BUTWAL POWER COMPANY LIMITED

# ANNUAL REPORT 2019-2020

iLight the future

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# Company Profile

Butwal Power Company (BPC) was incorporated in 1965 standing today with 55 years of experience in the hydropower sector and has placed itself as one of the leading listed company in Nepal. Generation and distribution of electricity is its core business areas and engaged in development, operation and maintenance of hydro-power plants, engineering and design consultancy of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electro-mechanical equipment for power plants through its subsidiary companies. BPC has a track record of pioneering multi-faceted capacity building initiatives in hydropower development.

Pursuing the privatization process in 2003, the Government of Nepal handed over majority of its ownership and management control to private investors on public-private partnership (PPP) model. BPC is registered with the Securities Board of Nepal and listed in Nepal Stock Exchange Limited.

## CORPORATE INFORMATION

**Name:** Butwal Power Company Limited
**Registration Number:** Pa. Li. No. 3-049/50
**Date Incorporated**:29 December, 1965 (2022/09/14 BS)
**Date converted into a public limited company**
17 February, 1993 (2049/11/06 BS)
**Date privatised:** 3 January, 2003 (2059/09/19 BS)
**Registered/Corporate office**:
Gangadevi Marga-313,Buddha Nagar, Kathmandu, Nepal
**PAN /VAT Number:** 500047963
**Bankers**
Standard Chartered Bank Ltd., Himalayan Bank Ltd., Sunrise Bank Ltd., NIC Asia Bank Ltd., Sanima Bank Ltd., Kumari Bank Ltd., Nepal Investment Bank Ltd.
**Statutory Auditor**
CSC & Co., Chartered Accountants
**Internal Auditor**
PL Shrestha & Co., Chartered Accountants
**Stock Exchange Listing**
Nepal Stock Exchange (NEPSE), Code BPCL

Starting with electrification of a small city in the south central Nepal developing Tinau project (1 MW), BPC is the only enterprise which can look back to more than a five decade long history of success, sustained growth and capacity building in the country with 34 MW under operation and 50 MW under construction in terms of equity investment through separate Special Purpose Vehicles (SPVs).

BPC owns and operates Andhikhola (9.4 MW) and Jhimruk (12 MW) plants located in western Nepal and supply power to its own customers in Syangja, Palpa, Pyuthan and Arghakhanchi districts for around 59,000 household. Besides, these plants also supplies powers to Nepal Electricity Authority (NEA) under Power Purchase Agreement (PPA). BPC owns majority stake in Khudi hydropower plant (4 MW). 30 MW Nyadi Hydropower Projects & 37.6 MW Kabeli- A projects are under construction through separate SPVs.

BPC has formed a joint venture company named, SCIG International Nepal Hydro Joint Development Company Pvt Ltd with three Chinese Companies of Chengdu, Sichuan Province, People's Republic of China to invest in Marsyangdi Cascade projects that include 135 MW Manang Marsyangdi Hydroelectric Project (MMHEP), 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and 327 MW Upper Marsyangdi-2 Hydroelectric Project (UM2HEP) located in Manang and Lamjung District. All these projects will be PROR projects.

A small project named Chino Khola Hydropower Project near Marsyangdi Cascade Projects was identified and acquired survey license, conducted feasibility study and EIA, with a view to develop the project for construction power of cascade projects. The PPA will be carried out with NEA with a view to sale power to NEA after completion of Marsyangdi projects.

Feasibility and EIA study for 160 MW Mugu Karnali Hydropower Project (MKHP), located near Gamgadhi, the district headquarters of Mugu district is under progress.

BPC has 16.88% share ownership in Khimti Hydropower Plant (60 MW) owned by Himal Power Limited together with partners Statkraft Norfund Power Invest AS (SN Power) & Bergenshalvoens Kommunale Kraftselskap (BKK). BPC also has ownership with some other partners in Hydro Lab which specializes in hydraulic model study of hydropower projects, sediment analysis & efficiency measurements. Nepal Hydro & Electric Limited (NHE), a subsidiary of BPC, has an expertise in design, manufacturing, installation, testing and commissioning of penstock pipes, hydraulic gate, trash rack, stoplogs, micro and mini hydro turbines, housing and casing of medium size turbines, HV substations, galvanised steel telescopic pole and heavy steel bridge etc.

Hydro-Consult Engineering Limited (HCE) established by BPC in 2009 provides consultancy services in water resource based infrastructure projects respecting the local socio-ecological systems. It investigates, designs and assists to develop hydropower projects in Nepal and abroad with an excellent business results with its professionals.

BPC has adopted integrated management system with certification of ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) since 2005 and OHSAS 18001:2007 (Occupational Health and Safety Management System) since 2013 recognized by the Certification Body, DNV GL (Det Norske Veritas).

BPC has been awarded for its best managed company in hydropower sector and received national best presented annual report award for 11 years since FY 2063/ 64 (FY 2006/ 07) from ICAN. BPC is committed to operational excellence and believes in good governance, corporate citizenship and creating value for stakeholders.

**55 years**

**of experience in the hydropower sector**

**1,000MW+**

**Projects in pipeline**

**Track record**

**of pioneering multi-faceted capacity building initiatives in hydropower development.**

# Vision, Mission and Values

## VISION

"To be a leading enterprise in Power Sector with excellence in providing innovative and quality products and services to meet the growing demand for efficient and clean energy."

## MISSION

- To be a competitive hydropower developer and an electric utility
- To secure sustainable performance of our investments
- To be committed to protect the environment
- To practice corporate social responsibility by serving the communities where we do business
- To provide a safe, healthy and fulfilling work environment for our employees
- To maximize value for all stakeholders

## VALUES

- **Customer focus –** We seek to understand the customers' needs and strive to deliver the best as professionals.
- **Transparent –** We are transparent in our business and financial transactions.
- **Proactive –** We explore and look for solutions, opportunities, partnerships to improve our business.
- **Team Work –** We work together with mutual respect and trust to achieve results.

# Strategic Goals of the Company

In order to become the industry leader and achieve operational excellence, BPC has embraced the following Strategic Goals:

- Continuous focus on a strong financial performance in terms of reasonable return on investment through maximizing the use of financial capabilities in terms of asset utilization, optimized resources utilization, risk management and the diversification of the Company's investment portfolio in other business areas.
- Expand the businesses mainly through the development and acquisition of power generation facilities in the sustainable green field of hydropower and in other renewable projects of mid and large-size for the domestic and cross-border markets, respectively.
- Improve the business operation or increase productivity through the prudent and dynamic management practices including timely organizational restructuring, well-defined processes and the latest technologies that creates favourable environment for teamwork to enhance core competency and institutional memory.
- Develop and strengthen workforce competency to ensure excellence in performance through identification and development of skills and knowledge necessary for the Company to succeed as a commercial enterprise, ensure right people in right roles and opportunity for career growth, instil customer-focused internal and external business relationship and manage and retain knowledge and expertise.
- Efficient and optimum use of environmental resources along with focus on improved occupational health and safety and continual improvement in the Quality and Environmental Management System.

# Ethical Principles

We strive to exercise the highest standards of ethics and conduct in our personal and business relations with ensuring compliance to legal framework, fairness, integrity, honesty and environmental impacts of our acts and the interests of stakeholders.

BPC Code of ethics applies to all employees. Each one at BPC is expected to behave according to the principles contained in the BPC Code and is expected to adhere to the standards and restrictions set forth in this code; avoid and discourage actions that would imply company activities in violation to the code. All at BPC must promote and support BPC Code in day-to-day business activities. We encourage consultation and advice as appropriate from the resources available in application of the BPC Code. Breach of BPC Code may result in severe disciplinary action such as suspension or termination.

