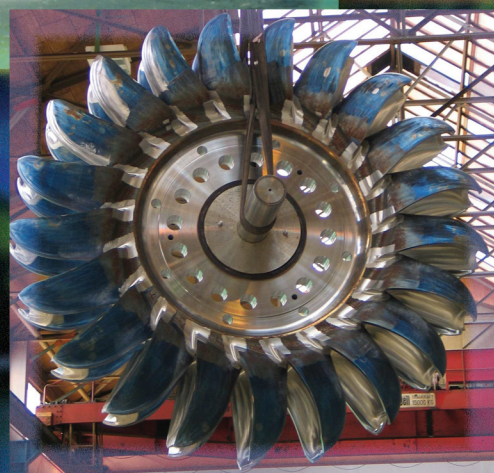




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**DrukGreen**

## ANNUAL REPORT 2009



**DRUK GREEN POWER CORPORATION LIMITED**

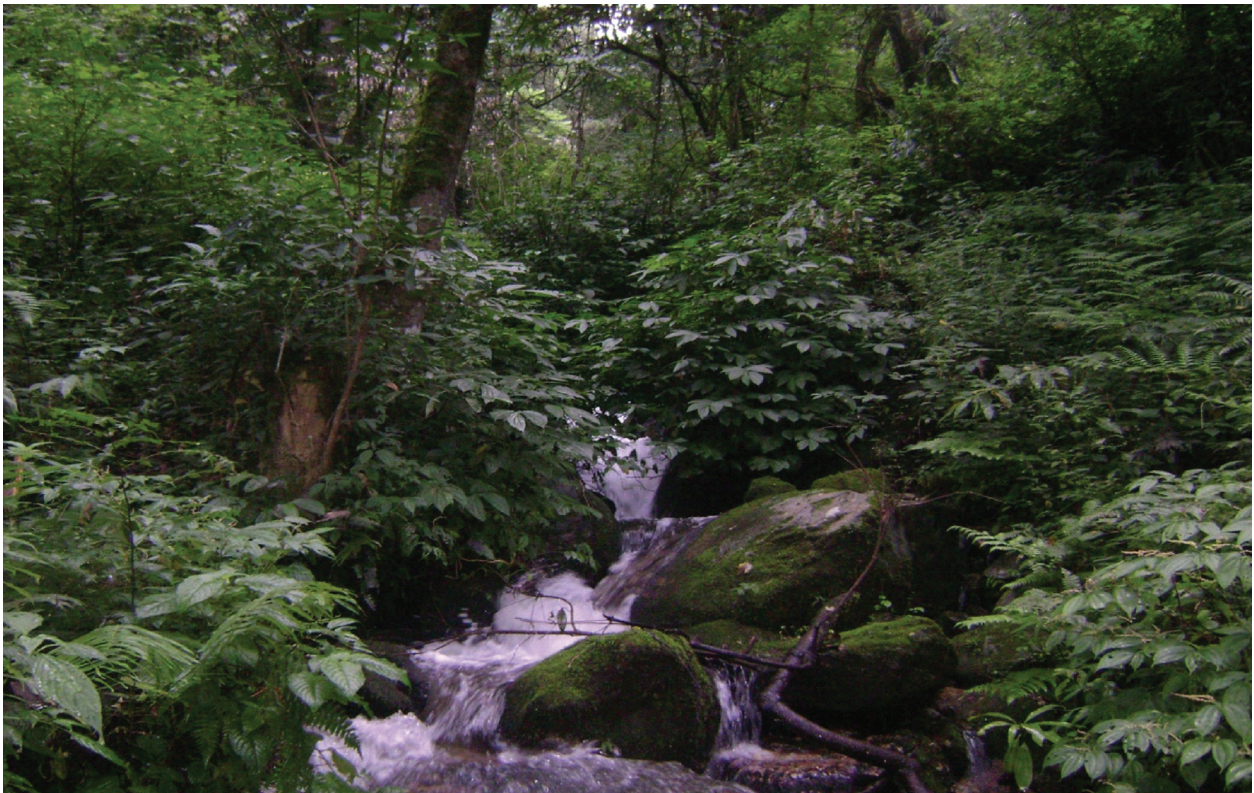
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## 1. Overview

The Druk Green Power Corporation Limited (Druk Green) was established on 1<sup>st</sup> January 2008 with the merger of the Basochhu, Chhukha, and Kurichhu Hydro Power Corporations. Druk Green is a wholly owned company of Druk Holding & Investments Limited. Prior to 2008, these hydropower stations were operated and maintained as independent companies. In April 2009, Druk Green took over the Tala Hydropower Plant and is set to expand as it takes over projects which are under construction or planned.

The main objectives for bringing all the hydropower generation plants and forming the Druk Green was to streamline management, draw on the synergies of the various plants and to enable optimal utilization of resources. Another reason for setting up the Druk Green was to have a single entity to represent the interests of the Royal Government of Bhutan (RGoB) in the hydropower sector and to implement the policy of accelerating hydropower development.



*Hydropower potential*

## 2. Druk Green Systems

Bhutan has an estimated hydropower potential of around 30,000 MW of which around 23,760 MW is techno-economically feasible potential. The total installed capacity of Druk Green stands at 1480 MW as at December 2009 which is around 4.93 percent of this vast potential. Druk Green presently operates four power plants namely the Basochhu Hydropower Plant (BHP), Chhukha Hydropower Plant (CHP), Kurichhu Hydropower Plant (KHP), and Tala Hydropower Plant (THP). The four power plants with their respective important salient features are illustrated below :

### Basochhu Hydropower Plant



Catchments area	= 226 km <sup>2</sup>
Net Head	= 356/459 m for Upper / Lower Stage
Installed Capacity	= 24/40 MW for Upper / Lower Stage
Number of Units	= 2x12/2x20 MW for Upper / Lower Stage
Mean Annual Generation	= 291 GWh
Turbine Type	= Pelton

### Chukha Hydropower Plant



Catchments area	= 3108 km <sup>2</sup>
Net Head	= 435 m
Installed Capacity	= 336 MW
Number of Units	= 4x84 MW
Mean Annual Generation	= 1800 GWh
Turbine Type	= Pelton

### Kurichhu Hydropower Plant



Catchments area	= 9135 km <sup>2</sup>
Net Head	= 32 m
Installed Capacity	= 60 MW
Number of Units	= 4x15 MW
Mean Annual Generation	= 400 GWh
Turbine Type	= Kaplan

### Tala Hydropower Plant



Catchments area	= 4028 km <sup>2</sup>
Net Head	= 819 m
Installed Capacity	= 1020 MW
Number of Units	= 6x170 MW
Mean Annual Generation	= 4865 GWh (average year)
Turbine Type	= Pelton

### 3. Vision and Mission

Druk Green as an entity is responsible for generation of electricity from water, sells electricity to India and Bhutan Power Corporation Limited (BPC), and plays a major role of accelerating hydropower development in the Kingdom.

The Vision Statement of Druk Green is

“To promote, develop and manage renewable energy projects, particularly hydropower, in an efficient, responsible and sustainable manner, and to maximize wealth and revenues to the nation”

The Mission Statements for Druk Green broadly form the Objectives of Druk Green. The Mission Statements are :

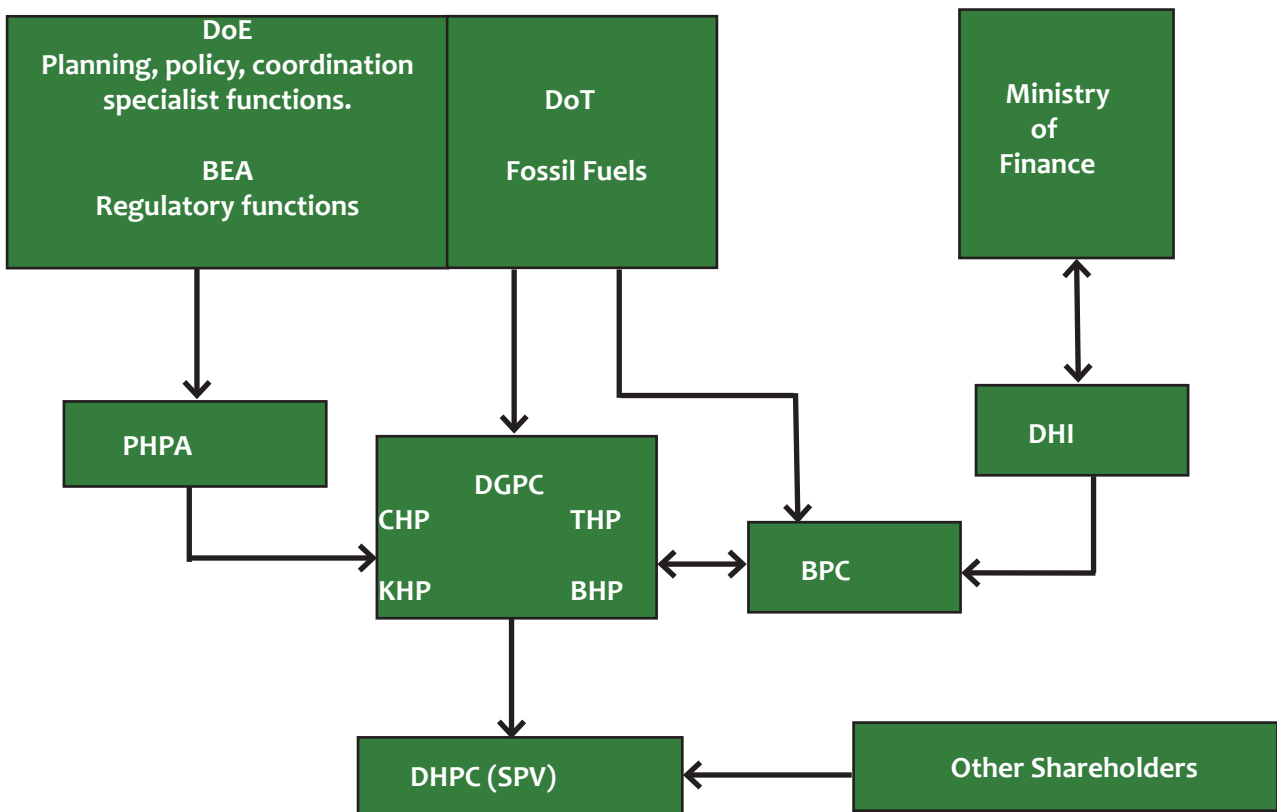
- Mission 1 : Effectively and efficiently manage hydropower plants, and maximize returns;
- Mission 2 : Take a lead role in accelerating hydropower development in the Kingdom by developing new hydropower projects independently, through joint venture or any other arrangement with domestic and international partners;
- Mission 3 : Provide energy security for domestic consumption, fuel economic growth, and also explore forms of renewable energy other than hydropower;
- Mission 4 : Build capacity in hydropower development and management; and
- Mission 5 : Be a responsible, proactive and progressive company with a highly motivated team of professionals.

### 4. Organizational Framework

The structure of the functional and operational linkages of Druk Green with other organisations such as the Druk Holding & Investments Limited (DHI), Ministry of Finance (MoF), Department of Energy (DoE), Bhutan Electricity Authority (BEA), Bhutan Power Corporation Limited (BPC) is shown in organization structure below.

The DHI's role as the holding company of Druk Green is to see that the existing investments are managed prudently and to maximise the returns to the shareholder. DHI is in turn linked to the MoF since most government owned companies are consolidated under the DHI. The DoE is responsible for formulating all energy sector policies. The DoE also coordinates the hydropower projects implemented with the Government of India's grant like the Punatshangchu Hydropower Project Authority (PHPA) which on completion will be handed over to DrukGreen to operate. The BEA as the regulator for the energy sector formulates regulations and also determines the domestic generation tariffs for sale of energy to BPC for domestic consumption.

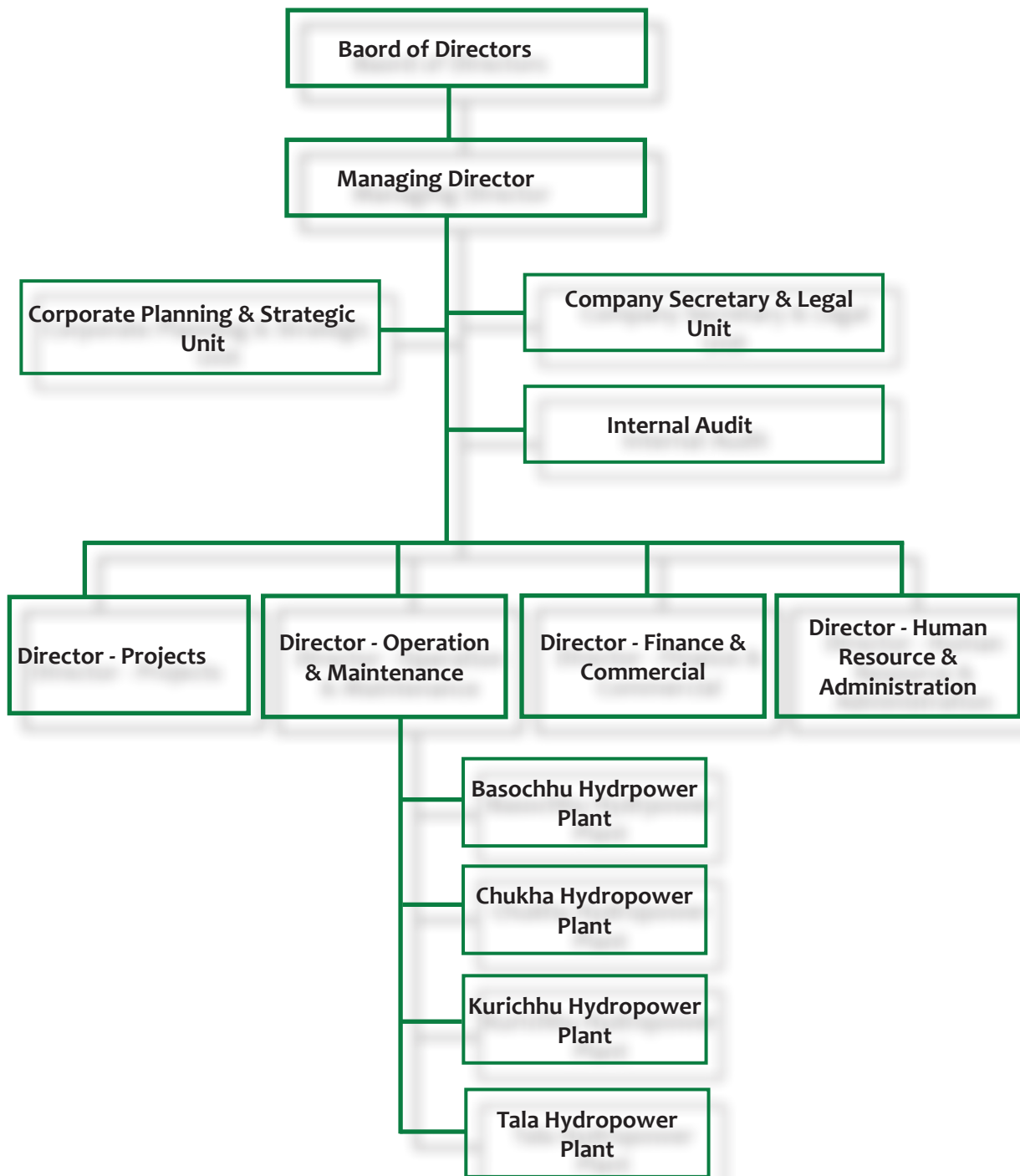
The Dagachhu project is the first joint venture project initiated as a pilot project under the “Bhutan Sustainable Hydropower Policy-2008” where a Special Purpose Vehicle was formed to construct the Dagachhu Project.



*The organizational structure wherein Druk Green fits in within the overall RGoB*

## 5. Druk Green Organizational Structure

Based on its mandates, Druk Green itself is structured with a Corporate Office for the management of all activities of the company. The hydropower plants are now headed by operation and maintenance engineers instead of having individual Chief Executive Officers for each of the plants. The two most important and implementing Departments are the “Projects” and the “Operation and Maintenance”. The Projects Department will be responsible for the implementation of all new projects.



*Druk Green Organizational Structure*

## 5.1 Projects Department

One of the main mandates of forming Druk Green would be to act as a single entity to represent RGoB's interests in the hydropower sector and to implement the RGoB's policies of accelerating hydropower development. Druk Green is set to grow very fast through the amalgamation of other projects which are under construction and through taking up of new projects on its own or through joint ventures with public and private partners. The stage is set for Druk Green to pursue its vision, missions and objectives, and play a key role in achieving RGoB's ambitious target of achieving an additional installed generation capacity of "10,000 MW by 2020".

