



Annual Report 2010

Druk Green Power Corporation Limited



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DrukGreen

“Harnessing and Sustaining Bhutan’s Renewable Energy Resources”



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DrukGreen

Year of Incorporation : 2008
Registered Office : Pox Box 1351
Thimphu, Bhutan
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FOREWORD



Chhewang Rinzin, Managing Director

Druk Green Power Corporation Limited (Druk Green) was incorporated under the Companies Act of the Kingdom of Bhutan on 1st January 2008 by amalgamating the Chhukha, Basochhu and Kurichhu Hydro Power Corporations. In April 2009, the Tala Hydroelectric Project was also taken over to Druk Green.

Druk Green was formed to change the way the hydropower resources were traditionally managed in Bhutan. Since its creation in 2008, Druk Green has proven to be a highly successful and had ventured beyond just the operation and maintenance of hydropower plants to the actual construction of new hydroelectric projects. Druk Green has taken huge strides in developing capacity to develop hydropower resources on our own beyond the bilateral projects with the Government of India. Druk Green continues to make huge contributions to the national revenues and towards the socio-economic development of the country.

The year 2010 was a successful and exciting year for Druk Green; achieving almost all of our financial and non-financial targets. While Druk Green saw an increase in generation by 5.9% and an increase in revenues by 8.5%, the profitability decreased slightly by 1.9% when compared to the previous year. This decline in profitability is attributed mainly to the steadily increasing domestic demands, reduction of the domestic tariff during the last domestic tariff review in 2010, and increase in operation and maintenance costs.

Several strategy documents and operational manuals were formulated in 2010 setting the long term plans of the company and putting in place processes and procedures to further improve its business processes. Druk Green also set up several Centers of Excellences that will provide highly specialized technical services, which will minimize the dependence of Druk Green on external agencies. The feasibility study of a Hydropower Services Center in Jigmeling is in advanced stages of preparation and the Services Center, once established, will enable Druk Green to better manage its hydropower plants.

A benchmarking study to equate Druk Green's performances to international standards was also undertaken in 2010 in order to further improve efficiency and effectiveness in service delivery and to become a regional leader in hydropower business. Initial indications of the benchmarking study are that Druk Green is performing better than most of the hydropower utilities in the region, but Druk Green has some ways to go to achieve international standards. This appears to be mainly on account of the type of technology adopted for the power stations. The SAP- Enterprise Resource Planning (ERP) implementation is on-going in Druk Green with a vision to "transform and leverage business processes of Druk Green through use of SAP's best practices".

Of the new projects that Druk Green intend to undertake on its own, Druk Green has completed the pre-feasibility study report of Tsibjalumchhu Diversion Scheme to the Tala reservoir through which it is estimated that in a 90% dependable year, the additional flow from this scheme will generate about 93 GWh at 90% plant availability. Druk Green has also completed the pre-feasibility study of Nikachhu HPP (210 MW) and the reconnaissance study of the Aiechhu and the Gamri projects during 2010.

The Dagachhu Hydropower Corporation Limited (DHPC) where Druk Green has 59% equity holding provides Druk Green with an excellent opportunity to pursue its mission of accelerating and building Bhutanese capacity in hydropower development. Although the poor geology and the remoteness of the project continue to pose challenges for the Dagachhu project, the project is making good progress.

Druk Green is set to grow manifold in the coming years to meet national aspirations through amalgamation of other projects, taking up of new projects on its own or through private-public partnerships. Druk Green appreciates that its employees are its most important resource towards achieving its many mandates. Druk Green has 1,730 employees out of which 18% constitutes female employees. Although the company continues to invest in human resources development through trainings and further studies, a major challenge will be attracting and retaining talent. With the new upcoming 10,000 MW projects in the pipeline, Druk Green will have to aggressively recruit 400-500 employees on an annual basis and train the human resources as per the business requirements.

Druk Green recognizes the importance of maintaining harmonious relationship with communities where we operate in and works actively towards providing support to the communities in the vicinity of the power plants through a variety of social, cultural, religious and community development activities.

Druk Green Power Corporation Limited is the driving force behind implementing the Royal Government of Bhutan's policy of accelerated hydropower development and hence is key to the growth of the country's economy. Having successfully completed three years of its journey since the formation of Druk Green, it looks forward to further growth and the development of the hydropower sector. Druk Green will continue to strive towards further developing expertise in the development of the hydropower resources and gaining excellence in the operation and maintenance of the hydropower plants.

Tashi Delek



(Chhewang Rinzin)
Managing Director

ORGANIZATION OVERVIEW

Vision, Mission and Values

VISION

“To promote, develop and manage renewable energy projects, particularly hydropower, in an efficient, responsible and sustainable manner, and to maximize wealth and revenues to the nation”

MISSION

Druk Green has set its missions to:

- Mission 1: Effectively and efficiently manage hydropower plants, and maximize returns;
- Mission 2: Take a lead role in accelerating hydropower development in the Kingdom;
- Mission 3: Provide energy security for domestic consumption, fuel economic growth, and also explore other forms of renewable energy other than hydropower;
- Mission 4: Build capacity in hydropower development and management; and
- Mission 5: Be a responsible, proactive and progressive company;
- Mission 6: Build opportunities for developing a highly motivated and performing individuals; and
- Mission 7: Accord priority for the development and use of Information Technology.

VALUES

Organizational Ownership and Pride

Mutual Respect and Trust

Integrity

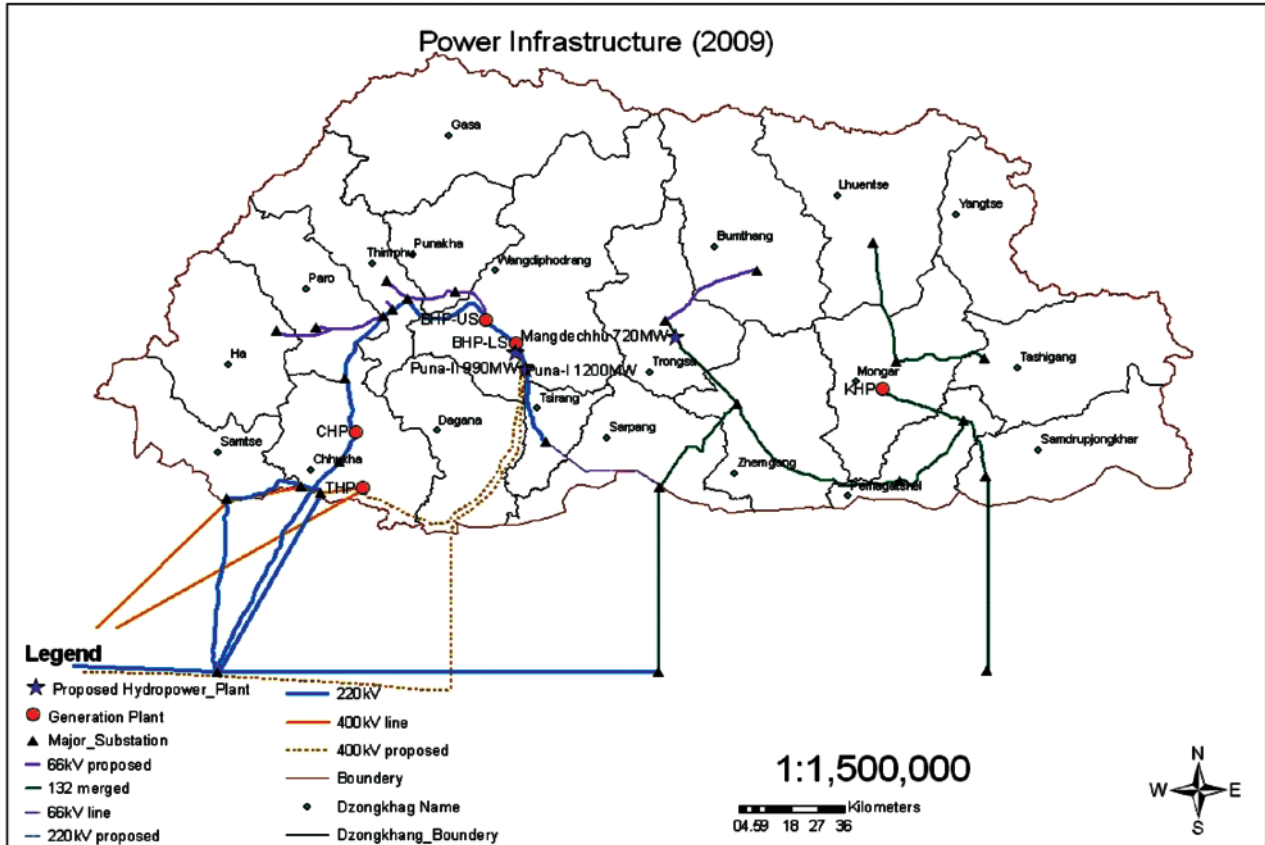
Accountability

Quality-Work-Life

Social and Environmental Responsibility

Druk Green Systems

Bhutan has an estimated hydropower potential of around 30,000 MW of which around 23,760 MW is techno-economically feasible for immediate development. The total installed capacity of Druk Green is 1,480 MW comprising just 4.96% of this vast potential. Druk Green presently operates four power plants namely the Basochhu Hydropower Plant (BHP), Chhukha Hydropower Plant (CHP), Kurichhu Hydropower Plant (KHP), and Tala Hydropower Plant (THP). The locations of the four power plants with their respective important salient features are as below:



Basochhu Hydropower Plant

Catchments area	: 226 km ²
Net Head	: 356/459 m for Upper / Lower Stage
Installed Capacity	: 24/40 MW for Upper /Lower Stage
Number of Units	: 2x12/2x20 MW for Upper/Lower Stage
Mean Annual Generation	: 291 GWh
Turbine Type	: Pelton

Chhukha Hydropower Plant

Catchments area	: 3108 km ²
Net Head	: 435 m
Installed Capacity	: 336 MW
Number of Units	: 4x84 MW
Mean Annual Generation	: 1800 GWh
Turbine Type	: Pelton

Kurichhu Hydropower Plant

Catchments area	: 9135 km ²
Net Head	: 32 m
Installed Capacity	: 60 MW
Number of Units	: 4x15 MW
Mean Annual Generation	: 400 GWh
Turbine Type	: Kaplan

Tala Hydropower Plant

Catchments area	: 4028 km ²
Net Head	: 819 m
Installed Capacity	: 1020 MW
Number of Units	: 6x170 MW
Mean Annual Generation	: 4865 GWh (average year)
Turbine Type	: Pelton

CORPORATE GOVERNANCE

Board of Directors



Dasho Sherub Gyaltshen (Chairman) is the Secretary of the Ministry of Agriculture. He served the Royal Government for over 30 years in the Agriculture Sector. He has Bachelor's degree in Agriculture Engineering from the Orissa University of Agriculture & Technology, Bhubaneshwar. He has also undergone the specialized courses in Refrigeration Engineering and Post Harvesting Technology and professional trainings course on Post Harvest Horticulture Technology.



Dasho Bharat Tamang is the Managing Director of the Bhutan Power Corporation. He received his Bachelor of Technology in Electrical Engineering from India and his Masters degree in Electrical Engineering from the University of Missouri, USA. Before his current appointment, he worked as the Energy Specialist, Chief Engineer and Superintending Engineer in the Department of Energy, in the then Ministry of Trade and Industry. He was conferred the red scarf by His Majesty the King on December 17, 2009.



Dasho Tenzing Yonten is the Promoter and Chief Executive of the Royal Thimphu College, Thimphu. Prior to this, he worked as the General Manager, Distribution and Customer Services Department, Bhutan Power Corporation Limited. He serves as a Director on the Boards of the Royal Insurance Corporation of Bhutan and the Penden Cement Authority. He has Bachelor degree in Mechanical Engineering and an MBA from Yale University, USA.



Mr. Yeshe Wangdi is the Director General of the Department of Energy, Ministry of Economic Affairs. He received his Bachelor of Technology (B Tech) in Electrical Engineering from India and Masters degree in Electrical Engineering from the University of Missouri, USA. Prior to his current posting, he served as a Managing Director of the then Chhukha Hydropower Corporation Limited from 1999 to 2007.



Mr. Choiten Wangchuk is the Director of the Department of National Budget, Ministry of Finance. He received a Bachelor of Commerce degree from Sherubtse College, Bhutan and an MBA from the University of Canberra, Australia. He started his career as Assistant Finance Officer, Department of National Budget & Accounts. Prior to taking up his present position, he served as the Chief Planning Officer in the Policy and Planning Division, Ministry of Finance.



