

Meeting Bhutan's Electricity Needs

ANNUAL REPORT 2021



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YEAR IN REVIEW

From the CEO

The utilities globally like any other sectors continued to be affected by the COVID-19 pandemic and we are still in the midst of the Pandemic. The spread of COVID-19 had immense impact on health system and socio-economic development of the Country. Particularly to BPC, the delivery of services, and carrying out operation and maintenance of our system was made even more difficult adding to the challenges that we already face. Nonetheless, the pandemic kept us on our toes, provided us with opportunities to reflect, redefine and explore new ways to deliver our services.

BPC have a dedicated workforce and their performance are exemplary. They responded well at all times. They have been able to maintain the network system and ensure reliable supply to our customers, minimize outages albeit the health threats during the lock downs especially those working in the red zone and in the high risks areas thus far. With our contingency plans and with proper coordination with relevant stakeholders, we were quick to respond and restore the outages and minimize the outage durations during the critical year. There were instances due to natural calamities where restoration works took longer than expected.

During the year, we were able to take forward most of the initiatives that were planned in the Corporate Strategic Plan 2019-2030, Digital Transformation Strategy, Distribution System Master Plan and Human Resource Master Plan. The main thrust was focusing on the increased reliance on technology and transforming the way we conduct our business operations for both the internal and external processes.

As part of automating service delivery, BPC developed the Online Service Request system for customers, Omni Channel System for complaint management system and e-payment system for automating all payments. On the internal process management, Internal Online Systems for requisitioning vehicle, transit camp and conference hall booking were developed and made fully operational.

Our human capacity is a valuable resource. Their development process, skilling, reskilling, knowledge and meaningful engagement continue to receive priority. Prioritized virtual, and in-house learning and development programs to help employees build knowledge and skills were organized. We now depend less on external experts in many of our key work inputs and are mostly carried out inhouse with the establishment of center of excellences.



BPC is committed to safety at work place and attaches high priority to the health and safety of the employees. It is critical that everyone reaches home safely from work at the end of the day. Safety Management System document was launched during the year for systematically managing the safety at the workplace with the highest standards while working in the system. Though there were few work-related accidents reported during the year, the Safety and Quality Division is working on the measures to reduce the accidents by increasing the awareness, training programs, analyzing the root cause of the accidents and disseminating the lessons learnt and recommendary actions. While Management provides full support through strategy and action, a shift in mindset, behavioral changes from employees and combined efforts from all are critical to avoid accidents at work place and is being worked upon as a company policy.

On the health of the employees, the company ensured that all the employees adhered to the safety protocol of the Ministry of Health, Royal Government of Bhutan.

The most challenging task that the company faces today is to ensure reliable and quality power supply and reduction of power outages. The tough terrain and extreme weather conditions many a times makes it difficult to restore the network system. The global supply chain disruption and non-delivery of critical spares impacted the progress of many operations including capital investment works during the year.

Our customers from Thimphu and Paro were dissatisfied and we were confronted with wide spread criticism on high energy bills after adopting average billing during lockdown 2.0 which coincided with the peak winter month consumptions. The subsidy benefits, waiver of penalties, the extension of bill payment facilities was provided to the customers to redress the issue. Because of the measures initiated to mitigate the reoccurrence of such issues, no such dissatisfaction resurfaced during the subsequent lockdowns in the Country.

Moving forward, the focus is to continue improving reliability, enhance operational efficiency and modernize the grid to keep abreast with rapidly evolving technology in the utility sector. Smart metering, automation of feeder system, reduced turnaround time for both internal and external processes on a digitized platform, revisiting the standard operating procedures to reflect the changing business environment are the core thrust areas for transformation. These initiatives are supported by adequate investments. The Board and the Management is committed to build greater and stronger systems by leveraging technology and in responding to the changing times. All of us must be proud and take active part in taking forward these initiatives and leave a foot print that is ultimately aimed at fulfilling the needs of our customers. I strongly believe that working together hand in hand, we can continue to grow and play a critical role in the socio-economic development of our Country.

BPC continues to stand in solidarity with the nation in combating the pandemic and supported the various initiatives of the Royal Government by providing fiscal relief measures.

On Behalf of the management and employees, I would like to thank the Board of Directors for their unwavering support and guidance throughout the year. I also would like to sincerely acknowledge, commend and recognize the efforts of our employees for their dedication in delivering the prompt service during the year and achieving this level of performance despite the challenges posed by the COVID -19 pandemic.

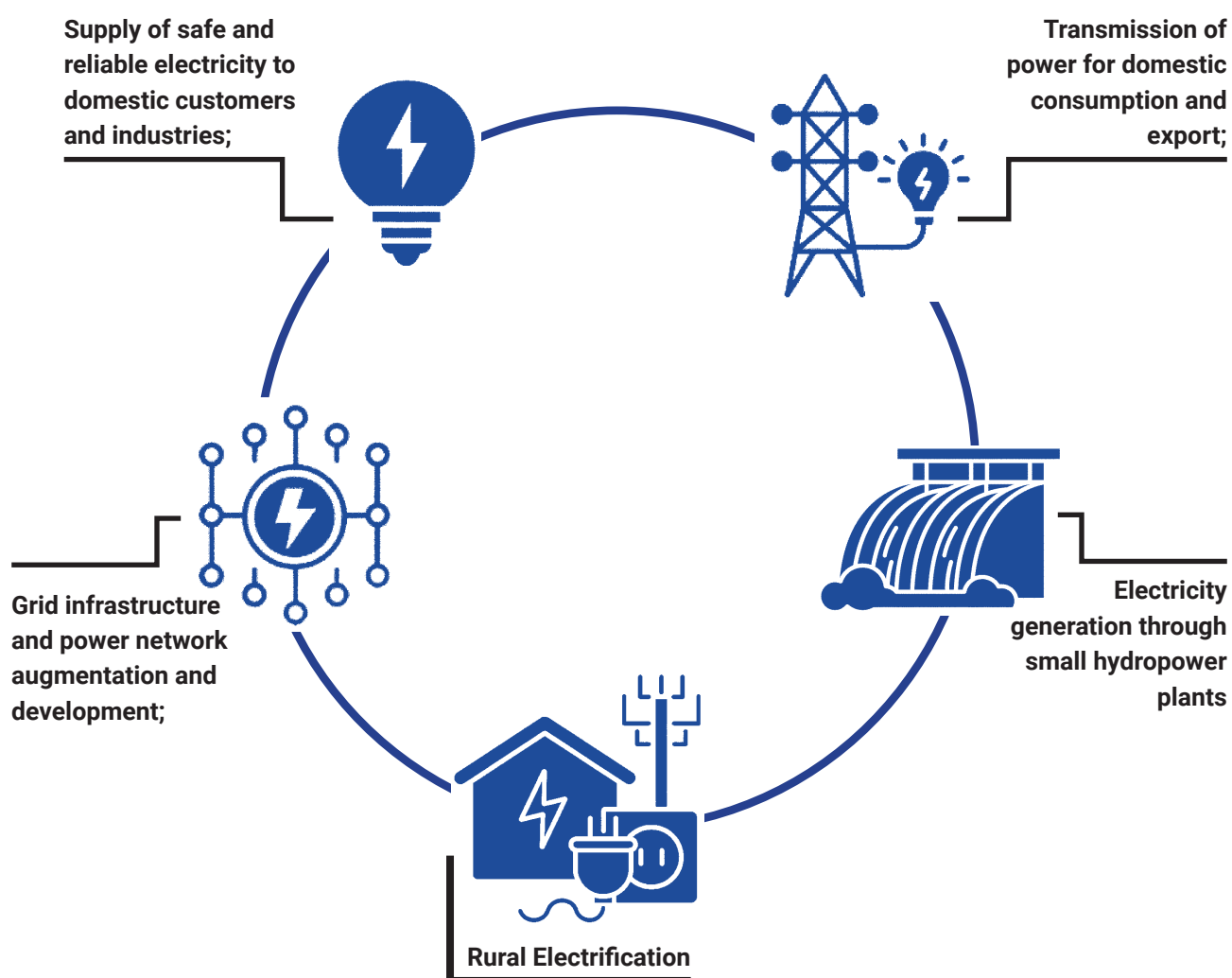
Last but not the least, BPC would like to express our heartfelt gratitude for His Majesty's selfless sacrifice for the well-being of the people and keeping all of us safe during the Pandemic.



Sonam Tobley
(Chief Executive Officer)

COMPANY PROFILE

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



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



VISION

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



MISSION

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



CULTURE & CORE VALUE

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

The values are as described below:



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



MUTUAL RESPECT: Honor and respect each other, support each other, and work together as a team.



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



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



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



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

Destination Statement

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

BOARD OF DIRECTORS



1. Dasho Ugen Chewang, Chairman

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

2. Dasho Kunzang Dorji

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

3. Karma P. Dorji

Mr. Karma P. Dorji is the Director of Department of Hydropower and Power Systems, MoEA. He received his Masters of M.sc in International Development Technology from State

University of California, USA. He served as a Chief Engineer, DHPS before assuming the current post. He serves as a Non-Independent Director on BPC Board.\

4. Kinzang Tobgay

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

Prior to his move to the private sector, he worked 7 years with Druk Holding and Investments (DHI) and resigned while holding the position of Director (Finance). He serves as an Independent Director on BPC Board.

5. Dechen Wangmo

Ms. Dechen Wangmo is the Director of Corporate Affairs Department, Druk Green Power Corporation Ltd. (DGPC). She completed Bachelor of Electrical Engineering from the University of Wollongong, Australia and a Master of Business Administration from the Melbourne Business School, University of Melbourne, Australia. She has served DGPC in various capacities since 2008.

Prior to joining DGPC, she worked Head of Billing and Collection Unit, ESD, BPC. She serves as an Independent Director on BPC Board.

6. Sonam Lhundrup

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

7. Sonam Tobjey

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

MANAGEMENT TEAM



Sonam Tobjey, CEO, BPC (center)

Dechen Dema, Director, Strategy and Technology Services (second from left)

Thinley Gyeltshen, Director, Transmission Services (first from right)

Kinley Dem, Director, Finance and Accounts Services (second from right)

Sangay Tenzin, Director, Human Resources and Corporate Services (first from left)

The background image shows a large-scale construction project for a power plant. A tall, lattice-structured crane is the central focus, with a large, dark, cylindrical component being hoisted. Several workers in safety gear, including hard hats and high-visibility vests, are visible on the ground and on scaffolding. The scene is set in an open area with a forested hill in the background. The image is overlaid with a blue-to-yellow gradient.

DIRECTORS' REPORT

Directors' Report on the performance of Bhutan Power Corporation Limited for the year 2021

1. Introduction

On behalf of the Board of Directors, the management, and employees of the Company, it is my privilege to present the performance of the Company for the period covering 1st January 2021 to 31st December 2021 to our shareholders, Druk Holding and Investments Limited (DHI), and other stakeholders. The financial performance of the company is far better this year as compared to that of the previous year. The company made a Profit After Tax of Nu. 1,107.82 million, an increase of 94.80% from the previous year. The COVID-19 pandemic had a lesser impact on the company's financial performance as compared to the year 2020. The net impact of COVID-19 is around Nu. 115.90 million as against Nu. 839.22 million in the previous year. The High Voltage customers were able to resume their operations, and overall energy sales including Low Voltage and Medium Voltage increased by 531.51 million units (MU).

2. The Auditor's Report

The auditors have issued an unqualified audit report for the year 2021. I am happy to report that the Company has been consistently receiving unqualified Audit Reports over the years, which is reflective of the prudent management, robust internal checks, and controls, and is in keeping with the company's CORE values.

3. On the System Performance

The national peak demand of 487.76 MW was recorded on 30th December 2021 at 18:00 hours as compared to 374.5 MW recorded on 24th December 2020. The significant increase in the peak load is due to the addition of new loads in 2021.

BPC is serving about 222,056 customers as compared to 213,630 customers in 2020. The industrial load constitutes around 73% of the total domestic load. The domestic load was met by purchasing 2,649.54 MU of energy from DGPC and 21.41 MU from BPC's embedded generation. For the previous year, 2,128.58 MU of energy was purchased from DGPC and 25.44 MU was generated from BPC's embedded generations. A total of 2,474.83 MU of energy were sold as compared to 1,961.32 MU in the previous year, which is an increase of about 26%. The energy wheeled for export

to India decreased to 8,074.29 MU from 9,156.72 MU in the previous year due to an increase in domestic consumption.

On the system losses, the global energy loss has slightly increased to 1.83% compared to 1.70% in the previous year mainly on account of the increased quantum of energy in the system. Of the total energy of 10,745.24 MU injected into the system, the utilized units stand at 10,549.12 MU while system loss works out to 196.12 MU. The domestic T&D loss excluding wheeling in 2021 was 7.34% compared to 8.95% in 2020. The losses are comparable to other utilities in the region.

The Bhutan Power System Operator monitors the load flow within the system. The system operator will be delinked from BPC by July 2022 and made independent to operate the power systems and monitor the load flow.

4. The State of the Company's Affairs

4.1 Financial Position

The total value of assets of the Company stands at Nu. 35,606.28 million, compared to Nu. 35,035.10 in 2020 and the net worth stands at Nu. 15,613.73 million compared to Nu. 14,665.70 million in the previous year. The gross asset added during the year is Nu. 2,355.36 million as compared to Nu. 1,653.29 million in 2020.

