

# ANNUAL REPORT 2014



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**DrukGreen**

Druk Green Power Corporation Limited  
(a **dhi** company)





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# ANNUAL REPORT 2014





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# ORGANIZATION OVERVIEW

## VISION

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

## MISSION

1. Effectively and efficiently manage hydropower plants, and maximize returns to the shareholder;
2. Take a lead role in accelerating hydropower development in the Kingdom by developing new hydropower projects independently, through joint ventures, or through any other arrangements with domestic and international partners;
3. Provide energy security for domestic consumption, fuel economic growth, and also explore other forms of renewable energy other than hydropower;
4. Build capacity in hydropower development and management through recruitment and training of professionals to meet the current human resources requirements of the company while at the same time ensuring a robust expansion and succession plan; and
5. Be a responsible, proactive, and progressive company with a highly motivated and dedicated team of professionals.



## LOOKING AHEAD

### Message from the Managing Director

In his address to the Nation on 17 December 2013 National Day celebrations, His Majesty The King emphasized that *“hydropower is considered as our nation’s most precious resource that belongs to all the people.”* His Majesty The King reemphasized this in his address to the Nation at the 17 December 2014 National Day celebrations and cautioned that the hydropower resources must not fall into the hands of one or two individuals.



Druk Green plays a very important role in ensuring that Bhutan’s hydropower resources stay with and that the benefits accrue to all the people by effectively and efficiently managing the existing hydropower plants and taking a lead in accelerating the development of the sector. Druk Green has benchmarked itself to the best international standards in the operation and maintenance of its power plants and year on year has ensured the highest levels of power plant availability and water utilization factors – key performance indicators for hydropower generation utilities. To sustain the sector and towards ensuring Bhutanese ownership, Druk Green has built core competencies in the “water to wire” business with major emphasis being placed on building human capacity in undertaking site investigations, preparing design and engineering, structuring projects, and in the construction of projects.

The construction of the 126 MW Dagachhu project was completed during 2014 and readied for commissioning – a major milestone for Druk Green since its creation in 2008. Druk Green also started with the infrastructure works such as bridges and roads for the 118 MW Nikachhu project. With the successful completion of the 1.5 km tunnel in June 2014, the Tsjalumchhu was diverted to the Tala reservoir for additional generation at the Tala hydropower plant. The service center for reclamation of hydro-mechanical equipment at Jigmeling, a joint venture with Alstom France, started commercial operation in October 2014. With the Inter-Governmental Agreement for Joint Venture Projects between Druk Green and Government of India Public Sector Units signed between the two Governments in April 2014 and the Shareholders’ Agreement for the 600 MW Kholongchhu hydroelectric project concluded with SJVN Ltd in September 2014, the joint venture projects are set to get off the ground in 2015.

Druk Green started the preparation of the Detailed Project Report for the 1,230 MW Kuri-1 project upstream of the existing Kurichhu hydropower plant. During the year, Druk Green also submitted the Pre-Feasibility Reports for the Gamri (45 MW+85 MW) and the Nyera Amari (131 MW+312 MW) projects to the Government. In the preparation of these reports and in the implementation of the projects, Druk Green continues to not only build internal competencies but also help the Bhutanese private sector in developing their competencies in the hydropower sector.

2014 has also been a year of reflection and retrospection for the people of Bhutan. With more awareness on social and environmental issues and the realization that the 10,000 MW by 2020 target is no longer achievable, there is a lot more debate on the hydropower sector with people weighing the benefits against the likely negative impacts.

His Majesty the King, in his 17 December 2014 National Day address to the Nation, stressed that *“... in the near future, we will be tasked with the implementation of 9 hydropower projects, which is a heavy responsibility for the government. It is good to be ambitious. From one standpoint, more is better and having something is better than not having anything at all. But we must also realize that increased workload compounds associated risks and possible failures. We must ask ourselves, ‘are we willing and able to take on this responsibility? Can our financial resources be matched by our human capital?’”*

Albeit the achievements of Druk Green over the last seven years, the challenges are getting more diversified, complicated and compounded. The limited human capital that Druk Green has built up is spread thin. The need to build human capital with core competencies must continue to be our top priority, especially as we continue to expand and try to keep pace with new technologies.

In meeting the aspirations of the people of Bhutan for a better future, Druk Green has a huge role to play as the custodian for this very important national resource – hydropower.

**Dashi Chhe Wang Rinzin**  
Managing Director

## BOARD OF DIRECTORS



### CHAIRMAN

**Dasho Sangay Khandu,**  
*Chairman*  
*Chairman, DHI*

Served as the Secretary of the National Land Commission of Bhutan. He was conferred the red scarf by His Majesty The King on December 17, 2009. He holds a BSc. (Part 1) from St. Joseph's College in Darjeeling, India, and a Bachelor in Business Administration from Knights Bridge University, United Kingdom.



### MEMBER

**Nim Dorji**  
*Member*  
*Joint Secretary, MoF*

Served as the Director for Department of Public Accounts, Ministry of Finance. He holds a Bachelor of Commerce with Honours from Shri Ram College of Commerce, Delhi University, India, and an MBA in Finance from the University of Canberra, Australia.



**Lhaba Tshering**  
*Member*  
*Dy. Chief Prog. Off., GNHC*

Served as senior Planning Officer for Sustainable Development Secretariat, GNHC. He holds a BA English with Honours from Sherubtse College, University of Delhi, and a Masters in Economics from Wakayama University, Japan. He received Hubert Humphrey Fellowship Programme from Boston University, USA. He also has a Certificate in Business Administration and Public Health from Boston University and a Certificate in Japanese Language from Mie University, Japan.





**Karma Yonten**  
*Member*  
**CEO, DHI**

Served as the CEO for Bhutan Electricity Authority. He holds a Bachelor in Electrical Engineering from the University of Kansas, USA, and an MBA from Hitotsubashi University, Japan.



**Karma Tshewang**  
*Member*  
**Chief Engineer, DHPS, MoEA**

Served as the Offg. Chief Engineer for the Transmission and Power Systems Division under the Department of Hydropower and Power Systems, Ministry of Economic Affairs. He holds a Bachelor in Electrical Engineering from the University of Roorkee, Uttarkhand, India, and a MSc in Energy Management from New York Institute of Technology, NYC, USA.



**Lhaden Pema**  
*Member*  
**CPO, PPD, MoWHS**

Served as the Project Manager, Bhutan Urban Development Project. She holds a Bachelor of Arts from Lady Keane's College, North Eastern Hill University, Shillong, India and an M. Dip. In Development Planning from the Centre for Development Studies and Activities, Pune, India.



**Dasho Chhewang Rinzin**  
*Member*  
**MD, DGPC**

Served as the Managing Director of Bhutan Power Corporation Limited. He was conferred the red scarf by His Majesty The King on December 17, 2009. He holds a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.

## MANAGEMENT TEAM



### **Dasho Chhewang Rinzin, *Managing Director***

Served as the Managing Director of Bhutan Power Corporation Limited. He was conferred the red scarf by His Majesty The King on December 17, 2009. He holds a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.



### **Dorji P. Phuntshok, *Director, Projects***

Served as the Chief Engineer with Chhukha and Tala Hydropower Plants, and also as the interim CEO for Dagachhu Hydro Power Corporation. He is Chairman for Dungsum Cement Corporation Limited and Bhutan Hydropower Services Limited. He holds a BSc in Electrical Engineering and an MSc in Electrical Engineering from the Drexel University, Philadelphia, USA.



### **Ugyen Namgyal, *Director, Finance & Investments***

Served as the General Manager, Finance & IT Division, BDFCL. He attended the Certified Practising Accountant Program from CPA Australia, Melbourne, Australia. He holds a Bachelor of Commerce (honours) from Sherubtse College, Bhutan, and a Bachelor of Business from the University of South Australia, Adelaide, South Australia.



### **Kencho Dorji, *Director, O&M***

Served as the Head for Tala Hydropower Plant before holding the current position. He holds a Bachelor in Electrical Engineering from the University of Wollongong, NSW, Australia, and an MSc in Electrical Engineering from the University of New Brunswick, Fredericton, Canada.



### **Kuenga Namgay, *Executive Director, Corporate Affairs***

Served as the CEO for Dagachhu Hydro Power Corporation and thereafter as the Executive Director for Empowered Joint Group, Department of Hydropower & Power Systems, Ministry of Economic Affairs, Thimphu. He holds a BSc in Mechanical Engineering from Aligarh Muslim University, Uttar Pradesh, India and an MSc in Mechanical Engineering from Toyohashi University of Technology, Aichi Prefecture, Japan.



**Dorji T. Phuntshok, Executive Director, HR & Administration**

Served as the Head for Human Resource Division, Chhukha Hydropower Corporation Limited, Chhukha. He holds a Bachelor of Arts from Sherubtse College, Bhutan, and an MBA with Major in Human Resource Management from the Asian Institute of Technology, Bangkok, Thailand.



**Kencho Gyeltshen, SE, Offtg. Head, Tala Hydropower Plant**

Served as the Head of Operation and Maintenance Wing, Tala Hydropower Plant, before holding the current position. He holds a Bachelor in Engineering (Electrical and Electronics) from PSG College of Technology, Coimbatore, India, and Masters in Electrical Engineering from University of New Brunswick, Fredericton, Canada.



**Yeshi Tenzin, SE, Head, Chhukha Hydropower Plant**

Served as the Head of Kurichhu Hydropower Plant, Mongar, before holding the current position. He holds a Bachelor in Mechanical Engineering from Delhi College of Engineering, Delhi University, India, and an MSc in Mechanical Engineering, with Alternative Fuel Research as the Concentration, from the University of Texas at El Paso, USA.



**Rinzin Dorji, SE, Head, Kurichhu Hydropower Plant**

Served as the Head of Chhukha Hydropower Plant before holding the current position. He holds a Bachelor in Electrical Engineering from the Punjab Engineering College, Chandigarh, India, and a Master of Electrical Engineering from the University of New Brunswick, Fredericton, Canada.



**Sujan Rai, SE, Head, Basochhu Hydropower Plant**

Served as the Head of Operation & Maintenance Division, Kurichhu Hydropower Plant. He holds a Bachelor in Electrical Engineering from the PSG College of Technology, Coimbatore, India, and a Master in Engineering, with specialisation in Power System, from AIT, Thailand.

# DRUK GREEN SYSTEMS

## Generating Plants:

### **BASOCHHU HYDROPOWER PLANT**

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

### **CHHUKHA HYDROPOWER PLANT**

Catchment area	: 3,108 km <sup>2</sup>
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 <sup>2</sup>
Net Head	: 32 m
Installed Capacity	: 60 MW
Number of Units	: 4x15 MW
Mean Annual Generation	: 400 GWh
Turbine Type	: Kaplan

### **TALA HYDROPOWER PLANT**

Catchment area	: 4,028 km <sup>2</sup>
Net Head	: 819 m
Installed Capacity	: 1,020 MW
Number of Units	: 6x170 MW
Mean Annual Generation	: 3,962 GWh
Turbine Type	: Pelton

## Subsidiary Companies:

### DAGACHHU HYDRO POWER CORPORATION LIMITED

Catchment area	: 676 km <sup>2</sup>
Net Head	: 282 m
Installed Capacity	: 126 MW
Number of Units	: 2
Mean Annual Generation	: 515 GWh
Turbine Type	: Pelton
Project Estimated Cost	: Nu. 12.26 billion
Project Schedule	: February 2015
Business Promoters	: Druk Green, Tata Power Company and National Pension and Provident Fund

### BHUTAN HYDROPOWER SERVICE LIMITED

Location	: Jigmeling, Gelephu, Sarpang
Land	: 20 Acres (0.08 km <sup>2</sup> )
Business Scope	: Reclamation of hydro turbine runners up to 5 m dia. and hydropower components, with hard coating facilities and repair of electric motor.
Project Estimated Cost	: Nu. 1,094 million
Project Schedule	: September 2014
Business Promoters	: Druk Green and Alstom

### TANGSIBJI HYDRO ENERGY LIMITED (DEVELOPER OF 118 MW NIKACHHU HYDROPOWER PROJECT)

Catchment area	: 373 km <sup>2</sup>
Net Head	: 516.4 m
Installed Capacity	: 118 MW
Number of Units	: 2
Mean Annual Generation	: 419.52 GWh
Turbine Type	: Pelton
Project Estimated Cost	: Nu. 11.96 billion
Project Schedule	: July 2015 – July 2019
Business Promoters	: Druk Green

### KHOLONGCHHU HYDROELECTRIC PROJECT

Catchment area	: 1,044 km <sup>2</sup>
Net Head	: 761.53 m
Installed Capacity	: 600 MW
Number of Units	: 4
Mean Annual Generation	: 2,568.88 GWh
Turbine Type	: Pelton
Project Estimated Cost	: Nu. 38.69 billion (June 2013 price level)
Project Schedule	: –
Business Promoters	: Druk Green, SJVNL

# DIRECTORS' REPORT FOR THE YEAR 2014

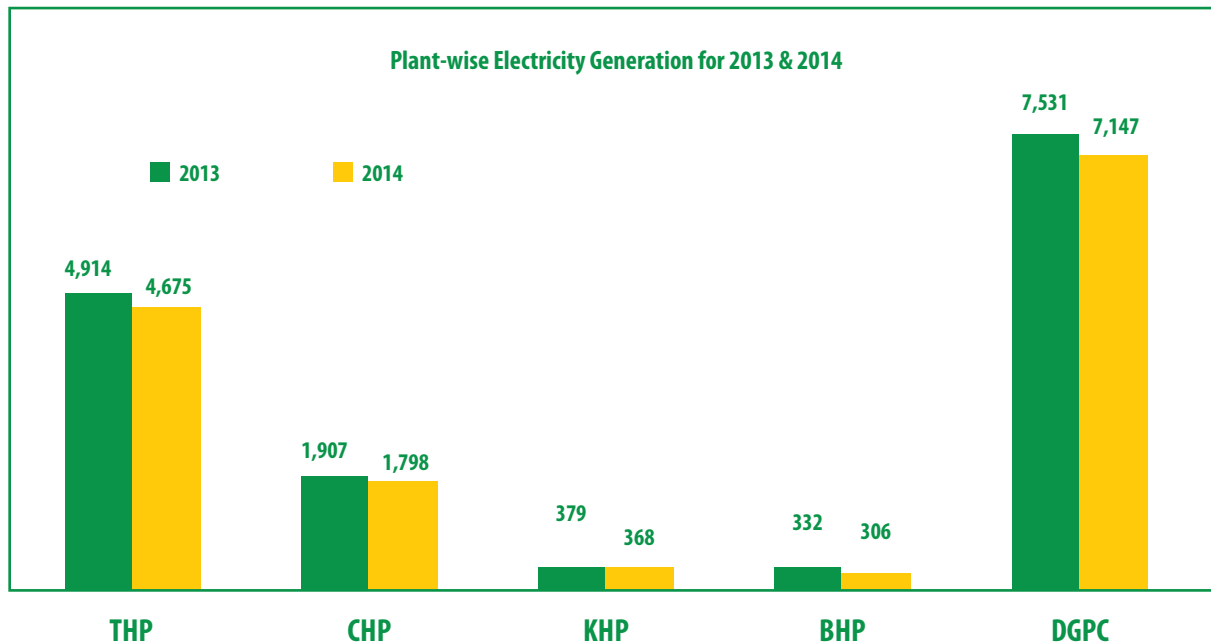
## Dear Shareholder,

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 January 1, 2014 to December 31, 2014.

### 1. OPERATIONAL HIGHLIGHTS

The four hydropower plants under Druk Green collectively generated 7,147.09 million unit (MU) of electricity in 2014, a decrease of 5.10% from the previous year's highest recorded aggregate generation of 7,531.45 MU in 2013 for Druk Green. This decrease in generation was on account of monsoonal patterns and the resulting lower hydrology, especially in the Wangchhu catchment area. There was a slight increase to the generation at the Tala Hydropower Plant with the additional discharge diverted from the Tsibjalumchhu to the Tala dam. The import of power from India continues to increase steadily over the years, especially in Bhutan's eastern grid after the commissioning of the Dungsam Cement Plant with energy import increasing from 108.19 MU in 2013 to 187.37 MU in 2014.

The plant-wise and for overall Druk Green generation during 2014 vis-à-vis 2013 is as below:



The energy supply of 2,064.30 MU during 2014 to Bhutan Power Corporation Limited (BPC) is an increase over the previous year's 1,901.72 MU, an increase of 8.55% in domestic consumption. The increasing domestic consumption of energy continues to adversely impact the revenue inflows to Druk Green due to the domestic and export tariff differentials. The higher domestic consumption and decrease in overall energy generation resulted in a decrease in gross energy export to India by 8.30% to 5,179.26 MU during the year from the export of 5,648.23 MU in 2013.