Mr. Sonam Lhundrup is the Company Secretary and General Counsel for Druk Holding & Investments. He pursued the Bachelor of Arts (Eng. Hons) from the University of Delhi and has a Bachelor in Law degree from the University of Mumbai. He has also received LLM degree from the George Washington University Law School, Washington DC, USA. He joined Druk Holding & Investments in 2008. Prior to that, he was with the Ministry of Agriculture.

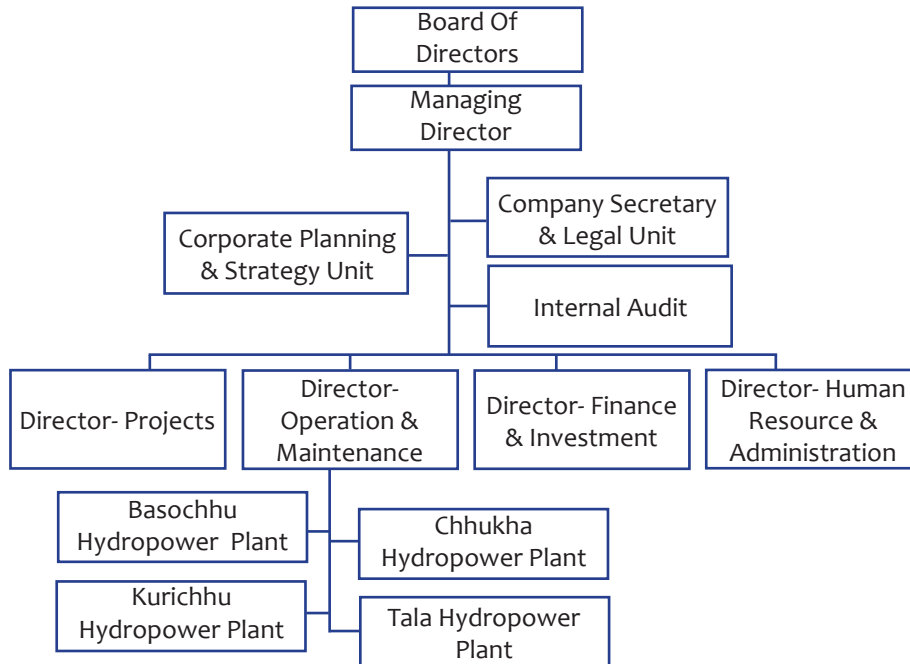


Dasho Chhewang Rinzin was appointed as the Managing Director of Druk Green Power Corporation Limited in 2008. He received his Bachelors degree in Electrical Engineering and Masters degree in Electrical Engineering from the University of Wisconsin, USA. He was conferred the red scarf by His Majesty the King on December 17, 2009 in recognition of his services to the nation, particularly in the energy sector. Prior to his present appointment, he was the Managing Director of Bhutan Power Corporation Limited.

Organization Structure

Druk Green Corporate Structure

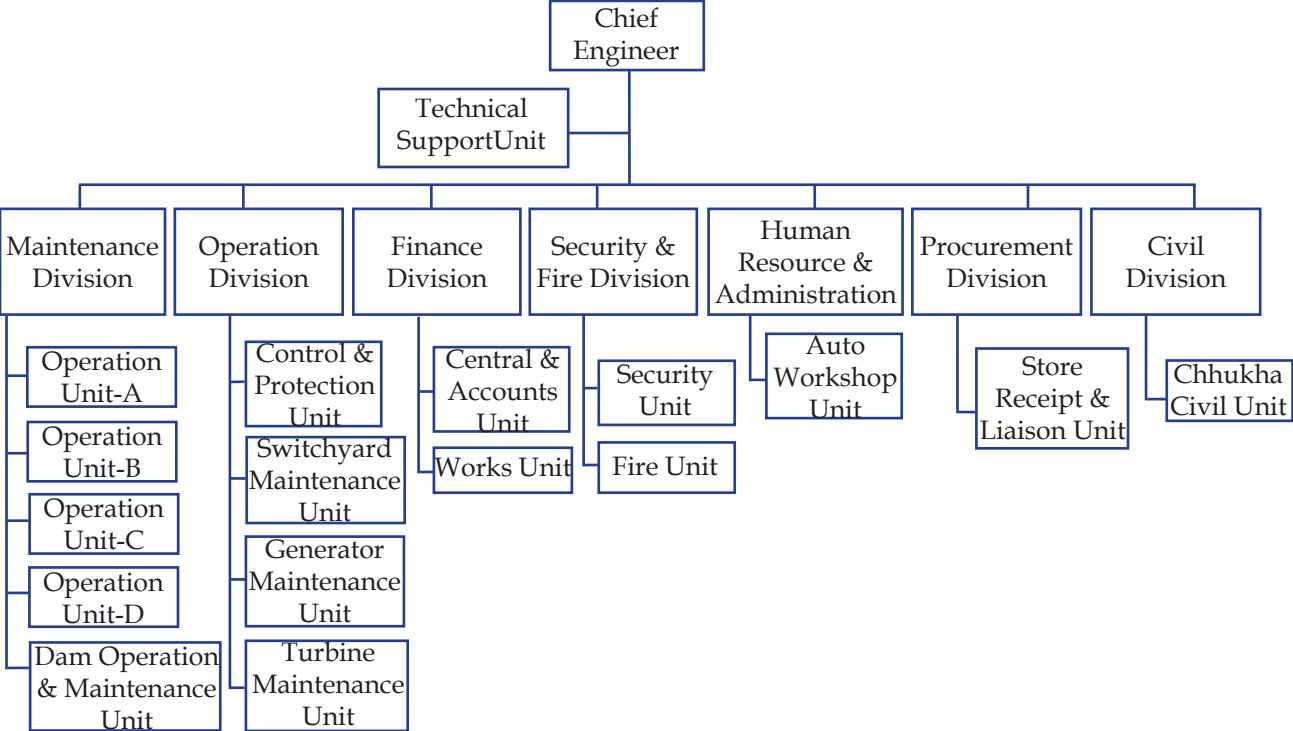
Druk Green is structured with a Corporate Office for the management of all activities of the Company. The Operations and Maintenance Department is responsible for the operations of the existing plants. The hydropower plants are headed by operation and maintenance engineers. The Projects Department is responsible for the implementation of all new projects. The Finance and Investment Department has been mandated for proper investment planning and management of the financial resources of Druk Green. The Human Resource and Administration Department is responsible for human resource management, human resource development, and administration functions.



From Left to Right: Dorji T. Phuntshok (Head, HRA), Dorji P. Phuntshok (Director, Projects), Dashi Chhewang Rinzin (Managing Director), Ugyen Namgyal (Chief Financial Officer), and Lam Dorji (Head, O&M)

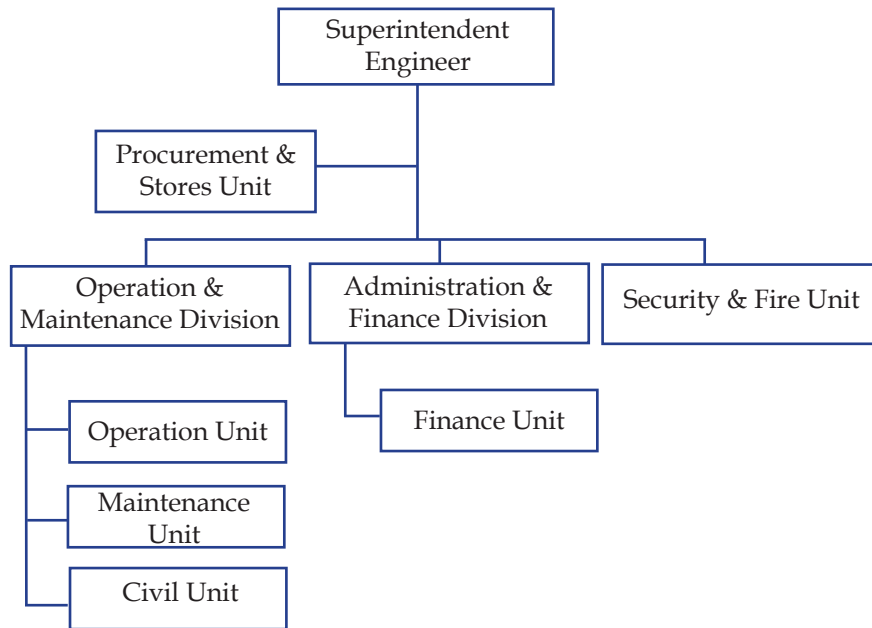
Plant Organization Structure

Chukha Hydropower Plant (CHP)



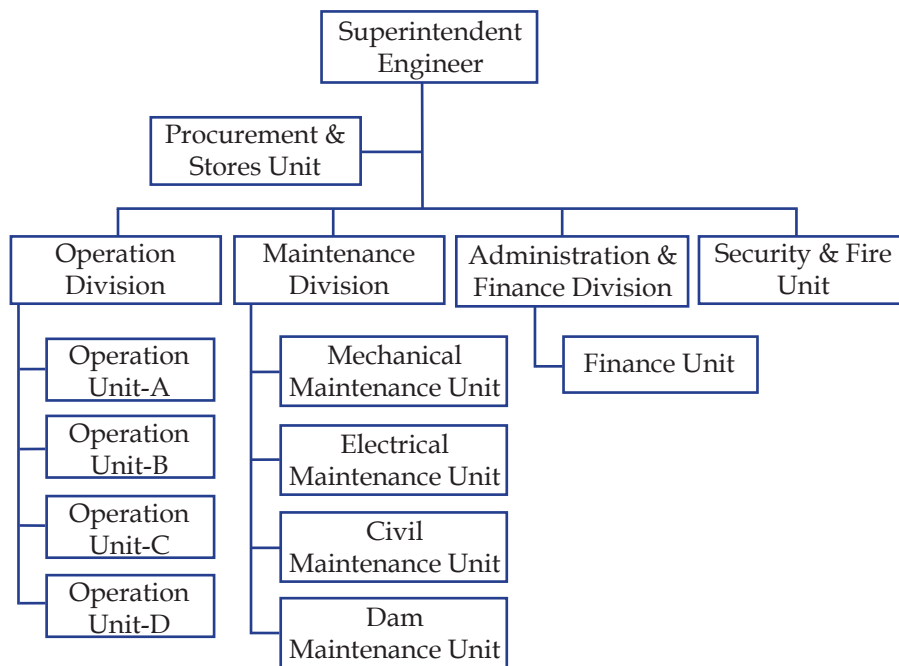
Management team of Chukha Hydropower Plant

Basochhu Hydropower Plant (BHP)



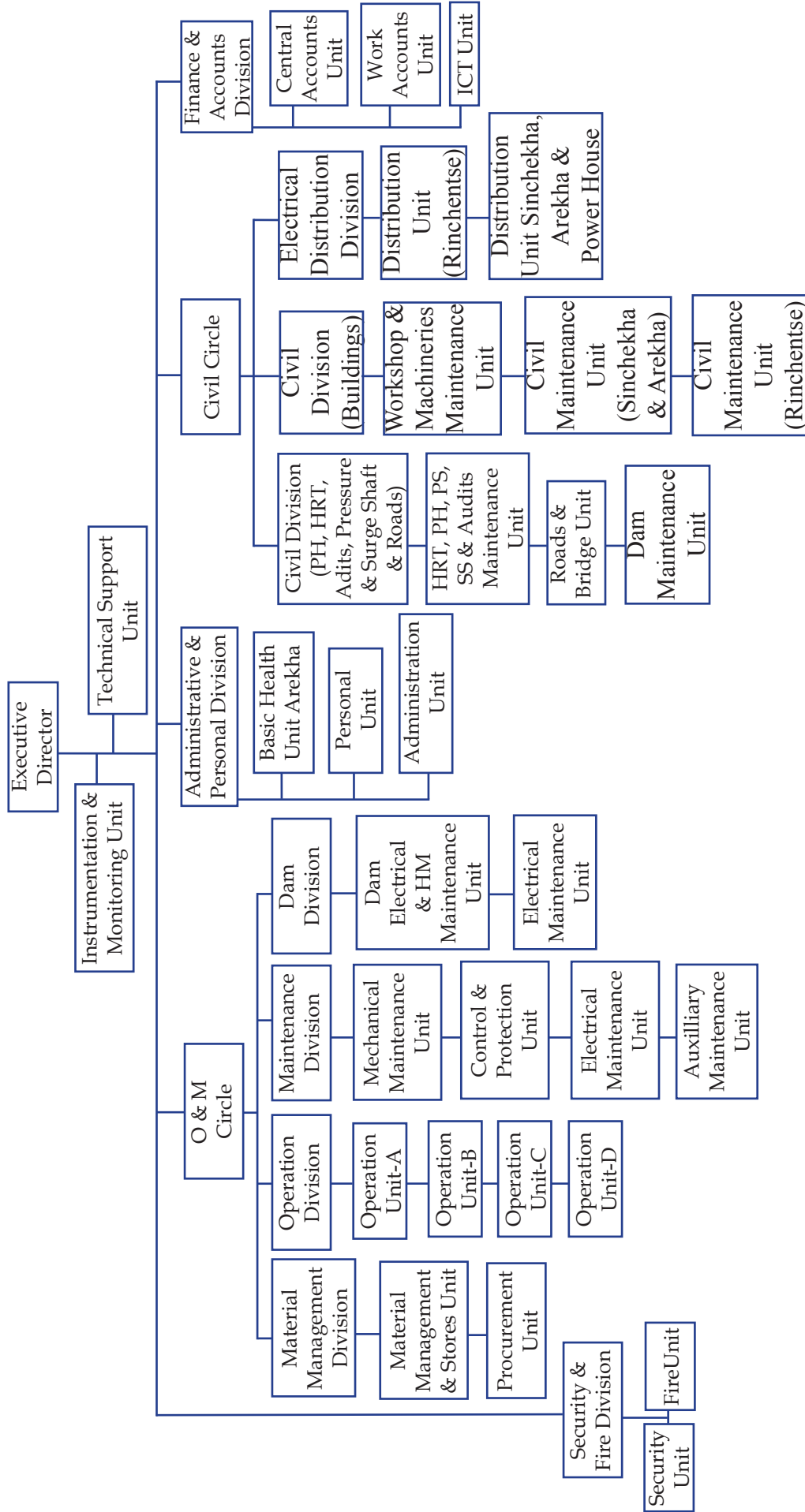
Management team of Basochhu Hydropower Plant

