DRUK GREEN POWER CORPORATION LIMITED

ANNUAL REPORT 2017

(a dhi company)

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BHUTAN'S ELECTRICITY GENERATING COMPANY

Druk Green Power Corporation Limited (DGPC) is a wholly owned subsidiary of Druk Holding and Investments Limited established in 2008 with the merger of the erstwhile hydropower corporations in the country. DGPC is mandated to promote, develop and maintain major hydropower assets of Bhutan in a sustainable manner. DGPC operates and manages four hydropower plants with a total installed capacity of 1,480 MW namely 64 MW Basochhu Hydropower Plant, 336 MW Chhukha Hydropower Plant, 60 MW Kurichhu Hydropower Plant and 1,020 MW Tala Hydropower Plant.

DGPC has shareholdings in the joint venture companies namely 126 MW Dagachhu Hydro Power Corporation Limited (59%), 600 MW Kholongchhu Hydro Energy Limited (50%), Bhutan Hydropower Services Limited (51%) and Bhutan Automation & Engineering Limited (51%). DGPC also owns Tangsibji Hydro Energy Limited (100%) for the implementation of 118 MW Nikachhu Hydropower Project.

With over 70% of the energy generated being exported to India, hydropower revenues constitute about 24.79% of direct revenues to the exchequer and offset much of the balance of payments with India. DGPC contributes about 9.19% of the country's gross domestic product.

DGPC is an ISO certified company in the following standards:

- ISO 9001:2008 Quality Management System
- ISO 14001:2004 Environment Management System
- BS OHSAS 18001:2007 Occupational Health & Safety Management System
- ISO 55001:2014 Asset Management System


VISION
Promote, develop and manage renewable energy projects, particularly hydropower, in an efficient, responsible and sustainable manner, and to maximise wealth and revenues to the nation
Effectively and efficiently manage hydropower plants, and maximise returns to the shareholder
Be a responsible, proactive, and progressive company with a highly motivated and dedicated team of professionals
Provide energy security for domestic consumption, fuel economic growth, and also explore other forms of renewable energy other than hydropower
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
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

A YEAR IN REVIEW

It is a decade since Druk Green Power Corporation Limited (DGPC) was formed. In this one decade, DGPC has come of age and lived up to its vision and aspirations of the people of Bhutan to harness and sustain Bhutan's hydropower resources. In every one of these ten years, DGPC has initiated something new and challenging in striving to achieve its "Commitment to Excellence" and closing in on the gap with generation utilities across the world as DGPC moves ever closer to becoming "World Class by 2030". It has been an exciting ten years. Much has been achieved but there is still a long road ahead.

While hydrological flows change with the vagaries of nature and the monsoons, DGPC has continued to ensure high levels of availability of the generating units and water utilisation factors through effective and efficient operation and maintenance of its power plants thus maximising returns from its assets. Dividends, taxes and royalty contributions from the hydropower sector remain a major source of revenues to the Shareholder and the exchequer, and in 2017, these aggregated to Nu. 9,355.93 million. Further, electricity export revenues continue to substantially offset the balance of trade with India.

In its pursuit to further build on its competencies and to take advantage of emerging business opportunities, DGPC in partnership with Andritz Hydro incorporated an FDI company during the year - Bhutan Automation & Engineering Limited - a manufacturing facility that will specialise in design, engineering, integration, and implementation of state-of-the-art automation systems for hydropower plants/projects. In 2017, DGPC also consolidated its Centres of Excellences by putting them under a centralised Hydropower Research & Development Centre with mandates to further develop expertise in all fields of the hydropower business on its own or through collaboration. The consolidation is facilitating the Centre to expand its services beyond DGPC to hydropower projects under construction and to other sectors in Bhutan.

The Druk Green Consultancy expanded its services and took a few more strides towards stepping out of the folds of DGPC. The consultancy group completed the DPRs for the 26 MW Druk Bindu and 442 MW Nyera Amari projects. WAPCOS retained the group as consultants to prepare the infrastructure proposal for the 2,640 MW Kuri-Gongri DPR. It was also awarded the consultancy for some of the balance infrastructure works of the 1,020 MW and 1,200 MW Punatsangchhu projects. The group further started to provide expert services to the existing hydropower plants and to the ongoing Nikachhu project, which normally DGPC would otherwise have outsourced to outside consultancy services.

It was, however, a slow year for the development of new hydropower projects. No new projects could be taken up for construction. The construction of the 118 MW Nikachhu project continued to be constrained as with the experience with hydropower projects elsewhere in the region. There was also very little forward movement with the construction of the 600 MW Kholongchhu project. Debates on issues ranging from global warming to social and environmental concerns to electricity markets became more prominent. DGPC continued to work very closely with the Government and the Shareholder on addressing these emerging challenges in the sector. It was also a year of reminiscing and planning into the future.

Despite the changing environment and emerging challenges, DGPC remains committed to its vision to promote, harness and sustain Bhutan's hydropower resources, which is the cornerstone of Bhutan's socio-economic development strategies.

Tashi Delek

(Chhewang Rinzin)
Managing Director

1988

336 MW Chukha Hydroelectric Project

Installed generation capacity	: 4 x 84 MW
Annual design energy	: 1,800 MU
Project scheme	: Run-off-the-River
Project commission	: 1986 - 1988

2002

60 MW Kurichhu Hydropower Project

Installed generation capacity	: 4 x 15 MW
Annual design energy	: 400 MU
Project scheme	: Run-off-the-River
Project commission	: 2001 - 2002

2004

64 MW Basochhu Hydropower Project

Installed generation capacity	: 2 x 12 MW; 2 x 20 MW
Annual design energy	: 291 MU
Project scheme	: Run-off-the-River
Project commission	: 2001 - 2004

2007

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DrukGreen

Druk Green Power Corporation Limited

Incorporated through the merger of Chhukha, Kurichhu and Basochhu Hydropower Corporations

Company incorporation : December 27, 2007

2007

1,020 MW Tala Hydropower Project

Installed generation capacity	: 6 x 170 MW
Annual design energy	: 3,962 MU
Project scheme	: Run-off-the-River
Project commission	: 2006 - 2007

2008

126 MW Dagachhu Hydro Power Corporation Limited

Installed generation capacity	: 2 x 63 MW
Mean annual generation	: 515 GWh
Project cost	: Nu. 12.52 billion
Company incorporation	: May 13, 2008
COD	: February 2015
Shareholder	: DGPC (51%), Tata Power Company Limited (26%), National Pension and Provident Fund (15%)

Bhutan Hydropower Services Limited

Business scope	: State-of-the-art, repair and reclamation of hydro turbine runners and associated components
Project cost	: Nu. 1,136.54 million
Company incorporation	: October 23, 2012
COD	: September 2014
Shareholding	: DGPC (51%) and General Electric (49%)

2012

2014

118 MW Tangsibji Hydro Energy Limited

Installed generation capacity	: 2 x 59 MW
Mean annual generation	: 419.52 GWh
Project estimated cost	: Nu. 11.96 billion
Company incorporation	: April 25, 2014
Project schedule	: April 2016 – April 2020
Shareholder	: DGPC (100%)

600 MW Kholongchhu Hydro Energy Limited

Installed generation capacity	: 4 x 150 MW
Mean annual generation	: 2,568.88 GWh
Project estimated cost	: Nu. 38.69 billion
Company incorporation	: June 12, 2015
Project schedule	: September 2015 to February 2022
Shareholder	: DGPC (50%) and SJVN, India (50%)

2015

2017

Bhutan Automation & Engineering Limited

Business scope	: Manufacturing of automation systems for hydropower plants
Project estimated cost	: Nu. 60.00 million
Company incorporation	: November 8, 2017
Project schedule	: December 2018
Shareholder	: DGPC (51%) and Andritz Hydro Private Limited (India) (49%)

BOARD DIRECTORS

Dasho Sangay Khandu, Chairman, DHI

Dasho Sangay Khandu was conferred the Red Scarf by His Majesty The King in December 2009. He served as the Secretary of National Land Commission from August 2007 to February 2014. He holds a Bachelor of Science from St. Joseph's College, Darjeeling, India and a Bachelor of Business Administration from Knights Bridge University, United Kingdom.

Dasho Chhewang Rinzin, Managing Director, DGPC

Dasho Chhewang Rinzin was conferred the Red Scarf by His Majesty The King in December 2009. He served as the Managing Director of Bhutan Power Corporation Limited from 2004 to 2007. He holds a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.

Nim Dorji, Secretary, MoF

Nim Dorji served as the Joint Secretary, MoF, from June 2012 to June 2015, and as the Director General of Department of Agriculture, Ministry of Agriculture and Forestry from July 2015 to July 2016. He holds a degree in Bachelor of Commerce with Honours from Shri Ram College of Commerce, Delhi University, New Delhi, India and a Master of Business Administration from the University of Canberra, ACT, Australia.

Sonam Wangchuk, Secretary, MoLHR

Sonam Wangchuk served as the Secretary of Gross National Happiness Commission from August 2014 to July 2016. He holds a degree in Bachelor of Commerce from Sherubtse College, Bhutan and a Master of International Affairs in Economic Policy Management from the School of International and Public Affairs, Colombia University, New York, USA. He also holds a Diploma in International Trade Policy from GATT Secretariat, Geneva, Switzerland.

Sonam Topgay, Secretary, MoHCA

Sonam Topgay served as the Director General of Department of Law and Order, MoHCA from 2014 to 2016. He holds a Bachelor of Arts (Honours) in Political Science from the University of Delhi, India and a Masters in Public Administration from the International Institute of Public Administration, France.

Tashi Pem, Executive Engineer, DHPS, MoEA

Tashi Pem served as a national project manager with the Planning and Coordination Division, Department of Energy, MoEA. She holds a Bachelor's degree in Civil Engineering from Madras University, Chennai, India and a Masters in Environmental Management and Development Studies from Australian National University, Canberra, Australia.

Tashi Lhamo, Director, Finance Department, DHI

Tashi Lhamo served as the Director of Revolving Fund Management and Operations, Business Opportunity and Information Centre from 2014 to 2015. She holds a Bachelor of Commerce (Honours) from Sherubtse College, Bhutan; a Bachelor of Business (Major in Accounting) from the University of South Australia, South Australia; and a Master of Business Administration (Advanced) from the Graduate School of Business, Curtin University, Perth, Western Australia. She also attended a Banking and Finance Program at the School of Management and Communications, Boston University, MA, USA.

MANAGEMENT TEAM

Dasho Chhewang Rinzin, Managing Director, DGPC

Dasho Chhewang Rinzin was conferred the Red Scarf by His Majesty The King in December 2009. He served as the Managing Director of Bhutan Power Corporation Limited from 2004 to 2007. He holds a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.

Ugyen Namgyal, Director, Finance & Investments Department

He previously served as the General Manager, Finance & IT Division, Bhutan Development Finance Corporation Limited (now named as Bhutan Development Bank Limited).

He is a CPA (Certified Practicing Accountant) from CPA 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.

Dorji T. Phuntshok, Director, Human Resource & Administration Department

He previously 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.

Dechen Wangmo, Interim Head, Corporate Affairs Department

She previously served as the Head for Business Development Unit and as Company Secretary of DGPC.

She holds a Bachelor in Engineering (Electrical) from University of Wollongong, Australia and a Master in Business Administration from Melbourne Business School, University of Melbourne, Australia.

Kuenga Namgay, Director, Operations and Maintenance Department
He previously served as the Executive Director for Corporate Affairs Department, DGPC.
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.

Kencho Gyeltshen, CE/Head of Plant, Chhukha Hydropower Plant
He previously served as the Head of Operation and Maintenance Wing, Tala Hydropower Plant.
He holds a Bachelor in Engineering (Electrical and Electronics) from PSG College of Technology, Coimbatore, India, and a Masters in Electrical Engineering from University of New Brunswick, Fredericton, Canada.

Dechen Namgyel, SE/Head of Plant, Kurichhu Hydropower Plant
He previously served as the Head of Maintenance Division at Chhukha Hydropower Plant.
He holds a Bachelor in Electrical and Electronics Engineering from the Birla Institute of Technology, Ranchi, India, and a Master of Engineering in Electrical and Power Engineering from the University of South Australia, Australia.

Pema Wangda, SE/Head of Plant, Basochhu Hydropower Plant.
He previously served as the Head of Operation and Maintenance Division, Basochhu Hydropower Plant.
He holds a Bachelor in Mechanical Engineering from PSG College of Technology, Coimbatore, India, and an MSc in Mechanical Engineering from Linköping University, Sweden.

Yeshi Tenzin, CE/Head of Plant, Tala Hydropower Plant
He previously served as the Head of Kurichhu and Chhukha Hydropower Plants.
He holds a Bachelor in Mechanical Engineering from Delhi College of Engineering, Delhi University, India, and an MSc in Mechanical Engineering from the University of Texas at El Paso, USA.

DIRECTORS' REPORT

OPERATIONAL HIGHLIGHTS

Generation	*7,249 MU*
Export	*5,068 MU*
Domestic supply	*2,317 MU*

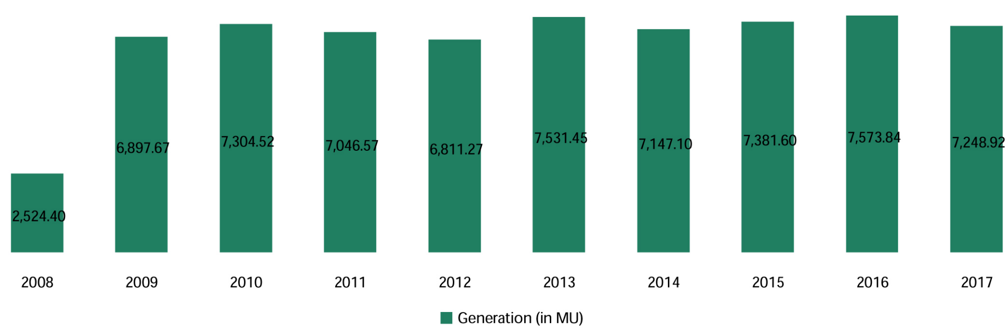
The Tala, Chhukha, Kurichhu and Basochhu Hydropower Plants generated 7,248.918 million units (MU) of electricity during 2017, a decrease of 4.29% from the aggregate generation of 7,573.841 MU in 2016. This decrease in generation was on account of the lower hydrological flows mainly in the Wangchhu.

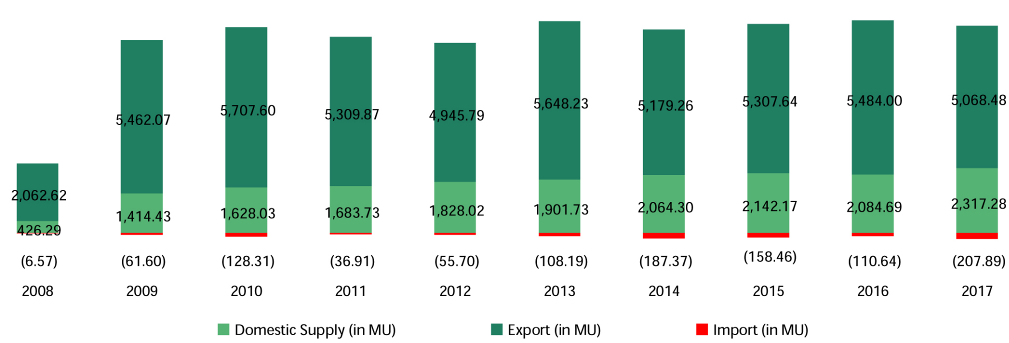
The net energy exported to India, including Royalty Energy, declined from 5,484.00 MU in 2016 to 5,068.48 MU during 2017. The quantum of electricity supplied for domestic energy consumption through Bhutan Power Corporation Limited (BPC) increased from 2,084.688 MU in 2016 to 2,317.283 MU in 2017.

The import of power from India increased to 207.891 MU in 2017 as compared to 110.638 MU in 2016. The increase was mainly due to the substantial import of power during the months of May and June 2017 with the outgoing 400 kV Feeder-III not being available during May-June of 2017 due to technical problems with the Circuit Breaker. The Feeder could be restored only in July 2017.

Tala Hydropower Plant (THP) continued to experience failures with some of its systems. In late December 2016, two of THP's generating units went into over speed on failure of the power supply to the governing system. THP also experienced a few intermittent problems with its nozzle injector system. The failures of the rock bolts in the power house caverns continue to put the lives of operators at risk. Since the Computer Control System is not functional, situation in the power house has not improved.

Efforts continue to be made and investments considered to address these major problems with the rock bolt failures, the nozzle injector system and the computer control system. However, during the year, there has not been any loss of generation on account of these failures.





Note: 2008 is excluding THP; 2009 includes THP for nine months i.e April 1 to December 31, 2009

DrukGreen

FINANCIAL HIGHLIGHTS

Income

Income	*12,277 MBTN*
Expenditure	*5,053 MBTN*
PAT	*5,176 MBTN*
Dividend	*4,905 MBTN*

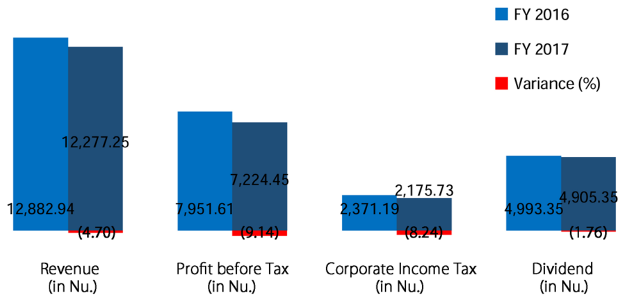
The overall income for the year decreased to Nu. 12,277.25 million from Nu. 12,882.94 million in 2016. The decrease in revenue is mainly attributable to the 324.924 MU decrease in electricity generation for the year when compared to 2016 with corresponding decrease in energy export.

Expenditures

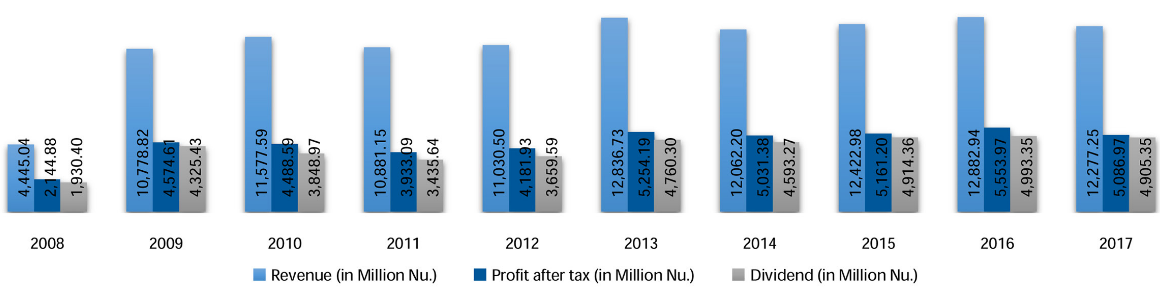
The expenditures increased by 2.45% from Nu. 4,931.33 million in 2016 to Nu. 5,052.79 million in 2017. This increase in expenses was mainly on account of increase in wheeling tariffs in 2017 to Nu. 0.195/ kWh w.e.f January 1, 2017 as compared to Nu. 0.114/ kWh in 2016.

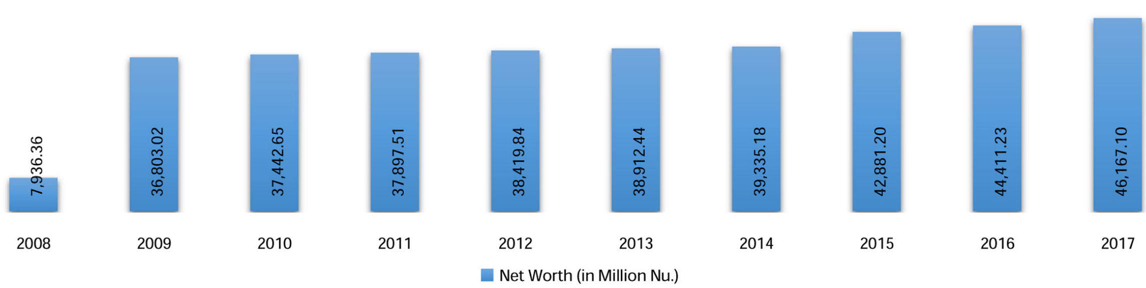
Profitability of the Company

Considering the decrease in revenues and increase in expenditures, the Profit After Tax (PAT including Other Comprehensive Income) decreased by 7.22% from Nu. 5,579.50 million in 2016 to Nu. 5,176.48 million in 2017. The key financial figures on the performance of the Company for 2017 vis-à-vis the previous year are as presented below:



While PAT has slightly decreased in 2017 as compared to 2016, the financial position of the Company continues to be strong with total debt of Nu. 6,136.73 million constituting only 13.29 % of the overall Shareholder's fund of Nu. 46,167.10 million. The funds are almost entirely invested in income generating assets. The fund applications comprise of Nu. 42,365.32 million in fixed assets, including capital works in progress, intangible assets, and investment property; Nu. 5,933.61 million in long-term investments; and Nu. 6,612.66 million in the form of current assets.





