

ANNUAL REPORT 2013



འབྲུག་སྐྱེལ་འབྲུང་གྲོག་མེ་ལས་འཛིན་ཚད།

DrukGreen

DRUK GREEN POWER CORPORATION LIMITED

"COMMITMENT TO EXCELLENCE"

Year of Incorporation : 2008
Registered Office : Pox Box No. 1351, Thimphu, Bhutan
Telephone : +975 2 336413/14
Fax : +975 2 336417
Website : www.drukgreen.bt

CONTENT

Sl.No	Title	Page No.
1	Vision and Mision	3
2	Message from the Managing Director	4 - 5
3	Management Team	6 - 7
4	Druk Green Systems	8 - 9
5	Board of Directors	10 - 11
6	Directors' Report 2013	12 - 21
7	Energy Generation 2011 - 2013	22 - 29
8	Auditors' Report 2013	30 - 31
9	Annexure to Auditors' Report 2013	32 - 37
10	Financial Statement	38 - 68

VISION

“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

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

LOOKING AHEAD

In his address to the Nation on 17 December 2013 National Day celebrations, His Majesty the King declared that

“Hydropower is considered as our nation’s most precious resource that belongs to all the people. Our focus has been to establish as many hydropower projects as possible to generate enough revenue to become self-reliant.”

Druk Green is mandated to promote, develop and manage the hydropower resources in an efficient, responsible and sustainable manner. In the fulfillment of its many mandates, priority is being given to developing hydropower projects on its own or through joint ventures, and further to preparing itself to take on the operation and maintenance of the many hydropower plants that are being developed under the 10,000 MW by 2020 initiative.

At the 17 December 2013 National Day celebrations, His Majesty the King also declared that

“With the development of our society and its needs, revenues from hydropower alone are not sufficient to finance them.”

The challenges towards being self-reliant, His Majesty the King said

“In fact, they provide a valuable opportunity for our people to work harder and together, and shoulder greater responsibilities to overcome them successfully, and strengthen our nation by doing so.”

In exploring new opportunities and shouldering greater responsibilities, Druk hopes to lead the way in diversification within the hydropower sector so as to reap greater benefits beyond the traditional role of electricity generation and sales. Druk Green has been recently mandated to diversify, beyond its core mandates of operation and maintenance of hydropower plants and developing hydropower projects on its own or through joint ventures, to providing hydropower services and to establishing hydropower consultancy and construction companies to take advantage of the huge opportunities that are bypassing the Bhutanese.

His Majesty the King also said at the 17 December 2013 National Day celebrations that

“It is neither a case of the Bhutanese lacking capability nor a case of insufficiency of resources to overcome these challenges. It is a question of Bhutanese people rising to the occasion and shouldering greater responsibilities.”

Druk Green is committed to strive to rise to the occasion and in a small way contribute towards meeting the aspirations of His Majesty the King for Bhutan and its people.



Dasho Chhewang Rinzin
Managing Director

DRUK GREEN



Dasho Chhewang Rinzin
MD

Served as the Managing Director of Bhutan Power Corporation Limited. He was conferred the red scarf by His Majesty the 5th King on December 17, 2009.

He holds a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.



Dorji P. Phuntshok
Director
Projects

Served as the Chief Engineer with Chhukha and Tala Hydropower Plants, and also as the interim CEO for Dagachhu Hydro Power Corporation. He is Chairman for Dungsum Cement Corporation Limited and Bhutan Hydropower Services Limited.

He holds a BSc in Electrical Engineering and an MSc in Electrical Engineering from the Drexel University, Philadelphia, USA.



Ugyen Namgyal
Director
Finance & Investments

Served as the General Manager, Finance & IT Division, BDFCL. He attended the Certified Practicing Accountant Program from CPA Australia, Melbourne, Australia.

He holds a Bachelor of Commerce (honours) from Sherubtse College, Bhutan, and a Bachelor of Business from the University of South Australia, Adelaide, South Australia.



Kuenga Namgay
Executive Director
Corporate Affairs

Served as the CEO for Dagachhu Hydro Power Corporation and thereafter as the Executive Director for Empowered Joint Group, Department of Hydropower & Power Systems, Ministry of Economic Affairs, Thimphu.

He holds a BSc in Mechanical Engineering from Aligarh Muslim University, Uttar Pradesh, India and an MSc in Mechanical Engineering from Toyohashi University of Technology, Aichi Prefecture, Japan.



Dorji T. Phuntshok
Executive Director
HR & Administration

Served as the Head for Human Resource Division, Chhukha Hydropower Corporation Limited, Chhukha.

He holds a Bachelor of Arts from Sherubtse College, Bhutan, and an MBA with Major in Human Resource Management from the Asian Institute of Technology, Bangkok, Thailand.

MANAGEMENT TEAM



Lam Dorji
Head
O&M

Served as the Head for Chhukha Hydropower Plant before holding the current position.

He holds a Bachelor of Engineering (Mechanical Engineering) from the Regional Engineering College, Durgapur, India, and an MSc in Mechanical Engineering from the University of New Brunswick, Fredericton, Canada.



Kencho Dorji
CE, Head
Tala HP

Served as the General Manager at Basochhu Hydropower Plant, Wangduephodrang.

He holds a Bachelor in Electrical Engineering from the University of Wollongong, NSW, Australia, and an MSc in Electrical Engineering from the University of New Brunswick, Fredericton, Canada.



Yeshi Tenzin
SE, Head
Chhukha HP

Served as the General Manager at Kurichhu Hydropower Plant, Mongar.

He holds a Bachelor in Mechanical Engineering from Delhi College of Engineering, Delhi University, India, and an MSc in Mechanical Engineering, with Alternative Fuel Research as the Concentration, from the University of Texas at El Paso, USA.



Rinzin Dorji
SE, Head
Kurichhu HP

Served as the Executive Engineer, Operation Division, Chhukha Hydropower Plant.

He holds a Bachelor in Electrical Engineering from the Punjab Engineering College, Chandigarh, India, and a Master of Electrical Engineering from the University of New Brunswick, Fredericton, Canada.



Sujan Rai
SE, Head
Basochhu HP

Served as the Head of Operation & Maintenance Division, Kurichhu Hydropower Plant.

He holds a Bachelor in Electrical Engineering from the PSG College of Technology, Coimbatore, India, and a Master in Engineering, with specialisation in Power System, from AIT, Thailand.

DRUK GREEN

Generating Plants

Basochhu Hydropower Plant

Catchment area : 226 km²
 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

Catchment area : 3,108 km²
 Net Head : 435 m
 Installed Capacity : 336 MW
 Number of Units : 4x84 MW
 Mean Annual
 Generation : 1,800 GWh
 Turbine Type : Pelton

Kurichhu Hydropower Plant

Catchment area : 9,135 km²
 Net Head : 32 m
 Installed Capacity : 60 MW
 Number of Units : 4x15 MW
 Mean Annual
 Generation : 400 GWh
 Turbine Type : Kaplan

Tala Hydropower Plant

Catchment area : 4,028 km²
 Net Head : 819 m
 Installed Capacity : 1,020 MW
 Number of Units : 6x170 MW
 Mean Annual
 Generation : 3,962 GWh
 Turbine Type : Pelton

SYSTEMS

Subsidiary Companies

Dagachhu Hydro Power Corporation Limited



Catchment area	: 676 km ²
Net Head	: 282 m
Installed Capacity	: 126 MW
Number of Units	: 2
Mean Annual Generation	: 515 GWh
Turbine Type	: Pelton
Project Estimated Cost	: Nu. 12.26 billion
Project Schedule	: July-August 2014
Business Promoters	: DGPC, Tata Power Company and National Pension and Provident Fund

Bhutan Hydropower Service Limited



Location	: Jigmeling, Gelephu, Sarpang
Land	: 20 Acres (0.08 km ²)
Business Scope	: Reclamation of hydro turbine runners up to 5m dia. and hydropower components, with hard coating facilities and repair of electric motor.
Project Estimated Cost	: Nu. 1,094 million
Project Schedule	: September 2014
Business Promoters	: DGPC and Alstom

DHI Infra Limited



Corporate Head Office Location	: Dechen Lam, Langjophakha, Thimphu
Business Scope	: Development of Industrial Parks in Motanga, Samdrup Jongkhar (145 acres), Dhamdum, Samtse (200+ acres) and Jigmeling, Gelephu (733 acres) and implementation of Amochu Land Reclamation and Township project in Phuentsholing, Chhukha (870 acres)
Business Promoters	: DHI and DGPC

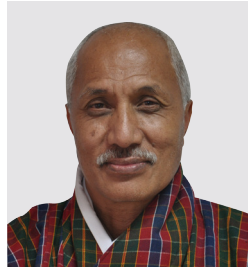
DRUK GREEN



Dasho Karma Tshiteem
Chairman
Secretary, GNHC

Served as the Deputy Secretary, Planning and Policy Division, Ministry of Finance.

He holds a Bachelor of Commerce from Sherubtse College, Bhutan, and an MBA from the University of Canberra, Australia



Dasho Bharat Tamang
Member
MD, BPCL

Served as the Energy Specialist with the Department of Energy, Ministry of Trade and Industry. He was conferred the red scarf by His Majesty the 5th King on December 17, 2009.

He holds a Bachelor of Technology in Electrical Power Engineering from the Regional Engineering College, Surathkal, India, and a Master in Electrical Engineering from the University of Missouri, USA.



Dasho Yeshi Dorji
Member
DG, DHPS, MoEA

Served as the Managing Director of the then Chhukha Hydropower Corporation Limited from 1999-2007. He was conferred the red scarf by His Majesty the 5th King on December 17, 2012.

He holds a degree in Bachelor of Technology in Electrical Engineering from IIT, Kharagpur, India, and a Master in Electrical Engineering from the University of Missouri, USA.



Dasho Chhewang Rinzin
Member
MD, DGPC

Served as the Managing Director of Bhutan Power Corporation Limited. He was conferred the red scarf by His Majesty the 5th King on December 17, 2009.

He holds a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.

BOARD OF DIRECTORS



Choiten Wangchuk
Member
DG, DPA, MoF

Served as the Director for Department of National Budget, Ministry of Finance.

He holds a Bachelor of Commerce from Sherubtse College, Bhutan, and an MBA from University of Canberra, Australia.



Sonam Lhundrup
Member
CS & GC, DHI

Served as the Legal Officer with the Policy and Planning Division, Ministry of Agriculture.

He holds a Bachelor of Arts, with English Honours, from the University of Delhi, India, and a Bachelor in Law from the University of Mumbai, India. He received LLM from George Washington University Law School, Washington DC, USA.



Lhaden Pema
Member
CPO, PPD, MoWHS

Served as the Project Manager, Bhutan Urban Development Project.

She holds a Bachelor of Arts from Lady Keane's College, North Eastern Hill University, Shillong, India and an M. Dip. In Development Planning from the Centre for Development Studies and Activities, Pune, India.

DIRECTORS' REPORT 2013

Dear Shareholder,

The Board of Druk Green Power Corporation Limited (Druk Green) is pleased 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 2013.

1. Operational Highlights

Druk Green power plants collectively generated 7,531.45 MU of electricity during the year, an increase of 10.57% from the 2012 generation. The increase in generation was mainly on account of good hydrology due to some early rains. The generation from each of the plants during 2013 vis-à-vis 2012 generation is as shown below:

Plant	2012 Actual Generation (MU)	2013 Actual Generation (MU)	Variance (%)
Tala	4,405.22	4,913.63	11.54
Chhukha	1,745.33	1,907.44	9.28
Kurichhu	360.93	378.60	4.89
Basochhu	299.78	331.77	10.67
Total	6,811.27	7,531.45	10.57

The domestic sale of energy to Bhutan Power Corporation Limited (BPC) increased by 4% to 1,901.73 MU in 2013 when compared to the 2012 domestic supply of 1,828.02 MU. The increasing domestic consumption of energy continues to adversely impact the revenue inflows to Druk Green due to the domestic and export tariff differentials. Despite the higher domestic consumption, energy export to India increased by 14.2% to 5,648.23 MU during the year when compared to the 2012 figures of 4,945.79 MU due to the increase in overall generation.

2. Financial Highlights

During the year 2013, Druk Green earned revenue of Nu. 13,051.66 million, an increase of 17.15% from the 2012 revenue of Nu. 11,140.80 million. The increase in income was mainly from the sale of electricity on account of the increase in generation from 6,811.27 MU in 2012 to 7,531.45 MU in 2013 representing an increase of 10.57%; increase in export tariff of CHP from INR 2.00 to INR 2.25 per unit with effect from 1st January 2013; and the increase in domestic tariff from Nu. 1.20 to Nu. 1.39 with effect from 1st October 2013. The impact of sales from domestic supply to BPC would have been much higher except that higher generation resulted in allocation of more free royalty power.

To a smaller extent, the increase of revenue was also on account of the increase in interest income from the higher levels fixed deposits from the higher cash flows.

On account of the increase in revenues, the Profit After Tax (PAT) also increased by 25.61% to Nu 5,252.89 million

when compared to the 2012 PAT of Nu. 4,181.92 million. Expenditures however increased by Nu. 392.44 million from Nu. 5,142.80 million in 2012 to Nu. 5,533.94 million for 2013 mainly on account of the increase in the operation and maintenance expenses and Foreign Exchange losses.

A summary of the Financial Performance for 2013 vis-à-vis the Financial Performance in 2012 is provided below:

Particulars	FY (2012)	FY (2013)
Revenue (Nu.)	11,140,800,667.41	13,051,661,867.69
Profit before Tax (Nu.)	5,997,394,708.48	7,525,167,347.20
Provision for Tax (Nu.)	1,828,583,890.20	2,348,266,279.33
Dividend (Nu.)	3,659,592,524.74	4,760,297,742.66

Based on the PBT of Nu. 7,525.17 million, a Corporate Income Tax of Nu. 2,348.27 million has been assessed for the year 2013.

