than 1 year	Total
Trade and Other Payables	3,876,877,081	588,715,827	4,465,592,908
Borrowings	438,639,273	7,652,348,999	8,090,988,272
Total financial liabilities	4,315,516,354	8,241,064,826	12,556,581,180

* 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.

Foreign currency risk exposure

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

Particulars	As at December 31, 2020		As at December 31, 2019		As at January 1, 2019	
Currency	Euro in Nu.	Yen in Nu.	Euro in Nu.	Yen in Nu.	Euro in Nu.	Yen in Nu.
Financial liabilities	292,487,780	3,122,489,293	286,098,924	2,972,772,540	313,974,033	2,793,718,429
Net exposure to foreign currency risk	292,487,780	3,122,489,293	286,098,924	2,972,772,540	313,974,033	2,793,718,429

Sensitivity

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

Particulars	Impact on profit before tax		
	As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
YEN Sensitivity			
Nu. depreciate by 5% (2020:5%)	156,124,465	148,638,627	139,685,921
Nu. appreciate by 5% (2020:5%)	(156,124,465)	(148,638,627)	(139,685,921)
EURO Sensitivity			
Nu. depreciate by 5% (2020:5%)	14,624,389	14,304,946	15,698,702
Nu. appreciate by 5% (2020:5%)	(14,624,389)	(14,304,946)	(15,698,702)

(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.

35. 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	Wood Craft Center Ltd.
13	Thimphu Tech Private Ltd.
14	State Mining Corporation Ltd.
15	Koufuku International Ltd.
16	Tangsibji Hydro Electric

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

Name of Related Party	Relationship	Nature of transaction with related party	Amount outstanding as on December 31, 2020	Transactions during the year
			(Amount in Nu. Recievables/(Payables))	(Amount in Nu. Debit/ (Credit))
Bank of Bhutan	Fellow subsidiary	a) Balance with BoBL	986,607,300	
		b) Bank charges		91,584
		c) Sale of electricity		(6,338,261)
Bhutan Telecom	Fellow subsidiary	a) Communication, telephone and internet charges		8,784,349
		b) Sale of electricity		(44,556,233)
		c) Rental income on lease		(2,465,020)
		d) Trade payables	(655,668)	
		e) Income from deposit works		(6,936,291)

Druk Green Power Corporation Ltd.	Fellow Subsidiary	(a) Trade receivables	163,617,157	
		b) Trade payables	(588,932,036)	
		a) Purchase of energy		3,169,729,213
		b) Wheeling revenue		(2,328,303,357)
		c) Rental income on lease		(73,613)
		d) Running & maintenance of power		351,831
		e) Advances received against construction	(3,168,886)	
		f) Sale of electricity		(9,973,831)
Druk Air Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	133,700	
		b) Trade payables	(28,024)	
		c) Flight tickets		641,603
		d) Sale of electricity		(1,067,641)
Dungsam Cement Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	35,985,632	
		b) Deposits received	(3,224,160)	
		c) Sale of electricity		(186,955,462)
		d) Miscellaneous income		(34,013)
		e) Rental income		(517,986)
Natural Resources Development Corporation Ltd.	Fellow Subsidiary	a) Purchase of material		103,745
		b) Sale of electricity		(1,958,545)
		c) Income from deposit works		(350,854)
		d) Trade receivables	412,522	
Bhutan Board Product Ltd.	Fellow Subsidiary	a) Purchase of assets		64,410
		b) Sale of electricity		(13,597,707)
Construction Development Corporation Ltd.	Fellow Subsidiary	a) Deposits received	(37,846,377)	
		b) Deposit work		56,523,654
		c) Sale of electricity		(5,832,939)
Dungsam Polymers Ltd.	Fellow Subsidiary	a) Non-trade receivables	138,470	
		b) Sale of electricity		(3,018,032)



