

Annual Report 2016



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DrukGreen

DRUK GREEN POWER CORPORATION LIMITED

a **dhi** company



Year of Incorporation	2008
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Annual Report 2016



A YEAR IN REVIEW

With only a little over 1,600 MW in installed hydropower generation capacity, the hydropower sector still constitutes some 14% of GDP and contributes to over 25% of the annual revenues to the nation. In 2016, Druk Green Power Corporation Limited (DGPC) saw the highest ever annual generation of 7,573 MU through effective and efficient operation and maintenance of its power plants. During the year, DGPC paid taxes, made royalty payments and declared dividends of over Nu. 8.924 billion to the Government and its Shareholder DHI.

DGPC moved on after having just commissioned the 126 MW Dagachhu hydroelectric project in 2015 to start the construction of the 118 MW Nikachhu project with the award of the major civil and electro-mechanical packages during 2016. DGPC continued to strengthen its consultancy services group with the preparation of the DPRs for the 26 MW Druk Bindu, 442 MW Nyera Amari, and 1,125 MW Dorjilung projects. DGPC's hydropower services centre extended coverage to clients other than just DGPC's own power plants and worked on plans to expand beyond reclamation services to manufacturing hydro-mechanical components of hydropower plants. DGPC also finalized plans to further build on the capacity with its Centres of Excellences through the establishment of a Research & Development Centre to develop competencies and expertise in all fields of the "water to wire" hydropower business on its own or through collaboration.

By any standard, Bhutan's hydropower sector has been growing at a very fast pace with a commitment for additional 10,000 MW generation capacity by 2020. Regionally and internationally, Bhutan is recognized for its efforts to fast track hydropower development primarily in co-operation with India, its friend and neighbour. Hydropower is today the cornerstone of the Bhutanese economy. Further, the mutually beneficial co-operation in hydropower is a key element in the exemplary bilateral relationship between Bhutan and India. Bhutan sees a huge opportunity in the evolving Indian energy markets while India gets access to clean and sustainable hydropower for its growing energy demand. Under the auspices of BBIN and SAARC co-operation in energy, 2016 also witnessed the emergence of a likelihood of a trilateral co-operation in hydropower between Bhutan, India and Bangladesh.

In respect of the planned target of 10,000 MW in additional generation capacity by 2020, it is quite clear now that this target is no longer achievable. The 1,200 MW Punatshangchhu 1 and 1,020 MW Punatshangchhu 2 projects are delayed due to geological surprises encountered with both the projects. While the 720 MW Mangdechhu project is scheduled to be commissioned within 2018, the 600 MW Kholongchhu JV project is yet to start with any of the major construction activities. The other projects under the 10,000 MW by 2020 understanding are yet to be cleared for construction. In recent years, Bhutan has also seen the emergence of a number of serious concerns with respect to the future marketability of the energy from the hydropower plants and the likely impact of climate change and global warming on the hydropower resources that could influence the pace of hydropower development.

These emerging concerns have reinforced the debate on the "all eggs in one basket" and the "need for diversification of the Bhutanese economy". Another question that is often being asked these days is "whether, in the pursuit of economic development, Bhutan is overlooking the very fabric of its development philosophy of Gross National Happiness that commits Bhutan to protect its pristine environment and cultural heritage, sustainable economic development, and good governance".

DGPC performed remarkably well, both in terms of technical and financial parameters, during the year and has been strategically aligning itself to meet the future challenges in hydropower. As one looks beyond 2016, DGPC will have to tread the path ahead prudently and continue to play a key role in ensuring that the Bhutanese people reap the maximum benefits from its hydropower resources long into the future.

Tashi Delek

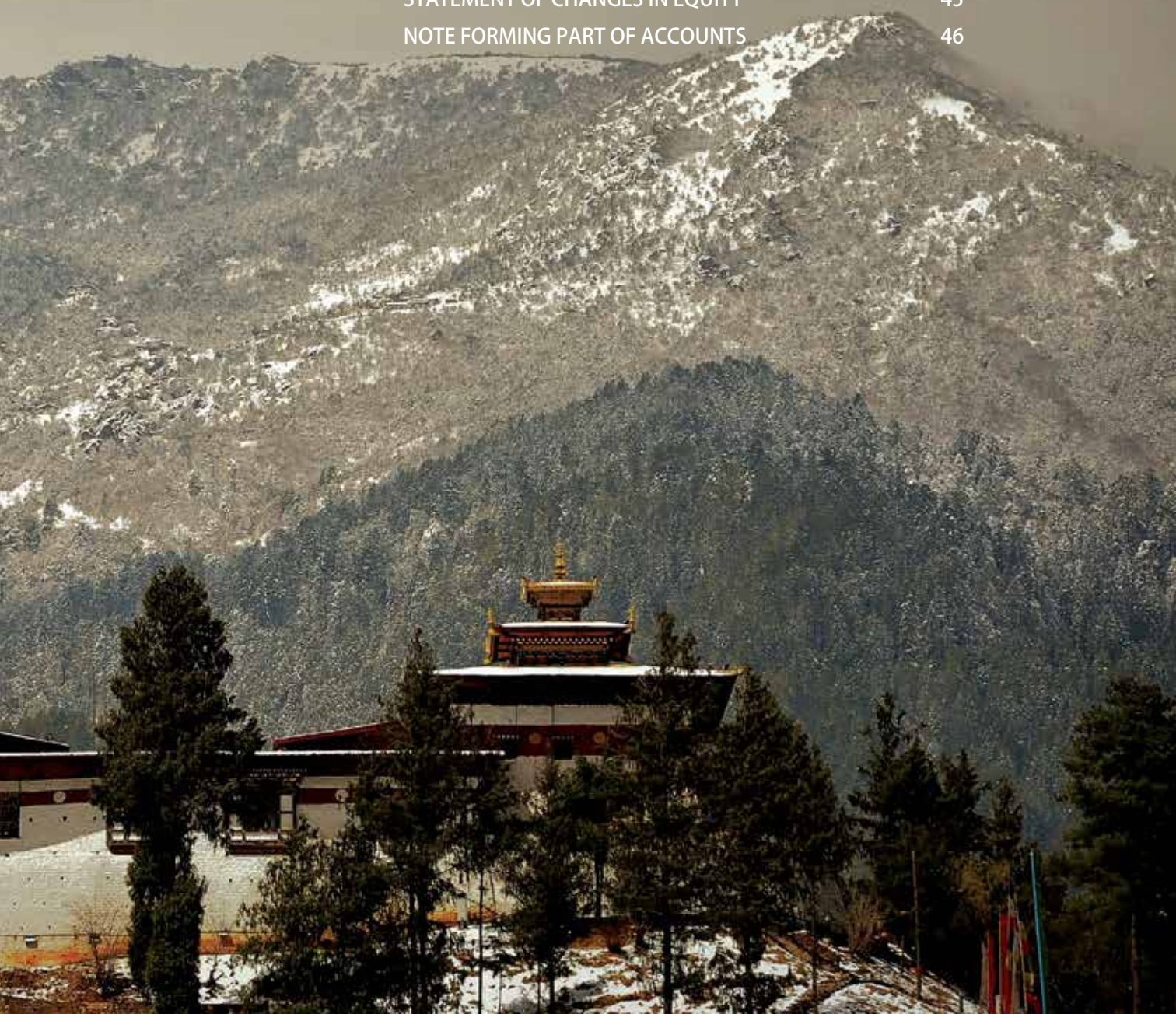


(Chhewang Rinzin)
Managing Director



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DRUK GREEN POWER CORPORATION LIMITED

Druk Green Power Corporation Limited (DGPC) is a wholly owned subsidiary of Druk Holding and Investments (DHI). DGPC is mandated to promote, develop, operate and maintain major hydropower assets of Bhutan in a sustainable manner. It was established in 2008 through a merger of the erstwhile hydropower companies in the country.

“Harnessing and Sustaining Bhutan’s Renewable Energy Resources”

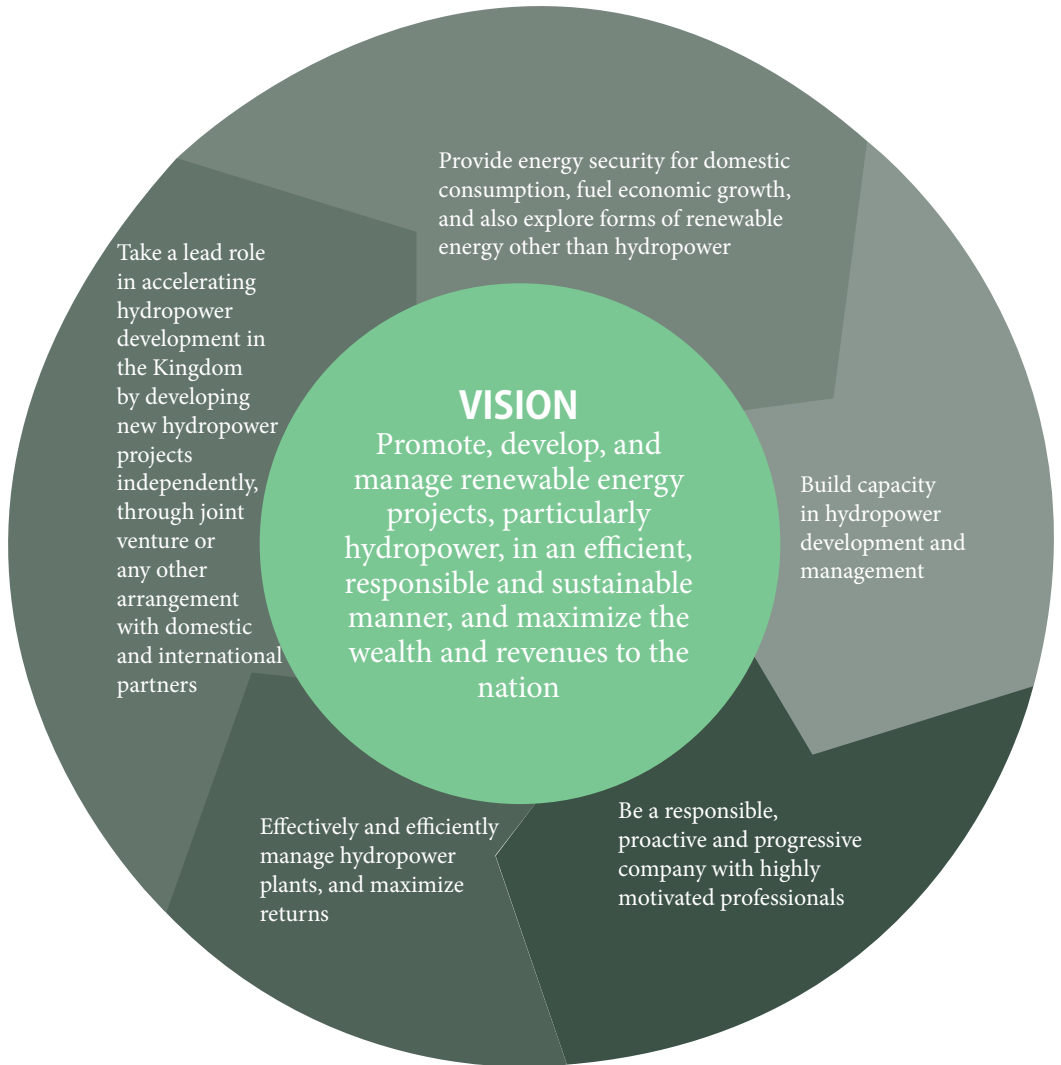


Fig. 1 DGPC's Vision and Mission Statements

DIRECTORS' REPORT

OPERATIONAL HIGHLIGHTS

The four hydropower plants of Tala, Chhukha, Kurichhu and Basochhu (THP, CHP, KHP, BHP) under DGPC generated 7,573.841 million units (MU) of electricity during 2016, an increase of 2.53% from the aggregate generation of 7,381.602 MU in 2015. This increase in generation was on account of the higher hydrological flows mainly in the Wangchhu as well as the contribution of 67.35 MU of additional generation from the Tsibjalumchhu Diversion Scheme to THP. Consequentially, the import of power from India decreased to 110.638 MU in 2016 as compared to 158.463 MU in 2015. The shortfall in the eastern part of Bhutan was also partially met through supplies from western Bhutan with the establishment of the interconnection of the West-East link at Jigmeling instead of imports.

Achieved highest generation of 7,573 MU

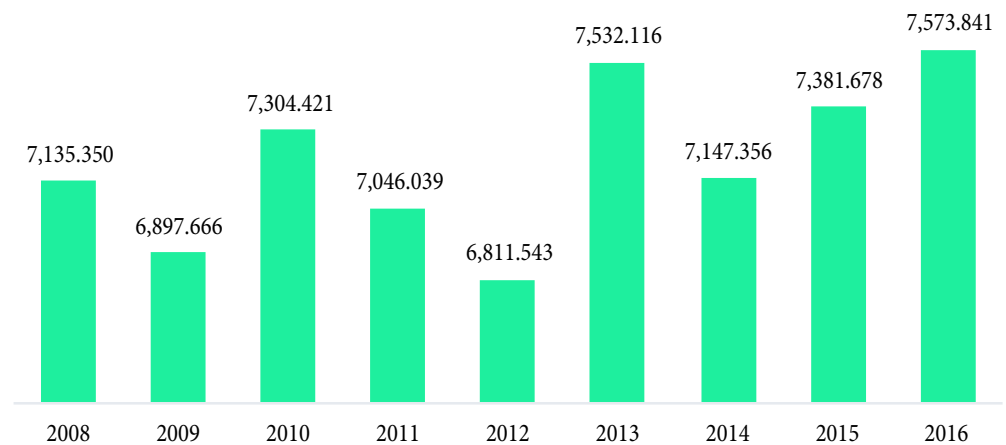


Fig. 2 DGPC Total Energy Generation (in million units) from 2008-2016

Exported 5,373 MU of electricity to India

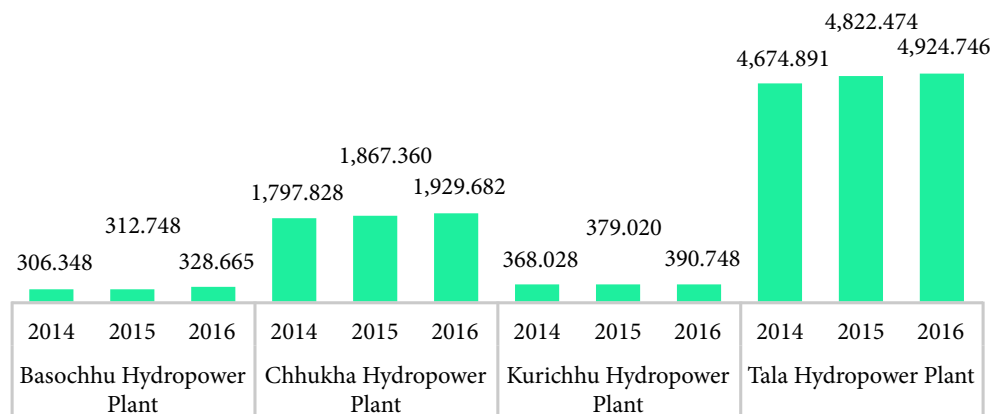


Fig. 3 Plant-wise Energy Generation (in million units) from 2014-2016

There was an increase in the net energy exported to India to 5,373.355 MU during 2016 from 5,149.177 MU in 2015. For the first time, the quantum of electricity supplied for domestic energy consumption through Bhutan Power Corporation Limited (BPC) reduced slightly to 2,084.688 MU in 2016 from 2,142.167 MU in 2015.

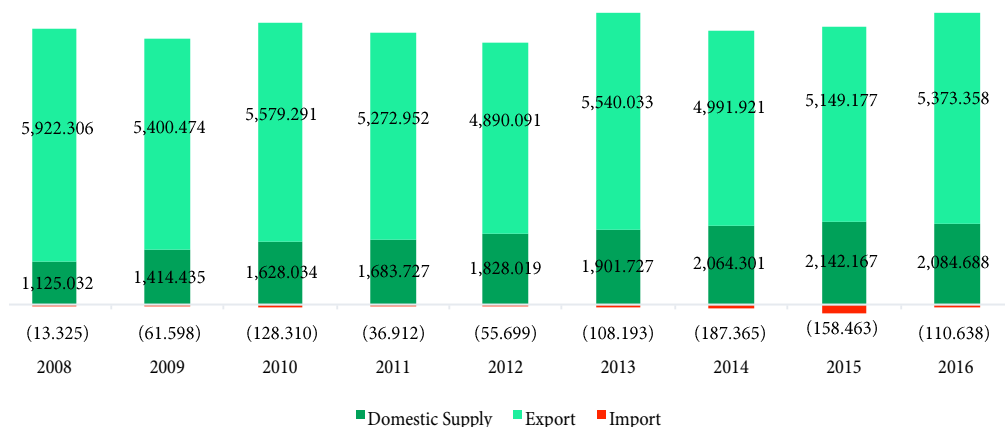


Fig. 4 Domestic Supply to BPC, Export to PTC India and Import of energy (in million units) from 2008-2016

Accrued revenues of Nu. 14.624 billion

FINANCIAL HIGHLIGHTS

INCOME

The overall income for the year increased to Nu. 14,624.05 million from Nu. 14,258.06 million in 2015. The increase in revenue is mainly attributable to the 192.24 MU increase in electricity generation during the year when compared to 2015 with corresponding increase in energy export at higher tariffs.

There was also a dividend income of Nu. 44.72 million from the Dagachhu project.

EXPENDITURES

There has been an overall 2.72% decrease in expenditures to Nu. 6,665.28 million in 2016 from Nu. 6,851.90 million in 2015. The decrease in expenditures were mainly on account of lower expenditures on purchase (import) of energy and interest on borrowings. The expenditure under purchase of energy decreased as only 110.64 MU had to be imported during 2016 as compared to 158.46 MU in 2015. The expenditure under Interest on borrowings decreased to Nu. 476.514 million in 2016 from Nu. 622.014 million in 2015 due to reduced outstanding against loans as a result of repayments.

PROFITABILITY OF THE COMPANY

The Profit After Tax (PAT including Other Comprehensive Income) increased by 7.18%, to Nu. 5,548.169 million in 2016 from Nu. 5,176.647 million in 2015.

Table 1 Key Financial Performance of the Company for 2016 vis-à-vis 2015

Particulars	FY 2015	FY 2016	Variance (%)
Revenue (Nu.)	14,258,085,461.34	14,624,049,444.42	2.57%
Profit before Tax (Nu.)	7,406,187,224.83	7,958,765,434.62	7.46%
Corporate Income Tax (Nu.)	2,161,528,617.56	2,371,192,543.12	9.70%
Dividend (Nu.)	4,914,359,806.88	4,993,351,834.07	1.61%

Nu. 8.924 billion paid in taxes, royalty and dividends

The financial position of the Company continues to be strong with total debt of Nu. 7,826.231 million constituting only 17.62% of the overall Shareholder's fund of Nu. 44,420.206 million. The funds are almost entirely invested in income generating assets. The fund applications consist of Nu. 43,471.880 million in fixed assets including capital works in progress, intangible assets, and investment property; Nu. 4,846.883 million in long-term investments; and Nu. 6,469.448 million in the form of current assets.

DIVIDEND

In order to take forward its mandates, DGPC plans to make investments in hydropower projects; renovate, modernise and automate the aging plants; implement remedial measures to address the continuing teething issues with the THP; and build on its brand equity by strengthening its consulting services and venturing into hydropower research and development.