The financial position of the Company continues to be very strong with the Shareholder's funds of Nu. 38,912.44 million and long-term loans of Nu. 12,638.69 million: with debt constituting 32.48% of equity. The funds are almost entirely invested in income generating assets. The fund applications consist of Nu. 48,297.08 million in fixed assets (net block) including capital works in progress; Nu. 4,505.31 million in long-term investments; Nu. 89.10 million in deferred assets; and the balance Nu. 8,400.67 million in the form of current assets.

2.1 Dividend

It has been the normal practice for Druk Green to declare 90% of PAT as dividend and set aside 10% of the PAT to Reserves. However, the Board approved a dividend of Nu. 4.760 billion for the year 2013, representing 90.62 % PAT. The additional 0.62% dividend is on account of the RGoB expectation that all windfall gain from retrospective increase in export tariff of Chukha power from 1st January 2013 be passed through to the Ministry of Finance. After providing for the dividend, the Board approved for the transfer of Nu. 492.59 million to Reserves. However, considering the huge investments planned for accelerating hydropower development and required for renovation, replacement and automation of the aging plants such as Chukha, the continuation of the policy of declaring 90% PAT as dividends and retaining only 10% of PAT under Reserves would need to be reconsidered at some point of time in the immediate future. These have already been highlighted in the Investment Plan and Financing Strategy documents of the Company.

3. Projects

Since its formation, Druk Green has mainly focused its priorities on developing its competencies in the entire value chain of hydropower management but with a major thrust in hydropower projects investigation, design and engineering, tendering and contracting, construction management, and commissioning. As a result, Druk Green has built up considerable in-house capacity in the hydropower sector and continues to do so.

3.1 Hydropower Construction Management

The Company has gained and continues to gain tremendous experience and expertise in construction management through construction of new hydropower projects.

3.1.1 126MW Dagachhu Hydroelectric Project (a CDM Project)

Druk Green holds 59% equity holding in the 126 MW (2x63 MW) Dagachhu Hydroelectric Project (Dagachhu project); 15% by NPPF; and 26% by Tata Power Company. As of December 31, 2013 the equity partners have injected Nu. 4,132 million and the total value of the company stands at Nu. 11,614.155 million. The Dagachhu Hydro Power Corporation Limited (DHPC) has 95 employees, most of them on deputation from Druk Green.

The project, in spite of innumerable challenges has made good progress during the year and for the hydropower sector at large, this project continues to lead the way in the development of in-house competencies in the construction of hydropower projects. During the year, the critical milestone of the project was achieved with the breakthrough of south side of Head Race Tunnel (HRT) in April 7 and north side HRT in August 2013. While the poor geology continued to affect the progress of the project activities with varying degrees at various stages of construction, the physical progress of civil works of the project is on track and is expected to be completed by the end of June 2014. About 75% of installation works of Electro-mechanical equipments in the powerhouse was completed by December 31, 2013.

Dagachhu project, registered as a CDM Project in 2010, is estimated to generate 515 MU of electricity annually, which will provide about 500,000 Certified Emission Reduction (CER) certificates for sale.

3.1.2 Bhutan Hydropower Service Limited (BHSL)

Bhutan Hydropower Services Limited, a Joint Venture between Druk Green and ALSTOM, formed in 2012 to setup a state-of-art Hydropower Service Center in Jigmeling, Gelephu is a Nu. 1,094 million project scheduled to be completed by September 2014. The financing is in the debt equity ratio of 60:40; with 51% and 49% shareholding by Druk Green and ALSTOM respectively. The company has 26 employees with nine key officials on deputation from Druk Green and five deployed from ALSTOM for the project implementation; and remaining are employees recruited on contract. BHSL also implemented ERP-SAP as of 1st August 2013 and adopted ALSTOM's EHS Policy.

Besides providing services to the power plants of Druk Green, BHSL is also designed to compete for services from the neighboring states of India. This subsidiary Company will therefore not only provide timely services to Druk Green, but in the long run also earn revenue in Indian Rupees for the Company and the Kingdom.

3.1.3 Tsibjalumchhu Diversion Scheme (TDS)

Druk Green conducted the Feasibility Study for the Diversion Scheme using its own internal capacity. On completion, it is projected to augment the generation of 1,020MW Tala Hydropower Plant by 93 MU, which will be available during the lean seasons. The project cost is estimated at Nu. 256.66 million and is scheduled to be completed by the latter half of 2014. The Company continues to avail such opportunities in order to build core competencies in the design, engineering, construction, and management of hydropower projects, and add generation capacity to its existing plants.

Druk Green also earlier completed the diversion of the Lubichhu and the Tichhalumchhu streams enabling the Chhukha Hydropower Plant to generate at least an additional 67 MU annually.

3.1.4 Nikachhu Hydropower Project

The Detail Project Report of the 118 MW Nikachhu project was approved by the Druk Green Board in September 2013. The project cost is expected to be Nu. 12 billion, which shall be funded in the ratio of 70:30 debt equity. The project is to be

developed through the formation of a SPV, owned by Druk Green (51% or 49%), a JV Partner (26%) and certain portion of equity (23% -25%) to be offered to the public of Bhutan through an IPO. A few of the activities carried out during the year were the completion of the geological mapping and survey works, award of the contract for 330 m exploratory drift tunnel to the Desilting Chamber, and the award of contract for in-situ tests for rock in the exploratory tunnels.

The project structuring and financial packaging is being supported by ADB, who have committed to provide a majority of the debt financing. Upon the approval of the DPR by the Royal Government, the SPV shall be formed for the implementation of the project.

3.1.5 Joint Venture with Government of India Public Sector Undertakings (GOI PSUs)

The Royal Government of Bhutan (RGOB) and the Government of India (GOI) under the "10,000 MW by 2020" bilateral co-operation agreed to develop the following projects under the joint venture model with Druk Green as the RGOB nominee and the GOI PSUs as cited below:

- i. 180 MW Bunakha Reservoir Scheme with THDC;
- ii. 770 MW Chamkharchhu-I with NHPC;
- iii. 600 MW Kholongchhu HEP with SJVN; and
- iv. 570 MW Wangchhu HEP with SJVN.

The JV projects are to be established under the overall framework of the Bhutan Sustainable Hydropower Policy 2008 (BSHP) and the other relevant laws of the Kingdom of Bhutan.

3.2 Hydropower Investigation and Design

Owing to the prioritization of investments in competency development, Druk Green has now built the in-house capacity to conduct pre-feasibility studies of hydropower projects. The details of such activities (projects completed and on-going) are provided below:

Projects Completed

2009 - 2013	Pre-Feasibility Study and Feasibility/Detailed Project Study for 118 MW Nikachhu Hydropower Project
2010 - 2011	Feasibility study and detailed design for Tsibjalumchhu Diversion Scheme to enhance capacity utilization of Tala Hydropower Plant by 92 GWh annually
2010	Reconnaissance Study of 45 + 86 MW Gamri Hydropower Project
2011	Pre-Feasibility study of Aiechhu Hydropower Project

Ongoing Projects

2010 - 2014	Pre-Feasibility study of 45 + 86 MW Gamri Hydropower Project
2012 - 2014	Pre-Feasibility study of 141+331 MW Nyera – Amari I & II Integrated Hydropower Projects
2013 - 2015	Feasibility/Detailed Study of 1,230 MW Rotpashong Hydropower Project

3.2.1 Gamri Hydropower Project (I&II)

The approval for carrying out the Pre-Feasibility Study of Gamri HPP I (45 MW) & II (86 MW) was accorded by the Department of Hydropower and Power Systems (DHPS) in November 2012. Since then, the major activities carried out during the year 2013 were the completion of the Topography Survey & Mapping and the initiation of Geological & Geotechnical Investigation Works. Prior to field works, a forestry clearance from the Department of Forest & Park Services (DoFPS) was obtained in March 2013. The updation of hydrology has been one of the ongoing activities due to the absence of long term hydrological data. In October 2013, a socio-economic survey in the communities nearby the project area was also carried out for the preparation of initial ESIA report. On completion of Geological & Geo-technical Investigation and Design & Engineering works, the complete Pre-Feasibility Report (PFR) will be submitted by July 2014.

3.2.2 Nyera Amari Hydropower Project (I & II)

The Royal Government accorded approval for conducting PFS of Nyera Amari Hydropower Projects I (141 MW) & II (332 MW) in April 2012 and the survey works were immediately initiated. The hydrological and power potential studies, and survey and mapping were completed during the year. The geological and geotechnical investigations are schedule to be completed in March 2014. As per the approved schedule for the Nyera Amari, the project PFS is expected to be completed by July 2014.

3.2.3 Rotpashong Projects (1230 MW)

The Department of Hydropower & Power Systems approved for Druk Green to undertake the DPR of the Rotpashong HPP (RHPP) in April 2013. The Inception Report, including the scope/TOR for the major field survey and investigation works and detailed engineering & design, was finalized in August 2013. Following some time lost in between for clarifications on the priorities of the Company, Druk Green started the DPR activities for Rotpashong in earnest from November 2013.

4. Highlights of 2013: Other Activities

Domestic Generation Tariff Revision

The generation tariff of Nu. 1.39 per kWh was approved by the Bhutan Electricity Authority (BEA) for the period from July 2013-June 2016. The approved generation tariff was calculated based on a WACC of 11.96% with cost of equity at 10%. The approved annual royalty energy volume was 1,049 GWh, which constitutes 15% of the forecasted generation. With the royalty tariff set to zero, the annual subsidy stood at Nu. 1,458 million at the generation tariff of Nu. 1.39 per kWh, which was allocated to LV and MV consumers. The BEA had also approved annual import volume of 150 GWh amounting to Nu. 297 million annually @ Nu. 1.98 per kWh.

Chhukha Hydropower Plant celebrates 25 Years of Service to the Nation

The 336 MW Chhukha Hydel Project has stood as a concrete testimony of the enduring friendship between Bhutan and India and served the peoples of the two nations since the commissioning of its first generating unit on September 7, 1986. The project has had a huge and ever-lasting impact on the socio-economic development of Bhutan contributing significantly to the overall living standards of the people of Bhutan and stimulating rapid economic growth. It was completed at a total cost of Nu. 2,465 million and is designed to generate 1,800 MU annually. As of September 2013, the four generating units of Chhukha Hydropower Plant had collectively generated 47,040 MU, of which 41,055 MU was exported to India and the balance consumed within Bhutan. The total earnings stood at Nu. 51,826 million with export revenue constituting of

"Being Green Initiative"

Druk Green implemented the "Being Green Initiative" in order to create awareness on the importance of hydropower for the common welfare of all Bhutanese, and therefore the need to protect the catchment areas of rivers and proper management of waste for sustainable harnessing of hydropower for electricity generation. Of a number of activities that were initiated, a few are still being continued.

The Company published and broadcasted advocacy messages on BBS television and Radio based on three themes; Importance of Catchment Area Protection, Waste Management and Contribution of Hydropower to Bhutan's Revenues. A number of monthly cleaning campaigns were also conducted of the nearby Chubachhu stream in Thimphu.

Druk Green also organized a competition amongst the Schools in Thimphu Thromde titled "Race against Waste" under Being Green Initiative. The students collected as much recyclable waste as possible and the schools with the highest amount of recyclable wastes collected were awarded with cash prizes. At the end of the two months, 25,992 kgs of PET and 27,792 kgs of paper waste were collected and handed over to Greener Way for recycling. The prize awarding ceremony was held at Youth Development Centre in December 2013, and the Prime Minister and the Minister for Agriculture and Forest graced the occasion.

Druk Green, with the intent to reduce waste produce, increase and maintain participation in recycling, raising awareness on waste issues, and promoting the waste hierarchy of reduce, reuse and recycle, is set to continue this program with the schools in Thimphu and possibly expand the coverage depending on the availability of funds.

5. Human Resources Development

As a part of the on-going initiatives to build capacity and competency, over 80 employees (almost entirely engineers) have thus far been deputed to the major hydropower projects under construction in Bhutan. Druk Green is committed to excel in its current and future initiatives by providing a range of skill-enhancement training and workshops to its existing employees. However, Druk Green recruited only two engineers during the year 2013 considering the uncertainties with its future growth prospects.

Recognizing that its employees are the most important resources and crucial for achieving its corporate mandates, Druk Green spent Nu. 68.906 million for the development of human resources in the form of short terms trainings, skills up-gradation, workshops and seminars, and a number of long term studies. Since the development of human resources will be critical to the success of Druk Green and considering earlier trends, a budget of Nu. 75.121 million has been approved during 2014 for trainings and studies.

6. Corporate Governance

As required by the Companies Act of Kingdom of Bhutan 2000, the Board of Druk Green met seven times during the year and the quorums at each of these meetings were duly maintained. AGMs are normally held before the 30th of June of the year as per the provisions of the Companies Act. No necessity arose for holding any EGMs.

The implementation of the Performance Linked Incentive Scheme (PLIS) and the Employee Appraisal System (EAS) that sets targets at the beginning of the year for individual performances to bring objectivity to the performance evaluations for individual employees continues to be the most notable Corporate Governance initiative of the Company. The Board and the management continue to work towards streamlining the operations of the Company. During the year, the Board

Audit Committee actively discharged its mandates and all other principle Board Committees such as the HR Committee and Tender Committee also met as and when required.

Druk Green does not have any major audit issues pending with the Royal Audit Authority and no audit qualifications in the Audited Accounts for 2013 owing to the level of accountability and transparency that is in place in the Company.

The Board and the management continue in their endeavors to reinforce the Corporate Governance systems within Druk Green in order to sustain the huge developments in the hydropower sector of Bhutan and in so doing is setting the trend in the Bhutanese Corporate sector.

