ANNUAL REPORT 2023

DRUK GREEN POWER CORPORATION LIMITED

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COMPANY PROFILE

Druk Green Power Corporation Limited (DGPC), a subsidiary of Druk Holding and Investments Limited, is a power generation utility in Bhutan. It was formed in December 2007 to develop and manage Bhutan's hydropower resources and assets.

DGPC was established for the effective and optimal utilization of the abundant water resources to develop water-to-wire expertise amongst the Bhutanese, and to lead in accelerating hydropower development in keeping with the 2021 Sustainable Hydropower Development Policy. Thus, DGPC has ventured into the construction of more hydropower projects, and other renewables such as wind and solar.

OUR MISSION

- 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

OUR 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

OUR VALUES

- Organisational Ownership and Pride
- Mutual Respect and Trust
- Initiative and Timely Action
- Integrity
- Accountability
- Work-Life Balance
- Social and Environmental Responsibility

BOARD MANAGEMENT

Loday Tsheten
Director, MoF

He has been a member of the Board of Directors of DGPC since April 2022, till August 2023. He is also the Chairperson of the Board-Level Tender Committee and a member of the Board Audit Committee.

Tandin Tshering
Secretary General, NAS

He has been a member of the Board of Directors of DGPC since March 2020, till August 2023. He is also the Chairperson of the Board Audit Committee and a member of the Board HR Committee.

Tashi Lhamo
Director, DHI

She has been a member of the Board of Directors of DGPC since March 2017. She is also the Chairperson of the Board HR Committee and a member of the Board Audit Committee and Board-Level Tender Committee.

Basant Raj Chhetri
CEO, BPS

He has been a member of the Board of Directors of DGPC since April 2022.

He is also a member of the Board-Level Tender Committee.

Lobzang Dorji
Dzongdag, Sarpang Dzongkhag

He has been a member of the Board of Directors of DGPC since March 2020.

He is also a member of the Board Audit Committee and Board HR Committee.

Karma Tshering
Secretary, MoENR

He has been a member of the Board of Directors of DGPC since March 2021, and Chairperson of the Board since June 28, 2022.

Dasho Chhewang Rinzin
MD, DGPC

He has been a member of the Board of Directors of DGPC and served as the Managing Director since December 2007. He is also a member of the Board HR Committee and Board-Level Tender Committee.

EXECUTIVE MANAGEMENT

Dasho Chhewang Rinzin
MD, DGPC

His Majesty The King of Bhutan confered Dasho Chhewang Rinzin with the Red Scarf and the title of Dasho in 2009, and the Order of Druk Khorlo medal in 2014 for his exceptional contributions. He also held pivotal roles, including Chairperson of Bhutan's Second Pay Commission, MD to BPC, and served in interim governments.

Dechen Wangmo
Director,
Corporate Affairs Department

She is serving as the Director (Corporate Affairs) since October 2018.

Tshewang Dorji
Director,
Human Resource & Administration Department

He is serving as the Director (Human Resource & Administration) since December 2021.

Sonam Wangdi
Director,
Projects Department

He is serving as the Director (Projects) since October 2018.

Yeshi Tenzin
Director, Operation & Maintenance Department

He is serving as the Director (Operation & Maintenance) since June 2020.

Ugyen Wangchuk
Director, Finance & Investment Department

He is serving as the Director (Finance & Investment) since November 2021.

PLANT MANAGEMENT

Dorji Namgyel
Head of Plant,
Chhukha Hydropower Plant

He has headed Chhukha Hydropower Plant from July, 2018 to February, 2023.

Kencho Gyeltshen
Head of Plant and O&MSC,
Basochhu Hydropower Plant

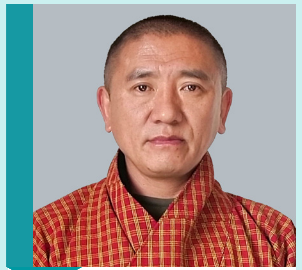
He has headed Basochhu Hydropower Plant concurrently with O&MSC Since January, 2023.

Rinchen Wangdi
Interim head of Plant,
Kurichhu Hydropower Plant

He is serving as the interim head at Kurichhu Hydropower Plant since March, 2023.

Sonam Wangdi
Head of Plant,
Mangdechhu Hydropower Plant

He is serving as the Head of Plant at Mangdechhu Hydropower Plant since April, 2022.



Yonten Jamtsho
Head of Plant,
Tala Hydropower Plant

He is serving as the Head of Plant at Tala Hydropower Plant since February, 2023.

Zangpo
Head of Plant
Chhukha Hydropower Plant

He has headed Chhukha Hydropower Plant from February, 2023 to December, 2023.

Burgangchhu Waterfall

DGPC TIMELINE

1988

Chukha Hydropower Plant

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

2002

Kurichhu Hydropower Plant

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

2004

Basochhu Hydropower Plant

Installed generation capacity: 2 x 12 MW, 2 x 20 MW
Annual design energy: 291 GWh
Project scheme: Run-of-the-River
Project commission: 2001-2004

2007

Tala Hydropower Plant

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

2007

Druk Green Power Corporation Limited

Incorporation: December 27, 2007

2008

Dagachhu Hydro Power Corporation Limited

Incorporation: May 13, 2008
Installed generation capacity: 2 x 63 MW
Design energy: 515 GWh
Commercial operation: February, 2015
Shareholding: DGPC (51%), TPCL (26%), NPPF (15%)

2021

Druk Hydro Energy Limited

Incorporation: December 16, 2021
Business Scope: To construct & commission small hydro projects upto 150 MW
Shareholding: DGPC (100%)

2019

Mangdechhu Hydropower Plant

Installed generation capacity: 4 x 180 MW
Annual design energy: 2925 GWh
Project scheme: Run-of-the-River
Project commission: 2019

2017

Bhutan Automation & Engineering Limited

Incorporation: November 8, 2017
Business Scope: Manufacture of automation systems for hydropower plants
Commercial operation: December 2018
Shareholding: DGPC(51%), Andritz Hydro (India) (49%)

2015

Kholongchhu Hydro Energy Limited

Incorporation: June 12, 2015
Installed generation capacity: 4 x 150 MW
Design energy: 2,568.88 GWh
Project schedule: September 2015 - February 2022
Shareholding: DGPC (100%)

2014

Tangsibji Hydro Energy Limited

Incorporation: April 25, 2014
Installed generation capacity: 2 x 59 MW
Design energy: 419.52 GWh
Project schedule: April 2016 – December2023
Shareholding: DGPC (100%)

2012

Bhutan Hydropower Services Limited

Incorporation: October 23, 2012
Business Scope: State-of-the-art repair and manufacturing of hydro turbine runners and associated components
Commercial operation: September 30, 2014
Shareholding: DGPC(100%)

DIRECTOR'S REPORT

To the Shareholder,

The Board of DGPC would like to present the Directors' Report for the year 2023, detailing the business operations and performance of DGPC along with the audited Financial Statements for the period ending December 31, 2023.

1. Financial Performance

1.1 Income

In 2023, the overall income declined by 2.97% to Nu. 11,668.60 million from Nu. 12,026.29 million in 2022. This decrease primarily stemmed from a reduction in generation by 282.32 MU, dropping from 7,227.93 MU in 2022 to 6,945.61 MU in 2023. Additionally, domestic energy consumption increased by 1,253.14 MU, increasing from 3,027.25 MU in 2022 to 4,280.39 MU in 2023. The lower generation and reduced export volume with increased domestic consumption (export tariffs higher than domestic rates) impacted revenues.

1.2 Expenditures

Expenditures saw a notable decrease of 11.57%, declining from Nu. 5,483.34 million in 2022 to Nu. 4,848.92 million in 2023. The reduction was primarily driven by the lower wheeling charges of Nu. 374.01 million in 2023 as compared to Nu. 786.65 million in 2022 due to a lower volume of power exports.

1.3 Profitability of the Company

Despite the decline in overall revenues, the company's profitability saw a modest increase of 4.23% due to the 11.57% reduction in overall expenditure. However, overall there was a 2.17% decrease in Profit After Tax (PAT) from Nu. 4,624.40 million in 2022 to Nu. 4,524.09 million in 2023.

The key financial figures on the performance of the company for 2023 vis-à-vis the previous year are as below:

Additionally, DGPC power plants made a royalty pass-through payment of Nu. 2,085.12 million during 2023 as against Nu. 2,348.75 million in 2022, slightly lower due to a decrease in overall generation.

The financial position of the company remains robust, with total debt and liabilities amounting to Nu. 17,156.71 million, constituting only 37.10% of the overall shareholder's fund of Nu. 46,239.01 million. These funds are predominantly invested in income-generating assets.

The allocation includes Nu. 54,064.68 million in non-current assets, comprising fixed assets, investments in subsidiaries and joint ventures, and other long-term investments as well as Nu. 9,331.04 million in current assets, including short-term investments, trade and other receivables, and cash and cash equivalents. This strategic allocation accentuates the commitment of the company to maintaining a strong financial footing and maximising returns for the Shareholder.

1.4 Dividend

The Shareholder conveyed a dividend expectation of 12.55% of the paid-up share capital of Nu. 32,465.09 million for 2023; which is equivalent to 89.59% of total comprehensive income. The dividend for 2023 is therefore Nu. 4,074.37 million against the dividend of Nu. 4,395.77 million which was declared for 2022. Considering the projected cash flows for payments of taxes and dividends, and equity investments in the Small Hydro (Phase-I & II), Kholongchhu and other projects including diversification into utility-scale solar, DGPC will need to raise over Nu. 9,180.00 million during 2024 through Commercial Papers and Overdrafts from financial institutions, and through Inter Corporate Borrowings from within the DHI group of companies.

1.5 Investments

To advance its mandates to extend the life of its existing assets and to quadruple the generation capacity by 2034, DGPC remains committed to making significant investments in several key areas:

Particulars	FY 2023 (Nu.)	FY 2022 (Nu.)	Variance (%)
Revenue (Nu.)	11,668.60	12,026.29	-2.97%
Expenditure	4,848.92	5,483.34	-11.57%
Profit before Tax (Nu.)	6,819.68	6,542.95	4.23%
Corporate Income Tax (Nu.)	2,295.59	1,918.54	19.65%
Comprehensive Income (Nu.)	4,547.84	4,625.96	-1.69%

Greenfield projects such as the small, large and mega hydropower projects and the diversification into tapping Bhutan's solar resources. These investments will entail substantial equity injections as well as the mobilisation of huge debt financing.

Restoration, renovation, modernisation, and automation of existing power plants to ensure their continued efficiency and longevity.

Strengthening brand equity through the enhancement of core competencies, bolstering research and development capabilities, and expanding support and consulting services.

Given the exciting opportunities emanating from these mandates, especially to quadruple generation capacity to at least 10,000 MW by 2034, DGPC recognises the importance of developing a comprehensive roadmap with a realistic financing strategy. This strategy will not only address what the overall capital fund requirements are but also bring clarity on the fund-flow forecasts, bridge needs for any potential gaps, and specify the types and sources of the funds. We are already actively collaborating with Multilateral Development Banks, Sovereign and Environmental/Renewable Funds, and commercial institutions to secure the financing required for the ongoing as well as the immediate in-the-pipeline projects even as we strategise to source funds for the balance of other projects.

It is crucial to note that operating cash flows earmarked for financing future capital expenditures would require reinvestment into the company to meet at least the equity financing requirements effectively. The sourcing and allocation of funds for the development of these planned projects represent critical and formidable challenges, significantly influencing the success of their implementation. DGPC's strategic focus on robust financial planning and prudent resource allocation will be pivotal in realising the successful execution of these initiatives to ensure Bhutan's energy security and revenue streams.

Annual Maintenance, THP

2. Operational Performance

For the financial year 2023, there was a decrease of 3.91% in aggregate generation from 7,227.93 MU in 2022 to 6,945.61 MU. This decline is primarily attributable to the declining hydrological river inflows experienced during the year.

Furthermore, the actual generation during the year was 6.81% lower than the generation target which had been set as 7,454.59 MU that had been based on historical hydrological flows, generation trends, and planned outages. From the generation from DGPC power plants, domestic consumption for 2023 increased to 4,280.39 MU from 3,027.25 MU in 2022 while export decreased from 3,087.00 MU in 2022 to 1,579.33 MU in 2023 (without considering royalty power).

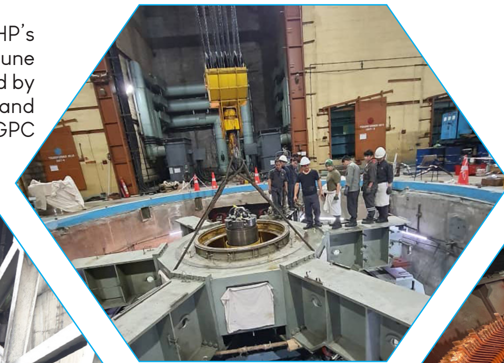
On a positive note, the Mangdechhu hydropower plant generated 3,145.13 MU in 2023, a slight increase from the 3,084.95 MU generated in 2022. From the 2023 generation, MHP exported 2,435.53 MU to India while 694.36 MU was consumed in the domestic market.

The growth in domestic demand continued to outstrip firm generation capacity during the non-monsoon months and this had to be mitigated through imports of electricity from India. Against an import of 241.10 MU during January-March 2022 from the Indian Power Exchange, Bhutan's electricity import from India during the months of January-April and December 2023 increased substantially to 592.17 MU.

3. Major Renovation, Modernisation and Automation of Hydropower Plants

While ensuring the timely completion of the annual but critical maintenance of every generating unit and the associated equipment at the Chhukha, Kurichhu, Tala, and Basochhu power plants, DGPC also embarked on several significant restoration, renovation, modernisation, and automation initiatives. These efforts at regular maintenance and investments to resolve persistent and/or emerging problems help minimise unplanned outages, mitigate undesirable consequences, improve the overall reliability and performance of the power plants, and extend the longevity of the generating assets.

The replacement and refurbishment of CHP's unit IV generator was completed in June 2023 with generator components supplied by BHEL (India) while the erection, testing and commissioning were carried out by DGPC O&M and HRDC teams



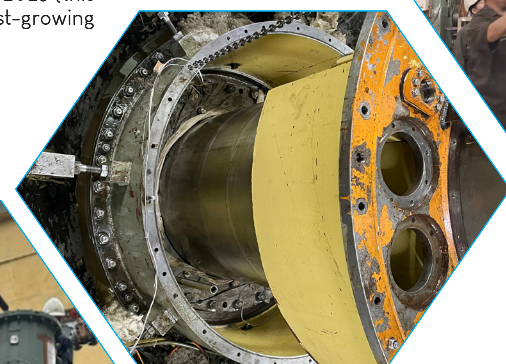
MHP's generator unit III was recommissioned in June 2023 with components supplied by ANDRITZ Hydro (India) while the installation, testing and commissioning were carried out by DGPC/MHP in-house team

Major stilling basin repair works at KHP were completed in February 2023 along with the critical restoration works of the dam's four spillway glacis

The bay extension for BPC's new 220 kV double circuit transmission line from Chhukha to Jamjee in Thimphu was completed in December 2023 (this will cater to Western Bhutan's fast-growing domestic load)

Engineering and design for an upgraded turbine guide bearing assembly at MHP was initiated to replace several major components resulting from continuous leakage and loss of bearing oil

A new 20 MVA generator transformer was commissioned for KHP unit I due to frequent failures with the old one



Owing to persistent issues, a new nozzle injector system was commissioned for THP unit IV in March 2024 and is under observation currently

4. Significant Initiatives Undertaken by the Profit Centres

4.1 Research and Development

Hydropower Research and Development Centre (HRDC) plays a pivotal role in offering specialised testing and diagnostic solutions tailored to the needs of power plants, projects, and various industrial sectors. For delivering expert services in critical technical domains, HRDC conducts applied research in priority areas and extends technical assistance to the power plants and hydropower projects under construction.

In 2023, HRDC completed the crucial final phase of "Capacity Development for Monitoring of Hydropower Plant Safety" with the assistance from Austrian Development Agency. This has bolstered DGPC's in-house capacity in early detection and warning systems, expertise in geological and geotechnical investigations and assessments, and instrumentation monitoring of surface and underground structures.

HRDC continued to provide its specialised services to other Bhutanese industries and international agencies such as GE T&D Limited and Hitachi Energy India Limited. HRDC is currently establishing a state-of-the-technology hydraulic modelling laboratory.

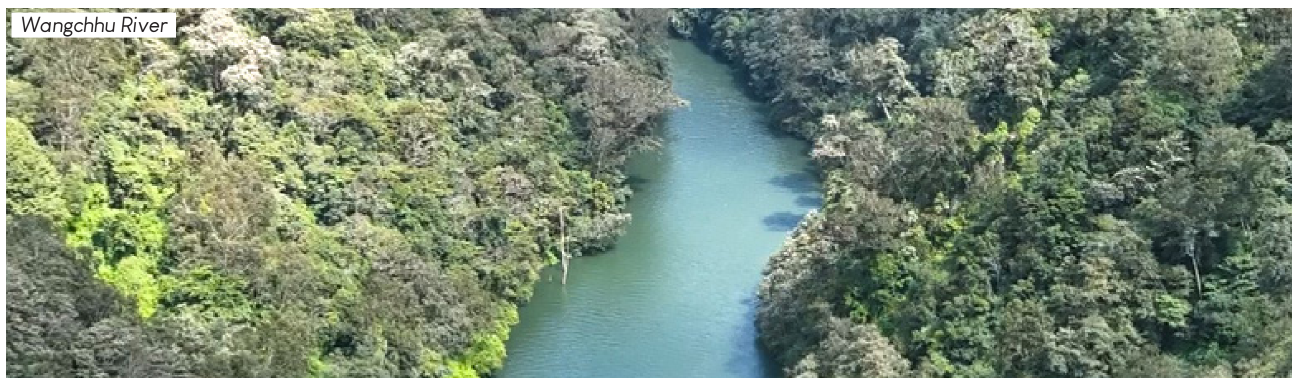
Vibration Mesurement-ADRE

4.2 Investigation, Design and Construction

Druk Green Consultancy (DGC) has cultivated extensive expertise in investigating, designing, and managing the construction of hydropower projects. Its proficiency spans a wide spectrum encompassing surveying and mapping, geological and geotechnical investigations, hydrology and power potential assessments, as well as design and engineering. DGC further undertakes the conceptualisation and preparation of CDM reports and conducts social and environmental studies that cover resettlement and rehabilitation.

