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DrukGreen



ANNUAL REPORT 2015

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



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ANNUAL REPORT 2015



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Year of Incorporation : 2008
Registered Office : Pox Box No. 1351, Thimphu, Bhutan
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Website : www.drukgreen.bt



ORGANIZATION OVERVIEW

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
5. Be a responsible, proactive, and progressive company with a highly motivated and dedicated team of professionals



IN RETROSPECT – THE PATH AHEAD FOR HYDROPOWER?

2008 is a year to be cherished and remembered by all Bhutanese. The first democratically elected Government took office under a new Constitution that ushered in Bhutan's peaceful transition to a constitutional monarchy. As the nation transitioned, the world got a closer look at a nation that embraced the concept of Gross National Happiness as envisioned by His Majesty the Fourth Druk Gyalpo in the pursuit of economic development that puts happiness and the preservation of our unique culture, heritage, and identity and our pristine environment before material wealth. The crowning moment of the year was the coronation of the His Majesty The Fifth King of Bhutan on November 1, 2008.

2008 was also the year that saw the creation of Druk Green – the public sector generation utility with the vision of “harnessing and sustaining Bhutan's renewable energy resources” – under Druk Holding & Investments, the holding company for government owned companies. Druk Green was established for the effective and optimal utilization of the scarce water and human resources, to develop the water to wire expertise amongst the Bhutanese, and to lead in accelerating hydropower development on its own or through joint ventures in keeping with the Sustainable Hydropower Development Policy, which was also approved in 2008.

Since the early 1960s when Bhutan embarked on creating its first modern infrastructures, energy played and has continued to play a vital role in improving the overall well-being of the people of Bhutan and bringing in revenues from the export of surplus energy generation to India – comprising a key element in Bhutan's socio-economic development strategies. Given the benefits accrued from harnessing just a little over 5% of the huge potential of 30,000 MW that Bhutan is endowed with, hydropower is considered a strategic sector in Bhutan's plans and aspirations for the future. 2008 therefore saw Bhutan committing to the huge challenge of developing at least another 10,000 MW generation capacity by the year 2020 from its then installed generation capacity of only 1,489 MW. With India's growing demand for energy and the willingness to assist Bhutan in developing its hydropower potential, the 10,000 MW by 2020 target appeared very much achievable back then in 2008.

There was initial fervour in the accelerated development of hydropower as a number of mega projects under the Inter-Governmental mode supported by the Government of India took off. Druk Green initiated and commissioned the first cross border CDM 126 MW Dagachhu project and has now ventured into the construction of the 118 MW Nikachhu project. Druk Green is poised to start the construction of the two-stage 442 MW Nyeru Amari cascaded projects by 2018 while waiting for the nod to proceed with the implementation of the mega 1,125 MW Kuri-I project. To diversify within the hydropower sector, Druk Green Consultancy was established and is being further strengthened to enable Druk Green to investigate and prepare international standard pre-feasibility, feasibility and detailed project reports. The initiative to start a hydropower construction company was taken over by the Construction Development Corporation and Druk Green is supporting this initiative in CDCL. To wean away dependency on original equipment manufacturers and specialist service providers, Druk Green established the Bhutan Hydropower Services for reclamation of runners and allied underwater hydro-mechanical components that are prone to wear and tear. Druk Green also established a number of Centres of Excellence, which

Druk Green is now planning to amalgamate and upgrade to a Research and Development Centre.

With its “commitment to excellence”, Druk Green has continued to maintain very high levels of plant availability and maximize water utilization factors in the operation and maintenance of its power plants. Druk Green is also ISO certified for Integrated Management System for Quality, Environment and Occupational Health & Safety in keeping with best international practices in Corporate Governance. For the older power plants like Chhukha, Druk Green has initiated the process of refurbishment, modernization and automation to extend the life of the plants.

While much has been achieved in the eight years since 2008, there is much more that needs to be done and considered in retrospect. The target of 10,000 MW by 2020 is no longer in sight with a lot of time taken in trying to reach a common understanding on the Joint Venture mode projects with the GOI PSU partners and a number of mega reservoir projects still under consultation between Bhutan and India. India is Bhutan’s partner in all major investments in the energy sector and the cooperation in this sector is seen as the cornerstone of the excellent Bhutan-India relationship. While there is commitment from both sides to accelerate development in the hydropower sector for the mutual benefit of both countries, the 10,000 MW additional capacity realistically could take another decade to achieve. Druk Green would therefore need to recast its future growth plans in generation and revenues, organizational structure, human resources capacity building, and loading of some its subsidiary companies.

As of recent years, certain quarters of the Bhutanese population have also started to express deep concerns on a number of emerging issues such as the quality of the DPRs vis-à-vis the geotechnical problems surfacing during construction, the huge cost escalations in the implementation of the projects, the experience with negative social and environmental impacts, and the burgeoning debt levels of the country that are being attributed to hydropower projects. Further, as a strategic resource, there is concern being expressed on the ownership of Bhutan’s hydropower resources.

It is therefore an apt and opportune time for us to reflect on the wise and prophetic words of His Majesty the King. In His Majesty’s 17 December 2013 National Day address to the Nation, His Majesty emphasised that *“hydropower is considered as our nation’s most precious resource that belongs to all the people.”* In His Majesty’s 17 December 2014 National Day address, His Majesty the King further 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 realise 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?’”*

As one of the main custodians of this very important national resource, Druk Green has a major role to play in setting the direction and pace for the harnessing of the huge hydropower potential in meeting the aspirations of the people of Bhutan – to which Druk Green must stand committed.

BOARD OF DIRECTORS



CHAIRMAN

Dasho Sangay Khandu
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.



MEMBERS

Dasho Chhewang Rinzin
Managing Director, 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.



Lhaden Pema
Thimphu

Served as the Chief Planning Officer for Policy and Planning Division, Ministry of Works and Human Settlement. 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.



Thinlay Wangchuk
Director General, DoI, MoHCA

Served as the Director for Department of Immigration, Ministry of Home and Cultural Affairs. He holds a Bachelor of Commerce from Punjab University, India, and an MBA from Wakayama University, Japan.



Nim Dorji
Director General, DoA, MoAF

Served as the Joint Secretary, 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.



Karma Tshewang
Chief Engineer, DHPS, MoEA
Engineering Officer to the Chairman, Punatshangchhu-I&II Hydroelectric Project Authority

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.



Lhaba Tshering
Chief Planning Officer, PPD, 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.

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 Practicing 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.



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.



Pema Wangda
Interim Head, Basochhu Hydropower Plant

Served as the Head of Operation & Maintenance Division, Basochhu Hydropower Plant. He holds a Bachelor in Mechanical Engineering from the PSG College of Technology, Coimbatore, India, and a MSc in Mechanical Engineering from Linköping University, Sweden.



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.

DRUK GREEN SYSTEMS

GENERATING PLANTS

BASOCHHU HYDROPOWER PLANT

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

CHHUKHA HYDROPOWER PLANT

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

KURICHHU HYDROPOWER PLANT

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

TALA HYDROPOWER PLANT

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

SUBSIDIARY COMPANIES

DAGACHHU HYDRO POWER CORPORATION LIMITED

Catchment area	: 676 km ²
Net Head	: 282 m
Installed Capacity	: 126 MW
Number of Units	: 2
Mean Annual Generation	: 515 GWh
Turbine Type	: Pelton
Project Cost	: Nu. 12.26 billion
Project Commission	: March 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 ²)
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 Cost	: Nu. 1,136.54 million
Project Commission	: September 2014
Business Promoters	: Druk Green and Alstom

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

Catchment area	: 373 km ²
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 ²
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
Project Schedule	: –
Business Promoters	: Druk Green and SJVNL

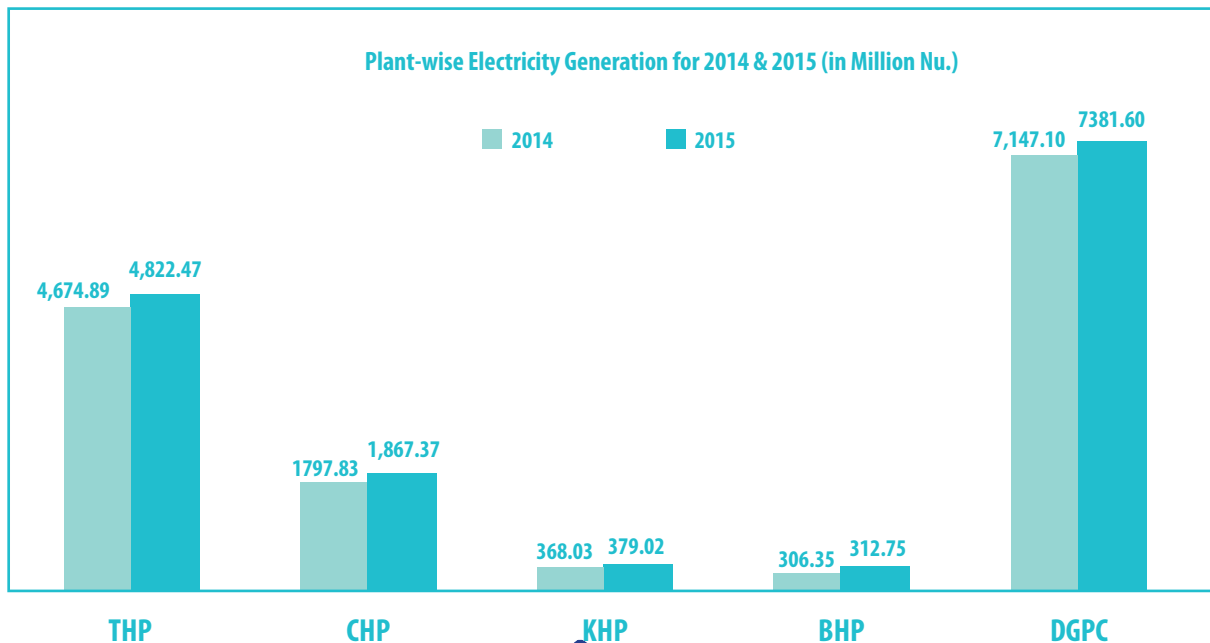
DIRECTORS' REPORT FOR THE YEAR 2015

The Board of Druk Green Power Corporation Limited (Druk Green) is pleased to report to Druk Holding and Investments (DHI), the Shareholder of Druk Green, on the performance of the Company for the period 1st January to 31st December 2015.

1. OPERATIONAL HIGHLIGHTS

The Tala, Chhukha, Kurichhu and Basochhu power plants under Druk Green with a combined installed capacity of 1,480 MW generated 7,381.60 million units (MU) of electricity during 2015, an increase of 3.28% from the aggregate generation of 7,147.10 MU in 2014. This increase in generation was on account of better hydrological flows mainly in the Wangchhu as well as the additional generation of 67.35 MU from the Tsibjalumchhu Diversion Scheme to the Tala Hydropower Plant (THP), an initiative of Druk Green to add generation from the existing power plants during the lean seasons. This was also attributable to over 98% power plant availability and almost 100% water utilization factor achieved by the plants. Consequently, there was also a decrease in the import of power from India to 158.46 MU in 2015 from 187.37 MU in 2014 with part of the shortfall in the eastern Bhutan being met from the generation in western Bhutan with West-East transmission grids interconnected at Jigmeling.

The Plant-wise and overall Druk Green generation during 2015 vis-à-vis 2014 is as below:



The net energy exported to India of 5,149.17 MU during 2015 was a slight increase over previous year's export of 4,991.89 MU. The domestic energy consumption of 2,142.17 MU during 2015 that was supplied to the Bhutan Power Corporation Limited (BPC) was slightly higher by 3.77% over the domestic consumption of 2,064.30 MU during 2014.

2. FINANCIAL HIGHLIGHTS

Due to increase in generation and the increase in export and domestic sales, the overall revenues to Druk Green increased by 2.53% to Nu. 14,258.09 million in 2015 from the 2014 revenues of Nu. 13,905.77 million. The Royalty Energy of 1,093.95 MU supplied to BPC has been accounted as revenue at domestic electricity tariff of Nu. 1.39 per kWh, equivalent to the Nu. 1,520.60 million also shown as Royalty Expenses.

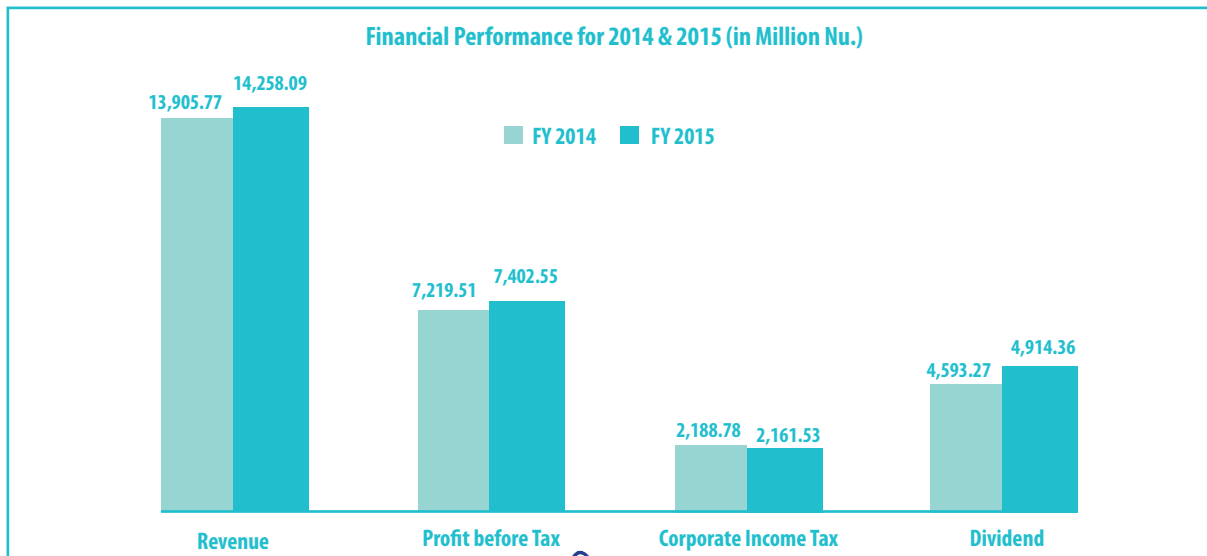
3. EXPENDITURES

There has been an overall increase in expenditures by 2.53% from Nu. 6,686.26 million in 2014 to Nu. 6,855.54 million in 2015. The increase in expenditures is mainly on account of the revision in pay and allowances during 2015, increase in royalty and wheeling expenses due to higher generation, and payment of brand and management fees to DHI made effective from 2015.

4. PROFITABILITY OF THE COMPANY

The Profit After Tax (PAT) increased by 2.06 % from Nu. 5,068.72 million in 2014 to Nu. 5,173.01 million in 2015. While profit has increased, the Corporate Income Tax has decreased mainly due to the recognition of the interest expenses for the tax purposes on the cash basis. The key financial figures on the performance of the Company for 2015 vis-à-vis the previous year are as presented below:

PARTICULARS	FY 2014	FY 2015	VARIANCE (%)
Revenue (Nu.)	13,905,771,941.99	14,258,085,461.34	2.53%
Profit before Tax (Nu.)	7,219,507,378.11	7,402,550,409.43	2.54%
Corporate Income Tax (Nu.)	2,188,780,827.77	2,161,528,617.56	-1.25%
Dividend (Nu.)	4,593,273,664.26	4,914,359,806.88	6.99%



The financial position of the Company continues to be strong with long term debts of Nu. 7,769.70 (including interest accrued) million constituting only 18.12% of the overall Shareholder's fund of Nu. 42,887.56 million. The loan on the Kurichhu project was also liquidated during 2015. The Tala loan is also scheduled to be liquidated by the end of 2018. The funds are almost entirely invested in income generating assets. The fund applications consist of Nu.44,985.84 million in fixed assets including capital works in progress and intangible assets, Nu. 5,132.42 million in long-term investments, and Nu. 5,472.63 million in the form of current assets.