Druk Holding & Investments Ltd.	Holding Company	a) Trade receivables	114,449	
		b) Non-trade receivables	326,999	
		c) Dividend	412,141,452	
		d) Lease rent		1,645,366
		e) Brand management fees		31,651,172
		f) Sale of electricity		(396,687)
		g) Rental income on lease		(45,117)
		h) Corporate guarantee fee		6,159,175
		i) Trade payables	(5,846,164)	
Koufuku International Ltd.	Fellow Subsidiary	a) Sale of electricity		(444,527)
Thimphu Tech Park Ltd.	Fellow Subsidiary	a) Trade receivables	436,608	
		b) Annual Maintenance charges		3,807,837
		c) Sale of electricity		(4,089,126)
		d) Trade payables	(1,058,128)	
State Mining Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	79,362	
		b) Sale of electricity		(2,345,270)
State Trading Corporation of Bhutan Ltd.	Fellow Subsidiary	a) Purchase of assets	2,324,854	
		b) Running & Maintenance of vehicle		8,961,984
		c) Sale of electricity		(1,407,243)
Penden Cement Authority Ltd	Fellow Subsidiary	a) Trade receivables	11,221,262	
		b) Rental expense		294,003
		c) Sale of electricity		(54,947,513)
		d) Non-trade receivables	49,001	
Tangsibji Hydro Electric	Fellow Subsidiary	a) Deposits received	(1,182,864)	
		b) Sale of electricity		(3,685,662)
		c) Trade receivables	2,707,918	
		d) Advance received	(59,826,000)	
Wood Craft Corporation Ltd.	Fellow Subsidiary	a) Purchase of assets	1,940,820	
		b) Sale of electricity		(666,063)
		c) Trade receivables	37,762	

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.

	For the year ended	
	December 31,2020	December 31,2019
Basic Salary and contract allowance	2,544,000	2,061,444
Performance based variable allowances	259,187	60,373
Performance based incentive scheme	214,254	55,289
Sitting fees	160,000	209,000
Contribution to provident fund	190,800	125,740
Other allowances	-	-
Total	3,368,241	2,511,846

The sitting fees to the Board of Directors:

Sl.no.	Name of Board Director	Amount (Nu.)
1	Dasho Ugyen Chewang	80,000
2	Dasho Kunzang Dorji	48,000
3	Kinzang Tobgay	140,000
4	Karma P Dorji	188,000
5	Sherab Namgay	12,000
6	Dechen Wangmo	136,000
7	Sonam Lhundrup	172,000

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.

36. Employee Benefits

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

i) Change in present value of obligation:

(in Nu.)

Particulars	Gratuity		Leave Encashment	
	Year ended 31 st December, 2020	Year ended 31 st December, 2019	Year ended 31 st December, 2020	Year ended 31 st December, 2019
Present Value of obligation at the beginning of year	577,816,747	393,272,158	61,858,658	35,701,995
Interest cost	44,803,643	30,257,075	529,902	(1,085,905)
Current Service Cost	37,423,658	36,460,419	6,808,396	26,156,663
Past Service Cost	-	4,222,085	-	-
Benefit Paid	(35,542,424)	(30,117,435)	(55,234,883)	(49,275,802)
Net actuarial (Gain) / Loss on obligation	(9,173,798)	143,722,445	-	-
Present value of the defined benefit at the end of period/year	615,327,826	577,816,747	68,667,054	61,858,658
Current Liability	24,268,638	18,811,224	-	-
Non-current Liability	591,059,188	393,272,158	-	-

Particulars	Transfer Grant		Separation Allowance	
	Year ended 31 st December, 2020	Year ended 31 st December, 2019	Year ended 31 st December, 2020	Year ended 31 st December, 2019
Present Value of obligation at the beginning of year	19,681,277	15,250,000	19,681,999	15,355,000
Interest cost	1,497,868	1,149,813	1,497,926	1,182,163
Current Service Cost	1,417,792	1,401,494	1,420,382	1,403,619
Benefit Paid	(1,915,843)	(1,754,684)	(1,915,843)	(1,155,925)
Net actuarial (Gain) / Loss on obligation	141,836	3,634,654	139,199	2,897,142
Present value of the defined benefit at the end of period/year	20,822,930	19,681,277	20,823,663	19,681,999
Current Liability	749,655	626,224	749,655	626,224
Non-current Liability	20,073,275	19,055,053	20,074,008	19,055,775

