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

**PERIOD: JANUARY 1, 2024, to DECEMBER 31, 2024**

**March 2025**

## TITLE SHEET

| | | |
|---|---|---|
| **Title** | : | Audit Report on the financial statements of Bhutan Power Corporation Limited |
| **AIN** | : | |
| **Head of the Agency** | : | Mr. Sonam Tobjey, Chief Executive Officer<br>CID No. 10710002208 |
| **Finance Personnel** | : | Kinley Dem, Director, Corporate Service Department<br>CID No. 10709000345<br>Trishna Gurung, General Manager, F&A Division<br>CID No. 11213002608 |
| **Period Audited** | : | January 1, 2024, to December 31, 2024 |
| **Schedule of Audit** | : | Planning: January 10, 2025 – January 15, 2025<br>Field Audit: January 20, 2025 – February 5, 2025 |
| **Composition of Audit Team** | : | **Rinzing Financial Private Limited:**<br>Team Leader:<br>Tashi Rinzing Schmidt, Managing Partner<br>CID No. 11410002120<br>Team Members:<br>1. Ngawang Loday, Audit Manager<br>CID No. 10604000452<br>2. Tshewang Rigzin, Audit Manager<br>CID No. 10604002380<br>3. Tandin Bidha, Sr. Audit Associate<br>CID No. 10706001880<br>4. Karma Jamtsho, Audit Intern<br>CID No. 11604000868<br>5. Kinzang Gyeltshen, Audit Intern<br>CID No. 11513001309 |
| **Supervising Officer** | : | Tashi Rinzing Schmidt, CPA, Managing Partner<br>Email: audit@rinzingfinancial.com |
| **Engagement Letter** | : | RFPL/ENL/25/002 |
| **Date of Exit Conference** | : | February 13, 2025 |

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# INDEPENDENT AUDITOR'S REPORT

# INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

To the Shareholder(s) of Bhutan Power Corporation Limited,

## Opinion

We have audited the financial statements of **Bhutan Power Corporation Limited (the Company)**, which comprises the Statement of Financial Position as at 31 December 2024, Statement of Comprehensive Income, Statement of Changes in Equity, and the Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, of the financial position of the Company as at 31 December 2024, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

## Basis for Opinion

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year ended 31 December 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

## Other Information

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

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

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

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

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

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

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

**Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

i. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;

ii. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

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

a. We have obtained all information and explanations, which to the best of our knowledge and belief, were necessary for the purpose of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c. The Company's Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of accounts; and

d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

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

**Tashi Rinzing Schmidt**
Audit Partner
CPA License No. 34762

RINZING FINANCIAL PRIVATE LIMITED

Date: 3/19/2025
Place: Thimphu, Bhutan

# REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

**Minimum Audit Examination and Reporting requirements**

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

1. The company maintains proper records detailing the full particulars of fixed assets, including quantitative details and location. However, during physical verification, discrepancies were identified due to mismatched custodian records and failure to update disposed assets in the PVR. These inconsistencies have impacted asset tracking and the authenticity of the PVR. Corrective actions, including updating SAP records and reconducting physical verification as of the current date, have been recommended.
2. The company did not conduct a revaluation of its fixed assets during the year. However, it was identified that lease liabilities and right-of-use (ROU) assets for land leases were not recognized, which is non-compliant with BFRS 16. Management has since taken steps to rectify this issue.
3. Physical verification of finished goods, stores, spare parts, and raw materials is conducted at regular intervals. However, discrepancies were identified during the physical verification of inventory balances for 'Construction of 33kV D/C Line using ACSR (Wolf) Conductor from 132/33kV Yurmoo Substation to Project Site, Samcholing,' particularly with the missing inventories as detailed in the Management Report.
4. The company follows procedures for physical verification of stocks that are reasonable and adequate for its operations. However, issues with missing inventories and discrepancies between SAP records and physical stock were noted at storage location 0016 (Plant THD1), which need to be reconciled.
5. No significant discrepancies were noted between the physical stock verification and book records in general. However, inventory discrepancies amounting to Nu. 1,283,878.16 were found in the transfer to RSD, Gelephu, requiring immediate reconciliation.
6. The company has a robust system for recording receipts, issues, and consumption of materials. However, there were instances of reclassification of mistakenly capitalized inventory at an incorrect rate, leading to discrepancies amounting to Nu. 14,989,784.38, which impacts asset values, depreciation, and inventory balances.
7. Quantitative reconciliation is carried out at the end of the accounting year for all major inventory items. However, discrepancies between SAP records and actual physical stock require immediate attention and correction.
8. The company reviews obsolete, damaged, slow-moving, and surplus inventories regularly. This review process will be essential to resolve issues with items such as the one found with a balance of Nu. 24,900, which no longer exists physically, leading to an overstatement of inventory balances in SAP.
9. Obsolete and surplus inventories are disposed of in line with company policies. Proceeds from such disposals are appropriately accounted for, and similar procedures will need to be applied to resolve any unaccounted-for inventories.
10. The company seeks approval from the Board before writing off any material loss or discrepancies in inventory. The missing inventory and discrepancies in the asset records will require Board approval for adjustments.
11. The company's stock valuation is conducted in accordance with applicable accounting standards. However, discrepancies in inventory capitalization at the project site need to be addressed, and necessary adjustments should be made to ensure compliance with financial reporting standards.
12. The rate of interest and terms of loans availed by the company are fair and in line with industry standards, ensuring no adverse financial impact.

13. The company has not granted loans to other parties in violation of its Articles of Incorporation. This practice remains in compliance with regulations.
14. Loans and advances granted to officers and staff are in compliance with service rules. There is no indication of excessive advances in the current period, and monitoring practices remain sound.
15. The company has an adequate system of internal controls to ensure the accuracy and completeness of accounting records. However, improvements are needed in asset tracking, custodian records, and inventory reconciliation to prevent discrepancies from arising.
16. The company has a reasonable system of authorization at proper levels and internal controls for issuing stores and allocating materials. There are no significant issues with this system, though attention is needed for correcting the discrepancies in inventory.
17. The company follows a competitive bidding process for purchasing goods and services, including stores, raw materials, and equipment, ensuring that procurement practices align with industry norms and company policy.
18. (a) & (b) On the basis of reviewing the books of account and relevant records of the Company and according to the information and explanations given to us, we are of the opinion that the Company has not entered into any transaction for purchases and sale of goods and service made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with the Company or firms in which the director(s) are directly or indirectly interested except DHI & its subsidiaries, the details of which is duly disclosed in the Related party transactions in notes to accounts to the financial statements. (b) The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the Company wherein directors are directly or indirectly interested.
19. According to the information and explanations given to us and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, we are of the opinion that no personal expenses has been charged to the Company accounts other than those payable under contractual obligations/service rule and/or in accordance with generally accepted business practice.
20. The company regularly reviews stores, raw materials, and finished goods for unserviceability. Provisions for losses, if any, are made. It is important to monitor the disposal of obsolete inventories to ensure proper provisioning and accounting.
21. *This section is not applicable to the company.*
22. *This section is not applicable to the company.*
23. *This section is not applicable to the company.*
24. In our opinion and according to the information and explanations given to us, the Company is regular in depositing rates and taxes, duties, royalties, and provident funds with the appropriate authorities.
25. In our opinion and according to the information and explanations given to us, there was no undisputed amount payable in respect of taxes, rates, duties, royalties, provident funds and other statutory deductions outstanding as on the last day of financial year.
26. *This section is not applicable to the company.*
27. *This section is not applicable to the company.*
28. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Electricity Regulatory Authority (ERA). Also, the Company has proper costing system for the purpose of fixation of tariff rates.

29. In our opinion and according to the information and explanations given to us, the credit sales policy of the Company is reasonable, and no credit rating of customers is carried out as the same is not applicable for the Company.
30. *This section is not applicable to the company.*
31. In our opinion and according to the information and explanations given to us, the Company does have a reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding amounts. Age wise analysis is carried out for management information.
32. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the Company.
33. In our opinion and according to the information and explanations given to us, the activities carried out by the Company are lawful and intra-vires the Articles of the Company.
34. In our opinion and according to the information and explanations given to us, the activities /investment decisions are made subject to prior approval of the Board and investments in new projects.
35. In our opinion and according to the information and explanations given to us, the Company has established effective budgetary control system.
36. *This section is not applicable to the company.*
37. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if any, by the Company directly or indirectly are disclosed in the notes.
38. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors as we have not come across any such incidence where it is not complied.
39. In our opinion and according to the information and explanations given to us, the officials of the Company have not transmitted any price sensitive information which are not made publicly available, unauthorized to their relatives / friends/ associates or close persons which would directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
40. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.
41. In our opinion and according to the information and explanations given to us, The company ensures proper agreements are executed for leases, with reasonable terms. The company adheres to these agreements when acquiring or leasing machinery/equipment.

**In case of other service sector companies**

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

4. In our opinion and according to the information and explanations given to us, proper agreements are executed and that the terms and conditions of leases are reasonable.

**Computerized Accounting Environment:**

1. The Company is using SAP as its enterprise resource planning (ERP) software, which has been customized to meet the specific requirements of the company. Based on our review, it appears that SAP is adequately configured to handle the company's financial transactions and data processing needs. However, it is important to ensure that the customizations align with the latest regulatory and operational requirements, especially in light of audit findings, such as the discrepancies in SAP records and the missing custodian details. Continuous monitoring and updates to the system should be performed to mitigate risks and ensure compliance.
2. In our opinion, the Company has adequate safeguard measures and backup facilities in place. The SAP system is equipped with secure backup protocols to protect data integrity and prevent loss in case of system failure. Regular backups are performed, and files are stored in secure, redundant locations to ensure business continuity. Based on the findings of inventory discrepancies, it's crucial to verify that backup systems extend to include critical asset and inventory data to safeguard against potential future discrepancies.
3. The Company has established proper backup facilities for storing files, as all files are uploaded and maintained within SAP. In the context of recent audit findings regarding missing inventories and asset discrepancies, it is important to review and confirm that the backup systems effectively cover all relevant files, including those related to inventory management, capitalized assets, and any other critical financial records. Ensuring that backup files are comprehensive and up-to-date will mitigate the risk of data loss impacting financial reporting.
4. The operational controls in place are generally adequate to ensure the correctness and validity of input data and output information. SAP's internal controls, such as validation rules and audit trails, are implemented to verify data accuracy. However, discrepancies such as the reclassification of capitalized inventory and missing inventory balances highlight the need for additional scrutiny in the areas of inventory tracking and asset management within the system. We recommend strengthening operational controls, particularly in the areas of inventory and asset reconciliation, to avoid similar issues in the future.
5. The Company has implemented appropriate measures to prevent unauthorized access to the SAP system and its files. Security protocols, including user authentication, role-based access control, and encryption, are in place. Given the audit findings regarding asset tracking and discrepancies in SAP records, it is vital to ensure that access to critical financial and asset-related data is tightly controlled and monitored. Regular audits of user permissions and access logs should be conducted to identify any potential vulnerabilities.
6. The Company ensured the completeness and integrity of data during the migration to the new system, and the operation of SAP has been smooth post-migration. However, issues related to inventory discrepancies, missing custodianship details, and incorrect capitalizations during the migration phase suggest that data validation and integrity checks were not fully effective in some areas. It is recommended that future data migrations be accompanied by more rigorous validation procedures to ensure data consistency, particularly in inventory and asset records, which have been a focus of recent audit findings.

**Other requirements:**

1. **Going Concern Problem**

Based on the attached Financial Statements for the year ended December 31, 2024, audited by us, we have no reason to believe that the company is not a going concern on the statement of financial position date.

2. **Ratio Analysis**

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

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

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

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

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

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

**Tashi Rinzing Schmidt**
Audit Partner
CPA License No. 34762
Date: 3/19/2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

# FINANCIAL STATEMENTS

## BHUTAN POWER CORPORATION LIMITED
## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2024

*(Amount in Nu.)*

| Particular | Note | December 31, 2024 | December 31, 2023 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant, and equipment | 4 | 42,920,819,966 | 38,831,495,566 |
| Intangible assets | 5 | 64,278,737 | 80,326,516 |
| Right of use asset | 6 | 43,629,916 | 28,039,277 |
| Long-term loans and advances | 7 | 13,857,529 | 4,022,012 |
| Other receivables | 8 | 1,634,707 | 199,330 |
| Other non-current assets | 9 | 29,772,373 | 34,593,727 |
| **Total non-current assets** | | **43,073,993,228** | **38,978,676,428** |
| **Current assets** | | | |
| Inventories | 10 | 665,303,988 | 893,404,759 |
| Amounts due from customers for contract work | 11 | 1,405,548 | 119,230,945 |
| Trade & other receivables | 12 | 1,931,818,529 | 1,783,921,129 |
| Cash and cash equivalents | 13 | 280,607,493 | 1,311,339,683 |
| Short-term loans and advances | 7 | 8,637,929 | 4,153,603 |
| Other current assets | 14 | 782,838,576 | 459,075,376 |
| **Total current assets** | | **3,670,612,064** | **4,571,125,495** |
| **TOTAL ASSETS** | | **46,774,605,292** | **43,549,801,923** |
| **EQUITY AND LIABILITIES** | | | |
| **Shareholder's Equity** | | | |
| Share Capital | 15 | 11,197,513,979 | 11,200,642,905 |
| Retained Earning | | 5,537,672,179 | 4,905,665,623 |
| Asset Replacement Reserve | | 225,160,517 | 212,388,921 |
| Other Comprehensive Income | | (218,498,278) | (231,610,570) |
| **Total Shareholder's equity** | | **16,741,848,397** | **16,087,086,879** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 16 | 20,595,940,419 | 18,413,513,288 |
| Deferred grants | 17 | 1,251,443,021 | 1,318,112,322 |
| Deferred Customer's Contribution | 18 | 101,900,059 | 74,830,064 |
| Other payables | 19 | 871,139,083 | 814,045,645 |
| Employee benefit liabilities | 20 | 782,509,053 | 684,983,730 |
| Deferred Income Tax liabilities (Net) | 21 | 1,732,067,762 | 1,477,390,490 |
| Lease Liability | 22 | 46,292,794 | 30,870,289 |
| **Total Non-current liabilities** | | **25,381,292,190** | **22,813,745,827** |
| **Current liabilities** | | | |
| Borrowings | 16 | 381,857,440 | 370,447,933 |
| Deferred grants | 17 | 63,471,222 | 63,604,611 |

Rinzing Financial Private Limited

**BHUTAN POWER CORPORATION LIMITED**
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2024**

*(Amount in Nu.)*

| Particular | Note | December 31, 2024 | December 31, 2023 |
|---|---|---|---|
| Deferred Customer Contribution | 18 | 12,942,191 | 12,942,191 |
| Amounts due to customers for construction contract | 11 | 135,620,599 | 76,102,240 |
| Trade & other payables | 23 | 3,211,187,294 | 3,281,458,886 |
| Employee benefit liabilities | 20 | 297,878,464 | 411,229,167 |
| Income tax payable (net of advance) | 24 | 450,296,352 | 365,495,451 |
| Other current liabilities | 25 | 62,540,459 | 63,853,407 |
| Lease Liability (land) | 22 | 5,670,683 | 3,835,331 |
| **Total current liabilities** | | **4,621,464,705** | **4,648,969,217** |
| **Total liabilities** | | **30,002,756,895** | **27,462,715,044** |
| **Total equity and liabilities** | | **46,744,605,292** | **43,549,801,923** |

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

**For Rinzing Financial Private Limited:**

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: 3/19/2025
Place: Thimphu, Bhutan

**For Bhutan Power Corporation Limited:**

Dasho Kesang Deki
**Chairperson, BOD**

Mr. Chencho T.Namgay
**Chairperson, BARC**

Mr. Sonam Tobjey
**Chief Executive Officer**

Ms. Kinley Dem
**Director, CSD**

Rinzing Financial Private Limited

# BHUTAN POWER CORPORATION LIMITED
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2024

*(Amount in Nu.)*

| Particular | Note | December 31, 2024 | December 31, 2023 |
|---|---|---|---|
| **Revenue** | | | |
| Income from sale of electricity | 26 | 22,973,612,369 | 16,234,652,283 |
| Income from construction contracts | 27 | 195,217,535 | 2,287,412,240 |
| Wheeling charges | | 1,595,343,159 | 1,318,531,303 |
| Other income | 28 | 334,468,120 | 367,908,472 |
| **Total Revenue** | | **25,098,641,183** | **20,208,504,298** |
| **Expenditure** | | | |
| Purchase of electricity | | 16,645,056,462 | 11,286,825,307 |
| Construction material consumed and sub-contracting charges | | 173,195,098 | 2,207,009,667 |
| Operation and maintenance expenses | 29 | 490,494,928 | 518,761,902 |
| Employee benefit expenses | 30 | 1,782,227,897 | 1,383,187,356 |
| Finance costs | 31 | 1,024,465,676 | 1,019,650,615 |
| Loss/(gain) on foreign currency fluctuation (net) | | (271,516,534) | (121,604,217) |
| Depreciation and amortization expenses | | 1,880,901,625 | 1,774,404,337 |
| Other expenses | 32 | 378,524,574 | 318,510,856 |
| **Total Expenditure** | | **22,103,349,727** | **18,386,745,822** |
| **Profit before income tax** | | **2,995,291,456** | **1,821,758,475** |
| Tax expenses | | | |
| - Current tax (2024) | | 965,429,580 | 424,468,758 |
| - Deferred tax | 21 | 254,677,272 | 146,773,393 |
| - Tax Adjustment of earlier years | | 66,586,401 | 104,832,309 |
| **Net Profit for the year** | | **1,708,598,203** | **1,145,684,017** |
| **Other Comprehensive Income** | | | |
| Actuarial gains/(loss) | | 13,112,292 | (33,050,227) |
| **Total Comprehensive Income for the year** | | **1,721,710,495** | **1,112,633,790** |
| **Earnings Per Share** | 33 | **152.59** | **102.25** |

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

**For Rinzing Financial Private Limited:**

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: 3/19/2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

**For Bhutan Power Corporation Limited:**

Dasho Kesang Deki
**Chairperson, BOD**

Mr. Chencho T.Namgay
**Chairperson, BARC**

Mr. Sonam Tobjey
**Chief Executive Officer**

Ms. Kinley Dem
**Director, CSD**

## BHUTAN POWER CORPORATION LIMITED
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2024

*(Amount in Nu.)*

| | Equity Share capital | Retained earnings | Asset Replacement Reserve | Actuarial gains/(losses) | Total Equity |
|---|---|---|---|---|---|
| | Refer Note 15 | | | | |
| **Balance as at January 1, 2024** | **11,200,642,905** | **4,905,665,624** | **212,388,922** | **(231,610,570)** | **16,087,086,881** |
| **Net profit for the year** | - | 1,708,598,203 | - | - | **1,708,598,203** |
| **Other comprehensive income/(loss):** | | | | | |
| Actuarial gain | - | - | - | 13,112,292 | |
| Prior period Adjustment | - | (6,479,363) | - | - | **(6,479,363)** |
| Transfer to Asset Replacement Reserve | - | (12,771,595) | 12,771,595 | - | |
| **Transaction with the owners:** | | | | | |
| Adjustment of land transfer | (3,128,926) | - | - | - | **(3.128,926)** |
| Payment of Dividends for the year 2023 | - | (1,057,340,690) | | - | (1,057,340,690) |
| **Balance as at December 31, 2024** | **11,197,513,979** | **5,537,672,179** | **225,160,517** | **(218,498,278)** | **16,741,848,397** |

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

**For Rinzing Financial Private Limited:**

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: 3/19/2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

**For Bhutan Power Corporation Limited:**

Dasho Kesang Deki
**Chairperson, BOD**

Mr. Chencho T.Namgay
**Chairperson, BARC**

Mr. Sonam Tobjey
**Chief Executive Officer**

Ms. Kinley Dem
**Director, CSD**

# BHUTAN POWER CORPORATION LIMITED
## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

*(Amount in Nu.)*

| Particular | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Cash flows from / (used in) operating activities** | | |
| Profit before income tax | **2,995,291,456** | **1,821,758,475** |
| **Adjustments for:** | | |
| Depreciation and amortization expenses | 1,880,901,625 | 1,774,404,337 |
| Loss on disposal of property, plant and equipment | 33,480,003 | 105,352,002 |
| Interest expenses on borrowings | 951,750,828 | 919,965,543 |
| Interest income | - | (5,925,048) |
| Unwinding of discount on retention, security deposit & borrowings | 72,714,848 | 99,685,071 |
| Provision for doubtful debts | - | - |
| Provision on Obsolescence of Material | 1,443,881 | (2,506,330) |
| Prior period adjustment | (6,479,363) | (383,210,026) |
| Liabilities no longer required written back | (2,531,165) | (18,290,184) |
| Amortization of deferred grants | (66,802,690) | (66,802,690) |
| Amortization of deferred customer contribution | (14,384,607) | (13,597,008) |
| **Operating profit before working capital changes** | **5,845,384,817** | **4,230,834,145** |
| Decrease / (Increase) in inventories | 226,656,890 | (247,815,420) |
| Increase in amounts due from customers for contract work | 117,825,397 | 306,507,493 |
| Decrease / (Increase) in trade and other receivables | (149,332,777) | (649,262,845) |
| Decrease / (Increase) in current and non-current assets | (240,523,035) | 500,110,925 |
| Increase in long-term and short-term loans and advances | (14,319,844) | 4,038,119 |
| Decrease in amounts due to customers for contract work | 59,518,359 | (1,145,830,279) |
| Increase in trade and other payables | (67,740,427) | 938,416,335 |
| (Decrease)/ Increase in other current & non-current liabilities | 73,038,348 | 106,532,920 |
| Increase / (decrease) in provision | (2,713,088) | 190,515,428 |
| **Net cash generated from operating activities before income tax** | **5,847,794,640** | **4,234,046,821** |
| Income tax paid, net of refunds received | **(947,215,080)** | **(298,625,296)** |
| **Net cash generated from operating activities** | **4,900,579,560** | **3,935,421,525** |

# BHUTAN POWER CORPORATION LIMITED
## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

*(Amount in Nu.)*

| Particular | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Cash used in investing activities** | | |
| Purchase of property, plant and equipment and Intangible assets | (5,880,170,642) | (2,022,700,614) |
| Receipt of deferred grants | - | - |
| Receipt of deferred customer contribution | 41,454,602 | 2,033,053 |
| Proceeds from sale of property, plant and equipment | (123,078,246) | (337,036,990) |
| Redemption of bank term deposits (net) | (107,287,074) | - |
| Interest received | 28,868,263 | 56,996,512 |
| **Net cash used in investing activities** | **(6,040,213,096)** | **(2,300,708,039)** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from Borrowings | 3,323,264,212 | 905,490,807 |
| Repayment of Borrowings | (1,463,817,572) | (412,767,605) |
| Interest paid | (413,820,776) | (324,829,102) |
| Payment of dividend on ordinary shares | (1,057,340,690) | (806,687,403) |
| Payment of Finance cost-Lease | (4,738,369) | (3,158,220) |
| Share Capital (MHPA ATS Capitalization) | (3,128,926) | 43,140,905 |
| **Net cash generated from/use in financing activities** | **380,417,880** | **(598,810,618)** |
| **Net increase in cash and cash equivalents** | **(759,215,657)** | **1,035,902,867** |
| Cash and cash equivalents at beginning of the year | 1,311,339,683 | 397,041,032 |
| Loss/(gain) on foreign currency fluctuation | (271,516,534) | (121,604,217) |
| **Cash and cash equivalents at end of the year** | **280,607,493** | **1,311,339,683** |

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

**For Rinzing Financial Private Limited:**

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: 3/19/2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

**For Bhutan Power Corporation Limited:**

Dasho Kesang Deki
**Chairperson, BOD**

Mr. Chencho T.Namgay
**Chairperson, BARC**

Mr. Sonam Tobjey
**Chief Executive Officer**

Ms. Kinley Dem
**Director, CSD**

# ACCOUNTING POLICIES & NOTES TO ACCOUNTS

## 1. General Information

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

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

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

The financial statements of the Company for the year ended December 31, 2024, were authorized for issue in accordance with the resolution of the Board of Directors dated March 5, 2025. The Company's financial statements are prepared in accordance with and are fully compliant with the Bhutanese Accounting Standards (BAS), except as stated otherwise in the financial statements.