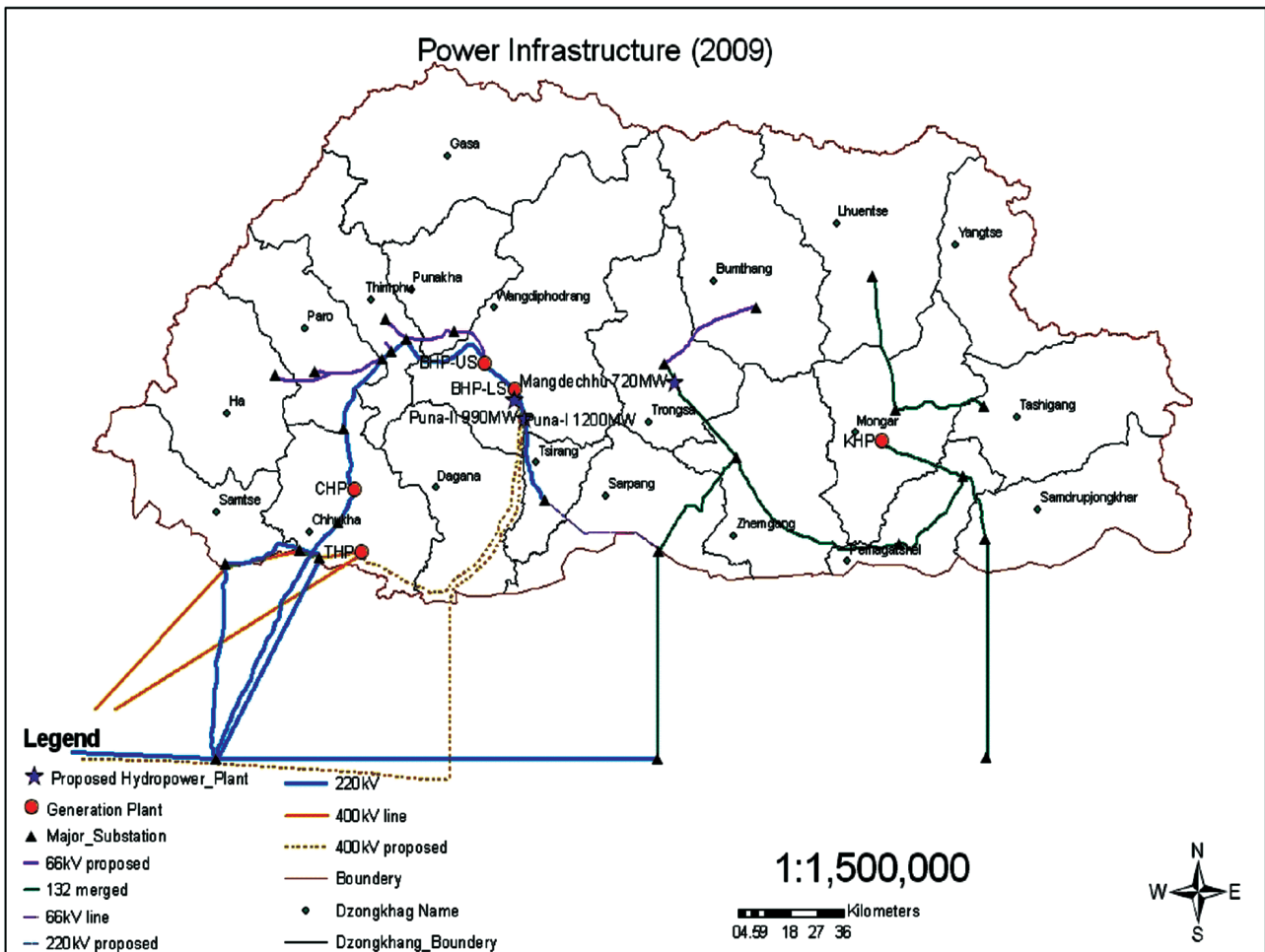


*First blasting ceremony of Dagachhu*

## 5.2 Operation and Maintenance Department

One of the main objectives of amalgamating the erstwhile Basochhu, Chukha, and Kurichhu Hydro Power Corporations into Druk Green is to efficiently and effectively run the power plants, draw on the synergies of the various plants, and to enable better sharing of scarce resources. All existing power stations and those that RGoB will hand over to Druk Green later will be placed under Director, Operation and Maintenance Department for operation and maintenance.





### 5.3 Finance and Investment Department

The Finance and Investment Department (FID) has been mandated for proper investment planning and management of the financial resources of Druk Green. With Druk Green being the largest revenue earner of the Royal Government and the largest corporation, both in terms of capitalization and manpower, the FID is crucial to the success of Druk Green and will contribute largely through prudent management of the financial resources of the company and arrangement of investment funds. The finalization of financing for the Dagachhu Project and the involvement of Druk Green in the Royal Government’s plans for achieving 10,000 MW by 2020 provide both opportunities and challenges to the Department. The Department is also spearheading the introduction of information technology to the business operations of Druk Green to improve efficiency and further to manage resources optimally.

### 5.4 Human Resources and Administration Department

Human Resource and Administration Department (HRA) is responsible for Human Resource Management, Human Resource Development, and HR administration functions. Druk Green strongly believes that its employees are the human capital crucial for sustained growth and success of the organization. High values and priorities are placed on mutual respect and equal opportunities for all employees to enhance their self confidence, creativity, growth, and working at their full potentials. HRA also plays a vital role in encouraging employee to change their attitude and align their behaviours with Druk Green’s aspirations to become a highly professional, innovative, forward looking, trustworthy, accountable, and respectable company.

Recognizing that its employees are the most important resources and crucial for achieving its corporate

mandates, Druk Green attaches high priority to its employees emphasizing empowerment through shared responsibility in the work place.

HRA plays a critical role in realizing the Vision and Missions of Druk Green. The success of the company shall depend largely on the quality, strength, expertise, and dedication of the human resources that HRA manages to build over the years.

## **6. Strategic Partners**

### **6.1 Bhutan Power Corporation Limited**

Bhutan Power Corporation Limited (BPC) is responsible for the planning, construction, operation, and maintenance of all transmission and distribution networks within Bhutan. In order for Druk Green to have access to the domestic and export markets it will be important for Druk Green to work closely with BPC.

### **6.2 Power Grid Corporation of India Limited**

Power Grid Corporation of India Limited (PGCIL) is responsible for operating and maintaining central transmission grid in India. Druk Green deals very closely with PGCIL, but mostly through BPC. PGCIL's transmission network reliability is crucial for export of surplus energy generated to India.

### **6.3 Eastern Regional Load Dispatch Centre**

The power system network of Bhutan is connected to the Eastern Region, India. All the power generated and power drawn from the pool is controlled by the Eastern Regional Load Dispatch Centre (ERLDC), Kolkata, India. Generation from Druk Green is all from run-of the river plants that are dependent upon precipitation. This necessitates frequent revision in the generation schedules which ERLDC has accommodated without problems so far. Druk Green must continue to work closely with ERLDC and ERLDC to take care of the frequent fluctuations in generation. Soon Bhutan may also have to depend on ERLDC and ERLDC for a certain percentage of base power.

### **6.4 Power Trading Corporation of India Limited**

The Government of India (GoI) has designated the Power Trading Corporation of India Limited (PTC) for trade in power across the border. With the vision of achieving an additional 10,000 MW by 2020, PTC will continue to be a very important partner for the smooth trading of surplus power across the border.

### **6.5 Bharat Heavy Electrical Limited**

Bharat Heavy Electrical Limited (BHEL) is the supplier of the E&M equipment for most of the major power plants in Bhutan. Since most of the projects that are in pipeline will also be funded by the government of India, the role of BHEL will only increase. Druk Green will continue to promote and foster its dealings with BHEL.

### **6.6 Electricity Generating Authority of Thailand**

Druk Green and the Electricity Generating Authority of Thailand (EGAT) signed a Memorandum of Understanding in order to help Druk Green in availing EGAT's training facilities, use EGAT's extensive resources and expertise, exchange of engineers for knowledge transfer, and setting up of benchmarks for Druk Green's performance.

## 7. Director's Report

### DRUK GREEN POWER CORPORATION LIMITED DIRECTORS' REPORT FOR THE YEAR 2009

On behalf of the Board of Directors, as Chairman of the Board, I am pleased to present to the representatives of the Druk Holding & Investments (DHI), the shareholder of the Druk Green Power Corporation Limited (Druk Green), and the Members of the Board of Druk Green, the performance of your Company for the year 2009. During the year, the Company grew much bigger in terms of installed generation capacity, assets, annual turn-over, profitability, and manpower strength with the taking over of the 1,020 MW Tala Hydroelectric Project (THP) in April 2009, and to a small extent with the completion of the Diversion Schemes at the Chhukha Hydropower Plant (CHP). While THP provides very unique challenges with a number of inherent teething problems with the project, the amalgamation of THP to Druk Green also presents many opportunities through the much larger resource base that is now available for improving the overall efficiencies of the Company. The implementation of Dagachhu Hydroelectric Project, in which your Company holds 59% equity stake, entered the Construction Phase during the year.

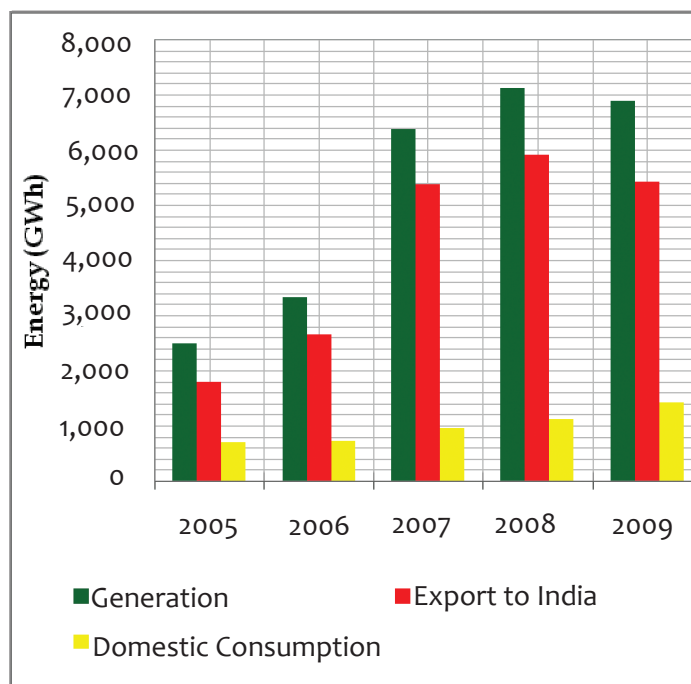
The vagaries of nature, over which Druk Green has no control but is entirely dependent on the river flows - its "fuel supply", continues to challenge the operations of the Company. Despite diverting the two streams, the Tichhalumchhu to the dam and the Lubichhu to the Surge Shaft of CHP, the electricity generation for 2009 was lower than that of 2008, as the water inflows during the non-monsoon months were lower than the previous year. Tala project recorded the highest difference with generation falling from 4,610 GWh in 2008 to 4,396 GWh in 2009.

On the other hand, the unprecedented floods resulting from Cyclone AILA in May caused considerable damages especially to the underwater components of the plants, specifically the runners and nozzle components. The May floods also severely damaged some of the civil structures, in particular the glacis of the dams and the intake areas. A sudden flood at the end of July claimed the lives of seven innocent children downstream of the CHP dam. The September earthquake, which wrecked havoc to eastern Bhutan, spared the plants but caused the death of a temporary employee of the Kurichhu Hydropower Plant (KHP). Further, THP again experienced damages to its underwater runners, nozzle liners and spears following the October flash floods.

In spite of the lower river inflows during the non-monsoon months and the difficulties stemming from the floods during the monsoon, other natural disasters and the inherent problems with the Tala plant, the employees of your Company dedicatedly faced these challenges and delivered another highly profitable and successful year. The lower revenues from electricity sales were compensated to a certain extent through the proper management of funds at the Corporate Office. Over the year, your Company has gained extensive experience and expertise in the management, construction, operation and maintenance of hydropower plants, and is further benchmarking itself to Best Practices in all aspects of its operations.

## 1. Performance of the Plants

Druk Green's four hydropower plants generated 6,897 GWh of electricity during 2009, of which 5,433 GWh was exported to India. Domestic consumption touched a high of 1,414 GWh for the year. With domestic demand increasing rapidly, the financial performance of Druk Green is being negatively impacted with domestic consumption at much lower tariffs displacing export energy that provides higher export tariffs. The domestic consumption in 2009 of 1,414 GWh was an increase of over 25% from 2008 figures of 1,125 GWh. The adverse impact on the revenues of Druk Green due to the spiraling increases in domestic demand will be more severe over the subsequent years.



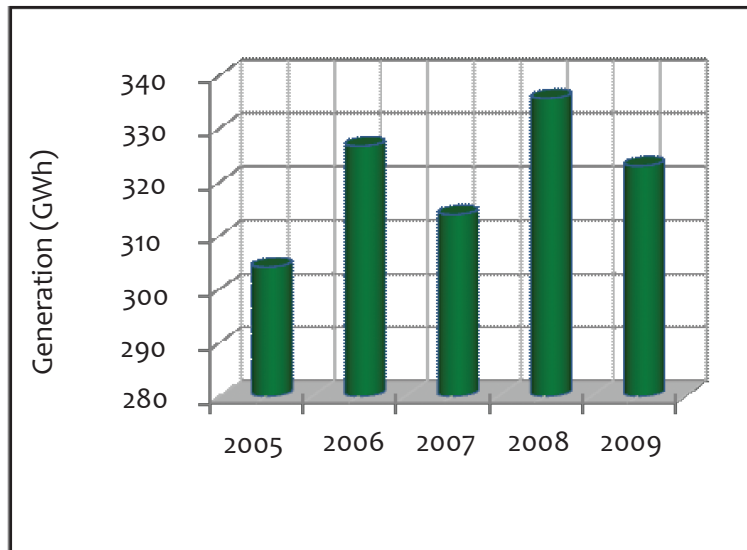
5 Year Trend in Generation, Export to India, and Domestic Consumption

### 1.1 Basochhu Hydropower Plant (BHP)

With its 24 MW Upper Stage and 40 MW Lower Stage Plants, BHP generated 323 GWh against the target of 314 GWh. Based on the pre-merger arrangements, BHP "sold" 319 GWh of electricity to CHP and earned a total revenue of Nu. 383.58 million in 2009 at the current inter-transfer tariff of Nu. 1.20 per unit.

The 2008-2009 annual maintenance works were completed before the onset of the 2009 monsoons to avail the full benefits of the high discharges from the Basochhu and the Rurichhu. BHP managed the problems and damages caused by the unprecedented floods due to Cyclone AILA, minimizing the otherwise likely damages to the plant structures and equipment, including evacuation of the affected employees and their families to safer grounds during the floods.

The wide variations in the discharges of the Basochhu and the Rurichhu continue to affect the overall uncertainties in the annual generation although BHP has continued to generate more than the design energy on a continuous basis.



BHP 5 Year Trend in Generation

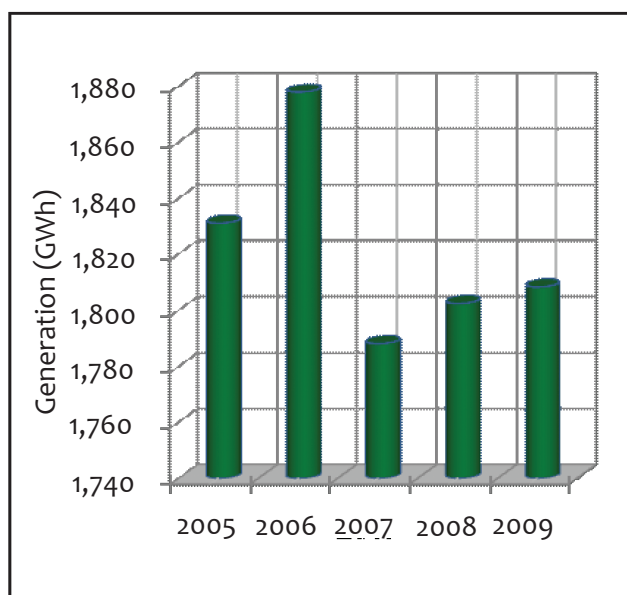
To further increase generation, BHP diverted one small stream to the Rurichhu Intake and another to Tail Water Channel of the Upper-stage Power House. The additional discharge, although small at 20 liters per second (l/s) and 16 l/s respectively for the two schemes, is expected to increase BHP generation by 0.732 GWh per annum. While the incremental gains are small, the utilization of available resources and the initiatives taken by BHP is appreciated.

## 1.2 Chhukha Hydropower Plant

With the additional discharges from the Tichhalumchhu at the dam and Lubichhu at the Surge Shaft from the later part of 2009, CHP generated 1,808 GWh. Including the energy received from BHP, 1,834 GWh was exported to India and 273 GWh was supplied to Bhutan Power Corporation (BPC) to meet domestic demand. The two Diversion Schemes contributed 21 GWh to the CHP generation during the year. From 2010 onwards, the Diversion Schemes are expected to generate an additional 67 GWh of electricity. CHP will be able to recover the total cost of investments of Nu.145 million in the schemes within a couple of years.

Cyclone AILA spared CHP of major damages to its underwater parts but the plant had to plan for extensive protection works for the power house arising from the damages along the river bank. CHP was able to share its human and material resources with BHP and THP following the Cyclone AILA. CHP assisted BHP to complete the repairs of their intake structures before the monsoons while CHP further ensured that THP's damaged nozzle liners and spears were refurbished in time for their placement ahead of the monsoons.