In declaring dividends, it needs to be noted that DGPC would need to mobilise funds sooner rather than later either through injection of funds by the Shareholder or through raising of debt from the market to meet its short term and long term financing requirements. The Shareholder has therefore desired for a dividend of 90% of PAT for 2016 as against the 95% of PAT declared as dividend for 2015. The dividend of Nu. 4,993.351 million for 2016 is still a 1.61% increase over the Nu. 4,914.359 million declared in 2015 due to the better financial performance of the company during 2016.

Chhukha
and
Kurichhu
loans
liquidated

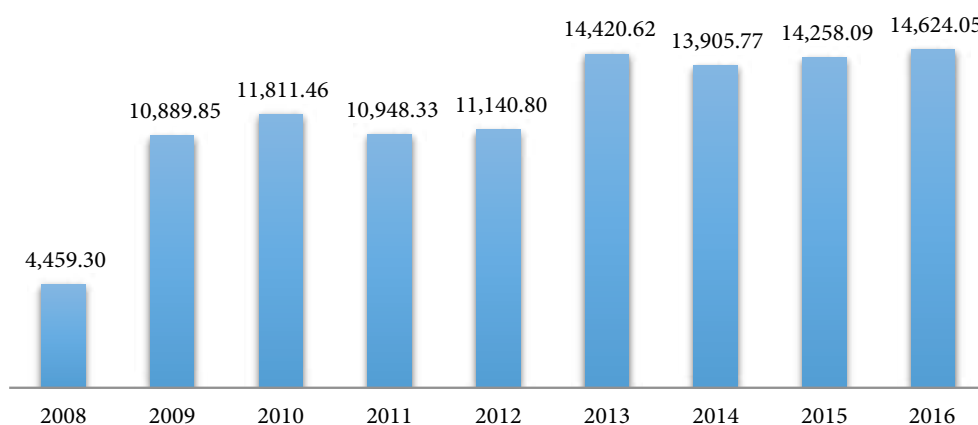


Fig. 5 DGPC Total Revenue Earned (in million ngultrum) from 2008-2016

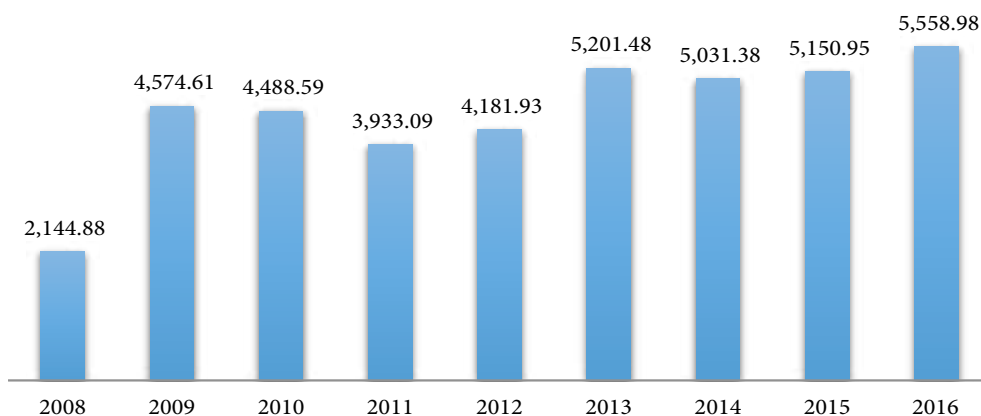


Fig. 6 Profit After Tax (in million ngultrum) from 2008-2016

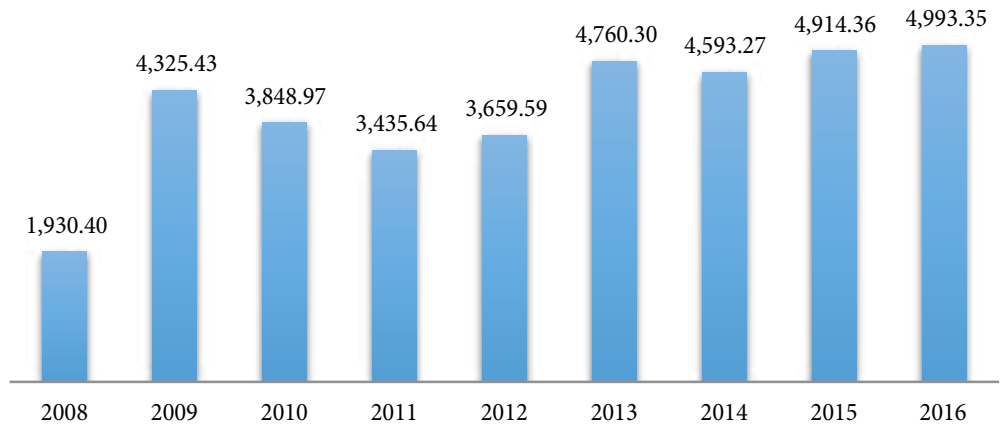


Fig. 7 Dividend (in million ngultrum) from 2008-2016

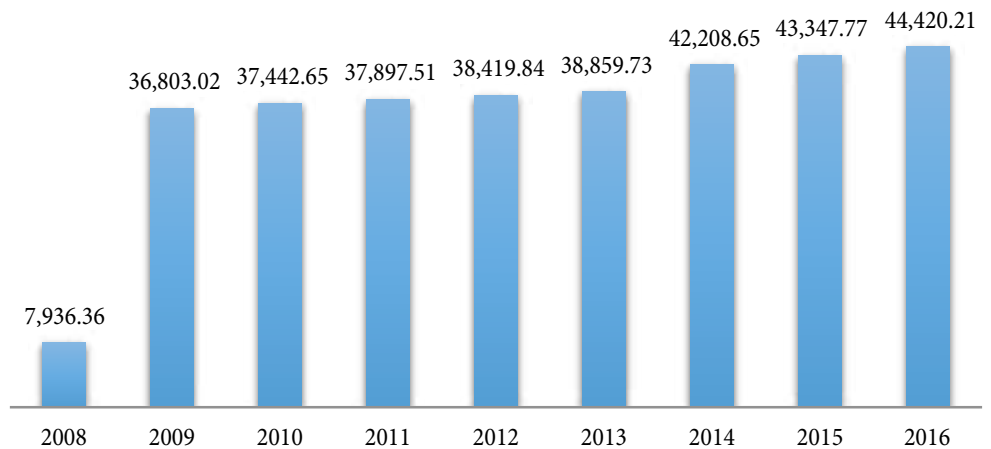


Fig. 8 Net Worth or Total Shareholders Fund (in million ngultrum) from 2008-2016

(Since THP was merged with DGPC after April 2009, above 2008 figures is excluding THP; 2009 includes THP for nine months i.e. April 1 to December 31, 2009)

PROJECTS UNDER INVESTIGATION AND DETAILED PROJECT REPORTS

As a part of the overall competency building initiatives in the hydropower sector amongst the Bhutanese, DGPC takes up investigations and preparation of the Detailed Project Reports mostly through in-house specialisation. DGPC has been successful in this endeavour with the establishment of the Druk Green Consultancy (DGC).

DRUK BINDU SMALL HYDRO POWER PROJECT

DGPC completed the DPR for the 18 MW Druk Bindu Small Hydro Power Project and the report was submitted at the end of December 2016. The DPR is being reviewed by Department of Renewable Energy, Ministry of Economic Affairs based on which a decision on investing in the project will be made.

Venturing
into Small
Hydro



Fig. 9 Inspecting Penstock Alignment from Forebay to Powerhouse

DORJILUNG (KURI I) HYDRO POWER PROJECT

During the year, DGPC finalised the DPR for the Dorjilung (Kuri I) Hydro Power Project and submitted it to the Ministry of Economic Affairs for approval. For getting the environmental clearance for the project, DGPC coordinated public consultations that were held in five gewogs under Mongar and Lhuntshi Dzongkhags and also with the two dzongkhags during December 2016 as required by the National Environment Commission.

The project financing and implementation mode are being considered under a tripartite arrangement between Bhutan, India and Bangladesh.

1,125 MW
Dorjilung
DPR
finalised



Fig. 10 Right Bank Drift Portal, Dam Axis Upper Drift of Dorjilung (Kuri I) Hydropower Project

NYERA AMARI I&II HYDRO POWER PROJECT

The Detailed Project Report for the Nyera Amari I & II HPP is being prepared by DGC. Against the envisaged installed capacity of 442 MW at the pre-feasibility study stage, at the DPR stage, an optimal installed capacity of 130 MW for Nyera Amari I and 285 MW for Nyera Amari II is being considered with an aggregate capacity of 415 MW.

Phase I of the drilling works were completed in November 2016. Phase II drilling works are now being undertaken. The drift works at the Nyera Amari I&II dam and power house sites are being taken up by Construction Development Corporation Ltd (CDCL). The DPR is scheduled to be completed within July 2017.

Building
capacity of
Consultancy
Group



Fig. 11 River Survey Work in Progress at Nyera Amari HPP Site below Thungkhar Village

IMPLEMENTATION OF KHOLONGCHHU HPP

DGPC was nominated by the Royal Government of Bhutan (RGoB) to implement the 600 MW Kholongchhu Hydropower Project in joint venture with Satluj Vidyut Nigam Limited, Government of India (GoI) Public Sector Undertaking. The infrastructure works such as roads and bridges for the JV project are being taken up.

The first JV
between
Bhutan
and India



Fig. 12 Additional Investigation Works at Dam Site

RENOVATION AND MODERNISATION OF POWER PLANTS

With almost 30 years in operation, the 336 MW CHP has started renovation and modernisation to upgrade its electro-mechanical equipment.

Comprehensive studies for automating the existing power plants, introducing SCADA systems, and assessing the residual life of the generating units were completed. Substantial investments are envisaged to renovate, modernise and extend the life of these power plants.



Fig. 13 Rebuilding of Stator-winding

Extending
life of
power
plants

TEETHING ISSUES WITH TALA HYDROPOWER PLANT

While most of the teething problems with the THP have now been resolved through consistent efforts made by DGPC, the plant continues to face problems with the frequent failures of the nozzle injector system and the computerised control system.



Fig. 14 Remedial Safety Measures Adopted for Failing Rock Bolts in the Powerhouse

However, the biggest concern for the plant is still the stability of powerhouse caverns. The rock bolts in the powerhouse caverns are continuing to fail although a stabilising trend has been observed in the convergence. While there is a consensus that remedial measures are required for the overall stability of the powerhouse caverns, experts differ on the type and extent of measures and in the methodologies to be adopted to undertake those measures in an operating powerhouse. Considering the complexity of the situation, DGPC is continuing to have extensive consultations and deliberations with experts from across the world.

TARIFF REVIEWS

The Bhutan Electricity Authority revised the domestic generation tariff to Nu. 1.59 per unit from Nu. 1.39 per unit with effect from January 1, 2017 to December 31, 2019. The wheeling charges was also revised to Nu. 0.195 per unit from Nu. 0.114 per unit, and the proceeds from royalty power at the highest export offtake tariff is to be provided to the RGoB. The export tariff for the THP and KHP power was revised to INR 2.12 per unit from INR 1.98 per unit with effect from December 1, 2016 for a period of five years.

BUILDING HR COMPETENCIES

DGPC has 1,687 employees, including 142 employees on deputation to its subsidiary companies and hydropower projects under construction. The success of DGPC can be largely attributed to the quality of its human resources.

DGPC continues to invest in human resources development through both short-term and long-term trainings and institutional linkages.

Building core competencies amongst Bhutanese



Fig. 15 Discourse on Hydropower by the Managing Director

DRUK GREEN CONSULTANCY

Since its establishment in June 2015, Druk Green Consultancy (DGC) has worked towards building a full range of water-to-wire competencies in the hydropower sector. During the year, DGC completed the site investigations and the preparation of the detailed design and engineering for the 18 MW Druk Bindu and 1,125 MW Kuri I projects. The DPR for the Nyera

Amari I&II projects will be completed by DGC within July 2017. DGC works in collaboration with international experts and consultants in reviewing and finalising these DPRs and such efforts ensure the transfer of expertise and know-how to DGC.

In October 2016, an international conference on “Planning & Design in Conventional Tunnelling” was organised by DGC in collaboration with the International Tunnelling Organisation amongst others to expedite capacity building.



Fig. 16 Measuring Water Level at Nyera Amari HPP

HYDROPOWER RESEARCH AND DEVELOPMENT CENTRE

Many of the problems faced by the hydropower sector are unique to Bhutan and the Himalayas. With the success Bhutan has had in developing its hydropower resources, the opportunities are there for Bhutan to take a lead in the sector mainly to meet Bhutan’s own growing needs in the beginning. DGPC has already established a number of Centres of Excellences (COE) that have weaned away Bhutan’s dependence on OEMs and specialised service providers in the hydropower sector. These COEs have expanded to provide services to other industries in Bhutan and are exploring to expand beyond Bhutan’s boundaries.

To address the new challenges that the hydropower sector continues to encounter, DGPC plans to strengthen the existing COEs, take on other areas of specialised services and venture into hydropower Research and Development (R&D). A consultancy was completed during the year to scope the establishment of a hydropower R&D Centre within DGPC that would pool expertise and build competencies, keep track of evolving technologies and changing environments, and research into areas of special interests specifically aimed at Himalayan issues of sediment management. The establishment of the hydropower R&D Centre will be initiated during 2017.



Fig. 17 Sediment Analysis by Centre of Excellence in Dielectric Material Analysis (CoEDiMA)



Fig. 18 Non-Destructive Testing by Centre of Excellence in Vibration and Thermographic Analysis (CoEVA-TA)

Strengthening
Centres of
Excellence
through R&D

COLLABORATIONS

In a continuous effort to improve and build competencies, to keep up with advancing technologies, and to find solutions to emerging problems, DGPC collaborates with many national and international OEMs, suppliers, consultants, institutions, and generation utilities. DGPC works very closely with OEMs such as BHEL, GE, and Andritz. DGPC also continues to collaborate with the Norwegian Geotechnical Institute (NGI) in the field of trainings, research and in addressing geotechnical problems. The Electricity Authority of Thailand (EGAT) also continues to help DGPC through training and exchange programs.

Such collaborations have been very instrumental in ensuring the success of DGPC such as in the establishment of the hydropower services centre and the COEs. Such institutional linkages will be a key parameter in establishing the R&D Centre.

AWARDS AND RECOGNITION

CHP was awarded in the category of the best-maintained hydroelectric project (older than 10 years) by the Government of India's Central Board for Irrigation and Power (CBIP) in December 2016. It has been more than 42 years since Bhutan and India signed the historic Chhukha Agreement in 1974. In the past also, DGPC has been recognised by its peers as an exemplary symbol of Bhutan-India co-operation in the hydropower sector, building competencies in the “water to wire” hydropower sector, and ensuring highest standards for operation and maintenance of its hydropower plants.

CORPORATE SOCIAL RESPONSIBILITY

DGPC plays a very active role in supporting the communities reaching even beyond the vicinity of just its power plants in being a socially responsible corporate body. DGPC's CSR activities encompass every aspect of the everyday lives of those communities covering their social, environmental, cultural and religious well-being. The disaster management teams in the power plants cover a much wider area in terms of their services during accidents, fires and other such emergencies.

Being recognised by regional and international peers



Fig. 19 Annual Drupchen for the Wellbeing of Sentient Beings held at CHP

Commitment
to Corporate
Social
Responsibilities



Fig. 20 Rescue by Fire, Safety and Disaster Management Personnel near Chukhor Mani at Wangkha

Apart from supporting schools and health services in the immediate vicinity of the power plants, DGPC shares ambulance and school bus services with the communities. As part of a tradition it has built for itself, DGPC employees support a number of underprivileged children through schools.



Fig. 21 Children at DGPC's Early Childhood Care and Development Centre at CHP



Fig. 22 *Landscaping and Greening Initiatives*



Support is further given to the efforts of local governments, to religious establishments, and to socially and environmentally beneficial initiatives of NGOs and CSOs; many of them through contributions of the employees. A lot of emphasis is also given to environmental related activities through plantation of trees and their care. One of DGPC's core values is to maintain its premises and surrounding areas clean and green. DGPC undertakes cleaning campaigns on a regular basis.

The highlight of 2016 was the celebrations of the Royal Birth of His Royal Highness the Gyalsey Jigme Namgyel Wangchuck through a variety of activities. DGPC employees planted thousands of trees and contributed funds to plant a lot many more trees throughout the country.





Fig. 23 *DGPC's O&M Personnel Supports Annual Maintenance Works at Sengor Micro Hydel Plant Since 2012*

DGPC SUBSIDIARIES

Companies	Shareholding as on December 30, 2016	Market Capitalisation or Shareholder Equity
	DGPC (59%), Tata Power Company (26%), NPPF (15%)	DGPC – Nu. 2,437.880 million TPCL – Nu. 1,074.320 million NPPF – Nu. 619.800 million
	DGPC (100%)	DGPC – Nu. 1,174.428 million

DGPC JOINT VENTURES

Companies	Shareholding as on December 30, 2016	Market Capitalisation or Shareholder Equity
	DGPC (51%), General Electric (49%)	DGPC – Nu. 255 million GE – Nu. 245 million
	DGPC (50%), Satluj Vidyut Nigam Limited (50%)	DGPC – Nu. 429.575 million SJVN – Nu. 576.605 Million

Expanding the company and integrating complete hydro value chain

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 Cost	Nu. 12.516 billion
COD	February 20, 2015

TANGSIBJI HYDRO ENERGY LIMITED

Catchment area	373 km ²
Net Head	516.4 m
Installed Capacity	118 MW
Number of Units	2
Mean Annual Generation	419.52 GWh
Turbine Type	Pelton
Project Estimated Cost	Nu. 11.96 billion
Project Schedule	April 2016 – April 2020

BHUTAN HYDROPOWER SERVICES LIMITED

Location	Jigmeling, Gelephu, Sarpang
Land	20 Acres (0.08 km ²)
Business Scope	State-of-the-art, repair and reclamation of all types of hydro turbine runners up to 5 m dia. and its associated hydropower components, with hard coating facilities and repair and rewinding of all types of electric motors
Project Cost	Nu. 1,136.543 million
COD	September 2014

KHOLONGCHHU HYDRO ENERGY LIMITED

Catchment area	1,044 km ²
Net Head	761.53 m
Installed Capacity	600 MW
Number of Units	4
Mean Annual Generation	2,568.88 GWh
Turbine Type	Pelton
Project Estimated Cost	Nu. 38.69 billion (June 2013 price level)
Project Schedule	September 2015 to February 2022

Ageing of power plants

KEY CHALLENGES

DGPC's mandates include the complete value chain of the water-to-wire business of hydropower and other renewables energy resources. The building of competencies and retaining talent within the system is critical to sustain the future of the hydropower sector. DGPC needs to continue to provide the right environment for attracting talent and ensure that the growth prospects within the organisation remain competitive to retain the human capital.

As some of the power plants age and considering the technology, DGPC will continue to face huge challenges in the operation and maintenance, in the automation and modernisation, and in extending the life of these power plants. The technological and predictive maintenance interventions will have to be continued in a timely manner. DGPC will need to better deal with the complexities of the teething problems and repeat incidences of similar exigencies at some of its power plants. As OEMs stop providing backup services and spares for obsolete equipment with OEMs opting for newer designs and technologies, unless DGPC builds its own competencies to deal with such exigencies, the cost factors could become prohibitive.