Kurichhu Hydropower Plant (KHP)



Management team of Kurichhu Hydropower Plant

Tala Hydropower Plant (THP)



REPORT FROM THE BOARD OF DIRECTORS



Dasho Sherub Gyaltshen, Chairman

Dear Shareholder,

I, as the Chairman of the Board of Druk Green Power Corporation Limited (Druk Green) and on behalf of the Board of Directors, have the great pleasure to report to Druk Holding and Investments (DHI), the Shareholder of Druk Green on the performance of the Company for the period 1st January to 31st December 2010.

Operational Performance

Druk Green power plants generated 7,304.52 GWh of electricity during the year 2010, an increase of 5.9% over the 2009 generation. While the increase in generation was primarily on account of the better than expected hydrology, a significant percentage of the increase was also on account of high plant availability during the summer months and better utilization of water during the winter months at all of Druk Green's power plants. The plant availability and water utilization are very important performance indicators, and Druk Green power plants were able to achieve factors comparable to similar power plants in developed countries and higher than most utilities in the region.

The domestic sale of energy shot up by 15.1% to 1,628.03 GWh compared to 2009 domestic supply to Bhutan Power Corporation Limited (BPC). Export to India stood at 5,707.60 GWh during the year. The ever-increasing domestic consumption of energy continues to adversely impact the revenue inflows to Druk Green, and the trend will continue till the next domestic generation tariff revision.

Financial Performance

During the year 2010, Druk Green earned revenues of Nu. 11,811.46 million, which is an increase of 8.46% from the previous year. The Profit After Tax (PAT) declined slightly by 1.88% from 2009 to Nu. 4,488.59 million. The decline in PAT was mainly on account of the revenues and expenses of the Tala Hydropower Plant (THP), which was considered for the full 12 months period for 2010. In 2009, the revenues and expenses for only the 9 months period were considered with Druk Green taking over the Tala Hydroelectric Project in April 2009. The reduction in the domestic generation tariff from Nu. 0.30 per kWh to Nu. 0.13 per kWh with effect from August 2010 for the 15% of total generation supplied to BPC as royalty energy further led to a decline in PAT.

In keeping with the overall mandates of the Company, Druk Green recruited over 100 new employees, mostly at the officers' level, during the year increasing the expenditures towards employees' emoluments. During 2011, Druk Green has set a target of recruiting 200 new employees and even with such large numbers, Druk Green could be faced with a shortage of manpower considering the 10,000 MW by 2020 initiative of the Government.

The financial position of the Company is very strong with the Shareholder's funds of Nu. 37,442.65 million and loans of Nu. 20,478.09 million; with debt representing 55% of equity.

The funds have been mostly invested in income generating assets. The fund applications consist of Nu. 52,833.46 million in fixed assets (net block) including capital works in progress, Nu. 3,469.48 million in long-term investments, and the balance in the form of net current assets. A summary of the Financial Performance for 2010 vis-à-vis the Financial Performance in 2009 is provided below:

Table 1. Financial Performance Summary

Particulars	FY 2009	FY 2010
Revenue (Nu.)	10,889,846,283.98	11,811,463,973.75
Profit before tax (Nu.)	6,556,004,385.79	6,486,738,329.32
Provision for tax (Nu.)	1,966,801,315.74	1,972,107,493.89
Dividend (Nu.)	4,325,431,334.91	3,848,969,583.27

For the year 2010, Druk Green would be paying a Corporate Income Tax of Nu. 1,972.11 million, an increase from the projection of Nu. 1,711.07 million.

Dividend

A Dividend of Nu. 3,848.97 million was approved by the Board for the year 2010. The Board considered a Dividend of 85.75% PAT after providing for transfer to Reserves of 14.25% of PAT; 10% as normal transfer to Reserves and 4.25% for meeting the equity injection to DHI Infra Limited as desired by the Shareholder. Thus far, it has been the normal practice for Druk Green to put aside 10% of PAT to Reserves. However, considering the huge investments planned for accelerating hydropower development and with some of the existing plants aging, the continuation of the policy to retain only 10% of PAT under Reserves may not be adequate to meet the future requirements to finance new projects and to rehabilitate older plants.

Energy Challenges

With the reduction in the domestic generation tariff for the royalty energy from Nu. 0.30 to Nu. 0.13 per kWh with effect from August 2010 and the growing domestic demand for energy, a major concern for Druk Green has been the decline in the revenues from the sale of electricity. During 2010, a little over 1,082.48 GWh was supplied to BPC as royalty power at Nu. 0.13 per kWh and the balance 545.56 GWh was supplied as additional energy at Nu. 1.20 per kWh. The increase in domestic energy demand of 213.60 GWh in 2010 over 2009 alone negatively impacted revenue inflows to the extent of Nu. 113.60 million while the reduction in the domestic generation tariffs resulted in the decrease in revenues from the sale of royalty energy by Nu. 107.14 million.

Apart from the declining revenues, Bhutan will face peaking power shortages during the lean winter months till the next major hydropower plant is commissioned, which may take place sometime in 2016. The situation would improve slightly in 2013 when the Dagachhu Hydroelectric Project is scheduled for commissioning. One of the mandates of Druk Green is to provide energy security for domestic consumption. Bhutan may either have to import power from India during the months of January to March or otherwise resort to load shedding.

Given the increasing trends in the import of energy to meet domestic demand in the winter months, the Bhutan Electricity Authority (BEA) approved for Druk Green to recover the cost of energy import from BPC to the extent of a nominal annual energy import of 49.5 GWh at Nu. 1.86 per kWh with effect from August 2010. However, the imports are likely to be much higher. Druk Green is working very closely with the Department of Energy and BPC to find a feasible mechanism for meeting the expected shortages during the months of January-March till such time as the next major hydropower projects of Bhutan are commissioned.

Investment in Dagachhu Hydroelectric Project

As of 31st December 2010, Druk Green has injected Nu. 921.45 million for the 59% equity holding of Druk Green in the Dagachhu Hydroelectric Project. The amount represents Nu. 482.03 of the called up value of Nu. 1,000 per share for the 1,911,600 shares held by Druk Green. Besides the expected returns on investment, the Dagachhu Hydro Power Corporation (DHPC) also provides an excellent opportunity for Druk Green to develop its own competencies in the construction of hydropower projects. About 28 employees including the Chief Executive Officer are on deputation to DHPC from Druk Green.

The poor geology and the remoteness of the project continue to pose major challenges in the construction of the project. Nonetheless, the project is making good progress. There is also a projected cost increase by 34% arising primarily from the change in exchange rates and to a certain extent due to the poor geological conditions being encountered as the construction progresses.

Corporate Governance

The Board met eight times during the year 2010 complying with the requirements of the Companies Act of the Kingdom of Bhutan and the quorums at each of these meetings were duly maintained. The AGM, which has to be held before the 31st June as per the Companies Act, was held on 15th April 2010. On the Shareholder's call for an Extraordinary General Meeting, an EGM was held on 10th November 2010 to consider the proposed changes in the Articles of Incorporation of the Druk Green so as to align the AOI with the DHI Ownership Policy.

Druk Green continues to develop its management systems and today the Board is confident that Druk Green is one of the best-managed Companies in Bhutan although it was established only three years back. During 2010, a number of important Plans, Strategies, and Manuals were adopted and are being implemented. Transparent systems and controls are in place. The fact that there are no major audit issues pending with the Royal Audit Authority and no audit qualifications in the Audited Accounts for 2010 is reflective of the management systems in place.

A number of Board Level Committees; such as the HR Committee, Audit Committee and Tender Committee; are also in place. As and when required, these Committees meet to deliberate on the issues and provide guidance to the management. The Board Tender Committee, especially, met six times during the year to consider and endorse major works of Druk Green.

DHI Compact

Druk Green has achieved its profitability margins and almost all the targets that were agreed to in the 2010 Compact with DHI. The performances vis-à-vis the Compact are to be used for the payout of the 10% Performance Based Variable Allowance (PBVA) to the regular employees of DGPC. The PBVA was introduced by DHI in lieu of the 35% increase in salaries approved for civil servants in 2009 and was apportioned in the percentages of 25% as a Corporation Allowance and 10% as a PBVA. Based on the audited accounts for 2010 and the achievements vis-à-vis the 2010 targets set out in the Performance Linked Incentive Scheme (PLIS) for the Company, Druk Green has achieved a performance level of 98.86% against the 2010 Compact targets.

Performance Linked Incentive Scheme

As per the assessment carried out and audited for the 2010 PLIS, it is observed that the overall performance of DGPC is 81.97% as compared to 71% in 2009. The performance level has been proportionately ratcheted downwards to keep the payouts within the overall two months' basic salary ceiling prescribed in the PLIS document. This is therefore equivalent to an average of 67% achievement in terms of incentive payouts although the actual achievement was much higher at 81.97% for the year.

Enterprise Resource Planning (ERP)

The SAP-ERP implementation in DHI and DGPC is being carried out under Project eGreen with a vision “To Transform and Leverage Business Processes of DHI and DGPC through use of SAP’s Best Practices”. The contract for the actual implementation was awarded in March 2010 to WIPRO (India) as the SAP Implementation Partner (IP). A team of 25 dedicated officers from DGPC and 11 experts from WIPRO are exclusively engaged in the implementation of the ERP-SAP. As of 31st December 2010, 60% of the project implementation was completed.

Statutory Auditors

M/s Ray and Ray, Chartered Accountants from Kolkata undertook the statutory audit of Druk Green. During the three years as Statutory Auditors for the Company, M/s Ray and Ray provided very valuable guidance and advice in improving the management of the Company. It is expected that the Royal Audit Authority will appoint another Statutory Auditor from the year 2011 onwards.

Corporate Social Responsibility

Druk Green contributed to a wide range of causes encompassing religion, culture and heritage, humanitarian, sports, education and youth, social and economic development, and the environment amounting to Nu. 11.812 million during the year. As a leader in Corporate management, Druk Green has been increasingly getting involved in more of such activities as part of its overall Corporate Social Responsibility. The employees of Druk Green have also been contributing generously to many of these causes.

Broad Challenges

Amongst the many issues and challenges that Druk Green encounters on a daily basis and more so with the many new projects Druk Green is taking on, the Board would like to highlight two of the more immediate challenges facing Druk Green.

i) Development of Human Resources

The major challenges of Druk Green are in its role of accelerating hydropower development in Bhutan. Apart from the projects like Dagachhu and Nikachhu that Druk Green is taking a lead role in implementation, the Company has been taking an active part in the Government’s initiative to add a further 10,000 MW of generation capacity by 2020 through the assistance of the Government of India. Within this framework, Druk Green is preparing itself for the joint venture projects with the Government of India Public Sector Undertakings (PSU) where Druk Green is expected to hold 49% of the equity, and also for taking over the other projects to be constructed under the inter-governmental model for operation and maintenance once commissioned.

In the effective and efficient operation and maintenance of the hydropower plants under Druk Green and in the development of new hydropower projects, the immediate key challenges facing Druk Green are (a) the lack of adequate expertise in the conceptualization, detailed design and engineering, tendering and, the construction of hydropower projects and (b) the difficulties encountered in attracting, retaining, and building the requiring human resources capacity in the hydropower sector.

