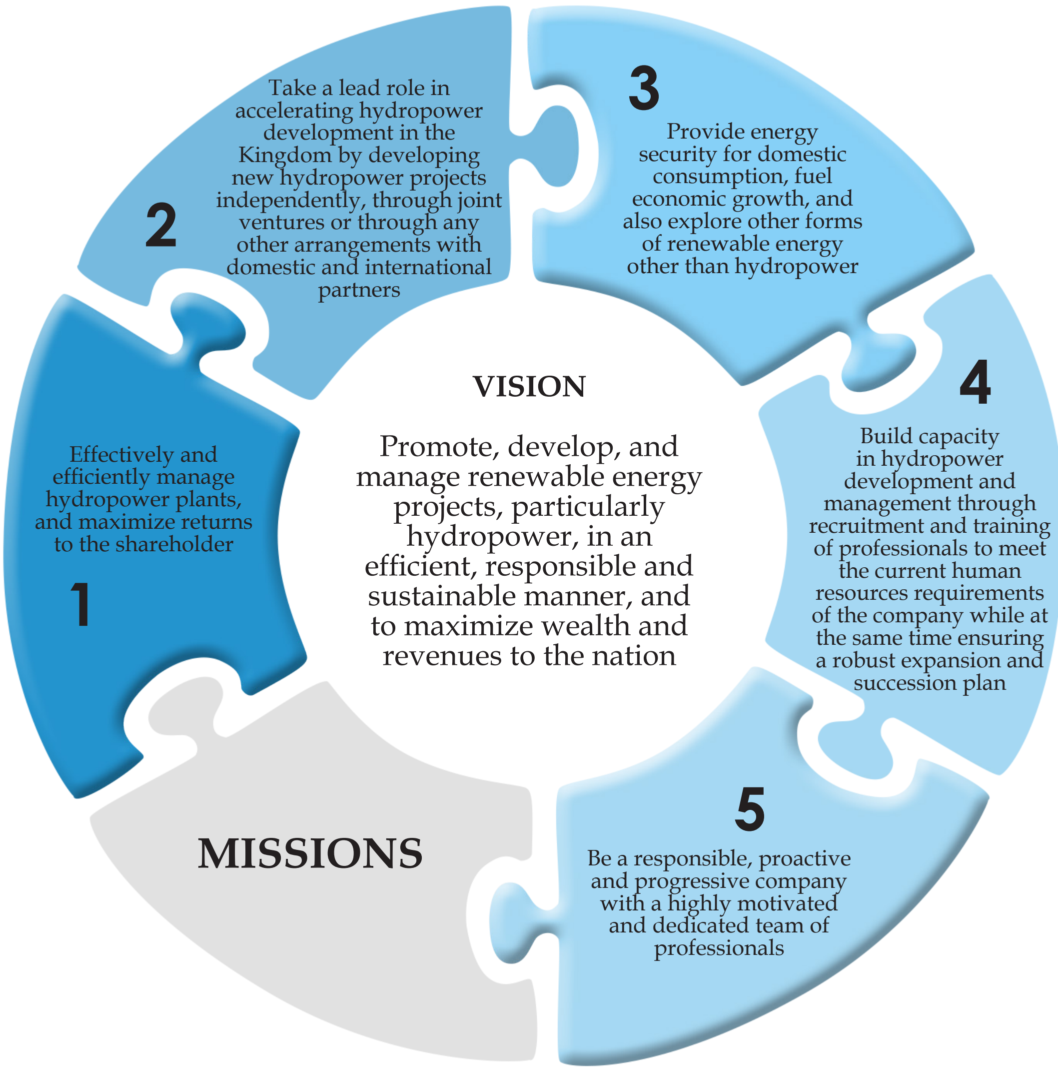
ANNUAL REPORT 2018

Druk Green Power Corporation Limited



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BHUTAN'S ELECTRICITY GENERATING COMPANY

Druk Green Power Corporation Limited (DGPC) is an ISO certified company that operates and maintains hydropower assets of Bhutan. It was established in January 2008 with the merger of the three hydropower corporations of Basochhu, Chhukha and Kurichhu under Druk Holding & Investments Limited. Tala was merged with DGPC in 2009. Since then, DGPC has grown significantly.

Bhutan's current hydropower installed capacity is 1,615 MW. With about 70% of the energy generated being exported to India, hydropower revenues constitute about 27% of revenues to the exchequer and offset much of the balance of payments with India and contributes about 13% of the country's gross domestic product.

DGPC strives to consistently deliver value to its Shareholder by diversifying its business in hydropower and allied services. With the growing portfolio of hydropower plants and consolidation of its ventures into hydropower investigation, design and engineering, construction, automation, and consultancy services, DGPC has built up a dedicated team of professionals at various levels in diverse fields.

A YEAR IN REVIEW

2018 did not bode too well for Druk Green Power Corporation Limited (DGPC). Two of its employees lost their lives in January when an MIV bypass pipe ruptured at THP. In June, a fire accident in the drift of the ongoing detailed investigations for Nyera Amari Hydropower Project due to presence of inflammable gases resulted in the loss of five lives.

The award of major contract packages for 600 MW Kholongchhu project continued to be delayed with the project yet to conclude a Concession Agreement with Royal Government of Bhutan (RGoB). The 118 MW Nikachhu Hydropower Project also continued to see delays due to encountering geotechnical surprises with some of the project components.

DGPC's power plants registered the lowest generation at 6,574 MU, much below the 7,440 MU forecasted for the year due to very poor hydrology, especially in the Wangchhu watershed. Dagachhu Hydro Power Corporation Limited, a subsidiary of DGPC, also recorded the lowest generation since its commissioning.

Despite the setbacks, DGPC maintained very high levels of power plant availability and water utilisation factors in the operation and maintenance of its generating power plants. While lower generation affected overall revenues, the effective management of its resources enabled the Company to still declare a dividend of Nu. 4,500 million to the Shareholder in addition to the royalty payments to RGoB.

In the capacity of the Shareholder, DGPC continued to actively try and get both Kholongchhu and Nikachhu projects back on track. In the ongoing implementation of 720 MW Mangdechhu, 1,200 MW Punatsangchhu-I and 1,020 MW Punatsangchhu-II Hydroelectric Projects, DGPC officers on deputation hold key positions in many of the critical activities as every effort is being made to expedite these projects. The Mangdechhu project management and the Ministry of Economic Affairs entrusted DGPC with the establishment of the operation and maintenance team that would eventually take over the project from the Authority on behalf of RGoB. DGPC is working closely with Mangdechhu project management in the final phases of construction, erection and commissioning of the project.

As it aspires to excel and become world class in all aspects of the water-to-wire hydropower business, DGPC continued to invest in building its human resources with support to trainings, attachments to industries and long term studies. DGPC also adopted a new Performance Management System that more closely links performance at the individual employee level to that of the Company. DGPC expanded on its linkages to relevant global institutions in learning, research and development, while continuing to nurture existing linkages. The Hydropower Research and Development Centre (HR&DC) was established on the premises of THP to give it focus and to put it on its path to growth and expand on the Centres of Excellences. With the experience and expertise gained, HR&DC has moved beyond providing its services to DGPC's entities to other hydropower projects and private industries. DGPC got itself ISO certified in Integrated Management Systems to further strengthen internal systems to take forward these and other new initiatives.

As DGPC expanded and grew with diversification within the hydropower sector, it established BHUTAN AUTOMATION in joint venture with Andritz Hydro for integration and manufacture of automation systems for hydropower and other related industries in Bhutan and beyond. During the year, BHUTAN AUTOMATION initiated work on a SCADA system including the replacement of governing and excitation systems for Kurichhu Hydropower Plant. Punatsangchhu-II project also placed order for its computerised control and protection system on BHUTAN AUTOMATION. For the first time, DGPC also deputed 12 of its employees for the operation and maintenance of a power plant in India as DGPC looks beyond the national borders for providing its services.

Challenges continue with resolving the teething problems of the computer control system, the nozzle injector system, and with the convergence in the underground powerhouse caverns and the failures of rock-bolts at THP. At Chhukha Hydropower Plant, investments continue to be made in rehabilitation and modernisation of the aging electro-mechanical and hydro-mechanical equipment to extend the plant's life. There is some level of uncertainty with the pace of the future development of hydropower projects as Bhutan tries to understand the evolving energy markets. With the slowdown in new projects, Druk Green Consultancy group has been mandated to also take on the design, engineering and management of any major renovation and rehabilitation activities with the existing power plants.

There are also concerns with the performance of a few of its subsidiary companies, especially Bhutan Hydropower Services Limited. BHSL was created in joint venture with Alstom/GE for specialised services for reclamation of underwater hydro-mechanical components such as runners. The facility was created for 10,000 MW but with the delay of the 10,000 MW by 2020 projects, the facility is not loaded optimally. In 2018, BHSL expanded to manufacture Francis runners with technical backstopping from GE. Plans are afoot to expand into the manufacture of Pelton runners starting 2019 to provide more loading to the facility.

The Government of India issued a revised set of guidelines for cross border trade in electricity. This could address the long-term viability concern for Dagachhu as Dagachhu power might start to fetch better tariffs with expanded accessibility to short-term energy markets.

With the hydropower sector evolving and the felt need for diversification within and outside the sector, DGPC has started to work on its Roadmap 2030. A hydropower development strategy is likely to be endorsed by the RGoB soon. Irrespective of the changes taking place and adoption of new strategies, hydropower will remain the cornerstone of Bhutan's economic growth and transformation. DGPC will therefore need to continue to invest in its people, grow on its present strengths and shoulder its major mandates to effectively and efficiently manage generating power plants, to play a key role in the development of Bhutan's hydropower resources, and to be a regionally and internationally recognised hydropower generation utility now and in future.

Chhewang Rinzin
(Managing Director)

GENERATING PLANTS

336 MW CHHUKHA HYDROPOWER PLANT

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

60 MW KURICHHU HYDROPOWER PLANT

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

24 MW BASOCHHU HYDROPOWER PLANT (UPPER STAGE)

Installed capacity : 2 x 12 MW
Design energy : 105 MU
Project scheme : Run-off-the-River
Project commission : 2001

40 MW BASOCHHU HYDROPOWER PLANT (LOWER STAGE)

Installed capacity : 2 x 20 MW
Design energy : 186 MU
Project scheme : Run-off-the-River
Project commission : 2004

1,020 MW TALA HYDROPOWER PLANT

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

SUBSIDIARY COMPANIES

126 MW DAGACHHU HYDRO POWER CORPORATION LIMITED

Installed capacity : 2 x 63 MW
Design energy : 515 MU
Project cost : Nu. 12.52 billion
Incorporation : May 13, 2008
COD : February 2015
Shareholder : DGPC (59%), Tata Power (26%), NPPF (15%)

118 MW TANGSIBJI HYDRO ENERGY LIMITED

Installed capacity : 2 x 59 MW
Design energy : 419.52 MU
Project estimated cost : Nu. 11.96 billion
Incorporation : April 25, 2014
Project schedule : April 2016 - April 2021
Shareholder : DGPC (100%)

JOINT VENTURE COMPANIES

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
Incorporation : October 23, 2012
COD : September 30, 2014
Shareholder : DGPC (51%), GE (49%)

600 MW KHOLONGCHHU HYDRO ENERGY LIMITED

Installed capacity : 4 x 150 MW
Mean annual generation : 2,568.88 MU
Project estimated cost : Nu. 38.69 billion
Incorporation : June 12, 2015
Shareholder : DGPC (50%), SJVN (50%)

BHUTAN AUTOMATION & ENGINEERING LIMITED

Business scope : Manufacturing of automation systems for hydropower plants
Project estimated cost : Nu. 60.00 million
Incorporation : November 8, 2017
Shareholder : DGPC (51%), Andritz Hydro (49%)

DIRECTORS' REPORT

To the Shareholder,

The Board of Druk Green Power Corporation Limited (DGPC) would like to report on the performance of the Company for the period January 1, 2018 to December 31, 2018.

OPERATIONAL HIGHLIGHTS

Generation
6,573.990 MU

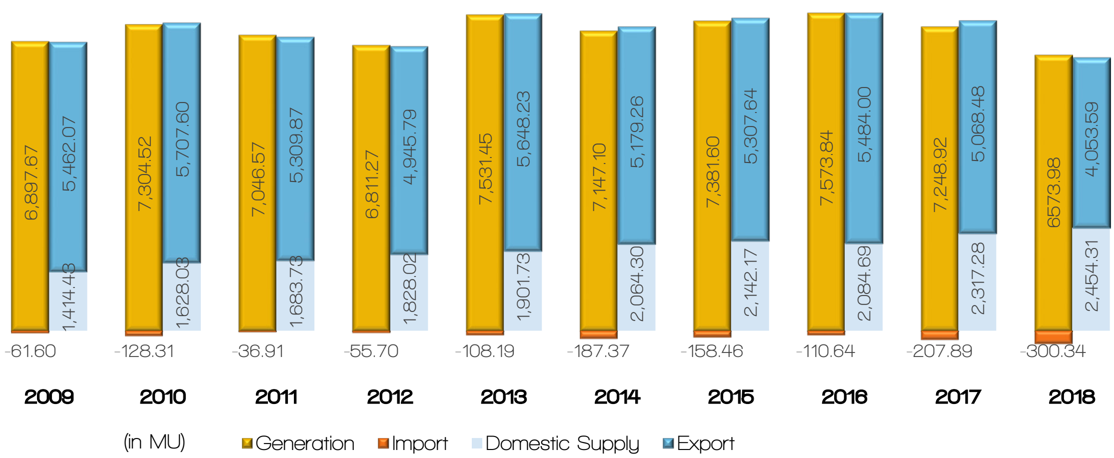
Export
4,053.588 MU

Domestic supply
2,454.306 MU

The Tala, Chhukha, Kurichhu and Basochhu Hydropower Plants generated 6,573.990 million units (MU) of electricity during 2018, a decrease of 9.31% from the aggregate generation of 7,248.918 MU in 2017. This was 13.18% lower than the generation target of 7,440.400 MU set for 2018. This decrease in generation was on account of the low hydrological flows, especially in Wangchhu; which are the lowest that DGPC has observed since 2008.

The net energy exported to India, including Royalty Energy, declined from 5,068.480 MU in 2017 to 4,053.588 MU during 2018. Conversely, the quantum of electricity supplied for domestic energy consumption to Bhutan Power Corporation Limited (BPC) increased from 2,317.283 MU in 2017 to 2,454.306 MU in 2018. With poor hydrology and increased domestic consumption, there was an increase in the import of power from India from 207.891 MU in 2017 to 300.330 MU in 2018. For the first time since the formation of DGPC in 2008, Bhutan imported a net energy of 29.323 MU during February and March 2018. The net import was subsequently netted off through energy export in April and May 2018.

During the year, while the other power plants under DGPC did not experience any major operational problems, two officers lost their lives and two other officers suffered injuries when the MIV bypass valve of one of Tala Hydropower Plant (THP)'s generating units failed.



Note: 2009 includes THP for nine months (April 1 to December 31, 2009)

2. FINANCIAL HIGHLIGHTS

2.1 Income

The overall income for the year decreased to Nu. 11,681.98 million from Nu. 12,277.24 million in 2018. The decrease in revenue is attributable to the 674.932 MU drop in generation from 7,248.92 MU in 2017 to 6,573.98 MU in 2018 due to the very poor rains.

2.2 Expenditures

The expenditures decreased by 0.98% from Nu. 5,052.79 million in 2017 to Nu. 5,002.91 million in 2018. The decrease in expenses was mainly on account of decrease in wheeling charges due to lower generation and decrease in finance costs with declining outstanding debt.

2.3 Profitability of the Company

While there was a slight drop in expenditures during the year, considering the substantial decrease in revenues, the Profit After Tax (PAT) decreased by 13.09% from Nu. 5,176.48 million in 2017 to Nu. 4,500.16 million in 2018.

The key financial figures on the performance of the Company for 2018 vis-à-vis the previous year are as presented below:

Particulars	FY 2018	FY 2017	Variance (%)
Revenue (Nu.)	11,681,981,123.60	12,277,245,103.47	-4.84
Profit before Tax (Nu.)	6,679,062,222.35	7,224,454,011.36	-7.55
Corporate Income Tax (Nu.)	2,083,891,671.59	2,137,363,491.72	-2.50

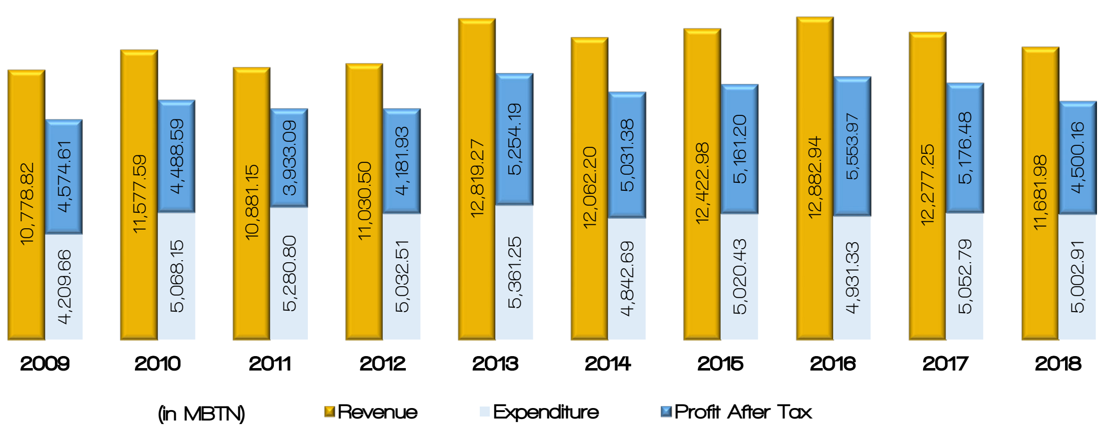
Income
11,681.98 MBTN

Expenditure
5,002.91 MBTN

PAT
4,500.16 MBTN

Dividend
4,500 MBTN

While the profitability of the Company was lower as compared to 2017, the financial position of the Company continues to be strong with total debt of only Nu. 4,867.31 million, constituting 10.58% of the overall Shareholder's fund of Nu. 45,993.008 million. These funds are almost entirely invested in income generating assets. The fund applications comprise of Nu. 41,107.09 million in fixed assets including capital works in progress, intangible assets, and investment property; Nu. 7,161.93 million in long-term investments; and Nu. 5,164.56 million in the form of current assets.