Particulars	Carriage Charges	
	Year ended 31st December, 2020	Year ended 31st December, 2019
Present Value of obligation at the beginning of year	21,922,879	17,378,000
Interest cost	1,600,977	1,272,041
Current Service Cost	1,622,557	1,614,376
Benefit Paid	(1,910,661)	(1,477,488)
Net actuarial (Gain) / Loss on obligation	(264,401)	3,135,950
Present value of the defined benefit at the end of period/ year	22,971,351	21,922,879
Current Liability	792,702	739,235
Non-current Liability	22,178,649	21,183,644

ii) Expense recognized in the Statement of Comprehensive Income. (in Nu.)

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2020	Year ended 31st December, 2019	Year ended 31st December, 2020	Year ended 31st December, 2019
Current Service Cost	37,423,658	36,460,419	6,808,396	26,156,663
Interest cost	44,803,643	30,257,075	529,902	(1,085,905)
Past Service Cost	-	4,222,085	-	-
Immediate recognition of gain/loss- other long term employee benefits	-	-	54,704,981	50,361,707
Net actuarial (Gain) / Loss recognized in the year	(9,173,798)	143,722,445	-	-
Expenses recognized in Statement of Profit and Loss	82,227,301	70,939,579	62,043,279*	75,432,465*

*In the Statement of Comprehensive Income, expenses recognized is Nu. 59,403,365 and the liability has been taken as per actuarial valuation of Nu. 68,667,055.

Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2020	Year ended 31st December, 2019	Year ended 31st December, 2020	Year ended 31st December, 2019
Current Service Cost	1,417,792	1,401,494	1,420,382	1,403,619
Interest cost	1,497,868	1,149,813	1,497,926	1,182,163
Net actuarial (Gain) / Loss recognized in the year	141,836	3,634,654	139,199	2,897,142
Expenses recognized in Statement of Profit and Loss	2,915,660	2,551,307	2,918,308	2,585,782



Particulars	Carriage Charge	
	Year ended 31st December, 2020	Year ended 31st December, 2019
Current Service Cost	1,622,557	1,614,376
Interest cost	1,600,977	1,272,041
Net actuarial (Gain) / Loss recognized in the year	(264,401)	3,135,950
Expenses recognized in Statement of Profit and Loss	3,223,534	2,886,417

iii) Actuarial Assumptions:

Principal assumptions used for actuarial valuation are:

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2020	Year ended 31st December, 2019	Year ended 31st December, 2020	Year ended 31st December, 2019
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)	14 years	15 years	12 years	12 years

Particulars	Transfer Grant Separation Allowance Carriage Charges	
	Year ended 31st December, 2020	Year ended 31st December, 2019
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 years	12 years

37. Capital Commitments

The Company has contractual commitments of Nu.640,721,364.35 and Nu. 628,670,467.88 as at December 31, 2020 and December 31, 2019 respectively; on account of capital expenditures relating to acquisition of Property, plant and equipment, but not recognized as liabilities as on the reporting date.

38. Contingent Liabilities

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

a) Mr. Pema Dorji Vs. BPC. (Before the Gelephu Drungkhag Court)

Mr. Pema Dorji had filed case before the Royal Court of Justice, Drungkhag Court, Gelephu, Sarpang Dzongkhag on account of erection of 66 Kv and 220 Kv Transmission lines in his private land without his consent by BPC. The Plaintiff had submitted to the court to direct BPC either to shift the lines or compensate him as per the prevailing market rate. However, the Plaintiff has not set the premise/rate of compensation.