4.2 Results of Operation

The Company during the year earned total revenue of Nu. 10,876.56 million as compared to Nu. 9,040.27 million in 2020. The total earnings increased by 20.31% from the previous year, mainly due to an increase in the sale of electricity and income from construction contracts.

The revenue from wheeling decreased by 11% from Nu. 2,463.94 million in 2020 to Nu. 2,185.15 million due to increased domestic consumption resulting in reduced export of energy. The income from construction contracts increased substantially from executing several new construction contracts that the company is executing. The earnings increased from Nu. 374.22 million in 2020 to Nu. 1,328.08 million in the current year.

BPC received Nu. 1,042.64 million from the Royal Government of Bhutan on account of the subsidy for 100 units of free electricity to domestic rural customers, 200 units of free electricity to Highland customers, and subsidized rates provided to low voltage and medium voltage customers. In the previous year, BPC received a subsidy amount of Nu. 1,089.03 million.

On the expenditure side, the total expenditure for the year is Nu. 9,202.93 million as compared to Nu. 8,040.67 million in the previous year. The increase is mainly attributable to the increase in expenditure on construction contracts.

The Company earned a profit of Nu. 1,673.63 million for the year before provisional income tax as compared to Nu. 999.60 million in the previous year; an increase of 67.43%. The provisional tax assessed is Nu. 410.93 million and the deferred tax is Nu. 108.67 million compared to Nu. 177.52 million and deferred tax of Nu. 187.86 million in 2020. Tax adjustment pertaining to prior years of Nu. 3.61 million was made in the current year.

The net profit earned for the year is Nu. 1,150.39 million as compared to Nu. 568.81 million in 2020. The basic, as well as diluted earnings per share, is Nu. 108.24 as against Nu. 55.56 for the previous year.

The Company took a net loss of Nu. 115.90 million from the pandemic on its financial performance during the year as compared to Nu. 839.22 million in the previous year. The revenue from demand charges was reduced by Nu. 144.98 million. The company waived off electricity charges of Nu. 32.07 million for quarantine facilities and point of entry and exit. In the previous year, the revenue forgone on account of electricity revenue and demand charges was Nu. 1,781.68 million, and in waiver of electricity charges against relief measures and other support services, Nu. 18.26 million.

At the same time, BPC received an interest waiver benefit of Nu. 61.15 million compared to Nu. 100.51 in the previous year.

5. Transfer to Reserves

An amount of Nu. 9.42 million, equivalent to 0.4% of the Nu. 2,355.36 million of the total assets added during the year will be set aside as the Company's Asset Replacement Reserve according to the asset

risk mitigation policy. The cumulative amount under this reserve will stand at Nu. 170.69 million.

6. Recommendation for payment of Dividend

The Board is recommending a dividend of 9.89% of the Paid-up Share Capital, amounting to Nu. 1,012,271,269/- for the year 2021. In the previous year, a dividend of 4.50% of Paid-up Share Capital amounting to Nu. 460,588,545/- was paid.

7. Corporate Governance

The company's governance system is in compliance with the Companies Act of Bhutan 2016 and other relevant laws of the country. In particular, the internal governance system is guided by the Corporate Governance Code issued by DHI. The internal rules, regulations, and standard operating procedures of the Company are also aligned to promote good corporate governance. The decisions of the Board are supported by 3 standing Board subcommittees- the Board Tender and Technical Committee (BTTC); the Board Audit and Risk Committee (BARC); and the Board Human Resource Committee (BHRC). The Company convened 10 Board meetings and 29 Board Sub-Committee meetings during the year.

The Risk Management Division (RMD) oversees the risk management function and the Internal Audit Division (IAD) ensures that there are adequate internal controls of operations within the system.

The Risks and uncertainties to operational and business objectives are identified from across the company level and appropriate measures to mitigate the adverse impacts are implemented on an ongoing basis. RMD works in close consultation with the risk focal persons from various Departments and Services to identify, analyze, report and mitigate these risks.

A total of fifteen risks were identified and approved for mitigation in the current year. The overall risk profile and the mitigation measures are reviewed and approved by the BARC on a quarterly basis.

The IAD, under the guidance and directives of the BARC, carries out a planned internal audit to assess the adequacy of the existing internal control mechanism and submits its recommendations to the BARC for approval and implementation by the management.

During the year, IAD developed an internal auditing SOP to strengthen, streamline and ensure uniform auditing procedures aligned to best practices.

8. Corporate Social Responsibilities

The Company's CSR activities are guided by the CSR framework of 2013 issued by DHI. CSR activities are broadly categorized into legal compliance, operational, and charitable contributions in relation to the core business activities of the Company. The company made CSR contributions of Nu. 3.95 million during the year.

9. Support to the Government fiscal relief measures

The company continues to provide support to the COVID-19 related relief measures of the Government. The Company provided a total waiver of Nu. 177.05 million in the form of reduced demand charges to HV and MV customers and a waiver of electricity charges for quarantine facilities and point of entry and exit.

10. Strategy Initiatives

Pursuant to our constant endeavor to improve customer experience, various initiatives are taken to provide services to the customers on digital platforms.

The COVID-19 pandemic has led us to find new ways to offer services with limited or no contact with our customers. As part of automating service delivery, BPC developed the Online Service Request System for customers, Omni Channel System which is fully integrated with the backend SAP ERP/ISU systems and ePayment system, automating all payments. Internal Online Systems for requisitioning vehicles, transit camps, and conference hall bookings were also developed and made fully operational.

In addition to establishing the Center of Excellence (CoE) in Designs, BPC identified CoEs in the field of Testing and Commissioning of Substations and Control and Protection. The Company also designed the first "cable duct bank system" for laying cable underground, which was successfully piloted in one of the project areas and will be implemented in other projects areas.

Some of the key studies conducted included, the assessment of the current network system for the Electric Vehicle Charging System; the prospect of back-charging from an EV battery to balance the grid, and the Power quality assessment for Thimphu. The recommendations from the assessment particularly on the power quality will be implemented in 2022.

A Memorandum of Understanding was signed with the DHI to build a drone use case to monitor power infrastructures, including accurate fault inspection using a data analytics platform. And with the College of Science and Technology to foster collaboration in the field of applied research.

11. Transmission and Distribution System highlights

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

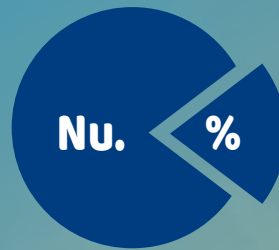
Transmission System

On the network expansion, as part of modernizing the transmission grid, BPC successfully completed the installation, testing, and commissioning of the SCADA system in Yurmoo, Tintibi, and Lobesa substations, and the network topology and GIS mapping of 16 substations and transmission lines.





222,056
Customers



9.89%
Dividend



8,074.29 MU
**Energy wheeled for
export to India**



Nu. 10,876.56
Total Revenue

The construction of 3x25MVA, 66/11kV GIS Substation at Dochula along with LILO of 66 k V Semtokha-Lobesa Transmission Line was completed within 12 months despite the restrictions and difficulties due to the Covid-19 pandemic.

The up-gradation of Semtokha Substation by adding one 40/50 MVA, 220/66k V transformer along with up-gradation of 66k V isolators and the up-gradation of Dechencholing substation by 2 x 30 MVA, 66/33 k V transformer along with the CT & bus were successfully completed in-house with the expertise developed in Transmission Services over the years.

Started the up-gradation works of 132/33 kV, 2x25MVA transformer, 2x10MVA, 33/11k V transformer along with replacement of 33 k V VCB Switchgear with 33kV GIS Switchgear at Gelephu substation and the replacement of 33 k V VCB Switchgear with 33 kV

GIS Switchgear at Lobesa Substation which will be completed by 2022.

Some of the major works initiated during the year and yet to be completed are;

- Upgradation of 2x40MVA, 220/33 kV transformer at 220kV Dagapela substation along with the replacement of 33kV VCB Switchgear with 33 k V GIS Switchgear.
- Upgradation of 2x40MVA, 132/33 kV transformer at 132 k V Yurmoo substation along with the replacement of 33 kV VCB Switchgear with 33 k V GIS Switchgear.
- Construction of 220/66/33 k V substation along with 48x5 MVA, 33/0.415 k V, and associated equipment at Jamjee, Maedwang, Thimphu.

BPC has upgraded the ACSR conductor with High-Temperature Low Sag Conductor (HTLS) in the following transmission lines.

- 66 k V S/C Semtokha-Hongtsho section of Semtokha-Lobesa transmission line;
- 66k V S/C Semtokha-Dechencholing transmission line; and
- 66 k V S/C Semtokhah-Olakha transmission line.

This high carrying capacity conductor is introduced in the transmission network system for the first time. This has enhanced power carrying capacity in these segments of the transmission line thereby meeting the increased power demand in western region without having to construct new transmission lines.

The Transmission Department has also come up with an innovative approach of insulator coatings to limit ice accretion on insulators of transmission lines at high altitudes (e.g., Ngadala, Chelela, and Changedaphu) with causes power supply interruptions and affects reliability. The innovative approach will be implemented in 2022.

Distribution System

In line with the Distribution System Master Plan, to cater to the increasing domestic demand, system capacity enhancement works are being continually taken up. The major works upgraded and commissioned during the year are the 33/11 k V substations at Shaba, Paro from 1x5MVA; to 2x5MVA; and the Chubachu substation, Thimphu from 2x5MVA to 2x10MVA. Two new 33/11k V substations in Denchi, one at



Up-gradation of Shaba substation, Paro

Pemagatshel (2x2.5MVA) and the other at JDWNRH, Thimphu (2x5MVA) were commissioned.

BPC is carrying out works for power supply arrangements for Damdum, Jigmeling, and Motanga Industrial parks and the distribution trunk line to Gyalsung Projects. There are some unavoidable delays in the power supply works in the industrial parks but the works to Gyalsung Projects are on schedule.

Under the Project “On-grid Rural Electrification of Off-grid households”, 1,420 households with funding support from JICA have been completed as of December 2021. BPC also extended grid supply to 987 households through its fill-in RE program during the year.

BPC has in partnership with the Department of Renewal Energy constructed and commissioned the first 180 kW Solar Power Plant at Wangdue Phodrang. The work was funded by the Government of Japan (GoJ) and supported by UNDP-Bhutan.

12. Customer Services

The Company continues to focus on improving customer services. To improve customer services, the Omni-channel Contact Center and Online Service Request (OSR) system for fifteen services were implemented during the year. OSR is an online platform to avail BPC services. Besides reduced

physical contact and administrative burden, OSR is expected to enhance the Turn-Around-Time (TAT) on service delivery while also enabling higher efficiency and better monitoring. On the smart meter and billing, all the High Voltage and Medium Voltage customers are installed with the Automatic Meter Reading (AMR) system which enables meter reading and billing automatically every month. During the year, AMR was installed for all the Low Voltage, Bulk customers in Thimphu, Paro, Punakha, Samtse, and Wangdue. For the rest of the Low voltage, Bulk customers, installation of AMR will be completed by 2022. As part of smart grid initiatives to improve reliability and response time, BPC successfully implemented the installation of Automatic Circuit Breakers (ARCB), Sectionalizers, and Fault Passage of Phuentsholing, Samtse, Sarpang, Tsirang, Trongsa, and Zhemgang. The ARCBs will automatically restore the lines tripped on transient fault conditions. This initiative has enhanced reliability by 50%.

To effectively implement the Outage Management System (OMS) under Distribution, BPC completed the distribution network topology mapping of all its electrical distribution networks using the GIS system in the country.

13. Human Resources

The development of human resources and instructional capacity is key in taking forward any



O&M team working on clearing the snow piled on the transformer



initiatives. The company witnessed significant changes in human resource capacity due to skill gaps as a result of an attrition rate of 2% over the past three years. To ensure seamless and smooth access to critical HR services by our employees, particularly in this time of the pandemic, HR is gradually moving towards digital HR by introducing online systems that require lesser turnaround time and personal contact. HRAD prioritized virtual, and in-house learning and development programs to help employees build knowledge and skills.

The HRAD reviewed and made appropriate changes to the recruitment guidelines by critically examining the recruitment procedures so that the appointments are based on merit and best fit with organizational values, philosophy and objectives, as well as to ensure compliance to the Labour and Employment Act of Bhutan 2007 and Recruitment and Selection Regulation 2012 of the Department of Employment, MoLHR.

HRAD also prepared a business blueprint for knowledge transfer and a job description system since knowledge management is an important HR function and also to ensure smooth work continuity when employees are replaced or relocated. The business blueprints for automating internal processes were also completed. The automation system will be developed in 2022 and implemented. The company received GNH Business Certification from the Center for Bhutan Studies (CBS). The certification is a testimony to our high standard of business processes, corporate governance, and

employee welfare, amongst others, that is well-aligned with and imbibes the core values and philosophies of GNH.

A total of 51 employees separated from the company of which 29 resigned voluntarily. The Company recruited 90 employees as part replacements and some to fill the skill gap.

Safety

The Company attaches high priority to the health and safety of the employees and those working with us. Towards this, the company is committed to safety at workplaces and work hazards to ensure that everyone reaches home safely at the end of the day. The Safety Management System document and procedures were launched during the year to systematically manage the system at all the workplaces and to provide the highest safety practical standards to our employees and to all those working with us. Despite having strict safety measures at the workplace, work-related accidents were inevitable and there were few accident cases reported during the year. An effort only from Management is not adequate, a shift in mindset, behavioral changes from all the employees are required to ensure safety at work place.

