DrukGreen

A dhi Company

Annual Report 2019

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ANNUAL REPORT 2019

DrukGreen

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A YEAR IN REVIEW

Druk Green Power Corporation Limited (DGPC) had another successful year with high levels of power plant availability and water utilization factors achieved with its operating power plants of Chhukha, Kurichhu, Tala and Basochhu, thus ensuring the optimal utilization of its hydropower assets. Electricity exports topped 4,465 MU bringing in INR 10,080 million. The revenue contributions to Druk Holding & Investments Limited (DHI), the Shareholder, and the Government touched Nu. 9,499 million in the form of dividend, taxes and royalty.

The Dagachhu power plant further contributed another INR 1,056 million through its electricity export earnings. With the successful commissioning of the 720 MW Mangdechhu project during June-August 2019, there was a further provisional earning of INR 5,347 million from sale of surplus power to India during the year.

DGPC continued to make investments to build Bhutanese capacity in hydropower from project investigations and studies, to design and engineering, to project structuring and contracting, to construction and quality control, to testing and commissioning, and in the effective and efficient operation and maintenance of the power plants. A strategic priority for DGPC is to develop water-to-wire human resources to not only wean away dependence on expatriate expertise and equipment manufacturers but also to eventually be competitive in the market to provide hydropower services and expertise outside of Bhutan.

In the establishment of the operation and maintenance team for the Mangdechhu project just ahead of its commissioning, DGPC played a pivotal role including the posting of key O&M personnel with experience from its existing power plants. While being fully engaged in the construction of its Nikachhu and Kholongchhu projects, DGPC continued to depute a large number of its senior officers to be engaged in the construction of the 1200 MW Punatsangchhu 1 and the 1020 MW Punatsangchhu 2 projects.

The research and development center under DGPC is focused on applied research in a number of critical technological fields to meet the immediate needs of DGPC's power plants while also keeping in its sights the future anticipated requirements of the hydropower sector. The R&D center has expanded and is providing its services to the hydropower projects under construction and to some of the domestic industries. It is being further strengthened to provide training and certification of critical skills, proficiencies and competencies to the DGPC's technicians and engineers.

In a major breakthrough, the Bhutan Hydropower Services Limited (BHSL) turned a leaf in 2019 and expanded into the highly sophisticated and technology driven manufacture of Pelton runners with its first order from the Basochhu Hydropower Plant. Henceforth, DGPC intends to source all the Pelton runners for its power plants from BHSL. BHSL also continued to provide state of the technology reclamation services for underwater hydro-mechanical components to all the operating hydropower plants including Mangdechhu.

During the year, Bhutan Automation & Engineering Limited (BHUTAN AUTOMATION) successfully commissioned its first SCADA system for the Kurichhu Hydropower Plant. It was also awarded the SCADA contract for the Punatsangchhu 2 project, a first since its establishment. Further, plans are being finalized to build capacity in the design and manufacture hydro-mechanical components for hydropower projects.

Druk Green Consultancy (DGC) continued to provide its services in the investigations and studies for new hydropower projects and for the renovation and refurbishment of existing power plants. DGC is also working closely with the GOI assisted hydropower projects under construction such as the Punatsangchhu 1 & 2 projects. In collaboration with the Department of Hydropower & Power Systems, DGC is also set to initiate the pre-feasibility studies of a number of pumped storage projects, towards which the future regional energy markets are trending.

The strategy for the service oriented and manufacturing entities such as the R&D center, BHSL, BHUTAN AUTOMATION, DGC and others that are in the pipeline is for them to become highly competitive in the hydropower market by leveraging on the opportunities that are presenting themselves with the existing power plants, projects under construction, and future plans for developing Bhutan's huge water resources. Eventually, such investments in diversifying within the hydropower sector are expected to enable these service providers to also venture out and cater to markets outside of Bhutan.

The construction of the Punatsangchhu 1, Punatsangchhu 2, and the Nikachhu projects continued with increasing benefits through employment opportunities, sourcing of construction materials from domestic industries, and involvement of Bhutanese contractors in the construction activities. A recent assessment has highlighted that at least 37% of the expenditures incurred in the construction of these large hydropower projects are getting ploughed back into the Bhutanese economy. Future hydropower projects such as Kholongchhu are being mandated to continue to give priority for employment to Bhutanese as long as the expertise is available within Bhutan and also to offload as many of the works and contracts to Bhutanese companies and contractors where the capacity exists.

Over 99% of Bhutan's population now have access to grid electricity; a tremendous success within the overall socio-economic growth that Bhutan experienced over the last couple of decades. Every time a new hydropower project is commissioned, there has also been a spurt in the growth of small, medium and large energy intensive industries due to the access to reliable and affordable electricity making domestic industrial products competitive in the local and export markets. A similar surge in industrial growth is expected with the commissioning of Mangdechhu.

Options for reservoir and eventually pumped storage schemes for operational flexibility to complement the huge differences in generation capacity between the winter lean discharge months and the summer monsoonal months are under consideration to provide possibilities for more power allocation to domestic industries. This could also lead to investments in alternative renewable energy in a hybrid combination with hydro to increase overall generation in the winter months. A time might have come for Bhutan to explore power allocation to industries that utilize seasonal surpluses. There is also an urgency to invest in other end-uses of electricity such as in the transportation sector and in electricity storage options including hydrogen fuel.

Today India is Bhutan's only market for export of surplus energy. However, India's emerging energy scenario, one of surplus generation capacity and a buyers' market, is something that Bhutan's hydropower sector will have to contend with sooner rather than later. An opportunity that is emerging is the opening up of sub-regional and regional trade in electricity for which Bhutan has to prepare itself. A power trading entity with presence outside of Bhutan, that could facilitate not only the existing export of electricity but also in expanding into these new market opportunities, is already under consideration.

The Royal Government of Bhutan recently issued a number of new guidelines to ensure the adequacy of the investigations of projects at the time of the preparation of Detailed Project Reports, that adequate measures for quality control of equipment and civil structures are in place during construction, and that project constructions are professionally managed. A couple of other reviews and reports such as the hydropower strategy report have also been undertaken and their recommendations are being pursued for implementation in ongoing and future hydropower projects.

A key consideration of these reviews has to do with the long-term sustainability of the investments in the face of global warming, climate change and the more importantly the localized changing environment and ecology within Bhutan's own watersheds. Bhutan remains committed to protect its forests and to remain carbon neutral. The National Environment Commission is also actively considering to introduce legislation on minimum environmental flows. These could make sustainability of the hydropower sector a difficult uphill task in future.

A forward looking 21st Century Economic Roadmap for Bhutan is under preparation. Hydropower is expected to figure prominently in the roadmap considering its importance. The Bhutan Electricity Act 2001 is also under review and this is expected to bring clarity to the future development prospects of Bhutan's hydropower resources.

Looking ahead, DGPC will need to continue to invest in building its human resources capacity not only to take advantage of the emerging opportunities but also to deal with the multitude of challenges the hydropower sector is faced with and will continue to face. The key to the success of DGPC and hydropower as the backbone of the Bhutanese economy will lie with the people engaged in the sector.

Dasho Chhewang Rinzin
Managing Director

COMPANY PROFILE

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 and Investments Limited. Tala was merged with DGPC in 2009. Since then, DGPC has grown significantly.

Bhutan's current hydropower installed capacity is 2,326 MW. With about 70% of the energy generated being exported to India, hydropower revenues constitute about 25% of revenues to the exchequer and offset much of the balance of payments with India and contributes to about 7.5% of the country's gross domestic product.

DGPC strives to consistently deliver value to its Shareholders 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 in diverse fields at various levels.

VISION AND MISSIONS

Vision

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

Missions

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

GENERATING PLANTS

336 MW CHHUKHA HYDROPOWER PLANT

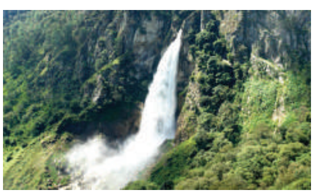
Installed capacity: 4 x 84 MW
Design energy: 1,800 MU
Project scheme: Run-off-the River
Project commissioned: 1986-1988

60 MW KURICHHU HYDROPOWER PLANT

Installed capacity: 4 x 15 MW
Design energy: 400 MU
Project scheme: Run-off-the River
Project commissioned: 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 commissioned: 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 commissioned: 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 commissioned: 2006-2007

DIRECTORS' REPORT

Sonam Topgay
Chairperson

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, 2019 to December 31, 2019 along with the audited financial statements.

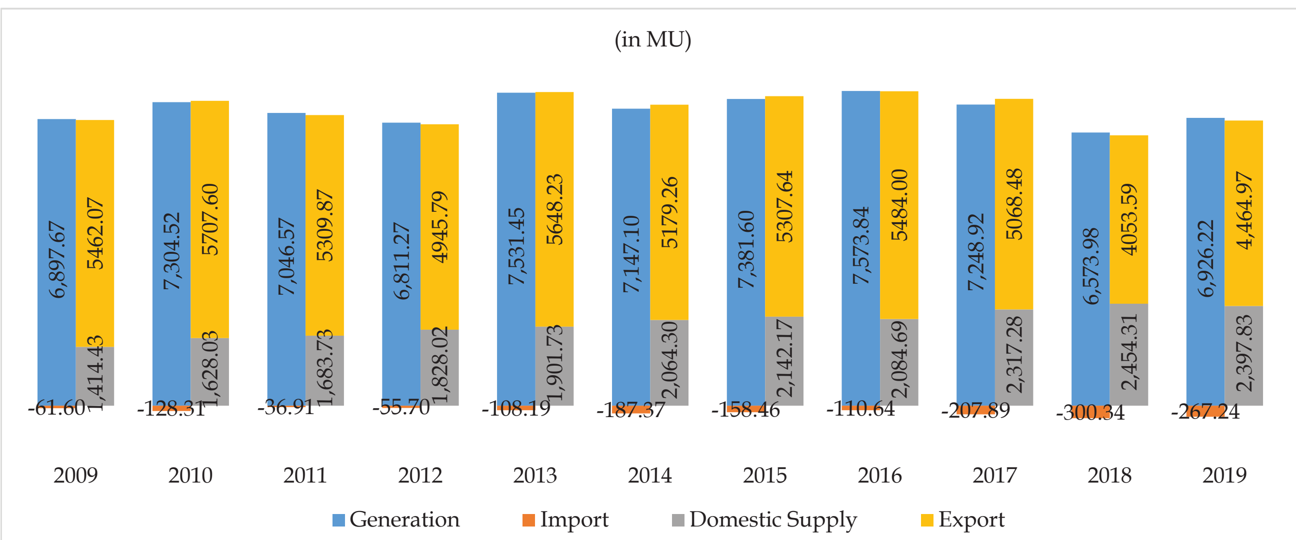
OPERATIONAL HIGHLIGHTS

The Tala, Chhukha, Kurichhu and Basochhu hydropower plants generated 6926.22 million units (MU) of electricity during 2019; an increase of 5.36% from the aggregate generation of 6573.99 MU in 2018.

The net energy exported to India, including Royalty Energy, increased from 4053.59 MU in 2018 to 4464.97 MU during 2019 due to the increase in generation.

Conversely, for the first time, there was a decline in the quantum of electricity supplied for domestic energy consumption to Bhutan Power Corporation Limited (BPC) from 2454.31 MU in 2018 to 2397.83 MU in 2019.

There was also a decrease in the import of power from India from 300.30 MU in 2018 to 267.24 MU in 2019.



FINANCIAL HIGHLIGHTS

INCOME

The overall income for the year increased to Nu. 11,918.67 million from Nu. 11,681.98 million in 2018. The increase in revenue is attributable mainly to the 352.24 MU increase in generation due to the slightly better hydrology during 2019 when compared to 2018.

EXPENDITURES

The expenditures decreased by 2.74% from Nu. 5,002.91 million in 2018 to Nu. 4,865.62 million in 2019. The decrease in expenses was mainly on account of drop in financial costs with the declining outstanding debt and decrease in foreign exchange losses.

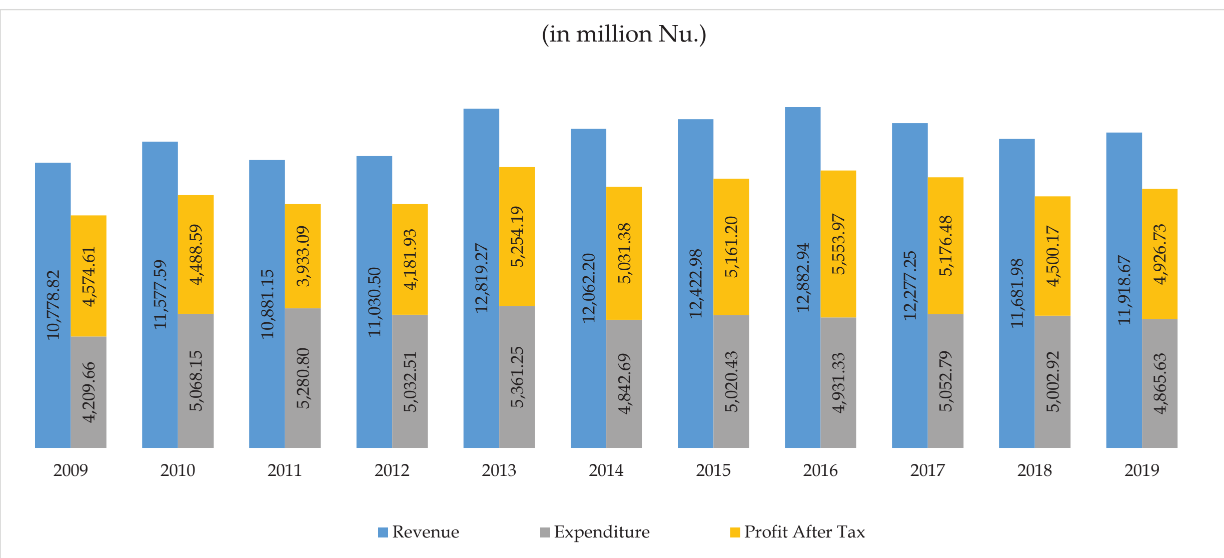
PROFITABILITY OF THE COMPANY

With the increase in revenues coupled with a decrease in expenditures during the year, the Profit After Tax (PAT) increased by 9.47% from Nu. 4,500.16 million in 2018 to Nu. 4,926.73 million in 2019.

The key financial figures on the performance of the Company for 2019 vis-à-vis the previous year are as below:

Particulars	FY 2019	FY 2018	Variance (%)
Revenues (Nu.)	11,918,672,738.31	11,681,981,123.60	2.03%
Profit before Tax (Nu.)	7,053,046,740.78	6,679,062,222.35	5.60%
Corporate Income Tax (Nu.)	2,116,276,674.65	2,083,891,671.59	1.55%

With the improved profitability of the Company, the financial position of the Company continues to be strong with total debt of only Nu. 5,830.66 million, constituting 12.51% of the overall Shareholder's fund of Nu. 46,604.98 million. These funds are almost entirely invested in income generating assets. The fund applications comprise of Nu. 38,580.43 million in fixed assets including capital works in progress, intangible assets, and investment property; Nu. 8,973.15 million in long-term investments; and Nu. 7,681.72 million in the form of current assets.



DIVIDEND

The Shareholder conveyed a dividend expectation of 17% of paid up share capital (110.66% of PAT) for 2019 as against the 14.16% of paid up share capital (99.98% of PAT) declared as dividend for 2018. The dividend declared for 2019 is Nu. 5,132.99 million as against the dividend of Nu. 4,500.00 million declared for 2018. For making payments of taxes and dividends, it is projected that DGPC will have to raise a little over Nu. 1,900.00 million in short-term borrowings from the domestic financial institutions to meet its cash flow requirements during 2020.

INVESTMENTS

In order to take forward its mandates, DGPC is continuing to make investments in adding new generation capacity as with the Nikachhu and Kholongchhu projects; in renovation, modernization and automation of its aging plants; in the implementation of remedial measures to address the continuing teething problems such as with the Tala Hydropower Plant; and in building on its brand equity by strengthening its core competencies and consulting services.

MAJOR ACTIVITIES AND OPERATIONAL CHALLENGES AT POWER PLANTS

DGPC continues to rigorously implement regular maintenance, upgradation, modernization and automation activities as in other years so as to ensure high levels of availability of the power plants for generation and to extend the life of these power plants. A few of the major activities and operational challenges faced during the year are highlighted below:

BASOCHHU HYDROPOWER PLANT (BHP)

BHP Switchyard SCADA Upgradation

In August 2019, the work for the upgradation of the SCADA and protection relays for BHP's 220/66 kV switchyard was awarded to Bhutan Automation & Engineering Limited (BHUTAN AUTOMATION). The scope of work includes the replacement of the obsolete RTUs and protection relays that were supplied by ABB in 2002. This is BHUTAN AUTOMATION's first substation SCADA project and would help showcase its capabilities.

CHHUKHA HYDROPOWER PLANT (CHP)

Shut-down of Generating Unit I

CHP's generating Unit I was commissioned in 1986. Under Refurbishment and Modernization Phase III for CHP, the stator frame, stator core, stator winding and field windings for this generating unit were replaced by BHEL and the unit put back into operation in May 2019. In August 2019, the unit experienced a recurring rotor earth fault.

In the process of locating and rectifying the rotor earth fault, there were consequential damages to the stator windings and rotor field coils of the unit, and the unit had to be shut down for restoration works. There was an ensuing generation loss of 117.069 MU during 2019.

Through a limited international competitive bidding and based on pricing, micro-scheduling and assurance of quality, the work for the restoration of Unit I was awarded to BHEL at a cost of Nu. 79.713 million. The restoration works of Unit 1 is scheduled for completion within May 2020, ahead of the monsoons.

