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**DrukGreen**

(a dhi company)



# ANNUAL REPORT 2020



Registered Office  
Telephone  
Fax  
Website

Post Box 1351, Thimphu, Bhutan  
+975 2 336413/336414  
+975 2 336417  
[www.drukgreen.bt](http://www.drukgreen.bt)

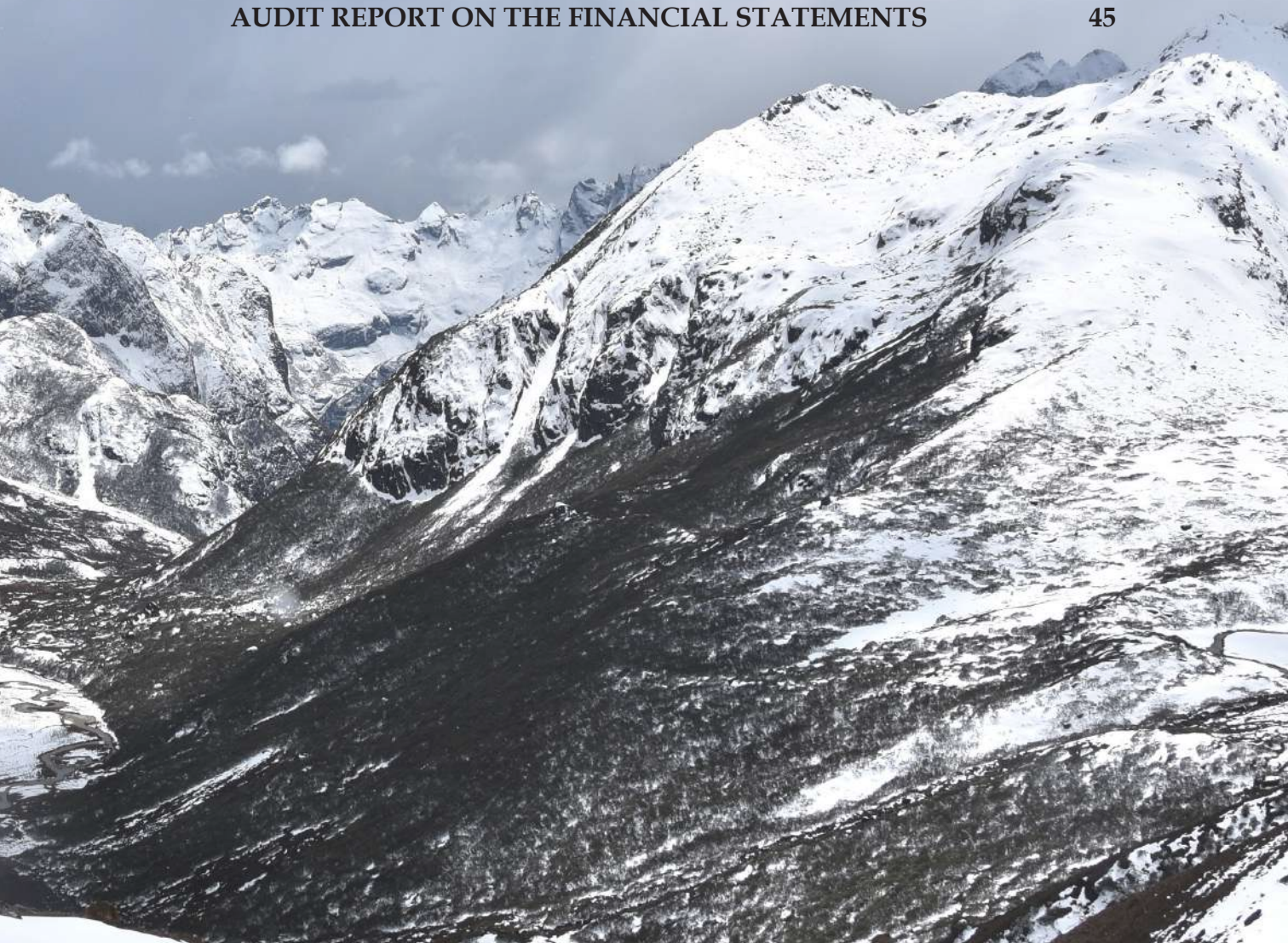
# ANNUAL REPORT 2020





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## A YEAR IN REVIEW

Druk Green Power Corporation Limited (DGPC) had a successful year 2020 with high levels of Power Plant Availability and Water Utilization Factors achieved with its Basochhu, Chhukha, Kurichhu and Tala power plants; ensuring the optimal utilization of its hydropower assets despite the many challenges that was further exasperated by the Covid-19 pandemic. During the year, Basochhu and Tala achieved their highest ever generation since their commissioning. The revenue contributions to the Shareholder [Druk Holding & Investments Limited (DHI)] and the Government touched Nu. 10,062.82 million in the form of dividend, royalty and taxes. The Dagachhu hydropower plant also achieved its highest ever generation since its commissioning.

DGPC made all efforts to ensure continued uninterrupted electricity supply as the country struggled to keep the Covid-19 pandemic at bay. From the onset of the pandemic in early 2020, in keeping with the evolving best practices and directives of the Government, DGPC remained alert and was quick to respond with safety protocols and work habit changes so as to safeguard its employees and ensure continuity of business. Strict implementation of social distancing measures, isolating critical operation and maintenance groups from the rest of the employees, and instituting work from home environments played a pivotal role in mitigating the spread of the infectious disease at the work places and more critically at the power plants.

Even with the very restricted environment within which it had to operate in terms of the mobilization and movement of resources, DGPC completed the arduous and time-consuming annual maintenance of all its power plants thus ensuring the availability of all the generating units on arrival of the monsoon rains. There was no generation loss during the year on account of the pandemic. Under the initiative of DHI, DGPC contributed Nu. 550 million to the National Covid-19 Relief Fund in response to the pandemic as a part of its Corporate Social Responsibility. On the other hand, DGPC also benefited from the Druk Gyalpo's Covid-19 Relief Fund through waiver of Nu. 51.20 million in interests on its loans during the year.

To extend the useful life of its generating assets and improve on their performance, DGPC continued to invest in the renovation and refurbishment, and the modernization and automation of especially the Chhukha, Kurichhu and Tala power plants. Further, apart from its major mandate of operating and maintaining the power plants, DGPC continued to play a key role in accelerating hydropower development in Bhutan and building Bhutanese capacity ranging from project investigations and studies, to design and engineering, to project structuring and contracting, to actual construction of projects. This helped to further strengthen the competencies and expertise in hydropower within DGPC.

Druk Green Consultancy (DGC) intensified its efforts to build its capacity and provided support to the existing power plants in resolving major technical problems apart from taking forward its main mandate of undertaking a number of important field investigations and studies for new hydropower projects. For the first time, as entrusted by the Government, DGC also initiated the recce level studies of three pumped storage projects.

The Hydropower Research and Development Centre (HRDC) further expanded in its pursuit to create a world class facility with a pool of resources and expertise to undertake applied research and provide specialized services in core technical areas, and to help the hydropower sector keep abreast with the evolving technologies and changing environment. During the year, HRDC also initiated steps to create a center of excellence in geological and geotechnical investigations including instrumentation while continuing to explore possibilities to provide its services beyond DGPC to the Punatsangchu projects and to outside of Bhutan.

BHUTAN AUTOMATION completed the implementation of its first SCADA system for the Kurichhu power plant and the successful retrofitting of the generator protection relays at the upper and lower stages of the Basochhu power plants. It expanded into substation automation with orders for the SCADA systems for four of Bhutan Power Corporation's substations. BHUTAN AUTOMATION further continued with its efforts to provide SCADA

systems for the 1,200 MW Punatsangchhu-I and 1,020 MW Punatsangchhu-I projects. DGPC further continued to work closely with its partner in Bhutan Hydropower Services Ltd on restructuring the company to ensure that it becomes financially viable with expansion into manufacturing of runners and other such initiatives.

Amidst the huge challenges posed by the Covid-19 pandemic, the Nikachhu project took initiatives to encourage Bhutanese workers to take advantage of the employment opportunities that would otherwise be normally taken up by expatriate workers. A large number of Bhutanese joined the workforce and this enabled not only the construction of the project to continue but also capacity building amongst the Bhutanese workers, which would prove to be useful in the ongoing and future hydropower construction activities. In a major breakthrough, the Concession Agreement (CA) for the Kholongchhu project was concluded between the RGoB and the JV company in June 2020; thus paving the way to the start of the project construction. The negotiations for the CA had otherwise proven to be a major hurdle in moving the Kholongchhu JV project forward with the highly anticipated award of the major civil works packages for the dam, power house and head race tunnel.

The Bhutan Hydropower Services (BHSL) continued to face commercial viability issues with inadequate loading of its facilities, which had been designed to serve power plants aggregating to 10,000 MW. DGPC initiated discussions with its partner GE to buy off the latter's 49% shareholding and to venture into manufacturing of runners and other such underwater hydro-mechanical equipment.

The Covid-19 pandemic provided time to retrospect on the hydropower sector and serious concerns emerged on the overall energy security for the country. The domestic demand continued to grow with a number of the energy intensive industries coming online, that had been approved in anticipation of the 10,000 MW projects getting commissioned by 2020. However, with only the 720 MW Mangdechhu project getting commissioned in 2019, the peak winter demand of a little over 400 MW hovered near about the firm power energy generation capacity.

With the huge variations in installed capacity vis-à-vis the firm power generation potential from the run-of-the-river hydropower projects, there was renewed focus on dialogue to take forward reservoir and pumped storage projects to mitigate energy and water security issues in the future, which are projected to be further aggravated by global warming and climate change. Other options such as supplementing generation in winter months through implementing small hydropower projects and harnessing alternative energy resources like solar and wind gained momentum, while for the first time Bhutan initiated dialogue on import of electricity from India. From an overall energy security perspective and the reality of an energy surplus Bhutan becoming a net importer of energy, there was also a new perspective on investments in emerging technologies such as electric mobility and green hydrogen. These changing times and the evolving energy scenarios led to the Government to consider a review of its 2008 Sustainable Hydropower Policy.

DGPC continued to play its part in the evolving changes in the energy sector with the full backing of its Board and its Shareholder, DHI. Through the effective management of its assets, making strategic investments, and insulating itself from evolving risks, DGPC will continue to contribute to the growth in Bhutan's energy sector and to play an important role in ensuring energy and water security for the country.



Dashi Chhewang Rinzin  
Managing Director

## COMPANY PROFILE

**D**ruk 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.

DGPC's current hydropower installed capacity is 1,606 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 established a dedicated team of professionals in diverse fields at various levels.



## 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

## VALUES

- ✿ Organizational Ownership & Pride
- ✿ Mutual Respect & Trust
- ✿ Initiative & Timely Action
- ✿ Integrity
- ✿ Accountability
- ✿ Quality-Work-Life
- ✿ Social & Environmental Responsibility

# 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 commissioning : 1986 - 1988

## 60 MW KURICHHU HYDROPOWER PLANT

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



## 1,020 MW TALA HYDROPOWER PLANT

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

## 24 MW BASOCHHU HYDROPOWER PLANT (UPPER STAGE)

Installed capacity : 2 x 12 MW  
Design energy : 105 MU  
Project scheme : Run-off-the-River  
Project commissioning : 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 commissioning : 2004



## DIRECTORS' REPORT

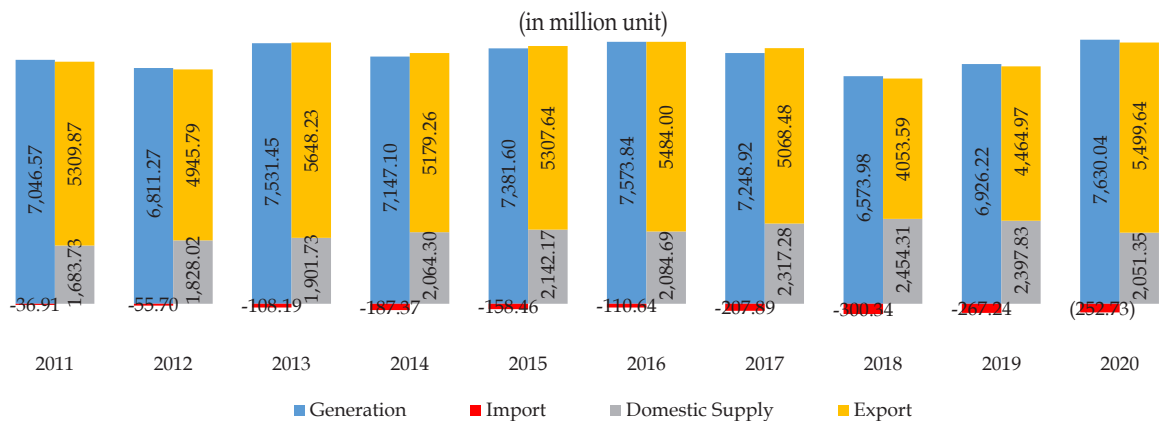
To the Shareholder,

The Board of DGPC would like to report on the performance of the company for the period January 1, 2020 to December 31, 2020.

### OPERATIONAL HIGHLIGHTS

The Basochhu, Chhukha, Kurichhu and Tala hydropower plants generated 7,630.04 million units (MU) of electricity during 2020, an increase of 10.16% against the aggregate generation of 6,926.22 MU in 2019. This was 7.42% higher than the generation target of 7,103.02 MU set for 2020. This increase in generation was primarily on account of the better hydrological discharges in the rivers due to the pre and post monsoon rains during 2020, the timely restoration of Chhukha's generating Unit-I, and higher reliability of the transmission system. Tala achieved the highest ever generation of 5,031 MU as compared to the design energy of 4,865 MU since its commissioning. Basochhu (Upper and Lower Stages) also recorded the highest generation of 348 MU as compared to their combined design generation capacity of 290 MU.

The net energy exported to India increased from 4,464.97 MU in 2019 to 5,499.64 MU during 2020. The quantum of electricity supplied for domestic energy consumption to Bhutan Power Corporation Limited (BPC) actually experienced a decrease for the first time from 2,397.83 MU in 2019 to 2,051.35 MU in 2020 mainly as some of the industries were affected by the COVID-19 pandemic. There was a slight decrease in the import of power from India from 263.45 MU in 2019 to 252.73 MU in 2020. The import of power from India takes place primarily to support Bhutan's domestic grid during exigencies. Such imports are netted off in the month of the export. In February 2020, there was a small net import of 26.08 MU from the Indian grid in the DGPC system. However, on considering generation from the Mangdechhu power plant, there was no net import into Bhutan.



### FINANCIAL HIGHLIGHTS

#### INCOME

The overall income for the year increased by 11.93% to Nu. 13,340.908 million from Nu. 11,918.672 million in the previous year. The increase in revenue is attributable mainly to the 703.82 MU increase in generation from 6,926.22 MU in 2019 due to better-than-expected hydrological flows in the rivers.

## EXPENDITURES

The expenditures increased substantially by 23.96% from Nu. 4,865.626 million in 2019 to Nu. 6,031.309 million in 2020. The increase in expenses was mainly on the account of higher wheeling charges due to the revision in the energy wheeling rate from Nu. 0.195 per unit to Nu. 0.270 per unit that became effective from October 2019. There was also an increase in other expenses on account of the Nu. 550 million that was contributed to the COVID-19 Relief Fund.

## PROFITABILITY OF THE COMPANY

Although there was 11.93% increase in revenues and 23.96% increase in expenditures during the year, there was only 3.01% increase in Profit After Tax (PAT) from Nu. 4,926.733 million in 2019 to Nu. 5,075.229 million in 2020.

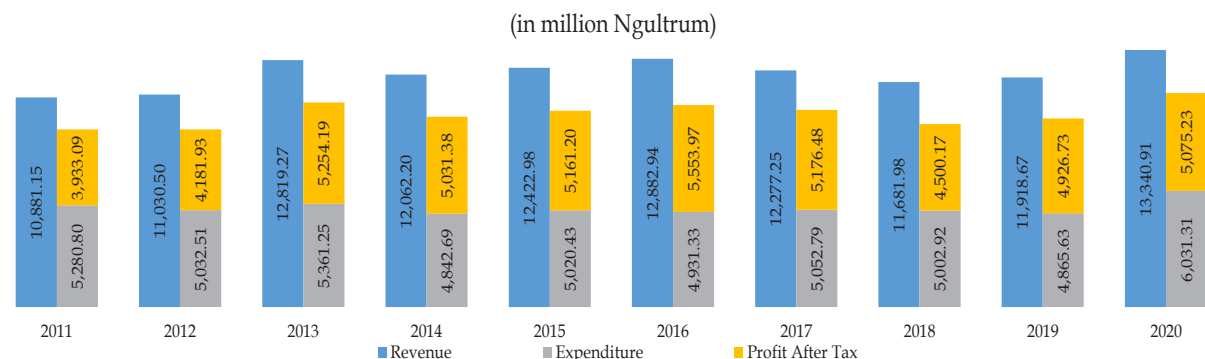
The key financial figures on the performance of the company for 2020 vis-à-vis the previous year are as below:

	FY 2020 (million Nu.)	FY 2019 (million Nu.)	Variance (%)
Revenue	13,340.908	11,918.673	+11.93
Expenditure	6,031.309	4,865.626	+23.96
Profit before Tax	7,309.599	7,053.047	+3.64
Corporate Income Tax	2,262.958	2,116.277	+6.93
Comprehensive Income	5,075.230	4,926.733	+3.01

The financial position of the company continues to be strong with the total debt and liabilities aggregating to Nu. 9,306.042 million constituting only 19.92% of the overall shareholder's fund of Nu. 46,722.268 million. These funds are almost entirely invested in income generating assets. The fund applications comprise of Nu. 48,299.104 million in non-current assets (comprising mainly of fixed assets, investments in subsidiaries and joint ventures, and other long term investments) and Nu. 7,729.206 million in current assets (comprising mainly of short term investments, and trade and other receivables).

## DIVIDEND

The Shareholder has conveyed a dividend expectation of 17.366% of the paid up share capital of Nu. 32.246 billion for 2020, which is equivalent to 110.34% of PAT. The dividend proposed for 2020 is therefore Nu. 5,600.000 million against Nu. 5,132.992 million declared in 2019. For making payments of taxes and dividends, it is projected that DGPC will need to raise over Nu. 2,500 million in short term borrowings from the domestic financial institutions during 2021 to meet its cashflow requirements.



## INVESTMENTS

In order to take forward its mandates, DGPC is continuing to make substantial investments in (i) greenfield hydropower projects through equity injection and raising of debt financing such as with the Nikachhu and Kholongchhu projects; (ii) restoration, renovation, modernisation and automation of its older power plants; and (iii) building on its brand equity by enhancing its core competencies, strengthening its research and development capabilities, and expanding on its support and consulting services.

### POWER PLANT: RESTORATION, RENOVATION, MODERNIZATION AND AUTOMATION

Apart from the arduous and time consuming annual maintenance of each generating units and associated equipment at Chhukha, Tala and Kurichhu hydropower plants, DGPC, during the year, undertook a number of major restoration, renovation, modernisation and automation activities at its hydropower plants. These include addressing the teething and recurring problems with Tala hydropower plant, to ensure a high level of their availability and also to extend the life of the plant, some of which are highlighted as under:

#### TALA HYDROPOWER PLANT

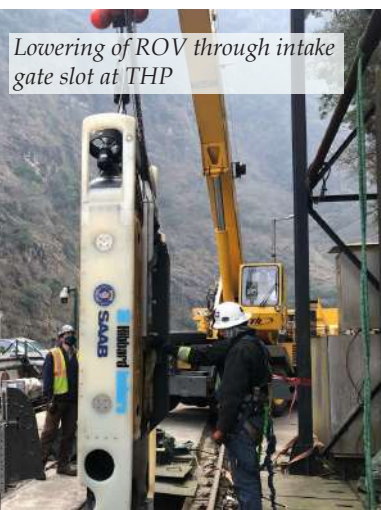
##### Inspection of Underwater Structures of Tala and Chhukha Hydropower Plants

DGPC successfully conducted the first Remotely Operated Vehicle (ROV) inspection of the water conductor systems for the Chhukha and Tala hydropower plants in 2011 through Hibbard Inshore, USA. In 2012, Hibbard Inshore used ROVs to seal a number of openings that had been detected at the bottom of Tala's surge shaft through which excessive water leakages were taking place into the butterfly valve chamber from the time of the charging of the surge shaft for commissioning the project.

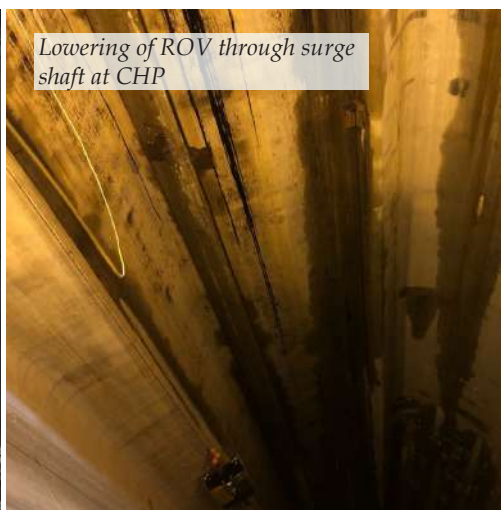
With the aging of Chhukha hydropower plant and the repetitive incidences of disintegrated concrete blocks appearing at the nozzle heads with resultant damages to the nozzle injector system at Tala hydropower plant, and the recommendations from the 2011/2012 ROV inspections and rectification exercises, DGPC once again hired the services of Hibbard Inshore in 2020 through an international competitive bidding to undertake the inspection of the water conducting systems of both Tala and Chhukha hydropower plants at a cost of USD 980,000. The services include advanced 3-D sonar inspection for better and clearer rendition of the tunnel features so as to pinpoint areas of failures in the tunnels including the possibility for a structural or lifespan analysis of the underwater structures. The ROV inspection could not be carried out in 2020 due to the Covid-19 pandemic and has been rescheduled to be completed by March 2021.

##### Silt Dredging at Dam

During the annual maintenance works, it was noted that the rubber seals of the Radial Gates 1 and 5 at the Tala dam could not be replaced as the stop log gates were not seating properly due to heavy silt accumulation in the gate



Lowering of ROV through intake gate slot at THP



Lowering of ROV through surge shaft at CHP



Silt Dredging pump

grooves. Since the silt deposits could not be removed using conventional methodologies and it posed dam safety risks, the services of an expert firm for dredging the silt in underwater conditions was acquired in 2020. However, the dredging had to be suspended due to the Covid-19 situation and will be completed only during the first half of 2021.