## 2. Summary of Significant Accounting Policies

### Basis of preparation

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

These financial statements have been prepared on the accrual basis of accounting with the historical cost convention and going concern basis except as stated otherwise in the Financial Statements. The preparation of the Financial Statements requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies and the reported amounts of revenue, expenses, assets, and liabilities may differ from the estimates. In areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

### Foreign currency translation

**i)** Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates referred to as the "functional currency". The functional currency and presentation currency of the Company is Bhutanese Ngultrum.

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**ii)** Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

**Property, plant and equipment**

The cost of an item of property, plant and equipment is recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Property, plant, and equipment are initially recognized at historical cost. The historical cost of property, plant and equipment is determined as the fair value of the asset at the date of acquisition and comprises its net purchase price after deducting for any trade discount and rebates, including import duties and non-refundable purchase taxes, any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The cost of self-constructed assets includes the borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets (Refer note 2.13 below for accounting policy of borrowing cost). The cost of self-constructed assets not put to use and advances paid towards the acquisition of property, plant and equipment outstanding at each Statement of Financial Position date, are disclosed as Capital work-in-progress.

Subsequent to initial recognition, property, plant, and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Subsequent expenditures relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

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

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

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

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

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

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

The cost and the accumulated depreciation for property, plant and equipment sold, scrapped, retired, disposed of or when no future economic benefits are expected to arise from the continued use, are derecognized from the financial statements. The gains and losses are determined by comparing the proceeds with the carrying amount and are recognized in the Statement of Comprehensive Income.

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

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

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

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

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

**Impairment of non-financial assets**

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

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

**Income tax**

Current tax assets and liabilities for the current period are measured at the amount expected to be recoverable from or payable to the Income tax authority based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date by the Income Tax Authority.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences except when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax assets and liabilities on net basis. Management evaluates positions taken in income tax returns with respect to situations in which applicable income tax regulation is subject to interpretation.

The income tax liabilities are recognized when, despite the Company's belief that its income tax return positions are supportable, the Company believes, it is more likely than not, based

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on the technical merits, that certain positions may not be fully sustained upon review by income tax authorities. Benefits from tax positions are measured at the single best estimate of the most likely outcome.

At each Statement of Financial Position date, the tax positions are reviewed, and to the extent that new information becomes available which causes the Company to change its judgment regarding the adequacy of existing income tax liabilities, such changes to income tax liabilities are duly recognized in income tax expense in the year in which such determination is made.

Interest and penalties, if any, related to accrued liabilities for potential tax assessments are included in income tax charge for the year in which the assessment is completed.

**Financial Instruments**

**(i) Financial Assets**

**(a) Initial recognition and measurement**

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

**(b) Classification and subsequent measurement**

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

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

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

**(1)** Financial assets measured at amortized cost:

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

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

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

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

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



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

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

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

**(c) Impairment of financial assets**

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

(d) **Derecognition of financial assets**

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

**a.** The rights to receive cash flows from the asset have been expired/transferred, or

**b.** The Company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

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

When the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial

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asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

**(ii) Financial Liabilities**

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

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

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

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in other comprehensive income. These gains/losses are not subsequently transferred to profit and loss. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of comprehensive income. The Company has not designated any financial liability as at fair value through profit and loss.

**Financial Liability at Amortized cost**

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

**Borrowings**

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

**Trade and other payables**

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

**Derecognition**
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially



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modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

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

**Inventories**
Inventory consists of stores and spares held for operation and maintenance and use in construction of an asset.

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost formula and comprises cost of purchases and other incidental expenses incurred in acquiring inventories and bringing them to their existing location and condition.

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

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

**Grants**
Grants from Government and Non-Government sources are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants relating to expense items are recognized as income on a systematic basis over the periods that the related costs, which it is intended to compensate, are expensed. The unallocated portion of such grant is presented as part of Deferred Grants in the Statement of Financial Position.

Grants related to non-current assets are treated as Deferred Income in the Statement of Financial Position and are recognized to the Statement of Comprehensive Income on a systematic basis over the useful life of the related assets.

Grant received as compensation for expenses/losses already incurred or with no future related costs is recognized as income in the year it is received or becomes receivable.

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

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**Borrowing Costs**
Borrowing costs consist of interest and other costs that Company incurs in connection with the borrowing of funds.

General and specific borrowing costs (net of investment income on temporary investment of those borrowings) that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the costs of the asset, until such time the assets are substantially ready for their intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, which is two years or more as decided by the Company keeping in view the nature of assets and past trend of time taken for their completion.

All other borrowing costs are charged as expense to Statement of Comprehensive Income in the period they occur.

**Employee benefit liabilities**
Contribution to Provident Fund administered by National Pension and Provident Fund is charged to Statement of Comprehensive Income as and when they fall due.

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

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

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

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

**Revenue Recognition**

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

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

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

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

**Liquidated damages and penalties**
Liquidated damages and penalties occur when contractors/suppliers fail to meet the key performance indicators set out in their contract with the Company. Income resulting from claims for liquidated damages and penalties are recognized as other income when all performance obligations are met (including when a contractual entitlement exists), it can be reliably measured and it is probable that the economic benefits will flow to the Company.

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

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

The Company presents the basic and diluted EPS data for its ordinary shares. Basic EPS is computed by dividing the net profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is computed by adjusting the net profit for the year attributable to the ordinary shareholders and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

**Dividends**
Dividends (including interim dividends) to ordinary shareholders is recognized as a liability and deducted from shareholders' equity in the period in which the dividends are recommended by the Board of Directors and approved by the ordinary shareholders in the Annual General Meeting.

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**Provisions and contingent liabilities**

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

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

**Lease**

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

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

**Critical accounting estimates and assumptions**

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

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

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

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

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

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

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

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



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

**iii) Retirement benefit obligations**

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

**iv) Unbilled revenue**

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

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## 4. Property, plant, and equipment

*(Amount in Nu.)*

| .. | Freehold Land | Building and Civil Structures | Generation equipment | Network system | Others | Capital Advances and Construction work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2024** | | | | | | | |
| **Cost** | 45,591,022 | 5,037,575,229 | 146,335,324 | 42,598,811,574 | 2,105,316,292 | 3,204,882,274 | 53,138,511,714 |
| Accumulated depreciation | - | (1,426,363,334) | (48,916,876) | (11,639,330,665) | (1,192,405,274) | - | (14,307,016,148) |
| **Book Value** | **45,591,022** | **3,611,211,895** | **97,418,448** | **30,959,480,909** | **912,911,018** | **3,204,882,274** | **38,831,495,566** |
| **Changes in book value during the year** | | | | | | | |
| Additions | | 282,327,356 | 2,618,271 | 2,766,274,803 | 123,869,822 | 2,683,256,775 | 5,858,347,027 |
| Disposals and sales | - | - | - | - | - | - | (4,384,493) |
| Depreciation on disposals/adjustments | (4,384,493) | 4,305,771 | 149,600 | 41,657,594 | 45,532,280 | | 91,645,245 |
| Depreciation | - | (187,002,289) | (6,350,975) | (1,470,656,529) | (192,273,586) | | (1,856,283,379) |
| **Total changes** | **(4,384,493)** | **99,630,837** | **(3,583,104)** | **1,337,275,869** | **(22,871,484)** | **2,683,256,775** | **4,089,324,400** |
| **Balance as at December 31, 2024** | | | | | | | |
| Cost | **41,206,529** | **5,319,902,585** | **148,953,595** | **45,365,086,377** | **2,229,186,114** | **5,888,139,049** | **58,992,474,248** |
| Accumulated depreciation | - | (1,609,059,852) | (55,118,251) | (13,068,329,599) | (1,339,146,580) | - | **(16,071,654,282)** |
| **Book value** | **41,206,529** | **3,710,842,732** | **93,835,344** | **32,296,756,778** | **890,039,535** | **5,888,139,049** | **42,920,819,966** |

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

| Particulars | Freehold Land | Building and Civil Structures | Generation equipment | Network system | Others | Capital Advances and Construction work in progress | Total |
|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2023** | 45,591,022 | 4,562,799,640 | 124,531,011 | 40,078,607,859 | 1,894,526,189 | 4,464,161,451 | 51,170,217,171 |
| **Cost** | | | | | | | |
| Accumulated depreciation | | (1,275,767,469) | (42,086,853) | (10,322,020,415) | (1150,397,016) | - | **(12,790,271,753)** |
| **Book Value** | 45,591,022 | **3,287,032,171** | **82,444,158** | **29,756,587,444** | **744,129,173** | **4,464,161,451** | **38,379,945,418** |
| **Changes in book value during the year** | | | | | | | |
| Additions | | 474,775,588 | 21,804,313 | 2,520,203,715 | 210,790,103 | (1,259,279,177) | **1,968,294,542** |
| Disposals and sales | - | 17,312,160 | (805,473) | 65,384,094 | 149,648,087 | - | **215,032,181** |
| Depreciation on disposals/adjustments | - | | | | | - | |
| Depreciation | - | (167,908,025 | (6,024,550) | (1,382,694,343) | (191,656,345) | - | **(1,580,375,238)** |
| **Total changes** | | **324,178,472** | **14,974,290** | **1,202,893,466** | **168,781,845** | **1,259,279,177)** | **451,550,148** |
| **Balance as at December 31, 2023** | | | | | | | |
| **Cost** | **45,591,022** | **5,037,575,229** | **146,335,324** | **42,598,811,574** | **2,105,316,292** | **3,204,882,274** | **53,138,511,714** |
| Accumulated depreciation | - | (1,426,363,334) | (48,916,876) | (11,639,330,665) | (1,192,405,274) | - | **(14,307,016,149)** |
| **Book value** | **45,591,022** | **3,611,211,895** | **97,418,448** | **30,959,480,909** | **912,911,018** | **3,204,882,274** | **38,831,495,565** |

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**Capital work-in-progress as at December 31, 2024 and December 31, 2023 comprises of the following:**

*(Amount in Nu.)*

| Particulars | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Generation equipment | - | - |
| Transmission lines | 4,306,725,131 | 1,608,480,897 |
| Distribution Assets | 1,095,013,985 | 1,165,931,632 |
| Smart Grid | 88,917,976 | 86,214,524 |
| Buildings | 96,267,172 | 96374,316 |
| Other Civil Structures | 40,027,045 | 115,168,642 |
| Others | 3,608,700 | 3,608,700 |
| Advance for capital works | 257,579,039 | 129,103,563 |
| **Total** | **5,888,139,049** | **3,204,882,274** |

Note: Materials amounting to Nu. 481,287,934, Nu. 701,005,615 and Nu. 1,113,800 in the years 2024, 2023 and 2022 respectively are included in the carrying amount of Capital Work-In-Progress as it is procured for the capital works.

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5. **Intangible assets**

*(Amount in Nu.)*

| Computer Software | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Opening gross carrying value (i)** | 332,105,544 | **277,699,473** |
| Additions | 4,084,293 | 54,406,071 |
| Disposal | - | |
| **Closing gross carrying value(ii)** | **336,189,837** | **332,105,544** |
| **Opening accumulated amortization (iii)** | (251,779,028) | (227,146.941) |
| Depreciation on Disposal | 2,111,500 | 146,120 |
| Additions | (22,243,572) | (24,778,207) |
| **Closing accumulated amortization (iv)** | **(271,911,100)** | **(251,779,028)** |
| **Net carrying value (ii-iv)** | 64,278,737 | 80,326,516 |

6. **Right of Use Asset –Land**

| Particulars | Amount (Nu.) |
|---|---|
| **Balance as at January 1, 2024** | |
| **Cost** | **36,852,026.94** |
| Accumulated depreciation | **(9,182,037)** |
| **Book Value** | **27,669,990** |
| **Changes in book value during the year** | |
| Additions | 18,108,608 |
| Disposals and sales | - |
| Depreciation on disposals/adjustments | 225,990 |
| Depreciation | (2,374,674) |
| **Total changes** | **15,959,925** |
| **Balance as at December 31, 2024** | |
| **Cost** | **54,960,635** |
| Accumulated depreciation | (11,330,721) |
| **Book Value** | **43,629,916** |

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## 7. Long-term loans and advance

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Advance to employees: | | |
| Bike loan | 13,664,201 | 3,706,927 |
| Welfare loan | - | - |
| Mobile phone loan | 193,328 | 315,085 |
| **Total** | **13,857,529** | **4,022,012** |

### Short-term loans and advances

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Advance to employees: | | |
| - Bike loan | 8,182,701 | 3,540,125 |
| - Welfare loan | | 8,340 |
| - Mobile phone loan | 455,228 | 605,138 |
| **Total** | **8,637,929** | **4,153,603** |

## 8. Other receivables

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Security Deposit for Land Lease | 1,634,707 | 199,330 |
| **Total** | **1,634,707** | **199,330** |

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## 9. Other non-current assets

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Prepaid Expenses | 29,772,373 | 34,215,545 |
| Advance to Suppliers | | 238,182 |
| Advance to Others | | 140,000 |
| **Total** | **29,772,373** | **34,593,727** |

## 10. Inventories

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Stores and spare parts | 619,976,205 | 847,283,904 |
| Stock - ISU | 37,455,859 | 31,693,888 |
| Stock - Uniform | 2,285,609 | 6,079,293 |
| Stock – Infocom Spares | 7,710,617 | 9,028,094 |
| Less: Provision for obsolete inventory | (2,124,301) | (680,420) |
| **Total** | **665,303,988** | **893,404,759** |

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

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Amounts due from customers for contract work | | |
| Work in progress -Construction Contracts | 10,436,085 | 3,710,754,461 |
| Less: Progress billing and advances received | 9,030,536 | 3,591,523,516 |
| **Total** | **1,405,548** | **119,230,945** |

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Amounts due to customers for contract work | | |
| Progressive billing and advances received | 8,325,902,418 | 8,733,917,156 |
| Less: Work in progress -Construction Contracts | 8,461,523,018 | 8,810,019,396 |
| **Total** | **(135,620,599)** | **(76,102,240)** |

Recognized and included in financial statements as:

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Amounts due from customers for construction contracts | | |
| - Current portion | 1,405,548 | 119,230,945 |
| - Non-current portion | - | - |
| Amounts due to customers for construction contracts | | |
| - For short term contract | 135,716,005 | 3,641,427,953 |
| - For long term contract | (95,405) | (3,565,325,713) |
| **Total** | **(135,620,599)** | **(76,102,240)** |

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## 12. Trade & other receivables

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Receivables against transmission and supply of electricity | 1,884,705,914 | 1,743,595,412 |
| Less: Provision for doubtful debts | (57,881,535) | (57,881,535) |
| **Net Receivables** | 1,826,824,379 | 1,685,713,877 |
| Subsidy receivable on Electricity from RGOB | 64,022,911 | 61,356,049 |
| Other receivables | 40,971,240 | 36,851,203 |
| **Total** | **1,931,818,529** | **1,783,921,129** |

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

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

**2024**

| Aging | Outstanding Amt | Current to 1-30 | 1-30 to 31-60 | 31-60 to 61-90 | 61 -90 to Above 90 | Above 90 | PD | LGD | EFA | DF | ECL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Current | 1,198,893,073 | 3.47% | 48.29% | 52.15% | 97.14% | 100.00% | 0.85% | 4.28% | 103.20% | 91.74% | 449,449 |
| 1-30 | 15,994,137 | | 48.29% | 52.15% | 97.14% | 100.00% | 24.46% | 4.28% | 103.20% | 91.74% | 172,850 |
| 31-60 | 12,165,257 | | | 52.15% | 97.14% | 100.00% | 50.66% | 4.28% | 103.20% | 91.74% | 272,275 |
| 61-90 | 723,272 | | | | 97.14% | 100.00% | 97.14% | 4.28% | 103.20% | 91.74% | 31,038 |
| Above 90 | 3,292,896 | | | | | 100.00% | 100.00% | 4.28% | 103.20% | 91.74% | 145,465 |
| | | | | | | | | | | | 1,071,077 |

**2023**

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

**2022**

| Aging | Outstanding Amt | Current to 1-30 | 1-30 to 31-60 | 31-60 to 61-90 | 61 -90 to Above 90 | Above 90 | PD | LGD | EFA | DF | ECL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Current | 1,198,893,073 | 3.47% | 48.29% | 52.15% | 97.14% | 100.00% | 0.85% | 4.28% | 104.89% | 91.74% | 2,701,773 |
| 1-30 | 15,994,137 | | 48.29% | 52.15% | 97.14% | 100.00% | 24.46% | 4.28% | 104.89% | 91.74% | 129,628 |
| 31-60 | 12,165,257 | | | 52.15% | 97.14% | 100.00% | 50.66% | 4.28% | 104.89% | 91.74% | 77,461 |
| 61-90 | 723,272 | | | | 97.14% | 100.00% | 97.14% | 4.28% | 104.89% | 91.74% | 102,765 |
| Above 90 | 3,292,896 | | | | | 100.00% | 100.00% | 4.28% | 104.89% | 91.74% | 1,497,103 |
| | | | | | | | | | | | **4,508,730** |

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

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## 13. Cash and cash equivalent

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash in hand | 183,405 | 806,021 |
| Bank balances in current accounts | 280,424,088 | 1,310,533,662 |
| Balance with bank towards staff welfare fund | - | - |
| **Total** | **280,607,493** | **1,311,339,683** |

a. There are no restricted cash and cash equivalents.