6.1 Performance Linked Incentive Scheme (PLIS)

As per the audited PLIS 2013, the overall performance of Druk Green against the targets set for the year is 88.06%. The performance levels have been proportionately ratcheted downwards to keep the incentive payouts within the overall two months' basic salary ceiling prescribed in the PLIS document. This is equivalent to an average of 67% achievement in terms of incentive payouts although the actual achievement was much higher at 88.06% for the year.

7. DHI Compact

Druk Green achieved the profitability margins and the other targets that were duly agreed to in the 2013 Annual Compact with DHI, and the overall the performance of the Company is 96.70% for the year. 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 Druk Green and to those contract employees where the contract agreements provide for such allowances.

8. Statutory Audit Report of the Company

T. R. Chadha & Co was appointed as the Statutory Auditors for the year 2013 by the Royal Audit Authority. A team comprising of six auditors including the partner audited the accounts for the year 2013 of all the profit centers of Druk Green with effect from 6th February 2014 till 6th March 2014. An Audit Exit Meeting between Druk Green, the Statutory Auditors and representative from the Royal Audit Authority was held on 7th March 2014.

The Auditors' Report does not have any qualifications on the Accounts of the Company. The Auditors concur that the Accounts along with Schedules, significant Accounting Policies and Notes to Accounts are in compliance with the requirements of the Bhutanese Accounting Standards and Companies Act of the Kingdom of Bhutan. In the Annexure to Auditors' Report, pertaining to the Schedule – XIV of the Companies Act of the Kingdom of Bhutan: General terms for the auditors and minimum audit examination and reporting requirements, following are the comments/recommendations of the auditors as extracted from the Report:

- a) Non-ascertainment of ageing of the stock lying prior to 1st June 2011;
- b) No provisioning for non – moving and slow moving items;
- c) Granting of loan to the holding company of Nu. 900 million is against the articles of incorporation of the company, which does not allow granting loan for purpose other than hydro power projects;
- d) An independent audit/review of IT environment/compliances of the company to be carried out; and
- e) Management of the Company to establish proper and comprehensive compliance assurance systems for all such other applicable acts.

The Board and management would like to assure that the above comments/recommendations are being addressed and most of them should be resolved within 2014.

9. Corporate Social Responsibility

In our continued effort toward building a better nation, Druk Green spent over Nu. 1.74 million for the construction and renovation of religious monuments; providing support to schools and environmental causes; contributing to the socially disadvantaged sections of society; and other such causes. The employees of Druk Green also generously contribute to funding many of the activities undertaken under Corporate Social Responsibility.

10. Key Challenges

Druk Green with its huge mandates set by the Royal Government and the Shareholder is faced with numerous challenges, amongst which the foremost are:

10.1 Financing the Huge Planned Investments

The financing of the planned investments coupled with the funds that would be required to sustain the present operation and maintenance of the existing power stations and also to upgrade and automate some of the older plants will continue to be of great concern for Druk Green plants if the present practice of declaring 90% of PAT as dividend continues. The present financing mechanism being provided by the Government of India for the development of its hydropower resources has insulated Bhutan from having to arrange its own funds.

However, if Druk Green is to continue to develop projects such as Dagachhu, Nikachhu, Gamri, and Nyera Amari as part of its major mandate to help accelerate hydropower development in Bhutan, Druk Green will need to consider retaining a much higher percentage of PAT or explore other options to meet its investment requirements. Druk Green might even have to arrange some financing for the JV projects being partnered with the GOI PSUs.

10.2 Growth in Domestic Energy Demand

The growing domestic demand continues to negatively impacting revenue streams and during the year the domestic sale of energy rose to 1,901.73 MU. In the absence of a more rationale tariff determination methodology, Druk Green would not be able to recover the cost of generation and the revenues will continue to fall and pressure on higher dividends would impact available funds with Druk Green that could impede the overall performance of the Company. This needs to be addressed appropriately through proper regulatory frameworks to deal especially with the domestic energy pricing and export tariffs.

10.3 Operational Complexities

Druk Green also continues to remedy several teething problems associated with the Tala Hydropower Plant. Druk Green completed the plugging of the holes at the bottom of the surge shaft, which had to be deferred due to weather conditions in 2012. One of the most important activities during the year was the installation of the state-of-art online micro seismic monitoring system to better understand the cause of the failure of rock bolts in the power house, and to track the convergence of the power house. Major remedial repairs were also carried out on the Gas Insulated Switchgears and allied structures in the power house.

The water leakages from the HRT gate at Meritshemchhu and from some of the radial gates were arrested on time. While substantial expenditures have already been incurred for these measures, more expenditures are envisaged over the next few years if further remedial measures become necessary. Further, the failure of Unit-III Stator winding of CHP in July 2013 took 14 days to restore. Despite the problems, the Druk Green hydropower plants continue to be operated and maintained with very high plant availability factors. Sustained efforts in investing in corrective measures and developing local capabilities are continuously being pursued to ensure that the plants have high availability for maximizing revenue generation and contributing to the socio-economic development of the country.

Acknowledgements

The Druk Green Board would like convey its gratitude to the Royal Government of Bhutan, Druk Holding & Investments, Ministry of Economic Affairs, Ministry of Finance, Department of Hydropower & Power System, Bhutan Electricity Authority, Bhutan Power Corporation, National Environment Commission and other organizations in Bhutan; to the Government of India, Central Water Commission, Central Electricity Authority, Power Trading Company India Ltd, Powergrid, Bharat Heavy Electricals Limited, and other agencies in India; and to the many private sector agencies 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, the Druk Green Management team and all its employees for their dedicated work and contributions towards the excellent performance of the Company. The Board would like to urge the management of Druk Green to continue to work toward achieving the enormous tasks ahead; and evolve the governance of the Company in order to emerge as a leader in Corporate Management.

The Board shall continue to fully support the Company in its endeavors in achieving the multi-faceted mandates of Druk Green.

Tashi Delek
For and on behalf of the Board



(Karma Tshiteem)
Chairman

EXHIBIT 1: PLANT-WISE MONTHLY ENERGY GENERATION (GWH) FOR 2011-13

Month	Basochhu Hydropower Plant (BHP)			Chhukha Hydropower Plant (CHP)		
	2011	2012	2013	2011	2012	2013
January	16.184	14.851	12.840	66.718	73.107	49.561
February	12.695	12.202	10.202	58.083	61.112	50.556
March	12.455	12.330	10.841	59.301	70.680	63.353
April	11.684	13.179	12.264	68.961	106.304	99.851
May	13.761	10.317	18.806	126.125	112.966	163.191
June	27.361	22.963	37.787	197.406	172.130	247.207
July	49.564	46.780	48.592	273.516	262.670	246.557
August	49.109	47.216	49.487	265.648	272.117	266.501
September	46.632	47.262	46.613	223.942	262.610	247.434
October	38.491	35.435	40.305	212.458	186.688	241.178
November	25.700	21.112	25.143	128.022	96.656	138.027
December	18.630	16.136	18.892	94.247	68.291	94.028
Total	322.265	299.785	331.771	1,774.427	1,745.331	1,907.444

Month	Kurichhu Hydropower Plant (KHP)			Tala Hydropower Plant (THP)		
	2011	2012	2013	2011	2012	2013
January	14.951	14.775	13.317	147.401	148.371	128.336
February	12.670	13.462	10.900	118.224	122.870	111.468
March	15.452	18.275	15.293	119.784	139.471	135.361
April	20.870	25.541	22.131	137.874	216.375	212.541
May	35.919	36.270	40.033	256.851	226.058	366.663
June	44.597	45.061	45.012	489.278	401.476	653.665
July	41.324	46.006	48.142	816.424	793.850	833.129
August	45.489	46.856	48.423	822.954	829.102	826.034
September	46.004	36.357	46.100	738.274	734.728	623.285
October	39.740	39.537	43.757	484.778	412.775	547.710
November	25.662	22.008	26.762	266.433	217.907	285.006
December	19.126	16.780	18.733	189.796	162.242	190.428
Total	361.804	360.926	378.603	4,588.071	4,405.226	4,913.628

EXHIBIT 2: YEAR-WISE MONTHLY ENERGY GENERATION (GWH) FOR 2011-13

Month	Druk Green		
	2011	2012	2013
January	245.254	251.105	204.054
February	201.671	209.646	183.126
March	206.992	240.756	224.847
April	239.389	361.400	346.787
May	432.656	385.610	588.693
June	758.642	641.630	983.670
July	1,180.828	1,149.307	1,176.421
August	1,183.200	1,195.291	1,190.445
September	1,054.851	1,080.957	963.433
October	775.467	674.435	872.951
November	445.816	357.682	474.938
December	321.799	263.449	322.081
Total	7,046.568	6,811.268	7,531.446

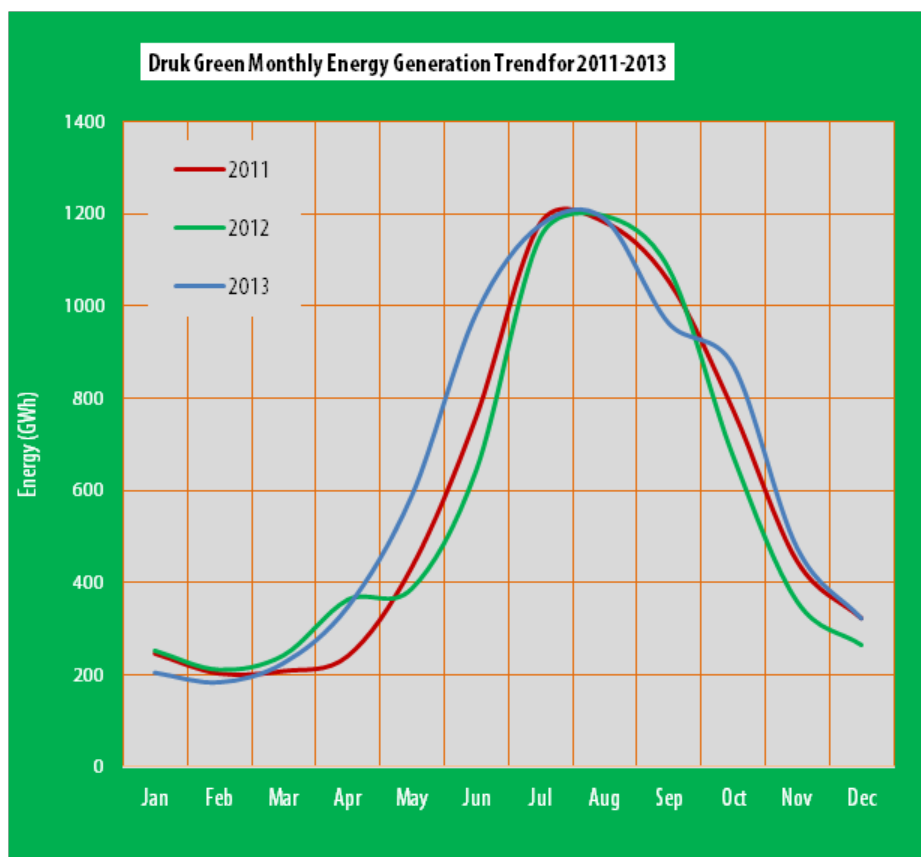


EXHIBIT 3: PLANT-WISE MONTHLY ENERGY GENERATION (GWH) FOR 2011-13

Year	BHP	CHP	KHP	THP	Druk Green
2011	322.265	1,774.427	361.804	4,588.071	7,046.568
2012	299.785	1,745.331	360.926	4,405.226	6,811.268
2013	331.771	1,907.444	378.603	4,913.628	7,531.446