### **Replacement of Existing Nozzle Injector System with New and Improved Design**

A critical issue with the Tala hydropower plant since the commissioning of the project has been the reliability issues with the nozzle injector system, which has been beset with recurrent technical problems such as penstock water ingress into oil chamber resulting in oil water mixing, failure of nozzle spear tip holding bolts causing breakdown of units, inconsistent feedback mechanism causing mal-operation of the system, oil leakage across piston leading to non/slow response of command from controller, heavy water leakage from the leakage's indicator port affecting its functionality, peeling of chromium plating on the piston damaging the seals, and interchangeability issues of nozzle assemblies. Due to these recurrent problems, the nozzle assemblies have to be overhauled on an annual basis and sometimes even during peak generation period in monsoon resulting in huge generation/revenue losses. The financial implications due to failure of the nozzle injector system has accumulated to over Nu. 706 million since the commissioning of the project.

A number of modifications and internal component replacements were carried out in consultation with BHEL (OEM) and other internationally reputed firms like Andritz Hydro, which have proven to be futile. Apart from generation losses and the annual maintenance costs, there are safety concerns and high risks associated with the failure of any of the nozzle injector assemblies that could lead to serious consequential damages and further financial losses.

It was eventually decided to replace the existing nozzle injector system with a new and improved design. Based on expertise in the design and manufacture of high head Pelton turbine nozzle injector systems, technical and financial offers were directly sought from Andritz Hydro, Voith Hydro and GE Power. The work order for the design and manufacture of the nozzle injector system to replace the present nozzle injectors is expected to be awarded in early 2021.

### **Powerhouse Stability Studies and Remedial Measures**

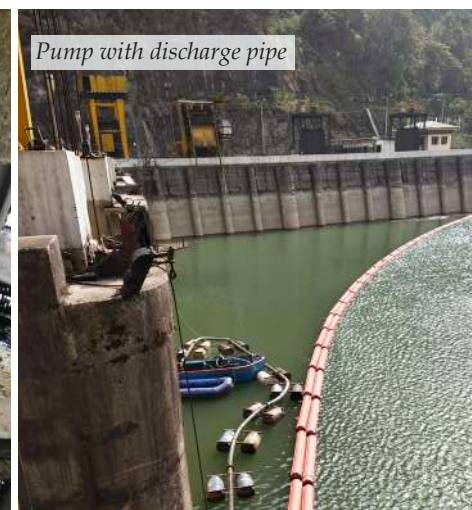
The Tala power house complex is continuing to experience rock bolt failures (over 260 recorded as of date) and the convergence of the cavern (more recently at 1-2 mm per annum). This puts the power house, the generating equipment and employees working in the power house at great risk. While it has been concluded that there is no immediate danger of a global instability of the cavern, it is apprehended that if left untreated, the multi-mechanism displacement and failure behaviour could get amplified by the possible interferences of deficient rock bolts failure, excess pore or joint water pressure, dynamic events, and time dependent adjustments. Therefore, for further analysis and appropriate studies in order to establish suitable measures for the long term stability of the cavern, a



*Lowering of ROV into the Gate slot at CHP*



*Lowering of ROV through gate slot at CHP*



*Pump with discharge pipe*

consultancy service was awarded to Bernard Ingenieure ZT GmbH, Austria at a contract price of Euro 360,000 in June 2020.

The consultant has completed the review of past data, information and studies including some additional investigations and analysis. Despite the Covid-19 pandemic situation, the consultant was also able to make a field visit in Bubble mode from November 30 to December 3, 2020. The analysis of the stability issues and design and technical specifications for the recommended remedial stabilisation measures are expected to be submitted by June 2021.

### **Rock Fall Protection Works**

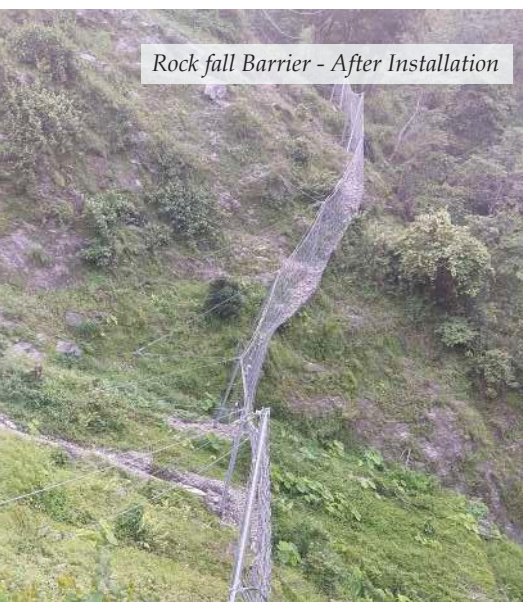
The falling of loose rocks and boulders along the road to powerhouse near the pothead yard has been major safety concern for the movement of O&M employees, vehicles, and equipment. The loose rock falls from the left bank cliff at the Tala dam has also continued to pose a huge risk to the O&M employees as well as the structures. A work order was placed with Geovertical of Italy in February 2020 for erecting a combination of rock drapery and dynamic rock fall barriers in these critical stretches of the power plant at a contract value of Nu. 42.480 million. While the rock fall barrier materials have been dispatched from Italy, the installation work was delayed due to the Covid-19 pandemic situation.

### **Strengthening of Emergency Cooling Water Pipes with Ceramic Epoxy Coating**

A number of pinholes had developed on the emergency cooling water pipelines putting at risk the plant's generating units. Since weld repair and/or replacement with non-corroding stainless steel pipes were not feasible, wrapping of the pipeline with ceramic epoxy compound was resorted to at a cost of Nu. 7.846 million. This is a new technology that was introduced for first time for the repair of critical pipelines that are getting corroded in the operating power plants. With the experience from Tala, it is also being recommended for hydropower projects under construction to change the specifications for all such pipelines to stainless steel.

### **Replacement of Relays for Main-I Busbar Protection**

Tala hydropower plant's Main-I bus bar protection could not be made operational since commissioning of the project and attempts to rectify the problem has been unsuccessful. Since it posed a high risk to the generating plant, a work order to rectify the problem was placed on Bhutan Automation & Engineering Limited (BHUTAN AUTOMATION) in December 2019 at a cost of Nu. 10.741 million. The bus bar protection system was made fully functional in April 2020.





*Tala hydropower plant*



## CHHUKHA HYDRO POWER PLANT

### Restoration of Generating Unit I

The restoration of the Chhukha's generating unit I was completed and synchronised successfully to the grid on July 3, 2020. The unit had been taken out of operation and was under major restoration since August 2019 when the stator windings, rotor field coils and some of the associated generator components sustained severe damages from a mechanical failure while troubleshooting for a recurring rotor earth fault.

The "restoration work" started in November 2019 through BHEL at a contract value of Nu. 79.713 million. Due to the Covid-19 pandemic, there were delays with the supply of spares and in the support services for restoring the unit. Considering the likelihood of huge generation and revenue losses, for the first time, DGPC took up the restoration works on its own with only some limited virtual support from BHEL. Most importantly, DGPC undertook the critical last mile activities such as the stator bars assembly, rotor levelling, shaft alignment, dynamic rotor balancing, electrical tests and re-commissioning of the unit on its own through support from the Hydropower Research and Development Centre (HRDC).

### Dam Radial Gates - Commissioning of Hydraulic Hoisting System

The Chhukha dam was equipped with a rope drum hoist mechanism for operation of its radial gates. In addition to the obstruction from the bulged wall plates on the dam piers, there were incidences of sudden dropping of radial gates on the bottom seal beam resulting to damage in bottom seal and clamps, and parts of rope drum hoist. There was therefore the risk of overtopping of the dam in case of the malfunctioning of rope drum hoist. In order to ensure the integrity of the radial gate structure and the safety of the dam, the replacement of the rope drum hoist mechanism with a hydraulic hoisting system was completed in April 2020 through Precision Infratech Ltd at a cost of Nu. 144.880 million with support from HRDC.

### ROV Inspection of Water Conducting System

The ROV inspection of Chhukha's water conductor system is being taken up together with the ROV inspection of the Tala's water conducting system.



*Chhukha Hydropower Plant*



## KURICHHU HYDROPOWER PLANT

### Implementation of SCADA System

The implementation of the Supervisory, Control, and Data Acquisition (SCADA) system for all four generating units of the Kurichhu hydropower plant was completed during 2020. BHUTAN AUTOMATION undertook the SCADA works at a cost of Nu. 156.940 million. The first SCADA unit for Kurichhu's generating unit II) was commissioned and inaugurated on January 27, 2020.

The SCADA system, which will be rolled out to other DGPC hydropower plants, will enable remote and centralised operation, control, monitoring and acquisition of data for power plant machinery, auxiliary systems and other associated equipment to enhance the operational effectiveness and efficiency.

### Overhauling of Generating Unit III

Kurichhu's generating unit III was the first unit to be commissioned in April 2001. However, it failed to operate in Kaplan mode since July 2009. On referring the problem to BHEL, it was suggested that the failure could be due to an oil leakage within the runner blade operating mechanism. BHEL had recommended for a complete overhauling of the runner and runner servo-motor, which necessitated the complete overhauling of turbine-generator to take out the runner. The overhauling and rectification of the oil leak problem of the unit was completed under BHEL supervision in March 2020 at a cost of Nu. 26.650 million.

### Repair of Dam Spillway Glacis and Stilling Basin

The dam spillway glacis and stilling basin had sustained extensive damages during the 2004 Tsatichhu lake outburst when a very high flood discharge of 7,000 m<sup>3</sup>/sec was recorded. The repair of the spillway glacis and stilling basin could not be put off any further and the work was awarded to Jaiprakash Associates Ltd (JAL) in September 2019 at the contract value of Nu. 270 million. The actual work at site could be started only from November 2020 due to the Covid-19 situation and the need to schedule completion with the river discharges. On dewatering the stilling basin area, the damages to the underwater components of dam spillway glacis structures and the erosion in the stilling basin were found to be much more than what had been estimated through the investigations. This necessitated a major review in terms of some of the design and engineering aspects and the associated costs for the repair works. A Technical Review Committee was constituted to review the design and engineering requirements and



Repair of stilling basin

*Kurichhu Hydropower Plant*



international experts were consulted. In view of the quantity variations due to excessive damages in the spillway glacis and stilling basin, an additional cost of Nu. 304.988 million will be required to complete the repair works. The work is expected to be completed within 2021.

## BASOCHHU HYDROPOWER PLANT

### Restoration of Upper Stage Unit II

The Basochhu hydropower plant's Upper Stage unit II experienced a rotor earth fault in December 2019 as a result of a flashover of the direct current (DC) bar inside the shaft. The work for restoration of the unit was awarded to GE Power. Due to the Covid-19 situation, the DC lead assembly could not be supplied on time. To avoid generation

*Annual Maintenance Unit - II, Lower Stage*



*Basochhu Hydropower Plant - Upper Stage*



## OTHER PRINCIPLE ACTIVITIES

### DRUK GREEN CONSULTANCY

Druk Green Consultancy (DGC), through the Projects Department, continued to undertake various levels of studies for new hydropower projects and support the existing power plants in finding solutions to any major technical problems encountered. During the year, the Government also entrusted DGPC to undertake the reconnaissance level studies of three pumped storage projects and the feasibility study for a small hydropower project, which DGC has initiated. Apart from these activities, DGPC has also been spearheading other studies and DPRs as under:

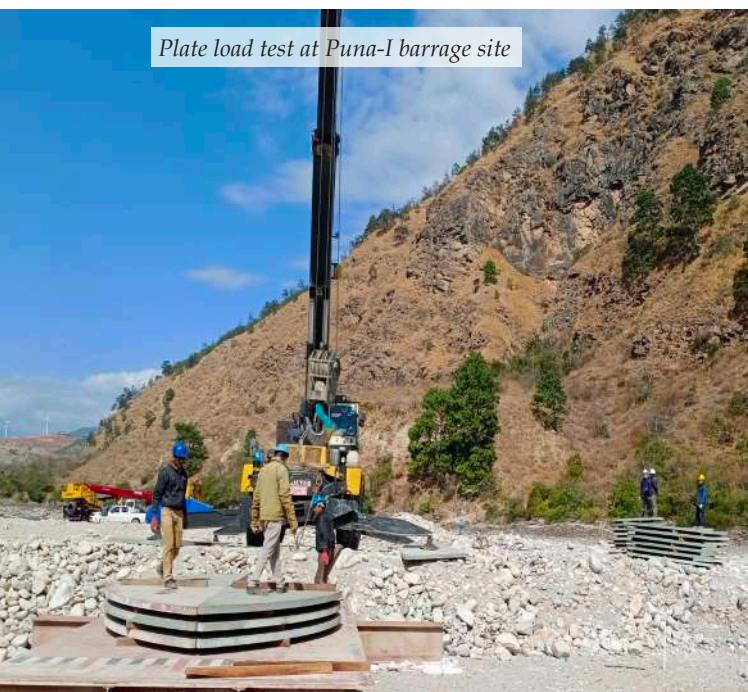
#### **Third Party Independent Review of the Stability of the Punatsangchhu-I Dam**

The Royal Government of Bhutan (RGoB) entrusted DGPC in June 2020 to undertake the third party independent reviews of the long-term stability and safety of the Punatsangchhu-I dam. DGPC retained the services of three independent international consulting groups for undertaking the third party reviews of the Punatsangchhu-I dam starting June 2020. The major findings of the third party reviews with the recommendations on the way forward were submitted to RGoB at the end of December 2020.

#### **Preparation of Detailed Project Report for Barrage/Weir Option for Punatsangchhu-I Project**

In June 2020, RGoB also entrusted DGPC to undertake the preparation of the detailed project report (DPR) for a Barrage/Weir for the Punatsangchhu-I project as an option in the event the construction of dam at its current location was determined to be not feasible. DGPC immediately initiated the DPR. The topographical survey of the project area has been completed. The geological and geotechnical investigations are nearing completion. The in-situ tests such as plate load tests were taken up by the National Institute of Rock Mechanics (NIRM) while the geophysical investigations (comprising seismic refraction, electrical resistivity, MASW and cross-hole tomography) were taken up by Parsan Overseas (P) Ltd.

The detailed engineering design for the DPR is being taken up by Stucky Ltd of Switzerland. Despite the Covid-19 situation, the experts from Stucky Ltd were able to visit the project site in Bubble mode from November 2 to 15, 2020. The Inception Report, which was submitted in December 2020, confirmed the technical feasibility of a barrage option for the Punatsangchhu-I project. The final DPR is expected to be submitted by June 2021.



*Plate load test at Puna-I barrage site*



*In-situ test at Nyera Amari powerhouse drift*



## HYDROPOWER RESEARCH AND DEVELOPMENT CENTRE (HRDC)

Hydropower Research and Development Centre (HRDC) was established in January 2018 in response to the increasing need to build in-house competencies and expertise within DGPC and the hydropower sector in Bhutan. The centre is aimed at creating a world class facility and develop a pool of expertise to help facilitate development of various standards, foster applied research and provide specialised services in core technical areas, and to help the hydropower sector keep abreast with the evolving technologies and changing environment.

Besides building in-house competencies, undertaking applied research and providing technical backstopping, HRDC generated a revenue of Nu. 24.28 million in 2020 through various specialised services that were provided to the hydropower plants and projects under construction including the Punatsangchhu-II project where HRDC is providing support services in instrumentation. HRDC has expanded to also provide its specialised services to other clients within Bhutan while continuing to explore possibilities to provide their services outside of Bhutan.

## HUMAN RESOURCE - CAPACITY BUILDING AND SUPPORT

The Covid-19 pandemic compelled DGPC to become flexible and dynamic with its work environment and in implementing its plans and programs for capacity building of its human resources. The emphasis in capacity building shifted to in-house reskilling and upskilling of its employees while ensuring strict compliance to the Covid-19 protocols for the safety of its employees and those that they came in contact with. Much time was also spent on rationalising the human resource development activities and a decision was taken during the year to initiate DGPC's own Hydropower Training Centre at Tala.

DGPC supported and provided opportunities to a number of its employees to pursue higher studies in emerging and relevant fields through internal resources as well through support of the Austrian Development Agency. However, the candidates were not able to proceed for the programs due to the Covid-19 situation.

Under the new normal environment, many employees started to work online and from home through use of virtual media. However, at the hydropower plants, critical O&M employees had to be kept in facility quarantines to ensure the availability of a critical mass for operating the power plants in case of a Covid-19 outbreak in the plants. DGPC further continued to support its subsidiary companies, especially the Nikachhu and Kholongchhu projects, by making key personnel with expertise and experience available at the critical junctures of the project implementation.



*Training on seven habits of highly effective people*

DGPC ended the year with 1,658 employees, of which 182 were on deputation to its subsidiary companies and hydropower projects under construction.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR) IN TIMES OF COVID-19 PANDEMIC**

There has been immense uncertainty with the global outbreak of Covid-19 impacting lives and economies across the world. With the detection of the first Covid-19 case in Bhutan in March 2020, Bhutan is no exception. DGPC took every necessary measure to limit the impact of the pandemic on its employees and businesses, and ensured strict compliance to all protocols. To ensure business continuity in the light of rapidly evolving Covid-19 pandemic, and in consultation and in keeping with the directives of DHI, the Shareholder, the company introduced timely and essential measures, and ensure the safety and wellbeing of all employees with measures as under:

### **Standard Operating Procedure (SOP) for Business Continuity Plan**

Under the SOP, of critical importance was the provision to maintain emergency O&M teams in isolation at each of the power plants so that the operation of the power plants would not be disrupted in case of an outbreak of Covid-19 in the community, which is being continued.

### **Work from Home Guideline**

This ensured that that there was no disruption to business under the new norm of working from home while ensuring safety of its employees.

### **Guideline for the Mental Well-Being**

The plants and various units under DGPC were sensitised on the possibilities of cases of mental well-being issues that could emerge under the conditions of the strict pandemic lock down protocols and how to deal with such cases.

In line with the National Preparedness and Response Plan (NPRP), a core team was trained and equipped at each of the hydropower plants to disinfect and de-contaminate the critical workplaces like the control room, machine hall, workshops, and switchyards, with the responsibility to also support DGPC's subsidiary companies and projects as and when required.



As part of its Corporate Social Responsibility (CSR) in response to the Covid-19 pandemic, a contribution of Nu. 550 million was made to DHI's efforts to provide support to the COVID-19 Relief Fund. DGPC also donated an incinerator valued at Nu. 2.42 million to the Ministry of Health to be used for incinerating Covid-19 related waste from the hospitals.

It is also noteworthy that, as an institutional partner of Women in Power Sector Professional Network in South Asia (WePOWER), DGPC nominated five female employees as counsellors to raise awareness on workplace and sexual harassment and promote safe working environment. DGPC further supported outreach programs through the WePOWER initiative for creating awareness on business operations of DGPC, sensitising on career opportunities and promoting normative change regarding women in Science, Technology, Engineering and Mathematics (STEM) at the nearby schools in the vicinity of the power plants.

## CORPORATE GOVERNANCE

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

The Board sub-committees, such as the Board Audit Committee, the Board HR Committee, the Board Level Tender Committee, and the Nomination and Governance Committees met as and when required to provide support to the company, its subsidiaries and the Board on various issues.

Through these interventions, DGPC managed/continued to provide uninterrupted services with adequate reserves of essential spares and commodities in its power plants to ensure uninterrupted generation of electricity. Despite the pandemic situation, employees of DGPC carried out their responsibilities with dedication, determination and perseverance, and managed to maintain the same levels of service delivery. The company has and continues to observe all government advisories and guidelines diligently in the fight to contain the spread of the Covid-19 pandemic.



## SUBSIDIARY COMPANIES

### DAGACHHU HYDRO POWER CORPORATION LIMITED



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



### TANGSIBJI HYDRO ENERGY LIMITED



Installed capacity: 2 x 59 MW  
Design energy: 419.52 MU  
Project 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 manufacturing 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%)



### 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 & ENGINEERING LIMITED



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%)



*Field visit to Singye Dzong*



## DAGACHHU HYDRO POWER CORPORATION LIMITED (DHPC)

In 2020, the Dagachhu hydropower plant achieved its highest generation at 518 MU since its commissioning due to the good hydrological discharges. DHPC therefore had its highest revenue earnings of Nu. 1,599.952 million during the year with additional revenues of Nu. 181.216 million from the upside benefit sharing from export of energy in keeping with the provision of the power purchase agreement (PPA) with Tata Power Trading Company Limited (TPTCL). The company also earned a record comprehensive income of Nu. 260.034 million despite a foreign exchange loss of Nu. 280.101 million. However, no declaration of dividend was considered due to the accumulated erosion in equity of Nu. 335 million over the years.

With the surplus cashflow, DHPC liquidated the balance NPPF loan of Nu. 229.331 million during the year. In keeping with an earlier understanding reached with ADB, a Foreign Exchange Fluctuation Reserve Fund is being created to safeguard the company from the huge foreign exchange losses that it has been experiencing over the years. A system has also been put in place for improved management of cashflows.

The seven-year crediting period of the Clean Mechanism Development (CDM) ends in 2021 and DHPC is considering to renew it to keep the CDM status active. The company received ISO Certification for ISO 9001:2015 Quality Management System Standard and ISO 45001:2018 Occupational Health and Safety System Standard. As the only power plant that comes under the Indian DSM regime, DHPC continues to closely monitor the implementation of India's Cross Border Trade Electricity Regulations and their likely impact on Dagachhu. With the support of TPTCL, the off-taker for Dagachhu power, the energy transactions with India has not faced too many problems thus far.

During the year, the company explored options to outsource its O&M business to DGPC so as to help improve efficiency of O&M business and optimise O&M costs without affecting the intended business. It is also viewed as an opportunity for employees' career progression under DGPC.

*Preventive maintenance of generator*



*Dagachhu Hydropower Plant*



## BHUTAN HYDROPOWER SERVICES LIMITED (BHSL)

For the year 2020, BHSL earned a revenue of Nu. 180.112 million but suffered losses of Nu. 53.019 million mainly on account of depreciation and financing costs despite an interest waiver of Nu. 30.186 million that the company benefitted from the Government support to the Covid-19 induced economic downturn. With the losses, the total fixed asset of the company reduced to Nu. 789.843 million at the end of 2020 as compared to Nu. 840.873 million at the end of 2019. Further to tide over cashflow problems, DGPC facilitated an Inter Corporate Loan of Nu. 30 million to BHSL.

Despite the Covid-19 situation and the financial difficulties, BHSL continued to work with DGPC and other industries to increase its workload. BHSL managed to secure Nu. 12.047 million worth of work orders from other industries in Bhutan. A significant achievement during the year was the successful completion of the manufacture of the first Pelton runner for the Basochhu hydropower plant. Based on this momentous achievement, DGPC awarded the “design, manufacture and supply of two fully forged Pelton runners for 173.5 MW generating units of Tala hydropower plant” to BHSL at a contract price of Nu. 162.9 million in June 2020. The discs for the runners were sourced from Italy. The delivery of the first runner is expected in December 2021, while the second runner will be delivered by mid-2022. BHSL is also exploring other opportunities to expand its manufacturing capabilities to service the existing brownfield power plants as well as the upcoming greenfield hydroelectric projects.