5. DIVIDEND

It has thus far been the norm for Druk Green to declare 90% of PAT as Dividend and set aside 10% of PAT to Reserves. However, for 2015, the Board has approved a Dividend of Nu. 4,914.36 million, representing 95% of PAT based on the expectations of the Shareholder DHI. After providing for the Dividend, the Board approved for the transfer of balance 5% of the profit for the year amounting to Nu. 236.59 million to Reserves. There would be a further increase in dividend by Nu. 190 million on adjustment of the Group Investment Reserve against transfer of equity share in DHI Infra to DHI.

Druk Green plans to make substantial investments in the new projects under the mandate to accelerate hydropower development; in the renovation, modernization and automation of aging plants such as Chhukha Hydropower Plant (CHP); and in implementing the remedial measures to address the teething issues with THP. While declaring higher levels of Dividends, it needs to be noted that Druk Green would need to mobilize funds sooner rather than later either through injection of funds by the Shareholder or through raising of debt from the market to meet its short term and long term financing requirements.

6. GENERATION AUGMENTATION PROJECTS

6.1 *Tsibjalumchhu Diversion Scheme*

The construction of civil and hydro-mechanical works for the Tsibjalumchhu Diversion Scheme was completed at a cost of Nu. 285.76 million. With the diversion of the Tsibjalumchhu into the Tala reservoir, an additional energy of 67.346 MU was generated during 2015 thereby augmenting the firm power generation.

6.2 *Modification of Lubichhu Intake*

The intake structure for the Lubichhu Diversion Scheme needed to be modified to handle the sediment load for which Druk Green completed a study during 2015. The modification of the silt flushing system is planned over the next 1-2 years.

7. PROJECTS UNDER INVESTIGATIONS AND DETAILED PROJECT REPORT PREPARATION STAGES

These investigations and the preparation of the Detailed Project Reports are being taken up mostly through in-house specialization. It is part of the overall competency building initiatives in the hydropower sector amongst the Bhutanese that is being promoted by Druk Green with the full support of the Board.

7.1 *Kuri-I Hydropower Project*

Druk Green completed the preparation of the Detailed Project Report for the 1,125 MW Kuri-I Hydropower Project during 2015 at a cost of Nu. 149 million using mostly expertise available within Druk Green. The Report was vetted by consultants that had been retained for the detailed design and engineering components of the DPR.

The Kuri-I project, with an annual design energy of 4,558 MU, is designed as a run-of-river scheme with provision for



daily peaking. The cost to completion of the project is estimated at Nu. 83,224.42 million (November 2015 Price Levels) including Nu.18,505.52 million against IDC and FC. With a levelized tariff of Nu. 4.23 per kWh, the project is technoeconomically viable and with minimum social and environmental impacts, the project has been recommended for implementation.

7.2 Kurichhu Augmentation Project

Druk Green completed the DPR study to augment the existing 60 MW Kurichhu Hydropower Plant (KHP) during 2015 based on the potential to generate additional energy for optimal utilization of the Kurichhu discharge. The DPR for the KHP Augmentation Project revealed the possibility for an additional generation capacity of 76 MW with an annual additional design energy of 198 MU.

The cost of the augmentation project was estimated at Nu. 5,262.34 million (December 2015 Price Levels) including IDC and FC resulting in a levelized tariff of Nu. 7.28 per kWh with the Augmentation project considered as a standalone project. Considering the high cost of generation, the augmentation of the KHP has been recommended to be kept in abeyance till a decision on the implementation of the 1,125 MW Kuri-I project is taken. With the Kuri-I project, there is a likelihood of water spillage from KHP unless the capacity is augmented.

7.3 Nyera Amari-I&II Integrated Hydropower Project

Druk Green started the preparation of the DPR for the 442 MW Nyera Amari-I&II Integrated Hydropower Project and a number of the DPR field activities such as the topographical survey and mapping and geological investigations (drilling) were awarded during 2015. The DPR is scheduled to be completed by July 2017.

7.4 Pre-Feasibility Study of Jomori Hydropower Project

Druk Green took an active part in the preparation of the Pre-Feasibility Study (PFS) for the Jomori Hydropower Project with the Ministry of Economic Affairs. As per PFS that was completed during 2015, the Jomori could be considered for an installed capacity of 85 MW with an annual design energy of 362 MU.

8. OTHER HIGHLIGHTS

8.1 ISO Certification

As part of Druk Green's continuing focus on strengthening Good Corporate Governance and Management Systems based on the best international practices, ISO certification in Integrated Management System of the Company was initiated in 2014. In December 2015, Druk Green was certified by Bureau Veritas Certification in Integrated Management System comprising of the following three ISO standards:

- ISO 9001- 2008 Quality Management System (QMS)
- ISO 14001 – 2004 Environment Management System (EMS)
- OHSAS 18001-2007 Occupational Health & Safety Management System (OH&S)

Based on this, Druk Green has initiated the process to further **certify the Company for ISO 55001:2014- Asset Management System during 2016**. This could be emulated with the other DHI held companies.

8.2 Formation of Druk Green Consultancy

Since its establishment in 2008, Druk Green has made substantial strides in building core competencies in hydropower from conceptualization to investigations, project structuring to construction, commissioning, and operation and maintenance. During 2015, Druk Green Consultancy was established to further build competencies and provide services related to investigation, design and engineering, construction, and contracts management in the hydropower sector initially within Bhutan but eventually offer services to outside of Bhutan also. Eventually the

Consultancy is expected to be created as a separate subsidiary under Druk Green.

8.3 Fleet Management System

The Fleet Management Division in Druk Green was further strengthened as a separate profit center for better management of vehicles and other mobile equipment available with the Company. The Board has further commissioned a Committee to rationalize fleet size, use and replacement policies. Ultimately this is one of the initiatives intended to spearhead the strategy to outsource non-core shared activities.

8.4 Human Resources Management

The success of Druk Green will ultimately depend on the quality of human resources that Druk Green is able to build through recruitment, training and retention programs. Sufficient funds continue to be provided towards capacity building in specialized areas and in upgrading the skill sets of the employees. Long term studies including post doctoral studies are being encouraged especially considering the need to continue to strengthen the **Centers of Excellences** in various specialized fields and for establishing a **Research and Development Center**. Druk Green is also strengthening its internal training capacity to encourage knowledge sharing.

Druk Green continues to support its subsidiaries and the hydropower project Authorities with over 126 officers on deputation with a view to facilitate smooth takeover by Druk Green upon commissioning of projects in the case of hydropower project Authorities. Due to the uncertainties with the new projects, Druk Green limited its new recruitments to 27 during 2015 while 36 employees exited from Druk Green either on retirement or on resignations. With the induction of more and more young managers and engineers, Druk Green continues to provide and create the right work place environment for them to take the leadership roles for the future success of Druk Green.

9. AWARDS AND RECOGNITION

9.1 CBIP Award for Best Performing Utility in SAARC Region

On 1st January 2015, the Government of India's Central Board of Irrigation and Power (CBIP) awarded Druk Green its "Special Award for the Best Performing Power Utility in the SAARC Region and Fostering Energy Co-operation". Druk Green was recognized for "achieving the fastest growth in the power generation capacity as an exemplary symbol of Bhutan-India co-operation, building Bhutanese human capital in the "water to wire" hydropower sector, and ensuring highest standards of operation and maintenance of its hydropower plants in terms of power plant availability, water utilization factor and costs."

9.2 Appreciation for Good Tax Compliance

Druk Green was awarded a Certificate of Recognition by the Ministry of Finance for Good Tax Compliance on 26th January 2015. The recognition was based on the criteria for timely filing of taxes, accuracy and honesty in declaration, and absence of penalties.

10. CORPORATE GOVERNANCE

10.1 Board of Directors

Thinlay Wangchuk, Director General of Immigration replaced Karma Yonten, former CEO of DHI on the Board of the Company in April 2015. All the other Directors who were appointed in July 2014 continued to serve as Directors on the Druk Green Board. The performance of the Directors, the Board, and the Board Committees are reviewed and evaluated annually by DHI.

10.2 Board and Board Committee Meetings

In steering Druk Green in the direction of effective management and strategic growth, the Board of Druk Green demonstrated exemplary leadership aptitudes. The Board ensured that Druk Green worked within the legal and regulatory frameworks of the country and further strengthened its Governance structure while encouraging new ideas and initiatives.

The Board met seven times during the year and the quorums at each of these meetings were duly met to consider the many emerging issues and the decisions required for the smooth operation and maintenance of the existing power plants, the investments in the new projects and the growth of the Company, and the performance of its subsidiary companies. The 8th Annual General Meeting was held in April 2015. The Board Sub-Committees on Procurement, Human Resources and Audit matters also met regularly to deliberate and consider the various aspects of the Company.

11. CORPORATE SOCIAL RESPONSIBILITY

Druk Green continues to support the local communities in the vicinity of the power plants through a number of its Corporate Social Responsibility activities. In many of the power plants, Druk Green has established basic amenities such as schools, hospitals and community centers including few Lhakhangs. Druk Green also provides school bus facilities, access to its ECCD centers and garbage collection facilities, and conducts annual religious activities for the benefit of Druk Green as well as the local communities. Druk Green further continues to support its "Being Green Initiatives" through plantation of trees, greening of its surroundings, and creating awareness on social and environmental issues that confront the hydropower sector.

Apart from the funds provided through budget allocation for such CSR activities, Druk Green employees also contribute generously to the funds and provide voluntary services. During 2015, Druk Green employees additionally contributed towards celebrating the 60th Birth Anniversary of the Fourth Druk Gyalpo, and to the Nepal Earthquake Relief Fund.

12. INITIATIVES AND KEY CHALLENGES

12.1 Implementation of the Joint Venture Projects with Indian PSUs

The Royal Government of Bhutan nominated Druk Green to represent the RGOB in four hydropower projects to be implemented in joint venture mode with GOI PSUs as part of the overall commitment for co-operation in developing 10,000 MW of additional generation capacity between Bhutan and India. In June 2015, Kholongchhu Hydro Energy Ltd, the legal entity to develop the 600 MW Kholongchhu project in a 50:50 Joint Venture partnership between Druk Green and SJVN Ltd, was incorporated. His Royal Highness the Gyaltshab Prince Jigme Dorji Wangchuck graced the ground breaking ceremony of the first construction activities on the ground on 18th September 2015.

The negotiations of the Shareholders Agreements for the other three JV projects (180 MW Bunakha Reservoir Scheme with THDC, 570 MW Wangchhu HEP with SJVN, and 770 MW Chamkharchhu-I HEP with NHPC) were also initiated during the year. The Government is also in the process of finalizing the Concession Agreement for these JV projects.

12.2 Establishment of a Research & Development Center

In order to take on the challenges and the huge responsibilities posed by the hydropower sector, Druk Green initiated the establishment of a number of Centers of Excellences (COEs) to build its core competencies for more effective and efficient management of the power plants and to wean away the dependence on external agencies that were most times not available when the services are required. Some of these COEs now provide highly specialized services to agencies beyond Druk Green.

With the technical complexities and the need for more research oriented work to address issues and challenges specific to the Himalayas that are not readily available in the market, Druk Green has embarked on consolidating the COEs and building core competencies in other areas through the establishment of a Research and Development Center. Eventually, once the core competencies have been built, Druk Green intends to spin off the R&D Center as an independent subsidiary company of Druk Green offering services to Druk Green and to others in the region and beyond. The scoping for the Center was initiated during 2015.

12.3 Upgrading BHSL with Hydropower Components Manufacturing Capability

Druk Green, in joint venture with its partner, Alstom (now General Electric), intends to expand Bhutan Hydropower Services Limited to include a manufacturing capability for hydropower components. The viability studies for expanding BHSL to incorporate such manufacturing capability were initiated in 2015. The facility is expected to provide other strategic benefits to Bhutan with provisions for future expansions.

12.4 Renovation, Modernization and Automation of Aging Power Plants

With power plants such as Chhukha aging, the need for renovation/modernization/ automation to extend the life of the projects and to adapt to the changing technologies will be the next big challenge that Druk Green has to prepare itself for. In consultation with the original equipment manufacturer, Druk Green is already into the third phase of renovating and modernizing the Chhukha power plant. However, it is envisaged that instead of addressing the renovation and modernization issues on a piece meal basis, it would be more appropriate for Druk Green to consider the complete rehabilitation of the Chhukha plant, which is completing 30 years of operation. Rehabilitation, renovation and automation can be challenging both technically and financially.

Druk Green also continues to address a number of major technical problems inherited with the Tala plant. While most of the problems have been rectified, the issues that are still to be resolved require expertise from the region as well as interventions from beyond the region as Druk Green attempts to find and implement the most optimal but safe measures. It is imperative that these problems are rectified for ensuring the steady flow of revenues to the Shareholder for which major investments will be required. An International Technical Committee is being consulted for resolving some of the issues.

13. DRUK GREEN SUBSIDIARIES

13.1 Bhutan Hydropower Services Ltd

Bhutan Hydropower Services Ltd (BHSL), a Joint Venture initiative of Druk Green (51%) and Alstom/General Electric (49%) started commercial operation in October 2014. It has since established international best practices and standards and provided quality services in the repair and reclamation of hydropower runners and associated components for the hydropower plants under Druk Green. During 2015, His Majesty the King visited BHSL and commended BHSL on the state of the art technology adopted and the competencies built amongst the Bhutanese. The quality of the construction of the BHSL could be taken as an example by other agencies.

At the present juncture, given the limited workload from Druk Green, BHSL has also initiated marketing its services to other industries in Bhutan and the hydropower stations in the neighboring states of India. These market segments are slowly recognizing what BHSL has to offer in terms of quality services, and thus it will not be far when BHSL will live up to its vision - to lead in the hydropower services in the region.

BHSL bagged work orders of Nu.135.56 million during 2015 with sales of Nu.102.34 million. While the comprehensive income for 2015 was negative mainly on account of depreciation and interests on borrowings, the year saw major expenditures, time and resources being invested in establishing itself in the market. It is apprehended that considering the delays with the 10,000 MW by 2020 projects, the loading of BHSL will remain low for at least the next five years or so. BHSL is therefore planning to expand to manufacturing of hydropower components for higher utilization of its facilities.

13.2 Dagachhu Hydro Power Corporation Ltd

The 126 MW Dagachhu hydroelectric project, a public private partnership project with Druk Green holding 59% majority shareholding, Tata Power Company holding 26% and NPPF holding 15% started commercial operations in February 2015. Despite numerous challenges faced during implementation of the project, Unit 1 was commissioned on 20th February 2015. The commercial flow of energy from Dagachhu project to India started on 21st February 2015, coinciding with the 35th Birth Anniversary of His Majesty The King of Bhutan. Unit 2 was commissioned on 15th March 2015. The project switched over from construction phase to operations and maintenance (O&M) phase from 1st July 2015. DHPC has successfully closed the EPC contracts with HCC of India for the Civil Works and the AHCD from Austria/Switzerland for the E&M Works.

Despite the need to restrict generation to 100 MW due to a constriction in the tail race tunnel that has to be rectified, Dagachhu generated 351 MU during 2015. DHPC made Profit Before Tax of Nu. 292.73 million during the year from gross revenues of Nu. 1,493.74 million.

13.3 Tangsibji Hydro Energy Limited

Tangsibji Hydro Energy Limited (THyE), a 100% subsidiary company of Druk Green, was incorporated on 25th April 2014 as a Special Purpose Vehicle for the implementation of the 118 MW Nikachhu Hydropower Project.

All clearances/licenses for the construction of the project have been obtained. The activities completed during the year include the signing of Power Purchase Agreement; finalization of the Concession Agreement; recruitment of the Owner's Engineering Consultant; reaching financial closure for the loans; procurement of construction equipment; construction of access roads, site facilities and water supply as pre-construction activities; and most importantly the procurement works for the two Main Contract Packages: MP-1 (Civil and HM Works) and MP-2 (Electro-Mechanical Works).