While completing of the annual maintenance works in time, CHP also completed the modification works on the gates of the Silt Flushing Tunnel in March 2009. The replacement of the rope hoisted gates to hydraulically operated gates will greatly reduce water wastage and shall permit discharge of silt flushing discharges at the designed levels thus making de-siltation effective. The installation of the Trash Rack Cleaning Machines at the Dam was also completed in 2009. The new TRCM will ensure greater safety for those working to clean the intake structures as well as improving the efficiency while cleaning the intake trash rakes.

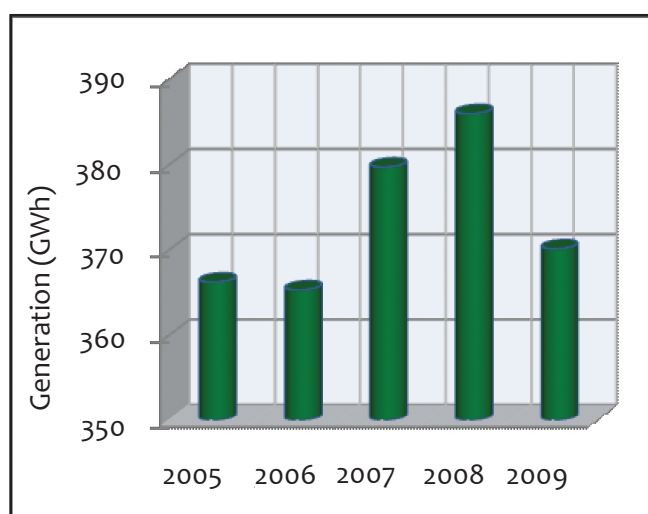


CHP 5 Year Trend in Generation

During a flash flood in July, seven young boys were washed away by the Wangchhu just downstream of the Chhukha dam. To better prepare the project and to assist the locality in case of such incidents in future, the Fire and Security Services of the plants are being strengthened and a Disaster Management team is being established at each of the power plants. As part of its Corporate Social Responsibility, Druk Green will attend to such accidents and other natural disasters in the vicinity of its plants within the capacity and the resources that may be available with the plants.

### 1.3 Kurichhu Hydropower Plant

KHP generated 370 GWh, which is lower than the highest generation of 386 GWh achieved by KHP in 2008. Cyclone AILA and forced outage of one of the units due to runner blade problems attributed to losses of 7 GWh in generation. KHP also continues to face frequent transmission line failures which further contribute to loss of generation. The long single transmission line from Gyelpozhing to Gelephu and onwards to Salakati (India) has no contingency provisions. The charging of the Deothang-Rangia transmission system, is yet to be cleared.



KHP 5 Year Trend in Generation

Of the total 2009 generation, 181 GWh was exported to India with the domestic demand of electricity by the ten eastern and central Dzongkhags touching 184 GWh. The domestic peak demand in the lean winter discharge months has already exceeded the possible generation from KHP, and BPC has resorted to partial load shedding of the major ferro-silicon plant at SamdrupJongkhar. During the year, KHP managed to ensure that there was no negative billing for energy export-import at the Gelephu cross-border transfer point.

While Cyclone AILA did not cause any major damages to the plant except for the dam glacis, KHP had to put in all its resources to ensure that generation continued during and immediately following the floods. On 21 September, a temporary employee of KHP was buried under a dry landslide that was triggered by the 6.2 Richter earthquake that hit eastern Bhutan.



*KHP Fish Ladder*

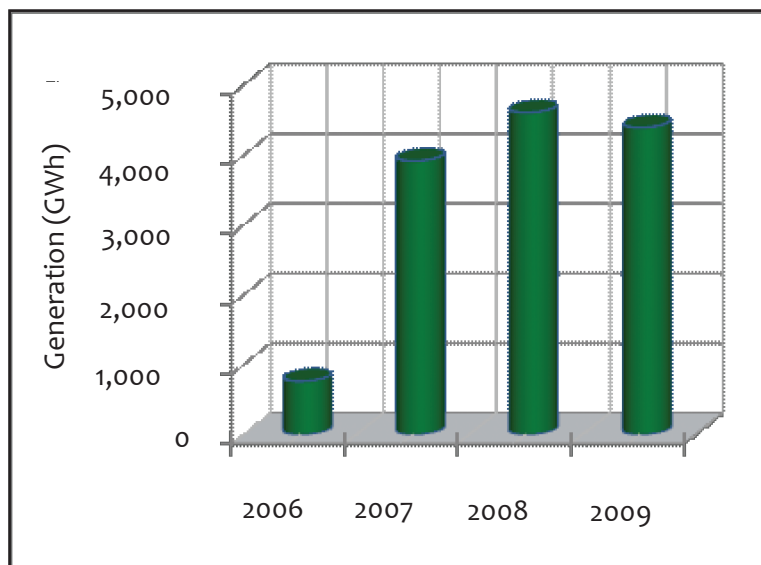
## 1.4 Tala Hydropower Plant

On the approval of the Royal Government, Tala Hydropower Plant was taken over by Druk Green through the DHI effective 1<sup>st</sup> April 2009 from the Tala Hydroelectric Project Authority (THPA). With THPA's full support, the taking over of the project's assets and accounts were completed on an "as is where is" basis. Since taking over the Tala plant, Druk Green faced a number of teething problems, which so far the THP management has managed to handle without any major problems.

THP undertook the trial on-line micro-seismic monitoring of the power house and GIS caverns through the National Institute of Rock Mechanics (NIRM), Bangalore and based on the results, it has been decided to continue to undertake the on-line monitoring for a longer period of time. Central Water Commission, India has recommended some measures to arrest the phenomenon of the shooting rock bolts not only for the stability of the power house caverns but also for the safety of the THP employees and others. The excessive water leakages into the Butterfly Valve Chamber and a number of other problems related to the poor geological conditions of the power house area are being continued to be monitored.

Following the fire in a 400 kV XLPE cable termination to the GIS, all the cable terminations are being upgraded. The GIS Lightning Arrestor that failed, which could have been more disastrous and life threatening to the O&M staff in the power house at the time of the failure, is being replaced. The Computer Control System of BHEL is being completely checked and made functional to the extent possible.

The strengthening of the dam radial gates were completed and tested. The original contractor for the radial gates has been retained on Annual Maintenance Contract to oversee the operation and maintenance of the gates at least for the initial one year after strengthening. The leakages in the dam are being sealed.



THP Generation Trend since commissioning

Apart from the teething problems, THP was the worst hit in terms of heavy damages to its runners, and nozzle liners and spears inflicted by the Cyclone AILA floods. The runners had to be grinded and polished before putting them back into operation while almost all the nozzle liners and spears had to be replaced. Since spare nozzle liners and spears were not available, the reclamation of the damaged nozzle liners and spears, and the supply of new liners and spears were completed within record time ensuring that no generation was lost when the monsoons hit Bhutan. THP also faced other problems such as the heavy leakages of water from the Main Inlet Valves due to failure of their seals.

In October, a bucket of one of the runners sheared off. While the runner was replaced with one of the two spare runners, it was detected that the last spare runner had been delivered unfinished by Bharat Heavy Electricals Limited (BHEL). While a decision was taken to place the orders for four forged-fabricated runners in place of the traditional casted runners, THP is faced with a situation where it has no spare runners available in case of another major failure in one of the runners such as the shearing off of the buckets. Druk Green is continuing its dialogue with BHEL for finishing the spare runner to the originally designed specifications.

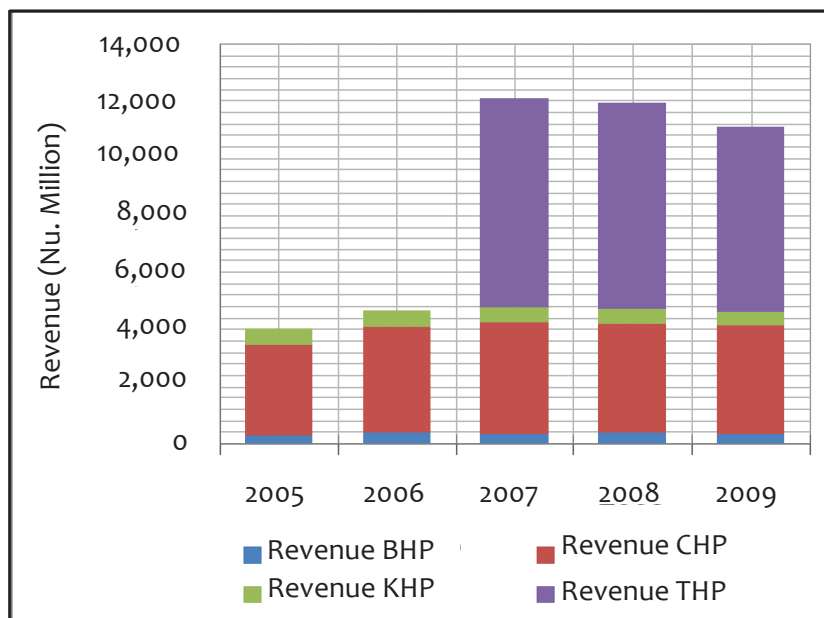
Albeit the teething problems, the natural disasters, and other technical difficulties, THP managed to maximize water utilization and achieved a generation of 4,396 GWh against a target of 4,370 GWh.

THP also continued to complete the balance construction activities, mainly the O&M infrastructure that is being created at Rinchentse, Arekha, Sinchekha and Tabje in lieu of the Gedu Complex which was handed over to the Royal Government of Bhutan for use as the Gaeddu College campus.



## 2. Financial Performance

While the plants generated an aggregate of 6,897 GWh in 2009 against 2008's generation of 7,135 GWh, the decline in revenues from sale of electricity could be attributed more to the huge 25% increase in domestic power consumption. A part of the lower revenues from sale of electricity, when considering Druk Green (minus THP), was compensated for by the interests earned from the investments of funds being made by the Corporate Office, which saw a big jump from Nu. 110.82 million in 2008 to Nu.214 million in 2009.



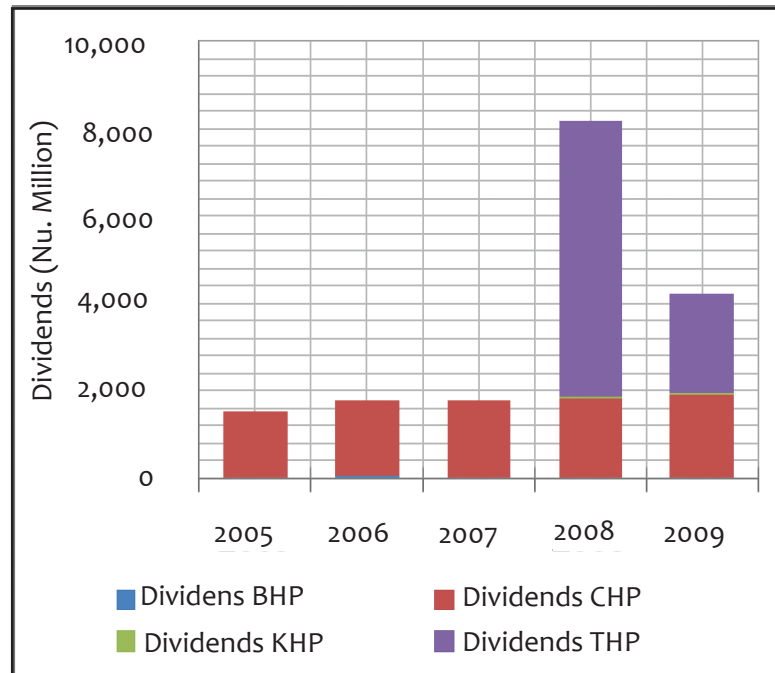
5 Year Revenue from each Power Plant

As in previous years, the revenues from the hydropower sector continue to be the highest contributor of domestic revenues to the RGoB. The Company earned a pre-tax profit of Nu. 6,556 million in 2009 (including Tala) from total revenues of Nu. 10,889 million, of which Nu. 9,933 million was from export of electricity to India. A summary of the financial performance for 2009 is provided below :

Particulars	FY 2009	FY 2008
Revenue (Nu.)	10,889,846,283.98	4,459,296,093.61
Profit before Tax (Nu.)	6,446,004,385.79	3,064,239,187.74
Provision for Tax (Nu.)	1,966,801,315.74	919,271,756.32
Dividend (Nu.)	4,235,431,334.92	1,930,396,168.47

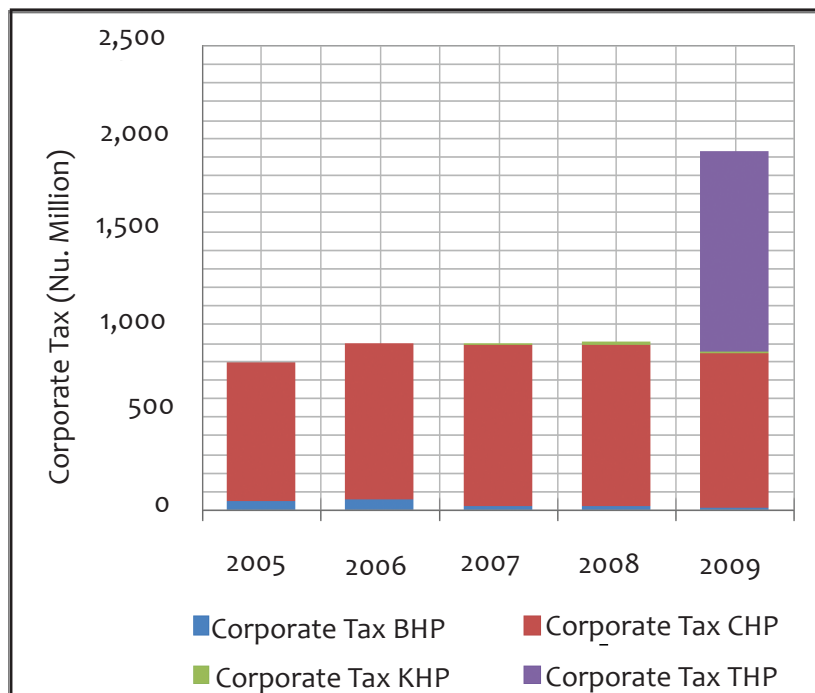
A dividend of Nu. 4,325.43 million has been approved by the Board. The Board considered a dividend of 100% PAT from Druk Green (minus THP) and 90% PAT as dividend from THP. With the Five Year Investment Plan of Druk Green already approved, the Company would prefer to continue to retain at least 10% of PAT, if not more, to meet the huge financing requirements for Druk Green's own activities. The declaration of 100% PAT as dividend has been specifically made based on the understanding that, over the next couple of years, DHI will allow Druk Green to retain higher percentages of the PAT to ensure that the retention of funds with Druk Green averages at least 10% of PAT.

Against a projection of Nu.1,966.00 million for the Corporate Income Tax, the actual tax paid to the Royal Government for the year is Nu.1,987.39 million on considering some disallowed expenses.

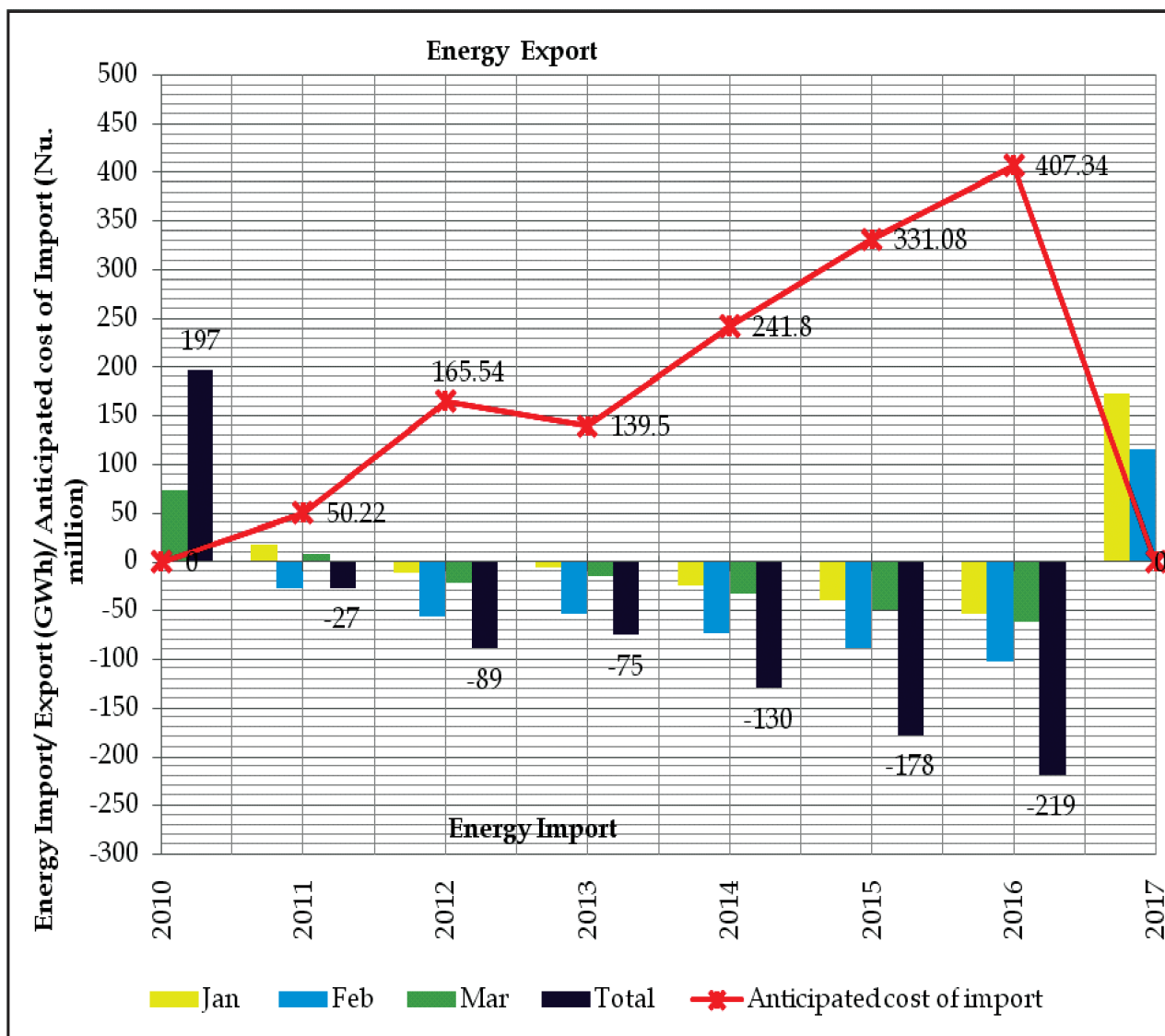


5 Year Dividends Trend

A major concern for Druk Green is the falling revenues from sale of electricity with spiraling increases in the domestic consumption of electricity. Apart from the falling revenues due to low domestic tariffs, Bhutan will be faced with a peaking power shortage during the lean winter months starting 2010 till the next major hydropower plant is commissioned, which is not expected before 2015. Under the present scenario, Druk Green will not be in a position to assure domestic energy security. Bhutan would have to import power from India during the January-March months or otherwise resort to load shedding. Druk Green is also in the process of filing for a revision in the domestic generation tariffs with the Bhutan Electricity Authority to enable DGPC to recover at least the cost of electricity supply to the domestic market.