Note: 2008 is excluding THP; 2009 includes THP for nine months i.e April 1 to December 31, 2009

Dividend

In order to take forward its mandates, DGPC is continuing to make investments in greenfield hydropower projects; in renovation, modernisation and automation of its aging plants; in the implementation of remedial measures to address the continuing teething problems with the THP; and in building on its brand equity by strengthening its core competencies and consulting services.

In declaring dividends, it is to be noted that DGPC would soon need to mobilise funds 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. The Shareholder desired for a dividend of 15.55% of paid up share capital, equivalent to 94.76% of PAT, in 2017 as against the 90% of PAT declared as dividend in 2016. The dividend of Nu. 4,905.35 million for 2017 is still a 1.76% decrease over the Nu. 4,993.35 million declared in 2016 due to decrease in the financial performance of the company during the year 2017.

DOMESTIC TARIFF REVIEW

Domestic generation tariff revised at Nu. 1.59 per kWh

This tariff was revised with effect from January 1, 2017 till June 30, 2019. The Bhutan Electricity Authority (BEA) has approved this tariff, which is an increase of 14.4% from the previous tariff of Nu. 1.39 per kWh, for the sale of electricity to BPC for domestic consumption. The billing mechanism for domestic sale of energy to BPC has been consolidated in a single bill.

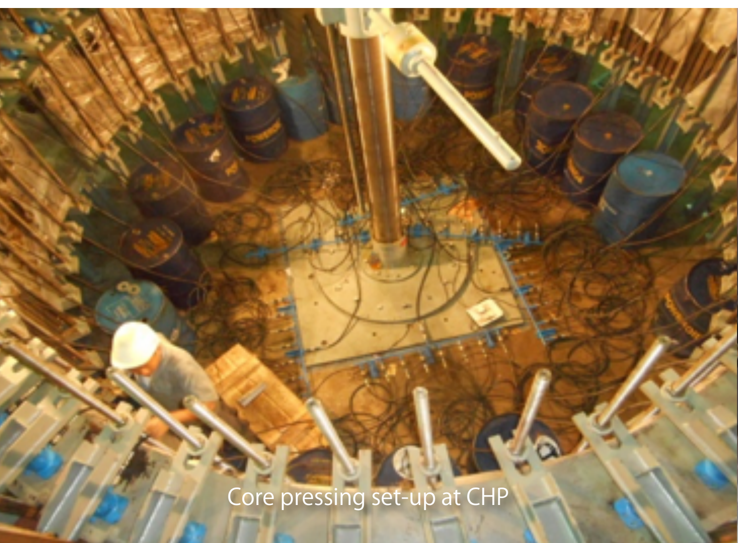
The wheeling tariff rate of BPC was also increased to Nu. 0.195 per kWh from the existing charge Nu. 0.114 per kWh.

The domestic tariff review was carried out in line with the provisions of the Bhutan Domestic Tariff Policy 2015. The major impact for DGPC has been a change in the accounting of the royalty energy. While the earlier practice was to reconcile the royalty energy obligation with the sale to BPC at zero cost, the royalty energy is now accounted at the highest off take rate and the proceeds are remitted to the Ministry of Finance by DGPC on a monthly basis.

MAJOR RENOVATION, MODERNISATION AND AUTOMATION OF POWER PLANTS

Re-building of Stator in CHP

The stator winding replacement works for Units I and III of Chhukha Hydropower Plant (CHP) was initiated as part of renovation and modernisation (R&M) works. With over 30 years of operation, the stator winding of Unit I failed in 2011 and Unit III failed in 2013. Observing the stator winding failures, the works for replacement of the stator core, frame and field coils, with new and better design were initiated under R&M Phase III. The complete package was contracted to the OEM, BHEL, at Nu. 359.90 million. The erection, testing and commissioning of Unit I will be taken up during lean season of 2017-2018 and stator assembly works of Unit III will be taken up in 2018-2019.



Core pressing set-up at CHP

Lifting Top Bracket at THP

Restoration of THP Unit I

The restoration works of the Generating Unit I of THP was completed at a cost of Nu. 52 million. The Unit was re-commissioned on May 25, 2017.

Unit I of THP failed in the morning of December 26, 2016, and tripped with the failure of the DC power supply to the Electro Hydraulic Governor Controller. The deficiencies in the design of nozzle injector and deflector systems escalated the 24V DC supply failure that resulted in over speeding of the unit causing the rotor rim assembly to be shifted outward and peripherally by 4-5 mm. The rotor had to be completely rebuilt under supervision of the OEM, BHEL. The rebuilding was completed in record time with exceptional efforts made by the THP team. In this, THP was supported by other formations of DGPC, especially from CHP. With the Unit being brought back into operation by late May 2017, there was no spillage of water.

OTHER ACTIVITIES

Druk Green Consultancy

Druk Green Consultancy (DGC) has been established under DGPC as an overall competency building initiative in the hydropower sector. In the long term, it is planned for the DGC to be created as a subsidiary of DGPC. A number of specialised services were provided by DGC during the year.

Detailed Project Reports

DPR completed
Druk Bindu I (18 MW) and II (8 MW) SHPP
Nyera Amari I and II HPP

Druk Bindu SHPP

The DPR for Druk Bindu Stage-I and Stage-II projects were completed during 2017. The DPR for Stage-I (18 MW) was submitted to Government and DHI in February 2017 for approval. This was followed by the submission of draft DPR for Stage-II (8 MW) to DHI in August 2017.

Nyera Amari I & II HPP

The DPR for the Nyera Amari I & II projects were completed in 2017. The final draft DPR of NA-I and NA-II was submitted to DHI in October 2017. DGC facilitated CDCL to take up their first tunnel works with the drifts for the Nyera Amari project. By December 2017, 50% of the drift works for NA-I and NA-II powerhouse had been completed.

Services

Consulting services to PHPA I and II

A Memorandum of Understanding was signed between DGPC and Punatsangchhu I & II Hydroelectric

Project Authority (PHPA-I and -II) on April 13, 2017, through which DGC is providing consultancy services for the balance infrastructure works of both the Punatsangchhu projects. During 2017, DGC provided services for topographical survey and mapping for the White Bellied Heron Conservation Facility at Chanchey, and Bjimthangkha colony areas. The services also include preparation of conceptual design, engineering design, drawings, estimates, and tender documents for PHPA.

DGC has been associated with WAPCOS for the preparation of infrastructure planning and project organisation of DPR study of 2,640 MW Kuri-Gongri HEP.

During the year, DGPC has also entrusted DGC with the design, engineering and supervision of all the major civil construction works associated with all its operating power plants including the remedial measures to address the rock bolt failure problem with THP and the installation of rockfall barriers at THP and CHP.

Hydropower Research and Development Centre

Hydropower Research and Development Centre provided specialised services to both existing hydropower plants and hydropower projects under construction, and industries in Bhutan.

DGPC has more than 30 years of experience in operation and maintenance of hydropower plants, taking the experience from CHP into consideration. With an objective to become a leading hydropower company in the region, DGPC established a number of Centres of Excellence under the Hydropower Research & Development Centre (HRDC). DGPC intends to expand the scope of the HRDC to include civil structures and geotechnical engineering, automation, hydraulic studies and efficiency improvements. The HRDC was set up as an independent profit centre after a business plan was approved by the Board in March 2017 with a total investment plan of over Nu. 475 million.

Few of the services rendered to the projects under construction during the year were:

- Vibration monitoring at the Kholongchhu project
- Sediment monitoring and analysis for Kholongchhu project
- Underwater inspection of diversion gates at Mangdechhu project
- Remote vehicle inspection on the bore holes of Punatsangchhu II project

HRDC is further exploring opportunities with the Punatsangchhu and Nikachhu projects to render instrumented monitoring services.

New Venture/Affiliation

Diversifying business in hydropower and allied services

DGPC continues to strive to consistently deliver value to its Shareholders by diversifying its business in hydropower and allied services. With the growing portfolio of hydropower plants, consolidation of its ventures into hydropower investigation, design and engineering, construction and manufacturing, DGPC

HRDC office at Rinchentse

has built a dedicated team of professionals at various levels in diverse fields.

Establishment of Bhutan Automation & Engineering Limited

BHUTAN AUTOMATION, a Joint Venture Company between DGPC and Andritz Hydro Private Limited, India (Andritz Hydro) with 51 percent and 49 percent shareholdings respectively, was incorporated on November 8, 2017.

A Memorandum of Understanding to collaborate and establish a manufacturing unit for Secondary Equipment for hydropower plant was signed between DGPC and Andritz Hydro on May 8, 2017. Subsequently, the Joint Venture Agreement for the establishment of BHUTAN AUTOMATION was signed on October 16, 2017 at Vienna, Austria.

> *BHUTAN AUTOMATION will specialise in the manufacture and delivery of state-of-the-art automation systems and other secondary equipment for hydropower and substation applications.*

The Company's range of products include control, protection, and instrumentation systems and could expand to governing and excitation systems and, if required, to auxiliary equipment in the power houses. The Company will use the automation technology of Andritz Hydro through a Technical Assistance Agreement with Andritz Hydro GmbH (Austria). The manufacturing facility will be located within the premises of CHP.

Accession as ICOLD 100th Member

> *Bhutan is 100th member country of ICOLD*

Bhutan became the 100th member country of the International Commission on Large Dams (ICOLD) during ICOLD's 85th Annual Meeting convened at Prague, Czech Republic in July 2017. DGPC represented the Bhutan National Committee on Dams (BHUCOLD) at the meeting. BHUCOLD has its secretariat at DGPC. Since its establishment in 1928, ICOLD has established exemplary technical cooperation amongst experts in the area of design, construction, and operation of dams, and Bhutan could greatly benefit from this Membership.

> *The main objectives of joining ICOLD is to gain access to expertise from member countries to ensure that dams are built safely, efficiently, economically and in an environment friendly manner.*

One of the main objectives of joining ICOLD is to gain access to expertise from member countries to ensure that dams are built safely, efficiently, economically and in an environment friendly manner. It would also help Bhutan to address concerns and capacity building on dam safety, monitoring of performance, re-analysis of old dams and spillways. As a member, BHUCOLD will have access to databases on dams, dam safety, standards, and legal framework.

There are 25 technical committees functioning under ICOLD that discuss on matters such as dam engineering and management, dam safety, climate change, capacity building, flood evaluation and more. These serve as important platforms for members to exchange information and report on activities in dam engineering and management and hence, also creates opportunities to form institutional linkages between ICOLD member countries.

HUMAN RESOURCES

DGPC has 1,603 employees on its rolls, excluding the 142 employees on deputation to its subsidiary companies and to hydropower projects under construction. The success of DGPC heavily depends on the quality of its human resources, keeping them stimulated, and retention of such assets. DGPC continues to expand its mandate with the available human resources by making required investments to enhance the skills in the existing human resources and also providing its employees with new skills through effective human resources development programs.

CORPORATE SOCIAL RESPONSIBILITY

DGPC, in fulfilling its vision and mission, plays a major role in supporting the communities through its corporate social responsibility (CSR) initiatives. DGPC continues to improve the quality of life of the communities through long-term value creation for all stakeholders. This objective is in aligning DGPC's CSR with Bhutan's overarching development policy of "Gross National Happiness".

Towards achieving this, DGPC continues to support community related religious, educational, social, and environmental activities that are in the greater interests of the Bhutanese public through donations and contributions.

DGPC spent Nu. 39.5 million towards CSR in 2017. In addition, the employees of DGPC contributed Nu. 1.33 million to the Staff Welfare Fund in order to support varied social causes.

DGPC SUBSIDIARY: HIGHLIGHTS OF 2017

Bhutan Hydropower Services Limited (BHSL)

Venturing into manufacturing

During the year, BHSL earned a revenue of Nu. 84.761 million. However, BHSL continued to remain in the red due to insufficient loading with a loss of Nu. 128.437 million during the year mainly on account of expenditures, depreciation and interests on borrowings.

The company continues to observe the E-initiatives program (EiP) to ensure green footprints at the work place. BHSL, since inception, has ensured the highest standards of integrity with zero unresolved RAA's audit memos, and highest standards of safety compliance with zero man-days lost. BHSL has 74 Bhutanese employees and showcases capacity building in human resources not only in the hydropower sector but also other industries.

BHSL has initiated to start manufacturing of a Francis Runner as pilot project to transfer the skills and manufacturing technology from GE Renewable Energy and expect that with the completion and delivery of the first francis runner, it would open doors for manufacturing of other electro-mechanical and hydro-mechanical components/products. During the year, the DGPC Board approved for further investments in BHSL to expand into manufacturing should BHSL be directly allocated such manufacturing works of greenfield hydropower projects. Venturing into manufacturing in a progressive manner is expected to eventually load the facility to make it profitable in the near future.

Dagachhu Hydro Power Corporation Limited (DHPC)

Highest generation of 460 MU

During the year, DHPC achieved the highest generation of 460 MU since commissioning. Through the PPA, Tata Power Trading Company (TPTC) actually traded 492 MU. Over 46 MU were settled through the deviation settlement mechanism. TPTC continued to face problems in entering the Indian energy markets with Dagachhu power. With declining tariffs for residual energy in the Indian energy markets, TPTC and DHPC had to negotiate an interim tariff settlement for one year, which is below what is provided for in the PPA.

The year also saw the highest flood levels during the monsoon. On August 12, the discharge was recorded at an all time high of 900 cumecs, which is the 10,000 years recurrence flood as per design. A faulty 24 MVA Generator Transformer was restored during the year and company recovered the repair cost from the insurer. During the year, UNFCCC issued another 349,005 CERs. With this, out of the 775,000 CERs contracted to ADB Future Carbon Fund, a balance of only 91,487 CERs only remains to be delivered.

Tangsibji Hydro Energy Limited (THyE)

During the year, THyE made 14.38% progress in civil and hydro-mechanical works as against the target of 46.60%, and financial progress of only 9.84%. As on December 31, 2017, Nu. 1,518 million was injected as equity including DGPC's own fund of Nu. 1,212 million and Nu. 306 million through ADB financing.

The priority during the year was for the management to try and accelerate the construction of the civil works and to make up for the delays that have already taken place due to inability of MP-1 Civil Contractor to mobilise sufficient resources. By the end of 2017, the project was already one year behind schedule. All efforts are continuing to be made to improve the performance of the Civil Contractor.

Kholongchhu Hydro Energy Limited (KHEL)

During the year, KHEL completed the tendering processes of the main construction activities. However, all major construction activities continue to be kept in abeyance until the signing of the Concession Agreement with the Royal Government of Bhutan (RGoB).

The clearance of the Concession Agreement is pending as bilateral discussions between Bhutan and India on concerns relating to certain clauses of Government of India's (GoI) guidelines on the cross border trade of electricity related to market access could impact on the long term commercial viability of the project. KHEL has, nevertheless, made steady progress in the execution of infrastructure works.

KEY CHALLENGES

DGPC continues to put all its effort in building competencies and retaining talent within the system in order to ensure the growth and sustain the future of hydropower sector. However, it has become extremely challenging to plan the investments and the way forward due to the pronounced uncertainties after the issuance of the Guidelines on Cross Border Trade of Electricity (CBTE) by the GoI in 2016. The CBTE as it is today, restricts the access into regional energy market, and jeopardises the prospect for existing and future hydropower projects. As a result, Bhutan will need to better understand the implications of new laws and regulations and evolving energy market conditions, and properly assess the risks associated with the huge upfront investments.

ADIT III of HRT completed (THyE)

With the CBTE and growing concerns on hydropower, most of the future development of DGPC's own planned projects has now been put in abeyance. The CBTE is also affecting the joint venture projects with the GoI PSUs. Till there is clarity on these issues and concerns, there are uncertainties associated with the plans for the huge expected growth in the sector that could, of course, affect and alter DGPC's own future role.

STATUTORY AUDIT REPORT

M/s T R Chadha & Co. LLP, Delhi was appointed by the Royal Audit Authority, as per the requirement of Companies Act of Bhutan 2016, as the Statutory Auditors for DGPC with effect from 2017. Accordingly M/s T R Chadha & Co. LLP, Delhi undertook the Statutory Audit of the accounts of DGPC for the year 2017.

M/s T R Chadha & Co. LLP undertook the Statutory Audit of the accounts of DGPC for the year 2017 with effect from January 15, 2018 till February 13, 2018 covering all the power plants, Material Management Division and the Corporate Office, including the PLIS audit and finalisation of Group accounts in addition to standalone accounts. The 2017 audit was conducted in accordance with the Auditing Standards prescribed by the Accounting and Auditing Standard Board of Bhutan (AASBB) and General terms of reference for auditor and minimum audit reporting requirement prescribed by the Royal Audit Authority specified under section 266 of the Companies Act of Bhutan, 2016.

The financial statements for DGPC as an individual entity have been prepared to comply full adoption of Bhutanese Accounting Standards (BAS) covered under BAS March 2015 and interpretations issued by AASBB with the extent applicable to the companies reporting under BAS/BFRS and the relevant provisions of the Companies Act of Bhutan, 2016. The financial statements have been prepared on a historical cost convention on an accrual basis except as stated otherwise. For ensuring compliance with the first time adoption of full BAS, DGPC had to restate the financial statement for 2017 including the comparatives for 2016 along with 2016 opening balances to comply fully with the BAS/BFRS standards. The Audit Exit Meeting between the Statutory Auditors, Royal Audit Authority, and DGPC was held on February 13, 2018 in Thimphu.

AUDITORS' REPORT

There are no Qualifications to the Auditors' Reports for 2017. There are no observations or recommendations in the Annexure to the Auditors Report for 2017.
However, the Auditors have drawn attention to the continued losses that BHSL has been going through as an Emphasis of Matter.

ACKNOWLEDGMENTS

The Board of DGPC would like to acknowledge the support of the RGoB, DHI, MoEA, MoF, BEA, National Environment Commission, and other stakeholders in Bhutan in helping DGPC fulfil its many mandates. The Board would also like to acknowledge the support of the GoI and its agencies in taking forward the JV projects and the other initiatives of DGPC.

The Board would also like to thank the Managing Director, the DGPC Management team and all its employees for their dedicated work and contributions towards the excellent performance of the company. The Board would further like to urge the management of DGPC to continue to work towards 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 DGPC.

Tashi Delek

For and on behalf of the Board,

(Dasho Sangay Khandu)
Chairman

CORPORATE GOVERNANCE REPORT

DHI's Corporate Governance (CG) Code comprises of guidelines, practices and processes that enables the company to practice good corporate governance. It promotes ethical, transparent and responsible business.

During the year, DGPC has complied with the principles of DHI's Corporate Governance Code and also conformed to the Companies Act of Bhutan, 2016 and other statutory requirements.

BOARD OF DIRECTORS

Name of Director	Profile	No. of BM attended	Date of appointment	Directorship on DHI Companies	
				Member	**Chairperson**
Dasho Sangay Khandu	Chairman, Druk Holding and Investments Limited (DHI) [2] [4]	6/6	16/03/2016		DGPC, Druk Air, BOB, DHI
Nim Dorji	Secretary, Ministry of Finance (MoF) [2] [4]	4/6	16/03/2016	DHI	
Sonam Wangchuk	Secretary, Ministry of Labour and Human Resources (MoLHR) [1][4]	5/6	16/03/2016		
Sonam Topgay	Secretary, Ministry of Home and Cultural Affairs (MoHCA) [1][4]	3/4	08/032017		
Tashi Pem	Executive Engineer, DHPS, Ministry of Economic Affairs (MoEA) [2][4]	4/6	16/03/2016		
Tashi Lhamo	Director (Finance), Druk Holding and Investments Limited (DHI) [2][4]	6/6	08/03/2017		
Dasho Chhewang Rinzin	Managing Director, Druk Green Power Corporation Limited (DGPC) [2] [3]	5/6	05/02/2016	DGPC	CDCL

1. Independent Director
2. Non-Independent Director
3. Executive Director
4. Non-Executive Director

BOARD MEETINGS

The Board of DGPC met six times during the year and the quorum at each of these meetings was duly met. The Board dealt with numerous issues and provided timely directives for the smooth functioning of the Company.

Board Meeting	Dates	Members Present	Leave of Absence
69th BM	March 13, 2017	1. Dasho Sangay Khandu 2. Sonam Wangchuk 3. Thinley Wangchuk 4. Lekzang Dorji 5. Tashi Pem 6. Dasho Chhewang Rinzin	1. Nim Dorji
70th BM	March 30, 2017	1. Dasho Sangay Khandu 2. Nim Dorji 3. Sonam Wangchuk 4. Sonam Topgay 5. Tashi Lhamo 6. Dasho Chhewang Rinzin	1. Tashi Pem
71st BM	May 11, 2017	1. Dasho Sangay Khandu 2. Nim Dorji 3. Sonam Wangchuk 4. Sonam Topgay 5. Tashi Lhamo 6. Tashi Pem 7. Dasho Chhewang Rinzin	

72nd BM	September 28, 2017	1. Dasho Sangay Khandu 2. Nim Dorji 3. Sonam Topgay 4. Tashi Lhamo 5. Tashi Pem 6. Dasho Chhewang Rinzin	1. Sonam Wangchuk
73rd BM	December 14, 2017	1. Dasho Sangay Khandu 2. Sonam Wangchuk 3. Sonam Topgay 4. Tashi Lhamo 5. Tashi Pem 6. Dasho Chhewang Rinzin	1. Nim Dorji 2. Sonam Topgay 3. Tashi Pem

BOARD COMMITTEE MEETING

DGPC has three Board Sub Committees: Board HR Committee (BHRC), Board Audit Committee (BAC) and Board Level Tender Committee (BLTC). These Board sub-committees also met as and when required to provide guidance and deliberate on various issues confronting the company.