BHSL continues to focus on the development of the skills of its employees to enable them to handle highly specialised work orders like the manufacture of Pelton runners. In this, as and when required, GE Power continues to provide technical backstopping. During the year, BHSL also fulfilled all the standards and audit criteria for ISO certification and was certified for ISO 9001:2015 Quality Management System Standard. BHSL is looking to automate some of its processes to enable mass customisation, flexible manufacturing, just in time manufacturing and lean manufacturing to improve quality and ensure competitive pricing for its services.

The continued losses with the erosion of equity remains a major concern for BHSL. The two shareholders, DGPC and GE Renewable Holdings, are in discussions for restructuring the company so that it can be turned around.





*Manufacturing of BHP pelton runner at BHSL*



## TANGSIBJI HYDRO ENERGY LIMITED (THyE)

As of December 31, 2020, the Shareholder has injected equity of Nu. 4,247.087 million into the company, of which Nu. 1,652.428 million was injected by DGPC from its own sources with the balance Nu. 2,594.659 million received from ADB. In respect of debt financing, Nu. 2,605.274 million has been received through ADB-OCR loan instrument while the ICB loan releases reached Nu. 2,845.670 million. The expenditure incurred in the implementation of project was Nu. 7,745.193 million as of December 31, 2020.

The overall progress of the project (MP-1, MP-2 and Transmission Line) as of December 31, 2020 stand at 64%. The progress of the project has been severely hampered by the Covid-19 pandemic and the continued adverse geological conditions encountered in the excavation of Main Feeder Tunnel, Head Race Tunnel (HRT) Face 1, Face 6 and Face 7 (with heavy water ingress), and the inclined pressure shaft.

A major challenge faced during the year was the impact of the Covid-19 pandemic on the manpower availability due to restrictions put in place on import of foreign workers thus creating a huge shortage of manpower at site. Considering the uncertainties and impacts on the project schedules, THyE implemented a number of measures for engaging Bhutanese workers in consultation with the MP-1 Civil Package contractor, Hindustan Construction Company. These measures are expected to not only provide employment opportunities to Bhutanese workers but could also help build capacity amongst the Bhutanese to take up similar hydropower construction works in future. In order to maintain the continuity of works, the THyE management and employees also mobilised themselves to work at a number of the critical work fronts.

Considering the myriad of challenges, the project is continuing to explore and implement acceleration measures in keeping its timeline to complete by 2022.

*Erection of steel liner for the THPT & steel lining of HRT*



*Reinforcement binding works for TG floor overlooking service bay*



## KHOLONGCHHU HYDRO ENERGY LIMITED (KHEL)

During the year, the two Shareholders (DGPC and SJVNL) pursued with their respective governments to reach an understanding for determining the tariff for the sale of Kholongchhu power to India at the time of commissioning of the project in keeping with the precedence of the IG projects. Based on the understanding that was finally reached, the company accomplished a major breakthrough and concluded the Concession Agreement with RGoB in June 2020. The delays with the signing of the Concession Agreement had been a major impediment in taking forward the main activities of the project.

The Shareholders injected Nu. 516.54 million as equity during 2020 taking the cumulative fund injection by the Shareholders to Nu. 3,642.09 million as of December 31, 2020. The accumulated expenditures till the end of 2020 was Nu. 2,766.15 million. In October 2020, KHEL re-invited the Expression of Interest for Debt financing for the project from Bhutanese and Indian banks and financial institutions. Given the offers received from a number of the banks and financial institutions, KHEL has continued to pursue with SJVNL to expeditiously reach the financial closure for the project.

The bids for the main civil works were opened in February 2020. Four bids each had been received for contract packages KC-1 pertaining to the construction of dam complex and contract package KC-3 for powerhouse complex. Only one bid (a JV of a Bhutanese firm with an Indian firm) was received for the contract package KC-2 for the construction of head race tunnel. The bids evaluation reports were reviewed and the recommendations for the award of civil work contract were accordingly considered by the Board. It is expected that the work orders from the three main civil packages will be placed on the successful bidders within the first quarter of 2021.

*KHEL Colony under construction*



## **BHUTAN AUTOMATION & ENGINEERING LIMITED (BHUTAN AUTOMATION)**

During the year, BHUTAN AUTOMATION earned an income of Nu. 180.9 million and made a profit after tax of Nu. 20.9 million. The increase in revenue was mainly on the account of progress made in the ongoing automation projects that the company is working on.

Despite the setbacks in the execution of the projects as a result of the Covid-19 pandemic, the company made satisfactory overall progress through the steadfast efforts of its employees and continued support from the concerned agencies. Some of the more significant milestones achieved during the year were the completion of the implementation of the SCADA project for the Kurichhu hydropower plant and successful retrofitting of the generator protection relays at the Upper and Lower stages of Basochhu hydropower plant. BHUTAN AUTOMATION continues to work closely with DGPC for the projected SCADA work orders for Chhukha and Tala hydropower plants.

Apart from the automation projects with the hydropower plants and hydroelectric projects, BHUTAN AUTOMATION also received a work order from BPC for the implementation of SCADA systems at four of their substations through competitive bidding with other OEMs in the region, and the company intends to further expand its services in substation SCADA. The company continued to closely co-ordinate with Punatsangchhu-II in the implementation of their Computerised Control System (CCS) and Protection System. A lot of progress was also made towards reaching an understanding on the work order for the Punatsangchhu-I's CCS.

The other significant achievements beyond the core business were the completion of the facility construction and award of ISO certification.



## KEY CHALLENGES

The immediate and long term key challenges ahead of DGPC and the hydropower sector are as under:

- The Covid-19 pandemic situation has had significant impacts, especially on projects under construction. The disruptions in the manufacture/ delivery of plant/ equipment and in the smooth flow of workers and construction materials stemming from the Covid-19 restrictions have resulted in poor productivity levels and will eventually delay the completion of the projects despite best efforts being made giving rise to cost and time overruns and affecting the down the line power sales arrangements.
- The operation and maintenance of power plants are dependent on technology, automation, availability of O&M expertise, and timely support of the OEM where required. The need for regular/ annual overhauling of generating units are taxing on the machines as well as on the O&M crews. With aging, the frequency of breakdowns also are increasing and becoming more complex to handle. There will be therefore increased demand for investments in building human capacity with the required skills sets. Substantial financial resources will also be required either to restore, renovate and modernise the power plants to extend the life of the existing generating equipment or to completely replace them with new generating units. In making these investment decisions, the tariffs will need to remain competitive in the emerging energy market.
- The generation and therefore revenues are highly dependent on hydrological flows. It is difficult to understand and predict long-term behaviour of hydrological discharge regimes with climate change and global warming knocking at the doorsteps. The impending policy on environment flows will adversely affect the viability and profitability of the power plants. This and other policy interventions, if any, will require careful consideration of the Government as these could make present and future investments in hydropower unviable.
- The Cross-Border Import/Export of Electricity (CBIEE) Guidelines in 2018 could adversely impact the future sustainability of Bhutan's hydropower without the appropriate environment created for energy transactions at the bilateral and sub-regional/ regional levels. While trying to work within the Guidelines, it would also be important for Bhutan to find alternative markets for its hydropower including diversification in energy utilisation within Bhutan itself. The huge variation in energy generation needs to be appropriately dealt with, especially with the projected deficit in firm power supply during the lean winter months as demand in Bhutan continues to grow.
- With the uncertainties surrounding the overall plans for hydropower development, especially with the delays in the projects under the 10,000 MW by 2020 initiative, planning for development and capacity building in human resources are becoming elusive. This could ultimately affect implementation of HR strategies with expected shortages and excesses in the availability of requisite manpower that could turn out to be costly to the sector. There is a slowdown in new recruitments at the moment considering the uncertainties and that has the risk of a human resources vacuum in the near future.
- The subsidiary companies of DGPC continue to face problems - technical as well as financial but sometimes in the management also. These companies will need continuous monitoring and support including closer engagement and control.

## STATUTORY AUDIT REPORT

As per the requirement of the Companies Act of Bhutan 2016, Rinzing Financial Group and Jigmi Audit & Financials Pvt. Ltd., Thimphu were appointed as the joint statutory auditors for DGPC for 2020 by the Royal Audit Authority. Accordingly, Rinzing Financial Group and Jigmi Audit & Financials Pvt. Ltd. undertook the Statutory Audit of the accounts of DGPC for 2020 through virtual mode from January 6, 2021, and conducted the onsite audits from

February 4 till March 3, 2021, covering all the hydropower plants and corporate office, including the PLIS audit and finalisation of Group accounts in addition to standalone accounts.

The 2020 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 March 3, 2021.

### AUDITORS' REPORT

There are no Qualifications to the Auditors' Reports for 2020. There are no observations or recommendations in the Annexure to the Auditors' Report for 2020. The Auditors have pointed out a few issues in the Management Report. These are being addressed by the management.

### DISCLOSURE OF COMPENSATIONS TO THE BOARD OF DIRECTORS AND MANAGING DIRECTOR

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

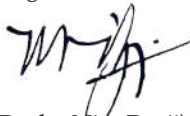
Compensations	2020	2019
Board of Directors (excluding sitting fees for the Managing Director) (Nu.)	735,000.00	960,000.00
Managing Director (pay, allowances, sitting fees, travel and other benefits) (Nu.)	4,649,916.70	5,131,628.25

### ACKNOWLEDGEMENT

The Board of DGPC would like to acknowledge the support of RGoB, DHI, Ministry of Economic Affairs, Ministry of Finance, Bhutan Electricity Authority, National Environment Commission, BPC and other stakeholders in Bhutan in helping DGPC fulfil its many mandates. The Board would especially like to acknowledge the support provided by RGoB and the national/regional/dzongkhag Covid-19 task forces in accommodating the numerous requests of the hydropower plants and projects for movement of workers, plant and equipment, and construction materials, and also for enabling bubble missions for critical works despite the extreme difficulties faced by the whole country. The continuous support rendered by the task forces ensured the uninterrupted supply of electricity and the delivery of its essential services. The Board would also like to acknowledge the support of the Government of India and its agencies in taking forward the Kholongchhu project and the other initiatives of DGPC, and for the support to the hydropower sector as a whole.

The Board would also like to thank the managing director, management team and employees for their dedicated work and contributions towards the excellent performance of the company despite the Covid-19 pandemic conditions. 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.

Tashi Delek  
For and on behalf of the Board,



(Dasho Nim Dorji)  
Chairperson

# BOARD DIRECTORS



Nim Dorji  
Secretary, MoF

**Position:** Non-Independent and Non-Executive

**Board Subcommittee:** BLTC and BAC

**Date of Appointment:** July 29, 2014 (2<sup>nd</sup> EGM)

**Date of Re-appointment:** June 21, 2018 (3<sup>rd</sup> EGM)

**DHI Companies:** DGPC, DHI

**Other Companies/Boards:** RMA, Bhutan Duty Free, Bhutan Lottery, JSW School of Law, Bhutan Health Trust Fund, JDWNRH.

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. He has a Bachelor of Commerce (Honours) from the University of Delhi, India and a Master of Business Administration from the University of Canberra, ACT, Australia.



Karma Tshering  
Secretary, MoEA

**Position:** Non-independent and Non-executive

**Date of appointment:** November 10, 2020

**Board Subcommittee:** Chairperson (BLTC & BAC)

**Other Companies:** KHEL & Kuensel Corporation Limited

Karma Tshering currently serves as the Secretary of Ministry of Economic Affairs. Prior to his current appointment, he last served as one of the Eminent Members of the National Council, Parliament of Bhutan, from December 7, 2015 until March 10, 2020.

Karma Tshering has worked with the Royal Government of Bhutan for more than 25 years. He worked in various capacities as an Engineer, Planner, Policy Maker, Electricity Regulator, an Administrator and as a Member of Parliament. He has a Master in Electric Power Engineering from the University of New South Wales, Australia and Bachelor in Electrical Engineering from the University of Rajasthan in India. He also has a Certificate in Management Course from Asian Institute of Management in Philippines. Among many professional courses, he participated in the training courses on Utility Regulation and Strategy at University of Florida in USA and Management of Hydropower Development in Sweden and South Africa.



**Position:** Non-Independent and Executive

**Board Subcommittee:** BLTC and BHRC

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

Dasho Chhewang Rinzin is currently the Managing Director Druk Green Power Corporation Limited, the public sector generation utility of Bhutan, 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). He has a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA,



Dasho Chhewang Rinzin  
Managing Director, DGPC



**Position:** Independent and Non-Executive

**Date of Appointment:** March 23, 2020 (13<sup>th</sup> AGM)

**DHI Companies:** DGPC, DHI

**Other Companies:** RSPCA, FCB

Kinga Tshering currently heads TVET Reforms Project with the Prime Minister's Office. Before that, he was a member of Parliament in Bhutan. Kinga Tshering was a politician and a legislator. He served as a corporate executive in Bhutan Power Corporation Limited, Bhutan Electricity Authority, Druk Holding and Investments Limited, and Bank of Bhutan Limited.

He is currently on the board of DHI and leading the National Task Force for development of Bhutan's Economic Road Map for the 21st century. He has a Master in Public Administration from the John F. Kennedy School of Government at Harvard University, USA. He also has a Master in Dispute Resolution and a Master in Business Administration from the Pepperdine University, USA, a Master of Divinity program from the Harvard Divinity School, USA, and a degree in engineering from the University of Kansas, USA.



Kinga Tshering  
Chief Executive Officer, TVET



Dasho Lobzang Dorji  
Dzongdag, Sarpang Dzongkhag

**Position:** Independent and Non-Executive  
**Date of Appointment:** March 23, 2020 (13<sup>th</sup> AGM)  
**DHI Companies:** DGPC, DHI

Lobzang Dorji currently serves as the Dzongdag, Zhemgang Dzongkhag Administration. Before that, he served as the Director, Cabinet Secretariat. Over the last 23 years of service, Lobzang Dorji has also served in various capacities in the Ministry of Health, National Assembly Secretariat and the Royal Audit Authority as Chief Administration Officer, Human Resource Officer and Sr. Audit Officer. He has a Master Degree in Public Administration from the Edith Cowan University.



Tashi Lhamo  
Director (Finance), DHI

**Position:** Non-independent and Non-Executive  
**Date of Appointment:** March 13, 2017 (10<sup>th</sup> AGM)  
**Date of re-appointment:** March 13, 2019 (12<sup>th</sup> AGM)  
**DHI Companies:** DGPC, BOB

Tashi Lhamo currently is Director, Department of Finance, Druk Holding and Investments. Before that, she served as the Director for Revolving Fund Management and Operations under Business Opportunity and Information Center. With 16 years of experience in banking and finance, Tashi Lhamo has worked for Bhutan National Bank for seven years.

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. She has 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.



Tandin Tshering  
Director General, DCSI, MoEA

**Position:** Non-independent and Non-Executive  
**Date of Appointment:** March 23, 2020 (13<sup>th</sup> AGM)  
**DHI Companies:** DGPC

Tandin Tshering currently serves as the Director General, Department of Cottage & Small Industry, Ministry of Economic Affairs. Before that, he served as the Director, Department of Industry, Ministry of Economic Affairs.

With over two and half decades of experience in trade and industries promotion, Tandin Tshering also served as a board director in various Government Institutions, State Owned Enterprise and public companies such as Druk PNB Bank Limited, State Trading Corporation of Bhutan Limited, Woodcraft Centre Limited, Tertiary Education Board and Royal Institute of Management. He is currently on the Board of Agency for Promotion of Indigenous Arts & Craft and Farm Machinery Corporation Limited. He has a Masters Degree in Business Management.

*Annual Maintenance Unit - II, Lower Stage, BHP*



## CORPORATE GOVERNANCE REPORT

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

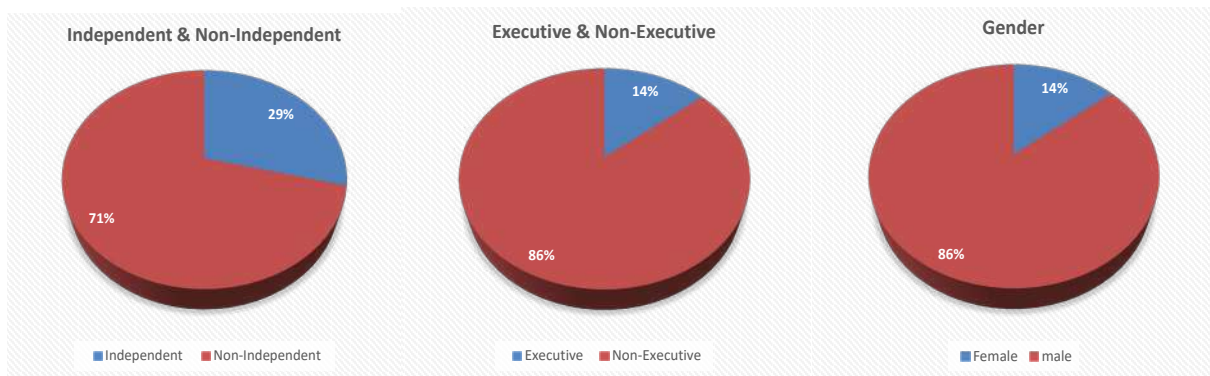
DGPC has complied with the principles of DHI's CG Codes and conformed to the Companies Act of Bhutan 2016, and all other statutory requirements governing its mandates. The Corporate Governance Framework is as below:

### BOARD COMPOSITION

The Board of DGPC comprises of seven directors. The 13<sup>th</sup> Annual General Meeting (AGM) held on March 23, 2020, confirmed the retirement Mr. Karma Wangdi, Mr. Tenzin Chopel and Ms. Tashi Pem and appointed Mr. Kinga Tshering, Mr. Tandin Tshering and Dasho Lobzang Dorji on the Board of DGPC. The AGM also confirmed the reappointment of Nim Dorji.

*\* Dasho Karma Tshering was appointed during the 96<sup>th</sup> Board Meeting held on December 15, 2020 in place of Dasho Sonam Topgay. The Meeting also appointed Dasho Nim Dorji as the Chairperson DGPC Board.*

Pursuant to Section 134 of the Companies Act, a Board of a public company shall consist of at least one-third of independent directors. As of December 2020, 57% of the Board of Directors comprises of directors who satisfy this requirement. As part of good corporate governance practice, more women are getting appointed on its Board and on the Boards of its subsidiary companies.



### BOARD MEETINGS

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

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

### 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 Shareholders exercises its rights over the Company.

**Meetings attended/held:**

Name of Director	BM	BAC	BHRC	BLTC	AGM
Dasho Sonam Topgay (Chairperson)	5/7				0/1
Dasho Nim Dorji	6/7	3/3		8/8	1/1
Mr. Tenzin Chophel	2/2			2/2	0/1
Mr. Karma Wangdi	2/2	1/1			0/1
Ms. Tashi Pem	2/2	0/1			0/1
Ms. Tashi Lhamo	6/7	3/3	3/3	8/8	1/1
Dasho Lobzang Dorji	4/5				0/0
Mr. Kinga Tshering	5/5	1/2	3/3	6/8	0/0
Mr. Tandin Tshering	5/5	2/2	3/3		0/0
Dasho Karma Tshering	1/1				0/0
Dasho Chhewang Rinzin	7/7		3/3	8/8	1/1

**Abbreviation**

- BM Board Meeting
- AGM Annual General Meeting
- BHRC Board HR Committee
- BLTC Board Level Tender Committee
- BAC Board Audit Committee

**BUSINESS CODE OF CONDUCT**

The DGPC Business Code of Conduct 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 employees. The code is intended to be the central guide and reference for employees to support day-to-day decision making, and to encourage discussions of ethics and compliance, thus, empowering employees to handle ethical dilemmas they encounter in the work place. The code also serves as a valuable reference for 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 & regulations including contravention in respect of the Business Code of Conduct.

**RISK MANAGEMENT SYSTEMS**

As part of good corporate governance, the DGPC Risk Management Manual provides for a framework for the management of the company’s 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 and implemented. 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, and 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

Dasho Chhewang Rinzin is currently the Managing Director, Druk Green Power Corporation Limited, the public sector generation utility of Bhutan, 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. He has a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.



Dorji Pavo Phuntshok  
Director, Projects Department

Dorji Pavo Phuntshok served as the Director, Projects Department, Druk Green Power Corporation Limited since 2009 until October 2020. 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. He has a Bachelor in Electrical Engineering and a Master in Electrical Engineering from Drexel University, USA.



Dorji Tenzin Phuntshok  
Director, HR&AD

Dorji Tenzin Phuntshok served as the Director, Human Resource and Administration Department, Druk Green Power Corporation Limited since 2008 until June 2020. Before that, he headed the Human Resource and Administration Division of Chhukha Hydropower Corporation Limited. He has a Bachelor of Arts from Sherubse College, Kanglung, Bhutan (affiliated to the University of Delhi, India), and a Master in Business Administration from the Asian Institute of Technology, Bangkok, Thailand.

Dechen Wangmo is currently the Director, Corporate Affairs Department of Druk Green Power Corporation Limited since 2018. She has served in DGPC since 2008 in various capacities in the corporate strategy and business development and as company secretary. She has 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  
Director, CAD

Yeshi Tenzin is currently the Director, Operations and Maintenance Department, Druk Green Power Corporation Limited since 2020. Between April 2018 to June 2020, he was deputed to Mangdechhu Hydroelectric Project Authority as the Chief Engineer from DGPC to assist the project authority in the erection, testing and commissioning of the project, and setting up the project's operations and maintenance team. He has served in DGPC since 2008 in various capacities as Heads of Plants of the Tala, Chhukha and Kurichhu Hydropower Plants. With a Bachelor in Mechanical Engineering from the Delhi College of Engineering, Delhi University, New Delhi, India and Master of Science in Mechanical Engineering from the University of Texas at El Paso, USA.



Yeshi Tenzin  
Director, O&MD

Sonam Wangdi is currently the Director, Contracts and Procurement Department, Druk Green Power Corporation Limited since 2018. Before that, he served as the Chief Engineer for Kholongchhu Hydro Energy Limited, a joint venture company set up for the execution of the 600 MW Kholongchhu hydropower project. He has a Bachelor in Civil Engineering from Visvesvaraya Regional College of Engineering, Nagpur, India and a Master in Hydropower Development from the Norwegian Institute of Science and Technology, Norway.



Sonam Wangdi  
Director, CPD

Ugyen Wangchuk is currently the interim Director, Finance and Investment Department, Druk Green Power Corporation Limited since 2018. He concurrently heads the Commercial and Regulatory Affairs Division. Before that, he served as the Chief Financial Officer for Dagachhu Hydropower Corporation Limited and served in the Chhukha Hydropower Plant. He has a Bachelor of Commerce from the University of North Bengal, India and Post Graduate Certificate in Financial Management from the Royal Institute of Management, Bhutan.



Ugyen Wangchuk  
Interim Director, FID

## HEAD OF PLANTS



Kencho Gyeltshen  
Associate Director, THP

Kencho Gyeltshen is currently the Head of Tala Hydropower Plant, Druk Green Power Corporation Limited. Before that, he headed Chhukha Hydropower Plant. He has a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of New Brunswick, Canada.



