

**APPENDIX I-1**  
**AUDITORS' REPORT**  
**TO THE MEMBERS OF BHUTAN POWER CORPORATION LIMITED**

1. We have audited the attached Balance Sheet of M/s Bhutan Power Corporation Limited as at 31<sup>st</sup> December, 2009 and the related Profit & Loss Account and Cash Flow statement of the Corporation for the year ended on that date annexed thereto all of which we have signed under reference to this report. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards and in keeping with the "General Terms of Reference and Minimum Audit Examination and reporting Requirements" issued by the Royal Audit Authority, as given in Schedule XIV of the Companies Act of The Kingdom of Bhutan, 2000. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by section 75 of the Companies Act of the Kingdom of Bhutan, 2000 read with Section II schedule XIV thereto (the Minimum Audit Examination and reporting requirements) we enclose in the Annexure a statement on the matters specified therein to the extent applicable.
4. We report that:
  - 4.1 Our examination was made in accordance with the generally accepted accounting standards and accordingly included such tests of accounting records and such other auditing procedures as we considered appropriate for the purpose of our audit.
  - 4.2 We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - 4.3 In our opinion proper books of account as required by law have been kept by the Corporation so far as appears from our examination of the books.
  - 4.4 The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt within this report have been prepared on the basis of generally accepted accounting principles and that the financial statements are in agreement with the books of account.

**4.5 As disclosed in Accounting Policy No. 3, the method of accounting for depreciation followed by the Company are based on calculations made at the rates which are different from those prescribed by the Companies Act 2000.**

5 In our opinion and to the best of our information and according to the explanations given to us and subject to our comments in para 4.5 above, the said accounts together with schedules, significant accounting policies and notes on accounts give the information as required by the Companies Act of the Kingdom of Bhutan, 2000, in the manner so required and give a true and fair view:-

- a) In the case of Balance Sheet, of the state of affairs as at 31<sup>st</sup> December 2009 ;
- b) In the case of Profit and Loss Account of the Corporation's profit for the year ended on that date and
- c) In the case of the Cash Flow Statement, of the movement of cash during the year ended on that date.

The day 2010

For S. S. KOTHARI & ASSOCIATES  
Chartered Accountants

Place: Kolkata

(P. K. BHATTACHARYA)  
Partner