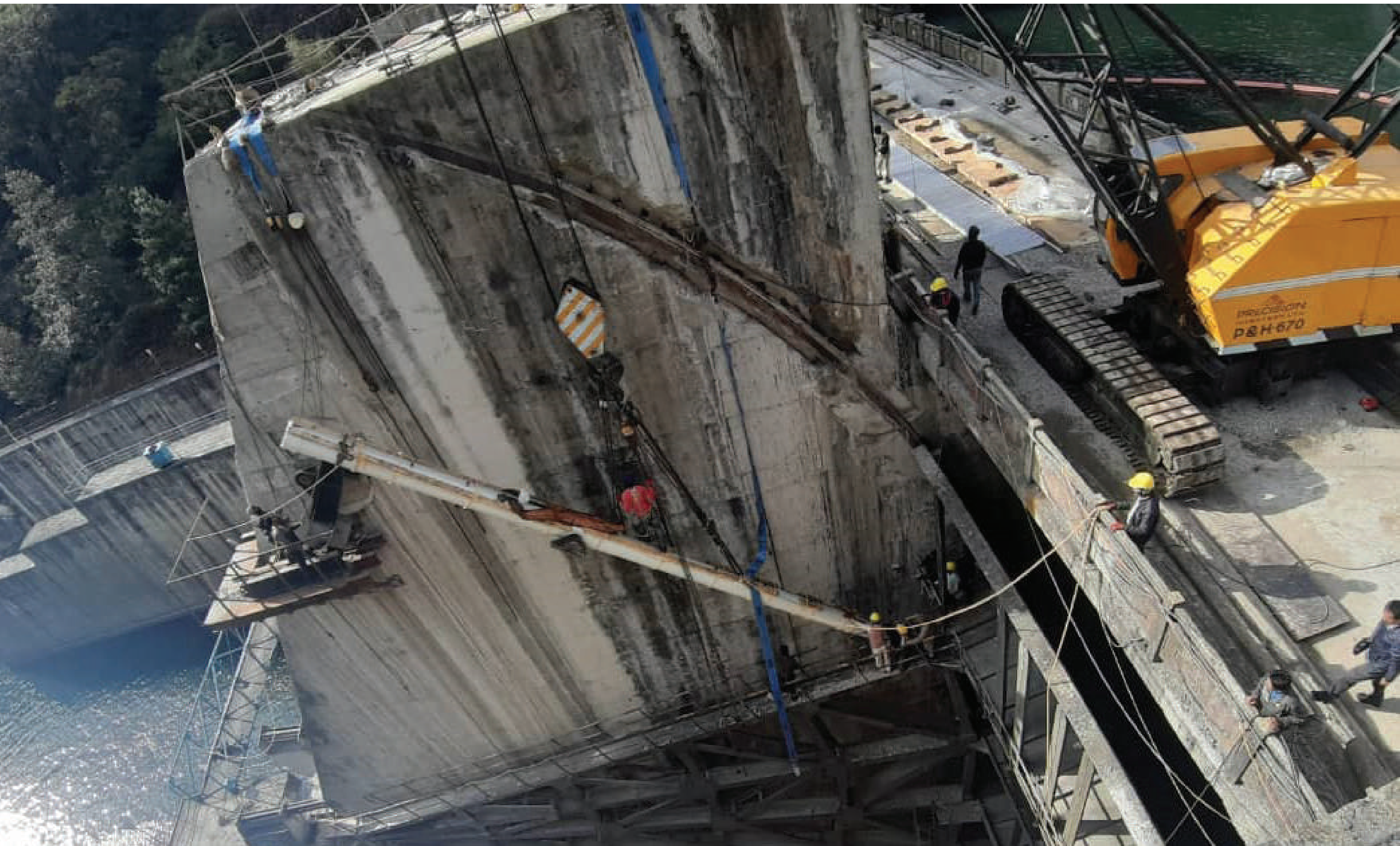
Modification of Hoisting Mechanism for Spillway Radial Gates at Chhukha Dam

The modification and upgradation of the existing rope-drum hoisting mechanism to a hydraulically operated hoisting mechanism for the CHP spillway radial gates was initiated in 2018.

The design, engineering and modification of the concrete piers to accommodate the hydraulic cylinders for the hoisting mechanism were completed during 2019. The hydraulic hoisting mechanism is expected to be commissioned by March 2020.

Upgradation of Feeder and Transformer Protection Relays of CHP Switchyard

The ageing and obsolete protection relays of CHP's 220/66 kV switchyard feeders and transformers were upgraded to numerical protection relays during 2019.



KURICHHU HYDROPOWER PLANT (KHP)

Implementation of SCADA System

In place of the non-functional MMI in KHP's power house, BHUTAN AUTOMATION successfully designed, engineered, configured at site and commissioned the SCADA for the first generating unit (Unit II) in December 2019. The other three generating units will be interfaced with SCADA and the complete integration completed by May 2020.

Overhauling of Runner in Unit III

The Kaplan runner for generating Unit III had to be operated in propeller mode since 2009 due to problems with the operating system. To improve on the efficiency of the generating unit, it was decided to replace the runner with a new runner that needed some overhauling. BHEL started the overhauling works in 2019 and the unit is expected to be put back into operation within March 2020.

TALA HYDROPOWER PLANT (THP)

Stabilization Measures of the THP Power House Caverns

Considering the various opinions and differing recommendations on the way ahead to stabilize the Tala power house caverns, an international seminar was held in September 2019 to corroborate on a way forward for the long pending stabilization measures.

The seminar came up with a number of immediate short-term measures that were required to be implemented such as drilling of drains and clearing of clogged drain holes. The seminar suggested the further installation of wire-meshes on the walls of the power house caverns to safeguard lives and equipment from the shooting rock bolts and falling concrete debris.

For the long-term measures, the seminar recommended expert services through a consultancy to determine the further investigations, mitigation measures, implementation methodologies and time schedules. Based on the recommendations, the short-term measures were immediately started and are ongoing. DGPC is in the process of acquiring consultancy services for the long-term measures.

Inspection of Pressure Shaft-I

Pressure Shaft-I was dewatered during the 2019 maintenance period for inspection and another 38 failed grout plugs were repaired. A possible cause of the rock bolt failures in the powerhouse caverns could also be attributed to the pore water pressure that may be building up from the leakages through the pressure shaft.

Replacement of Nozzle Injector System

Through an Expression of Interest solicited from a limited number of internationally renowned manufacturers, the scope and phasing of the work for the replacement of THP's nozzle injector system was finalized during 2019. The manufacture of some components of the nozzle injector system are to be outsourced to Bhutan Hydropower Services Limited.

Underwater Inspection of Water Conducting System

The underwater inspection and plugging of leakage holes in the Tala surge shaft were undertaken in 2011 and are due for a review. During 2018 and 2019, the Tala power house also experienced the appearance of a number of concrete blocks/debris at the nozzle injectors causing some damages.

This has raised concerns on the integrity of THP's water conducting system. The water conductor system of CHP is also due for inspection. DGPC initiated a limited international bidding process for the inspection of the water conducting systems of the Tala and Chhukha power plants.

PRINCIPAL ACTIVITIES AT COMPANY LEVEL

Domestic Tariff Revision (2019-2022)

DGPC submitted the domestic tariff revision proposal to the Bhutan Electricity Authority (BEA) in February 2019 in line with the Domestic Electricity Tariff Policy 2016 (Tariff Policy), the revised Tariff Determination Regulation (TDR) 2016, and the Guideline for filing tariff applications.

While DGPC had proposed a domestic generation tariff of Nu. 1.70 per unit, BEA approved a tariff of Nu. 1.42 per unit with effect from 1st October 2019 till 30th June 2022; a downward revision from the prevailing tariff of Nu. 1.59 per unit. BEA further revised the wheeling charges upwards from the existing Nu. 0.195 per unit to Nu. 0.27 per unit for the export energy. These revisions will have a negative impact on revenues and on the overall profitability of the company.

On behalf of the Mangdechhu Hydropower Plant, DGPC also submitted the domestic tariff proposal of Nu. 3.91 per unit. BEA approved a tariff of Nu. 3.77 per unit for Mangdechhu for the tariff period 1st October 2019 till 30th June 2022.

Mangdechhu Power Purchase Agreement

The Power Purchase Agreement (PPA) for the sale and purchase of Mangdechhu power was signed between DGPC and Power Trading Corporation of India (PTC) in August 2019. The starting export tariff of Nu. 4.12 per unit and the mechanism for tariff revisions over the 35 years PPA period were mutually agreed to between the two Governments.

O&M Establishment for MHPA

On the directives of the Royal Government of Bhutan, and in close co-ordination with MHPA, DGPC helped establish the Operation and Maintenance structure for the Mangdechhu hydroelectric project ahead of the commissioning of the project. Apart from deputing senior managers and engineers from DGPC to lead the O&M team, DGPC prioritized recruitment of O&M staff from within those already employed with MHPA. Only thereafter, DGPC recruited additional manpower for O&M from the open market.

DGPC's 10 Year Strategic Road Map/Plan

DGPC finalized its Roadmap 2030 and the Corporate Strategy Plan (CSP) during the year. The Roadmap was prepared considering the mandates of DGPC, the Hydropower Development Strategy Report 2017, and the DHI's Strategic Roadmap 2030.

Both the Roadmap and the Strategy Plan prioritize digitization and automation of the systems within DGPC to bring in efficiencies and to keep abreast of the overall vision for Bhutan to become a knowledge based society. In the preparation and finalization of the Roadmap and CSP, extensive consultations were held at all levels of DGPC and the Board.

Centralization of Payroll System

The payroll system of DGPC was centralized from July 2019 onwards. With this, the payroll for all employees of DGPC are processed from the Corporate Office. This has helped eliminate the concurrent but similar tasks which otherwise are undertaken by each of the power plants and some of the functional units.

This paves the way for further ICTization of many of the HR and finance transactions and document management systems.

MOU with WAPCOS

In October 2019, a Memorandum of Understanding (MoU) was signed between DGPC and WAPCOS Limited, India for carrying out the balance infrastructural works for the Punatsangchhu I hydroelectric project. During the year, DGPC also started to support the Punatshangchhu II project with the geotechnical related instrumentation activities.

OTHER FUNCTIONS WITHIN DGPC

Druk Green Consultancy (DGC)

Apart from its regular hydropower investigation studies and related consultancy activities, DGC completed the DPR study for the 500 KW Lunana mini hydroelectric project in coordination with the Department of Renewable Energy (DRE) including the distribution network for the electrification of nearby villages and institutes in the Lunana area.

The mini hydroelectric project will expectedly benefit some 173 households, and the school, gewog administration office, health unit and the monasteries in the area.

Hydropower Research and Development Center (HRDC)

The Hydropower Research and Development Centre (HRDC) was established in response to the growing need to build in-house competencies and expertise to strengthen the water to wire competencies in hydropower and wean away dependencies.

This was further spurred by the growing demand for such services within Bhutan as well as opportunities that are emerging outside of Bhutan. Apart from providing specialized services to the hydropower plants/projects in Bhutan, HRDC expanded its services to other Bhutanese clients, offering a number of new services on demand. There is also a growing interest in HRDC services amongst power plants outside of Bhutan, which HRDC is exploring.

HUMAN RESOURCE CAPACITY BUILDING

The successful implementation of DGPC's mandates will ultimately depend on the human resources and the national asset that it manages to build. DGPC continued to place immense importance on investing in employee growth and productivity through effective training and development programs and the creation of conducive work environments.

The Annual and Technical Conferences in December 2019 with the theme ***"New Decade New Challenges"*** provided valuable networking opportunities for DGPC and its subsidiaries in promoting a culture of initiatives, innovation and knowledge sharing. DGPC also collaborated with renowned institutions such as the Tata Power Trading Company by deploying its officials for on-the-job trainings to their premises and availing specific needs-based training programs.

Priority continues to be given to train, reskill and upgrade the competencies of operators and technicians who are the frontlines of the highly specialized areas of operation and maintenance of the power plants and in the construction of the hydroelectric projects. Opportunities were provided to a number of potential employees to pursue higher studies in emerging and relevant fields.

Efforts are also continued to be made to nurture competencies and inculcate leadership qualities amongst the middle and top level executives to remain relevant and competitive in an ever evolving domestic and regional energy markets.

DGPC also plays an important role in its subsidiary companies and hydropower projects under construction where DGPC deputes senior employees to key positions. DGPC ended 2019 with 1694 employees, of which 194 are on deputation to its subsidiary companies and to hydroelectric projects under construction. DGPC recruited 44 employees under various categories during the year.

A major concern as of recent years has been the attrition of highly qualified and experienced middle level officers, which could ultimately create a vacuum in the middle management of the company. The revision in remuneration and allowances in October 2019 would, to a certain extent, ensure a slowdown in the attrition rate.

AWARDS AND RECOGNITION

Business Relationship Awards

During the 20th Annual Day of Power Trading Company in New Delhi, DGPC received two categories of PTC awards for "Power Producer - Hydro" and "Largest Energy Exporter to India (Cross Border)". The awards were presented by the Minister of State (independent charge) for Power and New and Renewable Energy, Government of India.

Safety Award 2019

THP was awarded second position at the "World Day for Safety and Health at Work" held at Phuentsholing in April 2019. The award was presented in recognition of the excellent occupational health and safety practices adopted at the workplace. THP scored above 90% in the OHS assessment carried out by the Ministry of Labour and Human Resources.

Corporate Social Responsibilty (CSR)

DGPC is committed to support the local communities through its CSR initiatives. The CSR objectives are 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. The employees of DGPC also contribute generously to these CSR activities in cash and kind.

DGPC SUBSIDIARIES

SUBSIDIARY COMPANIES

126 MW DAGACHHU HYDRO POWER CORPORATION LIMITED

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

118 MW TANGSIBJI HYDRO ENERGY LIMITED

Installed capacity: 2x 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
Shareholders: DGPC (51%), GE (49%)

600 MW KHOLONGCHHU HYDRO ENERGY LIMITED

Installed capacity: 4x 150 MW
Mean annual generation: 2,568.88 MU
Project estimated cost: Nu. 54.82 billion
Incorporation: June 12, 2015
Shareholders: DGPC (50%), SJVN (50%)

BHUTAN AUTOMATION

Business scope: Manufacturing of automation systems for hydropower plants
Project estimated cost: Nu. 60 million
Incorporation: November 8, 2017
Shareholders: DGPC (51%), Andritz Hydro (49%)

BHUTAN HYDROPOWER SERVICES LIMITED (BHSL)

BHSL is a joint venture between DGPC and GE Renewable Energy. A major concern is the erosion in the share capital with further losses in 2019 of Nu. 76.225 million mainly on account of depreciation and financing costs. During the year, BHSL refinanced the Euro 6.3 million DEG loan through equity injection by the Shareholders (DGPC: Nu. 78.962 million and GE: Euro 926,100) and raising the balance through debt financing from NPPF.

DGPC also continued to support BHSL through inter corporate loans to tide over its short-term cash flow shortfalls. A number of cost cutting measures were also implemented.

BHSL continues to face low levels of loading of its capacity which was created for the 10,000 MW hydropower generation capacity. With the commissioning of Mangdechhu, loading is likely to pick up in a couple of years. BHSL is also continuing to explore and expand on the work orders from other industries in Bhutan. With the slowdown in new hydropower projects, the planned expansion into the manufacture of hydro-mechanical equipment could not take off. After extensive consultations, in 2019, a decision was taken to start the manufacturing of Pelton runners at the facility.

The first order for one Pelton runner was placed on BHSL by BHP in June 2019. More orders are expected from other power plants during 2020. Partial off-loading of the manufacture of THP's nozzle injector system is also expected. GE Renewable Energy is also exploring to offload some works from its orders to BHSL. These could greatly help improve the performance and the financial position of the company.

DAGACHHU HYDRO POWER CORPORATION LIMITED (DHPC)

In 2019, the Dagachhu hydropower plant generated 400 MU and earned total revenues of Nu. 1,291.080 million, mostly from the sale of energy through the guaranteed tariff and upwards benefit sharing mechanism PPA that DHPC has with the power off-taker, Tata Power Trading Company in India.

Power from Dagachhu is exported into the Indian energy market and conforms to India's Deviation Settlement Mechanism.

While still in the negative, the profitability of the Company improved from (-) Nu. 604.859 million in 2018 to (-) Nu. 61.591 million in 2019. As in the previous years, the profitability of the Company continued to be largely impacted by the debt servicing costs, depreciation expenses and on account of foreign exchange losses. During the year, M/s HCC remitted the outstanding payment of Nu. 340.965 million. This was utilized to prepay part of the NPPF loan. With this prepayment, the NPPF loan will be liquidated by 2023 instead of 2030 with a net saving of Nu. 273 million to the Company.

DHPC started the process of ISO certification in Integrated Management System (ISO 9001:2015 & ISO 45001:2018) during the year. GNHC certification, O&M business model, CER market, and refinancing of the hard currency loans are some of the priority areas that DHPC continues to focus on. The Dagachhu project is closely knitted into the local communities and DHPC continues to commit itself to CSR activities.

TANGSIBJI HYDRO ENERGY LIMITED (THyE)

As of December 31, 2019, the Shareholder had injected equity of Nu. 3,369.518 million; of which Nu. 1,252.428 million is from DGPC's own sources and the rest from ADB. The total debt financing touched Nu. 3,921.41 million (ADB-OCR : Nu. 1,919.635 million and ICB : Nu. 2,001.770 million). An expenditure of Nu. 3,708.050 million has been incurred thus far by THyE in the implementation of the project.

During the year, five major milestone activities such as the Adit to BVC and Surge shaft bottom including open excavation and portal formation, civil structures in power house ready for the erection of power house crane rail and turbine, availability of power house foundation surface for earthing for Unit I & Unit II, and availability of erection bay for E&M erection were achieved.

Integration of the construction schedule of hydro-mechanical and electro-mechanical works with that of civil works of MP-1 Package has enabled the smooth co-ordination of the works at site and helped minimize delays.

Despite the project facing a number of serious geological surprises and challenges, the project is expected to be completed within 2021 with continuous monitoring, review of schedules, and exploring and implementing various acceleration measures.

KHOLONGCHHU HYDRO ENERGY LIMITED (KHEL)

The construction of access roads to all sites have been completed. During 2019, the construction and commissioning of the construction power network comprising of 132 kV transmission line from Kanglung to project site, the 132/33 kV substation and the 33 kV sub-transmission and distribution network were also completed.

The construction of residential and non-residential buildings in the Doksum integrated township are progressing. The exploratory drillings for further subsurface geological investigations were also completed during 2019. These works have been financed entirely through equity injection by the Shareholders.

As of 31 December 2019, the Shareholders had injected Nu. 3,125.546 million as equity while expenditures stood at Nu. 3,081.615 million.

The management and the Shareholders have been working towards concluding an understanding on the mode of sale of Kholongchhu power and the type of PPA that would best benefit the project as well as the Shareholders.

The Concession Agreement for allocating the Kholongchhu hydroelectric project to the Company will be concluded as soon as an understanding on the mode of sale of power from the project is finalized. Based on this, the management and Board have been working towards concluding the debt instruments with financial institutions such as REC, PFC, EXIM bank and other commercial banks in India.

Meanwhile, the management has been continuing with the bidding process for the three main civil packages of the dam, head race tunnel and the power house.


SIEMENS
SIEMENS
CISCO

BHUTAN AUTOMATION & ENGINEERING LIMITED

During the year, BHUTAN AUTOMATION earned an income of Nu. 90.424 million mainly from its operations and a profit before tax of Nu. 10.100 million. One of Kurichhu's generating unit was re-commissioned on 27th December 2019 through the first SCADA system supplied from the BHUTAN AUTOMATION facility a major milestone in Bhutan's hydropower sector. Along with the unit controls and SCADA, the turbine governing and the excitation systems of the unit were also upgraded.

BHUTAN AUTOMATION was also awarded two contracts during the year: "Upgradation of Switchyard SCADA and Protection Relays at BHP" in August 2019 and the "Replacement of Relays for Main I Busbar Protection including Testing and Commissioning of THP" in December 2019. DGPC and BHUTAN AUTOMATION are working to finalize the order for CHP's SCADA and governing and excitation systems. BHUTAN AUTOMATION is also in consultation with BPC for their substation SCADA and protection upgradation works.