The Contract Agreement for MP-2 (Electro-Mechanical Works) package has been signed with M/s Voith Hydro Private Limited, India on 30th December 2015. The Contract Agreement for MP-1 (Civil and HM Works) is expected to be finalized in early 2016.

THyE is implementing its commitment under the social and environmental mitigation measures and also partakes in other CSR activities that include carrying out cleaning campaign and fund contributions.

13.4 Kholongchhu Hydro Energy Limited

As part of this Joint Venture initiative with GOI PSUs, the first JV Company for the implementation of the 600 MW Kholongchhu Hydropower Project was incorporated under the Companies Act of the Kingdom of Bhutan, 2000 on 12th June 2015 with SJVNL and Druk Green holding 50:50 shareholding in the Company. Druk Green's 50% equity financing is being provided by GOI as a grant to the RGOB.

The infrastructure works have been started for establishing access roads, bridges and construction power supply to the various work fronts. Land acquisition for the project area is also nearing completion. With the project to be developed in a 70:30 debt equity structure, discussions on raising debt financing has been initiated. Tender documents for the Civil Works Contracts are being prepared and the engineering consultants are being recruited. Special consideration is being made to integrate the development of projects colonies within the new Doksum township. There is a need for streamlining the differences between the JV partners and implementing the project expeditiously.

14. STATUTORY AUDIT REPORT

M/s Bansal & Co of Delhi was reappointed as the Statutory Auditors for the year 2015 by the Royal Audit Authority. The firm audited the 2015 accounts of all the power plants, profit centres of Druk Green with effect from 1st February to 7th

March 2016. An Audit Exit Meeting between Druk Green, the Statutory Auditors and representative from the Royal Audit Authority was held on 17th March, 2016. The 2015 audit was carried out in accordance with the International Standards on Auditing (ISAs) and accounts were prepared to comply in all material respects with the Bhutanese Accounting Standards (BAS) Phase I to the extent is applicable to the company and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000.

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.

ACKNOWLEDGMENTS

Druk Green Board would like to acknowledge the support of the Royal Government of Bhutan, Druk Holding & Investments, Ministry of Economic Affairs, Ministry of Finance, Bhutan Electricity Authority, National Environment Commission and all other stakeholders inside and outside of Bhutan; and the Government of India and its agencies that supported the initiatives of Druk Green.

The Board would also like to thank the Managing Director, the Druk Green management team and all its employees for their dedicated work and contributions towards the performance of the Company. 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 mandates of Druk Green.

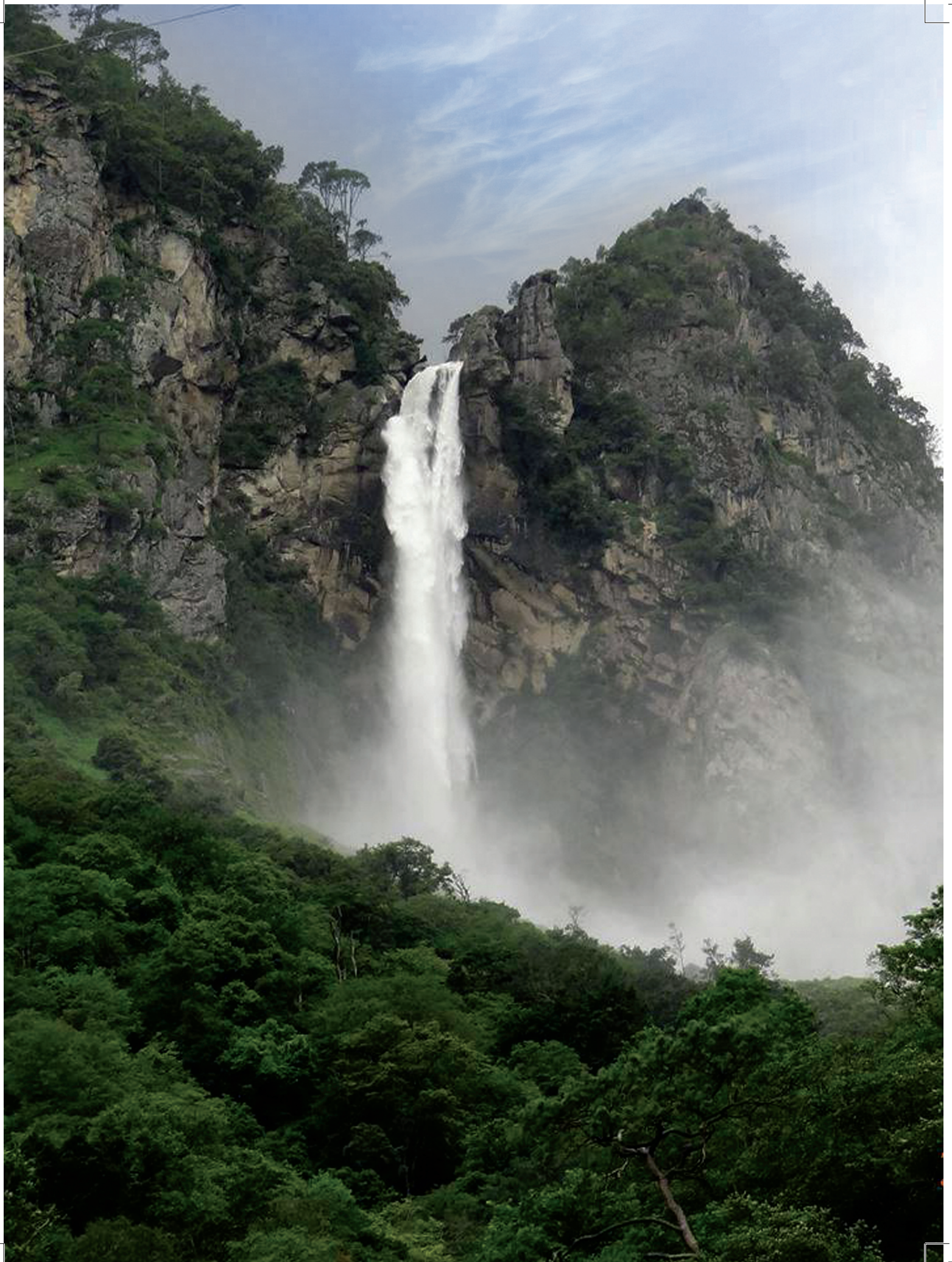
Tashi Delek.

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 practice good corporate governance and promotes ethical, transparent and responsible business. DHI's Corporate Governance Code is based on the four core values of fairness, responsibility, transparency and accountability, and aligned with the following key principles:

- i. Ensuring an effective legal and regulatory framework
- ii. Rights of Shareholders
- iii. Equitable treatment of Shareholders
- iv. Relations with stakeholders
- v. Transparency and disclosure
- vi. The responsibilities of the Board

During the year of the reporting, Druk Green complied with all the principles of DHI's Corporate Governance Code and conformed to the Companies Act 2000 and other statutory requirements.

1. ANNUAL GENERAL MEETING

The principles of DHI's Corporate Governance Code ensure that the governance of State Owned Enterprises are carried out in a transparent and accountable manner while not intervening in the day-to-day management of the Company. The Board keeps the Shareholders informed on all matters affecting the Company. Through the Annual General Meeting (AGM), the Shareholder exercises its rights over the Company.

The 9th AGM for the Company was held on 20th April 2016 at DHI Conference Room. The AGM passed the following resolutions:

- » Approved the Audited Accounts for the year 2015 including the declaration of Dividend of Nu. 4,914,359,806.88 from the profit for the year 2015 plus Nu. 190,000,000 from the Group Investment Reserve (total: Nu. 5,104,359,806.88).
- » Approved Druk Green's achievement of 96.88% against the 2015 Compact Targets and the payment of the 15% Performance Based Variable Allowance (PBVA) to DGPC employees.
- » Confirmed the retirement of Lhaden Pema, Lhaba Tshering and Karma Tshewang from the Board; the appointment of Sonam Wangchuk, Lekzang Dorji and Tashi Pem as new Directors on the Board; Dasho Sangay Khandu, Nim Dorji and Thinley Wangchuk to continue as Directors on the Board; and Tashi Lhamo as a Permanent Invitee to the Board.
- » Ratified the appointment of M/s Bansal & Co, Chartered Accountants from Delhi as the statutory Auditors for Druk Green for the year 2015 and the payment of the remuneration of Nu. 500,000.00.

2. DRUK GREEN AND ITS SUBSIDIARIES

2.1 Druk Green

Druk Green Power Corporation Ltd. (Druk Green) was formed on 1st January, 2008, through a merger of the erstwhile 336 MW Chhukha, 64 MW Basochhu and 60 MW Kurichhu Hydropower Corporations. On formation, Druk Green was placed under the Druk Holding & Investments. Druk Green presently operates and maintains four hydropower plants including the 1,020 MW Tala hydropower plant which was handed over to Druk Green as of 1st April, 2009.

2.2 Subsidiaries of Druk Green

- 2.2.1 Bhutan Hydropower Services Limited was incorporated on 23rd October 2012. It is a Joint Venture Company between Druk Green (51% shareholding) and ALSTOM (France) (49% shareholding), for the repair and reclamation of hydro runners and allied underwater components, and provides other mechanical and electrical repair services.
- 2.2.2 Dagachhu Hydro Power Corporation Limited was incorporated as a subsidiary company of Druk Green in May 2008. The Dagachhu project is the first Public-Private Partnership venture in the hydropower sector. Druk Green is a majority equity partner with a 59% stake. Tata Power Company holds a 26% shareholding as a strategic partner while the NPPF of Bhutan holds the balance 15% stake in the project. The Dagachhu project is the first major project to be managed entirely by a Bhutanese management team. The project was successfully commissioned in March 2015.
- 2.2.3 The Tangsibji Hydro Energy Limited was created as a fully owned subsidiary company of Druk Green in April 2014 to undertake the implementation of the 118 MW Nikachhu hydropower project under Trongsa in central Bhutan. The Nikachhu hydropower project is the first project for which Druk Green not only prepared the feasibility report but also undertook the DPR studies and investigations. The project construction duration is for 48 months, and is expected to be completed by 2019.
- 2.2.4 Kholongchhu Hydro Energy Limited, a 50:50 Joint Venture between Druk Green and SJVN Ltd of India, was established to implement the 600 MW hydropower project on BOOT basis. The Joint Venture Company was incorporated in June 2015 with Druk Green's 50% equity financing being made through a Government of India grant to the Royal Government of Bhutan. The Concession Period is for 30 years from the Commercial Operation Date.

2.3 Board Composition for Druk Green and its Subsidiaries

The Board of Druk Green for the year 2015 comprised of 7 Directors with Dasho Sangay Khandu as the Chairman and Nim Dorji, Lhaba Tshering, Karma Tshewang, Ms Lhaden Pema and Dasho Chhewang Rinzin as the Board Directors. Thinley Wangchuk was inducted as a Board Director on 1st April 2015. On 7th September 2015, the Board of Druk Green approved the nomination by DHI of Ms Tshering Denka, Analyst, as a Permanent Invitee to DGPC Board meetings. The details of Board composition for Druk Green and its subsidiaries during 2015 are as given below:

	Shareholding	Board of Directors	Company's Net Worth
Druk Green Power Corporation Limited	DHI – 100%	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu, Chairman, DHI, Chairman ^{[2] [4]} 2. Nim Dorji, Joint Secretary, MoF ^{[2] [4]} 3. Lhaba Tshering, Dy. CPO, GNHC ^{[2] [4]} 4. Thinley Wangchuk, Director General, Department of Immigration, MoHCA ^{[2] [4]} 5. Karma Tshewang, Chief Engineer, DHPS, MoEA ^{[2] [4]} 6. Lhaden Pema, CPO, PPD, MoWHS ^{[2] [4]} 7. Dasho Chhewang Rinzin, MD, Druk Green ^{[2] [3]} 8. Ms Tshering Denka, Analyst, DHI Permanent Invitee 	Nu. 42.88 billion

Subsidiaries			
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"> 1. Dasho Chhewang Rinzin, MD, Druk Green, Chairman ^{[2] [4]} 2. Dasho Tenzin Thinley, Dzongdag, Dagana Dzongkhag ^{[2] [4]} 3. Dorji P. Phuntshok, Director, Druk Green ^{[2] [4]} 4. Tshering Dorji, Chief Programme Officer, DPA ^{[2] [4]} 5. Dasho Penjore, CEO, NPPF ^{[2] [4]} 6. Asim Thakurta, Vice President (CMG) Tata Power Company ^{[2] [4]} 7. Anand Agarawal, Director, Tata Power Company ^{[2] [4]} 	Nu. 4.138 billion
Bhutan Hydropower Services Limited (BHSL)	Druk Green – 51 % Alstom – 49 %	<ol style="list-style-type: none"> 1. Dorji P. Phuntshok, Director (Projects) – Druk Green, Chairman ^{[2] [4]} 2. Ugyen Namgyal, Director (Finance), Druk Green ^{[2] [4]} 3. Dasho Dawala, Sarpang Dzongda ^{[2] [4]} 4. Mr. M.L. Gupta, Finance Director, ALSTOM India Limited ^{[2] [4]} 5. Marc Fleuret, Industrial Director, ALSTOM India Limited ^{[2] [4]} 6. Mr. Rathindranath Basu, President, ALSTOM India Limited, resigned 28th November, 2015 ^{[2] [4]} 7. Mr. Banmali Agarwala, President/CEO, ALSTOM/GE (South Asia) ^{[2] [4]} 	Nu. 0.387 billion
Tangsibji Hydro Energy Limited (THyE)	Druk Green – 100% DGPC – 51% JV Partner – 26% IPO – 23%	<ol style="list-style-type: none"> 1. Dasho Yeshe Wangdi, DG, DHPS, Chairman ^{[2] [4]} 2. Dasho Chhewang Rinzin, MD, Druk Green (Special Invitee) ^{[2] [4]} 3. Dasho Sonam Rinchen, Dzongdag, Trongsa District ^{[1] [4]} 4. Ugyen Namgyal, Director (Finance), Druk Green ^{[2] [4]} 5. Sonam Wangdi, Chief Accounts Officer, DPA, MoF ^{[1] [4]} 6. Karma Chhophel, Managing Director, THyE ^{[2] [4]} 	Nu. 0.900 billion
Kholongchhu Hydro Energy Limited (KHyE)	Druk Green- 50% SJVNL-50 %	<ol style="list-style-type: none"> 1. Dasho Yeshe Wangdi, Secretary, Ministry of Economic Affairs, Chairman ^{[2] [4]} 2. Dasho Chhewang Rinzin, Managing Director, DGPC ^{[2] [4]} 3. Dasho Bharat Tamang Yonzon, Director, Royal Privy Council ^{[1] [4]} 4. Karma Tshering, Director, Department of Hydropower & Power System, MOEA ^{[2] [4]} 5. Mr. A. K. Verma, Joint Secretary (Hydro), Ministry of Power, GOI ^{[2] [4]} 6. Mr. R.K. Bansal, Director (Electrical), SJVNL ^{[2] [4]} 7. Mr. S.K. Sharma, Managing Director, KHyE ^{[2] [4]} 	Nu. 0.306 billion

1. Independent Director
2. Non-independent Director

3. Executive Director
4. Non-executive Director

3. BOARD OF DIRECTORS AND BOARD MEETINGS

The composition of Board members and their representations on other Boards in 2015 are as presented below:

Name of Director	Profile	Other Directorship Held	
		DHI Companies	Other agencies
Dasho Sangay Khandu	Chairman, DHI	DHI, DCCL, DGPC, DCL	BDBL, NHDCL, BAIL
Nim Dorji	Director General, Department of Agriculture, MoAF		
Lhaba Tshering	Dy. Chief Programme Officer, PPD, GNHC		
Karma Tshewang	Chief Engineer, DHPS, MoEA		PHPA I
Thinley Wangchuk	Director General, DOI, MoHCA		
Ms Lhaden Pema	Chief Planning Officer, PPD, MoWHS		NPPF, KHyE, DHPC
Dasho Chhewang Rinzin	Managing Director, Druk Green	CDCL	
ABBREVIATIONS			
BAIL – Bhutan Agro Industries Limited		DCL – Drukair Corporation Limited	
BDBL – Bhutan Development Bank Limited		DHI – Druk Holding and Investments	
CDCL – Construction Development Corporation Limited		KHyE – Kholongchhu Hydro Energy Limited	
DCCL – Dungsum Cement Corporation Limited		NHDCL – National Housing Development Corporation Limited	
DGPC – Druk Green power Corporation Limited		NPPF – National Pension and Provident Fund	
DHPC – Dagachhu Hydro Power Corporation Limited		PHPA I – Punatsangchhu-I Hydroelectric Project Authority	

The Druk Green Board met seven times during the year and the quorums for each of these meetings were duly met. The Board and the management continued to work towards streamlining the operations of the Company. The Board Committees continued to support the decision making for the Company through recommendations to the Board. During the year, the Board Audit Committee met a number of times. The other Board Committees such as the HR Committee and Tender Committee also met as and when required. The performance of the Directors, the Board, and the Board Committees are reviewed and evaluated annually by DHI.