2.4 Dividend

The Shareholder has conveyed its dividend expectation of 14.16% of paid up share capital (99.98% of PAT) for 2018 as against the 15.55% of paid up share capital (94.76% of PAT) declared as dividend in 2017. The dividend proposed for 2018 is Nu. 4,500 million, a decrease of 8.27% when compared to the dividend of Nu. 4,905.354 million declared in 2017. For making payments of taxes and dividends, DGPC continues to mobilise funds from the market to meet its short term financing requirements. It is projected that DGPC will have to raise over Nu. 2,500 million in short term borrowings from domestic financial institutions to meet its cash-flow requirements during 2019.

2.5 Investments

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

3. MAJOR RENOVATION, MODERNIZATION AND AUTOMATION OF POWER PLANTS

3.1 Upgradation of SCADA system in Basochhu Hydropower Plant (BHP)

BHP's micro SCADA system became obsolete over the last 15 years of operation and spares were not available in the market. Therefore, in 2016, an upgradation work was awarded to GE Power, India. The scope of work included engineering, design, supply, installation, testing, commissioning of ALSPA control system and decommissioning of the old RTY controllers. The upgradation work was completed in May 2018 and a robust SCADA system is now in place.

3.2 Implemetation of SCADA

In September 2018, DGPC placed an order worth Nu. 157 million on BHUTAN AUTOMATION for the implementation of the latest SCADA system to replace the existing non-functional MMI system at Kurichhu Hydropower Plant (KHP), including replacement of governing and excitation systems. The new SCADA system should be in place within the first part of 2020.

3.3 Renovation and Modernsation Phase III for Chhukha Hydropower Plant (CHP)

The Renovation and Modernisation Phase III work for CHP was placed on M/S BHEL at a total award value of Nu. 360 million in 2016. The R&M works on CHP's generating unit III was completed in March 2018 without any loss of generation.

3.4 CHP Spillway Gates

DGPC initiated the modification and upgrading of the hoisting mechanism of CHP spillway radial gates in March 2018. The new hydraulic hoisting mechanism will be operational by the later part of 2019.

3.5 Teething Problems with Tala Hydropower Plant (THP)

DGPC continues to put in efforts to identify measures to deal with the convergence in the underground powerhouse structures and the failures of rock-bolts, and the problems associated with the nozzle injector system and the computer control system.

Pier cutting at Dam CHP

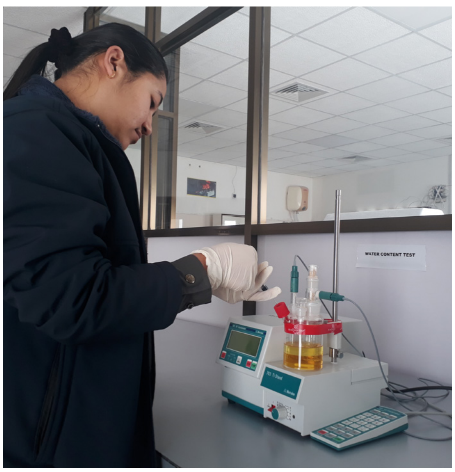
4. DRUK GREEN CONSULTANCY (DGC)

DGC was established 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 company of DGPC. A Memorandum of Understanding was signed between DGPC and Bernard Gruppe of Austria in February 2018 with an intent to collaborate in providing consultancy services to existing and future hydropower projects within and outside of Bhutan.

Amongst the many activities being undertaken, DGC continued to carry out the DPR drift works at Nyera Amari I&II Hydropower Project site. In June 2018, in a fire incident involving inflammable gases in Nyera Amari-II powerhouse drift, five lives were lost and the drift works had to be suspended. After detailed investigations, the powerhouse layout has been modified and the drift works restarted. The Construction Development Corporation Limited is carrying out the drift works.

Drift at Nyera Amari

5. HYDROPOWER RESEARCH AND DEVELOPMENT CENTRE (HR&DC)



Condition Assessment of Transformer Oil (Water Content Test)

As a part of the continuous effort to strengthen water-to-wire competencies in highly technical and specialised areas, HR&DC was established, by consolidating the four existing Centres of Excellence (CoEs), as an independent Profit Centre in January 2018. HR&DC has a roadmap to expand and establish nine CoEs for providing specialised services and undertaking applied research. The HR&DC provides services ranging from monitoring of safety of the hydropower plants, geotechnical instrumentation and ground vibration monitoring, sediment management, vibration analysis and balancing of generating units, petrographic analysis of sediment and hydraulic oil analysis to root cause analysis of problems faced with the hydropower plants and projects. HR&DC's main focus is on building in-house competencies, and in the long term intends to provide services to within and outside of Bhutan.

6. HUMAN RESOURCE CAPACITY BUILDING

DGPC ended 2018 with 1,705 employees of which 174 are on deputation to its subsidiary companies and to hydroelectric projects under construction. DGPC employees play key roles in the subsidiary companies and projects under construction. Of specific note are the 12 employees who were deputed for the operation and maintenance of a power plant in India as DGPC looks beyond its borders for providing its services.

DGPC also deputed a critical mass of senior officers to the Mangdechhu Hydroelectric Project to help establish a competent O&M team that will be required to be in place at the start of the commissioning of the project. DGPC continues to invest in its human resources through effective training and development programmes and providing a conducive work environment. Conferences such as the Technical Conference in August 2018 with the theme "Learning through Knowledge Sharing" provide valuable networking opportunities for DGPC and its subsidiaries in promoting a culture of knowledge sharing. DGPC also continues to collaborate with institutions such as International Centre for Hydropower, Central Board of Irrigation & Power, and Eastern Regional Power Committee for training programmes in emerging technological advances and energy market trends.

DGPC supported and provided opportunities to potential employees to pursue higher studies in emerging and relevant fields. DGPC signed an MoU with Asian Institute of Technology in June 2018 and with Graz University of Technology in October 2018 to enable DGPC engineers to undertake specialised Masters and PhD studies. During 2018, 16 employees completed their Master's degree programmes while four officers/students completed their Bachelor's degree programmes through different funding arrangements.

Participants of DGPC Technical Conference 2018

Under technical cooperation with the Government of Austria, DGPC engineers are being trained to undertake 3D monitoring and precision levelling of key civil structures of its power plants for early detection of deformations/displacements. A number of critical remedial measures were carried out DGPC hydropower plants through this capacity building initiative. The 3D monitoring has also been expanded to include projects under construction such as 118 MW Nikachhu Hydropower Project.

To strengthen its performance management systems, DGPC introduced the 360^0 Employee Appraisal System during the year for all its employees. The 360^o EAS is further being replicated to its subsidiary companies. A preliminary organisational development strategy was completed during the year as the Company prepares its Roadmap 2030.

DGPC employees deputed to Pare HEP, Arunachal Pradesh, India

3D monitoring of GIS (Gas Insulated Switchyard) Cavern

7. CORPORATE SOCIAL RESPONSIBILITY (CSR)

DGPC is committed to support the local communities through its CSR initiatives. The CSR objective is aligned with Bhutan's overarching development policy of "Gross National Happiness". Towards this, DGPC continues to support local community-related religious, educational, social, and environmental activities through contributions in cash and kind. A major CSR initiative was the installation of floodlighting for Gyalpoizhing football ground at a cost of Nu. 11.48 million. DGPC also committed Nu. 3.00 million for the construction of a farm road for the village of Toktogom above CHP. The employees of DGPC also contributed over Nu. 1.50 million towards CSR activities.

8. CORPORATE GOVERNANCE

The Board met eight times during the year to consider the numerous emerging issues and provided timely directives in the smooth operation and maintenance of the existing power plants and the investments in new projects. The Board also guided the Company in its growth as a leader in corporate governance and in ensuring the performance of its subsidiary companies.

The Board sub-committees - Board Audit Committee, Board HR Committee and Board Tender Committee, also met as and when required to provide support to the Company and to Board on various issues.

9. DGPC SUBSIDIARY: HIGHLIGHTS OF 2018

9.1 Bhutan Hydropower Services Limited (BHSL)

BHSL is a joint venture between DGPC and Alstom/ GE Renewable Energy. In 2018, BHSL earned a revenue of Nu. 118.368 million and incurred losses before tax of Nu. 115.354 million. Of this, the foreign exchange losses alone accounted for Nu. 33.402 million. BHSL is a state-of-the technology reclamation facility mainly for underwater hydro-mechanical equipment. The poor financial performance was on account of the very low loading of the facility. The facility was created with a target to service the additional 10,000 MW generation capacity by 2020, which did not take place.

BHSL ISO Certified in Quality Management

The accumulation of losses resulting in the erosion of the Shareholders' net worth has been flagged by the Statutory Auditors under "Emphasis of Matter". Efforts are being made to improve the performance of the company.

In December 2018, BHSL refinanced the Euro 6.30 million loan availed from DEG, Germany. During the year, BHSL expanded beyond reclamation/ repair services and ventured into the manufacture of Francis runners with deliveries of the first two Francis runners to Bajoli Holi Hydroelectric Project in India and Alpaslan Hydroelectric Project in Turkey.

With technical support from GE, investments are planned to be made to equip the facility with the capability to manufacture Pelton runners initially for the hydroelectric projects in Bhutan.

The portfolio of services being rendered to other industries in Bhutan is also expanding and BHSL continues to seek business beyond Bhutan.

BHSL obtained ISO 9001:2015 Quality Management System certification to enable it to venture into the manufacture of runners and electro-mechanical components including radial and stoplog gates. The manufacturing of the two Francis runners has enabled BHSL to get skills and technology transferred from GE. BHSL continues to build the competency of its employees to take on the technical and technological challenges.

9.2 Dagachhu Hydro Power Corporation Limited (DHPC)

In 2018, the power plant generated only 366 MU of electricity, which was the lowest since commissioning due to very poor hydrology. With a revenue of Nu. 1,084 million and an expenditure of Nu. 1,689 million, the company suffered a loss of Nu. 605.8 million during the year mainly on account of foreign exchange loss of Nu. 414.372 million.

During the year, the original PPA with Tata Power Trading Company Limited (TPTC) was reinstated to the guaranteed tariff of INR 3.078/kWh. The average sale price realised was marginally higher than the guaranteed tariff. The project also completed the delivery of the balance 91,847 CERs to the ADB Future Carbon Fund.

Under the Austrian Government's assisted project for "Capacity Building in Monitoring Safety of Hydropower Plants", 3D monitoring and precision levelling systems were installed in the dam, powerhouse and tunnels of the project. The monitoring alerted to a creeping movement in the Head Race Channel (HRC) and remedial measures were immediately initiated and carried out successfully in April 2018. The Digital Solutions installed in 2017 also continue to provide on-line condition monitoring of the generating units.

Remedial measure of HRC at Dagachhu

9.3 Tangsibji Hydro Energy Limited (THyE)

As of December 31, 2018, DGPC has injected Nu. 2.302 billion as equity into the project with Nu. 1.252 billion from DGPC's own funds and Nu. 1.050 billion through ADB financing. THyE has availed a debt financing Nu. 2.535 billion with ADB providing Nu. 1.315 billion and Indian Commercial Banks (ICB) providing the balance Nu. 1.220 billion. The approved project cost is Nu. 11.89 billion.

Construction of 118 MW Nikachhu Hydropower Project (Dam Excavation)

During the year, the focus was on accelerating the physical progress for civil works in order to make up for some of the delays. Due to initial delays with the MP-1 Main Civil Works package, the completion date of the project had to be shifted by one year to April 2021. The physical work progress with the MP-2 E&M Equipment package is on track.

In June 2018, heavy ingress of water was encountered in one of the faces of the HRT, which was later determined to be from the Tsheringma Drupchhu. THyE has made alternate arrangements for water supply to the public.

9.4 Kholongchhu Hydro Energy Limited (KHEL)

In 2018, most of the major infrastructure works pertaining to the access roads, bridges and construction power were completed. The construction of the colony at Doksum for residential and non-residential buildings was started. KHEL continues to work closely with the local communities to integrate its infrastructure with the new Doksum township development. The Shareholders have injected Nu. 2.430 billion so far in the project.

On the main Civil Works packages, the bids were extended a number of times with the Concession Agreement (CA) still to be agreed to and entered into between KHEL and Royal Government of Bhutan (RGoB). The CA is a condition precedent to reach closure for the debt financing as well as the Power Purchase Agreement.

9.5 Bhutan Automation & Engineering Limited (BHUTAN AUTOMATION)

During the year, BHUTAN AUTOMATION earned a revenue of Nu. 32 million. However, the Company suffered a loss of Nu. 4.5 million in its first year of operation mainly due to delays in order intakes and resultant delay in the procurement of materials.

A Technical Assistance Agreement (TAA) was signed between BHUTAN AUTOMATION and Andritz Hydro GmbH in March 2018 granting BHUTAN AUTOMATION access to the automation technology of Andritz Hydro GmbH. In order to govern the pricing and execution of contracts for automation projects of hydropower plants fully owned by DGPC, a Pricing Mechanism Agreement (PMA) was also signed between DGPC and BHUTAN AUTOMATION in July 2018.

BHUTAN AUTOMATION has initiated the implementation of SCADA system including replacement of Governing and Excitation systems for KHP. In December 2018, Punatsangchhu-II Hydroelectric Project Authority also awarded the contract for the "Computerised Control System and Protection System" to BHUTAN AUTOMATION.

Competency development of the technical employees of the Company is being supported by Andritz Hydro, with the engineers and technicians being trained on the design and engineering of control and SCADA systems and panel assembly skills.

Technical Assistance Agreement signed for BHUTAN AUTOMATION

10. KEY CHALLENGES

With the aging of some of its power plants, the operation and maintenance challenges are getting more complex and costly. While investments are being made in the refurbishment, renovation and modernisation of E&M and H&M equipment, very soon a time will come when major investments will have to be made to rehabilitate the major civil structures. Many of the subsidiary companies are faced with problems of their own – financial as well as technical – and these will require close monitoring and continuous support of DGPC.

THP continued to experience failures with some of its systems. In January 2018, the bypass pipe of the MIV of the generation unit 1 failed and two officers lost their lives due to the resultant very high velocity water jet. THP also continues to experience intermittent problems with the nozzle injector systems. The failures of the rock bolts in the powerhouse caverns continue to pose risk to the lives of operators and the equipment. Since the Computer Control System is not functional, the situation in the powerhouse has not improved. Efforts are being made and investments considered to address these major problems with the rock bolt failures, the nozzle injector system and the computer control system.

Of growing concern, with global warming and climate change, is the unpredictability of hydrological flows. Bhutan experienced one of the lowest hydrological flows in 2018. The impending policy on environment flows could also adversely affect the viability and profitability of the power plants. This requires careful considerationof the Government as any e-Flow decision could make planned present and future investments in hydropower unviable.

With the uncertainties surrounding the overall plans for hydropower development, especially with the delays in the projects under the 10,000 MW by 2020 initiative, it becomes difficult to forecast HR requirements, which could ultimately affect implementation of HR strategies. This has led to slow down in new recruitments thus increasing the risk of creating a human resources vacuum in the near future.

The Cross Border Trade of Electricity (CBTE) Guidelines issued by the Government of India (GoI) in 2016 and subsequently revised through the Cross Border Import/Export of Electricity (CBIEE) Guidelines in 2018 will greatly impact the future sustainability of the hydropower development in Bhutan. Bhutan will need to gain a deeper understanding of the impact of such Guidelines vis-a-vis the investments and evolving energy markets.

11. STATUTORY AUDIT REPORT

M/s T R Chadha & Co. LLP, Delhi was appointed by the Royal Audit Authority (RAA), 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 2018.

M/s T R Chadha & Co. LLP undertook the Statutory Audit of the accounts of DGPC during January - February 2019 covering all the power plants, Material Management Division and the Corporate Office including the Team Appraisal System (TAS) audit and finalisation of group accounts in addition to standalone accounts. The 2018 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 the auditors and minimum audit reporting requirement.

The financial statements for DGPC as an individual entity were prepared to comply fully with the adoption of Bhutanese Accounting Standards (BAS) covered under BAS March 2015 and interpretations issued by AASBB to the extent applicable to the companies reporting under BAS/BFRS and the relevant provisions of the Companies Act of Bhutan, 2016. The financial statements were prepared on a historical cost convention on an accrual basis except as stated otherwise.

11.1 Auditors' Report

There are no Qualifications to the Auditors' Report for 2018. There are no observations or recommendations in the Annexure to the Auditors' Report for 2018. The Auditors have pointed out some issues in the Management Report which are being addressed by the management.

However, the Statutory Auditors have drawn attention to the accumulated losses and erosion in equity of the Shareholders of BHSL under "Emphasis of Matter". The accumulated losses have now exceeded 65% of the net worth of BHSL. DGPC has an equity investment of Nu. 333.96 million in BHSL. It has been noted that the impairment testing has not been carried out since the Shareholders believe that the BHSL will turn around with more hydropower projects being commissioned and the facility venturing into manufacturing of hydro-mechanical equipment.

12. DISCLOSURE OF COMPENSATIONS TO THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

As required under the Companies Act, the disclosure of compensation to the Board of Directors and the Managing Director are as below:

Compensations to	2018 (Nu.)	2017 (Nu.)
Board of Directors (sitting fees)	767,500.00	417,500.00
Managing Director (pay, allowances, sitting fees, travel and other benefits)	5,013,971.90	3,909,024.09

ACKNOWLEDGMENTS

The Board of DGPC would like to acknowledge the support of RGoB, Druk Holding and Investments Limited, Ministry of Economic Affairs, Ministry of Finance, Bhutan Electricity Authority, 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 GoI and its agencies in taking forward the JV projects and other initiatives of DGPC.

