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DrukGreen

DRUK GREEN POWER CORPORATION LIMITED

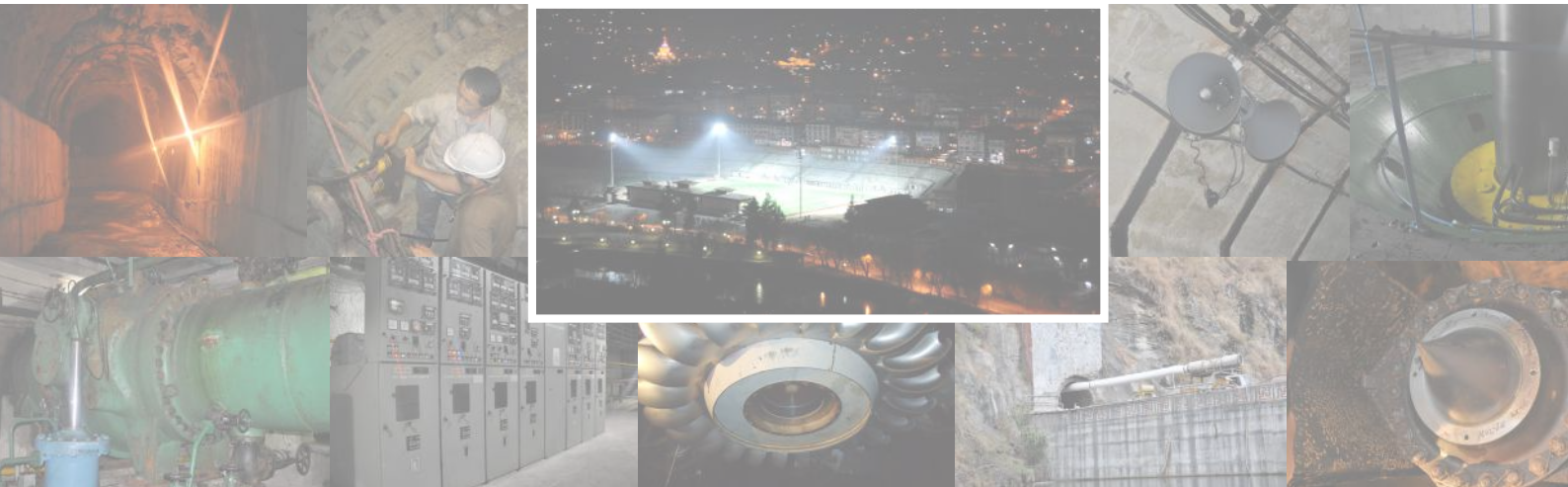
**Harnessing &
Sustaining Bhutan's
Renewable Energy Resources**



ANNUAL REPORT 2012



Year of Incorporation : 2008
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FOREWORD



Bhutan is endowed with a huge hydropower potential of 30,000 MW, the harnessing of which is not only of strategic significance to the Nation but has assumed great importance in the overall socio-economic development of the country with the electricity sector already contributing over 27% of the annual revenues to the Government in terms of Dividends and Taxes in 2012, the major percentage of which was from the operations of Druk Green Power Corporation Ltd. With a number of large hydropower projects already under construction and many more in the final stages of getting cleared for implementation, Bhutan expects to add another 10,000 MW generation capacity to the existing 1,489 MW of installed capacity by 2020. The impact of the additional energy generation from these power plants on the economy of the country will be far-reaching and the hydropower sector is all set to play a major role in helping Bhutan achieve its vision of self-reliance by 2020.

Druk Green is mandated, on behalf of the Royal Government of Bhutan, to develop hydropower projects on its own or through joint ventures, and to operate and maintain existing and future hydropower plants under construction and/or to be constructed. Druk Green currently operates and maintains four major power plants of Tala, Chhukha, Kurichhu and Basochhu with a total generating capacity of 1,480 MW, and is preparing to take over at least another three major hydropower plants with a total installed capacity of 2,940 MW by the later half of this decade. Post 2020, Druk Green will also be taking over the other power plants that are to be constructed under the overall 10,000 MW by 2020 co-operation between Bhutan and India. Druk Green itself will be playing a major role in the construction of the four of these projects totalling over 2,200 MW in installed capacity that are to be implemented under the joint venture model with the GOI PSUs. On the sidelines of these mega projects, Druk Green will continue to construct other hydroelectric projects such as the Dagachhu, Nikachhu, Gamri, Nyera Amari, Rotpashong, and other projects as may be allocated to Druk Green by the Royal Government.

As important as the key role of Druk Green is in accelerating hydropower development in Bhutan, Druk Green is equally committed to yet another very important mandate, which is to build capacity in all aspects of the hydropower sector. The pre-feasibility/feasibility/detailed project studies of a number of projects such as the Nikachhu (118 MW), Gamri (81+90 MW), Nyera Amari (141+332 MW) and most recently the Rotpashong (1,230 MW); the construction of the 126 MW Dagachhu hydroelectric project; and the implementation of the Tichhalumchhu, Lubichhu and Tsibjalumchhu diversion schemes have enabled and will continue to help Druk Green to acquire expertise and experience from conceptualisation to construction to commissioning of the hydroelectric projects. At the same time, such hands on experience will strengthen Bhutanese competencies in managing our own hydropower resources.

A number of Centres of Excellences have been established to slowly wean the hydropower sector away from the high dependence on expertise that Bhutan's hydropower sector is presently dependent on outside agencies. These COEs are further being strengthened and expanded in scope and coverage so as to ultimately establish a very modern Research and Development Centre that will not only cater to the needs of Bhutan but also with a vision to provide service to others in the region with the huge knowledge base that is being created within Druk Green and Bhutan's power sector.

The excellent achievement of the Company in 2012 has further instilled the confidence of the Board, the Shareholder and the Government in Druk Green. While there are numerous challenges ahead for the Company from human resources capacity building to mobilizing the huge financing requirements for the investments that are in the pipeline, the Company is inching ever closer to becoming a recognized regional leader in the hydropower sector with the unstinting support of the Board, the Shareholder and the Government. The management and the employees of Druk Green have also been unwavering in their commitment to succeed against all odds in carrying out its huge mandates and help fulfil the aspirations of the people of Bhutan.

Tashi Delek!



(Dasho Chhewang Rinzin)
Managing Director

DIRECTORS' REPORT FOR THE YEAR 2012

Dear Shareholder,

The Board of Druk Green Power Corporation Limited (Druk Green) is pleased to report to Druk Holding and Investments (DHI), the Shareholder of Druk Green, on the performance of the Company for the period 1st January to 31st December 2012.

Operational Highlights

Druk Green power plants generated 6,811.27 MU of electricity during the year 2012, a decline of 3.33% from the 2011 generation. The decline in generation was mainly on account poor hydrology as compared to that of the previous year. The generation from each of the plants during 2012 vis-à-vis 2011 generation is as below:

Plant	2011 Actual Generation (MU)	2012 Actual Generation (MU)	Variance (%)
Tala	4,588.07	4,405.22	-3.99
Chhukha	1,774.43	1,745.33	-1.64
Kurichhu	361.80	360.93	-0.24
Basochhu	322.27	299.78	-6.98
Total	7,046.57	6,811.27	-3.33

The domestic sale of energy to Bhutan Power Corporation Limited (BPC) increased by 8.57% to 1,828.02 MU in 2012 when compared to the 2011 domestic supply. Considering the lower generation and the higher domestic consumption, energy export to India declined by 6.86% to 4,954.79 MU during the year when compared to the 2011 figures. The ever-increasing domestic consumption of energy continues to adversely impact the revenue inflows to Druk Green, and the trend is expected to continue.

Financial Highlights

During the year 2012, Druk Green earned a revenue of Nu. 11,140.80 million, a 1.75% increase from the 2011 revenue of Nu. 10,948.33 million. The increase in the revenue as compared to that of 2011 was mainly on account of increase in electricity revenue and increase in interest income from the fixed deposits. The increase in electricity revenue was attributable to the revision in tariff from December 2011 for THP and KHP from Nu. 1.80 to Nu. 1.98 per kWh. The income from investments had also increased in the 2012 as compared to the previous year on account of increase in the interest rates on FDRs that was driven by the liquidity crunch in the domestic market. The Profit after Tax (PAT) also increased by 6.32% to Nu 4,181.93 million when compared to the 2011 PAT.

The increase in PAT is attributable to the increase in revenue for the year 2012 by Nu. 192.47 million, the decrease in expenses by Nu. 205.17 million compared to 2011, and to a small extent to the recognition of deferred income of Nu. 13.12 million. A summary of the Financial Performance for 2012 vis-à-vis the Financial Performance in 2011 is provided below:

Domestic sale of energy to Bhutan Power Corporation Limited increased by 8.57% compared to 2011

Druk Green revenue increased by 1.75% compared to 2011 attributable to the revision in tariff for THP & KHP

Particulars	FY 2011	FY 2012
Revenue (Nu.)	10,948,330,384.34	11,140,800,667.41
Profit before Tax (Nu.)	5,638,235,521.57	5,997,394,708.48
Provision for Tax (Nu.)	1,705,148,993.04	1,828,558,685.80
Dividend (Nu.)	3,435,635,920.93	3,659,592,524.76

Druk Green will be paying a Corporate Income Tax of Nu. 1,828.58 million for the year 2012. The financial position of the Company continues to be very strong with the Shareholder's funds of Nu. 38,419.84 million and loans of Nu. 16,889.84 million: with debt constituting 43.96 % of equity. The funds are almost entirely invested in income generating assets. The fund applications consist of Nu. 49,800.58 million in fixed assets (net block) including capital works in progress, Nu. 5,144.84 million in long-term investments, and the balance Nu. 364.26 million in the form of net current assets.

Dividend

A Dividend of Nu. 3.659 billion was approved by the Board for the year 2012. The Board considered a Dividend of 87.49% PAT after providing for transfer to Reserves of 12.49% of PAT; 10% as normal transfer to Reserves and 2.49% as the adjustment for the excess declaration of dividend during the year 2009. It has been the normal practice for Druk Green to put aside 10% of PAT to Reserves. However, considering the huge investments planned for accelerating hydropower development and with some of the existing plants aging, the continuation of the policy to retain only 10% of PAT under Reserves may not be adequate to meet the future requirements to finance new projects and to rehabilitate older plants as already highlighted in the Investment Plan and Financing Strategy documents prepared by the Company.

Projects

(i) Investment in 126MW Dagachhu Hydroelectric Project (a CDM Project)

As of 31st December 2012, Druk Green has injected Nu. 1,976.13 million for the 59% equity holding of Druk Green in the Dagachhu Hydroelectric Project. The amount represents Nu. 1,000 per share for the 1,911,600 shares initially subscribed by Druk Green and Nu. 122.58 per share for the 592,000 additional shares issued during the year 2012 to meet the additional fund requirement of the project.

Dagachhu Hydro Power Corporation Limited (DHPC) was registered as a CDM Project in 2010 and the project is estimated to generate 515 MU of electricity annually, which will provide 500,000 Certified Emission Reduction (CER) certificates for trading. DHPC further continues to provide Druk Green an opportunity to develop its own competencies in the construction of hydropower projects and has been a learning experience ever since. As of December 31, 2012, the Company has 81 employees (mostly on deputation from Druk Green) and 26 temporary/ contract employees.

The physical progress of the project is on track and aligned to the revised construction schedule for the commissioning of Units 1 and 2 by 24th February 2014 and 8th April 2014 respectively. The initial delays in the project has been primarily on account of the very poor geology encountered during the construction of the project, which necessitated changes in design and engineering and adoption of new construction methodologies that then substantially slowed down the progress. Now, with most of the uncertainties for the project construction dealt with and with no more geological surprises anticipated, the project is to be commissioned by early 2014 as per the revised schedule.

*Nu. 3.659 billion
dividend approved
by the Board for 2012*



(ii) Bhutan Hydropower Service Limited

One of the major highlights for the year 2012 was the formation of another subsidiary company - Bhutan Hydropower Services Limited (BHSL), a FDI Company incorporated in October 2012 under the Companies Act of Kingdom of Bhutan 2000. The Joint Venture Agreement was signed in June 2012 between Druk Green and Alstom with 51% and 49% shareholding respectively. This subsidiary company is setting up a state of the art Hydropower Service Center (HSC) at Jigmeling under Sarpang Dzongkhag to cater primarily to the reclamation of runners and other under water components of hydropower stations.