Challenges

The most challenging task that the company faces today is to ensure reliable and quality power supply, reduction of power outages and modernization of the infrastructure to keep abreast with rapidly evolving technology in the utility sector.



**Electricity supply restoration activities in Lhayul village,
Chudzom geog under Sarpang Dzongkhag.**

The Company was confronted with criticism and dissatisfaction from its customers on high energy bills after adopting average billing like other utilities during lockdown 2.0 which coincided with the peak winter months consumption. The Bhutan Electricity Authority (BEA) and the office of the Consumer Protection (OCP) jointly method adopted. The normalization of bills to provide foregone subsidy benefits, waiver of penalties, the extension of the bill payment period, and strengthening of the meter reading, billing, and consumer grievance redressal process were carried out to avoid the recurrence of similar issues.

The general supply chain disruption and non-delivery of materials impacted the progress of most of the works.

Understanding the need to expand our operations and services beyond the conventional norms of a power utility, BPC will continue to strive and develop capabilities in digital technologies.

Way forward

The focus is to continue improving productivity, reliability, and operational efficiency with expansion to leverage the development of insights from analytics for better management, renewed Corporate Strategies aligned to the DHI Road Map 2.0 and centered on customer satisfaction to be developed taking into cognizance the evolving energy business landscape. On the modernization of the grid, smart metering with advanced metering infrastructure for improved customer services, automation of feeder system for better reliability and outage management, reducing turnaround time for both internal and external processes on a digitalized platform for operational efficiency, revisiting the standard operating procedures to reflect the changing business environment are the

core thrust areas for transformation. These thrust areas will create value for our customers, enable higher levels of operational performance, efficiency, monitoring, and coordination that were previously not possible.

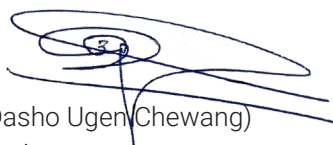
Acknowledgment

On behalf of the Board, I would like to extend my heartfelt gratitude to our shareholder, the Druk Holding & Investments Limited for their continued support rendered during the year. I would like to acknowledge and thank the Royal Government of Bhutan, Ministry of Economic Affairs, Ministry of Finance, Druk Green Power Corporation Limited, and other Ministries, and Regulatory Authorities for their policy guidance and support. We would also like to thank the donor agencies for providing funding for Rural Electrification works. Most importantly, we would like to express our heartfelt gratitude and appreciation for the selfless effort put in by the Desuung and COVID Taskforce under the benevolent guidance of His Majesty the Druk Gyalpo in combating and overcoming the challenges of the COVID-19 pandemic.

The Board would like to sincerely acknowledge and commend the contributions made by the management and the employees in achieving good performance despite the continuing COVID-19 pandemic. The Board reaffirms its support to the employees in pursuing the objectives of the company.

Tashi Delek!

For and on behalf of the BPC Board

A blue ink signature of Dasho Ugen Chewang, consisting of several loops and a long horizontal stroke.

(Dasho Ugen Chewang)
Chairman



CORPORATE GOVERNANCE REPORT

Corporate Governance Report

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

The Board is pleased to set out statement below which describes the manner in which it has applied the principle of the code during the year 2021.

A. The Board

i. Board Charter

The Board charter sets out the principles for the operations of the Board of directors, roles and responsibilities, describes the functions and powers of the board to ensure all the Board members are aware of their duties and responsibilities. The Board charter is in line with the Corporate Governance code of DHI.

ii. Composition of the Board.

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

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

Table 1: Board Member, 2021

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

Name	Designation	Appointment Date	Description	Board of Director in other company	Status
Dasho Ugen Chewang	Chairman. Druk Holding and Investments	8 March, 2017	Chairman	BOB	Non-Independent
Mr. Karma P Dorji	Chief Engineer, Dept. of Hydropower & Power System	Reappointed on 4 th March, 2020	Board of Director		Non-independent
Dasho Kunzang Dorji	Zimpon Wongma, Office of the Gyalpoi Zimpon	Reappointed on 4 th March, 2020	Board of Director		Independent
Ms. Dechen Wangmo	Director, Corporate Affairs Department, Druk Green Power Corporation Limited	5 March, 2019	Board of Director		Non-independent
Mr. Sonam Lhundrup	General Counsel, DHI	4 March, 2020	Board of Director		Non-independent
Mr. Kinzang Tobgay	Managing Partner, Bhutan Consultancy Services	Reappointed on 4 th March, 2020	Board of Director		Independent
Mr. Sonam Tobjey	Chief Executive Officer	23 August 2018	Member Secretary		Executive Director

iii. Board Responsibilities

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

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

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

The Board has the responsibilities in guiding on the company's strategic plans, setting company's values and standards, ensuring appropriate risk management and internal control system is in place and implemented. The Board collectively ensures obligations to shareholders are understood and met and senior positions in the company are filled by the right person.

iv. Responsibilities of Chairman

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

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

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



v. Responsibilities of Chief Executive Officer

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

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

vi. Board Meetings

In 2021, 10 Board meetings were held. The dates of the meeting and attendance of the Directors are set below:

a) Dates of Board Meetings held in 2021:

Date	Board Meeting No.
29 January, 2021	140 th Board Meeting
22 April, 2021	141 st Board Meeting
29 April, 2021	142 nd Board Meeting
11 June, 2021	143 rd Board Meeting
8 July, 2021	144 th Board Meeting
22 July, 2021	145 th Board Meeting
30 September, 2021	146 th Board Meeting
4 November, 2021	147 th Board Meeting
16 November, 2021	148 th Board Meeting
28 December, 2021	149 th Board Meeting

b) Attendance of current Board Directors from 29th January till 31st December 2021:

Name of the Board Members	Attendance
Dasho Ugen Chhewang	10/10
Ms. Dechen Wangmo	9/10
Mr. Kunzang Dorji	8/10
Mr. Karma P Dorji	9/10
Mr. Kinzang Tobgay	9/10
Mr. Sonam Lhundrup	9/10
Mr. Sonam Tobjey	10/10

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

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

B. Board Committees

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

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

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

a. Board Audit and Risk Committee

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

i. Attendance of the Committee Members

Name of Committee Members	Attendance
Mr. Kinzang Tobgay	10/11
Mr. Karma P. Dorji	10/11
Mr. Sonam Lhundrup	10/11
Mr. Gempo Jampel	11/11



ii. Meetings held on

In 2021, 11 Board Audit and Risk Committee meetings were held. The dates of the meeting held are set below:

Date	Board Meetings No.
19 February, 2021	53 rd BARC Meeting
1 March, 2021	54 th BARC Meeting
30 March, 2021	55 th BARC Meeting
16 April, 2021	56 th BARC Meeting
2 June, 2021	57 th BARC Meeting
25 June, 2021	58 th BARC Meeting
19 July, 2021	59 th BARC Meeting
22 September, 2021	60 th BARC Meeting
29 October, 2021	61 st BARC Meeting
30 November, 2021	62 nd BARC Meeting
30 December, 2021	63 rd BARC Meeting

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

b. Board Tender and Technical Committee

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

i. Attendance of the Committee Members

Name of Committee Members	Attendance
Mr. Karma P. Dorji	13/13
Mr. Sonam Lhundrup	10/13
Ms. Dechen Wangmo	7/13
Mr. Sonam Tobjey	13/13



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

- i. To satisfy itself that proper procurement procedures has been followed as per the norms provided in the Procurement Manual,
- ii. all Bidders have been provided with equal time and opportunity for submission of bids,
- iii. modifications of the bidding documents, if any, have been communicated simultaneously to all Bidders,
- iv. response to any Bidder's query has been sent to all Bidders simultaneously,
- v. no specific Bidder / Bidders have been put to undue advantage / disadvantage due to actions of BPC,
- vi. that the evaluation committee has carried out the work in strict compliance to the terms of the tender
- vii. In 2021, 13 Board Tender and Technical Committee meeting was held. The dates of the meeting is listed as follows:

- i. Meetings held on:

Date	BTTC Meeting No.
6 January, 2021	26 th BTTC Meeting
19 January, 2021	27 th BTTC Meeting
29 April, 2021	28 th BTTC Meeting
2 June, 2021	29 th BTTC Meeting
7 June, 2021	30 th BTTC Meeting
28 June, 2021	31 st BTTC Meeting
5 July, 2021	32 nd BTTC Meeting
12 July, 2021	33 rd BTTC Meeting
5 August, 2021	34 th BTTC Meeting
9 November, 2021	35 th BTTC Meeting
25 November, 2021	36 th BTTC Meeting
8 December, 2021	37 th BTTC Meeting
28 December, 2021	38 th BTTC Meeting

C. Board Audit and HR Committee

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

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

- i. Attendance of Committee Members

Name of Committee Members	Attendance
Dasho Kunzang Dorji	4/5
Ms. Dechen Wangmo	5/5
Mr. Sonam Lhundrup	5/5
Mr. Sonam Tobjey	5/5

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

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

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

In 2021, 5 BHRC meetings were held and the date of the meetings is listed below:

Date	BHRC Meeting No.
19 March, 2021	44 th BHRC Meeting
21 April, 2021	45 th BHRC Meeting
13 May, 2021	46 th BHRC Meeting
16 July, 2021	47 th BHRC Meeting
28 October, 2021	48 th BHRC Meeting

D. Director's Remuneration

The DHI will determine the sitting fee of the Board members. The fees are fixed sum and not by a commission or percentage of profits or turnover.

The remuneration of the Board Directors for the year 2021 is as follows:

Directors	Fees
Full Board	Nu. 552,000
Board Audit and Risk Committee	Nu. 142,000
Board Tender and Technical Committee	Nu. 202,000
Board HR Committee	Nu. 86,000
Annual General Meeting	Nu. 60,000
Compact Negotiation Meeting	Nu. 18,000
Total	Nu. 1,060,000

E. Annual General Meeting

The 18th Annual General Meeting was held on 14th April, 2022. The meeting discussed on the consideration of audited accounts for the financial year ended 31st December, 2021 and auditors' report, appointment, remuneration of auditors' and declaration of dividend.

The AGM also discussed on the appointment and retirement of directors' and remuneration of the Chief Executive Officer. As per the section 138 of the Companies Act of Bhutan 2016, the Directors need to retire during AGM. Mr. Sherab Namgay retired from BPC Board while Mr. Sonam Lhundrup was appointed as the new Director of BPC. The AGM also reappointed Dasho Kunzang Dorji and Mr. Kinzang Tobgay and declared them as the independent directors of BPC.

F. Corporate Social Responsibility

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

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

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

A tall, slender metal lattice tower is the central focus, rising from a dirt clearing on a hillside. Several workers in safety gear are positioned at different heights on the tower's structure. The background features a line of trees and distant mountains under a clear sky. The entire image is overlaid with a blue-to-yellow gradient.

AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT



TSHECHU & ASSOCIATES
EMPANELLED with RAA
F-01, First Floor, BNB ATM Building,
Jungzhina-Taba Expressway,
Thimphu-Bhutan

INDEPENDENT AUDITOR'S REPORT

To
The Members
Bhutan Power Corporation Limited
Thimphu, Bhutan

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Bhutan Power Corporation Limited (BPC)**, which comprise the Statement of Financial Position as at 31 December 2021 and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, of the financial position of the Company as at 31 December 2021, and of its financial performance and its Cash Flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

Basis for Opinion

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



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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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



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individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



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

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

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

Report on Other Legal and Regulatory Requirements

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

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

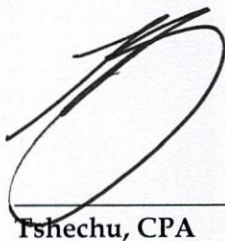
- a. We have obtained all information and explanations which to the best of our knowledge and belief, were necessary for the purpose of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;



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- c. The Company's Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report are in agreement with the books of accounts; and
- d. The Company has complied with other legal and regulatory requirements to the extent applicable to the company.

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

A handwritten signature in black ink, consisting of a large, stylized 'T' followed by a cursive flourish.

Tshechu, CPA



(Membership No.: 9798359)

Managing Partner

Place: Thimphu

Dated:

**REPORT ON MINIMUM AUDIT EXAMINATION
REQUIREMENTS**

Appendix - I

MINIMUM AUDIT EXAMINATION AND REPORTING REQUIREMENTS
BHUTAN POWER CORPORATION LIMITED FOR THE YEAR ENDED
31 DECEMBER 2021

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

1. The Company has maintained proper records of the property, plant & equipment in the assets register maintained in SAP to show full particulars including quantitative details and situation of the property, plant & equipment. As explained to us, the assets have been physically verified by the management during the year in a phased/periodical manner which in our opinion is reasonable having regard to the size of Company and nature of its assets.
2. None of the property, plant & equipment have been revalued during the year.
3. As explained to us, the physical verification of stores and spares and ISU material etc. were conducted during the year and as the Company is engaged in transmission and distribution of electricity, there is no stock of raw material and finished goods and as such the question of physical verification of raw materials and finished goods does not arise.
4. The procedures of physical verification of stock followed by the management are reasonable in relation to the size of the Company and the nature of its business.
5. On the review of the Physical verification report of stocks there is no material discrepancies mentioned in the report as compared to the book records.
6. Due to COVID-19 protocol, we are not able to examine the stock as required. As such, we are not able to comment on its valuation and compliance to applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB).
7. The Company has taken secured loans & unsecured loans. The rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. The Company has not taken any loan from any companies under the same management.
8. The Company has not granted any loan to other companies, firms or other parties, except the advances given to the contractors and suppliers in the normal course and as per the requirement of the business.