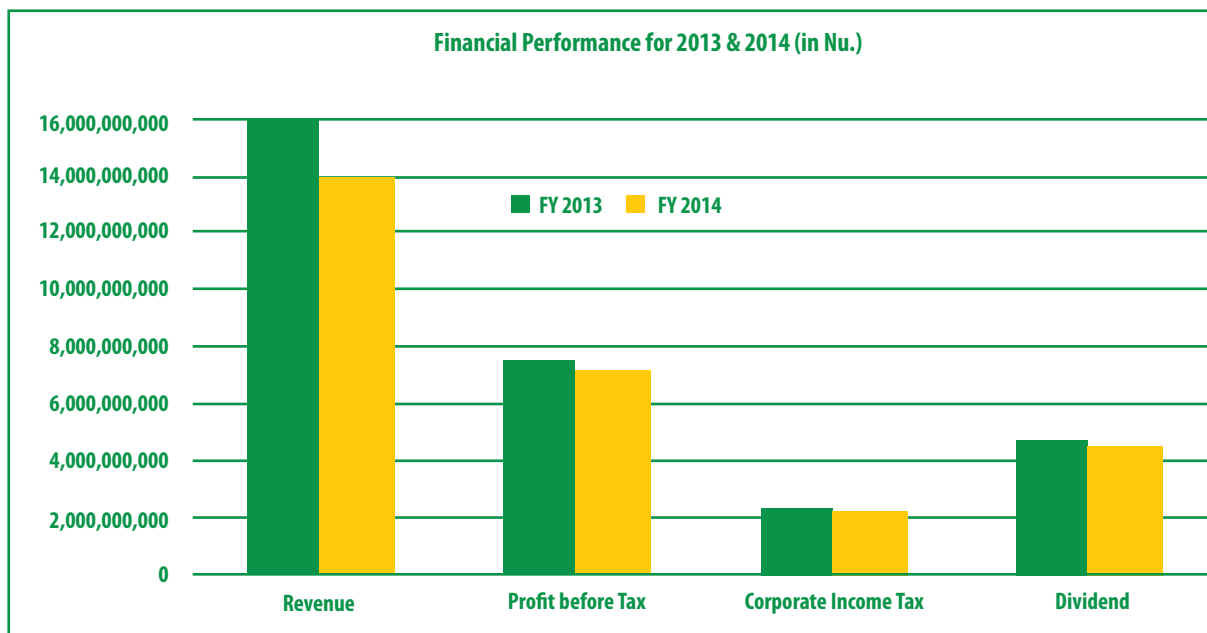
## 2. FINANCIAL HIGHLIGHTS

For the first time as required under the new Bhutanese Accounting Standards, royalty energy has been accounted as revenue at non-royalty domestic generation tariff, which worked out to Nu. 1,472.28 million for 2014. There was an overall decrease of 3.57% in revenues from Nu. 14,420.61 million in 2013 (restated considering royalty energy) to Nu. 13,905.77 million in 2014 mainly on account of decrease in generation and increase in domestic consumption. The decrease in interest earned on investments due to excess liquidity in the Bhutanese market has also contributed to the lower revenues as compared to 2013.

The expenditures also decreased by 3.13% from Nu. 6,902.90 million in 2013 to Nu. 6,686.26 million in 2014 mainly due to lower expenses incurred towards operation and maintenance and the provisions kept for foreign exchange losses considering the 2013 trends were on the higher side. Overall, the Profit After Tax (PAT) decreased by 2.53% from Nu. 5,200.18 million in 2013 to Nu. 5,068.71 million in 2014.

The key financial figures on the performance of the Company for 2014 vis-à-vis previous year are presented below:

PARTICULARS	FY 2013	FY 2014	VARIANCE (%)
Revenue (Nu.)	14,420,617,579.34	13,905,771,941.99	-3.57
Profit before Tax (Nu.)	7,526,464,517.20	7,219,507,378.11	-4.08
Corporate Income Tax (Nu.)	2,348,266,279.33	2,188,780,827.77	-5.54
Dividend (Nu.)	4,760,297,742.66	4,593,273,664.26	-3.51



The financial position of the Company continues to be strong with the Shareholder's funds of Nu. 39,335.18 million and long-term loans of Nu. 10,215.30 million: debt constituting 26% of equity. The funds are almost entirely invested in income generating assets. The fund applications consist of Nu. 46,570.03 million in fixed assets including capital works in progress and intangible assets, Nu. 3,991.16 million in long-term investments, Nu. 37.05 million in deferred assets, and the Nu. 8,632.82 million in the form of current assets.

## **2.1 Dividend**

It has been the norm for Druk Green to declare 90% of PAT as dividend and set aside 10% of PAT to Reserves. Considering some minor adjustments from earlier years, the Board has approved a dividend of Nu. 4,593.27 million for 2014, representing 90.62% of PAT. After providing for the dividend, the Board approved for the transfer of Nu.475.44 million to Reserves.

In view of the huge investments planned for accelerating hydropower development and also for financing the renovation, replacement and automation of aging plants such as Chhukha, it might be pertinent for the Shareholder to discuss with the Government on the future dividends expected from the Company.

## **3. PROJECTS**

The implementation of the 126 MW Dagachhu Hydroelectric Project marked a major stride for Druk Green in testing the provisions of Bhutan's Sustainable Hydropower Policy 2008 for public-private partnership in hydropower development. Based on the success of the Dagachhu project, Druk Green has also initiated the construction of the 118 MW Nikachhu project during 2014. Druk Green is also the nominee on behalf of the Royal Government of Bhutan (RGOB) in developing hydropower projects in the public-public mode in joint venture with the Public Sector Undertakings (PSUs) of the Government of India (GOI).

### **3.1 Druk Green Public-Private Partnered Hydropower Projects**

#### **3.1.1 126MW Dagachhu Hydroelectric Project**

Druk Green has a 59% majority shareholding in the 126 MW Dagachhu Hydroelectric Project with Tata Power Company holding 26% and NPPF 15%. ADB, RZB of Austria and NPPF provided the debt financing. This is the first cross border CDM project with a Bhutanese management team implementing the project with the packages being implemented on EPC basis – Hindustan Construction Company for the civil works and an Austrian Consortium of Alstom and Andritz for the electro-mechanical works. Despite geological surprises and difficult site conditions, the project was readied for commissioning by the end of the third quarter of 2014. However, the commissioning of the project had to be rescheduled to early 2015 with the failure of the gravel trap section of the HRT during testing in October 2014.

With the cost to completion estimated at Nu. 12,226.74 million from the 2008 estimate of Nu. 8,160.75 million, the Power Purchase Agreement between the Dagachhu project and Tata Power Trading Company was amended in September 2014 with the export tariff renegotiated to a tariff starting Nu/INR 2.90 per unit with upside sharing of benefits on higher tariffs that might be realized from the Indian energy market as against the earlier starting tariff of Nu/INR 2.40 per unit. The Central Electricity Regulatory Commission of India also approved the trading of the Dagachhu power on the Indian Energy Exchange in September 2014.

#### **3.1.2 118 MW Nikachhu Hydropower Project**

On the approval of the Government, the Tangsibji Hydro Energy Limited (THyE), a 100% subsidiary of Druk Green, was incorporated for the implementation of the 118 MW Nikachhu project in April 2014. The estimated project of Nu. 11,964.59 million is to be funded in the debt equity ratio of 65:35. ADB and a consortium of SBI and EXIM of India will provide the debt financing. A Power Purchase Agreement was



concluded during 2014 with PTC India. Druk Green will ultimately hold 51% of the shares in the Company with plans to take on a JV partner with a 26% stake and another 23% of the stake to be offered to the Bhutanese public through an IPO.

With all statutory clearances in place, THyE awarded the infrastructure work packages for the construction of roads, bridges, construction power supply and temporary camps for the contractors. THyE also placed orders for the initial minimum construction equipment to be made available to the successful civil works contractor. THyE is further in the process of selecting the Owner's Engineers for the project. The bid documents for the two main EPC contracts: MP-1: Civil and H&M Works and MP-2: E&M Works were issued in December 2014 with plans to award the major packages by the middle of 2015 in keeping with the overall schedule to commission the project by 2019.

### **3.2 Druk Green–GOI PSUs Joint Venture Hydropower Projects: 600 MW Kholongchhu Hydroelectric Project**

The RGOB nominated Druk Green to develop four hydropower projects in joint venture (JV) with GOI PSUs under the "10,000 MW by 2020" bilateral co-operation between the RGOB and the GOI as below:

- i. 600 MW Kholongchhu HEP with SJVN;
- ii. 180 MW Bunakha Reservoir Scheme with THDC;
- iii. 570 MW Wangchhu HEP with SJVN; and
- iv. 770 MW Chamkharchhu-I HPP with NHPC.

The two governments signed the Inter-government Agreement for development of the four JV hydropower projects in April 2014. The JV projects are to be financed through a debt equity ratio of 70:30 with a 50:50 equal shareholding for Druk Green and the GOI PSUs in the projects. The GOI will provide the RGOB/Druk Green equity in these projects in the form of grants.



*Shri Narendra Modi, the Prime Minister of India unveiling the Foundation Stone for 600 MW Kholongchhu Hydroelectric Project*



*Signing of Inter-Governmental Agreement for the Four JV Projects between Bhutan and India (right)*

His Excellency the Prime Minister of India, Shri Narendra Modi, during his State visit to Bhutan, unveiled the Foundation Stone for the 600 MW Kholongchhu Hydroelectric Project on June 16, 2014. The Shareholders Agreement between Druk Green and SJVN was concluded in September 2014. The JV partners are in the process of finalizing the Articles of Incorporation for registering the JV Company in Bhutan. The Shareholder for the future JV Projects may need to be

changed if the Government's taxation policy is not made more conducive for investment.

The other JV projects - Bunakha, Wangchhu and Chamkharchhu - are in various stages of clearances of the two Governments, the Board will have to reconsider the arrangement before signing the Shareholders' Agreement though DGPC will take the lead role and represent the Shareholder.

### 3.3 Projects under Investigations and DPR

#### 3.3.1 130 MW Gamri Hydropower Projects(I&II)

The Department of Hydropower & Power Systems (DHPS) had entrusted Druk Green to carry out the Pre-Feasibility Study (PFS) of Gamri I & II hydroelectric projects. The PFS for the Gamri I & II projects was finalized by July 2014 and Druk Green recommended to DHPS for taking forward the Gamri II project to the DPR stage.

#### 3.3.2 442 MW Nyera Amari Hydropower Projects (I & II)

The Government had accorded approval for conducting the Pre-Feasibility Study (PFS) of the Nyera Amari I & II hydroelectric projects in April 2012, and the work was entrusted to Druk Green. Druk Green finalized the PFS of the integrated Nyera Amari I & II hydroelectric project with an installed capacity of 442 MW in the first part of 2014. The report was submitted to DHPS with the recommendation to take the integrated scheme for the Nyera Amari I & II forward to the DPR stage.

The Board has decided that your Company will not commit its resources to DPRs unless external free funding is available.

### 3.4 Generation Capacity Augmentation: Tsjbjalumchhu Diversion Scheme (TDS)

Druk Green conducted the feasibility study to divert the Tsjbjalumchhu to the Tala reservoir using its internal capacity. The scheme will augment the annual generation of the 1,020 MW Tala plant by 93 MU during the lean discharge months in the Wangchhu. The project, estimated at Nu. 256.66 million, was commissioned at the end of June 2014. The Tala plant attributed an additional generation of 23.69 MU to the scheme during 2014.

### 3.5 Bhutan Hydropower Services Limited

The construction of the Bhutan Hydropower Services complex, a Joint Venture between Druk Green (51%) and ALSTOM (49%), was put into commercial operation in October 2014. The state-of-art Hydropower Service Centre in Jigmeling was completed at a cost of Nu. 1,137.44 million. BHSL presently employs 76 Bhutanese employees and two Indian expatriates on contract, and has established a Knowledge Transfer Centre to expedite capacity building of its human resources. BHSL has started to receive workload components such as runners from Druk Green's power plants. Besides providing services to the power plants in Bhutan, BHSL is also designed to compete for services in the neighbouring states of India, which would bring in revenues in Indian Rupees.



BHSL in business since October 2014

## 4. OTHER HIGHLIGHTS

### 4.1 Chhukha Export Tariff Revised

In February 2014, the export tariff for Chhukha power was increased by 25 chetrum/paise from Nu/INR 2.00 to Nu/INR 2.25 per unit and with retrospective effect from January 2013. With the increase in tariff, Chhukha will generate about Nu. 400 million in additional revenues annually depending on actual generation and domestic consumption.

### 4.2 Fleet Management System Restructuring

To enable Druk Green to focus on its core mandates of effective and efficient management of the hydropower resources, acceleration of hydropower development, and building its capacity in hydropower development and management, the Company has started a strategy to outsource some of its non-core shared services. During 2014, Druk Green restructured and centralized its fleet management system. The initial impacts on management time and costs are being analyzed.

### 4.3 ISO Certification

Druk Green initiated ISO certification for Integrated Management System: ISO 9001:2008 for Quality Management System, ISO 14001:2004 for Environment Management System and OHSAS 18001:2007 for Occupational Health and Safety Management System in 2014 with the award of the certification process to the Bureau Veritas Certification from India. The ISO certification is expected to add value to Druk Green by further improving its business processes, which will allow Druk Green to be competitive in the regional and international markets for its services.

As part of the overall certification processes, Druk Green has also initiated the international credit rating for the Company.

### 4.4 Amendment of Power Purchase Agreement of KHP

The Power Purchase Agreement with PTC India for the Kurichhu Hydropower Plant was amended in April 2014 to incorporate the additional 132 kV delivery point from Motonga to Rangia. With the additional delivery point in place, the reliability of power export line for the Kurichhu plant and the supply of power to the eastern Dzongkhags have been greatly enhanced.

## 5. ENVIRONMENT: “BEING GREEN INITIATIVE”

The long term sustainability for electricity generation from hydropower resources will depend on how well the catchment areas of the rivers that feed these generating stations are preserved and maintained. Noting the increasing sediment trash loads in the rivers due to upstream development activities and human interventions in the catchment area, Druk Green has, since 2013, initiated the “Being Green Initiative” to advocate protection of river catchments and prevention of waste disposal in the rivers. As part of this initiative, Druk Green also started the “Race against Waste” program, which is intended to inculcate good habits of proper waste management in the young citizens of Bhutan.

Through the program, students from schools around Thimphu collected over 43 MT of wastes in 2014. Druk Green works with Greener Ways on this with Druk Green providing the funds for the prizes and Greener Way purchasing the wastes for recycling.



*Dasho Sangay Khandu, Chairman of DHI and Druk Green, awarding the 'Race Against Waste' prizes*



*His Majesty The King awarded the Druk Khorlo to Dashi Chhewang Rinzin during the 107th National Day celebrations*

## 6. HUMAN CAPITAL AND CAPACITY BUILDING

The success of Druk Green thus far can be largely attributed to the quality of its human resources and how the employees are inspired and driven to act in the interest of the Company. Druk Green continues to place utmost importance in the recruitment of talents at various levels and also in steadfastly building the human resources capacity within Druk Green and amongst Bhutanese.

DGPC today has a total of 1,782 employees including 98 officials on deputation to ongoing hydropower projects under construction.

### 6.1 Training on Conventional Tunnelling

Druk Green became a member of the International Tunnelling and Underground Space Association (ITA) in July 2013 and organised a two-day training programme on “Conventional Tunnelling” in September 2014 in Thimphu. Druk Green avails similar trainings and expertise through the National Institute of Rock Mechanics (NIRM) and the Central Board of Irrigation and Power (CBIP) in India.

## 7. AWARDS AND RECOGNITION

### 7.1 Druk Khorlo

His Majesty the King awarded Dasho Chhewang Rinzin, Managing Director of Druk Green, the prestigious *Druk Khorlo* medal during the 107th National Day celebrations in Kanglung on December 17, 2014. Dasho received the Order for his contributions and dedicated services to the nation and towards the development of the power sector in the country.

In his address to the nation on its 107th National Day, His Majesty the King reiterated that **“hydropower is considered our nation’s most precious resource that belongs to all the people.”** Druk Green is a custodian of this strategic resource.

## 8. CORPORATE GOVERNANCE

The Board of Druk Green met eleven times during the year and the quorums at each of these meetings were duly met. The Annual General Meeting was held in May 2014. An Extraordinary General Meeting was held in July 2014 for the confirmation of the appointment of new Board members. An Emergency Board Meeting was convened in September 2014 to consider the draft Joint Venture-cum-Shareholders Agreement for the 600 MW Kholongchhu Hydroelectric Project. The Board Audit Committee actively met and other Board Committees such as the HR Committee and Tender Committee also convened as and when required. The Board and the management continue to reinforce the Corporate Governance systems within Druk Green to sustain the huge investments and growth in the hydropower sector and in so doing the Board, the Board Committees and the management are setting the trends for the Bhutanese corporate sector.

Druk Green does not have any major audit issues pending with the Royal Audit Authority and there were no audit qualifications in the Audited Accounts for 2014 owing to the levels of accountability and transparency that are in place with the Company. The Statutory Auditors audited the achievements vis-à-vis the Performance Based Variable Allowance (PBVA) and Performance Linked Incentive Scheme (PLIS) targets for the year, and the Board Audit Committee duly reviewed these achievements.

### 8.1 Board of Directors

In July 2014, five of the Board Directors (Dasho Karma Tshiteem, Dasho Yeshe Wangdi, Dasho Bharat Tamang, Choiten Wangchuk and Sonam Lhundrup) resigned from the Board. The Board placed on record its appreciation for the valuable services and guidance provided by the outgoing Directors to the Company during their tenure as Druk

Green Board Directors. Dasho Chhewang Rinzin and Lhaden Pema were reappointed on the Board of Druk Green.

Dasho Sangay Khandu, Chairman, DHI (and Chairman of the Druk Green Board), Nim Dorji, Lhaba Tshering, Karma Tshewang and Karma Yonten were appointed as new Directors of the Company from July 2014 onwards.

## 9. DRUK GREEN PERFORMANCE FOR 2014

The 2014 performance of Druk Green has been commendable. The overall average 99.31% Power Plant Availability (PPA) of the plants, an indicator of how well the generating units and allied components have been maintained irrespective of the level of river inflows, is the highest that has been achieved and comparable to or better than most international power utilities. The overall average Water Utilization Factor for all the plants, a measure of how efficiently the available river inflows are utilized, for 2014 was a perfect 100%.