An officer of Druk Green has been appointed through an internal selection appointed on deputation as the Chief Executive Officer. With officers deputed from both equity partners to staff the Company, the implementation of the HSC is well under way. This Nu. 1,094 million project is scheduled to be completed by September 2014.

Besides providing service to the power plants of Druk Green, BHSL is also designed to compete for services from the neighboring states of India. This subsidiary Company will therefore not only provide timely services to Druk Green, but in the long run also earn revenue in Indian Rupees for the Company and the Kingdom.

(iii) Tsibjalumchhu Diversion Scheme

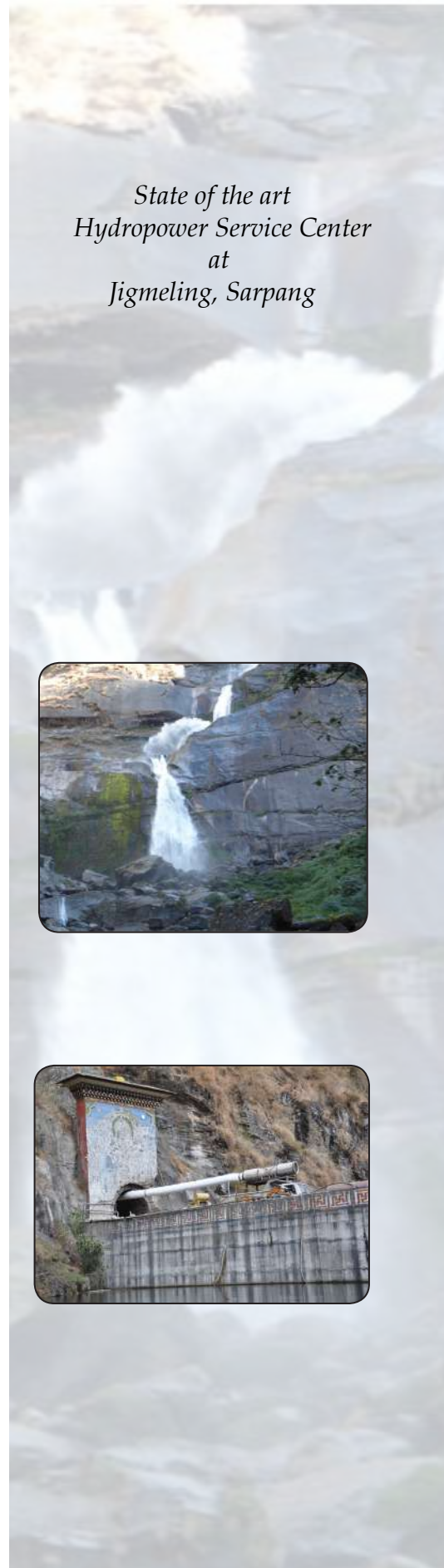
The Company awarded the contract for the construction of the Tsibjalumchhu Diversion Scheme for a contract amount of Nu. 254 million. The project will not only divert the Tsibjalumchhu to the THP reservoir to add 93 MU to the annual energy generation of THP but more importantly the additional generation will be available during the lean winter months when Bhutan expects to import power from India till the next large hydropower project is commissioned. Considering the progress achieved at site, the Diversion Scheme is scheduled for completion by May 2014.

Druk Green conducted the Feasibility Study for the Diversion Scheme on its own. In the implementation of the Scheme, a team of young and competent engineers of Druk Green is handling the complete management of the construction including approvals of the designs and drawings. The construction of the 57 m adit tunnel from the deck of the operational THP dam was managed without any impact on the existing dam structures. True to its vision of sustainably harnessing hydropower resources, a ropeway has been adopted as the means to approach the intake area of this project: this method has not only saved time but has also helped limit disturbances to the fragile environment and the scenic beauty of the area as the need to construct an approach road was avoided.

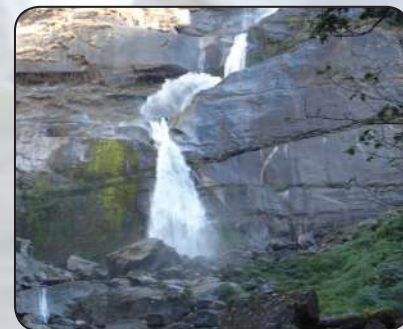
The Company is availing any and all opportunities such as this to rapidly build up core competencies in the design, engineering, construction, and management of hydropower projects. Druk Green had hoped that Bhutanese contractors would bid for the construction so as to gain experience and build local expertise in tunneling but it did not solicit any local interests.

(iv) Nikachhu Hydropower Project

During the year, the investigation of the Nikachhu Hydropower Project made significant progress. The Feasibility Study, with the selection of the scheme that empties the tail water of this Project into the reservoir of the 720 MW Mangdechhu Project was completed in September 2012. The scheme now



*State of the art
Hydropower Service Center
at
Jigmeling, Sarpang*



envisages a power station with an installed capacity of 115 MW and a mean annual energy generation of 516 MU, with an additional mean annual generation of 370 MU from the Mangdechhu Project. ADB has committed to provide a major part of the financing for the project and is already helping Druk Green with the reviews and structuring of the project.

From September 2012 onwards, the investigations advanced to the preparation of the Detailed Project Report that also includes additional geo-technical drilling explorations at a number of locations and construction of an exploratory drift tunnel to the Power House. The DPR is scheduled to be ready by September 2013. In close consultations with the Shareholder and the Government, Druk Green is working with ADB's consultants to structure the project. It has been agreed in principle that equity participation through an IPO will be offered to Bhutanese in the development of this project. A number of options for the selection of joint venture partners and power off takers were also considered.

With substantial competencies developed in construction management with the 126 MW Dagachhu project, the Board is confident that Druk Green is well prepared to independently manage the construction of the Nikachhu project. The development of Nikachhu project would start at an opportune period with the experienced human resources becoming available with the Dagachhu project construction winding down.

(v) Joint Venture with Government of India Public Sector Undertakings (GOI PSUs)

Under the "10,000 MW by 2020" bilateral co-operation, the Royal Government of Bhutan (RGOB) and the Government of India (GOI) agreed to develop the following projects under the joint venture model with Druk Green as the RGOB nominee and the four GOI PSUs as cited below:

- 1) 180 MW Bunakha Reservoir Scheme with THDC;
- 2) 770 MW Chamkharchhu-I with NHPC;
- 3) 600 MW Kholongchhu HEP; and
- 4) 570 MW Wangchhu HEP with SJVN.

The JV projects are to be established under the overall framework of the Bhutan Sustainable Hydropower Policy 2008 (BSHP) and the laws of the Kingdom of Bhutan.

The progress on negotiations of the JV projects in the year 2012 has not been substantial despite of the relentless efforts of the Empowered Joint Group (EJG) and the JV partners. However, at the last meeting of the EJG Sub-committee, the GOI agreed to all the provisions of the Bhutan Electricity Act and SHDP and the RGOB agreed to consider a 50:50 equity shareholding by the RGOB and GOI PSUs subject to Government approval. The draft MOU between the two governments for undertaking of the JV Projects has been initialed and is under consideration of the two governments.

In the mean time the Detailed Project Reports are being cleared by the relevant Authorities of the GOI and the RGOB, with Druk Green now playing a key role in the finalization of the technical parameters. Pursuant to the directives from the EJG, a Working Group was formed by the JV partners to initiate administrative formalities like obtaining environmental clearances and initiate land acquisition procedures amongst other activities that have no direct financial implications.



Nikachhu HPP: Geological Mapping in progress



(vi) Other Projects

a) Gamri Hydropower Project

In April 2012, the Department of Hydropower and Power Systems (DHPS) allocated the undertaking of PFS of Gamri V and Nyera Amari Integrated (Nyera Amari I & II) to Druk Green. However, after site investigations of the Gamri V project, it was decided to conduct a Multi-Criteria Analysis (MCA) for Gamri I, II, III & V projects: the Reconnaissance Study of Gamri I, II & III had been undertaken by Druk Green in 2010. Upon review of the results of the MCA of Gamri Projects, DHPS accorded approval in November 2012 for Druk Green to carry out PFS of Gamri I and/or II instead of Gamri V, but subject to clearance from the Department of Forest & Park Services (DFPS) since the proposed projects fall in the core areas of the Sakteng Wildlife Sanctuary. At the beginning of 2013, DFPS has finally accorded approval to proceed with the PFS for the Gamri projects. A major part of the PFS study shall be completed within 2013.

b) Nyera Amari Hydropower Project (I & II)

After DHPS allocated the integrated Nyera Amari Hydropower Projects I (141 MW) & II (332 MW) to Druk Green for conducting PFS in April 2012, the topography surveys and mapping were started by September 2012. In view of the vast areas to be covered under investigation, from Kangpara to Gomdar to Martsala, the PFS of these two projects shall be completed only by the middle of 2014.

c) Khomachhu and Rotpashong Projects

DHPS has allocated these projects to Druk Green with directives to undertake Feasibility Study of one of the projects. A study on the choice of the project has been completed. It is expected that the FS of the chosen project will be supported by partial financing from the Norwegian Government.

Human Resources Development

Druk Green continues to invest substantially in and develop its human resources at all levels through trainings, seminars, workshops, skills up-gradation programs, and attachments to other utilities. Druk Green also continues to support officers in undertaking Masters degree programs either through Druk Green sponsored scholarships in critical areas of skill set requirements or where the officers want to take up such higher studies outside of Corporate financing. Over the years the number of in-house training programs being conducted by the Company has also increased substantially. Further, Druk Green continues to commit senior officers in the fields of engineering, human resources and finance to major hydroelectric projects under construction within Bhutan not only to meet the shortages in human resources in these projects but also so that Druk Green can avail of the opportunities to acquire expertise and experience in order to develop further competencies in all aspects of hydropower development.

Druk Green has established a number of Centers of Excellence in core areas where it was dependent on expertise from outside of Bhutan for services. In 2012, the Center of Excellence for Gates and Instrumentation (Civil Structures) was established with the first PhD graduate from within Druk Green taking over as the head of the COE. Druk Green intends to merge many of these COEs in the near future to set up a Research and Development Center with competencies relevant to all aspects of hydropower that would initially cater to Bhutan's requirements but with the long term prospects of providing the services at the regional and maybe even at the international levels.



Gamri HPP: Automatic Water Level Station (AWLS) site at Sakteng for the measurement of discharge



Nyera Amari HPP: Measuring discharge at Intake-I

*Established
Centers of Excellence
in core areas*

*First PhD graduate
within Druk Green*

In view of the importance of not just meeting the numbers game in human resources for the day to day running of the Company but the need to inculcate a knowledge and skills based Company that can adapt with the fast changing times, the Company has recognized the need to excel in all aspects of its operations. Druk Green has adopted the theme of "commitment to excellence" and is trying to ingrain aspects of this initiative to the grass root levels so that it gets ultimately integrated into the system as one of the Company's core values. The Company is always cognizant of the fact that the development of its human resources and building on its core values will be the key to the success of the Company, and accordingly human resources management and development has assumed center stage in terms of priority at Druk Green.

Corporate Governance

As required by the Companies Act of Kingdom of Bhutan 2000, the Board of Druk Green met seven times during the year and the quorums at each of these meetings were duly maintained. The AGM, which has to be held before the 31st June of the year as per the Companies Act, was held on 25th April 2012. No necessity arose for holding any EGMs.

Amongst the more notable Corporate Governance initiatives implemented since the formation of Druk Green was the implementation of the Performance Linked Incentive Scheme (PLIS), which ensures that incentives at different levels are linked to measurable targets rather than the system of across the board bonuses at the end of the year. At the time of implementing the PLIS, Druk Green had also initiated the Employee Appraisal System (EAS) that set targets at the beginning of the year even for individual performances to bring objectivity to the performance evaluations for individual employees. These tools of Corporate Governance have enabled Druk Green to translate many of the objectives of the Company into actual implementable targets at the Corporate, Plants and individual levels. The continued adaptations to changing times, improvements in the systems, and their implementation have ensured the acceptance and use of the PLIS and the EAS as effective tools for the Company in its objectives to optimize the use of its human resources and assets.