The recruitment of and building up of the human resources within Druk Green to participate actively in these projects has been difficult but Druk Green has been making every effort to address this with some success thus far. Druk Green spent Nu. 71.16 million during 2010 for the development of human resources in the form of short terms trainings, skills up-gradation, and a number of long term studies. Since the development of human resources will be critical to the success of Druk Green, a budget of Nu. 74.54 million has been approved in the 2011 Budget for trainings and studies.

ii) Addressing the Teething Problems with the Tala Hydropower Plant

Druk Green continues to face teething problems with some of the power plants like THP, and there is an urgent need to implement the most appropriate remedial measures. During 2010, the problems relating to the Tala Hydroelectric Project were brought to the knowledge of the Shareholder, the Ministry of Economic Affairs, and the Government of India. It is anticipated that the remedial measures to address the teething problems and other major maintenance requirements will cross Nu. 1,000 million in the immediate future and that some of the teething problems will take much longer to be rectified or addressed as these are yet to be fully understood. However, all required measures were implemented for the Tala Hydropower Plant during 2010, which enable THP to achieve the maximum generation during the year since commissioning with a very high plant availability of 96%.

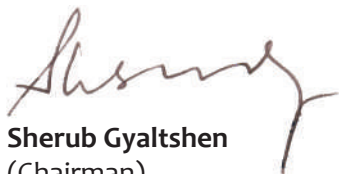
Acknowledgements

The Board would like to put on record its sincerest gratitude and appreciation to the Royal Government of Bhutan, Druk Holding & Investments, Ministry of Economic Affairs, Ministry of Finance, Department of Energy, Bhutan Electricity Authority, Bhutan Power Corporation, and other organizations in Bhutan; to the Government of India, WAPCOS, Central Water Commission, Central Electricity Authority, PTC India Ltd, Powergrid, Bharat Heavy Electricals Limited, and other agencies in India; and to the many private sector institutions in Bhutan and India that have provided continued support to the Company.

The Board would also like to place on record our appreciation for the Managing Director, Management team, and all the employees of Druk Green for their dedicated work and contributions to the performance of the Company. The Board would like to urge the management of Druk Green to continue to sustain and further work towards improving the governance of the Company as it strives to be a leader in Corporate management.

The Board shall continue to fully support the Company in moving it forward and achieving its multi-faceted mandates.

Tashi Delek
For and on behalf of the Board



Sherub Gyaltshen
(Chairman)

AUDITORS' REPORT

TO THE MEMBERS OF THE DRUK GREEN POWER CORPORATION LIMITED

1. We report that we have audited the attached Balance Sheet of Druk Green Power Corporation Limited as at 31st December, 2010 and the related Profit & Loss Account and the Cash Flow Statement of the Corporation for the year ended on that date and annexed thereto (hereinafter referred to as “financial statements”), all of which we have signed under the reference to this report.
2. We conducted our audit in accordance with the generally accepted auditing standards and in keeping with the “General Terms of Reference and Minimum Audit Examination and reporting Requirements” issued by the Royal Audit Authority, as given in Schedule XIV of the Companies Act of The Kingdom of Bhutan, 2000. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Section II schedule XIV thereto (the Minimum Audit Examination and reporting requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
4. Further to our comments in Annexure as referred to in point 3 above, we report that:
 - a. Our examination was made in accordance with the generally accepted accounting standards and accordingly included such tests of accounting records and such other auditing procedures as we considered appropriate for the purpose of our audit.
 - b. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - c. In our opinion proper books of account as required by law have been kept by the Corporation so far as appears from our examination of the books.
 - d. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with in this report have been prepared on the basis of generally accepted accounting principles and that the financial statements are in agreement with the books of account.
5. In our opinion and to the best of our information and according to the explanations given to us the said accounts together with schedules, significant accounting policies, notes on accounts give the information as required by the Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and give a true and fair view:-

- a. In the case of Balance Sheet, of the state of affairs as at 31st December 2010 and
- b. In the case of Profit and Loss Account of the Corporation's profit for the year ended on that date and
- c. In the case of the Cash Flow Statement, of the movement of cash during the year ended on that date.

For RAY & RAY
Chartered Accountants
Firm's Registration No.-301072E



(R.N.Roy)
Partner

Membership No.8608

Place : KOLKATA
Date : 28 MAR 2011

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the Members of **DRUK GREEN POWER CORPORATION LIMITED** on the financial statements for the year ended 31st December, 2010]

1. The Corporation has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. The Physical Asset Verification Team of the Company carried out comprehensive codification and verification of the assets and inventories of the Company during two years period (from 25th November 2008 till 22nd November 2010) covering all the Hydropower Plants and Corporate Office. Discrepancies noticed on physical verification have been properly dealt with in the books of accounts.
2. The fixed assets of the Corporation have not been revalued during the year.
3. As the Corporation is engaged in the generation of electricity, there are no finished goods or raw materials.

Physical verification of Civil, Mechanical and Electrical stores and spare parts has been conducted during the year and no material discrepancies have been noticed. Certain items have been identified as unserviceable and the Corporation has initiated necessary action for their valuation and disposal plans. However, these are fully provided for in the accounts.

4. In our opinion and according to information and explanation given to us, the procedures of physical verification of stock followed by the management are reasonable and adequate in relation to the size of the Corporation and the nature of its business.
5. On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records of inventory. Discrepancies noticed on physical verification of inventory as compared to book records were not material. The management has to take necessary steps to strengthen the control over inventory system.
6. In our opinion, the valuation of year-end stocks has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years, except that no provision was made in accounts for stock obsolescence due to absence of information regarding non moving and slow moving items in inventory.
7. In our opinion, the terms and conditions of the loans are prima facie not prejudicial to the interests of the Corporation. According to the information and explanations given to us, there is no Corporation/Company/firm under the same management from which a loan or an advance has been taken by the Corporation.
8. The Corporation has not granted any loan other than interest free advances given to employees and outside suppliers for Capital, Operation & Maintenance works. The terms and conditions of such loans and advances are prima facie not prejudicial to the interest of the Corporation.
9. The parties to whom the interest free advances have been given by the Corporation are generally being adjusted as per the terms and conditions.
10. Advances granted to officers/staff are generally in keeping with the provisions of service rules and no excessive/ frequent advances are granted and there is no accumulation of large advances against any particular individual.

11. According to information and explanation given to us during the course of our audit, in our opinion, internal control systems of the Corporation excepting Tala Hydropower Plant are not commensurate with its size and the volume of business to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Corporation as well as to ensure adherence to the applicable rules/regulations, systems and procedures. The Internal control systems of Tala Hydropower Plant need to be strengthened to make it commensurate with its size and volume of business. The corporation has a centralized internal audit unit the scope of which need to be strengthened to cover main areas of operation and to monitor the internal control systems of the corporation.
12. In our opinion and according to the information and explanations given to us, having regard to the exception that some of the items purchased are of special nature and suitable alternative sources do not exist for obtaining comparable quotations thereof, there is an adequate system of competitive bidding, commensurate with the size of the Corporation and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. As the Corporation is engaged in electricity generation, it has no requirement of raw materials.
13. The Corporation sells its electricity generated to the Power Trading Corporation of India Limited (at rates fixed mutually by the Royal Government of Bhutan and the Government of India) and to Bhutan Power Corporation Limited for sale in Bhutan and other private parties (at rates fixed by relevant authority). Hence, the question of competitive bidding for sale of goods and services, in our opinion, is not applicable to the Corporation.

According to the information and explanations given to us, the Corporation has not made any transaction for purchases and sale of goods and services during the year in pursuance of contracts or arrangements entered into with director(s) or any other party(ies) related to the director(s) or with Company or firms in which the director(s) are directly or indirectly interested. The Corporation has transactions with other Companies/Corporations where the Directors of the Corporation are nominated as directors by Royal Government of Bhutan and such companies/corporations are not considered as organizations where the directors have any direct or indirect interest.

14. As explained to us, the Corporation has a procedure for determination of unserviceable or damaged stores. Provisions have been made in accounts for loss arising out of obsolescence of such stores and spare parts.
15. As there is no stock of raw materials or finished goods, the question of ascertaining unserviceable/damaged raw materials and finished goods does not arise.

As the Corporation is engaged in the business of generation of electricity, this clause is not applicable to the Corporation. However, in our opinion there is adequate system of ascertaining any losses in transmission, at the point of occurrence, for taking corrective actions.

16. The Corporation is maintaining reasonable records for generation of electricity. In our opinion, reasonable records of energy received and energy distributed are maintained by the Corporation.

The Statement of Energy Generation, Statement of Gross Energy Available for sale/use for the year 2010 and Statement of Gross Energy Available for sale/use for the year 2009 have been given in Exhibit 1, (2A, 2B, 2C, 2D), (3A, 3B, 3C, 3D) respectively.

17. The Corporation is maintaining reasonable records for sale and disposal of realizable scrap. The Corporation does not generate any by-products.



18. The Corporation has been regular in depositing rates and taxes, duties, provident fund and other statutory dues with the appropriate authorities, excepting no tax deduction at source was made from payment of interim dividend to holding company and in few instances the Chhukha Hydropower Plant failed to deposit Tax Deducted at Source within the time limit. In our opinion, the provision for Corporate Tax is adequate and that necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan – 2001.
19. As on the last day of the financial year, there was no undisputed liability payable in respect of rates, taxes, duties, royalties and other statutory dues.
20. According to the information and explanations given to us, and on the basis of our test checking of the accounts and other books and records, to the best of our knowledge, no personal expenses have been debited to the Profit & Loss account other than those payable under contractual obligations/service rules and/or in accordance with generally accepted business practice.
21. Since the Corporation is engaged in generation of electrical energy from hydropower, this clause is not applicable to the Corporation. However, the Corporation has a reasonable system of recording receipts, issues and consumption of stores and allocating to the respective heads of accounts, which are commensurate with its size and nature of its business.
22. Quantitative reconciliation is carried out at the end of the accounting year in respect of electricity and shown in the “Notes to Accounts”.
23. According to the information and explanations given to us, and on the basis of our test checking of the accounts and other books and records, proper approval of Board / appropriate authority is obtained for writing off amounts due to material loss / discrepancies in physical / book balances of inventories including stores and spares.
24. Since the Corporation is engaged in generation of electrical energy from hydropower, this clause regarding system of allocating man hours utilized to the respective job is not applicable to the Corporation.
25. There is a reasonable system of authorization at proper levels and adequate systems of internal control commensurate with the size of the Corporation and the nature of its business, on issue of stores and allocation of materials to respective cost centers (i.e. job sites).
26. Electricity generated by the Corporation is being sold mainly to the Power Trading Corporation of India Limited, the sale price of which is fixed mutually by the Royal Government of Bhutan and Government of India. As regards sale of energy to the Bhutan Power Corporation Limited, the selling price is being fixed by the relevant authority, so the question of price fixation by taking into account the cost of production and market conditions does not arise.
27. In our opinion, the credit sales policy of the Corporation is reasonable and proper. As stated above in clause 26 of this Annexure the question of credit rating of customers does not arise.
28. Since the Corporation does not sell electricity through commission agents, this Clause is not applicable.
29. In our opinion, there is a reasonable system of continuous follow up with debtors and other parties. The age-wise analysis of outstanding amounts recoverable from other parties is being carried out for management information and follow up action.



30. In our opinion and according to the information and explanations given to us, the management of liquid resources particularly cash/bank and short term deposits etc. are adequate and that excessive amounts are not lying idle in non-interest bearing accounts. The Corporation has not withdrawn any excess amounts as loans leading to avoidable interest burden on the company.
31. In our opinion and to the extent our examination reveals, the business activities carried out by the Corporation are lawful and intra-vires to its Articles of Incorporation.
32. Investment decisions are made with prior approval of the Board. Investments in new projects are made only after ascertaining the technical and economic feasibility of such new ventures.
33. The Corporation has a suitable budgetary control system.
34. Since the Corporation is engaged in the generation of hydro electricity no input output relationship can be established. The Corporation does not have a system of standard costing but operational variances are analyzed at periodic intervals against budgeted norms.
35. In our opinion and to the extent revealed by our examination, the details of remuneration, commission and other payments made in cash or in kind to the Board of Directors including the Managing Director or to any of their relatives by the Corporation, directly or indirectly, are disclosed in Para No. 24 of Schedule 22 to the Accounts.
36. In our opinion and on the basis of examination of books and records, the directives of the Board have been complied with.
37. According to the information and explanations given to us, the officials of the company have not transmitted any price sensitive information, which are not made publicly available, unauthorizedly to their relatives / friends / associates or close persons which would directly or indirectly benefit themselves.
38. **Computerized Accounting Environment:**
 1. The Corporation has introduced computerized package for accounting system along with the existing packages in some operational fields like budget management system, payroll, inventory management system and personal information system. In our opinion, organizational and system development controls and other internal controls are adequate relative to the size and nature of computer installation of the Corporation.
 2. In our opinion, the Corporation has adequate measures and backup facilities commensurate with the size and nature of computer installation.
 3. The operational controls in the Corporation are generally adequate to ensure correctness and validity of input data and output information.
 4. According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.
 5. The Corporation has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Corporation.