During the year, DGC continued to update and/or undertake detailed project report-level investigations and studies for small, large and mega projects including the integrated 2,540 MW Gongri Reservoir Jeri Pumped Storage hydropower scheme. DGC has also been delivering the construction level design and engineering drawing support for the phase I and II small hydropower projects. More recently, DGC has embarked on on-site investigations that encompass topographical surveys, hydrological studies, and geological and geotechnical investigations for utility-scale solar photovoltaic projects like the 100 MWp Jamjee and 150 MWp Apai Amai Paang projects.

Geophysical survey at Jomori HPP



Wangchhu River

4.3 Energy Trading

Druk Green Energy Trading (DGET) operations have become a fundamental component of Bhutan's energy sector with imports and exports taking place from/to the Indian Energy Exchanges (IEX), especially to meet the winter deficits with imports from India. With Bhutan agreeing to become fully compliant with India's Deviation Settlement Mechanism and the IEX emerging as a viable market into which Bhutan can sell surplus electricity, the roles and responsibilities of DGET have significantly increased. Thus, Bhutan successfully sold BHP's surplus power to the IEX.

With its growth, plans are underway to expand DGET through a partnership with an Indian energy trading company.

Innuagural blast at the Audit for Small HPP, BHPP

5. Hydropower Development Highlights

5.1 First Blast for Small Hydropower Projects

The inaugural blast at the adit to the lower horizontal pressure tunnel of the 54 MW Burgangchhu hydropower project took place on January 16, 2023. This ushered the start of the construction of small hydropower projects through DGPC's internal design, engineering and project management teams, and the participation of Bhutanese contractors in hydropower construction. The first blasts at the 32 MW Yungichhu and 18 MW Suchhu hydropower project sites followed shortly after.

5.2 BHSL to Manufacture Hydro-Mechanical Components

The BHSL facility in Gelephu was expanded to manufacture hydro-mechanical gates and ferrules for small hydropower projects. BHSL collaborated with an internationally renowned manufacturing company for design and engineering support.

Manufacturing of THP nozzle injector, BHSL

Tunnel excavation, Suchhu HPP

5.3 Venturing into Solar Energy

DGPC is currently engaged in taking forward the implementation of the DoE/MoENR-led 22.5 MWp Sephu solar project and undertaking the pre-feasibility and feasibility studies for rooftop and utility-scale solar projects aggregating to over 1,000 MWp. This follows the mandate to diversify our energy resources and venture into solar projects to meet domestic energy demand, especially during the lean months.

5.4 Mandate to Quadruple Generation Capacity by 2034

With spiral growth in the domestic electricity demand, rising winter deficits and significant growth prospects for the future, the power sector has been mandated to quadruple generation capacity by 2034 by harnessing Bhutan's immense hydropower resources and tapping into the solar potential. A roadmap is being finalised to achieve this huge mandate through continued collaboration with the Government of India, Bhutan's traditional partner in hydropower development, and the forging of other strategic partnerships and diversification in the investment portfolios.

6. Performance of DGPC Subsidiary/Joint Venture Companies

6.1 Bhutan Hydropower Services Limited

To expand the business scope of Bhutan Hydropower Services Limited, DGPC injected over Nu. 439 million in 2023. The expansion includes the manufacture of hydro-mechanical components such as gates and penstocks for hydropower projects. This has turned around the company with revenue of Nu. 663.51 million in 2023 against Nu. 197.69 million in 2022. A record profit-after-tax of Nu. 13.77 million was made against a loss of Nu. 63.23 million in 2022.

There is renewed energy to build BHSL into the state-of-the-technology hydro-mechanical reclamation and manufacturing hub for Bhutan's hydropower. BHSL is, therefore, seeking a new technology partner to support the design and engineering works and ensure the quality of the reclaimed and manufactured hydro-mechanical components. BHSL has ventured beyond the confines of its modern facility to set up camp and undertake the erection and commissioning of its products. Plans are underway to expand the facility for manufacturing runners to meet the demand within Bhutan initially and with international expertise to gain access to the market in the nearby Indian markets.

6.2 Tangsibji Hydro Energy Limited

Despite facing years of adverse geological conditions that affected the project construction, especially the headrace tunnel, the construction of the project's major components was completed to bring water-to-turbine by mid-December 2023. This means the 118 MW Nikachhu hydropower project will be fully commissioned in the first two months of 2024. The construction of Nikachhu project has given further confidence to DGPC in taking forward other larger hydropower projects as well as assurance to manage and complete the phase I and II small hydropower projects within their timelines.

The commitment for the long-term export PPA for the sale of 80% of the saleable power has been met and the balance power is helping Bhutan meet its winter deficit. With the water from the Nikachhu power plant being discharged into the Mangdechhu reservoir, there is also some additional generation at the Mangdechhu power plant. The commercial operation date COD of the project has been declared and THyE is working towards closure of the contracts by June 2024.

6.3 Bhutan Automation & Engineering Limited

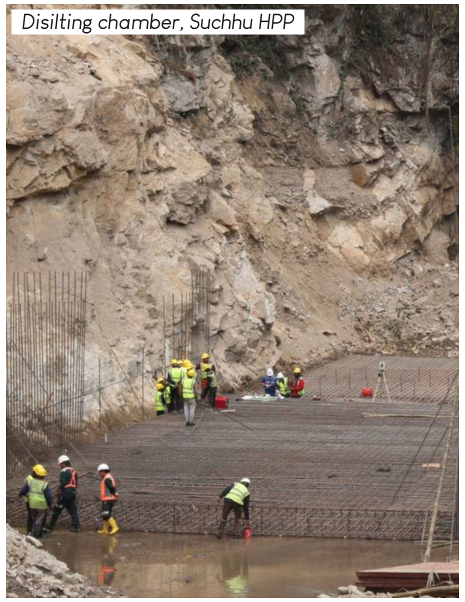
BHUTAN AUTOMATION continued to perform well with a revenue of Nu. 470.38 million in 2023 as against Nu. 112.98 million in 2022. Against Nu. 8.90 million in 2022, BHUTAN AUTOMATION's comprehensive income improved to Nu. 53.30 million in 2023. The Shareholders (DGPC and Andritz Hydro) agreed to declare a dividend of Nu. 50 million for the year setting aside the balance Nu. 3.30 million to general reserves.

BHUTAN AUTOMATION has been consistently designing and delivering modern SCADA systems to small, medium and large hydropower projects at cost and on schedule. The company has also successfully expanded its services to cover some of the automation requirements for BPC's substations. As a partner to Andritz Hydro, BHUTAN AUTOMATION extended its services for the replacement of excitation systems for the Pantabangan Hydroelectric Plant in the Philippines, successfully commissioned in May 2023. Services were also provided to Andritz Hydro for the commissioning of a unit at Jaldhaka Stage II hydropower station (2x4 MW) in West Bengal after the refurbishment of the main equipment.

6.4 Druk Hydro Energy Limited

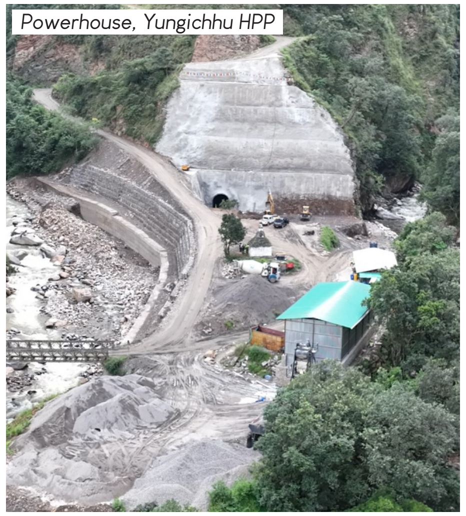
Druk Hydro Energy Limited (DHyE) was incorporated to take forward the construction of the small hydropower projects. The phase-I SHPP civil works are progressing and on schedule. During the year, the contract packages for the electro-mechanical, SCADA & protection system, and hydro-mechanical works were awarded and their progress is being coordinated with the civil works contractors. On completion of the public consultations, the works for creating the infrastructures for the phase-II SHPPs (26 MW Druk Bindu and 90 MW Jomori) were awarded and work was initiated at the site. The civil works packages for these phase-II projects (including the 54 MW Gamri and 25 MW Begana) are being processed for award.

A major objective of SHPPs is to build the capacity of Bhutanese contractors. All civil works are being awarded to Bhutanese contractors while engaging BHUTAN AUTOMATION and BHSL for the SCADA (automation) component and hydro-mechanical works. The E&M packages are procured through international competitive bidding.


Disilting chamber, Suchhu HPP

6.5 Dagachhu Hydropower Corporation Limited

Like the other hydropower plants directly under DGPC, the Dagachhu power plant also experienced poorer than projected hydrological flows and could generate 444.10 MU in 2023 as against the target of 466.382 MU. Dagachhu Hydropower Corporation Limited (DHPC) was however able to maintain a very high power plant availability (PPA) of 99.936% and a water utilisation factor (WUF) of 99.936% through diligent operation and maintenance of the plant. With an aggregated income of Nu. 1,402.24 million, DHPC managed a profit after tax of Nu. 194.08 million in 2023 as against Nu. 65.94 million in 2022. The high profitability margin was mainly on account of the much lower foreign exchange losses on its hard currency loans.


Powerhouse, Yungichhu HPP

The Shareholders (DGPC, Tata Power Company, and NPPF) agreed to declare a dividend equal to 95% of the retained earnings of Nu.


Powerhouse, Burgangchhu HPP

201.64 million. Dagachhu's audited earned CERs are being accumulated for sale when there is a better market for carbon credits.

While being a separate corporate entity due to the shareholding pattern, DHPC has outsourced the O&M of the power plant to DGPC through the latter's Operation and Maintenance Services Centre.

6.6 Kholongchhu Hydro Energy Limited

A decision was taken at the level of the RGoB and GoI in late 2022 for the closure of the joint venture between DGPC and SJVNL in the 600 MW Kholongchhu project. At the end of January 2023, DGPC took over the 50% shareholding of SJVNL in Kholongchhu Hydro Energy Limited (KHEL) and assumed a 100% shareholding in the company.

At the closure of the JV, the GoI had agreed to support the RGoB to take forward the construction of the project. From where the JV had left off, DGPC continued to work very closely with the GoI's power finance corporations, PFC and REC, for debt financing the project. With the efforts at sourcing debt financing, getting assurance for the sale of surplus energy into the Indian energy markets and forging a strategic partnership, much of the groundwork has been completed for the project construction to resume sometime in 2025.

Meanwhile, DGPC continued to complete the balance infrastructure works such as the roads, residential and non-residential buildings and construction power supply at the project site. The contracts entered into at the time of the JV have also been kept alive so that construction can be initiated as soon as closure on debt financing can be achieved. As of the end of 2023, DGPC has injected Nu. 5.922 billion in equity share capital into the company including the payments made towards buy-back of SJVNL's shareholding in the company.

7. Human Resource Development

DGPC remains steadfast in its commitment to enhancing the capabilities of its human capital through a culture of growth, supported by initiatives and policies geared towards reskilling, upskilling, and cultivating new skills at both the individual and the organisational levels. The company's primary focus is on cultivating an agile and resilient workforce capable of adapting to evolving work environments and to the emerging mandates to adopt new technologies and quadruple generation capacity.

A cornerstone of DGPC's approach to HR development has been its multi-faceted training and awareness programs, designed to empower employees across various levels. Throughout the year, a series of skilling, reskilling, and upskilling initiatives were implemented, with a particular emphasis on employees in the lower categories. These programs encompassed diverse areas such as operator training, O&M manual sensitisation


Donors consultative meeting for Dorjilung HPP

and hands-on training, ISO implementation, and ethics awareness - aimed at enhancing performance, fostering commitment, and instilling a proactive attitude towards performance, productivity and change management. Notably, significant efforts were also directed towards raising awareness on issues related to sexual harassment and discrimination prevention in the workplace.

Unlike in the past several years, DGPC witnessed a far higher number of employees leaving the company (202) with the highest attrition at the managerial (36%) and executive level (24%). Recognising the concern with the rate of attrition, particularly among the experienced middle to senior-level officers, and acknowledging its potential impact on service delivery, DGPC is actively strategising to address the issue, and more importantly on ideas to retain good employees. These initiatives aim to incentivise and optimise human resources while fostering the ongoing development of the company's talent pool.

8. Corporate Social Responsibility

Corporate social responsibility (CSR) is integral to realising the vision and mission of the company especially since DGPC's power plants are small settlements/townships themselves with the surrounding villages dependent on these settlements of DGPC. The CSR initiatives are aimed at making meaningful contributions to the social, spiritual, and environmental welfare of individuals and communities residing near our power plants and projects, as well as those with whom DGPC interact. Emphasising employee involvement, a significant aspect of the CSR philosophy involves providing social and financial assistance to causes that hold significance for both the employees and the organisation.

While DGPC's CSR endeavours may not always align directly with DGPC's core business activities, they are nonetheless instrumental in yielding returns on investment, whether tangible or intangible, over the long term. It is important to recognise the inherent value of these initiatives in fostering goodwill, strengthening community relationships, and promoting sustainable development, thereby enriching the fabric of DGPC's corporate ethos and responsibilities.

CSR Monitoring and Reporting Requirements

The CSR initiatives are highlighted in the Annual Report outlining the CSR activities undertaken by the company in addition to the use of proper media-publicity channels to report on the major CSR contributions.

9. Corporate Governance

Corporate Governance is vital for the effective management of any company, promoting operational efficiency, managerial integrity, responsible leadership, and transparency. Over the past year, the Board of Directors at

Annual Drupchen, CHP

DGPC convened six meetings, consistently meeting quorum requirements. The Board addressed a multitude of matters and issued timely directives to facilitate the company's seamless operations.

The Board Audit Committee convened three times, the Board Level Tender Committee (BLTC) held two meetings, and the Board HR Committee met four times during the year. These specialised committees offer invaluable guidance and deliberation on a range of pertinent issues facing the company. Through these concerted efforts of the Board and management, DGPC has effectively managed its affairs and upheld the smooth functioning of its business operations.

10. Risk Management

DGPC recognises the criticality of identifying, assessing, and mitigating risks to safeguard Shareholder interests and to foster sustainable growth. The DGPC Risk Management Manual delineates a robust framework for managing business risks that are aligned with principles of good corporate governance. Key risks impeding the company's objectives are systematically identified, assessed, and consolidated within a comprehensive risk register. This register serves as a dynamic tool enabling DGPC to grasp evolving risks and opportunities that may impact its business landscape. It undergoes regular reviews with proactive mitigation action plans swiftly put into effect.

11. Key Challenges

The challenge of accessing funds for new investments continues to impede the realisation of Bhutan's vast hydropower potential. Historically, Bhutan collaborated with GoI to finance hydropower projects. However, evolving modalities of engagement with GoI necessitate the exploration of alternative funding sources. With a stagnant generation capacity, Bhutan faces an unexpected energy deficit, jeopardising energy security despite its substantial hydropower potential. There's a growing recognition of the need for sector diversification including the exploration of other renewables like solar and hydrogen fuel. There is a need to consider reinvesting some of the hydropower revenues into the sector.

A significant organisational challenge revolves around the escalating attrition rate hampering operational efficiency and future growth prospects. The exit of experienced personnel results in the loss of specialised knowledge and critical expertise crucial for effective hydropower facility operation and maintenance and more importantly in expanding the generation portfolio. Recruitment difficulties compound the issue, as attracting qualified replacements is challenging, given the specialised nature of hydropower work. To counteract this trend, DGPC is reviewing and implementing retention strategies that are aimed at mitigating the impact of attrition. A quick-fix solution is not forthcoming and the plans to address attrition have to be for the long term.

Annual maintenance, THP

DGPC also grapples with numerous challenges related to ageing power plants leading to unplanned outages and equipment failures, compromising energy supply reliability and safety. Obsolescence of technology and equipment further exacerbates these challenges as older facilities struggle to compete to stay relevant during these times of fast-evolving technologies leading to high maintenance costs. Addressing these issues requires sustained investments in maintenance, upgrades, and the adoption of modern technologies to extend the life of these plants for reliable and affordable energy supply.

Further, the delays in the construction of the ongoing hydropower projects pose both short and long-term challenges, resulting in cost overruns and concerns about energy affordability. These delays also impede expected benefits such as tax revenues, royalties, employment opportunities, and socio-economic development. Amid evolving energy scenarios and market conditions, uncertainties in securing substantial investments for capacity expansion raise concerns about debt repayment issues and eventually question the very sustainability of the hydro/energy sector.

Despite being a key driver of Bhutan's economy, the hydropower sector faces challenges from climate change, significantly impacting hydrology and increasing domestic energy demand. Bhutan, for the first time, imported energy from India, highlighting the sector's vulnerability. Proactive measures are essential to safeguard water resources for current and future generations and effectively adapt to changing conditions to ensure long-term energy security for Bhutan.

DGPC must also enhance its oversight of subsidiary companies to ensure their success and mandate fulfilment. This necessitates a proactive approach to address operational challenges, and productivity and optimise the performance of the subsidiary companies. The Corporate Strategy and Performance Department with the expanded mandates will need to lead in this.

12. Statutory Audit Report

As per the requirement of the Companies Act of Bhutan 2016, the Royal Audit Authority (RAA) appointed Rinzing Financial Private Limited, Thimphu, as the statutory auditors for DGPC for the financial year 2023. Rinzing Financial undertook the statutory audit of the accounts of DGPC for 2023 from January 23 to February 17, 2023, covering all the power plants and the Corporate Office.

The 2023 audit was conducted per 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 requirements prescribed by RAA as specified under section 266 of the Companies Act. 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 2020 and interpretations issued by AASBB to the extent applicable to the companies reporting under BAS/BFRS and the relevant provisions of the Companies Act. 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, RAA, and DGPC was held on February 28, 2024. The DGPC Board considered the auditors' report and audited accounts at its 116th meeting held on March 25, 2023.