SN	Name	BLTC	HRC	BAC	Committee member/Chairperson	
1	Nim Dorji	2/2				BLTC Chairperson
2	Sonam Wangchuk	1/2	1/1		BLTC	HRC Chairperson
3	Lekzang Dorji*	1/2		1/1	BLTC, BAC	
4	Tashi Lhamo	1/2			BLTC	
5	Dasho Chhewang Rinzin	2/2	1/1		BLTC, BHRC	
6	Thinley Wangchuk			0/1		BAC Chairperson
7	Sonam Topgay		1/1		BHRC	
8	Tashi Pem		1/1	1/1	BAC, BHRC	

**Lekzang Dorji (previous Board Director) replaced by Tashi Lhamo during the 2nd Committee Meeting.*

ANNUAL GENERAL MEETING

The 10th AGM for the company held on 13th March, 2017 amongst others passed the resolution to retire Thinlay Wangchuk and Lekzang Dorji from the Board; the appointment of Sonam Topgay and Tashi Lhamo as new Directors on the Board; Dasho Sangay Khandu, Nim Dorji, Tashi Pem, Sonam Wangchuk to continue as Directors on the Board.

BOARD REMUNERATION

As per the DHI CG Code, each Board Director shall be entitled to receive a sitting fee for the Board meeting and Board Sub-Committees.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding company, or its subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

RISK MANAGEMENT SYSTEMS

As part of good corporate governance, the DGPC Risk Management Manual provides for a framework for management of risks. The key risks, which may hinder the achievement of the company's objectives are identified, assessed, evaluated and compiled in a risk register. The risk register is reviewed on a yearly basis and mitigation action plans are accordingly proposed. The risk register is reviewed by the Board and status monitored during the year.

POLICIES AND PRACTICES OF CEO AND BOARD EVALUATION

As per the DHI Ownership Policy, the Board evaluates the performance of the CEO annually. The leadership assessment of the CEO is conducted confidentially through an online survey.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF DRUK GREEN POWER CORPORATION LIMITED - BHUTAN

1. Opinion

We have audited the financial statements of Druk Green Power Corporation Limited ("the Company"), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards / Bhutanese Financial Reporting Standard (BAS / BFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bhutan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Clause W of Note No. 30 of Notes to accounts; DGPC has an investment of Nu. 255 million in Bhutan Hydropower Services Limited (BHSL) (Joint Venture). BHSL has been incurring losses and their accumulated losses have exceeded more than 50% of Net worth of BHSL. The management has not carried out any impairment testing of the same since in their view, the losses are temporary in nature and BHSL has got various orders which shall result in the company making profits in future. Our opinion is not qualified in respect of this matter. Our opinion is not modified in respect of this matter.

2. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For the audit of the Financial Statements we did not find any significant issue to be reported under KAM.

3. Responsibility of Management and those charged with Governance for Standalone Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standards/Bhutanese Financial Reporting Standard (BAS / BFRS), 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.

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

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

4. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

5. Report on Other Legal and Regulatory Requirements

As required by section 266 of the Companies Act of Bhutan, 2016 read with Part II of Schedule XIV there to (Minimum Audit Examination and Reporting Requirements), we give in the Annexure, a statement on the matters specified therein, to the extent applicable.

As required by the Section 265 of The Companies Act of Bhutan, 2016, we report that:

a. We have obtained all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purpose of our audit.

b. In our opinion, proper books of accounts as required by law have been kept by the company so far as appear from our examination of those books proper returns adequate for the purpose of our audit have been received,

c. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this report are in agreement with the books of accounts.

d. the company has complied with other legal and regulatory requirements.

For T R Chadha & Co LLP
Firm Registration Number: 006711N/ N500028
Chartered Accountants

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Vikas Kumar

Mr. Vikas Kumar
Partner
Membership No. 75363

Place: Mumbai
Date: 30/03/2018

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' 2017]

1. a) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

   b) 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.

   c) The fixed assets are physically verified by the management during 2017 as per plan and discrepancies has 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 inventories (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 (stores & spares) 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 inventories 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, provision for non-moving and slow-moving inventories cannot be determined.

7. According to the information and explanations given to us, there is no corporation/company/firm under the same management from which 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 2017.

9. The loans or advances have been given by the Company to the following parties during the year and principal and interest are not due during the year as per terms and condition of the agreement.

   a) An inter-corporate loan of Nu. 255,000,000 (Ngultrum Two hundred fifty-five million) has been provided to Dungsum Cement Corporation Ltd. (DCCL), fellow subsidiary, via loan agreement dated 17th August, 2017 for the period up to 31st March, 2018 at the interest rate of 6.25% per annum.

   b) An inter-corporate loan of Nu. 21,000,000 (Ngultrum twenty million) has been provided to Bhutan Hydropower Service Ltd. (BHSL), Joint venture, via loan agreement dated 29th September, 2017 for the period up to 29th May, 2018 at the interest rate of 6.25% per annum.

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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. To make internal audit more effective for the accounting year, we suggest it should be completed before the start of the statutory audit.

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 PTC 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 inventory of raw material or finished goods and hence the question of ascertaining unserviceable/damaged raw material and finished goods does not arise. However, as explained, 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 2017 and Statement of Gross Energy Available for sale/use for the year 2016 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.

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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 Clause V and Clause Y of Note 30 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 Clause W of Note 30 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, approval of Board / appropriate authority is obtained for writing off amounts due to material loss / discrepancies in physical / book balances of inventories (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 PTC 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.

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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. The technical and economic feasibility of such new ventures were on record.

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 31 of the Notes to the Accounts.

36. In our opinion and on the basis of examination of books and records, generally the directives of the Board issued have been complied with.

37. According to the information and explanations given to us, the officials of the company have not transmitted any price sensitive information, which are not made publicly available, unauthorized to their relatives / friends / associates or close persons which directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

38. Computerized Accounting Environment:

1. The Company has introduced SAP from 1st June 2011 for accounting system along with the existing packages in some operations fields like accounting, payroll, inventory management system and personal information system. In our opinion, organizational and system development controls and other internal controls 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 taken 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.

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

39. General

1. **Going Concern Problems**

   On the basis of the attached Financial Statements as at 31st December, 2017 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 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 Bhutan, 2016. 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 Bhutan 2016 (except as mentioned above) and the relevant laws under the Bhutan Electricity Act. In respect of compliance with other Acts prevalent in Bhutan, applicable to the company, a comprehensive list of compliance checklist has been developed by the committee formed by the management. The assessment of regulatory requirement mainly relating to environment and disaster management is being conducted by ISO audit team supported by legal unit annually. As stated to us there are no non-compliance raised by the ISO audit team.

For T R Chadha & Co LLP
Firm Registration Number: 006711N/ N500028
Chartered Accountants

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Vikas Kumar

Mr. Vikas Kumar
Partner
Membership No. 75363

Place: Mumbai
Date: 30/03/2018

Statement of Financial Position

as at 31st December 2017

Amount in Nu.

Particulars	Note No.	2017	2016	1-Jan-16
Assets				
Non- current assets				
Property, plant & equipment	1	42,312,400,734.10	43,425,707,386.04	44,928,218,990.97
Intangible assets	1	20,915,544.36	38,861,419.66	67,427,364.22
Investment property	2	32,000,000.00	32,000,000.00	32,000,000.00
Deferred tax asset	3	30,527,276.28	-	-
Investments in subsidiaries and joint ventures	4	5,207,928,305.22	4,296,883,410.86	3,916,883,410.86
Long-Term Investments	5a	725,682,631.67	978,333,657.60	1,016,762,824.73
Other assets	5b	667,619.28	514,678.14	366,578.27
Total non - current assets		**48,330,122,110.91**	**48,772,300,552.29**	**49,961,659,169.05**
Current assets				
Inventories	6	590,260,220.37	594,856,671.52	584,286,338.50
Short Term Investments	9a	3,097,685,787.66	2,864,946,169.18	3,116,995,396.92
Trade and other receivables	9b	1,592,745,949.65	1,823,884,806.06	1,291,601,776.52
Prepayments and advances	7	54,740,598.17	145,215,780.60	113,489,011.11
Cash and cash equivalents	9c	1,277,226,091.22	1,098,817,392.45	327,474,496.15
		6,612,658,647.07	**6,527,720,819.81**	**5,433,847,019.20**
Assets classified as held for sale	8	593,497.62	299,312.25	-
Total current assets		**6,613,252,144.69**	**6,528,020,132.06**	**5,433,847,019.20**
Total assets		**54,943,374,255.60**	**55,300,320,684.35**	**55,395,506,188.24**
Equity and liabilities:				
Equity				
Share capital	10	31,545,688,000.00	30,712,866,000.00	30,712,866,000.00
General reserves		9,405,325,983.86	8,839,779,807.31	8,600,844,795.11
Retained earnings		5,062,973,073.41	4,794,985,860.24	3,303,561,443.68
Accumulated other comprehensive income		153,115,677.90	63,602,331.60	38,075,756.40
Total shareholders' equity		**46,167,102,735.17**	**44,411,233,999.15**	**42,655,347,995.19**
Non- current liabilities				

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Long- Term Borrowings	5c	3,615,468,470.68	5,413,118,703.23	7,756,814,346.56
Deferred tax liability	3	-	75,038,002.21	37,654,763.94
Employee benefit obligation	11	395,720,398.00	456,027,182.47	427,484,404.00
Total non-current liabilities		**4,011,188,868.68**	**5,944,183,887.91**	**8,221,953,514.50**
Current liabilities				
Trade and other payables	9d	510,221,940.06	446,932,070.72	502,510,455.02
Other financial liabilities	9e	2,521,260,976.05	2,413,112,292.10	2,304,410,678.29
Other current liabilities	12	43,925,248.83	44,118,103.23	42,407,837.32
Current tax liabilities	13	1,631,996,344.29	1,977,911,908.06	1,607,054,821.92
Employee benefit obligation	14	57,678,142.52	62,828,423.18	61,820,886.00
Total current liabilities		**4,765,082,651.75**	**4,944,902,797.29**	**4,518,204,678.55**
Total liabilities		**8,776,271,520.43**	**10,889,086,685.20**	**12,740,158,193.05**
Total shareholders' equity & liabilities		**54,943,374,255.60**	**55,300,320,684.35**	**55,395,506,188.24**
Significant Accounting Policies & Notes on Accounts	**23**			

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 T R Chadha & Co LLP
Chartered Accountants
Firm's Registration No. 006711N/N500028

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Vikas Kumar

(Vikas Kumar)
Partner
Membership No. 75363

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Namgyal)
Director (Finance)

Place: Mumbai
Date: 30/03/2018

Statement of Comprehensive Income

for the year ended on 31st December 2017

Amount in Nu.

Particulars	Note No.	2017	2016
Income			
Electricity revenue	15	11,953,372,682.94	12,602,988,785.09
Interest earned	16	120,889,001.79	159,258,446.38
Other income	17	202,983,418.74	120,695,148.21
		12,277,245,103.47	**12,882,942,379.68**
Expenditure			
Wheeling charges		742,351,161.01	617,472,078.88
Insurance		113,043,211.21	114,271,454.59
Running and maintenance expenses	18	443,656,365.04	309,814,013.87
Employees' remuneration and benefits	19	847,624,681.20	812,915,270.97
Finance cost	20	345,415,270.69	477,493,972.42
Depreciation/amortization	2	2,267,598,498.36	2,307,281,458.81
Other expenses	21	293,101,904.60	292,084,940.18
		5,052,791,092.11	**4,931,333,189.72**
Operating profit		**7,224,454,011.36**	**7,951,609,189.96**
Profit before tax		**7,224,454,011.36**	**7,951,609,189.96**
Tax expense	22		
Current tax		2,137,363,491.72	2,360,252,582.32
Deferred tax		(105,565,278.49)	37,383,238.27
Income Tax for earlier years		105,685,844.33	-
		2,137,484,057.56	2,397,635,820.60
Profit for the year		**5,086,969,953.80**	**5,553,973,369.36**

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Other comprehensive income:			
Re-measurements of post-employment benefit obligations		127,876,209.00	36,466,536.00
Income tax relating to these items		38,362,862.70	10,939,960.80
Total other comprehensive income for the year		**89,513,346.30**	**25,526,575.20**
Comprehensive income for the year		**5,176,483,300.10**	**5,579,499,944.56**
Basic & diluted earnings per share		**164.09**	**181.67**
Significant Accounting Policies & Notes on Accounts	**23**		

Note 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 T R Chadha & Co LLP
Chartered Accountants
Firm's Registration No. 006711N/N500028

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Vikas Kumar

(Vikas Kumar)
Partner
Membership No. 75363

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Namgyal)
Director (Finance)

Place: Mumbai
Date: 30/03/2018

Statement of Cash flows

for the year ended 31st December 2017

Amount in Nu.

Particulars	2017	2016
Cash flows from operating activities		
Profit before taxation	7,224,454,011.36	7,951,609,189.96
Adjustment for:		
Depreciation / amortization	2,267,598,498.36	2,307,281,458.81
Foreign exchange loss	(127,013,702.07)	40,281,973.83
Loss/(gain) on sale of property plant & equipment	(1,851,728.90)	13,542,115.87
Investment income	(120,889,001.79)	(159,258,446.38)
Dividend income	-	(44,723,250.00)
Interest expenses	345,415,270.69	477,493,972.42
(Increase)/decrease in trade receivables and other receivables	231,138,856.41	(532,283,029.54)
(Increase)/decrease in inventories	4,596,451.15	(10,570,333.02)
(Increase)/decrease in prepayments and advances	90,475,182.43	(31,726,769.49)
(Increase)/decrease in assets classified as held for sale	(294,185.37)	(299,312.25)
Increase/(decrease) in trade and other payables	63,289,869.34	(55,578,384.30)
Increase/(decrease) in other current liabilities	(192,854.40)	1,710,265.91
Increase/(decrease) in employee benefit obligation	62,419,143.87	66,016,851.65
(Increase)/Decrease in Other asset	(152,941.14)	(148,099.86)
Cash generated from Operation	**10,038,992,869.94**	**10,023,348,203.61**
Income tax paid	(2,627,327,762.52)	(2,000,335,456.99)
Net cash from operating activities	**7,411,665,107.41**	**8,023,012,746.62**
Cash flows from investing activities		
Purchase of PPE & intangibles assets	(1,134,494,242.22)	(959,004,001.01)
Sale of PPE & intangible asset	(84,730.01)	164,803,842.13
Payment for investments in subsidiaries and joint ventures	(911,044,894.36)	(380,000,000.00)
Proceeds from held-to-maturity investments	(12,771,974.07)	274,852,167.13
Interest received	153,572,383.31	174,884,674.12
Dividend received	-	44,723,250.00
Net cash used in investing activities	**(1,904,823,457.36)**	**(679,740,067.63)**

T.R. Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Cash flows from financing activities		
Issue of share capital	832,822,000.00	-
Repayment of loan	(1,556,664,756.55)	(2,269,927,780.37)
Interest paid	(351,238,360.67)	(482,842,195.40)
Dividend paid	(4,253,351,834.07)	(3,819,159,806.88)
Net cash used in financing activities	**(5,328,432,951.29)**	**(6,571,929,782.65)**
Net increase/(decrease) in cash and cash equivalents	178,408,698.76	771,342,896.30
Cash and cash equivalents at the beginning of the period	1,098,817,392.45	327,474,496.15
Cash and cash equivalents at the end of the period	**1,277,226,091.21**	**1,098,817,392.45**
Component of cash and cash equivalents:-		
Cash in hand	1,661,965.81	1,293,307.27
Balances in current accounts with banks	1,275,564,125.41	1,097,524,085.18
Total	**1,277,226,091.22**	**1,098,817,392.45**

Note: - Non cash transaction of transfer of land by DGPC to DHI of Nu. 84,730.01 During the year by debiting the reserve.

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

For T R Chadha & Co LLP
Chartered Accountants
Firm's Registration No. 006711N/N500028

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Vikas Kumar

(Vikas Kumar)
Partner
Membership No. 75363

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

(Dasho Chhewang Rinzin)
Managing Director

Place: Mumbai
Date: 30/03/2018

(Ugyen Namgyal)
Director (Finance)

DrukGreen

Statement of Changes in Equity

for the year ended 31st December 2017

	Number of Shares	Equity Share Capital	Actuarial Gain / Losses on Defined Benefits	General Reserve	Retained Earnings	Total Equity
Balance at 1 January, 2016	**30,712,866.00**	**30,712,866,000.00**	**38,075,756.40**	**8,600,844,795.11**	**3,303,561,443.68**	**42,655,347,995.19**
Net profit for the year 2016						
Net Profit/(Loss) for the year		-	-	-	5,553,973,369.36	5,553,973,369.36
Transfer to reserves						
Transfer to General Reserve		-	-	243,389,145.92	(243,389,145.92)	-
Other Comprehensive Income for the Period		-	25,526,575.20	-	-	25,526,575.20
Transaction with the owners						
Release of Group Investment Reserve					190,000,000.00	190,000,000.00
Book value of Land transferred is adjusted from reserve				(4,454,133.72)		(4,454,133.72)
Payment of Dividends		-		-	(4,009,159,806.88)	(4,009,159,806.88)
Balance at 31 December, 2016	**30,712,866.00**	**30,712,866,000.00**	**63,602,331.60**	**8,839,779,807.31**	**4,794,985,860.24**	**44,411,233,999.15**
Net profit for the year 2017						
Net Profit/(Loss) for the year		-	-	-	5,086,969,953.80	5,086,969,953.80
Transfer to reserves						
Transfer to General Reserve		-	-	565,630,906.55	(565,630,906.55)	-
Other Comprehensive Income for the Period		-	89,513,346.30	-	-	89,513,346.30
Transaction with the owners						

T R Chadha & Co LLP * MUMBAI * CHARTERED ACCOUNTANTS

Book value of Land transferred is adjusted from reserve				(84,730.01)		(84,730.01)
Issue of Additional Shares	832,822.00	832,822,000.00	-	-	-	832,822,000.00
Payment of Dividends		-		-	(4,253,351,834.07)	(4,253,351,834.07)
Balance at 31 December, 2017	**31,545,688**	**31,545,688,000.00**	**153,115,678.90**	**9,405,325,984**	**5,062,973,073**	**46,167,102,735**

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 T R Chadha & Co LLP
Chartered Accountants
Firm's Registration No. 006711N/N500028

Vikas Kumar

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

(Vikas Kumar)
Partner
Membership No. 75363

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Namgyal)
Director (Finance)

Place: Mumbai
Date: 30/03/2018

RATIO ANALYSIS

Exhibit-3

Sl #	Particulars	2017	2016	Remarks
A.	**Ratios for assessing financial health (In numbers)**			
I	Debt Equity Ratio	0.13	0.18	The ratio has decreased due to decrease in the loan obligation due to repayment.
II	Current Ratio	1.39	1.32	The ratio has increased on account of decrease in provision for income tax as compared to 2016.
III	Liquid Ratio	1.25	1.17	The ratio has increased on account of decrease in provision for income tax as compared to 2016.
IV	Debt Services Coverage Ratio	3.70	4.03	The Debt Services Coverage has decreased on account of decrease in revenue due to less generation compared to 2016.
V	Fixed Assets to Equity	0.92	0.98	The ratio has decreased due decrease in Fixed Assets (Net Block) due to increase in Accumulated Depreciation and increase in equity due to retention of profit and additional equity injection by the shareholder.
VI	Fixed Assets to Turnover	0.28	0.29	The ratio has decreased due to decrease in Fixed Assets (Net Block) as compared to 2016.
B.	**Ratios for assessing profitability(In percentage)**			
I	Return on Equity (%)	11.02	12.51	The ratio has decreased due to decrease in profit compared to the previous year and due retention of profit and additional equity injection by the shareholder.
II	Return on Capital Employed (%)	14.47	16.14	The ratio has decreased due to decrease in profit compared to the previous year and due retention of profit and additional equity injection by the shareholder.
III	Generation & Maintenance Expenses to Electricity Revenue (%)	4.66	3.36	The ratio has increased mainly due to increase in expenses and decrease in revenue as compared to 2016.
IV	Earnings Per Share	161.26	180.84	The decrease is mainly on account of decrease in profit as compared to previous year 2016 and increase in number of shared due additional equity injection.
C.	**Ratios for assessing cash flow efficiency (in numbers)**			
I	Cash flow turnover	0.62	0.64	The ratio has decreased due to decrease in cash from operation as compared to 2016.
II	Operation Index	1.46	1.44	The ratio has increased due to decrease in profit after tax as compared to 2016.
III	Cash flow return on assets	0.18	0.18	The ratio has increased due to decrease in total asset as compared to 2016.