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## 14. Other current assets

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Deposit against Employee Insurance Policies (Refer Note 40 (vi) | - | - |
| Interest accrued on Employee Insurance Policies | - | - |
| Fixed deposits with Banks having original tenure of more than twelve months: | | |
| - Depreciation funds for OPGS/ ADSS assets | 393,730,028 | 286,442,954 |
| - Other fixed deposit | - | - |
| Interest accrued on Fixed Deposits: | | |
| - Depreciation funds for OPGS/ ADSS assets | 45,115,016 | 73,983,279 |
| - Other fixed deposit | - | - |
| Accrued Unbilled Trade Receivables | 143,554,011 | (3,991,959) |
| Prepaid Expenses | 42,107,780 | 69,117,069 |
| Advance to Suppliers | 118,924,023 | 26,254,680 |
| Advance to employees: | | |
| - Travel and salary advance | - | 304,000 |
| - Expenses | - | - |
| Advance to Others | 14,311,673 | 6,965,353 |
| Assets Held for Disposal | 25,096,045 | - |
| **Total** | **782,838,576** | **459,075,376** |

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## 15. Share Capital

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Authorized:** | | |
| **15,000,000 Equity Shares of Nu. 1,000/- each** | 15,000,000,000 | 15,000,000,000 |
| **Total** | **15,000,000,000** | **15,000,000,000** |
| **Issued, Subscribed and fully Paid up:** | | |
| 11,197,514 Equity Shares of Nu. 1,000/- each | 11,197,513,979 | 11,200,642,905 |
| **Total** | **11,197,513,979** | **11,200,642,905** |

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

### 15.2 Reconciliation of Equity shares Outstanding

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| At the beginning of the year | | |
| - Number of shares | 11,200,643 | 11,157,502 |
| - Amount (in Nu.) | 11,200,643,319 | 11,157,502,000 |
| At the end of the year | | |
| - Number of shares | 11,197,514 | 11,200,643 |
| - Amount (in Nu.) | 11,197,514,393 | 11,200,642,905 |
| **Total** | **11,197,514** | **11,200,642** |

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## 16. Borrowings

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| i)Secured borrowings: | | |
| Term loan from 'National Pension and Provident Fund' (Refer Note 17.1) for Transmission Lines Project | 631,426,254 | 764,575,037 |
| ii)Unsecured borrowings: | - | |
| Term loans from 'Royal Government of Bhutan (Refer Note 17.2) | - | |
| - for Rural Electrification Projects | 1,970,853,708 | 2,160,920,532 |
| - for JICA I | 1,300,206,852 | 1,469,746,438 |
| - for JICA II | 872,059,117 | 1,059,484,354 |
| Borrowing BAS adjustment | (12,764,579) | (84,451,858) |
| iii) Mangdechhu Hydroelectric Project ** | 10,649,670,556 | 10,523,223,401 |
| iv) Bank Overdraft | 523 | 1,265 |
| Interest accrued but not due on borrowings | 2,896,368,584 | 2,290,462,053 |
| NIP Loan-NPPF | 2,669,976,844 | |
| Commercial Paper | - | 600,000,000 |
| **Total** | **20,977,797,859** | **18,783,961,221** |

**Borrowings analyzed as follows:**

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Current portion | 381,857,440 | 370,447,933 |
| Non-current portion | 20,595,940,419 | 18,413,513,288 |
| **Total** | **20,977,797,859** | **18,783,961,221** |

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

16.1 Term loan from NPPF:

Term loan of Nu.631,426,254 from National pension and provident fund is outstanding as on 31st December 2024 for setting up of the various transmission lines projects and are secured by the Guarantee provided by the Druk Holding and Investments (DHI) Limited for a Guarantee Fee of 0.85%per annum and carry fixed rate of interest of 8% per annum and are repayable within 12 years including moratorium period of 1 year and last installment due on January 01, 2030. The guarantee fee paid for 2024 amounts to Nu. 6,175,954 for 2024.

16.2 Other Term Loans:

**i)** Rural electrification Loan I (RE-I) of Nu.91,344,751 is outstanding as on 31st December 2024 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. 128,280,864 is outstanding as on 31st December 2024 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.200,511,395 is outstanding as on 31st December 2024 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.775,378,774 is outstanding as on 31st December 2024 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.630,082,168 is outstanding as on 31st December 2024 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.1,300,206,852 is outstanding as on 31st December 2024 from Royal Government of Bhutan for Rural Electrification Works and is repayable within 30 years at an interest rate of 0.01% on Japanese Yen in 61 semi-annually equal installments with last installment due on May 20, 2047.

**vii)** Rural electrification loan –JICA Loan II of Nu. 872,059,117 is outstanding as on 31st December 2024 from the Royal Government of Bhutan at an interest rate of 0.01% on Japanese Yen with last installment due on December 2051

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**viii)** Rural electrification Loan ADA of Nu.145, 255,755 is outstanding as on 31st December 2024 from Royal Government of Bhutan for Rural Electrification Works and is repayable within 12 years at an interest rate of 0.7% on EURO in annual equal installments with last installment due on December 31, 2029.

16.3 Mangdechu Hydro Project Authority (MHPA) Loan of Nu.13, 245,924,420 is outstanding as on 31st December 2024. The MHPA ATS loan is maintained by DGPC at the moment which is yet to be finalized and handed over to BPC with a rate of interest of 10% p.a repayable in semi-annual installments with a tenure of 15 years. Additional capitalization of 132/33 kV Yurmoo substation taken over by BPC amounting to Nu. 183,298,249.09. The details of MHPA loan is shown below:

| Particulars | Amount (Nu.) | Interest Rate |
|---|---|---|
| MHPA Loan | 9,532,646,437 | 10% |
| CHEL & KHEL | 2,901,422,803 | 10% |
| Nikachu I NPPF Loan | 160,947,112 | 9% |
| Nikachu II BOB Loan | 650,908,068 | 8.10% |
| **Total** | **13,245,924,420** | |

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16.4 BPC has two active Overdraft facilities with Bank of Bhutan Limited amounting to Nu. 500 million (OD I) and Nu. 438 million (OD II). OD I are secured by the Guarantee provided by DHI for a Guarantee Fee of 0.30%per annum and carry fixed rate of interest of 9.15% per annum. The guarantee fee paid to DHI for 2024 amounts to Nu.0.58 for this OD. The OD II are secured by the substation assets as follows:

| Asset | Amount (Nu.) |
|---|---|
| 220/66/11 Kv Semtokha Substation | 136,533,249.25 |
| 66/33 Kv Olakha Substation | 53,904,337.48 |
| 66/33 /11Kv Dechencholing Substation | 18,829,122.05 |
| 66/33 /11Kv Bjemina Substation | 10,778,165.15 |
| 66/33 /11Kv Lobesa Substation | 17,187,367.81 |
| 66 /11Kv Haa Substation | 9,643,621.08 |
| 66 Kv Chumdo Switching Substation | 4,209,227.75 |
| **Total value for 2024** | **251,085,090.57** |

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

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16.7 During the year additional loan of Nu.2, 669,976,844 (inclusive of IDC) was taken for the construction of Norbugang Industrial Park for the period of 10 year at fixed interest rate of 8.10% per annum. The following assets were mortgaged:

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

16.8 There was additional transfer of loan from Tangsibji Hydro Electric Limited of Nu. 685,537,158 and IDC Nu. 320,275,076 from which IDC was liquidated during the year.

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## 17. Deferred grant

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

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **As at January 1** | 1,381,716,932 | 1,448,519,622 |
| Addition/Received | | |
| Less: Transferred to 'Other Income' | (66,802,690) | (66,802,690) |
| **As at December 31** | **1,314,914,243** | **1,381,716,932** |

Deferred grant analyzed as follows:

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Current portion | 63,471,222 | 63,604,611 |
| Non-current portion | 1,251,443,021 | 1,318,112,322 |
| **Total** | **1,314,914,243** | **1,381,716,933** |

## 18. Deferred customer's contribution

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **As at January 1** | **87,772,255** | **99,336,210** |
| Received during the year | 41,454,602 | 2,033,053 |
| Less: Transferred to 'Other Income' | (14,384,607) | (13,597,008) |
| **As at December 31** | **114,842,250** | **87,772,255** |

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18. Deferred customer's contribution analyzed as follows:

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Current portion | 12,942,191 | 12,942,191 |
| Non-current portion | 101,900,059 | 74,830,064 |
| **Total** | **114,842,250** | **87,772,255** |

19. **Other Payables**

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Security deposits | | |
| - Energy meters | 405,703,363 | 398,635,924 |
| - Others (Refer Note 19.1) | | |
| Performance security | | |
| Retention money | 1,603,508 | 11,090,813 |
| Payable to employees | | |
| Other liabilities | 463,832,211 | 404,318,908 |
| **Total** | **871,139,083** | **814,045,645** |

20. **Employee benefit liabilities**

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Provision for:** | | |
| - Gratuity | 737,429,415 | 684,419,010 |
| - Separation Benefits | 118,390,946 | 117,144,469 |
| - Leave encashment | - | 90,049,396 |
| - Performance Based Variable Pay | 222,805,327 | 189,552,762 |
| Payables to employees | 1,761,829 | 15,047,260 |
| **Total** | **1,080,387,517** | **1,096,212,897** |

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Employee benefit liabilities analyzed as follows:

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Current portion | 297,878,464 | 411,229,167 |
| Non-current portion | 782,509,053 | 684,983,730 |
| **Total** | **1,080,387,517** | **1,096,212,897** |

## 21. Deferred Income Tax Liabilities (Net)

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

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Opening balance | **1,477,390,490** | 1,330,617,097 |
| Charged to Statement of Comprehensive | 254,677,272 | 146,773,393 |
| **Total** | **1,732,067,762** | **1,477,390,490** |

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Note 21.1: The Deferred Tax Liability for the year ended December 31, 2024 is as shown below:
**For the year December 31, 2024**

*(Amount in Nu.)*

| Sl.No. | Particulars | Carrying Amount of Assets/Liablity as on 31.12.2024 | Tax Base of Assets/Liablity as on 31.12.2024 | Temporary Difference | Deferred Tax Asset/(Liability) |
|---|---|---|---|---|---|
| 1 | Property, Plant & Equipment | 37,140,589,569 | 31,314,607,074 | (5,825,982,495) | (1,747,794,748) |
| 2 | Provision for Bad Debts | 57,881,535 | - | 57,881,535 | 17,364,460 |
| 3 | Provision for Obsolete Materials | 2,124,301 | - | 2,124,301 | 637,290 |
| 4 | Retention Money | (1,603,508) | (1,820,362) | (216,855) | (65,056) |
| 5 | Borrowings | (4,130,355,098) | (4,143,119,677) | (12,764,579) | (3,829,374) |
| 6 | Employee Benefit Obligation | (737,429,415) | (891,727,276) | (154,297,861) | (46,289,358) |
| 7 | Bonus Payable | (222,805,327) | (175,894,662) | 46,910,665 | 14,073,199 |
| 8 | Provision for Transfer Grant | (45,567,406) | (1,949,053) | 43,618,353 | 13,085,506 |
| 9 | Provision for Carriage Charges | (27,028,120) | (1,654,591) | 25,373,529 | 7,612,059 |
| 10 | Provision for Travel Allowance | (45,795,420) | (2,001,219) | 43,794,201 | 13,138,260 |
| | | | - | - | - |
| | | 31,990,011,111 | 26,096,440,234 | (5,773,559,205) | (1,732,067,761) |
| | Deferred Tax Liability in 2023 | | | | (1,477,390,490) |
| | Net Charged in 2024 | | | | 254,677,271 |

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## 22. Lease Liability

| Particulars | Amount (Nu.) |
|---|---|
| Opening Balance as at 1 January 2024 | 34,705,620 |
| Addition | 18,592,970.17 |
| Repayment | 2,918,894.45 |
| Interest Expenses | (4,738,368.61) |
| Disposals/adjustment | 484,361.69 |
| **Closing Balance as at 31 December 2024** | **51,963,477** |

Lease liabilities analyzed as follows: *(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Current portion | 5,670,683.02 | 3,835,331 |
| Non-current portion | 46,292,794.29 | 30,870,289 |
| **Total** | **51,963,477.31** | **34,705,620** |

## 23. Trade Payable

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Trade payables: | | |
| - electricity | 1,987,381,831 | 2,319,870,006 |
| - suppliers & contractors | 709,625,596 | 188,253,085 |
| - services | 36,156,170 | 173,087,695 |
| Security deposits | | |
| - Energy meter | 41,846,245 | 25,647,805 |
| - Capacity reserve charges | 27,549,357 | 34,867,167 |
| Performance security | 4,998,943 | 8,326,013 |
| Retention money | 393,797,852 | 523,473,955 |
| Accrued expenses | 2,536,970 | 3,116,201 |
| Other liabilities | 6,943,954 | 4,816,958 |
| **Total** | **3,211,187,294** | **3,281,458,886** |

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

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Provision for corporate income tax | 965,429,580 | 424,468,758 |
| Less: Advance tax and income tax deducted at source | (515,133,228) | (58,973,307) |
| **Total** | **450,296,352** | **365,495,451** |

24.1 Details of Income Tax is as under:

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Current income tax** | | |
| Current tax on profits for the year | 965,429,580 | 965,429,580 |
| **Total Current income tax** | 965,429,580 | **965,429,580** |
| | | |
| **Deferred income tax** | | |
| Increase/(decrease) in deferred tax liabilities | 254,677,272 | 146,773,392 |
| **Total Deferred income tax** | **254,677,272** | **146,773,392** |
| **Income tax expense** | **1,220,106,852** | **571,242,150** |

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

| | 2024 | 2023 |
|---|---|---|
| **Current tax on profit for the year** | **424,468,757** | **424,468,757** |
| | | |
| **Reconciliation of tax on accounting profit:** | | |
| Profit Before Income Tax | **2,995,291,456** | **1,821,758,475** |
| Tax calculated at domestic tax rate 30% | **898,587,437** | **546,527542** |
| Adjustments: | | |
| Donations | 1,520,426 | 1,141,345 |
| Fines and penalties | 6,050,040 | |
| Provision for obsolete materials | 1,443,881 | (2,506,330) |
| Medical | 10,500 | 64,971 |
| Gratuity | 96,409,827.00 | 88,221,084 |
| Transfer grant | 6,515,880 | 1,034,826 |
| Carriage charges | 3,850,980 | (321,869) |
| Separation allowance | 6,581,813 | 887,925 |
| BAS adjustments | 49,011,969 | 75,982,192 |
| Impact due to depreciation | (590,833,8449) | (571,366,760) |
| Depreciation on retired Asset | 98,640,927.76 | |
| Finance cost Lease | 4,738,368.59 | |
| MHPA Interest on Loan | 469,895,592.72 | |
| Loss on sale of asset | 33,480,003 | |
| **(Profit) as per I. Tax Act** | **3,183,062,196** | |
| Bonus | 35,036,406 | |
| **Adjusted Income** | **3,218,098,601** | |
| **Reconciled with tax expense as above** | **965,429,580.41** | **424,468,757** |

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24.3 The applicable corporate income tax rate has remained same, i.e. 30% for the current year and earlier year ended on December 31, 2024 and December 31, 2023 respectively.

## 25. Other current liabilities

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Statutory liabilities | 31,931,128 | 34,392,419 |
| Welfare grant fund | - | - |
| Other payables | 30,609,332 | 29,460,988 |
| **Total** | **62,540,459** | **63,853,407** |

## 26. Income from sale of electricity

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Revenue - Low voltage customers | 1,930,450,181 | 1,856,219,021 |
| Revenue - Medium voltage customers | 292,837,560 | 441,913,683 |
| Revenue – High voltage customers | 20,740,256,069 | 13,900,030,441 |
| Miscellaneous income | 10,068,558 | 36,489,138 |
| **Total** | **22,973,612,368.56** | **16,234,652,283** |

## 27. Income from construction contracts

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Value of contracts performed and service charges | 195,003,490 | 2,287,071,964 |
| Estimation charges for works | 214,045 | 340,276 |
| **Total** | **195,217,535** | **2,287,412,240** |

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

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Long-term contracts: | | |
| - MHPA | 9,998,228 | - |
| - Puna I | - | - |
| - Transmission Project Office-Changedaphu | 91,802,002 | 2,070,269,100 |
| - Transmission Project Office-Thimphu | - | 12,098,966 |
| - Construction Department | 32,890,712. | 108,247,117 |
| Short-term contracts: | 60,526,593 | 96,797,057 |
| **Total** | **195,217,535** | **2,287,412,240** |

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## 28. Other Income

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Interest income on: | | |
| - Depreciation Fund | | - |
| - Benefit Accrued on Employee Insurance Policies (Refer Note 40 (iv)) | - | 5,925,048 |
| - Other Fixed Deposits | | |
| Penalties and liquidated damages | 5,012,696 | 40,568,122 |
| Revenue Grant | - | 920,259 |
| Amortization of deferred grants (Refer Note 17) | 66,802,690 | 66,802,690 |
| Amortization of deferred customer's contribution (Refer Note 18) | 14,384,607 | 13,597,008 |
| Liabilities no longer required written back | 2,531,165 | 18,290,184 |
| Write-back of Provision on Obsolescence of Material | - | 2,506,330 |
| Scrap Sales | 24,161,666 | 46,139,665 |
| Tender form sales | 108,900 | 230,500 |
| Hire and lease charges** | 19,795,437 | 18,408,459 |
| Other miscellaneous income | 200,956,329 | 154,520,207 |
| **Total** | **334,468,120** | **367,908,472** |

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

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Not Later than one year | 17,202,907 | 10,408,760 |
| Later than one year but not later than five years | 49,613,878.33 | 10,408,760 |
| Later than five years | - | - |

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## 29. Operation and maintenance expenses

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Repairs and maintenance: | | |
| - Material/Stores | 170,256,815 | 206,837,063 |
| - Services | 204,776,688 | 200,836,448 |
| - Meter Equipment | 1,011,866 | 1,751,822 |
| - Vehicle running expenses (POL) | 36,426,464 | 39,499,840 |
| - Consumables | 7,432,948 | 5,846,354 |
| - Others | 70,590,147 | 63,990,375 |
| **Total** | **490,494,928** | **518,761,902** |

## 30. Employee benefit expenses

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Salaries, wages, bonus and allowances | 1,482,838,958 | 1,121,911,107 |
| Contribution to provident and pension fund | 98,674,940 | 93,353,459 |
| Contribution for gratuity and leave encashment | 170,575,050 | 158,788,042 |
| Workmen and staff welfare expenses | 30,138,950 | 9,134,748 |
| **Total** | **1,782,227,897** | **1,383,187,356** |

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## 31. Finance Costs

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Interest on long term borrowings from: | | |
| Royal Government of Bhutan for Rural Electrification Projects | 68,121,232 | 73,236,749 |
| National Pension and Provident Fund | 56,099,307 | 63,909,184 |
| MHPA Loan | 752,371,553 | 772,370,572 |
| Guarantee fee | 6,175,961 | 7,252,927 |
| BoB Overdraft & Intercorporate Loan | 17,070,365 | |
| THyE/Nikachu Loan | 29,243,987 | |
| Commercial paper | 17,753,400 | |
| Other finance charges | 176,656 | 37,892 |
| Unwinding of discount on retention, security depositand borrowings | 72,714,848 | 99,685,071 |
| Finance Cost Lease | 4,738,369 | 3,158,220 |
| **Total** | **1,024,465,676** | **1,019,650,615** |

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## 32. Other Expenses

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Travelling expenses | 20,671,643 | 17,059,066 |
| Rent charges** | 7,179,228 | 7,756,941 |
| Rates and taxes | 1,251,907 | 1,628,931 |
| Printing and stationary | 4,166,066 | 4,485,587 |
| License and registration fees | 225,123,310 | 115,043,823 |
| Audit fees and expenses | 1,861,982 | 1,078,950 |
| Office expenses | 6,493,253 | 6,208,452 |
| Consultancy fees | 1,167,349 | 1,362,303 |
| Legal fees | 106,000 | |
| Entertainment expenses | 7,333,920 | 6,038,431 |
| Publicity and Advertisement expenses | 899,572 | 1,149,836 |
| Insurance charges | 8,475,854 | 9,640,751 |
| Donations & contributions expenses | 1,970,426 | 2,134,100 |
| Vehicle Hire charges | 1,041,219 | 713,409 |
| Bad debt expenses | | |
| Provision for obsolete materials | 1,443,881 | |
| Loss on disposal of property, plant and equipment | 33,480,003 | 105,352,002 |
| Board meeting expenses and sitting fees | 335,828 | 159,560 |
| Management Fee for holding Company | 43,839,851 | 33,829,826 |
| Miscellaneous expenses | 11,683,282 | 4,868,888 |
| Write-back of Provision on Obsolescence of Material | 1,443,881 | |
| **Total** | **378,524,574** | **318,510,856** |

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

*(Amount in Nu.)*

| Particulars | December 31, 2024 | December 31, 2023 |
|---|---|---|
| Not Later than one year | 3,363,036 | 5,172,842 |
| Later than one year but not later than five years | 9,927,108 | 14,637,115 |
| Later than five years | 3,111,036 | 2,554,620 |

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## 33. Earnings per share (EPS)

*(Amount in Nu.)*

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| **Basic EPS attributable to Ordinary shares** | | |
| **Net Profit attributable to the owners of the Company** | **1,708,598,203** | **1,145,684,017** |
| Issued and outstanding ordinary shares at the beginning/end of the year | 11,197,514 | 11,157,502 |
| Effect of ordinary shares issued during the year | (8.57) | 14,538 |
| **Weighted average number of ordinary/diluted shares** | **11,197,506** | **11,172,040** |
| **Basic/Diluted EPS attributable to ordinary/diluted shares** | **152.59** | **102.55** |

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## 34. Fair value measurement

*(Amount in Nu.)*

| Particulars | December 31, 2024 | | | December 31, 2023 | | |
|---|---|---|---|---|---|---|
| | FVPL | FVOCI | Amortised cost | FVPL | FVOCI | Amortised cost |
| *Financial assets* | | | | | | |
| Investment | | | | - | - | |
| Long term loans and advances | | | 13,857,529 | | | 4,022,012 |
| Security deposit | | | 1,634,707 | - | | 199,330 |
| Cash and cash equivalents | | | 280,607,493 | - | | 1,311,339,683 |
| Trade receivables | | | 1,890,847,290 | - | | 1,747,069,926 |
| Short term loans and advances | | | 8,637,929 | - | | 4,153,603 |
| Amount due from customers for contract work | | | 1,405,548 | - | | 119,230,945 |
| Other receivables | | | 40,971,240 | - | | 36,851,203 |
| | | | | | | |
| **Total financial assets** | | | **2,237,961,735** | | **-** | **3,222,866,702** |
| | | | | | | |
| *Financial liabilities* | | | | | | |
| Borrowing | | | 20,984,836,401 | - | | 18,783,961,221 |
| Trade payables | | | 3,210,836,918 | - | | 3,281,458,886 |
| Amount due to customers for contract work | | | 135,620,599 | | | 76,102,240 |
| Other payables | | | 871,139,083 | - | | 814,045,645 |
| | | | | | | |
| **Total financial liabilities** | | | **25,195,744,835** | | **-** | **22,955,567,992** |

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### (i) Fair value hierarchy

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

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

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

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

### (ii) Valuation technique used to determine fair value

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

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

### (iii) Significant estimates

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

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## 35. Capital Management

### (a) Risk management

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

The Company manages its funds / capital so as to ensure that funds are available to meet future commitments, working capital requirements and also the dividend and tax expectations of its holding Company Druk Holding & Investments and Royal Government of Bhutan. Capital expenditure is mostly met from operating cash flows and fixed term borrowing are made only for major capital projects and such borrowings are repaid when the project is completed and is generating positive cash flows.