# The BPC Code

**1. Abide by the applicable laws & regulations governing our business**

- Comply with applicable laws and government regulations;
- Do business only with suppliers, clients and partners that comply with legal requirements;
- Screen transactions against applicable rules

**2. Be honest, fair and trustworthy in all business activities and relationship**

- Uphold trust placed in us as professionals and ensure delivery of quality services that reflect professional capabilities.
- Provide competitive and equal opportunity to suppliers and contractors.
- Abide by special contract clauses agreed with any agency.
- Do not make any unauthorized substitutions after entering into contract without the written approval of the authorized representative of the party.
- Reject inappropriate pressure from clients or others.
- Protect proprietary and confidential information related to company or employees.
- Be truthful and maintain accurate records.
- Adhere to internal control system, company's policies, principles and business processes.

**3. Avoid conflicts of interest between work and personal affairs.**

- Use and process personal data for legitimate business purpose only.
- Do not use confidential information for personal gains.
- Do not divulge or provide "tip" on any price sensitive information to anyone including to any friends and relatives.
- Do not engage in activities that adversely affect company's interest or line of business.
- Do not use company property or opportunities encountered through use of company property or by virtue of association with the company or position for self-interest or to any third party.
- Self or members of immediate family must not compete against the company or use their position to influence or derive improper benefit for themselves or others.
- Do not accept or give extravagant gifts or entertainment from or to companies doing business with the BPC or group companies.
- Do not accept fees or felicitation in exchange of services provided on behalf of the company.

***Nyadi Hydropower : Generator installation***

**4. Foster an atmosphere in which fair employment practices are extended to every member of BPC.**

- Employment decisions must be based on job requirement, qualification and merit without regard to race, religion, nationality, sex, age, disability or other characteristic protected by law.
- Provide a work environment free of harassment.
- Respect privacy rights of employees by protecting personal data. While seeking to maintain employee privacy, BPC reserves the right to monitor use of company property including PCs, emails, phones, proprietary information etc. applicable as per law.
- Encourage & support professional development of employees and promote individual achievements and continuous learning in pursuit of company's objectives and goals.

**5. Strive to create a safe workplace.**

- Create and maintain safe working environment.
- Comply with occupational health & safety rules and regulations.
- Manage risks to address the security of employees, facilities, information, assets and business continuity.

**6. Strive to protect the environment.**

- Comply with all applicable environmental laws and regulations.
- Prevent pollution and conserve water & energy.

**7. Corporate Social Citizenship**

- Maintain good relationship with neighbours and communities where we do business.
- Account for managing social impacts of our business activities in all business proposals.

**8. Practice a culture where ethical conduct is exemplified and valued by all employees.**

- Identify and protect intellectual property.
- Respect copyrighted materials and other protected intellectual property of others.
- Follow BPC accounting procedures and ensure accurate accounting and financial reporting.
- Maintain accurate and updated accounts to appropriately reflect all business transaction transparently.
- Reject all unethical or illegal business practices.
- Remain committed to open and honest communication.
- Be responsible for keeping our professional knowledge up-to-date and sharing best practices.
- Deliver and welcome feedback on performance and conduct regularly, candidly and constructively.
- Nurture integrity, respect and teamwork.
- Build relationship with each other based on shared trust and confidence.

# Integrated Quality, Health, Safety and Environment Policy

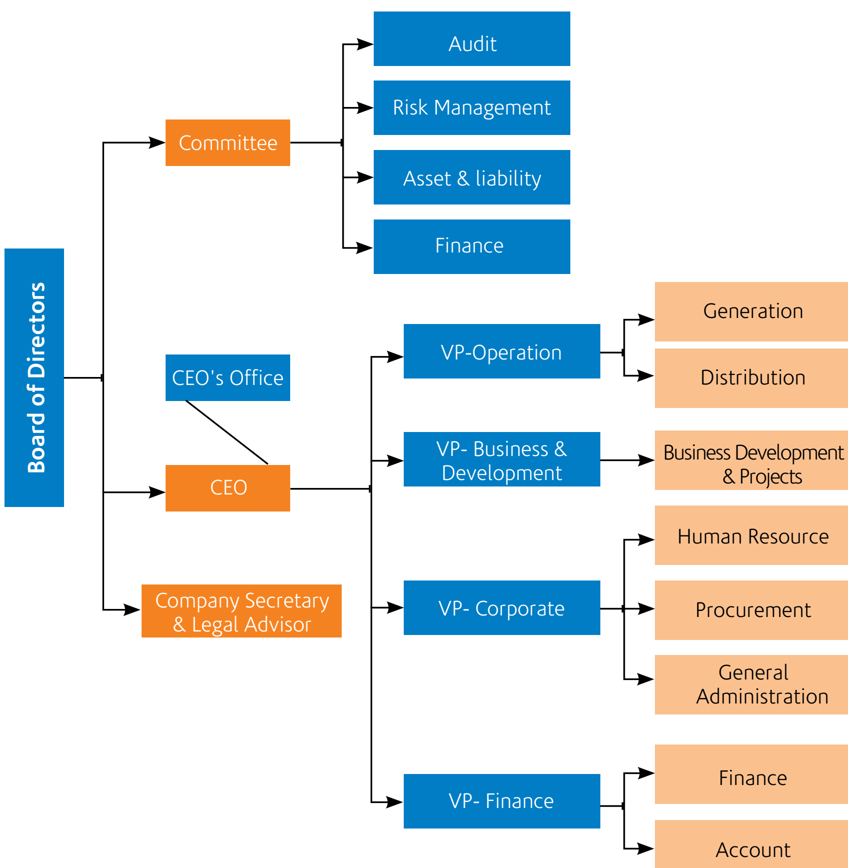
BPC is committed to provide quality and competitive products and services to meet customers' expectations and to ensure health and safety at work by conducting business in an environmentally & socially responsible manner through:

- Improvement of Integrated Management System and Business Processes;
- Identification of occupational health and safety hazards and minimizing potential risks to prevent injury and ill health;
- Conservation and optimization in use of key resources, minimizing impact on environment and prevention of pollution;
- Effective preparedness and resource deployment to ensure minimal impact from emergency situations;
- Compliance with the applicable legal and other requirements;
- Qualified and trained work force for effective implementation of QHSE management system;
- Effective communication of policy requirements with internal and external parties;
- Participation of business partners in implementation of QHSE management systems by making them aware of their obligations.

If required, periodic review of the policy to ensure its relevancy and appropriateness to the company.

# Organisational Structure

Generation, Distribution and Transmission business activities are being carried out by BPC directly. Project development activities are carried out through SPVs. The Engineering, Manufacturing, Operation & Maintenance of hydropower equipment businesses are carried out through subsidiaries. The functional organizational structure is in place viz. Operations, Business Development and Project (BD&P), Finance and Corporate under the direct supervision of CEO. The overall responsibility of management resides with the CEO, who is responsible to the Board of Directors (BoDs).

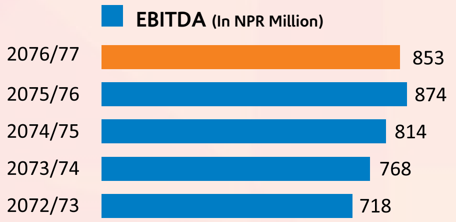


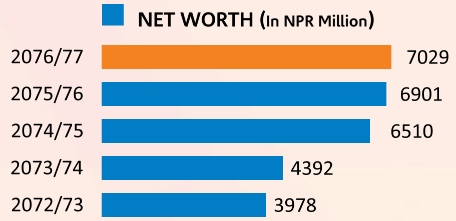

Company Profile

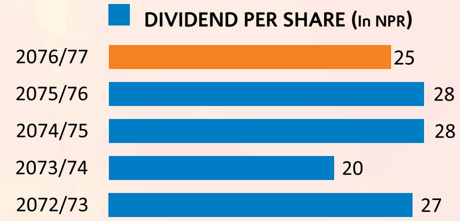
# Highlights of the Year

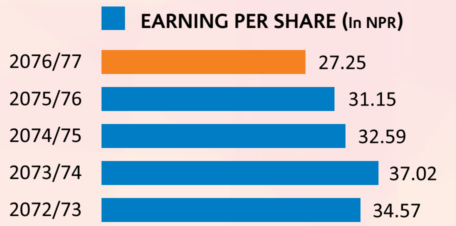
- Total Revenue increased by 2.10 % to NPR 1,486.53 million;
- Net Profit before provisioning increased by 28.26 %;
- Net worth increased by 1.85%;
- Draft PPA for 135 MW Manang Marsyangdi Hydropower Project (MMHEP) initialed with NEA;
- Supplementary EIA for 135 MW MMHEP approved from GoN;
- Connection Agreement for 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) signed with NEA;
- Foreign Direct Investment (FDI) approval for 327 MW UM2HEP received from IBN
- Above 90% Construction of 30MW Nyadi Hydropower Project completed;
- Number of distribution consumers under BPC increased to 58,091with an addition of 1,897 new consumers.