The Board would also like to thank the Managing Director, the DGPC management team and all its employees for their dedication and contributions to 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 so as 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 Sonam Topgay)
Chairperson

BOARD DIRECTORS

Sonam Topgay
Secretary
Ministry of Home and Cultural Affairs
Bhutan

With 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, Sonam Topgay currently serves as the Secretary of Ministry of Home and Cultural Affairs. Before that, he served as the Director General of Department of Law and Order under Ministry of Home and Cultural Affairs.

Nim Dorji
Secretary
Ministry of Finance
Bhutan

With a Bachelor of Commerce (Honours) from the University of Delhi, India and a Master of Business Administration from the University of Canberra, ACT, Australia, Nim Dorji currently serves as the Secretary of Ministry of Finance. Previously, he served as the Director General of Department of Agriculture under Ministry of Agriculture and Forests.

Karma Wangdi
Chief Executive Officer
Bhutan Postal Corporation Limited
Bhutan

With a Bachelor of Engineering (Electronic Systems) from the Edith Cowan University, Australia and a Master of Information Systems from the University of Melbourne, Australia, Karma Wangdi currently heads Bhutan Postal Corporation Limited. Before that, he was Chief ICT Officer of the Department of IT and Telecom under Ministry of Information and Communications.

Tashi Lhamo
Director, Department of Finance
Druk Holding and Investments
Bhutan

With 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 from the Graduate School of Business, Curtin University, Perth, Western Australia, Tashi Lhamo currently heads the Department of Finance under Druk Holding and Investments. Previously, she served as the Director for Revolving Fund Management and Operations under Business Opportunity and Information Center.

Tenzin Chophel
Director, Directorate Services
Ministry of Health
Bhutan

With a Masters degree in Natural Resource Management from the University of Edinburgh, Scotland and a Bachelors degree in Economics and Geography from the University of Delhi, India, Tenzin Chophel currently works as the Director of Directorate Services, Ministry of Health. Previously, he served as the Governance Adviser in Lao PDR for two years.

Tashi Pem
Chief Engineer, Department of Hydropower and Power Systems
Ministry of Economic Affairs
Bhutan

With a Bachelor in Civil Engineering from Madras University, Chennai, India and a Master's Degree in Environment and Development Studies from Australian National University, Canberra, Australia, Tashi Pem is currently serving as a Chief Engineer with the Department of Hydropower and Power Systems under the Ministry of Economic Affairs.

Chhewang Rinzin
Managing DIrector
Druk Green Power Corporation Limited
Bhutan

With a Bachelors and a Masters in Electrical Engineering from the University of Wisconsin, USA, Chhewang Rinzin currently heads Druk Green Power Corporation Limited, the public sector generation utility of Bhutan, as its first Managing Director since the incorporation of the Company in 2008. Previously, he headed Bhutan Power Corporation Limited, the public sector transmission and distribution utility of Bhutan as its Managing Director.

MANAGEMENT TEAM

Chhewang Rinzin
Managing DIrector
Druk Green Power Corporation Limited
Bhutan

With a Bachelors and a Masters in Electrical Engineering from the University of Wisconsin, USA, Chhewang Rinzin currently heads Druk Green Power Corporation Limited, the public sector generation utility of Bhutan, as its first Managing Director since the incorporation of the Company in 2008. Previously, he headed Bhutan Power Corporation Limited, the public sector transmission and distribution utility of Bhutan as its Managing Director.

Ugyen Namgyal
Director, Finance and Investment Department
Druk Green Power Corporation Limited
Bhutan

With a Bachelor of Business from the University of South Australia, Australia and a Bachelor of Commerce (Honours) from the University of Delhi, Ugyen Namgyal currently heads the Finance and Investment Department, Druk Green Power Corporation Limited. In addition, he is also heading Tangsibji Hydro Energy Limited as its Managing Director. Previously, he served as the Chief Financial Officer for Druk Green Power Corporation Limited.

Kuenga Namgay
Director, Operation and Maintenance Department
Druk Green Power Corporation Limited
Bhutan

With a Bachelors Degree in Mechanical Engineering from Aligarh Muslim University, India and a Masters in Mechanical Engineering from Toyohashi University of Technology, Japan, Kuenga Namgay currently heads the Operation and Maintenance Department, Druk Green Power Corporation Limited. Previously, he headed the Corporate Affairs Department.

Dorji Tenzin Phuntshok
Director, Human Resource and Administration Department
Druk Green Power Corporation Limited
Bhutan

With a Bachelor of Arts from Sherubse College, Kanglung, Bhutan (affiliated to the University of Delhi, India), and a Masters in Business Administration from the Asian Institute of Technology, Bangkok, Thailand, Dorji Tenzin Phuntshok currently heads the Human Resource and Administration Department, Druk Green Power Corporation Limited. Before that, he headed the Human Resource and Administration Division of Chhukha Hydropower Corporation Limited.

Dechen Wangmo
Director, Corporate Affairs Department
Druk Green Power Corporation Limited
Bhutan

With a Bachelor of Electrical Engineering from the University of Wollongong, Australia and a Master of Business Administration from the Melbourne Business School, University of Melbourne, Australia, Dechen Wangmo currently heads the Corporate Affairs Department of Druk Green Power Corporation Limited. She has served in Druk Green Power Corporation Limited since 2008 in various capacities in Business Development and as Company Secretary, before taking over as the Interim Head of the Corporate Affairs Department since 2016.

Sonam Wangdi
Director, Contracts and Procurement Department
Druk Green Power Corporation Limited
Bhutan

With a Masters in Hydropower Development from the Norwegian Institute of Science and Technology, Norway and a Bachelors in Civil Engineering from Visvesvaraya Regional College of Engineering, Nagpur, India, Sonam Wangdi currently heads the Contracts and Procurement Department, Druk Green Power Corporation Limited. Before that, he served as the Chief Engineer for Kholongchhu Hydro Energy Limited.

Thinley
Interim Director, Projects Department
Druk Green Power Corporation Limited
Bhutan

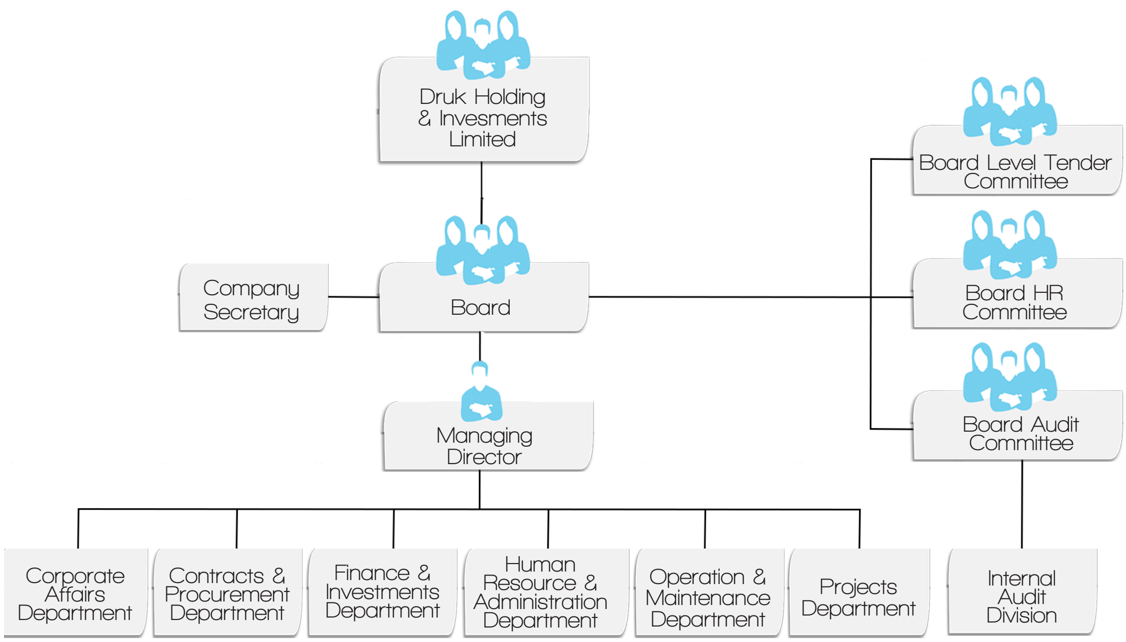
With a Bachelor of Civil Engineering from the University College of Engineering, Osmania University, Hyderabad, India and a Master of Science in Engineering in Hydro Power Development from the Norwegian University of Science and Technology, Trondheim, Norway, Thinley currently heads the Projects Department, Druk Green Power Corporation Limited. Previously, he served as the Chief Engineer for Punatsangchhu-II Hydroelectric Project Authority.

CORPORATE GOVERNANCE REPORT

The Corporate Governance (CG) Codes comprises of Guidelines, and best international practices and processes that the Company adopts in ensuring good corporate governance in all aspects of its activities. It promotes ethical, transparent and responsible business.

DGPC has complied with the principles of DHI's Corporate Governance Codes and conformed to the Companies Act of Bhutan, 2016 and all other statutory requirements governing its mandates.

The Corporate Governance Framework for DGPC is as below:



BOARD OF DIRECTORS AND ITS COMPOSITION

The Board of DGPC comprises of seven Directors. The 11th Annual General Meeting (AGM) held on March 21, 2018 confirmed the retirement of *Dasho Sangay Khandu and **Sonam Wangchuk from the Board. The 11th AGM also confirmed the reappointment of Dasho Chhewang Rinzin as the Managing Director of the Company for another three years and as a Director on the DGPC Board. The 3rd Extraordinary General Meeting (EGM) held on June 21, 2018 appointed Tenzin Chophel and Karma Wangdi as new Directors with the other members remaining the same.

Dasho Sangay Khandu*

Position: Non-Independent and Non-Executive

Address: Chairperson, DHI

Date of first appointment: July 29, 2014 (2nd EGM)

Date of retirement: March 21, 2018 (11th AGM)

DHI Companies: DGPC, DCL, BOB, DHI, DCCL, BFAL

Nim Dorji

Position: Non-Independent and Non-Executive

Address: Secretary, MoF

Date of first appointment: July 29, 2014 (2nd EGM)

Date of reappointment: June 21, 2018 (3rd EGM)

DHI Companies: DGPC, DHI

Other Companies: RMA, BDFL, BLL, JSW Law, BHTF, JDWNRH

Sonam Wangchuk**

Position: Independent and Non-Executive

Address: Secretary, MoLHR

Date of first appointment: April 20, 2016 (9th AGM)

Date of retirement: March 21, 2018 (11th AGM)

DHI Companies: DGPC

Other Companies: PHPA-II, MHPA, PCAL

Sonam Topgay

Position: Independent and Non-Executive

Address: Secretary, MoHCA

Date of first appointment: March 13, 2017 (10th AGM)

DHI Companies: DGPC

Tashi Pem

Position: Non-Independent and Non-Executive

Address: Chief Engineer, DHPS, MoEA

Date of first appointment: April 20, 2016 (9th AGM)

Date of reappointment: June 21, 2018 (3rd EGM)

DHI Companies: DGPC

Tashi Lhamo

Position: Non-Independent and Non-Executive

Address: Director (Finance), DHI

Date of first appointment: March 13, 2017 (10th AGM)

DHI Companies: DGPC, BOB

Tenzin Chophel

Position: Independent and Non-Executive

Address: Director, Directorate Services, MoH

Date of first appointment: June 21, 2018 (3rd EGM)

DHI Companies: DGPC

Other Companies: RSPCA, FCB

Karma Wangdi

Position: Independent and Non-Executive

Address: Chief Executive Officer, BPCL

Date of first appointment: June 21, 2018 (3rd EGM)

DHI Companies: DGPC

Dasho Chhewang Rinzin

Position: Independent and Non-Executive

Address: Managing Director, DGPC

Date of first appointment: December 6, 2007 (1st AGM)

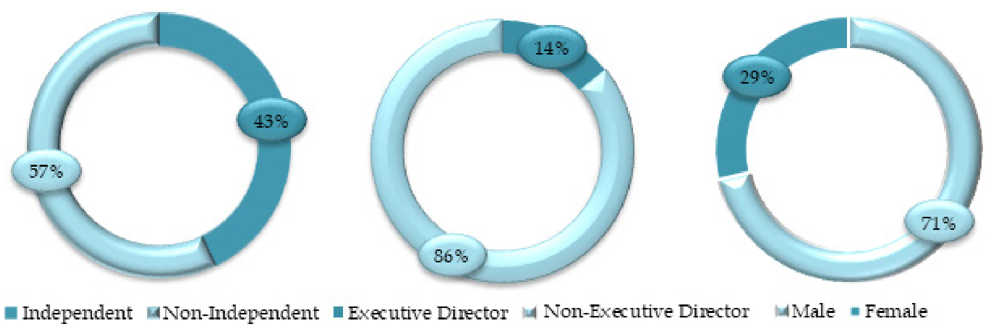
Date of reappointment: March 21, 2018 (11th AGM)

DHI Companies: DGPC, CDCL, BHUTAN AUTOMATION, THyE, KHEL

BOB	Bank of Bhutan Limited	JDWNRH	Jigme Dorji Wangchuck National Referral Hospital
BDFL	Bhutan Duty Free Limited	JSW Law	Jigme Singye Wangchuck School of Law
BFAL	Bhutan Ferro Alloys Limited	MoEA	Ministry of Economic Affairs
BHTF	Bhutan Health Trust Fund	MoF	Ministry of Finance
BLL	Bhutan Lottery Limited	MoH	Ministry of Health
BPCL	Bhutan Postal Corporation Limited	MoHCA	Ministry of Home and Cultural Affairs
CDCL	Construction Development Corporation Limited	MoLHR	Ministry of Labour and Human Resources
DHPS	Department of Hydropower and Power Systems	PCAL	Penden Cement Authority Limited
DCL	Drukair Corporation Limited	RMA	Royal Monetary Authority
DCCL	Dungsam Cement Corporation Limited	RSPCA	Royal Society for Protection and Care to Animals
FCB	Food Corporation of Bhutan Limited		

Pursuant to Section 134 of the Companies Act of Bhutan, 2016, a Board of a public company shall consist of at least one-third of independent Directors. This would ensure protection of interest and investments of the Shareholders, particularly the minority Shareholders. As of December 2018, 57% of the Board of Directors comprises of Directors who satisfy the requirement for identification as independent.

As part of good corporate governance practice, more women are appointed on its Board and on the Boards of its subsidiary companies.



DETAILS OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS HELD DURING THE YEAR

The Board of DGPC met seven 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. Similarly, the Board Sub-Committees also met as and when required to provide guidance and to deliberate on various issues confronting the company.

Meetings attended/held					
Name of Director	**BM**	**BAC**	**BHRC**	**BLTC**	**AGM/ EGM**
Dasho Sangay Khandu (outgoing Chairperson)	1/7				0/2
Sonam Topgay (new Chairperson)	7/7	1/4	1/5		2/2
Sonam Wangchuk (outgoing member)	1/7		1/5		1/2
Nim Dorji	7/7	4/4		3/3	2/2
Tashi Pem	5/7	4/4	5/5		2/2
Tashi Lhamo	7/7	4/4	4/5	3/3	2/2
Tenzin Chophel	5/7			3/3	0/2
Karma Wangdi	4/7	3/4	4/5		1/2
Dasho Chhewang Rinzin	7/7		4/5	3/3	2/2

BM	Board Meeting
AGM	Annual General Meeting
EGM	Extra Ordinary General Meeting
BHRC	Board HR Committee
BLTC	Board Level Tender Committee
BAC	Board Audit Committee

NOMINATION AND GOVERNANCE COMMITTEE (NGC)

As per the DHI CG Code, a Nomination and Governance Committee (NGC) is to be established to deliberate on matters relating to succession planning, identification of Board Directors and Chief Executive Officer (CEO) for replacements or for new appointments. The NGC for the selection of Managing Director, THyE was formed during the year. The NGC met three times to initiate the selection and appointment process to the post of Managing Director, THyE and comprised of Board Directors from both DGPC and THyE as below:

DGPC	THyE
Sonam Topgay, Secretary, MoHCA	Phuntsho Wangdi, Advisor, MoWHS
Nim Dorji, Secretary, MoF	Dasho Karma Y Raydi, Chief Executive Officer, DHI
Dasho Chhewang Rinzin, Managing Director, DGPC	Lhaden Lotay, Chief Programme Officer, DMEA, MoF

DETAILS OF BOARD SUB COMMITTEES

Other than the NGC, DGPC has established three Board Sub-Committees: Board Level Tender Committee, Board HR Committee and Board Audit Committee. The Members on the Board Sub-Committees come with different backgrounds and helps in bringing different views to the table for better quality decisions. These decisions and recommendations of Sub-Committees are put forward to the Board for endorsement/approval.

a. Board Level Tender Committee (BLTC)

Members	Nim Dorji (Chairperson), Dasho Chhewang Rinzin, Tashi Lhamo, Tenzin Chophel
Major Responsibilities	Consider award of bids in accordance with the stipulations as set out in the original tender document
Work Performed during 2018	Award of work for the SCADA System including replacement of Governing and Excitation Systems of KHP
	Consider the completion report on improvement of ventilation and air conditioning system at THP power house
	Award of work for 12th year Maintenance of Gas Insulated Switchyard (GIS) at THP

b. Board HR Committee (BHRC)

Members	Tashi Lhamo (Chairperson), Dasho Chhewang Rinzin, Tashi Pem, Karma Wangdi
Major Responsibilties	Assist the Board in reviewing the recruitment, performance evaluation and promotion related matters
	Review compensation
	Additional duties as directed by the Board to the Committee from time to time
Work Performed during 2018	Review promotion cases of DGPC employee in Grade E3 to E2
	Review contract renewal including review of compensation for key employees and executives on contract
	Selection of of Directors for Corporate Affairs Department and Contracts and Procurement Department

**The 75th DGPC Board Meeting held on June 21, 2018 appointed Tashi Lhamo and Karma Wangdi on the BHRC in place of Sonam Topgay and Sonam Wangchuk* c, Board Audit Committee (BAC)

Members	Nim Dorji (Chairperson), Tashi Lhamo, Tashi Pem, Karma Wangdi
Major Responsibilties	Monitor the financial reporting process of the company
	Review company's financial control, risk management and internal control systems
	Govern the engagement of external auditor and its performance
Work Performed during 2018	Internal Audit Report
	Annual Internal Audit Plan 2018
	Approval of the 2018 Team Appraisal System Targets
	Approval of the 2017 Audited Accounts, Auditors' Report and Declaration of Dividends
	Performance of the Company vis-à-vis Compact 2017
	Approval of the 2017 Audited Performance Linked Incentive Scheme
	Review Report on the anonymous complaint lodge against DGPC Management

** The 75th DGPC Board Meeting held on June 21, 2018 appointed Karma Wangdi on the BAC in place of Sonam Topgay*

BOARD REMUNERATION

As per DHI's CG Code, each Board Director is entitled to receive Board sitting fees and some reasonable compensation for any additional Board or Board Committee related activities.