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

### (b) Financial risk management

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

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

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, trade& other receivables, financial assets measured at amortized cost | Aging analysis | Diversification of customer base |
| Liquidity risk | Borrowings and other liabilities | Cash flow forecasts | Availability of committed facilities |
| Market risk – foreign exchange | Future commercial transactions and recognized financial liabilities not denominated in Bhutanese Ngultrum (Nu.) | Cash flow forecasting Sensitivity analysis | Diversification of liability |

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| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| 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 is refunded upon completion of the work. However, for the mega projects the payments are received based on the work progress bills/reports submitted by the Company to the clients since the amount involved in such projects are quite significant. Trade receivables of construction consumers are non-interest bearing and are generally on credit term of 30-45 days or term as per the contract. The Company regularly monitors its outstanding customer receivables.

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

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### (ii) Financial instruments and cash deposits

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

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

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

### (2) Liquidity risk

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

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

### (i) Maturities of financial liabilities

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

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

*(Amount in Nu.)*

| Contractual maturities of financial liabilities as at December 31, 2024 | Less than 1 year | More than 1 year | Total |
|---|---|---|---|
| Trade and Other Payables | 3,211,187,294 | 871,139,083 | 4,082,326,377 |
| Borrowings | 381,857,440 | 20,595,940,419 | 20,977,797,859 |
| **Total financial liabilities** | **3,593,044,734** | **21,467,079,501** | **25,060,124,236** |
| **Contractual maturities of financial liabilities as at December 31, 2023** | **Less than 1 year** | **More than 1 year** | **Total** |
| Trade and Other Payables | 3,281,458,886 | 814,045,645 | 4,095,504,531 |
| Borrowings | 370,447,933 | 18,413,513,288 | 18,783,961,221 |
| **Total financial liabilities** | **3,651,906,819** | **19,227,558,933** | **22,879,465,752** |

* 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.

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**Foreign currency risk exposure**

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

*(Amount in Nu.)*

| Particulars | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| Currency | Euro in Nu. | Yen in Nu. | Euro in Nu. | Euro in Nu. |
| **Financial liabilities** | 145,255,755 | 2,172,265,969 | 209,413,216 | 2,529,230,791 |
| **Net exposure to foreign currency risk** | 145,255,755 | 2,172,265,969 | 209,413,216 | 2,529,230,791 |

**Sensitivity**

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

*(Amount in Nu.)*

| Particulars | Impact on profit before tax | |
|---|---|---|
| | December 31, 2024 | December 31, 2023 |
| **YEN Sensitivity** | | |
| Nu. depreciate by 5% (2024:5%) | 108,613,298 | 126,461,540 |
| Nu. appreciate by 5% (2024:5%) | (108,613,298) | (126,461,540) |
| **EURO Sensitivity** | | |
| Nu. depreciate by 5% (2024%) | 7,262,788 | 10,470,660 |
| Nu. appreciate by 5% (2024:5%) | (7,262,788) | (10,470,660) |

**(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.

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**(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.

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

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

| Company/ Fellow Subsidy | Description | Amount (Nu.) |
|---|---|---|
| BBPL | Intragroup - Purchase of assets | 299,945.00 |
| | Intragroup - Sale of Energy, Power & Resources | (11,408,933.72) |
| | Intragroup - Trade receivables | 1,221,309.00 |
| BHSL | Intragroup - Sale of Energy, Power & Resources | (3,362,251.74) |
| NDI | Intragroup - Sale of Energy, Power & Resources | (25,559.13) |
| BOB | Intragroup - Balances with BoBL | 521,243,970.48 |
| | Intragroup -Remittance in transit with BoBL | (265,628,301.39) |
| | Intragroup - Current portion of Loan (OD & Working capital) from BoBL | (522.95) |
| | Intragroup - NonCurrent portion of Term Loan from BoBL | (648,552,856.59) |
| | Interest on borrowings-Intergroup | 57,797,012.25 |
| | Intragroup - Sale of Energy, Power & Resources | (4,392,891.41) |
| | Intragroup - Purchase of Services | 568,123.64 |
| BTL | Intragroup trade receivables | 273,246.24 |
| | Intragroup - Performace/ Security depositsReceived | (259,417.58) |
| | Intragroup - Purchase of Services | 21,264,351.96 |
| | Intragroup - Sale of Energy, Power & Resources | (54,090,239.50) |
| | Income from Deposit Work | (16,334,126.08) |
| | Intra group rental income on lease | (4,372,350.65) |
| | Rental Expenses | 88,140.00 |
| CDCL | Intragroup - Sale of Energy, Power & Resources | (3,314,387.21) |
| | Intragroup - Advances Paid | 21,720,182.45 |
| | Intragroup - Performace/ Security deposits received | (7,037,154.10) |
| DACL | Intragroup - Purchase of Services | 3,337,719.00 |
| | Intragroup - Sale of Energy, Power & Resources | (829,773.58) |
| DCCL | Intragroup trade receivables | 19,132,996.22 |
| | Intra group deposits received – noncurrent | (3,389,180.00) |
| | Intragroup - Sale of Energy, Power & Resources | (238,728,510.31) |
| CHL | Intragroup trade receivables | 9,475.38 |



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| Company/ Fellow Subsidy | Description | Amount (Nu.) |
|---|---|---|
| | Intragroup - Sale of Energy, Power & Resources | (40,931.26) |
| | Income frm Deposit Work | (1,696,087.67) |
| DGPC | Intragroup trade payables | (1,487,803,436.20) |
| | Intragroup - Purchase of Energy ,Power & Resources | 10,214,291,397.57 |
| | Intragroup - Sale of Energy, Power & Resources | (12,398,710.99) |
| | Intragroup - Wheeling Income | (1,044,081,906.50) |
| DHPC | Intragroup trade receivables | 4,853,431.60 |
| | Intragroup - Sale of Energy, Power & Resources | (349,826.20) |
| | Intragroup - Wheeling Income | (102,299,204.05) |
| DHEL | Intragroup Performance/ Security deposits received | (16,608.16) |
| | Intragroup - Sale of Energy, Power & Resources | (73,141.83) |
| | Intragroup – Advances Received | (22,019,233.36) |
| DHI | Intragroup non-trade payables | (4,476,932.75) |
| | Equity Shares held by DHI | (11,197,513,979.05) |
| | Intergroup Dividends relating to current year | (1,057,340,690.23) |
| | INTERGROUP CORPORATE GUARANTEE & Management FEES | 50,015,811.57 |
| | Interest on borrowings-Intergroup | 13,383,326.01 |
| | Intragroup - Sale of Energy, Power & Resources | (314,300.46) |
| | Intragroup non-trade receivables | 328,538.96 |
| | Lease Rent | 4,179,852.37 |
| DPL | Intragroup trade receivables | 250,324.00 |
| | Intragroup - Performace/ Security deposits received | (180,000.00) |
| | Intragroup - Sale of Energy, Power & Resources | (2,855,179.20) |
| KHEL | Intragroup - Sale of Energy, Power & Resources | -116221 |
| | Intragroup - Revenue from Services | (12,329,230.25) |
| | Intragroup - Non Trade receivables | 3,397,827.41 |
| | Intragroup non-trade payables | (57,665.19) |
| | Intragroup - Trade receivables | 12,207.00 |
| KIL | Intragroup - Sale of Energy, Power & Resources | (495,920) |
| | Intragroup - Revenue from Services | (45,851.76) |

| Company/ Fellow Subsidy | Description | Amount (Nu.) |
|---|---|---|
| | Intra-group Rent Receivable (Non-Trade) | 3,283.82 |
| MSPCL | Intragroup - Sale of Energy, Power & Resources | (529,651.00) |
| | Interest on borrowings-Intergroup | 444,835.00 |
| NRDCL | Intragroup trade receivables | 105,006.20 |
| | Intragroup - Purchase of Services | 195,661.85 |
| | Intragroup - Sale of Energy, Power & Resources | (2,088,005.81) |
| PCAL | Intragroup trade receivables | 12,341,703.07 |
| | Intra group deposits received – noncurrent | (408,535.00) |
| | Intragroup - Sale of Energy, Power & Resources | (138,313,237.21) |
| | Intragroup - Nontrade payables | (11,330.28) |
| STCBL | Vehicles | 11,947,964.00 |
| | Intragroup - Purchase of Services | 9,396,975.90 |
| | Intragroup - Sale of Energy, Power & Resources | (1,281,492.40) |
| THEL | Intragroup - Purchase of Energy, Power & Resources | 387,048,764.31 |
| | Intragroup - Sale of Energy, Power & Resources | (2,250,658.88) |
| | Intragroup wheeling income | (99,322,011,48) |
| | Intragroup trade payables | (78,283,332.50) |
| SMCL | Intragroup trade receivables | 512,995.00 |
| | Intragroup - Sale of Energy, Power & Resources | (7,657,231.39) |
| TTPL | Intragroup trade receivables | 470,820.00 |
| | Intragroup trade payables | (454,608.97) |
| | Intragroup - Purchase of Services | 820,352.64 |
| | Intragroup - Sale of Energy, Power & Resources | (4,130,980.00) |
| DML | Intragroup - Sale of Energy, Power & Resources | (12,748.40) |

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**Key management personnel ('KMP')**

KMPs are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly including any director whether executive or otherwise. Key management personnel of the company for the purpose of disclosure of compensation include the Managing Director as required by the Companies Act of Bhutan, 2016.

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

*(Amount in Nu.)*

| | For the year ended | |
|---|---|---|
| | **December31, 2024** | **December31, 2023** |
| Basic Salary and contract allowance | 3,919,554 | 3,005,836 |
| Performance based variable allowances | 627,306 | 121,143 |
| Performance based incentive scheme | 0 | 121,191 |
| Sitting fees | 104,000 | 92,000 |
| Contribution to provident fund | 238,320 | 225,438 |
| Other allowances | 272,861 | 122,400 |
| **Total** | **5,162,041** | **3,688,008** |

The sitting fees to the Board of Directors:

| Sl.no. | Name of Board Director | Amount (Nu.) |
|---|---|---|
| 1 | Dasho Kesang Deki | 60,000 |
| 2 | Dasho Kunzang Dorji | 16,000 |
| 3 | Kinzang Tobgay | 16,000 |
| 4 | Karma P Dorji | 100,000 |
| 5 | Sonam Lhendrup | 12,000 |
| 6 | Dechen Wangmo | 24,000 |
| 7 | Kezang Jamtsho | 36,000 |
| 8 | Tashi Lhamo | 40,000 |
| 9 | Passang Dorji | 72,000 |
| 10 | Sonam Tobgay | 68,000 |
| 11 | Chencho Tshering Namgay | 12,000 |

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

**Note:**

i) Reimbursement of expenses incurred by related parties for and on behalf of the Company and vice-versa, and the related outstanding amounts have not been included in the above disclosures.

ii) The disclosures given above have been reckoned on the basis of information available with the Company and relied upon by the Auditors.

## 36. Employee benefits

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

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

*(Amount in Nu.)*

| Particulars | Gratuity | | Leave Encashment | |
|---|---|---|---|---|
| | Year ended 31st December, 2024 | Year ended 31st December, 2023 | Year ended 31st December, 2024 | Year ended 31st December, 2023 |
| Present Value of obligation at the beginning of year | 684,419,009 | 661,571,351 | - | 90,049,396 |
| Interest cost | 52,895,773 | 49,402,027 | | - |
| Current Service Cost | 43,514,054 | 38,819,057 | | - |
| Past Service Cost | 454,375 | - | | - |
| Benefit Paid | (46,443,700) | (88,092,031) | | - |
| Net actuarial (Gain) / Loss on obligation | 2,589,904 | 22,718,605 | | - |
| Present value of the defined benefit at the end of period/year | 737,429,415 | 684,419,009 | | - |
| Current Liability | 63,876,191 | 75,569,904 | - | 90,049,396 |
| Non-current Liability | 673,553,224 | 608,849,105 | - | - |

*(Amount in Nu.)*

| Particulars | Transfer Grant | | Separation Allowance | |
|---|---|---|---|---|
| | Year ended 31st December, 2024 | Year ended 31st December, 2023 | Year ended 31st December, 2024 | Year ended 31st December, 2023 |
| Present Value of obligation at the beginning of year | 44,932,765 | 38,766,811 | 45,210,016 | 38,865,150 |
| Interest cost | 3,516,659 | 2,892,590 | 3,536,752 | 2,893,954 |
| Current Service Cost | 4,948,274 | 3,361,118 | 5,046,281 | 3,361,466 |
| Benefit Paid | (1,949,053) | (5,218,882) | (2,001,219) | (5,368,032) |
| Net actuarial (Gain) / Loss on obligation | (5,881,239) | 5,131,128 | (5,996,409) | 5,456,941 |
| Present value of the defined benefit at the end of period/year | 45,567,406 | 44,932,765 | 45,795,420 | 45,210,016 |
| Current Liability | 3,389,021 | 3,378,077 | 3,597,711 | 2,963,618 |
| Non-current Liability | 42,178,385 | 41,554,688 | 42,197,709 | 35,901,532 |

*(Amount in Nu.)*

| Particulars | Carriage Charges | |
|---|---|---|
| | Year ended 31st December, 2024 | Year ended 31st December, 2023 |
| Present Value of obligation at the beginning of year | 27,001,688 | 27,580,004 |
| Interest cost | 2,093,951 | 2,018,014 |
| Current Service Cost | 3,411,620 | 2,369,768 |
| Benefit Paid | (1,654,591) | (4,709,651) |
| Net actuarial (Gain) / Loss on obligation | (3,824,548) | (256,447) |
| Present value of the defined benefit at the end of period/year | 27,028,120 | 27,001,688 |
| Current Liability | 1,994,010 | 1,739,352 |
| Non-current Liability | 25,034,110 | 25,262,336 |

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(ii) **Expense recognized in the Statement of Comprehensive Income**

*(Amount in Nu.)*

| Particulars | Gratuity | | Carriage charges | |
|---|---|---|---|---|
| | Year ended 31st December, 2024 | Year ended 31st December, 2023 | Year ended 31st December, 2024 | Year ended 31st December, 2023 |
| Current Service Cost | 43,514,054 | 38,819,057 | 3,411,620 | 2,369,768 |
| Interest cost | 52,895,773 | 49,402,027 | 2,093,951 | 2,018,014 |
| Past Service Cost | - | - | | - |
| Immediate recognition of gain/loss-other long term employee benefits | - | - | | - |
| Net actuarial (Gain) / Loss recognized in the year | 3,044,279 | 22,718,605 | (3,824,548) | (256,447) |
| Expenses recognized in Statement of Profit and Loss | 96,409,827 | 88,221,084 | 5,505,571 | 4,387,782 |

*(Amount in Nu.)*

| Particulars | Transfer Grant | | Separation Allowance | |
|---|---|---|---|---|
| | Year ended 31st December, 2024 | Year ended 31st December, 2023 | Year ended 31st December, 2024 | Year ended 31st December, 2023 |
| Current Service Cost | 4,948,274 | 3,361,118 | 5,046,281 | 3,361,466 |
| Interest cost | 3,516,659 | 2,892,590 | 3,536,752 | 2,894,491 |
| Net actuarial (Gain) / Loss recognized in the year | (5,881,239) | 5,131,128 | (5,996,409) | 5,456,941 |
| Expenses recognized in Statement of Profit and Loss | 8,464,933 | 6,253,708 | 8,583,033 | 6,255,957 |

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### (iii) Actuarial assumptions

Principal assumptions used for actuarial valuation are:

*(Amount in Nu.)*

| Particulars | Gratuity | | Carriage Charges | |
|---|---|---|---|---|
| | Year ended 31st December, 2024 | Year ended 31st December, 2023 | Year ended 31st December, 2024 | Year ended 31st December, 2023 |
| Method used | Projected unit credit method | | | |
| Discount rate | 8% | 8% | 8% | 8% |
| Rate of Increase in Compensation levels | 6% p.a. | 6% p.a. | 6% P.a | 6.00% p.a. |
| Rate of return on plan assets | 0.00% | 0.00% | 0.00% | 0.00% |
| Expected Average remaining working lives of employees (years) | 14.59 years | 14.28 years | 14.59 years | 14.28 years |

*(Amount in Nu.)*

| Particulars | Transfer Grant &Separation Allowance | |
|---|---|---|
| | Year ended 31st December, 2024 | Year ended 31st December, 2023 |
| 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) | 14.59 years | 14.28 years |

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(v) **Sensitivity analysis**

**Gratuity**

*(Amount in Nu.)*

| **1. Discount Rate** | **Defined Benefit Obligation (DBO)** | **Net Effect in DBO** | **% Effective** |
|---|---|---|---|
| (+0.50%) | 707,657,602 | (29,771,813) | -4.0% |
| Base rate | 737,429,415 | - | - |
| (-0.50%) | 769,264,460 | 31,835,044 | 4.3% |
| **2. Salary Escalation Rate** | | | |
| *(+1.00%)* | 804,007,407 | 66,577,992 | 9.0% |
| Base rate | 737,429,415 | | - |
| *(-1.00%)* | 678,242,785 | (59,186,630) | -8.0% |
| **3. Attrition Rate** | | | |
| *(+1.00%)* | 743,214,097 | 5,784,682 | 0.8% |
| Base rate | 737,429,415 | - | - |
| *(-1.00%)* | 731,420,959 | (6,008,456) | -0.8% |

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Carriage Charges

*(Amount in Nu.)*

| 1. Discount Rate | Defined Benefit Obligation(DBO) | Net Effect in DBO | % Effective |
|---|---|---|---|
| (+0.50%) | 25,589,474 | (1,438,646) | -5.3% |
| Base rate | 27,028,120 | - | - |
| (-0.50%) | 28,596,669 | 1,568,549 | 5.8% |
| **2. Increase in Transport Cost** | | | |
| *(+1.00%)* | 30,343,415 | 3,315,295 | 12.3% |
| Base rate | 27,028,120 | - | |
| *(-1.00%)* | 24,195,401 | (2,832,719) | -10.5% |
| **3. Attrition Rate** | | | |
| *(+1.00%)* | 27,551,404 | 523,285 | 1.9% |
| Base rate | 27,028,120 | - | - |
| *(-1.00%)* | 26,450,479 | (577,641) | -2.1% |

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**Separation Allowance**

*(Amount in Nu.)*

| 1. Discount Rate | Defined Benefit Obligation (DBO) | Net Effect in DBO | % Effective |
|---|---|---|---|
| (+0.50%) | 43,481,117 | (2,314,303) | -5.1% |
| Base rate | 45,795,420 | - | - |
| (-0.50%) | 48,312,750 | 2,517,330 | 5.5% |
| **2. Salary Escalation Rate** | | | |
| *(+1.00%)* | 51,109,505 | 5,314,085 | 11.6% |
| Base rate | 45,795,420 | - | - |
| *(-1.00%)* | 41,232,997 | (4,562,423) | -10.0% |
| **3. Attrition Rate** | | | |
| *(+1.00%)* | 46,583,951 | 788,531 | 1.7% |
| Base rate | 45,795,420 | - | - |
| *(-1.00%)* | 44,926,529 | (868,891)) | -1.9% |

**Transfer Grant**

*(Amount in Nu.)*

| 1. Discount Rate | Defined Benefit Obligation(DBO) | Net Effect in DBO | % Effective |
|---|---|---|---|
| (+0.50%) | 43,254,313 | (2,313,093) | -5.1% |
| Base rate | 45,567,406 | - | - |
| (-0.50%) | 48,083,513 | 2,516,107 | 5.5% |
| **2. Salary Escalation Rate** | | | |
| *(+1.00%)* | 50,879,008 | 5,311,603 | 11.7% |
| Base rate | 45,567,406 | - | - |
| *(-1.00%)* | 41,007,459 | (4,559,947) | -10.0% |
| **3. Attrition Rate** | | | |
| *(+1.00%)* | 46,282,954 | 715,549 | 1.6% |
| Base rate | 45,567,406 | - | - |
| *(-1.00%)* | 44,771,729 | (795,677) | -1.7% |

RINZING FINANCIAL PRIVATE LIMITED

**Description of risks**

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

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

**Liquidity risk:** This is the risk that the plan is not able to meet the short-term gratuity payouts. This may arise due to non-availability of enough cash / cash equivalent to meet the liabilities or holding of illiquid assets.
Salary escalation risk: The present value of the defined benefit plan is calculated with the assumption of salary increase of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value of obligation will have a bearing on the plan's liability.