With emerging energy markets in India and the prospects of access to regional energy markets, Bhutan sees hydropower development as the cornerstone of its future economy. However, there is a need to better understand the implications the laws and regulations governing those very markets so that investments in developing new generation capacity remain attractive. Bhutan will need to properly assess the risks associated with the huge upfront investments and the evolving energy market conditions.

The debate over social and environmental concerns is also gaining momentum. The impact of hydropower on the balance of payment problems that inexplicably get tied to the INR shortage faced by the country needs clarity. There is also a lot of concern that more investments into hydropower will put future generations of Bhutanese deep into debt. The delays with the

commitment to add 10,000 MW of generation capacity by 2020 that was expected to change the face of the Bhutanese economy has not helped the hydropower case.

There are many challenges facing the hydropower sector of which DGPC is one of the key players. The biggest challenge would be to build a common understanding on the future prospects and plans for hydropower development that the people of Bhutan endorses.

New
investments
to enhance
the
Bhutanese
economy

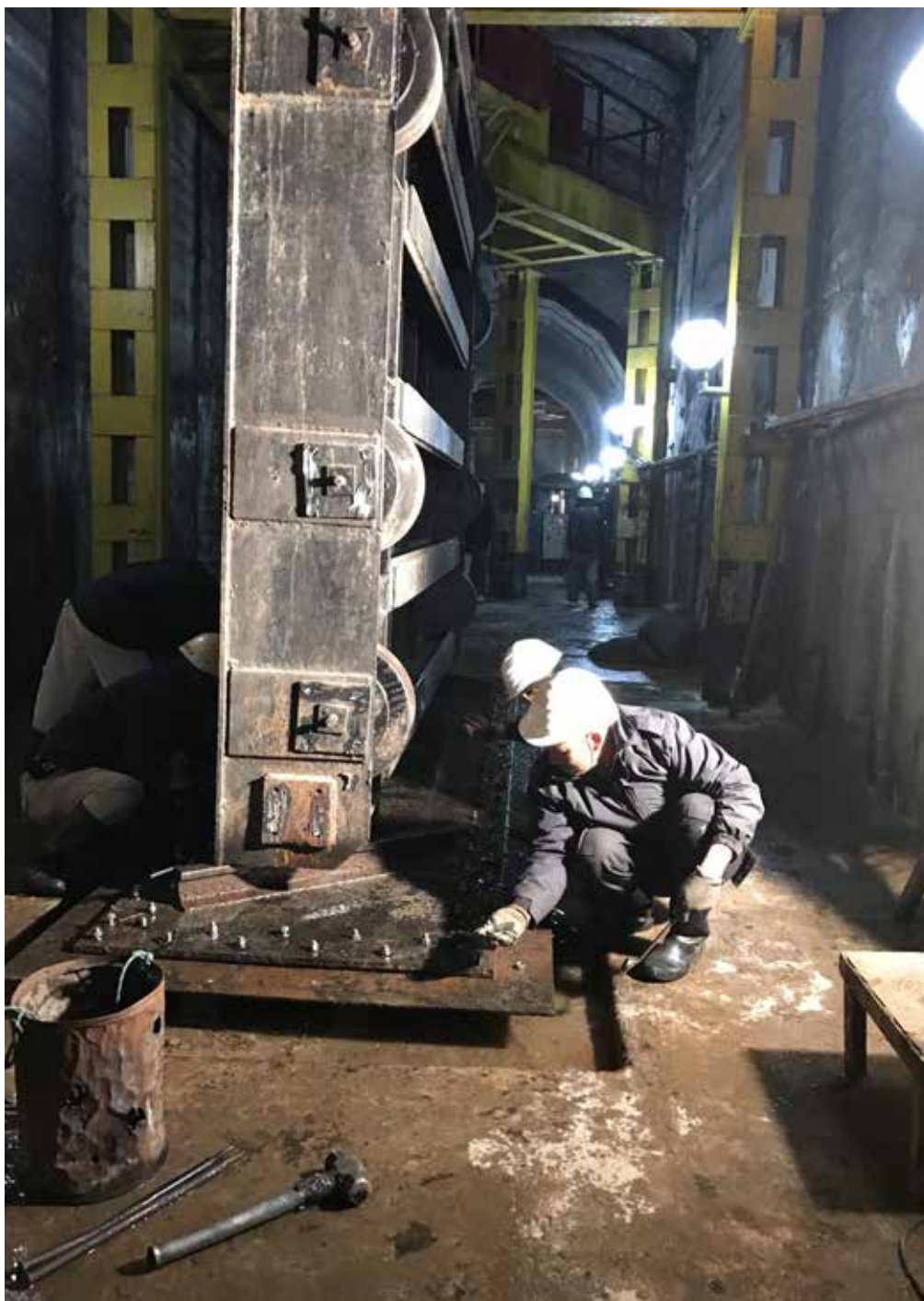


Fig. 24 Maintenance of De-silting Chamber (gate) at CHP

STATUTORY AUDIT REPORT

M/s Bansal & Co, Delhi was appointed by the Royal Audit Authority, as per standard practice, as the Statutory Auditors for DGPC for three years, starting with 2014 Accounts and have now completed their 3rd (final) year of engagement as auditors to DGPC.

M/s Bansal & Co undertook the Statutory Audit of the accounts of DGPC for the year 2016 from January 25, 2017 to March 2, 2017 covering all the power plants, Material Management Division and the Corporate Office including the audit of the PLIS and preparation of Group accounts in addition to the standalone accounts. The 2016 audit was conducted in accordance with the Auditing Standards prescribed by the Accounting and Auditing Standard Board of Bhutan (AASBB) and the general terms of reference for the auditor and the minimum audit reporting requirement prescribed by the Royal Audit Authority specified under section 266 of the Companies Act of Bhutan, 2016.

The financial statements for DGPC as an individual entity have been prepared to comply in all material respects with the Bhutanese Accounting Standards (BAS) Phase I and Phase II and interpretations issued by AASBB to the extent that is applicable to the companies reporting under BAS and the relevant provisions of the Companies Act of Bhutan, 2016. The financial statements have been prepared on a historical cost convention on an accrual basis except as stated otherwise. For ensuring compliance with the Bhutanese Accounting Standards, DGPC had to reclassify the previous year's figures in accordance with the requirements applicable in the current year. The Audit Exit Meeting between the Statutory Auditors, Royal Audit Authority, and DGPC was held on March 2, 2017.

AUDITORS' REPORT

There are no Qualifications to the Auditors' Reports for 2016. There are no observations or recommendations in the Annexure to the Auditors' Report for 2016.

IN APPRECIATION

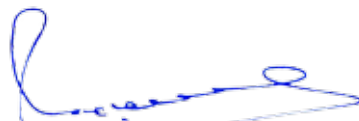
The Board of DGPC would like to acknowledge the support of the Royal Government of Bhutan, Druk Holding & Investments, Ministry of Economic Affairs, Ministry of Finance, Bhutan Electricity Authority, National Environment Commission and other stakeholders in Bhutan in helping DGPC fulfil its many mandates. The Board would also like to acknowledge the support of the Government of India and its agencies in taking forward the JV projects and the other initiatives of DGPC.

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

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

Tashi Delek

For and on behalf of the Board,



(Dasho Sangay Khandu)
Chairman

CORPORATE GOVERNANCE REPORT



BOARD DIRECTORS

The Board of DGPC for the year 2016 comprised of seven Directors. The 9th AGM held on April 20, 2016 confirmed the retirement of Lhaden Pema, Lhaba Tshering and Karma Tshewang from the Board and appointed Sonam Wangchuk, Lekzang Dorji and Tashi Pem as new Directors on the Board. Dasho Sangay Khandu, Nim Dorji, Thinlay Wangchuk and Dasho Chhewang Rinzin are the other Directors on the Board.



From Left to Right: Dasho Chhewang Rinzin, Tashi Lhamo (Permanent Invitee), Lekzang Dorji, Sonam Wangchuk, Thinlay Wangchuk, Dasho Sangay Khandu (Chairman), Nim Dorji, Tashi Pem

Dasho Sangay Khandu, Chairman, DHI

Dasho Sangay Khandu was conferred Red Scarf by His Majesty The King in December 2009. He previously served as the Secretary of National Land Commission from August 2007 to February 2014. He holds a Bachelor of Science from St. Joseph's College, Darjeeling, India and a Bachelor of Business Administration from Knights Bridge University, United Kingdom.

Dasho Chhewang Rinzin, Managing Director, DGPC

Dasho Chhewang Rinzin was conferred the Red Scarf by His Majesty The King on December 17, 2009. Prior to his current position, he served as the Managing Director of Bhutan Power Corporation Limited from 2004 to 2007. He holds a Bachelor in Electrical Engineering and a Master in Electrical Engineering from the University of Wisconsin, USA.

Nim Dorji, Secretary, MoF

He previously served as the Director General of Department of Agriculture from July 2015 to July 2016. He holds a degree in Bachelor of Commerce with Honours from Shri Ram College of Commerce, Delhi University, New Delhi, India and Master of Business Administration from University of Canberra, ACT, Australia.

Sonam Wangchuk, Secretary, MoLHR

He previously served as the Secretary of Gross National Happiness Commission from August 2014 to July 2016. He holds a degree in Bachelor of Commerce from Sherubtse College, Bhutan and Master of International Affairs in Economic Policy Management from the School of International and Public Affairs, Columbia University, New York, USA. He also holds a Diploma in International Trade Policy from GATT Secretariat, Geneva, Switzerland.

Thinlay Wangchuk, Director General, Department of Immigration, MoHCA

He previously served as the Director of Department of Immigration under Ministry of Home and Cultural Affairs from August 2007 to December 2012. He holds a degree in Bachelor of Commerce from Punjab University, India and Master in Business Administration from Wakayama University, Japan.

Lekzang Dorji, Director, Department of Macroeconomic Affairs, MoF

He previously served as the Director of Department of National Budget from August 2012 to November 2016. He holds a degree in Bachelor of Commerce from Shri Ram College of Commerce, Delhi University, India and Master in Professional Accountancy from University of Canberra, Australia.

Tashi Pem, Executive Engineer, Department of Hydropower and Power Systems, MoEA

She previously served as the national program manager with the Hydropower Development Division from 2011 to 2014. She holds a Bachelor's degree in Civil Engineering from Madras University, Chennai, India and a Masters in Environmental Management and Development with Graduate Diploma in Environmental Management and Development from the Australian National University, Canberra, Australia.

Tashi Lhamo, Director, Finance Department, DHI

She previously served as the Director of Revolving Fund Management and Operations under Business Opportunity and Information Center from January 2013 to March 2014. She holds a Bachelor of Commerce (Honors) from Sherubtse College (Affiliated to Delhi University), Kanglung, Bhutan; Bachelor of Business (Major in Accounting) from the University of South Australia, Adelaide/Whyalla, South Australia and MBA (Advanced) from the Graduate School of Business, Curtin University, Perth, Western Australia. She also did a Banking and Finance (Non-Degree Program) from the School of Management and Communications, Boston University, MA, USA.

BOARD AND BOARD COMMITTEE MEETINGS

In steering DGPC in the direction of effective management and strategic growth, the Board of DGPC demonstrated exemplary leadership aptitudes. The Board ensured that DGPC worked within the legal and regulatory frameworks of the country and further strengthened its governance structure while encouraging new ideas and initiatives.

The Board met eight times during the year and the quorum at each of these meetings was duly met to consider the numerous emerging issues and provide timely directives for the smooth operation and maintenance of the existing power plants, the investments in the new projects and for the growth of the company, and the performance of its subsidiary companies. The Sub-Committees of the Board also met regularly to deliberate and consider the various issues confronting the company.

CORPORATE GOVERNANCE REPORT

The Corporate Governance Code, issued by DHI, comprises of rules, practices and processes that enables the Company to practice good corporate governance and promotes ethical, transparent and responsible business. The Corporate Governance Code is based on four core values of fairness, responsibility, transparency and accountability, and aligned with the following key principles:

- i. Ensuring and effective legal and regulatory framework
- ii. Rights of Shareholders
- iii. Equitable treatment of Shareholders
- iv. Relation with stakeholders
- v. Transparency and disclosure
- vi. The responsibility of the Board

The Company had complied with the Companies Act of the Kingdom of Bhutan 2016 (Companies Act 2016) and other statutory requirements.

During the year of the reporting, DGPC complied with the principles of DHI's Corporate Governance Code and conformed to the Companies Act 2016 and other statutory requirements.

ANNUAL GENERAL MEETING

The Principles of DHI's Corporate Governance Code ensure that the governance of State Owned Enterprise are carried out in a transparent and accountable manner while not intervening in the day- to -day management of the Company. The Board keeps the shareholders informed on all matters affecting the Company. Through the Annual General Meeting (AGM), the Shareholders exercises its rights over the Company.

The 9th AGM for the Company was held on April 20, 2016 at DHI Conference Room. The AGM passed the following resolutions:

- Approved the Audited Accounts for the year 2016 including the declaration of Dividend of Nu. 4993.35 million from the profit for the year 2016.
- Approved DGPC's achievement of 97.89% vis-a-vis the 2016 Compact Targets and the payment of the 15% Performance Based Variable Allowance (PBVA) to the employees of DGPC.
- Confirmed the retirement of Lhaden Pema, Lhaba Tshering and Karma Tshewang from the Board; the appointment of Tashi Pem, Sonam Wangchuk and Lekzang Dorji as new Directors on the Board; Dasho Sangay Khandu, Nim Dorji and Thinlay Wangchuk to continue as Directors on the Board; and Tashi Lhamo as permanent Invitee to the Board.
- The AGM ratified the Audit expenses of Nu. 1,224,960.70 incurred for the statutory audit for the year 2016.

BOARD COMPOSITION FOR DGPC AND ITS SUBSIDIARIES

The Board of DGPC for the year 2016 comprised of 7 Directors with Dasho Sangay Khandu as the Chairman. During the 9th AGM held on April 20, 2016, the Board confirmed the retirement of Lhaba Tshering, Karma Tshewang and Lhaden Pema. The Board also approved the nomination of Lekzang Dorji, Tashi Pem and Sonam Wangchuk as the Board Directors. The details of Board composition for DGPC and its subsidiaries during 2016 are as given below:

	Shareholding	Board of Directors	Company's Net Worth
Druk Green Power Corporation Limited	DHI – 100%	<ol style="list-style-type: none"> 1. Dasho Sangay Khandu, Chairman, DHI, <i>Chairman</i>^{[2][4]} 2. Mr. Nim Dorji, Secretary, MoF ^{[2][4]} 3. Mr. Sonam Wangchuk, Secretary, MOLHR ^{[1][4]} 4. Mr. Thinley Wangchuk, Director General, Department of Immigration, MoHCA ^{[2][4]} 5. Mr. Lekzang Dorji, Director, DNB, MoF ^{[2][4]} 6. Tashi Pem, EE, DHPS, MoEA ^{[2][4]} 7. Dasho Chhewang Rinzin, MD, DGPC ^{[2][3]} 8. Tashi Lhamo, Director (Finance), DHI Permanent Invitee 	Nu. 44.420 billion

Subsidiaries	Dagachhu Hydro Power Corporation Limited (DHPC)	DGPC – 59% Tata Power Company – 26% National Pension and Provident Fund – 15%	<ol style="list-style-type: none"> 1. Mr. Karma Yonten, Royal Secretariat, Chairman ^{[1][4]} 2. Dasho Phintsho Choeden, Dzongdag, Dagana ^{[2][4]} 3. Mr. Yeshe Tenzin, CE, THP, DGPC ^{[2][4]} 4. Mr. Tshering Dorji, Chief Programme Officer, DPA ^{[2][4]} 5. Mr. Dungtu Drukpa, Director, Operations Department, NPPF ^{[2][4]} 6. Mr. Asim Thakurta, Vice President (CMG) Tata Power Company ^{[2][4]} 7. Mr. Anand Agarawal, Director, Tata Power Company ^{[2][4]} 	Nu. 4.092 billion
	Bhutan Hydropower Services Limited (BHSL)	DGPC – 51 % Alstom – 49 %	<ol style="list-style-type: none"> 1. Mr. Dorji P. Phuntshok, Director (Projects) – DGPC, Chairman ^{[2][4]} 2. Dasho Dawala, Sarpang Dzongda ^{[2][4]} 3. Mr. Karma Tshewang, CE, DHPS, MoEA ^{[2][4]} 4. Mr. M.L. Gupta, Finance Director, GE-Vadodara ^{[2][4]} 5. Mr. Banmali Agrawala, President/CEO, GE (South Asia) ^{[2][4]} 6. Mr. Anoop Roy, Executive, GE-Vadodara ^{[2][4]} 	0.340 billion
	Tangsibji Hydro Energy Limited (THyE)	DGPC – 100% DGPC – 51% JV Partner – 26% IPO – 23%	<ol style="list-style-type: none"> 1. Dasho Phuntsho Wangdi, Secretary, MoWHS, Chairman ^{[2][4]} 2. Dasho Chhewang Rinzin, MD, DGPC ^{[2][4]} 3. Dasho Karma Y.Raydi, CEO, DHI ^{[2][4]} 4. Dasho Sonam Rinchen, Dzongdag, Trongsa District ^{[1][4]} 5. Mr. Ugyen Namgyal, Director (Finance), DGPC ^{[2][4]} 6. Mr. Sonam Wangdi, CAO, DPA, MoF ^{[1][4]} 7. Mr. Karma Chhophel, Managing Director, THyE ^{[2][4]} 	1.132 billion
Kholongchhu Hydro Energy Limited	DGPC- 50% JV Partner-50 %	<ol style="list-style-type: none"> 1. Dasho Yeshe Wangdi, Secretary, MoEA, Chairman ^{[2][4]} 2. Dasho Chhewang Rinzin, Managing Director, DGPC ^{[2][4]} 3. Dasho Bharat Tamang Yonzon, Director, Royal Privy Council ^{[1][4]} 4. Mr. Sonam P Wangdi, Director General, Department of Hydropower and Power Systems (DHPS), MoEA ^{[2][4]} 5. Dasho Thuji Tshering, Dzongdag, Trashiyantse ^{[1][4]} 6. Mr. Sudhakar Dalela, Joint Secretary (North), Ministry of External Affairs, GOI ^{[2][4]} 7. Ms. Archana Agarwal, Joint Secretary (Hydro), Ministry of Power, GOI ^{[2][4]} 8. Mr. Kanwar Singh, Director (Civil), SJVNL ^{[2][4]} 9. Mr. S.K. Sharma, Managing Director, KHEL ^{[2][4]} 	1,006.18 Billion	

1. Independent Director
2. Non- Independent Director
3. Executive Director
4. Non- Executive Director

BOARD OF DIRECTORS AND BOARD MEETINGS

The composition of Board members and their representations on other Boards in 2016 are as presented below:

Name of Director	Profile	Other Directorship Held	
		DHI Companies	Other Agencies
Dasho Sangay Khandu	Chairman, DHI	DGPC, DCL, BOB	
Nim Dorji	Secretary, Ministry of Finance (MoF)	DGPC, DHI	RMA, FCBL, BLL
Sonam Wangchuk	Secretary, Ministry of Labour and Human Resources (MoLHR)		RMA, TCB, RENEW, National Disaster Management Authority, Empowered Group, GNH Centre, PCAL, Bhutan Trust Fund.
Lekzang Dorji	Director, Department of National Budget, MoF		FCB, Bhutan Duty free Ltd, Director SAARC Development Fund and Choedey Lhentshog.
Tashi Pem	Executive Engineer, DHPS, MoEA	DGPC	
Thinlay Wangchuk	Director General, Department of Immigration, MoHCA	DGPC	
Dasho Chhewang Rinzin	Managing Director, DGPC	CDCL (Chairman), KHyE, THyE, DHPC	BTF(Chairman)

Abbreviations

BOB – Bank of Bhutan Limited

BLL – Bhutan Lottery Limited

BTF – Bhutan Taewondo Federation

CDCL – Construction Development Corporation Limited

DHPC – Dagachhu Hydro Power Corporation Limited

DCL – Drukair Corporation Limited

DHI – Druk Holding and Investments

GNHC – Gross National Happiness Commission

KHyE – Kholongchhu Hydro Energy Limited

MoEA – Ministry of Economic Affairs

MoF – Ministry of Finance

MoWHS – Ministry of Works and Human Settlement

NHDC – National Housing Development Corporation Limited

NPPF – National Pension and Provident Fund

RENEW – Respect, Educate, Nurture and Empower Women

RMA – Royal Monetary Authority

THyE – Tangsibji Hydro Energy Limited

FCBL – Food Corporation of Bhutan Limited

PCAL – Penden Cement Authority Limited

The Board of DGPC met eight times during the year and the quorums for each of these meetings were duly met. The Annual General Meeting was held on April 20, 2016.