The Board and the management continue to work towards streamlining the operations of the Company. The Board considered and approved amongst others, the Corporate Strategy Plan, Financing Strategies, the Investment Plan, Risk Management Framework and other Manuals for a more decentralized and effective management of the Company. With a view that the Board should concentrate more of its time on strategies and policies, the Board approved a revised "Delegation of Power" in 2012 so that the day-to-day management responsibilities of the Company rests more with the management.

Druk Green does not have any major audit issues pending with the Royal Audit Authority and no audit qualifications in the Audited Accounts for 2012 owing to the level of accountability and transparency that is in place in the Company. Further, the principle Board Committees such as the HR Committee, Audit Committee and Tender Committee are also in place.

The Board and the management continue in their endeavors to strengthen the Corporate Governance systems within Druk Green in order to sustain the huge developments in the hydropower sector of Bhutan and in so doing are setting the trend in the Bhutanese Corporate sector.



*Performance Linked
Incentive Scheme (PLIS)
and
Employee Appraisal System
(EAS)*

DHI compact

Druk Green has achieved its profitability margins and the other targets that were agreed to in the 2012 Compact signed with DHI, with the exception of revenue, PAT and ROE targets which are solely attributable to the deficit in generation against the forecasts due to poor hydrology which is beyond the control of Druk Green. With regard to the target on “Complete Feasibility Study Report of Nikachhu”, the contract for the drifting work could be finalized only in November 2012 as the bid submission had to be extended twice due to lack of interested bidders. If allowance were to be given to the poorer than forecasted hydrology during the year, Druk Green’s achievement would be 99.48% for the year.

Further, the performances vis-à-vis the Compact are to be used for the payout of the 10% Performance Based Variable Allowance (PBVA) to the regular employees of Druk Green and to those contract employees where the contract agreements provide for such allowances.

*10% Performance
Based Variable
Allowance (PBVA)*

Performance Linked Incentive Scheme (PLIS)

As per the audited PLIS 2012, the overall performance of Druk Green against the targets set for the year is 89.36%. There has been a huge improvement in the performance of the company as compared to the PLIS achievements of 81.31% in 2010 and 78.06% in 2011. The performance levels have been proportionately ratcheted downwards to keep the incentive payouts within the overall two months’ basic salary ceiling prescribed in the PLIS document. This is equivalent to an average of 67% achievement in terms of incentive payouts although the actual achievement was much higher at 89.36% for the year.

*Company’s overall
performance against
the targets set for the year
– 89.36%*

Enterprise Resource Planning (ERP)

Upon successful implementation of the SAP-ERP in Druk Green in the year 2011, the year 2012 was the year of consolidation and Druk Green consolidated majority of its business processes into the SAP-ERP. With the implementation of SAP, all stand-alone systems have now been integrated to ERP-SAP resulting in uniformity in the business policies and procedures. All the business processes are documented and wherever possible, process improvements have been made. Further, with proper role authorization matrix, the assignment of conflicting roles has been avoided. All business policy and process change has been centralized at Corporate Office, enabling proper control, and check and balance. With availability of more data within the SAP-ERP, Druk Green implemented the “Business Intelligence” module during the year through which the management is now able to get access to real time information for timely decision making.



A dedicated core team for sustaining the ERP-SAP system has been created with the required expertise. ERP-SAP was also implemented for the Dagachhu hydroelectric project through Druk Green. Druk Green’s team is also helping the Mangdechhu hydroelectric project in implementing ERP-SAP for MHPA.

*All stand-alone
systems integrated to
ERP-SAP*

Statutory Audit Report of the Company

T. R. Chadha & Co was appointed as the Statutory Auditors for the year 2012 by the Royal Audit Authority. A team comprising of five auditors audited the accounts for the year 2012 of all the profit centers of Druk Green with effect from 3rd February 2013 till 3rd March 2013. Audit Exit Meeting between Druk Green, the Statutory Auditors and representative from the Royal Audit Authority was held on 4th March 2013.

The Auditors' Report does not have any qualifications on the Accounts of the Company. The auditors concur that the Accounts along with Schedules, significant Accounting Policies and Notes to Accounts are in compliance with the requirements of the Companies Act of the Kingdom of Bhutan. In the Annexure to Auditors' Report, pertaining to the Schedule - XIV of the Companies Act of the Kingdom of Bhutan: General terms for the auditors and minimum audit examination and reporting requirements, following are the comments/recommendations of the auditors as extracted from the Report:

1. Non-ascertainment of ageing of the stock lying prior to 1st June 2011;
2. No provisioning for non-moving and slow moving items;
3. Granting of loan to the holding company of Nu. 900 million is against the articles of incorporation of the Company, which does not allow granting loan for purpose other than hydropower projects;
4. The frequency of internal audits needs to be increased to comply with the Internal Audit Manual and Management to ensure that the internal audit for the entire year is completed; and
5. An independent audit/review of IT environment/compliances of the company should be carried out.

The Board and management would like to assure that the above comments/recommendations are being addressed and most of them should be resolved with 2014.

Corporate Social Responsibility

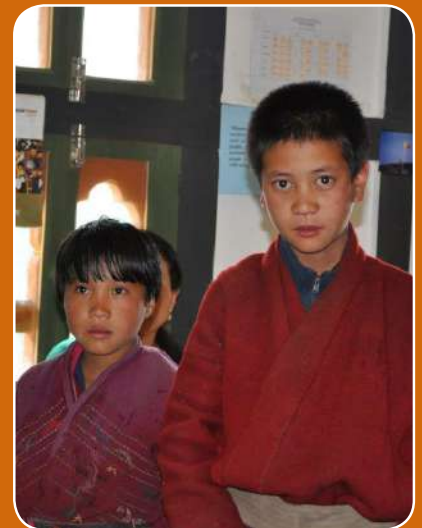
Druk Green has always given due importance to its Corporate Social Responsibility and supported numerous religious activities, causes related to promotion and preservation of culture and heritage, health, education and youth, social and economic development, and environment. During the year, Druk Green spent over Nu. 15 million on its CSR commitments.

Given the importance of sustainable development of hydropower, Druk Green began with the "Being Green Initiative" to ensure the preservation and maintenance of the catchments areas of the rivers that feeds its generating stations. As a way forward, under this initiative Druk Green has adopted e-subscription of newspapers and magazines where practical; segregation of wastes where local facilities are available for recycling; cleaning of the Chubachhu stream in Thimphu by the employees of the Corporate Office once every month; and publication and broadcast of advocacy messages in media on catchment area protection and waste management. The "Being Green Initiative" continues and Druk Green intends to further prioritize and support this initiative.

Apart from the contribution of labor by its employees towards such causes, Druk Green employees also have donated substantially in monetary terms from the Staff Welfare Fund created through the contributions by the employees and ad-hoc campaigns to raise funds. The employees of Druk Green also generously contributed over Nu. 1.5 million for the reconstruction of the Wangdue Dzong.

Key Challenges

In its endeavors to cope with being the biggest and fastest growing public sector Company in Bhutan and a leader in the Corporate sector, Druk Green is faced with numerous challenges; chief amongst them being:



(i) Declining Revenues with Growth in Domestic Energy Demand

During 2012, a little over 1,828 MU was supplied to BPC to meet the domestic energy demand. Of this 1,009 MU was supplied as royalty power at Nu. 0.13 per unit; the proceeds of which are directly remitted to the Ministry of Finance. The balance 819 MU was supplied as additional energy to BPC at Nu. 1.20 per unit. The increase in domestic energy demand of 144 MU in 2012 over 2011 had a negative impact on revenues to the extent of Nu. 270 million. Further, to meet the energy demands during the lean months, Druk Green imported 56 MU, an increase of 50% over the previous year.

The declining trend in generation due to hydrology and the growing domestic demand are negatively impacting revenue streams. Unless a more rationale tariff determination methodology is put in place to enable Druk Green to recover cost of generation, revenues will continue to fall and pressure on higher dividends would impact available funds with Druk Green that could impede the overall performance of the Company. This needs to be addressed appropriately through proper regulatory frameworks to deal especially with the domestic energy pricing and export tariffs.

(ii) Financing the Huge Planned Investments

The financing of the planned investments coupled with the funds that would be required to sustain the present operation and maintenance of the existing power stations and also to upgrade and automate some of the older is a great concern for Druk Green plants will fast become a major challenge for Druk Green if present practice of declaring 90% of PAT continues. The present financing mechanism being provided by the Government of India for the development of its hydropower resources has insulated Bhutan from having to arrange its own funds.

However, if Druk Green is to continue to develop projects such as Dagachhu, Nikachhu, Gamri, and Nyera Amari as part of its major mandate to help accelerate hydropower development in Bhutan, Druk Green will need to consider retaining a much higher percentage of PAT or explore other options to meet its investment requirements. Druk Green might even have to arrange some financing for the JV projects under consideration with the GOI PSUs.

iii) Operational Complexities

Druk Green also continues to be faced with a number of the teething problems associated with THP that are yet to be rectified. It is envisaged that huge investments will have to be made especially to stabilize the power house caverns as the solutions are expected to be complex requiring sophisticated long terms solutions. Despite the problems, the Tala plant and the other power plants continue to be operated and maintained with very high plant availability factors. However, sustained efforts in investing in corrective measures and developing local capabilities will be required to ensure that the plants continue to contribute to the overall socio-economic development of the country.

Acknowledgements

The Druk Green Board would like convey its gratitude to the Royal Government of Bhutan, Druk Holding & Investments, Ministry of Economic Affairs, Ministry of Finance, Department of Hydropower & Power System, Bhutan Electricity Authority, Bhutan Power Corporation, National Environment Commission and

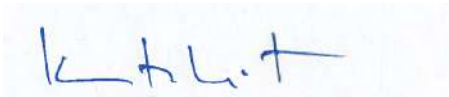


other organizations in Bhutan; to the Government of India, Central Water Commission, Central Electricity Authority, PTC India Ltd, Powergrid, Bharat Heavy Electricals Limited, and other agencies in India; and to the many private sector agencies in Bhutan and India that have provided continued support to the Company.

The Board would also like to place on record our appreciation for the Managing Director, the Druk Green Management team and all its employees for their dedicated work and contributions to the performance of the Company. The Board would also like to place on record our congratulations to the Managing Director for being awarded the India Power Awards 2012 for "Most Outstanding Individual Contributions to the Power Sector in Bhutan". The Board would like to urge the management of Druk Green to continue to work toward achieving the enormous tasks ahead; and evolve the governance of the Company in order to emerge as a leader in Corporate Management.

The Board shall continue to fully support the Company in its endeavors in achieving the multi-faceted mandates of Druk Green.

Tashi Delek!
For and on behalf of the Board



(Dasho Karma Tshiteem)
Chairman, Druk Green Board/Secretary, GNHC

*Druk Green Managing Director
awarded
the India Power Awards 2012*



BOARD MEMBERS

From left to right: Sonam Lhundrup, Dasho Yeshe Wangdi, Kinga Tshering, Chairman Karma Tshiteem, Dasho Chhewang Rinzin, Dasho Bharat Tamang, and Choiten Wangchuk

ORGANIZATION OVERVIEW

Vision

“Promote, develop, and manage renewable energy projects, particularly hydropower, in an efficient, responsible and sustainable manner, and maximize wealth and revenues for the nation.”

Mission

- Mission 1 : Effectively and efficiently manage hydropower plants, and maximize returns;**
- Mission 2 : Take a lead role in accelerating hydropower development in the Kingdom;**
- Mission 3 : Provide energy security for domestic consumption, fuel economic growth, and also explore other 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;**

Value

“Unyielding Integrity in Spirit and Letter”

DRUK GREEN SYSTEMS

Bhutan is endowed with an enormous wealth of hydropower potential estimated at 30,000 MW of which 23,760 MW is techno economically feasible. The total installed capacity of Druk Green is 1,480 MW constituting a mere 4.06% of this vast potential.

Druk Green presently operates and maintains Basochhu, Chhukha, Kurichhu and Tala hydropower plants and is constructing the Dagachhu hydroelectric project.