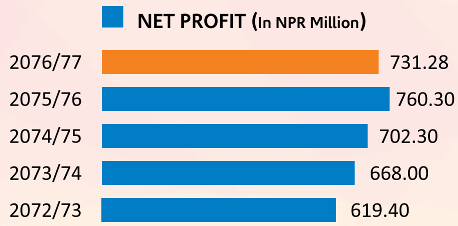
# Financial Highlights

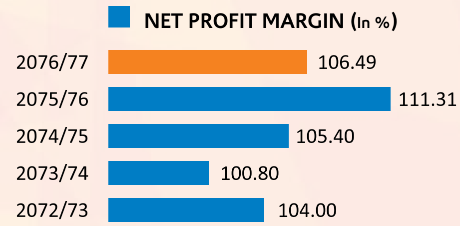


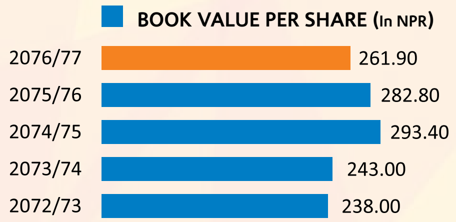



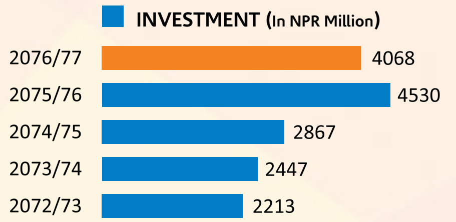



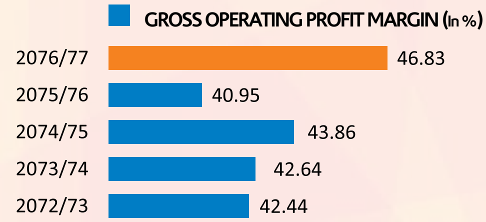



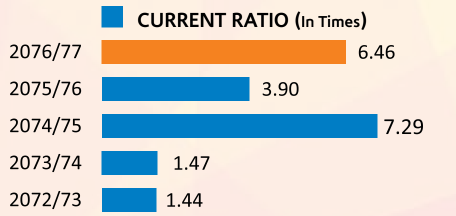



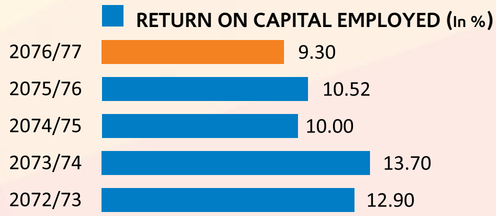



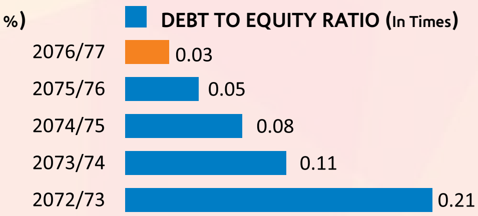



# Board of Directors

# Board of Directors

***From left to right :***
**Mr. Pradeep Kumar Shrestha,** Director
**Mr. Sandip Kumar Dev,** Director
**Dr. Sandip Shah,** Director
**Mr. Om Prakash Shrestha,** Director
**Mr. Dinesh Humagain,** Director
**Mr. Tirtha Man Shakya,** Independent Director
**Mr. Bijay Bahadur Shrestha,** Alternate Director
**Mr. Padma Jyoti,** Chairman
**Mr. Bijaya Krishna Shrestha,** Director
**Mr. Sanjib Rajbhandari,** Alternate Director

> Political & policy stability and a supportive legal & regulatory framework are key to successful hydropower projects. Without a collaborative effort of GoN, IPPs, financers and the community the development of hydropower is not possible.

# Message from Chairperson

**As a leading company in the sector, the Company has succeeded in declaring the highest dividend to shareholders in the category of listed hydropower companies in Nepal in a very challenging year of 2019/20. The Company's operating plants are running constantly and well. However the COVID-19 pandemic affected projects under development and construction phase pushing their schedule behind the target.**

Optimum efforts are being made to catch-up on the schedule. The year 2020/21 shall be a year of building confidence through gearing up of the projects by bringing NHP into commercial operation, reviving KAHEP as far as possible and starting the construction of MMHEP. Progress of other projects in pipeline will be achieved. The dilution of the ownership interest of the Company in Khimti I HEP in July 2020 as per the agreement and unexpected slow progress of subsidiaries and associate companies in a difficult year have drawn the Board's serious attention. These factors may redefine the dividend policy of the Company in the short term in the coming years.

The Company has adopted a well defined corporate value framework to integrate the responsible business and governance norms and practices in the operations of its business. As a responsible corporate citizen of the country, the Company has performed CSR beyond the legal requirements. The Company is committed to creating a long-term value to shareholders and stakeholders.

The country had witnessed load-shedding in the past for a long time but was able to end it through efficient management of energy. It has taught a good lesson to all involved in the energy sector. Now the time has come to increase the consumption of electricity not only in public and domestic life but also in the commercial and industrial sector. Electricity is a driver of modern economic activities and industrial development of the country. It enhances the standard of living and quality of life for all. Therefore we hope that all stakeholders have a clear understanding of the importance of hydroelectricity. There are possibilities of exporting excess electricity to the neighbouring country and some developments have been achieved in this direction.

Investment in hydropower is a long term business with a long gestation period. It involves firm commitment, large investment and efficient management from the initial phase of project identification to the phase of bringing the project into operation. Political & policy stability and a supportive legal & regulatory framework are key to successful hydropower projects. Without a collaborative effort of GoN, IPPs, financers and the community the development of hydropower is not possible. Hydropower sector is one of the areas in Nepal where the private sector has earned a degree of success. The increased presence and roles of IPP also indicate a positive investment climate in Nepal. However, there are certain aspirations of IPPs for even better harnessing of the hydropower potential. For example a number of IPPs are suffering from the unavailability of transmission facilities. We can expect GoN's reform initiatives and timely service delivery in action in the coming days.

The Company is dedicated to developing hydropower projects in Nepal to serve the country, which ultimately benefit the shareholders of the Company as well. The Company has collaborated with local as well as credible international companies and institutions as an equity partner. Such collaboration will benefit the Company by bringing foreign technology and management skills in the country. We give a balanced focus to utilising both local and international financial resources. The utmost priority has been given to implement the collaboration with Chinese partners to develop Marsyangdi Cascade Projects. The results of this collaboration will generate more revenue, jobs and avenues of development in the country.

I would like to extend sincere thanks to GoN agencies, shareholders, partners and all other stakeholders for their trust and cooperation to the Company.

**Padma Jyoti**
Chairman

Andhikhola: Headworks

# Report from Board of Directors



**Dear Shareholders,**

**It is our great pleasure to present this Report of the Board of Directors, 2020 in this 28th Annual General Meeting (AGM) of the Company. We are gathered today in the AGM through virtual means due to the serious health security threat caused by the ongoing COVID-19 pandemic.**

COVID-19 has hit all sectors across the globe. The Company is affected primarily in the segment of projects development and construction. Operation of power plants and distribution business were comparatively less affected. Despite preventive measures implemented by the Company, thirteen personnel were diagnosed with COVID–19; and unfortunately, one Company employee lost his life. In spite of the pandemic adversity, overall business performance results of the company are satisfactory.