The Board and the management continued to work towards streamlining the operations of the Company. The Board committees continued to support the decision making for the company through recommendations to the Board. The Board Audit Committee also met once during the year. The other Board Committees such as the Tender Committee also met as and when

required. The performance of the Directors, the Board, and the Board Committees are reviewed and evaluated annually by DHI.

The meetings held during 2016 are as below:

Board Meeting	1. 61st BM- January 5, 2016 2. 62nd BM-February 15, 2016 3. 63rd BM-March 3, 2016 4. 64th BM-April 19, 2016 5. 65th BM-June 23, 2016 6. 66th BM-July 29, 2016 7. 67th BM-October 31, 2016 8. 68th BM-December 14, 2016
Annual General Meeting (AGM)	1. April 20, 2016
Board Level Tender Committee Meetings	1. May 30, 2016 2. August 10, 2016
Board Human Resource Committee Meeting	NIL
Board Audit Committee Meeting	1. April 5, 2016

The details of the number of meetings attended by the Board Directors during their respective tenure are as given below:

Name of Director	Profile	No. of BM Attended	No. of BLTC Attended	No. of BAC Attended	No. of BHRC Attended
Dasho Sangay Khandu	Chairman, DHI (Chairman, DGPC)	8/8			
Mr. Nim Dorji	Secretary, MoF (Chair, BAC & BLTC)	8/8	2/2	1/1	
Mr. Sonam Wangchuk	Secretary, MoLHR (Member, BLTC)	3/4	1/1		
Mr. Thinlay Wangchuk	Director General, DOI, MoHCA	8/8	1/1		
Mr. Lekzang Dorji	Director, DNB, MoF (Member, BLTC)	3/4	1/1		
Ms. Tashi Pem	Executive Engineer, DHPS, MoEA	3/4			
Dasho Chhewang Rinzin	Managing Director, DGPC (Member BTLC)	8/8	2/2		
Ms. Tashi Lhamo	Director (Finance), DHI, Permanent Invitee	7/8			

Abbreviation

BM: Board Meeting, BLTC: Board Level Tender Committee, BAC: Board Audit Committee, BHRC: Board Human Resource Committee

COMPLIANCE CHECKLIST

DGPC has been complying with all the relevant provisions in DHI's CG Code and as required by the Companies Act of Bhutan, 2016.

With the increasing transactions, DGPC has developed a comprehensive Checklist for the Statutory Compliance Framework in order to verify and ensure that all the relevant Acts and Regulations are adhered to in all processes including decision making, policy formulation, and business transactions of the Company.

MANAGEMENT TEAM



HEAD OF DEPARTMENTS



Dorji P. Phuntshok

Director, Projects Department

He previously served as the Chief Engineer with Chhukha and Tala Hydropower Plants, and also as the interim CEO for Dagachhu Hydro Power Corporation.

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



Ugyen Namgyal

Director, Finance & Investments Department

He previously served as the General Manager, Finance & IT Division, BDFCL.

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. He also attended the Certified Practicing Accountant Program from CPA Australia, Melbourne, Australia.



Dechen Wangmo

Interim Head, Corporate Affairs Department

She previously served as the Head for Business Development Unit of DGPC.

She holds a Bachelor in Engineering (Electrical) from University of Wollongong, Australia and a Master in Business Administration from the University of Melbourne, Melbourne Business School, Australia.



Kuenga Namgay

Director, Operations & Maintenance Department

He previously served as the Executive Director for Corporate Affairs Department, DGPC.

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

Director, Human Resource & Administration Department

He previously 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.

HEAD OF PLANTS



Kencho Gyeltshen

CE/Head of Plant, Chhukha Hydropower Plant

He previously served as the Head of Operation and Maintenance Wing, Tala Hydropower Plant. He holds a Bachelor in Engineering (Electrical and Electronics) from PSG College of Technology, Coimbatore, India, and a Masters in Electrical Engineering from University of New Brunswick, Fredericton, Canada.



Yeshi Tenzin

CE/Head of Plant, Tala Hydropower Plant

He previously served as the Head of Kurichhu and Chhukha Hydropower Plants. He holds a Bachelor in Mechanical Engineering from Delhi College of Engineering, Delhi University, India, and an MSc in Mechanical Engineering from the University of Texas at El Paso, USA.



Pema Wangda

SE/Head of Plant, Basochhu Hydropower Plant

He previously served as the Head of Operation and Maintenance Division, Basochhu Hydropower Plant.

He holds a Bachelor in Mechanical Engineering from the PSG College of Technology, Coimbatore, India, and an MSc in Mechanical Engineering from Linköping University, Sweden.



Dechen Namgyel

SE/Head of Plant, Kurichhu Hydropower Plant

He previously served as the Head of Maintenance Division at 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.



INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

To the Members of Druk Green Power Corporation Limited
Bhutan

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

QUALIFIED OPINION

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the company as at 31st December 2016, and its financial performance and its cash flows for the year then ended in accordance with Bhutanese Accounting Standards (BAS)-Phase-I and Phase-II.

We have audited the standalone financial statements of Druk Green Power Corporation Limited (“the Company”), which comprise the Statement of Financial Position as at 31st December 2016, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR QUALIFIED OPINION

The Company has transferred the land with book value of Nu 4,45,4133.72 to DHI Ltd. (Holding Company) by debiting the reserves as per the instructions from DHI Ltd., which constitutes a departure from BAS-16 “Property Plant & Equipment”. Since the transfer of land valuing Nu 4,45,4133.72 has been made without any consideration this has resulted in the loss of Nu 4,45,4133.72. The loss incurred should have been charged to the statement of comprehensive income instead of reserve account further it has resulted into overstatement of profit before tax by Nu 4,45,4133.72 and the consequential increase in tax expense.

We conducted our audit in accordance with the International Standards on Auditing (as adopted by the Accounting and Auditing Standards Board of Bhutan (AASBB)). Our responsibilities under those Standards are further described in the Auditor’s Responsibilities for the Audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR STANDALONE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Bhutanese Accounting Standards Phase-I and Phase-II and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the company’s financial reporting process.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable

assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the section 255(e) of The Companies Act of Bhutan, 2016 (Minimum Audit Examination and Audit reporting requirement issued by the Royal Audit Authority) we enclose in the annexure a statement on the matters specified therein to the extent applicable to the company.

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

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

For Bansal & Co.
Chartered Accountants
(Firm's Registration No. 0113N)



(Dr. D.S. Rawat)
(Partner)
(Membership No. 083030)

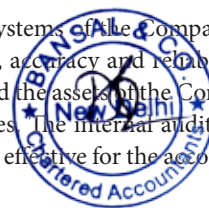


Date: 19th April, 2017
Place: New Delhi

ANNEXURE TO AUDITORS' REPORT

[Referred to in paragraph (5) of the Auditors' Report of even date to the Members of Druk Green Power Corporation Limited on the financial statements for the year ended 31st December' 2016]

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 except for one Plant and no major material discrepancies were noticed and the same have been properly dealt with in the books of accounts. In addition to the verification carried out as per the policy of company, the company has also instituted process of obtaining asset sign off annually from the individuals effective from 2016.
2. The fixed assets of the company have not been revalued during the year.
3. As the company is engaged in the generation of electricity, there are no finished goods or raw materials.
4. 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.
5. In our opinion and according to information and explanation given to us, the procedures of physical verification of inventories (stores and spares) followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
6. Company is engaged in generation of electricity therefore no closing inventory is resulting during the generation of electricity however company has stores and spares which is forming part of the inventories. On the basis of our examination of the inventory (stores & spares) records, in our opinion, the Company has maintained proper records for inventory. Discrepancies noticed on physical verification of inventory as compared to book records were not material. In our opinion, the valuation of year-end inventories has been fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the earlier years. Given the nature of hydropower business with no definite consumption pattern of the inventories, provision for non-moving and slow moving inventories cannot be determined.
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 not granted any unsecured loan to its holding company during the year 2016.
9. During the year, an inter-corporate loan of Nu. 400,000,000 (Ngultrum four hundred million) has been provided to Dungsum Cement Corporation Ltd. (DCCL), fellow subsidiary, via loan agreement dated 23rd November, 2016 for the period up to 31st March, 2017 at the interest rate of 5.75% per annum.
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, to make internal audit more effective for the accounting year should be completed before the start of the statutory audit.
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.

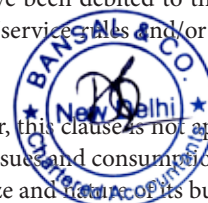
13. The Company sells its electricity generated to the Power Trading Corporation of India Limited (at rates fixed by the Royal Government of Bhutan and the Government of India) and to Bhutan Power Corporation Limited for sale in Bhutan (at the rates fixed by relevant authority appointed by the Royal Government of Bhutan). Hence, in view of the above, the issue of competitive bidding for sale of goods and services, in our opinion, is not applicable to the Company.

According to the information and explanations given to us, the Company has entered into transactions of purchases and sale of electricity and services during the year in pursuance of contracts or arrangements entered into with the company in which the director(s) are directly or indirectly interested at the rates fixed by relevant authority appointed by the Royal Government of Bhutan. Therefore, the rates at which these transactions have been entered into are not prima-facie prejudicial to the interest of the Company.

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 inventory 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 and transformation, 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 2016 and Statement of Gross Energy Available for sale/use for the year 2015 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 23 and Note 28 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 Statement of Comprehensive Income other than those payable under contractual obligations/services 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 Note 26 of “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. It was stated to us that Debtors and other parties which are few in numbers are being monitored for payment without actually doing the age wise analysis of outstanding claim.
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 Note 12 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, unauthorized to their relatives / friends / associates or close persons which directly or indirectly benefit themselves. We have however relied on the management's 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.

39. General

1. Going Concern Problems

On the basis of the attached Financial Statements as at 31st December, 2016 and according to the information and explanations given to us, the financial position of the company is healthy and we have no reason to believe that the Company is likely to become sick in the near future.

2. Ratio Analysis

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

3. Compliance with The Companies Act of Bhutan

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

4. Adherence to Laws, Rules and Regulations

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

For Bansal & Co.
Chartered Accountants
FRN: 001113N


(Dr. D. S. Rawat)
Partner
Membership Number: 083050
Place: New Delhi
Date: 19th April, 2017



AUDITED FINAL ACCOUNTS



DRUK GREEN POWER CORPORATION LIMITED
AUDIT FOR THE YEAR ENDED 31ST DECEMBER, 2016

RATIO ANALYSIS

Exhibit-3

Sl.No.	Particulars	2016	2015	Remarks
A.	Ratios for assessing financial health (In numbers)			
I	Debt Equity Ratio	0.18	0.23	The ratio has decreased due to decrease in the loan obligation due to repayment.
II	Current Ratio	1.32	1.22	The ratio has increased on account of increase in cash and bank balances and sundry debtors as compared to 2015.
III	Liquid Ratio	1.17	1.06	The ratio has increased on account of increase in cash and bank balances and sundry debtors as compared to 2015.
IV	Debt Services Coverage Ratio	4.03	3.38	The Debt Services Coverage has increased on account of decrease in the loan and interest obligation due to repayment.
V	Fixed Assets to Equity	0.98	1.05	The ratio has decreased due to increase in profit and decrease in Fixed Assets (Net Block) due to increase in Accumulated Depreciation.
VI	Fixed Assets to Turnover	0.33	0.31	The ratio has increased due to increase in turnover and decrease in Fixed Assets (Net Block) as compared to 2015.
B.	Ratios for assessing profitability (In percentage)			
I	Return on Equity (%)	12.49	12.07	The ratio has increased due to increase in profit compared to the previous year.
II	Return on Capital Employed (%)	16.15	15.16	The ratio has increased due to increase in profit and decrease in the loan obligation due to repayment.
III	Generation and Maintenance Expenses to Electricity Revenue (%)	4.72	5.43	The ratio has decreased mainly due to decrease in expenses and increase in revenue as compared to 2015.
IV	Earning Per Share	180.65	168.55	The increase is mainly on account of increase in profit as compared to previous year 2015.
C.	Ratios for assessing cash flow efficiency (In numbers)			
I	Cash flow turnover	0.56	0.60	The ratio has decreased due to decrease in cash from operation as compared to 2015.
II	Operation Index	1.46	1.62	The ratio has decreased due to decrease in cash from operation as compared to 2015.
III	Cash flow return on assets	0.18	0.19	The ratio has decreased due to decrease in cash from operation as compared to 2015.
Note: Due to compliances of BAS , the previous years figure have been regrouped wherever necessary.				



DRUK GREEN POWER CORPORATION LIMITED
AUDIT FOR THE YEAR ENDED 31ST DECEMBER, 2016

RATIO

Exhibit-3A

PARTICULARS	2016	2015
CURRENT RATIO	1.32	1.22
Current asset	6,464,994,093.03	5,465,854,998.51
Current liabilities(including provisions)	4,891,731,674.13	4,473,414,823.70
DEBT EQUITY RATIO	0.18	0.23
Debt	7,826,230,995.33	10,061,225,024.85
Equity	44,415,752,257.47	42,881,197,493.55
LIQUID RATIO	1.17	1.06
Current assets	6,464,994,093.03	5,465,854,998.51
Less: Inventories	594,856,671.52	584,286,338.50
Less: Prepaid Expenses	93,950,775.18	98,879,092.83
Less: Advance to Supplier/Contractor	66,572,913.30	50,725,708.54
	5,709,613,733.03	4,731,963,858.64
Current liabilities(including provisions)	4,891,731,674.13	4,473,414,823.70
DEBT SERVICE COVERAGE RATIO	4.03	3.38
EBITA	10,742,469,882.50	10,335,050,114.24
Debt Service	2,664,663,023.54	3,061,743,675.48
FIXED ASSETS (NB) TO EQUITY	0.98	1.05
Fixed assets	43,439,879,794.14	44,957,476,293.88
Equity	44,415,752,257.47	42,881,197,493.55
FIXED ASSETS (NB) TURNOVER	0.33	0.31
Fixed assets	43,439,879,794.14	44,957,476,293.88
Electricity Revenue	14,385,687,591.04	14,058,058,253.05
ROCE (%)	16.15	15.16
PBIT	8,435,280,036.77	8,028,201,306.04
Capital Employed (Total Shareholders Equity + Debt)	52,241,983,252.80	52,942,422,518.40
GENERATION AND MAINTAINENCE EXPENSES TO ELECTRICITY REVENUE	4.72	5.43
Operation & Maintenance expenses (incl cost of Power purchased)	678,654,159.57	762,765,066.23
Electricity Revenue	14,385,687,591.04	14,058,058,253.05
DIVIDEND PERCENTAGE	16.26	16.01
Corporate dividend	4,993,351,834.07	4,917,814,781.51
Share Capital	30,712,866,000.00	30,712,866,000.00
ROE (%)	12.49	12.07
PAT	5,548,168,704.53	5,176,647,138.44
Total Shareholders Equity	44,415,752,257.47	42,881,197,493.55
EARNINGS PER SHARE	180.65	168.55
PAT	5,548,168,704.53	5,176,647,138.44
Outstanding Equity Shares	30,712,866.00	30,712,866.00
CASH FLOW EFFICIENCY RATIOS		
CASH FLOW TO TURNOVER	0.56	0.60
Cash from operation	8,076,134,673.01	8,394,748,974.04
Electricity Revenue	14,385,687,591.04	14,058,058,253.05
OPERATIONS INDEX	1.46	1.62
Cash from operation	8,076,134,673.01	8,394,748,974.04
PAT	5,548,168,704.53	5,176,647,138.44
CASH FLOW RETURN ON ASSETS	0.18	0.19
Cash from operation + Tax Paid + Interest Paid	10,076,470,129.99	10,718,362,360.79
Total Assets	55,306,775,339.09	55,594,520,884.33



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

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2016

Particulars	Note No.	Amount in Nu.	
		2016	2015
ASSETS			
Non- Current Assets			
Property, Plant & Equipment	1	42,409,134,604.30	44,498,318,923.46
Intangible Assets	1	38,861,419.66	67,427,364.22
Capital Work in Progress	1	991,883,770.18	391,730,006.20
Investment Property (Land)	2	32,000,000.00	32,000,000.00
Long-Term Investments	3	4,846,883,410.86	4,656,883,410.86
Employee Benefit Plan Assets	4	523,018,041.06	482,306,181.08
Total Non - Current Assets		8,841,781,246.06	50,128,665,885.82
Current Assets			
Cash and Bank Balance	6	1,091,708,041.46	320,703,756.28
Short Term Investments	7	2,750,000,000.00	3,043,000,000.00
Inventories	8	594,856,671.52	584,286,338.50
Sundry Debtors	9	1,397,170,802.31	967,584,630.26
Short Term Loans and Advances	10	468,145,247.39	352,779,979.59
Other Current Assets	11	163,113,330.35	197,500,293.88
Total Current Assets		6,464,994,093.03	5,465,854,998.51
TOTAL ASSETS		55,306,775,339.09	55,594,520,884.33
EQUITY AND LIABILITIES:			
Shareholder's Equity			
Share Capital	12	30,712,866,000.00	30,712,866,000.00
General Reserves		8,839,779,807.31	8,600,844,795.11
Retained Earnings		4,822,437,715.26	3,326,003,927.43
Accumulated Other Comprehensive Income		40,668,734.90	51,482,771.00
Group Investment Reserve		-	190,000,000.00
Total Shareholders Equity		44,415,752,257.47	42,881,197,493.55
Non- Current Liabilities			
Long- Term Borrowings	13	5,426,279,520.20	7,769,695,310.40
Employee Benefit Obligation	14	496,037,488.65	417,194,422.02
Deferred Tax Liability	5	76,974,398.63	53,018,834.66
Total Non Current Liabilities		5,999,291,407.48	8,239,908,567.08
Current Liabilities			
Current Portion of Long Term Borrowing	15	2,399,951,475.13	2,291,529,714.45
Employee Benefit Obligation	16	22,818,117.00	29,911,995.00
Other Current Liabilities	17	2,468,962,082.00	2,151,973,114.25
Total Current Liabilities		4,891,731,674.13	4,473,414,823.70
Total Liabilities		10,891,023,081.61	12,713,323,390.78
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		55,306,775,339.09	55,594,520,884.33

Significant Accounting Policies & Notes on Accounts

26

Note referred to above form an integral part of the Accounts

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

In terms of our report of even date attached

For Bansal & Co.