### 9.1 Performance-Linked Incentive Scheme (PLIS)

Druk Green's overall average performance in terms of the PLIS 2014 targets was evaluated at 92.84%, which is the highest since the institution of the Performance Linked Incentive Scheme in 2009.

### 9.2 Performance-Based Variable Allowance (PBVA): DHI Compact

The PBVA is implemented through an Annual Compact signed with DHI. The Compact comprises of 60% financial and 40% non-financial targets. The performances vis-à-vis the Compact determines the payout of the PBVA comprising 10% of annual basic pay for the regular employees of Druk Green and to those contract employees whose contract agreements provide for such allowances.

In 2014, Druk Green has achieved 96.28% of its Compact targets and therefore the full 10% PBVA is payable to its employees.

## 10. STATUTORY AUDIT REPORT OF THE COMPANY

M/s Bansal & Co of Delhi was appointed as the Statutory Auditors for the year 2014 by the Royal Audit Authority. The firm audited the 2014 accounts of all the profit centres of Druk Green with effect from February 4 to March 17, 2015. An Audit Exit Meeting between Druk Green, the Statutory Auditors and representative from the Royal Audit Authority was held on March 17, 2015.

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 Bhutanese Accounting Standards and 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, the only comment/recommendation made by the auditors was as under:

- a) The Management of the Company to establish proper and comprehensive compliance assurance systems for all such other applicable acts.

The Board and management would like to assure the Shareholder that the above comment/recommendation will be addressed in phased manner.

## 11. CORPORATE SOCIAL RESPONSIBILITY

Druk Green has supported its Corporate Social Responsibilities (CSR), and helped and financed many activities towards preservation of culture and heritage, health, education, youth and environment. During 2014, Druk Green continued to support the renovation of religious monuments, to provide support to schools and institutions, to

address environmental causes, and to support the causes of the socially disadvantaged sections of society and other such cases. The employees of Druk Green also continue to generously contribute towards funding many of the CSR activities.

## 12. KEY CHALLENGES

Druk Green was set up with the huge mandates to implement the overall objectives of the Government in the hydropower sector. In trying to fulfil these mandates, Druk Green is continuously faced with huge challenges that need to be properly assessed and addressed. A debate is brewing amongst the Bhutanese and onlookers to the unfolding uncertainties in the way forward for this very important sector. While the missions and mandates are in place for the accelerated growth in generation capacity, the pace of building the additional capacity and the likely impacts on the environment and the society at large has come under some criticism. The dependence on the Government of India and financial institutions for sourcing the huge funds required to achieve even part of the overall 10,000 MW by 2020 targets has raised concerns on the debt burden that might get passed onto our next generations. This has further been complicated by suggestions that the huge investments in the hydropower sector actually triggered the INR shortage problems for Bhutan.

There are also the operational complexities associated with the teething problems with some of the plants and the need to consider the renovation and modernization of Chhukha power plant, all of which pose multiple challenges. Over the years, domestic demand for energy has been growing steadily, with negative impact on the export revenues for the Company. The ever increasing domestic demand is pushing up the quantum of energy import from India during the lean months and the situation could aggravate. A policy for domestic generation tariff is being prepared at the moment, which must ensure the recovery of the cost of generation and certain minimum return on assets. All these could impact the dividend flows to the Shareholder and ultimately the Government.

With Bhutan aspiring to be self-reliant in the near future, investments need to be continued to be made into the development of new projects which have high returns.

## ACKNOWLEDGEMENTS

The Druk Green Board owes its sincere gratitude to the Royal Government of Bhutan, Druk Holding & Investments Board, Ministry of Economic Affairs, Ministry of Finance, Bhutan Electricity Authority, National Environment Commission and other stakeholders in Bhutan; to the Government of India and its agencies that supported our initiatives.

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 towards the excellent performance for the year. The Board would further 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 endeavours in achieving the multi-faceted mandates of Druk Green.

*Tashi Delek!*

For and on behalf of the Board

**(Dasho Sangay Khandu)**  
Chairman

# CORPORATE GOVERNANCE REPORT

The Corporate Governance Code issued by the Shareholder, Druk Holding and Investments Limited (DHI), comprises of rules, practices and processes that enables the Company to be managed in an accountable, fair, and transparent manner. While the profitability of the Company is important, it is equally imperative for the Company to demonstrate ethical behaviour and practice sound corporate governance in meeting the expectations of the many stakeholders.

Druk Green has been complying with the Corporate Governance Code as under:

## 1. DRUK GREEN AND ITS SUBSIDIARIES

	Shareholding	Board of Directors	Company's Net Worth
Druk Green Power Corporation Limited	DHI – 100%	<ol style="list-style-type: none"> <li>1. Dasho Sangay Khandu, Chairman, DHI, Chairman <sup>[2] [4]</sup></li> <li>2. Nim Dorji, Joint Secretary, MoF <sup>[2] [4]</sup></li> <li>3. Lhaba Tshering, Dy. CPO, GNHC <sup>[2] [4]</sup></li> <li>4. Karma Yonten, CEO, DHI <sup>[2] [4]</sup></li> <li>5. Karma Tshewang, Chief Engineer, DHPS, MoEA <sup>[2] [4]</sup></li> <li>6. Lhaden Pema, CPO, PPD, MoWHS <sup>[2] [4]</sup></li> <li>7. Dasho Chhewang Rinzin, MD, Druk Green <sup>[2] [3]</sup></li> </ol>	Nu. 59.231 billion
<b>Subsidiaries</b>			
Dagachhu Hydro Power Corporation Limited (DHPC)	Druk Green – 59% Tata Power Company – 26% National Pension and Provident Fund – 15%	<ol style="list-style-type: none"> <li>1. Dasho Chhewang Rinzin, MD, Druk Green, Chairman <sup>[2] [4]</sup></li> <li>2. Dasho Penjore, CEO, NPPF <sup>[2] [4]</sup></li> <li>3. Tenzin Thinley, Dagana Dzongda <sup>[2] [4]</sup></li> <li>4. Dorji P. Phuntshok, Director, Druk Green <sup>[2] [4]</sup></li> <li>5. Tshering Dorji, CPO, DPA, MoF <sup>[2] [4]</sup></li> <li>6. Asim Thakurta, Tata Power <sup>[2] [3]</sup></li> <li>7. Rahul C. Shah, Tata Power <sup>[2] [3]</sup></li> <li>8. Thinley Dorji, CEO, DHPC <sup>[2] [3]</sup></li> </ol>	Nu. 12.516 billion



<p>Bhutan Hydropower Services Limited (BHSL)</p>	<p>Druk Green – 51 % Alstom – 49 %</p>	<ol style="list-style-type: none"> <li>1. Dorji P. Phuntshok, Director (Projects), Druk Green, Chairman <sup>[2] [4]</sup></li> <li>2. Ugyen Namgyal, Director (Finance), Druk Green <sup>[2] [4]</sup></li> <li>3. Dawala, Sarpang Dzongda <sup>[2] [4]</sup></li> <li>4. Rathindra Basu, Country President, Alstom-India <sup>[2] [4]</sup></li> <li>5. M.L. Gupta, Finance Director, Alstom-India <sup>[2] [4]</sup></li> <li>6. Marc Fleuret, Industrial Director, Alstom-India <sup>[2] [4]</sup></li> <li>7. Tenzin, CEO, BHSL (Secretary to Board) <sup>[2] [3]</sup></li> </ol>	<p>Nu. 1.218 billion</p>
<p>Tangsibji Hydro Energy Limited (THyE)</p>	<p>Druk Green – 100% DGPC – 51% JV Partner – 26% IPO – 23%</p>	<ol style="list-style-type: none"> <li>1. Dasho Yeshe Wangdi, DG, DHPS, Chairman <sup>[2] [4]</sup></li> <li>2. Dasho Chhewang Rinzin, MD, Druk Green (Special Invitee) <sup>[2] [4]</sup></li> <li>3. Tshewang Rinzin, Trongsa Dzongda <sup>[1] [4]</sup></li> <li>4. Ugyen Namgyal, Director (Finance), Druk Green <sup>[2] [4]</sup></li> <li>5. Kinzang Tobgay, Director (Finance), DHI <sup>[1] [4]</sup></li> <li>6. Sonam Wangdi, CAO, DPA, MoF <sup>[1] [4]</sup></li> <li>7. Dorji P. Phuntshok, Director (Projects), Druk Green, MD, THyE <sup>[2] [3]</sup></li> </ol>	<p>–</p>

1. Independent Director
2. Non-independent Director

3. Executive Director
4. Non-executive Director

## 2. BOARD COMPOSITION

Five of the Board Directors ceased to be part of Druk Green Board with effect from July 21, 2014. Dasho Karma Tshiteem resigned as the Chairman of Druk Green Board on assuming the post of Chairperson of the Royal Civil Service Commission. Dasho Yeshe Wangdi, Dasho Bharat Tamang, Choiten Wangchuk and Sonam Lhundrup resigned from the Board on completion of their tenures. The Company benefited greatly from their valuable guidance and direction to the Company in its initial stages of being established. Dasho Chhewang Rinzin and Lhaden Pema were reappointed on the Board of Druk Green.

At the Extraordinary General Meeting convened on July 29, 2014, Dasho Sangay Khandu, DHI Chairman, was appointed as the Chairman to Druk Green Board, and Nim Dorji, Lhaba Tshering, Karma Tshewang and Karma Yonten were appointed as the new Directors on the Board of the Company. The Directors on the Board normally serve tenures of three years.

The Board of Druk Green met eleven times during the year and the quorums for each of these meetings were duly met. The Annual General Meeting was held on May 8, 2014. An Emergency Board Meeting was convened on September 30, 2014, to consider the draft Joint Venture cum Shareholders Agreement for the 600 MW Kholongchhu Hydroelectric Project.

The Board and the management continue to work towards streamlining the operations of the Company. During the year, the Board Audit Committee actively discharged its mandates and all other principle. Board Committees such as the HR Committee and Tender Committee also met as and when required.

The composition of Board members and their representations on other Boards are as presented below:

Name of Director	Profile	Board Meetings		Other Directorship	
		Held	Attended	DHI Companies	Other agencies
<b>JANUARY – JULY 2014</b>					
Karma Tshiteem <sup>[2] [4]</sup>	Secretary, GNHC		4	-	NPPF, RENEW, KF, TEB
Dasho Bharat Tamang <sup>[2] [4]</sup>	Managing Director, BPC		3	BPC	-
Dasho Yeshi Wangdi <sup>[2] [4]</sup>	Director General, DHPS, MoEA		3	BPC	-
Choiten Wangchuk <sup>[2] [4]</sup>	Director General, DPA, MoF	4	4		NPPF, BICMA, APIC, BTFEFC
Sonam Lhundrup <sup>[2] [4]</sup>	General Counsel, DHI		3	-	-
Lhaden Pema <sup>[2] [4]</sup>	Chief Planning Officer, PPD, MoWHS		4	-	-
Dasho Chhewang Rinzin <sup>[2] [3]</sup>	Managing Director, Druk Green		3	BPC, DHI Infra	NPPF, DHPC
<b>AUGUST – DECEMBER</b>					
Dasho Sangay Khandu <sup>[2] [4]</sup>	Chairman, DHI		7	DHI, DCL, DCCL	-
Nim Dorji <sup>[2] [4]</sup>	Joint Secretary, MoF		6	-	AWP, CSO, BDBL, BPC, NHDCL
Lhaba Tshering <sup>[2] [4]</sup>	Dy. Chief Programme Officer, PPD, GNHC		5	-	-
Karma Tshewang <sup>[2] [4]</sup>	Chief Engineer, DHPS, MoEA	7	7	-	-
Karma Yonten <sup>[2] [4]</sup>	Chief Executive Officer, DHI		7	DHI	BEA, KIPL
Lhaden Pema <sup>[2] [4]</sup>	Chief Planning Officer, PPD, MoWHS		7	-	-
Dasho Chhewang Rinzin <sup>[2] [3]</sup>	Managing Director, Druk Green		7	BPC, DHI Infra	NPPF, DHPC

<b>Index:</b> 1. Independent Director 2. Non-independent Director 3. Executive Director 4. Non-executive Director	<b>Abbrev:</b> APIC – Agency for Promotion of Indigenous Crafts AWP – Army Welfare Project BDBL – Bhutan Development Bank Limited BEA – Bhutan Electricity Authority BICMA – Bhutan Infocomm and Media Authority BPCL – Bhutan Postal Corporation Limited BPC – Bhutan Power Corporation Limited BTL – Bhutan Telecom Limited BTFEFC – Bhutan Trust Fund for Environmental Conservation CSO – Civil Society Organisation CDCL – Construction Development Corporation Limited DHPC – Dagachhu Hydro Power Corporation Limited DCCL – Dungsung Cement Corporation Limited	DCCL – Dungsung Cement Corporation Limited DCL – Drukair Corporation Limited DHI – Druk Holding and Investments GNHC – Gross National Happiness Commission KF – Kidu Foundation KIPL – Koufuku International Pvt. Ltd MoEA – Ministry of Economic Affairs MoF – Ministry of Finance MoWHS – Ministry of Works and Human Settlement NHDCL – National Housing Development Corporation Limited NPPF – National Pension and Provident Fund RENEW – Respect, Educate, Nurture and Empower Women TEB – Tertiary Education Board
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The meetings held during 2014 are as below:

Board Meeting	<ol style="list-style-type: none"> <li>1. February 17, 2014</li> <li>2. March 31, 2014</li> <li>3. May 08, 2014</li> <li>4. May 15, 2014</li> <li>5. July 29, 2014</li> <li>6. August 12, 2014</li> <li>7. September 02, 2014</li> <li>8. September 30, 2014</li> <li>9. November 05, 2014</li> <li>10. November 25, 2014</li> <li>11. December 25, 2014</li> </ol>
Board Level Tender Committee Meetings	<ol style="list-style-type: none"> <li>1. January 30, 2014</li> <li>2. March 7, 2014</li> </ol>
Board Human Resource Committee Meeting	<ol style="list-style-type: none"> <li>1. September 4, 2014</li> <li>2. September 30, 2014</li> <li>3. December 19, 2014</li> </ol>
Board Audit Committee Meeting	<ol style="list-style-type: none"> <li>1. March 7, 2014</li> <li>2. March 14, 2014</li> <li>3. November 28, 2014</li> </ol>

### 3. RISK MANAGEMENT

Druk Green continues to identify risks that the Company might be exposed to and to implement the mitigating plans in keeping with the Risk Management Manual that came into effect from January 01, 2012. The first Risk Register was developed in 2013. The Board approved the Risk Register for 2014. The Risk Register is an evolving document that is being reviewed and updated on an annual basis.

### 4. COMPLIANCE CHECKLIST

Druk Green has complied with relevant provisions as mentioned in the CG Code and as required by the Companies Act of the Kingdom of Bhutan, 2000.

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

# ENERGY REPORT

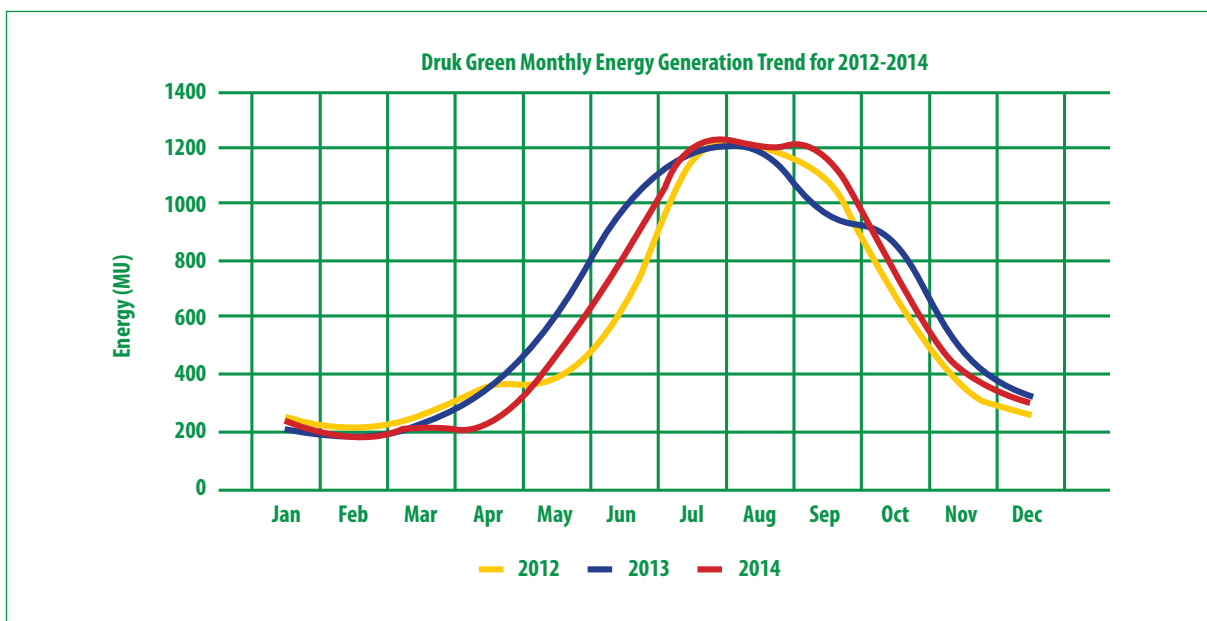
## Exhibit 1: Plant-wise Monthly Energy Generation (MU) for 2012-14