It is vital to consider the importance of the Director's remuneration/compensation in the best interests of the Company. During the year, DGPC incurred Nu. 767,500.00 in expenses against sitting fees for the Directors to attend meetings at the Board and Sub-Committees levels.

ANNUAL GENERAL MEETING (AGM)

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

The 11th AGM for the Company was held on March 21, 2018. The AGM passed the following resolutions:

- Approved the Audited Accounts for the year 2017 including the declaration of Dividend of Nu. 4,905.35 million from the profit for 2017.

- Approved DGPC's achievement of 96.16% vis-a-vis the 2017 Compact Targets and the payment of the 15% Performance Based Variable Allowance (PBVA) to the eligible employees of DGPC.

- Confirmed the retirement of Dasho Sangay Khandu, Nim Dorji and Sonam Wangchuk from the Board with the other Board Members remaining the same. The 3rd EGM held on June 21, 2018 confirmed the reappointment of Nim Dorji as a Director on the Board of DGPC.

- The AGM ratified the Audit expenses of Nu. 1,210,250.80 incurred for the Statutory Audit for 2017.

RISK MANAGEMENT SYSTEMS

As part of good corporate governance, DGPC Risk Management Manual provides for a framework for the management of business 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 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. Also, through an online survey, the performance of the Board Directors are evaluated annually.

INDEPENDENT AUDITORS' 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, 2018, 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, 2018, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS).

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 V of Note 30 of Notes to Accounts; DGPC has an investment of Nu. 333.96 million in Bhutan Hydropower Services Limited (BHSL) (Joint Venture). BHSL has been incurring losses and their accumulated losses have exceeded more than 65% 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 and manufacturing license for parts of hydro mechanical parts which shall result in the company making profits in future. 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 (BAS), 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.

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 265 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.

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

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

Vikas Kumar

Mr. Vikas Kumar
Partner
Membership No. 75363

Place: Mumbai
Date: 01/04/2019

ANNEXURE TO AUDITORS' REPORT

(Minimum Audit Examination and Reporting Requirements)

[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 December 31, 2018]

General:

a. The Companies adhere to the Corporate Governance Guidelines and Regulations as applicable to them.

b. As observed during the course of audit, the Company pursue a prudent and sound financial management practice in managing the affairs of the Company.

c. The financial statements are prepared in accordance with the Bhutanese Accounting Standards issued by the Accounting and Auditing Standards Board of Bhutan (AASBB).

d. The proper books of accounts have been maintained and financial statements are in agreement with the underlying accounting records.

e. The adequate records as specified under Section 228 of the Companies Act of Bhutan, 2016 have been maintained.

f. The mandatory obligations social or otherwise, if any, entrusted are being fulfilled.

g. The amount of tax is computed correctly and reflected in the financial statements.

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 2018 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. 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.

5. 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.

6. On the basis of our examination of the inventory (stores & spares) records, in our opinion, the Company has maintained proper records for inventory and the company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs, commensurate with its size and nature of its business.

7. 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.

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8. 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.

9. In our opinion, the valuation of year-end inventories has been fair and proper in accordance with the applicable Accounting Standards issued by the Accounting and Auditing Standard Board of Bhutan (AASBB) and is on the same basis as in the earlier years.

10. 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.

11. According to the information and explanations given to us, the Company had not granted any unsecured loan to its holding company during the year 2018.

12. 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. 400,000,000 (Ngultrum Four hundred million) has been provided to Dungsum Cement Corporation Limited (DCCL), fellow subsidiary, via loan agreement dated October 25, 2018 for the period up to March 29, 2019 at the interest rate of 5% per annum.

b. An inter-corporate loan of Nu. 21,000,000 (Ngultrum Twenty-one million) was provided to Bhutan Hydropower Services Limited (BHSL), Joint Venture, via loan agreement dated September 29, 2017 for the period up to May 29, 2018 at the interest rate of 6.25% per annum and it has been extended during the year till May May, 2019 with retrospective effect at the interest rate of 7%.

c. An inter-corporate loan of Nu. 10,000,000 (Ngultrum Ten million) was provided to Bhutan Hydropower Services Limited (BHSL), Joint Venture, via loan agreement dated March 14, 2018 for the period up to September 14, 2018 at the interest rate of 6.5% per annum and it has been further extended during the year till March 14, 2019 with retrospective effect at the interest rate of 7.5%.

13. 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.

14. 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.

15. 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.

16. The Company sells its electricity generated to PTC India Limited (at rates fixed by the Royal

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MUMBAI
CHARTERED ACCOUNTANTS

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.

17. 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.

18. 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 2018 and Statement of Gross Energy Available for sale/use for the year 2017 have been given in Exhibit 1, (1A, 1B, 1C, 1D), Exhibit 2, (2A, 2B, 2C, 2D) respectively.

19. The Company is maintaining reasonable records for sale and disposal of realisable scrap. The Company does not generate any by-products.

20. 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.

21. 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 U and Clause Z of Note 30 of Notes to Accounts.

22. According to the information and explanations given to us, and on the basis of our test checking of the accounts and other books and records, 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.

23. 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.

24. Quantitative reconciliation is carried out at the end of the accounting year in respect of electricity and shown in the Clause X of Note 30 of Notes to Accounts.

25. 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).

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

26. Since the Company is engaged in generation of electrical energy from hydropower, this clause regarding system of allocating man hours utilised to the respective job is not applicable to the Company.

27. There is a reasonable system of authorisation 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 centres (i.e. job sites).

28. 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.

29. 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.

30. Since the Company does not sell electricity through commission agents, this Clause is not applicable.

31. 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.

32. 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.

33. 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.

34. 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.

35. The Company has a suitable budgetary control system.

36. 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 analysed at periodic intervals against budgeted norms.

37. 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 Notes to Accounts.

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

39. 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, unauthorised 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.

40. The Company has kept and maintained proper records for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

41. The Terms and conditions of leases are reasonable and the proper agreements have been

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

executed with respect to land. However, there is no machinery/equipments are acquired on lease or leased out to others.

42. Computerised Accounting Environment

1. The Company has introduced SAP from June 1, 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, organisational 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 unauthorised 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.

43. General

1. Going Concern Problems

On the basis of the attached Financial Statements as at December 31, 2018 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, 2016

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: 01/04/2019

Statement of Financial Position

as at December 31, 2018

Amount in Nu.

Particulars	Note No.	2018	2017
Assets			
Non-current assets			
Property, plant & equipment	1	41,062,098,514.24	42,312,400,734.10
Intangible assets	1	12,994,358.93	20,915,544.36
Investment property	2	32,000,000.00	32,000,000.00
Deferred tax asset	3	39,640,095.76	30,527,276.28
Investments in subsidiaries and joint ventures	4	6,373,520,668.70	5,207,928,305.22
Long-Term Investments	5a	788,406,858.80	725,682,631.67
Other assets	5b	847,980.42	667,619.28
Total non-current assets		**48,309,508,476.85**	**48,330,122,110.91**
Current assets			
Inventories	6	502,570,743.43	590,260,220.37
Short Term Investments	9a	2,497,508,794.01	3,097,685,787.66
Trade and other receivables	9b	1,541,613,359.75	1,592,745,949.65
Prepayments and advances	7	173,700,230.42	54,740,598.17
Cash and cash equivalents	9c	449,171,991.70	1,277,226,091.22
		5,164,565,119.31	**6,612,658,647.07**
Assets classified as held for sale	8	2,053,230.42	593,497.62
Total current assets		**5,166,618,349.73**	**6,613,252,144.69**
Total assets		**53,476,126,826.58**	**54,943,374,255.60**
Equity and liabilities			
Equity			
Share capital	10	31,776,208,000.00	31,545,688,000.00
General reserves		9,587,513,175.57	9,405,325,983.86
Retained earnings		4,472,571,526.24	5,062,973,073.41
Accumulated other comprehensive income		156,715,908.80	153,115,677.90
Total shareholders' equity		**45,993,008,610.61**	**46,167,102,735.17**

T R Chadha & Co LLP ★ MUMBAI ★ CHARTERED ACCOUNTANTS

Particulars	Note No.	2018	2017
Non- current liabilities			
Long- Term Borrowings	5c	4,658,145,743.12	3,615,468,470.68
Employee benefit obligation	11	432,304,000.00	395,720,398.00
Total non-current liabilities		**5,090,449,743.12**	**4,011,188,868.68**
Current liabilities			
Trade and other payables	9d	507,234,285.11	510,221,940.06
Other financial liabilities	9e	209,167,708.97	2,521,260,976.05
Other current liabilities	12	43,758,989.40	43,925,248.83
Current tax liabilities	13	1,567,459,489.35	1,631,996,344.29
Employee benefit obligation	14	65,048,000.00	57,678,142.52
Total current liabilities		**2,392,668,472.83**	**4,765,082,651.75**
Total liabilities		**7,483,118,215.95**	**8,776,271,520.43**
Total shareholders' equity & liabilities		**53,476,126,826.57**	**54,943,374,255.60**
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 Sonam Topgay)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Namgyal)
Director (Finance)

Place: Mumbai
Date: 01/04/2019

Statement of Comprehensive Income

for the year ended on December 31, 2018

Amount in Nu.

Particulars	Note No.	2018	2017
Income			
Electricity revenue	15	11,445,445,454.64	11,953,372,682.94
Interest earned	16	102,724,721.30	120,889,001.79
Other income	17	133,810,947.66	202,983,418.74
		11,681,981,123.60	**12,277,245,103.47**
Expenditure			
Wheeling charges		609,835,005.46	742,351,161.01
Insurance		112,845,830.50	113,043,211.21
Running and maintenance expenses	18	387,811,614.50	443,656,365.04
Employees' remuneration and benefits	19	858,018,229.97	847,624,681.20
Finance cost	20	287,355,111.39	345,415,270.69
Depreciation/amortization	2	2,301,679,892.39	2,267,598,498.36
Other expenses	21	445,373,217.04	293,101,904.60
		5,002,918,901.25	**5,052,791,092.11**
Operating profit		**6,679,062,222.35**	**7,224,454,011.36**
Profit before tax		**6,679,062,222.35**	**7,224,454,011.36**
Tax expense	**22**		
Current tax		2,083,891,671.59	2,137,363,491.72
Deferred tax		(9,112,819.46)	(105,565,278.49)
Income Tax for earlier years		107,714,963.59	105,685,844.33
		2,182,493,815.72	2,137,484,057.56
Profit for the year		**4,496,568,406.63**	**5,086,969,953.80**

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Amount in Nu.

Particulars	Note No.	2018	2017
Other comprehensive income			
Re-measurements of post-employment benefit obligations		5,143,187.00	127,876,209.00
Income tax relating to these items		1,542,956.10	38,362,862.70
Total other comprehensive income for the year		**3,600,230.90**	**89,513,346.30**
Comprehensive income for the year		**4,500,168,637.53**	**5,176,483,300.10**
Basic & diluted earnings per share		**142**	**164**
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

(Dasho Sonam Topgay)
Chairman, DGPC

(Vikas Kumar)
Partner
Membership No. 75363

(Dasho Chhewang Rinzin)
Managing Director

Place: Mumbai
Date: 01/04/2019

(Ugyen Namgyal)
Director (Finance)

Statement of Cash flows

for the year ended December 31, 2018

Amount in Nu.

Particulars	2018	2017
Cash flows from operating activities		
Profit before taxation	6,679,062,222.35	7,224,454,011.36
Adjustment for		
Depreciation / amortization	2,301,679,892.39	2,267,598,498.36
Foreign exchange loss	197,729,976.76	(127,013,702.07)
Loss/(gain) on sale of property plant & equipment	(7,160,424.78)	(1,851,728.90)
Investment income	(102,724,721.30)	(120,889,001.79)
Interest expenses	287,355,111.39	345,415,270.69
(Increase)/decrease in trade receivables and other receivables	51,132,589.90	231,138,856.41
(Increase)/decrease in inventories	87,689,476.94	4,596,451.15
(Increase)/decrease in prepayments and advances	(118,959,632.25)	90,475,182.43
(Increase)/decrease in assets classified as held for sale	(1,459,732.80)	(294,185.37)
Increase/(decrease) in trade and other payables	(2,987,654.95)	63,289,869.34
Increase/(decrease) in other current liabilities	(166,259.43)	(192,854.40)
Increase/(decrease) in employee benefit obligation	49,096,646.48	62,419,143.87
(Increase)/Decrease in Other asset	(180,361.14)	(152,941.14)
Cash generated from Operation	**9,420,107,129.56**	**10,038,992,869.94**
Income tax paid	(2,257,686,446.22)	(2,627,327,762.52)
Net cash from operating activities	**7,162,420,683.34**	**7,411,665,107.41**
Cash flows from investing activities		
Purchase of PPE & intangibles assets	(1,035,724,340.41)	(1,134,494,242.22)
Sale of PPE & intangible asset	-	(84,730.01)
Payment for investments in subsidiaries and joint ventures	(1,165,592,363.48)	(911,044,894.36)
Proceeds from held-to-maturity investments	688,964,315.07	(12,771,974.07)
Interest received	(48,786,827.25)	153,572,383.31
Net cash used in investing activities	**(1,561,139,216.07)**	**(1,904,823,457.36)**

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Amount in Nu.

Particulars	2018	2017
Cash flows from financing activities		
Issue of share capital	230,520,000.00	832,822,000.00
Repayment of loan	(1,510,039,544.60)	(1,556,664,756.55)
Interest paid	(244,461,538.19)	(351,238,360.67)
Dividend paid	(4,905,354,484.00)	(4,253,351,834.07)
Net cash used in financing activities	**(6,429,335,566.79)**	**(5,328,432,951.29)**
Net increase/(decrease) in cash and cash equivalents	**(828,054,099.52)**	**178,408,698.76**
Cash and cash equivalents at the beginning of the period	**1,277,226,091.22**	**1,098,817,392.45**
Cash and cash equivalents at the end of the period	**449,171,991.70**	**1,277,226,091.21**
Component of cash and cash equivalents		
Cash in hand	951,803.43	1,661,965.81
Balances in current accounts with banks	448,220,188.27	1,275,564,125.41
Total	**449,171,991.70**	**1,277,226,091.22**

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

(Dasho Sonam Topgay)
Chairman, DGPC

Vikas Kumar

(Vikas Kumar)
Partner
Membership No. 75363

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

(Dasho Chhewang Rinzin)
Managing Director

Place: Mumbai
Date: 01/04/2019

(Ugyen Namgyal)
Director (Finance)

Statement of Changes in Equity

for the year ended December 31, 2018

	Number of Shares	Equity Share Capital	Actuarial Gain / Losses on Defined Benefits	General Reserve	Retained Earnings	Total Equity
Balance at December 31, 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						
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 December 31, 2017	**31,545,688.00**	**31,545,688,000.00**	**153,115,677.90**	**9,405,325,983.86**	**5,062,973,073.41**	**46,167,102,735.17**
Net profit for the year 2018						
Net Profit/(Loss) for the year					**4,496,568,406.63**	**4,496,568,406.63**
Transfer to reserves						
Transfer to General Reserve				181,615,469.80	(181,615,469.80)	
Other Comprehensive Income for the Period			3,600,230.90			3,600,230.90

T R Chadha & Co LLP * MUMBAI * CHARTERED ACCOUNTANTS

	Number of Shares	Equity Share Capital	Actuarial Gain / Losses on Defined Benefits	General Reserve	Retained Earnings	Total Equity
Transaction with the owners						
Interest on ATS Loan transferred is adjusted from reserve				571,721.92		571,721.92
Issue of Additional Shares	230,520.00	230,520,000.00				230,520,000.00
Payment of Dividends		-		-	(4,905,354,484.00)	(4,905,354,484.00)
Balance at December 31, 2018	**31,776,208.00**	**31,776,208,000.00**	**156,715,908.80**	**9,587,513,175.57**	**4,472,571,526.24**	**45,993,008,610.61**

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

(Vikas Kumar)
Partner
Membership No. 75363

T R Chadha & Co LLP
★ CHARTERED ACCOUNTANTS ★
MUMBAI

(Dasho Sonam Topgay)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Namgyal)
Director (Finance)

Place: Mumbai
Date: 01/04/2019

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RATIO ANALYSIS

Exhibit 3

Sl #	Particulars	2018	2017	Remarks
A.	**Ratios for assessing financial health (in numbers)**			
I	Debt Equity Ratio	0.11	0.13	The ratio has decreased due to decrease in the loan obligation due to repayment
II	Current Ratio	2.16	1.39	The ratio has increased on account of decrease in provision for income tax as compared to 2017
III	Liquid Ratio	1.88	1.25	The ratio has increased on account of decrease in provision for income tax as compared to 2017
IV	Debt Services Coverage Ratio	3.33	3.70	The Debt Services Coverage has decreased on account of decrease in revenue due to less generation compared to 2017
V	Fixed Assets to Equity	0.89	0.92	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	0.28	The ratio has decreased due to decrease in Fixed Assets (Net Block) as compared to 2017
B.	**Ratios for assessing profitability (in percentage)**			
I	Return on Equity (%)	9.78	11.02	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 (%)	13.7	14.47	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 (%)	4.37	4.66	The ratio has decreased mainly due to decrease in expenses and decrease in revenue as compared to 2017
IV	Earnings Per Share	141.51	161.26	The decrease is mainly on account of decrease in profit as compared to previous year 2017 and increase in number of shared due additional equity injection
C.	**Ratios for assessing cash flow efficiency (in numbers)**			
I	Cash flow turnover	0.63	0.62	The ratio has increased due to decrease in cash from operation as compared to 2017
II	Operation Index	1.59	1.46	The ratio has increased due to decrease in profit after tax as compared to 2017
III	Cash flow return on assets	0.18	0.18	The ratio has decreased due to decrease in total asset as compared to 2017