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

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

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

**37. Capital commitments**

The Company has contractual commitments of Nu. 616,252,422 and 1,012,212,771.62 as at December 31, 2024 and December 31, 2023 respectively; on account of capital expenditures relating to acquisition of Property, plant and equipment, but not recognized as liabilities as on the reporting date.

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## 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.

### 38.1Pema Dorji v. Bhutan Power Corporation Limited.

The Liquidated Damages refund pertaining to this case with Druk Zorig Gongphel was closed as per Judgment No. 19/1917 dated December 3, 2019, issued by the Thimphu District Court. BPC filed for enforcement and recovered a sum of Nu. 300,000. However, Mr. Pema Dorji filed a bankruptcy petition, to which BPC submitted response on July 11, 2023, before Commercial Bench II. The case is scheduled for further proceedings in accordance with court procedures. The total outstanding receivable amount is Nu. 1,517,238.

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

The Office of the Attorney General charged BPC under Sections 410 and 411 of the Penal Code of Bhutan for criminal nuisance in connection with the electrocution of a student on June 25, 2022, involving an 11 kV distribution line. The case was filed on February 10, 2023, with a demand for compensation of Nu. 2,925,167.90.

The Phuntsholing Drungkhag Court held the opening statement hearing on April 9, 2024, where BPC presented its defense against the charges. During the rebuttal hearing on December 26, 2024, OAG emphasized the risks associated with the 11 kV high-voltage line and alleged that ground clearance standards were compromised. OAG submitted that BPC should be held liable for criminal nuisance and ordered to pay compensatory damages to the victim. BPC has been directed to submit its rebuttal by the first week of February 2025.

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## 39. Additional disclosures

**(i)** As per the technical assessment of the slow and non-moving material identified based on ageing and usage level of the inventory generated from ERP (SAP) System and also based on identification/segregation of obsolete stock at the time of physical verification, the adequate provision has been made in the accounts towards obsolete material.

(ii) In the opinion of the management, the value of assets other than property, plant and equipment, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Statement of Financial Position.

(iii) In line with the asset replacement policy of BPC, an amount of 0.4% of net Gross value after disposal of asset added at the end of each reporting date is transferred every year to the Asset Replacement Reserve. The transfer of Nu. 12,771,595 for the year 2024 is also made which is to be ratified in the upcoming Annual General Meeting.

(iv) The Company has gained Nu. 271,516,534 (Previous year gain of Nu. 121,604,217 on account of exchange difference arising from translating foreign exchange long term borrowings for JICA I, JICA II(Japanese Yen) and ADA(Euro) in domestic currency.

(v) BPC applied for an interim tariff revision to the Electricity Regulatory Authority due to the adverse impact of the revised tariff (September 1, 2022, till June 30, 2025) on the financial performance. For the year 204-2025 an adjustment was approved by the Electricity Regulatory Authority vide letter no.ERA/CEO/BPC/2024-2025/249 dated November 25,2024 where the cost of purchase of power exceeding the weighted average cost of Nu.1.60/kWh is to be recovered from the HV/MV customer. ERA allowed recovery of Nu.648,12 million, but to reduce the burden of retrospective adjustment to consumer, Nu. 324.06 million to be billed to HV/MV customers raising supplementary bill based on domestic energy consumption. With the recovery of additional power purchase cost and remaining cost, ERA approved the revision of energy charges to Nu.1.9/KWH with effect from November 2024 till June 2025.

(vi) An adjustment entry for part of MHPA loan with BoB (ATS) which was transferred in 2022 was made at the end of the year prospectively for 2023 due to mismatch of principal and interest charged by BoB. An amount of Nu. 7,038,542 was reduced from principle and adjusted with interest based on the reconciliation with BoB.

(vii) For 2024, purchase of power from Punatsangchu Hydro Power Plant II (Puna II) and sales revenue is not booked as the tariff had not been fixed. From 27th till 31st December,2024 energy purchase of 8.75MU amounting to Nu. 33.79 million will be accounted in 2025 along with sales revenue. Further, Infirm Power was sold to BPC amounting to 2.51 MU for the month of December 2024, this expense will be accounted for in 2025.

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

| Particulars | Loan outstanding as on 1.1.2024 | Disbursement/Adjustment during the year | Repayment/adjustment during the year | Loan Outstanding as on 31.12.2024 | Interest Paid/provided for during the year |
|---|---|---|---|---|---|
| ADB-RE I | 99,648,819.71 | - | 8,304,068.30 | 91,344,751.41 | 5,667,526.64 |
| ADB-RE II | 146,606,701.96 | - | 18,325,837.72 | 128,280,864.24 | 8,109,183.20 |
| ADB-RE III | 218,739,704.01 | - | 18,228,308.66 | 200,511,395.35 | 12,491,426.88 |
| ADB-RE IV | 822,371,426.75 | - | 46,992,652.96 | 775,378,773.79 | |
| ADB-RE V | 664,140,663.73 | - | 34,058,495.58 | 630,082,168.15 | 38,733,541.57 |
| ADA | 209,413,215.76 | - | 64,157,460.36 | 145,255,755.40 | 1,219,582.84 |
| JICA-I | 1,469,746,437.60 | - | 169,539,585.61 | 1,300,206,851.99 | 134,859.31 |
| JICA-II | 1,059,484,353.50 | - | 187,425,236.68 | 872,059,116.82 | 1,765,111.69 |
| NPPF | 764,575,036.69 | - | 133,148,782.25 | 631,426,254.44 | 56,099,306.96 |
| MHPA | 4,799,618,038.91 | - | - | 4,802,548,332.94 | 469,895,592.72 |
| Inter corporate loan (DHI) | - | 793,005,518.23 | 793,005,518.23 | - | 13,383,326.02 |
| Loan from NPPF(ATS) | 167,942,166.42 | - | 7,960,177.85 | 159,981,988.57 | 14,804,472.05 |
| FEIF Int Loan-NPPF I | 5,863,083.10 | - | 5,863,083.10 | - | - |
| FIEF Int Loan-DGPC | 1,316,077.28 | - | 350,953.96 | 965,123.32 | - |
| IDC-Loan from MHPA | 1,879,117,292.00 | - | - | 1,833,729,520.13 | - |
| Loan from BoB(ATS) | 675,020,046.56 | - | 31,150,520.31 | 643,869,526.25 | 45,903,787.84 |
| FIEF-Loan from BoB | 25,042,334.08 | - | 25,042,334.08 | - | - |
| OD from BOB -I | 1,265.30 | 545,000,000.00 | 544,998,734.70 | 250.00 | 335,355.84 |
| OD from BOB -II | - | 1,254,400,272.95 | 1,254,400,000.00 | 272.95 | 3,351,683.28 |
| Loan from CHEL | 2,217,677,000.00 | - | 65,225,794.12 | 2,152,451,205.88 | 221,767,700.04 |
| IDC-Loan from CHEL | 751,627,362.74 | - | 2,655,765.93 | 748,971,596.81 | |
| Commercial Paper Loan | 600,000,000.00 | 600,000,000.00 | 1,200,000,000.00 | | 17,753,400.00 |
| IDC Loan for NPPF NIP | - | 114,976,844.26 | - | 114,976,844.26 | - |
| Loan for THYE | - | 365,262,081.59 | 58,291,542.17 | 307,153,261.81 | 29,243,986.50 |
| Loan-IDC for THyE | - | 320,275,076.49 | 320,275,076.49 | - | |
| Loan from NPPF NIP | - | 2,555,000,000.00 | - | 2,555,000,000.00 | - |
| **Total** | **16,577,951,026.10** | **6,547,919,793.52** | **4,989,399,929.06** | **18,094,193,854.51** | **940,659,843.38** |

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

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Units(kWh) | Amount (in Nu. Millions) | Units (kWh) | Amount (in Nu. Millions) |
| Purchase | 6,131.36 | 10,690.12 | 5,323.72 | 8,730.82 |
| Hydel | | | | |
| Import | 1,406.38 | 5,945.45 | 587.35 | 2,735.49 |
| Sale | 7,256.10 | 22,973.62 | 5,744.01 | 16,234.65 |

**40. Subsequent events**

i. The Board of Directors has proposed a final dividend of 90% of Profit After Tax (PAT) for the financial year ended December 31, 2024. The total dividend of Nu.1,538 million is approved by the board members in the General Meeting held to adopt the financial statements for the year ended December 31, 2024. These financial statements do not reflect this dividend payable.

**For Rinzing Financial Private Limited:**

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: 3/19/2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

**For Bhutan Power Corporation Limited:**

Dasho Kesang Deki
**Chairperson, BOD**

Mr. Chencho T.Namgay
**Chairperson, BARC**

Mr. Sonam Tobjey
**Chief Executive Officer**

Ms. Kinley Dem
**Director, CSD**

# RATIO ANALYSIS

## BHUTAN POWER CORPORATION LIMITED

### Ratio Analysis

| Particulars | 2024 | 2023 |
|---|---|---|
| NP ratio | 6.80% | 5.67% |
| Fixed Assets Turnover Ratio (Sales/ Average Net Block) | 0.689 | 0.580 |
| Debtors Turnover Ratio (Energy Sales/Average Debtors) | 7.845 | 8.753 |
| Current Ratio (Current Assets/Current Liabilities) | 0.794 | 0.983 |
| Quick Ratio (Current Asset-Inventory/Current Liabilities) | 0.65 | 0.791 |
| Interest Coverage Ratio (Profit before interest & tax/Interest) | 3.924 | 2.787 |
| Debt Service Coverage Ratio ( PAT+Dep+Interest/(Interest + Principal Repayment) | 3.281 | 2.834 |
| Gearing Ratio (Debt /Gross Value of Fixed Asset) | 39.25% | 37.37% |
| Gearing on net Fixed asset | 56.55% | 52.61% |
| Debt Equity Ratio (Debt/average Equity) | 127.80% | 116.64% |
| Return on Capital Employed (EBIT/(Capital+Reserve+long term liability) | 10.77% | 8.24% |
| Return on asset (Profit after tax)/average net total assets | 4.69% | 3.29% |
| Return on equity ( return available /Average Equity) | 10.41% | 7.11% |

**For Rinzing Financial Private Limited:**

Ms. Tashi Rinzing Schmidt, CPA
Audit Partner
CPA License No. 34762
Date: 3/19/2025
Place: Thimphu, Bhutan

RINZING FINANCIAL PRIVATE LIMITED

# COMPLIANCE CALENDER AND CHECKLIST

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

| No. | Section | INCORPORATION OF A COMPANY & SECURITIES | YES | NO | NA | REMARKS |
|---|---|---|---|---|---|---|
| 1 | 28 | Changes to Articles/ Approval | ✓ | | | Article XIII of the AOI of BPC is amended to increase the subscription from 11,157,502- 11,200,643 in 21st AGM, 2024. |
| 2 | 47 | Change of name/ Approval | | ✓ | | No changes to the name of the company. |
| 3 | 123 | Increase or consolidation of share capital | ✓ | | | Declared a dividend of 9.44% of the total share capital which amounts to Nu. 1,057,340,690/- in 21st AGM, 2024 |
| 4 | 124 | Reduction of share capital | | ✓ | | No such reduction in the share capital. |
| 5 | 82 | License Copy and Share Certificate filing | ✓ | | | Share certificate bearing 11,200,643 numbers equity shares of Nu. 1000/- each amounting to Nu. 11,200,643,000/- |
| 6 | 107 | Public offer of shares & Debentures-ROC Approval | | | ✓ | |

| No. | Section | MANAGEMENT & ADMINISTRATION | YES | NO | NA | REMARKS |
|---|---|---|---|---|---|---|
| 7 | 217 | Registered Office of Company | ✓ | | | Registration number: L20020821BHU043, Bhutan Power Corporation Limited, Yarden Lam, Chubachu, Thimphu, |
| | | (Postal Address & Contact Number) | ✓ | | | Post Box: 580, #325095/325096 |
| 8 | 221 | Publication of name by Company (Letter Head, Seals and Sign Board) | ✓ | | | In all business letters, documents, bills, invoices, letter paper, notices and other publications have the official seal, letterhead and registered name and the address of its registered office. |
| 9 | 241 | Financial Year of Companies as of 31st Dec | ✓ | | | The financial year was on 31st Dec, as per section 241 of CAB, 2016 |

RINZING FINANCIAL PRIVATE LIMITED

| No. | Section | MANAGEMENT & ADMINISTRATION | YES | NO | NA | REMARKS |
|---|---|---|---|---|---|---|
| | 242 | Extension up to 15 months - ROC approval | | | ✓ | |
| | 243 | Extension up to 18 months - Authority's approval | | | ✓ | |
| 10 | 245 | Financial Statements to follow BAS | ✓ | | | Adopted the financial statement along with the notes to the financial statement and audit report in 21st AGM, 2024 |
| 11 | 267 | Annual Return Submission On/before 31st May for listed; others 31st July | ✓ | | | The report of the company was filed as per section 268 of CAB, 2016 |
| 12 | 177 | Annual General Meeting (Minutes) | ✓ | | | Minutes of 21st AGM- 18th March, 2024(09:30 AM) |
| 13 | 180 | Extraordinary General Meeting (Minutes) | | ✓ | | No extraordinary General meeting had been held so far, as per section 180 of CAB, 2016. the Company will hold such meeting, if necessary, as per Act |
| 14 | 185 | Notice for calling general meeting | ✓ | | | As per section 185 of the CAB, 2016 |
| 15 | 187 | listed Co. - written as well as in media Public Co/Private Co. - Written Notice | ✓ | | | As per section 187 of the CAB, 2016 |
| 16 | 190 | Chairman of meeting (CEO cannot chair) | ✓ | | | Ms. Kesang Deki, Secretary, Cabinet secretary, Chairperson of 21st AGM, 2024 |
| 17 | 192 | Representation of corporations at meetings (appointed by Board Directors) | ✓ | | | Representative of the shareholders in 21st AGM, 2024 |
| 18 | 193 | Ordinary and special resolutions (Minutes) | ✓ | | | Minutes of 21st AGM 2024 |
| 19 | 195 | Minutes of Annual General Meeting and Board Meetings (maintained ss.195-198) | ✓ | | | Maintained as per section 195-198 of CAB, 2016 |
| 20 | 199 | Declaration and payment of dividend (199-209) | ✓ | | | Declared a profit after Tax (PAT), Thereby being able to declare a substantial dividend to the shareholders in 21st AGM, 2024 |

RINZING FINANCIAL PRIVATE LIMITED

| No. | Section | MANAGEMENT & ADMINISTRATION | YES | NO | NA | REMARKS |
|---|---|---|---|---|---|---|
| 21 | 232 | Books of account to be kept by company (location & time) | ✓ | | | The books of accounts of the financial statements and audit were kept in the registered office. |
| 22 | | Board's report (signed by Chairman) | ✓ | | | Signed by CEO and Chairperson of board meeting. |
| 23 | 252 | Appointment and removal of Auditors Need to re-appoint annually (251-259) | ✓ | | | Appointed M/s Rinzing Financial Pvt. Ltd, Thimphu as an Auditor to audit BPC in 21st AGM, 2024 |
| 24 | 260 | Resignation of Auditors from office (Annual Resignation) | ✓ | | | Resigns as per section 260 of CAB, 2016 |
| 25 | 266 | Auditing standards (Audit using Auditing Standards issued by AASBB) | ✓ | | | As per AASBB and requirement by RAA. |
| 26 | 133 | Number of directors | ✓ | | | There are 7 Directors at present. |
| 27 | 134 | One third of all Public Companies shall be independent | ✓ | | | Declared at least 1/3 of the Directors as independent Director. |
| 28 | 138 | (Minimum No. & retirement on rotation) | ✓ | | | Reappointed Mr. Karma P. Dorji, Department of Energy, MoENR & Ms. Kesang Deki, Secretary, Cabinet Secretariat. |
| 29 | 139 | Additional directors | ✓ | | | Not appointed any additional Director as per section 139 of CAB, 2016 in 21st AGM, 2024 |
| 30 | 140 | Consent to act as directors | ✓ | | | As per section 140 of CAB, 2016 |
| 31 | 141 | Certain persons not to be appointed as Directors | ✓ | | | In compliance with the provision. |
| 32 | 142 | Resignation by a director | ✓ | | | The Director can resign as per section 142 of CAB, 2016 |
| 33 | 143 | Removal of directors | ✓ | | | No records of such removal in 21st AGM, 2024 |
| 34 | 146 | Board meetings (4 Meetings for Public Cos & 2 Meetings for Pvt) | ✓ | | | More than 4 Board meetings in a year. |
| 35 | 152 | General powers of the board | ✓ | | | As per section 152 of CAB, 2016 |
| 36 | 156 | Restriction on powers of Board | ✓ | | | As per section 156 of CAB, 2016 |

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| No. | Section | MANAGEMENT & ADMINISTRATION | YES | NO | NA | REMARKS |
|---|---|---|---|---|---|---|
| 37 | 210 | Appointment of Chief Executive Officer (Max 5 years terms& 2 consecutive terms only) | ✓ | | | The appointment of CEO of the company is in compliance with chapter 9 of the CAB, 2016. |
| 38 | 213 | Company Secretary required in all Public Companies | ✓ | | | The company has a position of the Company Secretary as per section 213 of CAB, 2016. |
| 39 | 414 | Appointment of selling or buying agents (govt. Approval obtained or not) | | | ✓ | |
| 40 | 157 | No loans to directors (only for Public Co.) | ✓ | | | The company shall not make a loan to any Director, or give any guarantee or provide any security in connection to the loan. |
| 41 | 53 | Inter-corporate investments (investments to be disclosed) apply old rule | ✓ | | | Supervised by the Regulatory Authority. |
| 42 | 158 | Conflict of Interest Transactions by Board | ✓ | | | The Board of directors have to declare the conflict of interest while entering into any contract for the sale, purchase or supply of any goods, materials or service as per section 158 of CAB, 2016. |
| 43 | 161 | Standard of care required by directors (Reckless decision) | ✓ | | | Shall act honestly and in good faith in the best interest of the Company and shall exercise the care, diligence and skill. |

RINZING FINANCIAL PRIVATE LIMITED

| No. | Section | STATUTORY RECORD AND INSPECTION | YES | NO | NA | REMARKS |
|---|---|---|---|---|---|---|
| 44 | 228 | Statutory record and inspection | ✓ | | | The records of the following register are kept in the registered office. |
| | | | | | | |
| | (a) | Register of buy-back of shares | | ✓ | | |
| | (b) | Register of transfers | | ✓ | | |
| | (c) | Register of charges | | ✓ | | |
| | (d) | Register of inter-corporate loans | | ✓ | | |
| | (e) | Register of inter-corporate investments | | ✓ | | |
| | (f) | Register of contracts in which directors are interested | | ✓ | | |
| | (g) | Register of directors | ✓ | | | Submitted to the company registrar dated Nov 19th, 2024. |
| | (h) | Register of directors' shareholding | | ✓ | | |

RINZING FINANCIAL PRIVATE LIMITED

# MANAGEMENT REPORT

## 1. INVENTORY DISCREPANCIES AND CAPITALIZATION ISSUES AT STORAGE LOCATION 0016 (PLANT THD1)

| **Project Information** | | |
|---|---|---|
| **Project Name** | : | Construction of 33kV D/C Line using ACSR (Wolf) Conductor from 132/33kV Yurmoo substation to Project Site, Samcholing |
| **Project Completion Date** | : | 10/27/2022 |
| **Asset Code per SAP:** | : | 16549 |
| **Asset Name per SAP** | : | 33kV D/C Wolf Cond. from Yurmoo SS to Semcholing |

Upon reviewing the inventory records and associated project details for the construction of the 33kV D/C Line using ACSR (Wolf) Conductor from the 132/33kV Yurmoo Substation to the Project Site in Samcholing, we identified several discrepancies that impact the accuracy of inventory balances and capitalization.

As of **December 31, 2024**, the total inventory balance at **Storage Location 0016** amounted to **Nu. 1,815,631.64**. The discrepancies identified are categorized as follows:

| Sl. No. | Amount | Obs. No. | Issues | Resolved and moved to MAR |
|---|---|---|---|---|
| 1 | 75,523.59 | 1.1 | Inventories used during the project but omitted from capitalization | Yes |
| 2 | 3,221.65 | 1.2 | Reclassification of mistakenly capitalized asset as inventory | Yes |
| 3 | 1,711,986.4 | 1.3 | Missing inventories or unaccounted transfers to RSD, Gelephu | No |
| 4 | 24,900 | 1.4 | Unidentified account balances | Yes |
| **Total** | **1,815,631.64** | | | |

These discrepancies, as observed between SAP records and physical inventories, are detailed as follows:

RINZING FINANCIAL PRIVATE LIMITED

### 1.3. MISSING INVENTORIES AND UNACCOUNTED TRANSFERS TO RSD, GELEPHU [7.2.17]

After the completion of the project, the contractor returned the unused inventories to BPCL. The cost of incomplete and missing inventories was recovered from the contractor, while the remaining complete and usable inventories were officially handed over to BPCL as per the handover document dated December 14, 2022.