Zangpo  
Chief Engineer, KHP

Zangpo is currently the Head of Kurichhu Hydropower Plant, Druk Green Power Corporation Limited. Before that, he headed the maintenance division at Chhukha Hydropower Plant, and the operation and maintenance division at Kurichhu Hydropower Plant. He has a Bachelor degree from the University of Rajasthan and a Master in Electrical Engineering from the University of New Brunswick, Canada.



Dorji Namgyel  
Chief Engineer, CHP

Dorji Namgyel is currently the Head of Chhukha Hydropower Plant, Druk Green Power Corporation Limited. Before that, he headed the maintenance division at Kurichhu Hydropower Plant. He has a Bachelor in Electrical Engineer from the University of Rajasthan, India and a Master in Electrical Engineering from the University of New Brunswick, Canada.



Dechen Dorji  
Interim Head, BHP





Dechen Dorji is currently the Interim Head of Basochhu Hydropower Plant, Druk Green Power Corporation Limited. He concurrently heads the operation and maintenance division at BHP. He has a Bachelor degree from the Osmania University, India and a Master in Electrical Engineering from the Curtin University, Australia.



*Unit - III maintenance, KHP*



# AUDIT REPORT ON THE FINANCIAL STATEMENTS

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## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF DRUK GREEN POWER CORPORATION LIMITED (DGPCL)

#### OPINION

We have audited the standalone financial statements of Druk Green Power Corporation Limited (“the Company”), which comprise the Statement of Financial Position as at December 31, 2020, the Statement of Comprehensive Income, the Statement of Cash Flow and the Statement of Changes in Equity for the year then ended, and Notes to the standalone financial statements, including significant accounting policies.

In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 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 the 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 this report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Bhutan and we have fulfilled our other ethical requirements in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

#### 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 for the year ended 31 December 2020. 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 issues to be reported under this Para.

#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE STANDALONE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with 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 standalone 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 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.



## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with ISAs, we have exercised professional judgment and maintained professional skepticism throughout the audit. Our responsibilities are to:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions misrepresentations, or override of internal control;
2. 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 purpose of expressing an opinion on the effectiveness of the Company's internal control;
3. Evaluate the appropriateness of accounting policies used and the reasonableness of Accounting estimates and related disclosures made by management;
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. If we conclude that material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Section 266 of the Companies Act of Bhutan 2016, we enclose the Minimum Audit Examination and Reporting Requirements as Appendix I with statements on the matters specified therein to the extent applicable.

Further, as required under Section 265 of the Companies Act of Bhutan 2016, we report that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit
- In our opinion, proper books of account as required by law have been kept by the Company insofar as it appears from our examination of those books;
- The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and
- Based on the information, explanations and management representations received during the course of our audit, the Company has complied with other legal and regulatory requirements to the extent applicable to the company.

**For JIGMI Audit & Financials Private Limited**



**Jigmi Rinzin, FCCA**  
Partner  
FCCA License No. 0283308

**For Rinzing Financial Private Limited**



**Tashi Rinzing Schmidt**  
Partner  
CPA License No. 34762

Date: **10/05/2021**  
Place: Thimphu, Bhutan

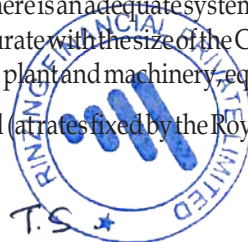
## REPORT ON MINIMUM AUDIT EXAMINATION REQUIREMENTS

As required by Section 266 of the Companies Act of Bhutan, 2016, and on the basis of such checks and test verification of accounts and records as we considered appropriate, and according to the information and explanations given to us, we report, to the extent applicable, that:

1. The company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The Company's Management had conducted physical verification of fixed assets during the year. Discrepancies noted were not material and have been properly dealt with in the books of accounts. Certain items have been identified as unserviceable which were properly disposed of and accounted for in the books of accounts;
2. The company has not revalued any of its fixed assets during the period as the Company follows the cost model for the valuation of its fixed assets;
3. The company has a reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs and heads of accounts, commensurate with the size and nature of its business. Certain instances of 'offline' withdrawal of items without fulfilling the documentation requirements were reported during the year, which were subsequently regularized and updated in the system;
4. Procedures of physical verification of inventories (stores and spares) followed by the management are generally adequate and reasonable in relation to the size of the company and the nature of its business;
5. The company has a procedure to determine unserviceable or damaged stores. Provisions have been made in accounts for loss arising out of obsolescence of such stores and spare parts;
6. Valuation of year-end inventories is appropriate and proper in accordance with the applicable Accounting Standards and is on the same basis as in the earlier years;
7. The Company has not taken any loan or advance during the year 2020 from any corporation/company/firm under the same management;
8. The Company has not granted any unsecured loan to its holding company during the year 2020;
9. The Company has given loans/advances to the following parties during the year for which principal and interest are not due during the year as per terms and condition of the agreement:

An inter-corporate loan of Nu. 300,000,000 (Ngultrum Three Hundred Million) has been provided to State Mining Corporation Ltd. (SMCL), fellow subsidiary, via loan agreement dated November 13, 2020 for the period up to November 12, 2021 at an interest rate of 6.5% per annum.

10. Loans/advances granted to officers/staff are generally in keeping with the provisions of its service rules and no excessive/frequent advances are granted and accumulation of large advances against any particular individual is generally avoided;
11. 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;
12. Considering certain exceptions that some of the items purchased are of special nature for which no suitable alternativesources existforobtainingcomparablequotations,thereisanaadequate systemofobtainingcompetitive biddings/quotations/agreed ratecontracts in place, commensurate with the size of the Company and the nature of its business, for purchase of goods and services including stores, plant and machinery, equipment and other assets;
13. The Company sells its electricity generated to PTC India Limited (at rates fixed by the Royal Government of Bhutan

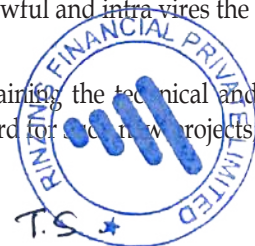
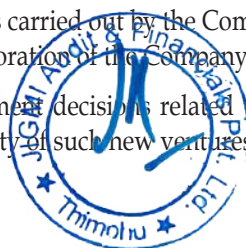


and the Government of India) and to Bhutan Power Corporation Limited (at the rates fixed by relevant authority appointed by the Royal Government of Bhutan). Hence, in view of the above, the issue of competitive bidding for sale of goods and services, in our opinion, is not applicable to the Company. Further, the rates at which the transactions have been entered into for sale of electricity are not prima-facie prejudicial to the interest of the Company;

14. The Company maintains reasonable records for the 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 2020 and Statement of Gross Energy Available for sale/use for the year 2019 have been provided in Exhibit 1, (1A, 1B, 1C, 1D), Exhibit 2, (2A, 2B, 2C, 2D) respectively;
15. As the Company is engaged in the generation of electricity, question of purchasing or selling goods or services or the question of inventory of finished goods or raw materials and ascertaining unserviceable or damaged thereof does not arise. However, there is an adequate system of ascertaining any losses in transmission and distribution of electricity at the point of occurrence, for taking corrective actions;
16. The Company is maintaining reasonable records for sale and disposal of realizable scrap. The Company does not generate any by-products;
17. The Company has been generally regular in depositing rates and taxes, duties, provident fund and other statutory dues with the appropriate authorities. We believe that the provision for corporate tax is adequate;
18. 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 Nu. 1,857.48 million as under:-

Particulars	2020 (Nu. in million)
TDS Payable	0.43
Corporate Income Tax	1,857.05
Total	1,857.48

19. To the best of our knowledge, no personal expenses of employees or directors have been charged to the account other than those payable under contractual obligation/in accordance with generally accepted practice;
20. Transactions, if any, entered into by the Company wherein the directors are directly or indirectly interested are not prejudicial to the interest of the other shareholders and the Company;
21. Quantitative reconciliation is carried out at the end of the accounting year in respect of electricity and shown in Clause W of Note 30 of "Notes to Accounts";
22. Approvals of Board/appropriate authority are generally obtained for writing-off of amounts due to material loss/discrepancies in physical/book balances of inventories (stores and spares);
23. System for follow up with debtors and other parties for recovery of outstanding amounts are reasonable;
24. Management of liquid resources, particularly cash/bank and short-term deposits, etc., is adequate. Management has ensured 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;
25. Business activities carried out by the Company during the year are, in our opinion, lawful and intra vires the Articles of Incorporation of the Company;
26. Activities/investment decisions related to new projects are made only after ascertaining the technical and economic feasibility of such new ventures and upon subsequent approval by the Board for such new projects



27. The Company has a suitable budgetary control system;
28. Since the Company is engaged in the generation of hydroelectricity, no input/output relationship can be established. The Company does not have a system of standard costing but operational variances are analysed at periodic intervals against budgeted norms;
29. The details of remuneration, commission and other payments made in cash or kind to the board of Directors including the Managing Director or any of their relatives by the Company directly or indirectly is disclosed in the Note 31 of Notes to Financial Statements;
30. On the basis of our examination of minutes of the meetings of the Board of Directors, made available to us, directives of the Board appear to have been generally complied with;
31. 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.
32. Adequate documents and records are maintained for loans and advances granted, agreements have been drawn up and timely entries have been made therein;
33. 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;
34. The terms and conditions of leases are reasonable and the proper agreements have been executed with respect to land;
35. During the course of our audit, we have not come across any investments (shares) that would require provision for permanent diminution; and
36. The Company is not covered under Financial Services Act of Bhutan, 2011 and has complied with other applicable laws, rules and regulations and guidelines issued by appropriate Authorities.

## COMPUTERISED ACCOUNTING ENVIRONMENT

1. The Company adopted SAP from June 1, 2011 as their system for accounting, payroll, inventory management, and personnel information/ management. 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. The Company appears to have adequate safeguard measures and backup facilities commensurate with the size and nature of computer installation;
3. Operational controls in the company are generally found to be adequate to ensure correctness and validity of input data and output information;
4. Measures taken by the Company to prevent unauthorized access over the computer installation and files are generally adequate;
5. The Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.





## GENERAL

### 1. Going Concern Problems:

On the basis of the attached Financial Statements as at December 31, 2020 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 Ratio Analysis in respect of the Company are as given under Exhibits-3 and 3A to this report.

### 3. Adherence to Laws, Rules & 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 division annually. As stated to us there were no non-compliance raised by the ISO audit team as of the date of this audit report.

For JIGMI Audit & Financials Private Limited



**Jigmi Rinzin, FCCA**  
Partner  
FCCA License No. 0283308

For Rinzing Financial Private Limited



**Tashi Rinzing Schmidt**  
Partner  
CPA License No. 34762

Date: 10/05/2021  
Place: Thimphu, Bhutan

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020

(Amount in Nu.)

Particulars	Note No.	December 31, 2020	December 31, 2019
<b>ASSETS:</b>			
<b>Non- current assets</b>			
Property, plant & equipment	3	36,615,380,626.46	38,459,519,001.69
Intangible assets	3	28,736,779.98	14,603,793.15
Investment property	4	32,000,000.00	32,000,000.00
Deferred tax asset	5	64,388,719.65	53,336,775.68
Investments in subsidiaries and joint ventures	6	8,787,347,385.44	7,734,733,223.28
Long-term Investments	7a	2,769,370,399.12	1,238,427,753.01
Other assets	7b	1,880,572.38	968,633.68
<b>Total non - current assets</b>		<b>48,299,104,483.03</b>	<b>47,533,589,180.49</b>
<b>Current assets</b>			
Inventories	8	389,388,320.62	482,686,662.92
Short-term Investments	11a	3,395,053,100.34	3,364,527,560.46
Trade and other receivables	11b	3,014,839,387.24	3,203,853,061.48
Prepayments and advances	9	36,081,893.25	183,184,880.44
Cash and cash equivalents	11c	759,358,887.64	432,194,835.78
		<b>7,594,721,589.09</b>	<b>7,666,447,001.08</b>
Assets classified as held for sale	10	134,484,949.28	15,277,498.01
<b>Total current assets</b>		<b>7,729,206,538.37</b>	<b>7,681,724,499.09</b>
<b>Total assets</b>		<b>56,028,311,021.40</b>	<b>55,215,313,679.58</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Equity</b>			
Share capital	12	32,246,108,000.00	32,071,064,000.00
General reserves		9,288,009,960.48	9,474,470,887.42
Retained earnings		5,033,742,204.53	4,922,534,733.49
Accumulated other comprehensive income		154,454,388.70	136,917,454.60
<b>Total shareholders' equity</b>		<b>46,722,314,553.71</b>	<b>46,604,987,075.51</b>
<b>Non- current liabilities</b>			
Long- term Borrowings	7c	5,899,015,821.98	5,471,351,112.77
Employee benefit obligation	13	529,629,710.92	523,514,762.19
<b>Total non-current liabilities</b>		<b>6,428,645,532.90</b>	<b>5,994,865,874.96</b>
<b>Current liabilities</b>			
Trade and other payables	11d	458,072,922.13	570,389,071.52
Other financial liabilities	11e	398,456,850.98	359,322,412.00
Other current liabilities	14	65,293,880.97	45,232,859.96



Current tax liabilities	15	1,857,074,824.57	1,569,075,293.49
Employee benefit obligation	16	98,452,456.14	71,441,092.14
<b>Total current liabilities</b>		<b>2,877,350,934.79</b>	<b>2,615,460,729.12</b>
<b>Total liabilities</b>		<b>9,305,996,467.69</b>	<b>8,610,326,604.07</b>
<b>Total shareholders' equity &amp; liabilities</b>		<b>56,028,311,021.40</b>	<b>55,215,313,679.58</b>

For JIGMI Audit & Financials Private Limited



Jigmi Rinzin, FCCA  
Partner  
FCCA License No. 0283308

For Druk Green Corporation Limited



(Dasho Nim Dorji)  
Chairman, DGPC

For Rinzing Financial Private Limited



Tashi Rinzing Schmidt  
Partner  
CPA License No. 34762



(Dasho Chhewang Rinzin)  
Managing Director

Date: 10/05/2021  
Place: Thimphu, Bhutan



(Ugyen Wangchuk)  
Interim Director, Finance

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

(Amount in Nu.)

Particulars	Note No.	December 31, 2020	December 31, 2019
<b>INCOME</b>			
Electricity revenue	17	12,979,965,237.64	11,646,021,702.50
Interest earned	18	179,772,586.11	129,991,240.20
Other income	19	181,170,311.75	142,659,795.61
		<b>13,340,908,135.50</b>	<b>11,918,672,738.31</b>
<b>EXPENDITURE</b>			
Wheeling charges		1,188,506,525.79	722,714,066.41
Insurance		132,334,949.16	132,514,548.93
Running and maintenance expenses	20	346,789,739.09	365,792,010.92
Employees' remuneration and benefits	21	961,964,889.78	932,361,789.09
Finance cost	22	218,427,833.24	181,071,143.39
Depreciation/amortization	3	2,282,088,744.55	2,245,377,181.34
Other expenses	23	901,131,410.39	285,795,257.45
		<b>6,031,244,092.00</b>	<b>4,865,625,997.53</b>
<b>Operating profit</b>		<b>7,309,664,043.50</b>	<b>7,053,046,740.78</b>
<b>Profit before tax</b>		<b>7,309,664,043.50</b>	<b>7,053,046,740.78</b>
<b>Tax expense</b>	24		
Current tax		2,262,976,902.56	2,116,276,674.65
Deferred tax		(11,051,943.96)	(13,696,679.92)
Income tax for earlier years		-	3,935,132.19
		2,251,924,958.60	2,106,515,126.92
<b>Profit for the year</b>		<b>5,057,739,084.90</b>	<b>4,946,531,613.86</b>
<b>Other comprehensive income:</b>			
Re-measurements of post-employment benefit obligations		25,052,763.00	(28,283,506.00)
Income tax relating to these items		7,515,828.90	(8,485,051.80)
Total other comprehensive income for the year		<b>17,536,934.10</b>	<b>(19,798,454.20)</b>
<b>Total Comprehensive income for the year</b>		<b>5,075,276,019.00</b>	<b>4,926,733,159.66</b>
<b>Basic &amp; diluted earnings per share</b>		<b>157</b>	<b>154</b>

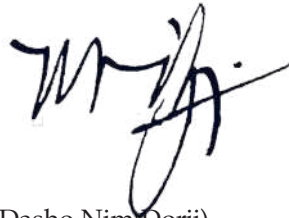


For JIGMI Audit & Financials Private Limited



Jigmi Rinzin, FCCA  
Partner  
FCCA License No. 0283308

For Druk Green Corporation Limited



(Dasho Nim Dorji)  
Chairman, DGPC

For Rinzing Financial Private Limited



Tashi Rinzing Schmidt  
Partner  
CPA License No. 34762



(Dasho Chhewang Rinzin)  
Managing Director



(Ugyen Wangchuk)  
Interim Director, Finance

Date: 10/05/2021  
Place: Thimphu, Bhutan

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2020

(Amount in Nu.)

Particulars	December 31, 2020	December 31, 2019
<b>Cash flows from operating activities</b>		
Profit before taxation	7,309,664,043.50	7,053,046,740.78
Adjustment for:		
Actuarial gains (losses)	25,052,763.00	(28,283,506.00)
Depreciation / amortization	2,282,088,744.55	2,245,377,181.34
Foreign exchange loss	71,051,530.79	38,176,189.62
Loss/(gain) on sale of property plant & equipment	-	2,491,910.93
Investment income	(179,772,586.11)	(129,991,240.20)
Dividend income	(934,768.27)	-
Interest expenses	218,427,833.24	181,071,143.39
(Increase)/decrease in trade receivables & other receivables	189,013,674.24	(712,646,646.61)
(Increase)/decrease in inventories	93,298,342.30	19,884,080.51
(Increase)/decrease in prepayments and advances	147,102,987.19	(9,484,650.02)
(Increase)/decrease in assets classified as held for sale	(119,207,451.27)	(13,224,267.59)
Increase/(decrease) in trade and other payables	(112,316,149.39)	63,154,786.41
Increase/(decrease) in other current liabilities	20,061,021.01	1,473,870.56
Increase/(decrease) in employee benefit obligation	33,126,312.73	97,603,854.33
(Increase)/Decrease in Other asset	(911,938.70)	(120,653.26)
<b>Cash generated from Operation</b>	<b>9,975,744,358.80</b>	<b>8,808,528,794.19</b>
Income tax paid	(1,982,493,200.38)	(2,110,110,950.90)
<b>Net cash from operating activities</b>	<b>7,993,251,158.42</b>	<b>6,698,417,843.29</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE & intangibles assets	(452,083,356.15)	(596,492,069.06)
Sale of PPE & intangible asset	-	(109,610,694.78)
Payment for investments in subsidiaries and JV	(1,052,614,162.16)	(1,361,212,554.58)
Proceeds from held-to-maturity investments	(1,530,942,646.11)	(1,429,709,436.41)
Interest received	149,247,046.23	242,661,015.95
Dividend received	934,768.27	-
<b>Net cash used in investing activities</b>	<b>(2,885,458,349.92)</b>	<b>(3,254,363,738.88)</b>
<b>Cash flows from financing activities</b>		
Issue of share capital	175,044,000.00	294,856,000.00
Proceeds/(repayment) of loan	359,110,289.88	852,844,314.27
Interest paid	(181,790,505.72)	(108,731,574.60)
Dividend paid	(5,132,992,540.80)	(4,500,000,000.00)
<b>Net cash used in financing activities</b>	<b>(4,780,628,756.64)</b>	<b>(3,461,031,260.33)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>327,164,051.86</b>	<b>(16,977,155.92)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>432,194,835.78</b>	<b>449,171,991.70</b>



Cash and cash equivalents at the end of the period	759,358,887.64	432,194,835.78
Component of cash and cash equivalents: -		
Cash in hand	699,556.78	1,375,173.82
Balances in current accounts with banks	758,659,330.86	430,819,661.96
Total	759,358,887.64	432,194,835.78

For JIGMI Audit & Financials Private Limited



Jigmi Rintzin, FCCA  
Partner  
FCCA License No. 0283308

For Druk Green Corporation Limited



(Dasho Nim Dorji)  
Chairman, DGPC

For Rinzing Financial Private Limited



Tashi Rinzing Schmidt  
Partner  
CPA License No. 34762



(Dasho Chhewang Rinzin)  
Managing Director

Date: 10/05/2021  
Place: Thimphu, Bhutan



(Ugyen Wangchuk)  
Interim Director, Finance

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

(Amount in Nu.)

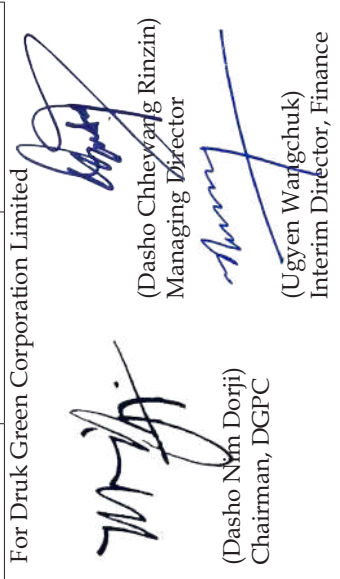
	Number of Shares	Equity Share Capital	Actuarial Gain/Losses on Defined Benefits	General Reserve	Retained Earnings	Total Equity
<b>Balance at December 31, 2018</b>	<b>31,776,208.00</b>	<b>31,776,208,000.00</b>	<b>156,715,908.80</b>	<b>9,587,513,175.57</b>	<b>4,472,571,526.26</b>	<b>45,993,008,610.63</b>
<b>Net profit for the year 2019</b>						
Net Profit/(Loss) for the year			-	-	4,946,531,613.86	4,946,531,613.86
Transfer to reserves						
Transfer to/(from) General Reserve				(3,431,593.37)	3,431,593.37	-
<b>Other Comprehensive Income for the Period</b>						
Transaction with the owners			(19,798,454.20)	-	-	(19,798,454.20)
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)
<b>Balance at December 31, 2019</b>	<b>32,071,064.00</b>	<b>32,071,064,000.00</b>	<b>136,917,454.60</b>	<b>9,474,470,887.42</b>	<b>4,922,534,733.49</b>	<b>46,604,987,075.51</b>
<b>Net profit for the year 2020</b>						
Net Profit/(Loss) for the year					5,057,739,084.90	5,057,739,084.90
Transfer to reserves						
Transfer to/(from) General Reserve				(186,460,926.94)	186,460,926.94	-
<b>Other Comprehensive Income for the Period</b>						
Transaction with the owners			17,536,934.10	-	-	17,536,934.10
Issue of Additional Shares	175,044.00	175,044,000.00	-	-	-	175,044,000.00
Payment of Dividends				-	(5,132,992,540.80)	(5,132,992,540.80)
<b>Balance at December 31, 2020</b>	<b>32,246,108.00</b>	<b>32,246,108,000.00</b>	<b>154,454,388.70</b>	<b>9,288,009,960.48</b>	<b>5,033,742,204.53</b>	<b>46,722,314,553.71</b>

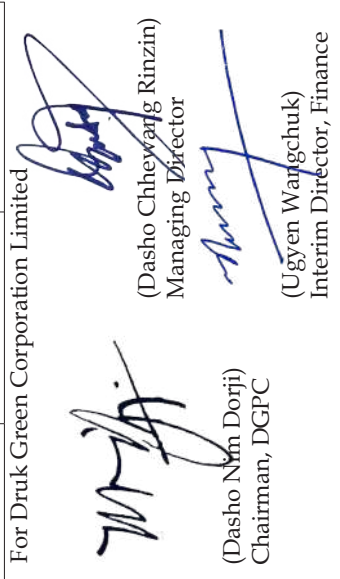
For JIGMI Audit & Financials, Private Limited  
For Rinzing Financial Private Limited  
For Druk Green Corporation Limited

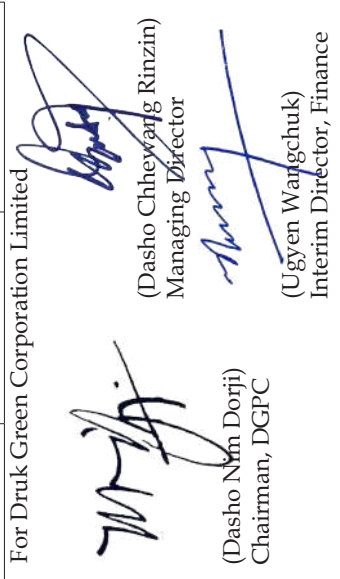
  
Jigmi Rinzin, FCCA  
Partner  
FCCA License No. 0283308

  
Tashi Rinzing Schmitz  
Partner  
CPA License No. 34762



  
(Dasho Nym Dorji)  
Chairman, DGPC

  
(Dasho Chhewang Rinzin)  
Managing Director

  
(Ugyen Wangchuk)  
Interim Director, Finance





## ACCOUNTING POLICIES & NOTES TO ACCOUNTS

### SCHEDULES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

#### NOTE 1: GENERAL CORPORATE INFORMATION

Druk Green Power Corporation Limited (DGPC or the 'Company'), with Vision Statement: 'harnessing and sustaining Bhutan's renewable energy resources', was established in 2008 for the effective and optimal utilization of scarce water and human resources, to develop 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, 2008.