BHUTAN AUTOMATION also signed a contract with Punatsangchhu-II for the computerized control system and protection system of the project on April 30, 2019 in Thimphu. Aside from the automation projects, the other major activities carried out by the Company were the construction of the facility on the premises of the Chhukha Hydropower Plant, initiation of ISO certification process for the company in IMS, and marketing survey exercise of industries in Bhutan. BHUTAN AUTOMATION is also working with Andritz Hydro to move its services outside of Bhutan.

KEY CHALLENGES

Some of the challenges being faced and others that are anticipated are highlighted below:

a) With the aging of some of its power plants, the operation and maintenance challenges are getting more complex and costly. The CHP Unit I has been under shutdown since August 23, 2019 due to rotor earth fault. The stator windings, rotor field coils, air guide, baffle ring and fan segment assembly of the generating unit were damaged and are being replaced. In other plants like Tala, the teething problems continue to pose challenges. Such incidences also pose risks to the lives of operators and equipment.

b) A few of the subsidiary companies of DGPC continue to face problems, technical as well as financial, and requires close monitoring and continuous support of DGPC. A major challenge is the sustainability of BHSL considering the lower than projected work orders due to delays in the implementation of the 10,000 MW hydropower projects which had been the basis for the sizing and financial viability of BHSL. The statutory auditors continue to give their "Emphasis of Matter" opinion in the Auditors' Report and an impairment testing might become necessary in the near future.

c) Unpredictability of hydrological flows, partially owing to deficiencies in weather and therefore river discharge forecasts and more importantly on account of the imminent threat of global warming and climate change, continues to be of great concern along with the impending policy on environment flows, which could adversely affect the viability and profitability of the power plants.

d) The Cross Border Import/Export of Electricity (CBIEE) Guidelines issued in 2018, while on one hand opens up the energy market for Bhutan's hydropower, on the other hand raises great concerns with respect to the future sustainability of the hydropower development in Bhutan. It intensifies the single market risk for Bhutan and highlights the need to explore diversification in energy sources and markets.

e) The concerns on cross border trade of power extends to the modalities of sale of Kholongchhu power. With the delays in agreeing to the modalities for the PPA, the project is further getting delayed which would only increase the cost of the project thereby making the tariff setting modalities much more difficult to conclude.

f) The recent challenges faced, especially with the delays in the already ongoing projects, is starting to erode the confidence of the people in the hydropower sector. It would become difficult in future to make investments in the sector unless the issues get addressed in their proper perspective.

STATUTORY AUDIT REPORT

M/s T R Chadha & Co. LLP, Delhi undertook the Statutory Audit of the accounts of DGPC for the year 2019 from 13th January till 13th February 2020 covering all the power plants, Material Management Division and the Corporate Office including the Compact and TAS audit and compilation of the Group accounts in addition to standalone accounts.

The 2019 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 prescribed by the Royal Audit Authority specified under section 266 of the Companies Act of Bhutan, 2016.

The financial statements for DGPC as an individual entity 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. The Audit Exit Meeting between the Statutory Auditors, Royal Audit Authority, and DGPC was held on 13th February 2020 in Thimphu.

Auditors' Report

There are no Qualifications to the Auditors' Reports for 2019. There are no observations or recommendations in the Annexure to the Auditors' Report. The Auditors have pointed out a number of issues in the Management Report, which are being addressed by the management.

The Statutory Auditors have, however, drawn attention to the accumulated losses and erosion in equity of the Shareholders of Bhutan Hydropower Services Limited under "Emphasis of Matter".

The accumulated losses have now exceeded 76% of the net worth of BHSL. DGPC has an equity investment of Nu. 333.96 million in BHSL. While it has been noted that the impairment testing has not been carried out, the impairment testing process may need to be initiated to address the concern.

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:

SN	Compensations	2019 (Nu.)	2018 (Nu.)
1	Board of Directors (Sitting Fees for board meeting, BLTC, NGC, BHR, BAC)	960,000.00	767,500.00
2	Managing Director (Pay & Allowances)	3,980,997.25	3,249,322.00

ACKNOWLEDGEMENTS

The Board of DGPC would like to acknowledge the support of the Royal Government of Bhutan, Druk Holding & Investments, Ministry of Economic Affairs, Ministry of Finance, Bhutan Electricity Authority, National Environment Commission, and other stakeholders in Bhutan in helping DGPC fulfill its many mandates.

The Board would also like to acknowledge the support of the Government of India and its agencies in taking forward the JV projects and the other initiatives of DGPC, and for support to the hydropower sector as a whole.

The Board would also like to thank the Managing Director, the DGPC management team and all its employees for their dedicated work and contributions towards the excellent performance of the company. The Board would further like to urge the management of DGPC to continue to work towards achieving the enormous tasks ahead, and evolve the governance of the company so as to emerge as a leader in Corporate Management.

The Board shall continue to fully support the company in its endeavors in achieving the mandates of DGPC.

Tashi Delek

For and on behalf of the Board,

Dasho Sonam Topgay
Chairperson

BOARD DIRECTORS

Sonam Topgay
Secretary, MOHCA

Position: Independent and Non-Executive
Date of Appointment: March 13, 2017 (10th AGM)
Date of Re-appointment: March 13, 2019 (12th AGM)
DHI Companies: DGPC

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.

He attended the Indian Administrative Service Professional Training course at the Lal Bahadur Shastri National Academy of Administration, Mussoorie, India and has a Diploma in French Language from the University of Clermont-Ferrand, France.

Nim Dorji
Secretary, MoF

Position: Non-Independent and Non-Executive
Board Subcommittee: BLTC and BAC
Date of Appointment: July 29, 2014 (2nd EGM)
Date of Re-appointment: June 21, 2018 (3rd EGM)
DHI Companies: DGPC, DHI
Other Companies/Boards: RMA, Bhutan Duty Free, Bhutan Lottery, JSW School of Law, Bhutan Health Trust Fund, JDWNRH.

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. Before that, he served as the Director General of Department of Agriculture under Ministry of Agriculture and Forests.

With over 31 years of experience in finance, Nim Dorji has served as the Joint Secretary of Ministry of Finance, the Director of Department of Public Accounts under Ministry of Finance and the Director of Sustainable Development Secretariat. He also has experience in consulting for Poverty Reduction and Economic Management, South Asia, World Bank, Washington DC.

Position: Independent and Non-Executive
Board Subcommittee: BHRC and BAC
Date of Appointment: June 21, 2018 (3rd EGM)
DHI Companies: DGPC

Karma Wangdi
CEO, Bhutan Postal Corporation Limited

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 joining Bhutan Post, Karma was the Chief ICT Officer and Head of Infrastructure Division of the Department of IT and Telecom, Ministry of Information and Communications. He was one of the key persons in the Ministry during the formative years of the Department and shouldered significant national level responsibilities in the country's ICT sector.

Position: Independent and Non-Executive
Board Subcommittee: BLTC
Date of Appointment: June 21, 2018 (3rd EGM)
DHI Companies: DGPC
Other Companies/Boards: RSPCA and FCB

Tenzin Chophel
Director, Directorate Service, MoH

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.

Prior to this, Tenzin Chophel worked for 2 years as Governance Adviser in Lao PDR, executing and implementing governance related activities, including administrative efficiency, information management, and improved public service delivery.

Position: Non-Independent and Non-Executive
Board Sub-committee: BHRC and BAC
Date of Appointment: April 20, 2016 (9th AGM)
Date of Re-appointment: June 21, 2018 (3rd EGM)
DHI Companies: DGPC

Tashi Pem
Chief Engineer, DHPS, MoEA

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.

Tashi Lhamo
Director,
Department of Finance, DHI

Position: Non-Independent and Non-Executive
Board Subcommittee: BLTC, BHRC and BAC
Date of Appointment: March 13, 2017 (10^{th} AGM)
Date of Re-appointment: March 13, 2019 (12^{th} AGM)
DHI Companies: DGPC, Bank of 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. Before that, she served as the Director for Revolving Fund Management and Operations under Business Opportunity and Information Center.

She currently serves as the Vice-Chair in the Technical Working Committee at the Accounting and Auditing Standard Board of Bhutan and is on the Board of Bank of Bhutan.

Dasho Chhewang Rinzin
Managing Director
DGPC

Position: Non-Independent and Executive
Board Subcommittee: BLTC and BHRC
DHI Companies: DGPC, CDCL, BHUTAN AUTOMATION, THyE and KHEL

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. Before that, he headed Bhutan Power Corporation Limited, the public sector transmission and distribution utility of Bhutan as its Managing Director.

For exemplary services to the country, His Majesty The King of Bhutan awarded Chhewang Rinzin the Red Scarf with the title of Dasho in 2009 and also the Order of Druk Khorlo medal in 2014.

Amongst many portfolios held, Chhewang Rinzin was the Chairperson of Bhutan's Second Pay Commission (November 2013 – March 2014). He was also a Member of the First Interim Government (April – July 2013) and the Second Interim Government (August – October 2018).

CORPORATE GOVERNANCE REPORT

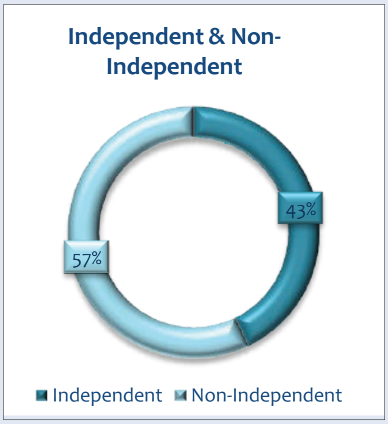
The Corporate Governance (CG) Codes comprises of Guidelines, and best international practices and processes that the company adopts in ensuring good corporate governance in all aspects of its activities. It promotes ethical, transparent and responsible business.

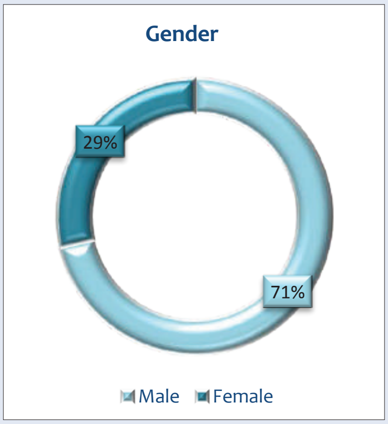
Druk Green Power Corporation Limited (DGPC) has complied with the principles of Druk Holding & Investment (DHI)'s Corporate Governance Codes and conformed to the Companies Act of Bhutan, 2016 and all other statutory requirements governing its mandates.

The Corporate Governance Framework for DGPC is as below:

BOARD COMPOSITION

The Board of DGPC comprises of seven Directors. The 12th AGM held on 13th March 2019 confirmed the retirement and re-appointment of Sonam Topgay and Tashi Lhamo from and to the Board with other members remaining the same.





BOARD MEETINGS

The Board of DGPC met nine 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.

Other than the NGCs, DGPC has established three Board Sub-Committees:

BOARD LEVEL TENDER COMMITTEE (BLTC)

Members:

Nim Dorji (Chairperson), Dasho Chhewang Rinzin, Tashi Lhamo and Tenzin Chophel.

Major Responsibility:

Consider award of contracts and acceptance of completion reports.

BOARD HR COMMITTEE (BHRC)

Members:

Tashi Lhamo (Chairperson), Dasho Chhewang Rinzin, Tashi Pem and Karma Wangdi

Major Responsibility:

- 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

BOARD AUDIT COMMITTEE (BAC)

Members:

Nim Dorji (Chairperson), Tashi Lhamo, Tashi Pem and Karma Wangdi.

Major Responsibility:

- 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

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 the Sub Committees are put forward to the Board for endorsement/ approval.

Meetings attended/held					
Name of Director	**BM**	**BAC**	**BHRC**	**BLTC**	**AGM**
Sonam Topgay (Chairperson)	9/9				0/1
Nim Dorji	6/9	3/3		2/2	1/1
Tashi Pem	5/9	1/3	1/2		1/1
Tashi Lhamo	9/9	3/3	2/2	1/2	1/1
Tenzin Chophel	7/9			2/2	1/1
Karma Wangdi	8/9	3/3	2/2		0/1
Dasho Chhewang Rinzin	9/9		1/2	2/2	1/1

Abbreviation	
BM	Board Meeting
AGM	Annual 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 Nomination and Governance Committee ensures that the Shareholder concerns regarding the corporate governance are addressed.

During the year, the NGC was constituted for the selection of the Chief Executive Officers (CEO) for the subsidiary companies of DGPC. The selection process was carried out for appointment and reappointment of the CEOs of Dagachhu Hydropower Power Corporation Limited, Bhutan Hydropower Services Limited, and Bhutan Automation and Engineering Limited. Keeping in mind the increasing corporate responsibilities, the Committee makes sure that the right candidates are identified for the posts.

BUSINESS CODE OF CONDUCT

During the year, DGPC drafted the Business Code of Conduct which is a Management tool for setting out DGPC's values, responsibilities and ethical obligations. The code articulates the values that DGPC wishes to foster in its leaders and its employees.

It is intended to be a central guide and reference for employees to support day-to-day decision making and to encourage discussions on ethics and compliance, thus empowering employees to handle ethical dilemmas they encounter in the everyday workplace. The code also serves as a valuable reference, helping employees locate relevant documents, services and other resources related to ethics within DGPC.

WHISTLER BLOWER

DGPC developed a whistle blower mechanism to provide appropriate platform and protection for whistle blowers to report instances of any actual or suspected incidents of unethical practices, violation of applicable laws and regulations including contravention in respect of the Business Code of Conduct.

BOARD REMUNERATION

As per DHI's Corporate Governance 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. 960,000 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 Corporate Governance Code ensure that the governance of State Owned Enterprises are carried out in a transparent and accountable manner, while not intervening in the day-to-day management of the company.

The Board keeps the Shareholders informed on all matters affecting the company. Through the Annual General Meeting (AGM), the Shareholder exercises its rights over the company.

The 12th AGM for the company was held on 13th March, 2019. The AGM passed the following resolutions:

- Approved the Audited Accounts for the year 2018 including the declaration of Dividend of Nu. 4,500 million from the profit for the year 2018.
- Approved DGPC's achievement of 100% vis-a-vis the 2018 Compact Targets and the payment of the 15% Performance Based Variable Allowance (PBVA) to the eligible employees of DGPC.
- Confirmed the retirement and re-appointment of Sonam Topgay and Tashi Lhamo from/to the Board with the other Board Members remaining the same.
- The AGM ratified the Audit expenses of Nu. 1,339,742.50 incurred for the statutory audit for the year 2018.

RISK MANAGEMENT

As part of good corporate governance, the 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 submitted to the Shareholder.

POLICIES AND PRACTICES OF CEO AND BOARD EVALUATION

As per the DHI CG Code, the Board evaluates the performance of the CEO annually as per the CEO Performance Evaluation Guideline.

The leadership assessment of the CEO is conducted confidentially through an online survey annually based on criteria such as decision making and inter personal skills, employee engagement and development, relationship with Board, integrity and ethical code, visioning and strategic planning.

The performance of the Board is also evaluated annually through an online survey. The survey is in accordance with various criteria such as professional and ethical attributes, dedication and preparedness, team work and contribution to board deliberations.

MANAGEMENT TEAM

Dasho Chhewang Rinzin

Managing Director

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.

Dorji Pavo Phuntshok

Director

Projects Department

With a Bachelors and Masters in Electrical Engineering from Drexel University, USA, **DORJI PAVO PHUNTSHOK** currently heads the Projects Department, Druk Green Power Corporation. Between September 2016 and April 2019, he was deputed by the Royal Government of Bhutan as the Joint Managing Director for 1,200 MW Punatsangchhu I Hydroelectric Project Authority and 1,020 MW Punatsangchhu II Hydroelectric Project Authority.

Dorji Tenzin Phuntshok

Director, HR&AD

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. Before that, he headed the Human Resource and Administration Division of Chhukha Hydropower Corporation.

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. Before that, he headed the Corporate Affairs Department.

Kuenga Namgay
Director, OMD

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. She has served in Druk Green Power Corporation since 2008 in various capacities in Business Development and as Company Secretary.

Dechen Wangmo
Director, CAD

With a Bachelor of Civil Engineering from Visvesvaraya Regional College of Engineering, Nagpur University, India and a Master of Science in Hydropower Development from Norwegian Institute of Science and Technology, Norway, **SONAM WANGDI** currently heads the Contracts and Procurement Department, Druk Green Power Corporation. Before that, he served as the Chief Engineer (Contracts) for Kholongchhu Hydro Energy.

Sonam Wangdi
Director, CPD

With a Bachelor of Commerce from University of North Bengal University, India and Post Graduate Certificate in Financial Management (PGCFM) from Royal Institute of Management, Bhutan, **UGYEN WANGCHUK** currently is the interim Director heading the Finance and Investment Department, Druk Green Power Corporation. He concurrently heads the Commercial and Regulatory Affairs Division. Before that, he served as the Chief Financial Officer for Dagachhu Hydropower Corporation.

Ugyen Wangchuk
Interim Director, FID

HEADS OF PLANTS

With a Bachelors from PSG College of Technology, India and a Masters in Electrical Engineering from the University of New Brunswick, Canada, **KENCHO GYELTSHEN** currently heads Tala Hydropower Plant. Before that, he served as the Head of Chhukha Hydropower Plant.

Kencho Gyeltshen

Associate Director/
Head of Plant
Tala Hydropower Plant

With a Bachelor of Technology in Electrical Engineering from the Motilal Nehru National Institute of Technology, Allahabad, India and a Master of Engineering from the Edith Cowan University, Australia, **SONAM WANGDI** currently heads Basochhu Hydropower Plant. Before that, he headed the Maintenance Division of Tala Hydropower Plant.

Sonam Wangdi

Chief Engineer/Head of Plant
Basochhu Hydropower Plant

With a Bachelors Degree from University of Rajasthan and a Masters in Electrical Engineering from the University of New Brunswick, Canada, **ZANGPO** currently heads Kurichhu Hydropower Plant. Before that, he served as the Head of Maintenance Division at Chhukha Hydropower Plant.

Zangpo

Chief Engineer/Head of Plant
Kurichhu Hydropower Plant

With Bachelors in Electrical Engineer from the University of Rajasthan, India and a Masters in Electrical Engineering from the University of New Brunswick, Canada, **DORJI NAMGYEL** currently heads Chhukha Hydropower Plant. Before that, he served as the Head of Maintenance Division at Kurichhu Hydropower Plant.

Dorji Namgyel

Chief Engineer/Head of Plant
Chhukha Hydropower Plant

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, 2019, 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, 2019, 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 U of Note No. 30 of Notes to accounts. DGPC has made an investment by way of 51 % share in Joint Venture (Nu. 333.96 million) in Bhutan Hydropower Services Limited (BHSL). BHSL is incurring continuous losses since past 6 years. Accumulated losses as on the Balance Sheet date exceeded 76% of Net Worth of BHSL. The management has not tested impairment of the same since in their view, the losses have decreased in current year as compared to previous year and considering the prospects may start 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 have not found 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

T.R. Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

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.