The inventories were then physically transferred to the Regional Stores Division (RSD), Gelephu. However, the transfer could not be updated in SAP due to discrepancies between the physical stock and SAP records. As a result:

- SAP still reflects these inventories at their original storage location, despite their physical transfer.
- A physical verification at RSD, Gelephu revealed that some of the transferred inventories were missing, amounting to Nu. 1,283,878.16.
- The discrepancies have prevented the completion of SAP updates, resulting in an overstatement of inventory balances at the original location and an unaccounted reduction at RSD, Gelephu.

The table below details the missing inventory items:

*(Amount in Nu.)*

| Code | Material Description | Per SAP* | Per Physical Verification | Difference |
|---|---|---|---|---|
| 295 | Preform termination - 150sqmm | 30,780.00 | - | 30,780.00 |
| 296 | Guy preform for 7/8 SWG wire | 11,484.00 | 11,484.00 | - |
| 344 | Mid span Jointing Sleeve (Wolf) | 2,386.35 | - | 2,386.35 |
| 352 | P.G.Clamp (Wolf) | 76,120.00 | - | 76,120.00 |
| 378 | Guy Insulator | 14,302.65 | 9,731.70 | 4,570.95 |
| 381 | 33 kV Pin Insulator | 319,928.67 | 10,731.36 | 309,197.31 |
| 486 | G.I.Wire 8 SWG | 2,578.83 | - | 2,578.83 |
| 490 | GI stay wire 7/8SWG | 113,071.96 | 87,321.09 | 25,750.87 |
| 514 | Danger plate (Medium voltage - 33 kV) | 2,416.00 | - | 2,416.00 |
| 517 | Spike Earthing | 51,478.68 | - | 51,478.68 |
| 552 | GI stay set assembly | 85,675.52 | 45,515.12 | 40,160.40 |
| 555 | GI Eye Hook 16mm Dia 250 mm Long | 74,880.00 | 74,880.00 | - |
| 993 | Anti-climbing Device | 5,401.20 | 4,861.08 | 540.12 |
| 1272 | 33kV Polymer Strain insulator assembly | 348,040.00 | - | 348,040.00 |
| 1501 | Preform deadend termination-shield wire | 7,347.12 | 7,013.16 | 333.96 |
| 2088 | GI stranded Earth Shield Wire 7/2 mm | 34,519.43 | - | 34,519.43 |
| 5586 | Galvanized Cross arm assly H-frame (O) | 31,772.67 | 31,772.67 | - |
| 5587 | Galvanized Cross brace arm assembly | 367,908.78 | 141,999.88 | 225,908.90 |
| 5593 | Galvanised Stay Clamp for HT | 8,394.54 | 2,798.18 | 5,596.36 |
| 5808 | GI Steel Tubular Pole 410-SP-65, 12m | 123,500.00 | - | 123,500.00 |
| | | **1,711,986.40** | **428,108.24** | **1,283,878.16** |

****The SAP records and the handover report reflect the same quantity of items.***

RINZING FINANCIAL PRIVATE LIMITED

Since SAP does not match the actual physical inventory, these discrepancies require urgent reconciliation to ensure accurate financial reporting and inventory control.

**Recommendation:**

- **Immediate Reconciliation of SAP Records and Physical Inventory**

Conduct a joint reconciliation involving BPCL's Finance, Procurement, and Warehouse teams to compare SAP records, handover documents, and the physical stock at RSD, Gelephu.

Identify and document the reasons for the stock discrepancies, including potential losses, misallocation, or unrecorded transfers.

Update SAP to reflect the actual inventory status at each location.

- **Formal Investigation of Missing Inventories**

Initiate an internal review to determine whether the missing inventories were misplaced, lost, or unaccounted for during the transfer process.
If necessary, recover losses through appropriate measures, including contractor liability or internal responsibility checks.

***Management Response:***

***AUC 49473 Details and Recovery from Contractor.***

*After the capitalization of 33kV line at Samchholing, Trongsa, the spare materials were added to AUC number 49473 under TPO, Changedaphu amounting to* ***Nu. 1,906,372.89.***

*However, the contractor didn't return materials worth* ***Nu. 194,386.48*** *to the project office, Samchholing. So, a total of Nu. 291,579.73 (150% of the total cost) were recovered from the contractor.*

*The cost of the remaining materials in the AUC amounts to* ***Nu. 1,711,986.41.***

| *Material* | *Material Description* | *Qty* | *Rate* | *Unit* | *Amount* |
|---|---|---|---|---|---|
| 295 | *Preform termination - 150sqmm* | 81 | 380.00 | NO | 30,780.00 |
| 296 | *Guy preform for 7/8 SWG wire* | 33 | 348.00 | NO | 11,484.00 |
| 344 | *Mid span Jointing Sleeve (Wolf)* | 5 | 477.27 | NO | 2,386.35 |
| 352 | *P.G.Clamp (Wolf)* | 346 | 220.00 | NO | 76,120.00 |
| 378 | *Guy Insulator* | 97 | 147.45 | NO | 14,302.65 |
| 381 | *33 kV Pin Insulator* | 477 | 670.71 | SET | 319,928.67 |
| 486 | *G.I.Wire 8 SWG* | 29.55 | 87.27 | KG | 2,578.83 |
| 490 | *GI stay wire 7/8SWG* | 1,264.08 | 89.45 | KG | 113,071.96 |
| 514 | *Danger plate (Medium voltage - 33 kV)* | 16 | 151.00 | NO | 2,416.00 |
| 517 | *Spike Earthing* | 59 | 872.52 | SET | 51,478.68 |
| 552 | *GI stay set assembly* | 64 | 1,338.68 | SET | 85,675.52 |
| 555 | *GI Eye Hook 16mm Dia 250 mm Long* | 96 | 780.00 | SET | 74,880.00 |
| 993 | *Anti-climbing Device* | 10 | 540.12 | NO | 5,401.20 |
| 1272 | *33kV Polymer Strain insulator assembly* | 308 | 1,130.00 | SET | 348,040.00 |
| 1501 | *Preform deadend termination-shield wire* | 66 | 111.32 | NO | 7,347.12 |
| 2088 | *GI stranded Earth Shield Wire 7/2 mm* | 1.910 | 18,073.00 | KM | 34,519.43 |

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| Material | Material Description | Qty | Rate | Unit | Amount |
|---|---|---|---|---|---|
| 5586 | Galvanized Cross arm assly H-frame (O) | 3 | 10,590.89 | SET | 31,772.67 |
| 5587 | Galvanized Cross brace arm assembly | 57 | 6,454.54 | SET | 367,908.78 |
| 5593 | Galvanised Stay Clamp for HT | 42 | 199.87 | NO | 8,394.54 |
| 5808 | GI Steel Tubular Pole 410-SP-65, 12m | 4 | 30,875.00 | SET | 123,500.00 |
| | | | TOTAL | | **1,711,986.40** |

***Conversion of AUC to Inventory.***

*The AUC (49473) amount needed to be converted into inventory in order to systematically issue the materials from TPO, Changedaphu storage location to other offices.*

*With the support from officials from SUIT, the AUC cost was successfully converted to inventory and now lies in the storage location of TPO, Changedaphu* ***(Refer Table 1 for the details).***

*Out of the missing materials reported as difference in the observation with value of Nu. 1,283,878.16 incomplete materials worth Nu. 630,809.32 have been returned by the project office to RSD as shown in the table below. The balance materials worth Nu. 653,068.84 shall be reconciled, updated in the SAP by the concerned project officials and shall hand over physically to the RSD.*

| Code | Material Description | Difference | Incomplete (handed over to RSD) | Missing |
|---|---|---|---|---|
| 295 | Preform termination - 150sqmm | 30,780.00 | 30,780.00 | 0.00 |
| 296 | Guy preform for 7/8 SWG wire | - | | |
| 344 | Mid span Jointing Sleeve (Wolf) | 2,386.35 | 954.54 | 1,431.81 |
| 352 | P.G.Clamp (Wolf) | 76,120.00 | 4,840.00 | 71,280.00 |
| 378 | Guy Insulator | 4,570.95 | 4570.95 | |
| 381 | 33 kV Pin Insulator | 309,197.31 | 3353.55 | 305,843.76 |
| 486 | G.I.Wire 8 SWG | 2,578.83 | | 2,578.83 |
| 490 | GI stay wire 7/8SWG | 25,750.87 | | 25,750.87 |
| 514 | Danger plate (Medium voltage - 33 kV) | 2,416.00 | 1963 | 453.00 |
| 517 | Spike Earthing | 51,478.68 | 51,478.68 | |
| 552 | GI stay set assembly | 40,160.40 | 38821.72 | 1,338.68 |
| 555 | GI Eye Hook 16mm Dia 250 mm Long | - | | |
| 993 | Anti-climbing Device | 540.12 | | 540.12 |
| 1272 | 33kV Polymer Strain insulator assembly | 348,040.00 | 212,440.00 | 135,600.00 |
| 1501 | Preform deadend termination-shield wire | 333.96 | | 333.96 |
| 2088 | GI stranded Earth Shield Wire 7/2 mm | 34,519.43 | | 34,519.43 |

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| Code | Material Description | Difference | Incomplete (handed over to RSD) | Missing |
|---|---|---|---|---|
| 5586 | Galvanized Cross arm assly H-frame (O) | - | | |
| 5587 | Galvanized Cross brace arm assembly | 225,908.90 | 154,908.96 | 70,999.94 |
| 5593 | Galvanised Stay Clamp for HT | 5,596.36 | 3,197.92 | 2,398.44 |
| 5808 | GI Steel Tubular Pole 410-SP-65, 12m | 123,500.00 | 123,500.00 | 0.00 |
| | | **1,283,878.16** | **630,809.32** | **653,068.84** |

***Additional Management Responses (Post-Exit):***

*For the materials listed incomplete set amounting to Nu. 630,809.32 items, the Management will form a team and assign the tasks to make the items in complete set after the proper assessment. For those items that can't be made in complete set, further assessment on their usage will be done with proper valuation of the items. Regarding the missing items amounting to Nu.653,068.84, re-verification and reconciliation will be carried out accordingly by the same team as recommended by the auditor. Necessary treatment shall be carried out by the department as per the company norms. The action taken report on the same will be submitted to RAA latest by first quarter of fiscal year 2025. Considering the above, it is requested to drop the observation.*

***Auditor's Further Comments:***

*We acknowledge the management's response and their commitment to resolving the identified issues. As part of the Action Taken Report (ATR) for the RAA's review, management is required to provide a detailed report outlining the reconciliation and revaluation processes undertaken for the incomplete and missing inventories. Additionally, management should ensure that all necessary adjustments are accurately reflected in the SAP system to align with the physical stock records.*

**Who is accountable?**

**Direct Accountability-** Name: Amrit Bdr. Limbu, Designation: Associate Engineer, CID: 11204000983

**Supervisory Accountability-** Name: Tshering Wangchuk, Designation: Head, TOMU, Yurmoo, CID: 10711001814

RINZING FINANCIAL PRIVATE LIMITED

# MANAGEMENT APPRAISAL REPORT

# MANAGEMENT APPRAISAL REPORT (PART I)

## 1. OMISSION OF INVENTORIES FROM ASSET CAPITALIZATION [7.2.18]

During our inquiry with the focal person at BPCL, we identified three inventory items, totaling Nu. 75,523.59, were issued to the contractor and utilized during construction. However, these items were omitted from capitalization upon project completion.
The omission occurred because the physical transfer of these materials was not accurately recorded in SAP, leaving them classified as "in transit" instead of being accounted for as part of the capitalized assets. Despite their confirmed use in the project, their incorrect status in SAP resulted in their exclusion from asset capitalization.

| Code | Material Description | Unit of Measure | Quantity | Amount (Nu.) |
|---|---|---|---|---|
| 514 | Danger plate (Medium voltage - 33 kV) | NO | 190 | 18,617.83 |
| 514 | Danger plate (Medium voltage - 33 kV) | NO | 12 | 701.01 |
| 576 | ABS/LBS unit 33 kV (Three phase) | SET | 2 | 56,204.75 |
| **Total** | | | | **75,523.59** |

This omission has **understated depreciation expenses and asset balances** since the capitalization date (**October 27, 2022**) while simultaneously **overstating inventory balances** in the financial records.

**Recommendation:**
To rectify the omission of inventories from asset capitalization and ensure accurate financial reporting, we recommend the following actions:

- **Immediate Capitalization Adjustment**

The omitted inventory items, totaling Nu. 75,523.59, should be capitalized as part of the project assets, effective from the original capitalization date.
Adjustments should be made in SAP and the financial statements to reflect the true value of capitalized assets.

- **Correction of Depreciation**

Recalculate and adjust depreciation expenses from the capitalization date to account for the previously omitted assets.

- **Strengthening Inventory and Asset Transfer Processes**

Implement a systematic review process to ensure that all materials issued for construction are correctly recorded and capitalized.
Establish regular reconciliations between SAP records and physical stock to identify and correct discrepancies in material status.



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***Management Response:***

*The aforementioned materials were left out during the capitalization works. These materials were in transit and unknowingly missed out. The same will be issued and added into the capital works this year.*

***Additional Management Responses (Post-Exit):***

*Since the project was already capitalized on 27th October 2022, the value of the materials was seen as not material compared to the overall value of the work. Hence, it was decided to expense off the said materials in line BPC AMMR in fiscal year 2025 and accordingly the same shall be adjusted in the P&L account of 2025. The system adjustment will be made latest by 28th February 2025.*

*It will also be ensured in future projects that all materials issued to the construction of an asset will be correctly recorded and capitalized. Considering the above, it is requested to drop the observation.*

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

*As the adjustment is considered immaterial and does not impact the financial statements for the period ending December 31, 2024, we acknowledge management's assurance that the necessary adjustments will be completed by February 28, 2025. Accordingly, this observation is considered resolved.*

***Compliance to be made by management:***

*In line with management's commitment to making the necessary adjustments in 2025, the accuracy and completeness of these adjustments will be reviewed during the subsequent audit.*

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## 2. RECLASSIFICATION OF MISTAKENLY CAPITALIZED ASSET AS INVENTORY [7.2.37]

During our review, we identified inventory items that were mistakenly capitalized as assets. These items were never issued to the contractor for construction and remained physically stored at BPCL throughout the project. However, their entire value was incorrectly included in asset capitalization, even though they were not actually used in construction.

Since these inventories were still present in BPCL's stores, the management, through Note Sheet 09/BPC/TPO/2024/Vol-I/214 dated November 4, 2024, decided to reclassify these items from capitalized assets to inventory. This reclassification was intended to properly account for these materials in SAP and allow their future utilization.

However, the reclassification was conducted at an incorrect rate of Nu. 1 per item instead of their actual cost, resulting in a discrepancy of Nu. 14,989,784.38 between the recorded and actual values, as detailed below:

*(Amounts in Nu.)*

| Code | Material Description | Per Note Sheet | Recalculation | Difference |
|---|---|---|---|---|
| 352 | P.G.Clamp (Wolf) | 153.00 | 33,660.00 | 33,507.00 |
| 486 | G.I.Wire 8 SWG | 491.25 | 42,871.41 | 42,380.16 |
| 493 | Anti- climbing device (156.1 mm) | 256.00 | 138,240.00 | 137,984.00 |
| 517 | Spike Earthing | 4.00 | 3,490.08 | 3,486.08 |
| 552 | GI stay set assembly | 257.00 | 344,040.76 | 343,783.76 |
| 555 | GI Eye Hook 16mm Dia 250 mm Long | 838.00 | 653,640.00 | 652,802.00 |
| 1272 | 33kV Polymer Strain insulator assembly | 614.00 | 693,820.00 | 693,206.00 |
| 1987 | 33kV Polymer Pin Insulator Assembly | 332.00 | 215,800.00 | 215,468.00 |
| 5587 | Galvanized Cross brace arm assembly | 197.00 | 1,271,544.38 | 1,271,347.38 |
| 5808 | GI Steel Tubular Pole 410-SP-65, 12m | 357.00 | 11,022,375.00 | 11,022,018.00 |
| | Galvanised cross arm assembly H-Frame | 21.00 | 244,650.00 | 244,629.00 |
| | CT/PT 300/200/1A 33kV | 1.00 | 165,000.00 | 164,999.00 |
| | CT/PT 300/150/1A 33kV | 1.00 | 164,175.00 | 164,174.00 |
| **Total** | | **3,522.25** | **14,993,306.63** | **14,989,784.38** |

*Rates used for recalculation have been sourced from the SAP inventory balance for the same items.*

**Impact of the Reclassification Error**

- **Overstatement of Capitalized Asset Value**: The mistakenly capitalized inventories resulted in an inflated asset balance.
- **Understatement of Inventory Value**: The reclassification at Nu. 1 per item significantly undervalued inventory balances.
- **Overstatement of Depreciation Expense**: Since these items were not used in the construction, depreciation expenses for previous periods were incorrectly recorded.

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Furthermore, following the reclassification on November 4, 2024, some of these items were subsequently issued to other stores, projects, or used for repairs and maintenance. However, due to the incorrect reclassification at Nu. 1 per item, their issuance values were also understated. This led to a discrepancy of Nu. 1,418,832.59 as shown below:

*(Amounts in Nu.)*

| Code | Material Description | Per Note Sheet | Recalculation | Difference |
|---|---|---|---|---|
| 486 | G.I.Wire 8 SWG | 9.60 | 837.79 | 828.19 |
| 493 | Anti- climbing device (156.1 mm) | 16.00 | 8,640.00 | 8,624.00 |
| 552 | GI stay set assembly | 156.00 | 208,834.08 | 208,678.08 |
| 1272 | 33kV Polymer Strain insulator assembly | 72.00 | 81,360.00 | 81,288.00 |
| 5587 | Galvanized Cross brace arm assembly | 8.00 | 51,636.32 | 51,628.32 |
| 5808 | GI Steel Tubular Pole 410-SP-65, 12m | 16.00 | 494,000.00 | 493,984.00 |
| | Galvanised cross arm assembly H-Frame | 21.00 | 244,650.00 | 244,629.00 |
| | CT/PT 300/200/1A 33kV | 1.00 | 165,000.00 | 164,999.00 |
| | CT/PT 300/150/1A 33kV | 1.00 | 164,175.00 | 164,174.00 |
| **Total** | | **300.60** | **1,419,133.19** | **1,418,832.59** |

*Rates used for recalculation have been sourced from the SAP inventory balance for the same items.*

**Recommendations:**

- **Immediate Adjustment of Reclassified Inventory Values**

The management should update SAP to reflect the actual cost of reclassified inventory instead of Nu. 1 per item.
The discrepancy of Nu. 14,989,784.38 should be corrected in financial records.

- **Correction of Depreciation**

The incorrectly capitalized assets have led to overstated depreciation expenses. A reassessment should be conducted, and necessary adjustments should be made.

- **Adjustment of Issued Inventory Values**

The issued inventory from November 4 to December 31, 2024, should be revalued at actual costs to correct the understatement of Nu. 1,418,832.59.

- **Strengthening Internal Controls**

Implement stricter validation processes to prevent incorrect capitalization of inventory items in future projects.
Conduct regular reconciliation of physical stock with SAP records to ensure accurate financial reporting.