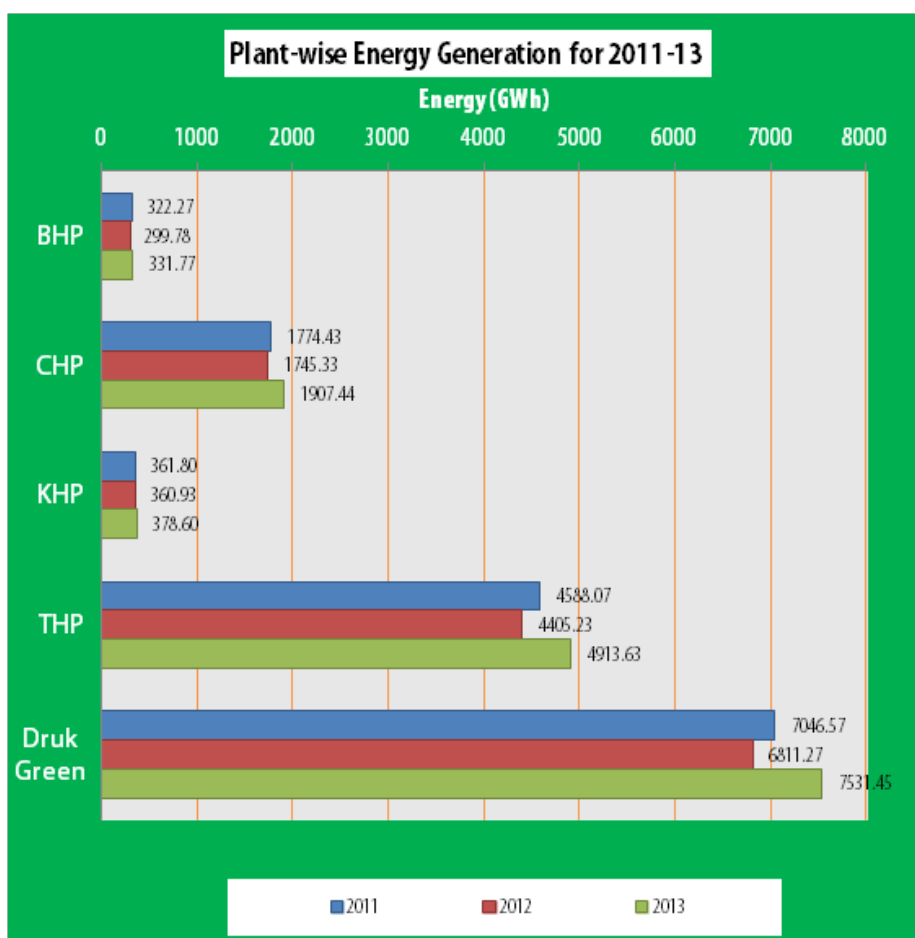
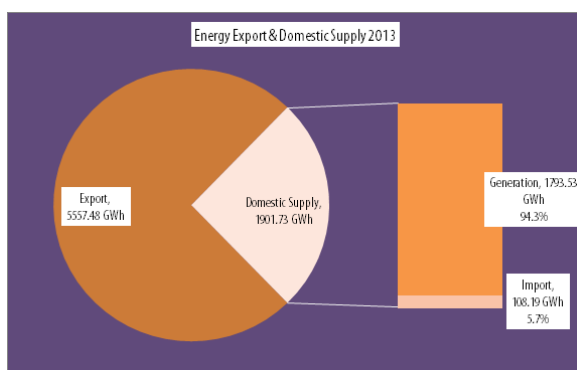
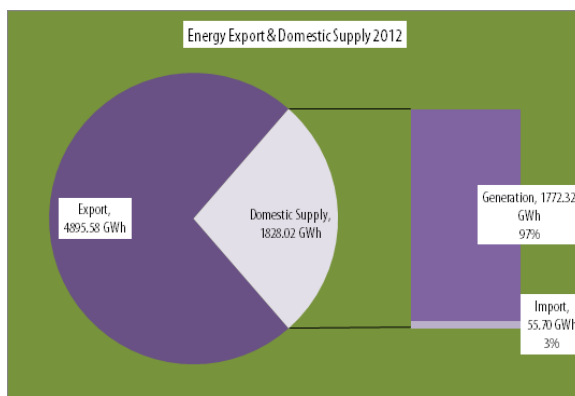
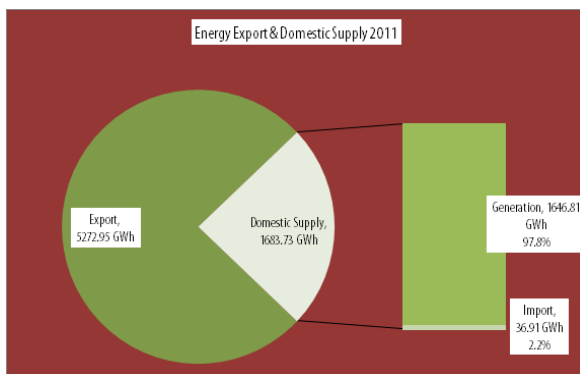


EXHIBIT 4: DRUK GREEN MONTHLY PLANT-WISE ENERGY EXPORT, IMPORT AND DOMESTIC SUPPLY FOR 2011-13

Month	2011											
	Export				Import				Domestic Supply			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
January	45.346	0.000	46.224	91.570	0.010	3.212	9.619	12.841	35.865	14.675	98.951	149.490
February	39.119	0.000	24.763	63.883	1.453	2.714	6.941	11.108	30.150	11.994	91.338	133.481
March	38.448	0.000	23.466	61.915	0.180	2.857	1.359	4.396	31.496	15.137	94.201	140.834
April	54.983	4.638	49.606	109.227	0.099	0.762	0.612	1.473	23.988	15.880	85.877	125.746
May	111.909	17.801	167.274	296.984	0.000	0.098	1.937	2.035	26.240	17.646	85.261	129.147
June	197.312	26.395	400.360	624.066	0.004	0.002	0.034	0.040	25.441	17.663	82.436	125.540
July	292.586	23.700	720.621	1,036.906	0.000	0.209	0.000	0.209	28.186	16.932	85.082	130.200
August	283.246	26.128	714.767	1,024.140	0.000	0.178	0.022	0.200	29.173	18.784	97.800	145.757
September	240.361	26.375	633.461	900.198	0.001	0.003	1.135	1.139	28.337	19.053	95.100	142.489
October	217.841	20.797	381.687	620.325	0.000	0.006	0.414	0.420	31.299	18.410	97.430	147.139
November	115.989	8.612	160.724	285.325	0.000	0.104	0.789	0.893	36.299	16.685	102.155	155.139
December	72.467	0.055	85.891	158.414	0.000	1.465	0.694	2.159	38.841	18.704	101.219	158.764
Total	1,709.607	154.500	3,408.845	5,272.952	1.747	11.610	23.555	36.912	365.314	201.562	1,116.850	1,683.727
	2012											
January	45.975	0.000	40.130	86.106	0.336	2.586	5.862	8.784	40.719	14.473	105.698	160.891
February	36.638	0.000	20.774	57.413	0.358	2.582	6.573	9.513	35.774	13.213	99.471	148.458
March	44.912	0.000	31.401	76.313	0.100	2.945	2.283	5.328	36.885	17.942	105.424	160.250
April	86.787	7.809	119.624	214.220	0.001	0.389	10.802	11.192	31.783	17.303	91.287	140.372
May	94.322	16.619	125.642	236.582	0.001	0.059	1.754	1.814	27.779	19.145	97.355	144.279
June	161.566	25.163	305.021	491.750	0.000	0.125	0.587	0.712	28.923	19.344	90.925	139.192
July	276.664	26.059	691.175	993.898	0.000	0.235	0.000	0.235	31.053	19.378	92.903	143.334
August	286.002	26.039	724.377	1,036.418	0.000	0.105	0.014	0.119	31.457	20.192	94.162	145.811
September	275.952	18.880	626.956	921.788	0.000	1.237	0.784	2.021	31.850	17.005	98.654	147.510
October	183.567	20.147	298.375	502.088	0.000	1.377	1.013	2.390	36.785	18.845	109.377	165.008
November	76.005	3.311	111.037	190.353	0.000	1.949	1.950	3.899	40.562	18.316	103.968	162.847
December	39.248	0.000	49.404	88.653	0.045	3.529	6.116	9.690	43.886	16.414	109.769	170.068
Total	1,607.638	144.027	3,143.916	4,895.581	0.841	17.118	37.740	55.699	417.455	211.571	1,198.993	1,828.019

Month	2013											
	Export				Import				Domestic Supply			
	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green	CHP	KHP	THP	Druk Green
January	16.956	0.000	17.996	34.952	1.691	6.034	8.119	15.844	44.021	18.844	107.977	170.842
February	21.561	0.000	11.143	32.704	0.524	4.891	22.646	28.061	37.763	14.161	98.536	150.459
March	37.843	0.000	19.362	57.206	0.297	6.554	4.995	11.846	34.640	19.970	113.700	168.310
April	77.218	1.962	105.777	184.958	0.002	1.686	3.489	5.177	33.324	19.685	103.461	156.470
May	147.199	22.221	255.175	424.596	0.001	0.028	2.066	2.095	33.456	17.282	107.702	158.440
June	251.698	25.862	543.435	820.995	0.000	0.877	0.168	1.045	31.738	18.582	101.835	152.156
July	261.177	30.491	717.623	1,009.291	0.001	1.598	0.001	1.600	32.099	17.051	104.561	153.712
August	288.052	28.528	712.105	1,028.685	0.000	3.763	0.000	3.763	25.489	19.278	104.610	149.377
September	266.840	27.915	512.659	807.415	0.002	3.380	0.001	3.383	24.694	17.610	102.920	145.224
October	242.479	22.709	444.013	709.201	0.000	3.238	0.048	3.286	36.445	20.507	97.077	154.029
November	120.984	6.864	177.138	304.985	0.012	10.725	1.865	12.602	40.878	19.519	104.016	164.414
December	66.950	0.000	75.547	142.497	0.087	15.284	4.120	19.491	44.728	21.553	112.014	178.295
Total	1,798.957	166.552	3,591.975	5,557.484	2.617	58.058	47.518	108.193	419.275	224.042	1,258.410	1,901.727

EXHIBIT 5: DRUK GREEN ENERGY EXPORT AND DOMESTIC SUPPLY FOR 2011-13


The energy import is required mainly to meet the domestic demand during the winter months when the energy generation is low and domestic demand is high. Some imports are also necessitated due to line conditions even when the generation is higher.

EXHIBIT 6: ENERGY UTILIZATION VIS-À-VIS ENERGY SOURCE IN %



AUDITORS' REPORT 2013

TO THE MEMBERS OF DRUK GREEN POWER CORPORATION LIMITED

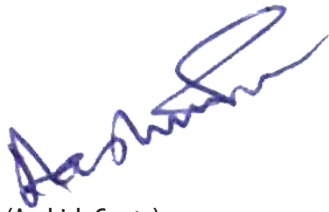
1. We report that we have audited the attached Statement of Financial Position of Druk Green Power Corporation Limited as at 31st December 2013 and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow of the Company for the year ended on that date and annexed thereto (hereinafter referred to as "financial statements") all of which we have signed under the reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 Company so far as appears from our examination of the books.
 - d The Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow 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 accounts.

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 and notes to 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 Statement of Financial Position, of the state of affairs as at 31st December 2013;
 - b In the case of Statement of Comprehensive Income of the Company profit for the year ended on that date;
 - c In the Statement of Changes in Equity of the Shareholder's equity as at 31st December 2013; and
 - d In the case of Statement of Cash Flow, of the movement of cash during the year ended on that date.

For T. R. Chadha & Co.
Firm Registration Number: 006711N
Chartered Accountants



(Aashish Gupta)
Partner
Membership No. 97343



Place: Gurgaon
Date: 06.06.2014

ANNEXURE TO AUDITORS' REPORT 2013

[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' 2013]

1. The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets. As per policy of the company, Physical verification of fixed assets is being carried out by the management in a phased manner, so that all items of fixed assets are physically verified in a period of three years.

Accordingly, the fixed assets were physically verified by the management during the year as per plan and no major material discrepancies were noticed and the same have been properly dealt with in the books of accounts.

2. The fixed assets of the company have not been revalued during the year.
3. As the company is engaged in the generation of electricity, there are no finished goods or raw materials. Physical verification of civil, mechanical and electrical stores and spare parts has been conducted during the year and no material discrepancies have been noticed. Certain items have been identified as unserviceable and the company has initiated necessary action for their valuation and disposal plans. However, these are fully provided for in the accounts.
4. In our opinion and according to information and explanation given to us, the procedures of physical verification of stock (stores and spares) followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. On the basis of our examination of the inventory records, in our opinion, the Company has maintained proper records for inventory except that the ageing of the stock lying prior to 1st June, 2011 cannot be ascertained. Discrepancies noticed on physical verification of inventory as compared to book records were not material.
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 is made regarding non-moving and slow moving items in inventory due to absence of information.
7. 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 Company.
8. According to the information and explanations given to us, the Company had granted unsecured loan of Nu 900 million to holding company during the year 2012 and the rate of interest and other terms and conditions of loans granted are prima facie were not prejudicial to the interest of the company. However, the loan granted to the holding company of Nu. 900 million was against the articles of incorporation of the company which does not allow granting loan for purposes other than hydro power projects.



9. There are no parties to whom the loans and advances have been given by the Company which are repayable with interest during the year.
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, in our opinion, internal control systems of the Company are generally commensurate with its size and the volume of business to ensure completeness, accuracy and reliability of accounting records, to carry out the business in an orderly and efficient manner, to safeguard the assets of the Company as well as to ensure adherence to the applicable rules/ regulations, systems and procedures.

The internal audits have been carried out at all plants & offices covering part of the year, the management needs to ensure that the internal audit for the entire year is completed.

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 Company and the nature of its business, for the purchase of goods and services including stores, plant and machinery, equipment and other assets. As the Company is engaged in electricity generation, it has no requirement of raw materials.
13. The Company sells its electricity generated to the Power Trading Corporation of India Limited (at rates fixed 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 the rates fixed by relevant authority appointed by the Royal Government of Bhutan).

Hence, in view of the above, the issue of competitive bidding for sale of goods and services, in our opinion, is not applicable to the Company.

According to the information and explanations given to us, the Company has entered into transactions of purchases and sale of electricity and services during the year in pursuance of contracts or arrangements entered into with the company in which the director(s) are directly or indirectly interested at the rates fixed by relevant authority appointed by the Royal Government of Bhutan.

Therefore, the rate at which these transactions have been entered into are not prima-facie prejudicial to the interest of the Company.

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

However, in our opinion, generally, there is an adequate system of ascertaining any losses in transmission, at the point of occurrence, for taking corrective actions.



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

The Statement of Energy Generation, Statement of Gross Energy Available for sale/use for the year 2013 and Statement of Gross Energy Available for sale/use for the year 2012 have been given in Exhibit 1, (1A, 1B, 1C, 1D), Exhibit 2, (2A, 2B, 2C, 2D) respectively.

- 17.** The Company is maintaining reasonable records for sale and disposal of realizable scrap. The Company does not generate any by-products.
- 18.** The Company has been generally regular in depositing rates and taxes, duties, provident fund and other statutory dues with the appropriate authorities. In our opinion, the provision for Corporate Tax is adequate and that necessary adjustments have been made to compute amount of tax required under the Rules on the Income Tax Act of the Kingdom of Bhutan – 2001.
- 19.** As explained to us, as on the last day of the financial year, there was no undisputed liability payable in respect of rates, taxes, duties, royalties and other statutory dues except as given in Note 17 of Notes to Accounts.
- 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 Company is engaged in generation of electrical energy from hydropower, this clause is not applicable to the Company. However, the Company has a reasonable system of recording receipts, issues and consumption of stores and allocating to the respective heads of accounts, which are commensurate with its size and nature of its business.
- 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 Company 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 Company.
- 25.** There is a reasonable system of authorization at proper levels and adequate systems of internal control commensurate with the size of the Company and the nature of its business, on issue of stores and allocation of materials to respective cost centers (i.e. job sites).
- 26.** Electricity generated by the Company 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 after considering the cost of production and market condition.