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

AUDIT FOR THE YEAR ENDED DECEMBER 31, 2018

RATIO

Exhibit - 3A

PARTICULARS	2018	2017
CURRENT RATIO	**2.16**	**1.39**
Current asset	5,166,618,349.73	6,613,252,144.69
Current liabilities(including provisions)	2,392,668,472.83	4,765,082,651.75
DEBT EQUITY RATIO	**0.11**	**0.13**
Debt	4,867,313,452.09	6,136,729,446.73
Equity	45,993,008,610.61	46,167,102,735.17
LIQUID RATIO	**1.88**	**1.25**
Current assets	5,166,618,349.73	6,613,252,144.69
Less: Inventories	502,570,743.43	590,260,220.37
Less: Prepaid Expenses	145,755,641.99	42,561,503.47
Less: Advance to Supplier/Contractor	25,915,676.31	11,159,002.08
	4,492,376,288.00	5,969,271,418.77
Current liabilities(including provisions)	2,392,668,472.83	4,765,082,651.75
DEBT SERVICE COVERAGE RATIO	**3.33**	**3.70**
EBITA	9,268,097,226.13	9,837,467,780.41
Debt Service	2,780,822,489.24	2,655,943,531.78
FIXED ASSETS (NB) TO EQUITY	**0.89**	**0.92**
Fixed assets	41,107,092,873.17	42,365,316,278.46
Equity	45,993,008,610.61	46,167,102,735.17
FIXED ASSETS (NB) TURNOVER	**0.28**	**0.28**
Fixed assets	41,107,092,873.17	42,365,316,278.46
Electricity Revenue	11,445,445,454.64	11,953,372,682.94
ROCE (%)	**13.7**	**14.47**
PBIT	6,966,417,333.74	7,569,869,282.05
Capital Employed (Total Shareholders' Equity + Debt)	50,860,322,062.70	52,303,832,181.90
GENERATION & MAINTAINENCE EXPENSES TO ELECTRICITY REVENUE	**4.37**	**4.66**
Operation & Maintenance expenses	500,657,445.00	556,699,576.25
Electricity Revenue	11,445,445,454.64	11,953,372,682.94
DIVIDEND PERCENTAGE	**14.16**	**15.55**
Corporate dividend	4,500,000,000.00	4,905,354,484.00
Share Capital	31,776,208,000.00	31,545,688,000.00
ROE (%)	**9.78**	**11.02**
PAT	4,496,568,406.63	5,086,969,953.80
Total Shareholders' Equity	45,993,008,610.61	46,167,102,735.17
EARNINGS PER SHARE	**141.51**	**161.26**
PAT	4,496,568,406.63	5,086,969,953.80
Outstanding Equity Shares	31,776,208.00	31,545,688.00
CASH FLOW EFFICIENCY RATIOS		
CASH FLOW TO TURNOVER	**0.63**	**0.62**
Cash from operation	7,162,420,683.34	7,411,665,107.41
Electricity Revenue	11,445,445,454.64	11,953,372,682.94
OPERATIONS INDEX	**1.59**	**1.46**
Cash from operation	7,162,420,683.34	7,411,665,107.41
PAT	4,496,568,406.63	5,086,969,953.80
CASH FLOW RETURN ON ASSETS	**0.18**	**0.18**
Cash from operation + Tax Paid + Interest Paid	9,420,107,129.56	10,038,992,869.94
Total Assets	53,476,126,826.58	54,943,374,255.60

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

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Note 1: Property, plant & equipment, intangible assets and capital works in progress

FIXED ASSETS	GROSS BLOCK					DEPRECIATION					NET BLOCK	NET BLOCK
	Opening Balance as at 01.01.2018	Additions	Disposal	Transferred from CWIP	Gross Block as on 31.12.2018	Opening Balance as at 01.01.2018	During the year	Disposal	Transferred from CWIP	Closing balance as at 31.12.2018	Net Block as at 31.12.2018	Net Block as at 31.12.2017
TANGIBLE ASSETS												
Land and Land Development	114,846,469.01	-	-	-	114,846,469.01	-	-	-	-	-	114,846,469.01	114,846,469.01
CIVIL STRUCTURES					-							
Buildings	2,577,742,225.21	11,005,615.09	(2,345,927.08)	12,909,077.66	2,599,310,990.88	711,168,894.41	114,937,767.25	(1,085,701.26)	-	825,020,960.40	1,774,290,030.48	1,866,573,330.80
Walls & Fencings	322,184,076.10	10,211,202.12	-	551,775.29	332,947,053.51	47,714,079.40	10,865,319.48	-	-	58,579,398.88	274,367,654.63	274,469,996.70
Road & Culverts	2,788,705,518.77	16,794,312.90	-	-	2,805,499,831.67	793,082,732.07	93,226,009.87	-	-	886,308,741.94	1,919,191,089.73	1,995,622,786.70
Water Supply & Sanitation	233,944,933.11	213,867.50	(3,193.60)	734,150.00	234,889,757.01	64,171,608.37	7,806,279.97	(3,190.60)	-	71,974,697.74	162,915,059.27	169,773,324.74
Dam Complex-Civil	10,928,392,426.16	-	-	-	10,928,392,426.16	3,733,283,132.99	363,915,467.79	-	-	4,097,198,600.78	6,831,193,825.38	7,195,109,293.17
Power House Complex- Civil	5,520,417,626.80	-	-	-	5,520,417,626.80	1,915,143,106.06	183,829,906.97	-	-	2,098,973,013.03	3,421,444,613.77	3,605,274,520.74
Transmission Line -Civil	216,328.23	-	-	-	216,328.23	97,748.62	7,203.73	-	-	104,952.35	111,375.88	118,579.61
Switch Yard- Civil	139,500,726.02	-	-	-	139,500,726.02	54,011,809.88	4,645,374.14	-	-	58,657,184.02	80,843,542.00	85,488,916.14
Water Conductor System PH	23,564,483,779.14	-	(934,050.00)	-	23,563,549,729.14	7,083,482,373.15	784,676,346.69	(73,285.82)	-	7,868,085,434.02	15,695,464,295.12	16,481,001,405.99
Other Civil Structures	97,431,324.03	-	-	-	97,431,324.03	19,929,074.72	3,230,261.75	-	-	23,159,336.47	74,271,987.56	77,502,249.31
PLANT AND MACHINERY					-						-	-
Trash Cleaning Equipment's	169,206,042.78	-	-	-	169,206,042.78	58,220,967.46	5,634,561.25	-	-	63,855,528.71	105,350,514.07	110,985,075.32
Gates	924,173,240.42	-	-	-	924,173,240.42	476,438,776.03	28,292,248.79	-	-	504,731,024.82	419,442,215.60	447,734,464.39
Generators	3,542,824,191.20	4,104,950.00	-	-	3,546,929,141.20	1,595,484,825.01	119,316,531.33	-	-	1,714,801,356.34	1,832,127,784.86	1,947,339,366.19
Excitation Systems	367,267,361.55	-	-	-	367,267,361.55	165,044,200.02	11,830,744.87	-	-	176,874,944.89	190,392,416.66	202,223,161.53
Governing Systems	335,537,221.61	-	-	-	335,537,221.61	154,073,126.32	11,173,388.92	-	-	165,246,515.24	170,290,706.37	181,464,095.29
Turbines	3,182,500,266.19	9,547,023.85	(3,942.00)	16,796,573.88	3,208,839,921.92	1,499,469,971.39	105,944,532.14	(3,941.00)	-	1,605,410,562.53	1,603,429,359.39	1,683,030,294.80
Runners	1,360,575,357.01	15,475,377.35	-	22,712,857.83	1,398,763,592.19	1,031,078,604.08	137,152,865.84	-	-	1,168,231,469.92	230,532,122.27	329,496,752.93
Oil Handling Systems	72,397,761.19	-	-	-	72,397,761.19	36,917,095.21	2,410,845.37	-	-	39,327,940.58	33,069,820.61	35,480,665.98
Control &Conditioning Mont.	245,983,000.91	88,176,489.88	-	-	334,159,490.79	107,053,872.01	10,007,045.44	-	-	117,060,917.45	217,098,573.34	138,929,128.90
Control & Protection Panels	747,400,456.16	-	(10,000.00)	-	747,390,456.16	338,678,253.89	24,751,704.36	(9,998.00)	-	363,419,960.25	383,970,495.91	408,722,202.27
Pumps & Motors	226,413,766.90	-	(630,235.20)	-	225,783,531.70	92,945,728.60	7,526,739.87	(310,877.04)	-	100,161,591.43	125,621,940.27	133,468,038.30
Transformers	960,214,953.54	-	-	-	960,214,953.54	401,367,821.08	31,520,257.24	[illegible]	-	432,888,078.32	527,326,875.22	558,847,132.46
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60	35,802,082.25	2,866,764.51	-	-	38,668,846.76	47,420,177.84	50,286,942.35
Gas Insulated Switch Gears	919,274,583.05	-	-	-	919,274,583.05	325,994,899.49	30,590,481.88	[illegible]	-	356,585,381.37	562,689,201.68	593,279,683.56

FIXED ASSETS	GROSS BLOCK					DEPRECIATION					NET BLOCK	NET BLOCK
	Opening Balance as at 01.01.2018	Additions	Disposal	Transferred from CWIP	Gross Block as on 31.12.2018	Opening Balance as at 01.01.2018	During the year	Disposal	Transferred from CWIP	Closing balance as at 31.12.2018	Net Block as at 31.12.2018	Net Block as at 31.12.2017
Valves	965,084,409.78	-	-	-	965,084,409.78	450,593,867.27	30,911,357.11	-	-	481,505,224.38	483,579,185.40	514,490,542.51
Switchyard	4,841,874.00	-	-	-	4,841,874.00	1,714,852.46	161,234.40	-	-	1,876,086.86	2,965,787.14	3,127,021.54
Capital Spares	-	105,707,723.33	-	-	105,707,723.33	-	75,978.92	-	-	75,978.92	105,631,744.41	-
Critical Spares	-	17,531,943.64	-	-	17,531,943.64	-	13,045,368.95	-	-	13,045,368.95	4,486,574.69	-
Electro-Mechanicals-Others	1,637,317,743.16	204,037,754.18	(19,503,308.04)	-	1,821,852,189.30	739,540,782.56	52,104,193.07	(7,554,598.23)	-	784,090,377.40	1,037,761,811.90	897,776,960.60
Machinery	262,920,094.82	72,717.00	(8,421,103.70)	-	254,571,708.12	248,047,532.40	5,001,301.17	(8,421,098.70)	-	244,627,734.87	9,943,973.25	14,872,562.42
TOOLS & SAFETY EQUIPMENTS					-	-	-					
Tools and Plants	339,890,008.50	16,384,643.43	(4,999,500.65)	591,900.00	351,867,051.28	218,669,878.46	24,359,048.95	(4,467,722.93)	-	238,561,204.48	113,305,846.80	121,220,130.04
Fire Fighting and Safety Equipments	111,245,630.44	2,389,111.08	(286,732.18)	-	113,348,009.34	75,755,320.23	5,268,288.78	(262,360.93)	-	80,761,248.08	32,586,761.26	35,490,310.21
OTHER ASSETS					-							-
Office Equipment	116,678,043.25	1,040,841.85	(2,161,398.69)	8,430.00	115,565,916.41	94,523,515.26	7,965,301.20	(2,114,446.56)	3,115.64	100,377,485.54	15,188,430.87	22,154,527.99
Furniture & Fixtures	57,616,172.95	7,693,649.28	(1,002,128.03)	(8,430.00)	64,299,264.20	33,445,347.06	4,816,954.66	(891,041.01)	(3,115.64)	37,368,145.07	26,931,119.13	24,170,825.89
Vehicles	242,836,547.41	29,497,072.58	(24,797,420.85)	-	247,536,199.14	197,411,716.34	15,509,802.14	(24,797,378.85)	-	188,124,139.63	59,412,059.51	45,424,831.07
Illumination System	206,459,225.43	-	-	-	206,459,225.43	102,345,097.23	6,732,426.61	-	-	109,077,523.84	97,381,701.59	104,114,128.20
Information and Technology	155,699,479.15	12,592,127.34	(5,450,040.55)	172,193.40	163,013,759.34	106,575,866.22	16,012,565.27	(4,865,201.49)	0.00	117,723,230.00	45,290,529.34	49,123,612.93
General Assets	64,994,048.23	5,472,751.23	(1,488,015.32)	-	68,978,784.14	38,251,423.70	8,223,337.99	(1,479,188.12)	-	44,995,573.57	23,983,210.57	26,742,624.53
	63,593,305,936.81	**557,949,173.63**	**(72,036,995.89)**	**54,468,528.06**	**64,133,686,642.61**	**23,047,529,981.70**	**2,286,345,808.67**	**(56,340,030.54)**	**(0.00)**	**25,277,535,759.83**	**38,856,150,882.78**	**40,545,775,955.11**
Less: Provision for Losses												
Net Assets	**63,593,305,936.81**	**557,949,173.63**	**(72,036,995.89)**	**54,468,528.06**	**64,133,686,642.61**	**23,047,529,981.70**	**2,286,094,406.21**	**(56,340,030.54)**	**(0.00)**	**25,277,542,843.09**	**38,856,143,799.51**	**40,545,775,955.11**
INTANGIBLE ASSETS												
Intangible Assets	197,495,805.34	8,385,559.09	(1,745,817.08)	886,806.60	205,022,353.95	176,580,260.98	15,585,486.18	(137,752.14)	0.00	192,027,995.02	12,994,358.93	20,915,544.36
Less: Provision for Losses												
Net Assets	**197,495,805.34**	**8,385,559.09**	**(1,745,817.08)**	**886,806.60**	**205,022,353.95**	**176,580,260.98**	**15,585,486.18**	**(137,752.14)**	**0.00**	**192,027,995.02**	**12,994,358.93**	**20,915,544.36**
CAPITAL WORKS IN PROGRESS												
Capital Works in Progress	1,651,463,734.66	513,375,447.85	-	(55,355,334.66)	2,109,483,847.85	-	-	-	-	-	2,109,483,847.85	1,651,463,734.66
Less: Provision for Losses	-	-	-	-	-	-	-	-	-	-	-	-
Advance-Capital	115,166,317.94	182,544,723.03	(201,240,174.09)	-	96,470,866.88	-	-	-	-	-	96,470,866.88	115,166,317.94
Net Assets	**1,766,630,052.60**	**695,920,170.88**	**(201,240,174.09)**	**(55,355,334.66)**	**2,205,954,714.73**	**-**	**-**	**-**	**-**	**-**	**2,205,954,714.73**	**1,766,630,052.60**
Grand Total	**65,557,431,794.7**	**1,262,254,903.6**	**(275,022,987.06**	**(0.00)**	**66,544,663,711.29**	**23,224,110,242.68**	**2,301,931,294.85**	**(56,477,782.68)**	**(0.00)**	**25,469,570,838.1**	**41,075,092,873.17**	**42,333,321,552.07**

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Note 2: Investment Property

Particulars	Nu. 2018	Nu. 2017
Land given on lease	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		
Fair value of investment property	67,518,000.00	43,560,000.00
	67,518,000.00	**43,560,000.00**
(ii) Amounts recognised in profit or loss for investment properties		
Rental income	1,361,367.00	1,296,540.00
	1,361,367.00	**1,296,540.00**

Note 3 : Deferred tax asset/liability

Particulars	Nu. 2018	Nu. 2017
Bonus payable	7,247,409.19	6,372,706.65
Employee benefit obligation	(14,116,962.60)	12,558,075.57
ADB Loan	188,398,457.35	137,750,484.01
Interest on fixed deposit	1,445,458.50	2,327,239.48
Deferred rent	(254,394.13)	(200,285.78)
Property, plant & equipment	(143,079,872.55)	(128,280,943.62)
	39,640,095.76	**30,527,276.30**

Note 4: Investments in subsidiaries and joint ventures

Particulars	Nu. 2018	Nu. 2017
Investment in subsidiary companies		
Equity investment in Dagachhu Hydropower Corporation Limited 2,437,880 (December 31, 2017: 2,437,880) equity shares of Nu. 1000 each, fully paid up (December 31, 2017: Nu. 1000 each, fully paid up)	2,437,880,000.00	2,437,880,000.00
Equity investment in Tangsibji Hydro Energy Limited 36,000,000 (December 31, 2017: 36,000,000) equity shares of Nu. 100 each, called up amount Nu.63.98 (December 31, 2017: called up amount Nu.42.18)	2,303,160,980.70	1,518,453,305.22
Investment in joint venture companies		
Equity investment in Bhutan Hydropower Services Limited 3,339,626.88 (December 31, 2017: 2,550,000) equity shares of Nu. 100 each, fully paid up (December 31, 2017: Nu. 76.36 each)	333,962,688.00	255,000,000.00
Equity investment in Kholongchhu Hydro Energy Limited 25,000,000 (December 31, 2017: 25,000,000) equity shares of Nu. 100 each, called up amount Nu. 50.72 (December 31, 2017: called up amount Nu. 39.86 each)	1,267,917,000.00	996,595,000.00
Equity investment in Bhutan Automation & Engineering Limited 3,060,000 (December 31, 2017: 0) equity shares of Nu. 100 each, fully paid up	30,600,000.00	-
	6,373,520,668.70	**5,207,928,305.22**

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FINANCIAL ASSETS (NON-CURRENT)

Note 5a: Long-Term Investments

Particulars	Nu. 2018	Nu. 2017
Investment in non-government bonds	200,000,000.00	200,000,000.00
Investment in fixed deposits		
- Fixed deposit with bank	580,000,000.00	400,311,457.80
- Accrued interest on fixed deposit	8,406,858.80	125,371,173.87
Total Held-to-maturity investments	**788,406,858.80**	**725,682,631.67**

Note 5b: Other assets

Particulars	Nu. 2018	Nu. 2017
Deferred lease income	847,980.42	667,619.28
	847,980.42	**667,619.28**

FINANCIAL LIABILITY (NON-CURRENT)

Note 5c: Long-Term Borrowings

Particulars	Nu. 2018	Nu. 2017
Government of India loan (ROI - 9% & tenure of loan-10 year)	-	1,266,353,043.71
Government of Austria loan (ROI-6% & tenure of loan-BHP-LS 20 years & BHP-US 18 years)	907,349,176.38	1,052,674,039.10
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)*	2,390,041,398.27	1,935,959,603.76
Loan from Bank of Bhutan	905,980,000.00	587,000,000.00
Deferred Grant Income	600,100,031.19	185,159,690.54
Less: current maturities of long-term debt	(145,324,862.72)	(1,411,677,906.43)
	4,658,145,743.12	**3,615,468,470.68**

Note 6: Inventories

Particulars	Nu. 2018	Nu. 2017
Stores & spares	571,847,962.52	635,965,238.19
	571,847,962.52	**635,965,238.19**
Less		
Provision for obsolescence/Losses	(69,277,219.09)	(45,705,017.82)
	502,570,743.43	**590,260,220.37**

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

Inventories recognised as an expense during the year ended December 31, 2018 amounted to Nu. 280,723,363 (2017 – Nu. 273,747,463). These were included in running and maintenance expenses.