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

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

AUDIT FOR THE YEAR ENDED 31st DECEMBER, 2017

RATIO Exhibit-3A

PARTICULARS	2017	2016
CURRENT RATIO	**1.39**	**1.32**
Current asset	6,613,252,144.69	6,528,020,132.06
Current liabilities(including provisions)	4,765,082,651.75	4,944,902,797.29
DEBT EQUITY RATIO	**0.13**	**0.18**
Debt	6,136,729,446.73	7,826,230,995.33
Equity	46,167,102,735.17	44,411,233,999.15
LIQUID RATIO	**1.25**	**1.17**
Current assets	6,613,252,144.69	6,528,020,132.06
Less: Inventories	590,260,220.37	594,856,671.52
Less: Prepaid Expenses	42,561,503.47	93,950,775.18
Less: Advance to Supplier/Contractor	11,159,002.08	44,543,432.16
	5,969,271,418.77	5,794,669,253.20
Current liabilities(including provisions)	4,765,082,651.75	4,944,902,797.29
DEBT SERVICE COVERAGE RATIO	**3.70**	**4.03**
EBITA	9,837,467,780.41	10,736,384,621.19
Debt Service	2,655,943,531.78	2,664,663,023.54
FIXED ASSETS (NB) TO EQUITY	**0.92**	**0.98**
Fixed assets	42,365,316,278.46	43,496,568,805.70
Equity	46,167,102,735.17	44,411,233,999.15
FIXED ASSETS (NB) TURNOVER	**0.28**	**0.29**
Fixed assets	42,365,316,278.46	43,496,568,805.70
Electricity Revenue	11,953,372,682.94	12,602,988,785.09
ROCE (%)	**14.47**	**16.14**
PBIT	7,569,869,282.05	8,429,103,162.38
Capital Employed (Total Shareholders' Equity + Debt)	52,303,832,181.90	52,237,464,994.48
GENERATION & MAINTAINENCE EXPENSES TO ELECTRICITY REVENUE	**4.66**	**3.36**
Operation & Maintenance expenses	556,699,576.25	424,085,468.46
Electricity Revenue	11,953,372,682.94	12,602,988,785.09
DIVIDEND PERCENTAGE	**15.55**	**16.26**
Corporate dividend	4,905,354,484.00	4,993,351,834.07
Share Capital	31,545,688,000.00	30,712,866,000.00
ROE (%)	**11.02**	**12.51**
PAT	5,086,969,953.80	5,553,973,369.36
Total Shareholders' Equity	46,167,102,735.17	44,411,233,999.15
EARNINGS PER SHARE	**161.26**	**180.84**
PAT	5,086,969,953.80	5,553,973,369.36
Outstanding Equity Shares	31,545,688.00	30,712,866.00
CASH FLOW EFFICIENCY RATIOS		
CASH FLOW TO TURNOVER	**0.62**	**0.64**
Cash from operation	7,411,665,107.41	8,023,012,746.62
Electricity Revenue	11,953,372,682.94	12,602,988,785.09
OPERATIONS INDEX	**1.46**	**1.44**
Cash from operation	7,411,665,107.41	8,023,012,746.62
PAT	5,086,969,953.80	5,553,973,369.36
CASH FLOW RETURN ON ASSETS	**0.18**	**0.18**
Cash from operation + Tax Paid + Interest Paid	10,038,992,869.94	10,023,348,203.61
Total Assets	54,943,374,255.60	55,300,320,684.35

Note:-Due to compliances of BAS, the previous year's figure have been regrouped wherever necessary.

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Note 1: Property, plant & equipment

Property, plant and equipment	GROSS BLOCK					DEPRECIATION					NET BLOCK	NET BLOCK
	Opening Balance as at 01/01/2017	Additions	Disposal	Transferred form CWIP	Gross Block as on 31.12.2017	Opening Balance as at 01.01.2017	During the year	Disposal	Adj.	Closing balance as at 31.12.2017	Net Block As at 31.12.2017	Net Block As at 31.12.2016
TANGIBLE ASSETS												
Land and Land Development	114,931,199.02	-	(84,730.01)	-	114,846,469.01	-	-	-	-	-	114,846,469.01	114,931,199.02
CIVIL STRUCTURES					-							
Buildings	2,568,571,138.91	8,446,360.41	(138,575.41)	863,301.30	2,577,742,225.21	626,190,583.71	84,986,617.78	(3,803.40)	(4,503.68)	711,168,894.41	1,866,573,330.80	1,942,380,555.20
Walls & Fencings	301,650,029.81	14,262,565.94	-	6,271,480.35	322,184,076.10	37,199,734.89	10,422,731.43	-	-	47,714,079.40	274,469,996.70	267,109,825.34
Road & Culverts	2,776,595,916.75	8,347,500.74	(55,746.00)	3,817,847.28	2,788,705,518.77	700,419,776.29	92,665,712.32	(4,455.22)	-	793,082,732.07	1,995,622,786.70	2,076,176,140.46
Water Supply & Sanitation	231,005,034.13	2,939,898.98	-	-	233,944,933.11	56,453,671.67	7,717,936.70	-	-	64,171,608.37	169,773,324.74	174,551,362.46
Dam Complex-Civil	10,923,533,649.71	2,696,446.97	-	2,162,329.48	10,928,392,426.16	3,369,396,478.42	363,886,654.57	-	-	3,733,283,132.99	7,195,109,293.17	7,554,137,171.29
Power House Complex- Civil	5,520,417,626.80	-	-	-	5,520,417,626.80	1,731,313,199.09	183,829,906.97	-	-	1,915,143,106.06	3,605,274,520.74	3,789,104,427.71
Transmission Line -Civil	216,328.23	-	-	-	216,328.23	90,544.89	7,203.73	-	-	97,748.62	118,579.61	125,783.34
Switch Yard- Civil	139,500,726.02	-	-	-	139,500,726.02	49,366,435.74	4,645,374.14	-	-	54,011,809.88	85,488,916.14	90,134,290.28
Water Conductor System PH	23,564,483,779.14	-	-	-	23,564,483,779.14	6,298,785,063.30	784,697,309.85	-	-	7,083,482,373.15	16,481,001,405.99	17,265,698,715.84
Other Civil Structures	95,795,868.56	1,635,455.47	-	-	97,431,324.03	16,749,095.84	3,179,978.88	-	-	19,929,074.72	77,502,249.31	79,046,772.72
PLANT AND MACHINERY					-						-	-
Trash Cleaning Equipment's	169,206,042.78	-	-	-	169,206,042.78	52,586,406.21	5,634,561.25	-	-	58,220,967.46	110,985,075.32	116,619,636.57
Gates	924,173,240.42	-	-	-	924,173,240.42	449,066,380.65	27,372,395.38	-	-	476,438,776.03	447,734,464.39	475,106,859.77
Generators	3,542,824,191.20	-	-	-	3,542,824,191.20	1,476,333,615.32	119,151,209.69	-	-	1,595,484,825.01	1,947,339,366.19	2,066,490,575.88
Excitation Systems	367,267,361.55	-	-	-	367,267,361.55	153,213,455.15	11,830,744.87	-	-	165,044,200.02	202,223,161.53	214,053,906.40
Governing Systems	335,537,221.61	-	-	-	335,537,221.61	142,899,737.40	11,173,388.92	-	-	154,073,126.32	181,464,095.29	192,637,484.21
Turbines	3,156,128,535.73	26,311,730.46	-	60,000.00	3,182,500,266.19	1,398,221,034.88	101,248,936.51	-	-	1,499,469,971.39	1,683,030,294.80	1,757,907,500.85
Runners	1,311,337,264.97	17,651,430.19	-	31,586,661.85	1,360,575,357.01	872,075,188.90	159,003,415.18	-	-	1,031,078,604.08	329,496,752.93	439,262,076.07
Oil Handling Systems	72,397,761.19	-	-	-	72,397,761.19	34,506,249.84	2,410,845.37	-	-	36,917,095.21	35,480,665.98	37,891,511.35
Control &Conditioning Mont.	245,983,000.91	-	-	-	245,983,000.91	98,864,905.00	8,188,967.01	-	-	107,053,872.01	138,929,128.90	147,118,095.91
Control & Protection Panels	729,926,924.12	1,643,492.50	-	15,830,039.54	747,400,456.16	314,187,843.14	24,490,410.75	-	-	338,678,253.89	408,722,202.27	415,739,080.98
Pumps & Motors	226,413,766.90	-	-	-	226,413,766.90	85,407,776.58	7,537,952.02	-	-	92,945,728.60	133,468,038.30	141,005,990.32
Transformers	948,655,163.54	11,559,791.00	(1.00)	-	960,214,953.54	370,054,333.16	31,313,487.92	-	-	401,367,821.08	558,847,132.46	578,600,830.38
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60	32,935,317.74	2,866,764.51	-	-	35,802,082.25	50,286,942.35	53,153,706.86
Gas Insulated Switch Gears	919,274,583.05	-	-	-	919,274,583.05	295,404,417.61	30,590,481.88	-	-	325,994,899.49	593,279,683.56	623,870,165.44
Valves	965,084,409.78	-	-	-	965,084,409.78	419,682,510.16	30,911,357.11	-	-	450,593,867.27	514,490,542.51	545,401,899.62
Switchyard	4,841,874.00	-	-	-	4,841,874.00	1,553,618.06	161,234.40	-	-	1,714,852.46	3,127,021.54	3,288,255.94
Electro-Mechanicals-Others	1,514,712,156.08	28,354,245.35	(21,556.03)	94,272,897.76	1,637,317,743.16	693,609,144.66	45,940,804.20	(9,166.30)	-	739,540,782.56	897,776,960.60	821,103,011.42
Machinery	262,920,094.82	-	-	-	262,920,094.82	241,938,756.08	6,108,776.32	-	-	248,047,532.40	14,872,562.42	20,981,338.74
TOOLS & SAFETY EQUIPMENTS					-	-	-					

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Tools and Plants	319,793,347.44	20,961,017.62	(864,356.56)	-	339,890,008.50	194,687,535.51	24,707,012.13	(724,669.18)	-	218,669,878.46	121,220,130.04	125,105,811.93
Fire Fighting and Safety Equipment's	102,523,743.40	10,605,422.37	(1,883,535.33)	-	111,245,630.44	71,970,141.23	5,621,580.34	(1,836,339.82)	-	75,755,381.75	35,490,248.69	30,553,602.17
OTHER ASSETS					-							-
Office Equipment	104,791,457.78	14,248,783.21	(2,362,197.74)	-	116,678,043.25	89,638,388.20	7,236,110.62	(2,350,206.28)	-	94,524,292.54	22,153,750.71	15,153,069.58
Furniture & Fixtures	55,069,651.17	3,592,550.66	(1,105,578.88)	59,550.00	57,616,172.95	30,066,914.54	4,217,413.29	(838,333.32)	-	33,445,994.51	24,170,178.44	25,002,736.63
Vehicles	238,753,081.99	16,534,320.73	(12,450,855.31)	-	242,836,547.41	192,979,786.56	14,791,238.36	(10,359,308.58)	-	197,411,716.34	45,424,831.07	45,773,295.43
Illumination System	205,889,869.99	580,355.44	(11,000.00)	-	206,459,225.43	95,625,073.81	6,722,770.78	(2,747.36)	-	102,345,097.23	104,114,128.20	110,264,796.18
Information and Technology	133,525,600.62	25,154,365.99	(2,980,487.46)	-	155,699,479.15	95,585,440.28	13,907,041.84	(2,916,054.38)	0.00	106,576,427.74	49,123,051.41	37,940,160.34
General Assets	50,156,386.42	15,178,575.11	(715,913.30)	375,000.00	64,994,048.23	31,783,227.33	6,995,983.59	(529,065.06)	4,503.68	38,254,649.54	26,739,398.69	18,373,159.09
	63,229,977,053.14	**230,704,309.14**	**(22,674,533.03)**	**155,299,107.56**	**63,593,305,936.81**	**20,820,841,781.84**	**2,246,174,310.61**	**(19,574,148.90)**	**0.00**	**23,047,535,255.31**	**40,545,770,681.50**	**42,411,794,801.72**
Less: Provision for Losses												
Net Assets	**63,229,977,053.14**	**230,704,309.14**	**(22,674,533.03)**	**155,299,107.56**	**63,593,305,936.81**	**20,820,841,781.84**	**2,246,174,310.61**	**(19,574,148.90)**	**0.00**	**23,047,535,255.31**	**40,545,770,681.50**	**42,411,794,801.72**
INTANGIBLE ASSETS												
Intangible Assets	191,848,738.43	5,647,066.91	-	-	197,495,805.34	152,987,318.77	23,592,942.21	-	-	176,580,260.98	20,915,544.36	38,861,419.66
Less: Provision for Losses												
Net Assets	**191,848,738.43**	**5,647,066.91**	**-**	**-**	**197,495,805.34**	**152,987,318.77**	**23,592,942.21**	**-**	**-**	**176,580,260.98**	**20,915,544.36**	**38,861,419.66**
CAPITAL WORKS IN PROGRESS												
Capital Works in Progress	991,883,770.18	814,879,072.04	-	(155,299,107.56)	1,651,463,734.66	-	-	-	-	-	1,651,463,734.66	991,883,770.18
Less: Depreciation booked to CWIP							2,168,754.45					
Net Assets	**991,883,770.18**	**814,879,072.04**	**-**	**(155,299,107.56)**	**1,651,463,734.66**	**-**	**(2,168,754.45)**	**-**	**-**	**-**	**1,651,463,734.66**	**991,883,770.18**
CAPITAL ADVANCE												
Capital advance	**38,170,061.31**	**76,996,256.63**			**115,166,317.94**						**115,166,317.94**	**22,029,481.14**
Grand Total	**64,451,879,623.06**	**1,128,226,704.72**	**(22,674,533.03)**	**-**	**65,557,431,794.75**	**20,973,829,100.61**	**2,267,598,498.37**	**(19,574,148.90)**	**0.00**	**23,224,115,516.29**	**42,333,316,278.46**	**43,464,569,472.70**

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Note 1: Property, plant & equipment

Property, plant and equipment	GROSS BLOCK					DEPRECIATION					NET BLOCK	NET BLOCK
	Opening Balance as at 01/01/2016	Additions	Disposal	Transferred form CWIP	Gross Block as on 31.12.2016	Opening Balance as at 01.01.2016	During the year	Disposal	Adj.	Closing balance as at 31.12.2016	Net Block As at 31.12.2016	Net Block As at 31.12.2015
PROPERTY, PLANT & EQUIPMENT												
Land and Land Development	118,369,593	1,015,740	(4,454,134)		114,931,199	-	-	-	-	-	114,931,199	118,369,593
CIVIL STRUCTURES					-							
Buildings	2,556,792,841	20,900,708	(11,960,280)	2,837,870	2,568,571,139	543,609,190	84,633,345	(2,051,951)	-	626,190,584	1,942,380,555	2,013,183,651
Walls & Fencings	291,816,119	12,021,333	(3,629,810)	4,193,532	304,401,173	27,386,412	9,904,936	-	-	37,291,348	267,109,825	264,429,707
Road & Culverts	2,766,617,404	4,972,992	(406,510)	5,412,031	2,776,595,917	608,028,125	92,391,651	-	-	700,419,776	2,076,176,140	2,158,589,279
Water Supply & Sanitation	231,012,705	-	(7,671)	-	231,005,034	48,777,737	7,680,706	(4,772)	-	56,453,672	174,551,362	182,234,968
Dam Complex-Civil	10,926,145,045	-	(2,611,396)	-	10,923,533,650	3,005,642,808	363,753,671	-	-	3,369,396,478	7,554,137,171	7,920,502,237
Power House Complex- Civil	5,520,417,627	-	-	-	5,520,417,627	1,547,483,292	183,829,907	-	-	1,731,313,199	3,789,104,428	3,972,934,335
Transmission Line -Civil	216,328	-	-	-	216,328	83,341	7,204	-	-	90,545	125,783	132,987
Switch Yard- Civil	139,500,726	-	-	-	139,500,726	44,721,062	4,645,374	-	-	49,366,436	90,134,290	94,779,664
Water Conductor System- PH	23,564,483,779	-	-	-	23,564,483,779	5,514,087,753	784,697,310	-	-	6,298,785,063	17,265,698,716	18,050,396,026
Other Civil Structures	95,605,111	275,000	(84,242)	-	95,795,869	13,578,649	3,170,447	-	-	16,749,096	79,046,773	82,026,462
PLANT AND MACHINERY					-						-	-
Trash Cleaning Equipment's	169,206,043	-	-	-	169,206,043	46,951,845	5,634,561	-	-	52,586,406	116,619,637	122,254,198
Gates	924,173,240	-	-	-	924,173,240	419,854,279	29,212,102	-	-	449,066,381	475,106,860	504,318,962
Generators	3,542,619,631	204,560	-	-	3,542,824,191	1,357,177,553	119,156,063	-	-	1,476,333,615	2,066,490,576	2,185,442,078
Excitation Systems	367,267,362	-	-	-	367,267,362	141,382,710	11,830,745	-	-	153,213,455	214,053,906	225,884,651
Governing Systems	335,537,222	-	-	-	335,537,222	131,726,348	11,173,389	-	-	142,899,737	192,637,484	203,810,873
Turbines	3,206,282,863	6,293,508	(56,447,835)	-	3,156,128,536	1,314,561,241	99,892,568	(16,232,774)	-	1,398,221,035	1,757,907,501	1,891,721,622
Runners	1,074,660,817	184,452,218	-	52,224,231	1,311,337,265	695,213,391	176,861,798	-	-	872,075,189	439,262,076	379,447,426
Oil Handling Systems	72,397,761	-	-	-	72,397,761	32,095,404	2,410,845	-	-	34,506,250	37,891,511	40,302,357
Control & Conditioning Monitoring	245,983,001	-	-	-	245,983,001	90,675,938	8,188,967	-	-	98,864,905	147,118,096	155,307,063
Control & Protection Panels	729,926,924	-	-	-	729,926,924	290,018,007	24,169,836	-	-	314,187,843	415,739,081	439,908,917
Pumps & Motors	226,413,767	-	-	-	226,413,767	77,869,825	7,537,952	-	-	85,407,777	141,005,990	148,543,942
Transformers	948,655,164	-	-	-	948,655,164	338,919,017	31,135,316	-	-	370,054,333	578,600,830	609,736,147
Shunt Reactors	86,089,025	-	-	-	86,089,025	30,068,553	2,866,765	-	-	32,935,318	53,153,707	56,020,471
Gas Insulated Switch Gears	919,274,583	-	-	-	919,274,583	264,813,936	30,590,482	-	-	295,404,418	623,870,165	654,460,647
Valves	965,084,410	-	-	-	965,084,410	388,771,153	30,911,357	-	-	419,682,510	545,401,900	576,313,257
Switchyard	4,841,874	-	-	-	4,841,874	1,392,384	161,234	-	-	1,553,618	3,288,256	3,449,490
Electro-Mechanicals-Others	1,676,218,672	-	(161,506,516)	-	1,514,712,156	692,637,896	46,298,718	(45,327,469)	-	693,609,145	821,103,011	983,580,776
Machinery	259,785,595	3,134,500	-	-	262,920,095	235,779,298	6,159,458	-	-	241,938,756	20,981,339	24,006,297
TOOLS & SAFETY EQUIPMENTS					-	-	-					
Tools and Plants	295,125,650	25,485,966	(968,091)	149,822	319,793,347	170,122,071	25,420,018	(902,861)	48,307	194,687,536	125,105,812	125,003,580
Fire Fighting & Safety Equipment's	99,913,348	2,715,435	(105,039)	-	102,523,743	64,421,642	7,634,976	(86,477)	-	71,970,141	30,553,602	35,491,706
OTHER ASSETS					-				-			-

T R Chadha & Co LLP * MUMBAI * CHARTERED ACCOUNTANTS

Office Equipment	103,120,040	2,484,900	(1,174,082)	360,600	104,791,458	81,624,130	8,687,903	(998,469)	325,491	89,639,055	15,152,403	21,495,910
Furniture & Fixtures	51,969,620	3,358,242	(375,000)	116,789	55,069,651	26,277,091	3,999,509	(270,787)	61,102	30,066,915	25,002,737	25,692,529
Vehicles	231,065,204	12,620,012	(4,932,135)	-	238,753,082	178,064,981	19,834,634	(4,919,829)	-	192,979,787	45,773,295	53,000,223
Illumination System	205,622,736	258,644	(122,289)	130,779	205,889,870	88,941,604	6,714,820	(31,349)	-	95,625,074	110,264,796	116,681,133
Information and Technology	123,778,673	15,124,912	(9,685,780)	4,307,796	133,525,601	83,494,322	17,023,961	(4,998,901)	66,058	95,585,440	37,940,160	40,284,351
General Assets	43,954,261	6,676,119	(533,994)	60,000	50,156,386	25,372,853	6,832,988	(472,751)	50,137	31,783,227	18,373,159	18,581,408
Net Assets	**63,119,944,763**	**301,994,789**	**(259,004,804)**	**69,793,448**	**63,232,728,197**	**18,621,625,840**	**2,275,055,516**	**(76,298,389)**	**551,094**	**20,820,934,062**	**42,411,794,135**	**44,498,318,923**
CAPITAL WORKS IN PROGRESS												
Capital Works in Progress	391,730,006	669,247,311	(36,480)	(69,057,067)	991,883,770	-	-	-	-	-	991,883,770	391,730,006
Less: Depreciation booked to CWIP							3,319,230					
Net Assets	**391,730,006**	**669,247,311**	**(36,480)**	**(69,057,067)**	**991,883,770**	**-**	**(3,319,230)**	**-**	**-**	**-**	**991,883,770**	**391,730,006**
CAPITAL ADVANCE												
Capital advance	38,170,061	-	(16,140,580)	-	22,029,481	-	-	-	-	-	22,029,481	38,170,061
Net Assets	**38,170,061**	**-**	**(16,140,580)**	**-**	**22,029,481**	**-**	**-**	**-**	**-**	**-**	**22,029,481**	**38,170,061**
Grand Total	**63,549,844,831**	**971,242,100**	**(275,181,864)**	**736,381**	**64,246,641,448**	**18,621,625,840**	**2,271,736,286**	**(76,298,389)**	**551,094**	**20,820,934,062**	**43,425,707,386**	**44,928,218,991**
INTANGIBLE ASSETS												
Intangible Assets	185,885,718	7,036,424	(1,073,404)	-	191,848,738	118,458,353	35,545,173	(1,016,208)	-	152,987,319	38,861,420	67,427,364
Net Assets	**185,885,718**	**7,036,424**	**(1,073,404)**	**-**	**191,848,738**	**118,458,353**	**35,545,173**	**(1,016,208)**	**-**	**152,987,319**	**38,861,420**	**67,427,364**