- 27.** In our opinion, the credit sales policy of the Company is reasonable and proper. As stated above in clause 26 of this Annexure, the question of credit rating of customers does not arise.
- 28.** Since the Company 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 Company 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 Company are lawful and intra-vires to its Articles of Incorporation.
- 32.** Investment decisions related with new projects 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 Company has a suitable budgetary control system.
- 34.** Since the Company is engaged in the generation of hydroelectricity, no input output relationship can be established. The Company does not have a system of standard costing but operational variances are analyzed at periodic intervals against budgeted norms.
- 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 Company, directly or indirectly, are disclosed in Para No. 19 of Schedule 24 of the Notes to the Accounts.
- 36.** In our opinion and on the basis of examination of books and records, generally the directives of the Board issued 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 directly or indirectly benefit themselves. We have however relied on the management assertion on the same and cannot independently verify the same.
- 38.** Computerized Accounting Environment:
- 1 The Company has introduced SAP from 1st June 2011 for accounting system along with the existing packages in some operations fields like accounting, payroll, inventory management system and personal information system. In our opinion, organizational and system development controls and other internal controls are appears to be adequate relative to the size and nature of computer installation of the Company.



- 2 In our opinion, the Company appears to have adequate measures and back up facilities commensurate with the size and nature of computer installation.
- 3 The operational controls in the Company are generally adequate to ensure correctness and validity of input data and output information.
- 4 According to the information and explanations given to us, measures to prevent unauthorized access to the computer installation and files are adequate.
- 5 The Company has a Disaster Recovery Plan (DRP) in place commensurate with the size and nature of business of the Company.

We suggest that an independent audit/review of IT environment/compliances of the company to be carried out.

39. General

- 1 **Going Concern Problems**
On the basis of the attached Financial Statements as at 31st December, 2013 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.
- 2 **Ratio Analysis**
Financial and Operational Results of the Company has been given in Exhibits–3-3A to this report.
- 3 **Compliance with the Companies Act of 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 Company Officials, the Company has generally complied with 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 Company and according to the information and explanations given to us, we have neither come across nor have we been informed of any non compliance to the Companies Act of the Kingdom of Bhutan 2000 (except as mentioned above) and the relevant laws under the Bhutan Electricity Act. In respect of compliance with other Acts prevalent in the Kingdom of Bhutan, we cannot comment on the same in the absence of any information provided to us in this matter. Management of the Company needs to establish proper and comprehensive compliance assurance systems for all such other applicable acts.



For T. R. Chadha & Co.
Firm Registration Number: 006711N
Chartered Accountants



(Aashish Gupta)
Partner
Membership No. 97343



Place: Gurgaon
Date: 06.06.2014

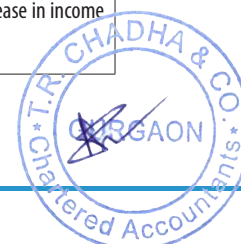
AUDIT FOR THE YEAR ENDED 31st DECEMBER, 2013

Ratio Analysis

Exhibit - 3

S.N	Particulars	2013	2012	Remarks
A Ratios for assessing financial health (In numbers)				
I	Debt Equity Ratio	0.33	0.38	The ratio has decreased due to decrease in the loan balance on account of repayment.
II	Current Ratio	0.89	0.79	The ratio has increased on account of increase in Sundry Debtors and expected maturities of long term investments.
III	Liquid Ratio	0.82	0.72	The ratio has increased on account of increase in current assets as against increase in current liabilities as compared to previous year.
IV	Fixed Assets to Equity	1.25	1.30	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	0.26	0.22	The ratio has increased due to decrease in Fixed Asset (Net Block) as against the increase in Turnover.
B Ratios for assessing profitability(In percentage)				
I	Return on Equity (%)	13.50	10.88	The ratio has increased due to increase in profit compared to the previous year.
II	Return on Capital Employed (%)	13.74	11.40	The ratio has increased on account of increase in profit compared to the previous year and decrease in the loan balance due to repayment.
III	Generation and Maintenance Expenses to Electricity Revenue (%)	10.60	9.09	The ratio has increased due to more than proportionate increase in Operation & Maintenance Expenses to that of increase in Electricity Revenue.
IV	Dividend to Share Capital (%)	15.60	12.00	The increase is mainly attributable to increase in income and share capital amount remaining the same.
V	Earning Per Share	172.18	137.08	The increase is mainly on account of increase in income due to higher generation and tariff revision for Chhukha Hydropower Plant.
C Ratios for assessing cash flow efficiency (in numbers)				
I	Cash flow turnover	0.59	0.68	The ratio has decreased as turnover increase did not result in corresponding increase in cash due to the arrear for Chhukha Hydropower Plant tariff revision with effect from 1st Jan 2013 is expected to be received in the year 2014 only.
II	Operation Index	1.43	1.77	The ratio has decreased as turnover increase did not result in corresponding increase in cash due to the arrear for Chhukha Hydropower Plant tariff revision with effect from 1st Jan 2013 is expected to be received in the year 2014 only.
III	Cash flow return on assets	0.16	0.15	The increase is mainly on account of increase in income due to higher generation.

Note: Due to compliances of BAS, the previous years figures have been regrouped wherever necessary



AUDIT FOR THE YEAR ENDED 31st DECEMBER, 2013

Ratio

Exhibit - 3A

PARTICULARS	2013	2012
DEBT EQUITY RATIO	0.33	0.38
Debt	12,638,691,266.12	14,626,165,102.41
Equity (Share Capital + Free Reserves)	38,722,438,632.62	38,229,844,430.82
CURRENT RATIO	0.89	0.79
Current asset	8,400,670,793.27	6,391,479,288.86
Current liabilities(including provisions)	9,428,360,295.78	8,047,440,221.65
LIQUID RATIO	0.82	0.72
Current assets	8,400,670,793.27	6,391,479,288.86
Less: Inventories	526,029,672.06	500,930,602.59
Less: Prepaid Expenses	68,659,433.22	41,338,242.37
Less: Advance to Supplier/Contractor	79,697,666.90	74,649,242.30
	7,726,284,021.09	5,774,561,201.60
Current liabilities	9,428,360,295.78	8,047,440,221.65
FIXED ASSETS (NB) TO EQUITY	1.25	1.30
Fixed assets	48,297,080,483.48	49,800,581,144.75
Equity	38,722,438,632.62	38,229,844,430.82
FIXED ASSETS (NB) TURNOVER	0.26	0.22
Fixed assets	48,297,080,483.48	49,800,581,144.75
Turnover	12,703,352,171.05	10,848,458,429.90
ROCE (%)	13.74	11.40
PBIT	8,422,406,896.40	6,995,520,096.71
Capital Employed (including long term loans)	61,292,172,534.52	61,350,019,806.52
GENERATION AND MAINTAINANCE EXPENSES TO ELECTRICITY REVENUE	10.60	9.09
Operation & Maintenance expenses (incl cost of Power purchased)	1,347,006,267.95	986,305,109.79
Electricity Revenue	12,703,352,171.05	10,848,458,429.90
DIVIDEND PERCENTAGE	15.60	12.00
Corporate dividend	4,760,297,742.66	3,659,592,524.74
Share Capital	30,508,291,000.00	30,508,291,000.00
ROE (%)	13.50	10.88
PAT	5,252,891,944.47	4,181,927,199.45
Total Shareholders Equity	38,912,438,632.62	38,419,844,430.82
EARNINGS PER SHARE	172.18	137.08
PAT	5,252,891,944.47	4,181,927,199.45
Average Outstanding Equity Shares	30,508,291.00	30,508,291.00
CASH FLOW EFFICIENCY RATIOS		
CASH FLOW TO TURNOVER	0.59	0.68
Cash from operation	7,518,334,568.55	7,410,514,336.03
Turnover	12,703,352,171.05	10,848,458,429.90
OPERATIONS INDEX	1.43	1.77
Cash from operation	7,518,334,568.55	7,410,514,336.03
PAT	5,252,891,944.47	4,181,927,199.45
CASH FLOW RETURN ON ASSETS	0.16	0.15
Cash from operation + Tax Paid + Interest Paid	9,679,454,951.00	9,062,934,621.34
Total Assets	61,292,172,534.52	61,350,019,806.52

Note: Due to compliances of BAS, the previous years figures have been regrouped wherever necessary.



STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2013

Particulars	Schedule No	Amount in Nu.	
		2013	2012
ASSETS			
Non- Current Assets			
Property, Plant & Equipment	1	47,594,306,383.93	49,386,193,897.50
Intangible Assets	1	56,955,578.48	74,435,806.89
Capital Work in Progress	1	645,818,521.07	339,951,440.36
Long-Term Investments	2	4,505,314,000.00	4,244,842,991.74
Long-Term Loans and Advances	3	-	900,000,000.00
Deferred Tax Asset	4	89,107,257.77	13,116,381.17
Total Non - Current Assets		52,891,501,741.25	54,958,540,517.66
Current Assets			
Cash and Bank Balance	5	194,355,398.07	174,527,471.87
Short Term Investments	6	2,696,800,000.00	2,456,000,000.00
Inventories	7	526,029,672.06	500,930,602.59
Sundry Debtors	8	1,992,876,302.74	1,369,115,694.12
Short Term Loans and Advances	9	2,550,595,026.85	1,630,154,208.96
Other Current Assets	10	440,014,393.55	260,751,311.32
Total Current Assets		8,400,670,793.27	6,391,479,288.86
TOTAL ASSETS		61,292,172,534.52	61,350,019,806.52
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share Capital		30,508,291,000.00	30,508,291,000.00
General Reserves		8,214,147,632.62	7,721,553,430.82
Group Investment Reserve		190,000,000.00	190,000,000.00
Total Shareholders' Equity		38,912,438,632.62	38,419,844,430.82
Non- Current Liabilities			
Long- Term Borrowings	11	12,638,691,266.12	14,626,165,102.41
Long Term Provisions	12	312,682,340.00	256,570,051.64
Total Non Current Liabilities		12,951,373,606.12	14,882,735,154.05



Particulars	Schedule No	Amount in Nu.	
		2013	2012
Current Liabilities			
Short - Term Borrowings	13	2,428,336,639.41	2,299,969,785.34
Short - Term Provisions	14	6,628,033,608.68	5,409,529,255.83
Other Current Liabilities	15	371,990,047.69	337,941,180.48
Total Current Liabilities		9,428,360,295.78	8,047,440,221.65
TOTAL LIABILITIES		22,379,733,901.90	22,930,175,375.70
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		61,292,172,534.52	61,350,019,806.52

Significant Accounting Policies & Notes on Accounts 24

This is the Statement of Financial Position referred to in our report of even date

Schedule referred to above form an integral part of the Accounts

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



(Aashish Gupta)
Partner
Membership No. 97343



(Dasho Karma Tshiteem)
Chairman, Druk Green & Secretary, GNHC



(Dasho Chhewang Rinzin)
Managing Director



(Ugyen Namgyal)
Director (Finance)

Date:-
Place:-



STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2013

Particulars	Schedule No	Amount in Nu.	
		2013	2012
Income			
Electricity Revenue	16	12,703,352,171.05	10,848,458,429.90
Interest Earned	17	286,109,304.09	256,670,696.10
Other Income	18	62,200,392.55	35,671,541.41
		13,051,661,867.69	11,140,800,667.41
Expenditure			
Operation and Maintenance Expenses	19	1,132,078,122.05	876,004,982.59
Employees' Remuneration and Benefits	20	707,667,725.46	677,388,738.06
Purchase of Energy	21	214,928,145.90	110,300,127.20
Interest on Borrowings	22	895,942,379.20	998,125,388.23
Depreciation		2,246,184,328.36	2,284,972,832.89
Other Expenses	23	337,144,308.04	196,013,148.79
		5,533,945,009.01	5,142,805,217.76
Operating Profit		7,517,716,858.68	5,997,995,449.65
Less:			
Prior Period Adjustments		(8,747,658.52)	600,741.17
Profit Before Tax		7,526,464,517.20	5,997,394,708.48
Deferred Tax (Income)/Expense		(75,990,876.60)	(13,116,381.17)
Income Tax for earlier years		31,150,366.14	25,204.40
Provision for tax		2,317,115,913.19	1,828,558,685.80
Profit for the Year		5,254,189,114.47	4,181,927,199.45
Other comprehensive income:			
Actuarial gains (losses) on defined benefit pension plans		(1,297,170.00)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,252,891,944.47	4,181,927,199.45



Particulars	Schedule No	Amount in Nu.	
		2013	2012
Appropriations			
Transfer to General Reserve		492,594,201.80	522,334,674.71
Proposed Dividend		4,760,297,742.66	3,659,592,524.74
		5,252,891,944.47	4,181,927,199.45

Significant Accounting Policies & Notes on Accounts 24

This is the Statement of Comprehensive Income referred to in our report of even date

Schedule referred to above form an integral part of the Accounts

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



(Aashish Gupta)
Partner
Membership No. 97343



(Dasho Karma Tshiteem)
Chairman, Druk Green & Secretary, GNHC



(Dasho Chhewang Rinzin)
Managing Director

Date: Gurgaon
Place: 06.06.2014




(Ugyen Namgyal)
Director (Finance)

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31ST DECEMBER 2013

Amount in Nu.