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Note 7: Prepayments and advances

Particulars	Nu. 2018	Nu. 2017
Prepaid expenses	145,755,641.99	42,561,503.47
Staff advance	2,028,912.12	1,020,092.62
Advance to supplier/contractor	25,915,676.31	11,159,002.08
	173,700,230.42	**54,740,598.17**

Note 8: Assets classified as held for sale

Particulars	Nu. 2018	Nu. 2017
Asset held for disposal	2,053,230.42	593,497.62
	2,053,230.42	**593,497.62**

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 basicially consist of furniture, small equipments etc.

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 realisable 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. 2018	Nu. 2017
Investment in fixed deposits/bonds		
Investment in non-government bonds	-	350,000,000.00
Investment in fixed deposits	2,320,311,457.80	2,722,000,000.00
Accrued interest on fixed deposits	165,849,391.02	10,022,773.96
Accrued interest on non-government bonds	11,347,945.19	15,663,013.70
	2,497,508,794.01	**3,097,685,787.66**

Note 9b: Trade and other receivables

Particulars	Nu. 2018	Nu. 2017
Trade receivables (Unsecured, Considered good)		
- Bhutan Power Corporation Limited	696,851,954.95	665,826,077.01
- Power Trading Corporation Limited	343,355,466.17	612,442,275.11
- Others	-	958,726.12
	1,040,207,421.12	**1,279,227,078.24**
Inter-corporate Loan	431,000,000.00	276,000,000.00
Miscellaneous deposits	5,182,100.81	5,205,851.02
Other receivables	65,223,837.82	32,313,020.39
Total trade and other receivables	**1,541,613,359.75**	**1,592,745,949.65**

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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 30-90 days and therefore are all classified as current.

Note 9c: Cash and cash equivalents

Particulars	Nu. 2018	Nu. 2017
Cash in Hand	951,803.43	1,661,965.81
Balances with Banks in Current Accounts		
Bank of Bhutan	255,221,900.09	1,169,785,371.88
Bhutan National Bank	147,640,150.07	62,144,014.82
Druk PNB	43,940,045.50	41,847,550.10
Tashi Bank	1,418,092.61	1,787,188.61
	449,171,991.70	**1,277,226,091.22**

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.

FINANCIAL LIABILITY (CURRENT)

Note 9d: Trade and other payables

Particulars	Nu. 2018	Nu. 2017
Security deposit- suppliers & others	33,062,527.30	34,116,412.39
Sundry creditors	343,485,777.46	333,578,485.59
Outstanding liabilities to contractors	2,429,796.44	11,091,872.65
Outstanding liabilities for expenses	72,991,978.79	75,834,386.66
Provision for bonus	55,151,676.88	54,766,565.97
Sundry liabilities	112,528.24	834,216.80
	507,234,285.11	**510,221,940.06**

Note 9e: Other financial liabilities

Particulars	Nu. 2018	Nu. 2017
Government of India Loan	-	1,266,353,043.71
Government of Austria Loan	145,324,862.72	145,324,862.72
Interest accrued	-	1,088,633,796.57
Interest accrued but not due on loans	63,842,846.25	20,949,273.05
	209,167,708.97	**2,521,260,976.05**

Note 10: Share capital

Particulars	Nu. 2018	Nu. 2017
Authorized share capital		
50,000,000 equity shares @ Nu. 1,000 per share	50,000,000,000.00	50,000,000,000.00
Subscribed and paid -up share capital		

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31,776,208 equity share @ 1,000 per share	31,776,208,000.00	31,545,688,000.00
	31,776,208,000.00	**31,545,688,000.00**

Movements in ordinary shares	Number of shares	Par value
Opening balance January 1, 2017	31,545,688.00	31,545,688,000.00
Issues during the year	-	-
Balance December 31, 2017	**31,545,688.00**	**31,545,688,000.00**
Issues during the year	230,520.00	230,520,000.00
Balance December 31, 2018	**31,776,208.00**	**31,776,208,000.00**

Note 11: Employee benefit obligation

Particulars	Nu. 2018	Nu. 2017
Gratuity	396,249,000.00	362,049,282.96
Other long term benefit	36,055,000.00	33,671,115.04
	432,304,000.00	**395,720,398.00**

Note 12: Other current liabilities

Particulars	Nu. 2018	Nu. 2017
Sundry liabilities	43,135,887.00	43,138,288.00
Tax deducted at source - payable	623,102.40	786,960.83
	43,758,989.40	**43,925,248.83**

Note 13: Current tax liabilities

Particulars	Nu. 2018	Nu. 2017
Provision for corporate Income Tax	1,567,459,489.35	1,631,996,344.29
	1,567,459,489.35	**1,631,996,344.29**

Note 14: Employee benefit obligation

Particulars	Nu. 2018	Nu. 2017
Gratuity	24,996,000.00	18,920,815.00
Other long term benefit	3,951,000.00	3,509,115.00
Leave encashment payable	36,101,000.00	35,248,212.52
	65,048,000.00	**57,678,142.52**

Note 15: Electricity revenue

Particulars	Nu. 2018	Nu. 2017
Export & Domestic revenue		
Power Trading Corporation Limited	7,520,937,240.12	8,267,512,286.33
Bhutan Power Corporation Limited	3,923,157,672.89	3,684,480,813.21
From staff & other private parties	1,350,541.63	1,379,583.40
	11,445,445,454.64	**11,953,372,682.94**

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Note 16: Interest earned

Particulars	Nu. 2018	Nu. 2017
Interest on deposits	67,039,789.80	80,846,206.67
Interest on non-government bonds	35,684,931.50	40,042,795.12
	102,724,721.30	**120,889,001.79**

Note 17: Other income

Particulars	Nu. 2018	Nu. 2017
Grant income	71,304,331.39	33,315,651.89
Misicellaneous receipts	27,072,569.83	18,064,676.46
Liquidity charges	11,160,742.20	5,315,237.57
House rent recovered- employee/others	14,750,609.32	15,017,151.71
Lease rental income	2,362,270.14	2,362,270.14
Profit on sale/discard of assets (Net)	7,160,424.78	1,851,728.90
Sale of tender forms	-	43,000.00
Foreign exchange gains/loss	-	127,013,702.07
	133,810,947.66	**202,983,418.74**

Note 18: Running and maintenance expenses

Particulars	Nu. 2018	Nu. 2017
R&M electro-mechanical	227,214,329.07	278,498,472.97
R&M civil structures	89,124,430.91	74,802,198.95
R&M vehicles	49,613,168.38	61,271,858.61
R&M-Information Technology	18,127,913.97	19,321,073.23
R&M-Fire Fighting & Safety	2,809,916.07	8,317,063.88
R&M-Office Equipments	921,856.10	1,445,697.40
	387,811,614.50	**443,656,365.04**

Note 19: Employees' remuneration and benefits

Particulars	Nu. 2018	Nu. 2017
Salaries and wages	498,758,646.39	483,643,940.30
Professional training	76,063,894.13	85,005,318.37
Bonus	55,133,741.11	52,834,922.83
Incentive/honorarium	55,242,117.32	52,231,570.61
Employer's contribution to provident fund	**36,924,888.48**	**35,956,115.21**
Leave encashment	**28,245,839.10**	**19,251,095.00**
Gratuity expenses	**59,397,435.16**	**71,624,165.08**
Leave travel concession	**19,386,814.68**	**20,765,033.58**
Terminal benefits	**6,636,016.80**	**7,637,946.00**
GPA- insurance	**3,667,876.65**	**3,539,230.29**
Liveries	**11,344,945.68**	**9,328,137.80**
Staff welfare expenses	**5,033,706.37**	**3,751,690.60**
Medical expenses	**2,182,308.10**	**2,055,515.53**
	858,018,229.97	**847,624,681.20**

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Note 20: Finance cost

Particulars	Nu. 2018	Nu. 2017
Interest to Government of India	80,121,500.17	194,035,260.18
Interest to Government of Austria	61,148,257.26	69,867,749.02
Interest to Asian Development Bank	114,886,729.77	57,671,586.18
Interest to Bank of Bhutan	-	571,721.92
Interest on current portion of long term borrowing	30,378,082.19	22,356,164.39
Discounting of deferred rent	820,542.00	912,789.00
	287,355,111.39	**345,415,270.69**

Note 21: Other expenses

Particulars	Nu. 2018	Nu. 2017
Brand & management fee	98,374,677.80	107,424,698.83
Travel	38,266,492.30	39,415,890.94
Foreign exchange gains/loss	197,729,976.76	-
Grant expense	22,592,571.09	33,315,651.89
Licence fee	14,920,567.55	15,342,456.44
Electricity	10,651,746.88	10,458,652.43
Entertainment	10,111,201.07	8,030,852.16
Corporate social responsibility	17,674,961.93	39,528,177.42
Consultancy charges	2,115,545.50	7,140,245.20
Rent	9,562,897.19	9,169,415.47
Telephone and fax	7,069,454.73	7,021,527.38
Printing and stationery	5,941,491.44	6,334,474.47
Rates and taxes	55,664.09	44,815.96
Advertisement and publicity	2,074,735.16	2,592,712.66
Audit fees & expenses	1,339,742.50	1,210,250.80
Directors' sitting fees	902,500.00	467,500.00
Bank charges	381,854.49	361,463.49
Board meeting expenses	256,973.00	110,385.00
Books & periodicals	186,391.60	194,816.67
Postage and telegram	218,710.00	205,321.85
Other expenses	4,945,061.96	4,732,595.55
	445,373,217.04	**293,101,904.60**

Note 22: Tax expense

Particulars	Nu. 2018	Nu. 2017
Components of income tax expense **Income tax expense**		
Current tax		
Current tax on profit for the year	2,083,891,672	2,137,363,492
Total current tax expenses	**2,083,891,672**	**2,137,363,492**
Deferred tax		
(Decrease)/increase in deferred tax liabilities	(9,112,819)	(105,565,278)
Total deferred tax expenses	**(9,112,819)**	**(105,565,278)**
Income tax expenses	**2,074,778,852**	**2,031,798,213**

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Numerical reconciliation of income tax expense to prima facie tax payable

Particulars	Nu. 2018	Nu. 2018	Nu. 2017	Nu. 2017
Tax expense				
Current tax		2,083,891,671.59		2,137,363,492
Total tax expense		**2,083,891,671.59**		**2,137,363,492**
Reconciliation of tax on accounting profit				
Profit before tax		6,679,062,222.35		7,224,454,011
Income tax expense calculated at 30% (A)		2,003,718,666.71		2,167,336,203.41
Non-deductible expense				
Production incentive/ Bonus /PBVA	79,400,147.95	23,820,044.38	76,360,379.24	22,908,113.77
Medical expenses	834,587.10	250,376.13	500,042.06	150,012.62
Donation	17,678,967.90	5,303,690.37	39,528,177.42	11,858,453.23
Total non-deductible expense (B)		**29,374,110.88**		**34,916,580**
Adjustment to deferred tax pertaining to ADB Loan				
Deferred tax effect on forex exchange difference on ADB principal/interest	(24,305,459.20)	(7,291,637.76)	(18,546,067.32)	(5,563,820.20)
ADB Loan (For-Ex Gain/Loss-unrealised)	191,498,140.57	57,449,442.17		
Net Effect (C)		**50,157,804.41**		**(5,563,820.20)**
Lease Rent				
Decrease in income	(180,361.14)	(54,108.34)	(152,941.14)	(45,882.34)
Net Effect (D)		**(54,108.34)**		**(45,882.34)**
Fixed Deposit Interest				
- Excess interest accrued and deferred tax assets booked as on December 31, 2018	(3,611,423.55)	(1,083,427.06)	(1,871,398.37)	(561,419.51)
Net Effect (E)		**(1,083,427.06)**		**(561,419.51)**
Impact Due to Depreciation				
Depreciation	(79,414,479.05)	(23,824,343.72)	(91,048,202.79)	(27,314,460.84)
Net Effect (F)		**(23,824,343.72)**		**(27,314,460.84)**
Adjustment to Gratuity during the year				
Gratuity charged to profit or loss	85,343,229.05	25,602,968.72	(104,679,028.05)	(31,403,708.41)
Difference between adjustment to bonus and charged to profit or loss		25,602,968.72		(31,403,708.41)
Net effect (G)		**25,602,968.72**		**(31,403,708.41)**
Reconciled with tax expense as above (A+B+C+D+E+F+G)		**2,083,891,671.59**		**2,137,363,492**

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Note 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 utilisation 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 Company in compliance with the Companies Act of the Kingdom of Bhutan, 2000 has adopted all the applicable 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 realise 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 recognised 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 recognised 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 currencyat the exchange rate at the date that the fair value was determined.

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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 recognised 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 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 recognised 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 capitalised as part of that equipment.

The Property, plant and equipment are derecognised 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 recognised 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.

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 expenses.

Asset	Rates
Civil Structures	3.33%
Electromechanical Equipment's	3.33%
	5% (Diesel Generators), and
	20%(Runners & Spares)
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%

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 amortisation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset.

c. Subsequent Expenditure

Subsequent expenditure is capitalised 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. Other expenditure including expenditure on internally generated goodwill and brands, are expensed off in the year in which they are incurred.

d. Amortisation of Intangible Assets with finite useful lives

Amortisation is recognised 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, labour, 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 capitalised.

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

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 recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants related to income are recognised in the Statement of profit or loss on a systematic basis over the periods in which the entity recognises 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 recognised 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 recognised in Statement of profit or loss in the year it is received or becomes receivable.

xiii. 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 recognised as part of company's asset. Payments made for operating leases are recognised 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 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 recognised over the lease term on the same bases as rental income.

Lease Income

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

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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 recognised 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 and 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 recognised 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 recognised 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 recognised in the period in which the employee renders the related service. The Company recognises 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 unutilised earned leave subject to the limit set as per DGPC service manual and utilise it in future periods or compensated in cash during retirement or termination of employment for the unutilised accrued earned leave based on the salary at the time. The company's net obligation in respect of the earned leave is calculated by estimating theamount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

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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 recognised 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 recognised as a finance cost. A provision for onerous contracts is recognised 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 recognised against royalty expense. Revenue is recognised when meter energy units transmitted to customers.

The Company recognises revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (i.e. 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 recognised as assets if the recovery of such cost is expected. Such assets are amortised 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 recognised on a time proportion basis using effective interest rate (EIR).

The EIR is rate that exactly discounts 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 recognised as revenue when the right to receive payment is established.

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d. Other Income

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

xvii. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised 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. Amortisation of discounts or premiums relating to borrowings.

c. Amortisation 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.

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 capitalisation.

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

xix. Inventories

a. Inventories consist of stores and spares held mainly for repair and maintenance and are valued at lower of cost or net realisable value.

b. Cost is calculated on Weighted Average Price Method and comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition.

c. Obsolete and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.

d. Stock of salvaged and scrapped materials has been stated at nil value. The amount realized on disposal of such stock is accounted for under Other Income.

e. As the corporation is engaged in the generation of electricity, there are no finished goods or raw materials.

f. Inventories consists of material and other supplies for use in the production. 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 recognised in profit or loss except to the extent that it relates to items recognised 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 recognised 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 recognised 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 recognised 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 are also not recognised 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.

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 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.

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xxv. **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised 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 amortised cost.
- Financial assets measured at fair value through other comprehensive income (FVTOCI).
- Financial assets measured at fair value through profit and loss.

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 amortised 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.

- 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 amortised 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 amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised 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.

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.

- the asset's contractual cash flow represents SPPI.

Financial instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value. Fair value movements are recognised 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 categorisation as at amortised 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.

iiii. Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised 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 recognised 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 derecognised. 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 recognised to the extent of continuing involvement in the asset.

v. Income recognition

Interest income: Interest income from debt instruments is recognised 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.

Dividend income: Dividends are recognised 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 recognised 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.

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Gains or losses on liabilities held for trading are recognised 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/ losses 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 recognised 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 recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised 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 amortised 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 agree 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 recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

iiii. 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 treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised 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 recognised in profit or loss as other gains/(losses).

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at higher of the amount determined in accordance with BAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised 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 recognised 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 recognised initially at their fair value and subsequently measured at amortised 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. Comparative Information

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

Note 24: Additional disclosures

A. A dividend of Nu. 4,500,000,000.00 have been proposed for the year ended December 31, 2018 amounting to a dividend of 141.62 per share. These financial statements do not reflect this dividend proposed.

The Financial Statements have been approved for issue by the Board of Directors on March 12, 2019.

B. i. Estimated number of contracts remaining to be executed on capital account and not provided for - Nu. 470.06 million (previous year - Nu. 392.25 million).

ii. Of the allotted 12,679,170 equity shares of Nu. 100 each by KHEL, Nu. 1,267,917,000.00 has been called up and paid till December 31, 2018 and Nu. 10,732,083,000.00 has remained uncalled on the date.

iii. Of the allotted 36,000,000 equity shares of Nu. 100 each by THyE, Nu 2,303,160,980.70 has been called up and paid till December 31, 2018 and Nu. 1,296,839,019.30 has remained uncalled on the date.