13. Auditors' Report

There are no Qualifications to the Auditors' Report for 2023. There are no observations or recommendations in the Annexure to the Auditors' Report for 2023. The Auditors have pointed out a few issues in the Management Report that are being addressed by the management.

14. Disclosure of Compensations to the Board Of Directors and Management (Managing Director)

As required under the Companies Act, the disclosure of compensations to the Board of Directors and the Managing Director for 2023 vis-à-vis 2022 are as below:

Compensation	2023	2022
Board Directors (Sitting Fees other than for the Managing Director)	0.47	0.52
Managing Director (Pay, Allowances, Sitting Fees and Other benefits)	5.73	5.07

Acknowledgements

The Board of DGPC expresses sincere gratitude to RGoB, DHI, MoENR, Ministry of Finance, Electricity Regulatory Authority of Bhutan, National Environment Commission, and various other Bhutanese entities whose unwavering support has been instrumental in another successful year for the company. The Board also acknowledges the ongoing support from GoI and its entities in facilitating the operational efficiency and expertise exchange that is vital for ensuring seamless electricity transmission between the two nations. It is further to express appreciation for GoI's approval accorded in 2023 to enhance the Chhukha export tariff from Nu. 2.55 per unit to Nu. 3.00 with retrospective effect from January 1, 2021.

Furthermore, the Board extends its appreciation to the Managing Director, DGPC management team, employees, and subsidiary companies for their dedicated efforts and invaluable contributions to the company's outstanding performance. Encouraging the management to persist in addressing the significant challenges ahead, the Board emphasises the importance of evolving corporate governance and management practices to establish DGPC as a leader in these domains. Rest assured, the Board commits wholeheartedly to supporting the company in fulfilling its mandates and achieving its objectives.

Tashi Delek!
For and on behalf of the Board,

Dasho Karma Tshering
(Chairperson)


Aerial view of THP dam

CORPORATE GOVERNANCE REPORT

Overview

The Corporate Governance (CG) Code, established in 2013 in compliance with the Royal Charter and the DHI Ownership Policy 2010, aims to enhance CG through clear guidelines and standards. Recognised globally, this framework sets a standard for companies to operate with excellence, emphasising ethical, transparent, and responsible business practices across all aspects of their operations.

DGPC diligently adheres to the provisions outlined in the Companies Act of Bhutan 2016, the CG Code 2013, and other relevant statutory requirements, ensuring full compliance with regulatory mandates.

Principles of Corporate Governance

CG is vital for the efficient functioning of companies in the global economy, emphasizing operational efficiency, integrity in management, responsible leadership, and transparency. Aligned with international standards such as the OECD's principles, CG frameworks focus on ensuring legal compliance, protecting shareholder rights, treating shareholders fairly, engaging stakeholders, promoting transparency, and defining the board's responsibilities. These principles guide companies in upholding ethical standards, transparency, and social responsibilities, thereby fostering sustainable business practices and economic stability.

Board composition

Name	Position	Address	Date of first Appointment	Date of Retirement/ Re-appointment	DHI Companies
Dasho Karma Tshering	Non-Independent	Secretary, MoENR	March 23, 2021 at the 14th AGM	Continuing	DGPC
Dasho Lobzang Dorji	Independent and Non-Executive	Sarpang Dzongdag, Sarpang	March 23, 2020 at the 13th AGM	Reappointed on March 24, 2022 at 15th AGM	DGPC
Ms. Tashi Lhamo	Non-Independent and Non-Executive	Director (Finance), DHI	March 13, 2017 at the 10th AGM	Reappointed on March 23, 2021 at the 14th AGM	DGPC
Dasho Tandin Tshering	Independent and Non-Executive	Secretary General, National Assembly	March 23, 2020 at the 13th AGM	Reappointed on March 24, 2022 at 15th AGM	DGPC
Mr. Loday Tsheten	Non-Independent and Non-Executive	Director, DMFDF	April 14 2022 at 15th AGM	Resignation*	DGPC
Mr. Basant Raj Chhettri	Independent and Non-Executive	CEO, Bhutan Professional Services	April 14, 2022 at 15th AGM	Continuing	DGPC
Dasho Chhewang Rinzin	Non-Independent and Executive	Managing Director, DGPC	December 6, 2007 at 1st AGM	Reappointed March 23, 2021 at the 14th AGM	Bhutan Automation, DGPC, THyE, KHEL, DHyE, BHSL, CDCL & BTF

No new Directors were appointed during the year. DGPC was instructed to maintain the current composition of the Board of Directors. However, *Director **Loday Tsheten** and **Tandin Tshering** tendered their resignations in August 2023, leaving only five Board of Directors on the Board of DGPC since then.

Board meetings

The Board of DGPC met six times in 2023 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 Audit Committee (BAC) met three times, the Board Level Tender Committee (BLTC) met two times whereas the Board HR Committee (BHRC) met four times during the year. The sub-committees provide guidance and deliberate on various issues confronting the company.

Annual General Meeting (AGM)

- Facilitates shareholder exercise of rights - Ensures transparency and accountability

Attendance at board & committee meetings

Name	Board Meeting	BAC	BHRC	BLTC	AGM
Dasho Karma Tshering	6-Jun	-	-	-	-
Dasho Tandin Tshering	4-Mar	3-Mar	4-Apr	-	-
Dasho Lobzang Dorji	6-Apr	0/3	4-Feb	-	1-Jan
Ms. Tashi Lhamo	6-Jun	3-Mar	4-Apr	2-Feb	1-Jan
Mr. Loday Tsheten	4-Mar	3-Mar	-	2-Feb	-
Mr. Basant Raj Chhetri	6-Jun	-	-	2-Feb	-
Dasho Chhewang Rinzin	6-Jun	-	4-Mar	2-Feb	1-Jan

Management of DGPC

The CEO and management are accountable for executing the directives set by the board and establishing internal controls vital for board oversight. They report critical organisational matters to the board regularly as part of this responsibility.

Ethics

DGPC maintains high ethical standards through its Business Code of Conduct, guiding employees with values, responsibilities, and ethical duties. It aims to instil these values in leaders and staff, facilitating decision-making, ethics discussions, and addressing ethical challenges. Additionally, it serves as a resource hub for accessing relevant documents and services within DGPC.

Compliance checklist

DGPC uses a compliance checklist to assess adherence to corporate governance requirements. Continuous evaluation and improvement are essential for ongoing compliance with laws and regulations. To ensure awareness and understanding, these legal requirements are communicated to all employees and regularly updated to align with evolving regulations.

CG compliance of subsidiary companies

CG compliance in subsidiary companies is crucial for ensuring ethical and transparent operations. Fully-owned subsidiaries of DGPC adhere to the same standards as the parent company, encompassing the board of directors, governance standards, transparency, disclosure, and risk management. Such compliance is vital for long-term sustainability.

Risk management systems

DGPC acknowledges the importance of identifying, assessing, and mitigating risks to protect shareholder interests and ensure sustainable growth. The DGPC Risk Management Manual outlines a framework for managing business risks as part of good CG. Key risks hindering the company's objectives are identified, assessed, and compiled in a Risk Register. This register undergoes yearly review, with proposed mitigation action plans being implemented. The Board reviews the Risk Register and submits it to shareholders.

Shareholder engagement

Shareholder engagement is vital for CG as it fosters trust and informed decision-making aligned with organisational interests. DGPC values and responds to shareholder feedback, adopting governance practices, addressing concerns, implementing improvements, and communicating outcomes. They actively seek and respond to stakeholder inquiries and concerns.

Evaluation of Board of Directors and CEO

The DHI CG Code mandates annual evaluations of the CEO and the Board's performance. CEO evaluations focus on decision-making, employee engagement, integrity, and strategic planning, conducted confidentially through an online survey. Likewise, the Board's assessment considers attributes like professionalism, teamwork, and contribution, also conducted annually via an online survey.

Aerial view of Nikachhu dam

AUDIT REPORT ON THE FINANCIAL STATEMENTS OF DRUK GREEN POWER CORPORATION LIMITED

INDEPENDENT AUDITOR'S REPORT ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

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 31 December 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the standalone financial statements, including a summary of 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 31 December 2023 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 responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 December 31, 2023. 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

RINZING FINANCIAL CONSULTANCY PRIVATE LIMITED preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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.

Auditor's 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 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:

i. 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;

ii. 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;

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

iv. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a Going concern; and

v. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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

RINZING FINANCIAL PRIVATE LIMITED

may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 a separate section "report on minimum audit examination requirements"

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

a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

b. In our opinion, proper books of account as required by law have been kept by the Company in so far as it appears from our examination of those books;

c. The Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows dealt with by this report have been prepared in accordance with BAS; and

d. 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 Rinzing Financial Private Limited

RINZING FINANCIAL PRIVATE LIMITED

Tashi Rinzing Schmidt
Partner
CPA License No. 34762
Date:

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 of the property, plant & equipment in the assets register maintained in SAP to show full particulars including quantitative details and situation of the PPE. The assets have been physically verified by the respective committee members during the year in a periodical manner, however, during the audit, we have found discrepancies during our verification. Please refer to the management report on the fixed assets audit observation.

2. The company adhere to the cost model for the valuation of its fixed assets, and it is noteworthy that there was no requirement for the revaluation of any 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.

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. The Company has reasonable system of recording receipts, issues and consumption of materials and stores and allocating materials consumed to the respective jobs.

7. In our opinion and according to the information and explanations given to us, the company is engaged in generation of electricity, quantitative reconciliation is carried out in respect of inventories.

8. In our opinion and according to the information and explanations given to us, obsolete, damaged, slow moving, and surplus goods/inventories has been determined and adequate provisions are made.

9. As of December 31, 2023, it is observed that the company has encountered challenges in the effective disposal of obsolete inventory items, with the amount totalling Nu. 7,669,296.35. Despite the management's earnest efforts to address this issue through auction, the attempts were not successful at this time. The management is committed to exploring alternative strategies and will continue its efforts to dispose of the obsolete inventory in future endeavours.

10. In our opinion and according to the information and explanations given to us, the Company has a system of obtaining approval of Board/appropriate authority for writing off amounts due to material loss/discrepancies in physical/ book balances of inventories including stores and spares.

11. In our opinion, the valuation is fair and proper in accordance with the normally accepted accounting principles. The basis of valuation of inventory is the same as in the preceding year. However, there were some errors during the year on Net Realisable Value (NRV) for more details see management Report.

12. In our opinion and on the basis of information and explanations given to us, the rate of interest and the other terms and conditions of above loans are not prejudicial to the interest of the Company. The Company has secured loans of Nu. 5,973,367,624.90 highlighted under note 6c for long-term borrowing and other financial liabilities highlighted in note 10e amounting to Nu. 2,228,466,875.24.

13. In our opinion and according to the information and explanations given to us, the Company has granted unsecured loan to intercorporate companies under the same management amounting to Nu. 940,000,000.00 (DCCL: Nu. 340,000,000.00 and DCL: Nu. 600,000,000.00) as of current accounting period.

14. In our opinion and according to the information and explanations given to us, the loans/ advances granted to officers/staff are in keeping with the provisions of service rules and no excessive / frequent advances are granted and accumulation of large advances against particular individual is avoided.

15. In our opinion and according to the information and explanations given to us, the Company has established adequate system of internal controls to ensure completeness, accuracy and reliability of accounting records, carrying out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the rules, regulations, system and procedures.

16. In our opinion and according to the information and explanations given to us, there is a reasonable system of authorization at proper levels, and an adequate system of internal control commensurate with the size of Company and the nature of its business on issue of stores.

17. In our opinion and according to the information and explanations given to us, having regard to certain exceptions that some of item purchased are of special nature where suitable alternative sources of supply does not exist for obtaining comparable quotations thereof, there is an adequate system of competitive biddings, commensurate with the size of the Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets.

18. (a) – On the basis of reviewing the books of account and relevant records of the Company and according to the information and explanations given to us, we are of the opinion that the Company has not entered into any transaction for purchases and sale of goods and service made in pursuance of contracts or arrangements entered into with the director(s) or any other party(ies) related to the director(s) or with the Company or firms in which the director(s) are directly or indirectly interested except DHI & its subsidiaries, the details of which is duly disclosed in the Related party transactions in notes to accounts to the financial statements.

    (b) – The examination of records does not reveal any transaction entered into by the Company which is prejudicial to the interest of the Company wherein directors are directly or indirectly interested.

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. In our opinion and according to the information and explanations given to us, there are unserviceable or damaged stores, which have been provided for in the books of account.

21. This clause is not applicable to the company.

22. This clause is not applicable to the company.

23. This clause is not applicable to the company.

24. In our opinion and according to the information and explanations given to us, the Company is regular in depositing rates and taxes, duties, royalties, and provident funds with the appropriate authorities.

25. In our opinion and according to the information and explanations given to us, there was no undisputed amount payable in respect of taxes, rates, duties, royalties, provident funds and other statutory deductions outstanding as on the last day of financial year.

26. This clause is not applicable to the company.

RINZING FINANCIAL PRIVATE LIMITED

RINZING FINANCIAL PRIVATE LIMITED

27. This clause is not applicable to the company.

28. In our opinion and according to the information and explanations given to us, the Company has a reasonable system of periodical review of tariffs and based on such review and considering the market and economic conditions, the tariff rates are determined and approved by the Electricity Regulatory Authority (ERA). Also, the Company has proper costing system for the purpose of fixation of tariff rates.

29. In our opinion and according to the information and explanations given to us, the credit sales policy of the Company is reasonable, and no credit rating of customers is carried out as the same is not applicable for the Company.

30. This clause is not applicable to the company.

31. In our opinion and according to the information and explanations given to us, the Company has reasonable system of continuous follow-up with debtors and other parties for recovery of outstanding amounts. Also age wise analysis is carried out for management information and follow up action.

32. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short-term deposits etc. are adequate and that excessive amount are not lying idle in non-interest-bearing accounts and withdrawals of loan amounts are made after assessing the requirement of fund from time to time and no excess amounts is withdrawn leading to avoidable interest burden on the Company.

33. In our opinion and according to the information and explanations given to us, the activities carried out by the Company are lawful and intra-vires the Articles of the Company.

34. In our opinion and according to the information and explanations given to us, the activities /investment decisions are made subject to prior approval of the Board and investments in new projects.

35. In our opinion and according to the information and explanations given to us, the Company has established effective budgetary control system.

36. This clause is not applicable to the company.

37. The details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Chief Executive Officer or any of their relatives (including spouse(s) and child/children) if any, by the Company directly or indirectly are disclosed in the notes.

38. In our opinion and according to the information and explanations given to us, the management of the Company complies with the directives of the Board of Directors as we have not come across any such incidence where it is not complied.

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

40. In our opinion and according to the information and explanations given to us, proper records are kept for inter unit transactions/services and arrangements for services made with other agencies engaged in similar activities.

41. In our opinion and according to the information and explanations given to us, the Company has executed agreements properly and the terms and conditions of leases are reasonable.

RINZING FINANCIAL PRIVATE LIMITED

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 31 December 2023 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 ratio analysis section.

3. **Compliance with the Companies Act of Bhutan 2016**
   The company has complied with the various provisions of the Companies Act of Bhutan 2016, details are under section **"compliance calendar & checklist."**

4. **Adherence to Laws, Rules and Regulations:**
   The audit of the Druk Green Power Corporation Limited is governed by the Companies Act of Bhutan 2016, Internal Service manual, and Bhutanese Accounting Standards. The scope of audit is limited to examination and review of the financial statements prepared by the management. During our audit, we have considered the compliance of the provisions of the said Act, rules and regulations as well as the Bhutanese Accounting Standards.

For Rinzing Financial Private Limited

RINZING FINANCIAL PRIVATE LIMITED

Tashi Rinzing Schmidt
Partner
CPA License No. 34762
Date:

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Note No.	December 31, 2023	December 31, 2022
ASSETS:			
Non- current assets			
Property, plant & equipment	3	32,665,032,420.49	33,974,394,032.43
Intangible assets	3	21,643,265.90	31,364,727.75
Right of use assets/Leasehold properties	3	19,269,595.16	22,248,325.94
Deferred tax asset	4	-	211,933,146.63
Investments in subsidiaries and joint ventures	5	19,150,189,186.60	12,204,836,989.76
Long-term investments	6a	2,116,160,864.73	4,170,090,795.45
Other assets	6b	92,385,925.00	-
Total non - current assets		54,064,681,257.88	50,614,868,017.96
Current assets			
Cash and cash equivalents	11c	2,101,629,523.67	2,259,144,540.19
Inventories	7	491,736,847.91	528,743,485.04
Short-term investments	10a	1,554,957,534.25	-
Trade and other receivables	10b	4,767,485,731.68	2,602,201,167.23
Prepayments and advances	8	274,571,248.71	207,710,528.11
		9,190,380,886.22	5,597,799,720.57
Assets classified as held for sale	9	140,666,182.69	140,478,096.80
Total current assets		9,331,047,068.91	5,738,277,817.37
Total assets		63,395,728,326.91	56,353,145,835.43
EQUITY AND LIABILITIES:			
Equity			
Share capital	11	32,465,093,407.26	32,465,093,407.26
General reserves		9,098,762,803.38	8,868,573,935.56
Retained earnings		4,675,159,098.42	4,753,277,646.70
Total shareholders' equity		46,239,015,309.06	46,086,944,989.52
Non- current liabilities			
Long-term borrowings	6c	5,808,974,896.51	5,971,512,359.26
Deferred tax liability	4	399,191.45	-
Employee benefit obligation	12	609,227,887.50	610,826,449.58
Other non-current liabilities	6d	187,784,147.30	165,952,653.28
Total non-current liabilities		6,606,386,122.76	6,748,291,462.12
Current liabilities			
Trade and other payables	10d	1,160,803,032.32	1,303,533,875.67
Other financial liabilities	10e	2,196,283,861.55	442,059,348.03
Other current liabilities	13	5,455,325,386.28	51,919,354.74
Current tax liabilities	14	1,674,365,934.89	1,597,636,500.78
Employee benefit obligation	15	63,548,680.05	122,760,304.58
Total current liabilities		10,550,326,895.09	3,517,909,383.80
Total liabilities		17,156,713,017.85	10,266,200,845.92
Total shareholders' equity & liabilities		63,395,728,326.91	56,353,145,835.43

For Rinzing Financial Private Limited

Tashi Rinzing Schmidt
Partner, CPA License No. 34762
Date:
Place: Thimphu, Bhutan

For Rinzing Financial Private Limited

(Dasho Karma Tshering)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Director, Finance

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON DECEMBER 31, 2023

(Amount in Nu.)