Chartered Accountants

Firm's Registration No. 001113N

(D. S. Rawat)

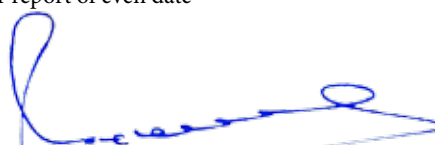
Partner

Membership No. 083030



Date:- 19th April, 2017

Place:- New Delhi


(Dasho Sangay Khandu)
Chairman, DGPC & DHI


(Dasho Chhewang Rinzin)
Managing Director


(Ugyen Namgyal)
Director (Finance)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED ON 31ST DECEMBER 2016

		Amount in Nu.	
Particulars	Note No.	2016	2015
Income			
Electricity Revenue	18	14,385,687,591.04	14,058,058,253.05
Interest Earned	19	118,794,175.31	154,143,864.38
Other Income	20	119,567,678.07	45,883,343.91
		14,624,049,444.42	14,258,085,461.34
Expenditure			
Wheeling charges		617,472,078.88	592,984,484.74
Royalty Expense		1,560,196,169.87	1,520,595,229.77
Insurance		114,271,454.59	114,506,467.10
Running and Maintenance Expenses	21	341,880,068.90	333,746,047.11
Employees' Remuneration and Benefits	22	762,487,124.95	801,529,676.23
Purchase of Energy	23	222,502,636.08	314,512,552.02
Interest on Borrowings	24	476,514,602.15	622,014,081.21
Depreciation/Amortisation	1	2,307,189,845.73	2,306,848,808.20
Other Expenses	25	262,770,028.65	245,160,890.13
		6,665,284,009.80	6,851,898,236.51
Operating Profit		7,958,765,434.62	7,406,187,224.83
Profit Before Tax		7,958,765,434.62	7,406,187,224.83
Tax Expense			
Current Tax		2,375,827,130.02	2,154,910,098.56
Deferred Tax (Income)/Expense		23,955,563.97	90,073,198.83
Profit for the Year		5,558,982,740.63	5,161,203,927.44
Other comprehensive income:			
Actuarial gains (losses) on defined benefit pension plans*		(15,448,623.00)	22,061,730.00
Income Tax Expense on Actuarial gains (losses) *		(4,634,586.90)	6,618,519.00
Total Other Comprehensive Income for the Year		(10,814,036.10)	15,443,211.00
COMPREHENSIVE INCOME FOR THE YEAR		5,548,168,704.53	5,176,647,138.44
Basic & Diluted Earning Per Share		180.65	168.55

* Restated

Significant Accounting Policies & Notes on Accounts

26

Note referred to above form an integral part of the Accounts

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

In terms of our report of even date attached

For Bansal & Co.
Chartered Accountants
Firm's Registration No. 001113N

(D. S. Rawat)
Partner
Membership No. 083030



Date:- 19th April, 2017
Place:- New Delhi

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

(Dasho Chhewang Rinzin)
Managing Director

(Ugyen Namgyal)
Director (Finance)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2016

Particulars	Amount in Nu.	
	2016	2015
Cash flows from operating activities		
Profit before taxation	7,958,765,434.62	7,406,187,224.83
Adjustment for:		
Depreciation / Amortisation	2,307,189,845.73	2,306,848,808.20
Foreign Exchange Loss	40,281,973.83	17,457,162.64
Loss/(Gain) on sale of Property Plant & Equipment	13,542,115.87	(421,013.42)
Investment Income	(163,517,425.31)	(154,143,864.38)
Interest Expenses	476,514,602.15	622,014,081.21
(Increase)/Decrease in Sundry Debtors	(429,586,172.05)	223,624,478.05
(Increase)/Decrease in Inventories	(10,570,333.02)	(23,503,872.89)
(Increase)/Decrease in Other Current Asset	(3,217,091.27)	(3,971,956.00)
(Increase)/Decrease in Loans and Advances	(115,365,267.80)	71,654,062.77
Increase/(Decrease) in Current Liabilities	(53,868,118.39)	159,251,146.61
Increase/(Decrease) in Provision	(7,093,878.00)	(13,837,578.84)
Increase/(Decrease) in Provision(Non Current)	63,394,443.63	107,203,682.01
Cash generated from Operation	10,076,470,129.99	10,718,362,360.79
Income Tax Paid	(2,000,335,456.99)	(2,323,613,386.75)
Net cash from operating activities	8,076,134,673.01	8,394,748,974.04
Cash flows from investing activities		
Purchase of PPE & Intangibles Assets	(972,393,437.68)	(729,454,607.94)
Sale of PPE & Intangible Asset	164,803,842.13	3,524,773.54
(Payment)/Proceeds (for)/from Long Term Investment	(230,711,859.98)	(1,026,019,435.72)
(Payment)/Proceeds (for)/from Short Term Investment	293,000,000.00	641,101,722.20
Interest Received	156,398,230.11	244,047,983.18
Dividend received	44,723,250.00	
Net cash used in investing activities	(544,179,975.42)	(866,799,564.74)
Cash flows from financing activities		
Issue/(Redemption) of Share Capital	-	204,575,000.00
Proceeds/(Repayment) of Loan	(2,269,927,780.37)	(2,486,268,853.16)
Interest Paid	(481,862,825.13)	(863,979,402.12)
Dividend Paid	(4,009,159,806.88)	(4,708,673,664.26)
Net cash used in financing activities	(6,760,950,412.38)	(7,854,346,919.54)
Net increase/(decrease) in cash and cash equivalents	771,004,285.18	(326,397,510.24)
Cash and cash equivalents at the beginning of the period	320,703,756.28	647,101,266.52
Cash and cash equivalents at the end of the period	1,091,708,041.46	320,703,756.28
Component of cash and cash equivalents:-		
Cash in Hand	1,293,307.27	1,050,150.30
Balances in Current Accounts with Banks	1,090,414,734.19	319,653,605.98
Total	1,091,708,041.46	320,703,756.28

Note:- Non cash transaction of transfer of land by DGPC to DHI of Nu. 4,454,113.72 during the year by debting the reserve

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

For Bansal & Co.
Chartered Accountants
Firm's Registration No. 001113N

(D. S. Rawat)
Partner
Membership No. 083030



Date:- 19th April, 2017
Place:- New Delhi

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

(Dasho Chhewang Rinzin)
Managing Director

Ugyen Namgyal
Director (Finance)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2016

	Number of Shares	Equity Share Capital	Actuarial Gain/ Losses on Defined Benefits	General Reserve	Retained Earnings	Group Investment Reserve	Total Equity
Balance at 31 December, 2013	30,508,291.00	30,508,291,000.00	(1,297,170.00)	7,721,553,430.82	3,633,479,942.33	190,000,000.00	42,052,027,203.15
Net Profit/(Loss) for the year		-	-	-	5,031,382,828.88	-	5,031,382,828.88
Transfer to reserves		-	-	-	(441,182,199.67)	-	-
Transfer to General Reserve		-	37,336,730.00	441,182,199.67	-	-	37,336,730.00
Other Comprehensive Income for the Period		-	-	-	-	-	-
Transaction with the owners		-	-	-	(4,912,097,742.66)	-	(4,912,097,742.66)
Payment of Dividends		-	-	-	-	-	-
Balance at 31 December, 2014	30,508,291.00	30,508,291,000.00	36,039,560.00	8,162,735,630.49	3,311,582,828.88	190,000,000.00	42,208,649,019.37
Net Profit for the year 2015		-	-	-	5,161,203,927.44	-	5,161,203,927.44
Net Profit/(Loss) for the year		-	-	-	(438,109,164.62)	-	-
Transfer to reserves		-	-	438,109,164.62	-	-	-
Transfer to General Reserve		-	15,443,211.00	-	-	-	15,443,211.00
Other Comprehensive Income for the Period *		-	-	-	-	-	-
Transaction with the owners		-	-	-	-	-	-
Issue of Additional Shares	204,575.00	204,575,000.00	-	-	-	-	204,575,000.00
Payment of Dividends		-	-	-	(4,708,673,664.26)	-	(4,708,673,664.26)
Balance at 31 December, 2015	30,712,866.00	30,712,866,000.00	51,482,771.00	8,600,844,795.11	3,326,003,927.43	190,000,000.00	42,881,197,493.55
Net Profit for the year 2016		-	-	-	5,558,982,740.63	-	5,558,982,740.63
Net Profit/(Loss) for the year		-	-	-	(243,389,145.92)	-	-
Transfer to reserves		-	-	-	-	-	-
Transfer to General Reserve		-	(10,814,036.10)	243,389,145.92	-	-	(10,814,036.10)
Other Comprehensive Income for the Period *		-	-	-	-	-	-
Transaction with the owners		-	-	-	-	-	-
Group Investment Reserve		-	-	-	190,000,000.00	(190,000,000.00)	-
Book value of Land transferred is adjusted from reserve		-	-	(4,454,133.72)	-	-	(4,454,133.72)
Issue of Additional Shares		-	-	-	-	-	-
Payment of Dividends		-	-	-	(4,009,159,806.88)	-	(4,009,159,806.88)
Balance at 31 December, 2016	30,712,866.00	30,712,866,000.00	40,668,734.90	8,839,779,807.31	4,822,437,715.26	-	44,415,752,257.47

* Restated

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

For Bansal & Co.
Chartered Accountants
Firm's Registration No.
001113N



(D. S. Rawat)
Partner
Membership No. 083036

Date:- 19th April, 2017
Place:- New Delhi

(Dasho Sangay Khandu)
Chairman, DGPC & DHI

(Dasho Chhewang Rinzin)
Managing Director

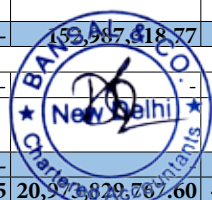
(Ugyen Namgyal)
Director (Finance)

DRUK GREEN POWER CORPORATION LIMITED

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

FIXED ASSETS	GROSS BLOCK				
	Opening Balance as at 01/01/2016	Additions	Disposal	Book Adjustments	Gross Block as on 31.12.2016
TANGIBLE ASSETS					
Land and Land Development	118,369,592.74	1,015,740.00	(4,454,133.72)		114,931,199.02
CIVIL STRUCTURES					
Buildings	2,556,792,840.78	20,900,708.45	(11,960,280.14)	2,837,869.82	2,568,571,138.91
Walls & Fencings	291,816,118.84	9,270,189.44	(3,629,809.98)	4,193,531.51	301,650,029.81
Road & Culverts	2,766,617,404.13	4,972,992.27	(406,510.20)	5,412,030.55	2,776,595,916.75
Water Supply & Sanitation	231,012,705.17	-	(7,671.04)	-	231,005,034.13
Dam Complex-Civil	10,926,145,045.39	-	(2,611,395.68)	-	10,923,533,649.71
Power House Complex- Civil	5,520,417,626.80	-	-	-	5,520,417,626.80
Transmission Line -Civil	216,328.23	-	-	-	216,328.23
Switch Yard- Civil	139,500,726.02	-	-	-	139,500,726.02
Water Conductor System- Power House	23,564,483,779.14	-	-	-	23,564,483,779.14
Other Civil Structures	95,605,111.03	275,000.00	(84,242.47)	-	95,795,868.56
PLANT AND MACHINERY					
Trash Cleaning Equipments	169,206,042.78	-	-	-	169,206,042.78
Gates	924,173,240.42	-	-	-	924,173,240.42
Generators	3,542,619,631.20	204,560.00	-	-	3,542,824,191.20
Excitation Systems	367,267,361.55	-	-	-	367,267,361.55
Governing Systems	335,537,221.61	-	-	-	335,537,221.61
Turbines	3,206,282,862.75	6,293,507.98	(56,447,835.00)	-	3,156,128,535.73
Runners	1,074,660,816.64	184,452,217.75	-	52,224,230.58	1,311,337,264.97
Oil Handling Systems	72,397,761.19	-	-	-	72,397,761.19
Control & Conditioning	245,983,000.91	-	-	-	245,983,000.91
Monitoring Systems					
Control & Protection Panels	729,926,924.12	-	-	-	729,926,924.12
Pumps & Motors	226,413,766.90	-	-	-	226,413,766.90
Transformers	948,655,163.54	-	-	-	948,655,163.54
Shunt Reactors	86,089,024.60	-	-	-	86,089,024.60
Gas Insulated Switch Gears	919,274,583.05	-	-	-	919,274,583.05
Valves	965,084,409.78	-	-	-	965,084,409.78
Switchyard	4,841,874.00	-	-	-	4,841,874.00
Electro-Mechanicals-Others	1,676,218,672.04	-	(161,506,515.96)	-	1,514,712,156.08
Machinery	259,785,594.82	3,134,500.00	-	-	262,920,094.82
TOOLS & SAFETY EQUIPMENTS					
Tools and Plants	295,125,650.43	25,485,966.31	(968,091.30)	149,822.00	319,793,347.44
Fire Fighting and Safety Equipments	99,913,348.13	2,715,434.70	(105,039.44)	-	102,523,743.39
OTHER ASSETS					
Office Equipment	103,120,040.19	2,484,899.75	(1,174,082.16)	360,600.00	104,791,457.78
Furniture & Fixtures	51,969,619.63	3,358,242.24	(374,999.70)	116,789.00	55,069,651.17
Vehicles	231,065,204.48	12,620,012.10	(4,932,134.59)	-	238,753,081.99
Illumination System	205,622,736.37	258,643.50	(122,288.76)	130,778.88	205,889,869.99
Information and Technology	123,778,672.70	15,124,912.30	(9,685,780.13)	4,307,795.75	133,525,600.62
General Assets	43,954,261.24	6,676,119.06	(533,993.88)	60,000.00	50,156,386.42
	63,119,944,763.34	299,243,645.85	(259,004,804.15)	69,793,448.09	63,229,977,053.13
Less: Provision for Losses					
Net Assets	63,119,944,763.34	299,243,645.85	(259,004,804.15)	69,793,448.09	63,229,977,053.13
INTANGIBLE ASSETS					
Intangible Assets	185,885,717.59	7,036,424.48	(1,073,403.64)	-	191,848,738.43
Less: Provision for Losses					
Net Assets	185,885,717.59	7,036,424.48	(1,073,403.64)	-	191,848,738.43
CAPITAL WORKS IN PROGRESS					
Capital Works in Progress	391,730,006.20	669,247,311.07	(36,480.00)	(69,057,067.09)	991,883,770.18
Less: Depreciation booked to CWIP					
Net Assets	391,730,006.20	669,247,311.07	(36,480.00)	(69,057,067.09)	991,883,770.18
Grand Total	63,697,560,487.13	975,527,381.40	(260,114,687.79)	736,381.00	64,413,709,561.74

DEPRECIATION					NET BLOCK	NET BLOCK
Opening Balance as at 01.01.2016	During the year	Disposal	Adjustments	Closing balance as at 31.12.2016	Net Block As at 31.12.2016	Net Block As at 31.12.2015
-	-	-	-	-	114,931,199.02	118,369,592.74
543,609,190.15	84,633,344.66	(2,051,951.10)	-	626,190,583.71	1,942,380,555.20	2,013,183,650.63
27,386,411.73	9,813,323.16	-	-	37,199,734.89	264,450,294.92	264,429,707.11
608,028,125.22	92,391,651.07	-	-	700,419,776.29	2,076,176,140.46	2,158,589,278.91
48,777,736.89	7,680,706.46	(4,771.68)	-	56,453,671.67	174,551,362.46	182,234,968.28
3,005,642,807.90	363,753,670.52	-	-	3,369,396,478.42	7,554,137,171.29	7,920,502,237.49
1,547,483,292.12	183,829,906.97	-	-	1,731,313,199.09	3,789,104,427.71	3,972,934,334.68
83,341.16	7,203.73	-	-	90,544.89	125,783.34	132,987.07
44,721,061.60	4,645,374.14	-	-	49,366,435.74	90,134,290.28	94,779,664.42
5,514,087,753.45	784,697,309.85	-	-	6,298,785,063.30	17,265,698,715.84	18,050,396,025.69
13,578,649.15	3,170,446.69	-	-	16,749,095.84	79,046,772.72	82,026,461.88
46,951,844.96	5,634,561.25	-	-	52,586,406.21	116,619,636.57	122,254,197.82
419,854,278.51	29,212,102.14	-	-	449,066,380.65	475,106,859.77	504,318,961.91
1,357,177,552.74	119,156,062.58	-	-	1,476,333,615.32	2,066,490,575.88	2,185,442,078.46
141,382,710.28	11,830,744.87	-	-	153,213,455.15	214,053,906.40	225,884,651.27
131,726,348.48	11,173,388.92	-	-	142,899,737.40	192,637,484.21	203,810,873.13
1,314,561,240.75	99,892,567.64	(16,232,773.51)	-	1,398,221,034.88	1,757,907,500.85	1,891,721,622.00
695,213,390.51	176,861,798.39	-	-	872,075,188.90	439,262,076.07	379,447,426.13
32,095,404.47	2,410,845.37	-	-	34,506,249.84	37,891,511.35	40,302,356.72
90,675,937.99	8,188,967.01	-	-	98,864,905.00	147,118,095.91	155,307,062.92
290,018,007.39	24,169,835.75	-	-	314,187,843.14	415,739,080.98	439,908,916.73
77,869,824.56	7,537,952.02	-	-	85,407,776.58	141,005,990.32	148,543,942.34
338,919,016.97	31,135,316.19	-	-	370,054,333.16	578,600,830.38	609,736,146.57
30,068,553.23	2,866,764.51	-	-	32,935,317.74	53,153,706.86	56,020,471.37
264,813,935.73	30,590,481.88	-	-	295,404,417.61	623,870,165.44	654,460,647.32
388,771,153.05	30,911,357.11	-	-	419,682,510.16	545,401,899.62	576,313,256.73
1,392,383.66	161,234.40	-	-	1,553,618.06	3,288,255.94	3,449,490.34
692,637,895.95	46,298,717.78	(45,327,469.07)	-	693,609,144.66	821,103,011.42	983,580,776.09
235,779,297.67	6,159,458.41	-	-	241,938,756.08	20,981,338.74	24,006,297.15
170,122,070.77	25,420,018.43	(902,860.71)	48,307.02	194,687,535.51	125,105,811.93	125,003,579.66
64,421,641.99	7,634,976.29	(86,477.05)	-	71,970,141.23	30,553,602.16	35,491,706.14
81,624,130.27	8,687,903.28	(998,468.93)	325,490.57	89,639,055.19	15,152,402.59	21,495,909.92
26,277,090.62	3,999,508.88	(270,787.08)	61,102.12	30,066,914.54	25,002,736.63	25,692,529.01
178,064,981.49	19,834,634.05	(4,919,828.98)	-	192,979,786.56	45,773,295.43	53,000,222.99
88,941,603.50	6,714,819.67	(31,349.36)	-	95,625,073.81	110,264,796.18	116,681,132.87
83,494,322.09	17,023,961.09	(4,998,900.55)	66,057.65	95,585,440.28	37,940,160.34	40,284,350.61
25,372,852.88	6,832,987.98	(472,750.52)	50,136.99	31,783,227.33	18,373,159.09	18,581,408.36
18,621,625,839.88	2,274,963,903.14	(76,298,388.54)	551,094.35	20,820,842,448.83	42,409,134,604.30	44,498,318,923.46
18,621,625,839.88	2,274,963,903.14	(76,298,388.54)	551,094.35	20,820,842,448.83	42,409,134,604.30	44,498,318,923.46
118,458,353.37	35,545,172.93	(1,016,207.53)	-	152,987,318.77	38,861,419.66	67,427,364.22
118,458,353.37	35,545,172.93	(1,016,207.53)	551,094.35	152,987,318.77	38,861,419.66	67,427,364.22
-	-	-	-	-	991,883,770.18	391,730,006.20
-	3,319,230.37	-	-	-	-	-
-	(3,319,230.37)	-	-	-	991,883,770.18	391,730,006.20
18,740,084,193.25	2,307,189,845.70	(77,314,596.07)	551,094.35	20,573,829,767.60	43,439,879,794.14	44,957,476,293.88



Amount in Nu.