C. DGPC reliance on PTC India Limited (i.e. single external customer) for export revenue amount to Nu. 9,868,452,232.52 (i.e. 71.55% of total revenue).

D. Leasing agreement

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:

	Decemer 31, 2018	Decemer 31, 2017
Within one year	1,429,435	1,361,367
Later than one year but not later than 5 years	8,293,459	7,898,533
Later than 5 years	53,889,836	55,714,198
	63,612,731	**64,974,098**

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The Company has recorded rental income amounting to Nu. 1,361,367.00 (previous year - Nu. 1,296,540.00) to the statement of comprehensive income during the year ended December 31 2018.

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

Assets/Liabilities	2018	2017
DBO at end of prior period	380,970,000	436,161,850
Current service cost	31,393,000	39,115,000
Interest cost on the DBO	31,578,000	36,331,000
Curtailment (credit)/cost	-	-
Settlement (credit)/cost	-	-
Past service cost - plan amendments	-	-
Acquisitions (credit)/ cost	-	-
Actuarial (gain)/loss – experience	(24,795,608)	(29,841,100)
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - financial assumptions	20,334,000	(88,686,000)
Benefits paid directly by the Company	(18,234,392)	(12,110,750)
Benefits paid from plan assets		
DBO at end of current period	**421,245,000**	**380,970,000**

Statement of Profit & Loss	2018	2017
Current service cost	31,393,000	39,115,000
Past service cost - plan amendments	-	-
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	-	-
Service cost	31,393,000	39,115,000
Net interest on net defined benefit liability / (asset)	31,578,000	36,331,000
Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Cost recognised in P&L	**62,971,000**	**75,446,000**

Defined Benefit Cost	2018	2017
Service cost	31,393,000	39,115,000
Net interest on net defined benefit liability / (asset)	31,578,000	36,331,000
Actuarial (gains)/ losses recognised in OCI	(4,461,608)	(118,527,100)
Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Defined benefit cost	**58,509,392**	**(43,081,100)**

Development of Net Financial Position	2018	2017
Defined Benefit Obligation (DBO)**	(421,245,000)	(380,970,000)
Fair Value of Plan Assets (FVA)	-	-
Funded Status (Surplus/(Deficit))	(421,245,000)	(380,970,000)
Net defined benefit asset	**(421,245,000)**	**(380,970,000)**

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Reconciliation of Net Balance Sheet Position	2018	2017
Net defined benefit asset/(liability) at end of prior period	(380,970,000)	(436,161,850)
Service cost	(31,393,000)	(39,115,000)
Net interest on net defined benefit liability/(asset)	(31,578,000)	(36,331,000)
Amount recognised in OCI	24,795,608	29,841,100
Amount recognised in Profit & Loss	-	-
Employer contributions	-	-
Benefit paid directly by the Company	18,234,392	12,110,750
Acquisitions credit/ (cost)	-	-
Divestitures	-	-
Withdrawals from the Plan Assets	(20,334,000)	88,686,000
Cost of termination benefits	-	-
Net defined benefit asset/ (liability) at end of current period	**(421,245,000)**	**(380,970,000)**

Other Comprehensive Income (OCI)	2018	2017
Actuarial (gain)/loss due to liability experience	(24,795,608)	(29,841,100)
Actuarial (gain)/loss due to liability assumption changes	20,334,000	(88,686,000)
Actuarial (gain)/loss arising during period	(4,461,608)	(118,527,100)
Return on plan assets (greater)/less than discount rate	-	-
Actuarial (gains)/losses recognised in OCI	(4,461,608)	(118,527,100)
Adjustment for limit on net asset	-	-
Actuarial (gain) or loss recognized via OCI at current period end	**(4,461,608)**	**(118,527,100)**

Expected benefit payments for the year ending	2018
December 31, 2019	24,996,000
December 31, 2020	27,436,447
December 31, 2021	28,721,025
December 31, 2022	33,494,086
December 31, 2023	33,223,152
December 31, 2023 to December 31, 2027	**268,606,256**
Expected employer contributions for the period ending December 31, 2018	*Not Applicable*
Weighted average duration of defined benefit obligation	*11 Years*
Accrued Benefit Obligation at December 31, 2018	*210,410,880*
Significant estimates: actuarial assumptions and sensitivity	
Discount Rate	**2018**
Discount Rate	**8.00%**
Effect on DBO due to 1% increase in Discount Rate	(39,180,905)
Effect on DBO due to 1% decrease in Discount Rate	45,817,230
Salary escalation rate	**2018**
Salary escalation rate	**8%**
Effect on DBO due to 1% increase in Salary escalation rate	45,325,887
Effect on DBO due to 1% decrease in Salary escalation rate	(39,580,845)

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

Assets/Liabilities	2018	2017
DBO at end of prior period	5,478,312	5,054,656
Current service cost	558,556	556,951
Interest cost on the DBO	438,782	404,831
Curtailment (credit)/cost	-	-
Settlement (credit)/cost	-	-
Past service cost - plan amendments	-	-
Acquisitions (credit)/ cost	-	-
Actuarial (gain)/loss - experience	(519,168)	(259,529)
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - financial assumptions	-	-
Benefits paid directly by the Company	(618,482)	(278,597)
Benefits paid from plan assets	194,000	-
DBO at end of current period	**5,532,000**	**5,478,312**

Defined Benefit Cost	2018	2017
Service cost	558,556	556,951
Net interest on net defined benefit liability/(asset)	438,782	404,831
Actuarial (gains)/losses recognized in OCI	(325,168)	(259,529)
Immediate recognition of (gains)/ losses – other long-term employee benefit plans	-	-
Defined benefit cost	**672,170**	**702,253**

Other Comprehensive Income (OCI)	2018	2017
Actuarial (gain)/loss due to liability experience	(519,168)	(259,529)
Actuarial (gain)/loss due to liability assumption changes	194,000	-
Actuarial (gain)/loss arising during period	(325,168)	(259,529)
Return on plan assets (greater)/ less than discount rate	-	-
Actuarial (gains)/ losses recognised in OCI	(325,168)	(259,529)
Adjustment for limit on net asset	-	-
Actuarial (gain) or loss recognised via OCI at current period end	**(325,168)**	**(259,529)**

Statement of Profit & Loss	2018	2017
Current service cost	558,556	556,951
Past service cost - plan amendments	-	-
Curtailment cost /(credit)	-	-
Settlement cost/(credit)	-	-
Service cost	558,556	556,951
Net interest on net defined benefit liability/(asset)	438,782	404,831
Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Cost recognized in P&L	**997,338**	**961,782**

Development of Net Financial Position	2018	2017
Defined Benefit Obligation (DBO)**	(5,532,000)	(5,478,312)
Fair Value of Plan Assets (FVA)	-	-
Funded Status (Surplus/ (Deficit))	(5,532,000)	(5,478,312)
Net defined benefit asset	**(5,532,000)**	**(5,478,312)**

Reconciliation of Net Balance Sheet Position	2018	2017
Net defined benefit asset/ (liability) at end of prior period	(5,478,312)	(5,054,656)
Service cost	(558,556)	(556,951)
Net interest on net defined benefit liability/(asset)	(438,782)	(404,831)
Amount recognised in OCI	-	-
Amount recognised in Profit & Loss	-	-
Employer contributions	-	-
Benefit paid directly by the Company	-	-
Acquisitions credit/(cost)	519,168	259,529
Divestitures	-	-
Withdrawals from the Plan Assets	-	-
Cost of termination benefits	618,482	278,597
Net defined benefit asset/ (liability) at end of current period	**(5,338,000)**	**(5,478,312)**

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Expected benefit payments for the year ending	2018
December 31, 2019	659,000
December 31, 2020	644,859
December 31, 2021	640,723
December 31, 2022	690,703
December 31, 2023	645,581
December 31, 2023 to December 31, 2027	**3,890,145**
Expected employer contributions for the period ending 31 December 2018	*Not Applicable*
Weighted average duration of defined benefit obligation	*11 Years*
Accrued Benefit Obligation at December 31, 2018	*3,972,520*
Significant estimates: actuarial assumptions and sensitivity	
Discount Rate	**2018**
Discount Rate	8.00%
Effect on DBO due to 1% increase in Discount Rate	(375,489)
Effect on DBO due to 1% decrease in Discount Rate	**428,032**
Salary escalation rate	**2018**
Salary escalation rate	5.00%
Effect on DBO due to 1% increase in Salary escalation rate	312,803
Effect on DBO due to 1% decrease in Salary escalation rate	(339,905)

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

Assets/Liabilities	2018	2017
DBO at end of prior period	15,850,959	17,750,902
Current service cost	1,533,139	1,885,216
Interest cost on the DBO	1,286,200	1,452,866
Curtailment (credit)/cost	-	-
Settlement (credit)/cost	-	-
Past service cost - plan amendments	-	-
Acquisitions (credit)/cost	-	-
Actuarial (gain)/loss – experience	(940,578)	(1,450,159)
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - financial assumptions	-	-
Benefits paid directly by the Company	(1,207,720)	(730,925)
Benefits paid from plan assets	715,000	(3,056,941)
DBO at end of current period	**17,237,000**	**15,850,959**

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Statement of Profit & Loss	2018	2017
Current service cost	1,533,139	1,885,216
Past service cost - plan amendments	-	-
Curtailment cost /(credit)	-	-
Settlement cost /(credit)	-	-
Service cost	1,533,139	1,885,216
Net interest on net defined benefit liability/ (asset)	1,286,200.00	1,452,866.00
Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Cost recognised in P&L	**2,819,339**	**3,338,082**

Defined Benefit Cost	2018	2017
Service cost	1,533,139	1,885,216
Net interest on net defined benefit liability / (asset)	1,286,200	1,452,866
Actuarial (gains)/losses recognised in OCI	(225,578)	(4,507,100)
Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Defined benefit cost	**2,593,761**	**(1,169,018)**

Development of Net Financial Position	2018	2017
Defined Benefit Obligation (DBO)**	(17,237,000)	(15,850,959)
Fair Value of Plan Assets (FVA)	-	-
Funded status (surplus/(deficit))	(17,237,000)	(15,850,959)
Net defined benefit asset	**(17,237,000)**	**(15,850,959)**

Reconciliation of Net Balance Sheet Position	2018	2017
Net defined benefit asset/(liability) at end of prior period	(15,850,959)	(17,750,902)
Service cost	(1,533,139)	(1,885,216)
Net interest on net defined benefit liability/ (asset)	(1,286,200)	(1,452,866)
Amount recognised in OCI	-	-
Amount recognised in profit & loss	-	-
Employer contributions	-	-
Benefit paid directly by the Company	-	-
Acquisitions credit/(cost)	940,578	1,450,159
Divestitures	-	-
Withdrawals from the Plan Assets	-	-
Cost of termination benefits	1,207,720	730,925
Benefits paid from plan assets	**(715,000)**	**3,056,941**
Net defined benefit asset/ (liability) at end of current period	**(17,237,000)**	**(15,850,959)**

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Other Comprehensive Income (OCI)	2018	2017
Actuarial (gain)/loss due to liability experience	(940,578)	(1,450,159)
Actuarial (gain)/loss due to liability assumption changes	715,000	(3,056,941)
Actuarial (gain)/loss arising during period	(225,578)	(4,507,100)
Return on plan assets (greater)/less than discount rate	-	-
Actuarial (gains)/ losses recognized in OCI	(225,578)	(4,507,100)
Adjustment for limit on net asset	-	-
Actuarial (gain) or loss recognised via OCI at current period end	**(225,578)**	**(4,507,100)**

Expected benefit payments for the year ending	2018
December 31, 2019	1,646,000
December 31, 2020	1,616,383
December 31, 2021	1,659,980
December 31, 2022	1,815,121
December 31, 2023	1,744,670
December 31, 2023 to December 31, 2027	11,410,756
Expected employer contributions for the period ending 31 December 2018	Not Applicable
Weighted average duration of defined benefit obligation	11 Years
Accrued benefit obligation at December 31, 2018	9,611,025
Significant estimates: actuarial assumptions and sensitivity	
Discount Rate	**2018**
Discount Rate as at December 31, 2018	**8.00%**
Effect on DBO due to 1% increase in Discount Rate	(1,380,127)
Effect on DBO due to 1% decrease in Discount Rate	1,595,586
Salary escalation	**2018**
Inflation escalation rate as at December 31, 2018	**8.00%**
Effect on DBO due to 1% increase in Salary escalation rate	1,581,652
Effect on DBO due to 1% decrease in Salary escalation rate	(1,393,583)

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

Assets/Liabilities	2018	2017
DBO at end of prior period	15,850,959	17,750,902
Current service cost	1,533,139	1,885,216
Interest cost on the DBO	1,286,200	1,452,866
Curtailment (credit)/cost	-	-
Settlement (credit)/cost	-	-
Past service cost - plan amendments	-	-
Acquisitions (credit)/cost	-	-
Actuarial (gain)/loss – experience	(845,833)	(1,525,639)

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Assets/Liabilities	2018	2017
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - financial assumptions	-	-
Benefits paid directly by the Company	(1,302,465)	(655,445)
Benefits paid from plan assets	715,000	(3,056,941)
DBO at end of current period	**17,237,000**	**15,850,959**

Statement of Profit & Loss	2018	2017
Current service cost	1,533,139	1,885,216
Past service cost - plan amendments	-	-
Curtailment cost/(credit)	-	-
Settlement cost/(credit)	-	-
Service cost	1,533,139	1,885,216
Net interest on net defined benefit liability/(asset)	1,286,200	1,452,866
Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Cost recognised in P&L	**2,819,339**	**3,338,082**

Defined Benefit Cost	2018	2017
Service cost	1,533,139	1,885,216
Net interest on net defined benefit liability/(asset)	1,286,200	1,452,866
Actuarial (gains)/losses recognised in OCI	(130,833)	(4,582,580)
Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Defined benefit cost	**2,688,506**	**(1,244,498)**

Development of Net Financial Position	2018	2017
Defined Benefit Obligation (DBO)**	(17,237,000)	(15,850,959)
Fair Value of Plan Assets (FVA)	-	-
Funded status (surplus/(deficit))	(17,237,000)	(15,850,959)
Net defined benefit asset	**(17,237,000)**	**(15,850,959)**

Reconciliation of Net Balance Sheet Position	2018	2017
Net defined benefit asset/(liability) at end of prior period	(15,850,959)	(17,750,902)
Service cost	(1,533,139)	(1,885,216)
Net interest on net defined benefit liability/(asset)	(1,286,200)	(1,452,866)
Amount recognised in OCI	-	-
Amount recognised in profit & loss	-	-
Employer contributions	-	-
Benefit paid directly by the Company	-	-
Acquisitions credit/(cost)	845,833	1,525,639

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Reconciliation of Net Balance Sheet Position	2018	2017
Divestitures	-	-
Withdrawals from the Plan Assets	-	-
Cost of termination benefits	1,302,465	655,445
Benefits paid from plan assets	**(715,000)**	**3,056,941**
Net defined benefit asset/ (liability) at end of current period	**(17,237,000)**	**(15,850,959)**

Other Comprehensive Income (OCI)	2018	2017
Actuarial (gain)/loss due to liability experience	(845,833)	(1,525,639)
Actuarial (gain)/loss due to liability assumption changes	715,000	(3,056,941)
Actuarial (gain)/loss arising during period	(130,833)	(4,582,580)
Return on plan assets (greater)/less than discount rate	-	-
Actuarial (gains)/ losses recognized in OCI	(130,833)	(4,582,580)
Adjustment for limit on net asset	-	-
Actuarial (gain) or loss recognized via OCI at current period end	**(130,833)**	**(4,582,580)**

Expected benefit payments for the year ending	2018
December 31, 2019	1,646,000
December 31, 2020	1,616,383
December 31, 2021	1,665,952
December 31, 2022	1,815,121
December 31, 2023	1,744,670
December 31, 2023 to December 31, 2027	11,410,756
Expected employer contributions for the period ending 31 December 2017	Not Applicable
Weighted average duration of defined benefit obligation	11 Years
Accrued Benefit Obligation at December 31, 2017	**9,611,025**
Significant estimates: actuarial assumptions and sensitivity	
Discount Rate	**2018**
Discount Rate as at December 31, 2016	**8.00%**
Effect on DBO due to 1% increase in Discount Rate	(1,380,127)
Effect on DBO due to 1% decrease in Discount Rate	1,595,586
Salary escalation rate	**2018**
Salary escalation rate as at December 31, 2016	**8.00%**
Effect on DBO due to 1% increase in Salary escalation rate	1,581,652
Effect on DBO due to 1% decrease in Salary escalation rate	(1,393,583)

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Note 26: Earnings per share

Basic earnings per share	2018	2017
Basic earnings per share attributable to the equity holders of the Company (b/c)	143	164
Reconciliations of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basis earnings per share	4,500,168,638	5,176,483,300
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	31,574,740	31,545,688

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

Note 27: Fair value measurements

Financial instruments by category

Basic earnings per share	December 31, 2018			December 31, 2017		
	FV PL	FV OCI	Amortised Cost	FV PL	FV OCI	Amortised Cost
Financial assets						
Investment in non-government bonds	-	-	200,000,000	-	-	200,000,000
Fixed deposit with bank	-	-	2,900,311,458	-	-	3,122,311,458
Accrued interest on fixed deposit	-	-	174,256,250	-	-	135,393,948
Deferred lease income	-	-	847,980	-	-	667,619
Trade receivables	-	-	1,040,207,421	-	-	1,279,227,078
Inter-corporate loan	-	-	431,000,000	-	-	276,000,000
Accrued interest on investment	-	-	-	-	-	-
Miscellaneous deposits	-	-	5,182,101	-	-	5,205,851
Other receivables	-	-	65,223,838	-	-	32,313,020
Cash and cash equivalents	-	-	449,171,992	-	-	1,277,226,091
Total financial assets	**-**	**-**	**5,266,201,039**	**-**	**-**	**6,328,345,066**
Financial liabilities						
Borrowings	-	-	4,867,313,452	-	-	6,136,729,447
Security deposit- suppliers & others	-	-	33,062,527	-	-	34,116,412
Sundry creditors	-	-	343,485,777	-	-	333,578,486
Outstanding liabilities to contractors	-	-	2,429,796	-	-	11,091,873
Outstanding liabilities for expenses	-	-	72,991,979	-	-	75,834,387
Provision for bonus	-	-	55,151,677	-	-	54,766,566
Sundry liabilities	-	-	112,528	-	-	834,217
Total financial liabilities	**-**	**-**	**5,374,547,736**	**-**	**-**	**6,646,951,387**

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i. Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are (a) Recognised and measured at fair value and (b) Measured at amortised 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 maximise 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 includeThe 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	December 31, **2018**		December 31, **2017**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Investment in non-government bonds	200,000,000	204,121,960	200,000,000	553,030,516
Fixed deposit and accrued interest	588,406,859	406,207,052	525,682,632	439,828,474
Deferred lease income	847,980	847,980	667,619	667,619
Total financial assets	**789,254,839**	**611,176,993**	**726,350,251**	**993,526,609**
Financial liabilities				
Borrowings and accrued interest	3,297,390,575	2,365,997,491	4,254,986,687	4,638,292,740
Total financial liabilities	**3,297,390,575**	**2,365,997,491**	**4,254,986,687**	**4,638,292,740**

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.