The meetings held during 2015 are as below:

Board Meeting	<ol style="list-style-type: none"> 5th January 2015 2nd April 2015 11th June 2015 2nd July 2015 7th September 2015 17th November 2015 7th December 2015
Annual General Meeting (AGM)	<ol style="list-style-type: none"> 20th April 2015
Board Level Tender Committee Meetings	<ol style="list-style-type: none"> 14th May 2015 13th August 2015 10th October 2015 2nd December 2015 31st December 2015
Board Human Resource Committee Meeting	<ol style="list-style-type: none"> 14th May 2015
Board Audit Committee Meeting	<ol style="list-style-type: none"> 25th March 2015 11th September 2015

The details of the number of meetings attended by the Board Directors are as given below:

Name of Board Director	Profile	No. of BM attended	No. of BLTC Attended	No. of BAC Attended	No. of BHRC Attended
Dasho Sangay Khandu	Chairman, DHI (Chairman, Druk Green)	6/7			
Nim Dorji	Director General, Department of Agriculture, MoAF (Chair, BLTC & BAC)	7/7	5/5	2/2	
Lhaba Tshering	Dy. Chief Programme Officer, PPD, GNHC (Member BAC, BHRC)	6/7		2/2	1/1
Karma Tshewang	Chief Engineer, DHPS, MoEA (Member BLTC, BAC, & BHRC)	5/7	4/5	2/2	1/1
Thinley Wangchuk	Director General, DOI, MoHCA (Member BLTC)	5/7	3/5		
Ms Lhaden Pema	Chief Planning Officer, PPD, MoWHS (Chair BHRC)	7/7	2/5		1/1
Dasho Chhewang Rinzin	Managing Director, Druk Green	7/7			
Ms Tshering Denka	Analyst, DHI, Permanent Invitee	3/7			
Abbreviation					
BM: Board Meeting	BLTC: Board Level Tender Committee	BAC: Board Audit Committee		BHRC: Board Human Resource Committee	

4. RISK MANAGEMENT

The Board provides oversight of the governance structure, control and management system, and risk mitigation measures for the overall protection of the Shareholder's interests. The Risk Management Manual for Druk Green, that came into with effect from 1st January 2012, is being updated regularly and helps the Company in identifying and managing all risks and opportunities that can affect the achievement of the business objectives of Druk Green.

The risks associated with the subsidiary companies - Bhutan Hydropower Service Ltd and Dagachhu Hydropower Corporation Ltd- were also assessed during the year and Risk Registers developed for these companies.

5. COMPLIANCE CHECKLIST

Druk Green has been complying with all the relevant provisions in DHI's CG Code and as required by the Companies Act of the Kingdom of Bhutan, 2000.

However, with increasing transactions, Druk Green has initiated the process of developing a comprehensive checklist for a Statutory Compliance Framework in order to verify and ensure that all the relevant Acts and Regulations are adhered to in all processes including decision making, policy formulation, and business transactions of the Company.

ENERGY REPORT

EXHIBIT 1: PLANT-SPECIFIC MONTHLY ENERGY GENERATION (MU) FOR 2013-15

Month	Basochhu Hydropower Plant (BHP)			Chhukha Hydropower Plant (CHP)		
	2013	2014	2015	2013	2014	2015
Jan	12.840	14.890	13.405	49.561	70.602	66.310
Feb	10.202	11.572	10.279	50.556	46.802	45.964
Mar	10.841	11.740	10.627	63.353	58.816	59.135
Apr	12.264	9.633	14.194	99.851	66.464	110.660
May	18.806	12.662	15.564	163.191	124.947	178.297
Jun	37.787	24.621	28.878	247.207	207.410	215.366
Jul	48.592	45.137	44.846	246.557	271.659	269.013
Aug	49.487	48.802	47.601	266.501	269.768	250.426
Sep	46.613	48.013	42.635	247.434	261.629	263.114
Oct	40.305	38.830	41.643	241.178	215.189	209.081
Nov	25.143	23.087	24.830	138.027	117.134	116.156
Dec	18.892	17.362	18.245	94.028	87.408	83.838
Total	331.772	306.348	312.748	1907.444	1797.828	1867.360

Month	Kurichhu Hydropower Plant (KHP)			Tala Hydropower Plant (THP)		
	2013	2014	2015	2013	2014	2015
Jan	13.317	14.601	13.803	128.336	143.580	141.807
Feb	10.900	12.008	10.930	111.468	108.529	107.823
Mar	15.293	15.648	14.181	135.361	125.162	130.854
Apr	22.131	21.496	24.922	212.541	135.050	238.733
May	40.033	37.010	41.010	366.663	284.255	374.662
Jun	45.012	42.933	44.837	653.665	510.151	555.063
Jul	48.142	48.240	49.343	833.129	822.511	802.632
Aug	48.423	48.674	47.725	826.034	833.595	825.885
Sep	46.100	47.240	47.734	623.285	805.716	781.743
Oct	43.757	38.782	40.699	547.710	475.131	449.810
Nov	26.762	23.721	25.116	285.006	247.561	241.271
Dec	18.733	17.675	18.720	190.428	183.651	172.189
Total	378.603	368.028	379.020	4913.626	4674.891	4822.474

EXHIBIT 2: DRUK GREEN MONTHLY ENERGY GENERATION (MU) FOR 2013-15

Month	Druk Green		
	2013	2014	2015
Jan	204.054	243.672	235.325
Feb	183.126	178.910	174.997
Mar	224.848	211.366	214.797
Apr	346.787	232.643	388.509
May	588.693	458.874	609.532
Jun	983.671	785.115	844.144
Jul	1176.420	1187.547	1165.835
Aug	1190.445	1200.840	1171.637
Sep	963.432	1162.598	1135.227
Oct	872.950	767.932	741.233
Nov	474.938	411.502	407.373
Dec	322.081	306.096	292.992
Total	7531.445	7147.096	7381.602

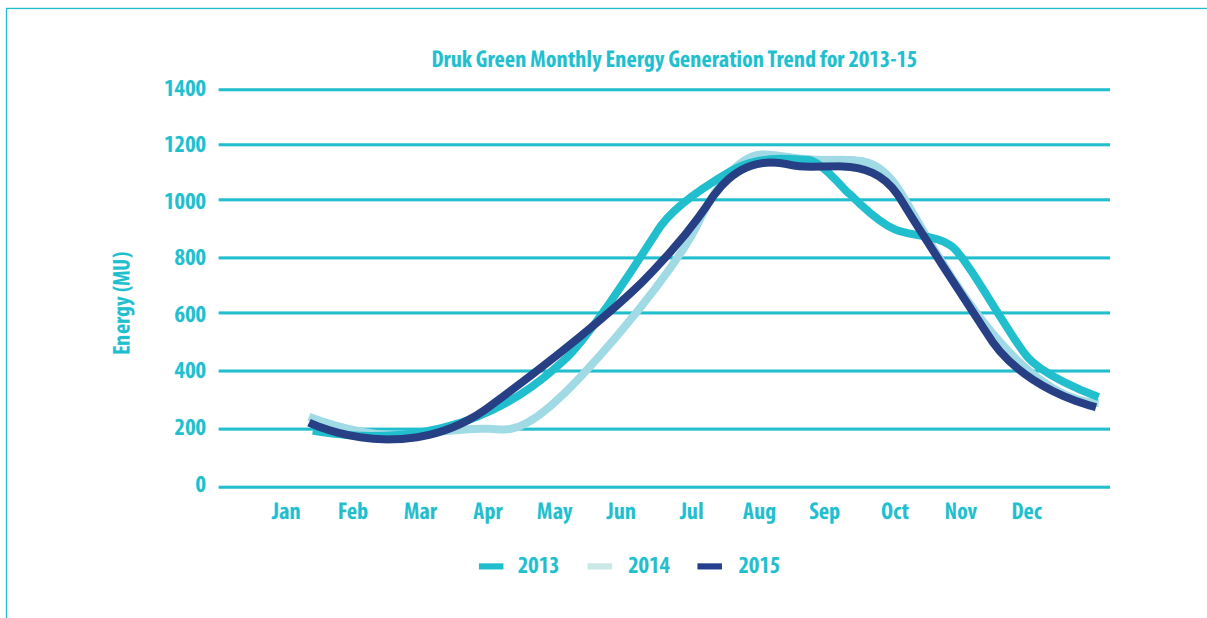


EXHIBIT 3: DRUK GREEN PLANT-WISE MONTHLY ENERGY EXPORT (NET), IMPORT AND DOMESTIC SUPPLY (MU) FOR 2013-15

2013

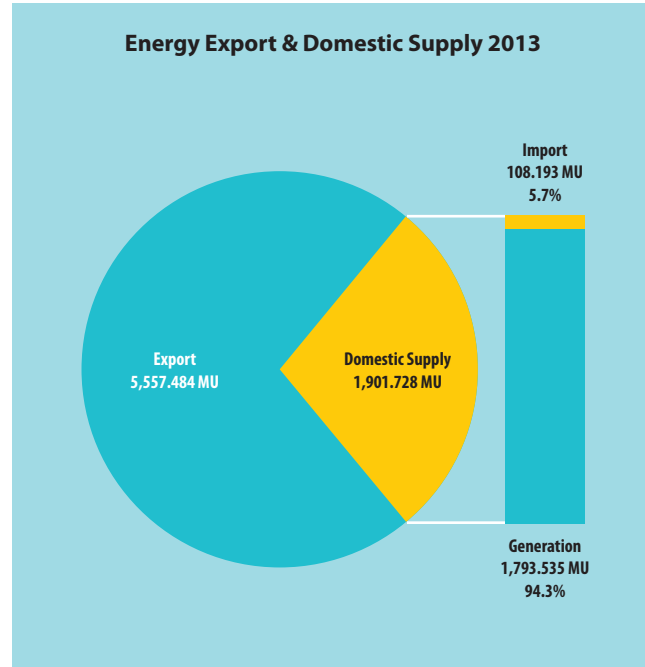
Month	Export				Import			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
Jan	16.956	0.000	17.996	34.952	1.691	6.034	8.120	15.845
Feb	21.561	0.000	11.143	32.704	0.524	4.891	22.646	28.061
Mar	37.843	0.000	19.362	57.206	0.297	6.554	4.995	11.846
Apr	77.218	1.962	105.777	184.958	0.002	1.686	3.489	5.177
May	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
Total	1798.957	166.552	3591.975	5557.484	2.617	58.058	47.518	108.193

2014

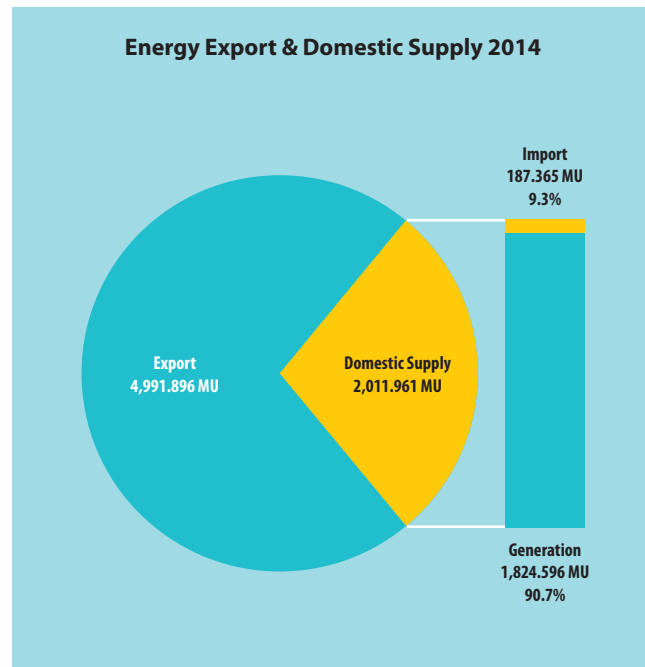
Month	Export				Import			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
Jan	40.856	-11.722	38.873	68.007	0.129	17.172	3.757	21.058
Feb	18.946	-12.434	13.266	19.778	0.834	17.536	6.050	24.420
Mar	30.720	-10.670	19.858	39.908	0.128	18.923	5.281	24.332
Apr	41.448	-3.190	21.429	59.688	0.000	16.111	10.343	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
Total	1640.992	49.435	3301.469	4991.896	1.121	135.250	50.994	187.365

EXHIBIT 4: DRUK GREEN ENERGY EXPORT AND DOMESTIC SUPPLY FOR 2013-15

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
419.275	224.042	1258.409	1901.728



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
437.537	261.174	1313.251	2011.961