5 Year Trend in Corporate Tax



Energy Import and Export Scenario

### 3. Investment in the Dagachhu Hydroelectric Project

As of December 31, 2009, your Company has injected Nu.649.94 million for the implementation of Dagachhu project for the 59% equity holding. The project achieved financial closure during the year with the commencement of the USD 51 million loan from the Asian Development Bank and Euro 41.23 million from RZB, Austria. With the award of the civil works to the Hindustan Construction Company for Nu.3,875 million and the electro-mechanical works to the Austrian Hydro Consortium Dagachhu (consortium of Alstom and Andritz Hydro of Austria) for Euro 54.99 million, the construction of the project became effective as of 1<sup>st</sup> October 2009.

Besides the expected returns on investment, the Dagachhu project also provides an excellent opportunity for Druk Green to develop its own competencies in the construction of hydropower projects. The Bhutanese management in the Dagachhu Hydro Power Corporation (DHPC) comprises of 18 key employees on deputation from your Company including Chief Executive Officer of DHPC. Druk Green plans to depute more officers to DHPC as the project progresses. A number of officers have also deputed to the Punatshangchhu-I Hydroelectric Project Authority. The anticipated registration of the project as a CDM project did not happen during the year, but significant progress was made towards getting approved.

As a major hydropower project with many firsts; the first to be promoted through multilateral financing arrangements, the first under the Clean Development Mechanism, the first to be executed by a Bhutanese management, the first Public Private Partnership project in the hydropower sector, and the first project with a private trading firm off-taking the energy to India; the success of the Dagachhu project will be critical to the future direction that Druk Green takes. If Dagachhu is successfully implemented, Druk Green would have acquired the confidence, experience and expertise for construction of similar projects in future.

#### **4. Investigations of Hydropower Projects**

During the year, Druk Green initiated the pre-feasibility studies for the 208 MW Nikachhu Hydroelectric Project. The study is being upgraded to a feasibility level. Druk Green is also planning to apply for undertaking the studies for the 100 MW Gamri project in eastern Bhutan.

During the year, Druk Green participated with the Department of Energy in the discussions for the preparation of the Detailed Project Reports and the implementation agreements of the Government of India assisted projects. Under the 10,000 MW by 2020, Druk Green is expected to be the Joint Venture partner on behalf of the RGoB for at least four major hydropower projects with the GoI Public Sector Units. Druk Green has also been exploring the possibilities of taking up the studies for the medium size Maokhola Hydroelectric Project in south central Bhutan. The feasibility studies are being undertaken with maximum use of Druk Green's own resources and other expertise available within Bhutan. Druk Green ultimately plans to develop capacity in the design and engineering of hydropower projects on its own.

#### **5. Corporate Governance**

For ensuring Good Corporate Governance, your Company is planning and implementing immediate, short term and long term initiatives so that Druk Green develops into a model organization in the region and beyond.

The Performance Linked Incentive System (PLIS) was fully implemented during 2009 replacing the traditional system of awarding uniform annual bonuses for all employees of the organization without linkages to the different levels of performances of the individual and the units to which those individuals are attached. A revised Employee Appraisal System (EAS) was also implemented during the year to bring in objectivity to the existing appraisal system through setting of targets at the beginning of the year for individual employees.

The PLIS and the EAS has brought about significant engagement of employees in the performance of the Company at the group and the individual levels. These tools are expected to increasingly provide significant improvements and efficiencies in the performance of the Company. The PLIS system is being further improved with the Company joining an international benchmarking group within 2010 through the technical assistance of SN Power of Norway. As a member of this benchmarking consortium, Druk Green will work towards improving all spheres of its operations to international standards within the next two decades.

To further improve efficiencies, your Company will implement the SAP ERP, to go live within 2010, encompassing all business areas of the Company; finance, HR, material management, procurement, plant maintenance, and project management. The ICT Unit has been strengthened to implement this project. The Company is being prepared to accept and manage change, handle new technologies, and adopt business processes so that there is a seamless transition from the existing "as is" to the intended "to be".

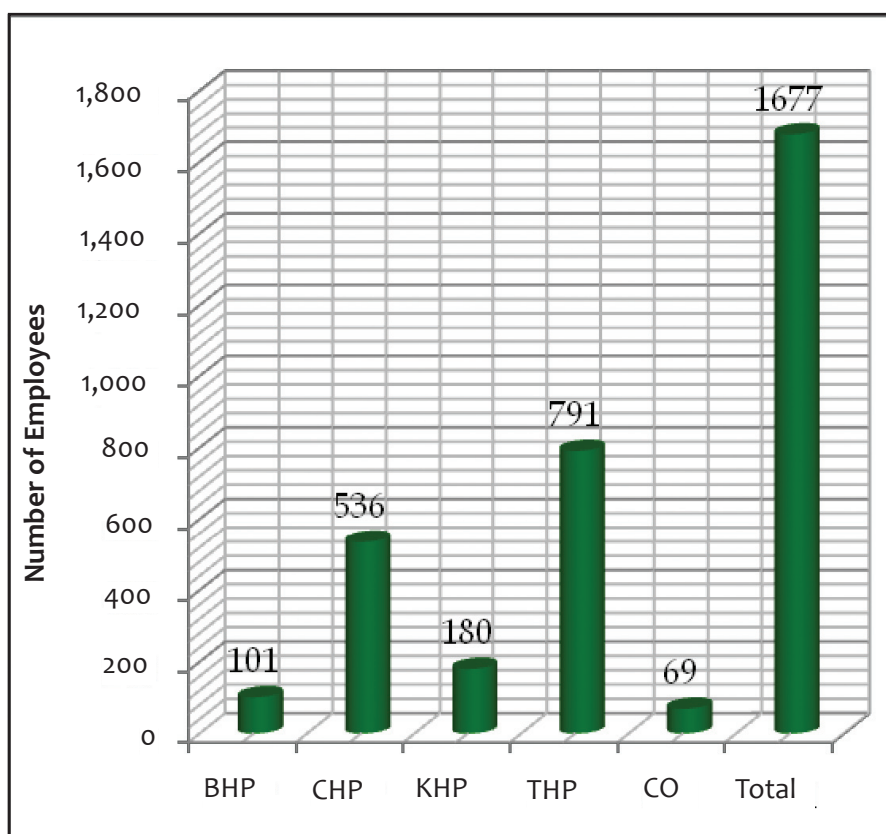
The implementation of the 10,000 MW by 2020 will have huge implications on the management of your Company. The tremendous growth prospects pose huge challenges for Druk Green to recruit, develop and retain the required human resources. The Company is recruiting engineers and managers to be deployed for the feasibility studies and the DPR stages, and for the operation and maintenance of the upcoming projects taking full advantage of the opportunities for transfer of technology and know-how.

Apart from the regular management meetings, the Annual Conferences serves as a means for standardizing business processes across plants, and to consult with the employees on the Company's plans, policies, priorities, and performances. The HR Manual of the Company was approved by the Board and implemented with affect from 1<sup>st</sup> August 2009. Significant progress has also been made in the preparation of other documents such as the Financial, Procurement, and Asset Management Manuals, and the development of the Long Term Investment Plan and the Corporate Strategic Plan.

## 6. Human Resource Management and Development

At the time of its inception in 2008, Druk Green inherited 901 employees from the then three hydropower Corporations. THP joined Druk Green with 802 employees. To strengthen certain key areas of the Company, especially in new areas of projects and IT management, the company recruited 47 employees, mostly graduates, during the year. Your company had 1,677 employees by the end of 2009.

In line with the evolving business requirements of the Company and the introduction of new management techniques, and the need to refresh and keep abreast with existing technology and technological changes, Druk Green continues to retrain and provide appropriate new skills or up-gradation so that the existing employees can fulfill the ever demanding and higher skilled human resource requirements of the Company.



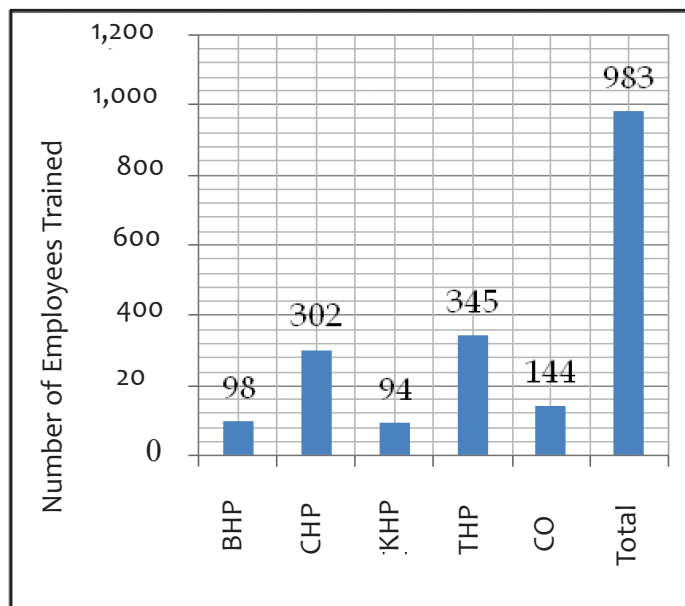
Total number of Employees as at 31 December 2009

Druk Green provided short term trainings to 797 employees (452 in-country and 345 ex-country); 156 employees attended seminars, workshops, conferences and study tours; and 5 employees were sent for higher studies during the year at a total cost of Nu. 44.22 million. Priority was given to in-country trainings for maximizing reach and optimizing resources. Human resource development will continue to be a top priority for the Company and the required funds will need to be provided for this.

Considering the very important role appropriate allocation of responsibilities to the senior officers in the success of the Company, an overall management change was made in October. Dorji P Phuntshok, Director (Projects) was assigned the additional responsibility of heading the construction of the Dagachhu project as its Chief Executive Officer. Lam Dorji was moved from CHP to Corporate Office as the Head

(O&M). Kencho Dorji was transferred from BHP to CHP as its Head of Plant/Chief Engineer. Sujan Rai was appointed as the Head of Plant/Superintending Engineer, BHP from KHP.

At the plants and the Corporate Office, young managers have been made the Heads of the Divisions and Units for ensuring a faster learning curve and to give them the confidence levels that they need to independently shoulder the vast and very critical responsibilities of the Company. These changes in the management will continue with the over-arching intentions of developing the crucial skills and experience within DGPC in all facets of the sector at a pace to try and match the accelerated development of the hydropower potentials as envisaged by the Royal Government of Bhutan.



Number of Employees Trained in 2009

## 7. Corporate Social Responsibility

Besides providing a large share of the government's internal revenues, Druk Green is proud of its commitment to the Bhutanese society. In 2009, Druk Green provided donations and sponsorships to a large number of organizations and individuals. Druk Green contributed to a range of causes encompassing religion, culture and heritage, humanitarian, education and youth, sports, social and economic development, and the environment.

Druk Green contributed in cash, kind and labour to a number of Lhakhangs and Gomdeys that were either incomplete due to lack of funds or requiring repair and maintenance. The Company joined the nation in supporting the relief and reconstruction of the earthquake hit areas of eastern Bhutan including contributions to His Majesty's Kidu Fund.

Druk Green continued its tradition of supporting sport activities, especially by providing the full sponsorship of the Druk Wangyal archery tournament on traditional bows. A number of youth groups were also sponsored for participating in sports events. Druk Green has provided a number of partial scholarships to students, who would otherwise have dropped out of school. Druk Green also supports many of the schools and hospitals in the vicinity of the plants. At the Early Learning Centers established at some of the plants, Druk Green accepts children whose parents are not employees of the plants.

The employees of Druk Green also contributed generously towards religious and humanitarian causes on a number of occasions, especially towards His Majesty's Kidu Fund. The employees of Druk Green contribute their time on most weekends towards the plantation of trees and their maintenance in the project areas, and for cleaning activities initiated either by the plants or by the municipal authorities. Druk Green also contributes annually towards the rehabilitation of the Wangchhu catchment through the

Gross National Happiness Commission to the Ministry of Agriculture.

In pursuit of the realization of the Gross National Happiness, apart from its major mandate to maximize revenues of the RGoB with the hydropower sector contributing to over 45% of the internal revenues, Druk Green recognizes its CSR support to the needy and in the other areas of its participation to be very important components of its contribution to the overall satisfaction and happiness of its employees and the local communities. Druk Green will continue to expand on its CSR activities in 2010.

## **8. External Relations**

Druk Green has maintained excellent business relationships with system operators, transmission providers, and power purchasers, both within the Kingdom and in India, ensuring uninterrupted generation and trade of power. The nurturing of the ties with suppliers of goods and services, and government and non-government institutions, both at national and international levels, has enabled the company to function smoothly throughout the year.

During the year, DGPC interacted with numerous government and semi-government agencies, local and international financial institutions, private power developers, investors, and consulting and construction firms. DGPC continues to interact with many of these organizations, especially with Government of India and other Indian agencies in the process of achieving Bhutan's vision of 10,000 MW by 2020. In particular, Druk Green has worked hard at building on the excellent relationships that Druk Green has with BHEL, the main supplier of all electro-mechanical equipment to Bhutan's hydropower projects.

## **9. Auditors' Report for 2009**

I am pleased to note that there are no major audit qualifications in the Auditors' Report for 2009. M/s Ray & Ray, Chartered Accountancy firm, in their second year of audit of the Annual Accounts of Druk Green, has given a clean Audit Report including that of the Tala Hydro Power Plant. The observations and recommendations of the auditors were mostly on the management of the inventories and assets of the Company, for which Druk Green has already committed adequate resources and measures to address the issues. The verification, codification and reconciliation of the assets and inventories were started in November 2008 and will be completed within 2010. This exercise will also help in bringing the data to a common platform which would be most useful while implementing the Enterprise Resource Planning Solutions (ERP). The ERP is expected to resolve many of the problems that are typical to assets and inventory management.

## **10. Looking Ahead**

Your Company is headed for tremendous growth over the years. As custodian of the largest investments of the Royal Government of Bhutan, Druk Green is approaching the opportunities and challenges of the years ahead with well designed action plans, enthusiasm and vigour. The key challenges of developing adequate and appropriate human resource skills for the huge tasks ahead are being met through the strong commitments of the Board and the management.

In the immediate future, Druk Green looks forward to 2010 as the year of "Gaining Confidence and Taking Initiatives". While the company's competencies are adequate for operation and maintenance of power plants, Druk Green currently faces serious shortages of skills to participate in the ongoing investigations, design and engineering, and construction of hydropower projects. Employees with potential to scale the steep learning curves in these areas are being identified to fill these competency gaps. The formation of the core construction management team at Dagachhu and the in-house undertaking of the Feasibility Report of Nikachhu Project are intentional and designed as rapid competency building exercises. The indications so far have been very encouraging.

Even in O&M, where the Company is comfortable with the available competencies, Druk Green is embarking on the challenging task of standardizing its performances to international standards by

joining an international performance benchmarking consortium from 2010. A number of Centers of Excellence are being established in key specialized areas for which Druk Green is presently dependent on external services; to initially provide these expert services to the power plants of Druk Green and then to eventually extend the services to both within and outside the Kingdom. Your Company also plans to meet international standards in business processes and will be seeking certification at an appropriate time.