Month	Basochhu Hydropower Plant (BHP)			Chhukha Hydropower Plant (CHP)		
	2012	2013	2014	2012	2013	2014
Jan	14.851	12.840	14.890	73.107	49.561	70.602
Feb	12.202	10.202	11.572	61.112	50.556	46.802
Mar	12.330	10.841	11.740	70.680	63.353	58.816
Apr	13.179	12.264	9.633	106.304	99.851	66.464
May	10.317	18.806	12.662	112.966	163.191	124.947
Jun	22.963	37.787	24.621	172.130	247.207	207.410
Jul	46.780	48.592	45.137	262.670	246.557	271.659
Aug	47.216	49.487	48.802	272.117	266.501	269.768
Sep	47.262	46.613	48.013	262.610	247.434	261.629
Oct	35.435	40.305	38.830	186.688	241.178	215.189
Nov	21.112	25.143	23.087	96.656	138.027	117.134
Dec	16.136	18.892	17.362	68.291	94.028	87.408
<b>Total</b>	<b>299.783</b>	<b>331.772</b>	<b>306.348</b>	<b>1745.331</b>	<b>1907.444</b>	<b>1797.828</b>

Month	Kurichhu Hydropower Plant (KHP)			Tala Hydropower Plant (THP)		
	2012	2013	2014	2012	2013	2014
Jan	14.775	13.317	14.601	148.371	128.336	143.580
Feb	13.462	10.900	12.008	122.870	111.468	108.529
Mar	18.275	15.293	15.648	139.471	135.361	125.162
Apr	25.541	22.131	21.496	216.375	212.541	135.050
May	36.270	40.033	37.010	226.058	366.663	284.255
Jun	45.061	45.012	42.933	401.476	653.665	510.151
Jul	46.006	48.142	48.240	793.850	833.129	822.511
Aug	46.856	48.423	48.674	829.102	826.034	833.595
Sep	36.357	46.100	47.240	734.728	623.285	805.716
Oct	39.537	43.757	38.782	412.775	547.710	475.131
Nov	22.008	26.762	23.721	217.907	285.006	247.561
Dec	16.780	18.733	17.675	162.242	190.428	183.651
<b>Total</b>	<b>360.928</b>	<b>378.603</b>	<b>368.028</b>	<b>4405.225</b>	<b>4913.626</b>	<b>4674.891</b>

### Exhibit 2: Druk Green Monthly and Annual Energy Generation (MU) for 2012-14

Month	Druk Green		
	2012	2013	2014
Jan	251.104	204.054	243.672
Feb	209.646	183.126	178.910
Mar	240.756	224.848	211.366
Apr	361.399	346.787	232.643
May	385.611	588.693	458.874
Jun	641.630	983.671	785.115
Jul	1149.306	1176.420	1187.547
Aug	1195.291	1190.445	1200.840
Sep	1080.957	963.432	1162.598
Oct	674.435	872.950	767.932
Nov	357.683	474.938	411.502
Dec	263.449	322.081	306.096
<b>Total</b>	<b>6811.267</b>	<b>7531.445</b>	<b>7147.096</b>



### Exhibit 3: Druk Green Monthly Plant-wise Energy Export (Net), Import and Domestic Supply for 2012-14

#### 2012

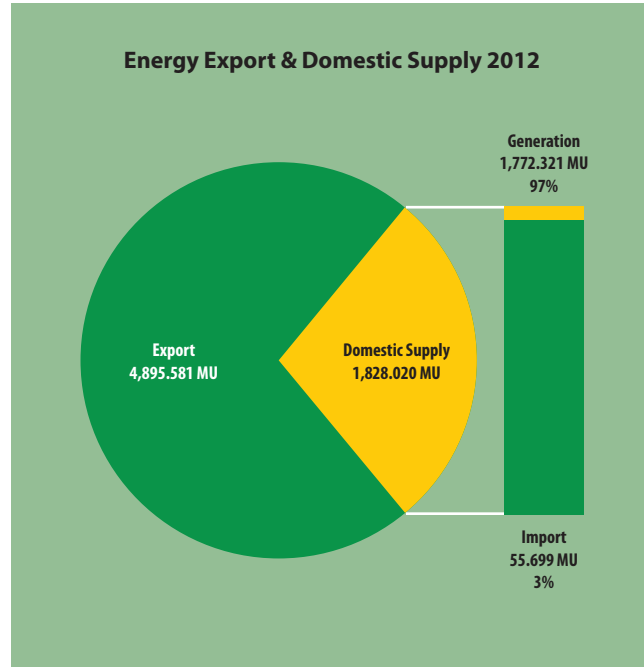
Month	Export				Import			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
Jan	45.975	0.000	40.130	86.106	0.336	2.586	5.862	8.784
Feb	36.638	0.000	20.774	57.413	0.358	2.582	6.573	9.513
Mar	44.912	0.000	31.401	76.313	0.100	2.945	2.283	5.328
Apr	86.787	7.809	119.624	214.220	0.001	0.389	10.802	11.192
May	94.322	16.619	125.642	236.582	0.001	0.059	1.754	1.814
Jun	161.566	25.163	305.021	491.750	0.000	0.125	0.587	0.712
Jul	276.664	26.059	691.175	993.898	0.000	0.235	0.000	0.235
Aug	286.002	26.039	724.377	1036.418	0.000	0.105	0.014	0.119
Sep	275.952	18.880	626.956	921.788	0.000	1.237	0.784	2.021
Oct	183.567	20.147	298.375	502.088	0.000	1.377	1.013	2.390
Nov	76.005	3.311	111.037	190.353	0.000	1.949	1.950	3.899
Dec	39.248	0.000	49.404	88.653	0.045	3.529	6.116	9.690
<b>Total</b>	<b>1607.638</b>	<b>144.027</b>	<b>3143.916</b>	<b>4895.581</b>	<b>0.841</b>	<b>17.118</b>	<b>37.740</b>	<b>55.699</b>

#### 2013

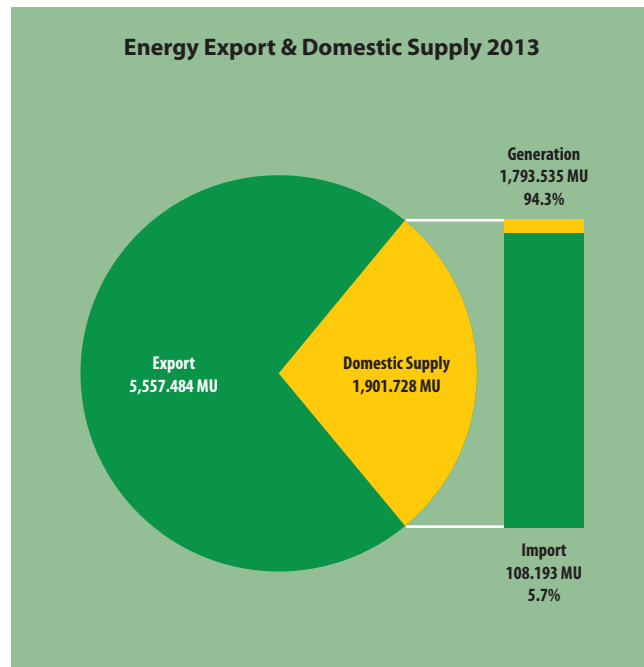
Month	Export				Import			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
Jan	16.956	0.000	17.996	34.952	1.691	6.034	8.120	15.845
Feb	21.561	0.000	11.143	32.704	0.524	4.891	22.646	28.061
Mar	37.843	0.000	19.362	57.206	0.297	6.554	4.995	11.846
Apr	77.218	1.962	105.777	184.958	0.002	1.686	3.489	5.177
May	147.199	22.221	255.175	424.596	0.001	0.028	2.066	2.095
Jun	251.698	25.862	543.435	820.995	0.000	0.877	0.168	1.045
Jul	261.177	30.491	717.623	1009.291	0.001	1.598	0.001	1.600
Aug	288.052	28.528	712.105	1028.685	0.000	3.763	0.000	3.763
Sep	266.840	27.915	512.659	807.415	0.002	3.380	0.001	3.383
Oct	242.479	22.709	444.013	709.201	0.000	3.238	0.048	3.286
Nov	120.984	6.864	177.138	304.985	0.012	10.725	1.865	12.602
Dec	66.950	0.000	75.547	142.497	0.087	15.284	4.120	19.491
<b>Total</b>	<b>1798.957</b>	<b>166.552</b>	<b>3591.975</b>	<b>5557.484</b>	<b>2.617</b>	<b>58.058</b>	<b>47.518</b>	<b>108.193</b>

### Exhibit 4: Druk Green Energy Export and Domestic Supply for 2012-14

Domestic Supply			
CHP	KHP	THP	Druk Green
40.719	14.473	105.698	160.891
35.774	13.213	99.471	148.458
36.885	17.942	105.424	160.250
31.783	17.303	91.287	140.372
27.779	19.145	97.355	144.279
28.923	19.344	90.925	139.192
31.053	19.378	92.903	143.334
31.457	20.192	94.162	145.811
31.850	17.005	98.654	147.510
36.785	18.845	109.377	165.008
40.562	18.316	103.968	162.847
43.886	16.414	109.769	170.068
<b>417.456</b>	<b>211.570</b>	<b>1198.993</b>	<b>1828.020</b>



Domestic Supply			
CHP	KHP	THP	Druk Green
44.021	18.844	107.977	170.842
37.763	14.161	98.536	150.459
34.640	19.970	113.700	168.310
33.324	19.685	103.461	156.470
33.456	17.282	107.702	158.440
31.738	18.582	101.835	152.156
32.099	17.051	104.561	153.712
25.489	19.278	104.610	149.377
24.694	17.610	102.920	145.224
36.445	20.507	97.077	154.029
40.878	19.519	104.016	164.414
44.728	21.553	112.014	178.295
<b>419.275</b>	<b>224.042</b>	<b>1258.409</b>	<b>1901.728</b>

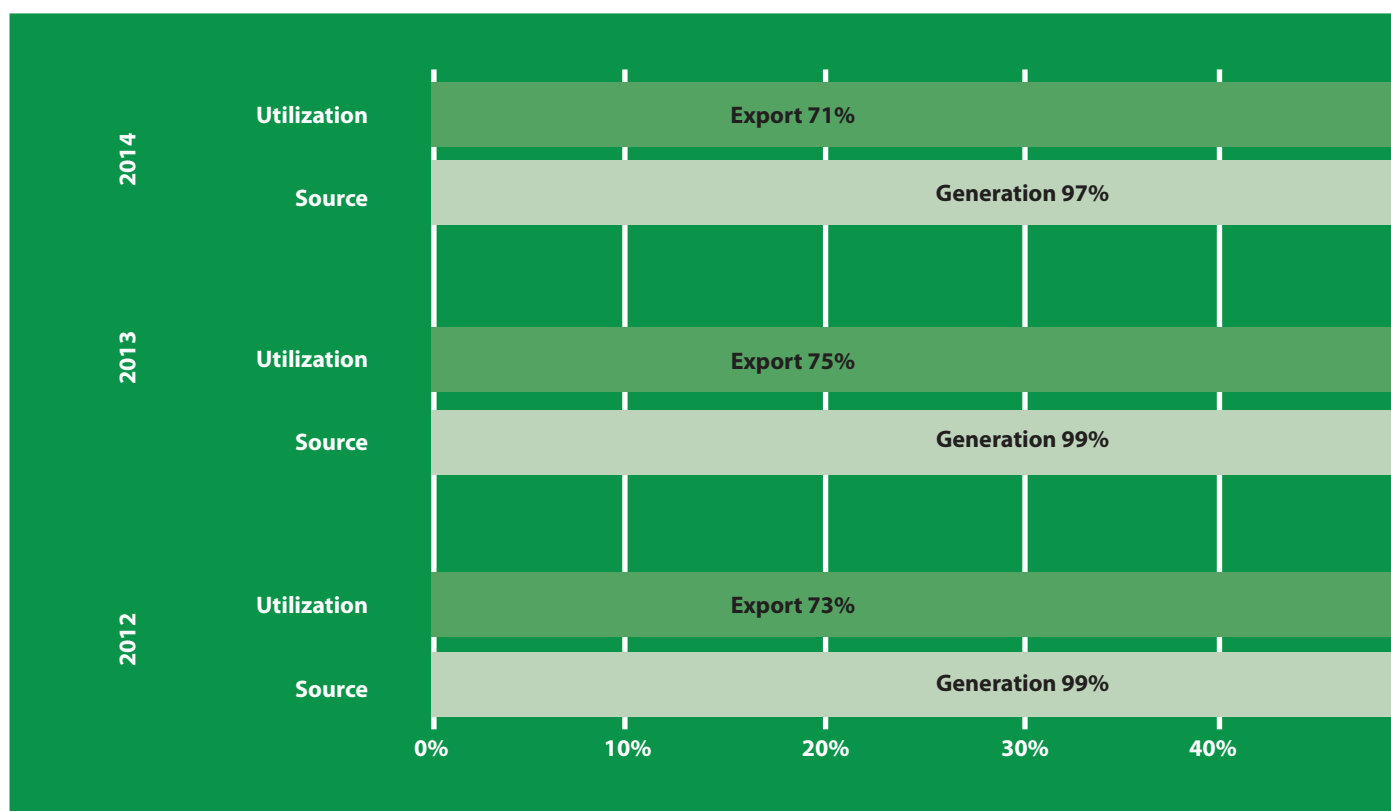


**2014**

Month	Export				Import			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
Jan	40.856	-11.722	38.873	68.007	0.129	17.172	3.757	21.058
Feb	18.946	-12.434	13.266	19.778	0.834	17.536	6.050	24.420
Mar	30.720	-10.670	19.858	39.908	0.128	18.923	5.281	24.332
Apr	41.448	-3.190	21.429	59.688	0.000	16.111	10.343	26.454
May	103.014	9.990	164.121	277.125	0.005	11.361	5.287	16.653
Jun	197.914	16.942	389.786	604.642	0.000	6.514	0.974	7.488
Jul	280.203	22.574	708.023	1010.800	0.000	3.702	0.025	3.727
Aug	280.189	21.141	715.872	1017.202	0.000	3.218	1.314	4.532
Sep	272.331	20.857	693.752	986.940	0.000	2.762	0.000	2.762
Oct	213.388	10.289	358.723	582.400	0.000	7.400	0.409	7.809
Nov	101.811	-2.661	126.168	225.318	0.000	13.160	7.532	20.692
Dec	60.171	-11.681	51.597	100.087	0.025	17.391	10.023	27.439
<b>Total</b>	<b>1640.992</b>	<b>49.435</b>	<b>3301.469</b>	<b>4991.896</b>	<b>1.121</b>	<b>135.250</b>	<b>50.994</b>	<b>187.365</b>

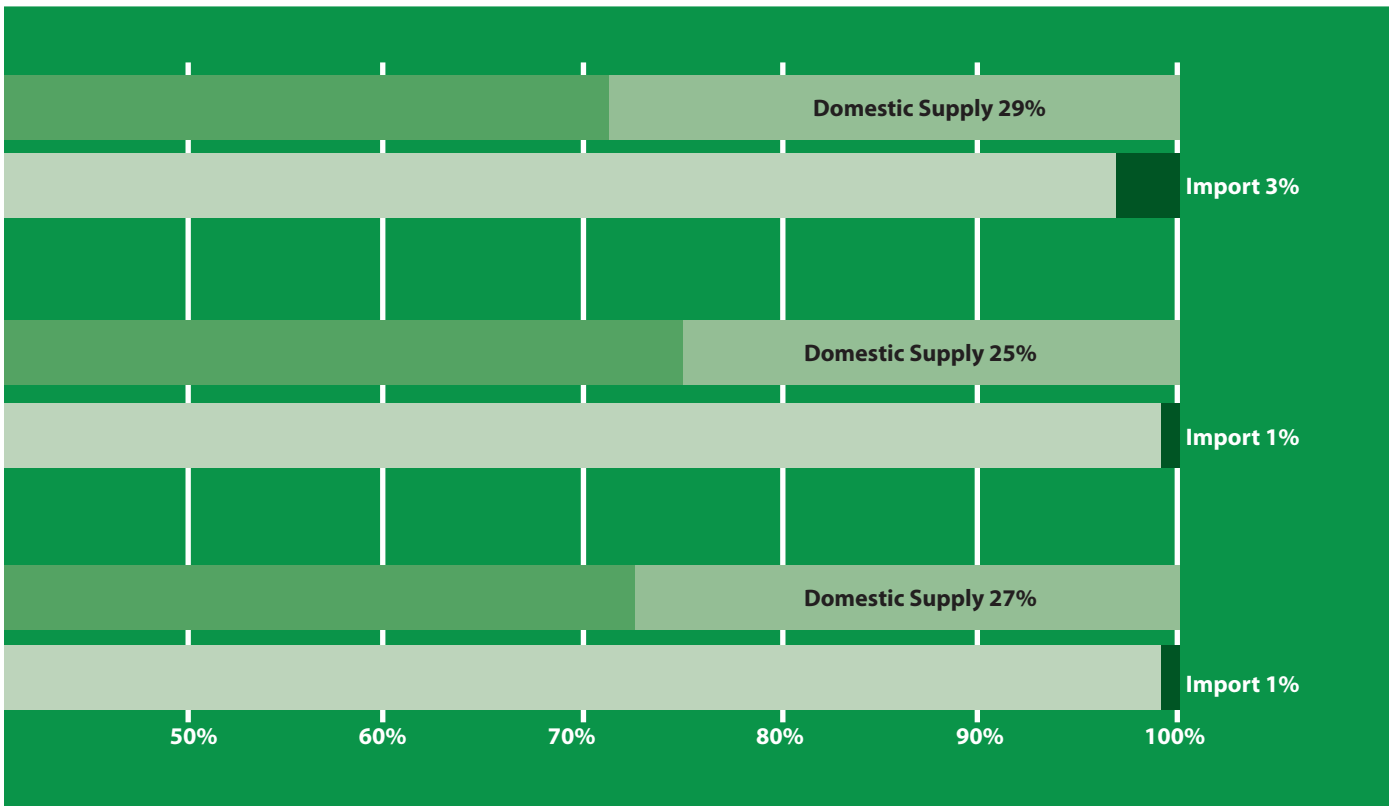
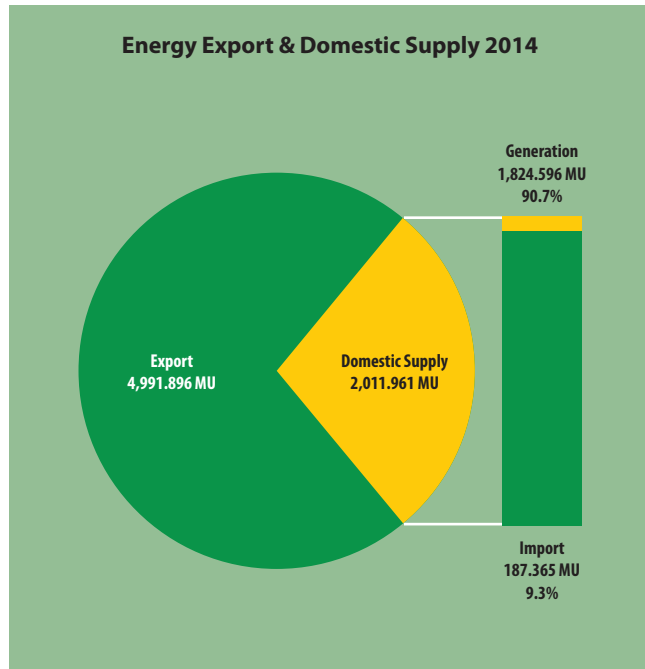
The energy import is required mainly to meet the domestic demand during the winter months when the energy generation is low and domestic demand is high. Some imports are also necessitated due to line conditions even when the generation is higher.