Particulars	Note No.	December 31, 2023	December 31, 2022
INCOME			
Electricity revenue	16	11,160,139,232.50	11,511,032,946.51
Interest earned	17	113,597,389.54	191,842,628.49
Other income	18	394,867,512.75	323,413,731.71
		11,668,604,134.79	12,026,289,306.71
EXPENDITURE			
Wheeling charges		374,009,807.92	786,649,983.27
Insurance		210,808,386.74	127,541,192.69
Running and maintenance expenses	19	309,721,250.82	246,950,627.18
Employees' remuneration and benefits	20	1,086,479,461.89	1,051,362,690.43
Finance cost	21	264,762,929.14	246,021,560.24
Depreciation/amortisation	3	2,275,041,752.55	2,295,333,544.98
Other expenses	22	328,098,772.05	729,484,252.47
		4,848,922,361.11	5,483,343,851.26
Operating profit		6,819,681,773.68	6,542,945,455.45
Profit before tax		6,819,681,773.68	6,542,945,455.45
Tax expense	23		
Current tax		2,077,468,024.09	2,139,120,066.23
Deferred tax		212,332,338.08	(220,580,391.36)
Income tax for earlier years		5,787,866.26	-
		2,295,588,228.43	1,918,539,674.87
Profit for the year		4,524,093,545.25	4,624,405,780.58
Other comprehensive income:			
Remeasurements of post-employment benefit obligations		23,750,421.63	1,556,734.58
Total other comprehensive income for the year		23,750,421.63	1,556,734.58
Comprehensive income for the year		4,547,843,966.88	4,625,962,515.16

For Rinzing Financial Private Limited

Tashi Rinzing Schmidt
Partner, CPA License No. 34762
Date:
Place: Thimphu, Bhutan

For Rinzing Financial Private Limited

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Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Director, Finance

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED ON DECEMBER 31, 2023

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Cash flows from operating activities		
Profit before taxation	6,819,681,773.68	6,542,945,455.45
Adjustment for:		
Actuarial gains (losses)	23,750,421.63	1,556,734.58
Depreciation / amortisation	2,275,041,752.55	2,295,333,544.98
Foreign exchange loss	18,190,085.41	369,658,248.45
Loss/(gain) on sale of property plant & equipment	(4,520,948.44)	-
Investment income	(113,597,389.54)	(191,842,628.49)
Dividend income	(41,153,888.87)	(49,841,162.49)
Interest expenses	264,762,929.14	246,021,560.24
(Increase)/decrease in trade receivables and other receivables	(2,165,284,564.45)	302,115,123.62
(Increase)/decrease in inventories	37,006,637.13	(54,355,863.19)
(Increase)/decrease in prepayments and advances	(66,860,720.60)	(83,573,007.17)
(Increase)/decrease in assets classified as held for sale	(188,085.89)	(5,547,305.52)
Increase/(decrease) in trade and other payables	(142,730,843.35)	43,081,727.11
Increase/(decrease) in other current liabilities	5,403,278,449.36	(20,247,103.48)
Increase/(decrease) in other non-current liabilities	(165,952,653.28)	(516,968.82)
Increase/(decrease) in employee benefit obligation	(60,810,186.61)	72,284,203.06
(Increase)/Decrease in Other asset	**(92,385,925.00)**	**-**
Cash generated from Operation	11,988,226,842.87	9,467,072,558.33
Income tax paid	**(2,006,526,456.23)**	**(2,169,831,986.61)**
Net cash from operating activities	**9,981,700,386.64**	**7,297,240,571.72**
Cash flows from investing activities		
Purchase of PPE & intangibles assets	(948,459,000.54)	(1,087,538,154.91)
Acquisition of PPE-ROU Asset	187,911,730.48	591,332.33
Payment for investments in subsidiaries and joint ventures	(6,945,352,196.84)	(2,138,344,489.62)
Proceeds from held-to-maturity investments	450,000,000.00	1,466,168,800.00
Interest received	162,569,786.01	74,866,240.96
Dividend received	**41,153,888.87**	**49,841,162.49**
Net cash used in investing activities	**(7,052,175,792.02)**	**(1,634,415,108.75)**
Cash flows from financing activities		
Proceeds/(Repayment) of loan	1,556,141,796.68	125,151,337.30
Adjustment RoU opening to Retained earning	-	(3,142,376.80)
Cash payment for interest portion of Lease Liability	(3,768,450.76)	(8,061,693.56)
Interest paid	(243,639,309.70)	(248,183,861.07)
Dividend paid	**(4,395,773,647.34)**	**(5,110,000,000.00)**
Net cash used in financing activities	**(3,087,039,611.12)**	**(5,244,236,594.13)**
Net increase/(decrease) in cash and cash equivalents	**(157,515,016.50)**	**418,588,868.85**
Cash and cash equivalents at the beginning of the period	**2,259,144,540.19**	**1,840,555,671.45**
Cash and cash equivalents at the end of the period	**2,101,629,523.69**	**2,259,144,540.30**
Component of cash and cash equivalents: -		
Cash in hand	**119,092.85**	**285,363.99**
Balances in current accounts with banks	**2,101,510,430.82**	**2,258,859,176.20**
Total	**2,101,629,523.69**	**2,259,144,540.30**

For Rinzing Financial Private Limited

Tashi Rinzing Schmidt
Partner, CPA License No. 34762
Date:
Place: Thimphu, Bhutan

For Rinzing Financial Private Limited

(Dasho Karma Tshering)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Director, Finance

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED ON DECEMBER 31, 2023

(Amounts in Nu.)

	Number of Shares	Equity Share	General Reserve	Retained Earnings	Total Equity
Capital	General	32,465,093,407.26	8,859,898,603.89	5,245,990,463.21	46,570,982,474.35
Reserve	Retained				
Earnings	Total	-	-	4,624,405,780.58	4,624,405,780.58
Equity	-	-			-
As at January 01, 2022	32,465,093.41	32,465,093,407.26	8,859,898,603.89	5,245,990,463.21	46,570,982,474.35
Net profit for the year 2022					
Net Profit/(Loss) for the year	-	-	-	4,624,405,780.58	4,624,405,780.58
Transfer to reserves	-	-			-
Transfer to/(from) General Reserve	-	-	8,675,331.67	(8,675,331.67)	-
Other Comprehensive Income for the Period	-	-		1,556,734.58	1,556,734.58
Transaction with the owners	-	-			-
Issue of Additional Shares	-	-		-	-
Payment of Dividends	-	-	-	(5,110,000,000.00)	(5,110,000,000.00)
Balance at December 31, 2022	32,465,093.41	32,465,093,407.26	8,868,573,935.56	4,753,277,646.70	46,086,944,989.52
Net profit for the year 2023					
Net Profit/(Loss) for the year	-	-	-	4,524,093,545.25	4,524,093,545.25
Transfer to reserves	-	-			-
Transfer to/(from) General Reserve	-	-	230,188,867.82	(230,188,867.82)	-
Other Comprehensive Income for the Period	-	-		23,750,421.63	23,750,421.63
Transaction with the owners	-	-			-
Issue of Additional Shares	-	-		-	-
Payment of Dividends	-	-	-	(4,395,773,647.34)	(4,395,773,647.34)
Balance at December 31, 2023	32,465,093.41	32,465,093,407.26	9,098,762,803.38	4,675,159,098.42	46,239,015,309.06

For Rinzing Financial Private Limited

Tashi Rinzing Schmidt
Partner, CPA License No. 34762
Date:
Place: Thimphu, Bhutan

For Rinzing Financial Private Limited

(Dasho Karma Tshering)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Director, Finance

ACCOUNTING POLICIES & NOTES TO ACCOUNTS

NOTE 1: GENERAL CORPORATE INFORMATION

A Nature of Operations

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

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

i. Basis of Preparation

a. Compliance with BAS/BFRS

The Financial Statement have been prepared in accordance with Bhutanese Accounting Standard (BAS) and in compliance with the section 244 of Companies Act of Bhutan, 2016 including the Accounting Standard Rules for Companies in Bhutan, 2012.

b. Historical cost convention

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

ii. Offsetting

Financial assets and financial liabilities or income and expenses are offset and the net amount reported in the Statement of Financial Position and Statement of Comprehensive Income when, and only when, the entity has a legal right and is allowed by the standard to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future evets and must be enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy of the entity or the counterparty.

iii. Functional and Presentation Currency

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

iv. Use of Estimates

The preparation of Financial Statements in conformity with BAS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, the disclosures of contingent assets and contingent liabilities at the date of financial statements, income and expenses during the period. Actual results may differ from these estimates. Estimates and underlying

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

Key source of estimation of uncertainty at the date of the financial statements, which may cause material adjustment to the carrying amounts of assets and liabilities within the next financial year, is in respect of impairment, valuation of deferred tax assets, provisions and contingent liabilities, fair value measurements of financial instruments and retirement benefit obligations.

v. Foreign Currency

Transactions in foreign currency are initially recognized in the financial statements in functional currency using exchange rates prevailing on the date of transaction.

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

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

vi. Investment in Subsidiaries, Associate and Joint Venture

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

vii. Property, Plant and Equipment

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

Freehold land is carried at historical cost.

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other income / other expenses" in Statement of profit and or loss.

b. Subsequent Costs

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

c. Depreciation

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

Asset	Rates
Civil Structures	3.33%
Electromechanical Equipment's	3.33%
	3.33%
	5% (Diesel Generators, Mini/Micro and Wind Power)
	20% (Runners & Spares)
	10% (SCADA)
Fire Fighting and Safety Equipment's	10%
General Assets	20%
Information and Technology Equipment's	20%
Machineries	15%
Office Equipment's	20%
Tools and Plants	10%
Vehicles	15%
Land	0%
Furniture and Fixtures	10%
Solar	4%

The depreciation for the property, plant and equipment purchased / constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset are available for use.

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.

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

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

viii. Intangible Assets

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

b. Intangible assets having finite useful lives are measured at cost less accumulated amortization and accumulated 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 expenditure are recognized as an expense as 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
- 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.

ix. Capital Work in Progress

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

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

x. Investment property

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

Subsequent expenditure is capitalized to the assets 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 to the Statement of profit or loss on a systematic basis over the useful life of the related assets.

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

xii. Leases

The company assesses all lease contract at inception whether it contains a lease. If the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-to-use asset is recognized, and lease liability is recognized for all future lease payments. The standard provides exemption for short term i.e. less than 12 months and low value leases.

Initial Recognition and Measurement.

Lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments in the Statement of Financial Position.

Lessee measures right-of-use assets similarly to other non-financial assets (such as Property, Plant and Equipment) and lease liabilities similarly to other financial liabilities. Consequently, a lessee recognizes amortization of the right-of-use asset and interest on the lease liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. The initial lease asset equals the lease liability in most cases.

At lease commencement, a lessee accounts for two elements:

i. **Right-of-use asset:** Initially, a right-of-use asset is measured in the amount of the lease liability and initial direct costs. Then it is adjusted by the lease payments made before or on commencement date, lease incentives received, and any estimate of dismantling and restoration costs.

ii. **Lease liability:** The lease liability is in fact all payments not paid at the commencement date discounted to present value using the interest rate implicit in the lease or incremental borrowing rate if the implicit rate cannot be determined. These payments may include fixed payments and variable payments.

Subsequent Measurement

After commencement date, lessee needs to adjust both elements recognized initially. Lessee accretes the lease liability to reflect interest and reduce the liability to reflect lease payments made. The subsequent measurement of right-of-use, the standard provides choice to adopt cost model or revaluation model, or fair value model. The company will do subsequent measurement based on cost model for leases recognized.

Right-of-Use Asset: Lessee shall measure the right-of-use asset using a cost model under BAS 16 - "Property, Plant and Equipment" and to depreciate the asset over the lease term on a straight-line basis. The resulted depreciation amount is charged to the Profit or Loss.

Lease Liability: Lessee shall recognize an interest on the lease liability and the lease payments are recognized as a reduction of the lease liability. Interest on lease liability is charged to the Profit or Loss.

xiii. Impairment - Non-Current Assets

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

RINZING FINANCIAL PRIVATE LIMITED

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.

RINZING FINANCIAL PRIVATE LIMITED

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. 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.

f. 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.

xviii. 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.

xix. Borrowing Costs

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

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

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

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

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

xx. Inventories

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

b. Cost is calculated on Weighted Average Price Method and comprises expenditure incurred in the normal course of business in bringing such inventories to its present location and condition.
c. Obsolete and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.
d. Stock of salvaged and scrapped materials has been stated at nil value. The amount realized on disposal of such stock is accounted for under Other Income.
e. As the corporation is engaged in the generation of electricity, there are no finished goods or raw materials.
f. Inventories consists of material and other supplies for use in the production. inventories are valued at cost if the finished products in which they will be incorporated are expected to be sold at above cost.

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 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 the revenue mainly from only one segment i.e. sale of energy, hence, the 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

a. 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.

b. Classification and subsequent measurement

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

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

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

Financial assets measured at amortized cost:

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

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

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

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Financial instruments measured at fair value through other comprehensive income:

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

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

c. 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.

d. 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.

e. 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.

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

xxviii. Financial liability

a. 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.

b. 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.

c. 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).

d. 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.

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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.

xxxi. 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

a. Basic earnings per share

Basic earnings per share is calculated by dividing:

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

b. Diluted earnings per share

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

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

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NOTE 3: PROPERTY, PLANT & EQUIPMENT, INTANGIBLE ASSET AND CAPITAL WORKS IN PROGRESS