Particulars	2016	2015
Note 2: Investment Property (Land)		
Investment Property (Land)	32,000,000.00	32,000,000.00
	32,000,000.00	32,000,000.00
Note 3: Long-Term Investments		
Long Term Investment in Non Government Bonds	550,000,000.00	550,000,000.00
Investment in Subsidiary Companies		
Equity Investment in DHI Infra Ltd (1,900,000 equity shares of Nu. 100 each)	-	190,000,000.00
Equity Investment in Dagachhu Hydropower Corporation Limited. (2,437,880 equity shares of Nu. 1000 each, fully paid up)	2,437,880,000.00	2,437,880,000.00
Equity Investment in Bhutan Hydropower Services Limited. (2,550,000 equity shares of Nu. 100 each, fully paid up by 31.12.2016)	255,000,000.00	255,000,000.00
Equity Investment in THyE (36,000,000 equity shares of Nu. 100 each, called up amount Nu.32.62)	1,174,428,410.86	1,019,428,410.86
Equity Investment in KHEL (5,000,000 equity shares of Nu. 100 each, called up amount Nu. 85.92)	429,575,000.00	204,575,000.00
	4,846,883,410.86	4,656,883,410.86
Note 4: Employee Benefit Plan Assets		
Plan Assets (Fixed Deposit for Gratuity Fund)	342,311,457.80	398,888,457.80
Accrued Interest on Plan Assets	117,020,232.27	76,646,983.41
Plan Asset Bhutan National Bank for Gratuity A/c (Restricted)	7,109,350.99	6,770,739.87
Fixed Deposit (Gratuity Fund with BNB)	56,577,000.00	-
	523,018,041.06	482,306,181.08
Note 5: Element of Deferred Tax Assets / Liability		
Bonus Payable	14,942,487.18	16,418,109.15
Interest Accrued on ADB Loan	3,948,245.09	9,636,175.80
Capital Work in Progress	(3,060,818.88)	-
Property, Plant & Equipment	(92,804,312.02)	(79,073,119.62)
	(76,974,398.63)	(53,018,834.66)
Note 6: Cash & Bank Balances		
Cash in Hand	1,293,307.27	1,050,150.30
Balances with Banks in Current Accounts:		
Bank of Bhutan	1,046,557,355.92	283,567,852.12
Bhutan National Bank	37,841,554.70	31,414,304.29
Druk PNB	3,311,484.96	4,055,560.96
Tashi Bank	2,704,338.61	615,888.61
	1,091,708,041.46	320,703,756.28
Note 7: Short Term Investments		
Fixed Deposit (Bhutan National Bank)	2,250,000,000.00	2,493,000,000.00
Fixed Deposit (BDBL)	500,000,000.00	550,000,000.00
	2,750,000,000.00	3,043,000,000.00
Note 8: Inventories		
Stores & spares	595,602,689.02	585,347,208.06
	595,602,689.02	585,347,208.06
Less:		
Provision for Obsolescence	(746,017.50)	(1,060,869.56)
	594,856,671.52	584,286,338.50



Note 9 : Sundry Debtors (Unsecured, Considered good)		
Sundry Debtors - Bhutan Power Corporation	213,667,350.90	281,893,027.49
Sundry Debtors - Others	1,062,503.43	971,958.29
Sundry Debtors - Power Trading Corporation Limited	1,182,440,947.98	684,719,644.48
	1,397,170,802.31	967,584,630.26
Note 10: Short Term Loans and Advances		
Staff Advance	1,572,334.09	2,054,271.05
Advance to Supplier/contractor	66,572,913.30	50,725,708.54
Intercorporate Loan (DCCL)	400,000,000.00	300,000,000.00
	468,145,247.39	352,779,979.59
Note 11: Other Current Assets		
Prepaid Expenses	93,950,775.18	98,879,092.83
Deposits- Miscellaneous	5,334,222.33	3,672,537.26
Other receivables	26,529,020.59	20,344,608.99
Accrued Interest on Investment	37,000,000.00	74,604,054.80
Asset Held for Disposal	2,229,072.18	2,183,706.77
	165,043,090.28	199,684,000.65
Less		
Provision for Losses on Assets	(1,929,759.93)	(2,183,706.77)
	163,113,330.35	197,500,293.88
Note 12: Share Capital		
Authorised Share Capital		
50,000,000 equity shares@ Nu. 1,000 per share	50,000,000,000.00	50,000,000,000.00
Subscribed and Paid -up Share Capital		
30,712,866 equity share @ 1,000 per share	30,712,866,000.00	30,712,866,000.00
	30,712,866,000.00	30,712,866,000.00
Note 13: Long - Term Borrowing (Unsecured)		
Government of India Loan (ROI - 9% & tenure of loan-10 year)	1,266,353,043.72	2,532,706,087.42
Interest Accrued on Loan	1,088,633,796.56	2,063,295,819.21
Government of Austria Loan (ROI-6% & tenure of loan- BHP-LS 20 years & BHP-US 18 years)	1,052,674,039.10	1,197,998,901.82
Loan from Asian Development Bank (ROI - 3.15% & tenure of loan-32 year)	2,005,457,823.85	1,962,813,538.11
Interest Accrued but not due (greater than one year)	13,160,816.97	12,880,963.84
<i>Note: The above loans are payable by the company to the Royal Government of Bhutan which in turn shall pay to respective lenders.</i>		
	5,426,279,520.20	7,769,695,310.40
Note 14: Employee Benefit Obligation		
Gratuity	418,688,037.51	350,018,067.00
Other Long Term Benefit	37,339,144.96	25,374,220.00
Leave Encashment	40,010,306.18	41,802,135.02
	496,037,488.65	417,194,422.02
Note 15: Current Portion of Long Term Borrowing*		
Government of India Loan	1,266,353,043.71	1,266,353,043.71
Interest Accrued	974,662,022.64	860,612,185.85
Government of Austria Loan	145,324,862.72	145,324,862.72
Interest accrued but not due on loans	13,611,546.06	19,239,622.17
*Repayment due within one year	2,399,951,475.13	2,291,529,714.45



Note 16: Employee Benefit Obligation		
Gratuity (Current Portion)	17,473,806.00	24,440,032.00
Other Long Term Benefit (Current Portion)	3,217,315.00	3,484,904.00
Leave Encashment Payable	2,126,996.00	1,987,059.00
	22,818,117.00	29,911,995.00
Note 17: Other Current Liabilities		
Corporate Income Tax payable (Net of advance tax)	1,977,911,908.05	1,607,054,821.91
Security Deposit- Suppliers & Others	20,275,164.97	38,375,481.02
Sundry Creditors	286,299,885.86	324,006,212.66
Outstanding Liabilities to contractors	2,381,949.35	6,929,448.36
Outstanding Liabilities for expenses	82,938,007.50	76,082,313.15
Provision for Bonus	52,406,172.41	54,727,030.51
Sundry Liabilities	45,797,030.37	43,459,833.23
Tax Deducted at Source - Payable	951,963.49	1,337,973.41
	2,468,962,082.00	2,151,973,114.25
Note 18: Electricity Revenue		
Export Revenue		
Power Trading Corporation Ltd	11,421,893,591.58	10,991,318,089.23
Domestic Revenue		
Bhutan Power Corporation Ltd	1,402,795,989.40	1,545,516,822.05
From Staff & Other Private Parties	801,840.19	628,112.00
Revenue in consideration of Royalty	1,560,196,169.87	1,520,595,229.77
	14,385,687,591.04	14,058,058,253.05
Note 19: Interest Earned		
Interest on short term Deposits	78,836,970.43	105,641,669.96
Interest on Non-Government Bonds	39,957,204.88	48,502,194.42
	118,794,175.31	154,143,864.38
Note 20: Other Incomes		
House Rent Recovered- Employee/Others	13,653,722.21	13,343,585.15
Miscellaneous Receipts	17,570,993.37	10,040,822.70
Lease Rental Income	1,234,800.00	1,176,000.00
Liquidity Charges	13,038,277.96	12,258,441.93
Profit on sale/discard of Assets (Net)	-	421,013.42
Sale of Tender forms	31,723.00	108,000.00
Dividend Income	44,723,250.00	-
Grant Income	29,314,911.53	8,535,480.71
	119,567,678.07	45,883,343.91
Note 21: Running and Maintenance Expenses		
Grant Expense	29,314,911.53	8,535,480.71
R&M Civil Structures	45,575,948.43	79,877,836.63
R&M Electro-Mechanical	182,240,217.03	167,851,216.46
R&M Vehicles	54,152,468.67	53,478,232.25
R&M-Fire Fighting & Safety	2,747,307.68	2,296,600.61
R&M-Office Equipments	3,330,295.03	1,501,116.58
R&M-Information Technology	24,518,920.53	20,205,563.87
	341,880,068.90	333,746,047.11



Note 22: Employees Remuneration & Benefits		
Salaries and Wages	460,070,630.44	473,828,999.31
Employer's Contribution to Provident Fund	33,784,287.49	34,432,046.54
Bonus	49,808,290.59	52,635,294.37
Incentive/Honorarium	48,722,685.71	49,523,427.41
Staff Welfare Expenses	4,304,488.25	4,706,872.80
Medical Expenses	580,334.54	2,395,782.43
Gratuity Expenses	21,210,992.25	17,271,535.51
Leave Encashment	24,099,009.19	44,456,861.21
Terminal Benefits	6,214,216.00	14,698,245.00
Professional Training	82,295,551.20	72,638,314.25
Liveries	8,025,203.38	10,456,588.73
Leave Travel Concession	19,573,056.86	20,719,648.30
GPA- Insurance	3,798,379.05	3,766,060.39
	762,487,124.95	801,529,676.23
Note 23: Purchase of Energy		
Purchase of Electricity from PTC	222,502,636.08	314,512,552.02
	222,502,636.08	314,512,552.02
Note 24: Interest on Borrowing		
Interest to Government of India	308,157,614.38	436,973,071.65
Interest to Government of Austria	78,587,240.79	87,306,732.54
Interest to Asian Development Bank	58,821,368.31	56,260,680.35
Interest on current portion of long term borrowing	30,948,378.67	41,473,596.67
	476,514,602.15	622,014,081.21
Note 25: Other Expenses		
Travel	50,958,199.35	63,263,945.77
Entertainment	10,773,464.13	7,255,177.78
Electricity	12,759,878.90	13,350,216.70
Advertisement and Publicity	2,419,687.27	1,436,608.06
Telephone and Fax	6,295,523.86	5,931,339.03
Postage and Telegram	235,557.08	252,006.11
Printing and Stationery	6,017,300.44	6,634,826.62
Licence Fee	14,917,656.57	14,840,563.88
Rates and Taxes	3,792,766.55	174,059.71
Bank Charges	468,904.72	364,680.98
Audit Fees & Expenses	1,227,170.70	1,074,242.60
Corporate Social Responsibility	10,860,721.15	25,623,915.47
Directors' Sitting Fees	705,000.00	685,000.00
Board Meeting Expenses	216,679.00	155,121.00
Books & Periodicals	270,574.06	125,325.87
Consultancy Charges	8,585,320.07	4,097,208.07
Rent	7,991,152.51	7,749,025.09
Obsolete stores/spares.	4,385.32	(31,204.35)
Foreign Exchange Gains/Loss	40,281,973.83	17,457,162.64
Profit on sale/discard of Assets (Net)	13,542,115.87	-
Brand & Management Fee	64,983,160.86	71,729,627.23
Other Expenses	5,462,836.41	2,992,041.87
	262,770,028.65	245,160,890.13



DRUK GREEN POWER CORPORATION LIMITED
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31ST DECEMBER 2016

Note 26

A Nature of Operations

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

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

B Significant Accounting Policies

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

1 Basis of Preparation

The financial statements for DGPC as an individual entity have been prepared to comply in all material respects with the Bhutanese Accounting Standards (BAS) Phase I and Phase II and interpretations issued by AASBB to the extent is applicable to the companies reporting under BAS and the relevant provisions of The Companies Act of Bhutan ,2016. The financial statements have been prepared on a historical cost convention on an accrual basis except as stated otherwise. These policies have been consistently applied by the company.

2 Offsetting

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

3 Foreign Currency Translation

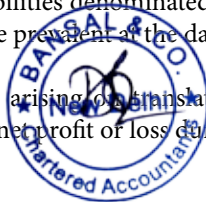
a. Functional and Presentation Currency

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

b. Transactions in foreign currency

Transactions in foreign currency are initially recognized in the financial statements using exchange rates prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the relevant functional currency at the exchange rates prevailing at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of transaction.

Foreign currency differences arising on translation are recognized in the Statement of Comprehensive Income for determination of net profit or loss during the period.



4 Use of Estimates

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

5 Investments

a. Investment in Subsidiaries, Associate/Joint Venture

Investment in Subsidiaries, Joint Ventures and Associates are measured and carried at cost as per BAS- 27: Separate Financial Statements.

b. Other Investments

The BAS relating to financial instrument are yet to be implemented in Bhutan as per phase wise implementation announced by AASBB. Therefore, generally accepted accounting principal relating to recognition and measurement for the other investment as stated below have been followed:

Investments, other than investment in subsidiaries, joint ventures and associates intended to be held for not more than one year are classified as current/short term investments and the investment other than these are classified as long term investment. Long-term investments are carried at costs and provision is made to recognize a decline, other than temporary, in the value of long term investments. Current/short term investments are carried at cost or market rates whichever is less, on individual investment wise.

6 Property, Plant and Equipment (PPE)

a. Initial Costs

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

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

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

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

b. Subsequent Costs

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



c. **Depreciation**

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

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

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

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

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

7 **Intangible Assets**

- a. The intangible assets are initially measured at cost and carried as per cost model.
- b. Intangible assets having finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the intangible asset.

c. **Subsequent Expenditure**

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

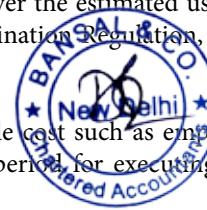
d. **Amortization of Intangible Assets with finite useful lives**

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

8 **Capital Work In Progress**

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

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



9 **Government Grants**

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

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

Grants related to assets which are recognized in the Statement of Financial Position as Deferred Income, are recognized to the Statement of Comprehensive Income on a systematic basis over the useful life of the related assets.

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

10 **Leases**

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

a. **Assets on Operating Lease**

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

Land on lease is classified as operating lease as allowed by the standard.

b. **Lease Income**

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

11 **Impairment - Non-Current Assets**

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

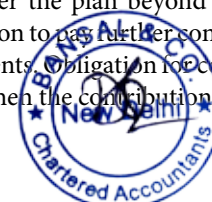
An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss statement.

12 **Employee Benefits**

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

a. **Defined Contribution Plan (Pension and Provident Fund)**

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



b. **Defined Benefit Plans (Gratuity)**

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

c. **Earned Leave Encashment**

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

d. **Other Long Term Benefits**

As per company's HR manual, the employee who have rendered minimum five years of service are entitled to one month basic pay as repatriation allowance and one month basic pay as transfer grant at the time of leaving the service. One month basic pay for this purpose is the pay at the time of leaving the service. The company's net obligation in respect of this terminal benefit is calculated by estimating the amount of benefits that the employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary and amount of obligation is provided in profit or loss. The plan is unfunded.

e. **Short Term Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term benefits.

13 **Provisions**

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

14 **Revenue**

a. **Electricity Revenue**

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



- b. **Interest Income**
Interest income on funds invested is recognized on a time proportion basis.
- c. **Dividend Income**
Dividends are recognized as revenue when the right to receive payment is established.
- d. **Other Income**
Other Incomes are recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity.

15 **Borrowing Costs**

Borrowing costs for the purpose of BAS 23 “Borrowing Cost” has been determined as under in compliance with the approved Accounting Policy for the Asset Accounting, pending the implementation of BFRS 9 which is required to be implemented in Phase 3-2018:

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

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

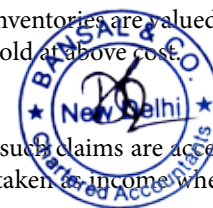
All other borrowing costs are recognized as an expense in the period in which they are incurred.

16 **Inventories**

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

17 **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 probable for recovery as per the contractual terms.



18 Income Tax

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes (Tax Base). Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the tax authority on the taxable entity, further they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

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

19 Contingent Liabilities and Contingent Assets

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

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

20 Operating Segment

BFRS 8 'Operating Segments' requires a disclosure of operating results segment wise for the entity, whose debt or equity instruments are traded in public market or in the process of listing its securities in public market. Since the company's equity is not listed in public market, the standard is not applicable to the company. Further, the company is having the revenue mainly from only one segment i.e sale of energy, hence, the BFRS 8 is not applicable to the company. DGPC reliance on PTC (i.e single external customer) for export revenue amount to Nu. 11,421,893,591.58 (i.e 79.40% of total revenue).

21 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, demand deposits with banks, other short – term highly liquid investments with original maturities of three months or less.

22 Investment Properties

BAS-40: 'Investment Property' has become applicable from 2016 as part of Phase II implementation as per phase wise implementation announced by AASBB. The investment property has been derecognized from the Property, plant and equipment and presented as a separate line item in the Balance Sheet.

An investment property is initially measured at its cost and the company has also chosen the cost model for measurement of Investment Property after initial recognition at cost.

23 Comparative Information

Prior year figures have been restated, regrouped or reclassified to comply with BAS Phase I and II.



C. NOTES TO ACCOUNTS

1. The authorized share capital of the Company is Nu. 50,000 million (50,000,000 equity share @ Nu. 1,000 per share)

and as of the report date, the total paid up capital is Nu. 30,712.87 million (30,712,866 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.