**Exhibit 5: Energy Utilization vis-à-vis Energy Source in %**





Domestic Supply			
CHP	KHP	THP	Druk Green
43.310	14.383	102.273	159.966
38.089	11.752	93.512	143.353
38.175	15.381	103.235	156.791
32.759	21.190	111.375	165.325
32.535	26.516	116.126	175.177
31.871	25.447	113.712	171.030
33.558	25.062	104.378	162.998
35.268	26.924	107.363	169.555
34.200	25.808	102.181	162.189
38.184	28.002	110.657	176.844
36.730	23.364	118.994	179.089
42.858	17.344	129.444	189.646
<b>437.537</b>	<b>261.174</b>	<b>1313.251</b>	<b>2011.961</b>



# AUDITORS' REPORT

To,  
The Members of Druk Green Power Corporation Limited  
Bhutan

## REPORT ON FINANCIAL STATEMENTS

1. We have audited the accompanying financial statements of Druk Green Power Corporation Limited, which comprise the Statement of Financial Position as at December 31, 2014, and the Statement of Comprehensive Income, Statement of Cash Flow, and Statement of change in Equity for the year then Ended and a summary of significant accounting policies and other Explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the Financial Position, Statement of Comprehensive Income, Statement of Cash Flows, and Statement of Changes in Equity of the Company in accordance with accounting principles generally accepted. This includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Financial Statements that gives a true and fair view and is free from material misstatement, whether due to Frauds or error.

## AUDITOR'S RESPONSIBILITY

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Generally Accepted Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and Disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and presentation of the Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## OPINION

4. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted.
  - a. In the case of the Statement of Financial Position, of the state of affairs of the company as at December 31, 2014.
  - b. In the case of the Statement of Comprehensive Income, of the profit for the year ended on that date.
  - c. In case of Statement of Changes in the Equity, equity as at December 31, 2014.
  - d. In the case of the Statement of Cash Flow, of the cash flows for the year ended on that date.
5. As required by the section 75 of the Companies Act of the Kingdom of Bhutan 2000, read with Part II of schedules XIV thereto (Minimum Audit Examination and Audit reporting requirement issued by the Royal Audit Authority), we enclose in the annexure a statement on the matter specified therein to the extent applicable to the company.
6. Further to our comment in the Annexure to above, we report that
  - a. We have obtained all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purpose of our audit.
  - b. In our opinion, proper books of accounts as required by law have been kept by the company so far as appear from our examination of the books.
  - c. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Change in Equity and the Statement of Cash Flow dealt with by this report are in agreement with the books of accounts.

## EMPHASIS OF MATTER

Without qualifying our opinion for this matter we would like to draw attention to Note No. 24C-18 to the financial statements where in the company has First time recognized during the year the Electricity Revenue of Nu. 1,472.29 million for the royalty payable to the Royal Government of Bhutan with corresponding Expenditures as royalty to comply with Bhutanese Accounting Standards 18 'Revenue'.

For Bansal & Co.  
Chartered Accountants  
Firm's Registration No. 001113N

(D. S. Rawat)  
Partner  
Membership No. 083030



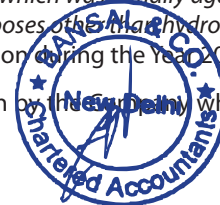
Date:- 27.05.15  
Place:- New Delhi

# ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph (5) 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' 2014.]

Para 5

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 except for one Plant 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. While the management has considered 1st June, 2011 as the date of acquisition of stock for stock lying prior to 1st June, 2011, it has no implication on the classification of inventory into non-moving and slow moving as the classification is based on the inventory movement of last three year which can be generated through the SAP ERP. 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. Given the nature of hydropower business with no definite consumption pattern of the inventories, the management does not maintain provision for non-moving and slow moving inventories.
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 had granted unsecured loan of Nu 900 million to holding company during the year 2012 and the rate of interest and other terms and conditions of loans granted are prima facie were not prejudicial to the interest of the company. However, *the loan granted to the holding company of Nu. 900 million (Nu 550 million adjusted in 2014) which was initially against the Articles of Incorporation of the company which does not allow granting loan for purposes other than hydropower projects has been regularized through the amendment of the Articles of Incorporation during the Year 2014.*
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 internal audits have been carried out at all plants & offices covering part of the year, the management 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 (at the rates fixed by relevant authority appointed by the Royal Government of Bhutan). Hence, in view of the above, the issue 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 entered into transactions of purchases and sale of electricity and services during the year in pursuance of contracts or arrangements entered into with the company in which the director(s) are directly or indirectly interested at the rates fixed by relevant authority appointed by the Royal Government of Bhutan. Therefore, the rates at which these transactions have been entered into are not prima-facie prejudicial to the interest of the Company.

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 an adequate system of ascertaining any losses in transmission and transformation, 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 2014 and Statement of Gross Energy Available for sale/use for the year 2013 have been given in Exhibit 1, (1A, 1B, 1C, 1D), Exhibit 2, (2A, 2B, 2C, 2D) 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 24 C-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 Statement of Comprehensive Income 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 Note 24 C-16 of 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 after considering the cost of production and market condition.
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.
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. 11 of Note 24 C-11 of the Notes to the Accounts.
36. In our opinion and on the basis of examination of books and records, generally the directives of the Board issued 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, unauthorized 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 appears to be adequate relative to the size and nature of computer installation of the Company.
2. In our opinion, the Company appears to have 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.

**39. General**

1. Going Concern Problems

On the basis of the attached Financial Statements as at 31st December, 2014 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-3-3A 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- 4 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 Bansal & Co.  
Chartered Accountants  
Firm's Registration No. 001113N



(D. S. Rawat)  
Partner  
Membership No. 083030

Date:- 27.05.15  
Place:- New Delhi

# FINANCIAL REPORT

## RATIO ANALYSIS

Sl. No.	Particulars	2014	2013	Remarks
<b>A. Ratios for assessing financial health (In numbers)</b>				
I	Debt Equity Ratio	0.26	0.33	The ratio has decreased due to decrease in the loan obligation due to repayment.
II	Current Ratio	0.92	0.89	The ratio has increased on account of increase in short term investment and cash and bank balances and decrease in current liabilities as compared to 2013.
III	Liquid Ratio	0.85	0.82	The ratio has increased on account of increase in current assets as against increase in current liabilities as compared to previous year.
IV	Fixed Assets to Equity	1.20	1.25	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	0.29	0.29	The ratio has remained same.
<b>B. Ratios for assessing profitability ( In percentage)</b>				
I	Return on Equity (%)	12.89	13.38	The ratio has decreased due to decrease in profit compared to the previous year.
II	Return on Capital Employed (%)	13.46	13.75	The ratio has decreased on account of decrease in profit compared to the previous year.
III	Generation and Maintenance Expenses to Electricity Revenue (%)	6.04	5.14	The ratio has increased mainly due to decrease in Electricity Revenue on account of lower generation compared to previous year.
IV	Dividend to Share Capital (%)	15.06	15.60	The decrease is mainly attributable to decrease in income and share capital amount remaining the same.
V	Earning Per Share	166.14	170.45	The decrease is mainly on account of decrease in income as compared to previous year.
<b>C. Ratios for assessing cash flow efficiency (in numbers)</b>				
I	Cash flow turnover	0.66	0.53	The ratio has slightly increased even though there is decrease in turnover as compared to 2013 due increase in turnover, the receivable for 2013 was received in 2014.
II	Operation Index	1.78	1.44	The ratio has slightly increased even though there is decrease in turnover as compared to 2013 due increase in turnover, the receivable for 2013 was received in 2014.
III	Cash flow return on assets	0.19	0.16	The increase is due to more than proportionate increase in cash from operation and decrease in total assets as compared to 2013.

Note: Due to compliances of BAS , the previous years figure have been regrouped wherever necessary.





## RATIO

### AUDIT FOR THE YEAR ENDED 31st DECEMBER, 2014

PARTICULARS	2014	2013
<b>CURRENT RATIO</b>	0.92	0.89
Current asset	8,632,817,182.41	8,400,670,793.27
Current liabilities(including provisions)	9,348,533,468.39	9,428,360,295.77
<b>DEBT EQUITY RATIO</b>	0.26	0.33
Debt	10,215,298,542.83	12,638,691,266.12
Equity	39,145,175,355.11	38,669,729,460.49
(Share Capital + Free Reserves)		
<b>LIQUID RATIO</b>	0.85	0.82
Current assets	8,632,817,182.41	8,400,670,793.27
Less: Inventories	560,782,465.61	526,029,672.06
Less: Prepaid Expenses	97,511,554.17	68,659,433.22
Less: Advance to Supplier/Contractor	73,455,927.96	79,697,666.90
	7,901,067,234.67	7,726,284,021.09
Current liabilities	9,348,533,468.39	9,428,360,295.77
<b>FIXED ASSETS (NB) TO EQUITY</b>	1.20	1.25
Fixed assets	46,570,026,651.10	48,297,080,483.48
Equity	38,669,729,460.49	38,669,729,460.49
<b>FIXED ASSETS (NB) TURNOVER</b>	0.29	0.29
Fixed assets	46,570,026,651.10	48,297,080,483.48
Turnover	13,656,772,624.43	14,089,767,517.31
<b>ROCE (%)</b>	13.46	13.75
PBIT	7,971,010,963.03	8,422,406,896.40
Capital Employed (including long term loans)	59,231,059,836.34	61,239,463,362.38
<b>GENERATION AND MAINTAINENCE EXPENSES TO ELECTRICITY REVENUE</b>	6.04	5.14
Operation & Maintenance expenses (incl cost of Power purchased)	824,522,995.53	724,023,155.69
Electricity Revenue	13,656,772,624.43	14,089,767,517.31
<b>DIVIDEND PERCENTAGE</b>	15.06	15.60
Corporate dividend	4,593,273,664.26	4,760,297,742.66
Share Capital	30,508,291,000.00	30,508,291,000.00
<b>ROE (%)</b>	12.89	13.38
PAT	5,068,719,558.88	5,200,182,772.33
Total Shareholders Equity	39,335,175,355.11	38,859,729,460.49
<b>EARNINGS PER SHARE</b>	166.14	170.45
PAT	5,068,719,558.88	5,200,182,772.33
Average Outstanding Equity Shares	30,508,291.00	30,508,291.00
<b>CASH FLOW EFFICIENCY RATIOS</b>		
<b>CASH FLOW TO TURNOVER</b>	0.66	0.53
Cash from operation	9,037,754,343.42	7,477,641,050.81
Turnover	13,656,772,624.43	14,089,767,517.31



OPERATIONS INDEX	1.78	1.44
Cash from operation	9,037,754,343.42	7,477,641,050.81
PAT	5,068,719,558.88	5,200,182,772.33
CASH FLOW RETURN ON ASSETS	0.19	0.16
Cash from operation + Tax Paid + Interest Paid	11,305,888,557.55	9,691,470,605.40
<b>Total Assets</b>	<b>59,231,059,836.34</b>	<b>61,239,463,362.38</b>

**Note: Due to compliances of BAS , the previous years figure have been regrouped wherever necessary.**

## Statement of Financial Position as at 31st December 2014

(Amount in Nu.)

Particulars	Note No.	2014	2013
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	1	45,737,710,866.46	47,594,306,383.93
Intangible Assets	1	41,057,059.55	56,955,578.48
Capital Work in Progress	1	791,258,725.09	645,818,521.07
Long-Term Investments	2	3,991,161,638.66	4,505,314,000.00
Differed Tax Asset	4	37,054,364.17	36,398,085.63
<b>Total Non-Current Assets</b>		<b>50,598,242,653.93</b>	<b>52,838,792,569.11</b>
<b>Current Assets</b>			
Cash and Bank Balance	5	693,596,340.44	194,355,398.07
Short Term Investments	6	3,715,101,722.20	2,696,800,000.00
Inventories	7	560,782,465.61	526,029,672.06
Sundry Debtors	8	1,191,209,108.31	1,992,876,302.74
Short Term Loans and Advances	9	2,144,234,042.36	2,550,595,026.85
Other Current Assets	10	327,893,503.49	440,014,393.55
<b>Total Current Assets</b>		<b>8,632,817,182.41</b>	<b>8,400,670,793.27</b>
<b>TOTAL ASSETS</b>		<b>59,231,059,836.34</b>	<b>61,239,463,362.38</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Shareholder's Equity</b>			
Share Capital		30,508,291,000.00	30,508,291,000.00
General Reserves		8,636,884,355.11	8,161,438,460.49
Group Investment Reserve		190,000,000.00	190,000,000.00
<b>Total Shareholders Equity</b>		<b>39,335,175,355.11</b>	<b>38,859,729,460.49</b>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	11	10,215,298,542.83	12,638,691,266.12
Long-Term Provisions	12	332,052,470.01	312,682,340.00
<b>Total Non-Current Liabilities</b>		<b>10,547,351,012.84</b>	<b>12,951,373,606.12</b>
<b>Current Liabilities</b>			
Short-Term Borrowings	13	2,556,703,493.45	2,428,336,639.41



Short-Term Provisions	14	6,380,867,245.37	6,628,033,608.67
Other Current Liabilities	15	410,962,729.57	371,990,047.69
<b>Total Current Liabilities</b>		<b>9,348,533,468.39</b>	<b>9,428,360,295.77</b>
<b>Total Liabilities</b>		<b>19,895,884,481.23</b>	<b>22,379,733,901.89</b>
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>		<b>59,231,059,836.34</b>	<b>61,239,463,362.38</b>

**Significant Accounting Policies & Notes on Accounts**

This is the Statement of Financial Position referred to in our report of even date  
 Note referred to above form an integral part of the Accounts

For Bansal & Co.  
 Chartered Accountants  
 Firm's Registration No. 001113N



(Dasho Sangay Khandu)  
 Chairman, DGPC & DHI



(D. S. Rawat)  
 Partner  
 Membership No. 083030




(Dasho Chhewang Rinzin)  
 Managing Director

Date:- 27.05.15  
 Place:- New Delhi



(Ugyen Namgyal)  
 Director (Finance)

## Statement of Comprehensive Income for the year ended 31st December 2014

(Amount in Nu.)

Particulars	Note No.	2014	2013
<b>Income</b>			
Electricity Revenue	16	13,656,772,624.43	14,089,767,517.31
Interest Earned	17	204,418,362.09	268,649,669.48
Other Income	18	44,580,955.47	62,200,392.55
		<b>13,905,771,941.99</b>	<b>14,420,617,579.34</b>
<b>Expenditure</b>			
Wheeling charges		575,053,223.42	622,983,112.26
Royalty Expense		1,472,287,438.14	1,386,415,346.26
Insurance		113,792,128.54	118,720,384.26
Running and Maintenance Expenses	19	339,445,049.51	390,374,625.53
Employees' Remuneration and Benefits	20	649,155,369.44	690,208,090.85
Purchase of Energy	21	371,285,817.48	214,928,145.90
Interest on Borrowings	22	751,503,584.92	895,942,379.20
Depreciation/Amortisation		2,260,530,905.72	2,246,184,328.36
Other Expenses	23	153,211,046.71	337,144,308.04
		<b>6,686,264,563.88</b>	<b>6,902,900,720.66</b>
<b>Operating Profit</b>		<b>7,219,507,378.11</b>	<b>7,517,716,858.68</b>
<b>Less:</b>			
Prior Period Adjustments		-	(8,747,658.52)
<b>Profit Before Tax</b>		<b>7,219,507,378.11</b>	<b>7,526,464,517.20</b>
Deferred Tax (Income)/Expense		(656,278.54)	(23,281,704.46)
Income Tax for earlier years		-	31,150,366.14
Provision for tax		2,188,780,827.77	2,317,115,913.19
<b>Profit for the Year</b>		<b>5,031,382,828.88</b>	<b>5,201,479,942.33</b>
<b>Other comprehensive income:</b>			
Actuarial gains (losses) on defined benefit pension plans		37,336,730.00	(1,297,170.00)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>5,068,719,558.88</b>	<b>5,200,182,772.33</b>
<b>Basic &amp; Diluted Earning Per Share</b>		<b>166.14</b>	<b>170.45</b>
Significant Accounting Policies & Notes on Accounts	24		

This is the Statement of Financial Position referred to in our report of even date Note referred to above form an integral part of the Accounts

For Bansal & Co.  
Chartered Accountants  
Firm's Registration No. 001113N

(Dasho Sangay Khandu)  
Chairman, DGPC & DHI

(Dasho Chagwang Rinzin)  
Managing Director

(D. S. Rawat)  
Partner  
Membership No. 083030



Date:- 27.05.15  
Place:- New Delhi

(Ugyen Namgyal)  
Director (Finance)

## Statement of Cash flows for the year ended 31st December 2014

(Amount in Nu.)