As part of audit in accordance with ISAs, we have exercised professional judgment and maintained professional skepticism throughout the audit. The auditor's responsibilities are:

i. To identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, to design and perform audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control;
ii. To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
iii. To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
iv. To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
v. To evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management, among others, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

5. REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 266 of the Companies Act of the Kingdom of Bhutan, 2016 we enclose in the Annexure a statement on Minimum Audit Examination and Reporting Requirement to the extent applicable.

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

a. We have obtained all the information and explanation, which to the best of our knowledge and beliefs were necessary for the purpose of our audit.
b. In our opinion, proper books of accounts as required by law have been kept by the company so far as appear from our examination of those books proper returns adequate for the purpose of our audit have been received,
c. The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this report are in agreement with the books of accounts.
d. the company has complied with other legal and regulatory requirements.

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

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

KASHYAP VAIDYA
Digitally signed by KASHYAP VAIDYA
Date: 2020.06.03 10:47:58 +05'30'

Kashyap Vaidya
Partner
Membership No. 037623
UDIN: 20037623AAAABW8042

Place: Mumbai
Date: 01-06-2020

(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 31st December' 2019]

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 2019 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.

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.

T.R. Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

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 2019.

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. 610,000,000 (Ngultrum Six hundred and Ten million) has been provided to Dungsum Cement Corporation Ltd. (DCCL), fellow subsidiary, via loan agreement dated 8th Nov, 2019 for the period up to 30th Apr, 2020 at the interest rate of 4.55% per annum.

    (b) An inter-corporate loan of Nu. 30,000,000 (Ngultrum thirty million) was provided to Bhutan Hydropower Service Ltd. (BHSL), Joint venture, via loan agreement dated 9th September, 2019 for the period up to 9th Mar, 2020 at the interest rate of 4.50% per annum.

    (c) An inter-corporate loan of Nu. 300,000,000 (Ngultrum three hundred million) was provided to State Trading Corporation of Bhutan Limited (STCBL) (Group company of DHI), via loan agreement dated 18th November, 2018 for the period up to 30th Apr, 2020 at the interest rate of 4.55% per annum.

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.

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 Government of Bhutan and the Government of India) and to Bhutan Power Corporation Limited (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 distribution at the point of occurrence, for taking corrective actions.

T.R. Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

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 2019 and Statement of Gross Energy Available for sale/use for the year 2018 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 realizable 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 T and Clause AA 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 electricity from hydro, 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 Y 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).

26. Since the Company is engaged in generation of electricity from hydro, this clause regarding system of allocating man hours utilized to the respective job is not applicable to the Company.

27. There is a reasonable system of authorization at proper levels and adequate systems of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of materials to respective cost centers (i.e. job sites).

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. Both the mechanism of fixing prices considers 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 to 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 analyzed 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 the Notes to the 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, unauthorized to their relatives / friends / associates or close persons which directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.

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

42. Computerized Accounting Environment:

1. The Company has introduced SAP from 1st June 2011 for accounting system along with the existing packages in some operations fields like accounting, payroll, inventory management system and personal information system. In our opinion, organizational and system development controls and other internal controls appears to be adequate relative to the size and nature of computer installation of the Company.
2. In our opinion, the Company appears to have taken adequate measures and back up facilities commensurate with the size and nature of computer installation.
3. The operational controls in the Company are generally adequate to ensure correctness and validity of input data and output information.
4. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.
5. The Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

43. General

1. Going Concern Problems

On the basis of the attached Financial Statements as at 31st December, 2019 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

2. Ratio Analysis

Financial and Operational Results of the Company has been given in Exhibits–3-3A to this report.

3. Compliance with The Companies Act of Bhutan

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Company Officials, the Company has generally complied with the provisions of The Companies Act of Bhutan, 2016. Details are given in Exhibit- 4C to this report.

4. Adherence to Laws, Rules and Regulations

On the basis of our examination of the books and records of the Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any non-compliance to The Companies Act of Bhutan 2016 (except as mentioned above) and the relevant laws under the Bhutan Electricity Act. In respect of compliance with other Acts prevalent in Bhutan, applicable to the company, a comprehensive list of compliance checklist has been developed by the committee formed by the management. The assessment of regulatory requirement mainly relating to environment and disaster management is being conducted by ISO audit team supported by legal unit annually. As stated to us there are no non-compliance raised by the ISO audit team.

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

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

KASHYAP VAIDYA
Digitally signed by KASHYAP VAIDYA
Date: 2020.06.03 10:47:58 +05'30'

Mr. Kashyap Vaidya
Partner
Membership No. 037623
UDIN: 20037623AAAABW8042

Place: Mumbai
Date: 01-06-2020

STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER 2019

Amount in Nu.

Particulars	Note No.	2019	2018
Assets			
Non- current assets			
Property, plant & equipment	1	38,459,519,001.69	40,112,505,459.12
Intangible assets	1	14,603,793.15	12,994,358.93
Investment property	2	32,000,000.00	32,000,000.00
Deferred tax asset	3	53,336,775.68	39,640,095.76
Investments in subsidiaries and joint ventures	4	7,734,733,223.28	6,373,520,668.70
Long-Term Investments	5a	1,238,427,753.01	788,406,858.80
Other assets	5b	968,633.68	847,980.42
Total non - current assets		**47,533,589,180.49**	**47,359,915,421.73**
Current assets			
Inventories	6	482,686,662.92	502,570,743.43
Short Term Investments	9a	3,364,527,560.46	2,497,508,794.01
Trade and other receivables	9b	3,203,853,061.48	2,491,206,414.87
Prepayments and advances	7	183,184,880.44	173,700,230.42
Cash and cash equivalents	9c	432,194,835.78	449,171,991.70
		7,666,447,001.08	**6,114,158,174.43**
Assets classified as held for sale	8	15,277,498.01	2,053,230.42
Total current assets		**7,681,724,499.09**	**6,116,211,404.85**
Total assets		**55,215,313,679.58**	**53,476,126,826.58**
Equity and liabilities:			
Equity			
Share capital	10	32,071,064,000.00	31,776,208,000.00
General reserves		9,474,470,887.42	9,587,513,175.57
Retained earnings		4,922,534,733.49	4,472,571,526.26
Accumulated other comprehensive income		136,917,454.60	156,715,908.80
Total shareholders' equity		**46,604,987,075.51**	**45,993,008,610.63**
Non- current liabilities			
Long- Term Borrowings	5c	5,549,166,247.01	4,658,145,743.12
Employee benefit obligation	11	523,514,762.19	432,304,000.00
Total noncurrent liabilities		**6,072,681,009.20**	**5,090,449,743.12**
Current liabilities			
Trade and other payables	9d	570,389,071.52	507,234,285.11
Other financial liabilities	9e	281,507,277.76	209,167,708.97
Other current liabilities	12	45,232,859.96	43,758,989.40
Current tax liabilities	13	1,569,075,293.49	1,567,459,489.35
Employee benefit obligation	14	71,441,092.14	65,048,000.00

T.R. Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Total current liabilities		**2,537,645,594.88**	**2,392,668,472.83**
Total liabilities		**8,610,326,604.07**	**7,483,118,215.95**
Total shareholders' equity & liabilities		**55,215,313,679.58**	**53,476,126,826.59**

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

KASHYAP VAIDYA Digitally signed by KASHYAP VAIDYA Date: 2020.06.03 10:47:58 +05'30'

(Kashyap Vaidya)
Partner
Membership No. 037623

Date:-01-06-2020
Place:- Mumbai

(Dasho Sonam Topgay)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Interim Director (Finance)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31st DECEMBER 2019

Amount in Nu.

Particulars	Note No.	2019	2018
Income Electricity revenue	15	11,646,021,702.50	11,445,445,454.64
Interest earned	16	129,991,240.20	102,724,721.30
Other income	17	142,659,795.61	133,810,947.66
		11,918,672,738.31	**11,681,981,123.60**
Expenditure Wheeling charges		722,714,066.41	609,835,005.46
Insurance		132,514,548.93	112,845,830.50
Running and maintenance expenses	18	365,792,010.92	387,811,614.50
Employees' remuneration and benefits	19	932,361,789.09	858,018,229.97
Finance cost	20	181,071,143.39	287,355,111.39
Depreciation/amortisation	1	2,245,377,181.34	2,301,679,892.39
Other expenses	21	285,795,257.45	445,373,217.04
		4,865,625,997.53	**5,002,918,901.25**
Operating profit		**7,053,046,740.78**	**6,679,062,222.35**
Profit before tax		**7,053,046,740.78**	**6,679,062,222.35**
Tax expense	**22**		
Current tax		2,116,276,674.65	2,083,891,671.59
Deferred tax		(13,696,679.92)	(9,112,819.46)
Income Tax for earlier years		3,935,132.19	107,714,963.59
		2,106,515,126.92	**2,182,493,815.72**
Profit for the year		**4,946,531,613.86**	**4,496,568,406.63**
Other comprehensive income:			
Re-measurements of post-employment benefit obligations		(28,283,506.00)	5,143,187.00
Income tax relating to these items		(8,485,051.80)	1,542,956.10
Total other comprehensive income for the year		(19,798,454.20)	3,600,230.90
Comprehensive income for the year		**4,926,733,159.66**	**4,500,168,637.53**
Basic & diluted earnings per share		**154**	**142**
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

T.R. Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

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

KASHYAP VAIDYA Digitally signed by KASHYAP VAIDYA Date: 2020.06.03 10:47:58 +05'30'

(Kashyap Vaidya)
Partner
Membership No. 037623

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Date:- 01-06-2020
Place:- Mumbai

(Dasho Sonam Topgay)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Interim Director (Finance)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st DECEMBER 2019

Amount in Nu.

Particulars	2019	2018
Cash flows from operating activities		
Profit before taxation	**7,053,046,740.78**	**6,679,062,222.35**
Adjustment for:		
Depreciation / amortisation	2,245,377,181.34	2,301,679,892.39
Foreign exchange loss	38,176,189.62	197,729,976.76
Loss/(gain) on sale of property plant & equipment	2,491,910.93	(7,160,424.78)
Investment income	(129,991,240.20)	(102,724,721.30)
Interest expenses	181,071,143.39	287,355,111.39
(Increase)/decrease in trade receivables and other rec.	(712,646,646.61)	(898,460,465.22)
(Increase)/decrease in inventories	19,884,080.51	87,689,476.94
(Increase)/decrease in prepayments and advances	(9,484,650.02)	(118,959,632.25)
(Increase)/decrease in assets classified as held for sale	(13,224,267.59)	(1,459,732.80)
Increase/(decrease) in trade and other payables	63,154,786.41	(2,987,654.95)
Increase/(decrease) in other current liabilities	1,473,870.56	(166,259.43)
Increase/(decrease) in employee benefit obligation	69,320,348.33	49,096,646.48
(Increase)/Decrease in Other asset	(120,653.26)	(180,361.14)
Cash generated from Operation	**8,808,528,794.19**	**8,470,514,074.44**
Income tax paid	**(2,110,110,950.90)**	**(2,257,686,446.22)**
Net cash from operating activities	**6,698,417,843.29**	**6,212,827,628.22**
Cash flows from investing activities		
Purchase of PPE & intangibles assets	(596,492,069.06)	(86,131,285.29)
Sale of PPE & intangible asset	(109,610,694.78)	-
Payment for investments in subsidiaries and JV	(1,361,212,554.58)	(1,165,592,363.48)
Proceeds from held-to-maturity investments	(1,429,709,436.41)	688,964,315.07
Interest received	242,661,015.95	(48,786,827.25)
Net cash used in investing activities	**(3,254,363,738.88)**	**(611,546,160.95)**
Cash flows from financing activities		
Issue of share capital	294,856,000.00	230,520,000.00
Proceeds/(Repayment) of loan	852,844,314.27	(1,510,039,544.60)
Interest paid	(108,731,574.60)	(244,461,538.19)
Dividend paid	(4,500,000,000.00)	(4,905,354,484.00)
Net cash used in financing activities	**(3,461,031,260.33)**	**(6,429,335,566.79)**
Net increase/(decrease) in cash and cash equivalents	(16,977,155.92)	(828,054,099.52)
Cash and cash equivalents at the beginning of the period	449,171,991.70	1,277,226,091.22
Cash and cash equivalents at the end of the period	**432,194,835.78**	**449,171,991.70**
Component of cash and cash equivalents:-		
Cash in hand	1,375,173.82	951,803.43
Balances in current accounts with banks	430,819,661.96	448,220,188.27
Total	**432,194,835.78**	**449,171,991.70**

T.R. Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

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

KASHYAP VAIDYA
Digitally signed by KASHYAP VAIDYA
Date: 2020.06.03 10:47:58 +05'30'

(Kashyap Vaidya)
Partner
Membership No. 037623

Date:- 01-06-2020
Place:- Mumbai

(Dasho Sonam Topgay)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Interim Director (Finance)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2019

	Number of Shares	Equity Share Capital	Actuarial Gain/ Losses on Defined Benefits	General Reserve	Retained Earnings	Total Equity
Balance at 31 December, 2017	**31,545,688.00**	**31,545,688,000.00**	**153,115,677.90**	**9,405,325,983.86**	**5,062,973,073.43**	**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
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 31 December, 2018	**31,776,208.00**	**31,776,208,000.00**	**156,715,908.80**	**9,587,513,175.57**	**4,472,571,526.26**	**45,993,008,610.61**
Net profit for the year 2019						
Net Profit/(Loss) for the year		-	-	-	4,946,531,613.86	4,946,531,613.86
Transfer to reserves						
Transfer to General Reserve		-	-	(3,431,593.37)	3,431,593.37	-
Other Comprehensive Income for the Period		-	(19,798,454.20)	-	-	(19,798,454.20)
Transaction with the owners						
Book value of Land transferred is adjusted from reserve		-	-	(109,610,694.78)	-	(109,610,694.78)
Issue of Additional Shares	294,856.00	294,856,000.00	-	-	-	294,856,000.00
Payment of Dividends		-	-	-	(4,500,000,000.00)	(4,500,000,000.00)
Balance at 31 December, 2019	**32,071,064.00**	**32,071,064,000.00**	**136,917,454.60**	**9,474,470,887.42**	**4,922,534,733.49**	**46,604,987,075.49**

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

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

(Dasho Sonam Topgay)
Chairman, DGPC

KASHYAP VAIDYA Digitally signed by KASHYAP VAIDYA Date: 2020.06.03 10:47:58 +05'30'

(Kashyap Vaidya)
Partner
Membership No. 037623

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

(Dasho Chhewang Rinzin)
Managing Director

Date:- 01-06-2020
Place:- Mumbai

(Ugyen Wangchuk)
Interim Director (Finance)

RATIO ANALYSIS

Exhibit-3

Sl. No	Particulars	2019	2018	Remarks
A.	**Ratios for assessing financial health (In numbers)**			
I	Debt Equity Ratio	0.13	0.11	The ratio has increased due to increase in the loan obligation.
II	Current Ratio	3.03	2.56	The ratio has increased on account of increase in current asset compared to 2018.
III	Liquid Ratio	2.77	2.27	The ratio has increased on account of increase in current asset compared to 2018.
IV	Debt Services Coverage Ratio	28.97	3.33	The Debt Services Coverage has increased on account of liquidation of GOI loan of THP compared to 2018.
V	Fixed Assets to Equity	0.83	0.87	The ratio has decreased due to decrease in Fixed Assets (Net Block), 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	0.30	0.29	The ratio has increased due to decrease in Fixed Assets (Net Block) as compared to 2018.
B.	**Ratios for assessing profitability(In percentage)**			
I	Return on Equity (%)	10.61	9.78	The ratio has increased due to increase in profit compared to the previous year and due to retention of profit and additional equity injection by the shareholder.
II	Return on Capital Employed (%)	13.80	13.70	The ratio has increased due to increase in profit compared to the previous year and due to retention of profit and additional equity injection by the shareholder.
III	Generation and Maintenance Expenses to Electricity Revenue (%)	4.28	4.37	The ratio has decreased mainly due to decrease in expenses and increase in revenue as compared to 2018.
IV	Earnings Per Share	154.24	141.51	The increase is mainly on account of increase in profit as compared to previous year 2018 and increase in number of shares due to additional equity injection.
C.	**Ratios for assessing cash flow efficiency (in numbers)**			
I	Cash flow turnover	0.58	0.54	The ratio has increased due to increase in cash from operation as compared to 2018.
II	Operation Index	1.35	1.38	The ratio has decreased due to increase in profit after tax as compared to 2018.
III	Cash flow return on assets	0.16	0.16	The ratio has decreased due to decrease in total asset as compared to 2018.