Particulars	Schedule No	2013	2012
Cash flow from operating activities			
Profit before taxation		7,525,167,347.20	5,997,394,708.48
Adjustment for:			
Depreciation		2,246,184,328.36	2,284,972,832.89
Foreign Exchange Loss		228,316,204.51	54,497,736.55
Investment Income		(286,109,304.09)	(256,670,696.10)
Interest Expenses		895,942,379.20	998,125,388.23
(Increase)/Decrease in Sundry Debtors		(623,760,608.62)	67,364,272.61
(Increase)/Decrease in Inventories		(25,099,069.47)	(92,454,732.31)
(Increase)/Decrease in Other Current Asset		(53,243,697.30)	225,227,659.12
(Increase)/Decrease in Loans and Advances		(20,440,817.89)	(27,350,828.28)
Increase/(Decrease) in Current Liabilities		(194,267,337.30)	(208,917,816.06)
Increase/(Decrease) in Provision		6,644,114.64	1,182,301.36
Increase/(Decrease) in Provision(Non Current)		56,112,288.36	32,680,176.02
(Increase)/Decrease in Deferred Tax Asset		(75,990,876.60)	(13,116,381.17)
Cash generated from Operation		9,679,454,951.00	9,062,934,621.34
Income Tax Paid		(2,161,120,382.45)	(1,652,420,285.31)
Net Cash from Operating Activities		7,518,334,568.55	7,410,514,336.03
Cash flow from investing activities			
(Increase)/Decrease in Fixed Asset		(742,683,667.09)	(536,917,905.63)
(Increase)/Decrease in Long Term Investment		(260,471,008.26)	(949,488,261.78)
(Increase)/Decrease in Short Term Investment		(240,800,000.00)	(192,289,452.05)
(Increase)/Decrease in Loans		-	(900,000,000.00)
Interest Received		160,089,919.16	202,928,819.17
Net Cash used in investing activities		(1,083,864,756.19)	(2,375,766,800.29)
Cash flow from financing activities			
Increase/(Decrease) in Reserve		(0.00)	0.01
Increase/(Decrease) in Long-Term Loan		(2,058,379,215.12)	(2,021,027,563.31)
Increase/(Decrease) in Short-Term Loan		134,038,440.62	(28,466,543.09)
Interest Paid		(830,708,586.92)	(918,856,140.96)
Dividend Paid		(3,659,592,524.74)	(3,435,635,920.93)
Net Cash used in financing activities		(6,414,641,886.16)	(6,403,986,168.28)



Particulars	Schedule No	Amount in Nu.	
		2013	2012
Net increase/(decrease) in cash and cash equivalents		19,827,926.20	(1,369,238,632.54)
Cash and cash equivalents at the beginning of the period		174,527,471.87	1,543,766,104.41
Cash and cash equivalents at the end of the period		194,355,398.07	174,527,471.87
Component of cash and cash equivalents:-			
Cash in Hand		596,195.84	1,055,446.29
Balances in Current Accounts with Banks		193,759,202.23	173,472,025.58
TOTAL		194,355,398.07	174,527,471.87

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

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



(Aashish Gupta)
Partner
Membership No. 97343



(Dasho Karma Tshiteem)
Chairman, Druk Green & Secretary, GNHC



(Dasho Chuwang Rinzin)
Managing Director

Date: Gurgaon
Place: 06.06.2014




(Ugyen Namgyal)
Director (Finance)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2013

Amount in Nu.

	Equity Share Capital	General Reserve	Retained Earnings	Group Investment	Total Equity
BALANCE AS AT 31 DECEMBER, 2011	30,508,291,000.00	7,389,218,756.11	-	-	37,897,509,756.11
Net profit for the year					
Net Profit/(Loss) for the year	-	-	4,181,927,199.45	-	4,181,927,199.45
Transfer to reserves					
Transfer to General Reserve	-	332,334,674.71	(522,334,674.71)	190,000,000.00	-
Transaction with the owners					
Payment of Dividend	-	-	(3,659,592,524.74)	-	(3,659,592,524.74)
BALANCE AS AT 31 DECEMBER, 2012	30,508,291,000.00	7,721,553,430.82	-	190,000,000.00	38,419,844,430.82
Net profit for the year					
Net Profit/(Loss) for the year	-	-	5,252,891,944.47	-	5,252,891,944.47
Transfer to reserves					
Transfer to General Reserve	-	492,594,201.80	(492,594,201.80)	-	-
Transaction with the owners					
Payment of Dividend	-	-	(4,760,297,742.66)	-	(4,760,297,742.66)
BALANCE AS AT 31 DECEMBER, 2013	30,508,291,000.00	8,214,147,632.62	-	190,000,000.00	38,912,438,632.62

This is the Statement of Changes in Equity referred to in our report of even date



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



(Dasho Karma Tshiteem)
Chairman, Druk Green & Secretary, GNHC



(Aashish Gupta)
Partner
Membership No. 97343



(Dasho Chhewang Rinzin)
Managing Director

Date: Gurgaon
Place: 06.06.2014



(Ugyen Namgyal)
Director (Finance)

SCHEDULE 1: PROPERTY, PLANT & EQUIPMENT, INTANGIBLE ASSET AND CAPITAL WORKS IN PROGRESS

Amount in Nu.

FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	NET BLOCK			
	Opening Balance as at 01/01/2013	Additions	Disposal	Book Adjustments	Gross Block as on 31.12.2013	During the year	Disposal	Adjustments	Closing balance as at 31.12.2013	NET BLOCK As at 31.12.2013	NET BLOCK As at 31.12.2012
TANGIBLE ASSETS											
Land and Land Development	150,361,052.74	-	-	-	150,361,052.74	-	-	-	-	150,361,052.74	150,361,052.74
CIVIL STRUCTURES											
Buildings	2,282,740,762.04	52,596,892.71	(1,327,996.31)	-	2,280,009,658.44	74,427,521.27	(677,333.59)	-	387,554,033.86	1,892,455,624.58	1,914,035,873.86
Walls & Fencings	105,687,300.89	12,200,914.19	(931,334.00)	62,773.25	117,019,668.33	3,560,103.47	(103,239.90)	22,941.29	15,549,052.19	101,470,602.14	93,616,053.56
Road & Culverts	2,706,887,213.15	7,733,511.28	(875,620.24)	-	2,713,145,104.19	90,268,288.98	(187,074.72)	-	406,367,271.57	2,806,777,382.62	2,370,000,697.94
Water Supply & Sanitation	225,142,461.19	2,120,447.91	(241,387.52)	-	227,020,921.58	7,482,157.99	(18,350.73)	-	34,501,493.56	192,519,428.02	198,104,806.43
Dam Complex-Civil	10,841,179,119.77	-	-	(62,773.25)	10,881,163,465.52	352,453,996.36	(2,294.29)	-	2,286,271,251.94	8,297,844,594.58	8,650,338,424.90
Power House Complex- Civil	5,520,417,626.80	-	-	-	5,520,417,626.80	183,829,906.97	-	-	1,179,823,476.18	4,340,594,148.62	4,524,624,055.59
Transmission Line- Civil	216,328.23	-	-	61,729.97	278,058.20	-	-	-	68,933.70	147,394.53	154,598.26
Switch Yard- Civil	139,900,726.02	-	-	-	139,900,726.02	4,645,374.14	-	-	35,490,333.32	104,070,412.70	108,715,786.84
Water Conductor System- Power House	23,346,692,743.82	-	-	-	23,346,692,743.82	784,104,868.37	-	-	3,945,860,162.31	19,600,832,581.51	20,384,937,449.88
Other Civil Structures	57,254,608.14	6,871,974.19	-	-	64,126,582.33	2,023,371.31	-	-	8,228,601.41	56,197,980.92	51,349,378.04
PLANT AND MACHINERY											
Trench Cleaning Equipments	173,975,828.11	-	(4,703,844.03)	-	169,271,984.08	5,712,715.86	(1,233,077.49)	-	35,691,539.56	133,880,444.52	142,743,926.92
Gates	872,778,150.28	-	(1,691,042.88)	-	871,087,107.40	26,554,518.49	(338,220.17)	-	365,549,894.75	505,537,213.25	533,455,835.85
Generators	3,542,619,631.20	3,677,361.55	-	-	3,546,297,032.75	118,228,620.87	-	-	1,119,789,929.27	2,422,829,701.93	2,541,058,332.21
Excitation Systems	367,367,361.55	-	-	-	367,367,361.55	11,800,744.87	-	-	117,721,220.54	249,546,141.01	261,376,885.88
Governing Systems	335,537,221.61	-	-	-	335,537,221.61	11,173,388.92	-	-	109,379,570.64	226,157,650.97	237,331,039.89
Turbines	3,194,552,753.17	11,718,293.58	-	-	3,206,271,046.75	101,532,665.91	-	-	1,111,265,872.77	2,095,005,174.98	2,184,819,543.31
Runners	574,117,813.04	203,844,571.92	-	-	777,962,384.96	141,695,335.80	-	-	389,860,935.08	388,001,448.88	325,852,220.76
Oil Handling Systems	72,728,361.19	-	-	-	72,728,361.19	2,406,869.35	-	-	27,277,482.78	45,000,878.41	47,407,747.76
Control & Conditioning Monitoring Systems	296,114,628.64	23,139,346.87	-	-	319,253,975.51	10,050,457.52	-	-	91,859,043.94	227,394,931.57	214,306,042.22
Control & Protection Panels	730,609,727.81	-	-	-	730,609,727.81	24,192,571.11	-	-	241,829,215.85	488,780,511.96	517,293,085.07
Pumps & Motors	225,451,129.04	55,396,077.67	-	-	280,847,206.71	7,505,810.28	(61,254.35)	-	62,840,628.60	162,611,236.89	170,817,056.37
Transformers	917,059,693.95	-	-	-	917,059,693.95	30,083,187.01	-	-	277,722,611.09	639,337,082.86	669,420,639.87
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60	2,866,764.51	-	-	233,335,024.21	61,754,000.39	64,620,764.90
Gas Insulated Switch Gears	919,274,833.05	-	-	-	919,274,833.05	30,590,481.88	-	-	203,632,971.97	715,641,861.08	746,232,097.96
Valves	965,084,409.78	-	-	-	965,084,409.78	30,911,337.11	-	-	326,948,438.83	638,135,970.95	669,047,238.06
Switchyard	4,841,874.00	-	-	-	4,841,874.00	16,234.40	-	-	1,069,914.86	3,771,959.14	3,933,193.54
Electro-Mechanical-Others	1,608,168,071.16	39,380,232.55	(2,428,847.60)	-	1,645,019,456.11	47,700,215.95	(1,851,114.86)	-	600,493,276.06	1,044,526,272.06	1,053,532,897.20
Machinery	233,410,260.88	12,897,837.31	(1,801,687.00)	-	244,506,411.19	31,395,181.01	(1,801,684.00)	-	182,959,973.12	61,546,438.07	80,047,844.77
TOOLS & SAFETY EQUIPMENTS											
Tools and Plants	219,647,753.05	17,447,574.18	(2,283,825.94)	(1,990.00)	244,766,511.29	19,755,596.86	(1,788,918.32)	-	129,771,557.11	115,046,954.18	117,283,387.60
Fire Fighting and Safety Equipments	78,248,827.98	4,792,024.12	(1,170,775.64)	24,000.00	81,894,076.46	48,099,701.82	(1,052,039.40)	-	52,658,258.95	29,235,817.51	30,149,126.16
OTHER ASSETS											
Office Equipment	92,883,503.37	13,652,234.72	(4,500,609.65)	(593,740.00)	101,341,390.44	53,883,537.71	(4,044,383.79)	(166,645.57)	64,100,418.39	37,239,972.05	38,899,967.66
Furniture & Fixtures	37,656,280.93	8,526,565.08	(1,751,721.16)	-	44,431,124.85	21,453,965.55	(1,640,411.52)	-	22,446,365.41	21,784,761.44	16,002,315.38
Vehicles	205,450,697.67	4,142,772.95	(7,065,086.44)	657,730.00	203,166,114.18	117,123,858.62	(7,005,879.04)	187,317.90	131,447,417.53	17,448,696.65	88,308,939.05
Illumination System	202,905,287.65	908,447.82	-	-	203,813,735.47	6,617,932.28	-	-	75,657,105.82	127,456,629.65	133,166,111.11
Information and Technology	103,131,281.65	7,416,842.20	(5,604,201.27)	(24,000.00)	104,939,922.58	44,119,586.63	(5,062,538.97)	-	56,812,331.91	48,107,598.67	5,901,169.02
General Assets	30,759,093.39	5,988,957.43	(1,053,497.44)	(62,000.00)	35,612,553.38	13,744,926.56	(973,863.25)	(2,067.233)	17,876,881.74	17,735,671.64	17,014,166.83
Less: Provision for Losses	61,363,762,192.54	435,259,932.01	(37,563,340.07)	-	61,761,458,384.48	2,230,454,772.12	(27,869,524.10)	-	14,160,970,389.27	47,600,787,995.21	49,405,077,051.29
Net Assets	61,363,762,192.54	435,259,932.01	(37,563,340.07)	-	61,761,458,384.48	2,230,454,772.12	(27,869,524.10)	-	14,160,970,389.27	47,594,306,383.93	49,386,193,897.50
INTANGIBLE ASSETS											
Information and Technology	95,863,334.25	2,929,415.63	(10,019.00)	-	98,782,730.88	20,406,929.29	(7,304.25)	-	41,827,152.40	56,955,578.48	7,443,806.89
Less: Provision for Losses	95,863,334.25	2,929,415.63	(10,019.00)	-	98,782,730.88	20,406,929.29	(7,304.25)	-	41,827,152.40	56,955,578.48	7,443,806.89
CAPITAL WORKS IN PROGRESS											
Capital Works in Progress	339,951,140.36	413,129,970.59	(6,669,210.60)	(100,599,679.28)	645,812,521.07	-	-	-	-	645,812,521.07	339,951,140.36
Less: Provision for Losses	339,951,140.36	413,129,970.59	(6,669,210.60)	(100,599,679.28)	645,812,521.07	-	-	-	-	645,812,521.07	339,951,140.36
Total	339,951,140.36	413,129,970.59	(6,669,210.60)	(100,599,679.28)	645,812,521.07	2,230,454,772.12	(27,869,524.10)	-	14,160,970,389.27	645,812,521.07	339,951,140.36

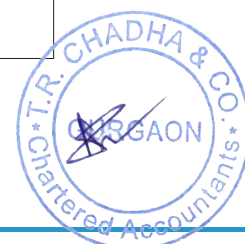
Note: The total depreciation, Nu. 3,498,294.59 was booked to AUCS.