***Management Response:***

***Jamjee 33kV Spare materials.***

*The materials used for the construction of 33kV lines were purchased by the project office directly and were booked in project services (Project WBS). The entire cost of the materials was capitalized where the spare materials needed to be segregated.*

*After seeking approval from Director, CSD, the materials lying physically at the project site without the inventories record of account, were taken in the stock inventory record at the rate of value 1.00.*

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| SL.No | Description | Unit | Quantity | Rate | Amount | Valuation |
|---|---|---|---|---|---|---|
| 1 | 12 M Steel Tubular Pole Set (including nuts and bolt) | Nos | 357 | 1 | 357.00 | O&M_REFUB |
| 2 | 33kv Polymer strain insulator assembly | Set | 614 | 1 | 614.00 | O&M_REFUB |
| 3 | 33 kV Polymer Pin insulator | Set | 332 | 1 | 332.00 | O&M_REFUB |
| 4 | Galvanised cross arm assembly H-Frame | Set | 21 | 1 | 21.00 | O&M_REFUB |
| 5 | Galvanised cross brace arm assembly | Set | 197 | 1 | 197.00 | O&M_REFUB |
| 6 | GI stay set | Set | 257 | 1 | 257.00 | O&M_REFUB |
| 7 | Anti climbing Device | Set | 256 | 1 | 256.00 | O&M_REFUB |
| 8 | Spike Earthing | Nos. | 4 | 1 | 4.00 | O&M_REFUB |
| 9 | GI wire 8swg | kg | 491.25 | 1 | 491.25 | O&M_REFUB |
| 10 | CT/PT 300/200/1A 33kV | Nos. | 1 | 1 | 1.00 | O&M_REFUB |
| 11 | CT/PT 300/150/1A 33kV | Nos. | 1 | 1 | 1.00 | O&M_REFUB |
| 12 | GI eye Hook | Nos. | 838 | 1 | 838.00 | O&M_REFUB |
| 13 | PG clamp Wolf | Set | 153 | 1 | 153.00 | O&M_REFUB |
| | | TOTAL | | | 3,522.25 | |

***<u>Additional Management Responses (Post-Exit):</u>***

*Since these materials were purchased specifically as a spare for the Project, all the materials were capitalized along with the project as per the BPC's Accounting Manual 5.3.5.e, which states that all the capital spares have to be capitalized. The value Nu.1 against each item quantity was specifically assigned to trace the movement of balance inventory and also for the physical verification and further to avoid duplication in amount booking when the materials are utilized. If the materials are assigned their acquisition cost, it will lead to double booking of cost and also inflate the value of the assets. Considering the above, it is requested to drop the observation.*

***<u>The memo has been treated as settled:</u>***

*We acknowledge the management's response and the rationale provided for capitalizing spare materials in accordance with BPCL's Accounting Manual (Section 5.3.5.e) and established practices. Based on discussions during the Audit Exit Meeting, it was initially decided to move this observation to MAR II, meaning the issue would not be pursued further in subsequent audits.*

*However, upon further consultation with the Royal Audit Authority (RAA) and subsequent discussions with the Accounting & Auditing Standards Board of Bhutan (AASBB), we conclude that while BPCL's internal manual allows for the capitalization of spares, this treatment is inconsistent with BAS 2020, specifically **BAS 16 (Property, Plant, and Equipment) and BAS 2 (Inventories)**:*

- ***BAS 16.8** states that an item should be recognized as Property, Plant, and Equipment (PPE) **only if it is expected to be used in production or supply of goods and services, for rental, or administrative purposes, and is expected to generate future economic benefits**.*
- ***BAS 16.12** further clarifies that **spare parts and servicing equipment are generally classified as inventory and only capitalized if they meet the definition of PPE (i.e., they are used in the construction or maintenance of a specific asset and provide long-term benefits).***



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- ***BAS 2.6*** *defines inventories as* ***assets held for sale, in the process of production, or consumed in operations****. Since the spare materials were never utilized for the construction of assets and remained in stock for future use, they should have been classified as inventory under* ***BAS 2*** *rather than being capitalized as assets.*

*Given the significant volume of projects undertaken over the years, and the potential cumulative misstatement in BPCL's financial statements, retrospective corrections may not be feasible. Accordingly, this observation is considered resolved.*

***Compliance to be made by management:***
*However,* ***to ensure compliance with BAS 2020 going forward, BPCL must discontinue the practice of capitalizing spare materials effective January 1, 2025, even if internal policies allow*** *it.*

*This issue is now moved to* ***MAR I****, meaning that subsequent audits will verify whether BPCL complies with* ***BAS 2020*** *on this matter.* ***Failure to adhere to the correct accounting treatment from 2025 onward may result in a formal audit finding in future audits, potentially impacting the audit opinion.***

***Management's Further Response:***
*BPC acknowledges the recommendation made by the Auditors and to comply with BAS 2020, specifically BAS 16 & BAS 2, going forward, BPC wouldn't be capitalizing the capital spares to asset but have it shown in inventories, if any prospectively.*

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### 3. UNIDENTIFIED ITEM BALANCES [7.2.18]

During our review of the inventory records, we identified an item with a balance of Nu. 24,900 reflected under the same store in SAP. However, upon further inquiry, it was confirmed that this item no longer exists physically. The details of the item are as follows:

| Code | Material Description | Unit of Measure | Quantity | Amount (Nu.) |
|---|---|---|---|---|
| 65 | Arm. Al cable 3Cx300sqmm, XLPE Ins, 33kV | M | 249.00 | 24,900.00 |

Since this item does not physically exist, its presence in SAP results in an overstatement of inventory balances.
We recommend that management conduct a thorough investigation to confirm the status of this item. If it is determined to be non-existent, appropriate adjustments should be made to SAP to remove the incorrect balance and ensure that the inventory records accurately reflect the actual stock.

***Management Response:***
*The material utilized for the special DHI works at Dagapela are still recorded in the inventory of project plant THD1 and have not been updated in the system. The concerned project officials will adjust, capitalize and correct the records in the SAP system accordingly.*

***Additional Management Responses (Post-Exit):***
*Since the project was already capitalized on 23rd May 2023, the material amounting to Nu. 24,900.00 will be expensed off in fiscal year 2025 and accordingly the same shall be adjusted in P&L account of 2025. The system adjustment will be made latest by 28th February 2025. Considering the above, it is requested to drop the observation.*

***The memo has been treated as settled:***
*As the adjustment is considered immaterial and does not impact the financial statements for the period ending December 31, 2024, we acknowledge management's assurance that the necessary adjustments will be completed by February 28, 2025. Accordingly, this observation is considered resolved.*

***Compliance to be made by management:***
*In line with management's commitment to making the necessary adjustments in 2025, the accuracy and completeness of these adjustments will be reviewed during the subsequent audit.*

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## 4. LAND LEASE NOT ACCOUNTED FOR PER BFRS 16 [1.2.85]

BPCL has entered into lease agreements as a lessee for the lands listed below, but the treatment for these leases has not been performed in accordance with the requirements of **BFRS 16: Leases**.

According to BFRS 16, lessees are required to recognize lease liabilities and corresponding right-of-use (ROU) assets for all leases, except for short-term leases (less than 12 months) and low-value assets, on the balance sheet. The failure to account for these leases in compliance with BFRS 16 results in the understatement of both liabilities and assets, which impacts the financial statements and related disclosures.

The following land lease agreements have not been accounted for under BFRS 16:

*(Amount in Nu.)*

| Sl. No. | Lease Name | Initial Payment Date | Last Payment Date | Lease Tenure | Yearly Rent Payment |
|---|---|---|---|---|---|
| 1 | SRF - Tendruk, Samtse | 29-May-2024 | 29-May-2033 | 10 | 5,880.60 |
| 2 | SRF - Endocholing, Trongsa | 2-Feb-2023 | 1-Jan-2027 | 5 | 30,361.32 |
| 3 | SL - Pasakha, Phuentsholing | 27-Oct-2023 | 27-Oct-2032 | 10 | 538,620.00 |

**Recommendation:**

- **Immediate Recognition of Lease Liabilities and ROU Assets**

  Management should immediately recognize the lease liabilities and corresponding right-of-use assets for the above land leases, based on the present value of future lease payments as of the commencement date for each lease.

- **Compliance with BFRS 16:**

  Management must ensure that future leases are properly accounted for in accordance with BFRS 16 to avoid similar issues going forward. This includes updating internal procedures to identify all leases and ensure timely recognition of lease liabilities and ROU assets.

- **Restatement of Financial Statements:**

  If necessary, BPCL should restate prior period financial statements to reflect the recognition of the lease liabilities and ROU assets for these land leases in compliance with BFRS 16.

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***Management Response:***

*In response to your findings, we have taken the necessary steps to ensure compliance with BFRS 16. Specifically, we have made the following entries:*

1. *Recognition of Right-of-Use (ROU) Assets:*
   *We have recorded the ROU entries for the following assets:*
   - *Asset Code 58038 for Pasakha, Phuentsholing RSD*
   - *Asset Code 58039 for the Trongsa, Tintibi TOMS*
   - *Asset Code 58040 for Tendruk, Samtse ESD*

2. *Lease Liabilities and ROU Entries:*
   *We have recognized the lease liabilities and corresponding ROU entries under Document Numbers 100100162, 100100163, and 100100164, dated January 1, 2024.*

3. *Depreciation for 2023:*
   *We have accounted for depreciation for the year 2023 for the Pasakha, Phuentsholing asset and the Trongsa, Tintibi office, documented under Document Numbers 2675 and 2676, dated January 1, 2024. As this depreciation pertains to the prior year, we have transferred the depreciation to Retained Earnings, as reflected in Document Number 100100169, dated December 31, 2024.*

4. *Final Transactions for Lease Liability and Finance Cost for 2024:*
   *The final transactions related to lease liability and finance costs for the year 2024 have been recorded under Document Number 100100166, dated December 31, 2024.*

*We are committed to ensuring that all future leases are accounted for in accordance with BFRS 16 and will continue to update our internal procedures to prevent similar issues from arising in the future. Thank you for your guidance on this matter. Please let us know if you require any further information or clarification.*

*The observation for land lease agreements that have not been accounted for under BFRS 16 is completed, hence kindly requested to drop the observation/memo.*

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

*We acknowledge management's corrective actions in recognizing lease liabilities and Right-of-Use (ROU) assets in compliance with BFRS 16. As the necessary adjustments have been made, this observation is considered addressed.*

***Compliance to be made by management:***

*To ensure ongoing compliance, management should provide clear disclosures on corrective actions taken and maintain proper documentation for future leases. The implementation of these measures will be reviewed in subsequent audits.*

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## 5. DISCREPANCIES OF BOBL LOAN BALANCES AND OVERSTATEMENT OF INTEREST EXPENSE [1.2.66]

A review of BPCL's loan balances as of December 31, 2024, identified discrepancies between SAP records and loan statements issued by the Bank of Bhutan Limited (BOBL). The principal amount in SAP was overstated by Nu. 7,038,542.14, while accrued interest was understated by Nu. 397,521.93, leading to a total discrepancy of Nu. 6,641,020.21.

*(Amount in Nu.)*

| December 31, 2024 | Per SAP | Per BOBL | Difference | Remarks |
|---|---|---|---|---|
| Principal Amount | 650,908,068.39 | 643,869,526.25 | 7,038,542.14 | Overstatement |
| Accrued Interest | 4,285,808.41 | 4,683,330.34 | (397,521.93) | Understatement |
| **Total Loan Amount** | **655,193,876.80** | **648,552,856.59** | **6,641,020.21** | |

Most of the above differences stem from prior-year periods, as similar variances were noted as of December 31, 2023, with an overstatement of principal by Nu. 7,851,560.08 and an understatement of accrued interest by Nu. 3,537,649.83.

*(Amount in Nu.)*

| December 31, 2023 | Per SAP | Per BOBL | Difference | Remarks |
|---|---|---|---|---|
| Principal Amount | 675,020,046.56 | 667,168,486.48 | 7,851,560.08 | Overstatement |
| Accrued Interest | 4,313,910.25 | 7,851,560.08 | (3,537,649.83) | Understatement |
| **Total Loan Amount** | **679,333,956.81** | **675,020,046.56** | **4,313,910.25** | |

The issue arises due to the following practices:
BPCL currently makes quarterly loan payments before the Bank of Bhutan Limited (BOBL) finalizes the interest charge for the last month of the quarter. This timing difference results in inconsistencies in how the principal and interest amounts are reduced.
Furthermore, the actual interest BOBL charges often differ from the estimates outlined in the repayment schedule, which BPCL relies on for recording transactions. This practice introduces discrepancies between BPCL's records and the bank's actual charges.

**Recommendations:**

1. **Prior Period Adjustments:** BPCL should immediately adjust SAP loan balances to align with BOBL's loan statements, ensuring prior-period discrepancies are corrected.
2. **Accurate Interest Recording:** Future interest payments should be recorded strictly based on actual charges from BOBL to prevent continued mismatches.
3. **Improved Payment Coordination:** BPCL should coordinate with BOBL to ensure payments are processed accurately, preferably by submitting a demand note directly to the loan officer.
4. **Ongoing Reconciliation:** A structured reconciliation process should be implemented to routinely verify and align SAP records with bank statements, preventing recurring discrepancies.

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***Management Response:***

*An adjustment entry of Nu. 7,038,542.14 was made on 31.12.2024, in consultation with the Auditors, under document number 100100138, which involved debiting the BOB ATS loan account and crediting the interest on the loan. The adjustment for the unpaid portion of interest as indicated in the report has been made for the amount of Nu.397,521.93 via document number 1900000001.*

*BPC had been making the payment based on the projected schedule provided by BOB for the ATS loan. Each payment, covering both principal and interest, was made via a forwarding letter on the scheduled date. However, due to the floating interest rate, discrepancies were identified in the calculations from the Bank's side. Since the reconciliation has been completed, proper consultation will be ensured before the remittance of principal and interest payment. Therefore, it is requested to drop this observation.*

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

*We acknowledge management's corrective actions, including the adjustments made on December 31, 2024, to align SAP loan balances with the Bank of Bhutan Limited (BOBL) loan statements. As the discrepancies identified in 2023 were material but have been addressed through corrections in 2024, this observation is considered resolved.*

***Compliance to be made by management:***

*To ensure transparency, management should provide proper disclosures regarding these adjustments in the financial statements. Additionally, we recommend establishing regular reconciliation processes with BOBL to prevent similar discrepancies in the future. The implementation of these measures will be monitored in subsequent audits.*



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## 6. FAILURE TO CLEAR AGED RETENTION MONEY (LIABILITY ACCOUNTS) OPEN ITEMS [1.2.85]

BPCL's retention money liability accounts in SAP reflect a total created retention of **Nu. 465,901,771.93**, out of which **Nu. 70,283,557.79** has been released. However, these released amounts remain uncleared in SAP, indicating a significant backlog of aged open items. Despite the company's automated clearing process, manual intervention to resolve items that remain uncleared has not been performed.

*(Amount in Nu.)*

| Account Name | Retention Created | Retention Released |
|---|---|---|
| Retention from Suppliers | (298,404,220.84) | 47,924,320.41 |
| Retention from Contractors | (43,119,722.23) | 9,643,269.59 |
| Retention from Others | (124,377,828.86) | 12,715,967.79 |
| **Total** | **(465,901,771.93)** | **70,283,557.79** |

**Risks Identified:**

- **Operational Inefficiencies**: Aged open items complicate reconciliations and may lead to financial misstatements.
- **Reputational Risk**: Unresolved retention money could result in disputes with contractors and suppliers.
- **Audit Trail Weakness**: The failure to clear retention money weakens the audit trail, making it difficult to verify transactions and increasing compliance risks.

**Recommendations:**

- **Immediate Clearing of Aged Items**: Conduct a detailed review and manually clear all outstanding retention money balances.
- **Strengthen Internal Controls**: Establish a structured process for regular identification and clearing of uncleared items that automation does not resolve.
- **Enhanced Monitoring and Reporting**: Implement periodic monitoring using SAP's aging reports and escalate unresolved items to management.
- **Staff Training and Awareness**: Train finance personnel on the importance of clearing retention money and how to use SAP's manual clearing functionalities effectively.
- **Periodic Reconciliations**: Conduct regular reconciliations of the retention money account to ensure accuracy and completeness in financial reporting.

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***Management Response:***

*The observation recorded for the Failure to Clear Aged Retention Money (Liability Accounts) which has remained as an open items have been sorted and cleared in SAP. It will also be ensured that henceforth, clearing of such items are monitored and reviewed on a regular basis. The details with reasons are attached herewith in Annexure I. Therefore kindly drop the observation related to it.*

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

*We acknowledge management's response and the corrective actions taken to clear the aged retention money open items in SAP. As the issue has been resolved, this observation is considered closed.*

***Compliance to be made by management:***

*To mitigate the risk of recurrence, management should ensure ongoing monitoring and timely clearance of retention money balances. This observation has been moved to MAR I for continued oversight in future audits.*

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## 7. NON-COMPLIANCE WITH UNPAID CHEQUES POLICY [1.2.85]

BPCL has established policies and internal practices regarding the handling of unpaid cheques to ensure proper financial reporting and compliance. However, we noted that cheques totaling **Nu. 766,105.54** have not been transferred to the appropriate accounts, contrary to both the written policy and standard practice.

**Policy Requirement:**
As per **Section 8.4.1 – General Guidelines**, the following procedures must be followed for unpaid cheques:

1. Cheques issued but not presented within six months must be transferred to the Unpaid Cheques Account, where they are recognized as a liability in the financial statements.
2. At the end of each reporting period, all stale cheques should be reviewed. Upon obtaining approval from the competent authority, they should be transferred to the Liabilities No Longer Required account and derecognized from the financial statements.

**Standard Practice at BPCL:**
In addition to the written policy, BPCL follows a standard internal practice where the unpaid cheques that remain under 'Unpaid Cheques' GL account for more than two years are transferred to the 'Liabilities No Longer Required' account as income. These cheques are then removed from the financial statements, as the obligation is deemed no longer payable.
Despite these established policies and practices, our review found that **Nu. 766,105.54** worth of unpaid cheques **remains in the liabilities account** without evidence of efforts to transfer them to **Liabilities No Longer Required**, as per the required process.

| Document Number | Document Date | Text (SAP) | Amount (Nu.) |
|---|---|---|---|
| 100037683 | 8/23/2021 | Cheque more than six months | 6,046.76 |
| 100037685 | 8/23/2021 | Cheque more than six months | 54,600.00 |
| 100045721 | 8/25/2022 | Chq of KGUMSB against refund of d/work | 687,353.12 |
| 100053287 | 9/14/2022 | 100019681(Being refund of balance fund from DW) | 3,963.83 |
| 100053287 | 9/14/2022 | 1500008619(settlement of bills) | 1,411.00 |
| 100053287 | 9/14/2022 | 1500011830(Sett. of Bill No. 3872 dt. 02. | 2,695.00 |
| 100053287 | 9/14/2022 | 1500011121(Sett. of B/ No.3687 dt. 10.07.2021 Sona | 911.40 |
| 100053287 | 9/14/2022 | 1800492057 | 490.00 |
| 100053287 | 9/14/2022 | 1800607627 | 1,200.00 |
| 100101618 | 12/31/2022 | uncashed cheque transfer to unpaid g/l | 7,434.43 |
| **Total** | | | **766,105.54** |

**Impact of Non-Compliance:**

- **Overstatement of Liabilities**: Failure to transfer unpaid cheques results in an inflated liability balance in the financial statements.
- **Understatement of Income**: Delayed recognition of income leads to financial misstatements in the reporting period when these cheques should have been derecognized.

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- **Policy and Control Weakness**: Non-adherence to internal policies and standard practices weakens financial discipline and accountability.

**Recommendation:**

- **Immediate Transfer of Unpaid Cheques:** BPCL should **review and transfer all cheques that have remained unpaid for over two years** to the **Liabilities No Longer Required** account, following the established internal practice.
- **Strengthen Review and Approval Processes:** A structured review of unpaid cheques should be conducted **at the end of each reporting period**, and upon approval, the necessary accounting adjustments should be made.
- **Enforce Policy Compliance:** BPCL should ensure **strict adherence** to the written policy regarding stale cheques, including maintaining an **updated register for unpaid cheques** to track their status.
- **Improve Internal Controls:** The finance team should be trained on the **importance of timely transfers** and maintaining compliance with both policy and standard practices to ensure accurate financial reporting.

***Management Response:***

*The observations regarding the unpaid cheque's have been sorted and transferred to the appropriate General Ledger as per AMMRR 2016.*

*The details are attached herewith in Annexure II for your kind perusal, hence the observation may kindly be dropped.*

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

*We acknowledge management's response and confirm that the unpaid cheques have been appropriately transferred to the correct General Ledger as per AMMRR 2016. With the issue resolved, this observation is considered closed.*

***Compliance to be made by management:***

*To prevent recurrence, management should maintain strict adherence to policies and internal procedures for handling unpaid cheques. This observation has been moved to MAR I for ongoing monitoring in future audits.*

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## 8. NON-COMPLIANCE WITH SUPPLY RULES FOR MV/HV AND LV CONNECTIONS [1.2.85]

As per the Supply Rules for MV/HV (Clause 31.4) and Supply Rules for LV (Clause 30.4), the guidelines state that:
*"The supply to a customer who has not made payment for two consecutive bills shall be disconnected by issuing a prior disconnection notice. Such notice may also be served in the bill of the customer."*
This policy is designed to ensure that overdue payments are promptly addressed, and power supply is disconnected for defaulters as a means of enforcing payment.

The non-compliance with these guidelines was noted in the previous year's audit, and the management had provided assurances that such issues would not occur in the future. Based on these assurances, the findings were moved to MAR Part I.

During this audit, we re-examined the issue by investigating the disconnection status of new defaulters from 2024 for P/ling, Samtse and Thimphu. Out of 3,127 new defaulting customers identified, 2,123 customers had their electricity connections not disconnected as required, indicating a recurrence of the same issue noted in the previous year.

Breakdown of defaulting customers with dues over 60 days:

| Division | No. of Defaulting Customers | No. of Customers Disconnected | No. of Customers Not Disconnected |
|---|---|---|---|
| P/ling | 145 | 33 | 112 |
| Samtse | 56 | 1 | 55 |
| Thimphu | 2,207 | 485 | 1722 |
| **Total** | **2408** | **519** | **1889** |

Details of Defaulting Customers with Dues Over 180 Days:

| Division | No. of Defaulting Customers | No. of Customers Disconnected | No. of Customers Not Disconnected |
|---|---|---|---|
| Thimphu | 719 | 485 | 234 |
| **Total** | **719** | **485** | **234** |

Failure to adhere to the supply rules regarding the disconnection of electricity for defaulters results in:

- **Accumulation of Unpaid Dues**: The overdue payments continue to increase, impacting cash flow.
- **Increased Financial Risk**: If not promptly addressed, these outstanding dues expose the company to potential financial losses.

**Recommendations:**
We recommend that management take steps to ensure compliance with the supply rules for disconnections. This will help address the recurring instances of non-compliance, mitigate the risk of increased dues, and improve the overall financial health of the company.