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

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

AUDIT FOR THE YEAR ENDED 31st DECEMBER, 2019
RATIO

Particulars	2019	2018
CURRENT RATIO	**3.03**	**2.56**
Current asset	7,681,724,499.09	6,116,211,404.85
Current liabilities(including provisions)	2,537,645,594.88	2,392,668,472.83
DEBT EQUITY RATIO	**0.13**	**0.11**
Debt	5,830,673,524.77	4,867,313,452.09
Equity	46,604,987,075.51	45,993,008,610.63
LIQUID RATIO	**2.77**	**2.27**
Current assets	7,681,724,499.09	6,116,211,404.85
Less: Inventories	482,686,662.92	502,570,743.43
Less: Prepaid Expenses	142,564,428.22	145,755,641.99
Less: Advance to Supplier/Contractor	37,876,484.28	25,915,676.31
	7,018,596,923.67	**5,441,969,343.12**
Current liabilities(including provisions)	2,537,645,594.88	2,392,668,472.83
DEBT SERVICE COVERAGE RATIO	**28.97**	**3.33**
EBITA	**9,479,495,065.51**	**9,268,097,226.13**
Debt Service	327,259,172.09	2,780,822,489.24
FIXED ASSETS (NB) TO EQUITY	**0.83**	**0.87**
Fixed assets	38,506,122,794.84	40,157,499,818.05
Equity	46,604,987,075.51	45,993,008,610.63
FIXED ASSETS (NB) TURNOVER	**0.30**	**0.29**
Fixed assets	38,506,122,794.84	40,157,499,818.05
Electricity Revenue	11,646,021,702.50	11,445,445,454.64
ROCE (%)	**13.80**	**13.70**
PBIT	**7,234,117,884.17**	**6,966,417,333.74**
Capital Employed (Total Shareholders' Equity + Debt)	52,435,660,600.28	50,860,322,062.72
GENERATION AND MAINTAINENCE EXPENSES TO ELECTRICITY REVENUE	**4.28**	**4.37**
Operation & Maintenance expenses	498,306,559.85	500,657,445.00
Electricity Revenue	11,646,021,702.50	11,445,445,454.64
DIVIDEND PERCENTAGE	**16.16**	**14.16**
Corporate dividend	5,182,992,466.04	4,500,000,000.00
Share Capital	32,071,064,000.00	31,776,208,000.00
ROE (%)	**10.61**	**9.78**
PAT	**4,946,531,613.86**	**4,496,568,406.63**
Total Shareholders' Equity	46,604,987,075.51	45,993,008,610.63
EARNINGS PER SHARE	**154.24**	**141.51**
PAT	**4,946,531,613.86**	**4,496,568,406.63**

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

Outstanding Equity Shares	32,071,064.00	31,776,208.00
CASH FLOW EFFICIENCY RATIOS		
CASH FLOW TO TURNOVER	**0.58**	**0.54**
Cash from operation	6,698,417,843.29	6,212,827,628.22
Electricity Revenue	11,646,021,702.50	11,445,445,454.64
OPERATIONS INDEX	**1.35**	**1.38**
Cash from operation	6,698,417,843.29	6,212,827,628.22
PAT	4,946,531,613.86	4,496,568,406.63
CASH FLOW RETURN ON ASSETS	**0.16**	**0.16**
Cash from operation + Tax Paid + Interest Paid	8,808,528,794.19	8,470,514,074.44
Total Assets	55,215,313,679.58	53,476,126,826.58

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

T R Chadha & Co LLP
MUMBAI
CHARTERED ACCOUNTANTS

NOTE FORMING PART OF ACCOUNTS 2019

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

FIXED ASSETS	GROSS BLOCK					DEPRECIATION					NET BLOCK	NET BLOCK
	Opening Balance as at 01/01/2019	Additions	Disposal	Book Adjustments	Gross Block as on 31.12.2019	Opening Balance as at 01.01.2019	During the year	Disposal	Transfer from CWIP	Closing balance as at 31.12.2019	Net Block As at 31.12.2019	Net Block As at 31.12.2018
TANGIBLE ASSETS												
Land and Land Development	114,846,469.01	-	(109,610,694.78)	-	5,235,774.23	-	-	-	-	-	5,235,774.23	114,846,469.01
CIVIL STRUCTURES	-	-	-	-	-		-	-	-	-	-	-
Buildings	2,599,310,990.88	8,888,796.11	(66,231,018.82)	9,984,951.41	2,551,953,719.58	825,020,960.40	85,077,103.45	(55,060,868.23)	(495,479.06)	854,541,716.56	1,697,412,003.02	1,774,290,030.48
Walls & Fencings	332,947,053.51	18,903,601.92	(171,148.50)	8,706,192.58	360,385,699.51	58,579,398.88	11,562,324.93	(83,224.53)	-	70,058,499.28	290,327,200.23	274,367,654.63
Road & Culverts	2,805,499,831.67	19,852,031.14	(295,449.91)	14,123,552.71	2,839,179,965.61	886,308,741.94	94,151,126.29	(144,947.73)	-	980,314,920.50	1,858,865,045.11	1,919,191,089.73
Water Supply & Sanitation	234,889,757.01	5,973,416.63	(7,165,735.37)	-	233,697,438.27	71,974,697.74	7,793,088.85	(2,227,438.54)	-	77,540,348.05	156,157,090.22	162,915,059.27
Dam Complex-Civil	10,928,392,426.16	701,806.48	-	-	10,929,094,232.64	4,097,198,600.78	363,920,077.79	-	-	4,461,118,678.57	6,467,975,554.07	6,831,193,825.38
Power House Complex- Civil	5,520,417,626.80	3,664,231.37	-	6,379,430.35	5,530,461,288.52	2,098,973,013.03	183,933,450.24	-	-	2,282,906,463.27	3,247,554,825.25	3,421,444,613.77
Transmission Line -Civil	216,328.23	-	-	-	216,328.23	104,952.35	7,203.73	-	-	112,156.08	104,172.15	111,375.88
Switch Yard- Civil	139,500,726.02	-	-	-	139,500,726.02	58,657,184.02	4,645,374.14	-	-	63,302,558.16	76,198,167.86	80,843,542.00
Water Conductor System- Power House	23,563,549,729.14	289,839.85	-	1,723,267.62	23,565,562,836.61	7,868,085,434.02	784,711,386.74	-	-	8,652,796,820.76	14,912,766,015.85	15,695,464,295.12
Other Civil Structures	97,431,324.03	2,044,231.40	(284,453.75)	-	99,191,101.68	23,159,336.47	3,244,136.01	(284,452.75)	-	26,119,019.73	73,072,081.95	74,271,987.56
PLANT AND MACHINERY	-	-	-	-	-		-	-	-	-	-	-
Trash Cleaning Equipment's	169,206,042.78	2,222,675.75	-	-	171,428,718.53	63,855,528.71	5,634,764.24	-	-	69,490,292.95	101,938,425.58	105,350,514.07
Gates	924,173,240.42	-	-	-	924,173,240.42	504,731,024.82	28,292,248.80	-	-	533,023,273.62	391,149,966.80	419,442,215.60
Generators	3,546,929,141.20	1,446,475.00	-	-	3,548,375,616.20	1,714,801,356.34	119,179,832.11	-	-	1,833,981,188.45	1,714,394,427.75	1,832,127,784.86
Excitation Systems	367,267,361.55	-	-	-	367,267,361.55	176,874,944.89	11,830,744.87	-	-	188,705,689.76	178,561,671.79	190,392,416.66
Governing Systems	335,537,221.61	-	-	-	335,537,221.61	165,246,515.24	11,173,388.92	-	-	176,419,904.16	159,117,317.45	170,290,706.37
Turbines	3,208,839,921.92	-	-	-	3,208,839,921.92	1,605,410,562.53	110,520,378.98	-	-	1,715,930,941.51	1,492,908,980.41	1,603,429,359.39
Runners	1,398,763,592.19	67,066,430.52	-	19,955,706.77	1,485,785,729.48	1,168,231,469.92	101,268,563.73	-	-	1,269,500,033.65	216,285,695.83	230,532,122.27
Oil Handling Systems	72,397,761.19	-	-	-	72,397,761.19	39,327,940.58	2,410,845.37	-	-	41,738,785.95	30,658,975.24	33,069,820.61
Control & Cond. Monitoring Systems	334,159,490.79	6,941,249.31	(35,485,386.00)	(22,461,696.74)	283,153,657.36	117,060,917.45	9,368,489.08	(22,217,843.18)	(463,129.45)	103,748,433.90	179,405,223.46	217,098,573.34

T R Chadha & Co LLP * MUMBAI * CHARTERED ACCOUNTANTS

Control & Protection Panels	747,390,456.16	355,805.00	(541,712.00)	11,233,651.13	758,438,200.29	363,419,960.25	25,033,307.96	(284,104.00)	-	388,169,164.21	370,269,036.08	383,970,495.91
Pumps & Motors	225,783,531.70	55,000.00	(43,213.25)	-	225,795,318.45	100,161,591.43	7,517,667.68	(43,212.25)	-	107,636,046.86	118,159,271.59	125,621,940.27
Transformers	960,214,953.54	-	(528,851.00)	-	959,686,102.54	432,888,078.32	31,511,331.26	(191,430.69)	-	464,207,978.89	495,478,123.65	527,326,875.22
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60	38,668,846.76	2,866,764.51	-	-	41,535,611.27	44,553,413.33	47,420,177.84
Gas Insulated Switch Gears	919,274,583.05	73,851,260.92	-	-	993,125,843.97	356,585,381.37	30,995,146.32	-	-	387,580,527.69	605,545,316.28	562,689,201.68
Valves	965,084,409.78	-	-	-	965,084,409.78	481,505,224.38	30,911,357.11	-	-	512,416,581.49	452,667,828.29	483,579,185.40
Switchyard	4,841,874.00	-	-	-	4,841,874.00	1,876,086.86	161,234.40	-	-	2,037,321.26	2,804,552.74	2,965,787.14
Capital Spares	105,707,723.33	3,528,794.11	-	-	109,236,517.44	75,978.92	941,084.17	-	-	1,017,063.09	108,219,454.35	105,631,744.41
Critical Spares	17,531,943.64	2,367,293.20	-	-	19,899,236.84	13,045,368.95	1,945,882.09	-	-	14,991,251.04	4,907,985.80	4,486,574.69
Electro-Mechanicals-Others	1,821,852,189.30	181,940,046.92	(10,952,361.40)	(47,754,591.65)	1,945,085,283.17	784,090,377.40	58,534,367.65	(5,633,845.44)	(9,007,305.08)	827,983,594.53	1,117,101,688.64	1,037,761,811.90
Machinery	254,571,708.12	15,620,620.60	(12,787,779.35)	-	257,404,549.37	244,627,734.87	5,842,771.03	(12,787,776.35)	-	237,682,729.55	19,721,819.82	9,943,973.25
TOOLS & SAFETY EQUIPMENTS	-	-w	-	-	-		-	-	-	-	-	-
Tools and Plants	351,867,051.28	20,084,012.30	(13,447,582.32)	47,754,591.65	406,258,072.91	238,561,204.48	35,875,387.97	(13,259,818.80)	9,007,305.08	270,184,078.73	136,073,994.18	113,305,846.80
Fire Fighting and Safety Equipment's	113,348,009.34	18,264,703.18	(836,116.59)	-	130,776,595.93	80,761,248.08	6,011,715.66	(776,531.17)	-	85,996,432.57	44,780,163.36	32,586,761.26
OTHER ASSETS	-	-	-	-	-		-	-	-	-	-	-
Office Equipment	115,565,916.41	3,260,894.58	(4,599,184.00)	-	114,227,626.99	100,377,485.54	5,562,024.29	(4,560,912.73)	-	101,378,597.10	12,849,029.89	15,188,430.87
Furniture & Fixtures	64,299,264.20	2,522,054.63	(1,295,612.82)	-	65,525,706.01	37,368,145.07	5,000,819.03	(1,133,846.44)	-	41,235,117.66	24,290,588.35	26,931,119.13
Vehicles	247,536,199.14	41,465,582.75	(25,701,504.65)	-	263,300,277.24	188,124,139.63	16,334,926.91	(25,701,479.65)	-	178,757,586.89	84,542,690.35	59,412,059.51
Illumination System	206,459,225.43	21,518.02	(7,000.00)	57,045.70	206,530,789.15	109,077,523.84	6,733,889.46	(2,168.56)	-	115,809,244.74	90,721,544.41	97,381,701.59
Information and Technology	163,013,759.34	24,011,105.60	(14,123,607.67)	17,331,345.70	190,232,602.97	117,723,230.00	20,813,675.83	(13,662,177.78)	363,437.78	125,238,165.83	64,994,437.14	45,290,529.34
General Assets	68,978,784.14	4,266,020.71	(1,965,399.88)	3,030,758.17	74,310,163.14	44,995,573.57	8,495,277.54	(1,898,804.79)	495,479.06	52,087,525.38	22,222,637.76	23,983,210.57
	64,133,686,642.61	**529,609,498.00**	**(306,073,812.06)**	**70,064,205.40**	**64,427,286,533.95**	**25,277,535,759.83**	**2,239,813,159.14**	**(159,954,883.61)**	**(99,691.67)**	**27,357,294,343.69**	**37,069,985,106.99**	**38,856,150,882.78**
Net Assets	**64,133,686,642.61**	**529,609,498.00**	**(306,073,812.06)**	**70,064,205.40**	**64,427,286,533.95**	**25,277,535,759.83**	**2,239,813,159.14**	**(159,954,883.61)**	**(99,691.67)**	**27,357,294,343.69**	**37,069,985,106.99**	**38,856,150,882.78**
INTANGIBLE ASSETS												
Intangible Assets	205,022,353.95	2,193,020.49	(291,217.41)	5,130,351.04	212,054,508.07	192,027,995.02	5,614,243.64	(291,215.41)	99,691.67	197,450,714.92	14,603,793.15	12,994,358.93
Less: Provision for Losses												
Net Assets	**205,022,353.95**	**2,193,020.49**	**(291,217.41)**	**5,130,351.04**	**212,054,508.07**	**192,027,995.02**	**5,614,243.64**	**(291,215.41)**	**99,691.67**	**197,450,714.92**	**14,603,793.15**	**12,994,358.93**
CAPITAL WORKS IN PROGRESS												
Capital Works in Progress	2,109,483,847.85	(823,860,638.56)	-	(75,194,556.44)	1,210,428,652.85	-	-	-	-	-	1,210,428,652.85	2,109,483,847.85
Less: Provision for Losses	-	-	-	-	-	-	-	-	-	-	-	-
Advance-Capital	96,470,866.88	199,874,713.55	(117,240,338.58)	-	179,105,241.85	-	-	-	-	-	179,105,241.85	96,470,866.88
Less: Depreciation booked to CWIP							50,221.42					
Net Assets	**2,205,954,714.73**	**(623,985,925.01)**	**(117,240,338.58)**	**(75,194,556.44)**	**1,389,533,894.70**	**-**	**(50,221.42)**	**-**	**-**	**-**	**1,389,533,894.70**	**2,205,954,714.73**
Grand Total	**66,544,663,711.29**	**(92,183,406.52)**	**(423,605,368.05)**	**-**	**66,028,874,936.72**	**25,469,563,754.85**	**2,245,377,181.36**	**(160,246,099.02)**	**-**	**27,554,745,058.61**	**38,474,122,794.84**	**41,075,099,956.44**

T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

NOTE 2: INVESTMENT PROPERTY

Particulars	Nu. 2019	Nu. 2018
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

Particulars	Nu. 2019	Nu. 2018
Fair value of investment property	53,558,653.50	67,518,000.00
	53,558,653.50	**67,518,000.00**

ii. Amounts recognised in profit or loss for investment properties

Particulars	Nu. 2019	Nu. 2018
Rental income	1,133,899.59	1,361,367.00
	1,133,899.59	**1,361,367.00**

NOTE 3: DEFERRED TAX ASSET/LIABILITY

Particulars	Nu. 2019	Nu. 2018
Bonus payable	26,582,052.88	7,247,409.19
Employee benefit obligation	(4,074,073.80)	(14,116,962.60)
ADB Loan	197,582,290.85	188,398,457.35
Interest on fixed deposit	2,007,924.56	1,445,458.50
Deferred rent	(268,376.84)	(254,394.13)
Property, plant & equipment	(168,493,041.97)	(143,079,872.55)
	53,336,775.68	**39,640,095.76**

NOTE 4: INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Particulars	Nu. 2019	Nu. 2018
Investment in subsidiary companies		
Equity investment in Dagachhu Hydropower Corporation Limited. *2,437,880 (31 December 2018: 2,437,880) equity shares of Nu. 1000 each, fully paid up (31 December 2018: 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 (31 December 2018: 36,000,000) equity shares of Nu. 100 each, called up amount Nu.93.58 (31 December 2018: called up amount Nu.63.98)*	3,369,517,535.28	2,303,160,980.70

Investment in joint venture companies		
Equity investment in Bhutan Hydropower Services Limited *3,339,626.88 (31 December 2018: 3,339,626.88) equity shares of Nu. 100 each, fully paid up (31 December 2018: Nu. 100 each)*	333,962,688.00	333,962,688.00
Equity investment in Kholongchhu Hydro Energy Limited *25,000,000 (31 December 2018: 25,000,000) equity shares of Nu. 100 each, called up amount Nu. 62.51 (31 December 2018: called up amount Nu. 50.72 each)*	1,562,773,000.00	1,267,917,000.00
Equity investment in Bhutan Automation & Engineering Limited *3,060,000 (31 December 2018: 3,060,000) equity shares of Nu. 10 each, fully paid up*	30,600,000.00	30,600,000.00
	7,734,733,223.28	**6,373,520,668.70**

FINANCIAL ASSETS (NON-CURRENT)

NOTE 5A: LONG-TERM INVESTMENTS

Particulars	**Nu. 2019**	**Nu. 2018**
Investment in non-government bonds	200,000,000.00	200,000,000.00
Investment in fixed deposits:		
-Fixed deposit with bank	1,008,640,770.40	580,000,000.00
-Accrued interest on fixed deposit	29,786,982.61	8,406,858.80
	1,238,427,753.01	**788,406,858.80**

NOTE 5B: OTHER ASSETS

Particulars	**Nu. 2019**	**Nu. 2018**
Deferred lease income	968,633.68	847,980.42
	968,633.68	**847,980.42**

FINANCIAL LIABILITY - NON CURRENT

NOTE 5C: LONG- TERM BORROWINGS

Particulars	Nu. 2019	Nu. 2018
Government of Austria loan (ROI-6% & tenure of loan- BHP-LS 20 years & BHP-US 18 years)	762,024,313.66	907,349,176.38
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)*	2,891,220,923.91	2,390,041,398.27
Loan from Bank of Bhutan	587,000,000.00	587,000,000.00
Loan from NPPF	318,980,000.00	318,980,000.00
Deferred Grant Income	1,135,265,872.16	600,100,031.19
Less: current maturities of long-term debt	(145,324,862.72)	(145,324,862.72)
	5,549,166,247.01	**4,658,145,743.12**

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NOTE 6: INVENTORIES

Particulars	Nu. 2019	Nu. 2018
Stores & spares	557,630,416.81	571,847,962.52
	557,630,416.81	**571,847,962.52**
Less:		
Provision for obsolescence/Losses	(74,943,753.89)	(69,277,219.09)
	482,686,662.92	**502,570,743.43**

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2019 amounted to Nu. 214,542,649 (2018 – Nu. 280,723,363). These were included in running and maintenance expenses.

NOTE 7: PREPAYMENTS AND ADVANCES

Particulars	Nu. 2019	Nu. 2018
Prepaid expenses	142,564,428.22	145,755,641.99
Staff advance	2,743,967.94	2,028,912.12
Advance to supplier/contractor	37,876,484.28	25,915,676.31
	183,184,880.44	**173,700,230.42**

NOTE 8: ASSETS CLASSIFIED AS HELD FOR SALE

Particulars	Nu. 2019	Nu. 2018
Asset held for disposal	15,277,498.01	2,053,230.42
	15,277,498.01	**2,053,230.42**

a. Description about assets classified as held for sale

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

b. Fair value measurements

The sale of these assets are expected to be completed by next year of classifying it as 'assets classified as held for sale'. The estimated 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.