Particulars	Amount in Nu.	
	2013	2012
SCHEDULE 2: LONG-TERM INVESTMENTS		
Long Term Investment in Non Government Bonds	1,293,539,000.00	1,293,539,000.00
Equity Investment in DHI Infra Ltd (1,900,000 equity shares of Nu. 100 each)	190,000,000.00	190,000,000.00
Equity Investment in Dagachhu Hydropower Corporation Limited. (2,437,880 equity shares of Nu. 1000 each, fully paid up as at 31.12.2013)	2,437,880,000.00	1,976,132,991.74
Equity Investment in Bhutan Hydropower Services Limited. (2,550,000 equity shares of Nu. 100 each, called amount Nu. 68.36)	174,318,000.00	55,794,000.00
Fixed Deposit:		
Bhutan National Bank	-	228,000,000.00
Gratuity Fund with Bhutan National Bank	109,577,000.00	201,377,000.00
Bhutan Development Bank	300,000,000.00	300,000,000.00
	4,505,314,000.00	4,244,842,991.74
SCHEDULE 3: LONG-TERM LOANS AND ADVANCES		
Loan to Druk Holding & Investments	-	900,000,000.00
		900,000,000.00
SCHEDULE 4: DEFERRED TAX ASSETS		
Deferred Tax Assets	89,107,257.77	13,116,381.17
	89,107,257.77	13,116,381.17
SCHEDULE 5: CASH & BANK BALANCES		
Cash in Hand	596,195.84	1,055,446.29
Balances with Banks in Current Accounts:		
Bank of Bhutan	168,003,762.41	118,596,661.09
Bhutan National Bank	2,645,992.47	31,291,324.37
Bhutan National Bank(Gratuity A/c)	20,930,894.80	22,603,567.95
Druk PNB	2,103,959.15	799,389.22
Tashi Bank	38,783.61	145,273.16
Central Bank of India	35,809.79	35,809.79
	194,355,398.07	174,527,471.87



Particulars	Amount in Nu.	
	2013	2012
SCHEDULE 6: SHORT TERM INVESTMENTS		
Fixed Deposit (Tashi Bank)	-	100,000,000.00
Fixed Deposit (Bhutan National Bank)	228,000,000.00	2,191,000,000.00
Fixed Deposit (Gratuity Fund with BNB)	113,800,000.00	-
Fixed Deposit (Bank of Bhutan)	2,355,000,000.00	155,000,000.00
Fixed Deposit (BDBL)	-	10,000,000.00
	2,696,800,000.00	2,456,000,000.00
SCHEDULE 7: INVENTORIES		
Stores & spares	527,995,913.16	503,014,952.59
	527,995,913.16	503,014,952.59
Less:		
Provision for Obsolescence	(1,966,241.10)	(2,084,350.00)
	526,029,672.06	500,930,602.59
SCHEDULE 8 : SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD AND LESS THAN 6 MONTHS)		
Sundry Debtors - Bhutan Power Corporation	652,356,220.06	814,379,410.50
Sundry Debtors - Power Trading Corporation Limited	1,340,520,082.68	554,736,283.62
	1,992,876,302.74	1,369,115,694.12
SCHEDULE 9: SHORT TERM LOANS AND ADVANCES		
Staff Advance	2,897,359.95	5,504,966.66
Advance to Supplier/contractor	79,697,666.90	74,649,242.30
Advance-Dividend	1,568,000,000.00	1,550,000,000.00
Loan to Druk Holding & Investments	900,000,000.00	
	2,550,595,026.85	1,630,154,208.96
SCHEDULE 10: OTHER CURRENT ASSETS		
Prepaid Expenses	68,659,433.22	41,338,242.37
Deposits- Miscellaneous	3,450,246.46	2,563,231.84
Other receivables	44,750,440.03	18,686,028.20
Accrued Interest on Investment	324,183,193.84	198,163,808.91
	441,043,313.55	260,751,311.32
Less:		
Provision For Doubtful Debts	(1,028,920.00)	-
	440,014,393.55	260,751,311.32



Particulars	Amount in Nu.	
	2013	2012
SCHEDULE 11: LONG - TERM BORROWING (UNSECURED)		
Government of India Loan	5,252,078,841.59	6,705,098,551.97
Interest Accrued During Project Construction Phase	3,857,312,206.23	4,656,677,966.81
Government of Austria Loan	1,488,648,627.26	1,633,973,489.98
Loan from Asian Development Bank	1,855,761,675.99	1,516,430,557.43
Interest Accrued but not due (greater than one year)	184,889,915.05	113,984,536.22
Note: The above loans are payable by the company to the Royal Government of Bhutan which in turn shall pay to respective lenders		
	12,638,691,266.12	14,626,165,102.41
SCHEDULE 12: LONG TERM PROVISIONS		
Provision for Gratuity	312,682,340.00	256,570,051.64
	312,682,340.00	256,570,051.64
SCHEDULE 13: SHORT - TERM BORROWING*		
Government of India Loan	1,453,019,710.37	1,453,019,710.37
Interest Accrued During Project	799,365,760.58	665,327,319.96
Government of Austria Loan	145,324,862.72	145,324,862.72
Interest accrued but not due on loans	30,626,305.74	36,297,892.29
*Repayment due within one year	2,428,336,639.41	2,299,969,785.34
SCHEDULE 14: SHORT - TERM PROVISIONS		
Provision for Corporate Income Tax	1,849,149,256.01	1,737,994,235.73
Proposed Dividend	4,760,297,742.66	3,659,592,524.74
Gratuity Payable	18,586,610.00	11,942,495.36
	6,628,033,608.68	5,409,529,255.83
SCHEDULE 15: OTHER CURRENT LIABILITIES		
Security Deposit- Suppliers & Others	41,921,321.43	26,994,235.15
Sundry Creditors	177,052,179.71	144,753,427.05
Outstanding Liabilities to contractors	6,899,527.88	32,854,836.95
Outstanding Liabilities for expenses	42,575,049.91	45,731,858.13
Leave Encashment Payable	31,534,692.90	27,810,163.78
Provision for Bonus	50,486,303.14	48,606,388.53
Provision for Audit Fees & Expenses	350,000.00	350,000.00
Sundry Liabilities	20,830,465.92	10,790,546.34
Tax Deducted at Source - Payable	340,506.80	49,724.55
	371,990,047.69	337,941,180.48



Particulars	Amount in Nu.	
	2013	2012
SCHEDULE 16: ELECTRICITY REVENUE		
Export Revenue		
Power Trading Corporation Ltd	11,669,911,228.98	9,824,833,840.36
Domestic Revenue		
Bhutan Power Corporation Ltd	1,032,897,194.07	1,022,999,807.54
From Staff & Other Private Parties	543,748.00	624,782.00
	12,703,352,171.05	10,848,458,429.90
SCHEDULE 17: INTEREST EARNED		
Interest on short term Deposits	72,173,754.31	103,927,262.08
Interest on long term Deposits	127,820,307.75	67,786,198.15
Interest on Government Bonds	86,115,242.03	84,957,235.87
	286,109,304.09	256,670,696.10
SCHEDULE 18: OTHER INCOMES		
House Rent Recovered- Employee/Others	13,516,275.25	13,660,327.71
Miscellaneous Receipts	44,546,061.67	21,353,413.70
Profit on sale/discard of Assets (Net)	3,937,255.63	-
Sale of Tender forms	200,800.00	657,800.00
	62,200,392.55	35,671,541.41
SCHEDULE 19: OPERATION & MAINTENANCE EXPENSES		
Wheeling charges	622,983,112.26	548,171,915.28
R&M Civil Structures	86,774,582.56	37,407,816.25
R&M Electro-Mechanical	208,357,941.23	93,138,930.12
R&M Vehicles	63,146,675.52	46,577,410.34
R&M-Fire Fighting & Safety	4,544,740.01	1,707,827.56
R&M-Office Equipments	1,513,632.98	1,150,068.63
R&M-Information Technology	26,037,053.23	21,596,565.80
Insurance	118,720,384.26	126,254,448.61
	1,132,078,122.05	876,004,982.59



Particulars	Amount in Nu.	
	2013	2012
SCHEDULE 20: EMPLOYEES REMUNERATION & BENEFITS		
Salaries and Wages	372,178,532.51	368,394,643.84
Employer's Contribution to Provident Fund	31,960,439.92	31,814,824.29
Bonus	50,315,699.42	46,701,301.98
Incentive/Honorarium	46,427,121.53	48,674,568.01
Staff Welfare Expenses	4,356,504.42	3,955,007.93
Medical Expenses	2,240,563.70	890,866.16
Gratuity Expenses	70,464,360.36	44,428,811.22
Leave Encashment	27,987,755.34	27,752,693.26
Terminal Benefits	926,090.43	799,774.90
Professional Training	68,905,656.49	72,640,628.70
Liveries	8,421,956.90	6,531,330.66
Leave Travel Concession	21,029,298.36	20,961,261.80
GPA- Insurance	3,750,916.08	3,843,025.31
	708,964,895.46	677,388,738.06
SCHEDULE 21: PURCHASE OF ENERGY		
Purchase of Electricity from PTC	214,928,145.90	110,300,127.20
	214,928,145.90	110,300,127.20
SCHEDULE 22: INTEREST ON BORROWING		
Interest to Government of India	705,093,463.32	840,038,947.03
Interest to Government of Austria	104,745,716.07	113,465,207.82
Interest to Asian Development Bank	52,559,912.19	44,621,233.38
Interest on Short-Term Borrowing	33,543,287.62	-
	895,942,379.20	998,125,388.23



Particulars	Amount in Nu.	
	2013	2012
SCHEDULE 23: OTHER EXPENSES		
Travel	29,459,582.67	29,481,337.68
Entertainment	6,052,735.84	7,263,462.77
Electricity	11,413,503.10	9,748,497.30
Advertisement and Publicity	1,727,976.20	3,785,705.80
Telephone and Fax	7,900,085.52	13,044,881.27
Postage and Telegram	233,129.24	293,244.58
Printing and Stationery	7,418,249.22	6,030,221.85
Licence Fee	12,871,231.73	6,677,633.80
Rates and Taxes	79,815.47	3,016.44
Bank Charges	393,427.19	2,714,794.10
Audit Fees & Expenses	850,434.50	519,488.50
Corporate Social Responsibility	7,128,539.94	15,598,085.82
Directors' Sitting Fees	550,000.00	650,000.00
Board Meeting Expenses	326,185.00	573,250.00
Books & Periodicals	83,650.90	253,851.40
Loss on Disposal of Assets	4,006,536.60	25,494,767.24
Consultancy Charges	4,157,507.00	4,559,660.00
Rent	7,134,774.95	3,377,800.05
Obsolete stores/spares	240,104.30	2,794,519.90
Foreign Exchange Gains/Loss	228,316,204.51	54,497,736.55
Profit on sale/discard of Assets (Net)	-	5,244,521.85
Other Expenses	6,800,634.16	3,406,671.89
	337,144,308.04	196,013,148.79



SCHEDULE 24

Nature of Operations

- A.** 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 Bhutanese Accounting Standards and the relevant provisions of the Companies Act of the Kingdom of Bhutan, 2000, and ongoing 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. In compliance of Bhutanese Accounting Standards in material respects, there is a significant impact on presentation and disclosures in the financial statements. The Company has also reclassified the previous figures in accordance with the requirements applicable in the current year.

The preparation of financial statements in conformity with Bhutanese Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent 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. 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 incurred including provision for outstanding bills up to the date of the Financial Statement.

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.

3. Depreciation

Depreciation on fixed assets is provided on straight-line method at the rates provided in the Tariff Determination Regulation, 2007 of Bhutan Electricity Authority considering the useful lives of the assets.

The depreciation for the fixed assets 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.



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

4. Investment

Long-term investments are stated at costs and 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 rates whichever is less, on individual investment basis.

5. Inventory

- i. Inventories are valued at lower of cost or net realizable value.
- ii. Cost is calculated on Weighted Average Price Method and comprises expenditure incurred in the normal course of business in bringing such inventories to its present location.
- 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.

6. 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.

Interest

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

Other Revenue

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

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.



7. 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

- ii. Gratuity is provided on the basis of actuarial valuation.
- iii. Leave encashment is provided for in the financial statements on accrual basis.

8. 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.

9. 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. Contingent liabilities however have been disclosed in the Notes to Accounts.

10. Income Tax

Current Tax is determined in respect of taxable income for the year based on applicable rates and laws. Deferred tax is recognized, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized on unabsorbed depreciation and carry forward of losses based on virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11. 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.

12. Expenditure on new projects and substantial expansion

Expenditure on material, labor 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 capitalized and charged off to the Profit and Loss account.

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



NOTES TO ACCOUNTS

1. The company is a wholly owned subsidiary company of Druk Holding and Investments (DHI) and ultimate subsidiary of Ministry of Finance, Royal Government of Bhutan.
2. The authorized share capital of the Company is Nu. 50,000 million (50,000,000 equity share @ Nu. 1,000 per share) and as of the report date, the total subscribed and paid up capital is Nu. 30,508.29 million (30,508,291 equity share @ Nu. 1,000 per share).

The Company presents separate financial statements for all the Hydropower Plants and share capital of the company is subdivided amongst the Hydropower Plants for maintenance of information on the performance and financing structure of each Hydropower Plant. The Hydropower Plants operates as profit centre of DGPC and does not have a legal existence of their own.