FIXED ASSETS	GROSS BLOCK					DEPRECIATION					NET BLOCK	NET BLOCK
	Opening Balance as at 01.01.2023	Additions	Disposal	Book Adjust-ments	Gross Block as on 31.12.2023	Opening Balance as at 01.01.2023	During the year	Disposal	Transfer from CWIP	Closing bal-ance as at 31.12.2023	Net Block As at 31.12.2023	Net Block As at 31.12.2022
TANGIBLE ASSETS												
Land and Land Development	3,914,740.00	-	-	-	3,914,740.00	-	-	-	-	-	3,914,740.00	3,914,740.00
Right of Use Assets	24,036,264.86	-	-	-	24,036,264.86	3,966,200.05	800,469.65	-	-	4,766,669.70	19,269,595.16	20,070,064.81
CIVIL STRUCTURES	-	-	-	-	-	-	-	-	-	-	-	-
Right of Use Assets-Building	7,468,323.86	-	(7,468,323.86)	-	-	5,290,062.73	2,178,260.13	(7,468,322.86)	-	-	-	2,178,261.13
Buildings	2,589,883,897.02	501,501.37	(555,630.00)	9,206,300.25	2,599,036,068.64	1,082,933,187.94	85,361,011.74	(238,083.76)	-	1,168,056,115.92	1,430,979,952.72	1,506,950,709.08
Walls & Fencings	397,564,577.25	2,961,394.95	-	1,566,261.90	402,092,234.10	107,723,446.37	13,268,217.65	-	-	120,991,664.02	281,100,570.08	289,841,130.88
Road & Culverts	2,793,817,181.97	-	-	-	2,793,817,181.97	1,217,724,746.24	93,033,673.75	-	-	1,310,758,419.99	1,483,058,761.98	1,576,092,435.73
Water Supply & Sanitation	227,325,887.61	1,828,229.53	-	-	229,154,117.14	89,196,479.67	7,582,239.05	-	-	96,778,718.72	132,375,398.42	138,129,407.94
Dam Complex-Civil	10,995,197,597.56	1,794.00	-	-	10,995,199,391.56	5,553,855,410.22	366,140,100.14	-	-	5,919,995,510.36	5,075,203,881.20	5,441,342,187.34
Power House Complex- Civil	5,610,374,566.93	3,316,225.34	-	-	5,613,690,792.27	2,855,740,305.41	186,860,313.09	-	-	3,042,600,618.50	2,571,090,173.77	2,754,634,261.52
Transmission Line -Civil	216,328.23	-	-	-	216,328.23	133,767.27	7,203.73	-	-	140,971.00	75,357.23	82,560.96
Switch Yard- Civil	139,500,726.02	-	-	-	139,500,726.02	77,238,680.58	4,645,374.14	-	-	81,884,054.72	57,616,671.30	62,262,045.44
Water Conductor System- Power House	23,641,536,062.20	-	-	-	23,641,536,062.20	11,009,709,723.76	787,263,150.87	-	-	11,796,972,874.63	11,844,563,187.57	12,631,826,338.44
Other Civil Structures	94,770,020.33	-	-	-	94,770,020.33	33,662,655.10	3,150,615.35	-	-	36,813,270.45	57,956,749.88	61,107,365.23
PLANT AND MACHINERY	-	-	-	-	-	-	-	-	-	-	-	-
Trash Cleaning Equipments	169,008,709.72	-	(105,451.77)	-	168,903,257.95	85,143,543.45	5,627,989.91	(52,306.68)	-	90,719,226.68	78,184,031.27	83,865,166.27
Gates	1,055,951,870.98	-	-	-	1,055,951,870.98	634,841,457.75	34,435,569.75	-	-	669,277,027.50	386,674,843.48	421,110,413.23
Generators	3,545,327,912.31	1,490,000.00	-	-	3,546,817,912.31	2,185,234,838.33	119,088,453.97	-	-	2,304,323,292.30	1,242,494,620.01	1,360,093,073.98
Excitation Systems	349,779,741.92	-	-	-	349,779,741.92	195,969,270.77	12,623,071.91	-	-	208,592,342.68	141,187,399.24	153,810,471.15
Governing Systems	312,051,774.69	-	-	-	312,051,774.69	170,467,712.28	12,399,298.37	-	-	182,867,010.65	129,184,764.04	141,584,062.41
Turbines	3,260,168,786.74	-	-	-	3,260,168,786.74	2,039,912,521.94	110,770,299.89	-	-	2,150,682,821.83	1,109,485,964.91	1,220,256,264.80
Runners	1,574,844,850.56	8,567,311.00	-	-	1,583,412,161.56	1,463,419,127.85	44,958,726.41	-	-	1,508,377,854.26	75,034,307.30	111,425,722.71
Oil Handling Systems	83,332,160.19	-	-	-	83,332,160.19	49,950,050.01	2,774,960.87	-	-	52,725,010.88	30,607,149.31	33,382,110.18
Control & Conditioning Monitoring Systems	283,153,657.36	517,175.71	-	1,595,500.00	285,266,333.07	152,275,357.31	13,759,252.69	-	-	166,034,610.00	119,231,723.07	130,878,300.05
Control & Protection Panels	772,463,300.94	-	-	-	772,463,300.94	385,783,138.90	25,625,793.34	-	-	411,408,932.24	361,054,368.70	386,680,162.04
Pumps & Motors	317,375,988.08	-	(7,178,000.00)	-	310,197,988.08	151,935,784.91	15,999,528.04	(279,629.31)	-	167,655,683.64	142,542,304.44	165,440,203.17
Transformers	959,998,350.64	30,714,363.60	-	-	990,712,714.24	558,400,320.94	31,611,392.47	-	-	590,011,713.41	400,701,000.83	401,598,029.70
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60	50,135,904.80	2,866,764.51	-	-	53,002,669.31	33,086,355.29	35,953,119.80
Gas Insulated Switch Gears	992,698,182.99	-	-	-	992,698,182.99	501,079,694.62	37,975,607.97	-	-	539,055,302.59	453,642,880.40	491,618,488.37
Valves	965,084,409.78	-	-	-	965,084,409.78	605,150,652.82	30,911,357.11	-	-	636,062,009.93	329,022,399.85	359,933,756.96
Switchyard	4,841,874.00	-	-	-	4,841,874.00	2,521,024.46	161,234.40	-	-	2,682,258.86	2,159,615.14	2,320,849.54
Capital Spares	203,608,171.23	25,212,743.18	-	-	228,820,914.41	42,052,351.25	18,944,192.72	-	-	60,996,543.97	167,824,370.44	161,555,819.98
Critical Spares	29,152,082.76	-	-	-	29,152,082.76	21,240,824.16	2,498,297.24	-	-	23,739,121.40	5,412,961.36	7,911,258.60
Embedded Generation	1,010,511,447.83	-	-	-	1,010,511,447.83	691,792,218.51	30,409,852.52	-	-	722,202,071.03	288,309,376.80	318,719,229.32
Solar Power	13,784,231.03	-	-	-	13,784,231.03	551,369.24	551,369.24	-	-	1,102,738.48	12,681,492.55	13,232,861.79
Electro-Mechanicals-Others	1,908,819,654.97	162,215,540.84	(815,997.40)	-	2,070,219,198.41	992,936,388.62	61,669,124.80	(714,669.98)	-	1,053,890,843.44	1,016,328,354.97	915,883,266.35
Machinery	268,811,108.06	(10,105,526.48)	(1,235,660.66)	31,730,468.95	289,200,389.87	249,917,241.97	5,144,881.46	(1,235,659.66)	-	253,826,463.77	35,373,926.10	18,893,866.09
TOOLS & SAFETY EQUIPMENTS	-	-	-	-	-	-	-	-	-	-	-	-
Tools and Plants	455,531,029.83	18,156,982.48	(983,338.46)	-	472,704,673.85	304,729,726.10	27,510,004.74	(944,203.10)	-	331,295,527.74	141,409,146.11	150,801,303.73
Fire Fighting and Safety Equipments	135,499,052.53	2,536,262.78	(4,372,994.55)	5,504,751.17	139,167,071.93	100,913,563.63	6,973,546.33	(4,350,619.64)	0.00	103,536,490.32	35,630,581.61	34,585,488.90
OTHER ASSETS	-	-	-	-	-	-	-	-	-	-		
Office Equipment	108,027,317.61	1,300,259.00	(1,545,095.95)	(0.00)	107,782,480.66	100,816,480.89	2,631,639.14	(1,528,465.55)	(0.00)	101,919,654.48	5,862,826.18	7,210,836.72
Furniture & Fixtures	71,820,928.10	1,262,626.50	(186,436.75)	152,524.17	73,049,642.02	50,396,748.76	4,198,122.05	(183,475.76)	-	54,411,395.05	18,638,246.97	21,424,179.34
Vehicles	279,298,044.76	5,686,356.58	(4,199,647.93)	-	280,784,753.41	220,826,753.10	18,279,522.18	(4,192,951.54)	-	234,913,323.74	45,871,429.67	58,471,291.66
Illumination System	207,288,089.31	-	-	-	207,288,089.31	135,946,530.78	6,760,027.80	-	-	142,706,558.58	64,581,530.73	71,341,558.53
Information and Technology	214,330,059.94	8,179,709.57	(904,806.22)	2,096,375.00	223,701,338.29	165,781,148.14	21,162,302.71	(810,379.95)	0.00	186,133,070.90	37,568,267.39	48,548,911.80
General Assets	79,210,392.59	2,257,304.19	(346,084.97)	-	81,121,611.81	63,342,427.69	5,633,286.16	(333,902.03)	0.00	68,641,811.82	12,479,799.99	15,867,964.90
Less: Provision for Losses												
Net Assets	66,243,468,379.89	266,600,254.14	(29,897,468.52)	51,852,181.44	66,532,023,346.95	34,410,638,839.32	2,264,246,099.99	(22,332,669.82)	0.00	36,652,552,269.49	29,879,471,077.46	31,832,829,540.57
INTANGIBLE ASSETS												
Intangible Assets	251,232,379.30	1,067,904.32	-	0.00	252,300,283.62	219,861,364.97	10,795,652.75	-	(0.00)	230,657,017.72	21,643,265.90	31,371,014.33
Less: Provision for Losses												
Net Assets	251,232,379.30	1,067,904.32	-	0.00	252,300,283.62	219,861,364.97	10,795,652.75	-	(0.00)	230,657,017.72	21,643,265.90	31,371,014.33
CAPITAL WORKS IN PROGRESS												
Capital Works in Progress	2,146,278,214.00	683,361,090.66	-	(51,852,181.44)	2,777,787,123.22	-	-	-	-	-	2,777,787,123.22	2,146,278,817.00
Less: Provision for Losses	-	-	-	-	-	-	-	-	-	-	-	-
Advance-Capital	16,925,231.23	173,343,069.19	(163,224,485.45)	-	27,043,814.97	-	-	-	-	-	27,043,814.97	17,527,714.21
Net Assets	2,163,203,445.23	856,704,159.85	(163,224,485.45)	(51,852,181.44)	2,804,830,938.19	-	-	-	-	-	2,804,830,938.19	2,163,806,531.21
Grand Total	68,657,904,204.42	1,124,372,318.31	(193,121,953.97)	-	69,589,154,568.76	34,630,500,204.29	2,275,041,752.74	(22,332,669.82)	0.00	36,883,209,287.21	32,705,945,281.55	34,028,007,086.12

NOTE 4: DEFERRED TAX ASSET

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Bonus payable	552,746.84	25,540,233.56
Employee benefit obligation	(25,201,180.93)	437,686.11
Interest accrued on ADB loan	-	-
ADB Loan	245,923,939.93	407,843,113.57
Capital work in progress	-	-
Interest on fixed deposit	4,036,363.75	6,221,728.96
Deferred rent	-	-
Property, plant & equipment	(225,711,061.04)	(228,109,615.57)
	(399,191.45)	211,933,146.63

NOTE 5: INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Investment in subsidiary companies		
Equity investment in Dagachhu Hydropower Corpora-tion Limited.	2,437,880,000.00	2,437,880,000.00
2,437,880 (31 December 2022: 2,437,880) equity shares of Nu. 1000 each, fully paid		
Equity investment in Tangsibji Hydro Energy Limited	7,042,498,925.80	5,737,022,993.86
70,000,000 (31 December 2022: 60,000,000) equity shares of Nu. 100 each, called up amount Nu. 100.61 (31 December 2022: called up amount Nu.95.62)		
Equity investment in Bhutan Hydropower Services Lim-ited	859,596,538.10	420,596,538.10
8,595,965 (31 December 2022: 6,548,288) equity shares of Nu. 100 each, fully paid-up amounting Nu. 131.27 (31 December 2022: Nu. 64.23)		
Equity Investment in Druk Hydro Energy Limited	2,857,504,127.39	1,356,504,127.39
28,575,041 (31 December 2021: 13,565,041) equity shares of Nu. 100 each, fully paid-up amount-ing Nu. 100 (31 December 2022: Nu. 100)		
Equity investment in Kholongchhu Hydro Energy Lim-ited	5,922,109,595.31	2,222,233,330.41
50,000,000 (31 December 2022: 25,000,000) equity shares of Nu. 100 each, called up amount Nu. 118.44 (31 December 2022: called up amount Nu. 88.89 each)		
Investment in joint venture companies		
Equity investment in Bhutan Automation & Engineer-ing Limited	30,600,000.00	30,600,000.00
3,060,000 (31 December 2022: 3,060,000) equity shares of Nu. 100 each, fully paid up		
	19,150,189,186.60	12,204,836,989.76

Financial Assets (Non-Current

NOTE 6A: Longterm Investment

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Investment in fixed deposits:		
-Fixed deposit with bank	1,842,471,970.40	3,842,471,970.40
-Accrued interest on fixed deposit	273,688,894.33	327,618,825.05
Total Held-to-maturity investments	**2,116,160,864.73**	**4,170,090,795.45**

NOTE 6B: Other assets

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Loan acquisition costs	92,385,925.00	-
	92,385,925.00	-

Financial Liabilities (Non-Current)

NOTE 6C: Long- Term Borrowings

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Government of Austria loan (ROI-6% & tenure of loan- BHP-LS 20 years & BHP-US 18 years)	180,724,862.78	326,049,725.50
Loan from Asian Development Bank-2464 (ROI - 3.15%, loan tenure-32 year)	1,830,540,264.33	1,898,301,400.28
Loan from Asian Development Bank-3226 (ROI- 1.5% loan tenure-32 year)	1,032,626,629.55	989,421,273.14
Loan from Asian Development Bank-0421 (ROI- 1.5% loan tenure-32 year)	1,186,542,880.10	1,136,513,929.61
Loan from Bank of Bhutan	64,662,873.11	53,688,719.32
Loan from NPPF	392,526,348.88	408,794,117.50
Deferred Grant Income	1,355,889,975.26	1,392,609,069.20
Less: current maturities of long-term debt	(234,538,937.50)	(233,865,875.29)
	5,808,974,896.51	5,971,512,359.26

NOTE 6D: Other Non-current liabilities

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Deferred lease liability NC	23,391,418.91	23,519,000.72
Other Deferred Grant Income	164,392,728.39	142,433,652.56
	187,784,147.30	165,952,653.28

NOTE 7: INVENTORIES

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Stores & spares	536,932,195.48	553,923,345.37
	536,932,195.48	553,923,345.37
Less:		
Provision for obsolescence/Losses	(45,195,347.57)	(25,179,860.33)
	491,736,847.91	528,743,485.04

Inventories recognised in profit or loss.

Inventories recognised as an expense during the year ended 31 December 2023 amounted to Nu. 159,615,783.30 (2022 – Nu. 149,143,034.96). These were included in running and maintenance expenses.

NOTE 8: PREPAYMENTS AND ADVANCES

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Prepaid expenses	185,532,524.82	143,386,323.80
Staff advance	1,625,802.11	973,307.71
Advance to supplier/contractor	87,412,921.78	63,350,896.60
	274,571,248.71	207,710,528.11

RINZING FINANCIAL PRIVATE LIMITED

NOTE 9: ASSETS CLASSIFIED AS HELD FOR SALE

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Asset held for disposal	140,666,182.69	140,478,096.80
Total assets classified as held for sale	**140,666,182.69**	**140,478,096.80**

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 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.n.

Financial Assets (Current)

NOTE 10A: Short Term Investments

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Investment in fixed deposits/bonds:		
Investment in fixed deposits	1,550,000,000.00	-
Accrued interest on fixed deposits	4,957,534.25	-
Total held-to-maturity investments	**1,554,957,534.25**	**-**

NOTE 10B: Trade and other receivables

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Trade receivables (Unsecured, Considered good)		
- Bhutan Power Corporation	893,626,263.03	907,705,280.14
- Power Trading Corporation Limited	1,993,032,924.52	192,945,408.30
	2,886,659,187.55	**1,100,650,688.44**
Intercorporate Loan	940,000,000.00	-
Miscellaneous deposits	6,058,065.20	5,314,595.24
Other receivables	934,768,478.93	1,496,235,883.55
Total trade and other receivables	**4,767,485,731.68**	**2,602,201,167.23**

a. **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.

b. **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.

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NOTE 10C: Cash and cash equivalents

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Cash in Hand	119,092.85	285,363.99
Balances with Banks in Current Accounts:		
Bank of Bhutan	1,949,165,533.90	2,129,660,078.80
Bhutan National Bank	151,910,254.33	127,623,498.33
Druk PNB	80,247.66	722,712.77
Tashi Bank	354,394.93	852,886.30
	2,101,629,523.67	2,259,144,540.19

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

Financial Liability (Current)

NOTE 10D: Trade and other payables

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Security deposit- suppliers & others	34,804,821.92	67,613,608.29
Sundry creditors	901,675,305.80	1,050,351,912.56
Outstanding liabilities to contractors	372,835.00	21,536.00
Outstanding liabilities for expenses	83,476,436.11	39,701,911.87
Provision for bonus	72,671,827.69	75,374,781.46
Provision for Performance Based Variable Allowance	65,327,828.17	70,149,379.61
Sundry liabilities	2,473,977.63	320,745.88
Total trade and other payables	1,160,803,032.32	1,303,533,875.67

NOTE 10D: Trade and other payables

(Amount in Nu.)

Particulars	31-Dec-23	31-Dec-22
Intercorporate Loan from DHI	1,736,196,282.63	-
Government of Austria Loan	145,324,862.72	145,324,862.72
Loan from Asian Development Bank	89,214,074.78	88,541,012.57
Interest accrued but not due on loans	225,548,641.42	208,193,472.74
	2,196,283,861.55	442,059,348.03

NOTE 10E: Other financial liabilities

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Intercorporate Loan from DHI	1,736,196,282.63	-
Government of Austria Loan	145,324,862.72	145,324,862.72
Loan from Asian Development Bank	89,214,074.78	88,541,012.57
Interest accrued but not due on loans	225,548,641.42	208,193,472.74
	2,196,283,861.55	442,059,348.03

NOTE 11: SHARE CAPITAL

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Authorised share capital		
50,000,000 equity shares@ Nu. 1,000 per share	50,000,000,000.00	50,000,000,000.00
Subscribed and paid -up share capital after adjustment		
32,465,093.41 equity share @ 1,000 per share	32,465,093,407.26	32,465,093,407.26
	32,465,093,407.26	32,465,093,407.26

Movements in ordinary shares:	Number of shares	Par value
Balance 1 January 2016	30,712,866.00	30,712,866,000.00
Book value of Land transferred is adjusted from Capital	(4,454.13)	(4,454,133.72)
Issue of Additional Shares	-	-
Balance 31 December 2016	30,708,411.87	30,708,411,866.28
Book value of Land transferred is adjusted from Capital	(84.73)	(84,730.01)
Issue of Additional Shares	832,822.00	832,822,000.00
Balance 31 December 2017	31,541,149.14	31,541,149,136.27
Book value of Land transferred is adjusted from Capital	-	
Issue of Additional Shares	230,520.00	230,520,000.00
Balance 31 December 2018	31,771,669.14	31,771,669,136.27
Book value of Land transferred is adjusted from Capital	(109,610.69)	(109,610,694.78)
Issue of Additional Shares	294,856.00	294,856,000.00
Balance 31 December 2019	31,956,914.44	31,956,914,441.49
Book value of Land transferred is adjusted from Capital	-	-
Issue of Additional Shares	175,044.00	175,044,000.00
Balance 31 December 2020	32,131,958.44	32,131,958,441.49
Book value of Land transferred is adjusted from Capital	(33,321.03)	(33,321,034.23)
Issue of Additional Shares	366,456.00	366,456,000.00
Balance 31 December 2021	32,465,093.41	32,465,093,407.26
Book value of Land transferred is adjusted from Capital	-	-
Issue of Additional Shares	-	-
Balance 31 December 2022	32,465,093.41	32,465,093,407.26
Book value of Land transferred is adjusted from Capital	-	-
Issue of Additional Shares	-	-
Balance 31 December 2023	32,465,093.41	32,465,093,407.26

NOTE 12: EMPLOYEE BENEFIT OBLIGATION

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Gratuity	565,417,144.74	566,015,511.36
Other long-term benefit	43,810,742.76	44,810,938.22
	609,227,887.50	610,826,449.58

NOTE 13: OTHER CURRENT LIABILITIES

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Sundry liabilities	87,436,007.17	45,851,875.87
Tax deducted at source - payable	266,376,444.19	2,243,204.98
Deferred lease liability	127,582.18	3,824,273.89
Inter Unit Remittance	5,101,385,352.74	-
	5,455,325,386.28	51,919,354.74

NOTE 14: CURRENT TAX LIABILITIES

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Provision for corporate Income Tax	1,674,365,934.89	1,597,636,500.78
	1,674,365,934.89	1,597,636,500.78

NOTE 15: EMPLOYEE BENEFIT OBLIGATION

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Gratuity	56,705,847.63	50,270,896.61
Other long-term benefit	6,714,919.42	5,862,309.30
Leave encashment payable	127,913.00	66,627,098.67
	63,548,680.05	122,760,304.58

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NOTE 16: ELECTRICITY REVENUE