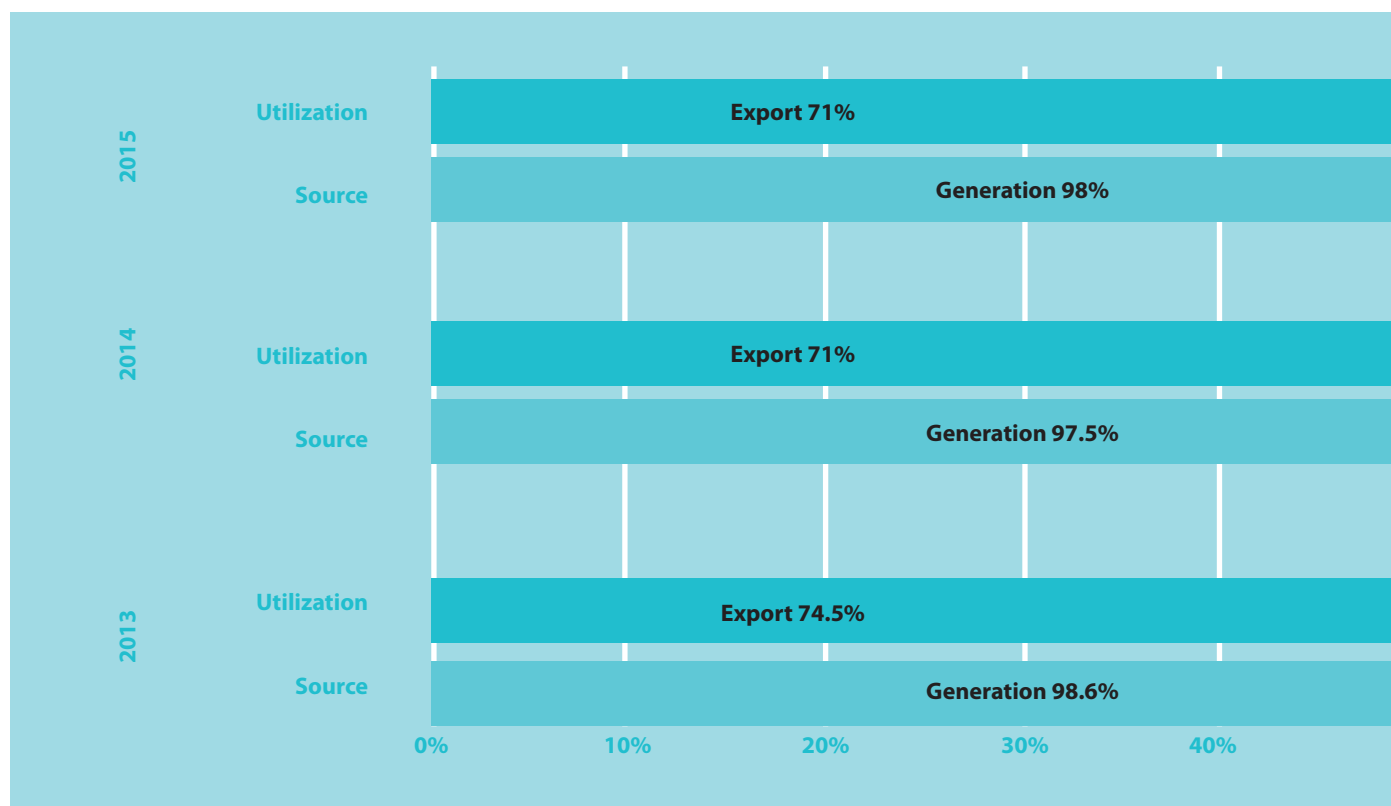


2015

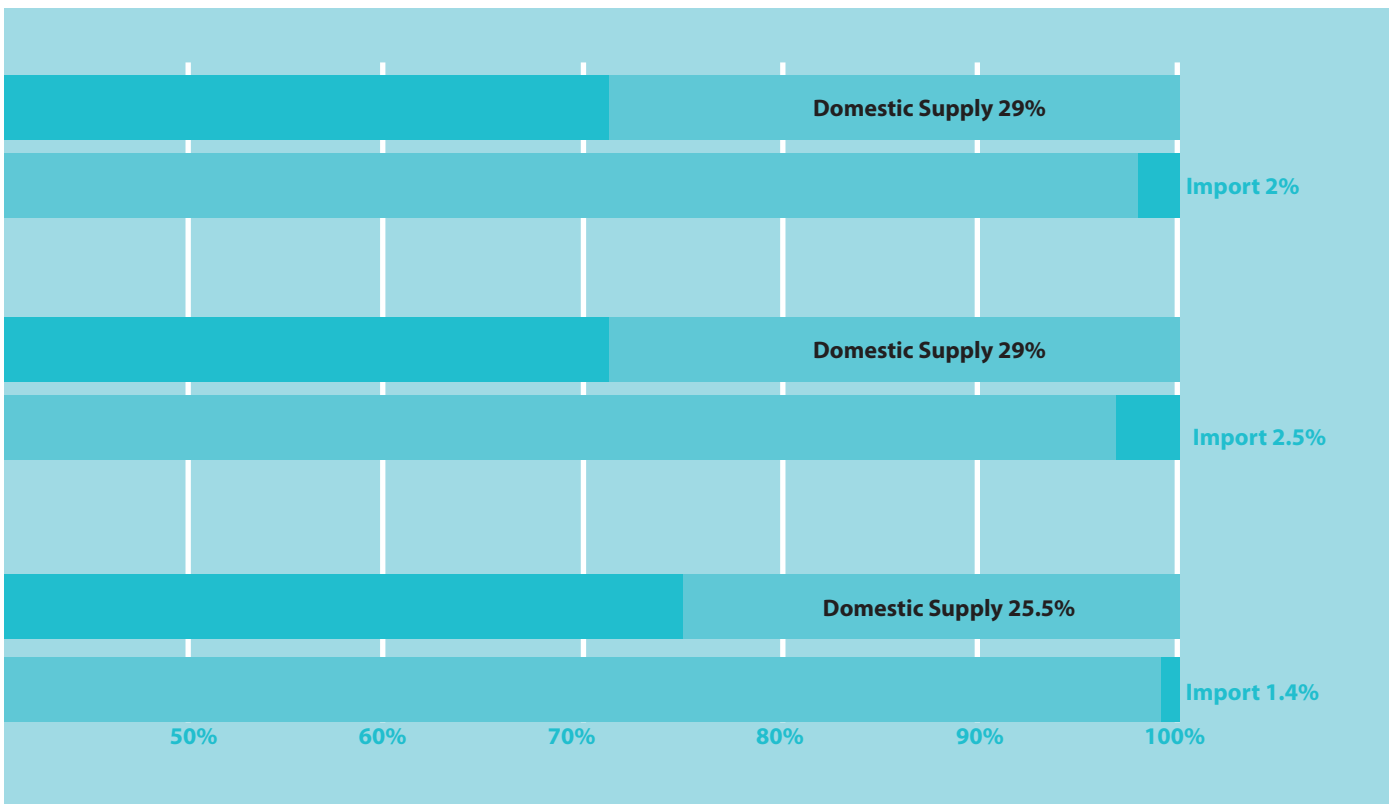
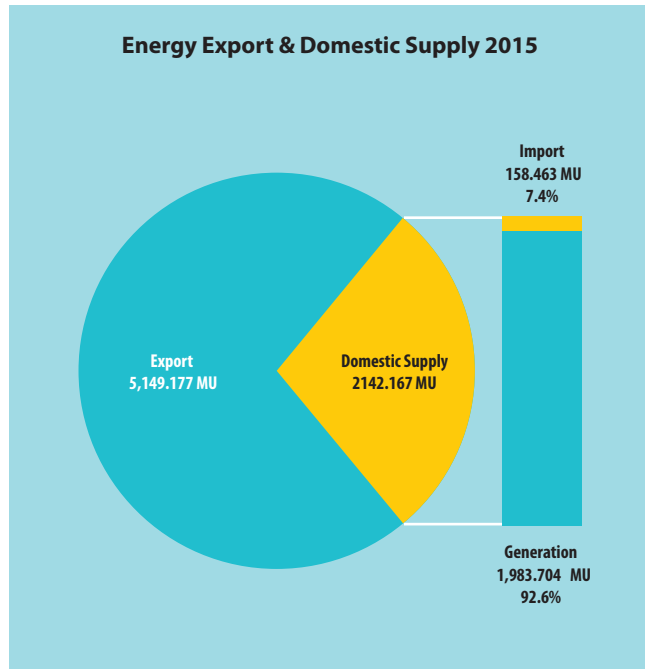
Month	Export				Import			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
Jan	30.624	(14.104)	17.101	33.620	0.447	18.250	12.062	30.759
Feb	16.602	(12.772)	11.623	15.453	1.848	15.302	5.677	22.827
Mar	31.039	(13.168)	20.063	37.934	0.373	15.853	6.653	22.879
Apr	143.129	(1.574)	73.996	215.551	0.105	11.141	1.851	13.097
May	157.704	15.288	251.173	424.164	-	6.343	0.453	6.796
Jun	214.725	18.590	422.748	656.063	-	3.333	0.965	4.298
Jul	277.373	18.801	677.374	973.548	-	3.274	0.000	3.274
Aug	273.846	17.047	690.566	981.459	0.025	4.160	0.000	4.185
Sep	274.084	16.966	659.456	950.506	-	3.814	0.001	3.815
Oct	210.104	9.898	328.662	548.664	-	4.314	0.000	4.314
Nov	98.982	-	121.956	220.937	-	8.216	7.577	15.793
Dec	54.881	(10.656)	47.052	91.277	0.002	13.164	13.259	26.425
Total	1,783.092	44.316	3,321.769	5,149.177	2.800	107.164	48.499	158.463

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



Domestic Supply			
CHP	KHP	THP	Druk Green
47.351	27.589	122.529	197.469
38.727	23.480	93.688	155.894
38.565	27.077	107.803	173.445
37.884	26.146	103.246	167.275
36.526	25.227	116.428	178.181
37.367	25.674	115.304	178.345
43.915	20.606	113.559	178.079
42.625	26.556	107.503	176.684
53.566	15.012	104.331	172.910
55.236	15.743	113.323	184.302
50.127	24.215	107.840	182.182
49.429	29.081	118.891	197.401
531.319	286.404	1,324.444	2,142.167



AUDITORS' REPORT

To,
The Members of Druk Green Power Corporation Limited
Bhutan

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Druk Green Power Corporation Limited, which comprise the Statement of Financial Position as at December 31, 2015, and the Statement of Comprehensive Income, Statement of Cash Flow, and Statement of changes 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

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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

In our opinion, the financial statements present fairly, in all material respects, (or given a true and fair view of) the financial position of Druk Green Power Corporation Limited as at 31st December, 2015, and (of) its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards.



REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Section II of Schedule XIV thereto (the Minimum Audit Examination and Reporting Requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.

As required by Section 74(3) of the Act, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books.
- c. The statement of Financial Position, the statement of Comprehensive Income, the statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with accounting principles generally accepted and are in agreement with the books of accounts.
- d. In our opinion, the Statement of Financial Position, the statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows comply with the Bhutanese Accounting Standards and provisions of the Companies Act of the Kingdom of Bhutan, 2000.

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

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

Date:- 31.05.2016

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' 2015.]

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.
4. Physical verification of civil, mechanical and electrical stores and spare parts has been conducted during the year and no material discrepancies have been noticed. Certain items have been identified as unserviceable and the company has initiated necessary action for their valuation and disposal plans. However, these are fully provided for in the accounts.
5. In our opinion and according to information and explanation given to us, the procedures of physical verification of stock (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.
6. On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records for inventory. Discrepancies noticed on physical verification of inventory as compared to book records were not material. 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 not granted any unsecured loan to its holding company during the year 2015.
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 2015 and Statement of Gross Energy Available for sale/use for the year 2014 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 21 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 20 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. It was stated to us that Debtors and other parties which are few in numbers are being monitored for payment without actually doing the age wise analysis of outstanding claim.
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 Note 13 of the Notes to 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, 2015 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- 4C to this report.



4. Adherence to Laws, Rules and Regulations

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

For Bansal & Co.

Chartered Accountants

Firm's Registration No. 001113N

(D. S. Rawat)

Partner

Membership No. 083030

Date:- 31.05.2016

Place:- New Delhi

FINANCIAL REPORT

RATIO ANALYSIS

SN	Particulars	2015	2014	Remarks
A. Ratios for assessing financial health (In numbers)				
I	Debt Equity Ratio	0.23	0.30	The ratio has decreased due to decrease in the loan obligation due to repayment.
II	Current Ratio	1.22	1.44	The ratio has decreased on account of decrease in short term investment and cash and bank balances and decrease in current liabilities as compared to 2014.
III	Liquid Ratio	1.06	1.29	The ratio has decreased on account of decrease in short term investment and cash and bank balances and decrease in current liabilities as compared to 2014.
IV	Fixed Assets to Equity	1.05	1.10	The ratio has decreased due to increase in profit and decrease in Fixed Assets (Net Block) due to increase in Accumulated Depreciation.
V	Fixed Assets to Turnover	0.31	0.29	The ratio has increased due to increase in turnover and decrease in Fixed Assets (Net Block) as compared to 2014.
B. Ratios for assessing profitability (In percentage)				
I	Return on Equity (%)	12.06	12.01	The ratio has increased due to increase in profit compared to the previous year.
II	Return on Capital Employed (%)	15.16	14.50	The ratio has increased due to increase in profit and decrease in the loan obligation due to repayment.
III	Generation and Maintenance Expenses to Electricity Revenue (%)	5.44	6.04	The ratio has decreased mainly due to decrease in expenses and increase in revenue as compared to 2014.
IV	Earning Per Share	168.43	166.14	The increase is mainly on account of increase in profit as compared to previous year, even with increase in number of shares as compared to 2014.
C. Ratios for assessing cash flow efficiency (In numbers)				
I	Cash flow turnover	0.60	0.67	The ratio has decreased due to decrease in cash from operation as compared to 2014.
II	Operation Index	1.62	1.81	The ratio has decreased due to decrease in cash from operation as compared to 2014.
III	Cash flow return on assets	0.19	0.20	The ratio has decreased due to decrease in cash from operation as compared to 2014 and increase in tax and interested paid.
Note: Due to compliances of BAS, the previous year's figure have been regrouped wherever necessary.				



RATIO

PARTICULARS	2015	2014
CURRENT RATIO	1.22	1.44
Current asset	5,472,625,738.38	6,868,556,135.60
Current liabilities (including provisions)	4,473,414,823.70	4,755,259,804.13
DEBT EQUITY RATIO	0.23	0.30
Debt	10,061,225,024.85	12,772,002,036.28
Equity	42,877,560,678.15	42,208,649,019.37
LIQUID RATIO	1.06	1.29
Current assets	5,472,625,738.38	6,868,556,135.60
Less: Inventories	584,286,338.50	560,782,465.61
Less: Prepaid Expenses	98,879,092.83	97,511,554.17
Less: Advance to Supplier/Contractor	50,725,708.54	73,455,927.96
	4,738,734,598.51	6,136,806,187.86
Current liabilities (including provisions)	4,473,414,823.70	4,755,259,804.13
FIXED ASSETS (NB) TO EQUITY	1.05	1.10
Fixed assets	44,985,839,478.48	46,569,974,254.26
Equity	42,877,560,678.15	42,208,649,019.37
FIXED ASSETS (NB) TURNOVER	0.31	0.29
Fixed assets	44,985,839,478.48	46,569,974,254.26
Electricity Revenue	14,058,058,253.05	13,656,772,624.43
ROCE (%)	15.16	14.50
PBIT	8,024,564,490.64	7,971,010,963.03
Capital Employed (Total Shareholders Equity + Debt)	52,938,785,703.00	54,980,651,055.65
GENERATION AND MAINTAINENCE EXPENSES TO ELECTRICITY REVENUE	5.44	6.04
Operation & Maintenance expenses (incl cost of Power purchased)	764,112,559.62	824,522,995.53
Electricity Revenue	14,058,058,253.05	13,656,772,624.43
DIVIDEND PERCENTAGE	16.00	15.06
Corporate dividend	4,914,359,806.88	4,593,273,664.26
Share Capital	30,712,866,000.00	30,508,291,000.00
ROE (%)	12.06	12.01
PAT	5,173,010,323.04	5,068,719,558.88
Total Shareholders Equity	42,877,560,678.15	42,208,649,019.37
EARNINGS PER SHARE	168.43	166.14
PAT	5,173,010,323.04	5,068,719,558.88
Outstanding Equity Shares	30,712,866.00	30,508,291.00
CASH FLOW EFFICIENCY RATIOS		
CASH FLOW TO TURNOVER	0.60	0.67
Cash from operation	8,374,245,405.88	9,172,266,337.80
Electricity Revenue	14,058,058,253.05	13,656,772,624.43



OPERATIONS INDEX	1.62	1.81
Cash from operation	8,374,245,405.88	9,172,266,337.80
PAT	5,173,010,323.04	5,068,719,558.88
CASH FLOW RETURN ON ASSETS	0.19	0.20
Cash from operation + Tax Paid + Interest Paid	10,697,858,792.63	11,441,056,830.48
Total Assets	55,590,884,068.93	57,474,205,472.16
Note: Due to compliances of BAS, the previous year's figure have been regrouped wherever necessary.		

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

(Amount in Nu.)