Basochhu Hydropower Plant	
Catchment area:	226 km ²
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

Chhukha Hydropower Plant	
Catchment area:	3,108 km ²
Net Head:	435 m
Installed Capacity:	336 MW
Number of Units:	4x84 MW
Mean Annual Generation:	1,800 GWh
Turbine Type:	Pelton

Kurichhu Hydropower Plant	
Catchment area:	9,135 km ²
Net Head:	32 m
Installed Capacity:	60 MW
Number of Units:	4x15 MW
Mean Annual Generation:	400 GWh
Turbine Type:	Kaplan

Tala Hydropower Plant	
Catchment area:	4,028 km ²
Net Head:	819 m
Installed Capacity:	1,020 MW
Number of Units:	6x170 MW
Mean Annual Generation:	4,865 GWh
Turbine Type:	Pelton

Subsidiary Company

Dagachhu Hydro Power Corporation Limited	
Catchment area:	676 km ²
Net Head:	282 m
Installed Capacity:	126 MW
Number of Units:	2
Mean Annual Generation:	515 GWh
Turbine Type:	Pelton

Bhutan Hydropower Service Limited	
Location:	Jigmeling, Sarpang
Land:	20 Acres (0.08 km ²)
Business Scope:	Reclamation of hydro turbine runners up to 5 m dia., with hard coating facilities, hydro-power components, repair of electric motor, etc.
Estimated Cost:	Nu. 1,094 million
Project Schedule:	September 2014
Business Promoters:	Druk Green and Alstom

DRUK GREEN BOARD OF DIRECTORS



Dasho Karma Tshiteem, Secretary, Gross National Happiness Commission and Chairman, Druk Green Board, obtained his degree in Bachelor of Commerce from Sherubtse College, Bhutan, followed by Master of Business Administration from University of Canberra, Australia. Before his current appointment, he served as the Deputy Secretary, Planning and Policy Division, Ministry of Finance.



Dasho Bharat Tamang, Managing Director, Bhutan Power Corporation Limited, obtained his Bachelor of Technology in Electrical Engineering from India and Master in Electrical Engineering from the University of Missouri, USA. Before his current appointment, he worked as the Energy Specialist, Chief Engineer with the Department of Energy under the then Ministry of Trade and Industry. He was conferred the red scarf by His Majesty the 5th King on December 17, 2009.



Dasho Yeshi Wangdi, Director General, Department of Hydropower and Power System, Ministry of Economic Affairs, obtained Bachelor of Technology in Electrical Engineering from India and Master in Electrical Engineering from the University of Missouri, USA. Prior to his current posting, he served as the Managing Director of the then Chhukha Hydropower Corporation Limited from 1999-2007. He was conferred the red scarf by His Majesty the 5th King on December 17, 2012.



Sonam Lhundrup, Company Secretary and General Counsel, Druk Holding & Investments, obtained Bachelor of Arts with English Honours from University of Delhi, India, and has a Bachelor in Laws from University of Mumbai, India. He received LLM degree from George Washington University of Law School, Washington DC, USA. He was with Ministry of Agriculture prior to his current position.



Choiten Wangchuk, Director General, Department of Public Accounts, Ministry of Finance, obtained Bachelor of Commerce from Sherubtse College, Bhutan, and Master in Business Administration from University of Canberra, Australia. Prior to his current post, he served as the Director for Department of National Budget, Ministry of Finance.



Kinga Tshering, Chief Executive Officer, Druk Holding and Investments Infra Limited, obtained his Bachelor of Science in Mechanical Engineering from School of Engineering, University of Kansas, USA and Master in Business Administration from School of Business, Pepperdine University, California, USA. He also obtained Master in Dispute Resolution from Pepperdine University. Before his current appointment, he served as the Chief Executive Officer, Bank of Bhutan.



Dasho Chhewang Rinzin, Managing Director, Druk Green Power Corporation Limited, obtained Bachelor in Electrical Engineering and Master in Electrical Engineering from the University of Wisconsin, USA. He was conferred the red scarf by His Majesty the 5th King on December 17, 2009 in recognition of his services to the nation, particularly in the energy sector. Prior to his current position, he was the Managing Director of Bhutan Power Corporation Limited.

EXECUTIVES: HEAD OF DEPARTMENTS



Dorji P. Phuntshok, Director (Projects Department), Druk Green, obtained Bachelor of Science in Electrical Engineering and Master of Science in Electrical Engineering from the Drexel University, Philadelphia, USA. He served as the Chief Engineer with Tala Hydropower Plant and also served concurrently as the CEO for Dagachhu Hydro Power Corporation.



Ugyen Namgyal, Director, Finance & Investments Department, Druk Green, obtained Bachelor of Commerce (Honours) from Sherubtse College, Bhutan, and Bachelor of Business from the University of South Australia, Adelaide, South Australia. He had also attended the Certified Practicing Accountant Program from CPA Australia, Melbourne, Australia. Prior to his current position, he served as the General Manager for Finance & IT Division, BDFCL, Thimphu.



Dorji T. Phuntshok, Executive Director, Human Resource and Administration Department, Druk Green, obtained Bachelor of Arts from Sherubtse College, Bhutan, and Master in Business Administration with Major in Human Resource Management, from Asian Institute of Technology, Bangkok, Thailand. He served as the Head of Human Resource Division, Chhukha Hydropower Corporation Limited, Chhukha.



Lam Dorjee, Head, Operations & Maintenance Department, Druk Green, obtained Bachelor of Engineering in Mechanical Engineering from Regional Engineering College, Durgapur, India, and Master of Science in Mechanical Engineering from the University of New Brunswick Fredericton, Canada. He served as the Head for Chhukha Hydropower Plant before holding the current position.

EXECUTIVES: HEAD OF PLANTS



Kencho Dorji, Chief Engineer, Head of Plant, Tala Hydropower Plant, obtained Bachelor in Electrical Engineering from the University of Wollongong, NSW, Australia, and Master of Science in Electrical Engineering from the University of New Brunswick, Fredericton, CA. Prior to his current position, he served as the General Manager at Basochhu Hydropower Plant, Wangduephodrang.



Yeshi Tenzin, Superintending Engineer, Head of Plant, Chhukha Hydropower Plant, obtained Bachelor in Mechanical Engineering from Delhi College of Engineering, Delhi University, India, and Master of Science in Mechanical Engineering, with Alternative Fuel Research as the Concentration, from the University of Texas at El Paso, USA. Prior to his current position, he served as the General Manager at Kurichhu Hydropower Plant, Mongar.



Rinzin Dorji, Superintending Engineer, Head of Plant, Kurichhu Hydropower Plant, obtained Bachelor in Electrical Engineering from Punjab Engineer College, Chandigarh, India, and Master of Electrical Engineering from the University of New Brunswick, Fredericton, Canada. Prior to his current position, he was the Executive Engineer under Operation Division, Chhukha Hydropower Plant.



Sujan Rai, Superintending Engineer, Head of Plant, Basochhu Hydropower Plant, obtained Bachelor in Electrical Engineering from PSG College of Technology, Coimbatore, India, and Master in Engineering with specialisation in Power System from AIT, Thailand. Prior to his current position, he served as the Head of Operation & Maintenance Division, Kurichhu Hydropower Plant.

AUDITORS' REPORT

TO THE MEMBERS OF DRUK GREEN POWER CORPORATION LIMITED

1. We report that we have audited the attached Balance Sheet of Druk Green Power Corporation Limited as at 31st December 2012 and the related Profit & Loss Account and Cash Flow Statement of the Company for the year ended on that date and annexed thereto (hereinafter referred to as "financial statements") all of which we have signed under the reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. 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 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.
3. 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.
4. Further to our comments in Annexure as referred to in point 3 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 procedures as we considered appropriate for the purpose of our audit.
 - b. We have obtained all the information and explanations 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 Company so far as appears from our examination of the books.
 - 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 accounts.

5. In our opinion and to the best of our information and according to the explanations given to us the said accounts together with schedules, significant accounting policies and notes to accounts 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:-
- In the case of Balance Sheet, of the state of affairs as at 31st December 2012;
 - In the case of Profit and Loss Statement Account of the Company profit for the year ended on that date; and
 - In the case of the Cash Flow Statement, of the movement of cash during the year ended on that date.

For T. R. Chadha & Co.
Firm Registration Number: 006711N
Chartered Accountants



Vikas Kumar

(Vikas Kumar) Partner
Membership No. 75363

Place : **MUMBAI**
Date : **28.3.2013**

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph 3 of the Auditors' Report of even date to the Members of Druk Green Power Corporation Limited on the financial statements for the year ended 31st December' 2012]

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. As per policy of the company, Physical verification of fixed assets is being carried out by the management in a phased manner, so that all items of fixed assets are physically verified in a period of three years. Accordingly, the fixed assets were physically verified by the management during the year as per plan and no major material discrepancies were noticed and the same have been properly dealt with in the books of accounts.
2. The fixed assets of the company have not been revalued during the year.
3. As the company is engaged in the generation of electricity, there are no finished goods or raw materials.

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 company has initiated necessary action for their valuation and disposal plans. However, these are fully provided for in the accounts.

4. In our opinion and according to information and explanation given to us, the procedures of physical verification of stock (stores and spares) followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records for inventory except that the ageing of the stock lying prior to 1st June, 2011 cannot be ascertained. Discrepancies noticed on physical verification of inventory as compared to book records were not material.
6. 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, except that no provision is made regarding non-moving and slow moving items in inventory due to absence of information.
7. 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 Company.
8. According to the information and explanations given to us, the Company has granted unsecured loan to company under the same management during the year and the rate of interest and other terms and conditions of loans granted are prima facie not prejudicial to the interest of the company. However, the loan granted to the holding company of Nu. 900 million is against the articles of incorporation of the company which does not allow granting loan for purposes other than hydro power projects.

9. There are no parties to whom the loans and advances have been given by the Company which are repayable with interest during the year.
10. 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.
11. According to information and explanation given to us, in our opinion, internal control systems of the Company are generally 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 Company as well as to ensure adherence to the applicable rules/regulations, systems and procedures. The frequency of internal audits needs to be increased to comply with the Internal Audit Manual. The management also needs to ensure that the internal audit for the entire year is completed.
12. 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 Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. As the Company is engaged in electricity generation, it has no requirement of raw materials.
13. The Company sells its electricity generated to the Power Trading Corporation of India Limited (at rates fixed by the Royal Government of Bhutan and the Government of India) and to Bhutan Power Corporation Limited for sale in Bhutan and other private parties (at the 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 Company.

According to the information and explanations given to us, the Company 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 company has transactions with other Companies/Corporations where the Directors of the Company are nominated as directors by Royal Government of Bhutan and such companies/corporations are not considered as organizations where the directors have any direct or indirect interest.

14. As explained to us, the Company 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.
15. As the Company is engaged in the business of generation of electricity, there is no stock of raw material or finished goods and hence the question of ascertaining unserviceable/damaged raw material and finished goods does not arise. However, in our opinion, generally, there is adequate system of ascertaining any losses in transmission, at the point of occurrence, for taking corrective actions.

16. The Company is maintaining reasonable records for generation of electricity. In our opinion, reasonable records of energy received and energy distributed are maintained by the Company.

The Statement of Energy Generation, Statement of Gross Energy Available for sale/use for the year 2012 and the Statement of Energy Generation, Statement of Gross Energy Available for sale/use for the year 2011 have been given in Exhibit 1, (2A, 2B, 2C, 2D), (3A, 3B, 3C, 3D) respectively.

17. The Company is maintaining reasonable records for sale and disposal of realizable scrap. The Company does not generate any by-products.
18. The Company has been generally 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.
19. As explained to us, as on the last day of the financial year, there was no undisputed liability payable in respect of rates, taxes, duties, royalties and other statutory dues except as given in Note 17 of Notes to Accounts.
20. 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.
21. Since the Company is engaged in generation of electrical energy from hydropower, this clause is not applicable to the Company. However, the Company 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.
22. Quantitative reconciliation is carried out at the end of the accounting year in respect of electricity and shown in the "Notes to Accounts".
23. 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.
24. Since the Company is engaged in generation of electrical energy from hydropower, this clause regarding system of allocating man hours utilized to the respective job is not applicable to the Company.
25. There is a reasonable system of authorization at proper levels and adequate systems of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of materials to respective cost centers (i.e. job sites).