Particulars	2014	2013
<b>Cash flows from operating activities</b>		
<b>Profit before taxation</b>	<b>7,219,507,378.11</b>	<b>7,526,464,517.20</b>
Adjustment for:		
Actuarial gains (losses)	37,336,730.00	(1,297,170.00)
Depreciation / Amortisation	2,260,530,905.72	2,246,184,328.36
Foreign Exchange Loss	50,898,010.40	228,316,204.51
Investment Income	(204,418,362.09)	(268,649,669.48)
Interest Expenses	751,503,584.92	895,942,379.20
(Increase)/Decrease in Sundry Debtors	801,667,194.43	(623,760,608.62)
(Increase)/Decrease in Inventories	(34,752,793.55)	(25,099,069.47)
(Increase)/Decrease in Other Current Asset	10,599,022.17	(111,396,849.65)
(Increase)/Decrease in Loans and Advances	406,360,984.49	(20,440,817.89)
Increase/(Decrease) in Current Liabilities	(11,925,328.52)	(194,267,337.30)
Increase/(Decrease) in Provision	(132,620.00)	6,644,114.64
Increase/(Decrease) in Provision(Non Current)	19,370,130.01	56,112,288.36
(Increase)/Decrease in Deferred Tax Asset	(656,278.54)	(23,281,704.46)
<b>Cash generated from Operation</b>	<b>11,305,888,557.55</b>	<b>9,691,470,605.40</b>
Income Tax Paid	(2,268,134,214.13)	(2,213,829,554.59)
<b>Net cash from operating activities</b>	<b>9,037,754,343.42</b>	<b>7,477,641,050.81</b>
<b>Cash flows from investing activities</b>		
Purchase of Fixed Asset	(533,477,073.34)	(742,683,667.09)
(Payment)/Proceeds (for)/from Long Term Investment	514,152,361.34	(260,471,008.26)
(Payment)/Proceeds (for)/from Short Term Investment	(1,018,301,722.20)	(240,800,000.00)
Interest Received	305,940,229.98	200,783,436.90
<b>Net cash used in investing activities</b>	<b>(731,686,204.22)</b>	<b>(1,043,171,238.45)</b>
<b>Cash flows from financing activities</b>		
Proceeds/(Repayment) of Long-Term Loan	(2,487,633,995.98)	(2,058,379,215.12)
Proceeds/(Repayment) of Short-Term Loan	134,038,440.60	134,038,440.62
Interest Paid	(692,933,898.79)	(830,708,586.92)
Dividend Paid	(4,760,297,742.66)	(3,659,592,524.74)
<b>Net cash used in financing activities</b>	<b>(7,806,827,196.83)</b>	<b>(6,414,641,886.16)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>499,240,942.37</b>	<b>19,827,926.20</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>194,355,398.07</b>	<b>174,527,471.87</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>693,596,340.44</b>	<b>194,355,398.07</b>



Component of cash and cash equivalents:-		
Cash in Hand	869,257.43	596,195.84
Balances in Current Accounts with Banks	692,727,083.01	193,759,202.23
<b>Total</b>	<b>693,596,340.44</b>	<b>194,355,398.07</b>

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

For Bansal & Co.  
Chartered Accountants  
Firm's Registration No. 001113N



(D. S. Rawat)  
Partner  
Membership No. 083030




(Dasho Sangay Khandu)  
Chairman, DGPC & DHI



(Dasho Chhewang Rinzin)  
Managing Director

Date:- 27.05.15  
Place:- New Delhi



(Ugyen Namgyal)  
Director (Finance)

## Statement of Changes in Equity for the year ended 31st December 2014

	"Equity Share Capital"	"General Reserve"	"Retained Earnings"	"Group Investment Reserve"	"Total Equity "
<b>Balance at 31 December, 2012</b>	<b>30,508,291,000.00</b>	<b>7,721,553,430.82</b>	<b>-</b>	<b>190,000,000.00</b>	<b>38,419,844,430.82</b>
<b>Net profit for the year</b>					
Net Profit/(Loss) for the year	-	-	5,200,182,772.33	-	5,200,182,772.33
<b>Transfer to reserves</b>					
Transfer to General Reserve	-	439,885,029.67	(439,885,029.67)	-	-
<b>Transaction with the owners</b>					
Payment of Dividends	-	-	(4,760,297,742.66)	-	(4,760,297,742.66)
<b>Balance at 31 December, 2013</b>	<b>30,508,291,000.00</b>	<b>8,161,438,460.49</b>	<b>-</b>	<b>190,000,000.00</b>	<b>38,859,729,460.49</b>
<b>Net profit for the year</b>					
Net Profit/(Loss) for the year	-	-	5,068,719,558.88	-	5,068,719,558.88
<b>Transfer to reserves</b>					
Transfer to General Reserve	-	475,445,894.62	(475,445,894.62)	-	-
<b>Transaction with the owners</b>					
Payment of Dividends	-	-	(4,593,273,664.26)	-	(4,593,273,664.26)
<b>Balance at 31 December, 2014</b>	<b>30,508,291,000.00</b>	<b>8,636,884,355.11</b>	<b>-</b>	<b>190,000,000.00</b>	<b>39,335,175,355.11</b>

This is the Statement of Changes in Equity referred to in our report of even date

For Bansal & Co.  
Chartered Accountants  
Firm's Registration No. 001113N

*(Handwritten signature of D. S. Rawat)*

(D. S. Rawat)  
Partner  
Membership No. 083030



*(Handwritten signature of Dasho Sangay Khandu)*  
(Dasho Sangay Khandu)  
Chairman, DGPC & DHI

*(Handwritten signature of Dasho Chhewang Rinzin)*  
(Dasho Chhewang Rinzin)  
Managing Director

Date:- 27.05.15  
Place:- New Delhi

*(Handwritten signature of Ugyen Namgyal)*  
(Ugyen Namgyal)  
Director (Finance)

## Notes 1: Property, Plant & Equipment, Intangible Assets and Capital Works in Progress

	GROSS BLOCK				
	Opening Balance as at 01/01/2014	Additions	Disposal	Book Adjustments	Gross Block as on 31.12.2014
<b>TANGIBLE ASSETS</b>					
Land and Land Development	150,361,052.74	-	-	-	150,361,052.74
<b>CIVIL STRUCTURES</b>					
Buildings	2,280,009,658.44	36,364,137.15	(470,859.35)	12,228,880.51	2,328,131,816.75
Walls & Fencings	117,019,654.33	23,747,014.17	-	1,418,299.75	142,184,968.25
Road & Culverts	2,713,145,104.19	885,405.15	-	-	2,714,030,509.34
Water Supply & Sanitation	227,020,921.58	2,600.00	(5,390.00)	(2,859,020.00)	224,159,111.58
Dam Complex-Civil	10,584,116,346.52	-	-	-	10,584,116,346.52
Power House Complex- Civil	5,520,417,626.80	-	-	-	5,520,417,626.80
Transmission Line -Civil	216,328.23	-	-	-	216,328.23
Switch Yard- Civil	139,500,726.02	-	-	-	139,500,726.02
Water Conductor System- Power House	23,546,692,743.82	-	-	-	23,546,692,743.82
Other Civil Structures	64,426,582.33	777,794.04	-	830,795.34	66,035,171.71
<b>PLANT AND MACHINERY -</b>					
Trash Cleaning Equipments	169,271,984.08	-	(65,941.30)	-	169,206,042.78
Gates	871,087,108.00	-	-	-	871,087,108.00
Generators	3,542,619,631.20	-	-	-	3,542,619,631.20
Excitation Systems	367,267,361.55	-	-	-	367,267,361.55
Governing Systems	335,537,221.61	-	-	-	335,537,221.61
Turbines	3,206,271,045.75	11,817.00	-	-	3,206,282,862.75
Runners	777,962,383.96	131,524,062.46	-	33,706,195.95	943,192,642.37
Oil Handling Systems	72,278,361.19	119,400.00	-	-	72,397,761.19
Control & Conditioning Monitoring Systems	319,253,975.51	-	-	-	319,253,975.51
Control & Protection Panels	730,609,727.81	-	-	-	730,609,727.81
Pumps & Motors	225,451,865.49	1,099,972.46	(166,722.13)	-	226,385,115.82
Transformers	917,059,693.95	28,834,498.84	-	-	945,894,192.79
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60
Gas Insulated Switch Gears	919,274,583.05	-	-	-	919,274,583.05
Valves	965,084,409.78	-	-	-	965,084,409.78
Switchyard	4,841,874.00	-	-	-	4,841,874.00
Electro-Mechanicals-Others	1,645,019,548.11	8,804,754.71	(222,600.00)	29,052,871.12	1,682,654,573.94
Machinery	244,506,411.19	10,309,600.00	-	(118,166.37)	254,697,844.82
<b>TOOLS &amp; SAFETY EQUIPMENTS -</b>					
Tools and Plants	244,766,511.29	41,131,489.15	(2,807,747.14)	118,166.37	283,208,419.67
Fire Fighting and Safety Equipments	81,894,076.46	3,082,639.42	(470,222.56)	-	84,506,493.32
<b>OTHER ASSETS -</b>					
Office Equipment	101,341,390.44	2,774,910.83	(3,840,584.70)	1,288,354.94	101,564,071.51
Furniture & Fixtures	44,231,124.85	3,067,783.17	(1,352,641.22)	-	45,946,266.80
Vehicles	203,166,114.18	8,905,285.00	(3,800.00)	2,859,020.00	214,926,619.18
Illumination System	203,113,735.47	-	-	-	203,113,735.47
Information and Technology	104,919,922.58	5,914,913.89	(4,796,851.82)	922,342.58	106,960,327.23
General Assets	35,612,553.38	4,029,766.94	(2,095,456.56)	-	37,546,863.76
	<b>61,761,458,384.48</b>	<b>311,387,844.38</b>	<b>(16,298,816.78)</b>	<b>79,447,740.19</b>	<b>62,135,995,152.27</b>
<b>LESS: PROVISION FOR LOSSES</b>					
Net Assets	<b>61,761,458,384.48</b>	<b>311,387,844.38</b>	<b>(16,298,816.78)</b>	<b>79,447,740.19</b>	<b>62,135,995,152.27</b>
<b>INTANGIBLE ASSETS</b>					
Information and Technology	98,782,730.88	3,859,509.66	(4,885.53)	-	102,637,355.01
Less: Provision for Losses	-	-	-	-	-
	<b>98,782,730.88</b>	<b>3,859,509.66</b>	<b>(4,885.53)</b>	<b>-</b>	<b>102,637,355.01</b>
<b>CAPITAL WORKS IN PROGRESS</b>					
Capital Works in Progress	645,818,521.07	225,366,642.96	(478,698.75)	(79,447,740.19)	791,258,725.09
<b>LESS: PROVISION FOR LOSSES</b>					
	<b>645,818,521.07</b>	<b>225,366,642.96</b>	<b>(478,698.75)</b>	<b>(79,447,740.19)</b>	<b>791,258,725.09</b>

Note: Of the total depreciation , Nu. 3,591,002.83 was booked to AUCs.





DEPRECIATION					NET BLOCK	NET BLOCK
Opening Balance as at 01.01.2014	During the year	Disposal	Adjustments	Closing balance as at 31.12.2014	Net Block As at 31.12.2014	Net Block As at 31.12.2013
-	-	-	-	-	150,361,052.74	150,361,052.74
387,554,033.86	75,782,676.19	(165307.21)		463,171,402.84	1,864,960,413.91	1,892,455,624.58
15,549,052.19	4,299,966.53			19,849,018.72	122,335,949.53	101,470,602.14
426,367,721.57	90,354,363.36			516,722,084.93	2,197,308,424.41	2,286,777,382.62
34,501,462.02	7,493,017.12	(678.86)	(837205.65)	41,156,594.63	183,002,516.95	192,519,459.56
2,286,271,751.94	352,451,074.33			2,638,722,826.27	7,945,393,520.25	8,297,844,594.58
1,179,823,478.18	183,829,906.97			1,363,653,385.15	4,156,764,241.65	4,340,594,148.62
68,933.70	7,203.73			76,137.43	140,190.80	147,394.53
35,430,313.32	4,645,374.14			40,075,687.46	99,425,038.56	104,070,412.70
3,945,860,162.31	784,104,868.37			4,729,965,030.68	18,816,727,713.14	19,600,832,581.51
8,228,601.41	2,163,739.13			10,392,340.54	55,642,831.17	56,197,980.92
35,691,539.56	5,636,751.05	(11006.90)		41,317,283.71	127,888,759.07	133,580,444.52
365,549,894.75	26,527,211.17			392,077,105.92	479,010,002.08	505,537,213.25
1,119,789,929.27	118,228,630.28			1,238,018,559.55	2,304,601,071.65	2,422,829,701.93
117,721,220.54	11,830,744.87			129,551,965.41	237,715,396.14	249,546,141.01
109,379,570.64	11,173,388.92			120,552,959.56	214,984,262.05	226,157,650.97
1,111,265,872.77	101,647,915.55			1,212,913,788.32	1,993,369,074.43	2,095,005,172.98
389,960,935.08	148,701,514.40			538,662,449.48	404,530,192.89	388,001,448.88
27,277,482.78	2,407,076.32			29,684,559.10	42,713,202.09	45,000,878.41
91,859,043.94	10,628,890.47			102,487,934.41	216,766,041.10	227,394,931.57
241,829,215.85	24,192,573.11			266,021,788.96	464,587,938.85	488,780,511.96
62,840,628.60	7,519,585.58	(27421.54)		70,332,792.64	156,052,323.18	162,611,236.89
277,722,611.09	30,107,646.48			307,830,257.57	638,063,935.22	639,337,082.86
24,335,024.21	2,866,764.51			27,201,788.72	58,887,235.88	61,754,000.39
203,632,971.97	30,590,481.88			234,223,453.85	685,051,129.20	715,641,611.08
326,948,438.83	30,911,357.11			357,859,795.94	607,224,613.84	638,135,970.95
1,069,914.86	161,234.40			1,231,149.26	3,610,724.74	3,771,959.14
600,493,276.05	48,710,741.83	(57892.03)		649,146,125.85	1,033,508,448.09	1,044,526,272.06
182,959,973.12	29,263,869.30		(118162.37)	212,105,680.05	42,592,164.77	61,546,438.07
129,717,557.11	21,202,117.14	(2258198.53)	118162.37	148,779,638.09	134,428,781.58	115,048,954.18
52,658,258.95	6,028,396.43	(417127.71)		58,269,527.67	26,236,965.65	29,235,817.51
64,101,418.39	15,223,292.60	(3318924.74)		76,005,786.25	25,558,285.26	37,239,972.05
22,446,363.41	3,135,841.47	(1305362.28)		24,276,842.60	21,669,424.20	21,784,761.44
131,417,417.53	22,317,801.35	(2156.63)	837205.65	154,570,267.90	60,356,351.28	71,748,696.65
75,657,105.82	6,621,021.80			82,278,127.62	120,835,607.85	127,456,629.65
56,812,331.91	17,896,914.58	(3481366.08)		71,227,880.41	35,732,446.82	48,107,590.67
17,876,881.74	5,704,813.02	(1596139.14)		21,985,555.62	15,561,308.14	17,735,671.64
<b>14,160,670,389.27</b>	<b>2,244,368,765.49</b>	<b>(12641581.65)</b>	<b>(0.00)</b>	<b>16,392,397,573.11</b>	<b>45,743,597,579.16</b>	<b>47,600,787,995.21</b>
					(5,886,712.70)	(6,481,611.28)
<b>14,160,670,389.27</b>	<b>2,244,368,765.49</b>	<b>(12641581.65)</b>	<b>(0.00)</b>	<b>16,392,397,573.11</b>	<b>45,737,710,866.46</b>	<b>47,594,306,383.93</b>
41,827,152.40	19,753,143.06	-	-	61,580,295.46	41,057,059.55	56,955,578.48
<b>41,827,152.40</b>	<b>19,753,143.06</b>	-	-	<b>61,580,295.46</b>	<b>41,057,059.55</b>	<b>56,955,578.48</b>
-	-	-	-	-	791,258,725.09	645,818,521.07
-	-	-	-	-	<b>791,258,725.09</b>	<b>645,818,521.07</b>



(Amount in Nu.)