39. **General.**

1. **Going concern problems**

On the basis of the attached Financial Statements as at 31st December, 2010 and according to the information and explanations given to us, the financial position of the corporation is healthy and we have no reason to believe that the Corporation is likely to become sick in the near future.

2. **Ratio Analysis**

Financial and Operational Results of the Corporation has been given in Exhibits – 4A-4B to this report.

3. **Compliance with the Companies Act of the Kingdom of Bhutan.**

According to the information and explanations given to us by the management and based on a Compliance Checklist completed by the Corporation Officials, the Corporation has complied with all the provisions of the Companies Act of the Kingdom of Bhutan, 2000. Details are given in Exhibit- 4C to this report.

4. **Adherence to Laws, Rules and Regulations**

On the basis of our examination of the books and records of the Corporation and according to the information and explanations given to us, we have neither come across nor have we been informed of any non compliance to the Companies Act of the Kingdom of Bhutan 2000 and the relevant laws under the Bhutan Electricity Act. In respect of compliance with other Acts prevalent in the Kingdom of Bhutan, we cannot properly comment on the same in the absence of any information provided to us in this matter. Management of the Corporation needs to establish proper and comprehensive compliance assurance systems for all other acts.

For RAY & RAY
Chartered Accountants
Firm's Registration No.- 301072E




(R.N.Roy)
Partner

Membership No.8608

Place : KOLKATA
Date : 28 MAR 2011

RATIO ANALYSIS

Sl.No.	Particulars	2010	2009	Remarks
A.	Ratios for assessing financial health (In numbers)			
I	Debt Equity Ratio	0.55	0.60	The ratio has decreased due to decrease in the loan obligation due to repayment.
II	Current Ratio	1.32	0.81	The ratio has improved but still below the ideal rate of 1.33 mainly on account of investment in FDR for the duration of one year and above. The increase over last year is mainly on account of maturity of FDR.
III	Liquid Ratio	1.25	0.77	The ratio is above the ideal rate of 1 mainly on account of maturity of FDR with duration of one year and above.
IV	Fixed Assets to Equity	1.41	1.48	The ratio has decreased due to increase in equity on account of increase in General Reserve and decrease in Fixed Assets (Net Block) due to increase in Accumulated Depreciation
V	Fixed Assets to Turnover	0.22	0.20	The ratio has increased due to increase in revenue on account of good hydrology and as well as due to increase in revenue from Tala Hydropower Plant as current year revenue is for the whole year compared to that of last nine months for the previous year.
B.	Ratios for assessing profitability(In percentage)			
I	Return on Equity (%)	11.99	12.43	The ratio has decreased due to increase in general reserve and decrease in profit compared to the previous year.
II	Return on Capital Employed (%)	13.48	13.10	The ratio has increased due to decrease in the loan balance on account of repayment
III	Generation and Maintenance Expenses to Electricity Revenue (%)	10.31	8.61	On account of increase in operation and maintenance expenses due to 12 months operation period compared to 9 months period for the year 2010 for THP. Further, company took up the comprehensive insurance policy of all the power plants Nu. 68.04 million for current year (previous year 4.40 million).
IV	Dividend to Share Capital (%)	12.62	14.18	As per the proposal of the DHI (Shareholder) for 85.75% of the PAT as Dividend Payout.
C.	Ratios for assessing cash flow efficiency (in numbers)			
I	Cash flow turnover	0.64	0.71	Decrease due to 12 months of operation of THP during the year to that of 9 months during previous year which has resulted higher expenses in relation to additional revenue for the period.
II	Operation Index	1.63	1.65	No material variation
III	Cash flow return on assets	0.18	0.16	Increased due to decrease in Fixed Asset (Net Block) on account of increased accumulated depreciation.

Financial Statements

Balance Sheet


Balance Sheet as at 31st December 2010

Particulars	Schedules	Nu. 2010	Nu. 2009
Sources of Funds			
Shareholders' Fund			
Share Capital	1	30,508,291,000.00	30,508,291,000.00
Reserve & Surplus	2	6,934,356,146.56	6,294,731,463.66
		37,442,647,146.56	36,803,022,463.66
Loan Fund			
Unsecured loan	3	20,478,092,235.83	22,037,223,384.76
		57,920,739,382.39	58,840,245,848.42
Application of Funds			
Fixed Assets			
Gross Block	4	59,981,806,013.84	59,202,102,544.05
Less: Depreciation		7,520,617,686.09	5,292,628,597.09
Net Block		52,461,188,327.75	53,909,473,946.96
Add: Capital Work in Progress		372,267,845.19	459,799,805.95
		52,833,456,172.94	54,369,273,752.91
Investments			
Current Assets, Loans and Advances			
Cash and Bank Balance	6	244,775,658.59	328,438,543.72
Short Term Investments	7	3,788,962,000.00	2,061,656,390.40
Sundry Debtors	8	1,376,347,843.30	1,268,598,975.78
Inventories	9	292,958,616.95	228,682,339.63
Other Current Assets	10	472,344,945.02	218,865,007.56
Loans and Advances	11	483,644,871.53	492,150,324.64
		6,659,033,935.39	4,598,391,581.73
Less: Current Liabilities and Provision			
Current Liabilities	12	535,949,994.62	587,511,609.44
Provisions	13	4,505,284,739.08	5,096,447,455.04
		5,041,234,733.70	5,683,959,064.48
Net Current Assets		1,617,799,201.69	(1,085,567,482.75)
Total		57,920,739,382.39	58,840,245,848.42

Significant Accounting Policies & Notes on Accounts 22

This is the Balance Sheet referred to in our report of even date Schedule referred to above form an integral part of the Accounts

For Ray & Ray
Chartered Accountants
Firm's Registryion No.- 301072E


(Dasho Sherub Gyaltshen)
Chairman, DGPCL & Secretary, MoA


(R.N.Roy)
Partner
Membership No. 8608




(Dasho Chhewang Rinzin)
Managing Director

Date :- 28 MAR 2011
Place :- KOLKATA


(Ugyen Namgyal)
Chief Financial Officer

Income Statement

Profit and Loss Statement for the year Ended 31st December 2010

Particulars	Schedule	Nu. 2010	Nu. 2009
Income			
Electricity Revenue	14	11,529,585,467.17	10,649,020,418.08
Interest Earned	15	225,449,025.99	213,996,472.24
Other Income	16	56,429,480.59	26,829,393.66
		11,811,463,973.75	10,889,846,283.98
Expenditure			
Operation and Maintenance Expenses	17	954,581,680.88	806,079,612.20
Employees' Remuneration and Benefits	18	530,583,883.17	458,220,651.97
Other Expenses	19	105,978,499.06	89,914,590.20
Purchase of Energy	20	233,871,421.60	111,027,292.00
Interest on Borrowings		1,320,237,545.94	1,151,150,324.22
Depreciation		2,156,771,421.44	1,704,295,894.61
		5,302,024,452.09	4,320,688,365.20
Operating Profit		6,509,439,521.66	6,569,157,918.78
Less:			
Extra Ordinary (Gains)/Losses	21	22,701,192.34	13,153,532.99
Profit Before Tax		6,486,738,329.32	6,556,004,385.79
Income Tax for earlier years		26,036,569.26	14,594,819.58
Provision for tax		1,972,107,493.89	1,966,801,315.74
Profit After Tax		4,488,594,266.17	4,574,608,250.47
Appropriations			
Transfer to General Reserve		639,624,682.90	249,176,915.56
Interim Dividend Paid		1,359,936,000.00	1,232,940,000.00
Proposed Dividend		2,489,033,583.27	3,092,491,334.91
		4,488,594,266.17	4,574,608,250.47
Significant Accounting Policies & Notes on Accounts	22		

This is the Profit and Loss Account referred to in our report of even date


Schedule referred to above form an integral part of the Accounts

For Ray & Ray
Chartered Accountants
Firm's Registration No.- 301072E


(R.N. Roy)
Partner

Membership No. 8608




(Dasho Sherub Gyaltshen)
Chairman, DGPCL & Secretary, MoA


(Dasho Chhewang Rinzin)
Managing Director


(Ugyen Namgyal)
Chief Financial Officer

Date :- 28 MAR 2011
Place :- KOLKATA

CashFlow Statement

Statement of Cashflow for the year ended 31st December 2010

Particulars	Nu. 2010	Nu. 2009
Cashflow from operating activities		
Profit before taxation	6,486,738,329.32	6,556,004,385.79
Adjustment for:		
Depreciation	2,156,771,421.44	1,704,295,894.61
Foreign Exchange Loss	-	1,337,173.27
Investment Income	(225,449,025.99)	(213,996,472.24)
Interest Expenses	1,320,237,545.94	1,151,150,324.22
(Increase)/Decrease in sundry debtors	(107,748,867.52)	(790,105,601.72)
(increase)/Decrease in Inventories	(64,276,277.32)	(69,660,986.46)
(increase)/Decrease in other current asset	(208,806,446.24)	(94,228,587.21)
(increase)/Decrease in loans and advances	8,505,453.11	(174,016,834.71)
Increase/(Decrease) in Current Liabilities	(51,198,302.68)	370,851,845.71
Increase/(Decrease) in Provision	6,988,857.53	18,571,674.59
Cash generated from Operation	9,321,762,687.59	8,460,202,815.87
Income Tax Paid	(1,992,837,885.00)	(933,866,575.90)
Net Cash from Operating Activities	7,328,924,802.59	7,526,336,239.97
Cash flow from investing activities		
(Increase)/Decrease in Fixed Asset	(620,953,841.47)	(46,867,853,123.36)
(Increase)/Decrease in Long Term Investment	2,087,055,570.50	(3,575,469,228.52)
Interest received	180,775,534.77	143,979,481.55
Dividend received		
Net Cash used in investing activities	1,646,877,263.80	(50,299,342,870.33)
Cashflow from financing activities		
Increase/(Decrease) in Share Capital	-	23,382,840,000.00
Increase/(Decrease) in Reserve	-	5,234,648,911.29
Increase/(Decrease) in Loan Fund	(1,580,421,378.30)	17,590,518,230.18
Interest Paid	(1,299,310,628.71)	(1,147,259,542.58)
Dividend Paid	(4,452,427,334.91)	(1,974,486,168.47)
Net Cash used in financing activities	(7,332,159,341.92)	43,086,261,430.41
Net increase in cash and cash equivalents	1,643,642,724.47	313,254,800.05
Cash and cash equivalents at the beginning of the period	2,390,094,934.10	2,076,840,134.05
Cash and cash equivalents at the end of the period	4,033,737,658.57	2,390,094,934.10


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

For Ray & Ray
Chartered Accountants
Firm's Registration No.-301072E


(R.N.Roy)
Partner
Membership No. 8608



Date :- 28 MAR 2011
Place :- KOLKATA


(Dasho Sherub Gyaltsen)
Chairman, DGPC & Secretary, MoA


(Dasho Chhewang Rinzin)
Managing Director


(Ugyen Namgyal)
Chief Financial Officer

Schedules forming part of Accounts

Particulars	Nu. 2010	Nu. 2009
Schedule 1: Share Capital		
Authorised Share Capital	50,000,000,000.00	50,000,000,000.00
Share Capital	30,508,291,000.00	30,508,291,000.00
	30,508,291,000.00	30,508,291,000.00
Schedule 2: Reserve & Surplus		
General Reserve	6,294,731,463.66	6,045,554,548.10
Transferred from Profit & Loss	639,624,682.90	249,176,915.56
	6,934,356,146.56	6,294,731,463.66
Schedule 3: Unsecured Loan		
Basochu Upper Stage Loan	531,000,000.00	566,400,000.00
Bosochu Lower Stage Loan	1,538,948,078.14	1,648,872,940.86
GOI Loan Kurichu	933,333,333.38	1,120,000,000.04
Gol Loan – Tala	10,392,373,516.57	11,691,420,206.15
Loan- ADB ADF	894,231,267.46	604,602,395.08
Interest Accrued During Project Construction Phase	6,162,936,529.26	6,401,948,560.98
Interest Accrued but not due (greater than one year)	25,269,511.02	3,979,281.65
	20,478,092,235.83	22,037,223,384.76