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FINANCIAL ASSETS (CURRENT)

NOTE 9A: SHORT TERM INVESTMENTS

Particulars	Nu. 2019	Nu. 2018
Investment in fixed deposits/bonds:		
Investment in fixed deposits	3,300,000,000.00	2,320,311,457.80
Accrued interest on fixed deposits	53,179,615.25	165,849,391.02
Accrued interest on non-government bonds	11,347,945.21	11,347,945.19
	3,364,527,560.46	**2,497,508,794.01**

NOTE 9B: TRADE AND OTHER RECEIVABLES

Particulars	Nu. 2019	Nu. 2018
Trade receivables (Unsecured, Considered good)		
- Bhutan Power Corporation	610,668,806.05	696,851,954.95
- Power Trading Corporation Limited	571,806,362.86	343,355,466.17
Provision for impairment		
	1,182,475,168.91	**1,040,207,421.12**
Inter-corporate Loan	940,000,000.00	431,000,000.00
Miscellaneous deposits	5,543,280.97	5,182,100.81
Other receivables	1,075,834,611.60	1,014,816,892.94
	3,203,853,061.48	**2,491,206,414.87**

1. 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. 2019	Nu. 2018
Cash in Hand	1,375,173.82	951,803.43
Balances with Banks in Current Accounts:		
Bank of Bhutan	320,575,100.30	255,221,900.09
Bhutan National Bank	78,524,546.01	147,640,150.07
Druk PNB	28,008,229.35	43,940,045.50
Tashi Bank	3,711,786.30	1,418,092.61
	432,194,835.78	**449,171,991.70**

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

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FINANCIAL LIABILITY (CURRENT)

NOTE 9D: TRADE AND OTHER PAYABLES

Particulars	Nu. 2019	Nu. 2018
Security deposit- suppliers & others	35,389,017.28	33,062,527.30
Sundry creditors	363,050,221.98	343,485,777.46
Outstanding liabilities to contractors	4,271,612.66	2,429,796.44
Outstanding liabilities for expenses	92,260,554.38	72,991,978.79
Provision for bonus	74,912,629.33	55,151,676.88
Sundry liabilities	505,035.89	112,528.24
	570,389,071.52	**507,234,285.11**

NOTE 9E: OTHER FINANCIAL LIABILITIES

Particulars	Nu. 2019	Nu. 2018
Government of Austria Loan	145,324,862.72	145,324,862.72
Interest accrued but not due on loans	136,182,415.04	63,842,846.25
	281,507,277.76	**209,167,708.97**

NOTE 10: SHARE CAPITAL

Particulars	Nu. 2019	Nu. 2018
Authorised share capital		
50,000,000 equity shares@ Nu. 1,000 per share	50,000,000,000.00	50,000,000,000.00
Subscribed and paid -up share capital		
32,071,064 equity share @ 1,000 per share	32,071,064,000.00	31,776,208,000.00
	32,071,064,000.00	**31,776,208,000.00**

Movements in ordinary shares:	Number of shares	Par value
Opening balance 1 January 2018	31,545,688.00	31,545,688,000.00
Issues during the year	230,520.00	230,520,000.00
Balance 31 December 2018	**31,776,208.00**	**31,776,208,000.00**
Issues during the year	294,856.00	294,856,000.00
Balance 31 December 2019	**32,071,064.00**	**32,071,064,000.00**

NOTE 11: EMPLOYEE BENEFIT OBLIGATION

Particulars	Nu. 2019	Nu. 2018
Gratuity	482,763,613.48	396,249,000.00
Other long term benefit	40,751,148.71	36,055,000.00
	523,514,762.19	**432,304,000.00**

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NOTE 12: OTHER CURRENT LIABILITIES

Particulars	Nu. 2019	Nu. 2018
Sundry liabilities	45,143,044.38	43,135,887.00
Tax deducted at source - payable	15,771.36	623,102.40
Deferred lease liability	74,044.22	-
	45,232,859.96	**43,758,989.40**

NOTE 13: CURRENT TAX LIABILITIES

Particulars	Nu. 2019	Nu. 2018
Provision for corporate Income Tax	1,569,075,293.49	1,567,459,489.35
	1,569,075,293.49	**1,567,459,489.35**

NOTE 14: EMPLOYEE BENEFIT OBLIGATION

Particulars	Nu. 2019	Nu. 2018
Gratuity	20,724,755.27	24,996,000.00
Other long term benefit	2,803,214.17	3,951,000.00
Leave encashment payable	47,913,122.70	36,101,000.00
	71,441,092.14	**65,048,000.00**

NOTE 15: ELECTRICITY REVENUE

Particulars	Nu. 2019	Nu. 2018
Export & Domestic revenue		
Power Trading Corporation Ltd	7,932,754,393.79	7,520,937,240.12
Bhutan Power Corporation Ltd	3,712,414,316.21	3,923,157,672.89
From staff & other private parties	852,992.50	1,350,541.63
	11,646,021,702.50	**11,445,445,454.64**

NOTE 16: INTEREST EARNED

Particulars	Nu. 2019	Nu. 2018
Interest on deposits	110,991,240.18	67,039,789.80
Interest on non-government bonds	19,000,000.02	35,684,931.50
	129,991,240.20	**102,724,721.30**

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NOTE 17: OTHER INCOME

Particulars	Nu. 2019	Nu. 2018
Grant income	50,154,663.22	71,304,331.39
Miscellaneous receipts	67,886,850.38	27,072,569.83
Liquidity charges	8,727,517.12	11,160,742.20
House rent recovered- employee/others	14,627,954.04	14,750,609.32
Lease rental income	1,262,810.85	2,362,270.14
Profit on sale/discard of assets (Net)	-	7,160,424.78
	142,659,795.61	**133,810,947.66**

NOTE 18: RUNNING AND MAINTENANCE EXPENSES

Particulars	Nu. 2019	Nu. 2018
R&M electro-mechanical	251,165,703.40	227,214,329.07
R&M civil structures	48,980,430.45	89,124,430.91
R&M vehicles	41,148,663.89	49,613,168.38
R&M-Information Technology	18,412,499.50	18,127,913.97
R&M-Fire Fighting & Safety	5,669,367.00	2,809,916.07
R&M-Office Equipment's	415,346.68	921,856.10
	365,792,010.92	**387,811,614.50**

NOTE 19: EMPLOYEES' REMUNERATION AND BENEFITS

Particulars	Nu. 2019	Nu. 2018
Salaries and wages	547,962,453.43	498,758,646.39
Professional training	67,632,600.33	76,063,894.13
Bonus	74,894,503.00	55,133,741.11
Incentive/honorarium	47,491,152.12	55,242,117.32
Employer's contribution to provident fund	42,997,659.38	36,924,888.48
Leave encashment	38,980,450.80	28,245,839.10
Gratuity expenses	66,565,047.88	59,397,435.16
Leave travel concession	21,603,163.91	19,386,814.68
Terminal benefits	6,354,316.00	6,636,016.80
GPA- insurance	3,582,549.96	3,667,876.65
Liveries	8,460,490.31	11,344,945.68
Staff welfare expenses	4,161,581.06	5,033,706.37
Medical expenses	1,675,820.91	2,182,308.10
	932,361,789.09	**858,018,229.97**

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NOTE 20: FINANCE COST

Particulars	Nu. 2019	Nu. 2018
Interest to Government of India	-	80,121,500.17
Interest to Government of Austria	52,428,765.48	61,148,257.26
Interest to Asian Development Bank	126,053,336.81	114,886,729.77
Interest on current portion of long term borrowing	2,589,041.10	30,378,082.19
Discounting of deferred rent	-	820,542.00
	181,071,143.39	**287,355,111.39**

NOTE 21: OTHER EXPENSES

Particulars	Nu. 2019	Nu. 2018
Brand & management fee	92,680,972.26	98,374,677.80
Travel	49,035,986.22	38,266,492.30
Foreign exchange gains/loss	38,176,189.62	197,729,976.76
Grant expense	1,355,000.00	22,592,571.09
Licence fee	14,902,900.47	14,920,567.55
Profit on sale/discard of assets (net)	2,491,910.93	-
Electricity	10,632,793.25	10,651,746.88
Entertainment	9,902,096.06	10,111,201.07
Corporate social responsibility	16,104,551.98	17,674,961.93
Consultancy charges	4,895,228.80	2,115,545.50
Rent	10,061,260.20	9,562,897.19
Telephone and fax	6,916,910.33	7,069,454.73
Printing and stationery	7,778,335.09	5,941,491.44
Rates and taxes	5,621,037.80	55,664.09
Advertisement and publicity	1,996,141.35	2,074,735.16
Audit fees & expenses	1,294,782.99	1,339,742.50
Directors' sitting fees	1,140,000.00	902,500.00
Bank charges	312,398.19	381,854.49
Board meeting expenses	184,388.00	256,973.00
Books & periodicals	242,540.24	186,391.60
Postage and telegram	193,855.00	218,710.00
Other expenses	9,875,978.67	4,945,061.96
	285,795,257.45	**445,373,217.04**

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NOTE 22: - TAX EXPENSE

Particular	Nu. 2019	Nu. 2018
Components of income tax expense		
Income tax expenses		
Current tax		
Current tax on profit for the year	2,116,276,674.65	2,083,891,672
Total current tax expenses	2,116,276,675	2,083,891,672
Deferred tax		
(Decrease)/increase in deferred tax liabilities	(13,696,680)	(9,112,819)
Total deferred tax expenses	**(13,696,680)**	**(9,112,819)**
Income Tax for earlier years	**3,935,132.19**	**107,714,963.59**
Income tax expenses	**2,106,515,126.92**	**2,182,493,815.72**

NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

Particulars	2019	2019	2018	2018
Tax expenses				
- Current tax		2,116,276,674.65		2,083,891,671.59
Total tax expense		2,116,276,674.65		2,083,891,671.59
Reconciliation of tax on accounting profit :-				
Profit before tax		**7,053,046,740.78**		**6,679,062,222.35**
Income tax expense calculated at 30% (A)		**2,115,914,022.23**		**2,003,718,666.71**
Non-deductible expense				
- Production incentive/ Bonus /PBVA	88,606,842.94	26,582,052.88	79,400,147.95	23,820,044.38
- Medical expenses	946,363.81	283,909.14	834,587.10	250,376.13
- Donation	16,104,551.98	4,831,365.59	17,678,967.90	5,303,690.37
Total non-deductible expense (B)		**31,697,327.62**		**29,374,110.88**
Adjustment to deferred tax pertaining to ADB Loan				
- Deferred tax effect on forex exchange difference on ADB principal/interest	(24,551,538.82)	(7,365,461.65)	(24,305,459.20)	(7,291,637.76)
- ADB Loan (For-Ex Gain/ Loss-unrealized)	56,301,327.51	16,890,398.25	191,498,140.57	57,449,442.17
Net Effect (C)		**9,524,936.61**		**50,157,804.41**
Lease Rent				
Decrease in income	(120,653.26)	(36,195.98)	(180,361.14)	(54,108.34)
Net Effect (D)		**(36,195.98)**		**(54,108.34)**
Fixed Deposit Interest				
- Excess interest accrued and deferred tax assets booked as on 31.12.2019	(1,599,987.51)	(479,996.25)	(3,611,423.55)	(1,083,427.06)

Net Effect (E)		**(479,996.25)**		**(1,083,427.06)**
Impact Due to Depreciation				
Depreciation	(94,992,443.90)	(28,497,733.17)	(79,414,479.05)	(23,824,343.72)
Net Effect (F)		**(28,497,733.17)**		**(23,824,343.72)**
Adjustment to Gratuity during the year				
Gratuity charged to profit or loss	(39,485,621.36)	(11,845,686.41)	85,343,229.05	25,602,968.72
Difference between adjustment to bonus and charged to profit or loss		(11,845,686.41)		25,602,968.72
Net effect (G)		**(11,845,686.41)**		**25,602,968.72**
Reconciled with tax expense as above				
(A+B+C+D+E+F+G)		**2,116,276,674.65**		**2,083,891,671.59**

NOTES 23: - SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Druk Green Power Corporation Limited ("DGPC" or "the Company") - the public sector generation utility with the vision of " harnessing and sustaining Bhutan's renewable energy resources"- was established in 2008 for the effective and optimal utilization of the scarce water and human resources, to develop the water to wire expertise amongst the Bhutanese, and to lead in accelerating hydropower development on its own or through joint ventures in keeping with the Sustainable Hydropower Development Policy, which was also approved in 2008.

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

B. Significant Accounting Policies

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

1. Basis of Preparation

a. Compliance with BAS/BFRS

The Company in compliance with the Companies Act of Kingdom of Bhutan 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.

2. Offsetting

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

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3. Functional and Presentation Currency

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

4. Use of Estimates

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

5. Foreign Currency

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Foreign exchange gains and losses are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

6. 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.

7. Property, Plant and Equipment

a. PPE is initially recognized at cost: The company follows cost model for property, plant and equipment and are stated at cost less accumulated depreciation and where applicable accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Only those costs are recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the entity and the cost can be measured reliably.

Cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The Property, plant and equipment are derecognized when no future economic benefits are expected from its use or on disposal. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income / other expenses" in Statement of profit and or loss.

b. Subsequent Costs

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

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c. Depreciation

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

Asset	Rates
Civil Structures	3.33%
	3.33%
Electromechanical Equipment's	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%

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.

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

8. Intangible Assets

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

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

c. Subsequent Expenditure:

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

d. Amortization of Intangible Assets with finite useful lives:

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

9. Capital Work in Progress

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

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

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10. 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

11. Government Grants

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

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

Grants related to assets which are recognized in the Statement of Financial Position as deferred income, are recognized to the Statement of profit or loss on a systematic basis over the useful life of the related assets.

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

12. Leases

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

Company as a lessee

Assets on operating lease are not recognized as part of company's asset. Payments made for operating leases are recognized in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern of the user's benefit

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income.

Lease Income

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

13. Impairment - Non-Current Assets

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

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

14. Employee Benefits

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

a. Defined Contribution Plan (Pension and Provident Fund)

As required by National Pension & Provident Fund, both the employee and employer make monthly contributions to the provident fund, which is a Defined Contribution Plan, equal to a specified percentage of employee's basic salary. The company has no further obligations under the plan beyond its monthly contributions. The company does not have any legal or constructive obligation to pay further contributions if the Fund does not have sufficient assets to pay all of the employee's entitlements. Obligation for contributions to the plan is recognized as an employee benefit expense in profit or loss when the contribution to the Fund becomes due.

b. Defined Benefit Plans (Gratuity)

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

c. Short Term Benefits

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

d. Earned Leave Encashment

The employees of the company are entitled for earned leave. The employees can carry forward a portion of the unutilized earned leave subject to the limit set as per DGPC service manual and utilize it in future periods or compensated in cash during retirement or termination of employment for the unutilized accrued earned leave based on the salary at the time. The company's net obligation in respect of the earned leave is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

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.

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15. Provisions

Provisions are recognized if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic resources will be required to settle the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. A provision for onerous contracts is recognized when the expected benefits to be derived by the entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

16. Revenue

a. Electricity Revenue

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

The Company recognizes revenue when the entity satisfies a performance obligation identified in the contract by transferring a promised good or service (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 recognized as assets if the recovery of such cost is expected. Such assets are amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

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

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

b. Interest Income

Other income comprises interest income on funds invested. Interest income is recognized on a time proportion basis using effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

c. Dividend Income

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

d. Other Income

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

17. Borrowings

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

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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.

18. Borrowing Costs

Borrowing costs for the purpose of BAS 23 "Borrowing Cost" has been determined as under in compliance with the approved Accounting Policy for the Asset Accounting:

a. Interest and commitment charges on bank borrowings and other short term and long-term borrowings;
b. Amortization of discounts or premiums relating to borrowings;
c. Amortization of ancillary costs incurred in connection with the arrangement of borrowings;
d. Finance charges in respect of assets acquired under finance leases or under other similar arrangements; and
e. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

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

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

19. Inventories

a. Inventories consist of stores and spares held mainly for repair & maintenance and are valued at lower of cost or net realizable value.
b. Cost is calculated on Weighted Average Price Method and comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition.
c. Obsolete and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.
d. Stock of salvaged and scrapped materials has been stated at nil value. The amount realized on disposal of such stock is accounted for under Other Income.
e. As the corporation is engaged in the generation of electricity, there are no finished goods or raw materials.
f. 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.

20. 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.

21. Income Tax

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

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Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

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

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

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

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

22. Contingent Liabilities and Contingent Assets

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

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

23. Operating Segment

BFRS 8 'Operating Segments' requires a disclosure of operating results segment wise for the entity, whose debt or equity instruments are traded in public market or in the process of listing its securities in public market. Since the company's equity is not listed in public market, the standard is not applicable to the company. Further, the company is having the revenue mainly from only one segment i.e. sale of energy, hence, the BFRS 8 is not applicable to the company.

24. 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.

25. Trade receivables

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

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26. Investments and other financial assets

Investments and other financial assets

1. 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.

2. Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

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

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

Financial instruments measured at fair value through other comprehensive income

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

- the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets; and
- the asset's contractual cash flow 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 recognized in other comprehensive income (OCI). Currently, the Company does not have any asset classified under this category.

Financial instruments measured at fair value through profit and loss

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

3. Impairment of financial assets

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

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

4. 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 derecognized only when:

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

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

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 derecognized if the entity has not retained control of the financial asset. When the entity retains control of the financial asset, the asset is continued to be recognized to the extent of continuing involvement in the asset.

5. Income recognition

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

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

27. Financial liability

1. Initial recognition and measurement

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

2. 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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/ losses attributable to changes in own credit risk are recognized in OCI. These gains/ 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 recognized in the statement of profit or loss. The Company has not designated any financial liability as at fair value through profit and loss.

Borrowings

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

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity classify the liability as current, if the lender does not 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 recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3. Derecognition

A financial liability is derecognized 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 recognized in the statement of profit or loss.

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

Financial guarantee contracts

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

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

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

28. Trade and other payables

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

29. 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.

30. Comparative Information

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

NOTE 24:- ADDITIONAL DISCLOSURES

A. A dividend of Nu. 5,132,992,540.80 have been proposed for the year ended 31st December, 2019 amounting to a dividend of 160.51 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 3rd March 2020

- Estimated number of contracts remaining to be executed on capital account and not provided for - Nu. 388.56 million (previous year - Nu. 470.06 million).
- Of the allotted 25,000,000.00 equity shares of Nu. 100 each by KHEL, Nu. 1,562,773,000.00 has been called up and paid till 31.12.2019 and Nu. 937,227,000.00 has remained uncalled on the date.
- Of the allotted 36,000,000 equity shares of Nu. 100 each by THyE, Nu. 3,369,517,535.28 has been called up and paid till 31.12.2019 and Nu. 230,482,464.72 has remained uncalled on the date.

B. DGPC reliance on PTC India Ltd (i.e. single external customer) for export revenue amount to Nu. 8,059,990,980.76 (i.e. 67.62% of total revenue).

C. Leasing arrangements

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

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	31-Dec-19	31-Dec-18
Within one year	1,190,594	1,429,435
Later than one year but not later than 5 years	6,578,786	8,293,459
Later than 5 years	42,748,112	53,889,836
	50,517,492	**63,612,731**

The Company has recorded rental income amounting to Nu. 1,133,899.59 (previous year - Nu. 1,361,367.00) to the statement of comprehensive income during the year ended 31st December 2018.