9. The loans / advances granted by the Company to its officers/staff are as per the provisions of service rules or as per the business requirement. No instance of excessive / frequent advances or accumulation of large advance against particular individual has been noted.
10. There are adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules/regulations and system and procedures.
11. There is adequate system of competitive biddings, commensurate with the size of the Company and nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. Further, the comments on the system of sale of goods and services are not applicable as the Company is engaged in the transmission, distribution, sale and purchase of electricity, which is regulated by the Bhutan Electricity Authority.
12. As per the information and explanations given to us and based on the declarations received from the Directors, there is no transaction for purchases and sale of goods and services made in pursuance of contracts or arrangements entered into with the Director/s or any other party related to the Director/s or with companies or firms in which the Director/s are directly or indirectly interested.
13. The unserviceable or damaged stores or other items identified during the physical verification have been accounted as Provision for loss in the accounts.
14. As the Company is engaged in transmission and distribution of electricity, there is no raw material and finished goods and as such this clause is not applicable. However, there are transmission/energy losses in the transmission of the electricity for the control of which the Company has laid down control measures and responsibilities.
15. As the Company is engaged in transmission and distribution of electricity, there is no question of maintenance of records for production of finished goods, by products. However, reasonable records of energy received and energy distributed are maintained by the Company to control transmission and distribution of electricity.
16. There are procedures of reporting of the scraps and unserviceable items identified/disclosed at the units to the Management for approval of sale/disposal and are auctioned dealt with in accordance with the sanctions and laid down procedures.
17. The Company is regular in depositing its rates and taxes, duties, provident fund and other statutory dues with the appropriate authorities. Further, the corporation tax was found to be adequately computed and deposited timely in accordance with

the current applicable taxation laws, and has been appropriately disclosed in the financial statements.

18. There was no undisputed amount payable in respect of rates, taxes, duties, provident funds and other statutory deductions at the yearend.
19. No personal expenses have been debited to the Statement of Comprehensive Income.
20. Company has reasonable system of recording receipts, issues and consumption of stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.
21. As the Company is engaged in transmission and distribution of electricity, there is no question of quantitative reconciliation of the raw materials and finished goods, however, quantitative reconciliation is carried out at the end of the accounting year in respect of electricity.
22. Material losses and discrepancies noted during physical verification of stock wherever written-off/adjusted were as per the approval of the appropriate authorities.
23. There is a reasonable system of allocating man-hours utilized to the respective jobs, commensurate with the size of the Company and nature of its business.
24. There is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of the company and nature of its business, on issue of stores and allocation of materials and labor to jobs.
25. The Company is engaged in distribution and sale of electricity, prices for which are regulated by the Bhutan Electricity Authority, and therefore the said clause is not applicable.
26. The Company is engaged in transmission and distribution of electricity and the due dates of bills raised on the customers are fixed based on the category of the customers and the region. In our opinion, the credit allowed to the customers is reasonable.
27. As there is no sale through commission agents, this clause is not applicable to the Company.
28. The system for follow-up with debtors and other parties for recovery of outstanding amounts are reasonable. Age-wise analysis of outstanding amounts is carried out by the management as and when required for information and follow-up action.
29. There was balance of Nu.1,218,946,912 in the Current Deposit Account and Nu.1,377,489 of Cash-in-Hand at the end of the year 2021.
30. As explained to us, the activities carried out by the company are lawful and intra vires to the Articles of Incorporation of the Company.
31. There is no investment done during the year so this clause is not applicable.
32. The Company has an adequate and effective budgetary control mechanism.

33. As the Company is engaged in transmission and distribution of electricity and in no manufacturing activities, the said clause is not applicable.
34. Other than the remunerations and sitting fee to the Chief Executive Officer, and sitting fees to other Directors, no other payments in cash or in kind, has been paid to them or any of their relatives, in the nature of remuneration or commission. The remunerations and sitting fees paid to the Chief Executive Officer, and the Directors, are disclosed in the Financial Statement. It was found that the company also made payments to evaluation committee members of Board Level Tenders and the auction committee members.
35. Directives of the Board have been complied with.
36. The Company is engaged in distribution and sale of electricity, the prices for which are fixed/regulated by the Bhutan Electricity Authority, set up by the Royal Government of Bhutan. On the basis of information received from the management, and on the basis of our review of the records and documents, price sensitive information, to the best of our knowledge; have not been transmitted by any officer of the Company, unauthorized to any other person with intent to benefit themselves.

Computerized Accounting Environment:

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

Going Concern

Based on the net asset position reflected by the Statement of Financial Position as at 31 December 2021 and audited by us in accordance with the International Standards on Auditing and on the basis of such other tests as we considered necessary in this regard, we have no reason to believe that the Company is not a going concern on the Statement of Financial Position date.

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

Ratio Analysis

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

Compliance with the Companies Act of the Kingdom of Bhutan

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

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

Adherence to laws, Rules and Regulations-

The Company has followed the Corporate Governance, which is in accordance and compliant of the provisions of the Corporate Governance Code and the Ownership Policy developed by the Druk Holding and Investments Ltd., the Companies Act of Bhutan, 2016 and other statutory requirements, to the extent as applicable to the Company.

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



Tshechu, CPA

(Membership No.: 9798359)

Managing Partner

Place: Thimphu

Dated:

Financial Statements for the year ended 2021

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

Statement of Financial Position

	Note	As at	As at	As at
		December 31, 2021	December 31, 2020	January 1, 2020
ASSETS				
Non-current assets				
Property, plant and equipment	4	31,217,116,659	30,658,527,662	31,157,418,161
Intangible assets	5	49,721,551	45,625,858	53,596,479
Long-term loans and advances	6	11,358,916	1,214,737	2,908,590
Other receivables	7	199,330	199,330	199,330
Other non-current assets	8	27,775,503	33,504,834	39,901,566
Total non-current assets		31,306,171,960	30,739,072,422	31,254,024,126
Current assets				
Inventories	9	560,656,553	428,512,611	384,102,415
Amounts due from customers for contract work	10	126,445,670	567,178,342	1,071,256,239
Trade & other receivables	11	718,518,933	803,649,995	792,250,402
Cash and cash equivalents	12	1,220,324,401	1,050,453,495	430,170,308
Short-term loans and advances	13	5,558,440	2,392,734	2,538,171
Other current assets	14	1,861,181,926	1,443,836,671	1,314,478,084
Total current assets		4,492,685,921	4,296,023,848	3,994,795,619
TOTAL ASSETS		35,798,857,881	35,035,096,270	35,248,819,745
EQUITY AND LIABILITIES				
Shareholder's Equity				
Share Capital	15	10,235,301,000	10,235,301,000	10,235,301,000
Other Equity		4,954,873,697	4,332,761,462	4,214,305,188
Total Shareholder's equity		15,190,174,697	14,568,062,462	14,449,606,188
Liabilities				
1.1 Non-current liabilities				
Borrowings	16	12,625,877,185	12,746,489,046	12,723,150,917
Deferred grants	17	1,453,439,333	1,476,845,988	1,505,364,152
Deferred Customer's Contribution	18	97,731,231	122,771,587	129,947,393
Other payables	19	674,687,725	735,500,200	1,196,750,594
Employee benefit liabilities	20	657,704,412	722,052,174	618,299,995
Deferred Income Tax liabilities (Net)	21	1,299,346,008	1,190,669,587	1,002,804,740
Total Non-current liabilities		16,808,785,892	16,994,328,583	17,176,317,791

Statement of Financial Position (Contd.)

	Note	As at	As at	As at
		December 31, 2021	December 31, 2020	January 1, 2020
Current liabilities				
Borrowings	16	580,001,278	947,707,704	1,311,012,228
Deferred grants	17	58,040,386	44,191,091	41,519,811
Deferred Customer Contribution	18	13,229,397	1,182,106	10,615,373
Amounts due to customers for contract work	10	1,784,859,136	930,323,741	958,038,578
Trade & other payables	22	867,877,273	1,325,914,555	891,059,739
Employee benefit liabilities	20	277,828,103	150,182,734	302,152,735
Income tax payable (net of advances)	23	208,924,629	36,929,400	70,454,915
Other current liabilities	24	9,137,091	36,273,894	38,042,388
Total current liabilities		3,799,897,292	3,472,705,225	3,622,895,767
Total liabilities		20,608,683,184	20,467,033,808	20,799,213,558
TOTAL EQUITY AND LIABILITIES		35,798,857,881	35,035,096,270	35,248,819,745

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



Director, FAS



Director




Chief Executive Officer



Chairman

As per our report of even date attached
For Tshechu & Associates
 Certified Practising Accountants
 Firm Empanellment No.:BH-05



CA Thriechu Tshechu
 Membership No. 9798359
 Managing Partner
 Place:
 Date:



Statement of Profit or Loss

	Note	For the year ended	
		December 31,2021	December 31, 2020
Revenue			
Income from sale of electricity	25	7,035,684,791	5,978,266,835
Income from construction contracts	26	1,328,077,395	374,224,423
Wheeling charges		2,185,145,564	2,463,935,978
Other income	27	327,649,609	223,841,054
Total Revenue		10,876,557,358	9,040,268,289
Expenditure			
Purchase of electricity		3,842,861,396	3,169,729,213
Construction material consumed and sub-contracting charges		1,275,783,815	346,207,887
Operation and maintenance expenses	28	448,485,300	406,600,471
Employee benefit expenses	29	1,300,681,594	1,256,083,743
Finance costs	30	872,331,042	866,961,599
Loss/(Gain) on foreign currency fluctuation (net)		(195,485,132)	196,322,205
Depreciation and amortization expenses		1,442,333,500	1,389,084,309
Other expenses	31	215,940,229	409,682,529
Total Expenditure		9,202,931,745	8,040,671,957

Profit before income tax		1,673,625,614	999,596,332
Tax expenses	23.1		
- Current tax – current year		410,939,202	177,520,580
- Deferred tax		108,676,421	187,864,847
- Tax adjustment of earlier years		3,614,232	65,503,707
Net Profit for the year		1,150,395,759	568,707,198
Other Comprehensive Income			
Actuarial gains/ (loss)		15,126,659	9,157,164
Tax expenses actuarial gains/(loss)		4,537,998	2,747,149
Other Comprehensive income net of tax		10,588,661	6,410,015
Total Comprehensive Income for the year		1,160,984,420	575,117,213
Earnings Per Share	32	112.39	55.56

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



Director, FAS



Director



Chief Executive Officer



Chairman

As per our report of even date attached

For Tshechu & Associates

Certified Practising Accountants

Firm Empanellment No.:BH-05



CA Thriechu Tshechu

Membership No. 9798359

Managing Partner

Place:

Date:



Statement of Changes in Equity for the year ended December 31, 2021

	Equity Share capital	Retained earnings	Asset Replacement Reserve	Actuarial gains/(losses)	Total Equity
	Refer Note 15				
Balance as at January 1, 2021	10,235,301,000	4,342,902,064	154,660,723	(164,801,326)	14,568,062,463
Net profit for the year	-	1,150,395,759	-	-	1,150,395,759
Other comprehensive income/(loss):					
Actuarial gain Prior period Adjustment	-	(82,821,638)	-	15,126,659	15,126,659
Transfer to Asset Replacement Reserve	-	(6,613,169)	6,613,169	-	-
Transaction with the owners:					
Payment of Dividends for the year 2020	-	(460,588,545)	-	-	(460,588,545)
Balance as at December 31, 2021	10,235,301,000	4,943,274,471	161,273,892	(149,674,667)	15,190,174,698

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

	Equity Share capital	Retained earnings	Asset Replacement Reserve	Actuarial gains/(losses)	Total Equity
	Refer Note 15				
Balance as at January 1, 2020	10,235,301,000	4,269,143,382	119,120,296	(173,958,490)	14,449,606,189
Net profit for the year	-	568,707,198	-	-	568,707,198
Other comprehensive income/(loss):					
Actuarial gain	-	-	-	9,157,164	9,157,164
Prior period adjustment of borrowings		(47,266,634)			(47,266,634)
Transfer to Asset Replacement Reserve	-	(35,540,427)	35,540,427	-	-
Transaction with the owners:					
Payment of Dividends for the year 2019	-	(412,141,454)	-	-	(412,141,454)
Balance as at December 31, 2020	10,235,301,000	4,342,902,064	154,660,723	(164,801,326)	14,568,062,463