Description	GROSS BLOCK					DEPRECIATION					Accumulated Balance as on 31/12/2010	Closing Balance as on 31/12/2010	Closing Balance as on 31/12/2009	
	Opening Balance as at 1-1-2010	Addition	Sales/ disposal Adjustment	Book Adjustment	Gross Block as on 31/12/2010	Opening Balance as 1/1/2010	Addition	Deletion/ Adjustment for the year	Book Adjustment					
Land	151,659,921.96	-	-	(4,933,307.62)	146,736,614.34	-	-	-	-	-	-	146,736,614.34	151,659,921.96	
BUILDINGS														
Building - Permanent	1,569,019,627.51	228,767,828.69	3,474,235.92	(19,520,142.94)	1,774,793,077.34	108,588,104.56	49,188,343.66	32,376.06	11,097,661.07	168,841,733.23	1,605,951,344.11	1,460,431,522.95		
Semi - Permanent	26,947,870.91	3,611,935.82	695,113.65	(4,067,694.55)	24,796,988.53	18,570,344.52	2,366,053.01	695,110.65	(3,996,641.26)	16,244,645.62	8,552,342.91	8,377,526.39		
Temporary	2,355,723.92	372,267.50	228,198.50	3,368,651.82	5,868,444.74	2,030,896.51	1,205,088.44	175,951.18	2,438,139.29	5,498,173.06	370,271.68	324,827.41		
Compound Wall & Fencing	28,258,942.19	33,202,726.38	233,569.26	41,170,791.64	102,398,890.95	4,618,543.72	2,576,939.23	9,394.93	1,363,794.08	8,549,882.10	93,849,008.85	23,640,398.47		
Roads & Culverts	2,557,938,212.91	34,980,420.62	-	(27,037,103.56)	2,565,881,529.97	103,868,939.09	76,011,849.96	-	(1,872,200.90)	178,008,588.15	2,387,872,941.82	2,454,069,273.82		
Water supply & Sanitation	157,238,474.33	40,287,800.52	187,436.12	177,358.90	197,516,197.63	6,798,208.07	4,925,022.07	21,819.73	114,838.14	11,816,248.55	185,699,949.08	150,440,266.26		
DAM COMPLEX														
Civil	10,279,385,620.12	4,433,801.76	2,542,778.50	113,528,793.97	10,394,805,437.35	962,682,016.82	312,190,770.68	457,700.16	15,945,864.46	1,290,360,951.80	9,104,444,485.55	9,316,703,603.30		
Mechanical	929,902,477.62	9,922,023.45	-	97,909,229.07	1,037,733,730.14	194,450,096.32	61,160,476.40	-	25,597,885.07	281,208,457.79	256,525,272.35	735,452,381.30		
WATER CONDUCTOR SYSTEM														
Civil	21,178,558,133.21	177,144,913.31	-	2,241,548,996.23	23,597,252,042.75	851,739,593.74	710,846,520.67	-	107,620,169.07	1,670,206,283.48	21,927,045,759.27	20,326,818,539.47		
Mechanical	384,718,573.89	-	-	(288,908,096.55)	95,810,477.34	72,221,291.69	5,210,215.79	-	(51,049,587.92)	26,381,919.56	69,528,557.78	312,497,282.20		
POWERHOUSE COMPLEX														
Civil	7,561,418,673.93	-	-	(1,994,917,009.63)	5,566,501,664.30	635,694,404.84	166,994,734.93	-	(51,830,179.46)	750,858,960.31	4,815,642,703.99	6,925,724,269.09		
Generator & Electricals	12,866,470,265.31	100,474,137.94	-	(745,904,505.28)	12,221,039,897.97	1,897,693,802.66	597,756,566.30	-	(159,195,828.56)	2,336,254,540.40	9,884,785,357.57	10,968,776,462.65		
Plant & Machinery	716,666,578.09	4,580,269.62	15,927.44	(286,050,926.97)	435,180,393.30	187,047,521.05	37,745,891.71	15,520.03	(63,028,214.14)	161,749,678.59	273,430,714.71	529,619,057.04		
TRANSMISSION LINES														
High Tension	1,160,000.00	-	-	-	1,160,000.00	1,073,000.00	58,000.00	-	-	1,131,000.00	29,000.00	87,000.00		
Low Tension	8,558,498.41	80,037,176.76	-	114,335,399.27	202,931,074.44	2,884,203.94	7,796,007.47	-	4,307,155.45	14,987,436.86	187,943,637.58	5,674,294.47		
Civil Works	924,155.67	-	-	(139,895.71)	782,259.96	152,836.28	6,489.85	-	(3,147.65)	156,178.48	626,081.48	769,319.39		



Description	GROSS BLOCK					DEPRECIATION					Closing Balance as on 31/12/2010	Closing Balance as on 31/12/2009	
	Opening Balance as at 1-1-2010	Addition	Sales/ disposal Adjustment	Book Adjustment	Gross Block as on 31/12/2010	Opening Balance as 1/1/2010	Addition	Deletion/ Adjustment for the year	Book Adjustment	Accumulated as 31/12/2010			
SWITCH YARD EQUIPMENTS													
Civil	120,898,692.61	-	-	18,602,032.41	139,500,725.02	14,507,843.34	4,185,021.75	-	3,722,030.59	22,414,895.68	117,085,829.34	106,390,849.27	
Electro-mechanical	178,329,675.39	363,819.00	-	483,530,551.18	662,224,045.57	35,588,931.01	33,102,846.37	-	198,145,180.74	206,836,958.12	455,387,087.45	142,740,744.38	
Sub-station Equipment	115,189,867.58	151,923.00	-	(114,335,399.27)	1,006,391.31	5,142,039.75	5,593.67	-	(4,287,577.47)	860,055.95	146,335.36	110,047,827.83	
Fire Fighting Equipment	28,093,690.40	5,941,008.21	492,778.21	35,345,164.15	68,887,084.55	21,421,985.04	6,724,597.29	479,581.86	6,001,659.07	33,668,659.54	35,218,425.01	6,671,705.36	
Workshop Machinery	64,023,751.45	604,851.74	830.41	163,466,889.27	228,094,662.05	33,006,070.00	30,486,389.29	(79,953.12)	29,402,234.70	92,974,647.11	135,120,014.94	31,017,681.45	
Telephone Exchange Equipment	18,187,884.51	1,356,487.33	2,130,687.27	24,803,716.04	42,317,400.61	10,422,823.22	4,579,975.96	1,836,678.20	7,069,717.72	20,235,838.70	22,081,561.91	7,765,061.29	
Office Equipment	37,208,915.97	9,807,341.97	2,186,313.01	(2,393,301.83)	42,436,643.10	15,291,239.11	4,723,864.75	1,786,292.49	(82,7746.51)	17,401,064.86	25,035,578.24	21,917,676.86	
Vehicles	113,931,492.50	28,697,172.02	1,611,359.54	33,037,356.05	174,054,661.03	49,843,747.85	17,193,647.87	1,262,495.10	29,371,071.67	95,145,972.29	78,908,688.74	64,087,744.65	
Furniture & Fixtures	18,006,451.07	4,084,485.00	869,851.51	4,207,085.48	25,428,170.04	10,169,415.42	1,560,558.32	837,655.12	7,020,402.26	17,912,720.88	7,515,449.16	7,837,035.65	
Loose Tools	38,804,012.01	28,331,049.74	2,493,614.35	74,850,624.81	139,492,072.21	22,744,665.46	14,734,139.29	2,252,541.18	22,690,576.03	57,916,839.60	81,575,232.61	16,059,346.55	
Country Boat	2,601,491.77	2,248,687.00	-	-	4,850,178.85	1,119,097.81	270,383.28	-	603.59	1,390,066.68	3,460,112.17	1,482,412.04	
Data Processing Equipment	43,265,977.177	22,285,989.06	11,912,374.78	17,080,409.57	70,719,941.62	21,489,126.38	6,861,045.58	11,560,937.86	8,174,388.96	24,963,623.06	45,756,318.56	21,776,791.39	
General Assets	2,380,950.96	2,273,883.98	814,788.76	7,765,270.65	11,605,316.83	1,767,826.89	970,021.76	734,053.12	4,637,870.11	6,641,665.64	4,963,651.19	613,124.07	
Current Year	59,202,102,544.05	822,961,990.42	29,889,457.23	(13,69,063.40)	59,981,806,013.84	5,292,628,597.09	2,161,437,125.35	22,078,545.55	88,630,118.20	7,520,617,686.09	52,461,188,327.75	53,909,473,946.96	

Note: Of the Nu.2,161,438,125.35 depreciation for the year, Nu. 2,156,771,421.44 has been charged to Profit & Loss, Nu. 2,931,357,446 has been charged to prior year depreciation for the two diversion schemes at CHP which has been booked to Prior Period Adjustment account and Nu. 1,734,346.45 pertains to depreciation on assets which has been charged to WIP Nilachhu.



Particulars	Nu. 2010	Nu. 2009
Schedule 5: Long Term Investments		
Long Term Investment (Bhutan National Bank)	1,604,500,000.00	4,271,165,578.26
Long Term Investment in Bonds and Others	943,539,000.00	635,430,000.00
Equity Investment in DHPC	921,445,007.76	649,944,000.00
	3,469,484,007.76	5,556,539,578.26
Schedule 6: Cash & Bank Balances		
Cash in Hand	874,915.85	270,304.53
Bank of Bhutan	201,069,937.85	317,190,190.24
Bhutan National Bank	41,845,235.68	10,972,689.16
Druk PNB	495,918.42	-
Tashi Bank	150,000.00	-
Central Bank of India	339,650.79	5,359.79
	244,775,658.59	328,438,543.72
Schedule 7: Short Term Investments		
Short Term Investment (Bhutan National Bank)	2,363,962,000.00	2,045,814,616.45
Short Term Investment (Bank of Bhutan)	466,000,000.00	15,841,773.95
Short Term Investment (Druk PNB)	959,000,000.00	-
	3,788,962,000.00	2,061,656,390.40
Schedule 8 : Sundry Debtors (Unsecured, Considered good)		
Sundry Debtors - BPC		
Sundry Debtors - Others	416,201,909.10	341,010,794.88
Sundry Debtors - PTC	-	25,339.50
	960,145,934.20	927,562,841.40
	1,376,347,843.30	1,268,598,975.78
Schedule 9: Stores & Spares		
Stores & Spares	293,256,960.89	230,079,528.96
Stock of POL, Oil & Lubricants	105,826.06	100,265.20
Stores & spares in transit - at cost	1,762,633.17	925,784.04
Stock Adjustment (VAT)	-	(2,423,238.57)
	295,125,420.12	228,682,339.63
Less		
Provision for Losses: Inventory	(2,166,803.17)	-
	292,958,616.95	228,682,339.63
Schedule 10: Other Current Assets		
Prepaid Expenses	71,845,379.39	14,388,860.01
Deposits- Miscellaneous	1,006,772.37	855,486.70
Accrued Interest on Investment	157,827,990.61	113,154,499.39
Tax Deducted at Source - Receivables	22,731,034.59	13,257,423.31
Other receivables	218,933,768.06	77,208,738.17
	472,344,945.02	218,865,007.58
Schedule 11: Loans & Advances		
Recoverable in Cash or in Kind or its value		
Staff Advance	2,050,690.24	3,921,440.04
Advance to Supplier/contractor	314,001,445.28	258,747,487.98
Advance Corporate Income Tax	167,592,736.01	226,969,500.62
Recoverable from M/s BHEL (VAT)	-	2,511,896.00
	483,644,871.53	492,150,324.64