Particulars	Note No.	2015	2014
ASSETS			
Non- Current Assets			
Property, Plant & Equipment	1	44,530,318,923.46	45,737,658,469.62
Intangible Assets	1	67,427,364.22	41,057,059.55
Capital Work in Progress	1	388,093,190.80	791,258,725.09
Long-Term Investments	2	5,132,418,852.07	4,035,675,082.30
Total Non - Current Assets		50,118,258,330.55	50,605,649,336.56
Current Assets			
Cash and Bank Balance	4	327,474,496.15	693,596,340.44
Short Term Investments	5	3,043,000,000.00	3,715,101,722.20
Inventories	6	584,286,338.50	560,782,465.61
Sundry Debtors	7	967,584,630.26	1,191,209,108.31
Short Term Loans and Advances	8	352,779,979.59	424,434,042.36
Other Current Assets	9	197,500,293.88	283,432,456.68
Total Current Assets		5,472,625,738.38	6,868,556,135.60
TOTAL ASSETS		55,590,884,068.93	57,474,205,472.16
EQUITY AND LIABILITIES:			
Shareholder's Equity			
Share Capital	10	30,712,866,000.00	30,508,291,000.00
General Reserves		8,600,844,795.11	8,162,735,630.49
Retained Earnings		3,315,748,593.03	3,311,582,828.88
Accumulated Other Comprehensive Income		58,101,290.00	36,039,560.00
Group Investment Reserve		190,000,000.00	190,000,000.00
Total Shareholders Equity		42,877,560,678.15	42,208,649,019.37
Non- Current Liabilities			
Long- Term Borrowings	11	7,769,695,310.40	10,215,298,542.83
Long Term Provisions	12	417,194,422.02	332,052,470.01
Deferred Tax Liability	3	53,018,834.66	(37,054,364.18)
Total Non Current Liabilities		8,239,908,567.08	10,510,296,648.66



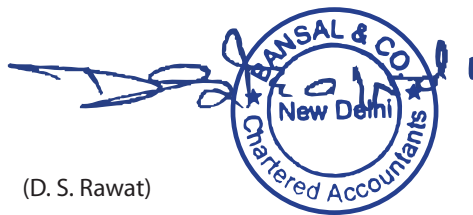
Current Liabilities			
Short - Term Borrowings	13	2,291,529,714.45	2,556,703,493.45
Short - Term Provisions	14	1,636,966,816.91	1,812,889,164.95
Other Current Liabilities	15	544,918,292.34	385,667,145.73
Total Current Liabilities		4,473,414,823.70	4,755,259,804.13
Total Liabilities		12,713,323,390.79	15,265,556,452.79
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		55,590,884,068.93	57,474,205,472.16
Significant Accounting Policies & Notes on Accounts	24	(0.00)	

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

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:- 31.05.2016
 Place:- New Delhi



(Ugyen Namgyal)
 Director (Finance)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31ST DECEMBER 2015

(Amount in Nu.)

Particulars	Note No.	2015	2014
Income			
Electricity Revenue	16	14,058,058,253.05	13,656,772,624.43
Interest Earned	17	154,143,864.38	204,418,362.09
Other Income	18	45,883,343.91	44,580,955.47
		14,258,085,461.34	13,905,771,941.99
Expenditure			
Wheeling charges		592,984,484.74	575,053,223.42
Royalty Expense		1,520,595,229.77	1,472,287,438.14
Insurance		114,506,467.10	113,792,128.54
Running and Maintenance Expenses	19	335,093,540.50	339,445,049.51
Employees' Remuneration and Benefits	20	802,940,040.88	649,155,369.44
Purchase of Energy	21	314,512,552.02	371,285,817.48
Interest on Borrowings	22	622,014,081.21	751,503,584.92
Depreciation/Amortisation		2,307,439,218.08	2,260,530,905.72
Other Expenses	23	245,449,437.61	153,211,046.71
		6,855,535,051.91	6,686,264,563.88
Operating Profit		7,402,550,409.43	7,219,507,378.11
Less:			
Profit Before Tax		7,402,550,409.43	7,219,507,378.11
Tax Expense			
Current Tax		2,161,528,617.56	2,188,780,827.77
Deferred Tax (Income)/Expense		90,073,198.83	(656,278.54)
Profit for the Year		5,150,948,593.04	5,031,382,828.88
Other comprehensive income:			
Actuarial gains (losses) on defined benefit pension plans		22,061,730.00	37,336,730.00
Total Other Comprehensive Income for the Year		22,061,730.00	37,336,730.00
Comprehensive Income for the Year		5,173,010,323.04	5,068,719,558.88
Basic & Diluted Earning Per Share		168.43	166.14
Significant Accounting Policies & Notes on Accounts	24		

Significant Accounting Policies & Notes on Accounts 24
Notes referred to above form an integral part of the Accounts


This is the Statement of Comprehensive Income referred to in our report of even date
In terms of our report of even date attached

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

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

Date:- 31.05.2016
Place:- New Delhi




(Dasho Sangay Khandu)
Chairman, DGPC & DHI


(Dasho Chhewang Rinzin)
Managing Director


(Ugyen Namgyal)
Director (Finance)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Amount in Nu.)

Particulars	2015	2014
Cash flows from operating activities		
Profit before taxation	7,402,550,409.43	7,219,507,378.11
Adjustment for:		
Depreciation / Amortisation	2,307,439,218.08	2,260,530,905.72
Loss/(Gain) on sale of Property Plant & Equipment	(421,013.42)	2,885,711.21
Investment Income	(154,143,864.38)	(204,418,362.09)
Interest Expenses	622,014,081.21	751,503,584.92
(Increase)/Decrease in Sundry Debtors	223,624,478.05	801,667,194.43
(Increase)/Decrease in Inventories	(23,503,872.89)	(34,752,793.55)
(Increase)/Decrease in Other Current Asset	(3,971,956.00)	(9,574,694.65)
(Increase)/Decrease in Loans and Advances	71,654,062.77	558,160,984.49
Increase/(Decrease) in Current Liabilities	159,251,146.61	45,211,790.94
Increase/(Decrease) in Provision	(13,837,578.84)	(6,371,729.06)
Increase/(Decrease) in Provision(Non Current)	107,203,682.01	56,706,860.01
Cash generated from Operation	10,697,858,792.63	11,441,056,830.48
Income Tax Paid	(2,323,613,386.75)	(2,268,790,492.68)
Net cash from operating activities	8,374,245,405.88	9,172,266,337.80
Cash flows from investing activities		
Purchase of PPE & Intangibles Assets	(726,408,202.42)	(537,022,994.17)
Sale of PPE & Intangible Asset	3,524,773.54	7,194,217.74
(Payment)/Proceeds (for)/from Long Term Investment	(1,096,743,769.77)	527,792,070.05
(Payment)/Proceeds (for)/from Short Term Investment	672,101,722.20	(1,018,301,722.20)
Interest Received	244,047,983.18	305,940,229.98
Net cash used in investing activities	(903,477,493.27)	(714,398,198.60)
Cash flows from financing activities		
Issue/(Redemption) of Share Capital	204,575,000.00	-
Proceeds/(Repayment) of Loan	(2,468,811,690.52)	(2,353,595,555.38)
Interest Paid	(863,979,402.12)	(692,933,898.79)
Dividend Paid	(4,708,673,664.26)	(4,912,097,742.66)
Net cash used in financing activities	(7,836,889,756.90)	(7,958,627,196.83)
Net increase/(decrease) in cash and cash equivalents	(366,121,844.29)	499,240,942.37
Cash and cash equivalents at the beginning of the period	693,596,340.44	194,355,398.07
Cash and cash equivalents at the end of the period	327,474,496.15	693,596,340.44
Component of cash and cash equivalents:-		
Cash in Hand	1,050,150.30	869,257.43

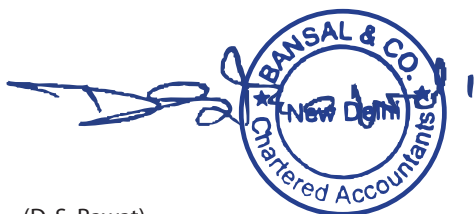


Balances in Current Accounts with Banks	326,424,345.85	692,727,083.01
Total	327,474,496.15	693,596,340.44

Note: Out of total balance in current account with banks, Nu. 6,770,739.87 is restricted as it represents Gratuity Fund.

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

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

(Ugyen, Namgyal)
Director (Finance)

Date:- 31.05.2016
Place:- New Delhi

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2015

	Number of Shares	Equity Share Capital	Actuarial Gain/Losses on Defined Benefits	General Reserve	Retained Earnings	Group Investment Reserve	Total Equity
Balance at 31 December, 2013	30,508,291.00	30,508,291,000.00	(1,297,170.00)	7,721,553,430.82	3,633,479,942.33	190,000,000.00	42,052,027,203.15
Net profit for the year 2014							
Net Profit/(Loss) for the year	-	-	-	-	5,031,382,828.88	-	5,031,382,828.88
Transfer to reserves							
Transfer to General Reserve	-	-	-	441,182,199.67	(441,182,199.67)	-	-
Other Comprehensive Income for the Period	-	-	37,336,730.00	-	-	-	37,336,730.00
Transaction with the owners							
Payment of Dividends	-	-	-	-	(4,912,097,742.66)	-	(4,912,097,742.66)
Balance at 31 December, 2014	30,508,291.00	30,508,291,000.00	36,039,560.00	8,162,735,630.49	3,311,582,828.88	190,000,000.00	42,208,649,019.37
Net Profit/(Loss) for the year	-	-	-	-	5,150,948,593.04	-	5,150,948,593.04
Transfer to reserves							
Transfer to General Reserve	-	-	-	438,109,164.62	(438,109,164.62)	-	-
Other Comprehensive Income for the Period (Ref. Note below)							
Transaction with the owners	-	-	22,061,730.00	-	-	-	22,061,730.00
Issue of Additional Shares	204,575.00	204,575,000.00	-	-	-	-	204,575,000.00
Payment of Dividends	-	-	-	-	(4,708,673,664.26)	-	(4,708,673,664.26)
Balance at 31 December, 2015	30,712,866.00	30,712,866,000.00	58,101,290.00	8,600,844,795.11	3,315,748,593.03	190,000,000.00	42,877,560,678.15

Note : Error in the Statement of Changes in Equity regarding presentation of Other Comprehensive Income, Proposed Dividend and consequent effect on General Reserve as a part of change in equity was corrected during the year by restating these figure and amounts in the Statement of Changes in Equity for the opening balances as on 31st Dec 2014 and 31st Dec 2013 in compliance with BAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). The dividend paid in 2015 for Nu. 4,708,673,664.26 includes an amount of Nu. 1,835,200,000.00 paid to the shareholder (DHI) during the year 2015.

This is the Statement of Changes in Equity referred to in our report of even date.
In terms of our report of even date attached

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



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

Date:- 31.05.2016
Place:- New Delhi

(Signature)
(Dasho Chhewang Rinzin)
Managing Director

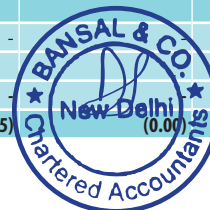
(Signature)
(Ugyen Namgyal)
Director (Finance)

NOTES 1: PROPERTY, PLANT & EQUIPMENT, INTANGIBLE ASSEST AND CAPITAL WORKS IN PROGRESS

	GROSS BLOCK					Gross Block as on 31.12.2015
	Opening Balance as at 01/01/2015	Additions	Disposal	Book Adjustments		
TANGIBLE ASSETS						
Land and Land Development	150,361,052.74	8,540.00	-	-		150,369,592.74
CIVIL STRUCTURES						-
Buildings	2,328,131,816.75	79,633,382.70	(2,107,079.88)	151,134,721.21		2,556,792,840.78
Walls & Fencings	142,184,968.25	43,723,803.40	-	105,907,347.19		291,816,118.84
Road & Culverts	2,714,030,509.34	22,392,058.99	-	30,194,835.80		2,766,617,404.13
Water Supply & Sanitation	224,159,111.58	1,247,682.75	-	5,605,910.84		231,012,705.17
Dam Complex-Civil	10,584,116,346.52	54,626,036.37	-	287,402,662.50		10,926,145,045.39
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	10,800,233.60	-	6,990,801.72		23,564,483,779.14
Other Civil Structures	66,035,171.71	8,306,135.89	-	21,263,803.43		95,605,111.03
PLANT AND MACHINERY						-
Trash Cleaning Equipments	169,206,042.78	-	-	-		169,206,042.78
Gates	871,087,108.00	53,086,132.42	-	-		924,173,240.42
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	3,206,282,862.75	-	-	-		3,206,282,862.75
Runners	943,192,642.37	118,937,371.57	-	12,530,802.70		1,074,660,816.64
Oil Handling Systems	72,397,761.19	-	-	-		72,397,761.19
Control & Conditioning Monitoring Systems	319,253,975.51	4,857,411.16	-	(78,128,385.76)		245,983,000.91
Control & Protection Panels	730,609,727.81	-	-	(682,803.69)		729,926,924.12
Pumps & Motors	226,385,115.82	28,651.08	-	-		226,413,766.90
Transformers	945,894,192.79	2,760,970.75	-	-		948,655,163.54
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	1,673,378,357.12	2,851,538.20	(11,223.28)	-		1,676,218,672.04
Machinery	254,697,844.82	5,087,750.00	-	-		259,785,594.82
TOOLS & SAFETY EQUIPMENTS						-
Tools and Plants	282,152,887.75	15,786,951.42	(3,290,505.24)	476,316.50		295,125,650.43
Fire Fighting and Safety Equipments	84,380,995.51	15,787,723.73	(291,678.85)	36,307.75		99,913,348.14
OTHER ASSETS						-
Office Equipment	97,625,142.97	7,851,928.40	(2,357,031.18)	(0.00)		103,120,040.19
Furniture & Fixtures	45,097,904.61	8,029,812.60	(1,158,097.58)	(0.00)		51,969,619.63
Vehicles	214,825,591.19	16,273,904.78	(34,291.50)	-		231,065,204.47
Illumination System	203,113,735.47	2,297,544.09	-	211,456.81		205,622,736.37
Information and Technology	104,640,251.00	20,197,119.22	(4,451,475.60)	3,392,778.08		123,778,672.70
General Assets	36,795,043.59	9,608,632.70	(1,549,415.06)	(900,000.00)		43,954,261.23
	62,117,577,690.60	504,181,315.82	(15,250,798.17)	545,436,555.08		63,151,944,763.33
Less: Provision for Losses						(0.01)
Net Assets	62,117,577,690.60	504,181,315.82	(15,250,798.17)	545,436,555.08		63,151,944,763.34
INTANGIBLE ASSETS						
Intangible Assets	102,637,355.01	2,281,385.21	-	80,966,977.37		185,885,717.59
Less: Provision for Losses						
Net Assets	102,637,355.01	2,281,385.21	-	80,966,977.37		185,885,717.59
CAPITAL WORKS IN PROGRESS						
Capital Works in Progress	791,258,725.09	223,237,998.16	-	(626,403,532.45)		388,093,190.80
Less: Provision for Losses						
Net Assets	791,258,725.09	223,237,998.16	-	(626,403,532.45)		388,093,190.80
Grand Total	63,011,473,770.70	729,700,699.19	(15,250,798.17)	-		63,725,923,671.73

Note: Of the total depreciation , Nu.3,292,496.77 was booked to AUCs.