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

Statement of Cash Flows

	For the year ended	
	December 31, 2021	December 31, 2020
Cash flows from / (used in) operating activities		
Profit before income tax	1,673,625,614	999,596,332
Adjustments for:		
Depreciation and amortization expenses	1,442,333,500	1,389,084,309
Loss on disposal of property, plant and equipment	653,052	8,987,077
Interest expenses on borrowings	784,939,148	744,770,270
Interest income	(22,153,166)	(24,000,344)
Unwinding of discount on retention, security deposit & borrowings	87,391,894	122,191,329
Provision for doubtful debts	18,495,011	32,782,314
Provision on Obsolescence of Material	23,921,885	15,500
Prior period adjustment	(82,821,638)	(47,266,634)
Liabilities no longer required written back	(2,669,023)	(18,640,939)
Amortization of deferred grants	(69,570,360)	(55,870,627)
Amortization of deferred customer contribution	(13,632,318)	(16,609,073)
Operating profit before working capital changes	3,840,513,600	3,135,039,513
Decrease / (Increase) in inventories	(156,065,827)	(44,425,697)
Increase in amounts due from customers for contract work	440,732,673	504,077,897
Decrease / (Increase) in trade and other receivables	66,636,051	(44,181,907)
Decrease / (Increase) in current and non-current assets	(414,426,098)	209,820,740
Increase in long-term and short-term loans and advances	(13,309,884)	1,839,289
Decrease in amounts due to customers for contract work	854,535,395	(27,714,838)
Increase in trade and other payables	(455,368,260)	453,495,756
(Decrease)/ Increase in other current & non-current liabilities	(87,949,279)	(463,018,887)
Increase / (decrease) in provision	78,424,265	(39,060,658)
Net cash generated from operating activities before income tax	4,153,722,635	3,685,871,210
Income tax paid, net of refunds received	(242,558,205)	(276,549,802)
Net cash generated from operating activities	3,911,164,430	3,409,321,407
Cash used in investing activities		
Purchase of property, plant and equipment and Intangible assets	(2,033,677,804)	(891,231,193)
Receipt of deferred grants	60,013,000	30,023,744
Receipt of deferred customer contribution	639,253	-
Proceeds from sale of property, plant and equipment	418,976,826	20,927
Redemption of bank term deposits (net)	40,412,114	(335,814,498)
Interest received	(15,448,774)	27,032,248
Net cash used in investing activities	(1,529,085,385)	(1,169,968,773)

Cash flows from financing activities		
Proceeds from Borrowings	(264,932,643)	135,686,274
Repayment of Borrowings	(986,487,702)	(1,236,903,168)
Interest paid	(304,714,117)	(302,033,306)
Payment of dividend on ordinary shares	(460,588,545)	(412,141,454)
Net cash generated from/use in financing activities	(2,016,723,007)	(1,815,391,653)
Net increase in cash and cash equivalents	365,356,038	423,960,981
Cash and cash equivalents at beginning of the year	1,050,453,495	430,170,308
Loss/(gain) on foreign currency fluctuation	(195,485,132)	196,322,205
Cash and cash equivalents at end of the year	1,220,324,401	1,050,453,495

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

 Director, FAS
  Director
  Chief Executive Officer
  Chairman

As per our report of even date attached
For Tshechu & Associates
 Certified Practising Accountants
 Firm Empanellment No.:BH-05


CA Thriechu Tshechu

Membership No. 9798359
 Managing Partner
 Place:
 Date:



1. General Information

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

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

The Company owns, operates and maintains the entire electricity transmission and distribution network in the Kingdom of Bhutan including 19 Mini and Micro Hydropower Plants. Apart from construction of distribution network system, the Company is also mandated to construct the associated Transmission Lines and Substations required for evacuation of power from Hydropower Plants to the Bhutan-India border.

The financial statements of the Company for the year ended December 31, 2021 were authorized for issue in accordance with the resolution of the Board of Directors dated March 28, 2022. The Company's financial statements are prepared in accordance with and are fully compliant with the Bhutanese Accounting Standards (BAS), except as stated otherwise in the financial statements.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance and to comply with the Bhutanese Accounting Standards and the relevant provisions of The Companies Act of Bhutan, 2016 including the Accounting Standard Rules for Companies in Bhutan, 2012.

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

2.2 Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

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

2.3 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

2.4 Intangible assets

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

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

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

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

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

2.5 Impairment of non-financial assets

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

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

2.6 Income tax

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

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

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

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

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

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

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

The income tax liabilities are recognized when, despite the Company's belief that its income tax return positions are supportable, the Company believes, it is more likely than not, based on the technical merits, that certain positions may not be fully sustained upon review by income tax authorities. Benefits from tax positions are measured at the single best estimate of the most likely outcome.

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

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

2.7 Financial Instruments

i) Financial Assets

(a) Initial recognition and measurement

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

(b) Classification and subsequent measurement

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

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

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

a) Financial assets measured at amortized cost:

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

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

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

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

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

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

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

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

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

(c) Impairment of financial assets

The Company assesses impairment of financial assets, based on the incurred loss model as per BFRS-9 provides that impairment of financial assets will be done as per the provision of BAS-39 accordingly, the

Company assesses at the end of each reporting period, whether there is any objective evidence that a financial asset or group of financial assets is impaired, and in that case the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the assets is reduced through Provisions / Allowance for Impairment Loss Account, and the amount of the loss is 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

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

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

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

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

a) Financial Liabilities

Initial recognition and measurement

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

Subsequent measurement

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

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

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

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

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

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

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

Financial Liability at Amortized cost

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

Borrowings

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

Trade and other payables

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

Derecognition

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

2.8 Cash and cash equivalents

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

2.9 Inventories

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

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

2.10 Investment and Asset Replacement Reserves

The nature and purpose of these reserves are as follows:

i. Investment Reserve:

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

importance. The stated objectives of Investment Reserve are as under:

- To build funds for investments.
- To build funds to meet National exigencies.
- To optimize on the limited pool of capital available in the group and maximize returns to the Government and the State.
- To facilitate transfer of capital among the Companies in the group and within the legal framework in Bhutan.
- To enable the DoCs to optimize its capital structure and improve returns.
- To provide predictability in flow of funds from DoCs to DHI and to MoF.

ii. Asset Replacement Reserve:

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

2.11 Grants

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

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

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

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

2.12 Customer's Contribution for network construction / expansion

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

2.13 Borrowing Costs

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

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

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

2.14 Employee benefit liabilities

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

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

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

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

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

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

2.15 Revenue Recognition

Accounting Policy

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

Wheeling Charges

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

Sale of Electricity

Revenue attributable to sale of electricity is accounted for as per tariff rates approved by Bhutan electricity authority on the basis of billing to consumer under the billing cycle followed by the company including interest on delayed payment. Revenue is recognized as electricity is delivered and consumed by customers. Revenue also includes subsidy claims from royal government of Bhutan. Electricity delivered and consumed

by customers for which bill has not been raised at the end of the reporting period is estimated and revenue is recognized accordingly as unbilled revenue.

Construction Contracts

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

Liquidated damages and penalties

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

Interest income

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

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

2.16 Earnings per share ('EPS')

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

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

2.17 Dividends

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

2.18 Provisions and contingent liabilities

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

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

3. Critical accounting estimates and assumptions

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

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

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

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

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

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

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

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

iii) **Retirement benefit obligations**

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

iv) **Unbilled revenue**

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

4. Property, plant and equipment

Particulars	Freehold Land	Building and Civil Structures	Generation equipment's	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2021							
Cost	45,575,191	3,984,513,420	1,157,609,148	31,868,279,485	1,868,054,903	2,719,068,663	41,643,100,810
Accumulated depreciation	-	(1,001,858,633)	(649,088,749)	(8,122,185,989)	(1,211,439,777)	-	(10,984,573,148)
Book Value	45,575,191	2,982,654,787	508,520,400	23,746,093,496	656,615,126	2,719,068,663	30,658,527,662
Changes in book value during the year							
Additions	-	245,530,783	20,109,666	1,859,063,512	208,777,019	69,283,604	2,402,764,584
Disposals and sales	-	(40,188,093)	(1,052,775,602)	(11,036,444)	(7,151,169)	-	(1,111,151,309)
Depreciation on disposals/adjustments	-	21,480,305	656,811,579	8,209,524	5,020,022	-	691,521,430
Depreciation	-	(143,276,757)	(46,220,094)	(1,092,132,242)	(142,916,616)	-	(1,424,545,709)
Total changes	-	83,546,237	(422,074,451)	764,104,351	63,729,256	69,283,604	558,588,997
Balance as at December 31, 2021							
Cost	45,575,191	4,189,856,110	124,943,212	33,716,306,554	2,069,680,753	2,788,352,267	42,934,714,085
Accumulated depreciation	-	(1,123,655,085)	(38,497,263)	(9,206,108,707)	(1,349,336,371)	-	(11,717,597,426)
Book value	45,575,191	3,066,201,024	86,445,949	24,510,197,846	720,344,382	2,788,352,267	31,217,116,659

Property, plant and equipment (Contd.)

Particulars	Freehold Land	Building and Civil Structures	Generation equipment's	Network system	Others	Capital Advances and Construction work in progress	Total
Balance as at January 1, 2020							
Cost	45,575,191	3,464,962,593	1,151,247,268	30,928,312,309	1,702,910,388	3,481,129,780	40,774,137,528
Accumulated depreciation	-	(853,472,624)	(601,260,561)	(7,089,506,132)	(1,072,480,051)	-	(9,616,719,367)
Book Value	45,575,191	2,611,489,968	549,986,708	23,838,806,177	630,430,337	3,481,129,780	31,157,418,161
Changes in book value during the year							
Additions	-	523,080,618	6,361,880	950,213,825	165,865,187	(762,061,117)	883,460,393
Disposals and sales	-	(3,529,791)	-	(10,246,650)	(720,672)	-	(14,497,112)
Depreciation on disposals/adjustments	-	1,805,339	-	3,016,114	667,655	-	5,489,108
Depreciation	-	(150,191,347)	(47,828,188)	(1,035,695,971)	(139,627,382)	-	(1,373,342,888)
Total changes	-	371,164,819	(41,466,308)	(92,712,681)	26,184,789	(762,061,117)	(498,890,499)
Balance as at December 31, 2020							
Cost	45,575,191	3,984,513,420	1,157,609,148	31,868,279,485	1,868,054,903	2,719,068,663	41,643,100,810
Accumulated depreciation	-	(1,001,858,633)	(649,088,749)	(8,122,185,989)	(1,211,439,777)	-	(10,984,573,148)
Book value	45,575,191	2,982,654,787	508,520,400	23,746,093,496	656,615,126	2,719,068,663	30,658,527,662

4.1 Capital work-in-progress as at December 31, 2021 and December 31, 2020 comprises of the following:

Particulars	As at	As at	As at
	December 31, 2021	December 31, 2020	January 1, 2020
Generation equipment	2,984,411	2,984,411	9,346,291
Transmission lines	83,956,033	1,420,937,356	2,388,355,394
Distribution Assets	1,429,326,643	895,831,792	864,679,312
Smart Grid	54,371,465	-	
Buildings	122,674,873	142,028,574	114,583,795
Other Civil Structures	33,562,895	42,127,342	48,885,967
Others	594,585	6,228,258	1,033,313
Advance for capital works	1,060,881,362	208,930,930	54,245,709
Total	2,788,352,267	2,719,068,663	3,481,129,780

Note: Materials amounting to Nu.679,594,730, Nu.335,329,658 and Nu.463,220,747 in the years 2021, 2020 and 2019 respectively are included in the carrying amount of Capital Work-In-Progress as it is procured for the capital works.

5. Intangible assets

Computer Software	As at	As at	As at
	December 31, 2021	December 31, 2020	January 1, 2020
Opening gross carrying value (i)	298,827,538	291,056,738	285,140,439
Additions	21,883,484	7,770,800	5,916,299
Closing gross carrying value(ii)	320,711,022	298,827,538	291,056,738
Opening accumulated amortization (iii)	(253,201,679)	(237,460,259)	(220,078,575)
Additions	(17,787,792)	(15,741,421)	(17,381,684)
Closing accumulated amortization (iv)	(270,989,471)	(253,201,679)	(237,460,259)
Net carrying value (ii-iv)	49,721,551	45,625,858	53,596,479

6. Long-term loans and advances

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Advance to employees:			
- Bike loan	10,710,384	751,403	2,279,459
- Welfare loan	100,460	15,843	126,721
- Mobile phone loan	548,073	447,491	502,410
Total	11,358,916	1,214,737	2,908,590

7. Other receivables

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Security Deposit for Land Lease	199,300	199,330	199,330
Total	199,300	199,330	199,330

8. Other non-current assets

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Prepaid Expenses	27,775,503	33,478,684	39,875,416
Advance to Others	-	26,150	26,150
Total	27,775,503	33,504,834	39,901,566

9. Inventories

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Stores and spare parts	475,505,783	361,228,739	330,466,387
Stock - ISU	103,734,142	63,221,142	48,943,171
Stock - Uniform	715,063	868,451	348,497
Stock – Infocom Spares	5,955,412	4,526,240	5,660,820
Less: Provision for obsolete inventory	(25,253,847)	(1,331,963)	(1,316,462)
Total	560,656,553	428,512,611	384,102,415