DGPC is a limited liability company wholly owned by Druk Holding & Investments Ltd. (DHI). It was incorporated on January 1, 2008 (Certificate of Incorporation Registration No. U20071224TH10201) under the Companies Act of the Kingdom of Bhutan, 2000 (Amended in 2016). The address of its principal place of business is Thori Lam, Lower Motithang, Thimphu, Bhutan.

#### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

##### i. Basis of Preparation

###### a) Compliance with BAS

Financial statements of the Company have been prepared in accordance with Bhutanese Accounting Standards (BAS) as issued by the Accounting and Auditing Standard Board of Bhutan (AASBB).

###### b) Historical cost convention

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

##### ii. Offsetting

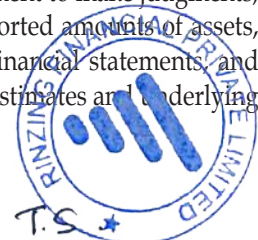
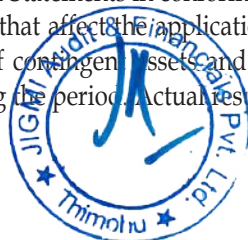
Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when the entity has a legal right and is allowed by the Standard to offset the amounts and intends either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

##### iii. Functional and Presentation Currency

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

##### iv. Use of Estimates

The preparation of Financial Statements in conformity with BAS/BFRS 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, and income and expenses during the period. Actual results may differ from these estimates. Estimates are underlying



assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods which are affected.

#### **v. Foreign Currency**

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

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

#### **vi. Investment in Subsidiaries, Associate and Joint Venture**

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

#### **vii. Property, Plant and Equipment (PPE)**

a) PPE is initially recognized at cost. The company follows the 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.

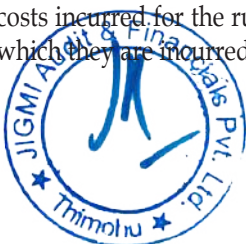
Cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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.

#### **a) 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.



## b) Depreciation

Company provides depreciation on property, plant and equipment on straight-line method considering the useful lives of the assets.

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 assets are available for use.

Depreciation is calculated on acquisition or construction cost less the residual value.

Depreciation is provided from the date on which the asset is ready for use up to the date of management approval for write-off of the assets due to sale or retirement.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income or other expenses.

Asset	Rates
Civil Structures	➤ 3.33%
	➤ 3.33%
Electromechanical Equipment	➤ 5% (Diesel Generators)
	➤ 20% (Runners & Spares)
	➤ 10% (SCADA)
Fire Fighting and Safety Equipment	➤ 10%
General Assets	➤ 20%
Information and Technology Equipment	➤ 20%
Machineries	➤ 15%
Office Equipment	➤ 20%
Tools and Plants	➤ 10%
Vehicles	➤ 15%
Land	➤ 0%
Furniture and Fixtures	➤ 10%

Assets costing Nu.500 and below are considered as consumables and charged off as expenses.

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

## viii. Intangible Assets

a) Intangible assets are initially measured at cost and carried as per the 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) Research and development

Research expenditures are recognized as expenses when incurred. Development costs that are directly attributable

to the design and testing of identifiable and unique intangible asset controlled by the entity are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- the management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the asset are available, and
- the expenditure attributable to the asset during its development can be reliably measured.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is available for use.

#### e) 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 prescribed in Schedule B of Tariff Determination Regulations, 2007 of Bhutan Electricity Authority for all software.

### ix. Capital Work-in-Progress (CWIP)

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 until these are completed and capitalized.

Indirect expenditure and overhead incurred are expensed and are not capitalized.

### x. Investment property

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

Subsequent expenditure is capitalized to the asset's carrying amount 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 repairs and maintenance costs are expensed when incurred.

When part of an investment property is replaced, the carrying amount of the replaced part is derecognized. Investment properties are depreciated using the straight-line method over their estimated useful lives.

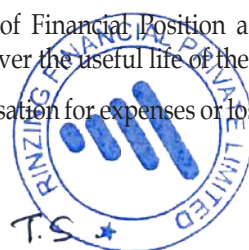
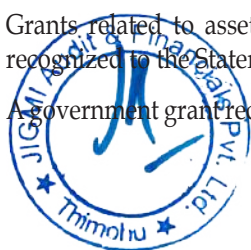
### xi. Government Grants

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

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

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

A government grant received or that becomes receivable as compensation for expenses or losses already incurred or



for the purpose of giving immediate financial support to the entity with no future related costs shall be recognized in Statement of profit or loss in the year it is received or becomes receivable.

## xii. Leases

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

### Company as a lessee

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of lease, at the lower of fair value of the asset or the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of profit and loss over the period of the lease.

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

## xiii. Impairment of Non-Current Assets

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. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

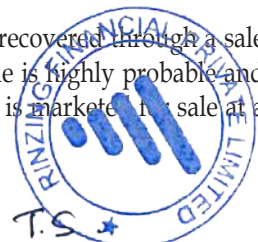
The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

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

## xiv. Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.

Assets and disposal groups are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a



price that is reasonable in relation to its current fair value. The Company must also be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets (including those that are part of a disposal group) are not depreciated or amortized while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

## xv. 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 DGPC service manual, 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 manual, the company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering all employees. The Gratuity Plan provides a lump sum payment to vested employees, at retirement or termination of employment, an amount based on the respective employee's last drawn salary and the years of employment with the company. The company's net obligation in respect of the gratuity plan is calculated by estimating the amount of future benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method and amount of obligation is provided in profit or loss and invested in the form of deposits with financial institutions of Bhutan.

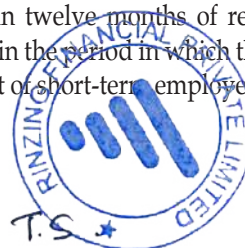
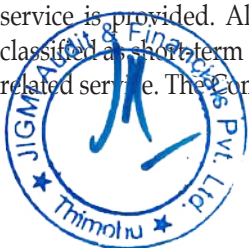
The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

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.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

### 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 service 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.

### **xvi. 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 not recognized for future operating losses.

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.

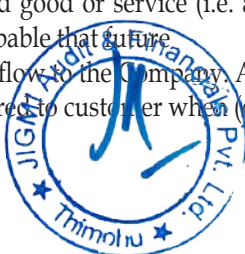
### **xvii. Revenue**

Revenue shall be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

#### **(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.



The Company transfers controls of the electricity over time and the customer simultaneously receives and consumes the benefits provided by the seller’s performance as it performs; therefore, the Company satisfies its performance obligations and recognizes revenue over time. The Company recognizes revenue over time by measuring the progress toward complete satisfaction of its performance obligation to deliver electricity.

The Company uses the output method to measure its progress in satisfaction of its performance obligation. As a practical expedient under this method, if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer, the Company may recognize revenue in the amount to which it has a right to invoice.

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.

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.

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) Revenue from services**

The Company has experience, expertise and infrastructure about various aspects related to hydropower and hydroelectricity. The Company earns revenue from providing services in the nature of consultancy fee, fee for hydropower research and development testing etc.

Revenue is recorded when the control for the service is transferred to the customer viz. the service is completed and the report/ results are shared with the customer as that is the point when the Company has a right to payment for the service, transfers the significant risk and rewards of the service and the customer has accepted the output of the services.

Revenue is recognized at transaction price which is mentioned in the contract.

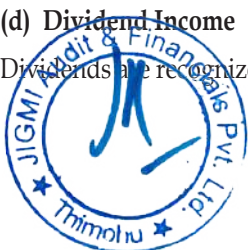
Revenue from deputation of manpower to other entities is recorded over time using the output method to measure its progress in satisfaction of its performance obligation.

**(c) 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.

**(d) Dividend Income**

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





### (e) Other Income

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

### xviii. Significant financing component

The Company does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

### xix. 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.

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 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. 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, even if the lender agreed, after the reporting period and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach.

### (a) Borrowing Costs

Borrowing costs for the purpose of BAS 23 - "Borrowing Cost" has been determined as under:

1. Interest and commitment charges on bank borrowings and other short-term and long-term borrowings;
2. Amortization of discounts or premiums relating to borrowings;
3. Amortization of ancillary costs incurred in connection with the arrangement of borrowings;
4. Finance charges in respect of assets acquired under finance leases or under other similar arrangements; and
5. 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.

#### xx. Inventories

1. Inventories consist of stores and spares held mainly for repair & maintenance and are valued at lower of cost or net realizable value;
2. 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;
3. 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;
4. 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;
5. As the corporation is engaged in the generation of electricity, there are no finished goods or raw materials; and
6. Inventories consist 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.

#### xxi. 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.

#### xxii. Income Tax

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

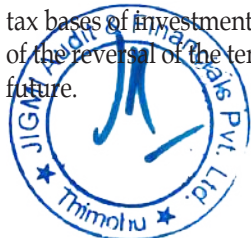
Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base).

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

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

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

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



### xxiii. 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.

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

### xxv. 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.

### xxvi. 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.

### xxvii. Investments and other financial assets

#### (i) Initial measurement

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

#### (ii) Classification and subsequent measurement

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

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

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

#### Financial assets measured at amortized cost:

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

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

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

**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.

**(iii) Impairment of financial assets**

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. Impairment losses are incurred, if and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset.

Loss events are events which have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The amount of loss is recognized in statement of profit or loss.

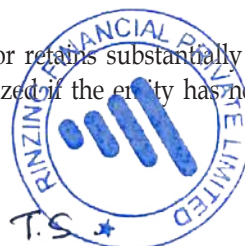
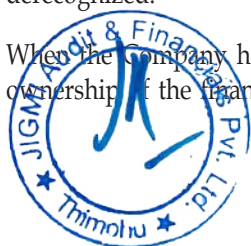
**(iv) Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily 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.

#### (v) **Income recognition**

**Interest income:** Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument.

**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.

### **xxviii. Financial liability**

#### **i) Initial recognition and measurement**

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

#### **ii) Subsequent measurement**

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

##### ***Financial Liabilities at fair value through profit or loss***

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

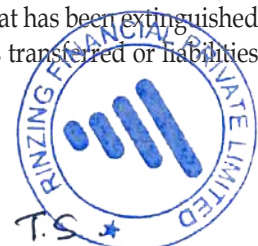
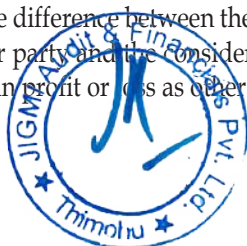
##### ***Gains or losses on liabilities held for trading are recognized in the profit or loss.***

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated as such at the initial date of recognition, and only if the criteria in BFRS 9 are satisfied. For liabilities designated as FVTPL, fair value gains/losses attributable to changes in own credit risk are recognized in OCI. These gains/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.

#### **iii) 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.

### **xxix. 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.

### **xxx. Contributed equity**

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **xxi. Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### **xxxii. Earnings per share**

#### **i. Basic earnings per share**

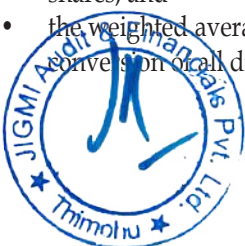
Basic earnings per share is calculated by dividing:

- 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

#### **ii. 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.

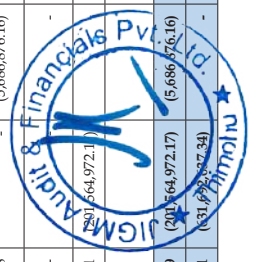


## NOTE 3: PROPERTY, PLANT & EQUIPMENT, INTANGIBLE ASSETS, AND CWIP

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	Opening Balance as at 01/01/2020	Additions	Disposal	Book Adjustments	Gross Block as on 31.12.2020	Opening Balance as at 01.01.2020	During the year	Disposal	Transfer from CWIP	Closing balance as at 31.12.2020	Net Block As at 31.12.2020	Net Block As at 31.12.2019
<b>TANGIBLE ASSETS</b>												
Land & Land Development	5,235,774.23	-	-	-	5,235,774.23	-	-	-	-	-	5,235,774.23	5,235,774.23
<b>CIVIL STRUCTURES</b>												
Buildings	2,551,953,719.58	10,929,894.78	(3,936,522.51)	-	2,558,947,091.85	854,541,716.56	84,519,891.51	(3,660,189.70)	-	935,401,418.37	1,623,545,673.48	1,697,412,003.02
Walls & Fencings	360,385,699.51	11,630,728.50	(4,869,713.62)	394,590.90	367,541,305.29	70,058,499.28	12,070,795.01	(720,189.64)	-	81,409,104.65	286,132,200.64	290,327,200.23
Road & Culverts	2,839,179,965.61	36,230,739.35	(19,669,349.62)	128,207.16	2,855,869,562.50	980,314,920.50	95,568,219.90	(5,223,908.78)	-	1,070,659,231.62	1,785,210,330.88	1,858,865,045.11
Water Supply & Sanitation	233,697,438.27	4,412,531.49	(723,925.74)	51,64,078.10	242,550,122.12	77,540,348.05	7,930,170.28	(591,183.33)	-	84,879,335.00	157,670,787.12	156,157,090.22
Dam Complex-Civil	10,929,094,232.64	-	-	-	10,929,094,232.64	4,461,118,678.57	363,938,837.95	-	-	4,825,057,516.52	6,104,036,716.12	6,467,975,554.07
Power House Complex- Civil	5,530,461,288.52	681,935.75	(198,544.09)	-	5,530,944,680.18	2,282,906,463.27	184,182,004.36	(6,802.76)	-	2,467,081,664.87	3,063,863,015.31	3,247,554,825.25
Transmission Line -Civil	216,328.23	-	-	-	216,328.23	112,156.08	7,203.73	-	-	119,359.81	96,968.42	104,172.15
Switch Yard- Civil	139,500,726.02	-	-	-	139,500,726.02	63,302,558.16	4,645,374.14	-	-	67,947,932.30	71,552,793.72	76,198,167.86
Water Conductor System- PH	23,565,562,836.61	-	-	-	23,565,562,836.61	8,652,796,820.76	784,733,242.46	-	-	9,437,530,063.22	14,128,032,775.39	14,912,766,015.85
Other Civil Structures	99,191,101.68	-	(43,133.00)	-	99,147,968.68	26,119,019.73	3,297,341.79	(38,534.44)	-	29,377,827.08	69,770,141.60	73,072,081.95
<b>PLANT AND MA-CHINERY</b>												
Trash Cleaning Equipment's	171,428,718.53	-	(12,690.49)	-	171,416,028.04	69,490,292.95	5,708,505.84	(4,956.64)	-	75,193,842.15	96,222,185.89	101,938,425.58
Gates	924,173,240.42	127,860,123.56	(82,001.00)	-	1,051,951,362.98	533,023,273.62	33,227,226.58	(81,999.00)	-	566,168,501.20	485,782,861.78	391,149,966.80
Generators	3,548,375,616.20	-	(4,800,903.76)	-	3,543,574,712.44	1,833,981,188.45	119,139,951.17	(4,332,646.07)	-	1,948,788,493.55	1,594,786,218.89	1,714,394,427.75
Excitation Systems	367,267,361.55	20,126,871.84	(38,097,286.27)	-	349,296,947.12	188,705,689.76	12,901,271.45	(30,866,605.71)	-	170,740,355.50	178,556,591.62	178,561,671.79
Governing Systems	335,537,221.61	29,399,351.28	(53,590,017.24)	-	311,346,555.65	176,419,904.16	12,748,722.00	(43,474,344.92)	-	145,694,281.24	165,652,274.41	159,117,317.45
Turbines	3,208,839,921.92	42,914,780.02	(18,627,844.00)	-	3,233,126,857.94	1,715,930,941.51	111,050,366.86	(14,752,865.64)	-	1,812,228,442.73	1,420,898,415.21	1,492,908,980.41
Runners	1,485,785,729.48	21,961,893.43	(16,250,000.00)	-	1,491,497,622.91	1,269,500,033.65	100,344,245.07	(16,249,999.00)	-	1,353,594,279.72	137,903,343.19	216,285,695.83
Oil Handling Systems	72,397,761.19	11,053,799.00	-	-	83,451,560.19	41,738,785.95	2,685,405.41	-	-	44,424,191.36	39,027,368.83	30,658,975.24
Control & Conditioning Mon. Syst	283,153,657.36	-	-	-	283,153,657.36	103,748,483.90	20,907,070.29	-	-	124,655,504.19	158,498,153.17	179,405,223.46
Control & Protection Panels	758,438,200.29	11,044,587.96	(7,069,810.00)	-	758,438,200.29	388,169,164.21	24,787,487.64	(7,069,810.00)	-	337,653,676.28	339,662,042.10	370,269,036.08
Pumps & Motors	225,795,318.45	81,100,314.45	(977,694.00)	-	305,917,938.56	107,636,046.86	13,317,223.26	(2,044,803.41)	-	20,308,466.98	185,609,471.58	118,159,271.59
Transformers	959,686,102.54	-	(180,700.00)	-	959,505,334.54	464,207,978.89	31,502,365.47	(10,000.00)	-	495,559,954.63	463,945,379.91	495,078,123.65
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60	41,535,611.27	2,866,764.51	-	-	44,402,375.78	41,686,648.82	44,553,413.33



Gas Insulated Switch Gears	993,125,843.97	-	(106,915.25)	-	993,018,928.72	387,580,527.69	37,975,607.97	(106,914.25)	-	425,449,221.41	567,569,707.31	605,545,316.28
Valves	965,084,409.78	-	-	-	965,084,409.78	512,416,581.49	30,911,357.11	-	-	543,327,938.60	421,756,471.18	452,667,838.29
Switchyard	4,841,874.00	-	-	-	4,841,874.00	2,037,321.26	161,234.40	-	-	2,198,555.66	2,643,318.34	2,804,552.74
Capital Spares	109,236,517.44	51,715,643.69	(867,470.83)	-	160,084,690.30	1,017,063.09	5,419,102.42	(46,273.33)	-	6,389,892.18	153,694,798.12	108,219,454.35
Critical Spares	19,899,236.84	1,696,098.79	(474,306.53)	-	21,121,029.10	14,991,251.04	2,135,241.45	(474,304.53)	-	16,652,187.96	4,468,841.14	4,907,985.80
Electro-Mechanicals- Others	1,945,085,283.17	79,896,790.54	(92,293,331.60)	-	1,932,688,742.11	827,983,594.53	58,496,581.98	(8,378,290.08)	-	878,101,886.43	1,054,586,855.68	1,117,101,688.64
Machinery	257,404,549.37	6,709,916.67	-	-	264,114,466.04	237,682,729.55	6,394,039.69	-	-	244,076,769.24	20,037,696.80	19,721,819.82
<b>TOOLS &amp; SAFETY EQUIPMENTS</b>	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Plants	406,258,072.91	21,350,267.30	(34,541,490.47)	-	393,066,849.74	270,184,078.73	25,375,013.15	(33,760,061.49)	-	261,797,030.39	131,269,819.35	136,073,994.18
Fire Fighting- Safety Equipment's	130,776,595.93	1,732,851.96	(2,775,715.87)	-	129,733,732.02	85,996,432.57	6,942,252.15	(2,498,893.27)	-	90,439,791.45	39,293,940.57	44,780,163.36
<b>OTHER ASSETS</b>	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	114,227,626.99	4,308,707.07	(10,015,492.30)	-	108,520,841.76	101,378,597.10	5,487,136.09	(9,876,947.13)	-	96,988,786.06	11,532,055.70	12,849,029.89
Furniture & Fixtures	65,525,706.01	2,483,827.50	(1,697,251.14)	-	66,312,282.37	41,235,117.66	4,826,430.22	(1,550,068.57)	-	44,511,479.31	21,800,803.06	24,290,588.35
Vehicles	263,300,277.24	17,244,955.99	(1,462,998.00)	-	279,082,235.23	178,757,586.89	18,486,087.24	(1,462,997.00)	0.00	195,780,677.13	83,301,558.10	84,542,690.35
Illumination System	206,530,789.15	-	-	-	206,530,789.15	115,809,244.74	6,734,809.68	-	-	122,544,054.42	83,986,734.73	90,721,544.41
Information and Technology	190,232,602.97	20,962,470.84	(19,521,745.90)	7,312.21	191,680,640.12	125,238,165.83	24,401,406.07	(19,433,249.74)	3,697.63	130,210,019.79	61,470,620.33	64,994,437.14
General Assets	74,310,163.14	3,435,515.57	(5,721,414.45)	-	72,024,264.26	52,087,525.38	8,474,622.32	(5,523,269.99)	-	55,038,877.71	16,985,386.55	22,222,637.76
Less: Provision for Losses	64,427,286,533.95	620,884,597.33	(423,705,595.89)	5,694,188.37	64,630,159,723.76	27,357,294,343.69	2,274,298,608.62	(279,213,663.45)	3,697.63	29,352,382,886.49	35,277,776,737.27	37,069,992,190.26
<b>Net Assets</b>	<b>64,427,286,533.95</b>	<b>620,884,597.33</b>	<b>(423,705,595.89)</b>	<b>5,694,188.37</b>	<b>64,630,159,723.76</b>	<b>27,357,294,343.69</b>	<b>2,274,298,608.62</b>	<b>(279,213,663.45)</b>	<b>3,697.63</b>	<b>29,352,382,886.49</b>	<b>35,277,769,654.00</b>	<b>37,069,985,106.99</b>
<b>INTANGIBLE ASSETS</b>	-	-	-	-	-	-	-	-	-	-	-	-
Intangible Assets	212,054,508.07	21,978,717.19	(6,422,069.28)	(7,312.21)	227,603,843.77	197,450,714.92	7,792,684.86	(6,372,638.36)	(3,697.63)	198,867,063.79	28,736,779.98	14,603,793.15
Less: Provision for Losses	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Assets</b>	<b>212,054,508.07</b>	<b>21,978,717.19</b>	<b>(6,422,069.28)</b>	<b>(7,312.21)</b>	<b>227,603,843.77</b>	<b>197,450,714.92</b>	<b>7,792,684.86</b>	<b>(6,372,638.36)</b>	<b>(3,697.63)</b>	<b>198,867,063.79</b>	<b>28,736,779.98</b>	<b>14,603,793.15</b>
<b>CAPITAL WORKS IN PROGRESS</b>	-	-	-	-	-	-	-	-	-	-	-	-
Capital Works in Progress	1,210,428,652.85	87,455,230.38	-	(5,686,876.16)	1,292,197,007.07	-	-	-	-	1,292,197,007.07	-	1,210,428,652.85
Less: Provision for Losses	-	-	-	-	-	-	-	-	-	-	-	-
Advance-Capital	179,105,241.85	67,873,695.71	(89,664,972.11)	-	45,413,965.39	-	-	-	-	45,413,965.39	-	179,105,241.85
Less: Depreciation booked to CWIP	-	-	-	-	-	-	2,548.93	-	-	-	-	-
<b>Net Assets</b>	<b>1,389,533,894.70</b>	<b>155,228,926.09</b>	<b>(307,364,972.17)</b>	<b>(5,686,876.16)</b>	<b>1,337,610,972.46</b>	<b>-</b>	<b>(2,548.93)</b>	<b>-</b>	<b>-</b>	<b>1,337,610,972.46</b>	<b>-</b>	<b>1,389,533,894.70</b>
<b>Grand Total</b>	<b>66,028,874,936.72</b>	<b>798,192,240.61</b>	<b>(831,623,973.34)</b>	<b>(631,623,973.34)</b>	<b>66,195,374,539.99</b>	<b>27,554,745,058.61</b>	<b>2,282,083,744.55</b>	<b>(283,586,303.81)</b>	<b>0.00</b>	<b>29,551,250,050.28</b>	<b>36,644,117,406.44</b>	<b>38,474,122,794.84</b>