Particulars	2014	2013
<b>NOTE 2: LONG-TERM INVESTMENTS</b>		
Investment in Druk Air Bond	-	-
Long Term Investment in non Government Bonds	350,000,000.00	1,293,539,000.00
<b>Investment in Subsidiary Companies</b>		
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)	2,437,880,000.00	2,437,880,000.00
Equity Investment in Bhutan Hydropower Services Limited. (2,550,000 equity shares of Nu. 100 each, fully paid up as of 31.12.2014)	255,000,000.00	174,318,000.00
Equity Investment in THyE (3,600,000 equity shares of Nu. 100 each, called up amount Nu.7.35 )	264,428,410.86	-
<b>Fixed Deposit:</b>		
Bhutan National Bank	-	-
Fixed Deposit (Gratuity Fund)	393,853,227.80	109,577,000.00
Bhutan Development Bank	100,000,000.00	300,000,000.00
	<b>3,991,161,638.66</b>	<b>4,505,314,000.00</b>

<b>NOTE 4: DEFERRED TAX ASSETS</b>		
Deferred Tax Assets	37,054,364.17	36,398,085.63
	<b>37,054,364.17</b>	<b>36,398,085.63</b>

<b>NOTE 5: CASH &amp; BANK BALANCES</b>		
Cash in Hand	869,257.43	596,195.84
<b>Balances with Banks in Current Accounts:</b>		
Bank of Bhutan	633,545,117.17	168,003,762.41
Bhutan National Bank	8,531,752.15	2,645,992.47
Bhutan National Bank(Gratuity A/c)	46,495,073.92	20,930,894.80
Druk PNB	2,843,509.37	2,103,959.15
Tashi Bank	1,275,978.61	38,783.61
Central Bank of India	35,651.79	35,809.79
	<b>693,596,340.44</b>	<b>194,355,398.07</b>

<b>NOTE 6: SHORT TERM INVESTMENTS</b>		
Fixed Deposit (Bhutan National Bank)	1,500,000,000.00	228,000,000.00
Fixed Deposit (Gratuity Fund with BNB)	31,000,000.00	113,800,000.00
Fixed Deposit (Bank of Bhutan)	15,992,722.20	2,355,000,000.00
Fixed Deposit (BDBL)	2,168,109,000.00	-
	<b>3,715,101,722.20</b>	<b>2,696,800,000.00</b>



<b>NOTE 7: INVENTORIES</b>		
Stores & spares	562,733,022.60	527,995,913.16
	562,733,022.60	527,995,913.16
<b>Less:</b>		
Provision for Obsolescence	(1,950,556.99)	(1,966,241.10)
	<b>560,782,465.61</b>	<b>526,029,672.06</b>

<b>NOTE 8 : SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD AND LESS THAN 6 MONTHS)</b>		
Sundry Debtors - Bhutan Power Corporation	281,311,520.23	652,356,220.06
Sundry Debtors - Others	2,813,751.06	-
Sundry Debtors - Power Trading Corporation Limited	907,083,837.02	1,340,520,082.68
	<b>1,191,209,108.31</b>	<b>1,992,876,302.74</b>

<b>NOTE 9: SHORT TERM LOANS AND ADVANCES</b>		
Staff Advance	978,114.40	2,897,359.95
Advance to Supplier/contractor	73,455,927.96	79,697,666.90
Advance-Dividend	1,719,800,000.00	1,568,000,000.00
Loan to Druk Holding & Investments	350,000,000.00	900,000,000.00
	<b>2,144,234,042.36</b>	<b>2,550,595,026.85</b>

<b>NOTE 10: OTHER CURRENT ASSETS</b>		
Prepaid Expenses	97,511,554.17	68,659,433.22
Deposits- Miscellaneous	3,559,517.85	3,450,246.46
Other receivables	17,800,814.23	44,750,440.03
Accrued Interest on Gratuity	44,513,443.64	58,153,152.35
Accrued Interest on Investment	164,508,173.60	266,030,041.49
	327,893,503.49	441,043,313.55
<b>Less:</b>		
Provision For Doubtful Debts	-	(1,028,920.00)
	<b>327,893,503.49</b>	<b>440,014,393.55</b>

<b>NOTE 11: LONG - TERM BORROWING (UNSECURED)</b>		
Government of India Loan	3,799,059,131.14	5,252,078,841.59
Interest Accrued During Project Construction Phase	2,923,908,005.06	3,857,312,206.23
Government of Austria Loan	1,343,323,764.54	1,488,648,627.26
Loan from Asian Development Bank	1,899,876,454.35	1,855,761,675.99
Interest Accrued but not due (greater than one year)	249,131,187.74	184,889,915.05
<i>Note: The above loans are payable by the company to the Royal Government of Bhutan which in turn shall pay to respective lenders</i>		
	<b>10,215,298,542.83</b>	<b>12,638,691,266.12</b>



**NOTE 12: LONG TERM PROVISIONS**

Gratuity Payable	332,052,470.01	312,682,340.00
	<b>332,052,470.01</b>	<b>312,682,340.00</b>

**NOTE 13: SHORT - TERM BORROWING\***

Government of India Loan	1,453,019,710.38	1,453,019,710.37
Interest Accrued During Project	933,404,201.17	799,365,760.58
Government of Austria Loan	145,324,862.72	145,324,862.72
Interest accrued but not due on loans	24,954,719.18	30,626,305.74
<b>*Repayment due within one year</b>	<b>2,556,703,493.45</b>	<b>2,428,336,639.41</b>

**NOTE 14: SHORT - TERM PROVISIONS**

Provision for Corporate Income Tax	1,769,139,591.11	1,849,149,256.01
Proposed Dividend	4,593,273,664.26	4,760,297,742.66
Gratuity Payable	18,453,990.00	18,586,610.00
	<b>6,380,867,245.37</b>	<b>6,628,033,608.67</b>

**NOTE 15: OTHER CURRENT LIABILITIES**

Security Deposit- Suppliers & Others	61,007,482.53	41,921,321.43
Sundry Creditors	205,489,152.46	177,052,179.71
Outstanding Liabilities to contractors	5,599,472.00	6,899,527.88
Outstanding Liabilities for expenses	53,635,172.32	42,575,049.91
Leave Encashment Payable	25,295,583.84	31,534,692.90
Provision for Bonus	49,206,520.79	50,486,303.14
Provision for Audit Fees & Expenses	-	350,000.00
Sundry Liabilities	10,709,701.63	20,830,465.92
Tax Deducted at Source - Payable	19,644.00	340,506.80
	<b>410,962,729.57</b>	<b>371,990,047.69</b>

**NOTE 16: ELECTRICITY REVENUE****Export Revenue**

Power Trading Corporation Ltd	10,698,307,664.49	11,669,911,228.98
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**Domestic Revenue**

Bhutan Power Corporation Ltd	1,485,590,324.80	1,032,897,194.07
From Staff & Other Private Parties	587,197.00	543,748.00
Royalty Income	1,472,287,438.14	1,386,415,346.26
	<b>13,656,772,624.43</b>	<b>14,089,767,517.31</b>

**NOTE 17: INTEREST EARNED**

Interest on short term Deposits	79,865,805.78	71,846,427.46
Interest on long term Deposits	51,214,633.72	110,687,999.99
Interest on Government Bonds	73,337,922.59	86,115,242.03
	<b>204,418,362.09</b>	<b>268,649,669.48</b>



**NOTE 18: OTHER INCOMES**

House Rent Recovered- Employee/Others	13,159,451.82	13,516,275.25
Miscellaneous Receipts	31,296,003.65	44,546,061.67
Profit on sale/discard of Assets (Net)	-	3,937,255.63
Sale of Tender forms	125,500.00	200,800.00
	<b>44,580,955.47</b>	<b>62,200,392.55</b>

**NOTE 19: RUNNING AND MAINTENANCE EXPENSES**

R&M Civil Structures	58,320,297.56	86,774,582.56
R&M Electro-Mechanical	201,415,878.07	208,357,941.23
R&M Vehicles	51,865,207.98	63,146,675.52
R&M-Fire Fighting & Safety	4,290,484.64	4,544,740.01
R&M-Office Equipments	1,397,865.59	1,513,632.98
R&M-Information Technology	22,155,315.67	26,037,053.23
	<b>339,445,049.51</b>	<b>390,374,625.53</b>

**NOTE 20: EMPLOYEES REMUNERATION & BENEFITS**

Salaries and Wages	368,131,097.51	372,178,532.51
Employer's Contribution to Provident Fund	31,536,842.23	31,960,439.92
Bonus	49,879,878.77	50,315,699.42
Incentive/Honorarium	48,904,748.94	46,427,121.53
Staff Welfare Expenses	4,597,163.67	4,356,504.42
Medical Expenses	1,045,659.99	2,240,563.70
Gratuity Expenses	31,950,026.84	53,004,725.75
Leave Encashment	18,775,772.33	27,987,755.34
Terminal Benefits	876,444.00	926,090.43
Professional Training	61,338,586.28	68,905,656.49
Liveries	8,374,623.59	8,421,956.90
Leave Travel Concession	20,153,004.87	21,029,298.36
GPA- Insurance	3,591,520.42	3,750,916.08
	<b>649,155,369.44</b>	<b>691,505,260.85</b>

**NOTE 21: PURCHASE OF ENERGY**

Purchase of Electricity from PTC	371,285,817.48	214,928,145.90
	<b>371,285,817.48</b>	<b>214,928,145.90</b>

**NOTE 22: INTEREST ON BORROWING**

Interest to Government of India	571,055,022.71	705,093,463.32
Interest to Government of Austria	96,026,224.30	104,745,716.07
Interest to Asian Development Bank	57,252,159.35	52,559,912.19
Interest on Short-Term Borrowing	27,170,178.56	33,543,287.62
	<b>751,503,584.92</b>	<b>895,942,379.20</b>



<b>NOTE 23: OTHER EXPENSES</b>		
Travel	26,004,716.07	29,459,582.67
Entertainment	8,168,227.88	6,052,735.84
Electricity	11,085,010.54	11,413,503.10
Advertisement and Publicity	2,061,933.93	1,727,976.20
Telephone and Fax	5,598,210.84	7,900,085.52
Postage and Telegram	204,693.75	233,129.24
Printing and Stationery	6,849,517.51	7,418,249.22
Licence Fee	14,871,188.14	12,871,231.73
Rates and Taxes	44,815.96	79,815.47
Bank Charges	303,416.35	393,427.19
Audit Fees & Expenses	1,024,650.00	850,434.50
Corporate Social Responsibility	8,379,050.10	7,128,539.94
Directors' Sitting Fees	885,000.00	550,000.00
Board Meeting Expenses	179,335.00	326,185.00
Books & Periodicals	120,285.35	83,650.90
Loss on Disposal of Assets	2,855,851.24	4,006,536.60
Consultancy Charges	2,852,820.82	4,157,507.00
Rent	7,587,246.11	7,134,774.95
Obsolete stores/spares.	(65,850.31)	240,104.30
Foreign Exchange Gains/Loss	50,898,010.40	228,316,204.51
Profit on sale/discard of Assets (Net)	29,859.97	-
Other Expenses	3,273,057.06	6,800,634.16
	<b>153,211,046.71</b>	<b>337,144,308.04</b>

## NOTE 24

### A Nature of Operations

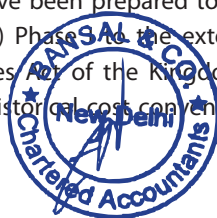
Druk Green Power Corporation Limited (DGPC) is engaged in generation of hydro electrical energy and for bulk sale of the same to other corporations for transmission and distribution of electricity within Bhutan, and for export of the surplus hydro electrical energy to India.

The company is a wholly owned subsidiary of Druk Holding & Investments (DHI), a holding company wholly owned by Royal Government of Bhutan. The company has been incorporated and registered under the Companies Act of the Kingdom of Bhutan, 2000 and has registered office located at Thimphu, Bhutan.

### B Significant Accounting Policies

#### 1 Basis of Preparation

- The financial statements have been prepared to comply in all material respects with the Bhutanese Accounting Standards (BAS) Phase 1 and to the extent is applicable to the company and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000. 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 company. In compliance of Bhutanese Accounting Standards, the company has also reclassified the previous figures in accordance with the requirements applicable in the current year.

The preparation of the financial statements in conformity with Bhutanese Accounting Standards 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.

## **b. Basis of Measurement**

The financial statements have been prepared on the historical cost basis except for the following:

- Non-current asset held for sale measured at lower of carrying value and fair value less costs to sell.
- The defined benefit asset is recognized as the net total of the plan assets, plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.
- Revenue from the sale of energy is measured at the fair value.

## **2 Offsetting**

Financial assets and financial liabilities or income and expenses are offset and the net amount presented in the Statement of Financial Position when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

## **3 Functional and Presentation Currency**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). Ngultrum (Nu.) is the functional currency of DGPC.

## **4 Use of Estimates**

The preparation of Financial Statements in conformity with BAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

## **5 Foreign Currency**

Transactions in foreign currency are initially recognized in the financial statements using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies



are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction. Foreign currency differences arising on translation are recognized in the Statement of Comprehensive Income for determination of net profit or loss during the period.

## 6 Investments

### a. Investment in Subsidiaries

Investment in subsidiaries is measured and carried at cost as per BAS 27.

### b. Other Investments

The BAS relating to financial instrument are yet to be implemented in Bhutan as per phase wise implementation announced by AASBB. Therefore, generally accepted accounting principal relating to recognition and measurement for the other investment as stated below have been followed:

Other investments (other than investment in subsidiaries) intended to be held for not more than one year are classified as current/short term investments and the investment other than these are classified as long term 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. Current/short term investments are carried at cost or market rates whichever is less, on individual investment basis.

## 7 Property, Plant and Equipment

- a. Property, plant and equipment is stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income / other expenses" in Statement of Comprehensive Income.

### b. Subsequent Expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other costs incurred for the running and maintenance of property, plant and equipment are expensed off in the year in which they are incurred.





### c. Depreciation

Company provides depreciation on property, plant and equipment on straight-line method at the rates prescribed in the scheduled B of Tariff Determination Regulation, 2007 of Bhutan Electricity Authority considering the useful lives of the assets.

ASSET	RATES
Civil Structures	3.33%
Electromechanical Equipment	3.33%, 5% (Diesel Generators), & 20% (Runners)
Fire Fighting and Safety Equipments	10.00%
General Assets	20.00%
Information & Technology Equipment	20.00%
Machineries	15.00%
Office Equipments	20.00%
Tools and Plants	10.00%
Vehicles	15.00%
Land	0.00%
Furniture and Fixtures	10.00%

The depreciation for the property, plant and equipment 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.

## 8 Intangible Assets

a. Intangible assets having finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset.

### b. Subsequent Expenditure

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other expenditure, including expenditure on internally generated goodwill and brands, are expensed off in the year in which they are incurred.

### c. Amortization of Intangible Assets with finite useful lives

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives as per the rates as has been prescribed in the scheduled B of Tariff Determination Regulation, 2007 of Bhutan Electricity Authority for all software.

## 9 Capital Work In Progress

Expenditure on material, labor and contract expenses for executing the particular project are capitalized. The directly attributable cost such as employee costs and overheads, project management expenses incurred during construction period are also capitalized.



Indirect expenditure and overheads incurred is expensed off and are not capitalized.

## 10 Government Grants

Grants from Government and Government agencies are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants related to income are recognized in the Statement of Comprehensive Income on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. The unallocated portion of such grant is presented as part of Deferred Income in the Statement of Financial Position.

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

A government grant received or that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in Statement of Comprehensive Income in the year it is received or becomes receivable.

## 11 Leases

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

### a. Assets on Operating Lease

Assets on operating lease are not recognized as part of company's asset. Payments made for operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Land on lease is classified as operating lease as allowed by the standard.

## 12 Impairment - Non-Current Assets

The carrying amount of the non-current assets, other than long term investment, capital work in progress and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

## 13 Employee Benefits

Employee benefits are accrued in the period in which the associated services are rendered by employees of the company as detailed below:

### a. Defined Contribution Plan (Pension and Provident Fund)

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified



percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to the Fund becomes due.

**b. Defined Benefit Plans (Gratuity)**

In accordance with the DGPC service rule, the company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the company. The company's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in profit or loss and invested in the form of deposits with financial institutions of Bhutan. The company recognizes all actuarial gains and losses arising from defined benefit plans directly in other comprehensive income and presented within equity. The plan assets of the gratuity fund are managed by the company.

**c. Short Term Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term benefits.

**d. Earned Leave Encashment**

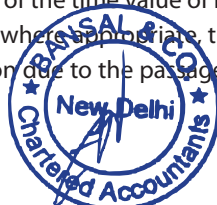
The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per DGPC service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The company recognizes an obligation for earned leave by determining the liability equal to the accrued unutilized earned leave as on the date of reporting based on the salary on the reporting date.

**e. Other Terminal Benefit**

As per company's HR manual, the employee who have rendered minimum five years of service are entitled to one month basic pay as repatriation allowance and one month basic pay as transfer grant at the time of leaving the service. One month basic pay for this purpose is the pay at the time of leaving the service. The company recognizes these expenses at the time of payment.

**14 Provisions**

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. A provision



for onerous contracts is recognized when the expected benefits to be derived by the entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

## 15 Revenue

Revenue from the export of energy is measured at the price at which Power Purchase Agreements (PPA) has been entered into and domestic sale of energy is measured at the tariff rate determined by Bhutan Electricity Authority. These rates have been considered as fair value for the purpose of measuring the revenue. Revenue is recognized when meter energy units transmitted to customers.

## 16 Other Income (Finance Income)

Other income comprises interest income on funds invested. Interest income is recognized on a time proportion basis using the effective interest method.

## 17 Borrowing Costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are added to the cost of those assets until such time when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

## 18 Inventories

- a. Inventories consist of stores and spares held mainly for repair & maintenance and are valued at lower of cost or net realizable value.
- b. 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 and condition.
- c. Obsolete and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.
- d. Stock of salvaged and scrapped materials has been stated at nil value. The amount realized on disposal of such stock is accounted for under Other Income.
- e. As the corporation is engaged in the generation of electricity, there are no finished goods or raw materials.
- f. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of selling.