10. Amount due from/to customers for contract work

	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
<u>Amounts due from customers for contract work</u>			
Work in progress -Construction Contracts	592,823,702	1,453,809,372	4,865,174,734
Less: Progress billing and advances received	466,378,032	886,631,029	3,793,918,494
Total	126,445,670	567,178,342	1,071,256,239
<u>Amounts due to customers for contract work</u>			
Progressive billing and advances received	13,669,531,743	11,562,039,314	10,929,473,282
Less: Work in progress -Construction Contracts	15,454,390,878	12,492,363,055	11,887,511,861
Total	(1,784,859,136)	(930,323,741)	(958,038,578)
<u>Recognized and included in financial statements as:</u>			
Amounts due from customers for construction contracts			
- Current portion	126,445,670	567,178,342	1,071,256,239
- Non-current portion		-	-
Amounts due to customers for construction contracts			
- For short term contract	3,014,572,190	527,692,473	(23,694,037)
- For long term contract	(1,229,713,055)	402,631,268	981,732,615
Total	(1,784,859,136)	(930,323,741)	(958,038,578)

11. Trade & other receivables

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Receivables against transmission and supply of electricity	342,459,039	488,380,352	377,480,377
Less: Provision for doubtful debts	(57,881,535)	(39,386,524)	(6,604,210)
Net Receivables	284,577,505	448,993,829	370,876,168
Subsidy receivable on Electricity from RGOB	405,881,516	325,691,628	416,978,507
Other receivables	28,059,912	28,964,539	4,395,728
Total	718,518,933	803,649,995	792,250,402

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

Particulars	As at January 1, 2021	Amount debited to 'Other Income'	As at December 31, 2021
Provision for doubtful Debts	39,386,524	18,495,011	57,881,535

12. Cash and cash equivalents

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Cash in hand	1,377,489	1,585,200	2,165,713
Bank balances in current accounts	1,218,946,912	1,025,104,237	402,394,857
Balance with bank towards staff welfare fund	-	23,764,058	25,609,738
Total	1,220,324,401	1,050,453,495	430,170,308

12.1 There are no restricted cash and cash equivalents.

13. Short-term loans and advances

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Advance to employees:			
- Bike loan	4,716,892	1,528,056	1,528,056
- Welfare loan	169,149	167,621	371,795
- Mobile phone loan	672,399	697,057	638,320
Total	5,558,440	2,392,734	2,538,171

14. Other current assets

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Deposit against Employee Insurance Policies (Refer Note 40 (iv))	348,624,441	338,253,717	330,836,730
Interest accrued on Employee Insurance Policies	49,419,521	27,687,588	6,961,711
Fixed deposits with Banks having original tenure of more than twelve months:			
- Depreciation funds for OPGS/ADSS assets	259,587,886	230,293,028	151,324,441
- Other fixed deposit		300,000,000	194,478,530
Interest accrued on Fixed Deposits:			
- Depreciation funds for OPGS/ADSS assets	31,098,786	15,228,780	7,172,684
- Other fixed deposit	59,426	59,426	31,873,304
Accrued Unbilled Trade Receivables	679,619,326	477,683,901	543,448,525
Prepaid Expenses	25,874,653	23,467,480	21,809,300
Advance to Suppliers	23,979,878	6,396,332	2,294,813
Advance to employees:			
- Travel and salary advance	6,000	12,000	-
- Expenses	-	96,185	100,000
Advance to Others	24,543,614	24,658,233	24,178,049
Assets Held for Disposal	418,368,394	-	-
Total	1,861,181,926	1,443,836,671	1,314,478,084

15. Share Capital

	As at December 31, 2021	As at December 31, 2020	As at December 31, 2019
Authorized:			
15,000,000 Equity Shares of Nu. 1,000/- each	15,000,000,000	15,000,000,000	15,000,000,000
Total	15,000,000,000	15,000,000,000	15,000,000,000
Issued, Subscribed and fully Paid up:			
10,235,301 Equity Shares of Nu. 1,000/- each	10,235,301,000	10,235,301,000	10,235,301,000
Total	10,235,301,000	10,235,301,000	10,235,301,000

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

15.2 Reconciliation of Equity shares Outstanding

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2019
At the beginning of the year			
- Number of shares	10,235,301	10,235,301	8,225,118
- Amount (in Nu.)	10,235,301,000	10,235,301,000	8,225,118,000
At the end of the year			
- Number of shares	10,235,301	10,235,301	8,225,118
- Amount (in Nu.)	10,235,301,000	10,235,301,000	8,225,118,000

16. Borrowings

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
i) Secured borrowings:			
Term loan from 'National Pension and Provident Fund' (Refer Note 16.1.i) - for Transmission Lines Project	-	-	209,637,500
ii) Unsecured borrowings:			
Term loan from 'National Pension and Provident Fund' (Refer Note 16.1.ii) - for Transmission Lines Project	941,103,600	1,653,503,654	1,995,832,138
Term loans from 'Royal Government of Bhutan' (Refer Note 16.2)			
- for Rural Electrification Projects	3,576,001,553	3,738,317,801	3,796,187,243
- for JICA I	1,756,967,003	2,005,894,678	1,917,828,990
Borrowing BAS adjustment	(90,950,848)	(158,990,596)	(233,025,805)
- for Mangdechhu Hydroelectric Project	5,710,499,125	5,710,499,125	5,710,499,125
Bank Overdraft	-	330,985	457,491,143
Interest accrued but not due on borrowings	1,312,258,029	744,641,104	179,712,811
	13,205,878,463	13,694,196,750	14,034,163,145

Borrowings analyzed as follows:	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Current portion	580,001,278	947,707,704	1,311,012,228
Non-current portion	12,625,877,185	12,746,489,046	12,723,150,917
Total	13,205,878,463	13,694,196,750	14,034,163,145

Nature of Security, Interest Rate and terms of repayments:

16.1 Term loan from NPPF:

- i) Term loan of Nu.941,103,600 from National pension and provident fund is outstanding as on 31st December 2021 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.

16.2 Other Term Loans:

- i) Rural electrification Loan I (RE-I) of Nu.116,256,956 is outstanding as on 31st December 2021 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. 183,258,377 is outstanding as on 31st December 2021 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.255,196,321 is outstanding as on 31st December 2021 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.916,356,733 is outstanding as on 31st December 2021 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.732,257,655 is outstanding as on 31st December 2021 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.1,602,935,975 is outstanding as on 31st December 2021 which is net of amount of Nu. 1,756,967,003 (after retranslation) and Nu. 154,031,028 (BAS Adjustment) from Royal Government of Bhutan for Rural Electrification Works and is repayable within 30 years at an interest rate of 0.01% on Japanese Yen in 61 semi-annually equal installments with last installment due on May 20, 2047.
- vii) Rural electrification Loan ADA of Nu.246,269,009 is outstanding as on 31st December 2021 from Royal Government of Bhutan for Rural Electrification Works and is repayable within 12 years at an interest rate of 0.7% on EURO in 12 semi-annually equal installments with last installment due on December 31, 2029.
- viii) Rural electrification loan –JICA Loan II of Nu. 1,126,406,502 is outstanding as on 31st December 2021 from the Royal Government of Bhutan is still effective and not closed. The rate of interest and the loan tenure shall be determined by the Royal Government of Bhutan.

16.3 Mangdechu Hydro Project Authority (MHPA) Loan of Nu.5,710,499,125 is outstanding as on 31st December 2021. The loan is on moratorium period, with a rate of interest of 10% p.a repayable in semi-annual installments with a tenure of 15 years.

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

17. Deferred grant

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

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
As at January 1	1,521,037,079	1,546,883,963	1,459,223,044
Addition/Received	60,013,000	30,023,744	139,271,404
Less: Transferred to 'Other Income'	(69,570,360)	(55,870,627)	(51,610,485)
As at December 31	1,511,479,719	1,521,037,079	1,546,883,963

Deferred grant analyzed as follows:

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Current portion	58,040,386	44,191,091	41,519,811
Non-current portion	1,453,439,333	1,476,845,988	1,505,364,152
Total	1,511,479,719	1,521,037,079	1,546,883,963

18. Deferred customer's contribution

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
As at January 1	123,953,693	140,562,766	144,388,972
Received during the year	639,253	-	6,590,288
Less: Transferred to "Other Income"	(13,632,318)	(16,609,073)	(10,416,494)
As at December 31	110,960,628	123,953,693	140,562,766

Deferred customer's contribution analyzed as follows:

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Current portion	13,229,397	1,182,106	10,615,373
Non-current portion	97,731,231	122,771,587	129,947,393
Total	110,960,628	123,953,693	140,562,766

19. Other Payables

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Security deposits			
- Energy meters	344,730,027	326,980,099	302,419,893
- Others (Refer Note 19.1)	15,372,472	14,103,185	16,047,438
Performance security	40,000	382,564	1,040,234
Retention money	23,558,640	148,393,522	693,903,533
Payable to employees	94,609	119,022	139,924
Other liabilities	290,891,977	245,521,808	183,199,573
Total	674,687,725	735,500,200	1,196,750,594

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

20. Employee benefit liabilities

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Provision for:			
- Gratuity	663,330,774	615,327,827	577,816,748
- Separation Benefits	68,866,636	64,617,944	61,286,155
- Leave encashment	76,420,688	68,667,055	61,858,658
- Performance Based Incentive Scheme	-	-	109,882,504
- Performance Based Variable Allowance	100,849,169	98,917,759	99,068,397
- Payables to employees	26,065,248	24,704,324	10,540,269
Total	935,532,515	872,234,908	920,452,730

Employee benefit liabilities analyzed as follows:

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Current portion	277,828,103	150,182,734	302,152,735
Non-current portion	657,704,412	722,052,174	618,299,995
Total	935,532,515	872,234,908	920,452,730

21. Deferred Income Tax Liabilities (Net)

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

Particulars	As at December 31, 2021	As at December 31, 2020
Opening balance	1,190,669,587	1,002,804,740
Charged to Statement of Comprehensive Income	108,676,421	187,864,847
Closing Balance	1,299,346,008	1,190,669,587

Note 21.1: The Deferred Tax Liability for the year ended December 31, 2021 is as shown below:

For the year December 31, 2021

Assets & Liabilities	Carrying Amount	Tax Base	Taxable Temporary Difference (DTL)	Deductible Temporary Difference (DTA)
Property, Plant & Equipment	28,478,485,943	24,256,254,645	4,222,231,299	-
Provision for bad debts	57,881,535	-	-	57,881,535
Provision for obsolete materials	25,253,847	-	-	25,253,847
Retention money-non current	23,558,640	26,820,711	3,262,071	-
Security deposit	15,372,472	16,759,951	1,387,479	-
Borrowings- JICA I	5,242,017,708	5,332,968,556	90,950,848	-
Employee benefit obligation	663,330,774	871,388,485	208,057,711	-
Bonus payable	100,849,169	174,473,667	-	73,624,498
Provision for transfer grant	22,327,887	-	-	22,327,887
Provision for carriage charges	24,210,862	-	-	24,210,862
Provision for Travel allowance	22,327,887	-	-	22,327,887
Total			4,525,889,409	78,377,520
Net Deferred Liability				4,447,511,887
Deferred Tax Liability				1,334,253,556
Adjustment of prior period deferred tax				34,907,559
Deferred Tax Liability in 2021				1,299,346,008

22. Trade & Other Payable

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Trade payables:			
- electricity	404,789,522	588,932,036	605,461,894
- suppliers & contractors	109,670,651	31,460,242	53,683,427
- services	5,809,767	3,087,787	2,578,636
Security deposits			
- Energy meter	12,677,629	7,472,170	6,790,906
- Capacity reserve charges	28,444,479	12,797,160	23,934,599
Performance security	6,587,539	5,651,585	8,791,258
Retention money	281,509,724	661,889,411	154,519,519
Accrued expenses	14,289,325	11,337,032	31,273,236
Other liabilities	4,098,637	3,287,133	4,026,264
Total	867,877,273	1,325,914,555	891,059,739

23. Income tax payable (net of advances)

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Provision for corporate income tax	410,939,202	125,333,034	270,448,612
Less: Advance tax and income tax deducted at source	(202,014,573)	(88,403,634)	(199,993,697)
	208,924,629	36,929,400	70,454,915

23.1 Details of Income Tax is as under:

	As at December 31, 2021	As at December 31, 2020
Current income tax		
Current tax on profits for the year	410,939,202	177,520,580
Total Current income tax	410,939,202	177,520,580
Deferred income tax		
Increase/(decrease) in deferred tax liabilities	108,676,421	187,864,847
Total Deferred income tax	108,676,421	187,864,847
Adjustment of tax for prior years	3,614,232	65,503,707
Income tax expense	523,229,855	430,889,134

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

	2021	
Current tax on profit for the year		410,939,202
Reconciliation of tax on accounting profit:		
Profit Before Income Tax		1,673,625,614
Tax calculated at domestic tax rate 30%		502,087,684
Adjustments:		
Donations	3,947,000	1,184,100
Fines and penalties	11,522,177	3,456,653
Provision for doubtful debts	18,495,011	5,548,503
Provision for obsolete materials	23,921,885	7,176,565
Medical	4800	1440
Gratuity	41,773,261	12,531,978
Transfer grant	1,141,653	342,496
Carriage charges	1,048,472	314,542
Separation allowance	1,141,664	342,499
BAS adjustments	68,995,285	20,698,586
Impact due to depreciation	(475,819,482)	(142,745,845)
Reconciled with tax expense as above		410,939,202

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

24. Other current liabilities

	As at December 31, 2021	As at December 31, 2020	As at January 1, 2020
Statutory liabilities	9,136,091	12,547,688	12,471,332
Welfare grant fund	-	23,724,058	25,569,738
Other payables	1,000	2,148	1,318
	9,137,091	36,273,894	38,042,388