Your Company's plans to set up a Runner Reclamation Center along with other facilities at Gelephu are already in progress. This Center shall not only provide services to Druk Green units but is also aimed to provide services to the nearby Indian power plants in future. It is also proposed that this Center could in due course of time be extended into a Research and Development facility. With experience and considering the challenges it has to face on a continuous basis, Druk Green could develop itself into a recognized authority on hydropower and other renewable resources in the region.

The adoption of SAP ERP system will be completed in 2010, bringing about a quantum leap in management efficiency. Streamlining of business processes will also be completed in 2010 with the adoption of the Financial Manuals, Procurement Manuals, Corporate Strategic Plan and HR Plans.

Druk Green will be deploying its employees in the investigation, design and engineering of new hydropower projects with the Indian PSUs and eventually to participate in the construction of these projects. The tasks of acquiring expertise and experience to undertake investigations, design and engineering, construction and commissioning of projects on our own will be daunting in view of the acute shortages of human resources with the appropriate skills. However, these requirements, while not to the desired level, are being deliberately filled as and when opportunities arise.

Your Company has drawn up a very ambitious Investment Plan, which is in the process of being finalized. The plans are in keeping with the major mandates of the Druk Green beyond the traditional role of operating and maintaining the power plants. The Investment Plan addresses the mandates of Druk Green to play a key role in the development of the hydropower sector, to ensure domestic energy security, and to develop the required human resources for the hydropower sector. These plans are outside of the 10,000 MW by 2020 initiatives of the RGoB.

Aside from the major capital investments in the existing power plants as Druk Green continues to modernize and upgrade these plants, the Plan also incorporates huge new investments in the construction of the 208 MW Nikachhu and the 100 MW Gamri Projects, the establishment of the Center Workshop at Gelephu, diversion of Tsibjalumchhu to the THP reservoir, and equity injection to the 114 MW Dagachhu Project amongst a host of other smaller investments. To take advantage of the business opportunities in hydropower construction, Druk Green intends to start a construction company by 2012 if the private sector does not venture into it by then. Such a construction company could provide much needed employment to Bhutanese, and develop Bhutanese competencies in the field. The intention is not to take up the space that private Bhutanese businesses should actually occupy but to incubate a venture where huge capital and risk discourages Bhutanese entrepreneurs, and eventually privatize the venture once Bhutanese competencies are established.

With the hydropower sector booming with the recent commissioning of the Tala project, the start of the construction of the Dagachhu and Punatshangchhu-I projects, the likely start of the construction of the Mangdechhu and the Punatshangchhu-II projects within 2010, and with over 10,000 MW of projects in the pipeline and in advance stages of the preparation of their DPRs, Bhutan is posed to achieve its ambitious plan of 10,000 MW of additional generation capacity by 2020. Druk Green, which is to play a key role in all this, is investing and gearing itself to be an active partner in the investigations, constructions, and eventually the operation and maintenance of the huge hydropower assets of the country.

The next decade will indeed be exciting and challenging years for Druk Green.



## Acknowledgement

On behalf of Druk Green and its Board of Directors, I would like to place on record our sincerest appreciation and gratitude to the Royal Government, DHI, Ministry of Economic Affairs, Ministry of Finance, Department of Energy, Bhutan Electricity Authority, Bhutan Power Corporation and other organizations in Bhutan and to WAPCOS, CWC, CEA, PTC India Ltd, Powergrid, BHEL and other agencies in India for their support to Druk Green.

I, on behalf of the Board and on my own, would like to commend the excellent work done by the Managing Director and his management team in managing the affairs of Druk Green like the smooth taking over of the Tala Hydropower Plant, carefully tackling the problems faced after the Cyclone AILA, and the successful implementation of PLIS and EAS. Likewise, our appreciation also goes out to each and every employee of Druk Green for their dedicated contribution to the performance of the organization. The Board shall continue to fully support the management and the employees in their quest to advance the important mandates of Druk Green.

Tashi Delek

For and on behalf of the Board of Directors



(Sherub Gyaltshen)  
Chairman

## 8. Augmenting Existing Generation Capacity

The then management of CHPC had explored possibilities of diverting two nearby local streams into project's existing generating facilities to enhance generation during lean season. Accordingly, the Lubichhu downstream of the power house was being diverted to the surgeshaft and the Tichhalumchhu downstream of the dam was being diverted to the reservoir. CHP started the two diversion schemes at a contract value of Nu.71.25 million and Nu.62.10 million respectively. The works for the Tichhalumchhu was completed on 4 April 2009 and the Lubichhu on 26 August 2009. The two streams would provide additional generation of 67 GWh during the lean flow period of the Wangchhu.

A consultancy has also been awarded to WAPCOS for improving the Tail Race Tunnel (TRT) arrangement so that CHP can generate the full rated plus 10% capacity when there is sufficient discharge in the Wangchhu. This would increase generation in the summer months by 7 MW. The detail modelling of the TRT is completed and implementation of the recommendations shall be carried out in 2010.

CHP for the first time procured spare runners from other than the OEM. The higher efficiencies runners have increased generation by around 4-5 MW. Similarly, BHP and THP had also planned to buy spare runners of higher efficiencies in 2010.

BHP diverted one stream into the Rurichhu Intake and other into tail water channel of the Upper-stage Power House at a cost of around Nu.o.26 million. From these two streams, BHP shall generate an additional energy of around 0.73 GWh which would earn revenue of Nu.o.88 million per lean season in a year.

## 9. Financial Highlights

During the year, with takeover of the Tala Hydropower Project (upon takeover named as Tala Hydropower Plant (THP)) from THPA from 1<sup>st</sup> April 2009, all the assets and liabilities as at the date of takeover by Druk Green has been consolidated with that of Druk Green. The income and expenses on account of the operation of THP with effect from 1<sup>st</sup> April 2009 forms part of Druk Green. The Statutory Auditors audited and certified the assets and liabilities balances taken over by Druk Green.

The major variation in the financial figures are mainly on account of the takeover of THP.

### Financial Performance

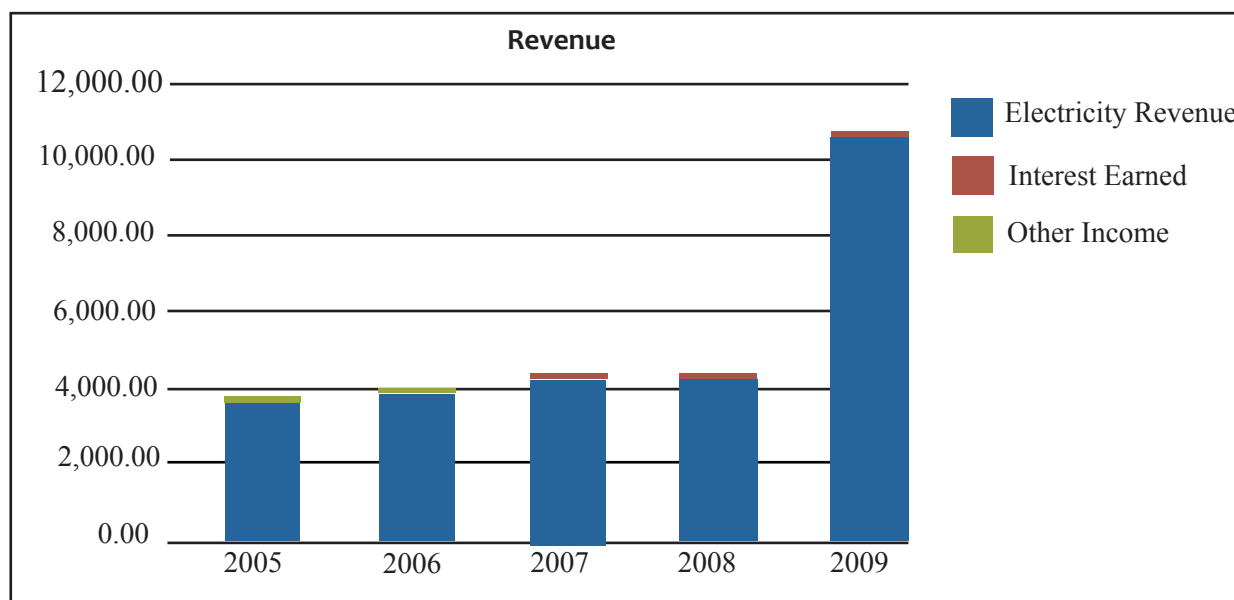
During the year 2009, Druk Green earned total revenue of Nu. 10,889.85 million of which, after incurring Nu. 4,333.84 million as expenses, Nu.4,574.61million profit before tax had been earned. The total corporate income tax amounted to Nu. 1,981.40 million. Druk Green declared 100% of the profit after tax as divided from Corporate Office, CHP, BHP and KHP and 90% of the profit after tax from THP. The summary of the financial performance of Druk Green with comparison to previous year is as presented in Table 1.

Table 1: Financial Performance for the year 2009

Particulars	2009	2009 Ex THP	2008	%↑(↓)	%↑(↓) Ex THP
Total Revenue	10,889.85	4,387.66	4,459.30	144.21%	-1.61%
Total Expenses	4,333.84	1,448.47	1,395.06	210.66%	3.83%
<b>Profit Before Tax</b>	<b>6,556.00</b>	<b>2,939.19</b>	<b>3,064.24</b>	<b>113.95%</b>	<b>-4.08%</b>
Corporate Income Tax	1,981.40	896.35	919.35	115.52	-2.50%
<b>Profit After Tax</b>	<b>4,574.61</b>	<b>2,042.84</b>	<b>2,144.88</b>	<b>113.28%</b>	<b>-4.76%</b>
Transfer to General Reserve	249.18	0.00	214.49	16.17%	-100.00%
Dividend	4,325.43	2,042.84	1,930.40	124.07	5.82
* Financial Performance excluding THP					
**Percentage increase or (decrease)					

**Total Revenue** for 2009 was Nu. 10,889.85 million compared to Nu. 4,459.30 million representing an increase of 144.21% over 2008. Excluding the revenue of THP, the total revenue for 2009 amounts to Nu. 4,387.66 million, which has decrease by 1.61% mainly on account of increase in domestic demand by 31.38 Gwh and fall in energy generation by 22.68 Gwh for the Hydropower Plants excluding THP. The revenue from the sale of electricity amounted to Nu. 10,649.02 million for the year 2009. Excluding THP, the electricity revenue was Nu. 4,252.32 million for the year 2009, decrease by 1.91% from 2008.

The revenue from investment increased from Nu. 110.82 million in 2008 to Nu. 214 million in 2009, increase of 93.10% which negated the fall in the electricity revenue. Since 2008, fund management had been centralized and Druk Green had been earning reasonable revenue from the investment.

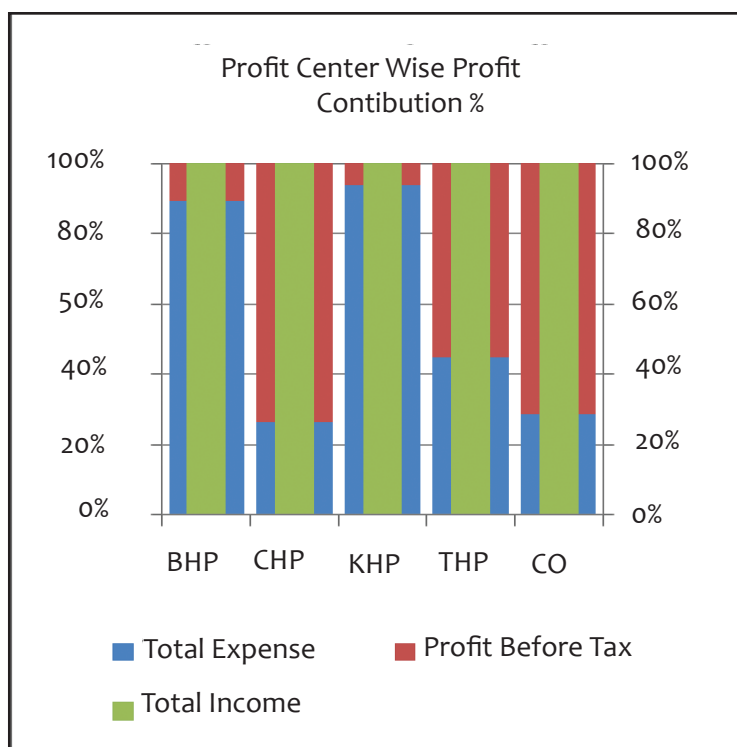


**Total Expenses** for 2009 was Nu. 4,333.84 million compared to Nu. 1,395.06 in 2008. The total expenses in 2009 increased by 210.66% and excluding THP by 3.83%. The increase, excluding THP, is mainly on account of increase in the salary of employees with introduction of Corporate Allowance and Performance Based Variable Allowance of 25% and 10% of the basic pay respectively.

**Profit Before Tax (PBT)** for 2009 was Nu. 6,556 million compared to Nu. 2,939.19 million in 2008. Excluding THP the PBT has decreased by 4.76% which has mainly resulted from the decrease in income and increase in expenses for the year. The PBT contribution from THP is highest with 54.30% followed by CHP (42.34%),

Corporate Office (2.26%), BHP (0.63%) and KHP (0.48%). However, the profit contribution as the percentage of the revenue earned, CHP is the highest followed by Corporate Office, THP, BHP and KHP.

The Corporate Tax for 2009 amounted to Nu. 1,981.40 million which is 115.52% higher in comparison to 2008.



**Dividend** of Nu. 4,325.43 million was declared for the year 2009 compared to Nu. 2,144.88 million in 2008. The dividend was declared at 90% of profit after tax for THP and 100% for the Corporate Office and other Power Plants.

Table 2: Plant wise & Corporate office profitability for the year 2009

Particulars	BHP	CHP	KHP	THP	HO	Adjust *	Total
<b>Total Income</b>	384.63	3,770.28	504.05	6,445.04	207.71	421.87	10,889.85
<b>Total Expenses</b>	343.63	994.41	472.79	2,8885.37	59.51	421.87	4,333.84
<b>Profit Before Tax</b>	<b>41.00</b>	<b>2,775.87</b>	<b>31.26</b>	<b>3,559.67</b>	<b>148.20</b>	-	<b>6,556.00</b>
<b>Profit Share</b>	<b>0.63%</b>	<b>42.34%</b>	<b>0.48%</b>	<b>54.30%</b>	<b>2.26%</b>		<b>100.00%</b>

\* Adjustment on account of inter plant energy accounting

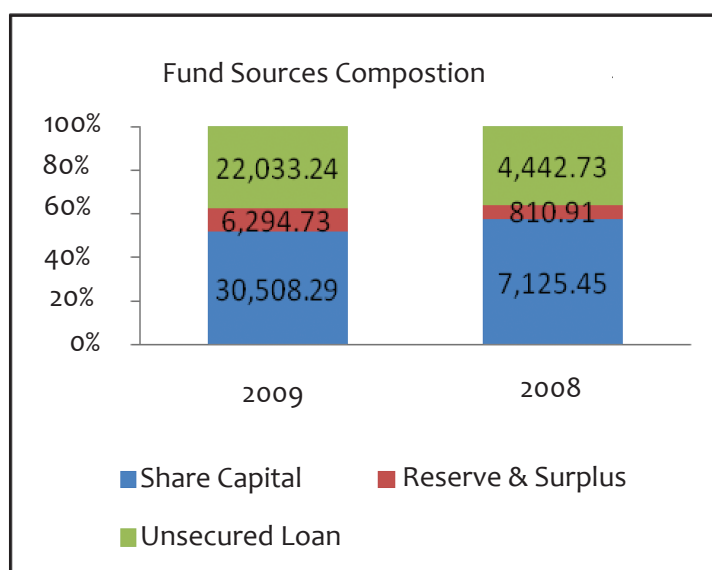
**Profitability Ratios:** The return on equity reduced from 27.88% in 2008 to 20.45% in 2009 which is mainly on account of increase in equity with takeover of THP. The reduction in the Return on Capital Employed and Dividend to Share Capital is also on account of takeover of THP. The profitability ratios are as provided in Table 3.

Table 3: Plant wise & Corporate office profitability for the year 2009

Particulars	2009	2008
Return on Equity (%)	20.45	27.88
Return on Capital Employed (%)	21.64	26.54
Generation and Maintenance Expenses to Electricity Revenue (%)	0.09	0.09
Dividend to Share Capital (%)	14.18	27.09

## Financial Position

The total assets net of current liabilities of Druk Green as at 31<sup>st</sup> December 2009 was Nu. 58,836.27 million which had been funded by equity of Nu. 36,803.02 million representing 62.54% and rest by long term loan of Nu. 22,033.24 million. The Financial position summary is as presented in the Table 4.



**Sources of Funds:** Total sources of funds has increased from Nu. 12,379.08 million in 2008 to Nu. 58,836.27 million in 2009, an increase of 375%. The increase is mainly on account of takeover of THP. The debt constitutes only 60% of the equity, indicating sound financial position of Druk Green.

**Application of Funds:** 92% of the funds are deployed in the fixed assets which are primarily used in the generation of electricity. The remaining funds exist in form of investment. The net current asset of negative Nu. 1,089.55 million has resulted from investment of idle fund into long term fixed deposit of one year and above.