26. Electricity generated by the Company 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 Government of India. As regards 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 condition does not arise.
27. In our opinion, the credit sales policy of the Company is reasonable and proper. As stated above in clause 26 of this Annexure, the question of credit rating of customers does not arise.
28. Since the Company does not sell electricity through commission agents, this Clause is not applicable.
29. 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.
30. 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 Company has not withdrawn any excess amounts as loans leading to avoidable interest burden on the company.
31. In our opinion and to the extent our examination reveals, the business activities carried out by the Company are lawful and intra-vires to its Articles of Incorporation except that the company had given Inter-corporate loan during the year to Druk Holding and Investment Limited (DHI) (Holding company) as per section 88 of the Companies Act, 2000 for Nu. 900 million at the rate of 8% per annum for meeting the urgent requirement of the Dungsum Cement Project which is against the objects of the company as mentioned in Articles of Incorporation of the Company which does not allow granting loan for purposes other than hydro power projects.
32. Investment decisions related with new projects 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.
33. The Company has a suitable budgetary control system.
34. Since the Company is engaged in the generation of hydroelectricity, no input output relationship can be established. The Company does not have a system of standard costing but operational variances are analyzed at periodic intervals against budgeted norms.
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 Company, directly or indirectly, are disclosed in Para No. 24 of Schedule 19 to the Accounts.

36. In our opinion and on the basis of examination of books and records, generally the directives of the Board issued during the year 2012 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 directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

38. Computerized Accounting Environment:

1. The Company has introduced SAP from 1st June 2011 for accounting system along with the existing packages in some operations fields like accounting, payroll, 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 Company.
2. In our opinion, the Company has adequate measures and back up facilities commensurate with the size and nature of computer installation.
3. The operational controls in the Company 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 Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.

We suggest that an independent audit/review of IT environment/compliances of the company to be carried out.

39. General

1. Going Concern Problems

On the basis of the attached Financial Statements as at 31st December, 2012 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

2. Ratio Analysis

Financial and Operational Results of the Company 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 Company Officials, the Company has generally complied with 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 Company 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 (except as mentioned above) and the relevant laws under the Bhutan Electricity Act. *In respect of compliance with other Acts prevalent in the Kingdom of Bhutan, we cannot comment on the same in the absence of any information provided to us in this matter. Management of the Company needs to establish proper and comprehensive compliance assurance systems for all such other applicable acts.*

For T. R. Chadha & Co.
 Firm Registration Number: 006711N
 Chartered Accountants



Vikas Kumar

(Vikas Kumar) Partner
 Membership No. 75363

Place : **MUMBAI**
 Date : **28.3.2013**

DRUK GREEN POWER CORPORATION LIMITED

Audit for the year ended 31st December, 2012

RATIO ANALYSIS

Exhibit-4A

Sl. #	Particulars	2012	2011	Remarks
A. Ratios for assessing financial health (In numbers)				
I	Debt Equity Ratio	0.44	0.50	The ratio has decreased due to decrease in the loan obligation due to repayment.
II	Current Ratio	1.08	1.46	The ratio has decreased on account of lesser cash and bank balance as compared to previous year.
III	Liquid Ratio	0.96	1.34	The ratio has decreased on account of lesser cash and bank balance as compared to previous year.
IV	Fixed Assets to Equity	1.30	1.36	The ratio has decreased due to increase in equity on account of increase in General Reserve and decrease in Fixed Assets (Net Block) due to increase in Accumulated Depreciation
V	Fixed Assets to Turnover	0.22	0.21	The ratio has increased due to decrease in Fixed Asset (Net Block) as against the increase in Turnover.
B. Ratios for assessing profitability(In percentage)				
I	Return on Equity (%)	10.88	10.38	The ratio has increased due to increase in profit compared to the previous year.
II	Return on Capital Employed (%)	12.65	12.01	The ratio has increased on account of increase in profit compared to the previous year and decrease in the loan amount due to repayment.
III	Generation and Maintenance Expenses to Electricity Revenue (%)	9.09	9.59	The ratio has decreased due to the decrease in operation and maintenance expenses and increase in revenue during the current year as compared to previous year.
IV	Dividend to Share Capital (%)	12.00	11.26	The increase is mainly attributable to increase in income and decrease in expense as compared to previous year and share capital amount remaining the same.
C. Ratios for assessing cash flow efficiency (in numbers)				
I	Cash flow turnover	0.69	0.66	The ratio has slightly increased on account of increase in turnover as compared to previous year
II	Operation Index	1.79	1.80	Slight decrease due to increase in profit and reduction in expense.
III	Cash flow return on assets	0.18	0.17	Slight increase mainly due to increase in profit and reduction in expense and asset value as compared to previous year.



DRUK GREEN POWER CORPORATION LIMITED

Balance Sheet as at 31st December 2012

Amount in Nu

Particulars	Schedule No.	Figures as at the end of 31st December 2012	Figures as at the end of 31st December 2011
Sources of funds:			
Shareholder's funds			
Capital	1	30,508,291,000.00	30,508,291,000.00
Reserves and Surplus	2	7,911,553,430.81	7,389,218,756.10
		38,419,844,430.81	37,897,509,756.10
Loan funds			
Unsecured loans	3	16,889,836,995.46	18,891,548,188.84
TOTAL		55,309,681,426.27	56,789,057,944.94
Applications of Funds:			
Fixed Assets			
Gross Block	4	61,459,625,526.79	60,660,697,246.48
Less: Depreciation		11,979,512,668.61	9,712,676,827.95
Net Block		49,480,112,858.18	50,948,020,418.53
Add: Capital Work in Progress		339,951,440.36	603,116,226.05
Provision for Losses on Assets/CWIP		(19,483,153.79)	(2,500,572.57)
		49,800,581,144.75	51,548,636,072.01
Investments	5	6,700,842,991.74	5,559,065,277.91
Loans	6	900,000,000.00	-
Deferred Tax Asset	7	13,116,381.17	-
Current Assets, Loans and Advances			
Inventories	8	500,930,602.59	408,475,870.28
Sundry Debtors	9	1,369,115,694.12	1,436,479,966.73
Cash and Bank Balance	10	174,527,471.87	1,543,766,104.41
Other Current Assets	11	260,751,311.32	432,237,093.51
Loans and Advances	12	80,154,208.96	124,963,380.68
		2,385,479,288.86	3,945,922,415.61
Less: Current Liabilities and Provisions:			
Liabilities	13	374,239,072.77	497,172,818.03
Provisions	14	4,116,099,307.48	3,767,393,002.56
		4,490,338,380.25	4,264,565,820.59
Net Current Assets		(2,104,859,091.39)	(318,643,404.98)
TOTAL		55,309,681,426.27	56,789,057,944.94

Significant Accounting Policies & Notes on Accounts 23

This is the Balance Sheet referred to in our report of even date Schedule referred to above form an integral part of the Accounts

For T. R. Chadha & Co.
Chartered Accountants
Firm's Registration No. 006711N

Vikas Kumar
(Vikas Kumar)
Partner
Membership No. 75363



Date:- 28.3.2013
Place:- MUMBAI

(Signature)

(Dasho Karma Tshiteem)

Chairman, Druk Green & Secretary, GNHC

(Signature)

(Dasho Chhewang Rinzin)
Managing Director

(Signature)

(Ugyen Namgyal)
Director (Finance)

DRUK GREEN POWER CORPORATION LIMITED

Profit and Loss Statement for the year ended 31st December 2012

Amount in Nu.

Particulars	Schedule No	Figures during the financial Year (2012)	Figures during the financial Year (2011)
Income			
Electricity Revenue	15	10,848,458,429.90	10,705,219,448.87
Interest Earned Other Income	16	256,670,696.10	194,831,222.94
Other income	17	35,671,541.41	48,279,712.53
		11,140,800,667.41	10,948,330,384.34
Expenditure			
Operation and Maintenance Expenses	18	876,004,982.59	959,028,610.25
Employees' Remuneration and Benefits	19	677,388,738.06	608,147,245.77
Purchase of Energy	20	110,300,127.20	67,180,227.90
Interest on Borrowings	21	998,125,388.23	1,183,968,243.20
Depreciation	4	2,284,972,832.89	2,198,541,029.84
Other Expenses	22	196,013,148.79	331,118,574.18
		5,142,805,217.76	5,347,983,931.14
Operating Profit		5,997,995,449.65	5,600,346,453.20
Less:			
Prior Period Adjustments		600,741.17	(37,889,068.37)
Profit Before Tax		5,997,394,708.48	5,638,235,521.57
Deferred tax (Income)/Expense		(13,116,381.17)	-
Income Tax for earlier years		25,204.40	-
Provision for tax		1,828,558,685.80	1,705,148,993.04
Profit After Tax		4,181,927,199.45	3,933,086,528.53
Appropriations			
Transfer to General Reserve		522,334,674.70	497,450,607.60
Interim Dividend Paid		1,550,000,000.00	1,477,840,000.00
Proposed Dividend		2,109,592,524.76	1,957,795,920.93
		4,181,927,199.45	3,933,086,528.53

Significant Accounting Policies & Notes on Accounts 23

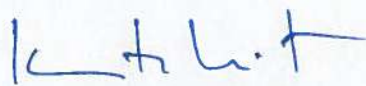
This is the Profit and Loss Account referred to in our report of even date Schedule referred to above form an integral part of the Accounts

For T. R. Chadha & Co.
Chartered Accountants
Firm's Registration No. 006711N

Vikas Kumar
(Vikas Kumar)
Partner
Membership No. 75363



Date:- 28.3.2013
Place:- MUMBAI


(Dasho Karma Tshiteem)
Chairman, Druk Green & Secretary, GNHC


(Dasho Chhevwang Rinzin)
Managing Director


(Ugyen Namgyal)
Director (Finance)

DRUK GREEN POWER CORPORATION LIMITED
Statement of Cashflow for the year ended 31st December 2012

Amount in Nu

Particulars	Figures as at the end of 31st December 2012	Figures as at the end of 31st December 2011
Cashflow from operating activities		
Profit before taxation	5,997,394,708.48	5,638,235,521.57
Adjustment for:		
Depreciation	2,284,972,832.89	2,198,541,029.84
Foreign Exchange Loss	54,497,736.55	215,642,912.96
Investment Income	(256,670,696.10)	(194,831,222.94)
Interest Expenses	998,125,388.23	1,183,968,243.20
(Increase)/Decrease in Sundry Debtors	67,364,272.61	(60,132,123.43)
(increase)/Decrease in Inventories	(92,454,732.31)	(115,517,253.33)
(increase)/Decrease in Other Current Asset	225,227,659.12	3,970,758.29
(increase)/Decrease in Loans and Advances	44,809,171.72	191,088,754.84
Increase/(Decrease) in Current Liabilities	(208,917,816.06)	(132,345,913.32)
Increase/(Decrease) in Provision	33,862,477.38	68,795,543.63
Cash generated from Operation	9,148,211,002.51	8,997,416,251.31
Income Tax Paid	(1,665,536,666.48)	(1,911,985,704.32)
Net Cash from Operating Activities	7,482,674,336.03	7,085,430,546.99
Cash flow from investing activities		
(Increase)/Decrease in Fixed Asset	(536,917,905.63)	(913,720,928.91)
(Increase)/Decrease in Long Term Investment	(1,141,777,713.83)	1,699,380,729.85
(Increase)/Decrease in Loans	(900,000,000.00)	-
Interest Received	202,928,819.17	208,237,281.57
Net Cash used in investing activities	(2,375,766,800.29)	993,897,082.51
Cash flow from financing activities		
Increase/(Decrease) in Reserve	0.01	(42,587,998.06)
Increase/(Decrease) in Loan Fund	(2,049,494,106.40)	(1,627,476,159.17)
Interest Paid	(918,856,140.96)	(1,143,399,443.18)
Dividend Paid	(3,507,795,920.93)	(3,966,873,583.27)
Net Cash used in financing activities	(6,476,146,168.28)	(6,780,337,183.68)
Net increase/(decrease) in cash and cash equivalents	(1,369,238,632.54)	1,298,990,445.82
Cash and cash equivalents at the beginning of the period	1,543,766,104.41	244,775,658.59
Cash and cash equivalents at the end of the period	174,527,471.87	1,543,766,104.41