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

Plants	Licensed Capacity (MW)	Installed Capacity (MW)
Basochhu Hydropower Plant	64	64
Chhukha Hydropower Plant	336	336
Kurichhu Hydropower Plant	60	60
Tala Hydropower Plant	1020	1020

3. Dagachhu Hydro Power Corporation Limited is a subsidiary company, it having 2,437,880 equity shares of Nu. 1,000 each, 59% stake along with 26% of Tata Power Company Limited and 15% by National Pension & Provident Fund (NPPF).
4. Tangsibji Hydro Energy Limited (THyE) is a subsidiary company where DGPC has been allotted with 36,000,000 equity shares of Nu. 100 each. Nu.1, 174.43 million has been called up and paid till 31.12.2016. Being the only investor as of 31.12.2016, company has 100% stake in THyE, however, this is expected to change in future with expected participation from other investors.
5. Bhutan Hydropower Services Limited (BHSL) was formed as a joint venture between DGPC and ALSTOM Hydro Holdingolding , France vide agreement dated 6th June, 2012 with 51% and 49% equity shareholding respectively. The company has been allotted and fully paid up 2,550,000 equity shares of Nu 100 each.
6. Kholongchhu Hydro Energy Limited was formed as a joint venture between DGPC and SJVN Limited, a Government of India Undertaking,olding, a Government vide agreement dated 3^{0th} September, 2014 with 50% equity shareholding each. DGPC has been allotted with 5,000,000 equity shares of Nu. 100 each. Nu. 429.575 million has been called up and paid till 31.12.2016.
7. In line with the DHI letter no. DHI/CEO/DGPC/114/2016/351 dt. 04.04.2016 duly approved by DGPC Board during the 64th Druk Green Board Meeting and 9th Druk Green Annual General Meeting, DGPC investment in DHI Infra Limited of 95% of the total equity worth Nu. 190,000,000.00 was transferred to DHI through the dividend and adjustment against the Group Investment Reserve in 2016.
8. As per the DHI's instruction, DGPC's freehold land (without encumbrance) under the eastern Dzongkhags have been successfully transferred to DHI at book value of Nu. 4,454,133.72. Accordingly the land of Kurichhu Hydropower plant of DGPC falling under eastern Dzongkhag has been derecognized from the DGPC books and by debiting the reserves.
9. 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/kWh, applicable with effect from 1st October, 2013 to 30th June, 2016. The rate for energy imported from PTC and billed to BPC was revised from Nu. 1.86/kWh to Nu. 1.98/kWh.
10. The export tariff for Chhukha 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 export tariff for Tala and Kurichhu was revised from Nu. 1.98/ kWh to Nu. 2.12/ kWh applicable from 1st December, 2016 for a five year period, valid until 30th November, 2021.
11. Disclosure as per BAS- 19: Employee Benefits

Defined Benefit Plans

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



Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Gratuity)

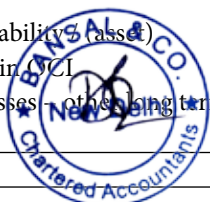
A1 Assets/Liabilities	2016	2015
1 DBO at end of prior period	374,458,101.00	350,506,460.00
2 Current service cost	33,429,524.00	30,810,621.00
3 Interest cost on the DBO	30,790,237.00	29,162,551.00
4 Curtailment (credit)/ cost	-	-
5 Settlement (credit)/ cost	-	-
6 Past service cost - plan amendments	-	-
7 Acquisitions (credit)/ cost	-	-
8 Actuarial (gain)/loss - experience	9,336,221.00	(44,502,028.00)
9 Actuarial (gain)/loss - demographic assumptions	-	23,315,743.00
10 Actuarial (gain)/loss - financial assumptions	-	-
11 Benefits paid directly by the Company	(11,852,237.00)	(14,835,248.00)
12 Benefits paid from plan assets	-	-
13 DBO at end of current period	436,161,846.00	374,458,099.00

A2 Change in Fair Value of Assets	2016	2015
1 Fair value of assets at end of prior period	482,312,519.00	515,872,750.00
2 Acquisition adjustment	-	-
3 Interest income on plan assets	39,957,863.00	40,657,715.00
4 Employer contributions	-	-
5 Return on plan assets greater/(lesser) than discount rate	12,604,569.00	875,445.00
6 Benefits paid	(11,946,910.00)	-
7 Withdrawals from plan assets	-	(75,093,391.00)
9 Fair Value of assets at the end of current period	522,928,041.00	482,314,534.00

A3 Statement of Profit & Loss	2016	2015
1 Current service cost	33,429,524.00	30,810,621.00
2 Past service cost - plan amendments	0	0
3 Curtailment cost / (credit)	0	0
4 Settlement cost / (credit)	0	0
5 Service cost	33,429,524.00	30,810,621.00
6 Net interest on net defined benefit liability / (asset)	(9,167,626.00)	(11,495,164.00)
7 Immediate recognition of (gains)/losses – other long term employee benefit plans	0	0
8 Cost recognized in P&L	24,261,898.00	19,315,457.00

Note. : Nu. 21,271,907.32 is recognized in Statement of Comprehensive Income as against 24,261,898.00 as per valuation made by the Actuary as stated above The difference is due to the Gratuity receivable from the employees on deputation to other companies.

A5 Defined Benefit Cost	2016	2015
1 Service cost	33,429,524.00	30,810,621.00
2 Net interest on net defined benefit liability (asset)	-9,167,626.00	-11,495,164.00
3 Actuarial (gains)/ losses recognized in P&L	8,582,224.00	-22,061,730.00
4 Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
5 Defined Benefit Cost	32,844,122.00	(2,746,273.00)



A6 Development of Net Financial Position		2016	2015
1	Defined Benefit Obligation (DBO)**	(436,161,846.00)	(374,458,101.00)
2	Fair Value of Plan Assets (FVA)	523,024,379.00	482,312,519.00
3	Funded Status (Surplus/(Deficit))	86,862,533.00	107,854,418.00
4	Net Defined Benefit Asset	86,862,533.00	107,854,418.00

A7 Reconciliation of Net Balance Sheet Position		2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	107,854,418.00	165,366,290.00
2	Service cost	(33,429,524.00)	-
3	Net interest on net defined benefit liability/ (asset)	9,167,626.00	-
4	Amount recognized in OCI	(8,582,224.00)	22,061,730.00
5	Amount recognized in Profit & Loss	-	(19,315,458.00)
6	Employer contributions	-	-
7	Benefit paid directly by the Company	11,852,237.00	14,835,248.00
8	Acquisitions credit/ (cost)	-	-
9	Divestitures	-	-
10	Withdrawals From the Plan Assets	-	(75,093,391.00)
11	Cost of termination benefits	-	-
10	Net defined benefit asset/ (liability) at end of current period	86,862,533.00	107,854,419.00

A8 Expected benefit payments for the year ending		2016
1	31-Dec-17	17,473,806.00
2	31-Dec-18	22,014,182.00
3	31-Dec-19	31,819,638.00
4	31-Dec-20	31,330,003.00
5	31-Dec-21	33,632,612.00
6	December 31, 2022 to December 31, 2026	246,344,249.00

B	Expected employer contributions for the period ending 31 December 2017	1,885,216.00
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C	Weighted average duration of defined benefit obligation	12 Years
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D	Accrued Benefit Obligation at 31 December 2016	172,527,134.00
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A Discount Rate		2016	2015
	Discount Rate as at 31 December 2016	8.50%	8.50%
1	Effect on DBO due to 1% increase in Discount Rate	(45,299,967.00)	(21,554,016.00)
2	Effect on DBO due to 1% decrease in Discount Rate	53,464,050.00	77,050,229.00

B Salary escalation rate		2016	2015
	Salary escalation rate as at 31 December 2016	10%	10%
1	Effect on DBO due to 1% increase in Salary escalation rate	52,204,602.00	49,858,786.00
2	Effect on DBO due to 1% decrease in Salary escalation rate	(45,145,000.00)	(42,787,252.00)

A	Profit & Loss (P&L)	2016	2015
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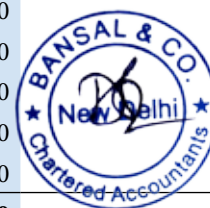


1	Current service cost	39,115,336.00	30,810,621.00
2	Past service cost - plan amendments	-	-
3	Curtailment (credit)/ cost	-	-
4	Settlement (credit)/ cost	-	-
5	Service Cost	39,115,336.00	30,810,621.00
6	Net interest on net defined benefit liability/(asset)	(7,463,437.00)	(11,495,164.00)
7	Immediate recognition of (gains)/losses – other long term employee benefit plans **	-	-
	Cost recognized in P&L*	31,651,899.00	19,315,457.00
A4	Other Comprehensive Income (OCI)	2016	2015
1	Actuarial (gain)/loss due to liability experience	9,336,221.00	(44,502,028.00)
2	Actuarial (gain)/loss due to liability assumption changes	-	23,315,743.00
3	Actuarial (gain)/loss arising during period	9,336,221.00	(21,186,285.00)
4	Return on plan assets (greater)/less than discount rate	(753,997.00)	(875,445.00)
5	Actuarial (gains)/ losses recognized in OCI	8,582,224.00	(22,061,730.00)
6	Adjustment for limit on net asset	-	-
7	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	8,582,224.00	(22,061,730.00)

Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Carriage)

A	Profit & Loss (P&L)	2016	2015
1	Current service cost	223,334.00	-
2	Past service cost - plan amendments	-	-
3	Curtailment cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	223,334.00	-
6	Net interest on net defined benefit liability / (asset)	99,502.00	-
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
8	Cost recognized in P&L	322,836.00	-
B	Other Comprehensive Income (OCI)	2016	2015
1	Actuarial (gain)/loss due to liability experience	3,768,281.00	-
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	3,768,281.00	-
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	3,768,281.00	-
6	Adjustment for limit on net asset	-	-
7	Cumulative Actuarial (Gain) or Loss Recognized via OCI at Current Period End	3,768,281.00	-
C	Defined Benefit Cost	2016	2015
1	Service cost	223,334.00	-
2	Net interest on net defined benefit liability / (asset)	99,502.00	-
3	Actuarial (gains)/ losses recognized in OCI	3,768,281.00	-
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	-	-
5	Defined Benefit Cost	4,091,117.00	-

D	Development of Net Balance Sheet Position	2016	2015
1	Defined benefit obligation (DBO)	(5,054,656.00)	
2	Fair value of plan assets (FVA)	-	
3	Funded status [surplus/(deficit)]	(5,054,656.00)	
4	Effect of Asset ceiling	-	
5	Net defined benefit asset/ (liability)	(5,054,656.00)	
B	Reconciliation of Net Balance Sheet Position	2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	(1,170,614.00)	
2	Service cost	(223,334.00)	
3	Net interest on net defined benefit liability/ (asset)	(99,502.00)	
4	Amount recognized in OCI	(3,768,281.00)	
5	Employer contributions	-	
6	Benefit paid directly by the Company	207,075.00	
7	Acquisitions credit/ (cost)	-	
8	Divestitures	-	
9	Cost of termination benefits	-	
10	Net defined benefit asset/ (liability) at end of current period	(5,054,656.00)	-
	Change in Defined Benefit Obligation (DBO)	2016	2015
1	DBO at end of prior period	1,170,614.00	
2	Current service cost	223,334.00	
3	Interest cost on the DBO	99,502.00	
4	Curtailment (credit)/ cost	-	
5	Settlement (credit)/ cost	-	
6	Past service cost - plan amendments	-	
7	Acquisitions (credit)/ cost	-	
8	Actuarial (gain)/loss – experience	3,768,281.00	
9	Actuarial (gain)/loss - demographic assumptions	-	
10	Actuarial (gain)/loss - financial assumptions	-	
11	Benefits paid directly by the Company	(207,075.00)	
12	Benefits paid from plan assets	-	
	DBO at end of current period	5,054,656.00	-
A	Expected benefit payments for the year ending	2016	
1	31-Dec-17	583,883.00	
2	31-Dec-18	666,125.00	
3	31-Dec-19	792,509.00	
4	31-Dec-20	700,436.00	
5	31-Dec-21	691,191.00	
6	December 31, 2022 to December 31, 2026	3,755,254.00	

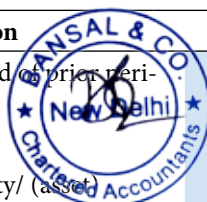


A	Discount Rate	2016	2015
	Discount Rate as at 31 December 2016	8.50%	8.50%
1	Effect on DBO due to 1% increase in Discount Rate	(330,966.00)	(48,300.00)
2	Effect on DBO due to 1% decrease in Discount Rate	376,077.00	51,927.00

B	Inflation rate	2016	2015
	Inflation rate as at 31 December 2016	5.00%	5.00%
1	Effect on DBO due to 1% increase in Inflation rate	228,332.00	116,757.00
2	Effect on DBO due to 1% decrease in Inflation rate	-259,997.00	-102,629.00

Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Leave Encashment)

B1	Profit & Loss (P&L)	2016	2015
1	Current service cost	2,155,959.00	6,268,011.00
2	Past service cost - plan amendments	-	-
3	Curtailement cost / (credit)	-	-
4	Settlement cost / (credit)	-	-
5	Service cost	2,155,959.00	6,268,011.00
6	Net interest on net defined benefit liability / (asset)	3,722,082.00	1,061,833.00
7	Immediate recognition of (gains)/losses – other long term employee benefit plans	18,269,145.00	36,770,633.00
8	Cost recognized in P&L	24,147,186.00	44,100,477.00
B2	Other Comprehensive Income (OCI)	2016	2015
1	Actuarial (gain)/loss due to liability experience	18,269,145.00	-
2	Actuarial (gain)/loss due to liability assumption changes	-	-
3	Actuarial (gain)/loss arising during period	18,269,145.00	-
4	Return on plan assets (greater)/less than discount rate	-	-
5	Actuarial (gains)/ losses recognized in OCI	-	-
6	Adjustment for limit on net asset	-	-
7	Actuarial (Gain) or Loss Recognized via OCI at Current Period End	18,269,145.00	-
B3	Defined Benefit Cost	2016	2015
1	Service cost	2,155,959.00	
2	Net interest on net defined benefit liability / (asset)	3,722,082.00	
3	Actuarial (gains)/ losses recognized in OCI	-	
4	Immediate recognition of (gains)/losses – other long term employee benefit plans	18,269,145.00	
5	Defined Benefit Cost	24,147,186.00	0.00
B4	Reconciliation of Net Balance Sheet Position	2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	(43,789,194.00)	
2	Service cost	(2,155,959.00)	
3	Net interest on net defined benefit liability/ (asset)	(3,722,082.00)	



4	Actuarial (losses)/ gains	(18,269,145.00)	
5	Employer contributions	-	
6	Benefit paid directly by the Company	25,799,078.00	
7	Acquisitions credit/ (cost)	-	
8	Divestitures	-	
9	Cost of termination benefits	-	
10	Net defined benefit asset/ (liability) at end of current period	(42,137,302.00)	-
B5	Assets/Liabilities	2016	2015
1	DBO at end of prior period	43,789,194.00	43,789,194.00
2	Current service cost	2,155,959.00	
3	Interest cost on the DBO	3,722,082.00	
4	Curtailement (credit)/ cost	-	
5	Settlement (credit)/ cost	-	
6	Past service cost - plan amendments	-	
7	Acquisitions (credit)/ cost	-	
8	Actuarial (gain)/loss - experience	18,269,145.00	
9	Actuarial (gain)/loss - demographic assumptions	-	
10	Actuarial (gain)/loss - financial assumptions	-	
11	Benefits paid directly by the Company	(25,799,078.00)	
12	Benefits paid from plan assets	-	
13	DBO at end of current period	42,137,302.00	43,789,194.00
A	Expected benefit payments for the year ending	2016	
1	31-Dec-17	2,126,996.00	
2	31-Dec-18	2,880,910.00	
3	31-Dec-19	3,755,424.00	
4	31-Dec-20	3,631,584.00	
5	31-Dec-21	3,781,619.00	
6	December 31, 2022 to December 31, 2026	23,283,069.00	
B	Expected employer contributions for the period ending 31 December 2017		Not Applicable
C	Weighted average duration of defined benefit obligation		12 Years
D	Accrued Benefit Obligation at 31 December 2016		15,323,575.00
A	Discount Rate		2016
	Discount Rate as at 31 December 2016		8.50%
1	Effect on DBO due to 1% increase in Discount Rate		-4,859,770.00
2	Effect on DBO due to 1% decrease in Discount Rate		5,841,465.00



B	Salary escalation rate	2016
	Salary escalation rate as at 31 December 2016	10.00%
1	Effect on DBO due to 1% increase in Salary escalation rate	5,702,455.00
2	Effect on DBO due to 1% decrease in Salary escalation rate	-4,843,257.00

Disclosure as per BAS 19, 'Employees Benefit' as regards defined benefit scheme (Repartition)

Assets / Liabilities	2016	2015
1 Defined Benefit Obligation (DBO)**	17,750,902.00	13,844,255.00
2 Fair Value of Plan Assets (FVA)	-	-
3 Funded Status (Surplus/(Deficit))	(17,750,902.00)	(13,844,255.00)

Defined Benefit Cost	2016	2015
1 Service Cost	1,778,893.00	
2 Defined Benefit Cost recognized in P&L	2,955,655.00	
3 Re-measurements recognized in Other Comprehensive Income (OCI) Loss/(Gains)	1,551,297.00	

A Profit & Loss (P&L)	2016	2015
1 Current service cost	1,778,893.00	
2 Past service cost - plan amendments	-	
3 Curtailment cost / (credit)	-	
4 Settlement cost / (credit)	-	
5 Service cost	1,778,893.00	
6 Net interest on net defined benefit liability / (asset)	1,176,762.00	
7 Immediate recognition of (gains)/losses – other long term employee benefit plans	-	
8 Cost recognized in P&L	2,955,655.00	-

B Other Comprehensive Income (OCI)	2016	2015
1 Actuarial (gain)/loss due to liability experience	1,551,297.00	
2 Actuarial (gain)/loss due to liability assumption changes	-	
3 Actuarial (gain)/loss arising during period	1,551,297.00	
4 Return on plan assets (greater)/less than discount rate	-	
5 Actuarial (gains)/ losses recognized in OCI	1,551,297.00	
6 Adjustment for limit on net asset	-	
7 Actuarial (Gain) or Loss Recognized via OCI at Current Period End	1,551,297.00	-

C Defined Benefit Cost	2016	2015
1 Service cost	1,778,893.00	
2 Net interest on net defined benefit liability / (asset)	1,176,762.00	
3 Actuarial (gains)/ losses recognized in OCI	1,551,297.00	
4 Immediate recognition of (gains)/losses – other long term employee benefit plans	-	



5	Defined Benefit Cost	4,506,952.00	-
A Development of Net Balance Sheet Position			
		2016	2015
1	Defined benefit obligation (DBO)	(17,750,902.00)	
2	Fair value of plan assets (FVA)	-	
3	Funded status [surplus/(deficit)]	(17,750,902.00)	
4	Effect of Asset ceiling	-	
5	Net defined benefit asset/ (liability)	(17,750,902.00)	-
B Reconciliation of Net Balance Sheet Position			
		2016	2015
1	Net defined benefit asset/ (liability) at end of prior period	(13,844,255.00)	
2	Service cost	(1,778,893.00)	
3	Net interest on net defined benefit liability/ (asset)	(1,176,762.00)	
4	Amount recognized in OCI	(1,551,297.00)	
5	Employer contributions	-	
6	Benefit paid directly by the Company	600,305.00	
7	Acquisitions credit/ (cost)	-	
8	Divestitures	-	
9	Cost of termination benefits	-	
10	Net defined benefit asset/ (liability) at end of current period	(17,750,902.00)	-
A Change in Defined Benefit Obligation (DBO)			
		2016	2015
1	DBO at end of prior period	13,844,255.00	
2	Current service cost	1,778,893.00	
3	Interest cost on the DBO	1,176,762.00	
4	Curtailement (credit)/ cost	-	
5	Settlement (credit)/ cost	-	
6	Past service cost - plan amendments	-	
7	Acquisitions (credit)/ cost	-	
8	Actuarial (gain)/loss - experience	1,551,297.00	
9	Actuarial (gain)/loss - demographic assumptions	-	
10	Actuarial (gain)/loss - financial assumptions	-	
11	Benefits paid directly by the Company	(600,305.00)	
12	Benefits paid from plan assets	-	
13	DBO at end of current period	17,750,902.00	-
A Expected benefit payments for the year ending			
		2016	
1	31-Dec-17	1,316,716.00	
2	31-Dec-18	1,566,934.00	
3	31-Dec-19	1,933,351.00	
4	31-Dec-20	1,815,794.00	
5	31-Dec-21	1,890,811.00	
6	December 31, 2022 to December 31, 2026	11,641,546.00	
B Expected employer contributions for the period ending 31 December 2017			Not Applicable
C Weighted average duration of defined benefit obligation			12 Years