## NOTE 4: INVESTMENT PROPERTY

Particulars	December 31, 2020	December 31, 2019
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	December 31, 2020	December 31, 2019
Fair value of investment property	53,558,653.50	53,558,653.50
	53,558,653.50	53,558,653.50

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

Particulars	December 31, 2020	December 31, 2019
Rental income	1,190,594.57	1,133,899.59
	1,190,594.57	1,133,899.59

## NOTE 5: DEFERRED TAX ASSET/LIABILITY

Particulars	December 31, 2020	December 31, 2019
Bonus payable	-	11,527,678.60
PBVA & PI	14,141,546.21	15,054,374.28
Employee benefit obligation	24,264,366.63	(4,074,073.80)
ADB Loan	212,790,549.26	197,582,290.85
Interest on fixed deposit	3,114,274.36	2,007,924.56
Deferred rent	(478,365.35)	(268,376.84)
Property, plant & equipment	(189,443,651.46)	(168,493,041.97)
	64,388,719.65	53,336,775.68

## NOTE 6: INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

Particulars	December 31, 2020	December 31, 2019
<b>Investment in subsidiary companies</b>		
i. Equity investment in Dagachhu Hydropower Corporation Limited. 2,437,880 (31 December 2019: 2,437,880) equity shares of Nu. 1000 each, fully paid up (31 December 2019: Nu. 1000 each, fully paid up)	2,437,880,000.00	2,437,880,000.00
ii. Equity investment in Tangsibji Hydro Energy Limited 48,500,000 (31 December 2019: 36,000,000) equity shares of Nu. 100 each, called up amount Nu. 87.57 (31 December 2019: called up amount Nu.93.58)	4,247,087,697.44	3,369,517,535.28
<b>Investment in joint venture companies</b>		
i. Equity investment in Bhutan Hydropower Services Limited 3,339,626.88 (31 December 2019: 3,339,626.88) equity shares of Nu. 100 each, fully paid up (31 December 2019: Nu. 76.36 each)	333,962,688.00	333,962,688.00

ii. Equity investment in Kholongchhu Hydro Energy Limited <i>25,000,000 (31 December 2019: 25,000,000) equity shares of Nu. 100 each, called up amount Nu. 69.51 (31 December 2019: called up amount Nu. 62.51 each)</i>	1,737,817,000.00	1,562,773,000.00
iii. Equity investment in Bhutan Automation & Engineering Limited <i>3,060,000 (31 December 2019: 3,060,000) equity shares of Nu. 100 each, fully paid up</i>	30,600,000.00	30,600,000.00
	<b>8,787,347,385.44</b>	<b>7,734,733,223.28</b>

## NOTE 7: FINANCIAL ASSETS (NON-CURRENT)

### Note 7a: Long-Term Investments

Particulars	December 31, 2020	December 31, 2019
Investment in non-government bonds	200,000,000.00	200,000,000.00
Investment in fixed deposits:		
- Fixed deposit with bank	2,508,640,770.40	1,008,640,770.40
- Accrued interest on fixed deposit	60,729,628.72	29,786,982.61
	<b>2,769,370,399.12</b>	<b>1,238,427,753.01</b>

### Note 7b: Other assets

Particulars	December 31, 2020	December 31, 2019
Deferred lease income	1,880,572.38	968,633.68
	<b>1,880,572.38</b>	<b>968,633.68</b>

## FINANCIAL LIABILITY: NON-CURRENT

### Note 7c: Long-term Borrowings

PARTICULARS	December 31, 2020	December 31, 2019
Government of Austria loan (ROI-6% & tenure of loan- BHP-LS 20 years & BHP-US 18 years)	616,699,450.94	762,024,313.66
	3,149,876,760.73	2,813,405,789.67
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) *		
Loan from Bank of Bhutan	587,000,000.00	587,000,000.00
Loan from NPPF	418,405,000.00	318,980,000.00
Deferred Grant Income	1,272,359,473.03	1,135,265,872.16
Less: current maturities of long-term debt	-145,324,862.72	-145,324,862.72
	<b>5,899,015,821.98</b>	<b>5,471,351,112.77</b>



## NOTE 8: INVENTORIES

Particulars	December 31, 2020	December 31, 2019
Stores & spares	520,464,509.56	557,630,416.81
	<b>520,464,509.56</b>	<b>557,630,416.81</b>
<b>Less:</b>		
Provision for obsolescence/Losses	(131,076,188.94)	(74,943,753.89)
	<b>389,388,320.62</b>	<b>482,686,662.92</b>

### Amounts recognized in profit or loss

Inventories recognized as an expense during the year ended December 31, 2020 amounted to Nu.187,740,736.99 (2019 - Nu.214,542,649). These were included in running and maintenance expenses.

## NOTE 9: PREPAYMENTS AND ADVANCES

Particulars	December 31, 2020	December 31, 2019
Prepaid expenses	10,181,554.08	142,564,428.22
Staff advance	897,239.33	808,967.94
Staff Welfare Advance	4,802,000.00	1,935,000.00
Advance to supplier/contractor	20,201,099.84	37,876,484.28
	<b>36,081,893.25</b>	<b>183,184,880.44</b>

## NOTE 10: ASSETS CLASSIFIED AS HELD FOR SALE

Particulars	December 31, 2020	December 31, 2019
Asset held for disposal	134,484,949.28	15,277,498.01
	<b>134,484,949.28</b>	<b>15,277,498.01</b>

### 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 is 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.

## NOTE 11: FINANCIAL ASSETS (CURRENT)

### Note 11a: Short Term Investments

Particulars	December 31, 2020	December 31, 2019
<b>Investment in fixed deposits/bonds:</b>		
Investment in fixed deposits	3,300,000,000.00	3,300,000,000.00
Accrued interest on fixed deposits	83,705,155.13	83,179,615.25
Accrued interest on non-government bonds	11,347,945.21	11,347,945.21
	<b>3,395,053,100.34</b>	<b>3,394,527,560.46</b>

## Note 11b: Trade and other receivables

Particulars	December 31, 2020	December 31, 2019
<i>Trade receivables (Unsecured, Considered good)</i>		
- Bhutan Power Corporation	590,939,568.76	610,668,806.05
- Power Trading Corporation Limited	889,183,769.61	571,806,362.86
	<b>1,480,123,338.37</b>	<b>1,182,475,168.91</b>
Inter-corporate Loan	300,000,000.00	940,000,000.00
Miscellaneous deposits	5,266,741.15	5,543,280.97
Other receivables	1,229,449,307.72	1,075,834,611.60
	<b>3,014,839,387.24</b>	<b>3,203,853,061.48</b>

### (i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30-90 days and therefore are all classified as current.

### ii) Fair values of trade and other receivables

Due to the short-term nature of the trade and other receivables, their carrying amount is considered to be the same as their fair value.

## Note 11c: Cash and cash equivalents

Particulars	December 31, 2020	December 31, 2019
Cash in Hand	699,556.78	1,375,173.82
<b>Balances with Banks in Current Accounts:</b>		
Bank of Bhutan	704,108,175.60	320,575,100.30
Bhutan National Bank	47,809,616.00	78,524,546.01
Druk PNB	6,524,302.96	28,008,229.35
Tashi Bank	217,236.30	3,711,786.30
	<b>759,358,887.64</b>	<b>432,194,835.78</b>

## FINANCIAL LIABILITY (CURRENT)

### Note 11d: Trade and other payables

Particulars	December 31, 2020	December 31, 2019
Security deposit- suppliers & others	44,627,812.49	35,389,017.28
Sundry creditors	295,811,982.51	363,050,221.98
Outstanding liabilities to contractors	2,682,091.19	4,271,612.66
Outstanding liabilities for expenses	114,786,270.45	92,260,554.38
Provision for bonds	-	74,912,629.33
Sundry liabilities	164,765.49	505,035.89
	<b>4,380,292.13</b>	<b>570,389,071.52</b>



### Note 11e: Other financial liabilities

Particulars	December 31, 2020	December 31, 2019
Government of Austria Loan	145,324,862.72	145,324,862.72
Loan from Asian Development Bank	80,312,245.70	77,815,134.24
Interest accrued but not due on loans	172,819,742.56	136,182,415.04
	<b>398,456,850.98</b>	<b>359,322,412.00</b>

### NOTE 12: SHARE CAPITAL

Particulars	December 31, 2020	December 31, 2019
Authorized share capital 50,000,000 equity shares @ Nu. 1,000 per share	50,000,000,000.00	50,000,000,000.00
Subscribed and paid -up share capital 32,246,108 equity share @ 1,000 per share	32,246,108,000.00	32,071,064,000.00
	<b>32,246,108,000.00</b>	<b>32,071,064,000.00</b>

Movements in ordinary shares:	Number of shares	Par value
Opening balance 1 January 2019	31,776,208.00	31,776,208,000.00
Issues during the year	294,856.00	294,856,000.00
<b>Balance 31 December 2019</b>	<b>32,071,064.00</b>	<b>32,071,064,000.00</b>
Issues during the year	175,044.00	175,044,000.00
<b>Balance 31 December 2020</b>	<b>32,246,108.00</b>	<b>32,246,108,000.00</b>

### NOTE 13: EMPLOYEE BENEFIT OBLIGATION

Particulars	December 31, 2020	December 31, 2019
Gratuity	488,088,118.26	482,763,613.48
Other long-term benefit	41,541,592.66	40,751,148.71
	<b>529,629,710.92</b>	<b>523,514,762.19</b>

### NOTE 14: OTHER CURRENT LIABILITIES

Particulars	December 31, 2020	December 31, 2019
Sundry liabilities	64,569,618.39	45,143,044.38
Tax deducted at source - payable	438,241.36	15,771.36
Deferred lease liability	286,021.22	74,044.22
	<b>65,293,880.97</b>	<b>45,232,859.96</b>

### NOTE 15: CURRENT TAX LIABILITIES

Particulars	December 31, 2020	December 31, 2019
Provision for Corporate Income Tax	1,857,074,824.57	1,569,075,293.49
	<b>1,857,074,824.57</b>	<b>1,569,075,293.49</b>

## NOTE 16: EMPLOYEE BENEFIT OBLIGATION

Particulars	December 31, 2020	December 31, 2019
Gratuity	37,924,152.00	20,724,755.27
Other long-term benefit	3,235,483.00	2,803,214.17
Leave encashment payable	57,292,821.14	47,913,122.70
	<b>98,452,456.14</b>	<b>71,441,092.14</b>

## NOTE 17: ELECTRICITY REVENUE

Particulars	December 31, 2020	December 31, 2019
<b>Export &amp; Domestic revenue</b>		
Power Trading Corporation Ltd.	10,066,540,198.78	7,932,754,393.79
Bhutan Power Corporation Ltd.	2,912,912,225.36	3,712,414,316.21
From staff & other private parties	512,813.50	852,992.50
	<b>12,979,965,237.64</b>	<b>11,646,021,702.50</b>

## NOTE 18: INTEREST EARNED

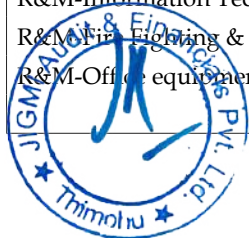
Particulars	December 31, 2020	December 31, 2019
Interest on deposits	160,772,586.10	110,991,240.18
Interest on non-government bonds	19,000,000.01	19,000,000.02
	<b>179,772,586.11</b>	<b>129,991,240.20</b>

## NOTE 19: OTHER INCOME

Particulars	December 31, 2020	December 31, 2019
Dividend income	934,768.27	-
Grant income	79,826,923.41	50,154,663.22
Miscellaneous receipts	73,452,202.06	67,886,850.38
Liquidity charges	8,887,801.15	8,727,517.12
House rent recovered- employee/ others	15,877,994.59	14,627,954.04
Lease rental income	2,190,622.27	1,262,810.85
	<b>181,170,311.75</b>	<b>142,659,795.61</b>

## NOTE 20: RUNNING AND MAINTENANCE EXPENSES

Particulars	December 31, 2020	December 31, 2019
R&M electro-mechanical	228,960,419.77	251,165,703.40
R&M civil structures	68,136,802.03	48,980,430.45
R&M vehicles	28,437,650.13	41,148,663.89
R&M-Information Technology	18,977,063.62	18,412,499.50
R&M-Fire Fighting & Safety	857,827.21	5,669,367.00
R&M-Office equipment	1,119,976.33	415,346.68
	<b>347,479,739.09</b>	<b>365,792,010.92</b>



## NOTE 21: EMPLOYEES' REMUNERATION AND BENEFITS

Particulars	December 31, 2020	December 31, 2019
Salaries and wages	661,303,953.22	547,962,453.43
Professional training	6,567,967.18	67,632,600.33
Bonus	178,123.56	74,894,503.00
Incentive/honorarium	69,127,746.38	47,491,152.12
Employer's contribution to provident fund	62,976,849.00	42,997,659.38
Leave encashment	45,458,274.61	38,980,450.80
Gratuity expenses	68,506,489.17	66,565,047.88
Leave travel concession	22,031,267.06	21,603,163.91
Terminal benefits	6,440,716.00	6,354,316.00
GPA- insurance	3,516,576.21	3,582,549.96
Liveries	11,688,849.79	8,460,490.31
Staff welfare expenses	3,227,106.01	4,161,581.06
Medical expenses	940,971.59	1,675,820.91
	<b>961,964,889.78</b>	<b>932,361,789.09</b>

## NOTE 22: FINANCE COST

Particulars	December 31, 2020	December 31, 2019
Interest to Government of Austria	43,709,273.71	52,428,765.48
Interest to Asian Development Bank	157,195,271.86	126,053,336.81
Interest on current portion of long-term borrowing	17,523,287.67	2,589,041.10
	<b>218,427,833.24</b>	<b>181,071,143.39</b>

## NOTE 23: OTHER EXPENSES

Particulars	December 31, 2020	December 31, 2019
Brand Management Fee	94,794,950.66	92,680,972.26
Travel	22,618,872.91	49,035,986.22
Foreign exchange gains/loss	71,051,530.79	38,176,189.62
Grant expense	7,174,539.93	1,355,000.00
License fee	14,956,758.19	14,902,900.47
Profit on sale/ discard of assets (net)	4,927,345.91	2,491,910.93
Electricity	10,173,600.55	10,632,793.25
Entertainment	5,690,186.01	9,902,096.06
Corporate social responsibility	563,353,585.27	16,104,551.98
Consultancy charges	64,062,052.53	4,895,228.80
Rent	9,706,653.81	10,061,260.20
Telephone and fax	6,676,012.01	6,916,910.33
Printing and stationery	6,572,754.92	7,776,395.09
Rates and taxes	79,355.33	5,121,037.80
Advertisement and publicity	1,721,401.19	9,115,141.35

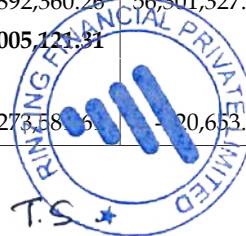
Audit fees & expenses	978,114.00	1,294,782.99
Directors' sitting fees	880,000.00	1,140,000.00
Bank charges	270,235.31	312,398.19
Board meeting expenses	238,592.00	184,388.00
Books & periodicals	218,413.42	242,540.24
Postage and telegram	182,970.00	193,855.00
Other expenses	14,803,485.65	9,875,978.67
	<b>901,131,410.39</b>	<b>285,795,257.45</b>

## NOTE 24: TAX EXPENSE

Particular	December 31, 2020	December 31, 2019
<b>Components of income tax expense</b>		
<b>Income tax expenses</b>		
<i>Current tax</i>		
Current tax on profit for the year	2,262,958,311.13	2,116,276,674.65
<b>Total current tax expenses</b>	<b>2,262,958,311.13</b>	<b>2,116,276,674.65</b>
<i>Deferred tax</i>		
<i>(Decrease)/increase in deferred tax liabilities</i>	(11,051,944.00)	(13,696,680.00)
<b>Total deferred tax expenses</b>	<b>(11,051,944.00)</b>	<b>(13,696,680.00)</b>
<b>Income tax expenses</b>	<b>2,251,906,367.13</b>	<b>2,102,579,995.65</b>

## Reconciliation of income tax expense to prima facie tax payable

Particulars	2020	2020	2019	2019
Tax expenses				
- Current tax		2,262,958,311.13		2,116,276,674.65
<b>Total tax expense</b>		<b>2,262,958,311.13</b>		<b>2,116,276,674.65</b>
<b>Reconciliation of tax on accounting profit:-</b>				
<b>Profit before tax</b>		<b>7,309,598,973.50</b>		<b>7,053,046,740.78</b>
<b>Income tax expense calculated at 30% (A)</b>		<b>2,192,879,692.05</b>		<b>2,115,914,022.23</b>
<b>Non-deductible expense</b>				
- Production incentive/ Bonus /PBVA	47,138,487.36	14,141,546.21	88,606,842.94	26,582,052.88
- Medical expenses	696,640.99	208,992.30	946,363.81	283,909.14
- Donation	186,193,866.75	55,858,160.02	16,104,551.98	4,831,365.59
<b>Total non-deductible expense (B)</b>		<b>70,208,698.53</b>		<b>31,697,327.62</b>
<b>Adjustment to deferred tax pertaining to ADB Loan</b>				
- Deferred tax effect on forex exchange difference on ADB principal/interest	-29,624,129.84	-8,887,238.95	-24,551,538.82	-7,365,461.65
- ADB Loan (Forex Gain/Loss-unrealized)	119,641,200.88	35,892,360.26	56,301,327.51	16,890,398.25
<b>Net Effect (C)</b>		<b>27,005,121.51</b>		<b>9,524,936.61</b>
Lease Rent				
Decrease in income	-911,938.70	-273,581.55	-20,653.26	-36,195.98





<b>Net Effect (D)</b>		<b>-273,581.61</b>		<b>-36,195.98</b>
<b>Fixed Deposit Interest</b>				
- Excess interest accrued and deferred tax assets booked as on 31.12.2018	10,260,448.16	3,078,134.45	-1,599,987.51	-479,996.25
<b>Net Effect (E)</b>		<b>3,078,134.45</b>		<b>-479,996.25</b>
<b>Impact Due to Depreciation</b>				
Depreciation	-97,434,554.09	-29,230,366.23	-94,992,443.90	-28,497,733.17
<b>Net Effect (F)</b>		<b>-29,230,366.23</b>		<b>-28,497,733.17</b>
<b>Adjustment to Gratuity during the year</b>				
Gratuity charged to profit or loss	-2,364,624.58	-709,387.38	-39,485,621.36	-11,845,686.41
Difference between adjustment to bonus and charged to profit or loss		-709,387.38		-11,845,686.41
<b>Net effect (G)</b>		<b>-709,387.38</b>		<b>-11,845,686.41</b>
<b>Reconciled with tax expense as above (A+B+C+D+E+F+G)</b>		<b>2,262,958,311.13</b>		<b>2,116,276,674.65</b>

## NOTE 25 A) Discount as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

A	Assets/Liabilities	2020	2019
1	DBO at end of prior period	503,488,368.00	421,245,000.00
2	Current service cost	35,189,675.00	35,387,661.00
3	Interest cost on the DBO	39,162,239.00	32,927,632.00
4	Curtailment (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	4,259,080.00
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	-23,907,257.00	28,968,183.00
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	-27,920,756.00	-19,299,188.00
12	Benefits paid from plan assets		
	DBO at end of current period	526,012,269.00	503,488,368.00

B	Statement of Profit & Loss	2020	2019
1	Current service cost	35,189,675.00	35,387,661.00
2	Past service cost - plan amendments	-	4,259,080.00
3	Curtailment cost/(credit)	-	-
4	Settlement cost/(credit)	-	-
5	Service cost	35,189,675.00	39,162,239.00
6	Net interest on net defined benefit liability/(asset)	39,162,239.00	32,927,632.00

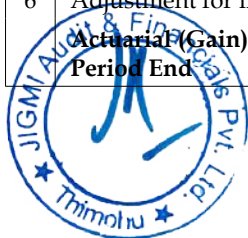
7	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	Cost recognized in P&L	74,351,914.00	72,574,373.00