The Company posted a net profit of NPR 731 million in FY 2076/77 and is going to distribute 15% cash dividend and 10% bonus shares to its shareholders in line with its dividend policy.

The operating power plants and distribution business owned directly by the Company operated normally. The 4 MW Khudi Power Plant, which was severely hit by flood last year, has been brought into partial operation after interruption of generation for some months. Repair works of another generation unit is expected to complete shortly as the equipment supplier could not send its technical expert from China due to COVID–19. Equity interest of the Company in 60 MW Khimti–I Hydropower Plant (KHP) has been diluted by 50% from July 2020 as per the condition of earlier 20-year PPA. KHP is operating under an interim power purchase arrangement till a final PPA is signed. This has been delayed due to COVID–19. KHP will run under a new special purpose vehicle as per the new PPA. This change will have an impact on the dividend income of the Company.

30 MW Nyadi Hydropower Project (NHP) is in advance stage of construction with work progress of more than 90%. Had COVID-19 pandemic not been there and if an additional arrangement for power evacuation were not to be made, NHP would have achieved commercial operation already. NHP is expected to come into commercial operation by March 2021.

All construction works at 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) were suspended since the beginning of 2020. Project is facing serious challenges after discontinuation of loan disbursement by the World Bank (WB). Our request and expectation of support from the Government of Nepal (GoN) to extend the WB loan drawdown period could not materialize as GoN remained reluctant to support the extension. Still all possible options are being explored to revive the construction of KAHEP. GoN has been requested for cooperation and support in line with the spirit of the Project Development Agreement (PDA). In this Fiscal Year's financials,

**“The operating power plants and distribution business owned directly by the Company operated normally. The 4 MW Khudi Power Plant, which was severely hit by flood last year, has been brought into partial operation after interruption of generation for some months.”**

partial provisioning of investment in KAHEP has been made by the Company.

Some progress has been achieved in Marsyangdi Cascade Projects (MCP) – 135 MW Manang Marsyangdi Hydroelectric Project (MMHEP), 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and 327 MW Upper Marsyangdi-2 Hydroelectric Project (UM2HEP). Studies were conducted to optimize development of MCP. PPA of MMHEP has been initialed and is under process of approval at Electricity Regulatory Commission (ERC). PPA of other projects is also under consideration at NEA. Investment Board of Nepal (IBN) has granted investment approval for UM2HEP. Application for PDA is under active consideration of IBN. Construction camps and access roads were ready last year to start construction of MMHEP. However, the process was delayed due to COVID-19 pandemic and pending government approvals.

The Company has applied for obtaining Generation license of 7.9 MW Chino Khola Hydroelectric Project (CKHEP) and is in process of concluding its PPA.

Feasibility study of 160 MW Mugu Karnali Hydroelectric Project (MKHEP) is ongoing. GoN has been positive to provide relief measures to hydropower projects due to COVID-19 pandemic. It is expected that these relief measures shall extend validity period of licenses and deadlines prescribed thereunder including relief on fees.

The process to recover the advance given to S.C. Power Company Pvt. Ltd., the project company for Tila 1 and Tila 2 hydropower projects, and its shareholder has been initiated.

The performance of group companies is also satisfactory. Among the group companies, Hydro-Consult Engineering Ltd. (HCE), an engineering services entity is the best performer. The group net profit has increased in FY 2076/77.

The Company conducted Gap Analysis in the business and governance of the Company through an independent consultant to identify gaps and initiate reform initiatives.

## PERFORMANCE REVIEW

### FINANCE

The Company earned gross operating profit of NPR 321.61 million and dividend income of NPR 767.82 million in FY 2076/77 with an increase of 14.98% and 25% respectively, compared to the previous FY. There was a substantial decrease in finance income and provisioning for impairment loss of equity investment in Kabeli Energy Limited (KEL) and Gurans Energy Limited (GEL) due to suspension of construction works of KAHEP since April 2019. Thereby, the profit before and after taxes decreased by 14.81% and 3.82% respectively. The net profit of the Company stands at NPR 731.28 million in FY 2076/77. The financial highlights of the Company are briefly summarized below.

**FINANCIAL HIGHLIGHTS**

(in million NPR unless specified)

| Particulars | FY 2076/77 | FY 2075/76 | Variance (In %) |
|---|---|---|---|
| Electricity sale to NEA | 483.84 | 486.80 | -0.61 |
| Electricity sale and services to consumers | 195.14 | 187.20 | 4.24 |
| Generation expense | 245.69 | 266.31 | -7.74 |
| Distribution expense | 119.41 | 137.04 | -12.87 |
| Gross profit | 321.61 | 279.72 | 14.98 |
| Other income including dividend received | 767.82 | 613.71 | 25.11 |
| Administrative and other expenses | 123.34 | 164.26 | -24.91 |
| Profit before interest and taxes | 727.54 | 735.03 | -1.02 |
| Profit before taxes | 719.80 | 844.94 | -14.81 |
| Net profit after tax | 731.28 | 760.34 | -3.82 |
| Investment in other companies | 4,068.46 | 4,530.31 | -10.19 |
| Earnings per share | 27.25 | 31.15 | -12.52 |
| Net worth (Equity) | 7,029.05 | 6,901.28 | 1.85 |

**THE GROUP CONSOLIDATED FINANCIAL STATUS FOR FY 2076/77 IS AS UNDER:** (in million NPR unless specified)

| PARTICULARS | FY 2076/77 | FY 2075/76 | Variance (In %) |
|---|---|---|---|
| Revenue | 3,194.35 | 3,344.63 | -4.49 |
| Cost of sales | 2,657.57 | 2,892.83 | -8.13 |
| Gross Profit | 536.79 | 451.80 | 18.81 |
| Profit before interest and taxes | 1,052.88 | 762.75 | 38.04 |
| Profit before tax | 766.90 | 829.95 | -7.60 |
| Profit after tax | 765.83 | 726.25 | 5.45 |
| Profit attributable to owners of parent | 754.07 | 732.12 | 3.00 |
| Profit attributable to non-controlling interest | 11.76 | (5.87) | 300.24 |
| Earning Per Share | 28.10 | 30.00 | -6.33 |
| Net worth | 7,452.02 | 7,284.47 | 2.30 |

Decrease in group revenue by 4.49% is due to decrease in sale of services. Similarly, decrease in cost of sales by 8.13% is mainly due to decrease in cost of consumed materials, employees' expenses and legal & professional expenses. However, the increase in gross profit by 18.81% is due to decrease in cost of sales at higher rate in comparison to decreased rate in revenue. The increase of group net profit by 3.63% is mainly due to increase in dividend income, resulting in increase in net worth by 2.30%. The group earnings per share is NPR 28.10; which was NPR 30.00 in previous FY.

## OPERATIONS

### Generation Business

The Company has been operating two power plants– 9.4 MW Andhikhola Power Plant (APP) and 12 MW Jhimruk Power Plant (JPP). Both plants operated satisfactorily in FY 2076/77. The total generation was 144.51 GWh, which is 5% higher compared to 137.56 GWh generated in the previous FY. Out of total generated energy, around 74% energy was supplied to NEA and remaining to the distribution business.

The generation status of both power plants was as follows:

- APP generated 71.370 GWh with plant factor of 86.67%, which is an increase of 4.88% (3.321 GWh) over the last year. Out of total available energy of 72.83 GWh including purchase from NEA, 39.737 GWh (54.56%) was supplied to NEA, which includes 3.169 GWh compensation for Kaligandaki Power Plant. 31.457 GWh (43.19%) was supplied to the distribution business for consumers of the Company.
- JPP generated 73.144 GWh with plant factor of 69.58%, which is an increase of 5.23% (3.637 GWh) over the last year. Out of total available energy of 75.73 GWh including purchase from NEA, 66.669 GWh (88.03%) was supplied to NEA and 7.377 GWh (9.74%) to distribution business for consumers of the Company.