	DEPRECIATION				Closing balance as at 31.12.2015	NET BLOCK	NET BLOCK
	Opening Balance as at 01.01.2015	During the year	Disposal	Adjustments		Net Block As at 31.12.2015	Net Block As at 31.12.2014
	-	-	-	-	-	150,369,592.74	150,361,052.74
	463,171,402.84	81,478,504.77	(1,040,717.46)	-	543,609,190.15	2,013,183,650.63	1,864,960,413.91
	19,849,018.72	7,537,393.01	-	-	27,386,411.73	264,429,707.11	122,335,949.53
	516,722,084.93	91,306,040.29	-	-	608,028,125.22	2,158,589,278.91	2,197,308,424.41
	41,156,594.63	7,621,142.26	-	-	48,777,736.89	182,234,968.28	183,002,516.95
	2,638,721,656.53	366,919,981.63	-	-	3,005,641,638.16	7,920,503,407.23	7,945,394,689.99
	1,363,653,385.15	183,829,906.97	-	-	1,547,483,292.12	3,972,934,334.68	4,156,764,241.65
	76,137.43	7,203.73	-	-	83,341.16	132,987.07	140,190.80
	40,075,687.46	4,645,374.14	-	-	44,721,061.60	94,779,664.42	99,425,038.56
	4,729,965,030.68	784,122,722.77	-	-	5,514,087,753.45	18,050,396,025.69	18,816,727,713.14
	10,392,340.54	3,186,308.61	-	-	13,578,649.15	82,026,461.88	55,642,831.17
					-	-	-
	41,317,283.71	5,634,561.25	-	-	46,951,844.96	122,254,197.82	127,888,759.07
	392,077,105.92	27,777,172.59	-	-	419,854,278.51	504,318,961.91	479,010,002.08
	1,238,018,559.55	119,158,993.19	-	-	1,357,177,552.74	2,185,442,078.46	2,304,601,071.65
	129,551,965.41	11,830,744.87	-	-	141,382,710.28	225,884,651.27	237,715,396.14
	120,552,959.56	11,173,388.92	-	-	131,726,348.48	203,810,873.13	214,984,262.05
	1,212,913,788.32	101,647,452.43	-	-	1,314,561,240.75	1,891,721,622.00	1,993,369,074.43
	538,662,449.48	156,550,941.03	-	-	695,213,390.51	379,447,426.13	404,530,192.89
	29,684,559.10	2,410,845.37	-	-	32,095,404.47	40,302,356.72	42,713,202.09
	102,487,934.41	8,053,804.56	-	(19,865,800.98)	90,675,937.99	155,307,062.92	216,766,041.10
	266,021,788.96	24,169,835.75	-	(173,617.32)	290,018,007.39	439,908,916.73	464,587,938.85
	70,332,792.64	7,537,031.92	-	-	77,869,824.56	148,543,942.34	156,052,323.18
	307,830,257.57	31,088,759.40	-	-	338,919,016.97	609,736,146.57	638,063,935.22
	27,201,788.72	2,866,764.51	-	-	30,068,553.23	56,020,471.37	58,887,235.88
	234,223,453.85	30,590,481.88	-	-	264,813,935.73	654,460,647.32	685,051,129.20
	357,859,795.94	30,911,357.11	-	-	388,771,153.05	576,313,256.73	607,224,613.84
	1,231,149.26	161,234.40	-	-	1,392,383.66	3,449,490.34	3,610,724.74
	643,658,006.77	48,991,101.46	(11,212.28)	-	692,637,895.95	983,580,776.09	1,029,720,350.35
	212,105,680.05	23,673,617.62	-	-	235,779,297.67	24,006,297.15	42,592,164.77
					-	-	-
	148,206,165.39	24,287,914.08	(2,372,008.70)	0.00	170,122,070.77	125,003,579.66	133,946,722.36
	58,195,282.75	6,478,927.36	(252,568.12)	0.00	64,421,641.99	35,491,706.15	26,185,712.76
					-	-	-
	72,574,921.12	11,093,013.89	(2,043,804.74)	0.00	81,624,130.27	21,495,909.92	25,050,221.85
	23,671,914.75	3,392,640.00	(787,464.13)	0.00	26,277,090.62	25,692,529.01	21,425,989.86
	154,494,045.50	23,605,225.48	(34,289.50)	-	178,064,981.48	53,000,222.99	60,331,545.69
	82,278,127.62	6,663,475.88	-	-	88,941,603.50	116,681,132.87	120,835,607.85
	69,587,205.30	17,520,056.55	(4,280,864.29)	669,094.27	83,495,491.83	40,283,180.87	35,053,045.70
	21,396,900.42	5,804,883.20	(1,324,108.83)	(504,821.91)	25,372,852.88	18,581,408.35	15,398,143.17
	16,379,919,220.98	2,273,728,802.88	(12,147,038.05)	(19,875,145.94)	18,621,625,839.87	44,530,318,923.46	45,737,658,469.62
	16,379,919,220.98	2,273,728,802.88	(12,147,038.05)	(19,875,145.94)	18,621,625,839.87	44,530,318,923.46	45,737,658,469.62
	61,580,295.46	37,002,911.97	-	19,875,145.94	118,458,353.37	67,427,364.22	41,057,059.55
	61,580,295.46	37,002,911.97	-	19,875,145.94	118,458,353.37	67,427,364.22	41,057,059.55
	-	-	-	-	-	388,093,190.80	791,258,725.09
	-	-	-	-	-	388,093,190.80	791,258,725.09
	16,441,499,516.44	2,310,731,714.85	(12,147,038.05)	(0.00)	18,740,084,193.24	44,985,839,478.48	46,569,974,254.26



(Amount in Nu.)

Particulars	2015	2014
NOTE 2: LONG-TERM INVESTMENTS		
Long Term Investment in Non Government Bonds	550,000,000.00	350,000,000.00
Investment in Subsidiary Companies		
Equity Investment in DHI Infra Ltd (1,900,000 equity shares of Nu. 100 each)	190,000,000.00	190,000,000.00
Equity Investment in Dagachhu Hydropower Corporation Limited (2,437,880 equity shares of Nu. 1000 each, fully paid up)	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 31.12.2015)	255,000,000.00	255,000,000.00
Equity Investment in THyE (36,000,000 equity shares of Nu. 100 each, called up amount Nu.28.32)	1,019,428,410.86	264,428,410.86
Equity Investment in KHEL (5,000,000 equity shares of Nu. 100 each, called up amount Nu. 40.92)	204,575,000.00	-
Fixed Deposit:		
Plan Assets (Fixed Deposit for Gratuity Fund)	398,888,457.80	393,853,227.80
Accrued Interest on Plan Assets	76,646,983.41	44,513,443.64
Bhutan Development Bank	-	100,000,000.00
	5,132,418,852.07	4,035,675,082.30
NOTE 3: DEFERRED TAX ASSETS / LIABILITY		
Bonus Payable	16,418,109.15	14,761,956.24
Interest Accrued on ADB Loan	9,636,175.80	74,739,356.32
Provision For Inventories Obsolescence/Loss	-	585,167.10
Property, Plant & Equipment	(79,073,119.62)	(53,032,115.48)
	(53,018,834.66)	37,054,364.18
NOTE 4: CASH & BANK BALANCES		
Cash in Hand	1,050,150.30	869,257.43
Balances with Banks in Current Accounts:		
Bank of Bhutan	283,567,852.12	633,545,117.17
Bhutan National Bank	31,414,304.29	8,531,752.15
Plan Asset Bhutan National Bank for Gratuity A/c (Restricted)	6,770,739.87	46,495,073.92
Druk PNB	4,055,560.96	2,843,509.37
Tashi Bank	615,888.61	1,275,978.61
Central Bank of India	-	35,651.79
	327,474,496.15	693,596,340.44
NOTE 5: SHORT TERM INVESTMENTS		
Fixed Deposit (Bhutan National Bank)	2,493,000,000.00	1,500,000,000.00
Fixed Deposit (Gratuity Fund with BNB)	-	31,000,000.00
Fixed Deposit (Bank of Bhutan)	-	15,992,722.20
Fixed Deposit (BDBL)	550,000,000.00	2,168,109,000.00
	3,043,000,000.00	3,715,101,722.20



(Amount in Nu.)

Particulars	2015	2014
NOTE 6: INVENTORIES		
Stores & spares	585,347,208.06	562,733,022.60
	585,347,208.06	562,733,022.60
Less:		
Provision for Obsolescence	(1,060,869.56)	(1,950,556.99)
	584,286,338.50	560,782,465.61
NOTE 7 : SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)		
Sundry Debtors - Bhutan Power Corporation	281,893,027.49	281,311,520.23
Sundry Debtors - Others	971,958.29	2,813,751.06
Sundry Debtors - Power Trading Corporation Limited	684,719,644.48	907,083,837.02
	967,584,630.26	1,191,209,108.31
NOTE 8: SHORT TERM LOANS AND ADVANCES		
Staff Advance	2,054,271.05	978,114.40
Advance to Supplier/contractor	50,725,708.54	73,455,927.96
Loan to Druk Holding & Investments	-	350,000,000.00
Inter-corporate Loan	300,000,000.00	-
	352,779,979.59	424,434,042.36
NOTE 9: OTHER CURRENT ASSETS		
Prepaid Expenses	98,879,092.83	97,511,554.17
Deposits- Miscellaneous	3,672,537.26	3,559,517.85
Other receivables	20,344,608.99	17,800,814.22
Accrued Interest on Investment	74,604,054.80	164,508,173.60
Asset Held for Disposal	2,183,706.77	5,939,109.54
	199,684,000.65	289,319,169.38
Less:		
Provision for Losses on Assets	(2,183,706.77)	(5,886,712.70)
	197,500,293.88	283,432,456.68
NOTE 10: SHARE CAPITAL		
Authorised Share Capital		
50,000,000 equity shares@ Nu. 1,000 per share	50,000,000,000.00	50,000,000,000.00
Subscribed and Paid -up Share Capital		
30,712,866 equity share @ 1,000 per share	30,712,866,000.00	30,508,291,000.00
	30,712,866,000.00	30,508,291,000.00
NOTE 11: LONG - TERM BORROWING (UNSECURED)		
Government of India Loan	2,532,706,087.42	3,799,059,131.14
Interest Accrued on Loan	2,063,295,819.21	2,923,908,005.06
Government of Austria Loan	1,197,998,901.82	1,343,323,764.54
Loan from Asian Development Bank	1,962,813,538.11	1,899,876,454.35



(Amount in Nu.)

Particulars	2015	2014
Interest Accrued but not due (greater than one year) <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>	12,880,963.84	249,131,187.74
	7,769,695,310.40	10,215,298,542.83
NOTE 12: LONG TERM PROVISIONS		
Gratuity	350,018,067.00	332,052,470.01
Terminal Benefits	25,374,220.00	-
Leave Encashment	41,802,135.02	
	417,194,422.02	332,052,470.01
NOTE 13: SHORT TERM BORROWING*		
Government of India Loan	1,266,353,043.71	1,453,019,710.38
Interest Accrued	860,612,185.85	933,404,201.17
Government of Austria Loan	145,324,862.72	145,324,862.72
Interest accrued but not due on loans	19,239,622.17	24,954,719.18
*Repayment due within one year	2,291,529,714.45	2,556,703,493.45
NOTE 14: SHORT - TERM PROVISIONS		
Provision for Corporate Income Tax	1,607,054,821.91	1,769,139,591.11
Proposed Dividend	-	-
Gratuity Payable	24,440,032.00	18,453,990.00
Terminal Benefits Payable	3,484,904.00	-
Leave Encashment Payable	1,987,059.00	25,295,583.84
	1,636,966,816.91	1,812,889,164.95
NOTE 15: OTHER CURRENT LIABILITIES		
Security Deposit- Suppliers & Others	38,375,481.02	61,007,482.53
Sundry Creditors	324,006,212.66	205,489,152.46
Outstanding Liabilities to contractors	6,929,448.36	5,599,472.00
Outstanding Liabilities for expenses	76,082,313.15	53,635,172.32
Provision for Bonus	54,727,030.51	49,206,520.79
Sundry Liabilities	43,459,833.23	10,709,701.63
Tax Deducted at Source - Payable	1,337,973.41	19,644.00
	544,918,292.34	385,667,145.73
NOTE 16: ELECTRICITY REVENUE		
Export Revenue		
Power Trading Corporation Ltd	10,991,318,089.23	10,698,307,664.49
Domestic Revenue		
Bhutan Power Corporation Ltd	1,545,516,822.05	1,485,590,324.80
From Staff & Other Private Parties	628,112.00	587,197.00
Revenue in consideration of Royalty	1,520,595,229.77	1,472,287,438.14
	14,058,058,253.05	13,656,772,624.43



(Amount in Nu.)

Particulars	2015	2014
NOTE 17: INTEREST EARNED		
Interest on short term Deposits	99,141,669.96	79,865,805.78
Interest on long term Deposits	6,500,000.00	51,214,633.72
Interest on Government Bonds	48,502,194.42	73,337,922.59
	154,143,864.38	204,418,362.09
NOTE 18: OTHER INCOME		
House Rent Recovered- Employee/Others	13,343,585.15	13,159,451.82
Miscellaneous Receipts	23,475,264.63	31,296,003.65
Profit on sale/discard of Assets (Net)	421,013.42	-
Sale of Tender forms	108,000.00	125,500.00
Grant Income	8,535,480.71	-
	45,883,343.91	44,580,955.47
NOTE 19: RUNNING AND MAINTENANCE EXPENSES		
Grant Expense	8,535,480.71	-
R&M Civil Structures	79,877,836.63	58,320,297.56
R&M Electro-Mechanical	167,851,216.46	201,415,878.07
R&M Vehicles	54,825,725.64	51,865,207.98
R&M-Fire Fighting & Safety	2,296,600.61	4,290,484.64
R&M-Office Equipment	1,501,116.58	1,397,865.59
R&M-Information Technology	20,205,563.87	22,155,315.67
	335,093,540.50	339,445,049.51
NOTE 20: EMPLOYEES REMUNERATION & BENEFITS		
Salaries and Wages	474,894,525.37	368,131,097.51
Employer's Contribution to Provident Fund	34,505,139.55	31,536,842.23
Bonus	52,750,811.67	49,879,878.77
Incentive/Honorarium	49,523,427.41	48,904,748.94
Staff Welfare Expenses	4,706,872.80	4,597,163.67
Medical Expenses	2,395,782.43	1,045,659.99
Gratuity Expenses	17,308,408.15	31,950,026.84
Leave Encashment	44,525,374.92	18,775,772.33
Terminal Benefits	14,698,245.00	876,444.00
Professional Training	72,638,314.25	61,338,586.28
Liveries	10,456,588.73	8,374,623.59
Leave Travel Concession	20,770,490.21	20,153,004.87
GPA- Insurance	3,766,060.39	3,591,520.42
	802,940,040.88	649,155,369.44
NOTE 21: PURCHASE OF ENERGY		
Purchase of Electricity from PTC	314,512,552.02	371,285,817.48
	314,512,552.02	371,285,817.48



(Amount in Nu.)

Particulars	2015	2014
NOTE 22: INTEREST ON BORROWING		
Interest to Government of India	436,973,071.65	571,055,022.71
Interest to Government of Austria	87,306,732.54	96,026,224.30
Interest to Asian Development Bank	56,260,680.35	57,252,159.35
Interest on Short-Term Borrowing	41,473,596.67	27,170,178.56
	622,014,081.21	751,503,584.92
NOTE 23: OTHER EXPENSES		
Travel	63,552,493.25	26,004,716.07
Entertainment	7,255,177.78	8,168,227.88
Electricity	13,350,216.70	11,085,010.54
Advertisement and Publicity	1,436,608.06	2,061,933.93
Telephone and Fax	5,931,339.03	5,598,210.84
Postage and Telegram	252,006.11	204,693.75
Printing and Stationery	6,634,826.62	6,849,517.51
Licence Fee	14,840,563.88	14,871,188.14
Rates and Taxes	174,059.71	44,815.96
Bank Charges	364,680.98	303,416.35
Audit Fees & Expenses	1,074,242.60	1,024,650.00
Corporate Social Responsibility	25,623,915.47	8,379,050.10
Directors' Sitting Fees	685,000.00	885,000.00
Board Meeting Expenses	155,121.00	179,335.00
Books & Periodicals	125,325.87	120,285.35
Consultancy Charges	4,097,208.07	2,852,820.82
Rent	7,749,025.09	7,587,246.11
Obsolete stores/spares.	(31,204.35)	(65,850.31)
Foreign Exchange Gains/Loss	17,457,162.64	50,898,010.40
Profit on sale/discard of Assets (Net)	-	2,885,711.21
Other Expenses	74,721,669.10	3,273,057.06
	245,449,437.61	153,211,046.71



SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

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 for DGPC as individual entity have been prepared to comply in all material respects with the Bhutanese Accounting Standards (BAS) Phase I 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 financial statements are prepared for 12 months period ending 31st December, 2015.