C	Defined Benefit Cost	2020	2019
1	Service cost	35,189,675.00	39,646,741.00
2	Net interest on net defined benefit liability / (asset)	39,162,239.00	32,927,632.00
3	Actuarial (gains)/ losses recognized in OCI	-23,907,257.00	28,968,183.00
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	<b>Defined Benefit Cost</b>	<b>50,444,657.00</b>	<b>101,542,556.00</b>

D	Development of Net Financial Position	2020	2019
1	Defined Benefit Obligation (DBO)**	526,012,269.00	-503,488,368.00
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	-526,012,269.00	-503,488,368.00
	<b>Net Defined Benefit Asset</b>	<b>-526,012,269.00</b>	<b>-503,488,368.00</b>

E	Reconciliation of Net Balance Sheet Position	2020	2019
1	Net defined benefit asset/ (liability) at end of prior period	-503,488,368.00	-421,245,000.00
2	Service cost	-35,189,675.00	-39,646,741.00
3	Net interest on net defined benefit liability/ (asset)	-39,162,239.00	-32,927,632.00
4	Amount recognized in OCI	23,907,257.00	-28,968,183.00
5	Amount recognized in Profit & Loss	-	-
6	Employer contributions	-	-
7	Benefit paid directly by the Company	27,920,756.00	19,299,188.00
8	Acquisitions credit/ (cost)	-	-
9	Divestitures	-	-
10	Withdrawals from the Plan Assets	-	-
11	Cost of termination benefits	-	-
	<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>-526,012,269.00</b>	<b>-503,488,368.00</b>

F	Other Comprehensive Income (OCI)	2020	2019
1	Actuarial (gain)/loss due to liability experience	-23,907,257.00	28,968,183.00
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	-23,907,257.00	28,968,183.00
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	-23,907,257.00	28,968,183.00
6	Adjustment for limit on net asset	-	-
	<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>-23,907,257.00</b>	<b>28,968,183.00</b>

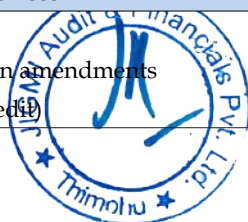


G	Expected benefit payments for the year ending	2020
1	31 Dec. 2021	40,958,084.00
2	31 Dec. 2022	37,335,882.00
3	31 Dec. 2023	42,193,857.00
4	31 Dec. 2024	52,624,225.00
5	31 Dec. 2025	63,904,070.00
6	31 Dec. 2026 to 31 Dec. 2030	422,029,284.00
(i)	<b>Expected employer contributions for the period ending 31 Dec. 2020</b>	<b>Not Applicable</b>
(ii)	<b>Weighted average duration of defined benefit obligation</b>	<b>13.43 Years</b>
(iii)	<b>Significant estimates: actuarial assumptions and sensitivity</b>	
a	<b>Discount Rate for 2020</b>	<b>2020</b>
	<b>Discount Rate</b>	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	-25,292,143.00
	Effect on DBO due to 0.5% decrease in Discount Rate	27,249,722.00
b	<b>Salary escalation rate for 2020</b>	<b>2020</b>
	<b>Salary escalation rate</b>	8%
	Effect on DBO due to 1% increase in Salary escalation rate	28,464,286.00
	Effect on DBO due to 1% decrease in Salary escalation rate	-26,631,428.00

## NOTE 25 B) Disclosure as per BAS 19 - 'Employees Benefit' as regards defined benefit scheme (Carriage Allowance)

A	Assets/Liabilities	2020	2019
1	DBO at end of prior period	6,477,621.00	5,532,000.00
2	Current service cost	596,480.00	465,658.00
3	Interest cost on the DBO	461,175.00	423,511.00
4	Curtailement (credit)/cost	-	-
5	Settlement (credit)/cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/cost	-	-
8	Actuarial (gain)/loss - experience	1,679,509.00	294,568.00
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	-712,932.00	-238,116.00
12	Benefits paid from plan assets		
	<b>DBO at end of current period</b>	<b>8,501,853.00</b>	<b>6,477,621.00</b>

B	Statement of Profit & Loss	2020	2019
1	Current service cost	596,480.00	465,658.00
2	Past service cost - plan amendments	-	-
3	Curtailement cost/(credit)	-	-



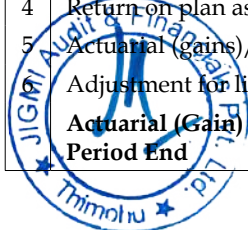
4	Settlement cost/(credit)	-	-
5	Service cost	596,480.00	465,658.00
6	Net interest on net defined benefit liability/(asset)	461,175.00	423,511.00
7	Immediate recognition of (gains)/losses - other long-term employee benefit plans	-	-
	<b>Cost recognized in P&amp;L</b>	<b>1,057,655.00</b>	<b>889,169.00</b>

C	Defined Benefit Cost	2020	2019
1	Service cost	596,480.00	465,658.00
2	Net interest on net defined benefit liability/(asset)	461,175.00	423,511.00
3	Actuarial (gains)/losses recognized in OCI	1,679,509.00	294,568.00
4	Immediate recognition of (gains)/losses - other long-term employee benefit plans	-	-
	<b>Defined Benefit Cost</b>	<b>2,737,164.00</b>	<b>1,183,737.00</b>

D	Development of Net Financial Position	2020	2019
1	Defined Benefit Obligation (DBO)**	-8,501,853.00	-6,477,621.00
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	-8,501,853.00	-6,477,621.00
	<b>Net Defined Benefit Asset</b>	<b>-8,501,853.00</b>	<b>-6,477,621.00</b>

E	Reconciliation of Net Balance Sheet Position	2020	2019
1	Net defined benefit asset/(liability) at end of prior period	-6,477,621.00	-5,532,000.00
2	Service cost	-596,480.00	-465,658.00
3	Net interest on net defined benefit liability/(asset)	-461,175.00	-423,511.00
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)	-1,679,509.00	-294,568.00
9	Divestitures	-	-
10	Withdrawals from the Plan Assets	-	-
11	Cost of termination benefits	712,932.00	238,116.00
	<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>-8,501,853.00</b>	<b>-6,477,621.00</b>

F	Other Comprehensive Income (OCI)	2020	2019
1	Actuarial (gain)/loss due to liability experience	1,679,509.00	294,568.00
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	1,679,509.00	294,568.00
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/losses recognized in OCI	1,679,509.00	294,568.00
	Adjustment for limit on net asset	-	-
	<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>1,679,509.00</b>	<b>294,568.00</b>



G Expected benefit payments for the year ending		2020
1	31 Dec. 2021	985,373.00
2	31 Dec. 2022	867,261.00
3	31 Dec. 2023	956,988.00
4	31 Dec. 2024	1,159,678.00
5	31 Dec. 2025	1,330,351.00
6	31 December 2026 to 31 December 2030	7,846,872.00
i)	Expected employer contributions for the period ending 31 Dec. 2020	<b>Not Applicable</b>
ii)	Weighted average duration of defined benefit obligation	<b>11.83 Years</b>
iii)	Significant estimates: actuarial assumptions and sensitivity	
A	<b>Discount Rate for 2020</b>	<b>2020</b>
	<b>Discount Rate</b>	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	-369,471.00
	Effect on DBO due to 0.5% decrease in Discount Rate	396,555.00
B	<b>Salary escalation rate for 2020</b>	<b>2020</b>
	<b>Salary escalation rate</b>	5.00%
	Effect on DBO due to 1% increase in Salary escalation rate	416,624
	Effect on DBO due to 1% decrease in Salary escalation rate	-391,361.00

**NOTE 25 C) Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme  
(Repatriation Allowance Benefit Scheme)**

A	Assets/Liabilities	2020	2019
1	DBO at end of prior period	18,538,371.00	17,237,000.00
2	Current service cost	1,275,653.00	1,391,278.00
3	Interest cost on the DBO	1,415,652.00	1,339,062.00
4	Curtailment (credit)/cost	-	-
5	Settlement (credit)/cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/cost	-	-
8	Actuarial (gain)/loss - experience	-1,406,635.00	-431,526.00
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	-1,685,430.00	-997,443.00
12	Benefits paid from plan assets		
	<b>DBO at end of current period</b>	<b>18,137,611.00</b>	<b>18,538,371.00</b>

B	Statement of Profit & Loss	2020	2019
1	Current service cost	1,275,653.00	1,391,278.00
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-

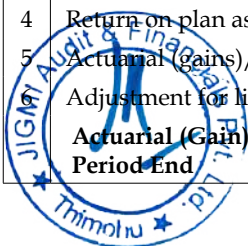
4	Settlement cost /(credit)	-	-
5	Service cost	1,275,653.00	1,391,278.00
6	Net interest on net defined benefit liability /(asset)	1,415,652.00	1,339,062.00
7	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	<b>Cost recognized in P&amp;L</b>	<b>2,691,305.00</b>	<b>2,730,340.00</b>

C	Defined Benefit Cost	2020	2019
1	Service cost	1,275,653.00	1,391,278.00
2	Net interest on net defined benefit liability /(asset)	1,415,652.00	1,339,062.00
3	Actuarial (gains)/losses recognized in OCI	-1,406,635.00	-431,526.00
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	<b>Defined Benefit Cost</b>	<b>1,284,670.00</b>	<b>2,298,814.00</b>

D	Development of Net Financial Position	2020	2019
1	Defined Benefit Obligation (DBO)**	-18,137,611.00	-18,538,371.00
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	-18,137,611.00	-18,538,371.00
	<b>Net Defined Benefit Asset</b>	<b>-18,137,611.00</b>	<b>-18,538,371.00</b>

E	Reconciliation of Net Balance Sheet Position	2020	2019
1	Net defined benefit asset/ (liability) at end of prior period	-18,538,371.00	-17,237,000.00
2	Service cost	-1,275,653.00	-1,391,278.00
3	Net interest on net defined benefit liability/(asset)	-1,415,652.00	-1,339,062.00
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)	1,406,635.00	431,526.00
9	Divestitures	-	-
10	Withdrawals from the Plan Assets	-	-
11	Cost of termination benefits	1,685,430.00	997,443.00
12	Benefits paid from plan assets	-	-
	<b>Net defined benefit asset/(liability) at end of current period</b>	<b>-18,538,371.00</b>	<b>-18,137,611.00</b>

F	Other Comprehensive Income (OCI)	2020	2019
1	Actuarial (gain)/loss due to liability experience	-1,406,635.00	-431,526.00
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	-1,406,635.00	-431,526.00
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/losses recognized in OCI	-1,406,635.00	-431,526.00
	Adjustment for limit on net asset	-	-
	<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>-1,406,635.00</b>	<b>-431,526.00</b>



G	Expected benefit payments for the year ending	2020
1	31 Dec. 2021	2,194,523.00
2	31 Dec. 2022	1,954,979.00
3	31 Dec. 2023	2,089,216.00
4	31 Dec. 2024	2,409,992.00
5	31 Dec. 2025	2,732,553.00
6	31 December 2026 to 31 December 2030	16,172,580.00
i)	Expected employer contributions for the period ending 31 December 2020	<b>Not Applicable</b>
ii)	Weighted average duration of defined benefit obligation	<b>11.68 Years</b>
iii)	Significant estimates: actuarial assumptions and sensitivity	
A	<b>Discount Rate</b>	<b>2020</b>
	<b>Discount Rate as at 31 December 2020</b>	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	-793,340.00
	Effect on DBO due to 0.5% decrease in Discount Rate	852,376.00
B	<b>Salary escalation</b>	<b>2020</b>
	<b>Inflation escalation rate as at 31 December 2020</b>	8.00%
	Effect on DBO due to 1% increase in Salary escalation rate	895,354.00
	Effect on DBO due to 1% decrease in Salary escalation rate	-840,230.00

**NOTE 25 D) Disclosure as per BAS 19, 'Employees Benefit' as regard defined benefit scheme  
(Transfer Grant Benefit Scheme)**

A	Assets/Liabilities	2020	2019
1	DBO at end of prior period	18,538,371.00	17,237,000.00
2	Current service cost	1,275,653.00	1,391,278.00
3	Interest cost on the DBO	1,416,104.00	1,343,531.00
4	Curtailement (credit)/ cost	-	-
5	Settlement (credit)/ cost	-	-
6	Past service cost - plan amendments	-	-
7	Acquisitions (credit)/ cost	-	-
8	Actuarial (gain)/loss - experience	-1,418,382.00	-547,720.00
9	Actuarial (gain)/loss - demographic assumptions	-	-
10	Actuarial (gain)/loss - financial assumptions	-	-
11	Benefits paid directly by the Company	-1,674,135.00	-885,718.00
12	Benefits paid from plan assets		
	<b>DBO at end of current period</b>	<b>18,137,611.00</b>	<b>18,538,371.00</b>

B	Statement of Profit & Loss	2020	2019
1	Current service cost	1,275,653.00	1,391,278.00
2	Past service cost - plan amendments	-	-
3	Curtailement cost / (credit)	-	-

4	Settlement cost /(credit)	-	-
5	Service cost	1,275,653.00	1,391,278.00
6	Net interest on net defined benefit liability /(asset)	1,416,104.00	1,343,531.00
7	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	<b>Cost recognized in P&amp;L</b>	<b>2,691,757.00</b>	<b>2,734,809.00</b>

D	Development of Net Financial Position	2020	2019
1	Defined Benefit Obligation (DBO)**	-18,137,611.00	-18,538,371.00
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	-18,137,611.00	-18,538,371.00
	<b>Net Defined Benefit Asset</b>	<b>-18,137,611.00</b>	<b>-18,538,371.00</b>

E	Reconciliation of Net Balance Sheet Position	2020	2019
1	Net defined benefit asset/ (liability) at end of prior period	-18,538,371.00	-17,237,000.00
2	Service cost	-1,275,653.00	-1,391,278.00
3	Net interest on net defined benefit liability/ (asset)	-1,416,104.00	-1,343,531.00
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)	1,418,382.00	547,720.00
9	Divestitures	-	-
10	Withdrawals from the Plan Assets	-	-
11	Cost of termination benefits	1,674,135.00	885,718.00
12	Benefits paid from plan assets	-	-
	<b>Net defined benefit asset/ (liability) at end of current period</b>	<b>-18,137,611.00</b>	<b>-18,538,371.00</b>

F	Other Comprehensive Income (OCI)	2020	2019
1	Actuarial (gain)/loss due to liability experience	-1,418,382.00	-547,720.00
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	-1,418,382.00	-547,720.00
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	-1,418,382.00	-547,720.00
6	Adjustment for limit on net asset	-	-
	<b>Actuarial (Gain) or Loss Recognized via OCI at Current Period End</b>	<b>-1,418,382.00</b>	<b>-547,720.00</b>

G	Expected benefit payments for the year ending	2020
1	31 Dec. 2021	2,194,523.00
2	31 Dec. 2022	1,954,979.00
3	31 Dec. 2023	2,089,216.00





4	31 Dec. 2024	2,409,992.00
5	31 Dec. 2025	2,732,553.00
6	31 December 2026 to 31 December 2030	16,172,580.00
i)	Expected employer contributions for the period ending 31 December 2020	<b>Not Applicable</b>
ii)	Weighted average duration of defined benefit obligation	<b>11.68 Years</b>
iii)	Significant estimates: actuarial assumptions and sensitivity	
a	Discount Rate for 2020	<b>2020</b>
	<b>Discount Rate as at 31 Dec. 2020</b>	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	-793,340.00
	Effect on DBO due to 0.5% decrease in Discount Rate	852,376.00
b	Salary escalation rate for 2020	<b>2020</b>
	<b>Salary escalation rate as at 31 Dec. 2020</b>	8.00%
	Effect on DBO due to 1% increase in Salary escalation rate	895,354.00
	Effect on DBO due to 1% decrease in Salary escalation rate	-840,230.00

## NOTE 26: EARNINGS PER SHARE

a) Basic earnings per share	2020	2019
a) Basic earnings per share attributable to the equity holders of the Company (b/c)	157	154
b) Reconciliations of earnings used in calculating earnings per share		
<b>Profit attributable to equity holders of the company used in calculating basis earnings per share</b>	5,075,229,540.00	4,926,733,160.00
c) Weighted average number of equity shares used as the denominator		
<b>Weighted average number of equity shares used as the denominator in calculating basic earnings per share</b>	32,246,108.00	32,071,064.00

## NOTE 27: FAIR VALUE MEASUREMENTS

(Amounts in Nu.)

Financial instruments by category	31 Dec. 2020			31 Dec. 2019		
	FV PL	FV OCI	Amortized cost	FV PL	FV OCI	Amortized cost
<b>Financial assets</b>						
Investment in non-government bonds	-	-	200,000,000.00	-	-	200,000,000.00
Fixed deposit with bank	-	-	5,808,640,770.00	-	-	4,308,640,770.00
Accrued interest on fixed deposit	-	-	144,434,784.00	-	-	82,966,598.00
Deferred lease income	-	-	1,880,572.00	-	-	968,634.00
Trade receivables	-	-	1,480,123,338.00	-	-	1,180,455,169.00
Inter-corporate loan	-	-	300,000,000.00	-	-	90,000,000.00

Accrued interest on investment	-	-	172,819,743.00	-	-	136,182,415.00
Miscellaneous deposits	-	-	5,266,741.00	-	-	5,543,281.00
Other receivables	-	-	1,229,449,308.00	-	-	1,075,834,612.00
Cash and cash equivalents	-	-	759,358,888.00	-	-	432,194,836.00
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>10,101,974,144.00</b>	<b>-</b>	<b>-</b>	<b>8,364,806,314</b>
<b>Financial liabilities</b>						
Borrowings	-	-	6,297,472,673.00	-	-	5,830,673,525.00
Security deposit- suppliers & others	-	-	44,627,812.00	-	-	35,389,017.00
Sundry creditors	-	-	295,811,983.00	-	-	363,050,222.00
Outstanding liabilities to contractors	-	-	2,682,091.00	-	-	4,271,613.00
Outstanding liabilities for expenses	-	-	114,786,270.00	-	-	92,260,554.00
Provision for bonus	-	-	65,070.00	-	-	74,912,629.00
Sundry liabilities	-	-	164,765.00	-	-	505,036.00
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>6,755,610,665.00</b>	<b>-</b>	<b>-</b>	<b>6,401,062,596.00</b>

#### a) 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.

#### b) Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include the fair value of the financial instruments as determined using discounted cash flow analysis.

#### c) Fair value of financial assets and liabilities measured at amortized cost

(Amounts in Nu.)

Particulars	31-Dec-20		31-Dec-19	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Investment in non-government bonds	200,000,000.00	129,863,875.00	200,000,000.00	139,311,726.00
Fixed deposit and accrued interest	2,569,370,399.00	2,862,146,371.00	1,038,427,753.00	955,816,156.00
Deferred lease income	1,880,572.00	1,880,572.00	968,634.00	968,634.00
<b>Total financial assets</b>	<b>2,771,250,972.00</b>	<b>2,993,890,818.00</b>	<b>1,239,396,387.00</b>	<b>1,096,096,516.00</b>
<b>Financial liabilities</b>				
Borrowings and accrued interest	3,766,576,212.00	2,228,788,418.00	3,575,430,103.00	3,034,245,419.00
<b>Total financial liabilities</b>	<b>3,766,576,212.00</b>	<b>2,228,788,418.00</b>	<b>3,575,430,103.00</b>	<b>3,034,245,419.00</b>

## NOTE 28: FINANCIAL RISK MANAGEMENT

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

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

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

The Board provides oversight of the governance structure, control and management system and risk mitigation measures. The company follows the Risk Management Manual, which came into effect from 1 January, 201, to identify the risk and develop mitigating plans. 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 company's business objectives.

### (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 (December 31, 2020)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
<b>Non-derivatives</b>					
Borrowings	233,211,304	233,211,304	589,709,051	1,318,296,626	2,374,428,286
Interest	90,919,735	79,431,820	171,016,844	335,183,482	676,551,880
Security Deposit- Suppliers & Others	44,627,812	-	-	-	44,627,812
Sundry Creditors	295,811,983	-	-	-	295,811,983
Outstanding Liabilities to contractors	2,682,091	-	-	-	2,682,091
Outstanding Liabilities for expenses	114,786,270	-	-	-	114,786,270
Provision for Bonus	65,070	-	-	-	65,070
Sundry Liabilities	164,765	-	-	-	164,765
<b>Total financial liabilities</b>	<b>782,269,031</b>	<b>312,643,124</b>	<b>760,725,895</b>	<b>1,653,480,108</b>	<b>3,509,118,159</b>



Contractual maturities of financial liabilities (December 31, 2019)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
<b>Non-derivatives</b>					
Borrowings	233,211,304	233,211,304	699,633,913	1,441,583,068	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
<b>Total financial liabilities</b>	<b>905,968,589</b>	<b>324,131,039</b>	<b>903,465,629</b>	<b>1,823,383,499</b>	<b>3,956,948,755</b>

### (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 hydropower projects for which the company is exposed to foreign currency risk.

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

#### Foreign currency risk exposure

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

Particulars	31-Dec-20		31-Dec-19	
	USD	INR	USD	INR
Financial assets	-	889,183,769.61	-	571,806,363
Financial liabilities	3,149,876,760.73	-	2,813,405,790	-
<b>Net exposure to foreign currency risk</b>	<b>3,149,876,761</b>	<b>889,183,770</b>	<b>2,813,405,790</b>	<b>571,806,363</b>

#### Sensitivity

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

Particulars	Impact on profit before tax	
	31-Dec-20	31-Dec-19
Nu. Depreciate by 5% (2019: 5%)	157,493,838.04	140,670,289.48
Nu. Appreciate by 5% (2019: 5%)	-157,493,838.00	-140,670,289.00
<b>EURO sensitivity</b>		
Nu. Depreciate by 5% (2019: 5%)	-	-
Nu. Appreciate by 5% (2019: 5%)	-	-

Note: Holding all other variables constant

As value of Nu. is officially pegged to INR, the 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.

**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 Dec. 2020 which is debt service coverage ratio.

The company has complied with these covenants throughout the reporting period. As at December 31, 2020, the debt service coverage ratio was 30.26.