The Board provides oversight of the governance structure, control and management system and risk mitigation measures. DGPC identify risks that the Company might be exposed to and to implement the mitigating plans in keeping with the Risk Management Manual that came into effect from January 1, 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 DGPC.

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Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised 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 recognised financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cashflow 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

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 30-90 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 analysed 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 and 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 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 depict 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 December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Non-derivatives					
Borrowings	231,544,746	231,544,746	694,634,239	1,646,462,882	2,804,186,613
Interest	113,075,694	100,990,232	234,358,189	424,869,640	873,293,755
Security Deposit- Suppliers & Others	33,062,527	-	-	-	33,062,527
Sundry Creditors	343,485,777	-	-	-	289,469,300
Outstanding Liabilities to contractors	2,429,796	-	-	-	2,429,796
Outstanding Liabilities for expenses	72,466,979	-	-	-	72,466,979
Provision for Bonus	55,151,677	-	-	-	55,151,677
Sundry Liabilities	112,528	-	-	-	112,528
Total financial liabilities	**851,329,724**	**332,534,979**	**928,992,427**	**2,071,332,522**	**4,130,173,175**

Contractual maturities of financial liabilities December 31, 2017	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Non-derivatives					
Borrowings	1,489,177,533	231,544,746	694,634,239	1,878,007,628	4,293,364,146
Interest	1,291,644,956	1,291,644,956	303,620,740	569,673,015	3,456,583,668
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	**3,291,044,429**	**1,523,189,702**	**998,254,979**	**2,447,680,642**	**8,260,169,753**

C. 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.

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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:

	December 31, 2018		December 31, 2017	
	USD	**INR**	**USD**	**INR**
Financial assets		343,355,466		612,442,275
Financial liabilities	2,390,041,398		1,935,959,604	14,164,913
Net exposure to foreign currency risk	**(2,390,041,398)**	**343,355,466**	**(1,935,959,604)**	**598,277,362**

Sensitivity

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

	Impact on profit before tax	
	December 31, 2018	December 31, 2017
USD sensitivity		
Nu. Depreciate by 5% (2017: 5%)	(119,502,070)	(96,797,980)
Nu. Appreciate by 5% (2017: 5%)	**119,502,070**	**96,797,980**
EURO sensitivity		
Nu. Depreciate by 5% (2017: 5%)	-	-
Nu. Appreciate by 5% (2017: 5%)	-	-

** 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 amortised 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.

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 number 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 December 31, 2018 which is debt service coverage ratio. There were no loan covenants on the Company prior to December 31, 2018.

The company has complied with these covenants throughout the reporting period. As at December 31, 2018 the debt service coverage ratio was 3.33.

The debt service coverage ratio was as follows	Amount (Nu.)
	December 31, 2018
EBITA	9,268,097,226
Debt Service	2,780,822,489
Debt service coverage ratio	3.33

Note 30: Additional Disclosures

a. The authorised share capital of the Company is Nu. 50,000 million (50,000,000 equity share @ Nu. 1,000 per share) and as of the report date, the total paid up capital is Nu. 31,776.208 million 31,776,208 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 center 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	1,020	1,020

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 and 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.2,303.16 million has been called up and paid till December 31, 2018.

Being the only investor as of December 31, 2018, 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 Holding, France vide agreement dated June 6, 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. Additional equity injection of Nu. 78,962,688.00 has been made by DGPC during the year for refinancing of 30% DEG loan of BHSL.

f. Kholongchhu Hydro Enrgy Limited (KHEL) was formed as a Joint Venture between DGPC and SJVNL, a Government of India Undertaking vide agreement dated September 30, 2014 with 50% equity shareholding each. DGPC has been allotted with 12,679,170 equity shares of Nu. 100 each. Nu. 1,267.917 million has been called up and paid till December 31, 2018.

g. Bhutan Automation & Engineering Limited (BHUTAN AUTOMATION) was formed as a Joint Venture between DGPC and Andritz Hydro, India, vide agreement dated October 16, 2017 with 51% and 49% equity shareholding respectively. DGPC has been allotted fully paid up 3,060,000 equity shares of Nu. 10 each.

h. BEA vide its letter No. BEA/ECO/TARIFF/2016-2017/525 dated December 30, 2016 and BEA/ECO/TARIFF/2016-2017/526 dated December 30, 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 January 1, 2017 to June 30, 2019. The rate for energy imported from PTC India Limited and billed to BPC was revised from Nu. 1.98/kWh to Nu. 2.12/kWh.

i. The export tariff for Chhukha was revised from Nu. 2.25/kWh to Nu. 2.55/kWh applicable from January 1, 2017 for a four years period, valid until December 21, 2020. The revenue arrear due to tariff revision CHP for 2017 received in 2018 was Nu.550,742,778.98 (including royalty export of Nu.96,536,448.96). The export tariff for Tala and Kurichhu was revised from Nu. 1.98/kWh to Nu. 2.12/kWh applicable from December 1, 2016 for a five years period, valid until November 30, 2021.

j. Austrian Grant was extended till March 31, 2019 and Nu.31.85 million (previous year Nu.11.81 million) had become receivable as compensation for expenses already incurred by the company in 2017-2018 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.

k. 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 Limited (for Lower Stage and Upper Stage) dated October 14, 2004 and August 1, 2006 respectively for a tenure of 18 years and 20 years at a fixed interest rate of 6 % each respectively per annum.

l. 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 between the Royal Government of Bhutan and Government of the Republic of India for the then Tala Hydroelectric Project for tenure of 11 years at interest rate of 9 % per annum. This loan is fully liquidated as on December 31, 2018.

m. 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

Bhadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS agreement between Royal Government of Bhutan and Druk Green Power Corporation dated March 3, 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 April 15, 2017.

n. 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 Limited dated June 12, 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.

o. 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 Mangdichhu-Jigmeling via Goling transmission line. Additional loan of Nu.318,980,000 (Ngultrum Three Hundred Eighteen Million Nine Hundred Eighty Thousand) only was availed from NPPF in 2018 at the fixed interest rate of 8.3% per annum with grace period of 3 years and repayment period of 15 years.

p. Inter Corporate Loan

During the year, an inter-corporate loan of Nu.400,000,000.00 (Ngultrum Four Hundred Million) has been provided to Dungsam Cement Corporation Limited (DCCL) at interest rate of 5%per annum and Nu.31,000,000.00 (21,000,000+ 10,000,000) (Ngultrum Thirty-One Million) has been provided to Bhutan Hydropower Services Limited at the interest rate of 7.5% and 7% per annum respectively.

q. Provision of bonus

	Amount
Balance as at January 1, 2018	54,766,565.97
Payment during the year	53,738,407.00
Adjustment/Excess Provision written back during the year	1,028,158.97
Addition during the year	55,151,676.88
Closing Balance as at December 31, 2018	**55,151,676.88**

r. With the implementation of BAS- 40: Investment Property, the land on lease by DGPC was derecognised 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 December 31, 2017	**32,000,000.00**

s. A company has earned a loss of Nu.197.72 million (previous year Nu.127.01 million gain) in 2018 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.

t. All the balances against debtor, creditors and advances are based on the invoices raised to/ raised from and advances paid respectively, which are not settled as at December 31, 2018. The reconciliation is carried out and confirmation of the balances is obtained for majority of the balances of more than Nu.0.50 million. The management is in the process of reconciling the remaining balances and to obtain the balances confirmation of the same.

u. The tax assessment of DGPC for the income years 2016 and 2017 was carried out in the year

2018 by the tax officials from Regional Revenue and Customs Office through tax assessment notice no RRCOTH-Tax/CIT-24/2018/247 dt. August 6, 2018. After the completion of the assessment, demand notice for payment of additional taxes of Nu.13,808,915.64 was issued via notice no. RRCOTH-TAX/CIT 24/2018/719 dt. 02.11.2018. Of the additional taxes payable of Nu.13,808,915.64, Nu.11,093,909.33 of additional taxes have been accepted and payment made in the year 2018. The balance tax demand of Nu.2,715,006.31 on account of difference of expenses on Brand Management Fee (B&M fee) computation is under appeal by DGPC vide letter no. DGPC/F&ID/35/2018/3452 dated November 30, 2018 to consider and allow the B&M fee computation as per DGPC. The effect of the deferred tax on foreign exchange gain/ loss has been taken prospectively from the year 2017.

v. DGPC has an investment of Nu.333.96 million in BHSL. BHSL has been incurring losses and their accumulated losses have exceeded more than 65% 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.

w. 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.

x. Quantitative Information of purchase and sale of power:

Amount/Unit in Million

	2018		2017	
Particulars	**Units (kWh)**	**Amount (Nu)**	**Units (kWh)**	**Amount (Nu)**
Purchase	**300.34**	**1,134,81**	**207.89**	**440.95**
Self-Generation	6,573.98		7,248.92	
Sale				
Within Bhutan	2,454.31	3,923.16	2,317.28	3,684.48
Export to India	4,353.93	9,868.45	5,068.48	8,267.51
Internal Consumption & Losses	66.09	1.35	71.05	1.38
Total	**6,874.33**	**13,792.96**	**7,456.81**	**11,953.37**

y. 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 January 1, 2017 it has been paid as per the instruction of Electricity Subsidy and Royalty Payment Framework 2017. Royalty Energy of 955.55 MU (previous year 1,053.65 MU) amounting to Nu. 2,151.37 million (Previous year 2,275.58 million) was supplied at highest off-take/export tariff in 2018.

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

Amount in Million Nu.

	2018	2017
TDS Payable	0.62	0.79
Corporate Income Tax	1,567.62	1,631.99
Total	**1,568.24**	**1,632.78**

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Auditors remuneration

Amount in Million Nu.

	2018	2017
Audit Fess	0.52	0.52
Out of pocket expenses	0.81	0.69
Total	**1.33**	**1.21**

Note 31: Related Party Disclosures

The Aompany is a wholly owned subsidiary of Druk Holding and Investments Limited (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 summarised below:

	2018	2017
Parent	**% of Holding**	**% of Holding**
Druk Holding and Investment Limited	100%	100%
Total	**1.33**	**1.21**
Subsidiaries		
Dagachhu Hydro Power Corporation Limited	59%	59%
Tangsibji Hydro Energy Limited	100%	100%

Joint Venture		
Kholongchhu Hydro Energy Limited	50%	50%
Bhutan Hydropower Services Limited	51%	51%
Bhutan Automation Engineering Limited	51%	51%

Fellow Subsidiaries
Bhutan Power Corporation Limited
Bank of Bhutan Limited
Bhutan Telecom Limited
Drukair Corporation Limited
State Trading Corporation Limited
Dungsam Cement Corporation Limited
Wood Craft Center Limited
Construction Development Corporation Limited
Bhutan Board Product Limited
Dungsam Polymers Limited
Penden Cement Authority Limited
Natural Resources Development Corporation Limited
State Mining Corporation Limited
Thimphu Tech Private Limited Thimphu TechPark

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Name of Related Party	Relationship	Nature of transaction with related party	2018	2017
Druk Holding and Investments Limited	Holding Company	Payment of Dividend (Net)	4,264,811,425.59	4,905,354,484.02
		Advance Dividend	-	-
		Interest expenses on Loan	1,972,602.74	-
		Equity	31,776,208,000.00	31,545,688,000.00
		Management & Brand Fee	98,374,677.80	107,424,698.83
		Corporate Guarantee Fee	-	-
		Interest Income on Inter corporate Loan	-	-
Bhutan Power Corporation Limited	Fellow Subsidiary	Sale of Electricity	3,923,157,672.89	3,684,480,813.21
		Wheeling Charges	609,835,005.46	947,814,135.05
		Consumption of electricity by DGPC estd.	10,447,113.11	10,333,161.08
		Receivable on energy sold	696,544,506.18	665,826,077.01
		Payable towards wheeling charges	24,407,546.60	53,508,826.52
		Royalty charges	-	-
		Telephone, Fax, Internet Services & Others	220,839.24	220,839.24
		Non-Trade payable	36,806.54	-
		Income on CoE services provided	1,836,368.74	810,621.40
Bank of Bhutan Limited	Fellow Subsidiary	Bank charges	353,134.52	337,616.41
		Interest expense on loan	65,815,323.29	7,061,917.81
		Long Term Borrowing	587,000,000.00	587,000,000.00
		Accrued Interest on Loan	42,307,421.92	-
		Interest income on Deposit	-	-
Bhutan Telecom Limited	Fellow Subsidiary	Security Deposit received		
		Payable towards Telephone, Internet services & Others	3,004,357.13	2,367,918.12
		Data Center services charges	6,177,954.88	8,509,178.37
		Rental Income	15,204.00	16,155.00
		Telephone, Fax, Internet Services & Others	3,062,511.96	2,835,225.07
Drukair Corporation Limited	Fellow Subsidiary	Purchase of Air Tickets and Others	5,505,316.00	6,710,644.00
		Receivable commission on Air Ticket	107,900.00	265,076.25
		Income Others	107,900.00	270,485.98
		Payable towards Air Tickets	74,438.00	298,140.75
State Trading Corporation Limited	Fellow Subsidiary	Vehicle Procurement	28,578,702.00	10,475,696.00
		Repair and Maintenance of Vehicles	5,080,905.92	15,462,664.50
		Trade Payable	1,655,415.00	1,175,172.22
		Purchase construction Material	-	-
		Purchase of IT equipment	146,352.00	-
		Deposit Received	992,545.95	605,988.82
Bhutan Hydropower Services Limited	Joint Venture	Equity Investment	333,962,688.00	255,000,000.00
		Income from leased land	1,361,367.00	1,296,540.00

Name of Related Party	Relationship	Nature of transaction with related party	2018	2017
Bhutan Hydropower Services Limited	Joint Venture	Services availed related to repairs and maintenance of electro - mechanical equipment	91,261,895.00	69,247,124.09
		Advance payment	-	-
		Interest Income on Inter corporate Loan	2,324,744.67	-
		Accrued Interest Income on Loan	2,662,758.37	338,013.70
		Short term Loan to BHSL	31,000,000.00	21,000,000.00
Dagachhu Hydro Power Corporation Limited	Subsidiary	Equity Investment	2,437,880,000.00	2,437,880,000.00
		Income on services provided	2,243,770.00	3,818,733.00
		Dividend Income	-	-
		Trade Receivable	623,129.00	-
		Non-Trade Payable	2,107,071.18	5,871,040.21
		Non-Trade Receivable	356,797.00	2,645,479.88
Tangsibji Hydro Energy Limited	Subsidiary	Equity Investment	2,303,160,980.70	1,518,453,305.22
		Income on services provided	973,714.50	937,622.00
		Trade Receivable	-	-
		Non-Trade Receivable	19,000.00	-
Dungsam Cement Corporation Limited	Fellow Subsidiary	Inter-corporate Loan	400,000,000.00	255,000,000.00
		Interest income on Loan	3,726,027.40	12,365,753.42
		Accrued interest on Loan	3,726,027.40	5,938,356.16
		Income from CoE Services	86,058.00	42,160.00
		Trade Receivable	-	-
Kholongchhu Hydro Energy Limited	Joint Venture	Equity Investment	1,267,917,000.00	996,595,000.00
Wood Craft Center Limited	Fellow Subsidiary	Procurement of Furniture & Fixture	620,120.00	531,955.00
		Payable towards purchase of furniture	22,810.00	-
		Performance security Deposit	35,111.50	32,514.00
Construction Development Corporation Ltd.	Fellow Subsidiary	Advance payment	1,467,640.74	3,405,781.61
		Drift works	22,148,515.75	44,055,097.83
		Trade Payable	2,767,117.07	-
		Non-Trade Receivable	189,057.98	-
		Miscellaneous services	-	-
Bhutan Board Products Limited	Fellow Subsidiary	Procurement of Furniture & Fixture	559,607.00	77,986.25
		Trade Payable	62,575.00	-
Natural Resources Development Corporation Ltd	Fellow Subsidiary	Purchase of construction materials	118,751.91	94,534.03
Bhutan Automation & Engineering Limited	Joint Venture	Equity Investment	30,600,000.00	-
		Miscellaneous Income	1,364,288.45	-
Thimphu TechPark Limited	Fellow Subsidiary	Miscellaneous Service	277,500.00	-
		Trade Payable	35,000.00	-

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Key Management Personnel

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

Amount in million Nu.

Particulars	2018	2017
Short-term employee benefits	5.01	3.90
Post-employment benefits (PEB)*	-	-
Other long-term benefits (OLTB)*	-	-
Total	**5.01**	**3.90**

*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.

Signatures on Notes 1 to 31

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

(Dasho Sonam Topgay)
Chairman, DGPC

(Vikas Kumar)
Partner
Membership No. 75363

T R Chadha & Co LLP
MUMBAI
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(Dasho Chhewang Rinzin)
Managing Director

Place: Mumbai
Date: 01/04/2019

(Ugyen Namgyal)
Director (Finance)

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