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***Management Response:***

***We acknowledge the audit observations regarding the disconnection of defaulting customers in accordance with the Supply Rules for MV/HV and LV connections***

*Due to the large customer base, it is a challenging task to disconnect all the defaulting customers at one go. The process of connection and disconnection of customers is a continuous process and therefore, there is a time lag.*

*For the specific observation made by the Audit, the responses are furnished for review by the Audit.*

***ESD Thimphu***

*a. Dues more than 60 days*

*ESD Thimphu is working rigorously by disconnecting more than 400 defaulting customers every month. Since we do not disconnect on government/local holidays including Saturdays or Sundays, or a day preceding a holiday" as per supply rules, leads to the accumulation of dues. Most of the dues as of 31st December 2024 have been cleared within January and February 2025. Nevertheless, ESD Thimphu is committed to disconnecting all the defaulters as per the supply rule.*

*b. Dues more than 180 days*

*The 45% of the outstanding amount pertains to one customer at Bjemina Industry. The customer was not disconnected because the customer was allowed a staggered payment option. Out of 234 not disconnected customers, 68 customers are under the AMI pilot project implementation scheme which we didn't disconnect due to the AMI project being implemented very recently. 47 customers have paid after the disconnection report was submitted. 83 customers out of 187 have dues amount less than Nu. 1,000.00 which is in rural areas and the cost of expenditure is higher to visit to rural areas for disconnections and then reconnections. We have to wait for the next billing to make a visit for the disconnection. ESD Thimphu shall disconnect the remaining customers within February 2025.*

***ESD Samtse***

*Dues more than 60 days*

*All the dues as of 31st December 2024 have been cleared within January and February 2025. Henceforth, ESD Samtse shall adhere to the supply rule and disconnect all the defaulting customers.*

***ESD Phuentsholing***

*We would like to clarify that the list of defaulting customers with dues exceeding 60 days, as reflected in the audit report, pertains to the billing period of 31 December 2024. As of the date of this response, all such customers have been disconnected, as evidenced by the SAP ERP records provided in Annexure-I. Furthermore, the majority of these customers have had their supply reinstated upon payment of the required disconnection charges.*

*BPC is fully committed to enforcing timely disconnections in line with the Supply Rules, the immediate disconnection of customers upon reaching exactly 60 days of overdue payment presents challenges due to the geographical dispersion of customers, particularly in rural areas. The travel time required to reach rural locations results in some unavoidable delays. We have to wait for the next billing to make a visit for the disconnection. Nevertheless, BPC accords the highest priority to this task and remains steadfast in its efforts to minimize any delays in disconnection to mitigate financial risks and ensure compliance. We sincerely appreciate the audit observations and recommendations and will continue to strengthen our processes to address these concerns effectively.*

*Attachment: Annexure I, ESD, Thimphu*
*Annexure II, ESD, Samtse*
*Annexure III, ESD, Phuentsholing*

***Additional Management Responses (Post-Exit):***

*There are practical difficulties in implementation of disconnection of defaulting customers and challenges especially with the large customer base and in rural areas. The reports on disconnections are being reviewed regularly by the Management. It was also informed that the issue is mainly with the LV customers but BPC has been improving on a yearly basis and currently meeting the collection efficiency of 97 % for LV customers. At times the cost incurred for disconnecting a customer outweighs the*

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*amount that is to be collected from the customer bill resulting in not disconnecting the customers. The Department will be strictly monitoring the disconnections every month and checking whether an improvement is brought in accordance with the supply rules. A year end report of disconnections citing the reasons of difficulties and the improvements made will be provided to RAA. Considering the above, it is requested to drop the observation.*

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

*We acknowledge management's response and the challenges faced in implementing timely disconnections due to the large customer base and geographical dispersion in rural areas. Given management's commitment to monthly monitoring, improved compliance with supply rules, and the submission of a year-end report, this observation is considered addressed.*

***Compliance to be made by management:***

*To ensure continued compliance, management should implement the planned monitoring measures and provide a comprehensive year-end report detailing challenges and improvements. The effectiveness of these actions will be reviewed in the subsequent audit.*

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# 9. INACCURACIES IN ASSET CUSTODIANSHIP RECORDS IN SAP [7.2.11]

## 9.1. Missing Custodian Details in SAP

We have noted that the following assets were missing custodian details in SAP, meaning no responsible individual has been assigned to these assets. Missing or incorrect custodianship details weakens control over assets, increasing the risk of misplacement or unauthorized use.

| Asset Code | Description | Physical Quantity |
|---|---|---|
| 4400419 | Conference Revolving Chair R.C 63 (Brown Color) | 1 |
| 44003438 | Revolving Chair with Low Back | 1 |

**Recommendations:**

1. **Update Custodian Details in SAP**:

- Assign the correct custodians to the above-mentioned assets in SAP.
- Conduct a company-wide review to ensure custodianship is updated across all divisions.

***<u>Management Response:</u>***

*For the Asset code 4400419 Conference Revolving chair, this asset has been auctioned off vide notesheet#19/BPC/Asset/CEO/2020-2023/379 dated 20.11.2023. SAP has no record of this asset since it's been already disposed. Therefore, we request you to kindly drop this observation.*

*Similarly, For Asset code 44003438, Revolving chair, this asset has been transferred to GYL_PR_SAM with new code 44005849 vide BPC/DS/DCD/CWD/RS-12/2020/230 dt. July 20, 2021. Asset 44003438 has been deactivated since 2021 in SAP. For cross verification we recommend to check the PVR of GPO Samtse. Therefore, we would request you to kindly verify in SAP to consider the details.*

***<u>Additional Management Responses (Post-Exit):</u>***

*GPO, Jamtsholing acknowledges the observation made by the auditors, and the same has been rectified and updated in the system. There was an overlook in entering the new asset code. The new asset code for the revolving chair with a low back is 44005849.*

*The asset code for Conference Revolving Chair R.C. 63 (Brown Color) (Asset Code 4400419) was overlooked to assign the right asset code. The right Asset Code for Conference Revolving Chair R.C. 63 (Brown Color) is now 44005707 and the same is updated in the system as well as the physical verification report.*

*The physical verification of assets was once again carried out diligently, and the updated PVR was furnished after cross-checking with SAP as per the recommendation (as attached and submitted to finance).*

*Further, GPO Jamtsholing assures that in the future, physical verification shall be strictly implemented, PVR shall be tallied with the system (SAP), and thereafter, ensure that accurate reports shall be produced.*

*Since all recommendations pointed out by the auditors have been implemented and action taken, we request to kindly drop this observation.*

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

*We acknowledge management's clarifications and the corrective actions taken to address the identified issues. The transfer of Asset Code 44003438 (Revolving Chair with Low Back) has been verified, and its updated asset code is properly recorded in SAP. Hence, this observation is considered addressed.*

***Compliance to be made by management:***

*However, the discrepancy regarding the Conference Revolving Chair R.C 63 (Brown Color) (Asset Code 4400419) appearing in the 2024 Physical Verification Report (PVR) despite being auctioned off raises concerns about asset tracking accuracy. Management has attributed this to human error during the PVR process and has committed to corrective measures. To prevent recurrence, it is essential that future PVRs are thoroughly reviewed and free from such errors. This observation has been moved to MAR Part I for continued monitoring in subsequent audits to ensure proper review and accuracy in asset verification.*

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### 9.2. Mismatch Between Physical Verification Report and SAP Custodian Records

A discrepancy was noted between the physical verification report and the SAP asset records, where the recorded custodian in SAP does not match the one reflected in PVR for the following assets. Mismatched records make it difficult to track assets, causing potential delays in audits and reconciliations.

| Asset Code | Description | Physical Quantity |
|---|---|---|
| 44007105 | Manager's Table (1600x800x750mm | 1 |
| 44007149 | Revolving Chair- Half Back | 1 |

**Recommendations:**

1. **Update Custodian Details in SAP**:

- Assign the correct custodians to the above-mentioned assets in SAP.
- Conduct a company-wide review to ensure custodianship is updated across all divisions.

***Management Response:***
*During the physical verification of moveable assets 2024 the above assets were found to be under the custodian of Mr. Karma Melam (30003353) for sl. no. (1) and Mr. Chimmi Rinzin (30002458) for sl. no. (2). However, the asset custodian were not updated in SAP then.*

*However, the asset custodian has been updated in SAP now, this office would like to request the statutory auditors to kindly drop the observation.*

***The memo has been treated as settled:***
*We acknowledge that the asset custodianship records have been successfully updated in SAP. Hence, this observation is considered addressed.*

***Compliance to be made by management:***
*Given the potential for similar issues to arise in the future, we have moved this finding to MAR I for monitoring in future audits. We recommend that management ensures regular reviews and updates of asset custodianship information in SAP to maintain accurate and complete records.*

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# PRIOR YEAR AUDIT FOLLOW UP REPORT

**Follow-Up Report on Previous Years' Management Reports**

**Summary of Follow-up Report**

| Accounting year | Total No. of recommendations provided | No. of recommendations implemented | No. of recommendations partially implemented | Balance recommendations to be implemented |
|---|---|---|---|---|
| 2023 | 4 | 4 | 0 | 0 |

| Para No. | Observations in brief | Management's response – current status | Status of Compliance |
|---|---|---|---|
| 1 | **Determining value for refurbished Inventory items (3.3.5)**<br><br>In the course of our audit, we have identified a critical aspect relating to the valuation of refurbished inventory items. The company engages in the refurbishment of inventory items for potential future use, and the determination of their value necessitates careful estimation. As articulated in discussions with Mr. Rinzin Wangdi (ICT/SUIT), the valuation of refurbished items is currently established on the basis of the depreciated value and the anticipated useful life of the respective inventory item. It has come to our attention, however, that all refurbished items are uniformly booked under GL code 269000 batch "O&M_REFUB".<br><br>Upon analysis, we observed the distribution of values for the refurbished items, outlined as follows: | An inter-departmental meeting of relevant offices was convened on 16.04.2024 to assess and categorize the materials that are returned from the site to the O&M REFUB batch in the inventory. The three categories are namely: 1. High value serviceable 2. Other serviceable 3. Unserviceable materials Using this methodology or approach firstly the 258 items are assessed into the three categories. Secondly, for each item serviceability has been assessed based on the condition of each item verified and received from relevant offices in the field. The valuation of the 258 items in the O&M REFUB batch has been determined and corrected in the system with the due approval of the competent authority. Henceforth, this methodology will be followed as a standard process in BPC for the assessment and valuation of the items returned from the site to the O&M REFUB batch in the inventory. Therefore, the observation may kindly be dropped. The approved note sheet, minutes of the meeting (MoM), and materials details are given in Annexure I. | The action taken report was submitted to RAA vide letter no. 5/BPC/FAS/AUDIT/2024/182 dated 29th April 2024.<br><br>**Status: (Implemented)** |

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<table>
<tr><th>Para No.</th><th>Observations in brief</th><th>Management's response – current status</th><th>Status of Compliance</th></tr>
<tr><td></td><td>
<table>
<tr><th>Values in Nu.</th><th>Number of Material</th></tr>
<tr><td>less than 1</td><td>258</td></tr>
<tr><td>1 to 100</td><td>128</td></tr>
<tr><td>101 to 1000</td><td>13</td></tr>
<tr><td>Greater than 1000</td><td>109</td></tr>
<tr><td>Total</td><td>508</td></tr>
</table>
<br>Significantly, 258 materials are valued at less than Nu. 1, raising concerns about the comprehensive determination of the refurbished item values. In light of this, we recommend that management takes proactive corrective measures to reassess and accurately determine the values for the refurbished items in an expedited manner. This will contribute to enhancing the accuracy and reliability of financial reporting for the company.</td><td></td><td></td></tr>
<tr><td>2</td><td>Non-Reconciliation of Bank Accounts (3.3.7)<br><br>During our audit examination, it came to our attention that a specific set of bank accounts exhibits reconciliation discrepancies. The details of the non-reconciled amounts are outlined below for reference.</td><td>G/L 235073 BNB- Main A/c Bwallet – Nu.130,912.00 When reconciling with BNB, it was found that the amount to be reconciled pertains to the bank reconciliation statement (BRS) of May 2018. Although, the amount has been successfully updated in our system (GL) the same amount has not been credited in our BNB bank. The issue has popped up due to customers using the offline transaction channel (i.e. Bwallet of BT) as the Bwallet doesn't allow (as there is no direct integration made) direct credit/debit from customer accounts to BNB. To recover the amount, BPC</td><td>Status: (Implemented)</td></tr>
</table>

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| Para No. | Observations in brief | Management's response – current status | Status of Compliance |
|---|---|---|---|

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

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

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

has submitted the detailed list to BT in which BT shall collaborate with BNB to trace transactions. The ATR shall be submitted accordingly. The details are given in Annexure II.

<table>
<tr><th>Para No.</th><th>Observations in brief</th><th>Management's response - current status</th><th>Status of Compliance</th></tr>
<tr><td>3</td><td>Sundry Debtors balance stagnant for more than 365 days - Nu.2,814,643.18 (3.2.13)<br><br>Upon a comprehensive review of the company's books of account, it has been identified that the sundry debtors balance as of December 31, 2023, stands at Nu. 948,519,040.29. Notably, an amount of Nu. 2,814,643.18 is associated with debtor balances that have been outstanding for more than 365 days. It is essential to highlight that litigation has been initiated only for an amount of Nu. 713,180.66, leaving a significant portion unresolved. historical data indicates prolonged outstanding balances, some dating back to 2011, raising concerns about the effectiveness of debt recovery efforts.<br><br><table><tr><th>Number of days</th><th>Amount in Nu.</th></tr><tr><td>< 31</td><td>935,512,560.84</td></tr><tr><td>< 61</td><td>5,963,325.55</td></tr><tr><td>< 91</td><td>1,496,596.69</td></tr><tr><td>< 121</td><td>762,897.74</td></tr><tr><td>< 365</td><td>1,969,016.29</td></tr><tr><td>>=365</td><td>2,814,643.18</td></tr><tr><td>Total</td><td>948,519,040.29</td></tr></table></td><td>We have been consistently following up with customers having dues of more than 60 days to 365 days. For the years 2011 and 2012, the dues reflected are due to double CA during the migration of legacy to the SAP ERP system. Administrative approval was sought and adjustment was made for the differential amount of 2011 and 2012 financial years. A copy of the approved note sheet is given below as Annuxure-X. Further, the legal unit of BPC has been pursuing the case since 2023 and is in the process of realizing around Nu.173,940.22 and also pursuing other dues of Nu. 1,453,485.59. To realize the remaining amount of Nu. 632,606.64 (excluding the 2011 & 2012 adjustments and that with the legal unit), the concerned division shall rigorously follow up with the customers. With the above action taken, commitments made and reasonings furnished; the RAA is requested to kindly drop the observation.</td><td>Status: (Implemented)</td></tr>
</table>

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<table>
<tr><th>Para No.</th><th>Observations in brief</th><th>Management's response – current status</th><th>Status of Compliance</th></tr>
<tr><td></td><td>
Below is the bifurcation of sundry debtor - more than 365 days:
<table>
<tr><th rowspan="2">Year</th><th colspan="2">Amount in Nu.</th><th rowspan="2">Days</th></tr>
<tr><th>Debit</th><th>Credit</th></tr>
<tr><td>2011</td><td>65,897.85</td><td></td><td>>=365</td></tr>
<tr><td>2012</td><td></td><td>(12,377.51)</td><td>>=365</td></tr>
<tr><td>2014</td><td>883.49</td><td></td><td>>=365</td></tr>
<tr><td>2015</td><td></td><td>(133.77)</td><td>>=365</td></tr>
<tr><td>2016</td><td></td><td>(754.95)</td><td>>=365</td></tr>
<tr><td>2017</td><td>10,631.84</td><td></td><td>>=365</td></tr>
<tr><td>2018</td><td>61,611.11</td><td></td><td>>=365</td></tr>
<tr><td>2019</td><td>201,385.99</td><td></td><td>>=365</td></tr>
<tr><td>2020</td><td>416,762.60</td><td></td><td>>=365</td></tr>
<tr><td>2021</td><td>981,313.61</td><td></td><td>>=365</td></tr>
<tr><td>2022</td><td>1,075,327.54</td><td></td><td>>=365</td></tr>
<tr><td>2023</td><td>14,095.38</td><td></td><td>>=365</td></tr>
<tr><td>Total</td><td>2,827,909.41</td><td>(13,266.23)</td><td>2,814,643.18</td></tr>
</table>
In light of these findings, we strongly recommend a thorough review and prompt resolution of outstanding sundry debtor balances, particularly those outstanding for an extended period. The company should consider implementing intensified efforts to recover the overdue amounts, aiming to enhance overall cash flow management.
</td><td></td><td></td></tr>
</table>

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<table>
<tr><th>Para No.</th><th>Observations in brief</th><th>Management's response – current status</th><th>Status of Compliance</th></tr>
<tr><td>4</td><td>Inadequate Fixed Assets Management<br>During the physical verification conducted on February 8, 2024, we have observed the following:<br>a) Missing Assets (3.2.2)<br>Below is the list of assets that were missing during the physical verification.<br>
<table>
<tr><th>Asset</th><th>Asset description</th><th>Qty</th><th>Cost Center</th><th>Base Unit of Measure</th></tr>
<tr><td>3300566</td><td>Container</td><td>1</td><td>EDD_HO_CAP</td><td>NO</td></tr>
<tr><td>3300781</td><td>KSE testing equipment (K-100 DM Kit)</td><td>1</td><td>EDD_HO_CAP</td><td>SET</td></tr>
<tr><td>24747</td><td>Workabout Pro 3rd Gen for SBM</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>24748</td><td>Workabout Pro 3rd Gen for SBM</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>24749</td><td>Workabout Pro 3rd Gen for SBM</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>24750</td><td>Workabout Pro 3rd Gen for SBM</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>24752</td><td>Docking station cum charging station for</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>4400610</td><td>"file rack, Wood craft, 12 nos"</td><td>12</td><td>DCSD_H_CAP</td><td>NO</td></tr>
</table>
</td><td>a. For assets under EDD_HO Container (Asset code:33005663) As the container bearing asset code 33005663 of E&RD (EDD_HO) was physically handed over to the DHI project at Dagapela, BPC has communicated to the project to deposit the amount of the container Nu.906,531.77, vide letter No.15/BPC/E&RD/Audit/2024/66, dt. 05.04.24. The copy of the letter is given as Annexure XI .<br>Therefore, the asset will be deleted from the books of accounts after receiving the above payment from the project office. KSE testing equipment, K-100 DM Kit (Asset code:33007815) It was noted that when capitalizing the asset, the quantity of the asset was wrongly entered as two sets in the asset register, while the actual quantity received was only one set. This is substantiated by the Goods Receipt Note (GNR) No.5000253232, dt.08.12.2022 of the item shown in Annexure-XII.<br><br>The assets of DCSD (Workabout Pro 3rd Gen for SBM 4 nos and docking station 1 no) have been issued to ESD, Thimphu with proper handing-taking. The asset has been transferred to ESD, Thimphu Plant in the SAP system on 26.02.2024. As for the other assets listed against DCSD, a thorough search for the missing items was made and the Division was able to trace some of them and assign the asset codes accordingly. The reason for not being able to trace them during the audit's physical verification was that the asset codes were not assigned. The division has also mentioned the</td><td>Status: (Implemented)</td></tr>
</table>

<table>
<tr><th>Para No.</th><th>Observations in brief</th><th>Management's response - current status</th><th>Status of Compliance</th></tr>
<tr><td></td><td>
<table>
<tr><th>Asset</th><th>Asset description</th><th>Qty</th><th>Cost Center</th><th>Base Unit of Measure</th></tr>
<tr><td>4400611</td><td>"reception counter, Wood craft, 1 no"</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>4400612</td><td>"Security counter, Wood craft, 1 no"</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>4400613</td><td>"workstation 8 seater set, Wood craft, 1</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>4400614</td><td>"workstation 7 seater set, Wood craft, 1</td><td>1</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>4400615</td><td>"workstation 3 seater set, Wood craft, 2</td><td>2</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>4400658</td><td>Godreg Half back revolving chair,</td><td>150</td><td>DCSD_H_CAP</td><td>NO</td></tr>
<tr><td>4400659</td><td>"Glen Dimplex convector panel heaters,</td><td>14</td><td>DCSD_H_CAP</td><td>NO</td></tr>
</table>
To address this issue, we recommend an immediate and thorough investigation into the circumstances surrounding the missing of the assets. Based on the investigation, take corrective action to resolve the missing assets.</td><td>whereabouts of the assets in the above list and updated them in the assets register. For the missing assets that are untraceable, the administrative approval to write-off was sought and accordingly written off. Therefore, the observation may kindly be dropped given the above justifications and actions taken.</td><td></td></tr>
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**b) One Asset with multiple asset code (3.2.13)**

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

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

</td><td>b. As stated in the previous response, the management is well aware of this issue of asset code and date of capitalization getting changed on the transfer of an asset from one profit center to another profit center. The management consulted the system expert to customize the process and to keep the initial asset code while on transfer. But nothing has come out so far as it is the standard practice of the SAP ERP. Nevertheless, the issue is expected to be resolved once the Rise with SAP (S4 Hana) is implemented.</td><td></td></tr>
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| Para No. | Observations in brief | Management's response - current status | Status of Compliance |
|---|---|---|---|
| | To ensure accurate and consistent asset tracking, we recommend maintaining the original asset codes, when transferring assets between divisions. Additionally, the capitalized date should remain unchanged during the transfer process to preserve the correct historical information of the assets. This practice will help in avoiding discrepancies and maintaining accurate records of the assets' acquisition and transfer history. Implementing these recommendations will enhance the overall integrity and reliability of the asset management system. | | |

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