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Note 2: Investment property

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Land given on lease	32,000,000.00	32,000,000.00	32,000,000.00
	32,000,000.00	**32,000,000.00**	**32,000,000.00**

(i) Fair value of investment property carried at cost

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Fair value of investment property	43,560,000.00	43,560,000.00	43,560,000.00
	43,560,000.00	**43,560,000.00**	**43,560,000.00**

(ii) Amounts recognized in profit or loss for investment properties

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Rental income	1,296,540.00	1,234,800.00	1,176,000.00
	1,296,540.00	**1,234,800.00**	**1,176,000.00**

Note 3: Deferred tax asset/liability

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Bonus payable	6,372,706.65	14,942,487.18	16,418,109.15
Employee benefit obligation	12,558,075.57	-	12,659,661.89
Interest accrued on ADB loan	-	3,948,245.09	9,636,175.80
ADB Loan	137,750,483.99		
Capital work in progress	-	(3,060,818.88)	-
Interest on fixed deposit	2,327,239.48	2,888,658.99	2,814,382.31
Deferred rent	(200,285.78)	(154,403.44)	(109,973.48)
Property, plant & equipment	(128,280,943.62)	(93,602,171.14)	(79,073,119.62)
	30,527,276.28	**(75,038,002.21)**	**(37,654,763.94)**

Note 4: Investments in subsidiaries and joint ventures

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Investment in subsidiary companies			
Equity investment in Dagachhu Hydropower Corporation Limited.	2,437,880,000.00	2,437,880,000.00	2,437,880,000.00
2,437,880 (31 December 2016: 2,437,880, 1 January 2016: 2,437,880) equity shares of Nu. 1000 each, fully paid up (31 December 2016: Nu. 1000 each, fully paid up, 1 January 2016: Nu. 1000 each, fully paid up)			
Equity investment in Tangsibji Hydro Energy Limited	1,518,453,305.22	1,174,428,410.86	1,019,428,410.86
36,000,000 (31 December 2016: 36,000,000, 1 January 2016: 36,000,000) equity shares of Nu. 100 each, called up amount Nu.42.18 (31 December 2016: called up amount Nu.32.62, 1 January 2016: 28.32)			

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Investment in joint venture companies			
Equity investment in Bhutan Hydropower Services Limited	255,000,000.00	255,000,000.00	255,000,000.00
2,550,000 (31 December 2016: 2,550,000, 1 January 2016: 2,550,000) equity shares of Nu. 100 each, fully paid up (31 December 2016: Nu. 100 each, fully paid up, 1 January 2016: Nu. 100 each, fully paid up)			
Equity investment in Kholongchhu Hydro Energy Limited	996,595,000.00	429,575,000.00	204,575,000.00
10,000,000 (31 December 2016: 10,000,000, 1 January 2016: 10,000,000) equity shares of Nu. 100 each, called up amount Nu. 99.66 (31 December 2016: called up amount Nu. 42.96)			
	5,207,928,305.22	4,296,883,410.86	3,916,883,410.86

Financial assets (Non-current)

Note 5a: Long-Term Investments

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Investment in non-government bonds	200,000,000.00	550,000,000.00	550,000,000.00
Investment in fixed deposits:			
-Fixed deposit with bank	400,311,457.80	342,311,457.80	398,888,457.80
-Accrued interest on fixed deposit	125,371,173.87	86,022,199.80	67,874,366.93
	725,682,631.67	**978,333,657.60**	**1,016,762,824.73**

Note 5b: Other assets

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Deferred lease income	667,619.28	514,678.14	366,578.27
	667,619.28	**514,678.14**	**366,578.27**

Financial liability - Non current

Note 5c: Long- Term Borrowings

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Government of India loan (ROI - 9% & tenure of loan-10 year)	2,354,986,840.28	3,507,368,110.07	4,659,671,316.98
Interest accrued on loan	1,088,633,796.57	2,063,295,819.20	2,923,908,005.06
Government of Austria loan (ROI-6% & tenure of loan- BHP-LS 20 years & BHP-US 18 years)	1,052,674,039.10	1,197,998,901.82	1,343,323,764.54
Loan from Asian Development Bank (ROI - 3.15% of Loan-2464 and ROI- 1.5% of Loan-3226 & 0421 for tenure of loan-32 year)*	1,935,959,603.76	2,005,457,823.85	1,962,813,538.11
Loan from Bank of Bhutan	587,000,000.00	-	-
Deferred Grant Income	185,159,690.54	-	-
Less: current maturities of long-term debt	(3,588,945,499.57)	(3,361,001,951.71)	(3,132,902,278.13)
	3,615,468,470.68	**5,413,118,703.23**	**7,756,814,346.56**

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Note 6: Inventories

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Stores & spares	635,965,238.19	595,602,689.02	585,347,208.06
	635,965,238.19	**595,602,689.02**	**585,347,208.06**
Less:			
Provision for obsolescence/Losses	(45,705,017.82)	(746,017.50)	(1,060,869.56)
	590,260,220.37	**594,856,671.52**	**584,286,338.50**

* The Company is in the process of identifying the stores and spare having useful life of more than one year for classifying it as property, plant and equipment.

Amounts recognized in profit or loss

Inventories recognized as an expense during the year ended 31 December 2017 amounted to Nu. 273,747,463 (2016 – Nu. 132,047,938). These were included in running and maintenance expenses.

Note 7: Prepayments and advances

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Prepaid expenses	42,561,503.47	93,950,775.18	98,879,092.83
Other receivables	-	5,149,239.17	-
Staff advance	1,020,092.62	1,572,334.09	2,054,271.05
Advance to supplier/contractor	11,159,002.08	44,543,432.16	12,555,647.23
	54,740,598.17	**145,215,780.60**	**113,489,011.11**

Note 8: Assets classified as held for sale

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Asset held for disposal	593,497.62	299,312.25	-
	593,497.62	**299,312.25**	**-**

a) Description about assets classified as held for sale

When a property, plant and equipment is damaged, impaired, obsolete it is considered for disposal and hence disclosed as 'Assets classified as held for sale' at estimated realizable value as at the balance sheet date. Assets classified as held for sale basically consist of furniture, small equipment's etc.

b) Fair value measurements

The sale of these assets are expected to be completed by next year of classifying it as 'assets classified as held for sale'. The estimated realizable value of the asset as at the balance sheet date are reassessed based on the market information. Sale of assets disclosed as 'assets classified as held for sale' are expected to be completed by the within one year of such categorization.

Financial assets (Current)

Note 9a: Short Term Investments

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Investment in fixed deposits/bonds:			
Investment in non-government bonds	350,000,000.00	-	-
Investment in fixed deposits	2,722,000,000.00	2,806,577,000.00	3,043,000,000.00
Accrued interest on fixed deposits	10,022,773.96	42,748,950.60	51,814,575.00
Accrued interest on non-government bonds	15,663,013.70	15,620,218.58	22,180,821.92
	3,097,685,787.66	**2,864,946,169.18**	**3,116,995,396.92**

Note 9b: Trade and other receivables

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Trade receivables (Unsecured, Considered good)			
- Bhutan Power Corporation	665,826,077.01	213,667,350.90	281,893,027.49
- Power Trading Corporation Ltd.	612,442,275.11	1,182,440,947.98	684,719,644.48
- Others	958,726.12	1,062,503.43	971,958.29
	1,279,227,078.24	**1,397,170,802.31**	**967,584,630.26**
Inter-corporate Loan to Dungsam Cement Corporation Limited	276,000,000.00	400,000,000.00	300,000,000.00
Miscellaneous deposits	5,205,851.02	5,334,222.33	3,672,537.26
Other receivables	32,313,020.39	21,379,781.42	20,344,609.00
	1,592,745,949.65	**1,823,884,806.06**	**1,291,601,776.52**

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30-45 days and therefore are all classified as current.

Note 9c: Cash and cash equivalents

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Cash in Hand	1,661,965.81	1,293,307.27	1,050,150.30
Balances with Banks in Current Accounts:			
Bank of Bhutan	1,169,785,371.88	1,046,557,355.92	283,567,852.12
Bhutan National Bank	62,144,014.82	44,950,905.69	38,185,044.16
Druk PNB	41,847,550.10	3,311,484.96	4,055,560.96
Tashi Bank	1,787,188.61	2,704,338.61	615,888.61
	1,277,226,091.22	**1,098,817,392.45**	**327,474,496.15**

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

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Financial liability (current)

Note 9d: Trade and other payables

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Security deposit- suppliers & others	34,116,412.39	20,275,164.97	38,375,481.02
Sundry creditors	333,578,485.59	286,299,885.86	324,006,212.66
Outstanding liabilities to contractors	11,091,872.65	2,381,949.35	6,929,448.36
Outstanding liabilities for expenses	75,834,386.66	82,938,007.50	76,082,313.15
Provision for bonus	54,766,565.97	52,406,172.41	54,727,030.51
Sundry liabilities	834,216.80	2,630,890.63	2,389,969.32
	510,221,940.06	**446,932,070.72**	**502,510,455.02**

Note 9e: Other financial liabilities

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Government of India Loan	2,354,986,840.28	2,241,015,066.35	2,126,965,229.56
Government of Austria Loan	145,324,862.72	145,324,862.72	145,324,862.72
Interest accrued	-	-	-
Interest accrued but not due on loans	20,949,273.05	26,772,363.03	32,120,586.01
	2,521,260,976.05	**2,413,112,292.10**	**2,304,410,678.29**

Note 10: Share capital

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Authorized share capital			
50,000,000 equity shares @ Nu. 1,000 per share	500,000,000,000.00	50,000,000,000.00	50,000,000,000.00
Subscribed and paid -up share capital			
31,545,688 equity share @ 1,000 per share	31,545,688,000.00	30,712,866,000.00	30,712,866,000.00
	31,545,688,000.00	**30,712,866,000.00**	**30,712,866,000.00**

Movements in ordinary shares:	Number of shares	Par value
Opening balance 1 January 2016	**30,712,866.00**	**30,712,866,000.00**
Issues during the year	-	-
Balance 31 December 2016	**30,712,866.00**	**30,712,866,000.00**
Issues during the year	832,822.00	832,822,000.00
Balance 31 December 2017	**31,545,688.00**	**31,545,688,000.00**

Note 11: Employee benefit obligation

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Gratuity	362,049,282.96	418,688,037.51	392,052,320.00
Other long term benefit	33,671,115.04	37,339,144.96	35,432,084.00
	395,720,398.00	**456,027,182.47**	**427,484,404.00**

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CHARTERED ACCOUNTANTS

Note 12: Other current liabilities

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Sundry liabilities	43,138,288.00	43,166,139.74	41,069,863.91
Tax deducted at source - payable	786,960.83	951,963.49	1,337,973.41
	43,925,248.83	**44,118,103.23**	**42,407,837.32**

Note 13: Current tax liabilities

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Provision for corporate Income Tax	1,631,996,344.29	1,977,911,908.06	1,607,054,821.92
	1,631,996,344.29	**1,977,911,908.06**	**1,607,054,821.92**

Note 14: Employee benefit obligation

Particulars	Nu. 2017	Nu. 2016	Nu. 1-Jan-16
Gratuity	18,920,815.00	17,473,806.00	16,859,040.00
Other long term benefit	3,509,115.00	3,217,315.00	3,119,737.00
Leave encashment payable	35,248,212.52	42,137,302.18	41,842,109.00
	57,678,142.52	**62,828,423.18**	**61,820,886.00**

Note 15: Electricity revenue

Particulars	Nu. 2017	Nu. 2016
Export & Domestic revenue		
Power Trading Corporation Ltd	8,267,512,286.33	11,199,390,955.50
Bhutan Power Corporation Ltd	3,684,480,813.21	1,402,795,989.40
From staff & other private parties	1,379,583.40	801,840.19
	11,953,372,682.94	**12,602,988,785.09**

Note 16: Interest earned

Particulars	Nu. 2017	Nu. 2016
Interest on deposits	80,846,206.67	119,301,241.50
Interest on non-government bonds	40,042,795.12	39,957,204.88
	120,889,001.79	**159,258,446.38**

Note 17: Other income

Particulars	Nu. 2017	Nu. 2016
Dividend income	-	44,723,250.00
Grant income	33,315,651.89	29,314,911.53
Miscellaneous receipts	18,064,676.46	17,570,993.37
Liquidity charges	5,315,237.57	13,038,277.96
House rent recovered- employee/others	15,017,151.71	13,653,722.21
Lease rental income	2,362,270.14	2,362,270.14
Profit on sale/discard of assets (Net)	1,851,728.90	-
Sale of tender forms	43,000.00	31,723.00
Foreign exchange gains/loss	127,013,702.07	-
	202,983,418.74	**120,695,148.21**

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Note 18: Running and maintenance expenses

Particulars	Nu. 2017	Nu. 2016
R&M electro-mechanical	278,498,472.97	182,240,217.03
R&M civil structures	74,802,198.95	42,824,804.93
R&M vehicles	61,271,858.61	54,152,468.67
R&M-Information Technology	19,321,073.23	24,518,920.53
R&M-Fire Fighting & Safety	8,317,063.88	2,747,307.68
R&M-Office Equipment's	1,445,697.40	3,330,295.03
	443,656,365.04	**309,814,013.87**

Note 19: Employees' remuneration and benefits

Particulars	Nu. 2017	Nu. 2016
Salaries and wages	483,643,940.30	460,070,630.44
Professional training	85,005,318.37	82,295,551.20
Bonus	52,834,922.83	49,808,290.59
Incentive/honorarium	52,231,570.61	48,722,685.71
Employer's contribution to provident fund	35,956,115.21	33,784,287.49
Leave encashment	19,251,095.00	26,046,094.21
Gratuity expenses	71,624,165.08	68,672,095.25
Leave travel concession	20,765,033.58	19,573,056.86
Terminal benefits	7,637,946.00	7,234,174.00
GPA- insurance	3,539,230.29	3,798,379.05
Liveries	9,328,137.80	8,025,203.38
Staff welfare expenses	3,751,690.60	4,304,488.25
Medical expenses	2,055,515.53	580,334.54
	847,624,681.20	**812,915,270.97**

Note 20: Finance cost

Particulars	Nu. 2017	Nu. 2016
Interest to Government of India	194,035,260.18	308,157,614.38
Interest to Government of Austria	69,867,749.02	78,587,240.79
Interest to Asian Development Bank	57,671,586.18	58,821,368.31
Interest to Bank of Bhutan	571,721.92	
Interest on current portion of long term borrowing	22,356,164.39	30,948,378.67
Discounting of deferred rent	912,789.00	979,370.27
	345,415,270.69	**477,493,972.42**

Note 21: Other expenses

Particulars	Nu. 2017	Nu. 2016
Brand & management fee	107,424,698.83	64,983,161.00
Travel	39,415,890.94	50,958,199.35
Foreign exchange gains/loss	-	40,281,973.83
Grant expense	33,315,651.89	29,314,911.53
License fee	15,342,456.44	14,917,656.57
Profit on sale/discard of assets (net)	-	13,542,115.87
Electricity	10,458,652.43	12,759,878.90

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Entertainment	8,030,852.16	10,773,464.13
Corporate social responsibility	39,528,177.42	10,860,721.15
Consultancy charges	7,140,245.20	8,585,320.07
Rent	9,169,415.47	7,991,152.51
Telephone and fax	7,021,527.38	6,295,523.86
Printing and stationery	6,334,474.47	6,017,300.44
Rates and taxes	44,815.96	3,792,766.55
Advertisement and publicity	2,592,712.66	2,419,687.27
Audit fees & expenses	1,210,250.80	1,227,170.70
Directors' sitting fees	467,500.00	705,000.00
Bank charges	361,463.49	468,904.72
Board meeting expenses	110,385.00	216,679.00
Books & periodicals	194,816.67	270,574.06
Postage and telegram	205,321.85	235,557.08
Other expenses	4,732,595.55	5,467,221.59
	293,101,904.60	**292,084,940.18**

Note 22:- Tax expense

Particular		
Components of income tax expense		
Income tax expenses		
Current tax		
Current tax on profit for the year	2,137,363,492	2,360,252,582
Total current tax expenses	**2,137,363,492**	**2,360,252,582**
Deferred tax		
(Decrease)/increase in deferred tax liabilities	(105,565,278)	37,383,238
Total deferred tax expenses	**(105,565,278)**	**37,383,238**
Income tax expenses	**2,031,798,213**	**2,397,635,821**

Numerical reconciliation of income tax expense to prima facie tax payable

Particulars	2017	2017	2016	2016
Tax expenses				
- Current tax		2,137,363,492		2,360,252,582
Total tax expense		**2,137,363,492**		**2,360,252,582**
Reconciliation of tax on accounting profit :-				
Profit before tax		**7,224,454,011**		**7,951,609,190**
Income tax expense calculated at 30% (A)		**2,167,336,203**		**2,385,482,757**
Non-deductible expense				
- Production incentive/ Bonus / PBVA	76,360,379	22,908,114	51,320,568	15,396,170
- Medical expenses	500,042	150,013	210,177	63,053
- Donation	39,528,177	11,858,453	5,276,339	1,582,902
Total non-deductible expense (B)		**34,916,580**		**17,042,125**
Adjustment to deferred tax pertaining to ADB Loan				
- Interest accrued on loan 31.12.2016/31.12.2017 (excess amount taken to deferred tax)	-		32,120,586	
- Interest accrued on ADB Loan			12,880,963	

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MUMBAI
CHARTERED ACCOUNTANTS

- Excess interest accrued and deferred tax assets booked as on 31.12.2016/31.12.2017	-	-	19,239,623	5,771,887
- Deferred tax effect on forex exchange difference on ADB principal/interest	(18,546,067)	(5,563,820)	2,942,751	882,825
Net Effect (C)		**(5,563,820)**		**4,889,061**
Lease Rent				
Decrease in income	(152,941)	(45,882)		
Net Effect (D)		**(45,882)**		
Fixed Deposit Interest				
- Excess interest accrued and deferred tax assets booked as on 31.12.2017	(1,871,398)	(561,420)		
Net Effect (E)		**(561,420)**		
Impact Due to Depreciation				
Depreciation	(91,048,203)	(27,314,461)		
Net Effect (F)		**(27,314,461)**		
Adjustment to Gratuity during the year			-	
Gratuity charged to profit or loss	(104,679,028)	(31,403,708)	-	
Difference between adjustment to bonus and charged to profit or loss	(104,679,028)	(31,403,708)	-	
Net effect (G)		**(31,403,708)**	-	-
Reconciled with tax expense as above (A+B+C+D+E+F+G)		**2,137,363,492**		**2,360,252,582**

Notes 23:- Significant Accounting Policies

A Nature of Operations

Druk Green Power Corporation Limited ("DGPC" or "the Company") - the public sector generation utility with the vision of " harnessing and sustaining Bhutan's renewable energy resources"- was established in 2008 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.

The company is a wholly owned subsidiary of Druk Holding & Investments (DHI), the holding company for government owned companies. 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

The note provides a list of the significant accounting policies adopted in the preparation of these financial statements.

i. Basis of Preparation

a. Compliance with BAS/BFRS

The separate financial statements of the Company has been prepared in accordance with Bhutanese Accounting Standards (BAS) Phase I, Phase II and Phase III standards.

The 'Accounting and Auditing Standards Board of Bhutan' (AASBB), has decided to adopt International Financial Reporting Standards (IFRS) in phase manner with minor changes. As per the roadmap issued by AASBB, a total of 18 standards are to be implemented in first phase (Phase I) commencing in 2013 for a period of 3 years, while 9 standards will be implemented in second phase (Phase II) and 10 standards in third phase (Phase III) commencing in 2016 and 2018 respectively within the period of two years. The Company in compliance with the Companies Act of Kingdom of Bhutan has adopted all the applicable Standards.