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Export & Domestic revenue		
Power Trading Corporation Ltd	5,424,033,359.14	7,308,480,001.99
Bhutan Power Corporation Ltd	5,735,718,646.86	4,202,108,142.52
From staff & other private parties	387,226.50	444,802.00
	11,160,139,232.50	11,511,032,946.51

NOTE 17: INTEREST EARNED

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Interest on deposits	113,597,389.54	184,190,573.70
Interest on non-government bonds	-	7,652,054.79
	113,597,389.54	191,842,628.49

NOTE 18: OTHER INCOME

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Dividend income	41,153,888.87	49,841,162.49
Grant income	144,676,043.88	135,039,339.79
Miscellaneous receipts	167,690,797.89	86,748,643.65
Liquidity charges	16,227,222.99	11,132,570.33
House rent recovered- employee/others	17,530,294.68	16,965,784.95
Lease rental income	-	28,640.50
Profit on sale/discard of assets (Net)	4,520,948.44	-
Income from Deviation Settlement Mechanism	3,068,316.00	23,657,590.00
	394,867,512.75	323,413,731.71

NOTE 19: RUNNING AND MAINTENANCE EXPENSES

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
R&M electro-mechanical	187,933,453.22	133,635,236.85
R&M civil structures	50,499,872.24	35,419,761.13
R&M vehicles	40,132,921.49	53,629,362.25
R&M-Information Technology	26,161,832.09	20,948,767.56
R&M-Fire Fighting & Safety	4,437,612.15	2,736,155.49
R&M-Office Equipment's	555,559.63	581,343.89
	309,721,250.82	246,950,627.18

NOTE 20: EMPLOYEES' REMUNERATION AND BENEFITS

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Salaries and wages	621,418,740.87	566,245,680.58
Professional training	18,690,458.96	24,491,200.19
Bonus	75,483,610.40	74,986,906.33
Incentive/honorarium	67,108,368.61	57,685,586.24
Employer's contribution to provident fund	62,821,831.39	66,824,391.64
Leave encashment	49,617,033.24	50,575,380.14
Gratuity expenses	75,585,331.24	83,047,906.06
Performance Based Variable Allowance	66,887,729.99	70,646,688.61
Leave travel concession	21,042,756.80	21,430,494.88
Terminal benefits	7,223,259.92	7,209,528.93
GPA- insurance	3,514,509.54	3,619,652.91
Liveries	7,274,529.72	12,124,183.51
Staff welfare expenses	9,506,389.20	11,555,840.58
Medical expenses	304,912.01	919,249.83
	1,086,479,461.89	1,051,362,690.43

NOTE 21: FINANCE COST

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
Interest to Government of India		
Interest to Government of Austria	17,688,204.51	26,270,290.18
Interest to Asian Development Bank	162,479,918.37	197,105,466.50
Interest on current portion of long-term borrowing	80,584,420.37	14,584,110.00
Interest Unwinding	3,768,450.76	8,061,693.56
Financing Cost	241,935.13	-
	264,762,929.14	246,021,560.24

NOTE 22: OTHER EXPENSES

(Amount in Nu.)

Particulars	December 31, 2023	December 31,2022
Brand Management Fee	90,843,005.61	98,815,973.33
Travel	27,198,260.84	24,963,752.09
Foreign exchange gains/loss	18,190,085.41	369,658,248.45
Grant expense	77,475,074.51	19,313,512.57
License fee	68,440,983.46	22,353,497.92
Profit on sale/discard of assets (net)	-	61,880,092.28
Electricity	8,242,765.03	11,736,782.30
Entertainment	3,913,262.36	5,724,381.61
Corporate social responsibility	9,871,860.98	82,544,851.57
Consultancy charges	4,405,327.64	8,569,016.52
Rent	3,635,787.45	1,164,207.66
Telephone and fax	6,109,347.97	6,171,889.61
Printing and stationery	3,082,568.32	3,697,744.04
Rates and taxes	360,129.97	3,704,710.00
Advertisement and publicity	1,462,284.40	1,164,304.25
Audit fees & expenses	797,972.02	782,033.50
Directors' sitting fees	570,000.00	547,500.00
Bank charges	517,997.52	661,675.33
Board meeting expenses	264,670.50	329,214.55
Books & periodicals	307,189.82	624,314.47
Postage and telegram	60,715.03	150,033.00
Other expenses	2,349,483.21	4,926,517.42
	328,098,772.05	729,484,252.47

NOTE 23: TAX EXPENSE

(Amount in Nu.)

Particular	December 31, 2023	December 31,2022
Components of income tax expense		
Income tax expenses		
Current tax		
Current tax on profit for the year	2,068,055,904.39	2,139,120,066.23
Total current tax expenses	**2,068,055,904.39**	**2,139,120,066.23**
Deferred tax		
(Decrease)/increase in deferred tax liabilities	212,332,338.08	(220,580,391.36)
Total deferred tax expenses	**212,332,338.08**	**(220,580,391.36)**
Income tax expenses	2,280,388,242.47	1,918,539,674.87

Numerical reconciliation of income tax expense to prima facie tax payable

(amount in Nu.)

Particulars	2023	2023	2022	2022
Tax expenses				
- Current tax		2,068,055,904.39		2,139,120,066.23
Total tax expense		**2,068,055,904.39**		**2,139,120,066.23**
Reconciliation of tax on accounting profit: -				
Profit before tax		**6,788,308,041.33**		**6,542,945,455.45**
Income tax expense calculated at 30% (A)		**2,036,492,412.40**		**1,962,883,636.64**
Non-deductible expense				
- Production incentive/ Bonus /PBVA	102,287,441.96	30,686,232.59	85,134,111.88	25,540,233.56
- Medical expenses	304,768.70	91,430.61	586,432.83	175,929.85
- Donation	9,871,860.98	2,961,558.29	82,544,851.57	24,763,455.47
Total non-deductible expense (B)		**33,739,221.49**		**50,479,618.88**
Adjustment to deferred tax pertaining to ADB Loan				
- Deferred tax effect on forex exchange difference on ADB princi-pal/interest	(37,476,170.9)	(11,242,851.28)	(31,112,339.17)	(9,333,701.75)
- ADB Loan (ForEx Gain/Loss-unrelaised)	(6,380,343.56)	(1,914,103.07)	548,326,000.43	164,497,800.13
Net Effect (C)		**(13,156,954.35)**		**155,164,098.38**
Lease Rent				
Decrease in income	-	-	-	-
Net Effect (D)		**-**		**-**
Fixed Deposit Interest				
- Excess interest accrued and deferred tax assets booked as on 31.12.2022	1,383,786.61	415,135.98	(83,973,689.29)	(25,192,106.79)
Net Effect (E)		**415,135.98**		**(25,192,106.79)**
Impact Due to Depreciation				
Depreciation	26,544,120.56	7,963,236.17	(15,683,854.54)	(4,705,156.36)
Net Effect (F)		**7,963,236.17**		**(4,705,156.36)**
Impact due to Penalties				
Penalties	-	-	70,949.01	21,284.70
Net Effect (F)		**-**		**21,284.70**
Adjustment to Gratuity during the year				
Gratuity charged to profit or loss	8,676,175.64	2,602,852.69	1,562,302.57	468,690.77
Difference between adjustment to bonus and charged to profit or loss		**2,602,852.69**		**468,690.77**
Net effect (G)		**2,602,852.69**		**468,690.77**
Reconciled with tax expense as above (A+B+C+D+E+F+G)	**105,211,639.96**	**2,068,055,904.39**	**587,454,765.30**	**2,139,120,066.23**

NOTE 24A: DISCLOSURE AS PER IAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (GRATUITY)

(Amount in Nu.)

A	Assets/Liabilities	December 31, 2023	December 31, 2022
1	DBO at end of prior period	640,036,978.25	563,053,213.00
2	Current service cost	37,468,041.56	39,483,389.46
3	Interest cost on the DBO	48,099,363.99	43,965,038.53
4	Curtailment (credit)/ cost		
5	Settlement (credit)/ cost		
6	Past service cost - plan amendments		
7	Acquisitions (credit)/ cost		
8	Actuarial (gain)/loss - experience	(25,891,534.58)	(3,234,769.71)
9	Actuarial (gain)/loss - demographic assumptions		
10	Actuarial (gain)/loss - financial assumptions		
11	Benefits paid directly by the Company	(77,589,856.87)	(26,980,462.70)
12	Benefits paid from plan assets		-
	DBO at end of current period	622,122,992.35	616,286,408.58

(Amount in Nu.)

B	Statement of Profit & Loss	December 31, 2023	December 31, 2022
1	Current service cost	37,468,041.56	39,483,389.46
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	37,468,041.56	39,483,389.46
6	Net interest on net defined benefit liability / (as-set)	48,099,363.99	43,965,038.53
7	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	Cost recognized in P&L	85,567,405.55	83,448,427.99

(Amount in Nu.)

C	Defined Benefit Cost	December 31, 2023	December 31, 2022
1	Service cost	37,468,041.56	39,483,389.46
2	Net interest on net defined benefit liability / (as-set)	48,099,363.99	43,965,038.53
3	Actuarial (gains)/ losses recognized in OCI	(25,891,534.58)	(3,234,769.71)
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans		
	Defined Benefit Cost	59,675,870.97	80,213,658.28

(Amount in Nu.)

D	Development of Net Financial Position	December 31, 2023	December 31, 2022
1	Defined Benefit Obligation (DBO)**	622,122,992.35	616,286,408.58
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(622,122,992.35)	(616,286,408.58)
	Net Defined Benefit Asset	(622,122,992.35)	(616,286,408.58)

(Amount in Nu.)

E	Reconciliation of Net Balance Sheet Position	December 31, 2023	December 31, 2022
1	Net defined benefit asset/ (liability) at end of prior period	(640,036,978.25)	(563,053,213.00)
2	Service cost	(37,468,041.56)	(39,483,389.46)
3	Net interest on net defined benefit liability/ (asset)	(48,099,363.99)	(43,965,038.53)
4	Amount recognized in OCI	25,891,534.58	3,234,769.71
5	Amount recognized in Profit & Loss	-	-
6	Employer contributions	-	-
7	Benefit paid directly by the company	77,589,856.87	26,980,462.70

8	Acquisitions credit/ (cost)	-	-
9	Divestitures	-	-
10	Withdrawals From the Plan Assets	-	-
11	Cost of termination benefits	-	-
	Net defined benefit asset/ (liability) at end of cur-rent period	**(622,122,992.35)**	**(616,286,408.58)**

(Amount in Nu.)

F	Other Comprehensive Income (OCI)	December 31, 2023	December 31, 2022
1	Actuarial (gain)/loss due to liability experience	(25,891,534.58)	(3,234,769.71)
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	(25,891,534.58)	(3,234,769.71)
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(25,891,534.58)	(3,234,769.71)
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**(25,891,534.58)**	**(3,234,769.71)**

(Amount in Nu.)

G	Expected benefit payments for the year ending	December 31, 2023
1	31-Dec-24	61,242,315.44
2	31-Dec-25	52,642,591.02
3	31-Dec-26	63,666,329.94
4	31-Dec-27	64,007,321.63
5	31-Dec-28	69,166,934.94
6	December 2029 to December 2033	482,086,159.33
(i)	**Expected employer contributions for the period ending 31 December 2022**	**NA**
(ii)	**Weighted average duration of defined benefit obligation**	**12.84 years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**	
a	**Discount Rate**	**2023**
	Discount Rate	**8.00%**
	Effect on DBO due to 0.5% increase in Discount Rate	(25,616,259.96)
	Effect on DBO due to 0.5% decrease in Discount Rate	27,416,287.68
b	**Salary escalation rate**	**2023**
	Salary escalation rate	**8.00%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	28,899,144.73
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(27,225,299.49)

NOTE 24B: DISCLOSURE AS PER IAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (CARRIAGE ALLOWANCE)

(Amount in Nu.)

A	Assets/Liabilities	December 31, 2023	December 31, 2022
1	DBO at end of prior period	9,590,707.56	6,802,013.00
2	Current service cost	523,265.98	621,485.74
3	Interest cost on the DBO	661,633.88	517,806.89
4	Curtailment (credit)/ cost		
5	Settlement (credit)/ cost		
6	Past service cost - plan amendments		
7	Acquisitions (credit)/ cost		
8	Actuarial (gain)/loss - experience	(188,859.94)	1,503,705.74
9	Actuarial (gain)/loss - demographic assumptions		
10	Actuarial (gain)/loss - financial assumptions		
11	Benefits paid directly by the Company	(2,640,568.23)	(658,853.85)
12	Benefits paid from plan assets		-
	DBO at end of current period	**7,946,179.25**	**8,786,157.52**

(Amount in Nu.)

B	Statement of Profit & Loss	December 31, 2023	December 31, 2022
1	Current service cost	523,265.98	621,485.74
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	523,265.98	621,485.74
6	Net interest on net defined benefit liability / (asset)	661,633.88	517,806.89
7	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	Cost recognized in P&L	**1,184,899.86**	**1,139,292.63**

(Amount in Nu.)

C	Defined Benefit Cost	December 31, 2023	December 31, 2022
1	Service cost	523,265.98	621,485.74
2	Net interest on net defined benefit liability / (as-set)	661,633.88	517,806.89
3	Actuarial (gains)/ losses recognized in OCI	(188,859.94)	1,503,705.74
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	Defined Benefit Cost	**996,039.92**	**2,642,998.37**

(Amount in Nu.)

D	Development of Net Financial Position	December 31, 2023	December 31, 2022
1	Defined Benefit Obligation (DBO)**	(7,946,179.25)	(8,786,157.52)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(7,946,179.25)	(8,786,157.52)
	Net Defined Benefit Asset	**(7,946,179.25)**	**(8,786,157.52)**

(Amount in Nu.)

E	Reconciliation of Net Balance Sheet Position	December 31, 2023	December 31, 2022
1	Net defined benefit asset/ (liability) at end of prior period	(9,590,707.56)	(6,802,013.00)
2	Service cost	(523,265.98)	(621,485.74)
3	Net interest on net defined benefit liability/ (asset)	(661,633.88)	(517,806.89)
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)	188,859.94	(1,503,705.74)
9	Divestitures	-	-
10	Withdrawals From the Plan Assets	-	-
11	Cost of termination benefits	2,640,568.23	658,853.85
	Net defined benefit asset/ (liability) at end of cur-rent period	**(7,946,179.25)**	**(8,786,157.52)**

(Amount in Nu.)

F	Other Comprehensive Income (OCI)	December 31, 2023	December 31, 2022
1	Actuarial (gain)/loss due to liability experience	(188,859.94)	1,503,705.74
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	(188,859.94)	1,503,705.74
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	(188,859.94)	1,503,705.74
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	**(188,859.94)**	**1,503,705.74**

(Amount in Nu.)

G	Expected benefit payments for the year ending	December 31, 2023
1	31-Dec-24	1,250,477.07
2	31-Dec-25	1,015,688.51

3	31-Dec-26	1,272,590.95
4	31-Dec-27	1,206,871.41
5	31-Dec-28	1,241,931.45
6	December 2029 to December 2033	7,024,496.60
(i)	Expected employer contributions for the period ending 31 December 2022	NA
(ii)	Weighted average duration of defined benefit obligation	10.2 years
(iii)	Significant estimates: actuarial assumptions and sensitivity	
a	Discount Rate	2023
	Discount Rate	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(274,266.47)
	Effect on DBO due to 0.5% decrease in Discount Rate	291,839.93
b	Transportation Cost	2023
	Transportation cost escalation rate	8.00%
	Effect on DBO due to 0.5% increase in Transportation cost escalation rate	320,715.53
	Effect on DBO due to 0.5% decrease in Transportation cost escalation rate	(303,553.02)

NOTE 24C: DISCLOSURE AS PER IAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (REPATRIATION ALLOWANCE BENEFIT SCHEME)

(Amount in Nu.)

A	Assets/Liabilities	December 31, 2023	December 31, 2022
1	DBO at end of prior period	22,499,354.19	19,316,617.00
2	Current service cost	1,434,983.73	1,549,602.99
3	Interest cost on the DBO	1,585,186.83	1,486,289.83
4	Curtailment (credit)/ cost		
5	Settlement (credit)/ cost		
6	Past service cost - plan amendments		
7	Acquisitions (credit)/ cost		
8	Actuarial (gain)/loss - experience	1,139,254.26	67,022.69
9	Actuarial (gain)/loss - demographic assumptions		
10	Actuarial (gain)/loss - financial assumptions		
11	Benefits paid directly by the Company	(5,369,037.54)	(1,475,988.32)
12	Benefits paid from plan assets		
	DBO at end of current period	21,289,741.47	20,943,544.19

(Amount in Nu.)

B	Statement of Profit & Loss	December 31, 2023	December 31, 2022
1	Current service cost	1,434,983.73	1,549,602.99
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	1,434,983.73	1,549,602.99
6	Net interest on net defined benefit liability / (asset)	1,585,186.83	1,486,289.83
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
	Cost recognized in P&L	3,020,170.56	3,035,892.82

(Amount in Nu.)

C	Defined Benefit Cost	December 31, 2023	December 31, 2022
1	Service cost	1,434,983.73	1,549,602.99
2	Net interest on net defined benefit liability / (asset)	1,585,186.83	1,486,289.83
3	Actuarial (gains)/ losses recognized in OCI	1,139,254.26	67,022.69
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	Defined Benefit Cost	4,159,424.82	3,102,915.51

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(Amount in Nu.)

D	Development of Net Financial Position	December 31, 2023	December 31, 2022
1	Defined Benefit Obligation (DBO)**	(21,289,741.47)	(20,943,544.19)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(21,289,741.47)	(20,943,544.19)
	Net Defined Benefit Asset	(21,289,741.47)	(20,943,544.19)

(Amount in Nu.)

E	Reconciliation of Net Balance Sheet Position	December 31, 2023	December 31, 2022
1	Net defined benefit asset/ (liability) at end of prior period	(22,499,354.19)	(19,316,617.00)
2	Service cost	(1,434,983.73)	(1,549,602.99)
3	Net interest on net defined benefit liability/ (asset)	(1,585,186.83)	(1,486,289.83)
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)	(1,139,254.26)	(67,022.69)
9	Divestitures	-	-
10	Withdrawals From the Plan Assets	-	-
11	Cost of termination benefits	5,369,037.54	1,475,988.32
12	Benefits paid from plan assets	-	-
	Net defined benefit asset/ (liability) at end of cur-rent period	(21,289,741.47)	(20,943,544.19)

(Amount in Nu.)