3. The Licensed and the Installed Capacity of Hydropower Plants under DGPC are as below,

PLANTS	LICENCED CAPACITY (MW)	INSTALLED CAPACITY (MW)
Basochhu Hydropower Plant	64	64
Chhukha Hydropower Plant	336	336
Kurichhu Hydropower Plant	60	60
Tala Hydropower Plant	1,020	1,020

4. Dagachhu Hydro Power Corporation Limited is a subsidiary company, where the Company has 59% stake along with 26% of Tata Power Company Limited and 15% by National Pension & Provident Fund (NPPF). The Company has been allotted and fully paid up 2,437,880 equity shares of Nu 1,000 each in this regard till 31st December, 2013.
5. Bhutan Hydropower Services Limited (BHSL) was formed as a joint venture between DGPC and ALSTOM Hydro Holding vide agreement dated 6th June, 2012 with 51% and 49% equity shareholding respectively. DGPC has been allotted with 2,550,000 Equity shares of Nu. 100 each in this regard as per the stake. Nu. 68.36 (previous year Nu. 21.88) has been called up in respect of shares till 31.12.2013 and Nu. 31.64 remains uncalled on each share (Uncalled amount Nu. 80.68 million).
6. Loan amounting to Nu. 900 million was provided to DHI (Holding Company) at interest rate of 8% per annum vide loan agreement dated 20th September, 2012 with full repayment to be made on August 2014.
7. Bhutan Electricity Authority (BEA) vide its letter No. BEA/ECO/TARIFF/2013-2014/262 dated 15th October, 2013 and BEA/ECO/TARIFF/2013-2014/263 dated 15th October, 2013 approved for revision in domestic tariff for additional energy from Nu. 1.20/kWh to Nu. 1.39/kWh and wheeling charge from Nu.0.111/kWh to Nu. 0.114 respectively, applicable with effect from 1st October, 2013 to 30th June, 2016. The rates for energy imported and billed to BPC were revised from Nu. 1.86/kWh to Nu. 1.98kWh.



8. During 2013, the export tariff for Chukha was revised from Nu. 2.00/kWh to Nu. 2.25/ kWh applicable from 1st January 2013 for a four year period, valid until 31st December, 2016. The revision in tariff attributed to additional revenue of Nu. 450.39 million for 2013.
9. The company had, with effect from 1st January, 2011, adopted International Accounting Standard 19, Employee Benefits, issued by the International Accounting Standard Board and BAS 19 Employee Benefits with effect from 2013.



DEFINED BENEFIT PLANS

Valuation in respect of Gratuity has been carried out by independent actuary, Towers Watson, Kolkata, India. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The disclosures as provided by the actuary are as given below.

The table below shows a summary of the key results for the year ended 31 December 2013. The amounts are expressed in Bhutan Currency Ngultrum (BTN).

Assets/Liabilities	1-Jan-13	31-Dec-13
	BTN Thousands	BTN Thousands
1 Defined benefit obligation (DBO)	268,512.55	331,268.95
2 Fair value of plan assets (FVA)	237,102.81	302,497.00

Defined Benefit Cost	Year ended 31 December 2013
	BTN Thousands
1 Service Cost	23,185.05
2 Defined Benefit Cost recognised in P&L	27,873.97
3 Re-measurements recognised in Other Comprehensive Income (OCI) Loss/(Gains)	1,297.17

TABLE 1

Druk Green Power Corporation Limited

Gratuity Scheme

Actuarial Calculations under IAS 19, rev. 2011

Disclosure of Defined Benefit Cost for the year ending 31 December 2013

Local currency - BTN Thousands



A Profit & Loss (P&L)	2013	2012
1 Current service cost	23,185.05	22,149.01
2 Past service cost - plan amendments	0.00	0.00
3 Curtailment cost / (credit)	0.00	0.00
4 Settlement cost / (credit)	0.00	0.00
5 Service cost	23,185.05	22,149.01
6 Net interest on net defined benefit liability / (asset)	4,688.92	5,302.10
7 Immediate recognition of (gains)/losses – other long term employee benefit plans	0.00	0.00
8 Cost recognized in P&L	27,873.97	27,451.11

B Other Comprehensive Income (OCI)	2013	2012
1 Actuarial (gain)/loss due to liability experience	66,673.78	35,199.74
2 Actuarial (gain)/loss due to liability assumption changes	(37,442.06)	12,742.69
3 Actuarial (gain)/loss arising during period	29,231.72	47,942.43
4 Return on plan assets (greater)/less than discount rate	(27,934.55)	24,776.57
5 Unrecognized Actuarial Loss recognized in Retained Earnings	0.00	0.00
6 Actuarial (gains)/ losses recognized in OCI	1,297.17	72,719.00
7 Adjustment for limit on net asset	0.00	0.00

C Defined Benefit Cost	2013	2012
1 Service cost	23,185.05	22,149.01
2 Net interest on net defined benefit liability / (asset)	4,688.92	5,302.10
3 Actuarial (gains)/ losses recognized in OCI	1,297.17	72,719.00
4 Immediate recognition of (gains)/losses – other long term employee benefit plans	0.00	0.00
5 Defined Benefit Cost	29,171.14	100,170.11

D Assumptions used to determine Defined benefit Cost	2013	2012
1 Discount Rate	8.00%	8.00%
2 Rate of salary increase	10.50%	10.50%



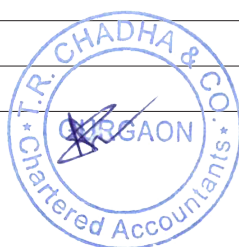
TABLE 2

A Development of Net Balance Sheet Position	2013	2012
1 Defined benefit obligation (DBO)	(331,268.95)	(268,512.55)
2 Fair value of plan assets (FVA)	302,497.00	237,102.81
3 Funded status [surplus/(deficit)]	(28,771.95)	(31,409.74)
4 Effect of Asset ceiling	0.00	0.00
5 Net defined benefit asset/ (liability)	(28,771.95)	(31,409.74)

B Reconciliation of Net Balance Sheet Position	2013	2012
1 Net defined benefit asset/ (liability) at end of prior period	(31,409.74)	1,370.16
2 Service cost	(23,185.05)	(22,149.01)
3 Net interest on net defined benefit liability/ (asset)	(4,688.92)	(5,302.10)
4 Amount recognised in OCI	(1,297.17)	(72,719.00)
5 Employer contributions	20,000.00	56,577.00
6 Benefit paid directly by the Company	11,942.50	10,813.21
7 Acquisitions credit/ (cost)	(133.57)	-
8 Divestitures	0.00	0.00
9 Unrecognised Actuarial Loss recognised in Retained Earnings	0.00	0.00
10 Net defined benefit asset/ (liability) at end of current period	(28,771.95)	(31,409.74)

TABLE 3

A Change in Defined Benefit Obligation (DBO)	2013	2012
1 DBO at end of prior period	268,512.55	192,825.27
2 Current service cost	23,185.05	22,149.01
3 Interest cost on the DBO	22,148.56	16,409.05
4 Curtailment (credit)/ cost	0.00	0.00
5 Settlement (credit)/ cost	0.00	0.00
6 Past service cost - plan amendments	0.00	0.00
7 Acquisitions (credit)/ cost	133.57	0.00
8 Actuarial (gain)/loss – experience	66,673.78	35,199.74
9 Actuarial (gain)/loss - demographic assumptions	182.79	12,742.69
10 Actuarial (gain)/loss - financial assumptions	(37,624.85)	-
11 Benefits paid directly by the Company	(11,942.50)	(10,813.21)
12 Benefits paid from plan assets	0.00	0.00
13 DBO at end of current period	331,268.95	268,512.55



B Change in Fair Value of Assets	2013	2012
1 Fair value of assets at end of prior period	237,102.81	194,195.43
2 Acquisition adjustment	0.00	0.00
3 Interest income on plan assets	17,459.64	11,106.95
4 Employer contributions	20,000.00	56,577.00
5 Return on plan assets greater/(lesser) than discount rate	27,934.55	(24,776.57)
6 Benefits paid	0.00	0.00
7 Fair Value of assets at the end of current period	302,497.00	237,102.81

TABLE 4

A Expected benefit payments for the year ending	2013
1 December 31, 2014	18,586.61
2 December 31, 2015	20,330.19
3 December 31, 2016	26,746.01
4 December 31, 2017	27,703.17
5 December 31, 2018	31,878.17
6 December 31, 2019 to December 31, 2023	219,659.87

B Weighted average duration of defined benefit obligation	11 Years
--	----------

C Accrued Benefit Obligation at 31 December 2013	140,980.24
---	------------

D Plan Asset Information	Percentage
1 Asset Allocation	0.00
2 Government of Bhutan Securities (Central and State)	0.00
3 High quality corporate bonds (including Public Sector Bonds)	0.00
4 Equity shares of listed companies	0.00
5 Property	0.00
6 Cash (including Special Deposits)	100.00
7 Other (including assets under Schemes of Insurance)	0.00
Total	100.00



TABLE 5

A Discount Rate	2013
1 Discount Rate as at 31 December 2013	8.50%
2 Effect on DBO due to 0.5% increase in Discount Rate	(16,808.89)
3 Effect on DBO due to 0.5% decrease in Discount Rate	18,242.40

B Salary escalation rate	2013
1 Salary escalation rate as at 31 December 2012	10.00%
2 Effect on DBO due to 0.5% increase in Salary escalation rate	17,920.18
3 Effect on DBO due to 0.5% decrease in Salary escalation rate	(16,680.55)

10. Related Party Disclosures

A. Related parties and transactions with them as identified by the Management are given below:

- a Holding Company - Druk Holding and Investments (DHI)
- b Subsidiary Companies
 - 1. Dagachhu Hydropower Corporation Limited (DHPC)
 - 2. DHI Infra Limited.
 - 3. Bhutan Hydropower Services Limited (BHSL)
- c Key Management Personnel.
 - 1. Dasho Karma Tshiteem (Chairman)
 - 2. Dasho Yeshe Wangdi (Director)
 - 3. Dasho Bharat Tamang (Director)
 - 4. Kinga Tshering (Director) Resigned in 2013
 - 5. Choiten Wangchuk (Director)
 - 6. Sonam Lhundrup (Director)
 - 7. Lhaden Pem (Director)
 - 8. Dasho Chhewang Rinzin (Managing Director)
- d Companies under common Directorship
-Bhutan Power Corporation Limited



B. Transactions with Related Parties in the ordinary course of business.

Type of Relationship (Figures in millions)	Nature of Transactions	Volume of Transactions	
		2013	2012
Holding Company	Loan given	Nil	900.00
	Dividend declared	4,674.65	3,659.59
	Receivable	Nil	Nil
Subsidiary Companies	Investment in Share Capital	580.27	692.91
Key Management Personnel	Managerial Remuneration	2.35	2.15
Companies under common Directors	Sale of Electricity	1,032.90	1,022.99
	Wheeling Charges	622.98	548.17
	Receivable	652.36	814.38
	Payables	19.22	16.07
	Consumption of energy by DGPC estb.	11.42	10.25

11. No segregation or classification of 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 period 2011. The policy requires historical information on inventory movement for last three years which would be achieved by 2014 only.
12. Estimated amount of contracts remaining to be executed on capital account and not provided for -Nu.402.18 million (previous year Nu. 737.93 million).
13. All the balances against debtor, creditors and advances are based on the invoices raised to, raised from and advances paid respectively, which are not settled as at 31st December 2013 and practice of confirming and reconciling the balances was put in place with effect from the year 2012 for balances of more than Nu. 0.50 million.
14. The Company through its bank has issued Letter of Credit amounting to Nu.110.84 million (previous year Nu. 236.60 million) to various suppliers by creating lien on Bond amounting to Nu. 397.95 (previous year 485 million).
15. During the current year, the company has calculated and accounted deferred tax assets / liabilities as below:



Deferred tax asset on Bonus	Nu. 15.15 million
Deferred tax asset on provisions for obsolete stores	Nu. 1.31 million
Deferred tax asset on Interest expense on ADB Loan	Nu. 46.22 million
Deferred tax asset on WDV of assets	Nu. 26.43 million
Total	Nu. 89.11 million

Accordingly, an amount of Nu. 75.99 million (previous year Nu. 13.12 million) has been accounted as deferred tax income in current year profit and loss statement.

16. Dividend of Nu. 4,760.30 (previous year Nu. 3,659.59) has been proposed for the year 2013.

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

Amount in Millions (In Nu.)

Particulars	2013	2012
TDS Payable	0.34	0.05
Royalty	18.56	11.97
Corporate Income Tax	1,849.15	1,737.97
Grand Total	1,868.05	1,750.02

18. Quantitative Information of purchase and sale of power:

Units in MU, Amount in Millions (In Nu.)

Particulars	2013		2012	
	Units	Amount	Units	Amount
Purchase	108.19	214.92	55.70	110.30
Self Generation	7,531.45		6,811.27	
	7,639.64		6,866.97	
Sale:				
Within Bhutan	1,901.73	1,032.89	1,828.02	1,022.99
Export to India	5,648.23	11,669.91	4,945.79	9,824.83
Internal Consumption & Losses	89.69	0.54	93.16	0.63
Total	7,639.64	12,703.34	6,866.97	10,848.45



19. Managerial Remuneration:

Particulars	Amount in Millions (In Nu.)	
	2013	2012
Managing Director's Remuneration	2.35	2.15
Directors' Sitting Fees	0.56	0.65
Travelling Expenses (MD)	0.40	0.80
Total	3.31	3.60

The above remuneration is based on the actual payment.

20. Auditors remuneration:

Particulars	Amount in Millions (In Nu.)	
	2013	2012
Audit Fess	0.35	0.35
Out of pocket expenses	0.48	0.16
Total	0.83	0.51

21. Previous year's figures have been rearranged and regrouped wherever considered necessary.

Signatures on Schedules 1 to 24


(Dasho Karma Tshiteem)
Chairman DGPC & Secretary, GNHC



(Dasho Chhewang Rinzin)
Managing Director



(Ugyen Namgyal)
Director (Finance)



CORPORATE OFFICE: DRUK GREEN POWER CORPORATION LIMITED

Post Box No. 1351, Thimphu : Bhutan;

Tel: +975 2 336413/336414; Fax: +975 2 336417;

www.drukgreen.bt