D	Accrued Benefit Obligation at 31 December 2016		8,289,677.00
A	Discount Rate	2016	2015
	Discount Rate as at 31 December 2016	8.50%	8.50%
1	Effect on DBO due to 1% increase in Discount Rate	(1,563,647.00)	
2	Effect on DBO due to 1% decrease in Discount Rate	1,827,492.00	
B	Salary escalation rate		
	Salary escalation rate as at 31 December 2016	10.00%	10.00%
1	Effect on DBO due to 1% increase in Salary escalation rate	1,785,382.00	
2	Effect on DBO due to 1% decrease in Salary escalation rate	(1,558,836.00)	

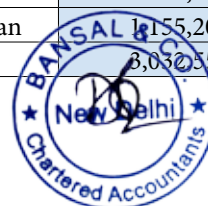
12. Related Party Disclosures

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

		2016 % of Holding	2015 % of Holding
Parent -	Druk Holding & Investment	100%	100%
Subsidiaries -	Dagachhu Hydro Power Corporation Ltd.	59%	59%
	Tangsibji Hydro Energy Limited	100%	100%
Joint Venture -	Kholongchhu Hydro Energy Ltd.	50%	50%
	Bhutan Hydropower Services Ltd.	51%	51%
Fellow Subsidiaries -	Bhutan Power Corporation Limited Bank of Bhutan Limited Bhutan Telecom Limited Druk Air Corporation Limited State Trading Corporation Limited Dungsam Cement Corporation Limited Wood Craft Center Limited Construction Development Corporation Limited Bhutan Board Product Limited Dungsam Polymers Limited Penden Cement Authority Limited Natural Resources Development Corporation Ltd. State Mining Corporation Limited Thimphu Tech Private Limited		



Name of Related Party	Relationship	Nature of transaction with related party	2016	2015
Druk Holding & Investments	Holding Company	a. Payment of Dividend(Net) for 2015	2,876,297,742.66	2,510,873,664.26
		b. Advance Dividend	740,000,000.00	1,835,200,000.00
		c. Interest expenses on Loan	17,401,538.81	-
		d. Equity	30,712,866,000.00	30,712,866,000.00
		e. Management & Brand Fee	64,983,160.86	71,729,627.23
		f. Corporate Guarantee Fee	825,000.00	-
		g. Interest Income on Inter Corporate Loan	-	13,150,683.58
		h. Transfer of Land	4,454,133.72	-
Bhutan Power Corporation Limited	Fellow Subsidiary	a. Sale of Electricity	1,402,795,937.89	1,545,516,822.05
		b. Wheeling Charges	617,472,079.10	592,984,484.74
		c. Consumption of Electricity by DGPC estd.	11,794,409.15	13,453,934.66
		d. Receivable on energy sold	32,383,003.45	231,847,480.88
		e. Payable towards Wheeling Charges	20,285,294.81	11,620,417.41
		f. Royalty Charges	1,560,196,169.87	1,520,595,229.77
		g. Telephone, Fax, Internet Services & Others	220,839.24	491,513.32
		h. Electricity Expenses Payable	727,873.00	1,210,312.98
Bank of Bhutan Limited	Fellow Subsidiary	a. Bank Charges	423,962.48	281,236.65
		b. Interest Expense on Loan	13,443,442.62	34,250,172.03
		c. Interest on Deposit	-	407,923.96
Bhutan Telecom Limited	Fellow Subsidiary	a. Security Deposit Received	51,727.15	-
		b. Payable towards Telephone, Internet Services	88,169.07	134,297.22
		c. Data Center Services Charges	1,051,190.66	-
		d. Rental Income	8,550.00	8,550.00
		e. Telephone, Fax, Internet Services & Others	2,768,910.48	2,839,533.09
Druk Air Corporation Limited	Fellow Subsidiary	a. Purchase of Air Tickets and Others	3,820,607.00	9,491,425.00
		b. Payable towards Air Tickets	236,138.00	529,715.00
State Trading Corporation Limited	Fellow Subsidiary	a. Vehicle Procurement	8,407,872.00	15,453,245.04
		b. Repair and Maintenance of Vehicles	7,408,968.75	9,187,487.95
		c. Payable towards R&M Services	3,097,834.68	694,850.73
		d. Purchase of Construction Material	338,052.00	-
		e. Purchase of IT Equipments	818,847.00	-
		f. Deposit Received	1,221,126.13	1,015,505.57
Bhutan Hydropower Services Limited	Joint Venture	a. Equity Investment	255,000,000.00	255,000,000.00
		b. Income from Leased Land and Other Services	1,234,800.00	1,826,812.50
		c. Services availed related to R&M of Electro-Mechanical Equipments	139,733,251.82	73,135,906.10
		d. Advance Payment	144,289.23	2,685,430.48
		e. Interest Income on Inter Corporate Loan	155,208.33	-
		f. Trade Payable	3,032,553.30	-



Dagachhu Hydropower Corporation Limited	Subsidiary	a. Equity Investment	2,437,880,000.00	2,437,880,000.00
		b. Income on Services Provided	3,670,071.00	1,398,448.00
		c. Dividend Income	44,723,250.00	-
		d. Trade Receivable	70,269.00	
		e. Non-Trade Receivable	1,047,806.24	
Tangsibji Hydro Energy Limited	Subsidiary	a. Equity Investment	1,174,428,410.86	1,019,428,410.86
		b. Income on Services Provided	812,394.09	488,865.00
		c. Trade Receivable	149,495.00	
		d. Non-Trade Receivable	677,158.25	
Dungsam Cement Corporation Limited	Fellow Subsidiary	a. Inter-Corporate Loan	400,000,000.00	300,000,000.00
		b. Interest Income on Loan	13,808,196.72	9,959,068.49
		c. Accrued Interest on Loan	2,450,819.67	6,517,808.22
		d. Income from CoE Services	119,270.00	273,090.20
		e. Trade Receivable	87,800.00	0.00
Kholongchhu Hydro Energy Limited	Joint Venture	a. Equity Investment	429,575,000.00	204,575,000.00
Wood Craft Center Limited	Fellow Subsidiary	a. Procurement of Furniture & Fixture	1,280,631.00	2,148,575.00
		b. Payable towards Purchase of Furniture	745,870.00	143,885.00
		c. Performance Security Deposit	17,324.00	-
Construction Development Corporation Ltd.	Fellow Subsidiary	a. Advance Payment	8,304,872.38	-
		b. Drift Works	10,152,173.16	-
		c. Miscellaneous Services	8,518.00	-
Bhutan Board Products Limited	Fellow Subsidiary	a. Procurement of Furniture & Fixture	691,620.16	-
		b. Trade Payable	64,043.00	-

Key Management Personnel

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

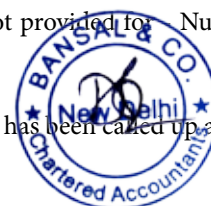
Amount in Million

Sl.No.	Particulars	2016	2015
a)	Short- term employee benefits	3.07	2.51
b)	Post- employment benefits (PEB)*	-	-
c)	Other long- term benefits (OLTB)*	-	-
	Total	3.07	2.51

*No separate valuation is done for key managerial personnel (Managing Director) in respect of PEB and OLTB. The same is included in the Note 22: Employee Remuneration and Benefits.

13. A. Estimated amount of contracts remaining to be executed on capital account and not provided for Nu. 545.50 million (previous year Nu. 926.27 million).

B. Of the allotted 5,000,000 equity shares of Nu. 100 each by KHEL, Nu. 429.575 million has been called up and paid till 31.12.2016 and Nu. 70.43 million has remained uncalled on the date.



C. Of the allotted 36,000,000 equity shares of Nu. 100 each by THyE, Nu. 1,174.43 million has been called up and paid till 31.12.2016 and Nu. 2,425.57 million has remained uncalled on the date.

14. The monetary grant worth of Nu. 19.82 million (Previous year – Nu. 8.12 million) was received and Nu. 9.50 million (previous year Nu. 0.42 million) had become receivable as compensation for expenses already incurred by the company in 2016 via Grant Contract No. 2296-00/2014. Since the grant was in the nature of income, the grant has been presented as Grant income and Grant expense correspondingly.
15. A Loan of Nu. 708,000,000.00(Ngultrum Seven Hundred Eight Million) and Nu. 1,648,872,940.86 (Ngultrum One Billion Six Hundred Forty Eight Million Eight Hundred Seventy Two Thousand Nine Hundred Forty and Chetrum Eighty Six), was availed via subsidiary agreement between Royal Government of Bhutan and the then erstwhile Basochhu Hydropower Corporation Ltd. (for Lower Stage and Upper Stage) dated 14th October, 2004 and 1st August, 2006 respectively for a tenure of 18 years and 20 years at a fixed interest rate of 6 % each respectively per annum.
16. A Loan of Nu. 15,588,560,274.92(Ngultrum Fifteen Billion Five Hundred Eighty Eight Million Five Hundred Sixty Thousand Two Hundred Seventy Four and Chetrum Ninety Two) only, was availed via Inter – Governmental Agreement between Royal Government of Bhutan and Government of the Republic of India for the then Tala Hydroelectric Project for tenure of 11 years at interest rate of 9 % per annum.
17. Asian Development Bank (ADB) has sanctioned a loan of USD 29,000,000.00(US Dollar Twenty Nine Million) equivalent to Special Drawing Rights (SDR) of 18,832,000.00 (SDR Eighteen Million Eight Hundred and Thirty Two Thousand) only, on the date of the signing of agreement via subsidiary agreement between Royal Government of Bhutan and Druk Green Power Corporation dated 3rd March, 2009 for a period of 32 years including a grace period of 8 years at the interest rate of 3.15% per annum.

18. Inter Corporate Borrowing

During the year, an inter-corporate loan of Nu. 400,000,000.00 (Ngultrum Four Hundred Million) has been provided to Dungsum Cement Corporation Ltd.(DCCL), Fellow Subsidiary, via loan agreement dated 23rd November, 2016 for the period up to 31st March ,2017 at the interest rate of 5.75% per annum.

19. Provision of Bonus-

	Amount
Balance as at 1 January 2016	54,727,030.51
Payment during the year	53,315,915.33
Adjustment/Excess Provision written back during the year	1,411,115.18
Addition during the year	52,406,172.41
Closing Balance as at 31 December, 2016	52,406,172.41

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

	Amount
Transfer from Property, plant and equipment	32,000,000.00
Addition during the year	-
Deletion/Adjustments during the year	-
Depreciation during the year	-
Depreciation on Deletion/Adjustments	-
Balance as at 31 December 2016	32,000,000.00



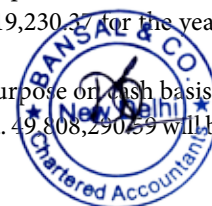
21. A company has incurred a loss of Nu. 40.28 million (previous year Nu. 17.46 million) in 2016 on account of exchange difference arising on the settlement of monetary items and on translating monetary items at rates different from those at which they were translated on initial recognition or in previous financial statements and charged to statement of comprehensive income.
22. 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 2016. The reconciliation is carried out for all the balances and confirmation of the balances is obtained for balances of more than Nu. 0.50 million.
23. The tax assessment of DGPC for the income years 2014 and 2015 was carried out during the year by the tax officials from Regional Revenue & Customs Office through tax assessment notice no RRCOTH-Tax/CIT-24/2016/190 dt. 15th August, 2016. After the completion of the assessment, demand notice for payment of additional taxes of Nu. 145,548,520.55 was issued via notice no. RRCOTH-TAX/CIT 24/2016/426 dt. 09.01.2017. Of the additional taxes payable of Nu. 145,548,520.55, Nu. 220,199.36 of additional taxes have been accepted and payment made. The balance tax demand of Nu.145,328,321.19 on account of disallowance of expenses Brand and Management Fees, Performance based variable allowance (PBVA) and foreign gain and loss (accounted as per accounting standard) is under appeal.
24. The company has calculated and accounted deferred tax assets / liabilities as below:

Particulars	Carrying Amount of Assets/Liability as on 31.12.2016	Tax Base of Assets/ Liability as on 31.12.2016	Temporary Difference	Deferred Tax Asset/(Liability)
ASSETS				
Non- Current Assets				
Property, Plant & Equipment	42,447,996,023.96	42,138,648,317.24	(309,347,706.72)	(92,804,312.02)
Capital Work in Progress*	991,883,770.18	981,681,040.58	(10,202,729.60)	(3,060,818.88)
Investment Property (Land)	32,000,000.00	32,000,000.00	-	-
Long-Term Investments	4,846,883,410.86	4,846,883,410.86	-	-
Employee Benefit Plan Assets	523,018,041.06	523,018,041.06	-	-
Current Assets				
Cash and Bank Balance	1,091,708,041.46	1,091,708,041.46	-	-
Short Term Investments	2,750,000,000.00	2,750,000,000.00	-	-
Inventories	594,856,671.52	594,856,671.52	-	-
Sundry Debtors	1,397,170,802.31	1,397,170,802.31	-	-
Short Term Loans and Advances	468,145,247.39	468,145,247.39	-	-
Other Current Assets	163,113,330.35	163,113,330.35	-	-
Liabilities				
Non- Current Liabilities				
Long- Term Borrowings**	5,426,279,520.20	5,413,118,703.23	13,160,816.97	3,948,245.09
Employee Benefit Obligation	496,037,488.65	496,037,488.65	-	-
Current Liabilities				
Short - Term Borrowings	2,399,951,475.13	2,399,951,475.13	-	-
Employee Benefit Obligation	22,818,117.00	22,818,117.00	-	-
Other Current Liabilities***	2,468,962,082.00	2,419,153,791.41	49,808,290.59	14,942,487.18
	51,341,129,403.74	50,958,609,859.86	(256,581,328.76)	(76,974,398.63)
			Deferred Tax liability as on 31.12.2016	(76,974,398.63)
			Deferred Tax liability as on 31.12.2015	(53,018,834.66)
			Deferred tax Liability Charged to P&L A/c	(23,955,563.97)

* Tax base of CWIP (Capital Work in Progress) is lesser by the depreciable amount capitalised and included in CWIP on which tax benefit has been availed for Nu. 3,591,002.83, Nu. 3,292,496.77 & 3,319,230.27 for the year 2014, 2015 & 2016 respectively

** Interest accrued on ADB Loan of Nu. 13,160,816.97 which is deductible for tax purpose on cash basis.

*** Include provision for bonus for the year 2016 of Nu. 52,406,172.41 out of which Nu. 49,808,290.59 will be deductible for the tax purpose on cash basis.



25. This note provides an analysis of the company's income tax expense and how the tax expenses are affected by non-assessable and non-deductible items. The reconciliation of tax expense to tax payable is as shown below.

Particulars		2016
Tax Expenses		
- Current Tax		2,375,827,130.02
- Deferred Tax		23,955,563.97
Total Tax Expense		2,399,782,693.99
Reconciliation of Tax on Accounting Profit :-		
Profit Before Tax		7,958,765,434.62
Income Tax Expense Calculated at 30% (A)		2,387,629,630.39
Nondeductible expense		
- Production Incentive	48,722,685.71	14,616,805.71
- Medical Expenses	210,177.30	63,053.19
- Donation	5,276,338.75	1,582,901.63
Total Non-Deductible Expense (B)		16,262,760.53
Adjustment to deferred tax pertaining to ADB Loan		
-Interest accrued on Loan 31.12.2015 (excess amount taken to Deferred Tax)	32,120,586.00	
- Interest accrued on ADB Loan (correct amount on 31.12.2015)	12,880,963.17	
- Excess interest accrued and deferred tax assets booked as on 31.12.2015	19,239,622.83	5,771,886.85
- Deferred tax effect on Forex exchange difference on ADB interest	2,507,988.00	752,396.40
Net Effect (C)		5,019,490.45
Adjustment to Bonus During the year	53,817,287.00	
Bonus Charged to Profit or Loss	49,808,290.00	
Difference between adjustment to bonus and charged to Profit or Loss	4,008,997.00	
Less: - Reversal of bonus during the year added to taxable income (PBT)	1,411,115.00	
Net Effect (D)	2,597,882.00	909,793.52
Reconciled with Tax expense as above (A+B-C+D)		2,399,782,693.99

*The expenses disallowed during the Tax audit for the income years 2014 and 2015 has not been included in the above computation for 2016 for pending decision of the appeal.

26. Quantitative Information of purchase and sale of power:

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

Particulars	2016		2015	
	Units	Amount	Units	Amount
Purchase	110.64	222.50	158.46	314.51
Self-Generation	7,573.84		7,381.60	
	7,684.48	222.50	7,540.06	314.51
Sale:				
Within Bhutan	2,084.68	2,962.99	2,142.16	3,066.11
Export to India	5,482.00	11,421.89	5,307.64	10,991.32
Internal Consumption and Losses	115.80	0.80	90.26	0.63
Total	7,684.48	14,385.68	7,540.06	14,058.06

27. Revenue of 15% of the mean annual generation after adjusting auxiliary is supplied to Distribution Company in exchange of Royalty as per the instruction of Bhutan Electricity Authority. Royalty revenue has been accounted at domestic rate for non-royalty energy of Nu. 1.39. Royalty Energy of 1122.44MU (previous year 1093.95MU) amounting to Nu. 1,560.19 million (previous year 1,520.59 million) was supplied to Distribution Company in 2016.
28. The following statutory dues were outstanding and pending to be deposited at respective year ends:

Amount in Million

	Particulars	2016 (In Nu.)	2015 (In Nu.)
a)	TDS Payable	0.95	1.34
b)	Corporate Income Tax	1,977.91	1,607.05
	Total	1,978.86	1,608.39

29. Auditors remuneration:

Amount in Million

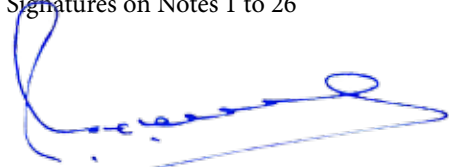
	Particulars	2016 (In Nu.)	2015 (In Nu.)
a)	Audit Fess	0.52	0.50
b)	Out of pocket expenses	0.70	0.55
	Total	1.22	1.07

30. The company manages its capital so as to ensure funds are available to meet future commitments. As well as commitments to outside parties, the company has a requirement to meet dividend and tax expectations to the parent company and the RGOB.

Capital expenditure is mostly met from operating cash flows. Fixed term borrowings are only made for major capital projects. Such borrowings are repaid when the project is completed and is generating positive cash flows.

31. No direct operating expenses were incurred to generate the rental income from Investment property.
32. A dividend of Nu. 4,993,351,834.07 have been proposed for the year ended 31st December, 2016 amounting to a dividend of Nu. 162.58 per share. These financial statements do not reflect this dividend proposed.
33. These Financial Statements have been approved for issue by the Board of Directors on March 13, 2017

Signatures on Notes 1 to 26



(Dasho Sangay Khandu)
Chairman DGPC & DHI



(Dasho Chhewang Rinzin)
Managing Director



(Ugyen Namgyal)
Director (Finance)



GENERATING POWER PLANTS

Basochhu Hydropower Plant (64MW)

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Chhukha Hydropower Plant (336MW)

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Mongar

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