F	Other Comprehensive Income (OCI)	December 31, 2023	December 31, 2022
1	Actuarial (gain)/loss due to liability experience	1,139,254.26	67,022.69
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	1,139,254.26	67,022.69
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	1,139,254.26	67,022.69
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	1,139,254.26	67,022.69

(Amount in Nu.)

G	Expected benefit payments for the year ending	December 31, 2023
1	31-Dec-24	3,000,817.95
2	31-Dec-25	2,312,012.00
3	31-Dec-26	2,914,185.14
4	31-Dec-27	2,675,758.45
5	31-Dec-28	2,953,885.92
6	December 2029 to December 2033	17,749,147.31
(i)	Expected employer contributions for the period ending 31 De-cember 2022	Not Applicable
(ii)	Weighted average duration of defined benefit obligation	11.29 years
(iii)	Significant estimates: actuarial assumptions and sensitivity	
a	Discount Rate	2023
	Discount Rate	8.00%
	Effect on DBO due to 0.5% increase in Discount Rate	(810,979.76)
	Effect on DBO due to 0.5% decrease in Discount Rate	866,497.25
b	Salary escalation rate	2023
	Salary escalation rate	8.00%
	Effect on DBO due to 0.5% increase in Salary escalation rate	918,697.72
	Effect on DBO due to 0.5% decrease in Salary escalation rate	(867,176.30)

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NOTE 24D: DISCLOSURE AS PER IAS 19, 'EMPLOYEES BENEFIT' AS REGARDS DEFINED BENEFIT SCHEME (TRANSFER GRANT BENEFIT SCHEME)

(Amount in Nu.)

A	Assets/Liabilities	December 31, 2023	December 31, 2022
1	DBO at end of prior period	22,499,354.19	19,316,617.00
2	Current service cost	1,434,983.73	1,549,602.99
3	Interest cost on the DBO	1,583,207.43	1,484,740.43
4	Curtailment (credit)/ cost		-
5	Settlement (credit)/ cost		-
6	Past service cost - plan amendments		-
7	Acquisitions (credit)/ cost		-
8	Actuarial (gain)/loss - experience	1,190,718.66	107,307.09
9	Actuarial (gain)/loss - demographic assumptions		
10	Actuarial (gain)/loss - financial assumptions		
11	Benefits paid directly by the Company	(5,418,522.54)	(1,514,723.32)
12	Benefits paid from plan assets		
	DBO at end of current period	21,289,741.47	20,943,544.19

(Amount in Nu.)

B	Statement of Profit & Loss	December 31, 2023	December 31, 2022
1	Current service cost	1,434,983.73	1,549,602.99
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	1,434,983.73	1,549,602.99
6	Net interest on net defined benefit liability / (asset)	1,583,207.43	1,484,740.43
7	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	Cost recognized in P&L	3,018,191.16	3,034,343.42

(Amount in Nu.)

C	Defined Benefit Cost	December 31, 2023	December 31, 2022
1	Service cost	1,434,983.73	1,549,602.99
2	Net interest on net defined benefit liability / (asset)	1,583,207.43	1,484,740.43
		1,190,718	
3	Actuarial (gains)/ losses recognized in OCI	1,190,718.66	107,307.09
4	Immediate recognition of (gains)/losses – other long-term employee benefit plans	-	-
	Defined Benefit Cost	1,434,983.73	3,141,650.51

(Amount in Nu.)

D	Development of Net Financial Position	December 31, 2023	December 31, 2022
1	Defined Benefit Obligation (DBO)**	(21,289,741.47)	(20,943,544.19)
2	Fair Value of Plan Assets (FVA)	-	-
3	Funded Status (Surplus/(Deficit))	(21,289,741.47)	(20,943,544.19)
	Net Defined Benefit Asset	(21,289,741.47)	(20,943,544.19)

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(Amount in Nu.)

E	Reconciliation of Net Balance Sheet Position	December 31, 2023	December 31, 2022
1	Net defined benefit asset/ (liability) at end of prior period	(22,499,354.19)	(19,316,617.00)
2	Service cost	(1,434,983.73)	(1,549,602.99)
3	Net interest on net defined benefit liability/ (asset)	(1,583,207.43)	(1,484,740.43)
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)	(1,190,718.66)	(107,307.09)
9	Divestitures	-	-
10	Withdrawals From the Plan Assets	-	-
11	Cost of termination benefits	5,418,522.54	1,514,723.32
12	Benefits paid from plan assets	-	-
	Net defined benefit asset/ (liability) at end of cur-rent period	(21,289,741.47)	(20,943,544.19)

(Amount in Nu.)

F	Other Comprehensive Income (OCI)	December 31, 2023	December 31, 2022
1	Actuarial (gain)/loss due to liability experience	1,190,718.66	107,307.09
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	1,190,718.66	107,307.09
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	1,190,718.66	107,307.09
6	Adjustment for limit on net asset	-	-
	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	1,190,718.66	107,307.09

(Amount in Nu.)

G	Expected benefit payments for the year ending	31-Dec-23
1	31-Dec-24	3,000,817.95
2	31-Dec-25	2,312,012.00
3	31-Dec-26	2,914,185.14
4	31-Dec-27	2,675,758.45
5	31-Dec-28	2,953,885.92
6	December 2029 to December 2033	17,749,147.31
(i)	**Expected employer contributions for the period ending 31 December 2022**	**NA**
(ii)	**Weighted average duration of defined benefit obligation**	**11.29 years**
(iii)	**Significant estimates: actuarial assumptions and sensitivity**	
a	**Discount Rate**	**2023**
	Discount Rate	**8.00%**
	Effect on DBO due to 0.5% increase in Discount Rate	-855,380.52
	Effect on DBO due to 0.5% decrease in Discount Rate	916,391.28
b	**Salary escalation rate**	**2023**
	Salary escalation rate	**8.00%**
	Effect on DBO due to 0.5% increase in Salary escalation rate	966,388.13
	Effect on DBO due to 0.5% decrease in Salary escalation rate	-909,594.42

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NOTE 25: EARNINGS PER SHARE

(Amount in Nu.)

Particulars	December 31, 2023	December 31, 2022
(a) Basic earnings per share		
Basic earnings per share attributable to the equity hold-ers of the Company (b/c)	139.41	142.49
(b) Reconciliations of earnings used in calculating earnings per share		
Profit attributable to equity holders of the company used in calculating basis earnings per share	4,525,882,354	4,625,962,515
(c) Weighted average number of equity shares used as the denominator		
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	32,465,093.41	32,465,093.41

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

NOTE 26: FAIR VALUE MEASUREMENTS

(Amount in Nu.)

Particulars	December 31, 2023			December 31, 2022		
	FVPL	FVOCI	Amortised cost	FVPL	FVOCI	Amortised cost
Financial assets						
Investment in non-government bonds	-	-	-	-	-	-
Fixed deposit with bank	-	-	3,392,471,970.40	-	-	3,842,471,970.40
Accrued interest on fixed deposit	-	-	278,646,428.58	-	-	327,618,825.05
Deferred lease income	-	-	92,385,925.00	-	-	-
Trade receivables	-	-	2,886,659,187.55	-	-	1,100,650,688.44
Intercorporate loan	-	-	940,000,000.00	-	-	-
Accrued interest on investment	-	-	257,731,655.11	-	-	208,193,472.74
Miscellaneous deposits	-	-	6,058,065.20	-	-	5,314,595.24
Other receivables	-	-	935,189,129.53	-	-	1,496,235,883.55
Cash and cash equivalents	-	-	2,101,629,523.67	-	-	2,259,144,540.19
Total financial assets	-	-	**10,890,771,885.04**	-	-	**9,239,629,975.61**
Financial liabilities						
Borrowings	-	-	8,202,255,150.74	-	-	6,556,005,359.85
Security deposit- suppliers & others	-	-	34,804,821.92	-	-	67,613,608.29
Sundry creditors	-	-	901,675,305.80	-	-	1,050,351,912.56
Outstanding liabilities to contractors	-	-	372,835.00	-	-	21,536.00
Outstanding liabilities for expenses	-	-	83,476,436.11	-	-	39,701,911.87
Provision for bonus	-	-	72,671,827.69	-	-	75,374,781.46
Sundry liabilities	-	-	2,473,977.63	-	-	320,745.88
Total financial liabilities	-	-	9,297,730,354.89	-	-	7,789,389,855.91

a. Fair value hierarchy

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

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

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

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

b. Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

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

c. Fair value of financial assets and liabilities measured at amortised cost

(Amount in Nu.)

Particulars	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investment in non-government bonds	-		-	-
Fixed deposit and accrued interest	2,116,160,864.73	1,456,943,474.35	4,170,090,795.45	3,625,574,306.44
Deferred lease income	92,385,925.00		-	-
Total financial assets	**2,208,546,789.73**		**4,170,090,795.45**	**3,625,574,306.44**
Financial liabilities				
Borrowings and accrued interest	4,688,044,509.35	202,727,912.04	4,403,975,047.85	487,419,460.26
Total financial liabilities	**4,688,044,509.35**		**4,403,975,047.85**	**487,419,460.26**

The carrying amounts of all other financial assets and financial liabilities are considered to be the same as their fair values, due to their short-term nature. The fair values for financial instruments were calculated based on cash flows discounted using current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

SIGNIFICANT ESTIMATES

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see (b) above.

NOTE 27: 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 amortised cost	Aging analysis	Diversification of customer base
Liquidity risk	Borrowings and other liabilities	Cash flow forecasts	Availability of committed facilities
Market risk – foreign exchange	Future commercial transactions and recognised financial liabilities not denominated in Bhutanese Ngultrum (Nu.)	Cash flow forecasting Sensitivity analysis	Diversification of liability
Market risk – interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Portfolio of loan contains fixed interest loans from various financial institutions

The Board provides oversight of the governance structure, control and management system and risk mitigation measures. Druk Green identifies risks that the Company might be exposed to and to implement the mitigating plans in keeping with the Risk Management Manual that came into effect from January 01, 2012. The first Risk

Register was developed in 2013. The Risk Register is an evolving document that is being reviewed and updated on an annual basis. It helps the Company in identifying and managing all risks and opportunities that can affect the achievement of the business objectives of Druk Green.

a. Credit risk

Credit risk is the risk that counterparty will not meet its obligations underW 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.

* 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.

* 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, grant 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.

* 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.

RINZING FINANCE PRIVATE LIMITED

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, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Non-derivatives					
Borrowings	244,583,114.01	134,658,251.29	297,774,753.87	1,191,099,015.48	1,868,115,134.66
Interest	62,571,237.70	52,373,983.97	131,990,142.40	246,563,427.21	493,498,791.28
Security Deposit- Suppliers & Other	34,804,821.92	-	-	-	34,804,821.92
Sundry Creditors	901,675,305.80	-	-	-	901,675,305.80
Outstanding Liabilities to con-tractors	372,835.00	-	-	-	372,835.00
Outstanding Liabilities for ex-penses	83,476,436.11	-	-	-	83,476,436.11
Provision for Bonus	72,671,827.69	-	-	-	72,671,827.69
Sundry Liabilities	65,327,828.17	-	-	-	65,327,828.17
Total financial liabilities	1,465,483,406.41	187,032,235.26	429,764,896.28	1,437,662,442.69	3,519,942,980.63

Contractual maturities of financial liabilities December 31, 2023	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Non-derivatives					
Borrowings	244,583,114.01	244,583,114.01	333,174,753.87	1,290,357,266.78	2,112,698,248.68
Interest	79,855,350.05	62,571,237.70	143,494,047.15	287,433,506.43	573,354,141.33
Security Deposit- Suppliers & Others	67,613,608.29	-	-	-	67,613,608.29
Sundry Creditors	1,050,351,912.56	-	-	-	1,050,351,912.56
Outstanding Liabilities to contractors	21,536.00	-	-	-	21,536.00
Outstanding Liabilities for expenses	39,701,911.87	-	-	-	39,701,911.87
Provision for Bonus	75,374,781.46	-	-	-	75,374,781.46
Sundry Liabilities	70,149,379.61	-	-	-	70,149,379.61
Total financial liabilities	1,627,651,593.85	307,154,351.72	476,668,801.02	1,577,790,773.20	3,989,265,519.80

c. Market risk

* Foreign currency risk

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

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

Foreign currency risk exposure

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

Particulars	December 31, 2023		December 31, 2022	
	USD	INR	USD	INR
Financial assets		1,993,032,924.52		192,945,408.30
Financial liabilities	1,830,540,264.33		1,898,301,400.28	
Net exposure to foreign	(1,830,540,264.33)	1,993,032,924.52	(1,898,301,400.28)	192,945,408.30

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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	
	December 31, 2023	December 31, 2022
USD sensitivity		
Nu. depreciate by 5% (2022: 5%)	(91,527,013.22)	(181,550,955.45)
Nu. appreciate by 5% (2022: 5%)	91,527,013.22	181,550,955.45
EURO sensitivity		
Nu. depreciate by 5% (2022: 5%)	-	-
Nu. appreciate by 5% (2022: 5%)	-	-

** Holding all other variables constant*

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

* Interest rate risk

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

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

NOTE 28: CAPITAL MANAGEMENT

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

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

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

a. Loan covenants

Under the terms of the major borrowing facilities, the company is required to comply with a financial covenant

during the year ending 31 December 2023 which is debt service coverage ratio. There were no loan covenants on the Company prior to 31 December 2023.

The company has complied with these covenants throughout the reporting period. As of 31 December 2023, the debt service coverage ratio was 19.16.

The debt service coverage ratio was as follows:

(Amounts in Nu.)

Particulars	December 31, 2023
EBITDA	9,359,486,455.37
Debt Service	488,500,269.37
Debt service coverage ratio	**19.16**

NOTE 29: ADDITIONAL DISCLOSURES

a. The authorized share capital of the Company is Nu. 50 billion (50,000,000 equity share @ Nu. 1,000 per share) and as of the report date, the total paid up capital is Nu. 32,465.093 million (32,465.093 equity share @ Nu. 1,000 per share).

b. 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.

c. 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

d. 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).

e. Tangsibji Hydro Energy Limited (THyE) is a subsidiary company with authorized capital of Nu. 7,000 million. The subscribed capital in 2023 is Nu. 6,000 million. The paid-up capital in 2023 is Nu. 7,042.49 million. The company has a 100% stake in THyE.

f. Bhutan Hydropower Services Limited (BHSL) is a subsidiary company with authorized capital of Nu. 2,000.0 million. The subscribed capital is Nu. 654.828 million and paid-up capital in 2023 is Nu. 859.59 million. The company has a 100% stake in BHSL.

g. Druk Hydro Energy Limited (DHyE) was formed on 16th November 2021 as a subsidiary company with authorized capital of Nu. 10,000 million. The subscribed share capital is Nu. 10,000 million @ Nu. 100/ per share. The Paid-up share capital is Nu. 2,857.50 million after an additional capital injection of Nu. 1,305.48 million. The company has a 100% stake in DHyE.

h. Kholongchhu Hydro Energy Limited (KHEL) was formed as a Joint Venture between DGPC and SJVN Limited, a Government of India Undertaking in September 30, 2014 with 50% each equity shareholding by DGPC and SJVNL. Of the 50,000,000 equity shares at Nu. 100 each, DGPC and SJVNL were each allotted 25,000,000.

DGPC bought back Nu. 2,404,373,000.00 (24,043,730.00 equity shares of Nu.100 called up) and paid till December 2022 from the 25,000,000 equity shares allotted to SJVNL with a buyback premium at the rate of 9% (Nu. 1,142,731,703.12) based on the resolution passed during the 25th KHEL Board and Shareholder meeting together with 5th EGM held on December 30,2022. The paid-up capital in 2023 is Nu. 5,922.11 million after an additional capital injection of Nu. 152.78 million and buy back share from SJVNL of Nu. 3,547.11 million. The company has a 100% stake in KHEL.

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

j. The domestic tariff has been revised from Nu. 1.42/kWh to Nu. 1.34/kWh and wheeling charges from Nu. 0.270/kWh to Nu.0.23/kWh with effect from September 1, 2022, to June 30, 2025, vide letter no. BEA/CEO/DGPC/2022-23/184 dated August 31, 2022, and BEA/CEO/DGPC/2022-23/186 dated August 31, 2022, respectively.

k. In line with the office memorandum No. 5-11/3/2016-BBMB dated November 16, 2023 issued by Ministry of Power, Government of India. The export tariff of CHP has been revised from Nu. 2.55 per unit to Nu. 3.00 per unit. Accordingly, DGPC vide letter no. DGPC/DEGT/CHP/PTC/2023/2406 dated December 25, 2023 has raised a supplementary bill on sale of power from Chhukha HEP from January 2021 to November 2023 amounting to Nu. 1,992,521,275.95 (Ngultrum One billion Nine hundred ninety-two million five hundred twenty-one thousand two hundred seventy-five and Cheltrum ninety-five) including the sale of royalty power has been recognized in the book of the accounts as on December 31, 2023 as an income from sale of electricity to PTC. The export tariff for Tala and Kurichhu was revised from Nu. 2.12/kWh to Nu. 2.23/ kWh applicable from December 1, 2021, for a five-year period, valid until November 30, 2026.

l. Government of Austria committed grant of Euro 600,000.00 (Euro Six Hundred Thousand) only towards "Capacity Development for monitoring of hydropower plant-Final Phase" via Grant Contract No. 2296-00/2019 for the period of three years (2020-2022) and is further extension till June 30, 2023, granted vide letter no. 2296-00/2019/Umw/1-KOBU Thimphu/2022 dated June 24, 2022. DGPC have received Euro 400,000.00 (Euro Four Hundred Thousand) only against the grant as on December 31, 2022. Since the grant is in the nature of income, the grant has been presented as Grant income and Grant expense correspondingly. The grant has closed on June 30, 2023, as per the agreement.

m. Income approach, prescribed by BAS 20, has been used to recognize grant. It is fundamental to the income approach that government grants should be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses, the related costs for which the grant is intended to compensate.