The debt service coverage ratio was as follows:

Particulars	31-Dec-20
EBITA	9,810,115,551
Debt Service	346,135,895
Debt service coverage ratio	<b>28.34</b>

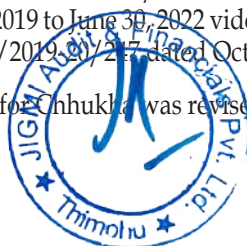


## NOTE 30: ADDITIONAL DISCLOSURES

- 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.32,246.108 million (32,246.108 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.
- 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

- 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).
- Of the initial allotment of 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 additional equity capital of Nu. 877,570,162.16 has been injected during the year. As a result, subscribed share capital of THyE is enhanced from Nu. 3.60 billion to Nu. 4.85 billion during the 45th Board meeting of THyE. The paid-up share capital is Nu. 4,247,087,697.44 as on 31.12.2020. Being the only investor as of 31.12.2020, company has 100% stake in THyE, however, this is expected to change in future with expected participation from other investors.
- Bhutan Hydropower Services Limited (BHSL) was formed as a joint venture between DGPC and ALSTOM Hydro Holding, France vide agreement dated 6 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.
- Kholongchhu Hydro Energy Limited was formed as a joint venture between DGPC and SJVN Limited, a Government of India Undertaking vide agreement dated 30 Sep. 2014 with 50% equity shareholding each. Of the allotted 25,000,000.00 equity shares of Nu.100 each by KHEL, Nu.1,737,817,000.00 has been called up and paid till December 31, 2020 and Nu.762,183,000.00 has remained uncalled on the date.
- Bhutan Automation and Engineering Limited (BAEL) was formed as a joint venture between DGPC and Andritz Hydro Private Limited, India, vide agreement dated 16th Oct. 2017 with 51% and 49% equity shareholding respectively. DGPC has been allotted fully paid up 3,060,000 equity shares of Nu.10 each.
- Bhutan Electricity Authority (BEA) vide its letters No. BEA/CEO/TARIFF/2016-2017/525 dated 30 Dec. 2016 and BEA/CEO/TARIFF/2016-2017/526 dated 30 Dec. 2016 approved for revision in domestic tariff for additional energy from Nu.1.39/kWh to Nu.1.59/kWh and wheeling charge from Nu.0.114/kWh to Nu.0.195/kWh, applicable with effect from January 1, 2017 to June 30, 2019. The rate for energy imported from PTC India 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 October 1, 2019 to June 30, 2022 vide letter No. BEA/CEO/DGPC/2019-20/244 dated October 1, 2019 and BEA/CEO/BPC/2019-20/247 dated October 1, 2019 respectively.
- The export tariff for Chhukha was revised from Nu.2.25/kWh to Nu.2.55/kWh applicable from Jan. 2017 for

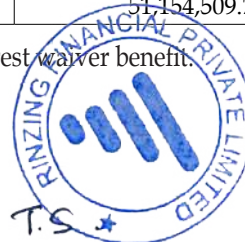
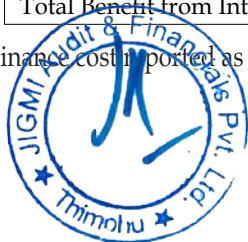


a four years period, valid until December 31, 2020. The export tariff for Tala and Kurichhu was revised from Nu.1.98/kWh to Nu.2.12/kWh applicable from 1 Dec. 2016 for a five years period, valid until November 30, 2021.

- Austrian Grant final phase commenced from October 2019 and is up to December 2022. The grant is towards the project 'capacity building in monitoring safety of hydropower plants'. Nu.31.85 million pertaining to the first phase ended on March 2019 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.
- 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 only), was availed via subsidiary agreement between RGoB and the then erstwhile Basochhu Hydropower Corporation Ltd. (for Lower Stage and Upper Stage) dated October 14, 2004 and August 1, 2006 respectively for a tenure of 18 years and 20 years at a fixed interest rate of 6% each respectively per annum.
- Asian Development Bank (ADB) has sanctioned a loan of US\$29,000,000.00 (US Dollar Twenty-Nine Million only) 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 RGoB and DGPC dated 3 Mar. 2009 for a period of 32 years including a grace period of 8 years at the interest rate of 3.15% per annum. The repayment of principal has started from April 15, 2017.
- ADB has sanctioned Special Funds resources loan of SDR16,987,000.00 (Special Drawing Rights of 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 implementation of the Second Green Power Development Project, on the date of the signing of agreement via subsidiary agreement between RGoB and DGPC dated June 12, 2015 for a period of 32 years including a grace period of 8 years at the interest rate of 1% per annum during the grace period and 1.5% per annum thereafter.
- 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 and 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 to finance the portion of construction of 400 kV Mangdechhu-Jigmeling via Goling transmission line.
- Additional loan of Nu.99,425,000.00 (Ngultrum Ninety-Nine Million Four Hundred Twenty-Five Thousand only) was availed from NPPF in 2020 at a fixed interest rate of 9.00% per annum with repayment period of 15 years.
- Interest waiver benefit derived on ATS loan due to COVID situation during the year amounts to Nu. 51.154 million, as detailed under.

Loan Amount (Nu.)	Interest Waiver -Period	Waiver (%)	Amount Waived (Nu.)	Lending Institute
587,000,000.00 @ 7.94% p.a.	1 Apr - 30 Sep 2020	100%	23,303,900.00	BOB
	1 Oct - 31 Dec 2020	50%	5,857,810.93	
318,980,000.00 @ 8.30% p.a.	1 Apr - 30 Sep 2020	100%	13,237,670.00	NPPF
	1 Oct - 31 Dec 2020	50%	3,327,501.75	
99,425,000.00 @ 9.00% p.a.	8 Apr - 30 Sep 2020	100%	4,302,983.61	NPPF
	1 Oct - 31 Dec 2020	50%	1,124,643.44	
Total Benefit from Interest Waiver			51,154,509.73	

Finance cost reported as on December 31, 2020 is excluding the interest waiver benefit.





Equally, the company had also incurred Nu. 562.21 Million (Five Hundred Sixty-Two point Twenty One million) during the year as a gesture of company's Corporate Social Responsibility (CSR) in response to the Covid-19 pandemic. The abstract of the expenses is as under:

Amount in Million Nu.

SN	Particulars	Expense head	Amount
1	Monetary contribution to COVID Relief Fund	CSR	550.00
2	Donation of Diesel Fired Incinerator to Ministry of Health	Asset	2.42
3	Purchase of Sanitizer, Disinfectants and PPEs	General Expense	1.91
4	Purchase of Essential Items for O&M staff	General Expense	2.93
5	Quarantine/Isolation Expenses	General Expense	2.30
6	POL recoupment for vehicles	R/M vehicle	1.19
7	Internet /Data charges during lockdown	Telephone Expense	0.20
8	VPN license for remote access of DGPC intranet	Capital Expense	0.27
9	Construction of rest room, store room and installation of CCTV & hand washing facility	Capital Expense	0.81
		Total Expense	562.21

- Inter Corporate Loan**

During the year, an inter-corporate loan of Nu. 300,000,000.00 (Ngultrum Three Hundred Million) has been provided to State Mining Corporation Limited (SMCL) at the interest rate of 6.50% per annum for a year.

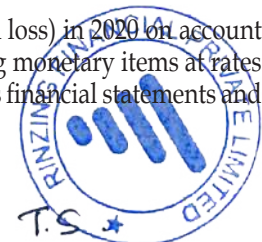
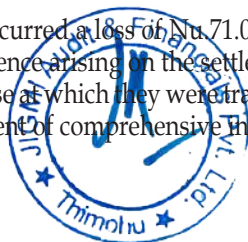
- Provision of Bonus**

Particulars	Amount (Nu.)
Balance as at January 1, 2020	74,912,629.33
Payment during the year	66,867,579.00
Adjustment/Excess Provision written back during the year	8,045,050.33
<b>Closing Balance as at December 31, 2020</b>	-

- With the implementation of BAS 40 - 'Investment Property', the land on lease by DGPC was derecognised from property, plant & equipment & (PPE) accounted for under Investment Property. The changes in this account during the year are given below:

Particulars	Amount (Nu.)
Transfer from property, plant and equipment	32,000,000.00
<i>Addition during the year</i>	-
Deletion/ Adjustments during the year	-
Depreciation during the year	-
Depreciation on Deletion/ Adjustments	-
<b>Balance as at December 31, 2020</b>	<b>32,000,000.00</b>

- A company has incurred a loss of Nu.71.05 million (previous year Nu.38.17 million loss) in 2020 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.



- All the balances against debtors, creditors and advances are based on the invoices raised to/from and advances paid respectively, which are not settled as at December 31, 2020. Reconciliation is carried out and confirmation of the balances is obtained for majority of the balances of more than Nu.1 million. The management is in the process of reconciling the remaining balances and to obtain the balances confirmation of the same.
- 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 THyE (Tangsibji Hydro Energy Limited) for cumulative loan disbursement of INR2,845,670,000.00 out of INR3,530,000,000.00 up to December 31, 2020 from State Bank of India (SBI).
- The company has identified the obsolete inventories and made required provisions during the year. The company is also in the process of identifying and declaring the non-moving materials.
- Quantitative Information of purchase and sale of power:

(Amount: Millions) (Units: Millions)

Particulars	2020		2019	
	Units (kWh)	Amount (Nu)	Units (kWh)	Amount (Nu)
Purchase	241.58	556.09	265.41	596.64
<b>Self-Generation</b>	7,630.04	-	6,926.22	-
Sale:				
Within Bhutan	2,051.35	2,192.91	2,397.83	3,712.41
Export to India	4,401.88	10,066.54	3,457.96	7,932.75
Internal Consumption & Losses	66.42	0.51	63.41	0.85
<b>Total</b>	<b>6,519.65</b>	<b>12,979.96</b>	<b>5,919.20</b>	<b>11,646.01</b>

- All existing generation plants (Kurichhu, Chhukha, Tala and Basochhu) fully owned by RGoB have to provide 15% of the annual generation as royalty energy to RGoB free of charge. All other generation plants shall provide royalty energy as per the SHDP. RGoB shall have the option to avail the royalty energy either in energy or cash in lieu at the highest off-take rate or pro-rated thereof after adjusting for admissible losses and wheeling charges. Till 2016 Royalty obligation portion were paid on the domestic tariff rate and from January 1, 2017 it has been paid as per the instruction of Electricity Subsidy and Royalty Payment Framework 2017. Royalty Energy of 1,110.40 MU (previous year - 1,007.01 MU) amounting to Nu.2,492.13 million (Previous year - Nu.2,259.54 million) was supplied at highest off-take/export tariff in 2020.
- The following statutory dues were outstanding and pending to be deposited at respective year ends:

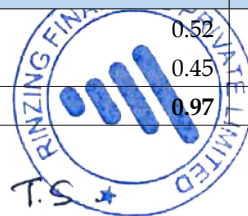
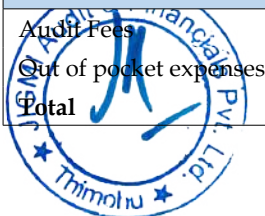
Amount in Million (Nu.)

Particulars	2020	2019
TDS Payable	0.43	0.016
Corporate Income Tax	1,857.05	1,569.07
<b>Total</b>	<b>1,857.48</b>	<b>1,569.08</b>

- Auditors Fees & Expenses:**

Amount in Million (Nu.)

Particulars	2020	2019
Audit Fees	0.52	0.52
Out of pocket expenses	0.45	0.77
<b>Total</b>	<b>0.97</b>	<b>1.29</b>



aa) A dividend of Nu. 5,600,000,000.00 have been proposed for the year ended December 31, 2020 amounting to a dividend of 173.66 per share. These financial statements do not reflect this dividend proposed.

The Financial Statements have been approved for issue by the Board of Directors on March 23, 2021.

bb) DGPC's reliance on PTC India Ltd (i.e. single external customer) for export revenue amount to Nu. 10,066,540,198.78 (i.e. 75.45% of total revenue).

cc) **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:

Period	31-Dec-20	31-Dec-19
Within one year	1,260,290.57	1,133,899.59
Later than one year but not later than 5 years	8,214,525.92	6,265,511.00
Later than 5 years	49,473,776.31	44,195,287.00
<b>Total</b>	<b>58,948,592.80</b>	<b>50,460,798</b>

The Company has recorded rental income amounting to Nu.1,260,290.57 (previous year - Nu.1,133,899.59) to the statement of comprehensive income during the year ended December 31, 2020.

## NOTE 31: RELATED PARTY DISCLOSURES

The company is a wholly owned subsidiary of 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:

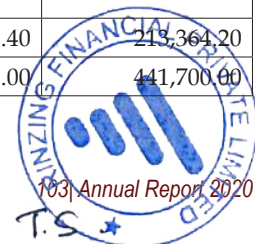
Companies	2020	2019
	% of Holding	% of Holding
<b>Parent -</b>		
Druk Holding & Investment	100%	100%
<b>Subsidiaries -</b>		
Dagachhu Hydro Power Corporation Ltd.	59%	59%
Tangsibji Hydro Energy Limited	100%	100%
<b>Joint Venture -</b>		
Kholongchhu Hydro Energy Ltd.	50%	50%
Bhutan Hydropower Services Ltd.	51%	51%
Bhutan Automation Engineering Ltd.	51%	51%

### Fellow Subsidiaries under DHI ownership -

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	2020 (Nu.)	2019 (Nu.)
Druk Holding & Investments	Holding Company	a. Payment of Dividend	5,132,992,540.79	4,500,000,000.00
		b. Interest expenses on Loan	-	-
		c. Equity	32,246,108,000.00	32,071,064,000.00
		d. Management & Brand Fee	94,794,950.66	92,680,972.26
		e. Lease Rent	1,586,035.30	554,006.97
		f. Non-trade payables	-	25,954.54
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Sale of Electricity	2,912,912,225.36	3,712,414,316.21
		b. Wheeling Charges	1,188,506,525.79	722,714,066.41
		c. Consumption of electricity by DGPC (estimate only)	9,973,831.20	7,661,194.78
		d. Receivable on energy sold	484,909,277.87	317,553,631.53
		e. Payable towards wheeling charges	103,638,021.75	14,693,812.83
		f. Trade payables	1,440,055.00	491,883.00
		g. Telephone, Fax, Internet Services & Others	73,613.08	-
		h. Other trade receivable	57,171.03	
		i. Advance payment	3,168,886.43	
		j. Capital work in progress	1,166,542.97	-
		k. Income on CoE services provided	203,929.00	-
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank charges	258,545.12	241,224.13
		b. Interest expense on loan	6,016,767.00	-
		c. Long term Borrowing	587,000,000.00	587,000,000.00
		d. Accrued Interest on Loan	110,610,995.00	93,009,908.77
		e. Long term fixed deposit	2,000,000,000.00	-
		f. Accrued interest income on deposit	31,275,004.02	
		g. Short-term Deposit	-	1,500,000,000.00
Bhutan Telecom Limited	Fellow Subsidiary	a. Payable towards Telephone, Internet services & Others	1,807,146.22	3,109,460.64
		b. Data Center services charges	6,579,526.04	20,551,191.00
		c. Rental Income	16,728.00	15,204.00
		d. Telephone, Fax, Internet Services & Others	2,280,021.14	2,538,209.16
Druk Air Corporation Limited	Fellow Subsidiary	a. Purchase of Air Tickets and Others	557,835.00	3,378,391.00
		b. Receivable commission on Air Ticket	233,579.60	105,464.20
		c. Income Others	20,215.40	213,364.20
		d. Payable towards Air Tickets	174,831.00	441,700.00



<b>State Trading Corporation of Bhutan Limited</b>	<b>Fellow Subsidiary</b>	a. Vehicle Procurement	14,522,853.99	56,942,239.71
		b. Repair and Maintenance of Vehicles	7,785,568.06	5,268,113.19
		c. Trade Payable	73,901.00	-
		d. Inter Corporate Loan	-	300,000,000.00
		e. Purchase of IT equipment	-	168,052.36
		f. Deposit Received	1,213,560.86	3,826,318.55
		g. Interest income from Loan	4,512,704.92	1,620,445.76
<b>Bhutan Hydropower Services Limited</b>	<b>Joint Venture</b>	a. Equity Investment	333,962,688.00	333,962,688.00
		b. Income from leased land	2,102,533.27	1,361,367.00
		c. Services availed related to repairs and maintenance of electro -mechanical equipment	175,142,343.88	120,890,815.46
		d. Inter Corporate Loan	-	30,000,000.00
		e. Interest Income on Inter corporate Loan	750,410.96	15,452,054.80
		f. Accrued Interest Income on Loan	-	-
		g. Corporate Guarantee Fee	3,136,556.29	3,222,206.49
		h. Payable for R&M	-	62,155.13
<b>Dagachhu Hydropower Corporation Limited</b>	<b>Subsidiary</b>	a. Equity Investment	2,437,880,000.00	2,437,880,000.00
		b. Income on services provided	2,974,071.77	3,830,556.50
		c. Other Miscellaneous Income	3,109,524.00	-
		d. Trade Receivable	154,411.76	-
		e. Trade Payable	3,185,261.75	-
		f. Non-Trade Receivable	38,209.59	548,567.00
<b>Tangsibji Hydro Energy Limited</b>	<b>Subsidiary</b>	a. Equity Investment	4,247,087,697.45	3,361,851,601.63
		b. Income on services provided	429,202.15	-
		c. Trade Receivable (+Corporate Guarantee Fee)	27,106,305.37	14,507,518.57
		d. Corporate Guarantee Fee	13,046,365.03	-
		e. Capital Work-in-progress	-	1,240,140.44
		f. Trade payables	82,616.00	103,485.43
<b>Dungsam Cement Corporation Limited</b>	<b>Fellow Subsidiary</b>	a. Inter-corporate Loan	-	610,000,000.00
		b. Interest income on Loan	37,617,251.13	12,386,904.13
		c. Accrued interest on Loan	-	-
		d. Income from CoE Services	179,400.00	219,211.65
		e. Trade Receivable	-	168,582.00
<b>Kholongchhu Hydro Energy Limited</b>	<b>Joint Venture</b>	a. Equity Investment	1,737,817,000.00	1,562,773,000.00
		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	1,341,179.50	929,130.00
		b. Advance payment	1,713,422.50	-
		c. Performance security Deposit	462,763.00	23,702.50
Construction Development Corporation Ltd.	Fellow Subsidiary	a. Advance payment		853,339.65
		b. Other misc. expense	108,485.00	-
		c. Trade Payable	1,303,902.60	3,081,081.80
		d. Non-Trade Receivable		-
		e. Capital Work-in-progress	14,301,241.38	9,159,318.56
Bhutan Board Products Limited	Fellow Subsidiary	a. Procurement of Furniture & Fixture	-	382,052.67
		b. Trade Payable	-	-
Natural Resources Development Corporation Ltd	Fellow Subsidiary	a. Purchase of construction materials	496,904.91	33,077.03
		b. Trade payable	30,642.70	
Bhutan Automation & Engineering Limited	Joint Venture	a. Equity Investment	30,600,000.00	30,600,000.00
		b. Dividend Income	934,768.27	-
Thimphu Tech Park Limited	Fellow Subsidiary	a. Miscellaneous Service	2,103,588.35	442,800.00
		b. Trade Payable	-2,415,371.65	1,096,433.34
		c. Advance Payment	215,000.00	-
		d. Capital work in progress	860,000.00	-
		e. Transfer of Asset (Laptop)	-	359,891.71
State Mining Corporation Limited	Fellow Subsidiary	a. Interest income on loan	2,610,655.74	-
		b. Accrued interest on loan	2,610,655.74	-
		c. Inter corporate loan	300,000,000.00	-



## KEY MANAGEMENT PERSONNEL

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

(Amount in Million)

Sl. No.	Particulars	2020	2019
a)	Short- term employee benefits	4.64	5.13
b)	Post-employment benefits (PEB)	-	-
c)	Other long- term benefits (OLTB)	-	-
	<b>Total</b>	<b>4.64</b>	<b>5.13</b>

### Sitting fees paid to the Board of Directors (excluding MD, DGPC)

(Amount in Million)

Sl. No.	Particulars	2020	2019
a)	Directors' Sitting Fee	0.74	0.96
	<b>Total</b>	<b>0.74</b>	<b>0.96</b>

**Note:** No separate valuation is done for key managerial personnel (Managing Director) in respect of PEB and OLTB. The same is included in the Note 21: Employee remuneration and benefits.

For JIGMI Audit & Financials Private Limited




Jigmi Rinzin, FCCA  
Partner

FCCA License No. 0283308

For Druk Green Corporation Limited



(Dasho Nim Dorji)  
Chairman, DGPC

For Rinzing Financial Private Limited




Tashi Rinzing Schmidt  
Partner

CPA License No. 34762



(Dasho Chhewang Rinzin)  
Managing Director



(Ugyen Wangchuk)  
Interim Director, Finance

Date: 10/05/2021

Place: Thimphu, Bhutan

## PROFIT CENTRES

### FMD

The Fleet Management Division (FMD) was created as a separate profit center in June 2014. The fleet services for vehicles and machineries are presently centralized under the FMD and hired out on a chargeable basis to the various formations in DGPC. The intention at that time was to spin off as a separate subsidiary in the long run if found to be commercially viable. Considering that the FMD has been functioning as a profit center for the last three years, a review of the business performance of the FMD was necessary. Hence, a target “Advance Fleet Management System” was incorporated under the compact targets to review the performance of the existing current profit center model and explore the other models such as mileage and hiring model.



### DGET

Druk Green Energy Trading (DGET) was set up as a function within Druk Green Power Corporation (DGPC) to support the implementation of existing PPAs and explore the sale of power in Indian Energy ultimately sub-regional energy markets. PTC will also play a major role in the tariff setting processes and tariff negotiations for the hydropower projects. This is also seen as an appropriate strategy to explore cross border electricity trade in the region beyond India and keep updated of the developments taking place in the Indian and sub-regional energy market.



### DGC

With over 30 years of experience in hydropower, DGPC established Druk Green Consultancy (DGC) to build competencies in hydropower development to provide expert services within the country, and eventually beyond the Kingdom.



DGC has acquired sufficient expertise and experience in investigation, planning, design, construction management of large projects, including & social impact management. Currently, DGC has 27 employees with masters degree from universities across the world. It has well trained and experienced professionals. DWGC has already started providing expert services to the existing hydropower plants and to the ongoing projects in Bhutan.

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### HRDC

Hydropower Research & Development Centre (HRDC) was established in 2015 by merging the four existing CoEs. Further, considering the future growth and expansion of its services, the base of the HRDC was shifted from Chhukha early 2018 and also established as an independent Profit Centre. Currently, HRDC has a trained and experienced professionals, who have been certified by reputed institutions to undertake special testing and state-of-the-art testing in all hydropower plants under DGPC, and also offer such professional services to industries in Bhutan and neighbouring places in India. Further, HRDC is also involved in sharing its experiences and competencies by imparting training and participating in international events by publishing papers and professional engagement.



### HTC

Hydropower Training Center (HTC) was established as a profit center in January 2021 for long term human capacity development. With the experience and capabilities that DGPC has acquired over the period in the hydropower sector, the Training Centre shall leverage on the competencies that are within the Center of Excellence units within DGPC and specialized in various aspects of maintenance and improving business in various aspects of maintenance and management. Besides developing technical skills within DGPC, HTC shall explore and initiate plans to expand training programs within related DoCs and institutionalize linkages within Bhutan and beyond. The HTC shall function within DGPC as a knowledge transfer centre for capacity building.





# DGPC SUBSIDIARIES & JOINT VENTURE COMPANIES





**DRUK GREEN POWER CORPORATION LIMITED**

**Post Box No. 1351, Thimphu, Bhutan**

**Tel: +975 2 336413 / 336414**

**Fax: +975 2 336417**

**[www.drukgreen.bt](http://www.drukgreen.bt)**