Particulars	Nu. 2010	Nu. 2009
Schedule 12: Current Liabilities		
Security Deposit- Suppliers & Others	46,737,100.11	48,729,221.48
Sundry Creditors	16,785,435.97	12,533,204.94
Outstanding Liabilities to contractors	118,698,497.46	101,626,732.82
Outstanding Liabilities for expenses	50,135,340.96	74,049,744.00
Gratuity Payable	165,854,525.99	148,885,288.57
Leave Encashment Payable	21,134,706.88	14,356,046.45
Provision for Audit Fees & Expenses	580,000.00	706,711.00
Sundry Liabilities	54,066,492.87	134,523,437.61
Tax Deducted at Source - Payable	75,150.00	119,883.34
Interest accrued but not due on loans (Others)	5,174,870.20	5,538,182.34
Payable to BPC - Wheeling Charges	56,707,874.18	46,443,156.89
	535,949,994.62	587,511,609.44
Schedule 13: Provisions		
Provision for Corporate Income Tax	1,972,107,493.89	1,966,801,315.74
Proposed Dividend	2,489,033,583.27	3,092,491,334.91
Provision for Bonus	44,143,661.92	37,154,804.39
	4,505,284,739.08	5,096,447,455.04
Schedule 14: Electricity Revenue		
Bhutan Power Corporation Ltd	883,829,186.37	714,854,367.48
Power Trading Corpn. Ltd	10,645,332,296.80	9,933,345,986.60
From Staff & Other Private Parties	423,984.00	820,064.00
	11,529,585,467.17	10,649,020,418.08
Schedule 15: Interest Earned		
Interest on short term Deposits	44,725,568.16	37,256,612.55
Interest on long term Deposits	174,912,082.83	157,865,277.94
Interest on RMA Bills	-	13,047,285.00
Interest on Government Bonds	5,811,375.00	5,827,296.75
	225,449,025.99	213,996,472.24
Schedule 16: Other Incomes		
House Rent Recovered- Employee/Others	13,276,948.13	11,894,902.67
Hire Charges Equipment	827,595.09	2,147,182.79
Misicellaneous Receipts	18,097,365.20	11,751,407.03
Profit on sale/discard of Assets (Net)	304,216.76	509,214.17
Sale of Tender forms	692,047.00	526,687.00
Foreign Exchange Gains	23,231,308.41	0.00
	56,429,480.59	26,829,393.66
Schedule 17: Operation & Maintenance Expenses		
Wheeling charges		
R/m Buildings	651,659,741.99	656,656,746.89
R/m Transmission Lines	6,970,221.32	13,533,756.37
R/m Office Equipments	2,249,759.38	404,940.60
R/m of Telephone Exchange	1,715,818.31	1,260,243.81
R/m Power House	300,240.30	207,544.50
R/m fire fighting Equipments	152,223,953.41	71,841,009.14
R/m of Machinery	2,839,211.07	467,286.30
R/m Dam	1,084,602.22	4,103,467.20
R/m Vehicles	20,960,635.45	16,004,980.08
R/M Colony	36,674,168.80	29,430,415.14
Insurance	8,158,753.44	7,360,026.05
Other Miscellaneous Civil Works	68,085,524.65	4,404,129.39
	1,659,050.54	405,066.73
	954,581,680.88	806,079,612.20



Particulars	Nu. 2010	Nu. 2009
Schedule 18: Employees Remuneration & Benefits		
Salaries and Wages		
Employer's Contribution to Provident Fund	287,833,852.90	255,638,991.39
Bonus	21,996,262.31	17,806,912.50
Incentive/Honorarium	46,693,224.99	35,979,913.29
Staff Welfare Expenses	34,017,765.66	32,467,498.89
Medical Expenses	6,374,441.27	5,203,333.73
Gratuity Expenses	2,413,902.72	3,062,595.47
Leave Encashment	22,549,258.42	24,966,405.32
Terminal Benefits	13,895,979.32	19,139,781.91
Professional Training	1,730,369.00	350,257.00
Liveries	71,163,299.80	47,041,967.85
Leave Travel Concession	5,258,407.64	2,108,749.87
GPA- Insurance	13,776,928.37	14,454,244.75
	2,880,190.77	-
	530,583,883.17	458,220,651.97
Schedule 19: Other Expenses		
Travel	22,805,555.39	17,060,602.84
Entertainment	5,948,816.67	6,365,440.76
Electricity	9,464,782.25	8,471,566.69
Advertisement and Publicity	3,194,738.95	2,475,151.44
Office Expenses	1,274,045.78	2,703,353.52
Telephone and Fax	4,131,743.86	4,009,622.43
Postage and Telegram	250,929.00	226,204.00
Printing and Stationery	7,534,116.66	5,478,668.54
Licence Fee	10,628,020.52	7,222,121.72
Rates and Taxes	5,964.00	180,820.27
Bank Charges	2,019,704.37	1,194,404.80
Auditors' Fees	330,000.00	405,000.00
Auditors' Expenses	344,854.00	251,920.00
Community Welfare Expenses	4,757,935.14	3,159,314.39
Donation	11,812,024.39	17,366,648.02
Directors' Sitting Fees	805,000.00	692,500.00
Board Meeting Expenses	375,812.50	391,586.00
Books & Periodicals	358,548.65	283,795.19
Presentation	5,550.00	243,418.00
Loss on Disposal of Assets	3,798,059.58	1,931,815.78
Consultancy Charges	8,572,537.06	4,356,666.75
Rent	1,755,353.25	1,274,003.64
Obsolete stores/spares.	5,742,629.43	1,703,246.05
Foreign Exchange Losses	-	1,337,173.27
Other Expenses	61,777.61	1,129,546.10
	105,978,499.06	89,914,590.20
Schedule 20: Purchase of Energy		
Purchase of Electricity from PTC	233,871,421.60	111,027,292.00
	233,871,421.60	111,027,292.00
Schedule 21: Extra Ordinary Gains or Losses		
Prior Period Adjustment	22,445,438.70	16,430,739.19
Profit on Sale of Disposed Stock	-	(3,361,872.00)
Loss on Transfer of Asset	255,753.64	84,665.80
	22,701,192.34	13,153,532.99



Schedule 22

A. Nature of Operations

Druk Green Power Corporation Limited is engaged in generation of hydro electrical energy and for bulk sale of the same to other corporations for distribution and transmission of electricity within Bhutan, and for export of the surplus hydro electrical energy to India.

B. Significant Accounting Policies

1. Basis of Preparation

The financial statements have been prepared to comply in all material respects with the generally accepted accounting principles and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000, and on going concern basis. The financial statements have been prepared under the historical cost convention on an accrual basis except as stated otherwise. The accounting policies have been consistently applied by the Corporation.

The preparation of financial statements in conformity with generally accepted principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

2. Changes in Accounting Policy

In the current year the Corporation has changed the accounting policy on depreciation for the asset additions. The depreciation for the asset purchased / constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset has been put to use instead of the earlier policy of charging depreciation for the full month if the date of capitalisation is before the 15th of that month otherwise no depreciation is charged for the month.

In the current year, gratuity is accrued based on actuarial valuations carried out by an independent actuary, under the defined benefit scheme. The earlier basis of valuation was on number of years of service rendered by employee multiplied by the basic salary of the employee as at the reporting date.

With effect from 1st January 2010, the employees of the Company are entitled for 20 days earned leave instead of 30 days for every year of their service with the Company. Further, the leave balance can be accumulated up to 30 days instead of 90 days and earned leave beyond 30 days would lapse automatically.

3. Fixed Assets

Fixed Assets are stated at cost of acquisition, including any costs attributable for bringing the assets to their working condition for their intended use less accumulated depreciation and impairment losses. The date of capitalization is the actual date when the particular asset has been put to use. Capital work in progress is stated at amount expended including provision for outstanding bills up to the date of the Balance Sheet.

Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

The carrying amounts are reviewed at each Balance Sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amounts.

4. Depreciation

Depreciation on fixed assets is provided on straight-line method at the rates provided by the Rules of the Income Tax Act of the Kingdom of Bhutan, 2001. No depreciation is provided on fixed assets sold or retired during the year.

The depreciation for the asset purchased / constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset has been put to use.

Assets with value of Nu. 500 and below: The assets costing Nu. 500 and below would be considered as consumables and charged as expenses when put to use.

Tools and Implements: Tools and plants above Nu. 5,000 would be capitalised and depreciated in line with the provision of Income Tax of Kingdom of Bhutan 2001. For tools and implements costing more than Nu. 500 and equal to Nu. 5,000, the entire cost would be treated as depreciation expenses when put to use by keeping Nu. 1 as book value. As for tools and implements costing Nu. 500 and below would be considered as consumables and charged as expenses when put to use.

5. Investment

Long-term investments are stated at costs, provision is made to recognize a decline, other than temporary, in the value of long term investments. Other investments are carried at cost or market rate whichever is less, on individual investment basis.

6. Inventory

- i. Inventories are valued at lower of cost or net realizable value.
- ii. Cost is calculated on FIFO basis and comprises expenditure incurred in the normal course of business in bringing such inventories to its present location.
- iii. Obsolete, slow moving and defective items of inventory are identified at the time of physical verification of inventories and where necessary, adjustment is made for the same.
- iv. Stock of salvaged and scrapped materials has been stated at nil value. The amount realised on disposal of such stock is accounted for as Other Income.
- v. As the Corporation is engaged in the generation of electricity, there are no finished goods or raw materials.
- vi. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to make the sale.
- vii. Capital stores included in the inventory are valued at lower of cost or net realizable value.

7. Revenue Recognition

Electricity Revenue

- i. Revenue from the Sale of Electricity within and outside Bhutan is recognized on accrual basis.
- ii. Rates for sale of electricity are as determined by the appropriate authority.



Other Revenue

Revenues other than electricity revenue, as mentioned above, are recognized and accounted for on accrual basis, except where stated otherwise.

Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

Claims for Escalation/Liquidated Damages

Suppliers'/ Contractors' claims for price escalation are accounted for to the extent such claims are accepted by the Company. Claims for liquidated damages against the suppliers/contractors are taken as income when these are deducted from the bills.

8. Retirement benefits

Under Defined Contribution Scheme

- i) The Corporation contributes to Provident Fund administered by National Pension and Provident Fund, and such contributions are charged to revenue every year on the basis of when the contribution to the Fund becomes due.

Under Defined Benefit Scheme

- i) Gratuity is provided on the basis of actuarial valuation.
- ii) Leave encashment is provided for in the financial statements on accrual basis without doing actuarial valuation.

9. Foreign Currency Transactions

Transactions in foreign currency are recorded using the exchange rate prevailing at the date of transactions. At the Balance Sheet date monetary assets and liabilities denominated in foreign currency are recorded using the closing exchange rates. All other foreign currency assets and liabilities are stated at the rates ruling at the year end other than those covered by forward contracts, which are stated at the contracted rate. Exchange differences arising on foreign currency transactions are recognized in the Profit & Loss Account.

10. Prior Period Adjustments:

All items of expense / income relating to prior year, exceeding Nu. 5,000 in each case not charged in the accounts in the earlier year due to errors or omission, are accounted for under prior period adjustment account.

11. Contingent Liabilities

No provision is made for liabilities which are contingent in nature, unless it is probable that future events will confirm that the asset has been impaired or a liability has been incurred as at balance sheet date and reasonable estimate of the resulting loss can be made.

12. Income Tax

Current Tax is determined in respect of taxable income for the year based on applicable rates and laws. Deferred tax is recognized in the books as and when it arises on account of timing difference.



13. Research and Development Expenditure

Revenue expenditure on Research and Development is expensed in the year in which they are incurred. Items of capital nature are included in Fixed Assets.

14. Expenditure on new projects and substantial expansion

Expenditure on material, labour and contractors appointed for executing the project are capitalized. The employee costs directly attributable to projects are capitalized. Indirect expenditure and overheads, like project management expenses, relating to projects incurred during construction period are also capitalized.

Other indirect expenditure and overheads relating to projects incurred during construction period is not capitalised and charged off to the Profit and Loss account.

All direct capital expenditure on expansion is capitalised. As regards indirect expenditure on expansion, it is charged off to the Profit and Loss account. Direct expenditure is capitalized only if they increase the value of the asset beyond its original standard of performance.

Notes to Accounts

C. NOTES TO ACCOUNTS

1. The company is a wholly owned subsidiary company of Druk Holding and Investments (DHI).
2. The authorised share capital of the Company is Nu. 50,000,000,000 (50,000,000 share @ Nu. 1,000 per share) and as of the report date, the total subscribed and paid up capital is Nu. 30,508,291,000. The Company presents separate financial statements for all the Hydropower Plants and share capital of the company is subdivided amongst the Hydropower Plants for maintenance of information on the performance and financing structure of each Hydropower Plant. The Hydropower Plants operates as profit centre of DGPC and does not have legal existence of their own.
3. Pursuant to Government approval accorded vide letter no. LHENZHUNG/CAD-03/09/1193 dated 4th March, 2009 from the office of Hon'ble Cabinet Secretariat Taschichho Dzong of Royal Government of Bhutan, Thimphu, Bhutan, Tala Hydro Power Project Authority (hereinafter referred to as the "Authority") was amalgamated with Druk Green Power Corporation limited (hereinafter referred to as "DGPC") with effect from 1st April, 2009. Thereafter, all assets, liabilities, inventories and associated manpower standing as on 31st March, 2009 were transferred from the Authority to DGPC with effect from 1st April, 2009.