Component of cash and cash equivalents:-		
Cash in Hand	1,055,446.29	468,265.69
Balances in Current Accounts with Banks	173,472,025.58	1,543,297,838.72
Total	174,527,471.87	1,543,766,104.41

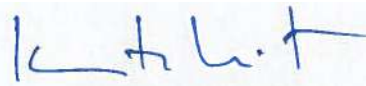
This is the Cash Flow Statement referred to in our report of even date


For T. R. Chadha & Co.
 Chartered Accountants
 Firm's Registration No. 006711N


(Vikas Kumar)
 Partner
 Membership No. 75363

Date:- 28.3.2013
 Place:- MUMBAI




 (Dasho Karma Tshiteem)
 Chairman, Druk Green & Secretary, GNHC


 (Dasho Chhewang Rinzin)
 Managing Director


 (Ugyen Namgyal)
 Director (Finance)

DRUK GREEN POWER CORPORATION LIMITED

Schedule forming Part of Accounts

Particulars	Nu. 2012	Nu. 2011
Schedule 1: Share Capital		
Authorised Share Capital 50,000,000 equity shares@ Nu. 1,000 per share	50,000,000,000.00	50,000,000,000.00
Subscribed and Paid -up Share Capital 30,508,291 equity share @ 1,000 per share	30,508,291,000.00	30,508,291,000.00
	30,508,291,000.00	30,508,291,000.00

Schedule 2: Reserves & Surplus		
Group Investment Reserves (Addition during the year)	190,000,000.00	-
General Reserve:		
Opening Balance	7,389,218,756.10	6,934,356,146.56
Less: Transitional provision for Gratuity as per IAS-19 provided	-	42,587,998.06
Add: Transferred from Profit & Loss	522,334,674.70	497,450,607.60
Less: Appropriation for Group Investment Reserves	190,000,000.00	-
	7,721,553,430.80	7,389,218,756.10
	7,911,553,430.81	7,389,218,756.10

Schedule 3: Unsecured Loan		
Government of India Loan	8,158,118,262.34	9,839,993,493.71
Interest Accrued During Project Construction Phase	5,322,005,286.77	5,786,943,628.82
Government of Austria Loan	1,779,298,352.70	1,924,623,215.42
Loan from Asian Development Bank	1,516,430,557.43	1,273,786,227.69
Interest Accrued but not due (greater than one year)	113,984,536.22	66,201,623.20
Note: The above loans are payable by the company to the Royal Government of Bhutan which in turn shall pay to respective lenders		
	16,889,836,995.46	18,891,548,188.84



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts

Schedule 4:- Fixed Asset

FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK				
	Opening Balance as at 01/07/2012	Additions	Disposal	Book Adjustments	Gross Block as on 31.12.2012	During the year	Disposal	Adjustments	Closing balance as at 31.12.2012	NET BLOCK As at 31.12.2012	NET BLOCK Net Block As at 31.12.2011
Land and Land Development	147,462,052.74	2,899,000.00			150,361,052.74					150,361,052.74	147,462,052.74
CIVIL STRUCTURES											
Buildings	1,971,688,591.59	2,640,455,272.29	(6,632,888.00)	(360,214.34)	2,228,740,762.04	68,372,604.03	(2,287,672.48)		313,803,886.05	1,914,936,875.99	1,723,969,637.09
Walls & Fencings	90,927,275.94	14,786,366.54	(26,341.59)		105,687,300.89	3,030,911.83	(1,762.60)		12,069,287.33	93,618,053.36	81,887,177.84
Road & Culverts	2,632,984,909.66	73,302,303.49			2,706,287,213.15	255,899,790.54	80,386,724.77		2,370,006,515.31	2,370,006,515.31	2,370,006,515.31
Water Supply & Sanitation	217,583,069.97	7,589,391.22			225,142,461.19	20,067,663.36	6,969,991.40		27,037,654.76	198,104,806.43	197,485,406.61
Dam Complex-Civil	10,567,537,196.96	16,641,922.81			10,584,179,119.77	1,614,940,494.35	318,900,042.00		1,933,840,536.35	8,650,338,583.42	8,952,596,702.61
Power House Complex- Civil	5,507,306,768.89	13,110,857.91			5,520,417,626.80	829,298,049.62	166,695,521.59		995,993,571.21	4,524,424,055.59	4,678,008,719.27
Transmission Line -Civil					216,328.23	6,489.88			61,729.97	154,598.26	161,088.11
Switch Yard- Civil	139,500,726.02				139,500,726.02	26,599,917.43	4,185,021.75		30,784,939.18	108,715,786.84	112,900,808.59
Water Conductor System- Power House	23,501,791,077.54	44,901,666.28			23,546,692,743.82	710,109,782.95	1,684,232.94		3,161,755,293.94	20,384,937,449.88	21,050,145,566.55
Other Civil Structures	53,606,915.12	3,979,315.66	(31,622.64)		57,554,608.14	1,684,232.94	(31,622.64)		6,205,230.10	51,349,378.04	49,054,296.32
PLANT AND MACHINERY											
Gates	132,824,821.45	54,207,703.43	(13,056,696.77)		173,975,828.11	7,990,615.41	(6,705,202.42)		31,231,901.19	142,743,926.92	102,878,333.25
Trash Cleaning Equipments	872,778,150.28				872,778,150.28	298,292,115.34	41,031,481.29		339,323,596.43	533,454,553.85	574,486,034.94
Generators	3,542,619,631.20				3,542,619,631.20	824,432,004.20	177,129,294.79		1,001,561,298.99	2,541,058,332.21	2,718,187,627.00
Excitation Systems	367,267,361.55				367,267,361.55	88,126,594.51	17,763,881.16		105,890,475.67	261,376,885.88	279,140,767.04
Governing Systems	335,537,221.61				335,537,221.61	81,429,321.53	16,776,860.19		98,206,181.72	237,331,039.89	254,107,900.08
Turbines	182,996,034.69	11,556,717.48			3,194,532,752.17	858,205,857.96	151,527,348.90		1,009,733,206.86	2,184,819,545.31	2,324,790,176.73
Runners	352,348,312.29	221,769,499.75			574,117,812.04	149,749,710.75	98,315,870.53		248,265,581.28	325,852,230.76	202,598,601.54
Oil Handling Systems	72,278,361.19				72,278,361.19	21,256,695.33	3,613,918.10		24,870,613.43	47,407,747.76	51,021,665.86
Control & Conditioning Monitoring Systems	296,094,740.64	19,888.00			296,114,628.64	67,006,419.02	14,802,167.40		81,808,586.42	214,306,042.22	229,088,321.62
Control & Protection Panels	730,609,727.81				730,609,727.81	181,311,458.06	36,325,184.68		217,636,642.74	512,973,085.07	549,298,269.75
Pumps & Motors	224,691,930.63	891,198.41			225,583,129.04	43,665,700.79	11,730,371.88		55,996,072.67	170,187,056.37	181,026,229.84
Transformers	915,396,475.95	1,663,218.00			917,059,693.95	202,488,332.61	45,151,091.47		247,639,424.08	669,420,269.87	712,908,143.34
Gas Insulated Switch Gears	919,274,583.05				919,274,583.05	127,110,835.57	45,931,654.52		173,042,490.09	746,232,092.96	68,925,216.13
Valves	965,084,409.78				965,084,409.78	249,623,632.60	46,413,449.12		296,037,081.72	669,047,328.06	715,460,777.18
Switchward	4,841,874.00				4,841,874.00	666,586.76	242,093.70		908,680.46	3,933,193.54	4,175,287.24
Electro-Mechanicals-Others	1,603,612,469.08	4,555,603.08			1,608,168,072.16	484,582,914.29	70,061,260.67		554,644,174.96	1,053,523,897.20	1,119,029,554.79
Machinery	232,016,766.85	1,393,499.03	(5.00)		233,410,260.88	122,456,159.99	30,910,316.12		153,366,476.11	80,043,784.77	109,560,606.86
TOOLS & SAFETY EQUIPMENTS											
Tools and Plants	215,572,334.29	14,397,439.46	(380,071.44)	15,050.74	229,604,753.05	83,801,824.78	(175,685.90)		111,750,878.45	117,853,874.60	131,770,509.51
Fire Fighting and Safety Equipments	71,008,475.49	7,286,316.25	(45,963.75)	0.00	78,248,827.99	40,580,108.08	(6,913.37)		48,099,701.82	30,149,126.17	30,428,367.41
OTHER ASSETS											
Office Equipment	89,665,076.50	3,575,137.46	(372,208.59)	(84,500.00)	92,783,505.37	43,710,766.02	(169,840.84)	31,666.66	53,915,204.37	38,868,301.00	45,954,310.48
Furniture & Fixtures	35,707,975.38	2,295,778.83	(547,473.28)	0.00	37,456,280.93	18,585,981.57	(507,191.61)		21,453,965.55	16,002,315.38	17,121,995.81
Vehicles	186,755,224.62	28,295,083.76	(9,619,610.71)	0.00	205,430,697.67	108,068,928.45	(9,619,589.71)		117,123,858.61	88,306,839.06	78,686,296.17
Illumination System	195,011,095.88	7,194,191.27			202,205,287.15	9,802,849.31			69,039,176.54	133,166,111.11	135,774,768.65
Information and Technology	175,225,433.12	24,681,922.61	(995,489.83)	82,750.00	198,994,619.90	40,513,292.34	(376,307.02)	(31,433.68)	65,515,840.83	133,478,775.07	134,711,640.78
General Assets	24,814,820.09	5,900,879.15	(303,521.26)	346,913.60	30,759,091.58	3,182,460.81	(283,892.78)	(232.98)	13,744,694.72	17,014,397.86	13,968,694.40
	830,940,173.17		(32,011,892.86)		61,459,625,526.79	9,712,676,827.95	(20,165,480.37)	0.00	49,480,112,856.38	50,948,020,416.73	

Note: Of the total depreciation, Nu. 51,051.05 was booked to prior period adjustment, and Nu. 1,977,437.09 was booked to AUC.



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts

Particulars	Nu. 2012	Nu. 2011
Schedule 5: Investments		
Long Term Investment in non Government Bonds and Others	1,293,539,000.00	1,293,539,000.00
Investment in Subsidiary Companies		
Equity Investment in DHI Infra Ltd (1,900,000 equity shares of Nu. 100 each)	190,000,000.00	190,000,000.00
Equity Investment in Dagachhu Hydropower Corporation Limited. (2,437,880 equity shares of Nu. 1000 each, fully paid up for 1911600 shares, called amount of Nu. 122.62 on 526280 shares)	1,976,132,991.74	1,339,015,729.96
Equity Investment in Bhutan Hydropower Services Limited. (2,550,000 equity shares of Nu. 100 each, called amount Nu. 21.88)	55,794,000.00	
Fixed Deposit Receipts:		
Long Term Investment (Bhutan National Bank)	228,000,000.00	228,000,000.00
Long Term Investment (Gratuity Fund)	201,377,000.00	144,800,000.00
Long Term Investment (Bhutan Development Bank)	300,000,000.00	100,000,000.00
Short Term Investment (Tashi Bank)	100,000,000.00	200,710,547.95
Short Term Investment (Bhutan National Bank)	2,191,000,000.00	2,063,000,000.00
Short Term Investment (Bank of Bhutan)	155,000,000.00	-
Short Term Investment (BDBL)	10,000,000.00	
	6,700,842,991.74	5,559,065,277.91
Schedule 6: Loans		
Loan to Druk Holding & Investments (Holding Company)	900,000,000.00	-
	900,000,000.00	-
Schedule 7: Deferred Tax Asset/Liability		
Deferred Tax Assets	13,116,381.17	-
	13,116,381.17	-
Schedule 8: Inventories		
Stores & spares	503,014,952.59	410,695,425.09
Less: Provision for Losses	(2,084,350.00)	(2,219,554.81)
	500,930,602.59	408,475,870.28
Schedule 9 : Sundry Debtors (Unsecured, Considered good)		
Sundry Debtors - Bhutan Power Corporation	814,379,410.50	584,268,769.37
Sundry Debtors - Power Trading Corporation Limited	554,736,283.62	852,211,197.36
	1,369,115,694.12	1,436,479,966.73
Schedules 10 : Cash & Bank Balances		
Cash in Hand	1,055,446.29	468,265.69
Balances with Banks in Current Accounts:		
Bank of Bhutan	118,596,661.09	377,928,571.24
Bhutan National Bank	53,894,892.32	1,163,301,521.47
Druk PNB	799,389.22	1,781,806.22
Tashi Bank	145,273.16	150,000.00
Central Bank of India	35,809.79	135,939.79
	174,527,471.87	1,543,766,104.41