With the centralization of fund management at corporate office, the investment of the fund has been optimized. The long-term investment has increased from Nu. 1,981.07 million in 2008 to Nu. 5,556.54 million in 2009.

Table 4: Financial Position Summary

Particulars	2009	2008	%↑(↓)*
<b>Source of funds</b>			
<b>Share holder's fund</b>			
Share Capital	30,508.29	7,125.45	328%
Reserve & Surplus	6,294.73	810.91	676%
<b>Loan Fund</b>			
Unsecured loan	22,033.24	4,442.73	376%
	58,836.27	12,379.08	375%
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
Gross Block	59,202.10	12,379.08	366%
Net Fixed Asset with CWIP	54,369.27	9,205.72	491%

Particulars	2009	2008	% ↑(↓) *
Investments	5,556.54	1,981.07	180%
Net Current Assets	(1,089.55)	1,192.30	-191%
Total	58,836.27	12,379.08	375%
* Percentage Increase (Decrease) over the pervious year			



CSR support to school going children

## 10. Board of Directors

The assets of Druk Green are held by the Druk Holding & Investments. As the shareholder of the company, DHI appoints the Board of Directors of Druk Green. The shareholder appoints the members of the Board based on the expertise and experience profiles. Druk Green's Board of Directors is made up of 7 members, including the Chairman of the Board and the CEO. The director's diverse professional backgrounds are a definite asset for Druk Green. Board Meetings and Committee Meetings are convened when the company receives a complex issues and when the decisions of the Board has to be accorded to pursue the matter further. Any important decision has to be passed through the board, so it is one of the most important decision making body. The Board of Directors of Druk Green consists of the following :



(Chairman)  
Dasho Sherub Gyaltsen  
Secretary  
Ministry of Agriculture and Forest



(Director)  
Yeshi Wangdi  
Director General, Dept. of Energy  
Ministry of Economic Affairs



(Director)  
Dasho Bharat Tamang  
Managing Director  
Bhutan Power Corporation Limited



(Director)  
Tenzing Yonten  
Royal Thimphu College



(Director)  
Sonam Lhendrup  
Legal Counsel  
Druk Holding & Investments



(Director)  
Choiten Wangchuk  
Director  
Dept. of National Budget  
Ministry of Finance



(Director & Member Secretary)  
Dasho Chhewang Rinzin  
Managing Director  
Druk Green Power Corporation Limited

## 11. Corporate Management Team



Dasho Chhewang Rinzin  
Managing Director



Dorji P. Phuntshok  
Director Projects/CEO  
Dagachhu



Ugyen Namgyal  
Chief Financial Officer



Dorji T. Phuntshok  
Head, HRA



Lam Dorjee  
Head, O&M

## 12. Plant Heads



Sujan Rai  
SE, BHP



Kencho Dorji  
CE, CHP



Yeshi Tenzin  
SE, KHP



Thinley Dorji  
ED, THP



## AUDITOR'S REPORT TO THE MEMBERS OF THE DRUK GREEN POWER CORPORATION LIMITED

We report that we have audited the attached Balance Sheet of M/s Druk Green Power Corporation Limited as at 31<sup>st</sup> December, 2009 and the Profit & Loss Account and the Cash Flow Statement of the Corporation for the period ended on that date annexed thereto (hereinafter referred to as “financial statements”), all of which we have signed under the reference to this report. With regard to amalgamation of the Tala Hydroelectric Project Authority (hereinafter referred to as the “Authority”) with the Druk Holding and Investments (hereinafter referred to as DHI) with effect from 01.04.2009 vide letter no – Lhenzhung/CAD-03/09/1193 dated 4<sup>th</sup> March, 2009 from the office of the Honorable Cabinet Secretariat, Tashichhoedzong, Royal Government of Bhutan, Thimphu, Bhutan, our responsibility is limited only to the extent of verification and expressing an opinion on the “Financial Statement of the Operation and Maintenance Account” maintained by the Authority, as on 1<sup>st</sup> April, 2009. For the purpose of consolidation of the Financial Statements of DGPC, we have relied upon the Financial Statement relating to the Project Accounts for the period 01.01.1997 to 31.05.2009 as verified and certified jointly by the Auditors of the Royal Audit Authority (on behalf of the Royal Government of Bhutan, hereinafter referred to as “RAA”) and the Principal Directorate of the Audit, Central, Kolkatta (on behalf of the RAA/AR/RTICD-CERT-THPA/2009/15234 dated 31<sup>st</sup> July, 2009.

All the above financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with the generally accepted auditing standards and in keeping with the “General Terms of Reference and Minimum Audit Examination and reporting Requirements” issued by the Royal Audit Authority, as given in Schedule XIV of the Companies Act of The Kingdom of Bhutan, 2000. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit statements also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Section II schedule XIV thereto (the Minimum Audit Examination and reporting requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
3. Physical verification report from the Asset Verification Team with regard to Inventory and Fixed Assets of DGPC, except the Chhukha Hydropower Plant, as on 31<sup>st</sup> December, 2009 could not be produced to us. Due to the limitation of scope of audit and the significance of matters mentioned in point no.7 of schedules 22 (C) of the Notes to Accounts, we do not express our opinion on the same.
4. Further to our comments in Annexure as referred to in point 3 and our comments in point 4 above, we report that :
  - a. Our examination was made in accordance with the generally accepted accounting standards and accordingly included such tests of accounting records and such other auditing procedure as we considered appropriate for the purpose of our audit;
  - b. We have obtained all the information and explanations, read with Para 4 which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - c. In our opinion proper books of account as required by law have been kept by the corporation so far as appears from our examination of the books; and

- d. The Balance Sheet, Profit and Loss Account, and Cash Flow Statement dealt with in this report have been prepared on the basis of generally accepted accounting principles and that the financial statements are in agreement with the books of account.
5. In our opinion and to the best of our information and according to the explanations given to us the said accounts read in Para 4 of the audit report together with schedules, significant accounting policies and notes on accounts and certified audited report mentioned in Para 1 of this report, give the information as required by the Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and give a true and fair view :
- a. In the case of Balance Sheet, of the state of affairs as at 31<sup>st</sup> December 2009;
- b. In the case of Profit and Loss Account of the Corporation's profit for the year ended on that date,
- c. In the case of the Cash Flow Statement, of the movement of cash during the year ended on that date.

Place : Kolkata  
Date: 15/04/2010



For RAY & RAY  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "K. K. Ghosh".

(K. K. GHOSH)  
Partner  
Membership No. 59781

## ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the Members of the **DRUK GREEN POWER CORPORATION LIMITED** on the financial statements for the year ended 31<sup>st</sup> December, 2009]

1. The Corporation has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. Physical verification of fixed assets has been completed only in the Chhukha Hydropower Plant. However, management has taken initiative to complete the asset and inventory verification and codification process for other plants which is expected to be completed during the year 2010.
2. The fixed assets of the Corporation have not been revalued during the year.
3. As the Corporation is engaged in the generation of electricity, there are no finished goods or raw materials.
4. Physical verification of Civil, Mechanical, and Electrical stores and spare parts has been conducted during the year and no material discrepancies have been noticed. Certain items have been identified as unserviceable and the Corporation has initiated necessary action for their valuation and disposal plans. However, these are fully provided for in the accounts.
5. In our opinion and according to information and explanation given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Corporation and the nature of its business; in terms of point no .7 of the schedule 22(C) of the Notes to Accounts.
6. Till the last date of audit we have not received the physical verification report from the Asset Verification Team with regard to Inventory and Fixed Assets of DGPC, except the Chhukha Hydropower Plant, as on 31<sup>st</sup> December 2009. The management has to take necessary steps to strengthen control over the inventory system. In our opinion, the valuation of year-end stocks has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years. In our opinion, the terms and conditions of the loans are prima facie not prejudicial to the interests of the Corporation. According to the information and explanations given to us, there is no Corporation/Company/firm under the same management from which a loan or an advance has been taken by the Corporation.
7. The Corporation has not granted any loan other than interest free advances given to employees and outside suppliers for Capital, Operation, & Maintenance works. The terms and conditions of such loans and advances are prima facie not prejudicial to the interest of the Corporation.
8. The parties to whom the interest free advances have been given by the Corporation are generally being adjusted as per the terms and conditions.
9. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/ frequent advances are granted and there is no accumulation of large advances against any particular individual.
10. According to information and explanation given to us during the course of our audit, in our opinion, internal control systems of the Corporation are commensurate with its size and the volume of business to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Corporation as well as to ensure adherence to the applicable rules/regulations, systems and procedures. The Corporation has a centralized Internal Audit unit which is functioning satisfactorily.
11. In our opinion and according to the information and explanations given to us, having regard to the exception that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there is an adequate system of competitive bidding, commensurate with the size of the Corporation and the nature of its business,

for the purchase of goods and services including stores, plant and machinery, equipment and other assets. As the Corporation is engaged in electricity generation, it has no requirement of raw materials.

12. The Corporation sells its electricity generated to the Power Trading Corporation of India Limited (at rates fixed mutually by the Royal Government of Bhutan and the Government of India) and to the Bhutan Power Corporation Limited for sale in Bhutan and other private parties (at rates fixed by relevant authority). Hence, the question of competitive bidding for sale of goods and services, in our opinion, is not applicable to the Corporation.

According to the information and explanations given to us, the Corporation has not made any transaction for purchases and sale of goods and services during the year in pursuance of contracts or arrangements entered into with director(s) or any other party (ies) related to the director(s) or with Company or firms in which the director(s) are directly or indirectly interested. The Corporation has transactions with other Companies/Corporations where the Directors of the Corporation are nominated as directors by the Royal Government of Bhutan and such companies/corporations are not considered as organizations where the directors have any direct or indirect interest.

13. As explained to us, the Corporation has a procedure for determination of unserviceable or damaged stores. Provisions have been made in accounts for loss arising out of obsolescence of such stores and spare parts.
14. As there is no stock of raw materials or finished goods, the question of ascertaining unserviceable/damaged raw materials and finished goods does not arise. As the corporation is engaged in the business of generation of electricity, this clause is not applicable to the Corporation. However, in our opinion there is adequate system of ascertaining any losses in transmission, at the point of occurrence, for taking corrective actions.
15. The Corporation is maintaining reasonable records for generation of electricity. In our opinion, reasonable records of energy received and energy distributed are maintained by the Corporation.

The Statement of Energy Generation, Statement of Gross Energy Available for sale/use for the year 2009, Statement of Gross Energy Available for sale/use for the year 2008 and the River Inflow Data have been given in Exhibit 1, (2A, 2B, 2C, (2D)), (3A, 3B, 3C) respectively.

16. The Corporation is maintaining reasonable records for sale and disposal of realizable scrap. The Corporation does not generate any by-products.
17. The Corporation has been regular in depositing rates and taxes, duties, provident fund and other statutory dues with the appropriate authorities. In our opinion, the provision for Corporate Tax is adequate and that necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan – 2001.
18. As on the last day of the financial year, the following are the undisputed liabilities payable in respect of rates, taxes, duties, royalties and other statutory dues, the position of which is enumerated below :

Particulars	Amount in Nu.	Present Status
TDS Employees	82027	Paid
Tax Deducted at Source (Contractor / Suppliers)	5600	Paid

19. According to the information and explanations given to us, and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, no personal expenses have been debited to the Profit & Loss account other than those payable under contractual obligations/

service rules and/or in accordance with generally accepted business practice.

20. Since the Corporation is engaged in generation of electrical energy from hydro power, this clause is not applicable to the Corporation. However, the Corporation has a reasonable system of recording receipts, issues and consumption of stores and allocating to the respective heads of accounts, which are commensurate with its size and nature of its business.
21. Quantitative reconciliation is carried out at the end of the accounting year in respect of electricity and shown in the “notes on accounts”.
22. According to the information and explanations given to us, and on the basis of our test checking of the accounts and other books and records, proper approval of Board / appropriate authority is obtained for writing off amounts due to material loss / discrepancies in physical/book balances of inventories including stores and spares.
23. Since the Corporation is engaged in generation of electrical energy from hydro power, this clause is not applicable to the Corporation.
24. There is a reasonable system of authorization at proper levels and adequate systems of internal control commensurate with the size of the Corporation and the nature of its business, on issue of stores and allocation of materials to respective cost centers (i.e. job sites).
25. Electricity generated by the Corporation is being sold mainly to the Power Trading Corporation of India Limited, the sale price of which is fixed mutually by the Royal Government of Bhutan and the Government of India. As regards to sale of energy to the Bhutan Power Corporation Limited, the selling price is being fixed by the relevant authority, so the question of price fixation by taking into account the cost of production and market conditions does not arise.
26. In our opinion, the credit sales policy of the Corporation is reasonable and proper. As stated above in clause 26 of this Annexure the question of credit rating of customers does not arise.
27. Since the Corporation does not sell electricity through commission agents, this Clause is not applicable.
28. In our opinion, there is a reasonable system of continuous follow up with debtors and other parties. The age-wise analysis of outstanding amounts recoverable from other parties is being carried out for management information and follow up action.
29. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short term deposits etc. are adequate and that excessive amounts are not lying idle in non-interest bearing accounts. The Corporation has not taken any loans, secured or unsecured, during the year.
30. In our opinion and to the extent our examination reveals, the business activities carried out by the Corporation are lawful and intra-vires to its Articles of Incorporation.
31. Investment decisions are made with prior approval of the Board. Investments in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
32. The Corporation has a suitable budgetary control system.
33. Since the Corporation is engaged in the generation of hydro electricity no such input output relation can be established. The Corporation does not have a system of standard costing but operational variances are analyzed at periodic intervals against budgeted norms.
34. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board.

35. In our opinion and to the extent revealed by our examination the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Corporation, directly or indirectly, are disclosed in Para No. 23 of the Schedules 22 to the Accounts.
36. In our opinion and on the basis of examination of books and records, the directives of the Board have been complied with.
37. According to the information and explanations given to us, the officials of the company have not transmitted any price sensitive information, which are not made publicly available, unauthorizedly to their relatives / friends /associates or close persons which would directly or indirectly benefit themselves.
38. Computerized Accounting Environment :
1. The Corporation has introduced computerized package for accounting system along with the existing packages in some operational fields like budget management system, pay-roll, inventory management system and personal information system. In our opinion, organizational and system development controls and other internal controls are adequate relative to the size and nature of computer installation of the Corporation.
  2. In our opinion, the Corporation has adequate measures and back up facilities commensurate with the size and nature of computer installation.
  3. The operational controls in the Corporation are generally adequate to ensure correctness and validity of input data and output information.
  4. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.
  5. The Corporation has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Corporation.
39. General.
1. Going concern problems  

On the basis of the attached Financial Statements as at 31 December, 2009 and according to the information and explanations given to us, the financial position of the corporation is healthy and we have no reason to believe that the Corporation is likely to become sick in the near future.
  2. Ratio Analysis  

Financial and Operational Results of the Corporation has been given in Exhibits – 4A-4B to this report.
  3. Compliance with the Companies Act of the Kingdom of Bhutan.  

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Corporation Officials, the Corporation has complied with all the provisions of the Companies Act of the Kingdom of Bhutan, 2000. Details are given in Exhibit- 4C to this report.

4. Adherence to Laws, Rules and Regulations

On the basis of our examination of the books and records of the Corporation and according to the information and explanations given to us, we have neither come across nor have we been informed of any non compliance to the Companies Act of the Kingdom of Bhutan, 2000 and the relevant laws under the Bhutan Electricity Act. In respect of compliance with other Acts prevalent in the Kingdom of Bhutan, we cannot properly comment on the same in the absence of any information provided to us in this matter. Management of the Corporation needs to establish proper and comprehensive compliance assurance system for all other acts.

For RAY & RAY  
Chartered Accountants



(K. K. GHOSH)

Partner

Membership No. 59781

Place : Kolkata  
Date : 15/04/2010

## RATIO ANALYSIS

Sl.No.	Particulars	2009	2008	Remarks
<b>A</b>	<b>Ratios for assessing financial health (In numbers)</b>			
I	Debt Equity Ratio	0.60	0.56	The ratio has increased due to borrowing of THP and ADB-ADF loan for investment in Dagachhu Hydropower Corporation Limited
II	Current Ratio	0.81	1.63	The ratio is below the ideal rate of 1.33 mainly on account of investment in FDR for the duration of one year and above
III	Liquid Ratio	0.77	1.54	The ratio is below the ideal rate of 1 mainly on account of investment in FDR for one the duration of one year and above.
IV	Fixed Assets to Equity	1.48	1.16	The ratio has increased due to amalgamation of Tala Hydropower Plant
V	Fixed Assets to Turnover	2.99	2.15	The ratio has increased due to amalgamation of Tala Hydropower Plant and decrease in revenue due to domestic demand
<b>B</b>	<b>Ratios for assessing profitability (In percentage)</b>			
I	Return on Equity (%)	20.45	27.88	The ratio has decreased due to amalgamation of Tala Hydropower Plant
II	Return on Capital Employed (%)	21.64	26.54	Due to the reason stated above
III	Generation and Maintenance Expenses to Electricity Revenue (%)	0.09	0.09	There is no material change over the previous year.
IV	Dividend to Share Capital (%) as dividend	14.18	27.09	As per the policy 90% of the PAT is paid as dividend
<b>C</b>	<b>Ratios for assessing cash flow efficiency (in numbers)</b>			
I	Cash flow turnover	0.59	0.67	Decrease due to increase in payment on account of Tala Hydropower Plant
II	Operation Index	1.39	1.40	Due to reason as stated above.
III	Cash flow return on assets	0.27	0.45	Decrease due to increase in the asset base due to amalgamation of Tala Hydropower Plant.