NOTE 25: DISCLOSURE AS PER BAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (GRATUITY)

A	**Assets/Liabilities**	2019	2018
1	DBO at end of prior period	421,245,000	380,970,000
2	Current service cost	35,387,661	31,393,000
3	Interest cost on the DBO	32,927,632	31,578,000
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	4,259,080	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss – experience	28,968,183	(24,795,608)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	20,334,000
11	Benefits paid directly by the Company	(19,299,188)	(18,234,392)
12	Benefits paid from plan assets	-	-
DBO at end of current period		**503,488,368**	**421,245,000**

B	**Statement of Profit & Loss**	**2019**	**2018**
1	Current service cost	35,387,661	31,393,000
2	Past service cost - plan amendments	4,259,080	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	39,646,741	31,393,000
6	Net interest on net defined benefit liability / (asset)	32,927,632	31,578,000
7	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Cost recognized in P&L		**72,574,373**	**62,971,000**

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C	Defined Benefit Cost	2019	2018
1	Service cost	39,646,741	31,393,000
2	Net interest on net defined benefit liability / (asset)	32,927,632	31,578,000
3	Actuarial (gains)/ losses recognized in OCI	28,968,183	(4,461,608)
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Defined Benefit Cost		**101,542,556**	**58,509,392**

D	Development of Net Financial Position	2019	2018
1	Defined Benefit Obligation (DBO)**	(503,488,368)	(421,245,000)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(503,488,368)	(421,245,000)
Net Defined Benefit Asset		**(503,488,368)**	**(421,245,000)**

E	Reconciliation of Net Balance Sheet Position	2019	2018
1	Net defined benefit asset/ (liability) at end of prior period	(421,245,000)	(380,970,000)
2	Service cost	(39,646,741)	(31,393,000)
3	Net interest on net defined benefit liability/ (asset)	(32,927,632)	(31,578,000)
4	Amount recognized in OCI	(28,968,183)	24,795,608
5	Amount recognized in Profit & L	-	-
6	Employer contributions	-	-
7	Benefit paid directly by the Company	19,299,188	18,234,392
8	Acquisitions credit/ (cost)	-	-
9	Divestitures	-	-
10	Withdrawals from the Plan Assets	-	(20,334,000)
11	Cost of termination benefits	-	-
Net defined benefit asset/ (liability) at end of current period		**(503,488,368)**	**(421,245,000)**

F	Other Comprehensive Income (OCI)	2019	2018
1	Actuarial (gain)/loss due to liability experience	28,968,183	(24,795,608)
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	28,968,183	(24,795,608)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	28,968,183	(24,795,608)
6	Adjustment for limit on net asset	-	-
Actuarial (Gain) or Loss Recognized via OCI at Current Period End		**28,968,183**	**(24,795,608)**

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G	Expected benefit payments for the year ending	2019
1	31-Dec-20	45,128,950.05
2	31-Dec-21	37,888,874.35
3	31-Dec-22	38,743,264.02
4	31-Dec-23	42,858,561.43
5	31-Dec-24	55,905,137.18
6	December 31, 2025 to December 31, 2029	393,539,305.42
(i)	**Expected employer contributions for the period ending 31 December 2019**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**14.01 Years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**	
a	**Discount Rate**	**2019**
	Discount Rate	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(24,763,237)
	Effect on DBO due to 0.5% decrease in Discount Rate	(26,058,237)
b	**Salary escalation rate**	**2019**
	Salary escalation rate	8%
	Effect on DBO due to 1% increase in Salary escalation rate	27,904,977
	Effect on DBO due to 1% decrease in Salary escalation rate	677,022

NOTE 25: DISCLOSURE AS PER BAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (CARRIAGE ALLOWANCE)

A	Assets/Liabilities	2019	2018
1	DBO at end of prior period	5,532,000	5,478,312
2	Current service cost	465,658	558,556
3	Interest cost on the DBO	423,511	438,782
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss – experience	294,568	(519,168)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	(238,116)	(618,482)
12	Benefits paid from plan assets		194,000
DBO at end of current period		**6,477,621**	**5,532,000**

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B	Statement of Profit & Loss	2019	2018
1	Current service cost	465,658	558,556
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	465,658	558,556
6	Net interest on net defined benefit liability / (asset)	423,511	438,782
7	Immediate recognition of (gains)/losses – other long-term	-	-
Cost recognized in P&L		**889,169**	**997,338**

C	Defined Benefit Cost	2019	2018
1	Service cost	465,658	558,556
2	Net interest on net defined benefit liability / (asset)	423,511	w438,782
3	Actuarial (gains)/ losses recognized in OCI	294,568	(325,168)
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Defined Benefit Cost		**1,183,737**	**672,170**

D	Development of Net Financial Position	2019	2018
1	Defined Benefit Obligation (DBO)**	(6,477,621)	(5,532,000)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(6,477,621)	(5,532,000)
Net Defined Benefit Asset		**(6,477,621)**	**(5,532,000)**

E	Reconciliation of Net Balance Sheet Position	2019	2018
1	Net defined benefit asset/ (liability) at end of prior period	(5,532,000)	(5,478,312)
2	Service cost	(465,658)	(558,556)
3	Net interest on net defined benefit liability/ (asset)	(423,511)	(438,782)
4	Amount recognized in OCI	-	-
5	Amount recognized in Profit & Loss		-
6	Employer contributions	-	-
7	Benefit paid directly by the Company		-
8	Acquisitions credit/ (cost)	(294,568)	519,168
9	Divestitures		-
10	Withdrawals from the Plan Assets	-	(20,334,000)
11	Cost of termination benefits	238,116	618,482
Net defined benefit asset/ (liability) at end of current period		**(6,477,621)**	**(5,338,000)**

F	Other Comprehensive Income (OCI)	2019	2018
1	Actuarial (gain)/loss due to liability experience	294,568	(519,168)
2	Actuarial (gain)/loss due to liability assumption changes	-	194,000
3	Actuarial (gain)/loss arising during period	294,568	(325,168)
5	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	294,568	(325,168)
6	Adjustment for limit on net asset	-	-
Actuarial (Gain) or Loss Recognized via OCI at Current Period End		**294,568**	**(325,168)**

G	Expected benefit payments for the year ending	2019
1	31-Dec-20	1,140,846.49
2	31-Dec-21	917,189.60
3	31-Dec-22	825,324.47
4	31-Dec-23	872,565.66
5	31-Dec-24	1,039,920.00
6	December 31, 2025 to December 31, 2029	5,882,794.63
(I)	**Expected employer contributions for the period ending 31 December 2019**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**10.97 Years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**	
a	**Discount Rate**	2019
	Discount Rate	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(249,372)
	Effect on DBO due to 0.5% decrease in Discount Rate	**(274,042)**
b	**Salary escalation rate**	2019
	Salary escalation rate	5.00%
	Effect on DBO due to 1% increase in Salary escalation rate	291,202
	Effect on DBO due to 1% decrease in Salary escalation rate	(1,723)

NOTE 25: DISCLOSURE AS PER BAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (TRANSFER GRANT BENEFIT SCHEME)

A	Assets/Liabilities	2019	2018
1	DBO at end of prior period	17,237,000	15,850,959
2	Current service cost	1,391,278	1,533,139
3	Interest cost on the DBO	1,343,531	1,286,200
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss – experience	(547,720)	(845,833)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	(885,718)	(1,302,465)
12	Benefits paid from plan assets		715,000
DBO at end of current period		**18,538,371**	**17,237,000**

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B	Statement of Profit & Loss	2019	2018
1	Current service cost	1,391,278	1,533,139
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	1,391,278	1,533,139
6	Net interest on net defined benefit liability / (asset)	1,343,531	1,286,200
7	Immediate recognition of (gains)/losses – other long-term	-	-
Cost recognized in P&L		**2,734,809**	**2,819,339**

C	Defined Benefit Cost	2019	2018
1	Service cost	1,391,278	1,533,139
2	Net interest on net defined benefit liability / (asset)	1,343,531	1,286,200
3	Actuarial (gains)/ losses recognized in OCI	(547,720)	(130,833)
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Defined Benefit Cost		**2,187,089**	**2,688,506**

D	Development of Net Financial Position	2019	2018
1	Defined Benefit Obligation (DBO)**	(18,538,371)	(17,237,000)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(18,538,371)	(17,237,000)
Net Defined Benefit Asset		**(18,538,371)**	**(17,237,000)**

E	Reconciliation of Net Balance Sheet Position	2019	2018
1	Net defined benefit asset/ (liability) at end of prior period	(17,237,000)	(15,850,959)
2	Service cost	(1,391,278)	(1,533,139)
3	Net interest on net defined benefit liability/ (asset)	(1,339,062)	(1,286,200)
4	Amount recognized in OCI	-	-
5	Amount recognized in Profit & Loss		-
6	Employer contributions	-	-
7	Benefit paid directly by the Company		-
8	Acquisitions credit/ (cost)	431,526	940,578
9	Divestitures		-
10	Withdrawals from the Plan Assets	-	-
11	Cost of termination benefits	997,443	1,207,720
12	Benefits paid from plan assets	-	(715,000)
Net defined benefit asset/ (liability) at end of current period		**(18,538,371)**	**(17,237,000)**

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F	Other Comprehensive Income (OCI)	2019	2018
1	Actuarial (gain)/loss due to liability experience	(547,720)	(845,833)
2	Actuarial (gain)/loss due to liability assumption changes	-	715,000
3	Actuarial (gain)/loss arising during period	(547,720)	(130,833)
5	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(547,720)	(130,833)
6	Adjustment for limit on net asset	-	-
Actuarial (Gain) or Loss Recognized via OCI at Current Period End		**(547,720)**	**(130,833)**

G	Expected benefit payments for the year ending	2019
1	31-Dec-20	2,663,268
2	31-Dec-21	2,143,739
3	31-Dec-22	2,064,115
4	31-Dec-23	2,159,388
5	31-Dec-24	2,561,489
6	December 31, 2025 to December 31, 2029	15,708,496
(I)	**Expected employer contributions for the period ending 31 December 2019**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**12.21 Years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**	
a	**Discount Rate**	**2019**
	Discount Rate	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(822,309)
	Effect on DBO due to 0.5% decrease in Discount Rate	(871,037)
b	**Salary escalation rate**	**2019**
	Salary escalation rate	8.00%
	Effect on DBO due to 1% increase in Salary escalation rate	930,119
	Effect on DBO due to 1% decrease in Salary escalation rate	7,659

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NOTE 25: DISCLOSURE AS PER BAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (REPATRIATION ALLOWANCE BENEFIT SCHEME)

A	Assets/Liabilities	2019	2018
1	DBO at end of prior period	17,237,000	15,850,959
2	Current service cost	1,391,278	1,533,139
3	Interest cost on the DBO	1,339,062	1,286,200
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss – experience	(431,526)	(940,578)
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	(997,443)	(1,207,720)
12	Benefits paid from plan assets		715,000
DBO at end of current period		**18,538,371**	**17,237,000**

B	Statement of Profit & Loss	2019	2018
1	Current service cost	1,391,278	1,533,139
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	1,391,278	1,533,139
6	Net interest on net defined benefit liability / (asset)	1,339,062.00	1,286,200.00
7	Immediate recognition of (gains)/losses – other long-term	-	-
Cost recognized in P&L		**2,730,340**	**2,819,339**

C	Defined Benefit Cost	2019	2018
1	Service cost	1,391,278	1,533,139
2	Net interest on net defined benefit liability / (asset)	1,339,062	1,286,200
3	Actuarial (gains)/ losses recognized in OCI	(431,526)	(225,578)
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
Defined Benefit Cost		**2,298,814**	**2,593,761**

D	Development of Net Financial Position	2019	2018
1	Defined Benefit Obligation (DBO)**	(18,538,371)	(17,237,000)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(18,538,371)	(17,237,000)
Net Defined Benefit Asset		**(18,538,371)**	**(17,237,000)**

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E	Reconciliation of Net Balance Sheet Position	2019	2018
1	Net defined benefit asset/ (liability) at end of prior period	(17,237,000)	(15,850,959)
2	Service cost	(1,391,278)	(1,533,139)
3	Net interest on net defined benefit liability/ (asset)	(1,339,062)	(1,286,200)
4	Amount recognized in OCI	-	-
5	Amount recognized in Profit & Loss		-
6	Employer contributions	-	-
7	Benefit paid directly by the Company		-
8	Acquisitions credit/ (cost)	431,526	940,578
9	Divestitures		-
10	Withdrawals from the Plan Assets	-	-
11	Cost of termination benefits	997,443	1,207,720
12	Benefits paid from plan assets	-	(715,000)
Net defined benefit asset/ (liability) at end of current period		**(18,538,371)**	**(17,237,000)**

F	Other Comprehensive Income (OCI)	2019	2018
1	Actuarial (gain)/loss due to liability experience	(431,526)	(940,578)
2	Actuarial (gain)/loss due to liability assumption changes	-	715,000
3	Actuarial (gain)/loss arising during period	(431,526)	(225,578)
5	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(431,526)	(225,578)
6	Adjustment for limit on net asset	-	-
Actuarial (Gain) or Loss Recognized via OCI at Current Period End		**(431,526)**	**(225,578)**

G	Expected benefit payments for the year ending	2019
1	31-Dec-20	2,663,268
2	31-Dec-21	2,143,739
3	31-Dec-22	2,064,115
4	31-Dec-23	2,159,388
5	31-Dec-24	2,561,489
6	December 31, 2025 to December 31, 2029	15,708,496
(I)	**Expected employer contributions for the period ending 31 December 2019**	**Not Applicable**
(ii)	**Weighted average duration of defined benefit obligation**	**12.21 Years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**	
a	**Discount Rate**	**2019**
	Discount Rate	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(822,309)
	Effect on DBO due to 0.5% decrease in Discount Rate	(871,037)
b	**Salary escalation rate**	**2019**
	Salary escalation rate	8.00%
	Effect on DBO due to 1% increase in Salary escalation rate	930,119
	Effect on DBO due to 1% decrease in Salary escalation rate	7,659

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NOTE 26: EARNINGS PER SHARE

a. Basic earnings per share	2019	2018
Basic earnings per share attributable to the equity holders of the Company (b/c)	154	142
b. Reconciliations of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company usedin calculating basis earnings per share	4,926,733,160	4,500,168,638
c. Weighted average number of equity shares used as the denominator		
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	32,071,064	31,574,740

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

NOTE 27: FAIR VALUE MEASUREMENTS

Financial instruments by category **(Amounts in Nu.)**

Particulars	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	-		4,308,640,770			2,900,311,458
Accrued interest on fixed deposit	-	-	82,966,598	-	-	174,256,250
Deferred lease income	-		903,834			847,980
Trade receivables	-	-	1,182,475,169	-	-	1,040,207,421
Inter-corporate loan	-		940,000,000			431,000,000
Accrued interest on investment	-	-	-	-	-	-
Miscellaneous deposits	-		5,543,281			5,182,101
Other receivables	-	-	1,075,834,612	-	-	65,223,838
Cash and cash equivalents			432,194,836			449,171,992
Total financial assets	**-**	**-**	**8,228,559,100**	**-**	**-**	**5,266,201,039**
Financial liabilities						
Borrowings	-	-	5,830,673,525	-	-	4,867,313,452
Security deposit- suppliers & others	-	-	35,389,017	-	-	33,062,527
Sundry creditors	-	-	363,050,222	-	-	343,485,777
Outstanding liabilities to contractors	-	-	4,271,613	-	-	2,429,796
Outstanding liabilities for expenses	-	-	92,260,554	-	-	72,991,979
Provision for bonus	-	-	74,912,629	-	-	55,151,677
Sundry liabilities	-	-	505,036	-	-	112,528
Total financial liabilities	**-**	**-**	**6,401,062,596**	**-**	**-**	**5,374,547,736**

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

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

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

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

(II) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

▪ The fair value of the financial instruments is determined using discounted cash flow analysis.

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

(Amounts in Nu.)

	31-Dec-19		31-Dec-18	
Particulars	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Investment in non-government bonds	200,000,000	202,982,631	200,000,000	204,121,960
Fixed deposit and accrued interest	1,038,427,753	955,816,156	588,406,859	406,207,052
Deferred lease income	968,634	968,634	847,980	847,980
Total financial assets	**1,239,396,387**	**1,159,767,421**	**789,254,839**	**611,176,993**
Financial liabilities				
Borrowings and accrued interest	3,653,245,238	2,592,215,301	3,297,390,575	2,365,997,491
Total financial liabilities	**3,653,245,238**	**2,592,215,301**	**3,297,390,575**	**2,365,997,491**

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.

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

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

A) Credit risk

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

1. Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Trade receivables are non-interest bearing and are generally on 30-90 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 analyzed at each reporting date. For impairment, customers are individually accessed. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivable as disclosed above. The Company evaluates the risk as low since majority of the customer are two government owned companies (i.e. Bhutan Power Corporation and PTC India Ltd). No allowance for impairment has been considered based its past experience and forwarding-looking information.

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

2. Financial instruments and cash deposits

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

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

B) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an 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 31 December 2019	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**	**Total**
Non-derivatives					
Borrowings	233,211,304		699,633,913		2,607,639,591
Interest	102,368,213	90,919,735	203,831,716	381,800,430	778,920,093
Security Deposit- Suppliers & Others	35,389,017		-		35,389,017
Sundry Creditors	363,050,222	-	-	-	363,050,222
Outstanding Liabilities to contractors	4,271,613		-		4,271,613
Outstanding Liabilities for expenses	92,260,554	-	-	-	92,260,554
Provision for Bonus	74,912,629		-		74,912,629
Sundry Liabilities	505,036	-	-	-	505,036
Total financial liabilities	**905,968,589**	**324,131,039**	**903,465,629**	**1,823,383,499**	**3,956,948,755**

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Contractual maturities of financial liabilities 31 December 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	-	-	-	343,485,777
Outstanding Liabilities to contractors	2,429,796		-		2,429,796
Outstanding Liabilities for expenses	72,466,979	-	-	-	72,991,979
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**	**4,184,714,653**

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.

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.

(i) Foreign currency risk exposure

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

	31 December 2019		31 December 2018	
	USD	INR	USD	INR
Financial assets		571,806,362.86		343,355,466
Financial liabilities	2,891,220,923.91		2,390,041,398	
Net exposure to foreign currency risk	**(2,891,220,924)**	**571,806,363**	**(2,390,041,398)**	**343,355,466**

Sensitivity

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

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	Impact on profit before tax	
	31 December 2019	31 December 2018
USD sensitivity		
Nu. Depreciate by 5% (2018: 5%)	(144,561,046.20)	(119,502,070)
Nu. Appreciate by 5% (2018: 5%)	144,561,046	119,502,070
EURO sensitivity		
Nu. Depreciate by 5% (2018: 5%)	-	
Nu. Appreciate by 5% (2018: 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 amortized cost. Further inter corporate loans given and investment made by the Company also bears fixed rate of interest. Interest income and interest expenses, are therefore not subject to interest rate risk as defined in BFRS 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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.

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(i) Loan covenants

Under the terms of the major borrowing facilities, the company is required to comply with a financial covenant during the year ending 31 December 2019 which is debt service coverage ratio. There were no loan covenants on the Company prior to 31 December 2019.

The company has complied with these covenants throughout the reporting period. As at 31 December 2019, the debt service coverage ratio was 28.97.