25. Income from sale of electricity

	For the year ended	
	December 31, 2021	December 31, 2020
Revenue - Low voltage customers	2,872,765,026	2,771,510,536
Revenue - Medium voltage customers	451,148,286	334,282,316
Revenue – High voltage customers	3,714,224,621	2,838,744,025
Miscellaneous income	(2,453,143)	33,729,958
Total	7,035,684,791	5,978,266,835

26. Income from construction contracts

	For the year ended	
	December 31, 2021	December 31, 2020
Value of contracts performed and service charges	1,327,890,538	373,538,031
Estimation charges for works	186,856	686,391
Total	1,328,077,395	374,224,423

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

	December 31, 2021	December 31, 2020
Long-term contracts:		
- MHPA	52,680,817	80,724,860
- Puna I	232,058	65,682,320
- Transmission Project Office-Changedaphu	957,436,563	175,878,173
- Transmission Project Office-Thimphu	13,888,260	-
- Electrification Department	260,190,720	10,436,938
Short-term contracts:	43,462,120	40,815,740
Total	1,327,890,538	373,538,031

27. Other Income

	For the year ended	
	December 31, 2021	December 31, 2020
Interest income on:		
- Depreciation Fund	-	2,815,040
- Benefit Accrued on Employee Insurance Policies (Refer Note 40 (iv))	21,731,933	21,125,878
- Other Fixed Deposits	421,233	59,426
Penalties and liquidated damages	12,605,778	9,350,065
Revenue Grant	79,141,131	-
Amortization of deferred grants (Refer Note 17)	69,570,360	55,870,627
Amortization of deferred customer's contribution (Refer Note 18)	13,632,318	16,609,073
Liabilities no longer required written back	2,669,023	18,640,939
Scrap Sales	-	120,555
Tender form sales	159,800	279,400
Hire and lease charges	11,528,945	7,283,412
Other miscellaneous income	116,189,088	91,686,638
Total	327,649,609	223,841,054

28. Operation and maintenance expenses

	For the year ended	
	December 31, 2021	December 31, 2020
Repairs and maintenance:		
- Material/Stores	91,935,267	98,463,077
- Services	197,779,962	148,620,312
- Meter Equipment	3,415,104	1,640,417
- Vehicle running expenses (POL)	34,094,901	24,425,684
- Consumables	10,424,048	11,221,073
- Others	110,836,019	122,229,909
Total	448,485,300	406,600,471

29. Employee benefit expenses

	For the year ended	
	December 31, 2021	December 31, 2020
Salaries, wages, bonus and allowances	1,040,714,306	1,013,518,175
Contribution to provident and pension fund	100,089,430	93,699,800
Contribution for gratuity and leave encashment	151,384,241	144,548,974
Workmen and staff welfare expenses	8,493,616	4,316,794
Total	1,300,681,594	1,256,083,743

30. Finance cost

	For the year ended	
	December 31, 2021	December 31, 2020
<u>Interest on long term borrowings from:</u>		
Royal Government of Bhutan for Rural Electrification Projects	81,133,181	86,214,158
National Pension and Provident	123,552,039	64,367,576
MHPA Loan	569,485,392	572,614,433
Guarantee fee	10,370,559	6,159,175
BoB Overdraft	328,413	15,322,123
Other finance charges	69,565	92,804
Unwinding of discount on retention, security deposit and borrowings	87,391,894	122,191,329
Total	872,331,042	866,961,599

31. Other expenses

	For the year ended	
	December 31, 2021	December 31, 2020
Travelling expenses	17,707,871	19,148,825
Rent charges	13,563,618	10,806,935
Rates and taxes	822,052	1,121,475
Printing and stationary	6,275,567	9,463,471
License and registration fees	26,716,647	24,877,841
Audit fees and expenses	1,156,941	1,054,240
Office expenses	8,695,398	7,171,698
Consultancy fees	523,347	369,406
Legal fees	-	-
Entertainment expenses	5,903,083	4,968,765
Publicity and Advertisement expenses	2,245,044	1,186,901
Insurance charges	3,922,682	2,745,473
Donations & contributions expenses	36,070,608	226,312,991
Vehicle Hire charges	375,078	308,162
Bad debt expenses	18,495,011	32,782,314
Provision for obsolete materials	23,921,885	15,500
Loss on disposal of property, plant and equipment	653,052	8,987,077
Board meeting expenses and sitting fees	1,409,207	1,375,669
Management Fee for holding Company	30,688,451	31,651,172
Miscellaneous expenses	16,794,688	25,334,616
Total	215,940,229	409,682,529

32. Earnings per share ('EPS')

	For the year ended	
	December 31, 2021	December 31, 2020
Basic EPS attributable to Ordinary shares		
Net Profit attributable to the owners of the Company	1,150,395,759	568,707,198
Issued and outstanding ordinary shares at the beginning/end of the year	10,235,301	10,235,301
Effect of ordinary shares issued during the year	-	-
Weighted average number of ordinary/diluted shares	10,235,301	10,235,301
Basic/Diluted EPS attributable to ordinary/diluted shares	112.39	55.56

33. Fair Value Measurement

Financial instruments by category:

Particulars	As at December 31, 2021			As at December 31, 2020		
	FVTPL	FVTOCI	Amortized cost	FVTPL	FVTOCI	Amortized cost
Financial assets						
Investments	-	-	-	-	-	-
Long-term loans and advances	-	-	11,358,916	-	-	1,214,737
Other receivables	-	-	199,330	-	-	199,330
Amount due from customers for contract work	-	-	126,445,670	-	-	567,178,342
Trade & other receivables	-	-	718,518,933	-	-	803,649,995
Cash and cash equivalents	-	-	1,220,324,401	-	-	1,050,453,495
Short-term loans and advances	-	-	5,558,440	-	-	2,392,734
Total financial assets	-	-	2,082,405,689	-	-	2,425,088,634
Financial liabilities						
Borrowings	-	-	13,205,878,463	-	-	13,694,196,750
Other payables	-	-	674,687,725	-	-	735,500,200
Amount due to customers for contract work	-	-	1,784,859,136	-	-	930,323,741
Trade & other payables	-	-	867,877,273	-	-	1,325,914,555
Total financial liabilities	-	-	16,533,302,596	-	-	16,685,935,247

(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.

34. Capital Management

(a) Risk management

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

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

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

(b) Financial risk management

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

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

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

(1) Credit risk

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

i) Trade receivables

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

Electricity consumers:- Initially 30 days credit period is given to the Consumers. For defaulting consumers, 2% of the billed amount is charged as penalty. If the consumer further fails to pay the bill within 3 months

or 90 days from the billing date the supply is disconnected until clearing of the dues. The Company has no concentration of credit risk as the customer base is widely distributed both economically and geographically. Further being a sole distributor of electricity, the Company expects to recover all its dues from the customers.

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

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

ii) Financial instruments and cash deposits

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

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

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

(2) Liquidity risk

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

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

(i) Maturities of financial liabilities

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

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

Contractual maturities of financial liabilities as at December 31, 2021	Less than 1 year	More than 1 year	Total
Trade and Other Payables	867,877,273	674,687,725	1,542,564,997
Borrowings	580,001,278	12,625,877,185	13,205,878,463
Total financial liabilities	1,447,878,550	13,300,564,910	14,748,443,460
Contractual maturities of financial liabilities as at December 31, 2020	Less than 1 year	More than 1 year	Total
Trade and Other Payables	1,325,914,555	735,500,200	2,061,414,756
Borrowings	947,707,704	12,746,489,046	13,694,196,750
Total financial liabilities	2,273,622,260	13,481,989,247	15,755,611,506

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

(3) Market risk

(i) Foreign currency risk

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

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

Foreign currency risk exposure

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

Particulars	As at December 31, 2021		As at December 31, 2020	
	Currency			
	Euro in Nu.	Yen in Nu.	Euro in Nu.	Yen in Nu.
Financial liabilities	246,269,009	2,883,373,505	292,487,780	3,122,489,293
Net exposure to foreign currency risk	246,269,009	2,883,373,505	292,487,780	3,122,489,293

Sensitivity

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

Particulars	Impact on profit before tax	
	As at December 31, 2021	As at December 31, 2020
YEN Sensitivity		
Nu. depreciate by 5% (2021:5%)	144,168,675	156,124,465
Nu. appreciate by 5% (2021:5%)	(144,168,675)	(156,124,465)
EURO Sensitivity		
Nu. depreciate by 5% (2021:5%)	12,313,450	14,624,389
Nu. appreciate by 5% (2021:5%)	(12,313,450)	(14,624,389)

(ii) Interest rate risk

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

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

(iii) Price Risk

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

35. Related Party Transactions

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

Fellow subsidiaries are as shown below:

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

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

Name of Related Party	Relationship	Nature of transaction with related party	Amount outstanding as on December 31, 2021	Transactions during the year
			(Amount in Nu. Recievables/ (Payables))	(Amount in Nu. Debit/(Credit))
Bank of Bhutan	Fellow subsidiary	a) Balance with BoBL	1,118,069,732	
		b) Bank charges		69,414 (5,757,926)
		c) Sale of electricity	88,797	
		d) margin money deposit Trade payables	(65,000)	
		e) Maintenance of others		650,000
Bhutan Telecom	Fellow subsidiary	a) Communication, telephone and internet charges		9,260,946
		b) Sale of electricity		(51,373,844)
		c) Rental income on lease		(3,941,599)
		d) Trade payables	(744,723)	
		e) Income from deposit works		(11,876,863)
		f) Deposits	1,219,298	
Druk Green Power Corporation Ltd.	Fellow Subsidiary	(a) Trade receivables	100,710,033	
		b) Trade payables	(342,547,792)	
		c) Purchase of energy		3,570,595,286
		d) Wheeling revenue		(991,276,852)
		e) Running & maintenance of power		456,740
		f) Sale of electricity		(14,091,412)
Druk Air Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	50,000	
		b) Flight tickets		95,850
		c) Sale of electricity		(880,232)

Dungsam Cement Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	15,969,368	
		b) Deposits received	(3,224,160)	
		c) Sale of electricity		(173,117,050)
		d) Rental income		(422,886)
Natural Resources Development Corporation Ltd.	Fellow Subsidiary	a) Sale of electricity		(3,290,522)
		b) Purchase of furniture		964,215
		c) Trade receivables	297,791	
Bhutan Board Product Ltd.	Fellow Subsidiary	a) Purchase of asset		199,030
		b) Sale of electricity		(16083,085)
		c) Running & maintenance		1,972
Construction Development Corporation Ltd.	Fellow Subsidiary	a) Sale of electricity		(6,203,479)
Dungsam Polymers Ltd.	Fellow Subsidiary	a) Non-trade receivables	49,173	
		b) Sale of electricity		(3,286,864)
		c) Rental Income		(49,173)
Druk Holding & Investments Ltd.	Holding Company	a) Dividend	460,588,545	
		b) Lease rent		2,390,927
		c) Brand management fees		30,688,451
		d) Sale of electricity		(786,589)
		e) Rental income on lease		(251,642)
		f) Corporate guarantee fee		10,370,559
		g) Trade payables	(10,370,437)	
		h) Deposit Received		(180,000)
Koufuku International Ltd.	Fellow Subsidiary	a) Sale of electricity		(547,392)
Thimphu Tech Park Ltd.	Fellow Subsidiary	a) Trade receivables	532,022	
		b) Annual Maintenance charges		6,368,082
		c) Sale of electricity		(3,978,5112)
		d) Trade payables	(144,068)	
		e) Staff training		45,000
State Mining Corporation Ltd.	Fellow Subsidiary	a) Trade receivables	322,616	
		b) Sale of electricity		(3,866,490)
		c) Advance received	(370,592)	
State Trading Corporation of Bhutan Ltd.	Fellow Subsidiary	a) Purchase of assets	37,446,991	
		b) Running & Maintenance of vehicle		8,897,889
		c) Sale of electricity		(1,426,878)
Penden Cement Authority Ltd	Fellow Subsidiary	a) Trade receivables	8,535,855	
		b) Rental expense		294,000
		c) Sale of electricity		(69,818,600)
		d) Deposits	(49,000)	
Tangsibji Hydro Electric	Fellow Subsidiary	a) Deposits received	(1,182,864)	
		b) Sale of electricity		(4,632,101)
Menjong Sorig	Fellow Subsidiary	a) Purchase of Health supplement		47,580
		b) Sale of electricity		(646,261)
		c) Trade receivables	53,855	
		d) Deposit Received	(1,536)	

Bhutan Hydro Power Services Ltd.	Fellow Subsidiary	a) Advance	8,392,284	
		b) Trade receivable	278,333	
		c) Deposit Received	(547,390)	
		d) Sale of electricity		(3,339,234)
		e) Running & Maintenance		407,263
		f) Misc.revenue		(14,158)

Key management personnel ('KMP')

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

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

	For the year ended	
	December 31, 2021	December 31, 2020
Basic Salary and contract allowance	2,709,530	2,544,000
Performance based variable allowances	289,285	259,187
Performance based incentive scheme	-	214,254
Sitting fees	168,000	160,000
Contribution to provident fund	203,214	190,800
Other allowances	-	-
Total	3,370,029	3,368,241

The sitting fees to the Board of Directors:

Name of Board Director	Amount (Nu.)
Dasho Ugyen Chewang	96,000
Dasho Kunzang Dorji	88,000
Kinzang Tobgay	124,000
Karma P Dorji	176,000
Sonam Lhendrup	176,000
Dechen Wangmo	148,000

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

Note:

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

36. Employee Benefits

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

i) Change in present value of obligation:

(in Nu.)