2 Offsetting

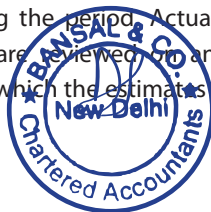
Financial assets and financial liabilities or income and expenses are offset and the net amount presented in the Statement of Financial Position when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts and intends either to settle on a net basis or to realize 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 of DGPC is Ngultrum (Nu) and also the presentation currency.

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, Associate/Joint Venture

Investment in subsidiaries, joint ventures and associates are measured and carried at cost as per BAS 27- Separate Financial Statements.

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:

Investments, other than investment in subsidiaries, joint ventures and associates 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 carried 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 wise.

7 Property, Plant and Equipment

- a. The company carries its Property, plant and equipment at cost model and are 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.

The Property, plant and equipment are derecognized when no future economic benefits are expected from its use or on disposal.



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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%	
	5.00%	(Diesel Generators),and (Runners)
	20.00%	
Fire Fighting and Safety Equipment	10.00%	
General Assets	20.00%	
Information and Technology Equipment	20.00%	
Machineries	15.00%	
Office Equipment	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 are available for use.

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

8 Intangible Assets

- Company carries the intangible assets as per cost model.
- 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.



c. 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.

d. 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, contract expenses and directly attributable cost such as employee costs and overheads, project management expenses incurred during construction period for executing the particular project are included in CWIP till these are 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 expenses and the related costs for which the grants are intended. The unallocated portion of such grant is presented as part of Deferred Income in the Statement of Financial Position.

Grants related to assets which are recognized in the Statement of Financial Position as Deferred Income, 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 statement.

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 specified 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's net obligation in respect of the earned leave 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 and amount of obligation is provided in profit or loss.

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's net obligation in respect of this terminal benefit is calculated by estimating the amount of 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 and amount of obligation is provided in profit or loss.

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 resources 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 recognized against royalty expense. 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.

17 Borrowing Costs

Borrowing costs for the purpose of BAS 23 "Borrowing Cost" has been determined as under in compliance with the approved Accounting Policy for the Asset Accounting, pending the implementation of IFRS 9 which is required to be implement in Phase 3; 2018-2019:

- i) Interest and commitment charges on bank borrowings and other short term and long-term borrowings;
- ii) Amortization of discounts or premiums relating to borrowings;



- iii) Amortization of ancillary costs incurred in connection with the arrangement of borrowings;
- iv) Finance charges in respect of assets acquired under finance leases or under other similar arrangements; and
- v) Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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 recognized 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 (Tax Base). 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. Further, the company is having the revenue from only one segment i.e sale of energy, hence, the BFRS 8 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 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 paid up capital is Nu. 30,712.87 million (30,712,866 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.



2. 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	1020	1020

3. 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, 2015.
4. 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. 1,019.43 million has been called up and paid till 31.12.2015. Being the only investor as of 31.12.2015, company has 100% stake in THyE, however, this is expected to change in future with expected participation from other investors.
5. Bhutan Hydropower Services Limited (BHSL) was formed as a joint venture between DGPC and ALSTOM Hydro Holding, France 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, 2015.
6. Kholongchhu Hydro Energy Limited was formed as a joint venture between DGPC and SJVN Limited, a Government of India Undertaking, vide agreement dated 30th September, 2014 with 50% equity shareholding each. DGPC has been allotted with 5,000,000 equity shares of Nu. 100 each. Nu. 204.575 million has been called up and paid till 31.12.2015.
7. DGPC has made investment in DHI Infra Limited of 95% of the total equity, however, the rights of the shareholder including control and management of the company, amendment of AOI and the voting rights vests with the holding company DHI.
8. 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 balance of loan for Nu. 350 million was fully adjusted in 2015.
9. 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. 1.98/kWh.
10. 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.
11. The company had, with effect from 1st January 2014 adopted International Accounting Standard 19, Employee Benefits, issued by the International Accounting Standard Board and BAS 19 Employee Benefits with effect from 2013 for gratuity (long term benefits).



Defined Benefit Plans

Valuation in respect of Gratuity has been carried out by independent actuary, Royal Insurance Corporation of Bhutan Ltd., Bhutan. 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.

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

(Figures in BTN)

Statement of Financial Position	31-DEC-15	31-DEC-14
Present Value of Defined Benefit Obligation	(374,458,101.00)	(350,506,460.00)
Fair Value of Scheme Assets	482,312,519.00	515,872,750.00
Funded Status [Surplus/(Deficit)]	107,854,418.00	165,366,290.00
Net Defined Benefit Asset	107,854,418.00	165,366,290.00

SECTION II – DISCLOSURES

A. ACCOUNTING EXHIBITS

(Figures in BTN)

A1. Change in Defined Benefit Obligation (DBO)	31-DEC-15	31-DEC-14
DBO at the beginning of the reporting period	350,506,460.00	331,268,950.00
Current service cost	30,810,621.00	33,723,090.00
Interest cost	29,162,551.00	27,367,930.00
Past service cost	-	-
Benefits paid from plan assets	-	-
Benefits paid by employer	(14,835,248.00)	(12,254,380.00)
Actuarial (gain)/loss due to plan experience	(44,502,028.00)	(29,599,130.00)
Actuarial (gain)/loss due to change in demographic assumptions	23,315,743.00	-
Actuarial (gain)/loss due to change in financial assumptions	-	-
DBO at the end of the reporting period	374,458,101.00	350,506,460.00

A2. Change in fair value of Plan Assets	31-Dec-15	31-Dec-14
Fair Value of Assets at the beginning of reporting period	515,872,750.00	302,497,000.00
Interest income on plan assets	-	24,922,310.00
Employer contributions	-	180,715,840.00
Benefits paid	-	-
Withdrawals from the plan assets	(75,093,391.00)	-
Return on plan assets greater or (less) than discount rate	875,445.00	7,737,600.00
Assets at the end of the reporting period	482,312,519.00	515,872,750.00

A3. Statement of Profit or Loss	31-Dec-15	31-Dec-14
Current Service Cost	30,810,621.00	33,723,090.00
Past service cost	-	-
Net interest cost on net DB liability / (asset)	(11,495,164.00)	2,445,620.00
Net cost for the year recognized in Profit or Loss	19,315,458.00	36,168,710.00

Note. : Nu. 17,427,129.77 is recognized in Statement of Comprehensive Income as against 19,315,458 as per valuation made by the Actuary as stated above. The 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.



A5. Defined Benefit Cost	31-Dec-15	31-Dec-14
Current service cost	30,810,621.00	33,723,090.00
Past service cost	-	-
Net interest cost on net DB liability/ (asset)	(11,495,164.00)	2,445,620.00
Re-measurement (Gain)/Loss recognized in OCI	(22,061,730.00)	(37,336,730.00)
Total Defined Benefit Cost	(2,746,272.00)	(1,168,020.00)

A6. Development of Net Financial position	31-Dec-15	31-Dec-14
Defined Benefit Obligation	(374,458,101.00)	(350,506,460.00)
Fair Value of Plan Assets	482,312,519.00	515,872,750.00
Funded Status - (Deficit)/Surplus	107,854,418.00	165,366,290.00
Net Defined Benefit Asset/ (Liability)	107,854,418.00	165,366,290.00

A7. Reconciliation of Net Financial position	31-Dec-15	31-Dec-14
Net Defined Benefit liability/ (asset) at the beginning of reporting period	(165,366,290.00)	28,771,950.00
Amount recognized in the profit or loss	19,315,458.00	36,168,710.00
Amount recognized in the OCI	(22,061,730.00)	(37,336,730.00)
Employer contributions	-	(180,715,840.00)
Benefits paid by employer	(14,835,248.00)	(12,254,380.00)
Withdrawals from the plan assets	75,093,391.00	-
Net Defined Benefit liability/ (asset) at the end of reporting Period	(107,854,418.00)	(165,366,290.00)

A9. Estimated Term of Liability (Years)	16.09
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A10. Scheme Asset Allocation	Amount	Percentage
Term Deposits	100,951,112	20.93%
TMNL-Insurance	374,590,667	77.67%
Bank Account	6,770,740	1.40%
Total	482,312,519	100.00%

12. The company has, with effect from 1st January, 2015, adopted BAS 19 Employee Benefits for valuation of other long term benefits.

Disclosure as per BAS 19

2.1 Leave benefit scheme

Statement of Financial position	31-Dec-15
Defined Benefit Obligation	(43,789,194.00)
Fair Value of Plan Assets	-
Funded Status - (Deficit)/Surplus	(43,789,194.00)
Net Defined Benefit Asset/(Liability)	(43,789,194.00)
Current Service Cost	6,268,011.00



Past service cost	-
Net interest cost on net DB liability/(asset)	1,061,833.00
Re-measurement (Gain)/Loss	36,770,633.00
Net cost for the year recognized in Profit or Loss	44,100,477.00

Out of the total liability accounted above, Nu.1,987,059 is projected to be payable within the next 12 months owing to employees leaving service of the company.

2.2 Other benefits

Other benefits	31-Dec-15
Repatriation allowance	13,844,255
Transfer grant	13,844,255
Carriage charges	1,170,614

2.2.1 Liability payable within the next 12 months

Benefit types	Benefit payable
Repatriation allowance	1,639,533
Transfer grant	1,639,533
Carriage charges	205,838

13. 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 2014 b. Advance Dividend c. Income on Loan d. Equity e. Management & Brand Fee	2,510,873,664.26 1,835,200,000.00 13,150,683.58 30,712,866,000.00 71,729,627.23
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Sale of Electricity b. Wheeling Charges c. Consumption of electricity by DGPC estd. d. Receivable on energy sold e. Payable towards wheeling charges f. Royalty charges	1,545,516,822.05 592,984,484.74 13,453,934.66 231,847,480.88 11,620,417.41 1,520,595,229.77
Bank of Bhutan Limited	Fellow Subsidiary	a. Interest on deposits b. Bank charges c. Interest expense	407,923.96 281,236.65 34,250,172.03
DHI Infra Limited	Fellow Subsidiary	Equity Investment	190,000,000.00



Bhutan Telecom Limited	Fellow Subsidiary	a. Telephone, Fax, Internet Services & Others	2,813,033.09
Druk Air Corporation Limited	Fellow Subsidiary	a. Air Services b. Payable towards Air Services	9,491,425.00 5,29,715.00
State Trading Corporation of Bhutan Limited	Fellow Subsidiary	a. Vehicle Procurement b. Repair and Maintenance of Vehicles c. Payable towards R&M services	15,453,245.04 9,187,487.95 694,850.73
Bhutan Hydropower Services Limited	Subsidiary	a. Equity Investment b. Income from leased land and other services c. Services availed related to repairs and maintenance of electro -mechanical equipment d. Advance payment	255,000,000.00 1,826,812.50 73,135,906.10 2,685,430.48
Dagachhu Hydropower Corporation Limited	Subsidiary	a. Equity Investment b. Income on services provided	2,437,880,000.00 1,398,448.00
Tangsibji Hydro Energy Limited	Subsidiary	a. Equity Investment b. Income on services provided	1,019,428,410.86 488,865.00
Dungsam Cement Corporation Limited	Fellow Subsidiary	a. Loan to DCCL b. Interest income on Loan c. Accrued interest on Loan d. Income from CoE Services	300,000,000.00 9,959,068.49 6,517,808.22 273,090.20
Kholongchhu Hydro Energy Limited	Associate Subsidiary	a. Equity Investment	204,575,000.00
Wood Craft Center	Fellow Subsidiary	a. Procurement of Furniture & Fixture	2,148,575.00

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.)

SN	Particulars	2015	2014
a)	Managing Director's Remuneration	2.400	2.420
b)	Directors' Sitting Fees	0.690	0.890
c)	Travelling Expenses (MD)	0.630	0.230
	Total	3.720	3.540

- Estimated amount of contracts remaining to be executed on capital account and not provided for - Nu. 926.27 million (previous year Nu. 123.59 million).
- The monetary grant worth of Nu. 8.12 million was received and Nu. 0.42 million had become receivable as compensation for expenses already incurred by the company in 2015 via Grant Contract No. 2296-00/2014. Since the grant was in the nature of income, the grant has been presented as Grant income and Grant expense correspondingly.



16. A Loan of Rs. 2,240,000,000.00 (India Rupees Two Billion Two Hundred Forty Million) was availed via subsidiary agreement between Royal Government of Bhutan and the then erstwhile Kurichhu Hydropower Corporation dated 11th March, 2004 for the Kurichhu Hydroelectric Project. The final Loan and Interest installment was remitted to Ministry of Finance, Royal Government of Bhutan on 25th December, 2015 and the loan stands liquidated as on 31.12.2015.
17. A company has incurred a loss of Nu. 17.46 million (previous year Nu. 50.90 million) in 2015 on account of exchange difference arising on the settlement of monetary items and on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements.
18. 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 2015. The confirming and reconciling the balances is carried out for more than Nu. 0.50 million.
19. During the current year, the company has calculated and accounted deferred tax assets / liabilities as below:

SN	Particulars	Carrying Amount of Assets/Liability as on 31.12.2015	Tax Base of Assets/Liability as on 31.12.2015	Temporary Difference	Deferred Tax Asset/(Liability)
1	Bonus Payable (Note 15)	54,727,030.51	-	54,727,030.51	16,418,109.15
2	Interest accrued on ADB Loan (Note 11)	32,120,586.01	-	32,120,586.01	9,636,175.80
3	Property, Plant & Equipment (Note 1)	44,599,144,314.99	44,335,567,249.60	(263,577,065.39)	(79,073,119.62)
4	Interest Accrued but not due (IDC) (Note 11& 13)	2,923,908,004.85	2,923,908,004.85	-	-
	Total	47,614,023,936.36	47,263,599,254.45	(176,729,448.87)	(53,018,834.66)

20. Quantitative Information of purchase and sale of power:

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

Particulars	2015		2014	
	Units	Amount	Units	Amount
Purchase	158.46	314.51	187.37	371.28
Self Generation	7,381.60	-	7,147.10	-
	7,540.06	314.51	7,334.47	371.28
Sale:				
Within Bhutan	2,142.16	3,066.11	2,064.30	2,957.88
Export to India	5,307.64	10,991.32	5,179.29	10,698.31
Internal Consumption & Losses	90.26	0.63	90.88	0.58
Total	7,540.06	14,058.06	7,334.47	13,656.77

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

(Amount in Million Nu.)

Particulars	2015	2014
TDS Payable	1.34	0.02
Corporate Income Tax	1,607.05	1,769.14
Grand Total	1,608.39	1,769.16



22. 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 at non royalty rate of Nu. 1.39. Royalty Energy of 1093.95 MU (previous year 1059.20 MU) was supplied to Distribution Company in 2015.

23. Auditors remuneration:

(Amount in Million Nu.)

	Particulars	2015	2014
a)	Audit Fess	0.50	0.50
b)	Out of pocket expenses	0.57	0.52
	Total	1.07	1.02

24. 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.

25. A dividend of Nu. 4,920,647,399.93 have been proposed for the year ended 31st December, 2015 in line with the Shareholder, DHI letter no. DHI/CEO/DGPC/2016/296 dt. 16th March, 2016, amounting to a dividend of Nu. 160.21 per share. These financial statements do not reflect this dividend payable.

26. These Financial Statements have been approved for issue by the Board of Directors on 19th April, 2016

Signatures on Notes 1 to 25



(Dasho Sangay Khandu)
Chairman, DGPC & DHI



(Dasho Chhewang Rinzin)
Managing Director



(Ugyen Namgyal)
Director (Finance)





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