The debt service coverage ratio was as follows:	Amount (Nu.) 31 December 2019
EBITA	9,479,495,065.51
Debt Service	327,259,172.09
Debt service coverage ratio	28.97

NOTE 30: ADDITIONAL DISCLOSURES

a) The authorized share capital of the Company is Nu. 50,000 million (50,000,000 equity share @ Nu. 1,000 per share) and as of the report date, the total paid up capital is Nu. 32,071.064 million (32,071,064 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	1020	1020

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

d) Tangsibji Hydro Energy Limited (THyE) is a subsidiary company where DGPC has been allotted 36,000,000 equity shares of Nu. 100 each. Nu.3,369.52 million has been called up and paid till 31.12.2019. Being the only investor as of 31.12.2019, company has 100% stake in THyE, however, this is expected to change in future with expected participation from other investors.

e) Bhutan Hydropower Services Limited (BHSL) was formed as a joint venture between DGPC and ALSTOM Hydro Holdingolding , France vide agreement dated 6th June, 2012 with 51% and 49% equity shareholding respectively. The company has been allotted fully paid up 2,550,000 equity shares of Nu 100 each. Additional equity injection of Nu. 78,962,688.00 has been made by DGPC in the year 2018 for refinancing of 30% DEG loan of BHSL.

f) Kholongchhu Hydro Energy Limited was formed as a joint venture between DGPC and SJVN Limited, a Government of India Undertaking,olding, a Government vide agreement dated 30th September, 2014 with 50% equity shareholding each. DGPC has been allotted with 15,627,730 equity shares of Nu. 100 each. Nu. 1,562.773 million has been called up and paid till 31.12.2019.

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g) Bhutan Automation and Engineering Limited (BAEL) was formed as a joint venture between DGPC and Andritz Hydro Private Limited, India, vide agreement dated 16th October 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) Bhutan Electricity Authority (BEA) vide its letter No. BEA/CEO/TARIFF/2016-2017/525 dated 30th December, 2016 and BEA/CEO/TARIFF/2016-2017/526 dated 30th December, 2016 approved for revision in domestic tariff for additional energy from Nu. 1.39/kWh to Nu. 1.59/kWh and wheeling charge from Nu. 0.114/kWh to Nu. 0.195/kWh, applicable with effect from 1st January, 2017 to 30th June, 2019. The rate for energy imported from PTC India Ltd and billed to BPC was revised from Nu. 1.98/kWh to Nu. 2.12/kWh. The domestic tariff has been revised from Nu. 1.59/kWh to Nu. 1.42/kWh and wheeling charges from Nu. 0.195/kWh to Nu.0.270/kWh with effect from 1st October 2019 to 30th June 2022 vide letter no. BEA/CEO/DGPC/2019-20/244 dated 1st October 2019 and BEA/CEO/BPC/2019-20/247 dated 1st October 2019 respectively.

i) The export tariff for Chhukha was revised from Nu. 2.25/kWh to Nu. 2.55/ kWh applicable from 1st January 2017 for a four years period, valid until 31st December, 2020. The export tariff for Tala and Kurichhu was revised from Nu. 1.98/kWh to Nu. 2.12/ kWh applicable from 1st December, 2016 for a five years period, valid until 30th November, 2021.

j) Austrian Grant was extended till 31st March-19 and Nu. 8.39 million (previous year Nu. 31.85 million) had become receivable as compensation for expenses already incurred by the company in 2018-2019 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 Ltd. (for Lower Stage and Upper Stage) dated 14th October, 2004 and 1st August, 2006 respectively for a tenure of 18 years and 20 years at a fixed interest rate of 6 % each respectively per annum.

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

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

n) 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 Mangdechhu-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.

o) Inter Corporate Loan

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During the year, an inter-corporate loan of Nu. 610,000,000.00 (Ngultrum Six Hundred Ten Million) has been provided to Dungsam Cement Corporation Ltd. (DCCL) and Nu. 300,000,000.00 (Ngultrum Three Hundred Million) to State Trading Corporation of Bhutan (STCB) at the rate of 4.55% per annum. Nu. 30,000,000.00 (Ngultrum Thirty Million) has been provided to Bhutan Hydropower Services Limited (BHSL) at the interest rate of 4.50% per annum

p) Provision of Bonus-

	Amount
Balance as at 1 January 2019	55,151,676.88
Payment during the year	53,463,264.82
Adjustment/Excess Provision written back during the year	1,688,412.06
Addition during the year	74,912,629.33
Closing Balance as at 31 December, 2019	**74,912,629.33**

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

	Amount
Transfer from Property, plant and equipment	32,000,000.00
Addition during the year	-
Deletion/Adjustments during the year	-
Depreciation during the year	-
Depreciation on Deletion/Adjustments	-
Balance as at 31 December 2019	**32,000,000.00**

r) A company has incurred a loss of Nu. 38.17 million (previous year Nu. 197.72 million gain) in 2019 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.

s) All the balances against debtor, creditors and advances are based on the invoices raised to/ raised from and advances paid respectively, which are not settled as at 31st December 2019. The reconciliation is carried out and confirmation of the balances is obtained for majority of the balances of more than Nu. 1.00 million. The management is in the process of reconciling the remaining balances and to obtain the balances confirmation of the same.

t) 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 & Customs Office through tax assessment notice no RRCOTH-Tax/CIT-24/2018/247 dt. 6th August, 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 have been accepted and paid 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 as appealed by DGPC vide letter no. DGPC/F&ID/35/2018/3452 dated 30th November, 2018 was considered by RRCO vide their letter no. RRCO/TH/Adm-RTAC03/2019/1147 dated 18th February, 2019. The effect of the deferred tax on foreign exchange gain/loss has been taken prospectively from the year 2017.

u) DGPC has an investment of Nu. 333.96 million in Bhutan Hydropower Services Limited (BHSL) (Joint Venture).

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BHSL has been incurring losses and their accumulated losses have exceeded more than 76% of Net worth of BHSL. The management has not carried out any impairment testing of the same since in their view, the losses have decreased the current year as compared to previous years and considering the prospects, the company may start making profits in future.

v) DGPC has given corporate guarantee to Bhutan Hydropower Services Limited (BHSL) for loan amount of Nu. 361,267,200.00 from National Pension and Provident Fund (NPPF) during the year for refinancing of their hard currency loan. Corporate guarantee was also given by DGPC to (Tangsibji Hydro Energy Limited) THyE for cumulative loan disbursement of INR. 2,001,770,000.00 out of INR. 3,530,000,000.00 upto 31st December 2019 from State Bank of India (SBI).

w) As per the DHI's instruction, DGPC's land under CHP, THP and Corporate Office have been successfully transferred to DHI at the book value of Nu. 109,610,694.78 (CHP- Nu. 36,779,577.22 THP- Nu. 24,291,867.56 and CO- Nu. 48,539,250.00). Accordingly, the land has been derecognized from the DGPC books by debiting the reserves.

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

y) Quantitative Information of purchase and sale of power:

(Amt: Millions) (Units: Millions)

Particulars	2018		2019	
	Units (kWh)	Amount (Nu)	Units (kWh)	Amount (Nu)
Purchase	**265.41**	**596.64**	**300.34**	**1,134.81**
Self-Generation	6,926.22		6,573.98	
Sale:				
Within Bhutan	2,397.83	3,712.41	2,454.31	3,923.16
Export to India	3,517.98	8,059.99	4,353.93	9,868.45
Internal Consumption & Losses	63.41	0.85	66.09	1.35
Total	**5,979.22**	**11,773.25**	**6,874.33**	**13,792.96**

z) All existing generation plants (Kurichhu, Chhukha, Tala and Basochhu) fully owned by the RGoB have to provide 15% of the annual generation as royalty energy to RGoB free of charge. All other generation plants shall provide royalty energy as per the SHDP. RGoB shall have the option to avail the royalty energy either in energy or cash in lieu at the highest off-take rate or pro-rated thereof after adjusting for admissible losses and wheeling charges. Till 2016 Royalty obligation portion were paid on the domestic tariff rate and from 1-Jan-2017 it has been paid as per the instruction of Electricity Subsidy and Royalty Payment Framework 2017. Royalty Energy of 1,007.01 MU (previous year 955.55 MU) amounting to Nu. 2,259.54 million (Previous year 2,151.37 million) was supplied at highest off-take/export tariff in 2019.

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

Amount in Million (Nu.)

	Particulars	2019	2018
a)	TDS Payable	0.016	0.62
b)	Corporate Income Tax	1,569.07	1,567.62
Total		**1,569.08**	**1,568.24**

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bb) Auditors remuneration:

Amount in Million (Nu.)

Particulars		2019	2018
a)	Audit Fess	0.52	0.52
b)	Out of pocket expenses	0.77	0.81
Total		**1.29**	**1.33**

NOTE 31: RELATED PARTY DISCLOSURES

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

	2018	2017
Parent -	**% of Holding**	**% of Holding**
Druk Holding & Investment	100%	100%
Subsidiaries -		
Dagachhu Hydro Power Corporation Ltd.	59%	59%
Tangsibji Hydro Energy Limited	100%	100%
Joint Venture -		
Kholongchhu Hydro Energy Ltd.	50%	50%
Bhutan Hydropower Services Ltd.	51%	51%
Bhutan Automation Engineering Ltd.	51%	51%

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

Name of Related Party	Relationship	Nature of transaction with related party	2019	2018
Druk Holding & Investments	Holding Company	a. Payment of Dividend	4,500,000,000.00	4,905,354,484.02
		b. Interest expenses on Loan	-	1,972,602.74
		c. Equity	32,071,064,000.00	31,776,208,000.00
		d. Management & Brand Fee	92,680,972.26	98,374,677.80
		e. Lease Rent	554,006.97	-
		f. Non trade payables	25,954.54	-
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Sale of Electricity	3,712,414,316.21	3,923,157,672.89
		b. Wheeling Charges	722,714,066.41	609,835,005.46
		c. Consumption of electricity by DGPC estd.	7,661,194.78	10,447,113.11
		d. Receivable on energy sold	317,553,631.53	696,544,506.18
		e. Payable towards wheeling charges	14,693,812.83	24,407,546.60
		f. Trade payables	491,883.00	-
		g. Telephone, Fax, Internet Services & Others	-	220,839.24
		h. Non-Trade payable	-	36,806.54
		i. Income on CoE services provided	-	1,836,368.74
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank charges	241,224.13	353,134.52
		b. Interest expense on loan	-	65,815,323.29
		c. Long Term Borrowing	587,000,000.00	587,000,000.00
		d. Accrued Interest on Loan	-	42,307,421.92
		e. Short-term Deposit	1,500,000,000.00	-
Bhutan Telecom Limited	Fellow Subsidiary	a. Payable towards Telephone, Internet services & Others	3,109,460.64	3,004,357.13
		b. Data Center services charges	20,551,191.00	6,177,954.88
		c. Rental Income	15,204.00	15,204.00
		d. Telephone, Fax, Internet Services & Others	2,538,209.16	3,062,511.96
Druk Air Corporation Limited	Fellow Subsidiary	a. Purchase of Air Tickets and Others	3,378,391.00	5,505,316.00
		b. Receivable commission on Air Ticket	105,464.20	107,900.00
		c. Income Others	213,364.20	107,900.00
		d. Payable towards Air Tickets	441,700.00	74,438.00
State Trading Corporation of Bhutan Limited	Fellow Subsidiary	a. Vehicle Procurement	56,942,239.71	28,578,702.00
		b. Repair and Maintenance of Vehicles	5,268,113.19	5,080,905.92
		c. Trade Payable	-	1,655,415.00
		d. Inter Corporate Loan	300,000,000.00	-
		e. Purchase of IT equipments	168,052.36	146,352.00
		f. Deposit Received	3,826,318.55	992,545.95

Bhutan Hydropower Services Limited	Joint Venture	a. Equity Investment	333,962,688.00	333,962,688.00
		b. Income from leased land	1,361,367.00	1,361,367.00
		c. Services availed related to repairs and maintenance of electro -mechanical euipments	-	91,261,895.00
		d. Inter Corporate Loan	30,000,000.00	-
		e. Interest Income on Inter corporate Loan	15,452,054.80	2,324,744.67
		f. Accrued Interest Income on Loan	-	2,662,758.37
		g. Short term Loan to BHSL	-	31,000,000.00
		h. Corporate Guarantee Fee	3,222,206.49	-
		i. Payable for R&M	62,155.13	-
Dagachhu Hydropower Corporation Limited	Subsidiary	a. Equity Investment	2,437,880,000.00	2,437,880,000.00
		b. Income on services provided	3,830,556.50	2,243,770.00
		c. Trade Receivable	-	623,129.00
		d. Non-Trade Payable	-	2,107,071.18
		e. Non-Trade Receivable	548,567.00	356,797.00
Tangsibji Hydro Energy Limited	Subsidiary	a. Equity Investment	3,369,517,535.28	2,303,160,980.70
		b. Income on services provided	-	973,714.50
		c. Trade Receivable (+Corporate Guarantee Fee)	14,507,518.57	-
		d. Non-Trade Receivable	-	19,000.00
		e. Capital Work-in-progress	1,240,140.44	-
		f. Trade payables	103,485.43	-
Dungsam Cement Corporation Limited	Fellow Subsidiary	a. Inter-corporate Loan	610,000,000.00	400,000,000.00
		b. Interest income on Loan	12,386,904.13	3,726,027.40
		c. Accrued interest on Loan	-	3,726,027.40
		d. Income from CoE Services	219,211.65	86,058.00
		e. Trade Receivable	168,582.00	-
Kholongchhu Hydro Energy Limited	Joint Venture	a. Equity Investment	1,562,773,000.00	1,267,917,000.00
		b. Non-trade receivable	1,023,783.62	-
		c. Deposits received	487,956.51	-
Wood Craft Center Limited	Fellow Subsidiary	a. Procurement of Furniture & Fixture	929,130.00	620,120.00
		b. Payable towards purchase of furniture	-	22,810.00
		c. Performance security Deposit	23,702.50	35,111.50
Construction Development Corporation Ltd.	Fellow Subsidiary	a. Advance payment	853,339.65	1,467,640.74
		b. Drift works	-	22,148,515.75
		c. Trade Payable	3,081,081.80	2,767,117.07
		d. Non-Trade Receivable	-	189,057.98
		e. Capital Work-in-progress	9,159,318.56	-

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Bhutan Board Products Limited	Fellow Subsidiary	a. Procurement of Furniture & Fixture	382,052.67	559,607.00
		b. Trade Payable	-	62,575.00
Natural Resources Development Corporation Ltd	Fellow Subsidiary	a. Purchase of construction materials	33,077.03	118,751.91
Bhutan Automation & Engineering Limited	Joint Venture	a. Equity Investment	30,600,000.00	30,600,000.00
		b. Miscellaneous Income	-	1,364,288.45
Thimphu Tech Park Limited	Fellow Subsidiary	a. Miscellanous Service	442,800.00	277,500.00
		b. Trade Payable	1,096,433.34	35,000.00
		c. Transfer of Asset (Laptop)	359,891.71	-

KEY MANAGEMENT PERSONNEL

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

Amount in Million

Sl. No.	Particulars	2019	2018
a)	Short- term employee benefits	5.13	5.01
b)	Post- employment benefits (PEB)*	-	-
c)	Other long- term benefits (OLTB)*	-	-
Total		**5.13**	**5.01**

**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

KASHYAP VAIDYA Digitally signed by KASHYAP VAIDYA Date: 2020.06.03 10:47:58 +05'30'

(Kashyap Vaidya)
(Partner
Membership No. 037623

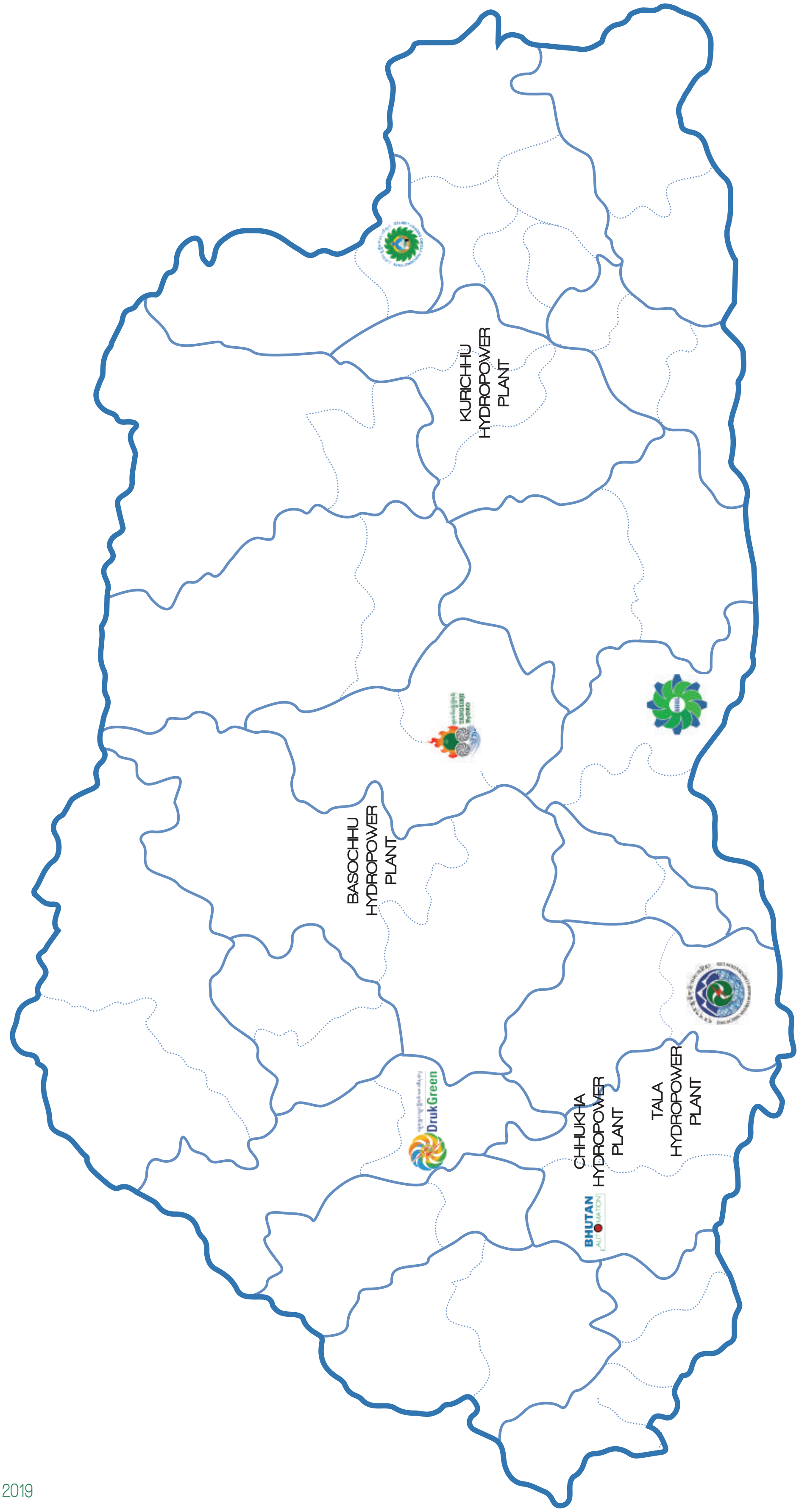
T R Chadha & Co LLP MUMBAI CHARTERED ACCOUNTANTS

Date:- 01-06-2020
Place:- Mumbai

(Dasho Sonam Topgay)
Chairman, DGPC

Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Interim Director (Finance)


KURICHHU HYDROPOWER PLANT
BASOCHHU HYDROPOWER PLANT
CHHUKHA HYDROPOWER PLANT
TALA HYDROPOWER PLANT
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