The problem of high quartz content in Jhimruk River water during monsoon season remained the major factor for reduced power generation and severe erosion of turbine parts from the beginning of operation of the power plant. Annual overhauling of all turbine parts including preventive maintenance was carried out as per schedule. Besides the silt problem, the major problem also occurred in excitation system of all three generators; which were repaired timely. River training and mitigation works were carried out to protect the project area, farmers' land and to optimize the water to increase generation.

### Distribution Business

The Company has been distributing electricity to its own consumers in four districts namely Syangja, Palpa, Pyuthan and Arghakhanchi. During FY 2076/77, the total energy purchased from the Generation Business was 38.828 GWh, which is about 4% more than that of previous FY. The consumer base has increased by 3.37% and reached 58,091 at the end of FY 2076/77. This year 32.69 GWh energy was sold to retail consumers and 0.068 GWh was consumed for internal purposes. Total energy sale has increased slightly by 3.83% compared to last year. Distribution loss is 15.64% on the purchased energy.

## SUBSIDIARY AND ASSOCIATE OF THE COMPANY

### Company's investment portfolio at the end of Ashadh, 2077

The Company has made equity investment in the following companies, valued at cost and fair value as in table below:

| Name of company | No. of shares | Holding (%) | Investment at Cost (in NPR) | Investment at Fair Value (in NPR) |
|---|---|---|---|---|
| Himal Power Limited | 2,978,502 | 16.88 | 434,931,461 | 954,961,138 |
| Nepal Hydro & Electric Limited | 715,800 | 51.30 | 71,580,000 | - |
| Khudi Hydropower Limited | 504,000 | 60.00 | 50,400,000 | - |
| Khudi Hydropower Limited (Preference Share) | 576,000 | - | 57,600,000 | - |
| Nyadi Hydropower Limited | 10,751,453 | 98.18 | 1,075,145,300 | - |
| Kabeli Energy Limited | 2,966,860 | 27.24 | 296,686,000 | - |
| Hydro-consult Engineering Limited | 117,785 | 80.00 | 11,778,500 | - |
| Manang Marshyangdi HPC (P) Ltd. | 885,960 | 100.00 | 566,416,367 | |
| BPC Services Limited | 100,000 | 100.00 | 10,000,000 | - |
| Hydro Lab (P) Limited | 10,000 | 10.73 | 1,000,000 | 19,356,942 |
| Himtal Hydropower Co. (P) Ltd. | 601,300 | 19.40 | 777,902,830 | |
| Marshyangdi Transmission Co. (P) Ltd. | 6,406 | 19.40 | 10,346,245 | |
| Gurans Energy Limited | 3,321,836 | 40.00 | 332,183,600 | - |
| Convertible Loan to Kabeli Energy | - | - | 1,260,044 | - |
| SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd. | - | - | 93,520,876 | - |
| **Total** | **23,535,902** | | **3,790,751,223** | **974,318,080** |

**THE FINANCIAL PERFORMANCE HIGHLIGHTS OF THE SUBSIDIARY AND ASSOCIATE COMPANIES ARE AS UNDER:**

| Name of company | Net Profit (In million NPR) | Increase (decrease) in net profit | Net Worth (in Million NPR) | Earning Per Share (in NPR) | Book Value Per Share (in NPR) |
|---|---|---|---|---|---|
| Himal Power Limited | 3,726.95 | 12.71% | 5,656,16 | 211.26 | 320.62 |
| Nepal Hydro & Electric Limited | 35.72 | 212.84% | 344.72 | 25.60 | 247.06 |
| Khudi Hydropower Limited | -10.98 | -141.05% | 193.99 | -13.07 | 230.94 |
| Kabeli Energy Limited | 27.76 | 72.99% | 1,113.64 | - | 102.64 |
| Nyadi Hydropower Limited | -26.74 | -78.79% | 1,030.68 | - | 94.13 |
| Hydro-consult Engineering Limited | 32.20 | 25.69% | 147.45 | 218.72 | 1,001.47 |
| BPC Services Limited | 0.82 | -10.97% | 15.80 | 8.19 | 157.96 |
| Hydro Lab (P) Limited | 13.85 | 13.05% | 119.64 | 231.00 | 1,990.73 |
| Gurans Energy Limited | -1.36 | -70.96% | 794.22 | - | 95.69 |
| SCIG International Nepal Hydro Joint Development Co. Pvt. Ltd. | -38.16 | 4.38% | 1,516.57 | -2.44 | 97.05 |

| Name of company | Net Profit (In million NPR) | Increase (decrease) in net profit | Net Worth (in Million NPR) | Earning Per Share (in NPR) | Book Value Per Share (in NPR) |
|---|---|---|---|---|---|
| Manang Marsyangdi Hydropower Company Pvt. Ltd. | -0.71 | -128.58% | 90.37 | -0.80 | 102.00 |
| Marsyangdi Transmission Company Private Limited | 0.00 | NA | 43.26 | NA | 1,309.86 |
| Himtal Hydropower Company Private Limited | -0.11 | -98.01% | 594.64 | -0.04 | 191.85 |

The Company earned dividend income of NPR 744,120,794 in FY 2076/77 from the following subsidiary and associate companies:

*(In NPR)*

| Name of Company | Dividend (from the profit of FY 2075/76) |
|---|---|
| Himal Power Limited | 739,085,486 |
| Hydro- Consult Engineering Limited | 5,035,308 |
| **Total** | **744,120,794** |

## PROJECTS

### 30 MW Nyadi Hydropower Project (NHP)

NHP is a run of the river project located in Marsyangdi Rural Municipality, Lamjung District. The construction was started on 23rd March, 2017. Nyadi Hydropower Limited (NHL) is the project company that owns NHP, where the Company holds 71.68% equity ownership. NHL has initiated process for Initial Public Offering (IPO) of shares to the general public including project-affected locals. IPO is expected to be complete by March 2021. The construction progress of NHP is more than 90% complete at the end of November 2020. Due to COVID- 19 pandemic, NHL could not complete construction of NHP within the Required Commercial Operation Date (RCOD). NHL has a revised target to start the generation of electricity from mid-March 2021. NHL has been constructing an additional 3 km transmission line as an alternate plan to evacuate power from NHP because of delay in construction of 220 kV transmission facilities by NEA. The estimated average annual generation of NHP is 168 GWh.

### 37.6 MW Kabeli-A Hydroelectric Project (KAHEP)

KAHEP is a peaking run of the river project located in Panchthar and Taplejung Districts. Kabeli Energy Limited (KEL) has undertaken KAHEP from the GoN as per the Project Development Agreement (PDA). The Company has 26% direct and 27.3% indirect ownership stake in KEL. Management of KEL has been led by the strategic partner InfraCo Asia. The main construction works of the project was started on 23rd March, 2017. KEL has constructed 24 km access road to connect the project sites with Mechi Highway. All required lands have been acquired, Contractor's camp facilities have been built; access tunnel and 1km headrace tunnel (out of 4.5 km) have been excavated

“NHL has a revised target to start the generation of electricity from mid-March 2021. NHL has been constructing an additional 3 km transmission line as an alternate plan to evacuate power from NHP because of delay in construction of 220 kV transmission facilities by NEA.”

and prepared for the construction of dam and penstocks. The EPC contractor was unable to comply with the defined construction standards and planned progress. As a result, KEL terminated the EPC contract agreement in April 2019 following the recommendations of Owners and Lender's Engineer. KEL recovered Advance Payment Guarantee (APG) and settled Performance Guarantee (PG). The timeline for WB loan drawdown has expired in December 2019. All physical works are under suspension due to suspension of World Bank loan. In the meantime, RCOD under the PPA has expired without project commissioning. This expiry of RCOD is not only because of KEL, but also due to severe delay in required decisions from the Government authorities in channelizing the WB loan, getting timely approvals from GoN and WB for loan extension; and in fulfilling stringent requirements of WB and IFC for loan disbursement. GoN's focus on the Tamor Storage Project seems to have diverted attention from KAHEP. This Storage Project has potential impacts on KAHEP and line ministries need to take a firm decision on the KAHEP at the earliest.