## Balance Sheet as at 31<sup>st</sup> December 2009

Particulars	Schedules	2009	2008
<b>Source of Funds</b>			
Shareholder's Fund			
Share Capital	1	30,508,291,000.00	7,125,451,000.00
Reserve & Surplus	2	6,294,731,463.66	810,905,636.81
		<b>36,803,022,463.66</b>	<b>7,936,356,636.81</b>
Loan Fund			
Unsecured Loan	3	22,033,244,103.11	4,442,725,872.93
		<b>58,836,266,566.77</b>	<b>12,379,082,509.74</b>
<b>Application of Funds</b>			
<b>Fixed Assets</b>			
Gross Block	4	59,202,102,544.05	12,711,991,543.50
Less : Depreciation		5,292,628,597.09	3,585,117,892.91
Net Block		<b>53,909,473,946.96</b>	<b>9,126,873,650.59</b>
Add : Capital Work in Progress		459,799,805.95	78,842,873.57
		<b>54,369,273,752.91</b>	<b>9,205,716,542.16</b>
Investments	5	5,556,539,578.26	1,981,070,349.74
Current Assets, Loans and Advances			
Cash and Bank Balance	6	328,538,543.72	86,161,830.62
Short Term Investments	7	2,061,656,390.40	1,990,678,303.45
Sundry Debtors	8	1,268,598,975.78	478,493,374.06
Inventories	9	228,682,339.63	159,021,353.17
Other Current Assets	10	218,865,007.58	54,619,429.68
Loans and Advances	11	492,150,324.64	318,133,489.93
Inter unit Account	20	(0.02)	0.00
		<b>4,598,391,581.73</b>	<b>3,087,107,780.91</b>
<b>Less : Current Liabilities and Provision</b>			
Current Liabilities	12	591,490,891.09	215,411,090.47
Provision	13	5,096,447.04	1,679,401,054.60
		<b>5,687,938,346.13</b>	<b>1,679,401,054.60</b>
<b>Net Current Assets</b>		<b>(1,089,546,764.40)</b>	<b>1,192,295,635.84</b>
Deferred Revenue Expenditure		-	-
<b>Total</b>		<b>58,836,266,566.77</b>	<b>12,379,082,509.74</b>



## Profit and Loss Statement for the year Ended 31<sup>st</sup> December 2009

Particulars	Schedule	2009	2008
<b>Income</b>			
Electricity Revenue	14	10,649,020,418.08	4,335,287,366.45
Interest Earned	15	10,649,020,418.08	4,335,287,366.45
Other Income	16	26,829,393.66	13,185,056.98
		<b>10,889,846,283.98</b>	<b>4,459,296,093.61</b>
<b>Expenditure</b>			
Operation and Maintenance Expenses	17	801,675,482.81	353,561,498.98
Employees' Remuneration and Benefits	18	458,220,651.97	225,369,228.92
Other Expenses	19	94,318,719.59	49,566,141.77
Purchase of Energy	20	111,027,292.00	14,260,522.00
Interest on Borrowing		1,151,150,324.22	292,702,666.72
Depreciation		1,704,295,894.61	455,512,227.13
		4,320,688,365.20	455,512,227.13
		<b>4,320,688,365.20</b>	<b>1,390,972,285.52</b>
<b>Operating Profit Less :</b>		<b>6,569,157,918.78</b>	<b>3,068,323,808.09</b>
Extra Ordinary (Gains)/Losses	21	13,153,532.99	4,084,620.35
<b>Profit Before Tax</b>		<b>6,556,004,385.79</b>	<b>3,064,239,187.74</b>
Income Tax for earlier year		14,594,819.58	82,799.78
Provision for tax		1,966,801,315.74	919,271,756.32
<b>Profit After Tax</b>		<b>4,574,608,250.47</b>	<b>2,144,884,631.64</b>
<b>Appropriations</b>			
Transfer to General Reserve		249,176,915.56	214,488,463.16
Interim Dividend Paid		1,232,940,000.00	214,488,463.16
Proposed Dividend		3,092,491,334.91	741,546,168.47
		<b>4,574,608,250.47</b>	<b>2,144,884,631.64</b>



## Statement of Cash flow for the year ended 31<sup>st</sup> December 2009

Particulars	2009	2008
Cash flow from operating activities		
Profit before taxation	6,556,004,385.79	3,064,239,187.74
Adjustment for :		
Depreciation	1,704,295,894.61	455,512,227.13
Foreign Exchange Loss	1,337,173.27	486,788.76
Investment Income	(213,996,472.24)	(110,823,670.18)
Interest Expenses	1,151,150,324.22	292,702,666.72
(Increase)/Decrease in sundry debtors	(790,105,601.72)	(35,146,410.60)
(increase)/Decrease in Inventories	(69,660,986.46)	69,831,077.97
(increase)/Decrease in other current asset	(94,228,587.21)	19,702,603.99
(increase)/Decrease in loans and advances	(174,016,834.71)	557,161,702.68
Increase/(Decrease) in Current Liabilities	370,851,845.71	(148,254,946.84)
Increase/(Decrease) in Provision	18,571,674.59	12,346,781.80
(Increase)/Decrease in Deferred Expenditure	-	1,855,098.00
(Increase)/Decrease in Inter Unit	0.02	(0.02)
Cash generated from Operation	8,460,202,815.87	4,179,613,107.15
Interest Paid	(1,147,259,542.58)	(288,668,984.37)
Income Tax Paid	(933,866,575.90)	(893,986,521.47)
Net Cash from Operating Activities	6,379,076,697.39	2,996,957,601.31
Cash flow from investing activities	(46,867,853,123.36)	(215,229,465.27)
(Increase)/Decrease in Fixed Asset	(3,575,469,228.52)	(1,872,342,968.67)
(Increase)/Decrease in Long Term Investment	143,979,481.55	78,196,532.86
Interest received		
Dividend received		
Net Cash used in investing activities	(50,299,342,870.33)	(2,009,375,901.08)
Cash flow from financing activities		
Increase/(Decrease) in Share Capital	23,382,840,000.00	270,000,000.00
Increase/(Decrease) in Reserve	5,234,648,911.29	-
Increase/(Decrease) in Loan Fund	17,590,518,230.18	(268,271,906.99)
Dividend Paid	(1,974,486,168.47)	(1,632,060,230.81)
Net Cash used in financing activities	44,233,520,972.99	(1,630,332,137.80)
Net increase in cash equivalents		(642,705,437.57)
Cash and cash equivalent at the beginning of the period	313,254,800.05	2,719,590,571.62
Cash and cash equivalent at the end of the period	2,076,840,134.05	2,076,840,134.05
	2,390,094,934.10	



	2009	2008
<b>Schedule 1 : Share Capital</b>		
Authorised Share Capital	50,000,000,000.00	50,000,000,000.00
Share Capital	30,508,291,000.00	7,125,451,000.00
	<b>30,508,291,000.00</b>	<b>7,125,451,000.00</b>

<b>Schedule 2 : Reserve &amp; Surplus</b>		
General Reserve	6,045,554,548.10	596,417,173.65
Transferred from Profit & Loss	249,176,915.56	214,488,463.16
	<b>6,294,731,463.66</b>	<b>810,905,636.81</b>

<b>Schedule 3 : Unsecured Loan</b>		
Basochhu Upper Stage Loan	566,400,000.00	601,800,000.00
Basochhu Lower Stage Loan	1,648,872,940.86	1,648,872,940.86
GoI Loan Kurichhhu	1,120,000,000.04	1,306,666,666.70
GoI Loan - Tala	11,691,420,206.15	-
Loan - ADB ADF	604,602,395.08	-
Interest Accrued during Project Construction Phase	6,401,988,560.98	885,386,265.37
	<b>22,033,244,103.11</b>	<b>4,442,725,872.93</b>

<b>Schedule 5 : Long Term Investments</b>		
Long Term Investment (Bhutan National Bank)	4,271,165,578.26	1,632,138,149.74
Long Term Investment in Bonds and Others	635,430,000.00	77,485,000.00
Equity Investment in DHPC	649,944,000.00	271,447,200.00
	<b>5,556,539,578.26</b>	<b>271,447,200.00</b>

<b>Schedule 6 : Cash &amp; Bank Balances</b>		
Cash in Hand	270,304.53	119,156.89
Bank of Bhutan	317,190,190.24	78,350,183.61
Bhutan National Bank	10,972,689.16	7,215,747.33
Central Bank of India	5,359.79	476,742.79
	<b>328,438,543.72</b>	<b>86,161,830.79</b>

<b>Schedule 7 : Short Term Invests</b>		
Investment with RMA Bills	-	398,767,400.00
Short Term Investment (Bhutan National Bank)	2,045,814,616.45	1,529,521,389.21
Short Term Investment (Bank of Bhutan)	15,841,773.95	62,389,514.24
	<b>2,061,656,390.40</b>	<b>1,990,678,303.45</b>



<b>Schedule 8 : Sundry Debtors (Unsecured, Considered good)</b>		
Sundry Debtors - BPC	341,010,794.88	44,037,435.36
Sundry Debtors - Others	25,339.50	166,209.10
Sundry Debtors - PTC	927,562,841.40	434,289,729.60
	<b>1,268,598,975.78</b>	<b>434,289,209.10</b>

<b>Schedule 9 : Stores &amp; Spares</b>		
Stores & Spares	230,079,528.96	192,377.95
Stock of POL, Oil & Lubricants	100,265.20	192,377.95
Stores & Spares in transit - at cost	230	
	<b>228,682,339.63</b>	<b>159,021,353.17</b>

<b>Schedule 10 : Other Current Assets</b>		
Prepaid Expenses	14,388,860.01	3,142,997.08
Deposits - Miscellaneous	855,486.70	649,768.58
Accrued Interest on Investment	113,154,499.39	43,137,508.70
Tax Deducted at Source - Receivables	13,257,423.31	6,647,552.00
Other receivables	77,208,738.17	1,041,603.32
	<b>218,865,007.58</b>	<b>54,619,429.68</b>

<b>Schedule 11 : Loans &amp; Advances</b>		
Recoverable in Cash or in Kinds or its value		
Staff Advance	3,921,440.04	986,722.13
Advance to Supplier / Contractor	258,747,487.98	67,605,732.80
Advance Corporate Income Tax	226,969,500.62	247,029,181.00
Recoverable from M/s BHEL (VAT)	2,511,896.00	2,511,854.00
	<b>492,150,324.64</b>	<b>318,133,489.93</b>

<b>Schedule 12 : Current Liabilities</b>		
Security Deposit - Suppliers & Others	48,729,221.48	5,773,267.42
Sundry Creditors	12,533,204.94	24,781,940.63
Outstanding Liabilities to contractors	101,626,732.82	32,040,648.92
Outstanding Liabilities for expenses	74,049,744.00	35,053,852.36
Gratuity Payable	148,885,288.57	94,182,403.25
Leave Encashment Payable	14,356,046.45	17,338,817.68
Provision for Audit Fees & Expenses	706,711.00	510,000.00
Sundry Liabilities	134,523,437.61	53,698.36
Tax Deducted at Source - Payable	119,883.34	49,779.50
Interest accrued but no ton loans (Others)	9,517,463.99	5,626,682.25
Payable to BPC - Wheeling Charges	46,443,156.89	0.00
	<b>591,490,891.09</b>	<b>215,411,090.47</b>



<b>Schedule 13 : Provisions</b>		
Provision for Corporate Income Tax	1,966,801,315.74	919,271,756.32
Proposed Dividend	3,092,491,334.91	741,564,168.47
Provision for Bonus	37,164,804.39	18,583,129.80
	<b>5,096,447,455.04</b>	<b>1,679,401,054.60</b>

<b>Schedule 15 : Interest Earned</b>		
Interest on short term Earned	37,256,612.55	27,350,174.77
Interest on long term Deposits	157,865,277.94	32,022,629.85
Interest on RMA Bills	13,047,285.00	45,639,490.56
Interest on Government Bonds	5,827,296.75	5,811,375.00
	<b>213,996,472.24</b>	<b>110,823,670.18</b>

<b>Schedule 16 : Other Incomes</b>		
House Rent Recovered - Employee / Others	11,894,902.67	7,793,094.21
Hire Charges Equipment	2,147,182.79	220,758.77
Miscellaneous Receipts	11,751,407.03	3,742,116.52
Profit on sale / discard of Assets (Net)	509,214.17	1,343,287.48
Sale of Tender forma	526,687.00	85,800.00
	<b>26,829,393.66</b>	<b>13,185,056.98</b>

<b>Schedule 17 : Operation &amp; Maintenance Expenses</b>		
Wheeling Charged	656,656,746.89	257,021,043.92
R/m Buildings	13,533,756.37	6,030,139.66
R/m Transmission Lines	404,940.60	419,839.38
R/m Office Equipments	1,260,243.81	697,641.95
R/m of Telephone Exchange	207,544.50	932,147.44
R/m Power House	71,841,009.14	52,787,161.54
R/m fire fighting Equipments	467,286.30	638,589.41
R/m of Machinery	4,103,467.20	919,761.91
R/m Dam	16,004,980.08	5,168,963.07
R/m Vehicles	29,430,415.14	13,139,303.11
R/M Colony	7,360,026.05	15,537,188.97
Other Miscellaneous Civil Works	405,066.73	269,718.62
	<b>801,675,482.81</b>	<b>353,561,498.98</b>



<b>Schedule 18: Employees Remuneration &amp; Benefits</b>		
	255,638,991.39	119,033,698.35
Salaries and Wages	17,806,912.50	8,807,666.40
Employer's Contribution to Provident Fund	35,979,913.29	18,575,373.30
Bonus	32,467,498.89	17,085,795.15
Incentive/Honorarium	5,203,333.73	2,201,786.76
Staff Welfare Expenses	3,062,595.47	858,264.61
Medical Expenses	24,966,405.32	18,279,269.37
Gratuity Expenses	19,139,781.91	9,816,150.07
Leave Encashment	350,257.00	569,182.00
Terminal Benefits	47,041,967.85	17,433,045.89
Professional Training	2,108,749.87	1,832,239.02
Liveries	14,454,244.75	10,876,758.00
Leave Travel Concession		
	<b>458,220,651.97</b>	<b>225,369,228.92</b>

<b>Schedule 19: Other Expenses</b>		
Travel	17,060,602.84	7,891,458.63
Entertainment	6,365,440.76	2,912,078.74
Electricity	8,471,566.69	852,582.31
Advertisement and Publicity	2,475,151.44	1,201,726.98
Office Expenses	2,703,353.52	5,492,583.08
Telephone and Fax	4,009,622.43	2,623,895.76
Postage and Telegram	226,204.00	176,477.96
Printing and Stationery	5,478,668.54	3,959,268.09
License Fee	7,222,121.72	3,272,685.00
Insurance	4,404,129.39	4,777,871.86
Rates and Taxes	180,820.27	156,558.00
Bank Charges	1,194,404.80	846,352.01
Auditors' Fees	405,000.00	260,000.00
Auditors' Expenses	251,920.00	297,310.00
Community Welfare Expenses	3,159,314.39	2,780,153.28
Donation	17,366,648.02	780,375.00
Directors' Sitting Fees	692,500.00	481,000.00
Board Meeting Expenses	391,586.00	93,838.90
Books & Periodicals	283,795.19	142,208.38
Presentation	243,418.00	1,968,193.00
Loss on Disposal of Assets	1,931,815.78	53,218.59
Consultancy Charges	4,356,666.75	4,877,840.56
Rent	1,274,003.64	1,201,220.16
Obsolete stores/spares	1,703,246.05	1,942,449.30
Foreign Exchange Losses	1,337,173.27	486,788.76
Other Expenses	1,129,546.10	38,007.42
	<b>94,318,719.59</b>	<b>49,566,141.77</b>



<b>Schedule 20: Purchase of Energy</b>		
Purchase of Electricity from PTC	111,027,292.00	14,260,522.00
	<b>111,027,292.00</b>	<b>14,260,522.00</b>

<b>Schedule 21: Extra Ordinary Gains or Losses</b>		
Prior Period Adjustment	16,430,739.19	7,388,224.16
Profit on Sale of Disposed Stock	(3,361,872.00)	(5,912,928.25)
Loss on Transfer of Asset	84,665.80	2,609,324.44
	<b>13,153,532.99</b>	<b>4,084,620.35</b>

## **Schedule 22**

### **A. Nature of Operations**

Druk Green Power Corporation Limited is engaged in generation of hydro electrical energy and for bulk sale of the same to other corporation for distribution and transmission of electricity within Bhutan and for export of the surplus hydro electrical energy to India.

### **B. Significant Accounting Policies**

#### **1. Basis of Preparation**

The financial statements have been prepared to comply in all material respects with the generally accepted accounting principles and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000, and on going concern basis. The financial statements have been prepared under the historical cost convention on an accrual basis except as stated otherwise. The accounting policies have been consistently applied by the Corporation.