For all periods up to and including the year ended 31 December 2016, the Company prepared its financial statements in accordance with BAS Phase I and Phase II standards. The financial statements for the year ended 31 December 2017 are the first that the Company has prepared in accordance with all BFRS/BAS standards. Refer to Note 32 for information on how the Company adopted BAS/BFRS standards.

b. Historical cost convention

The financial statements have been prepared on a historical cost basis, except assets held for sale which are measured at fair value less cost of disposal.

ii. Offsetting

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income 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.

iii. 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 Bhutanese Ngultrum (Nu) which is also the presentation currency.

iv. 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.

v. Foreign Currency

Transactions in foreign currency are initially recognized in the financial statements in functional currency 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. Foreign exchange gains and losses are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

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.

vi. Investment in Subsidiaries, Associate and Joint Venture

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

vii. Property, Plant and Equipment

a. PPE is initially recognized at cost. The company follows cost model for property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost

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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. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

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.
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 profit and or loss.

b. Subsequent Costs

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's	• 3.33%
	• 5%(Diesel Generators),and
	• 20%(Runners)
Fire Fighting and Safety Equipment's	• 10%
General Assets	• 20%
Information and Technology Equipment's	• 20%
Machineries	• 15%
Office Equipment's	• 20%
Tools and Plants	• 10%
Vehicles	• 15%
Land	• 0%
Furniture and Fixtures	• 10%

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 off as an expenses.

d. General assets include air conditioners, air coolers, fans, heaters, vacuum cleaners, blowers etc.

viii. Intangible Assets

a. The intangible assets are initially measured at cost and carried as per cost model.

b. Intangible assets having finite useful lives are measured at cost less accumulated amortization and accumulated

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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.

ix. 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.

x. Investment property

Investment properties are land or building which are held for rental yields and are not occupied by the Company. An investment property is initially measured at its cost and the company has also chosen the cost model for measurement of Investment Property after initial recognition at cost

xi. 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 profit or loss 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 profit or loss 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 profit or loss in the year it is received or becomes receivable.

xii. 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.

Company as a lessee

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 unless another systematic basis is more representative of the time pattern of the user's benefit

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are

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classified as operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Lease Income

Lease income from operating lease is recognized in income on a basis which is more representative of the time pattern.

xiii. Impairment - Non-Current Assets

The carrying amount of the non-current assets, other than long term investment and capital work in progress 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.

xiv. 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. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income and presented within equity.

c. Short Term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and they are recognized in the period in which the employee renders the related service. The Company recognizes the undiscounted amount of short term employee benefits expected to be paid in exchange for services rendered as a liability (accrued expense) after deducting any amount already paid.

d. Earned Leave Encashment

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per DGPC service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned

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e. Other Long Term Benefits

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. The plan is unfunded.

xv. 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. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. 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.

xvi. Revenue

a) Electricity 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.

The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (ie an asset) to a customer and the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company. An asset is assumed to be transferred to customer when (or as) the customer obtains control of that asset. Incremental cost incurred by the Company for obtaining as contract with customer is recognized as assets if the recovery of such cost is expected. Such assets are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Revenue is measured at the amount entity expects to be entitled in exchange for transferring promised goods or services to a customer, and represents amounts receivable for goods supplied, stated net of discounts, returns and taxes and royalty collected on behalf of government.

Bilateral contracts between two utilities for exchange of power by purchase and sale (or vice versa) of quantities of energy as per contract are not accounted for as sales as per BFRS 15. Energy balances against SWAP contracts not settled during the same financial year are accounted for as payable/receivable and included under other current assets/liabilities in statement of financial position.

b) Interest Income

Other income comprises interest income on funds invested. Interest income is recognized on a time proportion

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

basis using effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

c) Dividend Income

Dividends are recognized as revenue when the right to receive payment is established.

d) Other Income

Other Incomes are recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity.

xvii. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

xviii. 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:

a. Interest and commitment charges on bank borrowings and other short term and long-term borrowings;

b. Amortization of discounts or premiums relating to borrowings;

c. Amortization of ancillary costs incurred in connection with the arrangement of borrowings;

d. Finance charges in respect of assets acquired under finance leases or under other similar arrangements; and

e. 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

xix. 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

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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. Inventories consist of material and other supplies for use in the production of inventories are valued at cost if the finished products in which they will be incorporated are expected to be sold at above cost.

xx. Liquidated Damages

Claims for liquidated damages against the suppliers/contractors are taken as income or adjusted with property, plant and equipment when these are probable for recovery as per the contractual terms.

xxi. 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 income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

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.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in subsidiary, associate and joint venture where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

xxii. Contingent Liabilities and Contingent Assets

Contingent liabilities are 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.

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xxiii. 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 mainly from only one segment i.e. sale of energy, hence, the BFRS 8 is not applicable to the company.

xxiv. Cash and Cash Equivalents

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. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

xxv. Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

xxvi. Investments and other financial assets

Investments and other financial assets

(i) Initial measurement

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

(ii) Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

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Financial instruments measured at fair value through other comprehensive income

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

- the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- the asset's contractual cash flow represent SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognized in other comprehensive income (OCI). Currently, the Company does not have any asset classified under this category.

Financial instruments measured at fair value through profit and loss

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

(iii) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortized cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 28 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by BFRS 9 Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

(iv) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised only when:

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

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

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

(v) Income recognition

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

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Dividend income: Dividends are recognized in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.

xxvii. Financial liability

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, borrowings including bank overdrafts.

ii) Subsequent measurement

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

Financial Liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ loss are not subsequently transferred to P&L. However, the Company may transfer the cumulative gain or loss within equity. All other changes in fair value of such liability are recognized in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Borrowings

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not agreed not to demand payment as a consequence of the breach before reporting date.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is

MUMBAI CHARTERED ACCOUNTANTS

treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other gains/(losses).

Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with BAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less cumulative amortization, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

xxviii. Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30-45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

xxix. Earnings per share

a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

xxx. The Company did early adoption of BFRS 9 and BFRS 15 from 1 January 2016.

xxxi. Comparative Information

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

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Note 24:- Additional disclosures

A. A dividend of Nu. 4,905,354,484.00 have been proposed for the year ended 31st December, 2017 amounting to a dividend of 155.5 per share. These financial statements do not reflect this dividend proposed.

The These Financial Statements have been approved for issue by the Board of Directors on 21st March 2018

B.

i. Estimated amount of contracts remaining to be executed on capital account and not provided for - Nu. 392.25 million (previous year - Nu. 545.50 million).

ii. Of the allotted 10,000,000 equity shares of Nu. 100 each by KHEL, Nu. 996,595,000.00 has been called up and paid till 31.12.2017 and Nu. 3,405,000.00 has remained uncalled on the date.

iii. Of the allotted 36,000,000 equity shares of Nu. 100 each by THyE, Nu. 1,518,453,305.22 has been called up and paid till 31.12.2017 and Nu. 2,081,546,694.78 has remained uncalled on the date.

C. DGPC reliance on PTC India Ltd (i.e single external customer) for export revenue amount to Nu. 8,267,512,286.33 (i.e 69.16% of total revenue).

D. Leasing arrangements

The Company has given land on lease to its subsidiary under long-term operating leases with rentals payable monthly for a period of 30 years. Minimum lease payments receivable on leases of investment properties are as follows:

	31-Dec-17	31-Dec-16	1-Jan-16
Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial statements are receivable as follows:			
Within one year	1,361,367	1,296,540	1,234,800
Later than one year but not later than 5 years	7,898,533	7,522,412	7,164,202
Later than 5 years	55,714,198	57,451,685	59,106,436
	64,974,098	**66,270,638**	**67,505,438**

The Company has recorded rental income amounting to Nu. 1,296,540.00 (previous year - Nu. 1,234,800.00) to the statement of comprehensive income during the year ended 31st December 2017.

Note 25: Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

A	Assets/Liabilities	2017	2016	2015
1	DBO at end of prior period	436,161,850	408,911,370	357,985,560
2	Current service cost	39,115,000	37,682,000	35,238,170
3	Interest cost on the DBO	36,331,000	34,041,000	29,844,250
4	Curtailment (credit)/ cost	-	-	-
5	Settlement (credit)/ cost	-	-	-
6	Past service cost - plan amendments	-	-	-
7	Acquisitions (credit)/ cost	-	-	-
8	Actuarial (gain)/loss - experience	(29,841,100)	(32,620,280)	678,630
9	Actuarial (gain)/loss - demographic assumptions	-	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-	-
11	Benefits paid directly by the Company	(12,110,750)	(11,852,240)	(14,835,250)
12	Benefits paid from plan assets	(88,686,000)	-	-
13	**DBO at end of current period**	**380,970,000**	**436,161,850**	**408,911,360**

B	Statement of Profit & Loss	2017	2016	2015
1	Current service cost	39,115,000	37,682,000	35,238,170
2	Past service cost - plan amendments	-	-	-
3	Curtailment cost / (credit)	-	-	-
4	Settlement cost / (credit)	-	-	-
5	Service cost	39,115,000	37,682,000	35,238,170

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

6	Net interest on net defined benefit liability / (asset)	36,331,000	34,041,000	29,844,260
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
8	**Cost recognized in P&L**	**75,446,000**	**71,723,000**	**65,082,430**

C	Defined Benefit Cost	2017	2016	2015
1	Service cost	39,115,000	37,682,000	35,238,170
2	Net interest on net defined benefit liability / (asset)	36,331,000	34,041,000	29,844,260
3	Actuarial (gains)/ losses recognized in OCI	(29,841,100)	(32,620,280)	678,630
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
5	**Defined Benefit Cost**	**45,604,900**	**39,102,720**	**65,761,060**

D	Development of Net Financial Position	2017	2016	2015
1	Defined Benefit Obligation (DBO)**	(380,970,000)	(436,161,850)	(408,911,370)
2	Fair Value of Plan Assets (FVA)	-	-	-
3	Funded Status (Surplus/(Deficit))	(380,970,000)	(436,161,850)	(408,911,370)
4	**Net Defined Benefit Asset**	**(380,970,000)**	**(436,161,850)**	**(408,911,370)**

E	Reconciliation of Net Balance Sheet Position	2017	2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	(436,161,850)	(408,911,370)	(28,771,950)
2	Service cost	(39,115,000)	(37,682,000)	(35,238,170)
3	Net interest on net defined benefit liability/ (asset)	(36,331,000)	(34,041,000)	(29,844,260)
4	Amount recognized in OCI	29,841,100	32,620,280	(678,630)
5	Amount recognized in Profit & Loss	-	-	-
6	Employer contributions	-	-	-
7	Benefit paid directly by the Company	12,110,750	11,852,240	14,835,250
8	Acquisitions credit/ (cost)	-	-	-
9	Divestitures	-	-	-
10	Withdrawals From the Plan Assets	88,686,000	-	-
11	Cost of termination benefits	-	-	-
10	**Net defined benefit asset/ (liability) at end of current period**	**(380,970,000)**	**(436,161,850)**	**(79,697,760)**

F	Other Comprehensive Income (OCI)	2017	2016
1	Actuarial (gain)/loss due to liability experience	(29,841,100)	(32,620,280)
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	(29,841,100)	(32,620,280)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(29,841,100)	(32,620,280)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	(29,841,100)	(32,620,280)

G	Expected benefit payments for the year ending	2017
1	31-Dec-18	18,920,815
2	31-Dec-19	18,998,640
3	31-Dec-20	29,962,940
4	31-Dec-21	28,087,980
5	31-Dec-22	29,601,580
6	December 31, 2022 to December 31, 2026	212,213,940
(i)	**Expected employer contributions for the period ending 31 December 2017**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**11 Years**
(iii)	**Accrued Benefit Obligation at 31 December 2017**	**189,893,128**
(iv)	**Significant estimates: actuarial assumptions and sensitivity**	

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

a	Discount Rate	2017	2016
	Discount Rate	8.50%	8.50%
	Effect on DBO due to 1% increase in Discount Rate	(35,477,626)	(45,299,970)
	Effect on DBO due to 1% decrease in Discount Rate	41,420,910	53,464,050
b	**Salary escalation rate**	**2017**	**2016**
	Salary escalation rate	8%	10%
	Effect on DBO due to 1% increase in Salary escalation rate	41,250,596	52,204,600
	Effect on DBO due to 1% decrease in Salary escalation rate	(35,964,875)	(45,145,000)

During the last 3 to 4 years there is increase in increment around 10% and in the other year the increase increment around 5%, average of the current year increment is 8%

Note 25: Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Carriage Allowance)

A	Assets/Liabilities	2017	2016	2015
1	DBO at end of prior period	5,054,656	4,807,391	5,241,275
2	Current service cost	556,951	508,400	618,024
3	Interest cost on the DBO	404,831	384,014	412,734
4	Curtailment (credit)/ cost	-	-	-
5	Settlement (credit)/ cost	-	-	-
6	Past service cost - plan amendments	-	-	-
7	Acquisitions (credit)/ cost	-	-	-
8	Actuarial (gain)/loss - experience	(259,529)	(438,074)	(937,884)
9	Actuarial (gain)/loss - demographic assumptions	-	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-	-
11	Benefits paid directly by the Company	(278,597)	(207,075)	(526,758)
12	Benefits paid from plan assets	-	-	-
13	**DBO at end of current period**	**5,478,312**	**5,054,656**	**4,807,391**

B	Statement of Profit & Loss	2017	2016	2015
1	Current service cost	556,951	508,400	618,024
2	Past service cost - plan amendments	-	-	-
3	Curtailment cost / (credit)	-	-	-
4	Settlement cost / (credit)	-	-	-
5	Service cost	556,951	508,400	618,024
6	Net interest on net defined benefit liability / (asset)	404,831	384,014	412,734
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
8	**Cost recognized in P&L**	**961,782**	**892,414**	**1,030,758**

C	Defined Benefit Cost	2017	2016	2015
1	Service cost	556,951	508,400	618,024
2	Net interest on net defined benefit liability / (asset)	404,831	384,014	412,734
3	Actuarial (gains)/ losses recognized in OCI	(259,529)	(438,074)	(937,884)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
5	**Defined Benefit Cost**	**702,253**	**454,340**	**92,874**

D	Development of Net Financial Position	2017	2016	2015
1	Defined Benefit Obligation (DBO)**	(5,478,312)	(5,054,656)	(4,807,391)
2	Fair Value of Plan Assets (FVA)	-	-	-
3	Funded Status (Surplus/(Deficit))	(5,478,312)	(5,054,656)	(4,807,391)
4	**Net Defined Benefit Asset**	**(5,478,312)**	**(5,054,656)**	**(4,807,391)**

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E	Reconciliation of Net Balance Sheet Position	2017	2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	(5,054,656)	(4,807,391)	(5,241,275)
2	Service cost	(556,951)	(508,400)	(618,024)
3	Net interest on net defined benefit liability/ (asset)	(404,831)	(394,014)	(412,734)
4	Amount recognized in OCI	-	438,074	937,884
5	Amount recognized in Profit & Loss	-	-	-
6	Employer contributions	-	-	-
7	Benefit paid directly by the Company	-	207,075	526,758
8	Acquisitions credit/ (cost)	259,529	-	-
9	Divestitures	-	-	-
10	Withdrawals From the Plan Assets	-	-	-
11	Cost of termination benefits	278,597	-	-
	Net defined benefit asset/ (liability) at end of current period	**(5,478,312)**	**(5,064,656)**	**(4,807,391)**

F	Other Comprehensive Income (OCI)	2017	2016
1	Actuarial (gain)/loss due to liability experience	(259,529)	(438,074)
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	(259,529)	(438,074)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(259,529)	(438,074)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**(259,529)**	**(438,074)**

G	Expected benefit payments for the year ending	2017
1	31-Dec-18	632,349
2	31-Dec-19	812,572
3	31-Dec-20	683,334
4	31-Dec-21	689,711
5	31-Dec-22	712,517
6	December 31, 2022 to December 31, 2026	4,065,094
(i)	**Expected employer contributions for the period ending 31 December 2017**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**11 Years**
(iii)	**Accrued Benefit Obligation at 31 December 2017**	**4,004,310**
(iv)	**Significant estimates: actuarial assumptions and sensitivity**	

a	Discount Rate	2017	2016
	Discount Rate	8.50%	8.50%
	Effect on DBO due to 1% increase in Discount Rate	(360,013)	(330,966)
	Effect on DBO due to 1% decrease in Discount Rate	409,157	376,077
b	**Salary escalation rate**	**2017**	**2016**
	Salary escalation rate	5.00%	10.00%
	Effect on DBO due to 1% increase in Salary escalation rate	243,222	228,332
	Effect on DBO due to 1% decrease in Salary escalation rate	(284,945)	(259,997)

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CHARTERED ACCOUNTANTS

Note 25: Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Repatriation Allowance Benefit Scheme)

A	Assets/Liabilities	2017	2016	2015
1	DBO at end of prior period	17,750,902	16,872,215	15,946,441
2	Current service cost	1,885,216	1,800,694	1,858,503
3	Interest cost on the DBO	1,452,866	1,380,151	1,287,465
4	Curtailment (credit)/ cost	-	-	-
5	Settlement (credit)/ cost	-	-	-
6	Past service cost - plan amendments	-	-	-
7	Acquisitions (credit)/ cost	-	-	-
8	Actuarial (gain)/loss - experience	(1,450,159)	(1,701,853)	(1,334,429)
9	Actuarial (gain)/loss - demographic assumptions	-	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-	-
11	Benefits paid directly by the Company	(730,925)	(600,305)	(885,765)
12	Benefits paid from plan assets	(3,056,941)	-	-
13	**DBO at end of current period**	**15,850,959**	**17,750,902**	**16,872,215**

B	Statement of Profit & Loss	2017	2016	2015
1	Current service cost	1,885,216	1,800,694	1,858,503
2	Past service cost - plan amendments	-	-	-
3	Curtailment cost / (credit)	-	-	-
4	Settlement cost / (credit)	-	-	-
5	Service cost	1,885,216	1,800,694	1,858,503
6	Net interest on net defined benefit liability / (asset)	1,452,866.00	1,380,151.00	1,287,465
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
8	**Cost recognized in P&L**	**3,338,082**	**3,180,845**	**3,145,968**

C	Defined Benefit Cost	2017	2016	2015
1	Service cost	1,885,216	1,800,694	1,858,503
2	Net interest on net defined benefit liability / (asset)	1,452,866	1,380,151	1,287,465
3	Actuarial (gains)/ losses recognized in OCI	(4,507,100)	(1,701,853)	(1,334,429)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
5	**Defined Benefit Cost**	**(1,169,018)**	**1,478,992**	**1,811,539**

D	Development of Net Financial Position	2017	2016	2015
1	Defined Benefit Obligation (DBO)**	(15,850,959)	(17,750,902)	(16,872,215)
2	Fair Value of Plan Assets (FVA)	-	-	-
3	Funded Status (Surplus/(Deficit))	(15,850,959)	(17,750,902)	(16,872,215)
4	**Net Defined Benefit Asset**	**(15,850,959)**	**(17,750,902)**	**(16,872,215)**

E	Reconciliation of Net Balance Sheet Position	2107	2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	(17,750,902)	(16,872,215)	(15,946,441)
2	Service cost	(1,885,216)	(1,800,694)	(1,858,503)
3	Net interest on net defined benefit liability/ (asset)	(1,452,866)	(1,380,151)	(1,287,465)
4	Amount recognized in OCI	-	1,701,853	1,334,429
5	Amount recognized in Profit & Loss	-	-	-
6	Employer contributions	-	-	-
7	Benefit paid directly by the Company	-	600,305	885,765
8	Acquisitions credit/ (cost)	1,450,159	-	-
9	Divestitures	-	-	-
10	Withdrawals From the Plan Assets	-	-	-
11	Cost of termination benefits	730,925	-	-

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

12	Benefits paid from plan assets	3,056,941		
10	**Net defined benefit asset/ (liability) at end of current period**	**(15,850,959)**	**(17,750,902)**	**(16,872,215)**

F	Other Comprehensive Income (OCI)	2017	2016
1	Actuarial (gain)/loss due to liability experience	(1,450,159)	(1,701,853)
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	(1,450,159)	(1,701,853)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(1,450,159)	(1,701,853)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**(1,450,159)**	**(1,701,853)**

G	Expected benefit payments for the year ending	2017
1	31-Dec-18	1,438,383
2	31-Dec-19	1,865,415
3	31-Dec-20	1,665,052
4	31-Dec-21	1,717,952
5	31-Dec-22	1,769,486
6	December 31, 2022 to December 31, 2026	11,038,246
(i)	**Expected employer contributions for the period ending 31 December 2017**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**11 Years**
(iii)	**Accrued Benefit Obligation at 31 December 2017**	**8,956,648**
(iv)	**Significant estimates: actuarial assumptions and sensitivity**	

a	Discount Rate	2017	2015
	Discount Rate as at 31 December 2016	8.50%	8.50%
	Effect on DBO due to 1% increase in Discount Rate	(1,240,626)	(1,507,589)
	Effect on DBO due to 1% decrease in Discount Rate	1,434,321	1,766,708
b	**Inflation rate**	**2017**	**2015**
	Inflation escalation rate as at 31 December 2016	8.00%	10.00%
	Effect on DBO due to 1% increase in Salary escalation rate	1,429,001	1,725,936
	Effect on DBO due to 1% decrease in Salary escalation rate	(1,258,136)	(1,503,000)

During the last 3 to 4 years there is increase in increment around 10% and in the other year the increase increment around 5%, average of the current year increment is 8%

Note 25: Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Transfer Grant Benefit Scheme)

A	Assets/Liabilities	2017	2016	2015
1	DBO at end of prior period	17,750,902	16,872,215	15,946,441
2	Current service cost	1,885,216	1,800,694	1,858,503
3	Interest cost on the DBO	1,452,866	1,380,151	1,287,465
4	Curtailment (credit)/ cost	-	-	-
5	Settlement (credit)/ cost	-	-	-
6	Past service cost - plan amendments	-	-	-
7	Acquisitions (credit)/ cost	-	-	-
8	Actuarial (gain)/loss - experience	(1,525,639)	(1,706,329)	(1,315,169)
9	Actuarial (gain)/loss - demographic assumptions	-	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-	-
11	Benefits paid directly by the Company	(655,445)	(595,829)	(905,025)
12	Benefits paid from plan assets	(3,056,941)	-	-
13	**DBO at end of current period**	**15,850,959**	**17,750,902**	**16,872,215**