KEL has formulated recovery plan to resume construction works. However, to proceed with the recovery plan, a reasonable RCOD extension is required to complete remaining construction works and avert delay damages that could be substantial. KEL approached MoEWRI for extension of RCOD on the grounds of delays attributed to GoN decisions. A special committee has been formed at MoEWRI to review and recommend necessary RCOD extension for the project. Committee's report is expected to come soon. Once reasonable extension of RCOD is granted, recovery plan will be implemented and construction works will be resumed.

**The Connection Agreement of LMMHEP has been signed with NEA for 139.2 MW. Supplementary EIA is in the process of approval. A Joint Venture Agreement has been signed with the Chinese partners to set up a project company for the development and construction of the project.**

**Marsyangdi Cascade Projects (MCP):**
MCP comprises of three peaking run of river (PROR) projects - MMHEP, LMMHEP and UM-2HEP with combined installed capacity of 601 MW. MMHEP and UM-2HEP have separate SPV named Manang Marshyangdi Hydropower Co. Pvt. Ltd. (MMHCPL) and Himtal Hydropower Co. Pvt Ltd (HHCPL) respectively. The SPV will be set up for LMMHEP jointly with the Chinese partners. The strategic partners for these projects are SCIG International Limited, Xingcheng International Investment Co. Ltd. and QYEC International Co. Ltd. With the prior consents of MoEWRI, investigations and resource optimization of MCP were carried out for adjustment of boundaries, redefining the nature of the project as PROR and conducting the Supplementary EIA.

MMHEP has been optimized at 135 MW and industry registration is being done at the Department of Industry (DOI) accordingly. Application has been submitted to MoEWRI for concluding PDA. Supplementary EIA has already been approved. Draft PPA has been initialed with NEA and is in the process of approval at ERC. The transfer of shares from the Company to the Chinese partners is in the advance stage of the approval process.

The Connection Agreement of LMMHEP has been signed with NEA for 139.2 MW. Supplementary EIA is in the process of approval. Application has been submitted to Investment Board of Nepal (IBN) for investment approval and to DoI for industry registration of LMMHEP. A Joint Venture Agreement has been signed with the Chinese partners to set up a project company for the development and construction of the project.

IBN has granted investment approval for UM2HEP for 327 MW. Follow-ups have been made with IBN for accelerating and concluding PDA. Supplementary EIA is in the process of approval.

As the installed capacity of MMHEP and LMMHEP has been optimized with the approval of MoEWRI, amendments in the Generation Licenses shall be done suitably.

Construction camps and access roads were ready last year for the earliest start of construction works. MCP will evacuate power through 220 kV Marsyangdi Corridor Transmission Line, which is being constructed by NEA.

### 7.9 MW Chino Khola Hydropower Project (CKHP)

CKHP is a Run of the River (RoR) project located near LMMHEP. Feasibility study and EIA of the project have been completed. The EIA Report has been approved. The MCP will utilize the power of CKHP for construction power. The process of PPA with NEA has been initiated and the application for Generation License of the project is in the process of approval.

### 160 MW Mugu Karnali Hydropower Project (MKHP)

MKHP is a Peaking Run of the River (PROR) project located near Gamgadhi, the district headquarter of Mugu district. The survey license of MKHP was awarded to BPC in 2074. The pre-feasibility study of the project has been completed and a detailed feasibility study and EIA is ongoing. The main challenge of the project is power evacuation. Under the present status of the transmission line plan, it seems very hard to get a connection agreement for PPA with NEA. Therefore, the project will be kept as a backup plan for the Company to develop in future as per availability of power evacuation facilities.

## CORPORATE GOVERNANCE

BPC is committed to adhering to good corporate governance. We strive to keep the trust of our stakeholders by being ethical, honest and transparent in the continuing pursuit of our vision, mission and values. We produce Corporate Governance Report (CGR) every year with the intent of being transparent on our Board's activities and its performance, internal control systems and risk management. The corporate value framework includes vision, mission, core values, business principles and policies, code of corporate governance, code of conduct and ethics, and guidelines. This framework applies to everyone in the company; from employees to members of the board of directors. The fundamentals of this framework are to strive to exercise the highest standards of ethics and conduct in our personal and business relations ensuring compliance to the legal framework, fairness, integrity, honesty and environmental impacts and the interests of the stakeholders. The reports to this intent, as required by the prevalent laws, have been submitted to the regulatory bodies on time. The CGR has been included in the Annual Report of the Company separately.

### Board and its Committees

During the year, there was no change in the Board of Directors (BoD). The Board has set up mandatory three committees - Audit Committee, Risk Management Committee & Assets and Liability Committee; and other five committees as per the need of the Company. The performance of Directors as members of the Board and its committees remained satisfactory in FY 2076/77. The details of the shareholding pattern, Board and its committees of the Company are disclosed in the CGR.

### Shareholding Structure of the Company

The shareholding structure of the Company has been incorporated in the CGR. The number of shareholders was 72,938 at the end of FY 2076/77.

### Management

The management of the Company is led by CEO Mr. Uttar Kumar Shrestha. Mr. Shrestha has long management experience in NEA. He has been leading the management of the Company for the last 6 years successfully. There are 193 personnel in the Company with 19 working at Management level. The Collective Bargaining Agreement (CBA) has been signed with the Trade Union on Ashwin 10, 2076 which remains valid till the end of Ashadh, 2078. Employees have been covered under the medical, accidental and COVID-19 insurance policies.

Management improved performance during the FY 2076/77 with fulfilment of the major tasks as per the vision, mission and values of the Company under the strategic guidance of the BoD and Board Committees.

**Quality, Environment and Occupational Health and Safety Management System**

The Company has developed its Quality, Environment, Occupational Health and Safety Management System in line with ISO standards. The Company has been certified with ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) since 24th May, 2005 and OHSAS 18001:2007 (Occupational Health and Safety Management System) since 20th September, 2013 [Certification Body- DNV GL (Det Norske Veritas), India].

Further, the Company has been recertified in 2017. OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system and procedures of the Company.

> **The Company has established a partnership with international agencies such as IFC, World Bank etc. and partners such as SCIG, CXIG & QYEC (China), InfraCo Asia (Singapore), Statkraft AS (Norway) and SCPHI (Canada) for different areas of business relationships in the development of hydropower projects.**

A well-developed Occupational Health and Safety and Emergency Preparedness Plan was communicated amongst all to cope up with all emergencies situation like fire, floods, landslides, earthquake, pandemic etc. Internal and external audits on integrated management system were carried out for continual improvement. No serious illness, accident, incident and injuries were reported in the Company during the FY 2076/77. However, thirteen personnel got infected from COVID–19 pandemic and unfortunately one Company employee lost his life.

**Industrial and Business Relations of the Company**

The Company is engaged with its stakeholders and always committed to enhance relationships through participation in seminars, training programs, meetings and involvement in CSR activities. The company is an institutional member of the Federation of Nepalese Chamber of Commerce and Industries (FNCCI), Independent Power Producers' Association Nepal (IPPAN), Nepal Hydropower Association (NHA), Confederation of Nepalese Industries (CNI), International Center for Hydropower (ICH) Norway, Energy Development Council (EDC), Nepal Tunneling Association (NTA) and Management Association of Nepal (MAN).

The Company has established a partnership with international agencies such as IFC, World Bank, InfraCo Asia, Singapore, Statkraft AS, Norway and SCPHI, Canada for different areas of business relationships in the development of hydropower projects. The Company has further established a partnership with three renowned Chinese companies from Sichuan Province viz. Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) for development of MCP.