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2021	Year ended 31st December, 2020	Year ended 31st December, 2021	Year ended 31st December, 2020
Present Value of obligation at the beginning of year	615,327,826	577,816,747	68,667,054	61,858,658
Interest cost	47,209,935	44,803,643	994,828	529,902
Current Service Cost	39,279,547	37,423,658	7,753,633	6,808,396
Past Service Cost	-	-	-	-
Benefit Paid	(25,203,633)	(35,542,424)	(56,231,698)	(55,234,883)
Net actuarial (Gain) / Loss on obligation	(13,282,903)	(9,173,798)	55,236,870	-
Present value of the defined benefit at the end of period/year	663,330,773	615,327,826	76,420,687	68,667,054
Current Liability	65,498,362	24,268,638	76,420,687	68,667,054
Non-current Liability	597,832,411	591,059,188	-	-

Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2021	Year ended 31st December, 2020	Year ended 31st December, 2021	Year ended 31st December, 2020
Present Value of obligation at the beginning of year	20,822,930	19,681,277	20,823,663	19,681,999
Interest cost	1,573,579	1,497,868	1,573,638	1,497,926
Current Service Cost	1,483,446	1,417,792	1,483,446	1,420,382
Benefit Paid	(1,153,193)	(1,915,843)	(1,153,193)	(1,915,843)
Net actuarial (Gain) / Loss on obligation	(398,875)	141,836	(399,667)	139,199
Present value of the defined benefit at the end of period/year	22,327,887	20,822,930	22,327,887	20,823,663
Current Liability	2,838,908	749,655	2,838,908	749,655
Non-current Liability	19,488,979	20,073,275	19,488,979	20,074,008

Particulars	Carriage Charges	
	Year ended 31st December, 2021	Year ended 31st December, 2020
Present Value of obligation at the beginning of year	22,971,351	21,922,879
Interest cost	1,747,515	1,600,977
Current Service Cost	1,664,624	1,622,557
Benefit Paid	(1,127,414)	(1,910,661)
Net actuarial (Gain) / Loss on obligation	(1,045,214)	(264,401)
Present value of the defined benefit at the end of period/ year	24,210,862	22,971,351
Current Liability	3,316,819	792,702
Non-current Liability	20,894,043	22,178,649

ii) Expense recognized in the Statement of Comprehensive Income.

(in Nu.)

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2021	Year ended 31st December, 2020	Year ended 31st December, 2021	Year ended 31st December, 2020
Current Service Cost	39,279,547	37,423,658	7,753,633	6,808,396
Interest cost	47,209,935	44,803,643	994,828	529,902
Past Service Cost	-	-	-	-
Immediate recognition of gain/loss- other long term employee benefits	-	-	55,236,870	54,704,981
Net actuarial (Gain) / Loss recognized in the year	(13,571,333)	(9,173,798)	(31,335)	-
Expenses recognized in Statement of Profit and Loss	86,489,483	82,227,301	63,985,331	62,043,279*

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

Particulars	Transfer Grant		Separation Allowance	
	Year ended 31st December, 2021	Year ended 31st December, 2020	Year ended 31st December, 2021	Year ended 31st December, 2020
Current Service Cost	1,483,446	1,417,792	1,483,446	1,420,382
Interest cost	1,573,579	1,497,868	1,573,638	1,497,926
Net actuarial (Gain) / Loss recognized in the year	(398,875)	141,836	(399,667)	139,199
Expenses recognized in Statement of Profit and Loss	3,057,025	2,915,660	3,057,084	2,918,308

Particulars	Carriage Charges	
	Year ended 31st December, 2021	Year ended 31st December, 2020
Current Service Cost	1,664,624	1,622,557
Interest cost	1,747,515	1,600,977
Net actuarial (Gain) / Loss recognized in the year	(1,045,214)	(264,401)
Expenses recognized in Statement of Profit and Loss	3,412,139	3,223,534

iii) Actuarial Assumptions:

Principal assumptions used for actuarial valuation are:

Particulars	Gratuity		Leave Encashment	
	Year ended 31st December, 2021	Year ended 31st December, 2020	Year ended 31st December, 2021	Year ended 31st December, 2020
Method used	Projected unit credit method			
Discount rate	8%	8%	8%	8%
Rate of Increase in Compensation levels	6.00% p.a.	6.00% p.a.	6.00% p.a.	6.00% p.a.
Rate of return on plan assets	0.00%	0.00%	0.00%	0.00%
Expected Average remaining working lives of employees (years)	14 years	15 years	12 years	12 years

Particulars	Transfer Grant Separation Allowance Carriage Charges	
	Year ended 31st December, 2021	Year ended 31st December, 2020
Method used	Projected unit credit method	
Discount rate	8%	8%
Rate of Increase in Compensation levels	6.00% p.a.	6.00% p.a.
Rate of return on plan assets	0.00%	0.00%
Expected Average remaining working lives of employees (years)	12 years	12 years

37. Capital Commitments

The Company has contractual commitments of Nu.756, 986,453.16 and Nu. 640,721,364.35 as at December 31, 2021 and December 31, 2020 respectively; on account of capital expenditures relating to acquisition of Property, plant and equipment, but not recognized as liabilities as on the reporting date.

38. Contingent Liabilities

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

39. Additional Disclosures

- i. Due to the COVID-19 pandemic, there is significant increase in the expense on donations and contributions. The following monetary assistance was provided by BPC:
 - a. BPC waived the electricity charges from January to June for quarantine facilities, Point of Entries and Outposts along the southern border based on letter from the Ministry of Finance letter number DRC/Fiscal Measures-Covid/2021/1012 dated 17th February 2021 and further directives from the DHI vide DHI/CEO/DOC/2021/63 dated 1/3/2021. The waiver amounted to Nu.32,073,607.54

Based on the press release issued by the Prime Minister's Office on April 12th, 2020, interest on loans from domestic financial institutions were waived as a part of COVID-19 relief measure from April to June. There was 50% waiver for the year 2021. The total interest waived for the year 2021 is Nu. 61,152,236.

- ii. In the 142nd meeting of the Board of Directors of the company held on 29th April 2021, the Board decided to transfer the embedded generation assets of BPC to DGPC and also as per the approval letter received from DHI with reference number DHI/BOARD/2022/15 dated 4th January 2022. The transfer is to be done at book value and to be treated as sale of assets to DGPC. Since it was impracticable for the BPC to determine the fair value of the embedded generation assets and hence, the transaction has been accounted at carrying value of the assets. An amount of Nu.418,368,394 (Nu.416,462,768 for embedded generation and Nu.1,905,626 for other assets to be auctioned off in subsequent years) has been classified as Assets Held for Disposal.
- iii. As per the technical assessment of the slow and non-moving material identified based on ageing and usage level of the inventory generated from ERP (SAP) System and also based on identification/segregation of obsolete stock at the time of physical verification, the adequate provision has been made in the accounts towards obsolete material.
- iv. In the opinion of the management, the value of assets other than property, plant and equipment, on realization in the ordinary course of business, will not be less than the value at which these are stated in the Statement of Financial Position.
- v. The Company has gained Nu. 195,485,132 (Previous year incurred loss of Nu.196,322,205) on account of exchange difference arising from translating foreign exchange long term borrowings for JICA I (Japanese Yen) and ADA (Euro) in domestic currency.
- vi. As per the letter received from the Accounting & Auditing Standards Board of Bhutan, it was recommended that for the concessional borrowings the company should take market rate to amortize the loans. This has been applied accordingly from the year 2017 when the Bhutanese Accounting Standards Phase III was implemented. The opening retained earnings for the year 2020 has been adjusted as follows:

	2020	
Opening Retained Earnings		4,333,698,380
Adjustment for amortization of borrowings (2017-2019)	(85,282,566)	
Deferred tax adjustment on the adjustment	20,727,568	
Revised Opening Retained Earnings 2020		4,269,143,382

The total impact of the amortization using the market rates for concessional loans (the loans for Rural Electrification) is as shown below:

Account Heads	2017	2018	2019	2020	2021	Total
Deferred government grant	(279,165,369.33)	1,487,570.71	138,477,240.87	9,780,256.16	9,780,256.16	(119,640,045.43)
Retained Earnings	15,027,147.97	24,969,415.84	45,286,002.51	47,266,634.24		132,549,200.56
Borrowing	257,698,015.08	(26,456,986.55)	(183,763,243.38)	(57,046,890.40)	(53,511,074.86)	(63,080,180.11)
Deferred tax liability	6,440,206.27	7,490,824.75	13,236,743.53	14,179,990.27	13,119,245.61	54,467,010.44
Deferred tax expense		(7,490,824.75)	(13,236,743.53)	(14,179,990.27)	(13,119,245.61)	(48,026,804.16)
Income from Government Grant		-	-	-	(9,780,256.16)	(9,780,256.16)
P&L Interest Expenses		-	-	-	53,511,074.86	53,511,074.86

vii. The Company has taken single premium insurance policies with Royal Insurance Corporation of Bhutan Limited (RICB), for coverage of its employees with death claim benefit in the event of death while in service and within the respective policy term. The policies have been underwritten through Single premium, which will be refunded at the end of respective policy period/term with pre-decided/fixed policy bonus/ benefit and after deduction of death claims paid within the respective policy term. The policy premiums paid and bonus/benefit accrued thereon aggregating to Nu. 398,043,962 as on the reporting date have been considered as 'Deposit against Employees Insurance Policy' under 'Current Assets' in the Statement of Financial Position. The death claim benefits of Nu.400,000 paid/payable during the year have been reduced from the same and accounted for as 'Employee Benefit Expense' and the policies bonus / benefit of Nu. 49,419,521 accrued under the policies during the year have been added in the same on prorated basis by credit to 'Other Income'.

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

(Amount in Nu.)

Particulars	Loan outstanding as on 01.01.2021	Disbursement during the year	Foreign Exchange difference ((gain)/loss)	Repayment / Adjustment during the year	Loan Outstanding as on 31.12.2021	Interest Paid/ provided for during the year
From Royal Government of Bhutan (Unsecured)						
A. For Rural Electrification works						
ADB-RE I	124,561,025	-	-	8,304,068	116,256,956	7,158,107
ADB-RE II	201,584,215	-	-	18,325,838	183,258,377	11,398,671
ADB-RE III	273,424,630	-	-	18,228,309	255,196,321	15,806,982
ADB-RE IV	963,349,386	-	-	46,992,653	916,356,733	-
ADB-RE V	766,316,150	-	-	34,058,496	732,257,655	44,860,715
ADA	292,487,780	-	(16,969,993)	29,248,778	246,269,009	1,723,883
JICA-I	2,005,894,678	-	(178,515,139)	70,412,536	1,756,966,263	184,824
JICA-II	1,116,594,615	57,997,873	-	48,185,986	1,126,406,502	-
	5,744,212,479	57,997,873	(195,485,132)	273,756,663	5,322,968,556	81,133,181
B. For Mangdechhu Transmission Lines						
MHPA	5,710,499,125	-	-	-	5,710,499,125	569,485,392
	5,710,499,125	-	-	-	5,710,499,125	569,485,392
C. From National Pension and Provident Fund						
NPPF	1,653,503,654	-	-	712,400,053	941,103,600	123,552,039
	1,653,503,654	-	-	712,400,053	941,103,600	123,552,039
D. Over Draft Loan						
BoB	330,985	-	-	330,985	-	328,413
	330,985	-	-	330,985	-	328,413
Total	13,108,546,242	57,997,873	(195,485,132)	986,487,702	11,984,571,281	774,499,025

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

	2021		2020	
	Units (kWh)	Amount (in Nu. Millions)	Units (kWh)	Amount (in Nu. Millions)
Purchase	2,649.54	3,842.86	2,128.58	3,169.73
Hydel	21.41	-	24.17	-
DG	00	00	0.00	-
Sale	2,474.83	7,035.68	1,961.32	5,944.54

40. Subsequent events

- The Board of Directors has proposed a final dividend of 9.89% of share capital for the financial year ended December 31, 2021. The total dividend of Nu.1,012,271,269 is subject to approval of the members in the General Meeting to be held to adopt the financial statements for the year ended December 31, 2021. These financial statements do not reflect this dividend payable.
- In line with the Asset replacement policy of the Company, the Board of Directors has proposed an amount of Nu.9,421,458 to be transferred to Asset Replacement Reserve for the financial year ended December 31, 2021, which is calculated at 0.4% on the asset addition during the year. This is subject to approval of the members in the General Meeting to be held to adopt the financial statements for the year ended December 31, 2021. These financial statements do not reflect this transfer.

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

 Director, FAS
  Director
  Chief Executive Officer
  Chairman

As per our report of even date attached
For Tshechu & Associates
 Certified Practising Accountants
 Firm Empanellment No.:BH-05


CA Thriechu Tshechu

Membership No. 9798359
 Managing Partner
 Place:
 Date:





BHUTAN POWER CORPORATION LIMITED
(An ISO 9001:2015, ISO 14001:2015 & OHSAS 18001:2007 Certified Company)

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