B	Statement of Profit & Loss	2017	2016	2015
1	Current service cost	1,885,216	1,800,694	1,858,503

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

2	Past service cost - plan amendments	-	-	-
3	Curtailment cost / (credit)	-	-	-
4	Settlement cost / (credit)	-	-	-
5	Service cost	1,885,216	1,800,694	1,858,503
6	Net interest on net defined benefit liability / (asset)	1,452,866	1,380,151	1,287,465
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
8	**Cost recognized in P&L**	**3,338,082**	**3,180,845**	**3,145,968**

C	Defined Benefit Cost	2017	2016	2015
1	Service cost	1,885,216	1,800,694	1,858,503
2	Net interest on net defined benefit liability / (asset)	1,452,866	1,380,151	1,287,465
3	Actuarial (gains)/ losses recognized in OCI	(4,582,580)	(1,706,329)	(1,315,169)
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-	-
5	**Defined Benefit Cost**	**(1,244,498)**	**1,474,516**	**1,830,799**

D	Development of Net Financial Position	2017	2016	2015
1	Defined Benefit Obligation (DBO)**	(15,850,959)	(1,750,902)	(16,872,215)
2	Fair Value of Plan Assets (FVA)	-	-	-
3	Funded Status (Surplus/(Deficit))	(15,850,959)	(1,750,902)	(16,872,215)
4	**Net Defined Benefit Asset**	**(15,850,959)**	**(1,750,902)**	**(16,872,215)**

E	Reconciliation of Net Balance Sheet Position	2017	2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	(17,750,902)	(16,872,215)	(15,946,441)
2	Service cost	(1,885,216)	(1,800,694)	(1,858,503)
3	Net interest on net defined benefit liability/ (asset)	(1,452,866)	(1,380,151)	(1,287,465)
4	Amount recognized in OCI	-	1,706,329	1,315,169
5	Amount recognized in Profit & Loss	-	-	-
6	Employer contributions	-	-	-
7	Benefit paid directly by the Company	-	595,829	905,025
8	Acquisitions credit/ (cost)	1,525,639	-	-
9	Divestitures	-	-	-
10	Withdrawals From the Plan Assets	-	-	-
11	Cost of termination benefits	655,445	-	-
12	Benefits paid from plan assets	3,056,941		
10	**Net defined benefit asset/ (liability) at end of current period**	**(15,850,959)**	**(17,750,902)**	**(16,872,215)**

F	Other Comprehensive Income (OCI)	2017	2016
1	Actuarial (gain)/loss due to liability experience	(1,525,639)	(1,706,329)
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	(1,525,639)	(1,706,329)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(1,525,639)	(1,706,329)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**(1,525,639)**	**(1,706,329)**

G	Expected benefit payments for the year ending	2017
1	31-Dec-18	1,438,383
2	31-Dec-19	1,865,415
3	31-Dec-20	1,665,052
4	31-Dec-21	1,717,952
5	31-Dec-22	1,769,486
6	December 31, 2022 to December 31, 2026	11,038,246

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

(i)	**Expected employer contributions for the period ending 31 December 2017**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**11 Years**
(iii)	**Accrued Benefit Obligation at 31 December 2017**	**8,956,648**
(iv)	**Significant estimates: actuarial assumptions and sensitivity**	

a	Discount Rate	2017	2016
	Discount Rate as at 31 December 2016	8.50%	8.50%
	Effect on DBO due to 1% increase in Discount Rate	(1,240,626)	(1,563,647)
	Effect on DBO due to 1% decrease in Discount Rate	1,434,321	1,827,492
b	**Salary escalation rate**	**2017**	**2016**
	Salary escalation rate as at 31 December 2016	8.00%	10.00%
	Effect on DBO due to 1% increase in Salary escalation rate	1,429,001	1,785,382
	Effect on DBO due to 1% decrease in Salary escalation rate	(1,258,136)	(1,558,836)

During the last 3 to 4 years there is increase in increment around 10% and in the other year the increase increment around 5%, average of the current year increment is 8%

Note 26: Earnings per share

a) Basic earnings per share	2017	2016
Basic earnings per share attributable to the equity holders of the Company (b/c)	164	182
b) Reconciliations of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basis earnings per share	5,176,483,300	5,579,499,944
c) Weighted average number of equity shares used as the denominator		
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	31,545,688	30,712,866

Note: Diluted earnings per share is same as basic earnings per share.

Note 27: Fair value measurements
Financial instruments by category

(Amounts in Nu.)

Particulars	31-Dec-17			31-Dec-16			1-Jan-16		
	FV PL	**FV OCI**	**Amortized cost**	**FV PL**	**FV OCI**	**Amortized cost**	**FV PL**	**FV OCI**	**Amortized cost**
Financial assets									
Investment in non-government bonds	-	-	200,000,000	-	-	550,000,000	-	-	550,000,000
Fixed deposit with bank	-	-	3,122,311,458	-	-	3,148,888,458	-	-	3,441,888,458
Accrued interest on fixed deposit	-	-	135,393,948	-	-	128,771,150	-	-	119,688,942
Deferred lease income	-	-	667,619	-	-	514,678	-	-	366,578
Trade receivables	-	-	1,279,227,078	-	-	1,397,170,802	-	-	967,584,630
Inter-corporate loan	-	-	276,000,000	-	-	400,000,000	-	-	300,000,000
Accrued interest on investment	-	-	15,663,014	-	-	15,620,219	-	-	22,180,822
Miscellaneous deposits	-	-	5,205,851	-	-	5,334,222	-	-	3,672,537
Other receivables	-	-	32,313,020	-	-	21,379,781	-	-	20,344,609
Cash and cash equivalents	-	-	1,277,226,091	-	-	1,098,817,392	-	-	327,474,496
Total financial assets	**-**	**-**	**6,344,008,079**	**-**	**-**	**6,766,496,703**	**-**	**-**	**5,753,201,073**
Financial liabilities									
Borrowings	-	-	6,136,729,447	-	-	7,826,230,995	-	-	10,061,225,025

T. Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Security deposit- suppliers & others	-	-	34,116,412	-	-	20,275,165	-	-	38,375,481
Sundry creditors	-	-	333,578,486	-	-	286,299,886	-	-	324,006,213
Outstanding liabilities to contractors	-	-	11,091,873	-	-	2,381,949	-	-	6,929,448
Outstanding liabilities for expenses	-	-	75,834,387	-	-	82,938,008	-	-	76,082,313
Provision for bonus	-	-	54,766,566	-	-	52,406,172	-	-	54,727,031
Sundry liabilities	-	-	834,217	-	-	2,630,891	-	-	2,389,969
Total financial liabilities	**-**	**-**	**6,646,951,387**	**-**	**-**	**8,273,163,066**	**-**	**-**	**10,563,735,480**

(i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) recognized and measured at fair value and (b) measured at amortized cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard.

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

(ii) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:
- The fair value of the financial instruments is determined using discounted cash flow analysis.

(iii) Fair value of financial assets and liabilities measured at amortized cost

(Amounts in Nu.)

Particulars	31-Dec-17		31-Dec-16		1-Jan-16	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets						
Investment in non-government bonds	200,000,000	556,847,946	550,000,000	550,796,796	550,000,000	544,479,084
Fixed deposit and accrued interest	525,682,632	439,828,474	428,333,658	476,127,043	466,762,825	549,026,955
Deferred lease income	667,619	667,619	514,678	514,678	366,578	366,578
Total financial assets	**726,350,251**	**997,344,039**	**978,848,336**	**1,027,438,517**	**1,017,129,403**	**1,093,872,618**
Financial liabilities						
Borrowings and accrued interest	4,254,986,687	4,643,630,923	6,824,796,610	6,973,977,931	9,168,492,253	8,763,365,986
Total financial liabilities	**4,254,986,687**	**4,643,630,923**	**6,824,796,610**	**6,973,977,931**	**9,168,492,253**	**8,763,365,986**

Note 28: Financial risk management

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

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

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

The Board provides oversight of the governance structure, control and management system and risk mitigation measures. Druk Green identity's risks that the Company might be exposed to and to implement the mitigating plans in keeping with the Risk Management Manual that came into effect from January 01, 2012. The first Risk Register was developed in 2013. The Risk Register is an evolving document that is being reviewed and updated on an annual basis. It helps the Company in identifying and managing all risks and opportunities that can affect the achievement of the business objectives of Druk Green.

(A) Credit risk

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

1) Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 30-45 days credit term. The Company's major debtors are government owned/ government controlled companies. Further the Company regularly monitors its outstanding customer receivables. The Company has less credit risk as the customer base is distributed both economically and geographically. The aging of trade receivables of the Company are less than 3 months.

The requirement for impairment is analyzed at each reporting date. For impairment, customers are individually accessed. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivable as disclosed above. The Company evaluates the risk as low since majority of the customer are two government owned companies (i.e. Bhutan Power Corporation and PTC India Ltd). No allowance for impairment has been considered based its past experience and forwarding-looking information.

The Company also makes inter-corporate loans to its group companies as per the Company's policy and reviews the outstanding receivable on a periodic basis.

2) Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Finance & Investment Department. Investments of surplus funds are made only with approved counterparties in accordance with the Company's policy. The counterparties are accordingly governed by the regulatory authorities to mitigate financial loss during failure to make payment. For banks and financial institutions, only high rated banks/institutions are accepted.

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

(B) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an

T. R. Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS adequate amount of committed credit facilities to meet obligations when due. For the current ongoing projects, DGPC's portions of funds are mostly met through either equity, or loan.

Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows through preparation of "fund gap analysis" monthly. In addition, the Company's liquidity management policy involves projecting cash flows on monthly basis and considering the level of liquid assets necessary to monitor debt service coverage ratio against debt financing requirements and maintaining debt financing plans.

(i) Maturities of financial liabilities

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

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

Contractual maturities of financial liabilities 31 December 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Non-derivatives					
Borrowings	1,490,275,737	223,922,693	671,768,078	1,740,810,667	4,126,777,175
Interest	1,292,348,136	106,923,080	360,520,379	446,528,647	2,206,320,242
Security Deposit- Suppliers & Others	34,116,412	-	-	-	34,116,412
Sundry Creditors	333,578,486	-	-	-	333,578,486
Outstanding Liabilities to contractors	11,091,873	-	-	-	11,091,873
Outstanding Liabilities for expenses	75,834,387	-	-	-	75,834,387
Provision for Bonus	54,766,566	-	-	-	54,766,566
Sundry Liabilities	834,217	-	-	-	834,217
Total financial liabilities	3,292,845,813	330,845,773	1,032,288,457	2,187,339,314	6,843,319,357

Contractual maturities of financial liabilities 31-Dec-16	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Non-derivatives					
Borrowings	1,482,213,285	1,490,275,737	671,768,078	1,964,733,360	5,608,990,460
Interest	1,296,668,257	1,292,348,136	287,183,269	519,865,756	3,396,065,418
Security Deposit- Suppliers & Others	20,275,165	-	-	-	20,275,165
Sundry Creditors	286,299,886	-	-	-	286,299,886
Outstanding Liabilities to contractors	2,381,949	-	-	-	2,381,949
Outstanding Liabilities for expenses	82,938,008	-	-	-	82,938,008
Provision for Bonus	52,406,172	-	-	-	52,406,172
Sundry Liabilities	2,630,891	-	-	-	2,630,891
Total financial liabilities	**3,225,813,613**	**2,782,623,873**	**958,951,348**	**2,484,599,116**	**9,451,987,950**

Contractual maturities of financial liabilities 1-Jan-16	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Non-derivatives					
Borrowings	1,411,677,906	1,482,213,285	1,938,121,122	2,188,656,053	7,020,668,367
Interest	1,309,018,644	1,296,668,257	1,494,998,973	604,398,189	4,705,084,062
Security Deposit- Suppliers & Others	38,375,481		-	-	38,375,481
Sundry Creditors	324,006,213		-	-	324,006,213
Outstanding Liabilities to contractors	6,929,448		-	-	6,929,448

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Outstanding Liabilities for expenses	76,082,313	-	-	-	76,082,313
Provision for Bonus	54,727,031	-	-	-	54,727,031
Sundry Liabilities	2,389,969	-	-	-	2,389,969
Total financial liabilities	**3,223,207,005**	**2,778,881,542**	**3,433,120,095**	**2,793,054,242**	**12,228,262,884**

Market risk

The Company deals with foreign currency loan, trade payables etc... and is therefore exposed to foreign exchange risk associated with exchange rate movement.

The revenue earned from the export of energy to India is in foreign currency (Indian Rupee) which does not have foreign exchange fluctuation risk since Bhutanese Ngultrum (BTN) is pegged with Indian Rupee (INR). However company has started sourcing fund from international financial institute for the development of hydro power projects for which the company is exposed to foreign currency risk.

The risk is measured through a forecast of highly probable foreign currency cash flows. Further the Company manages its foreign currency risk other than in Indian Rupee by maintaining its foreign currency exposure, as approved by Board as per established risk management policy.

Foreign currency risk exposure

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

	31 December 2017		31 December 2016			1 January 2016	
	USD	**INR**	**USD**	**INR**	**EURO**	**USD**	**INR**
Financial assets		612,442,275		1,182,440,948			684,719,644
Financial liabilities	1,935,959,604	14,164,913	2,005,457,824	2,556,237,162	11,814,745	1,962,813,538	3,837,172,636
Net exposure to foreign currency risk	**(1,935,959,604)**	**598,277,362**	**(2,005,457,824)**	**(1,373,796,214)**	**(11,814,745)**	**(1,962,813,538)**	**(3,152,452,991)**

Sensitivity

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

USD sensitivity	Impact on profit before tax	
	31 December 2017	**31 December 2015**
Nu. Depreciate by 5% (2016: 5%)	(96,797,980)	(100,272,891)
Nu. Appreciate by 5% (2016: 5%)	96,797,980	100,272,891
EURO sensitivity		
Nu. Depreciate by 5% (2016: 5%)	-	(590,737)
Nu. Appreciate by 5% (2016: 5%)	-	590,737

* Holding all other variables constant

As value of Nu. is constantly equal to the INR, company is not exposed to any foreign currency risk relating to amount receivables/payable in INR.

(ii) Interest rate risk

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

The Company has only fixed rate borrowings and are carried at amortized cost. Further inter corporate loans given and investment made by the Company also bears fixed rate of interest. Interest income and interest expenses, are therefore not subject to interest rate risk as defined in BFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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Note 29: Capital management

(a) Risk management

The company's objectives when managing capital are to:

Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

Maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company is based on management's judgment of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The funding requirement is met through a mixture of equity, grants, long term borrowings and short term borrowings.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditors and market confidence and to sustain future development and growth of its business. The Company will take appropriate steps in order to maintain, or if necessary adjust, its capital structure.

(i) **Loan covenants**

Under the terms of the major borrowing facilities, the company is required to comply with a financial covenant during the year ending 31 December 2017 which is debt service coverage ratio. There was no loan covenants on the Company prior to 31 December 2017.

The company has complied with these covenants throughout the reporting period. As at 31 December 2017, the debt service coverage ratio was 3.70.

The debt service coverage ratio was as follows:	Amount (Nu.)
	31 December 2017
EBITA	9,837,467,780
Debt Service	2,655,943,532
Debt service coverage ratio	3.70

Note 30: Additional Disclosures

a) 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. 31,545.688 million (31,545.688 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.

b) 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

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c) Dagachhu Hydro Power Corporation Limited is a subsidiary company, where DGPC is having 2,437,880 equity shares of Nu. 1,000 each 59% stake along with 26% is held by Tata Power Company Limited and 15% by National Pension & Provident Fund (NPPF).

d) Tangsibji Hydro Energy Limited (THyE) is a subsidiary company where DGPC has been allotted 36,000,000 equity shares of Nu. 100 each. Nu.1,518.453 million has been called up and paid till 31.12.2017. Being the only investor as of 31.12.2017, company has 100% stake in THyE, however, this is expected to change in future with expected participation from other investors.

e) Bhutan Hydropower Services Limited (BHSL) was formed as a joint venture between DGPC and ALSTOM Hydro Holdingolding , France vide agreement dated 6th June, 2012 with 51% and 49% equity shareholding respectively. The company has been allotted fully paid up 2,550,000 equity shares of Nu 100 each.

f) Kholongchhu Hydro Energy Limited was formed as a joint venture between DGPC and SJVN Limited, a Government of India Undertaking,olding, a Government vide agreement dated 30th September, 2014 with 50% equity shareholding each. DGPC has been allotted with 10,000,000 equity shares of Nu. 100 each. Nu. 996.595 million has been called up and paid till 31.12.2017.

g) In line with the DHI letter no. DHI/CEO/DGPC/114/2016/351 dt. 04.04.2016 duly approved in 64th Druk Green Board Meeting and 9th Druk Green Annual General Meeting, DGPC investment in DHI Infra Limited of 95% of the total equity worth Nu. 190,000,000.00 was transferred to DHI through the dividend and adjustment against the Group Investment Reserve in 2016.

h) As per the DHI's instruction, DGPC's freehold land (without encumbrance) under the Mongar and Wangdu Phudrang Dzongkhags has been successfully transferred to DHI at book value of Nu. 4,454,133.72 in year 2016 and Nu. 84,730.01 in year 2017 respectively. Accordingly the land of Kurichhu Hydropower Plant and Basochhu Hydropower Plant of DGPC falling under above Dzongkhag has been derecognized from the DGPC books by debiting the reserves.

i) Bhutan Electricity Authority (BEA) vide its letter No. BEA/ECO/TARIFF/2016-2017/525 dated 30th December, 2016 and BEA/ECO/TARIFF/2016-2017/526 dated 30th December, 2016 approved for revision in domestic tariff for additional energy from Nu. 1.39/kWh to Nu. 1.59/kWh and wheeling charge from Nu.0.114/kWh to Nu. 0.195/kWh, applicable with effect from 1st January, 2017 to 30th June, 2019. The rate for energy imported from PTC India Ltd and billed to BPC was revised from Nu. 1.98/kWh to Nu. 2.12/kWh.

j) 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. The decision of the export tariff, effective from 1st January 2017 has not been confirmed and therefore the billing for the export of energy has been done at Nu. 2.25/kWh and accordingly PTC India Ltd as the buyer has paid accordingly. The export tariff for Tala and Kurichhu was revised from Nu. 1.98/kWh to Nu. 2.12/ kWh applicable from 1st December, 2016 for a five year period, valid until 30th November, 2021.

k) The monetary grant worth of Nu. 23.31 million (Previous year – Nu. 19.95 million) was received and Nu. 11.81 million (previous year Nu. 9.50 million) had become receivable as compensation for expenses already incurred by the company in 2016 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.

l) A Loan of Nu. 708,000,000.00(Ngultrum Seven Hundred Eight Million) and Nu. 1,648,872,940.86 (Ngultrum One Billion Six Hundred Forty Eight Million Eight Hundred Seventy Two Thousand Nine Hundred Forty and Chetrum Eighty Six), was availed via subsidiary agreement between Royal Government of Bhutan and the then erstwhile Basochhu Hydropower Corporation Ltd. (for Lower Stage and Upper Stage) dated 14th October, 2004 and 1st August, 2006 respectively for a tenure of 18 years and 20 years at a fixed interest rate of 6 % each respectively per annum.

m) A Loan of Nu. 15,588,560,274.92(Ngultrum Fifteen Billion Five Hundred Eighty Eight Million Five Hundred Sixty Thousand Two Hundred Seventy Four and Chetrum Ninety Two) only, was availed via Inter – Governmental Agreement

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n) Asian Development Bank (ADB) has sanctioned a loan of USD 29,000,000.00(US Dollar Twenty Nine Million) equivalent to Special Drawing Rights (SDR) of 18,832,000.00 (SDR Eighteen Million Eight Hundred and Thirty Two Thousand) only, on the date of the signing of agreement via subsidiary agreement between Royal Government of Bhutan and Druk Green Power Corporation dated 3rd March, 2009 for a period of 32 years including a grace period of 8 years at the interest rate of 3.15% per annum. The repayment of principal has started from 15th April 2017.

o) Asian Development Bank (ADB) has sanctioned Special Funds resources a loan of Special Drawing Rights (SDR), SDR 16,987,000.00 (SDR Sixteen Million Nine Hundred Eighty Seven Thousand) only and grant of US$ 25,250,000.00 (US Dollar Twenty Five Million Two Hundred Fifty Thousand) only for the purposes of implementation of the Second Green Power Development Project, on the date of the signing of agreement via subsidiary agreement between Royal Government of Bhutan and Druk Green Power Corporation dated 12th June, 2015 for a period of 32 years including a grace period of 8 years at the interest rate of 1% per annum during the grace period and 1.5% per annum thereafter.

p) A Loan of Nu. 587,000,000 (Ngultrum Five Hundred Eighty Seven Million) only, was availed from Bank of Bhutan Limited at floating interest rate of 7.11% per annum with grace period of 3 years and repayment period of 15 years to finance the portion of construction of 400 kV Mangduechhu-Jigmeling via Goling transmission line.