The Gelephu Drungkhag Court has delivered the judgement dated 12/10/2020 asking BPC to pay affected land compensation amounting to Nu.17,877.45 to Mr.Pema Dorji within 30 days from the date of judgement. Against the judgement of the lower court, the plaintiff had appealed to Sarpang Dzongkhag Court. The appeal proceeding is still pending owing to the COVID-19 pandemic.

b) BPC v/s. M/s.Druk Zorig Gongphel Construction

BPC filed a civil suit before the Civil Bench, Thimphu Dzongkhag Court on 4/3/2019 on account of Liquidity Damages refund from a contractor in connection to the contract work for construction of G+4 (Class III) staff quarter at Changzamtok. The court had delivered the judgement dated 3/12/2019 and ordered BPC to pay penalties amounting to Nu.1,744,548.48 to audit recovery account. As per the judgement, the BPC has immediately deposited the penalty amount to the BPC Audit Recovery Account. The defendant Mr.Pema Dorji was asked to refund Nu.1,818,238 within six months from the date of judgement. BPC served the notice to the defendant to comply with the judgement and despite the notice, the defendant has not deposited the said amount.

BPC has filed for enforcement of the judgement. The defendant had appealed to the court stating that due to the COVID-19 impact, his business was under shutdown. He requested time extension to allow for making 50% payment within two months from opening his business and balance amount to be paid by depositing Nu.100,000 monthly. The court noted the defendant's plea and asked BPC to obtain a letter of undertaking from him. Accordingly, BPC has obtained a letter of undertaking from him.

c) BPC v/s.M/s.Yeshi Construction Pvt.Ltd.

The BPC filed a civil recovery case before the Gelephu Drungkhag Court on 4/12/2019 against M/s. Yeshi Construction on account of non-return of materials for the rural electrification works for package M8 at Jigmeling, Gelephu. The contractor failed to return material worth Nu.5,765,439.73. The court delivered the judgement dated 30/1/2020 and ordered the contractor to pay Nu.5,765,439.73 to BPC within 6 months with effect from the date of judgement.

The defendant failed to comply with the directives of the court. BPC has filed for the enforcement of the judgement and the case is pending before the Gelephu Drungkhag Court.



39. 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. As decided in the 17th Annual General Meeting held on 25th March, 2020, BPC contributed Nu.206,070,728 to the Ministry of Finance towards COVID-19 Response Fund.
 - b. BPC waived the electricity charges for quarantine facilities, Point of Entries and Outposts along the southern border based on letter number DHI/CEO/BPC/2020/417 dated July 9th 2020, DHI/Chairman/Cabinet/2020/660 dated 3rd December, 2020 and DHI/CEO/BPC/2021/25 dated 5th February 2021. The waiver amounted to Nu.17,391,190.95.
 - c. Vehicles were provided whenever requested for COVID duty for transport of logistics and essential items. The expenditure incurred on the vehicles amounted to Nu.863,918.06.
- ii. Based on the press release issued by the Prime Minister's Office on April 12th, 2020, interest on loans from domestic financial institutions were waived as a part of COVID-19 relief measure from April to June. This was extended in the 2nd phase of the relief measures with 100% interest waiver till September 2020 followed by partial (50%) interest waiver from October to March 2021. The total interest waived for the year 2020 is Nu.100,507,092.41.
- 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. During the year, BPC has availed an overdraft facility from the Bank of Bhutan of Nu.227,300,000 in addition to the Nu.500,000,000 overdraft loan in 2019. The interest rates for the overdraft are 9.99% p.a. and 9.55% p.a. respectively subject to floating rate for one year.
- vi. The Company has incurred a loss of Nu.196,322,205 (previous year Nu.62,356,314) on account of exchange difference arising from translating foreign exchange long term borrowings for JICA I (Japanese Yen) and ADA(Euro) in domestic currency.
- vii. In the income year 2018 and 2019, BPC had claimed a 10% rebate on Corporate Income Tax as per the Fiscal Incentive Act of Bhutan 2017 for employing 100% Bhutanese Nationals in the Company. On September 14, 2020, BPC received letter from the Ministry of Finance stating that the rebate is applicable to newly established units only vide letter number RRCO/TH/TAX-CIT-12/2020/517. An amount of Nu.65,014,629.08 was then refunded to the Regional Revenue & Customs Office in the current year and charged to the Statement of Profit or Loss.



viii. The Company has made the following re-statements to the Retained Earnings of 2019:

	2019	
Opening Retained Earnings		4,195,068,243
Deferred tax adjustment of Employee Benefit Obligation	(41,561,769)	
Adjustment for Depreciation Reserve Fund	(134,117,588)	
Tax adjustment of Other Comprehensive Income	52,187,546	
Total Adjustments		(123,491,812)
Transfer of land to DHI		(25,007,573)
Transfer to Asset Replacement Reserve		(14,334,804)
Payment of dividend to DHI		(882,555,161)
Closing Retained Earnings		4,333,698,380

ix. 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. 366,356,711 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.400,000 paid/payable during the year have been reduced from the same and accounted for as 'Employee Benefit Expense' and the policies bonus / benefit of Nu. 21,125,878 accrued under the policies during the year have been added in the same on prorated basis by credit to 'Other Income'.

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

(Amount in Nu.)

Particulars	Loan outstanding as on 01.01.2020	Disbursement during the year	Foreign Exchange difference ((gain)/loss)	Repayment / Adjustment during the year	Loan Outstanding as on 31.12.2020	Interest Paid/ provided for during the year
From Royal Government of Bhutan (Unsecured)						
A. For Rural Electrification works						
ADB-RE I	132,865,093	-	-	8,304,068	124,561,025	7,656,351
ADB-RE II	219,910,053	-	-	18,325,838	201,584,215	12,498,221
ADB-RE III	291,652,939	-	-	18,228,309	273,424,630	16,900,680
ADB-RE IV	1,010,342,039	-	-	46,992,653	963,349,386	-
ADB-RE V	800,374,646	-	-	34,058,496	766,316,150	46,904,225
ADA	286,098,924	-	32,397,849	26,008,993	292,487,780	2,047,414
JICA-I	1,917,828,990	-	163,924,356	75,858,668	2,005,894,678	207,267
JICA-II	1,054,943,550	61,651,065	-	-	1,116,594,615	-
	5,714,016,233	61,651,065	196,322,205	227,777,025	5,744,212,479	86,214,158



Particulars	Loan outstanding as on 01.01.2020	Disbursement during the year	Foreign Exchange difference ((gain)/loss)	Repayment / Adjustment during the year	Loan Outstanding as on 31.12.2020	Interest Paid/ provided for during the year
B. For Mangdechhu Transmission Lines						
MHPA	5,710,499,125	-	-	-	5,710,499,125	572,614,433
	5,710,499,125	-	-	-	5,710,499,125	572,614,433
C. From National Pension and Provident Fund						
NPPF	2,205,469,638	-	-	551,965,985	1,653,503,654	64,367,576
	2,205,469,638	-	-	551,965,985	1,653,503,654	64,367,576
D. Over Draft Loan						
BoB	457,491,143	-	-	457,160,159	330,985	15,322,643
	457,491,143	-	-	457,160,159	330,985	15,322,643
Total	14,087,476,139	61,651,065	196,322,205	1,236,903,168	13,108,546,242	738,518,290

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

	2020		2019	
	Units (kWh)	Amount (in Nu. Millions)	Units (kWh)	Amount (in Nu. Millions)
Purchase	2,128.58	3,169.73	2,419.47	3,750.12
Hydel	24.17	-	20.24	-
DG	0.00	-	0.01	-
Sale	1,961.32	5,944.54	2,280.63	7,189.19

40. Subsequent events

- The Board of Directors has proposed a final dividend of 4.5% of share capital for the financial year ended December 31, 2020. The total dividend of Nu.460,588,545 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, 2020. These financial statements do not reflect this dividend payable.
- In line with the Asset replacement policy of the Company, the Board of Directors has proposed an amount of Nu.6,613,169 to be transferred to Asset Replacement Reserve for the financial year ended December 31, 2020, 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, 2020. These financial statements do not reflect this transfer.

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

For and on behalf of the Board of Directors



Director




Chief Executive Officer



Chairman

For Tsechu & Associates
Certified Practising Accountants
Firm Empanelment no.: BH-05



Tshechu, CPA
(Membership No. 9798359)
Managing Director
Place: Thimphu, Bhutan
Date: 9/4/2021