**Enterprise Risk Management**

Risk management is an integral part of business initiation, decision and implementation. BPC has been continually assessing and monitoring the risks at different levels of management to ensure that the risks are properly managed. Risk

Management Committee monitors and guides Management and recommends the Board for ensuring good risk management in the Company. A well-defined Risk Management System has been implemented in the Company.

### Internal Control and Accountability

The internal control and accountability system has been implemented in the Company. The control environment and accountability are monitored by the Audit Committee and the Board.

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management systems. Also, the internal audit has been carried out every quarterly through an independent auditor for assessment of the internal control and risk management of the company. The recommendations of the internal auditor and the decisions of the Audit Committee have been implemented. M/s PL Shrestha & Co., Chartered Accountants, performed the internal audit of the Company in FY 2076/77.

### Statutory Audit

M/s CSC & Co., Chartered Accountants audited the books and accounts of the Company for FY 2076/77, consecutively for two years in row. The auditor has issued an unqualified report of financial statements of the Company.

### Shareholders' Suggestions and Communication

The suggestions from shareholders have been taken at the right earnest and implemented based on merit and business interest of the Company. All means of communication are being used by the publication of quarterly reports, abridged reports, annual report, AGM minutes, which were uploaded in the web page of the Company for information to the shareholders. The Company encourage and welcome suggestions from shareholders for continual improvement.

### Share Registrar and Share Transactions

Nabil Investment Banking Ltd, Narayanchaur, Naxal, Kathmandu is share registrar of the Company effective from Shrawan 01, 2077. There is no case of share forfeiture and share buyback during the year. The summary of annual share transaction highlights of the company is as under.

### Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length price, as per the best industry practices and prevailing laws. All major transactions, which the Company undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2076/77.

### Business Environment and Investment Climate

Nepal's large perennial rivers with favorable conditions for the generation of hydropower provide an ample opportunity for investment in the hydropower sector.

COVID–19 pandemic started in the middle of the FY 2076/77 not only created a health crisis but also pushed back the economic activities in the country. Public services were also affected. The projects in the development and construction phase were badly affected. Whereas the operating power plants were affected less comparatively. The power supply was adequate, but consumption remained low.

| Year | Max. Price | Min. Price | Closing Price | Transaction Days | Transaction (Nos) | Volume of Transaction | Turnover Amount (In million) |
|---|---|---|---|---|---|---|---|
| 2076/77 | 429 | 284 | 359 | 183 | 13,000 | 1,822,560 | 657 |
| 2075/76 | 496 | 332 | 409 | 246 | 15,852 | 1,902,187 | 793 |

In order to manage the country's power demand during the dry period, NEA has purchased 38.55% less power as compared to previous fiscal year because of increased generation and less economic activities caused due to lockdowns. As compared to the FY 2075/76, total installed capacity added in 2076/77 is 151 MW where from IPP contribution is135 MW. The sale of power from IPPs has increased by 36.57% as compared to the previous FY. NEA achieved a profit of NPR 11,056 million against the net profit of NPR 9,812 million in the FY 2075/76. This indicates that Nepal is in the direction of being independent in the power sector and will be able to export surplus power to cross border market in near future. Many hydropower projects including bigger projects like Upper Tamakoshi HEP are under construction and completion stage with a high possibility of generating excess power during the wet season. NEA is working for the management of surplus power to be generated after commissioning of bigger hydropower projects.

Cross Border Power trading with India started a few years back. The first 400 kV Cross Border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur, has been fully functional now. The process has been initiated for another three cross border transmission lines. GoN has recently decided to give prior approval to NEA for all types of cross border power trading including Day Ahead Market (DAM), Term Ahead Market (TAM) and long term, medium-term and short term power trading. In addition to power exchanges, NEA has also commenced necessary commercial preparations by signing a composite agreement with NTPC Vidyut Vyapar Nigam (NVVN) for transactions involving both purchase and sale of electrical energy.

GoN also provided support to the private sector through an arrangement for interest subsidies to those serving debt regularly and allowing deferral of debt service to those who could not make the debt service on timely manner due to COVID–19. The investment in Nepal has also increased gradually. Nepal is at a critical juncture and this is an opportune moment that Nepal should leverage to restructure its legislative realm with sound policies. It is indeed time for the government to deliberate on policies that would ensure a favorable business and investment environment. The equal focus should also be given to reducing bureaucratic hurdles, stringent regulations, archaic and inconsistent policies, and anti-competitive practices, allowing embellishment of new and innovative enterprises.

It is believed that the private sector drives the economic growth. As FNCCI has recently elected its new leadership with a hope that it unleashes greater opportunities for the private sector in Nepal.

Hedging regulation has been framed and amended, but there is still a lack of clarity in the sharing of hedging costs, time and amount to provide adequate confidence to the foreign investors. With the establishment of the ERC, IPPs are quite hopeful for PPA tariff adjustment and expediting the regulatory processes. NEA Electricity Consumer tariff has been revised by ERC recently, encouraging higher consumption of electricity. MoEWRI has also recommended relief package for sick hydropower plants below 10 MW.

Due to delay in completion of transmission lines by NEA, several hydropower plants are not able to supply the electricity in full capacity. Timely Implementation of government's under-construction and planned transmission lines is very important for increasing the generation and distribution of electricity.

## Dividend

The Company has adopted a stable dividend policy. Considering the dividend policy and plans of the Company to develop hydropower projects, the Board has proposed to the 28th Annual General Meeting of the Company to distribute 15% cash dividend and 10% bonus shares to the shareholders from the net profit of FY 2076/77 and retained earnings. Total unclaimed dividend as at the end of Asadh, 2077 amounts to NPR 55.11 million.

## The Year Ahead

The coming year is going to be challenging for the Company. Marsyangdi Cascade Projects (MCP) are in priority. Concluding bankable PPA for MCPs, achieving their financial closure and taking up them for construction are challenging tasks.

Reviving of Kabeli-A HEP is also equally important to the Company. It has been expected to complete the following works in this FY 2077/78.

- PPA of MMHEP, LMMHEP and CKHP;
- PDA of MMHEP, LMMHEP and UM-2HEP;
- Supplementary EIA approval of LMMHP and UM-2HEP;
- Completing the process of selling the shares in MMHEP to Chinese partners;
- Setting up a project company for LMMHEP and CKHP;
- Financial Closure and construction start of MMHEP;
- Starting the commercial operation of NHP; and
- Reviving of KAHEP.

## Acknowledgement

We are grateful to the Government of Nepal and its line agencies, Electricity Regulatory Commission, Nepal Rastra Bank, Securities Board of Nepal, Nepal Electricity Authority, Foreign partners, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, consumers and other stakeholders who have contributed, supported and provided valuable assistance directly or indirectly towards the betterment of the company in the FY 2076/77.

We thank the members of the Board Committees, Management Team and Employees for their dedication and continued contribution towards the progress of the Company and the shareholders for their confidence accorded to us.

Thanking you.

On behalf of the Board of Directors

**Padma Jyoti**
Chairman

# CEO's Perspective

**Nepal has an abundant water resources. It may be utilized to generate electricity and reduce dependency on fossil fuel for meeting the energy need of the country. Nepal has a huge possibility of increasing electricity consumption; through encouraging for the setting up of energy-intensive industries. The surplus energy may be exported to the neighbouring countries.**

In the economic term, development of hydropower is one of the competitive advantage areas of Nepal. Out of 42,000 MW techno-commercially feasible capacity, around 1,300 MW have been built. It gives ample scope of development of hydropower projects in Nepal.

IPPs have a remarkable contribution to the development of hydropower projects in Nepal. However, most of the projects developed by IPPs are ROR projects. The possibility of developing peaking and storage projects by IPPs remains untapped due to various factors. GoN should join hands with the IPPs and encourage them to develop such projects. Peaking and storage projects are equally important to the country for the balancing of its power system to be self-reliant on energy.