The preparation of financial statements in conformity with generally accepted principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

#### **2. Changes in Accounting Policy**

In the current year there is no change in the Accounting Policy of the Corporation. The accounting policy adopted by the corporation is in line with the existing accounting policies of the merged operating units. This being the first year of the merger of the Tala Hydropower Plant, the accounting policy adopted for this plant has been followed in line with the overall accounting policies of the Corporation Fixed Assets.

Fixed Assets are stated at cost of acquisition, including any costs attributable for bringing the assets to their working condition for their intended use less accumulated depreciation and impairment losses. The date of capitalization is the actual date when the particular asset has been put to use. Capital work in progress is stated at amount expended up to the date of the Balance Sheet.

Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.



The carrying amounts are reviewed at each Balance Sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amounts.

### 3. Depreciation

Depreciation on fixed assets is provided on straight line method at the rates provided by the Rules of the Income Tax Act of the Kingdom of Bhutan, 2001. No depreciation is provided on fixed assets sold or retired during the year.

For any additions during the year, depreciation for the month of capitalisation is charged for full month if it is capitalised before the 15<sup>th</sup> of that month otherwise no depreciation is provided for the month.

**Assets with value of Nu. 500 and below :** The assets costing Nu. 500 and below would be considered as consumables and charged as expenses when put to use.

**Tools and Implements:** Tools and plants above Nu. 5,000 would be capitalised and depreciated in line with the provision of the Income Tax of Kingdom of Bhutan, 2001. For tools and implements costing more than Nu. 500 and equal to Nu. 5,000, the entire cost would be treated as depreciation expenses when put to use by keeping Nu.1 as book value. As for tools and implements costing Nu. 500 and below would be considered as consumables and charged as expenses when put to use.

### 4. Investment

Long-term investments are stated at costs, provision is made to recognize a decline, other than temporary, in the value of long term investments. Other investments are carried at cost or market rate whichever is less, on individual investment basis.

### 5. Inventory

- i. Inventories are valued at lower of cost or net realizable value.
- ii. Cost is calculated on FIFO basis and comprises expenditure incurred in the normal course of business in bringing such inventories to its present location.
- iii. Obsolete, slow moving and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.
- iv. Stock of salvaged and scrapped materials has been stated at nil value. The amount realised on disposal of such stock is accounted for as Other Income.
- v. As the Corporation is engaged in the generation of electricity, there are no finished goods or raw materials.
- vi. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale.
- vii. Capital stores included in the inventory are valued at lower of cost or net realizable value.

### 6. Revenue Recognition

#### Electricity Revenue

- i. Revenue from the Sale of Electricity within and outside Bhutan is recognized on accrual basis.

- ii. Rates for sale of electricity are as determined by the appropriate authority.

## **Other Revenue**

Revenues other than electricity revenue, as mentioned above, are recognized and accounted for on accrual basis, except where stated otherwise.

## **Interest**

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

## **Claims for Escalation/Liquidated Damages**

Suppliers'/ Contractors' claims for price escalation are accounted for to the extent such claims are accepted by the Company. Claims for liquidated damages against the suppliers/contractors are taken as income when these are deducted from the bills.

## **7. Retirement benefits Under Defined Contribution Scheme**

- i) The Corporation contributes to the Provident Fund administered by the National Pension and Provident Fund, and such contributions are charged to revenue every year on the basis of when the contribution to the Fund becomes due.

## **Under Defined Benefit Scheme**

- i) Gratuity is provided on the basis of entitlement of each employee as per the Corporation's Service Rules at the end of the year without doing actual valuation.
- ii) Leave encashment is provided for in the financial statements on accrual basis without doing actuarial valuation.

## **8. Foreign Currency Transactions**

Transactions in foreign currency are recorded using the exchange rate prevailing at the date of transactions. At the Balance Sheet date monetary assets and liabilities denominated in foreign currency are recorded using the closing exchange rates. All other foreign currency assets and liabilities are stated at the rates ruling at the year end other than those covered by forward contracts, which are stated at the contracted rate. Exchange differences arising on foreign currency transactions are recognized in the Profit & Loss Account.

## **9. Prior Period Adjustments:**

All items of expense / income relating to prior year, exceeding Nu. 5,000 in each case not charged in the accounts in the earlier year due to errors or omission, are accounted for under prior period adjustment account.

## **10. Contingent Liabilities**

No provision is made for liabilities which are contingent in nature, unless it is probable that future events

will confirm that the asset has been impaired or a liability incurred as at balance sheet date and reasonable estimate of the resulting loss can be made.

## 11. Income Tax

Current Tax is determined in respect of taxable income for the year based on applicable rates & laws. Deferred tax is recognized in the books as and when it arises on account of timing difference.

## 12. Research & Development Expenditure

Revenue expenditure on R & D is expensed in the year in which they are incurred. Items of capital nature are included in Fixed Assets.

## 13. Expenditure on new projects and substantial expansion

Expenditure on material, labor and contractors appointed for executing the project are capitalized. Indirect expenditure and overheads relating to projects incurred during construction period is not capitalized and charged off to the Profit and Loss account.

All direct capital expenditure on expansion is capitalized. As regards indirect expenditure on expansion, it is charged off to the Profit and Loss account. Direct expenditure is capitalized only if they increase the value of the asset beyond its original standard of performance.

## C. NOTES ON ACCOUNTS

1. Pursuant to government approval accorded vide letter No. LHENZHUNG/CAD-03/09/1193 dated 4<sup>th</sup> March, 2009 from the office of the Honorable Cabinet Secretariat, Tashichhoedzong of the Royal Government of Bhutan, Thimphu, Bhutan, the Tala Hydro Power Project Authority (hereinafter referred to as the "Authority") was amalgamated with the Druk Holding and Investments (hereinafter referred to as "DHI") with effect from 1<sup>st</sup> April, 2009. Thereafter all asset, liabilities, inventories and employees of the Authority as on 31<sup>st</sup> March, 2009 were transferred to DHI with effect from 1<sup>st</sup> April 2009.

In addition, vide DHI's letter reference DHI/DGPC/2010/132 dated 18.02.2010 and as appears from the abridged financial statements of the Authority as verified and certified as on 31<sup>st</sup> May, 2009 jointly by the auditors of the Royal Audit Authority (on behalf of the Royal Government of Bhutan, hereinafter referred to as "RAA") and the Principal Directorate of Audit, Central, Kolkata (on behalf of the Government of India, hereinafter referred to as "PDA"), a sum of assets totalling to Nu. 38,971,400,687.29 (excluding Interest during construction period totalling to Nu. 6,742,312,150.28 were transferred from the Authority to DHI in pursuance of the said amalgamation. The consideration for the transfer of these assets totalling to Nu. 38,971,400,687.29 was partly discharged by DGPC by the issue of 23,382,840 number of equity shares to DHI having a nominal value of Nu. 1000 each, amounting to Nu. 23,382,840,412.4 ( the balance of Nu. 412.4 was adjusted against General Reserve of DGPC relating to fractional value of shares) in terms of the said letter. The balance of the consideration has been converted into loan from the Government of India which is being repaid regularly by DGPC in yearly instalments.

2. Interest during construction period up to 31.12.2007 amounting to Nu. 6,742,312,150.28 has been capitalised as a part of the assets of the Tala Hydropower Plant on the basis of the joint certification by the auditors of RAA and PDA.
3. Consultancy expenses of Nu. 95,150,993.00 was booked as expended during the construction consultancy of "General Maintenance of G&D and other Metrological sites." In the absence of sufficient and appropriate audit evidence and records to the contrary, we have considered the estimated bill raised by the consultant agency vide letter no. WAP/TALA/Estimate/G&D /2009/1219 dated 15<sup>th</sup> October, 2009 for an amount of Nu.14.90 lakhs per quarter, as the base for computing

the equivalent amount for the period from 1<sup>st</sup> January 2007 to 31<sup>st</sup> March 2009 totalling to Nu. 13,410,000.00. The balance portion for the construction of Rinchentse, Malbase and Kalikhola colonies.

4. In compliance with the generally accepted accounting practice followed by the plant, the sum shown as computed as in para 2 i.e. Nu. 81,740,993.00 was attributable for the construction of Rinchentse, Malbase and Kalikhola colonies. Subsequently, apportionment of cost between the colonies has been made on the basis of their completed cost standing as on 31<sup>st</sup> March 2009. As Malbase substation and its related assets had already been handed over to the Bhutan Power Corporation prior to 31<sup>st</sup> December, 2009 only the amount pertaining to Rinchentse and Kalikhola totalling to Nu. 76,770,956.80 was booked under Capital Work-in-Progress during the Operation & Maintenance period as on 31<sup>st</sup> March, 2009. However, as observed from the completion certificate produced to us as on 31<sup>st</sup> December, 2009 only the portion of Nu. 54,880,834.11 was capitalised under various Fixed Assets category as on the Balance Sheet date of 31<sup>st</sup> December, 2009 and the balance was retained in the Capital Work-in-Progress.
5. Pursuant to the accounting policies prevailing during the project period as framed by the Authority and accorded by the RAA vide its letter no. RAA/AR/RTICD-CERT-THPA/2009/15418 dated 14<sup>th</sup> August, 2009, depreciation had not been provided during the project period. As confirmed by letter No. 8/DGPC/DHI/MD/2010/101 dated 1<sup>st</sup> February 2010, a separate set of books was to be maintained for “Operation and Maintenance” till 31<sup>st</sup> March 2009 in order to facilitate the disbursement of loan obligation. Since, the “Operation and Maintenance” account was actually extracted from the project accounts towards the above objective, whatever accounting policies that were applicable for the project should also have been applicable for the “Operation and Maintenance” accounts. Therefore, depreciation for the period up to 31<sup>st</sup> March 2009 in respect of “Operation and Maintenance” amounting to Nu. 11,383,356.30 has not been provided in the books.
6. Certain inconsistencies have been observed in the output information obtained from the Tally software used for inventory management at the Basochhu Hydropower Plant with regard to the opening and closing balances of stock. The management has taken reasonable steps to mitigate such discrepancies in future.
7. Total inventory value as per books of accounts is Nu. 228,682,339.63. Out of this, a physical verification report by the Assets Verification team especially constituted for this purpose by the management has been produced showing the composition of stock and its valuation based on their physical verification exercise for the Chhukha Hydropower Plant as on 31.12.2009 amounting to Nu. 60,831,892.17 and for the Tala Hydropower Plant amounting to Nu. 74,286,427.70 for which physical verification has been carried out as on 31.10.2009 by the management and subsequent adjustment made for receipts and issues up to the end of the period i.e 31.12.2009. A resulting difference of Nu. 476,331.19 has been charged off to expenses for the period.

In respect of the balance of inventory for Nu. 93,564,019.76 pertaining to the Kurichhu Hydropower Plant and the Basochhu Hydropower Plant, no such physical verification report could be produced to us and the said value has been considered in the accounts as per management certification.

8. Difference of Nu. 138,304.66 was observed between the pending Goods Receipt Note for goods received by the central stores of the Tala Hydropower Plant as on 31<sup>st</sup> December 2009 and the physical verification report as on the same day. This was subsequently charged off to revenue during the “Operation and Maintenance” period.
9. In respect of the Tala Hydropower Plant, advertisement expenses included an amount of Nu. 7,854,232.00 which was expended specifically for the procurement of a capital asset. This amount has been recorded as an advance to Contractor/Supplier which is to be subsequently capitalised once the plant received the capital item.
10. In respect of the Tala Hydropower Plant, no physical verification report could be made available to

the auditors in relation to the valuation of inventories as on 31<sup>st</sup> March 2009 for the “Operation & Maintenance” period. (Inventory as per books as on 31<sup>st</sup> March 2009 was Nu.44,361,731.03).

11. Interest on loan to the Government of India for the period up to 31<sup>st</sup> December 2009, amounting to Nu. 1,169,142,020.62 for the Tala Hydropower Plant has been charged as per the new schedule, leaving the annual repayment obligation to the Government of India unchanged. This had been formulated by the management and duly approved by DHI vide letter no. DPA/Gol(Tala)/2010/6779 dated 8<sup>th</sup> March 2010. However, the same is yet to be approved by the Ministry of Finance of the Kingdom of Bhutan. (Interest as per the old schedule is Nu. 1,187,292,022.09 for the same period)
12. In view of the approval for the revised loan repayment schedule duly acknowledged by the Bhutan Power Corporation (BPC), the difference between the revised and earlier obligation amounting to Nu. 1,217,897.52 has been included under Advance to Others.
13. There was no commitment during the project for dividend distribution to the Royal Government of Bhutan. Subsequently it was decided by the Authority to declare dividend for the entire project period. In RGOB during the project period and a balance amount of Nu. 78,000,000.00 was proposed to be paid as on 31<sup>st</sup> March 2009. This balance amount has also been paid by the 15<sup>th</sup> May 2009.
14. Pursuant to letter no.DHI/CEO/DGPC/2010/221 dated 26<sup>th</sup> March 2010, forwarded by DHI and duly acknowledged by the Druk Green Power Corporation Ltd., 100% dividend has been proposed to be paid out for all the plants except the Tala Hydropower Plant. The same has been accordingly provided for in the books of accounts. In respect of the Tala Hydropower Plant 90% of the Net Profit after Tax has been proposed to be paid out as dividend in terms of the said letter.
15. Deviation was observed between the depreciation computation at Chukha by the Asset Monitoring and Tracking System (AMTS) and the approved accounting policy of the Corporation. As per the laid down accounting policy, for any addition during the year, depreciation for the month of capitalisation is charged for the full month if capitalised before 15<sup>th</sup> of the month otherwise no depreciation is to be provided for the month. However, it was observed that AMTS has charged depreciation for the full month even though the asset was procured after the 15<sup>th</sup> of the month. The resultant difference of Nu. 160,720.99 was charged off during the year.
16. AMTS (Asset Monitoring and Tracking System,) package has been implemented at the Chukha Hydropower Plant during the accounting year for recording of the Fixed Assets. There was reported difference of Nu. 20,569,515.06 in the Opening balance (as on 01.01.09) of Accumulated Depreciation of Fixed Assets as per Trial Balance (System) and as per Fixed Asset Register (AMTS package) based on the changes in depreciation rates decided by the management, which was transferred to Extra Ordinary Gains or Losses A/C. Moreover, there was an observed difference of Nu. 8,71,960.49 in the Opening balance ( as on 01.01.09) of Fixed Assets as per Trial Balance (System) and as per Fixed Asset Register (AMTS package) which was transferred to Extra Ordinary Gains or Losses A/C based on management board meeting held on 14<sup>th</sup> January 2010.
17. Depreciation relating to Nikachhu Project in respect of assets transferred from corporate office amounting to Nu. 362,001.16 have not been considered in computation of the total depreciation charged for DGPC for the year ending 31<sup>st</sup> December 2009.
18. Depreciation on fixed asset is provided on straight line method at the rates which are in conformity with the requirement of the Rules to the Income Tax Act of Kingdom of Bhutan 2001.
19. No segregation of capital spares and revenue spares has been done by the Kurichhu Hydropower Plant (Inventory as per the books is Nu. 52,883,248.26 as on 31<sup>st</sup> December 2009).
20. Segregation report of critical and non critical items have not been produced to the auditors for the Kurichhu and the Tala Hydropower Plants.

21. No segregation report classifying inventories under fast moving , slow moving, non moving and obsolete items was made available to the auditors. However, a suitable exercise for identification and classification of inventories is currently under process by the Asset Verification Team and the management is yet to receive the report.
22. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) - Nu.286.204 million (previous year Nu. 54.84 million).
23. Quantitative Information of purchase and sale of power:

**(Amt: Millions) (Units: Millions)**

Particulars	2009		2008	
	Units (Gwh)	Amount (Nu.)	Units (Gwh)	Amount (Nu.)
Purchase	61.6	111.03	6.57	14.26
Self Generation	6897.67		2521.43	
Sale :				
Within Bhutan	1414.43	714.85	437.25	245.86
Export to India	5462.07	9933.35	2062.62	4087.7
Internal; Consumption	82.76	0.82	29.09	1.73
<b>Total</b>	<b>6959.26</b>	<b>10649.02</b>	<b>2528.96</b>	<b>4335.29</b>

24. Managerial Remuneration:  
(Amount in Million)

		2009	2008
a	Managing Director's Remuneration	1.84	1.92
b	Director's Sitting Fees	0.48	1.48
	<b>Total</b>	<b>2.53</b>	<b>2.48</b>

Managing Director's remuneration includes travelling and leave encashment (accrual basis). The previous years figures are the consolidated figures of three the then companies amalgamated with Druk Green Power Corporation Limited.

25. Auditors remuneration: Audit fees provided in the accounts Nu.330,000 and fees for certification of opening balance for THP provided in the accounts Nu.75,000.
26. The previous year figures are consolidated figures of the Basochhu, Chukha and Kurichhu Hydropower Plants. Current year figures include the newly amalgamated Tala Hydropower Plant for nine months with effect from 1<sup>st</sup> April 2009. The inter plant related assets and liabilities have been netted off and other figures have been regrouped wherever possible.
27. Previous year's figures have been rearranged and regrouped wherever necessary.

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