## 19 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 probable for recovery as per the contractual terms.

## 20 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

## 21 Contingent Liabilities and Contingent Assets

Contingent liabilities is not recognized but disclosed for all possible obligations that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets is also not recognized but disclosed for all possible assets that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the entity.

## 22 Operating Segment

BFRS 8 'Operating Segments' requires a disclosure of operating results segment wise for the entity, whose debt or equity instruments are traded in public market or in the process of listing its securities in public market. Since the company's equity is not listed in public market, the standard is not applicable to the company.

## 23 Cash and Cash Equivalents

In the statement of cash flow, cash and cash equivalents include cash in hand, demand deposits with banks, other short – term highly liquid investments with original maturities of three months or less.

## 24 Comparative Information

Prior year figures have been restated, regrouped or reclassified to comply with BAS.



### C. NOTES TO ACCOUNTS

1. The company is a wholly owned subsidiary company of Druk Holding and Investments (DHI), a holding company wholly owned by Royal Government of Bhutan.
2. The authorized 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 Licensed and the Installed Capacity of Hydropower Plants under DGPC are as below,

PLANTS	LICENSED CAPACITY (MW)	INSTALLED CAPACITY (MW)
Basochhu Hydropower Plant	64	64
Chhukha Hydropower Plant	336	336
Kurichhu Hydropower Plant	60	60
Tala Hydropower Plant	1,020	1,020

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 and fully paid up 2,437,880 equity shares of Nu 1,000 each in this regard till 31st December, 2014.
5. Tangsibji Hydro Energy Limited (THyE) is a subsidiary company where DGPC has been allotted with 36,000,000 equity shares of Nu. 100 each. Nu.264.43 million has been called up and paid till 31.12.2014. Being the only investor as of 31.12.2014, company has 100% stake in THyE, however, this is expected to change in future with expected participation from other investors.
6. 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. Even though the agreement was entered into as joint venture, DGPC has control over BHSL. The company has been allotted and fully paid up 2,550,000 equity shares of Nu 100 each in this regard till 31st December, 2014.
7. Of the total loan of Nu. 900 million provided to DHI (Holding Company) at interest rate of 8% per annum vide loan agreement dated 20th September, 2012, Nu. 550 million was adjusted in the year 2014 and there is still balance of loan for Nu. 350 million as on 31.12.2014.
8. Bhutan Electricity Authority (BEA) vide its letter No. BEA/ECO/TARIFF/2013-2014/262 dated 15th October, 2013 and BEA/ECO/TARIFF/2013-2014/263 dated 15th October, 2013 approved for revision in domestic tariff for additional energy from Nu. 1.20/kWh to Nu. 1.39/kWh and wheeling charge from Nu.0.111/kWh to Nu. 0.114, applicable with effect from 1st October, 2013 to 30th June, 2016. The rate for energy imported and billed to BPC was revised from Nu. 1.86/kWh to Nu. 1.98kWh.
9. The export tariff for Chhukha was revised from Nu. 2.00/kWh to Nu. 2.25/ kWh applicable from 1st January 2013 for a four year period, valid until 31st December, 2016.



10. The company had, with effect from 1st January, 2011, adopted International Accounting Standard 19, Employee Benefits, issued by the International Accounting Standard Board and BAS 19 Employee Benefits with effect from 2013 for all short term benefits and gratuity (long term benefits).

**Defined Benefit Plans**

Valuation in respect of Gratuity has been carried out by independent actuary, Towers Watson, Kolkata, 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.

The table below shows a summary of the key results for the year ended 31st December, 2014. The amounts are expressed in Bhutan currency Bhutan Ngultrum (BTN) in thousand.

**Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)**

(Figures in BTN Thousands)

	Assets/Liabilities	31-DEC-14	31-DEC-13
1	Defined benefit obligation(DBO)	350,506.46	331,268.95
2	Fair Value of plan assets(FVA)	515,872.75	302,497.00

	Defined Benefit Cost	31-DEC-14	31-DEC-13
1	Service Cost	33,723.09	23,185.05
2	Defined Benefit Cost recognised in P&L	36,168.71	27,873.97
3	Re-measurements recognised in Other Comprehensive Income (OCI)Loss/(Gains)	(37,336.73)	1,297.17

**TABLE 1**

A	Profit & Loss (P&L)	2014	2013
1	Current service cost	33,723.09	23,185.05
2	Past service cost - plan amendments	0.00	0.00
3	Curtailment cost / (credit)	0.00	0.00
4	Settlement cost / (credit)	0.00	0.00
5	Service cost	33,723.09	23,185.05
6	Net interest on net defined benefit liability / (asset)	2,445.62	4,688.92
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	0.00	0.00
<b>8</b>	<b>Cost recognised in P&amp;L</b>	<b>36,168.71</b>	<b>27,873.97</b>

Note: Nu. 31,950.03 thousand is recognized in profit or loss as against 36,168.71 thousands as per valuation made by the Actuary as stated above, difference is due to the recovery of Gratuity made by the company from the employees on deputation to other organization which has not been considered in Actuarial Valuation.



<b>B</b>	<b>Other Comprehensive Income (OCI)</b>	<b>2014</b>	<b>2013</b>
1	Actuarial (gain)/loss due to liability experience	(29,599.13)	66,673.78
2	Actuarial (gain)/loss due to liability assumption changes	0.00	(37,442.06)
3	Actuarial (gain)/loss arising during period	(29,599.13)	29,231.72
4	Return on plan assets (greater)/less than discount rate	(7,737.60)	(27,934.55)
5	Unrecognised Actuarial Loss recognised in Retained Earnings	0.00	0.00
6	Actuarial (gains)/ losses recognized in OCI	(37,336.73)	1,297.17
7	Adjustment for limit on net asset	0.00	0.00

**TABLE 2**

<b>A</b>	<b>Development of Net Balance Sheet Position</b>	<b>2014</b>	<b>2013</b>
1	Defined benefit obligation (DBO)	(350,506.46)	(331,268.95)
2	Fair value of plan assets (FVA)	515,872.75	302,497.00
3	Funded status [surplus/(deficit)]	165,366.29	(28,771.95)
4	Effect of Asset ceiling	0.00	0.00
<b>5</b>	<b>Net defined benefit asset/ (liability)</b>	<b>165,366.29</b>	<b>(28,771.95)</b>

<b>B</b>	<b>Reconciliation of Net Balance Sheet Position</b>	<b>2014</b>	<b>2013</b>
1	Net defined benefit asset/ (liability) at end of prior period	(28,771.95)	(31,409.74)
2	Service cost	(33,723.09)	(23,185.05)
3	Net interest on net defined benefit liability/ (asset)	(2,445.62)	(4,688.92)
4	Amount recognised in OCI	37,336.73	(1,297.17)
5	Employer contributions	180,715.84	20,000.00
6	Benefit paid directly by the Company	12,254.38	11,942.50
7	Acquisitions credit/ (cost)	0.00	(133.57)
8	Divestitures	0.00	0.00
9	Unrecognised Actuarial Loss recognised in Retained Earnings	0.00	0.00
<b>10</b>	<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>165,366.29</b>	<b>(28,771.95)</b>

**TABLE 3**

<b>A</b>	<b>Development of Net Balance Sheet Position</b>	<b>2014</b>	<b>2013</b>
1	DBO at end of prior period	331,268.95	268,512.55
2	Current service cost	33,723.09	23,185.05
3	Interest cost on the DBO	27,367.93	22,148.56
4	Curtailment (credit)/ cost	0.00	0.00
5	Settlement (credit)/ cost	0.00	0.00
6	Past service cost - plan amendments	0.00	0.00
7	Acquisitions (credit)/ cost	0.00	133.57
8	Actuarial (gain)/loss – experience	(29,599.13)	66,673.78
9	Actuarial (gain)/loss - demographic assumptions	0.00	182.79
10	Actuarial (gain)/loss - financial assumptions	0.00	(37,624.85)
11	Benefits paid directly by the Company	(12,254.38)	(11,942.50)





12	Benefits paid from plan assets	0.00	0.00
<b>13</b>	<b>DBO at end of current period</b>	<b>350,506.46</b>	<b>331,268.95</b>

<b>B</b>	<b>Change in Fair Value of Assets</b>	<b>2014</b>	<b>2013</b>
1	Fair value of assets at end of prior period	302,497.00	237,102.81
2	Acquisition adjustment	0.00	0.00
3	Interest income on plan assets	24,922.31	17,459.64
4	Employer contributions	180,715.84	20,000.00
5	Return on plan assets greater/(lesser) than discount rate	7,737.60	27,934.55
6	Benefits paid	0.00	0.00
<b>7</b>	<b>Fair Value of assets at the end of current period</b>	<b>515,872.75</b>	<b>302,497.00</b>

**TABLE 4**

<b>A</b>	<b>Expected benefit payments for the year ending</b>	<b>2014</b>	<b>2013</b>
1	December 31, 2015	18,453.99	18,586.61
2	December 31, 2016	24,124.73	20,330.19
3	December 31, 2017	26,348.00	26,746.01
4	December 31, 2018	29,215.02	27,703.86
5	December 31, 2019	37,472.00	31,878.17
6	December 31, 2020 to December 31, 2024	218,700.48	219,659.87

<b>B</b>	<b>Weighted average duration of defined benefit obligation</b>	<b>11 Years</b>	<b>11 Years</b>
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<b>C</b>	<b>Accrued Benefit Obligation at 31 December 2014</b>	<b>150,103.64</b>	<b>140,980.24</b>
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<b>E. Plan Asset Information</b>	<b>2014</b>	<b>2013</b>
<b>Asset Allocation</b>		
Government of Bhutan Securities (Central and State)	0.00%	0.00%
High quality corporate bonds (including Public Sector Bonds)	0.00%	0.00%
Equity shares of listed companies	0.00%	0.00%
Property	0.00%	0.00%
Cash (including Special Deposits)	100.00%	100.00%
Other (including assets under Schemes of Insurance)	0.00%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**TABLE 5**

<b>A</b>	<b>Discount Rate</b>	<b>2014</b>	<b>2013</b>
	<b>Discount Rate as at 31 December 2014</b>	8.50%	8.50%
1	Effect on DBO due to 0.5% increase in Discount Rate	(17,567.34)	(16,808.89)
2	Effect on DBO due to 0.5% decrease in Discount Rate	19,041.47	18,242.40



B	Salary escalation rate	2014	2013
	<b>Salary escalation rate as at 31 December 2014</b>	10.00%	10.00%
1	Effect on DBO due to 0.5% increase in Salary escalation rate	18,705.50	17,920.00
2	Effect on DBO due to 0.5% decrease in Salary escalation rate	(17,433.19)	(16,680.55)

#### 11. Related Party Disclosures

The company is a wholly owned subsidiary of Druk Holding & Investments (a Royal Government of Bhutan undertaking). The company for the purpose of disclosure requirement has considered DHI controlled companies/corporations and company's own subsidiaries as related parties for the purpose of disclosures required by BAS 24 as summarized below:

Name of Related Party	Relationship	Nature of transaction with related party	Amount
Druk Holding & Investments	Holding Company	a. Payment of Dividend(Net) for 2013	2,876,297,742.66
		b. Loan	350,000,000.00
		c. Advance Dividend	1,719,800,000.00
		d. Income on Loan	46,202,740.00
		e. Accrued Interest on Loan	63,901,369.86
		f. Equity	30,508,291,000.00
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Sale of Electricity	1,485,590,324.80
		b. Wheeling Charges	575,053,223.42
		c. Consumption of electricity by DGPC	10,989,555.78
		d. Receivable on energy sold	281,311,520.23
		e. Payable towards wheeling charges and royalty	138,485,277.87
		f. Royalty Charges	1,472,287,438.14
Bank of Bhutan Limited	Fellow Subsidiary	a. Interest on deposits	37,325,136.99
		b. Bank Charges	176,759.15
		c. Deposits	15,992,722.20
		d. Interest Expenses	12,439,080.39
DHI Infra Limited	Fellow Subsidiary	a. Equity Investment	190,000,000.00
Bhutan Telecom Limited	Fellow Subsidiary	a. Telephone, Fax & Internet Services	2,649,918.43
Druk Air Corporation Limited	Fellow Subsidiary	a. Air Services	2,768,366.00
State Trading Corporation of Bhutan Limited	Fellow Subsidiary	a. Vehicle Services	6,721,706.73
Bhutan Hydropower Services Limited	Subsidiary	a. Equity Investment	255,000,000.00
		b. Income on services provided	1,153,400.00
Dagachhu Hydropower Corporation Limited	Subsidiary	a. Equity Investment	2,437,880,000.00
		b. Income on services provided	361,655.00
Tangsibji Hydro Energy Limited	Subsidiary	a. Equity Investment	264,428,410.86
		b. Income on services provided	308,643.00



### Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. As such Key management personnel of the company for the purpose of disclosure of compensation include Board of Directors and Managing Director.

(Amount in Million Nu.)

	Particulars	2014	2013
a)	Managing Director's Remuneration	2.42	2.46
b)	Directors' Sitting Fees	0.89	0.56
c)	Travelling Expenses (MD)	0.23	0.40
	Total	3.54	3.42

12. There exists policy for segregation or classification of inventories under fast moving, slow moving and non-moving based on the historical information on inventory movement for last three years. Since the policy requires historical information on inventory movement for last three years and with the implementation and transfer of data to SAP system with effect from 2011, the information could be only achieved by middle of 2014 after completion of three years requirement as per the policy.
13. Estimated amount of contracts remaining to be executed on capital account and not provided for - Nu. 123.59 million (previous year Nu. 402.18 million).
14. 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 2014. The confirming and reconciling the balances is carried out for more than Nu. 0.50 million.
15. During the current year, the company has calculated and accounted deferred tax assets / liabilities as below:

SN	Particulars	Carrying Amount as on 31.12.2014	Tax Base as on 31.12.2014	Temporary Difference	Deferred Tax Asset/Liability
1	Bonus (Note 15)	98,111,269.73	48,904,748.94	49,206,520.79	14,761,956.24
2	Medical Expenses (Note 20)	929,512.63	929,512.63	-	-
3	HRD Expenditure ( Note 20)	-	-	-	-
4	Entertainment ( Note 23)	-	-	-	-
5	Publicity /Advertisement ( Note 23)	-	-	-	-
6	Donation /Presentation ( Note 23)	3,211,819.65	3,211,819.65	-	-
7	Provisions ( Note 7)	1,950,556.99	-	1,950,556.99	585,167.10
8	Loss on Disposal of Assets (Note 23)	2,855,851.24	2,855,851.24	-	-
9	Interest on ADB Loan ( Note 11)	249,131,187.74	-	249,131,187.74	74,739,356.32
10	Property, Plant & Equipment (Note 1)	45,784,654,638.71	45,607,880,920.43	(176,773,718.28)	(53,032,115.48)
11	Interest Accrued but not due(IDC) (Note 11& 13)	2,948,862,724.24	2,948,862,724.24	-	-
	<b>Total</b>	<b>46,140,844,836.69</b>	<b>45,663,782,852.89</b>	<b>123,514,547.24</b>	<b>37,054,364.17</b>



16. Quantitative Information of purchase and sale of power:

(Units in MU) (Amount in Million Nu.)

Particulars	2014		2013	
	Units	Amount	Units	Amount
Purchase	187.37	371.28	108.19	214.92
Self Generation	7,147.10		7,531.45	
	<b>7,334.47</b>		<b>7,639.64</b>	
Sale:				
Within Bhutan	2,064.30	2,957.88	1,901.73	2,419.31
Export to India	5,179.26	10,698.31	5,648.23	11,669.91
Internal Consumption & Losses	90.90	0.58	89.69	0.54
<b>Total</b>	<b>7,334.46</b>	<b>13,656.77</b>	<b>7,639.64</b>	<b>14,089.76</b>

17. The following statutory dues were outstanding and pending to be deposited at respective year ends:

(Amount in Million Nu.)

Particulars	2014	2013
TDS Payable	0.02	0.34
Corporate Income Tax	1,769.14	1,849.15
<b>Grand Total</b>	<b>1,769.16</b>	<b>1,849.49</b>

18. 15% of the mean annual generation after adjusting auxiliary is supplied to Distribution Company as Royalty Energy as per the instruction of Bhutan Electricity Authority. Royalty Energy has been accounted from 2014 as royalty income and correspondingly as royalty expense and accounts for 2013 is also restated for comparison. For the purpose of accounting, non royalty rate of Nu. 1.39 has been applied to royalty energy from 1st October 2013 to 31st December, 2014 and non royalty rate of Nu. 1.20 from 1st January, 2013 to 30th September, 2013. Royalty Energy of 1059.20 MU in 2014 and 1116.16 MU in 2013 was supplied to Distribution Company.

19. Auditors remuneration:

(Amount in Million Nu.)

Particulars	2014	2013
a) Audit Fess	0.50	0.35
b) Out of pocket expenses	0.52	0.48
<b>Total</b>	<b>1.02</b>	<b>0.83</b>

20. The company manages its capital so as to ensure funds are available to meet future commitments. As well as commitments to outside parties, the company has a requirement to meet dividend and tax expectations to the parent company and the RGOB.

Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are only made for major capital projects. Such borrowings are repaid when the project is completed and is generating positive cash flows.



21. These Financial Statements have been approved for issue by the Board of Directors on April 02, 2015

Signatures on Notes 1 to 24



(Dashe Sangay Khandu)  
Chairman, DGPC & DHI



(Dashe Chhewang Rinzin)  
Managing Director



(Ugyen Namgyal)  
Director (Finance)







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**DrukGreen**

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