DRUK GREEN POWER CORPORATION LIMITED

Schedule forming part of Accounts

Particulars	Nu. 2012	Nu. 2011
Schedule 11: Other Current Assets		
Prepaid Expenses	41,338,242.37	70,124,817.79
Deposits- Miscellaneous	2,563,231.84	1,595,447.07
Other receivables	18,686,028.20	216,094,896.67
Accrued Interest on Investment	198,163,808.91	144,421,931.98
	260,751,311.32	432,237,093.51
Schedule 12: Loans & Advances (Current) Recoverable in Cash or in Kind or its value		
Staff Advance	5,504,966.66	3,325,802.23
Advance to Supplier/contractor	74,649,242.30	121,637,578.45
	80,154,208.96	124,963,380.68
Schedule 13: Current Liabilities		
Security Deposit- Suppliers & Others	26,994,235.15	43,258,557.42
Sundry Creditors	144,753,427.05	295,857,185.96
Outstanding Liabilities to contractors	32,854,836.95	50,508,211.82
Outstanding Liabilities for expenses	45,731,858.13	31,513,616.57
Leave Encashment Payable	27,810,163.78	21,100,024.44
Provision for Bonus	48,606,388.53	36,052,080.28
Provision for Audit Fees & Expenses	350,000.00	-
Sundry Liabilities	10,790,546.34	11,663,911.04
Tax Deducted at Source - Payable	49,724.55	2,407,672.46
Interest accrued but not due on loans	36,297,892.29	4,811,558.04
	374,239,072.77	497,172,818.03
Schedule 14: Provisions		
Provision for Corporate Income Tax	1,737,994,235.73	1,574,947,012.01
Proposed Dividend	2,109,592,524.76	1,957,795,920.93
Gratuity Payable	268,512,547.00	234,650,069.62
	4,116,099,307.48	3,767,393,002.56
Schedule 15: Electricity Revenue		
Bhutan Power Corporation Ltd	1,022,999,807.54	798,267,507.91
Power Trading Corporation Ltd	9,824,833,840.36	9,906,389,286.86
From Staff & Other Private Parties	624,782.00	562,654.10
	10,848,458,429.90	10,705,219,448.87
Schedule 16: Interest Earned		
Interest on short term Deposits	103,927,262.08	32,375,326.47
Interest on long term Deposits	67,786,198.15	92,390,821.90
Interest on Government Bonds	84,957,235.87	70,065,074.57
	256,670,696.10	194,831,222.94
Schedule 17: Other Incomes		
House Rent Recovered- Employee/Others	13,660,327.71	13,807,351.00
Miscellaneous Receipts	21,353,413.70	27,568,601.95
Profit on sale/discard of Assets (Net)	-	6,042,884.58
Sale of tender form	657,800.00	860,875.00
	35,671,541.41	48,279,712.53
Schedule 18: Operation & Maintenance Expense s		
Wheeling charges	548,171,915.28	589,620,066.37
R&M Civil Structures	37,407,816.25	35,197,911.72
R&M Electro-Mechanical	93,138,930.12	152,134,151.77
R&M Vehicles	46,577,410.34	42,375,304.39
R&M-Fire Fighting & Safety	1,707,827.56	1,732,524.80
R&M-Office Equipments	1,150,068.63	1,350,138.16
R&M-Information Technology	21,596,565.80	8,366,764.62
Insurance	126,254,448.61	128,251,748.42
	876,004,982.59	959,028,610.25



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts

Particulars	Nu. 2012	Nu. 2011
Schedule 19: Employees Remuneration & Benefits		
Salaries and Wages	368,394,643.84	363,175,480.97
Employer's Contribution to Provident Fund	31,814,824.29	23,671,859.96
Bonus	46,701,301.98	36,655,418.26
Incentive/Honorarium	48,674,568.01	32,694,560.68
Staff Welfare Expenses	3,955,007.93	4,180,844.59
Medical Expenses	890,866.16	989,335.39
Gratuity Expenses	44,428,811.22	36,556,067.95
Leave Encashment	27,752,693.26	14,370,025.74
Terminal Benefits	799,774.90	1,083,260.00
Professional Training	72,640,628.70	70,135,372.65
Liveries	6,531,330.66	4,705,126.52
Leave Travel Concession	20,961,261.80	16,884,359.21
GPA- Insurance	3,843,025.31	3,045,533.85
	677,388,738.06	608,147,245.77
Schedule 20: Purchase of Energy		
Purchase of Electricity from PTC	110,300,127.20	67,180,227.90
	110,300,127.20	67,180,227.90
Schedule 21: Interest on Borrowing		
Interest to Government of India	840,038,947.03	1,030,589,050.28
Interest to Government of Austria	113,465,207.82	122,184,699.58
Interest to Asian Development Bank	44,621,233.38	31,194,493.34
	998,125,388.23	1,183,968,243.20
Schedule 22: Other Expenses		
Travel	29,481,337.68	28,412,031.17
Entertainment	7,263,462.77	6,739,267.52
Electricity	9,748,497.30	11,811,333.91
Advertisement and Publicity	3,785,705.80	4,192,538.90
Telephone and Fax	13,044,881.27	12,309,488.22
Postage and Telegram	293,244.58	242,488.84
Printing and Stationery	6,030,221.85	6,198,948.18
License Fee	6,677,633.80	14,063,119.13
Rates and Taxes	3,016.44	240
Bank Charges	2,714,794.10	1,991,091.94
Audit Fees & Expenses	519,488.50	638,166.25
Corporate Social Responsibility	15,598,085.82	16,195,427.65
Directors' Sitting Fees	650,000.00	540,000.00
Board Meeting Expenses	573,250.00	297,146.72
Books & Periodicals	253,851.40	268,322.13
Loss on Disposal of Assets	25,494,767.24	3,337,283.26
Consultancy Charges	4,559,660.00	3,484,409.53
Rent	3,377,800.05	2,742,817.12
Obsolete stores/spares.	2,794,519.90	114,571.32
Foreign Exchange Gains/Loss	54,497,736.55	215,642,912.96
Profit on sale/discard of Assets (Net)	5,244,521.85	-
Other Expenses	3,406,671.89	1,896,969.43
	196,013,148.79	331,118,574.18



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23**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 corporations 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 ongoing 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 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. 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 incurred including provision for outstanding bills up to the date of the Financial Statement.

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 and considering the useful lives of the assets.

The depreciation for the fixed assets purchased / constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset has been put to use.

The assets costing Nu. 500 and below is considered as consumables and charged as expenses.



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23

4. Investment

Long-term investments are stated at costs and 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 rates 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 Weighted Average Price Method 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.

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.

Interest

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

Other Revenue

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

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.



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23**7. Retirement benefits****Under Defined Contribution Scheme**

- i. The Corporation contributes to Provident Fund administered by 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

- ii. Gratuity is provided on the basis of actuarial valuation.
- iii. Leave encashment is provided for in the financial statements on accrual basis.

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 has been incurred as at balance sheet date and reasonable estimate of the resulting loss can be made. Contingent liabilities however have been disclosed in the Notes to Accounts.

11. Income Tax

Current Tax is determined in respect of taxable income for the year based on applicable rates and laws.

Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

12. Research and Development Expenditure

Revenue expenditure on Research and Development is expensed in the year in which they are incurred. Items of capital nature are included in Fixed Assets.



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23**13. Expenditure on new projects and substantial expansion**

Expenditure on material, labour and contractors appointed for executing the project are capitalized. The employee costs directly attributable to projects are capitalized. Indirect expenditure and overheads, like project management expenses, relating to projects incurred during construction period are also capitalized.

Other indirect expenditure and overheads relating to projects incurred during construction period is not capitalised and charged off to the Profit and Loss account.

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



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23**NOTES TO ACCOUNTS**

1. The company is a wholly owned subsidiary company of Druk Holding and Investments (DHI) and ultimate subsidiary of Ministry of Finance, Royal Government of Bhutan.
2. The authorised share capital of the Company is Nu. 50,000 million (50,000,000 equity share @ Nu. 1,000 per share) and as of the report date, the total subscribed and paid up capital is Nu. 30,508.29 million (30,508,291 equity share @ Nu. 1,000 per share). The Company presents separate financial statements for all the Hydropower Plants and share capital of the company is subdivided amongst the Hydropower Plants for maintenance of information on the performance and financing structure of each Hydropower Plant. The Hydropower Plants operates as profit centre of DGPC and does not have a legal existence of their own.
3. The revised repayment schedule between Government of India (GOI) and Royal Government of Bhutan (RGOB) regarding Loan taken for Tala Hydropower Project (THP) has been signed dated 10th December, 2012 and the loan and interest balance as on 31.12.2012 have been recognized in the books as per the approved revised repayment schedule. Payment of Nu. 2,440.38 million (Previous year Nu. 2,544.52 million) were made during 2012 as per revised repayment schedule towards interest and principal. The adjustments on account of revised repayment schedule for Nu. 27.78 million was adjusted from current year's interest expense.
4. Dagachhu Hydro Power Corporation Limited is a subsidiary company, where the Company has 59% stake along with 26% of Tata Power Company Limited and 15% by National Pension & Provident Fund (NPPF). The Company has been allotted 2,437,880 (previous year 1,911,600, fully paid up in 2012) equity shares of Nu 1,000 each in this regard till 31st December, 2012, including additional shares of 526,800 issued during the year 2012. Nu. 122.62 has been called up in respect of the said shares till 31.12.2012 and Nu. 877.38 remains uncalled on each share (Uncalled amount Nu. 461.75 million, previous year Nu. 572.58 million).
5. During the year 2012, Bhutan Hydropower Services Limited (BHSL) was formed as a joint venture between DGPC and ALSTOM Hydro Holding vide agreement dated 6th June, 2012 with 51% and 49% equity shareholding respectively. DGPC has been allotted with 2,550,000. Equity shares of Nu.100 each in this regard as per the stake. Nu. 21.88 has been called up in respect of shares till 31.12.2012 and Nu. 78.12 remains uncalled on each share (Uncalled amount Nu. 199.21 million).
6. During the year 2012, a loan amounting to Nu. 900 million was provided to DHI (Holding Company) at interest rate of 8% per annum vide loan agreement dated 20th September, 2012.
7. Bhutan Electricity Authority (BEA) vide its letter No. BEA/CEO/DGPC/2011-2012/983 dated 30th December 2011 advised DGPC to deposit the revenue earned from the sale of royalty energy with Ministry of Finance, Royal Government of Bhutan, in line with the Economic Development Policy with retrospective effect from 1st January 2011. The royalty energy obligation for the year 2012 is 1,009.43 GWh (Previous year 1,044.30 GWh) and the corresponding impact on the electricity revenue during the reporting period amounted to Nu. 131.23 million decrease (Previous year Nu. 135.76 million decrease), considering the applicable royalty energy tariff of Nu. 0.13 per kWh.
8. The company had, with effect from 1st January, 2011, adopted International Accounting Standard 19, Employee Benefits, issued by the International Accounting Standard Board.



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23
Defined Benefit Plans

Valuation in respect of Gratuity has been carried out by independent actuary, NUMERICA Quantitative Services Private Limited, Bangalore, India. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The disclosures as provided by the actuary are as given below.