q) Inter Corporate Borrowing
During the year, an inter-corporate loan of Nu. 255,000,000.00 (Ngultrum Two Hundred Fifty Five Million) has been provided to Dungsum Cement Corporation Ltd. (DCCL) and 21,000,000.00 (Ngultrum Twenty One Million) has been provided to Bhutan Hydropower Services Limited, Fellow Subsidiary, via loan agreement dated 17th August 2017 for the period up to 31st March 2018 and loan agreement dated 29th September 2017 for the period up to 29th May, 2018 respectively at the interest rate of 6.25% per annum each.

r) Provision of Bonus-

	Amount
Balance as at 1 January 2017	52,406,172.41
Payment during the year	51,426,793.00
Adjustment/Excess Provision written back during the year	979,379.41
Addition during the year	50,447,413.59
Closing Balance as at 31 December, 2017	**50,447,413.59**

s) With the implementation of BAS- 40: Investment Property, the land on lease by DGPC was derecognized from Property, plant and equipment and accounted under Investment Property. The changes in this account during the year are given below:

	Amount
Transfer from Property, plant and equipment	32,000,000.00
Addition during the year	-
Deletion/Adjustments during the year	-
Depreciation during the year	-
Depreciation on Deletion/Adjustments	-
Balance as at 31 December 2017	**32,000,000.00**

t) A company has earned a gain of Nu. 127.01 million (previous year Nu. 40.28 million incurred loss) in 2017 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 and charged to statement of comprehensive income.

u) All the balances against debtor, creditors and advances are based on the invoices raised to/ raised from and advances

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v) The tax assessment of DGPC for the income years 2014 and 2015 was carried out in the year 2016 by the tax officials from Regional Revenue & Customs Office through tax assessment notice no RRCOTH-Tax/CIT-24/2016/190 dt. 15th August, 2016. After the completion of the assessment, demand notice for payment of additional taxes of Nu. 145,548,520.55 was issued via notice no. RRCOTH-TAX/CIT 24/2016/426 dt. 09.01.2017. Of the additional taxes payable of Nu. 145,548,520.55, Nu. 238,103.36 of additional taxes have been accepted and payment made in the year 2016 and Nu. 105,447,740.43 of additional taxes have been accepted and payment made in the year 2017. The 24% of late penalty interest amounting Nu. 63,471,891.56 is still neither paid nor provided and awaiting the directions from DGPC Board. The balance tax demand of Nu.18,361,692.59 on account of disallowance of expenses Performance Based Variable Allowance (PBVA) is under appeal by DHI collectively on behalf of DHI Subsidiaries companies by DHI vide letter no. DHI/CEO/MoF/2017/616 dated 6th October, 2017 and vide letter no DHI/CEO/MoF/2017/4 dated 1st January 2018 requesting the DRC and MoF to consider the PBVA paid until 2016 as tax deductible and waive off the penalty thereon. The effect of the deferred tax on foreign exchange gain/loss has been taken prospectively from the year 2017

w) DGPC has an investment of Nu. 255 million in Bhutan Hydropower Services Limited (BHSL) (Joint Venture). BHSL has been incurring losses and their accumulated losses have exceeded more than 50% of Net worth of BHSL. The management has not carried out any impairment testing of the same since in their view, the losses are temporary in nature and BHSL has got various orders which shall result in the company making profits in future.

x) The company has identified the obsolete inventory and made required provisions during the year. The company is also in the process of identifying and declaring the non-moving materials.

y) Quantitative Information of purchase and sale of power:

(Amt: Millions) (Units: Millions)

	2017		2016	
Particulars	**Units (kWh)**	**Amount (Nu)**	**Units (kWh)**	**Amount (Nu)**
Purchase	207.89	440.95	110.64	222.50
Self-Generation	7,248.92		7,573.84	
Sale:				
Within Bhutan	2,317.283	3,684.48	2,084.688	1,402.80
Export to India	5,068.48	8,267.51	5,484.00	11,199.39
Internal Consumption & Losses	71.05	1.38	115.80	0.80
Total	**7,456.81**	**11,953.38**	**7,684.48**	**12,602.99**

z) All existing generation plants (Kurichhu, Chhukha, Tala and Basochhu) fully owned by the RGoB have to provide 15% of the annual generation as royalty energy to RGoB free of charge. All other generation plants shall provide royalty energy as per the SHDP. RGoB shall have the option to avail the royalty energy either in energy or cash in lieu at the highest off-take rate or pro-rated thereof after adjusting for admissible losses and wheeling charges. Till 2016 Royalty obligation portion were paid on the domestic tariff rate and from 1-Jan-2017 it has been paid as per the instruction of Electricity Subsidy and Royalty Payment Framework 2017. Royalty Energy of 1,053.65 MU (previous year 1,122.44 MU) amounting to Nu. 2,275.58 million (Previous year 1,560.19 million) was supplied at highest off-take/export tariff in 2017.

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

Amount in Million (Nu.)

	Particulars	2017	2016
a)	TDS Payable	0.79	0.95
b)	Corporate Income Tax	1,631.99	1,977.91
	Total	**1,632.78**	**1,978.86**

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Auditors remuneration:

Amount in Million (Nu.)

	Particulars	2017	2016
a)	Audit Fess	0.52	0.52
b)	Out of pocket expenses	0.69	0.70
	Total	**1.21**	**1.22**

Note 31: Related Party Disclosures

The company is a wholly owned subsidiary of Druk Holding & Investments (DHI) (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:

	2017	2016
Parent -	% of Holding	% of Holding
Druk Holding & Investment	100%	100%

Subsidiaries -		
Dagachhu Hydro Power Corporation Ltd.	59%	59%
Tangsibji Hydro Energy Limited	100%	100%

Joint Venture -		
Kholongchhu Hydro Energy Ltd.	50%	50%
Bhutan Hydropower Services Ltd.	51%	51%

Fellow Subsidiaries -	
1.	Bhutan Power Corporation Limited
2.	Bank of Bhutan Limited
3.	Bhutan Telecom Limited
4.	Druk Air Corporation Limited
5.	State Trading Corporation Limited
6.	Dungsam Cement Corporation Limited
7.	Wood Craft Center Limited
8.	Construction Development Corporation Limited
9.	Bhutan Board Product Limited
10.	Dungsam Polymers Limited
11.	Penden Cement Authority Limited
12.	Natural Resources Development Corporation Ltd.
13.	State Mining Corporation Limited
14.	Thimphu Tech Private Limited

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Name of Related Party	Relationship	Nature of transaction with related party	2017	2016	2015
Druk Holding & Investments	**Holding Company**	a. Payment of Dividend(Net)	4,993,351,834	2,876,297,743	2,510,873,664
		b. Advance Dividend	-	740,000,000	1,835,200,000
		c. Interest expenses on Loan	-	17,401,539	-
		d. Equity outstanding	832,822,000.00	-	204,575,000
		e. Management & Brand Fee	107,424,699	64,983,161	71,729,627
		f. Corporate Guarantee Fee	-	825,000	-
		g. Interest Income on Inter Corporate Loan	-	-	13,150,684
		h. Transfer of Land	84,730	4,454,134	
Bhutan Power Corporation Limited	**Fellow Subsidiary**	a. Sale of Electricity	3,684,480,813	1,402,795,938	1,545,516,822
		b. Wheeling Charges paid	947,814,135	617,472,079	592,984,485
		c. Consumption of Electricity by DGPC	10,333,161	11,794,409	13,453,935
		d. Receivable on energy sold	665,826,077	32,383,003	231,847,481
		e. Payable towards Wheeling Charges	53,508,827	20,285,295	11,620,417
		f. Royalty Charges	-	1,560,196,170	1,520,595,230
		g. Telephone, Fax, Internet Services & Others	220,839	220,839	491,513
		h. Electricity Expenses Payable	810,621	727,873	1,210,313
Bank of Bhutan Limited	**Fellow Subsidiary**	a. Bank Charges	337,616	423,962	281,237
		b. Interest Expense on Loan	7,061,918	13,443,443	34,250,172
		c. Interest on Deposit	-	-	407,924
Bhutan Telecom Limited	**Fellow Subsidiary**	a. Security Deposit Received	-	51,727	-
		b. Payable towards Telephone, Internet Services	2,367,918	88,169	134,297
		c. Data Center Services Charges	8,509,178	1,051,191	-
		d. Rental Income	16,155	8,550	8,550
		e. Telephone, Fax, Internet Services & Others	2,835,225	2,768,910	2,839,533
Druk Air Corporation Limited	**Fellow Subsidiary**	a. Purchase of Air Tickets and Others	6,710,644	3,820,607	9,491,425
		b. Payable towards Air Tickets	298,141	236,138	529,715
State Trading Corporation Limited	**Fellow Subsidiary**	a. Vehicle Procurement	10,475,696	8,407,872	15,453,245
		b. Repair and Maintenance of Vehicles	15,462,665	7,408,969	9,187,488
		c. Payable towards R&M Services	1,175,172	3,097,835	694,851
		d. Purchase of Construction Material	-	338,052	-
		e. Purchase of IT Equipment's	-	818,847	-
		f. Deposit Received	605,989	1,221,126	1,015,506
Bhutan Hydropower Services Limited	**Joint Venture**	a. Equity Investment	255,000,000	255,000,000	255,000,000
		b. Income from Leased Land and Other Services	2,362,270	1,234,800	1,826,813
		c. Services availed related to R&M of Electro -Mechanical Equipment's	100,895,188	139,733,252	73,135,906
		d. Advance Payment	-	144,289	2,685,430
		f. Short term Loan to BHSL	21,000,000		
		e. Interest Income on Inter Corporate Loan	338,014	1,155,208	-
		f. Trade Payable	-	3,032,553	-
Dagachhu Hydropower Corporation Limited	**Subsidiary**	a. Equity Investment	2,437,880,000	2,437,880,000	2,437,880,000
		b. Income on Services Provided	3,818,733	3,670,071	1,398,448
		c. Dividend Income	-	44,723,250	-
		d. Trade Receivable	5,871,040	70,269	
		e. Non-Trade Receivable	2,645,480	1,047,806	
Tangsibji Hydro Energy Limited	**Subsidiary**	a. Equity Investment	1,518,453,305	1,174,428,411	1,019,428,411
		b. Income on Services Provided	937,622	812,394	488,865
		c. Trade Receivable	-	149,495	
		d. Non-Trade Receivable	-	677,158	

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Dungsam Cement Corporation Limited	**Fellow Subsidiary**	a. Inter-Corporate Loan	255,000,000	400,000,000	300,000,000
		b. Interest Income on Loan	12,365,753	13,808,197	9,959,068
		c. Accrued Interest on Loan	5,938,356	2,450,820	6,517,808
		d. Income from CoE Services	42,160	119,270	273,090
		e. Trade Receivable	-	87,800	0
Kholongchhu Hydro Energy Limited	**Joint Venture**	a. Equity Investment	996,595,000	429,575,000	204,575,000
Wood Craft Center Limited	**Fellow Subsidiary**	a. Procurement of Furniture & Fixture	531,955	1,280,631	2,148,575
		b. Payable towards Purchase of Furniture	-	745,870	143,885
		c. Performance Security Deposit	32,514	17,324	-
Construction Development Corporation Ltd.	**Fellow Subsidiary**	a. Advance Payment	3,405,782	8,304,872	-
		b. Drift Works	44,055,098	10,152,173	-
		c. Miscellaneous Services	-	8,518	-
Bhutan Board Products Limited	**Fellow Subsidiary**	a. Procurement of Furniture & Fixture	-	691,620	-
		b. Trade Payable	-	64,043	-
Natural Resources Development Corporation Ltd	**Fellow Subsidiary**	a. Purchase of construction materials	94,534	-	-

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	
Sl. No.	**Particulars**	**2017**	**2016**
a)	Short- term employee benefits	3.90	3.07
b)	Post- employment benefits (PEB)*	-	-
c)	Other long- term benefits (OLTB)*	-	-
	Total	**3.90**	**3.07**

*No separate valuation is done for key managerial personnel (Managing Director) in respect of PEB and OLTB. The same is included in the Note 19: Employee remuneration and benefits.

Note 32: First-time adoption of BAS/BFRS

Transition to BAS/BFRS

These are the Company's first financial statements prepared in accordance with BAS/BFRS.

The accounting policies set out in Note 23, have been applied in preparing the financial statements from the year ended 31 December 2017, the comparative information presented in these financial statements for the year ended 31 December 2016 and in the preparation of an opening BFRS balance sheet at 1 January 2016 (the Company's date of transition). In preparing its opening BFRS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the Bhutanese Accounting Standards (BAS) Phase I and Phase II and interpretations issued by AASBB to the extent is applicable to the companies reporting under BAS and the relevant provisions of The Companies Act of Bhutan, 2016. An explanation of how the transition from BAS phase I & II to BAS/BFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A. Exemptions and exceptions availed

Set below are the applicable BAS/BFRS optional exemptions and mandatory exceptions applied in the transition from BAS phase I & II to BAS/BFRS.

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

A.1 BAS/BFRS optional exemptions

A.1.1 Investments in subsidiaries and joint ventures

In separate financial statements, a first-time adopter that subsequently measures an investment in a subsidiaries and joint ventures at cost, may measure such investment at cost (determined in accordance with BAS 27) or deemed cost (fair value or BAS phase I & II carrying amount) in its separate opening BAS/BFRS balance sheet. Selection of fair value or BAS phase I & II carrying amount for determining deemed cost can be done for each subsidiary and joint venture.

Accordingly, the Company has complied to measure all of its investment in joint ventures and subsidiaries at their BAS phase I & II carrying value.

A.1.2 Borrowing cost

The Company has applied the transitional provisions in BAS 23 Borrowing Costs and capitalizes borrowing costs relating to all qualifying assets after the date of transition. Similarly, the Company has not restated for borrowing costs capitalized under BAS phase I & II on qualifying assets prior to the date of transition to BAS/BFRS.

A.1.3 Property, plant and equipment

A first-time adopter that subsequently measures property, plant and equipment at cost, may measure such property, plant and equipment at cost (determined in accordance with BAS 16) or fair value in its opening BAS/BFRS balance sheet.

Accordingly, the Company has complied to measure all of its property, plant and equipment as at cost as per BAS 16.

A.2 BFRS mandatory exceptions

A.2.1 Estimates

An entity's estimates in accordance with BFRS at the date of transition to BFRS shall be consistent with estimates made for the same date in accordance with BAS phase I & II (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

BFRS estimates as at 1 January 2016 are consistent with the estimates as at the same date made in conformity with BAS phase I & II.

A.2.2 Classification and measurement of financial assets

BFRS 1 requires an entity to assess classification and measurement of financial assets on the basis of the fact and circumstances that exits at the date of transition to BFRS.

A.2.3 Government loans

A first-time adopter is required to apply the requirements in BFRS 9 and BAS 20 prospectively to government loans existing at the date of transition to BFRS. However, a first-time adopter may choose to apply the requirements of BFRS 9 and BAS 20 to government loans retrospectively, if the information needed to do so had been obtained at the time of initially accounting for that loan.

The Company has complied with BAS 20 on loans obtained from government on and after the date of transition.

B. Reconciliation

Reconciliation of total equity as at 1 January 2016		Amount in Nu.
Particulars	**Notes**	**Amount**
Total equity (shareholder's fund) as per BAS Phase I & II		**42,881,197,494**
Adjustments		
Investment in fixed deposits and bonds recognized as per EIR	1	(9,381,274)
Group investment reserve adjusted with investment amount	4	(190,000,000)
Employee benefit expense recognized as per actuarial report	2	(19,152,878)

Re-measure of employee benefit recognized as per actuarial report	2	(23,045,995)
Lease rental recognized as per straight lining	5	3,724,144
Unwinding and discounting of deferred rent	6	(3,357,565)
Balance of equity as per BAS/BFRS before tax impact on adjustments		**(241,213,569)**
Tax effects of adjustments	3	(15,364,071)
Balance of Equity as on 1 January 2016 as per previous BAS/BFRS		**42,655,347,995**

Reconciliation of total equity as at 31 December 2016		Amount in Nu.
Particulars	**Notes**	**Amount**
Balance of Equity as on 31 December 2016 as per BAS Phase I & II		**44,415,752,257**
Adjustments		
Investment in fixed deposits and bonds recognized as per EIR	1	(9,628,863)
Lease rental recognized as per straight lining	5	4,851,614
Unwinding and discounting of deferred rent	6	(4,336,936)
Capitalization of expenditure	7	2,659,530
Balance of equity as per BFRS before tax impact on adjustments		**(6,454,655)**
Tax effects of adjustments	3	(1,936,396)
Balance of Equity as on 31 December 2016 as per previous BAS/BFRS		**44,411,233,999**

Reconciliation of total comprehensive income for the year ended 31 December 2016		
Particulars	**Notes**	**Amount (in Nu.)**
Total comprehensive income as per BAS Phase I & II		5,548,168,705
Adjustments		
Investment in fixed deposits and bonds recognized as per EIR	1	(247,589)
Employee benefit expense recognized as per actuarial report	2	(9,716,286)
Remeasure of employee benefit recognized as per actuarial report	2	51,915,159
Lease rental recognized as per straight lining	5	1,127,470
Unwinding and discounting of deferred rent	6	(979,370)
Capitalization of expenditure	7	2,659,530
Tax effects of adjustments	3	(13,427,674)
Total adjustments		**31,331,240**
Balance of total comprehensive income 2016 under BAS/BFRS		**5,579,499,945**

C: Notes to first-time adoption:

Note 1: Investments

Under the BAS phase I & II, interest accrued (where interest is only paid at the maturity period) and investments on fixed deposits and bonds which might be repaid with a premium are recorded at their transaction value. Under BAS/BFRS, all financial assets are required to be recognized at fair value. Accordingly, the Company has fair valued these investment under BAS/BFRS. Difference between the fair value and transaction value of the investments has been recognized under retained earnings. Note 1: Investments

Note 2: Employee benefit obligation

Under BAS phase I & II, the Company had recognized employee benefit obligations as per the management estimates.

However under BAS/BFRS employee benefit obligations have been accounted for as per the requirement of BAS 19 and the actuarial valuation report.

Note 3: Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 23, the Company has to account for such differences. Deferred tax adjustments are recognized in correlation to the underlying transaction either in retained earnings or a separate component of equity.

Note 4: Group investment reserve

As per BAS 1, offsetting should be done when it would reflect the substance of the transaction or other event. Investment in DHI infra and group investment has been offset to reflect the substance of the transaction for which the group investment reserve was created.

Note 5: Lease rental

Under BAS phase I & II, the Company recognized lease rental as per the contractual terms. However as per BAS 17, lease income under an operating lease are to be recognized as an income on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Note 6: Initial recognition of financial asset

As per BAS 32, deferred rent would meet the definition of financial asset. Further as per BAS 39, financial asset should initially be recognized at fair value. Hence deferred rent has been recognized at fair value and subsequent at amortized cost.

Note 7: Capitalization of expenditure

Under BAS phase I & II, the Company had charged the expense to statement of total comprehensive income. However as per BAS 16, cost of an item of property, plant and equipment shall be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity; and the cost of the item can be measured reliably. Hence cost which are in the nature of property, plant and equipment are being capitalized.

Note 8: Retained earnings

Retained earnings as at 1 January 2016 has been adjusted consequent to the above BAS/BFRS transition adjustments

Note 9: Statement of cash flows

The transition from phase manner to BAS/BFRS has not had a material impact on the statement of cash flows.

Signatures on Notes 1 to 32

For T R Chadha & Co LLP
Chartered Accountants
Firm's Registration No. 006711N/N500028

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

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(Vikas Kumar)
Partner
Membership No. 75363

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Place: -

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

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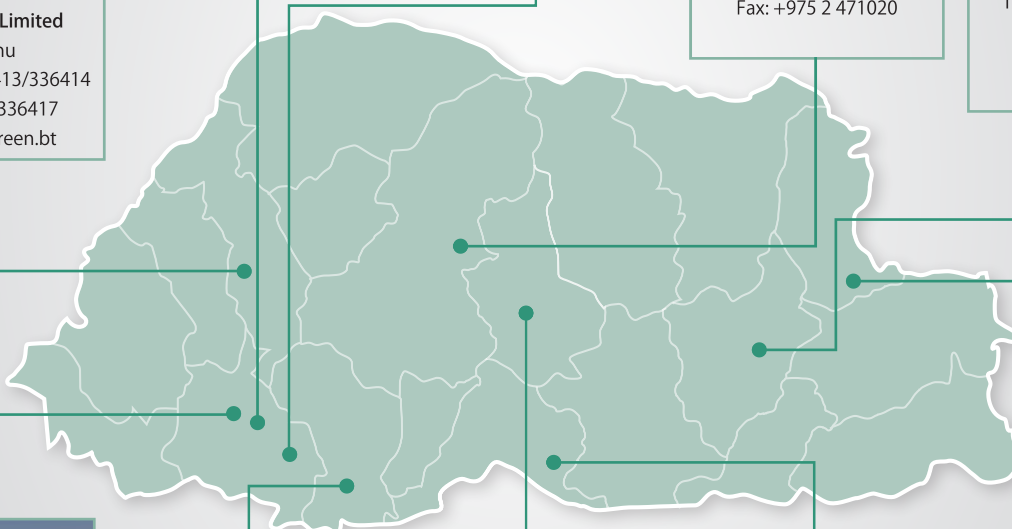

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