DGPCL has received a grant of USD 4.3 Million from the World Bank for the implementation of Sustainable Hydropower Development Project (SHDP) which includes the DPR update of Dorjilung Hydropower Project and other capacity building activities. The grant is funded by two trust funds (SARIC and ESMAP), and accordingly, two bank accounts have been opened with the Bank of Bhutan (SARIC Grant No. TFOB8007 and ESMAP Grant No. TF0B8049).

SHDP comprises following two components:

- Component 1: Preparation Studies/Technical Assistance for DHPP Hydropower Plant and Transmission Lines (funded by SARIC Trust Fund)
- Component 2: Capacity Building for the Sustainable Development of Hydropower (funded by ESMPA Trust Fund)

Nature of Grants	Amount (Nu.)
Opening Balance of Deferred Income	95,233,280.00
Adjustments from Deferred Income to Government Grants	(62,997,423.97)
Net Balance of Deferred Income	**32,235,856.03**

n. A Loan of Nu. 708,000,000.00(Ngultrum Seven Hundred Eight Million) and Nu. 1,648,872,940.86 (Ngultrum One Billion Six Hundred Forty-Eight Million Eight Hundred Seventy-Two Thousand Nine Hundred Forty and Chetrum Eighty-Six), was availed via subsidiary agreement between Royal Government of Bhutan and the then erstwhile Basochhu Hydropower Corporation Ltd. (for Lower Stage and Upper Stage) dated 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.

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

p. Asian Development Bank (ADB) has sanctioned Special Funds resources loan of Special Drawing Rights (SDR), SDR 16,987,000.00 (SDR Sixteen Million Nine Hundred Eighty Seven Thousand) only and grant of US$ 25,250,000.00 (US Dollar Twenty Five Million Two Hundred Fifty Thousand) only for the purposes of implementation of the Second Green Power Development Project, on the date of the signing of agreement via subsidiary agreement between Royal Government of Bhutan and Druk Green Power Corporation dated 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. The fund was sanctioned for equity injection in Tangsibji Hydro Energy Limited (THyE). The repayment of principal has started from Feb 15, 2023.

q. Following are the loan details of Associated Transmission System (ATS) from BOB and NPPF.

SN.	Banks	Payment Date	Interest rate	Interest Type	Loan Principal	Balance Loan
1	BOB	27-Dec-17	7.94%	Floating	62,956,782.77	61,829,343.61
2	BOB FEIF	27-Dec-17	NA	NA	3,168,719.31	2,833,529.49
3	NPPF	29-Sep-22	8.30%	Fixed	326,536,579.45	309,024,535.16
4	NPPF	20-May-22	8.00%	Fixed	67,470,687.00	67,470,687.00
5	NPPF FEIF	28-Sep-22	NA	NA	21,374,835.63	16,031,126.73
	TOTAL				**481,507,604.16**	**457,189,221.98**

r. The company has incurred a loss of Nu. 18.19 million (previous year Nu. 369.66 million loss) in 2023 on account of exchange difference arising on the settlement of monetary items and on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements and charged to statement of comprehensive income.

s. Tax assessment for the income year 2021 and 2022 was conducted by the team from RRCO, Thimphu. During the course of the assessment the RRCO team came across the discrepancies on computing the payable tax by adjusting the Actuarial Loss on the Gratuity Expenses as actual expenses, which was disallowed by the assessment team and a sum of Nu. 5,787,866.26 was paid as a tax for the financial year 2021 and 2022.

t. DGPC is in the process of availing a Term Loan for an amount of Nu. 1,400.00 million from the State Bank of India by securitizing the receivables for the Tala Hydropower Plant from its sale proceeds of energy. The State Bank of India through letter No. PFSBU/T-09/2023-24/753 dated 26th September 2023, has conveyed the sanction of the term loan amounting to Nu/INR 1,400.00 million. As per the terms and conditions, 1.25% of the term loan amount plus applicable taxes, if any, is applicable (50% to be paid on sanction and 50% before the commencement of documentation). DGPC has incurred transaction costs such as upfront fees and others directly related to the acquisition of the loan from SBI, amounting to Nu. 92,385,925.00.

u. Approval for handing over of Mangdechhu Hydroelectric Project (MHP) to Druk Green Power Corporation (DGPC), Druk Holding and Investment (DHI) was conveyed by the Cabinet Secretary vide letter no. C-4/2022/1492 dated 22nd December 2022 to the Secretary, Ministry of Economic Affairs with a condition to maintain the profit transfer from the project to Ministry of Finance till 30th June 2023. Accordingly, the handing over and taking over of Mangdechhu Hydroelectric Project between Mangdechhu Hydroelectric Project Authority and Druk Green Power Corporation limited, RGoB took place on 27th December 2022.

However, the modality of profit transfer was changed from 30th June to 31st December 2023 conveyed by the Cabinet Secretary to the Acting Finance Secretary vide cabinet letter no. C-3/147/2023/1704 dated 12th July 2023. Based on the changes in the modality of profit transfer, tripartite meeting was held between DHI, DGPC and MoF on 14th August 2023 on the consolidation of MHP account with DGPC for the year 2023. It was decided that due to complexities in the accounting (book entry) it was agreed by the party to maintain MHEP on a Stand-alone basis in 2023. Since, 2019 the revenue of MHP flows through DGPC based on the Power Purchase Agreement signed on the15th of August 2019, however, in the year 2019, 2020, 2021 and 2022 the revenue was received by DGPC and transferred to MHP. Based on the handing over and taking over note DGPC have integrated MHP in the ERP SAP as a profit center from January 2023 onwards, but the decision not to consolidate the accounts of MHP with DGPC came at the later stage. Since, the fund management of MHP was carried out by DGPC the reconciled figure which DGPC owes to MHP as on 31st December 2023 amount to Nu. 5,101,435,352.74 is shown under Note 13: Other Current liabilities under the specific head Inter Unit Remittance.

v. The additional power purchase cost incurred by BPC during the period from July 1, 2022 to June 30, 2023 was imposed to the Generation Companies. Accordingly, a sum of Nu. 27,480,000.00 was provisioned as payable to BPC as a wheeling expense as the calculation was done on the wheeled energy by BPC and accepted by ERA.

w. All the balances against debtor, creditors and advances are based on the invoices raised to/ raised from and advances paid respectively, which are not settled as of December 31, 2023. The reconciliation is carried out and confirmation of the balances is obtained for majority of the balances of more than Nu. 1.00 million.

x. Pay and Allowances of DGPC employees have been revised with effect October 2023 based on the Remuneration Revision order 2023, conveyed vide DHI letter No. DHI/HRA /15/2023/1037 dated November 2, 2023. The directive conveyed in the above order is to settle the accrued earned leave balance up to the current date, without any provision for carrying forward or accumulating the earned leave in the leave account. Employees are given the option to either utilize the leave or encash the earned leave within the same financial year. DGPC has paid off the leave balance accumulated up to December 31, 2023 along with the unused Casual Leave amounting to Nu. 106,563,996.60 to all the employees of DGPC.

y. Based on the National Land Commission notification no. NLCS/DoLAM(01)/2023-34/000478 dated February 1, 2024, it is stated that for all existing leased land, the old lease rates of 2009 may be applied until December 31, 2024. In accordance with this notification, DGPC has calculated the payable amount for leased land using the old rates.

z. The company has identified the obsolete inventory and made required provisions during the year.

aa. Quantitative Information of purchase and sale of power:

(Amt: Millions) (Units: Millions)

Particulars	2023		2022	
	Units (kWh)	Amount (Nu)	Units (kWh)	Amount (Nu)
Purchase				
Self-Generation	6,945.61		7,227.93	
Sale:				
Within Bhutan	4,280.39	5,735.72	3,027.25	4,202.11
Export to India	1,579.33	3,879.96	3,087.00	7,308.48
Internal Consumption & Losses	28.89	0.39	58.06	0.44
Total	5,888.60	9,616.07	6,247.39	12,004.42

bb. All existing generation plants (Kurichhu, Chhukha, Tala and Basochhu) fully owned by the RGoB have to provide 15% of the annual generation as royalty energy to RGoB free of charge. All other generation plants shall provide royalty energy as per the SHDP. RGoB shall have the option to avail the royalty energy either in energy or cash in lieu at the highest off-take rate or pro-rated thereof after adjusting for admissible losses and wheeling charges. Till 2016 Royalty obligation portion were paid on the domestic tariff rate and from January 1, 2017 it has been paid as per the instruction of Electricity Subsidy and Royalty Payment Framework 2017. From September 2022, royalty obligation has been paid as per the Electricity Subsidy and Royalty Payment Framework 2022. Royalty Energy of 1,027.51 MU (previous year 1,055.62 MU) amounting to Nu. 2,085.12 million (Previous year Nu. 2,348.75 million) paid in 2023.

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

Amount in Million (Nu.)

	Particulars	2023	2022
a)	TDS Payable	3.14	2.24
b)	Corporate Income Tax	1,664.95	1,597.64
	Total	1,668.09	1,628.35

dd. Auditors' remuneration:

Amount in Million (Nu.)

	Particulars	2023	2022
a)	Audit Fess	0.52	0.52
b)	Out of pocket expenses	0.27	0.26
	Total	0.79	0.78

ee. A dividend of Nu. 4,074,369,222.61 only have been proposed for the year ended December 31, 2023, amounting to a dividend of Nu. 125.50 per share. These financial statements do not reflect this dividend proposed.

ff. DGPC reliance on PTC (i.e single external customer) for export revenue amount to Nu. 5,424,083,359.14 (i.e 48.60% of total revenue).

RINZING FINANCIAL PRIVATE LIMITED

NOTE 30: 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	2023	2022
	% of Holding	% of Holding
Parent -		
Druk Holding & Investment	100%	100%
Subsidiaries -		
Dagachhu Hydro Power Corporation Ltd.	59%	59%
Tangsibji Hydro Energy Limited	100%	100%
Bhutan Hydropower Services Ltd.	100%	100%
Druk Hydro Energy Limited	100%	100%
Kholongchhu Hydro Energy Ltd.	100%	50%
Joint Venture -		
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
15. Menjong Sorig Pharmaceutical Corporation Limited
16. Druk Hydro Energy Limited

RINZING FINANCIAL PRIVATE LIMITED

Name of Related Party	Relationship	Nature of transaction with related party	2023	2022
Druk Holding & Investments	Holding Company	a. Payment of Dividend	2,659,577,364.71	5,110,000,000.00
		b. Equity	32,465,093,407.26	32,465,093,407.26
		c. Management & Brand Fee	90,843,005.61	98,815,973.33
		d. Inter Corporate Loan	1,736,196,282.63	-
		e. Interest expenses on Inter corporate Loan	38,485,353.07	-
		f. Lease Rent	1,918,504.61	1,727,975.36
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Sale of Electricity	5,735,718,646.86	4,202,108,142.52
		b. Wheeling Charges	374,009,807.92	789,649,983.27
		c. Consumption of electricity by DGPC estd.	8,242,765.03	11,961,078.82
		d. Receivable on energy sold	893,626,263.03	907,705,280.14
		e. Payable towards wheeling charges	30,735,603.86	297,500,324.88
		d. Trade payables	-	4,797.00
		e. Advance Payment	-	6,503,387.94
		f. Non-trade receivable	775,723.00	17,324,845.41
		g. Purchase of Embedded Generation	-	268,777,715.72
		g. Income on CoE services provided	-	225,757.00
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank charges	517,997.52	628,516.96
		b. Interest expenses on loan	-	1,786,787.55
		c. Long Term Borrowing	66,304,109.67	587,000,000.00
		d. Accrued Interest on Loan		-
		e. Long-term Fixed Deposit	-	2,000,000,000.00
		f. Accrued Interest Income on Deposit	-	188,397,558.32
		g. Services availed	500,500.00	274,798.43
		h. Trade payable		274,798.43
		i. Interest Income from Deposit	19,656,423.23	92,421,637.21
Bhutan Telecom Limited	Fellow Subsidiary	a. Payable towards Telephone, Internet services & Others	4,312,227.83	2,143,740.43
		b. Data Center services charges	11,083,817.47	7,255,618.26
		c. Advance payment		-
		d. Telephone, Fax, Internet Services & Others	6,109,347.97	2,320,232.30
Druk Air Corporation Limited	Fellow Subsidiary	a. Purchase of Air Tickets and Others	2,122,274.00	1,704,660.54
		b. Receivable commission on Air Ticket	70,522.85	
		c. Income Others		
		d. Purchase of office equipment's		278,744.00
		e. Interest Income on Inter corporate Loan	-2,260,273.97	
		f. Inter Corporate Loan	600,000,000.00	-
State Trading Corporation of Bhutan Limited	Fellow Subsidiary	a. Vehicle Procurement		6,396,718.00
		b. Advance Payment	1,694,147.29	
		c. Repair and Maintenance of Vehicles	16,381,679.25	16,195,081.43
		d. Trade Payable		154,127.00
		e. Services availed related to IT	911,822.00	
		f. Deposit Received	524,080.63	1,292,500.29
Bhutan Hydropower Services Limited	Subsidiary	a. Equity Investment	859,596,538.10	420,596,538.10
		b. Services availed related to R&M of EM	49,158,713.05	50,169,900.29
		c. Trade Payable	18,597,192.51	
		d. Interest Income on Inter corporate Loan	-	317,876.71
		e. Accrued Interest Income on Loan	-	
		f. Corporate Guarantee Fee income	3,367,305.33	3,092,085.30
		g. Other services		50,423.00
		h. Advance payment		43,714,440.74
		i. Receivable for service provided	1,282,942.39	3,258,315.75

RINZING FINANCIAL PRIVATE LIMITED

Name of Related Party	Relationship	Nature of transaction with related party	2023	2022
Dagachhu Hydropower Corporation Limited	Subsidiary	a. Equity Investment	2,437,880,000.00	2,437,880,000.00
		b. Income on services provided		2,692,093.20
		c. Other miscellaneous Income		40,456,019.80
		d. Trade Receivable	4,166,582.79	1,954,219.63
		e. Non-Trade Payable	2,926,415.92	4,647,218.23
		f. Dividend Income	37,522,166.48	
Tangsibji Hydro Energy Limited	Subsidiary	a. Equity Investment	7,042,498,925.80	5,737,022,993.86
		b. Income on services provided	162,048.00	632,532.53
		c. Trade Receivable (+Corporate Guarantee Fee)	74,970,071.67	58,611,894.96
		d. Corporate Guarantee Fee Income	16,358,176.71	16,228,350.00
Dungsam Cement Corporation Limited	Fellow Subsidiary	a. Inter-corporate Loan	340,000,000.00	-
		b. Interest income on Loan	1,210,958.90	19,446,575.34
		c. Non-trade receivable	2,000.00	
		d. Income from CoE Services		614,629.00
Kholongchhu Hydro Energy Limited	Joint Venture	a. Equity Investment	5,922,109,595.31	2,222,233,330.41
		b. Non-trade receivable	-	
Natural Resources Development Corporation Ltd	Fellow Subsidiary	a. Procurement of Furniture & Fixture	25,970.00	122,415.00
		b. Payable towards purchase	66,538.00	-
		c. Rent payment	48,000.00	-
		d. Purchase of construction materials	608,042.62	101,564.31
		e. Performance security Deposit	-	-
Construction Development Corporation Ltd.	Fellow Subsidiary	a. Advance payment	-	100,000.00
		b. Other miscellaneous expenses	-	739,956.86
		c. Deposit Received	210,000.00	
		d. Non-Trade Payable	50,045.28	28,636.63
		e. Capital Work-in-progress	3,941,360.00	342,684.00
Bhutan Board Products Limited	Fellow Subsidiary	a. Procurement of Furniture & Fixture	373,371.44	46,204.00
		b. Trade Payable	-	
Bhutan Automation & Engineering Limited	Joint Venture	a. Equity Investment	30,600,000.00	30,600,000.00
		b. Dividend Income	3,631,722.39	9,385,142.69
		c. Services availed		72,256,757.99
		d. Interest expenses on Inter corporate Loan	832,191.78	209,056.65
		e. Trade Payable	82,686.56	
		f. Capital Work-in-progress	194,283,711.95	
		g. Miscellaneous Income	-	544,528.65
Thimphu Tech Park Limited	Fellow Subsidiary	a. R&M Services availed	4,696,596.56	968,803.00
		b. Trade Payable	368,420.79	3,542,000.00
		c. Security Deposit	64,310.00	
		d. Capital Work-in-progress	4,690,515.28	261,209.00
		e. Advance payment	-	
		c. Intangible assets	-	3,542,000.00
Menjong Sorig Pharmaceutical Corporation Limited	Fellow Subsidiary	a. Purchase of product & services	137,220.00	1,400.00
Druk Hydro Energy Limited	Fellow Subsidiary	a. Investment with DHyE	2,857,504,127.39	1,356,504,127.39
		b. CoE and other services	-	-
		b. Trade Receivable	53,027,902.99	1,662,257.62

RINZING FINANCIAL PRIVATE LIMITED

KEY MANAGEMENT PERSONNEL

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

Amount in million (Nu.)

Sl. No.	Particulars	2023	2022
a)	Short- term employee benefits	5.73	5.07
b)	Post- employment benefits (PEB)*	-	-
c)	Other long- term benefits (OLTB)*	-	-
	Total	5.73	5.07

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

Sl. No.	Particulars	2023	2022
a)	Directors' Sitting Fee	0.47	0.52
	Total	0.47	0.52

*No separate valuation is done for key managerial personnel (Managing Director and Head of Department) in respect of PEB and OLTB. The same is included in the Note 20: Employee remuneration and benefits.

For Rinzing Financial Private Limited

RINZING FINANCIAL PRIVATE LIMITED

Tashi Rinzing Schmidt
Partner, CPA License No. 34762
Date:
Place: Thimphu, Bhutan

For Rinzing Financial Private Limited

(Dasho Karma Tshering)
Chairman, DGPC

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Wangchuk)
Director, Finance

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