IMPORTANT DATES

1	Census Date	31/Dec/2012
2	Measurement Date	31/Dec/2012

EXHIBITA.1: AMOUNT RECOGNIZED IN BALANCESHEET

Year ended		31/Dec/2012	31/Dec/2011
1	Present Value of Defined Benefit Obligation	268,512,547	192,825,267
2	Fair Value of Plan Assets	(237,102,810)	(194,195,433)
3	Funded Status-(Surplus)/Deficit	31,409,737	(1,370,166)
4	Unrecognized Past Service (Cost)/Credit	-	-
5	Unrecognized Actuarial (Loss)/Gain	(29,055,042)	41,824,803
6	Effect of Asset Ceiling: Para 58A	-	-
7	Liability/ (Asset) recognized in Balance Sheet	2,354,695	40,454,637

EXHIBITA.2: AMOUNT RECOGNIZED IN STATEMENT OF PROFIT&LOSS

Year ended		31/Dec/2012	31/Dec/2011
1	Current Service Cost	22,149,012	18,350,579
2	Interest Cost	16,409,052	15,074,190
3	Expected Return on Plan Assets	(11,106,945)	(8,112,812)
4	Employee Contributions	-	-
5	Past Service Cost-Vested Benefits	-	-
6	Past Service Cost- Non-Vested Benefits	-	-
7	Effect of Change in Asset Ceiling	-	-
8	Settlement/Curtailment Cost/(Credit)	-	-
9	Actuarial Loss/(Gains)	1,839,158	-
10	Total Employer Expense	29,290,277	25,311,957

EXHIBITA.3: ACTUAL RETURN ON PLAN ASSETS

Year ended		31/Dec/2012	31/Dec/2011
1	Expected Return on Plan Assets	8,112,812	8,112,812
2	Actuarial Gain/(Loss) on Plan Assets	(24,776,568)	23,826,387
3	Actual Return on Plan Assets	(16,663,756)	31,939,198



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23

EXHIBITA.4: RECONCILIATION OF DEFINED BENEFIT OBLIGATION

Year ended		31/Dec/2012	31/Dec/2011
1	Present Value of Defined Benefit Obligation (Opening)	192,825,267	187,829,320
2	Current Service Cost	22,149,012	18,350,579
3	Interest Cost	16,409,052	15,074,190
4	Employee Contributions	-	-
5	Past Service Cost-Vested Benefits	-	-
6	Past Service Cost- Non-Vested Benefits	-	-
7	Amalgamations	-	-
8	Curtailement Cost/ (Credit)	-	-
9	Settlement Cost/ (Credit)	-	-
10	Actual Benefit Payments	(10,813,218)	(10,430,406)
11	Actuarial Loss/ (Gains) due to change in assumptions	12,742,694	(10,320,313)
12	Actuarial Loss/ (Gains) due to plan experience	35,199,740	7,678,103
13	Present Value of Defined Benefit Obligation(Closing)	268,512,547	192,825,267

EXHIBITA.5: RECONCILIATION OF FAIRVALUE OF PLAN ASSETS

Year ended		31/Dec/2012	31/Dec/2012
1	Fair Value of Assets (Opening)	194,195,433	162,256,234
2	Expected Return on Plan Assets	11,106,945	8,112,812
3	Contributions by Sponsor	56,577,000	-
4	Employee Contributions	-	-
5	Actual Benefit Payments from Fund	-	-
6	Amalgamations	-	-
7	Settlements	-	-
8	Actuarial Gains/ (Loss)	(24,776,568)	23,826,387
9	Fair Value of Assets (Closing)	237,102,810	194,195,433

EXHIBITA.6: RECONCILIATION OF BALANCESHEET AMOUNT

Year ended		31/Dec/2012	31/Dec/2011
1	Net Liability (Opening)	40,454,637	25,573,086
2	Employer Expense for the period	29,290,277	25,311,957
3	Benefit Payments made directly by Sponsor	(10,813,218)	(10,430,406)
4	Actual Contributions by Sponsor	(56,577,000)	-
5	Net Liability (Closing)	2,354,695	40,454,637

EXHIBITA.7: RECOGNITION OF ACTUARIAL GAIN/LOSS

Year ended		31/Dec/2012	31/Dec/2011
1	Unrecognized Actuarial Loss/ (Gain) (Opening)	(41,824,803)	-
2	Actuarial Loss/ (Gain) arising on Obligation	47,942,435	(17,998,416)
3	Actuarial Loss/ (Gain) arising on Plan Assets	24,776,568	(23,826,387)
4	Total Loss/ (Gain) for the period	72,719,002	(41,824,803)
5	(Loss)/Gain recognized during the period	(1,839,158)	-
6	Unrecognized Actuarial Loss/ (Gain) (Closing)	29,055,042	(41,824,804)



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23
EXHIBITA.8: RECOGNITION OF PAST SERVICE COST

Year ended		31/Dec/2012	31/Dec/2011
1	Past Service Cost NonVested Benefits (Opening)	-	-
2	Past Service Cost NonVested Benefits arising during the period	-	-
3	Past Service Cost NonVested Benefits recognized during the period	-	-
4	Past Service Cost NonVested Benefits (Closing)	-	-

EXHIBITA.9: EXPERIENCE HISTORY

Year ended		31/Dec/2012	31/Dec/2011	31/Dec/2010	31/Dec/2009	31/Dec/2008
1	Defined Benefit Obligation	268,512,547	192,825,267	187,829,320	-	-
2	Fair Value of Plan Assets	(237,102,810)	(194,195,433)	(162,256,234)	-	-
3	(Surplus)/Deficit	31,409,737	(1,370,166)	25,573,086	-	-
4	Experience Adjustment on	(35,199,740)	7,678,103	-	-	-
5	Liabilities: Gain/(Loss)					
	Experience Adjustment on	(24,776,568)	23,826,387	-	-	-
	Plan Assets: Gain/(Loss)					

EXHIBITA.10: MAJOR CATEGORIES OF PLAN ASSETS

Year ended		31/Dec/2012	31/Dec/2011
1	Government of India Securities	0%	0%
2	Corporate Bonds	0%	0%
3	Equity shares of Listed Companies	0%	0%
4	Property	0%	0%
5	Insurer-managed Funds	0%	0%
6	Other	100%	100%
7	Total	100%	100%

EXHIBITA.11: DETAILS OF SELF-INVESTMENT*

Year ended		31/Dec/2012	31/Dec/2011
1	Sponsor's Debt Instruments	0%	0%
2	Sponsor's Equity Shares	0%	0%
3	Property owned/used by Sponsor	0%	0%
4	Other	0%	0%
5	Total	0%	0%

*Self-investment as percentage of Fair Value of Plan Assets

OTHER DISCLOSURES

1 Best Estimate of Contribution over Next Year - Not available

Year ended		31/Dec/2012	31/Dec/2012
2	Estimated Term of Liability (Decrement- adjusted12.19)	12.18	



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23**3 Recognition of Actuarial Gain/Loss**

Recognition of Actuarial Gain/Loss is done using “Corridor Approach” which is one of the approaches allowed under IAS19. Under this approach, amount of actuarial gain/loss, in excess of 10% of greater of Defined Benefit Obligation and Fair Value of Assets is recognized over the average future amortization service of active employees.

Year ended	31/Dec/2012	31/Dec/2011
Discount Rate	8.00%	8.75%
Expected Return on Assets	5.00%	5.00%
Salary Escalation Rate	10.50%	10.50%
Employee Turnover Rates	5.00%	5.00%
Mortality Rates*	100% of IAL	100% of IAL

*IAL: India Assured Lives Mortality (1994-96) modified Ultimate

9. Related Party Disclosures

A. Related parties and transactions with them as identified by the Management are given below:

- a. Holding Company - Druk Holding and Investments (DHI)
- b. Subsidiary Companies - Dagachhu Hydropower Corporation Limited (DHPC) DHI Infra Limited. Bhutan Hydropower Services Limited (BHSL)
- c. Key Management Personnel and their relatives.
 1. Dasho Karma Tshitem (Chairman)
 2. Dasho Yeshe Wangdi (Director)
 3. Dasho Bharat Tamang (Director)
 4. Kinga Tshering (Director)
 5. Choiten Wangchuk (Director)
 6. Sonam Lhundup (Director)
 7. Dasho Chhewang Rinzin (Managing Director)

B. Transactions with Related Parties in the ordinary course of business.

Type of Relationship (Figures in million)	Nature of Transactions	Volume of Transactions	
		2012	2011
Holding Company	Loan given	900.00	Nil
	Dividend declared	3,638.83	3,435.64
	Receivable	Nil	0.08
Subsidiary Companies	Investment in Share Capital	692.91	607.57
Key Management Personnel	Managerial Remuneration	2.15	1.76

10. No segregation or classification of inventories under fast moving, slow moving and non-moving has been made as the policy for such segregation had been introduced towards the end of the period 2011. The policy requires historical information on inventory movement for last three years which would be achieved by 2014 only.



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23

11. Estimated amount of contracts remaining to be executed on capital account and not provided for - Nu. 737.93 million (previous year - Nu. 532.78 million).
12. All the balances against debtor, creditors and advances are based on the invoices raised to, raised from and advances paid respectively, which are not settled as at 31st December 2012 and practice of confirming and reconciling the balances was put in place with effect from the year 2012 for balances of more than Nu. 0.50 million. However, in certain cases, the balance confirmation / reconciliation were under process.
13. The Company through its bank has issued Letter of Credit amounting to Nu. 236.60 million (previous year Nu. 382.20 million) to various suppliers by creating lien on Fixed Deposit Receipt Certificate amounting to Nu. 485 million (previous year Nu. 456 million).
14. In the current year, the company has changed its accounting policy and has started recognising Deferred Tax. Accordingly, the company has calculated and accounted deferred tax assets / liabilities as below:

Deferred tax assets on Bonus	- Nu. 4.63 million
Deferred tax assets on provisions for obsolete stores	- Nu. 8.49 million
Total	- Nu. 13.12 million

Accordingly, the amount of Nu 13.12 million has been accounted as deferred tax income in current year profit and loss statement.
15. In keeping with the earlier trend of declaring 90% of the profit after tax as dividend, the proposed dividend of Nu. 2,077.03 million has been derived after deducting Nu. 104.14 million, representing 50% of Nu. 208.28 million excess dividends declared in 2009, from the 90% of the profit after tax. The deduction has been made after obtaining confirmation from Druk Holding & Investments vide letter DHI/CEO/DGPC/2012/217 dated February 29, 2012. During the year interim dividend of Nu. 1,550.00 million has been paid.
16. Contingent liabilities of Nu. 23.09 million on account of demand raised by Regional Revenue and Custom Office towards disallowing certain expenses.
17. The following statutory dues were outstanding and pending to be deposited at respective year ends:

Amount in Million

Particulars	2012 (In Nu.)	2011 (In Nu.)
TDS Payable	0.08	1.66
Royalty	11.97	135.76
Corporate Income Tax	1,737.97	1574.95
Grand Total	1,750.02	1,712.27



DRUK GREEN POWER CORPORATION LIMITED
Schedule forming part of Accounts for the year ended 31st December 2012

Schedule 23

18. Quantitative Information of purchase and sale of power:

(Amount: Millions Nu.) (Units: MU)

Particulars	2012		2011	
	Units	Amount	Units	Amount
Purchase	55.70	110.30	36.92	67.18
Self Generation	6,811.27		7,046.57	
	6,866.97		7,083.48	
Sale:				
Within Bhutan	1,828.02	1,022.99	1,683.73	798.27
Export to India	4,945.79	9,824.83	5,309.86	9,906.39
Internal Consumption & Losses	93.16	0.63	89.89	0.56
Total	6,866.97	10,848.45	7,083.48	10,705.22

19. Managerial Remuneration:

Amount in Million

Particulars		2012	2011
a)	Managing Director's Remuneration	2.15	1.76
b)	Directors' Sitting Fees	0.65	0.54
c)	Travelling Expenses (MD)	0.80	0.44
Total		3.60	2.74

The above remuneration is based on the actual payment.

20. Auditors Remuneration:

Amount in Million

Particulars		2012	2011
a)	Audit Fess	0.35	0.35
b)	Out of pocket expenses	0.16	0.29
Total		0.51	0.64

21. Previous year's figures have been rearranged and regrouped wherever considered necessary.

Schedule signatures on Schedules 1 to 23



(Dasho Karma Tshiteem)
 Chairman DGPCL & Secretary, GNHC



(Dasho Chhewang Rinzin)
 Managing Director



(Ugyen Namgyal)
 Director (Finance)



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“Commitment to Excellence”