In addition, vide DHI's letter reference DHI/DGPC/2010/132 dated 18.02.2010 and as envisaged from the abridged financial statements verified and certified as on 31st May, 2009 jointly by the auditors of Royal Audit Authority (on behalf of the Government of Bhutan, hereinafter referred to as "RAA") and Principal Directorate of Audit, Central, Kolkata (on behalf of the Government of India, hereinafter referred to as "PDA"), a sum of assets totalling to Nu.38,971,400,687.29 (excluding Interest during construction period totalling to Nu.6,742,312,150.28) were transferred from the Authority to DHI in pursuance of the said amalgamation. The consideration for the transfer of these assets totalling to Nu.38,971,400,687.29 was partly discharged by DGPC by the issue of 23,382,840 number of equity shares to DHI having a nominal value of Nu.1,000 each, amounting to Nu.23,382,840,412.40 (the balance of Nu.412.40 was adjusted against General Reserve relating to fractional value of shares) in terms of the said letter. The balance of the consideration has been converted into loan from the Government of India which is being repaid regularly by DGPC in yearly instalments.



4. Consequent to the above transfer, the profit and loss statement and cash flow statement for the year 2009 includes only 9 months (1st April 2009 to 31st December 2009) Tala Hydropower Plant's operation in comparison to inclusion of 12 months operation for the year 2010.
5. Revised repayment schedule between Government of India (GOI) and Royal Government Of Bhutan (RGOB) regarding Tala Hydropower Project Authority (THPA) Loan had not been signed and letters were written to Ministry of Foreign Affairs, RGOB to finalize this. The tentative repayment schedule of Loan and Interest (revised on 31.05.2009) of Nu. 2,650,855,365.58 p.a. was signed on behalf of THPA and RGOB was "Subject to verification/Confirmation by the RGOB/GOI". Payment of Nu. 2,691,037,076.17 was made during 2010 as per original repayment schedule. The closing balances of (i) GOI Loan, (ii) Interest accrued during the project construction phase, (iii) Advance to GOI as on 31/12/2010 are subject to confirmation due to above revised repayment schedule.
6. Interest on loan to the Government of India for the year ended 31st December 2010, amounting to Nu.1,052,227,818.55 for the Tala Hydropower Plant has been charged as per the new schedule, leaving the annual repayment obligation to the Government of India unchanged. This has been formulated by the management and duly approved by DHI vide letter no DPZ/Gol (Tala)/2010/6779 dated 8th March 2010. However, the same is yet to be approved by the Ministry of Finance of the Kingdom of Bhutan. (Interest as per the old schedule is Nu.1,068,562,819.88 for the same period).
7. "Dagachhu Hydro Power Corporation Limited" is a new project where the Company has 59% stake along with 26% of Tata Power Company Limited and 15% being shared by NPPF. The Company has been allotted 1,911,600 shares of Nu 1,000 each in this regard as per their stake. Nu 482.03 has been called up in respect of the said shares till 31.12.2010 and Nu 517.97 remains uncalled on each share (Uncalled amount Nu 990,151,452.00).
8. In respect of the Tala Hydro Power Plant, advertisement expense includes an amount of Nu.785,432.00 which was expended specifically for the procurement of a capital asset. This amount has been recorded as an advance to Contractor/ Supplier which is to be subsequently capitalised once the plant received the capital item.
9. The Physical Asset Verification Team of the Company carried out comprehensive codification and verification of the assets and inventories of the Company during two years period (from 25th November 2008 till 22nd November 2010) covering all the Hydropower Plants and Corporate Office. The following findings and proposals were submitted to the Board during 24th Board Meeting held on 30th December 2010 and the Board approved the proposals submitted by the management.
 1. The total assets costing Nu. 1,818,878.05 with book value of Nu. 341,135.84 of Chukha Hydropower Plant, Kurichhu Hydropower Plant, Basochhu Hydropower Plant and Corporate Office was found missing and has been written-off from the books during the year 2010.
 2. The total assets costing Nu. 18,993,418.28 with book value of Nu. 1,045,532.07 were found unserviceable and had been written-off from the books during the year 2010.
 3. The book value of Nu. 4,694,577 as at 31st March 2010 of total assets costing Nu. 42,711,287.69 comprising of missing assets costing Nu. 30,953,984.62 with book value of Nu. 3,553,289.67 and unserviceable assets costing Nu. 11,757,303.07 with book value of Nu. 1,141,288.25, had been apportioned to the major civil structure on the premise that these losses occurred during the construction phase of the project under the Tala Hydroelectric Project Authority.



4. The total assets costing Nu. 155,608.44 with book value 30,682.01 were found obsolete and had been written-off from the books during the year 2010.
5. The steel reinforced anchor blocks at Kurichhu Hydropower Plant used for anchoring the log boom costing Nu. 2,542,778.50 with book value of Nu. 2,085,078.34 had been written-off as the structure is no more used after the lake outburst at the upstream of the Plant in 2004.
6. The tools and plants costing Nu. 2,633,787.64 were accounted twice, inventory on one account and asset on another, in Basochhu Hydropower Plant. Since it is capital in nature, it has been accounted as fixed asset and accounting as inventory has been reversed and written-off.
7. The gabbon wall costing Nu. 52,194.06 with book value of Nu. 42,799.13 and fabrication and installation works costing Nu. 181,375.20 at Bashochhu Hydropower Plant were washed away by the flood and had been written-off.
8. Obsolete inventory costing Nu. 2,263,051.52 had been written-off.
9. Reconciliation of Fixed Assets and depreciation of Tala Hydropower Plant has resulted in following adjustment entries:
 - i) Depreciation shortfall in 2009 has been taken as prior period expenses amounting to Nu. 12,892,819.88.
 - ii) Consumables written off as prior period expenses amounting to Nu. 173,633.45
 - iii) Income of Nu. 11,611,781.13 was shown on account of excess amount received for Work In Progress Buildings from THPA.
10. Land and crop compensation were paid through Chhukha Dzongkhag Administration to the farmers for procurement of land and was debited to Capital WIP as on 31.12.2010. The aggregate amount was Nu. 4,923,307.62 and these compensation were related to construction of nine buildings out of which five were in progress as on 31.12.2010 and four were completed. The Proportionate amount of four building would be capitalized when the leasehold land procurement would be completed by the company
11. Bhutan Electricity Authority (BEA) vide its letter No. BEA/ECO/TARIFF/2010-2011/99 dated 12th August 2010 revised the Royalty energy tariff from Nu. 0.30 per kWh to Nu. 0.13 per kWh with effect from 1st August 2010. The impact of revision of the Royalty energy tariff amounted to Nu.107,138,112.05 decrease in electricity revenue during the reporting period.
12. The tariff for the wheeling has also been reduced from Nu. 0.125 per kWh to Nu. 0.111 per kWh vide Bhutan Electricity Authority's letter No. BEA/ECO/TARIFF/2010-2011/100 dated 12th August 2010 to Bhutan Corporation Limited. This has resulted in the decrease of Wheeling Charges expenses by Nu. 45,773,011.51 during the reporting period.



13. Further, on account of increase in import of energy during the winter months, Bhutan Electricity Authority vide its letter No. BEA/ECO/TARIFF/2010-2011/104 date 16th August 2010 has approved DGPC to recover the cost of import of energy to extent of 49.50 GWh at the rate of Nu. 1.86 per kWh from Bhutan Power Corporation Limited with effect from 1st August 2010. DGPC recovered additional Nu. 0.66 per kWh Nu. 5,456,346.72 corresponding to 8.267 GWh of energy for the energy import from 1st August 2010 till 31st December 2010 which has increased the revenue from Bhutan Power Corporation Limited.
14. Depreciation on fixed asset is provided on straight line method at the rates which are in conformity with the requirement of the Rules to the Income Tax Act of Kingdom of Bhutan 2001.
15. During the year, the Company has changed the accounting policy on depreciation for the asset additions. The depreciation for the asset purchased / constructed during the year is pro-rated on the basis of actual number of calendar days from the date asset has been put to use instead of the earlier policy of charging depreciation for the full month if the date of capitalisation is before the 15th of that month otherwise no depreciation is charged for the month.

The change in depreciation policy has increased the depreciation expenses by Nu. 259,166.61 for the year.

The Company has also changed the accounting policy for providing gratuity liability which was calculated based on the number of years of service rendered by an employee multiplied by the basic salary as at the reporting date to that of actuarial valuation. Due to non availability of the Institute of Actuaries who regulate the actuaries in the country, assistance from the National Pension and Provident Fund for assessing the gratuity liability based on actuarial valuation was taken. The gratuity liability as per actuarial valuation as at reporting date is Nu. 165,854,526.00 in comparison to Nu. 163,970,787.05 as per the previous policy, the net effect of which is reduction of profit by Nu. 1,883,738.95 due to adoption of actuarial valuation.

16. The Company has created separate fund in form of FDR with Bhutan National Bank, amounting to Nu. 148.50 million for meeting the gratuity obligation to its employees. Interest on such FDR amounting to Nu. 17,049,821.92 has been accrued in the accounts. Further, there is a Saving Account for Gratuity with Bhutan National Bank with balance of Nu. 396,245.02. The total gratuity reserve as at year end amounts to Nu. 165,946,066.94 which cover the gratuity liability of Nu. 165,854,525.99.
17. The reporting on the actuarial valuation on gratuity liability would be standardised in line with the international best practice in the subsequent years.
18. The Asset Tracking and Monitoring System (ATMS), a computerised system was implemented in Chukha Hydropower Plant in 2009 and rest of the DGPC formations in 2010. Due to early introduction of ATMS in Chhukha Hydropower Plant, the computation of depreciation on the assets added during the accounting period was not consistent to that of the Accounting Policy for the year 2009 which resulted in higher depreciation expense as per ATMS by Nu. 160,720.99. The adjustment was made in the accounts for the year 2009 to be consistent with the Accounting Policy.



The difference amount of Nu. 160,720.99 between ATMS and the accounting policy during the year 2009 has been taken as additional depreciation in the accounts for the year 2010 to enable the proper management of the assets in the future.

19. No segregation of capital spares and revenue spares has been done by Hydropower Plants (Inventory as per the books is Nu. 292,958,616.95 as on 31st December 2010).
20. No segregation, classifying inventories under fast moving, slow moving and non moving has been made as the policy for such segregation had been introduced towards the end of the current period. The policy requires historical information on inventory movement for last three years which would be achieved upon implementation of SAP Enterprise Resource Planning System during next year.
21. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advance) - Nu. 286.743 million (previous year Nu. 286.204 million).
22. Considering the size and complexity in the business operation of the Company, the Company is in the process of implementation of SAP Enterprise Resource Planning System which would integrate all the standalone systems like accounting, human resource, inventory management system, fixed asset management system, plant maintenance, project system, etc. This would enable proper check and balance as the system operates based on role authorisation matrix which would enable DGPC to avoid assignment of the conflicting roles. All the business process has been documented and wherever possible process improvement has been made and with centralised control, the standard policy and procedures would uniformly implemented. The project kicked-off with effect from 15th May 2010 and is expected to go live by 1st May 2011.
23. Quantitative Information of purchase and sale of power:

(Amount: Millions Nu.) (Units: MU)

Particulars	2010		2009	
	Units	Amount	Units	Amount
Purchase	128.31	233.87	61.60	111.03
Self Generation	7,304.52		6,897.67	
Sale:				
Within Bhutan	1,628.03	883.83	1,414.43	714.85
Export to India	5,707.60	10,645.33	5,462.07	9,933.35
Internal Consumption & Loss	97.19	0.43	82.76	0.82
Total	7,432.83	11,529.59	6,959.26	10,649.02

24. Managerial Remuneration:

Amount in Million

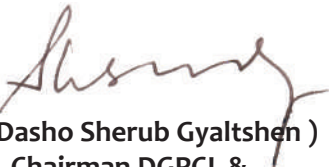
	Particulars	2010	2009
a)	Managing Director's Remuneration	1.48	1.41
b)	Director's Sitting Fees	0.81	0.69
c)	Travelling Expenses	0.73	0.43
	Total	3.02	2.53



The above remuneration is based on the actual payment.

25. Auditors remuneration: Audit fees provided in the accounts Nu. 330,000 (P.Y Nu 405,000 including fees for certification of opening balances of Tala Hydropower Plant)
26. The previous year figures are consolidated figures of Basochhu, Chhukha Kurichhu for 12 months and Tala Hydropower Plants with effect from 1st April 2009. Current year figures include the newly amalgamated Tala Hydro Power Plant for 12 months. The inter plant related assets and liabilities have been netted off and other figures have been regrouped wherever possible.
27. Previous year's figures have been rearranged and regrouped wherever necessary.

Signatures on Schedules 1 to 22


(Dasho Sherub Gyaltsen)
Chairman DGPCL &
Secretary, MoA


(Dasho Chhewang Rinzin)
Managing Director




(Ugyen Namgyal)
Chief Financial Officer



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