Building energy infrastructure and ensuring the energy market are two major challenges of GoN and its undertaking. Availability of energy infrastructure provides level playing field to all developers that are involved in to development of hydropower projects, evacuate the power from Power Plants and supply the same to the consumers. Without a robust transmission and distribution system, the quality and reliability of the power supply cannot be ensured. The energy market may be ensured through cross border trade of electricity. GoN should focus on energy infrastructure and the market for creating a better future for hydropower development. GoN should also encourage the private sector to make more investment for the development, construction and operation of hydropower projects. The private sector may be encouraged by ensuring the good investment climate and offering them incentives such as hedging facility, VAT exemption etc. and the simplified processes. There are certain policy, legal and bureaucratic constraints in hydropower development. GoN's cooperation and assurance are equally important for the development of the hydropower project. The roles of ERC can be expected to be instrumental in shaping the electricity regulatory norms and environment in the country in the coming days.

We, at BPC, have developed our capabilities to manage hydropower project from the planning phase to the operation phase. We have established business segments like engineering, operation and maintenance, equipment manufacturing and repairing, research & innovation including transmission and distribution. We have shifted our focus from ROR project to peaking project gradually. KAHEP and Marsyangdi Cascade Projects are peaking projects. We have given priority bringing foreign capital and technology in the country through the strategic partnership with trustable foreign partners. At the same time, we also have focused on operational efficiency of our different business segments for quality services and maximization of the returns.

Despite COVID-19 impacts, it has been proposed to distribute 25% dividend to shareholders from the net profit for FY 2076/77. We are aware of our challenges to maximize the assets base of the Company by making investments in new hydropower projects; but by maintaining the sustainable returns to shareholders. We will utilize our professional capabilities blending with available resources and put our best efforts to contribute for the development of hydropower in Nepal and deliver the expectation of shareholders.

I am grateful and would like to extend sincere thanks to GoN, regulatory bodies, NEA, partners, shareholders, bankers, auditors and other stakeholders for their valuable supports. Further, I would like to extend my sincere thanks to the Board and its Committees for their support and guidance in pursuing the business of the Company. I also thank fellow executives and employees for their dedication and hard work.

Thank you.

**Uttar Kumar Shrestha**
Chief Executive Officer

> We, at BPC, have developed our capabilities to manage hydropower project from the planning phase to the operation phase. We have established business segments like engineering, operation and maintenance, equipment manufacturing and repairing, research & innovation including transmission and distribution.

# Corporate Governance Report

The Company started to present the Corporate Governance Report to its shareholders and other stakeholders since FY 2063/64. The Company has the Corporate Value Framework adopted in 2010 comprising of the core values, business principles, code of corporate governance and code of conduct & ethics. The continued trust of stakeholders is the key to the Company pursuing the vision, mission and values being ethical, honest and transparent in business operations. The company has thrived to maintain the highest level of transparency, accountability and equity in its operations; and all interactions with its shareholders and other stakeholders as well as the government and other regulatory bodies. All focus and efforts of the company are dedicated and committed to promoting the enterprise values; and safeguarding the trust of its shareholders being honest and transparent in all business practices as a responsible corporate citizen of the country.

## Share Ownership Structure

The share ownership structure of the Company in FY 2076/77 is as under:

| Group | Shareholder | % Holding | Remark |
|---|---|---|---|
| A | Government of Nepal (GoN) | 7.42% | 9.65% |
| | United Mission to Nepal (UMN) | 1.37% | |
| | Nepal Electricity Authority (NEA) | 0.86% | |
| B | Shangri-La Energy Limited (SEL) | 56.28% | 57.86% |
| | IKN Nepal AS | 1.58% | |
| C | General Public (including Employees) | 32.49% | 32.49% |
| **Total** | | **100%** | **100%** |

The number of shareholders of the Company was 72,938 at the end of FY 2076/77.

## Board of Directors and Board Committees

### Board of Directors

The Board is the apex body for the management of the Company. The Board has set up different Committees as per the requirements of the Companies Act, 2006 and the Listed Companies Corporate Governance Guidelines, 2018. The Board has hired a Management Team led by CEO. The role of Board, Committees and Management Team are distinct and devised clearly. Further, the role of Chairperson is to provide the strategic direction and efficient conduct of Board meetings by ensuring that the sufficient information are provided to the Board members to take the informed decision in any agenda presented to the Board. The role of Committees is focused on the specific assigned area to guide the Management Team and to recommend the Board for taking decisions as per the requirement of the Company. The Management Team perform and deliver the business of the Company under the guidance of the Board and its Committees.

### Responsibilities of the Board

In line with the prevailing standards of corporate governance, the role of the Board is distinct from that of the management. The board reviews and discusses the performance of the company, its plans, major business strategies, risk management and other pertinent strategic issues. It also assumes responsibility for the overall direction and supervision of the Company affairs. All directors owe a duty to act in good faith in the best interest of the Company and are aware of their individual and collective responsibilities towards the Shareholders.

The board has the following specific functions:

- To enhance shareholders value.
- To ensure compliance with the code of conducts, ethical standard and legal requirements;
- To review, monitor and approve major financial and corporate strategies;

- To review, monitor and approve financial results and new business investments;
- To ensure that mechanisms are in place for maintaining the integrity of the business;
- To ensure an adequate framework for risk assessment and management;
- To provide counsel for the development of top management team;
- To delegate appropriate authority to the CEO that it can manage business operations effectively and efficiently.
- To review the performance of Management; and
- To make collective efforts for achieving the corporate objectives and goals of the Company.

The role of Chairperson is to provide the strategic direction and efficient conduct of Board meetings by ensuring that the sufficient information are provided to the Board members to take the informed decision in any agenda presented to the Board.

## Board Composition

The Company has eight Directors and a position of one of the Independent Directors is vacant. Out of eight Directors, five Directors are from promoters and institutional shareholders, two Directors are from general public shareholders and one is Independent Director. The existing Directors of the Company are as follows:

## Board Meetings

The Board has the practice to fix its annual meeting calendar before the start of FY. Thirteen meetings were held during the year. The Directors have been communicated the notice, agenda and agenda materials of the Board meeting well ahead of the meetings to ensure the adequate and active discussion on the agenda before arriving at resolutions. The longest gap between meetings was 77 days due to lockdown against pandemic COVID-19 and the shortest was 7 days. The attendance for the Board meetings was as follows:

| Name | Designation | Meetings Attended |
|---|---|---|
| Mr. Padma Jyoti | Chairperson | 13/13 |
| Mr. Pradeep Kumar Shrestha | Director | 12/13 |
| Mr. Bijaya Krishna Shrestha | Director | 10/13 |
| Mr. Om Prakash Shrestha | Director | 9/13 |
| Mr. Sandip Kumar Dev | Director | 11/13 |
| Dr. Sandip Shah | Director | 13/13 |
| Mr. Dinesh Humagain | Director | 12/13 |
| Mr. Tirtha Man Shakya | Independent Director | 13/13 |
| Mr. Bijay Bahadur Shrestha | Alt. Director | 13/13 |
| Mr. Hari Bahadur Budhathoki | Company Secretary | 11/13 |

| Name | Position | Group | Representing |
|---|---|---|---|
| Mr. Padma Jyoti | Chairperson | B | SEL |
| Mr. Pradeep Kumar Shrestha | Director | B | SEL |
| Mr. Bijaya Krishna Shrestha | Director | B | SEL |
| Mr. Om Prakash Shrestha | Director | B | SEL |
| Mr. Sandip Kumar Dev | Director | A | GoN |
| Dr. Sandip Shah | Director | C | General Public |
| Mr. Dinesh Humagain | Director | C | General Public |
| Mr. Tirtha Man Shakya | Independent Director | - | |
| Mr. Bijay Bahadur Shrestha | Alt. Director | B | SEL |
| Mr. Sanjib Rajbhandari | Alt. Director | B | SEL |

Mr. Hari Bahadur Budhathoki has been serving as Company Secretary.

All Directors attended meetings actively. There was no case of postponement of Board meeting due to quorum. Mr. Bijay Bahadur Shrestha, Alt. Director attended all Board meetings with six meetings as voting director. The minutes of all Board meetings have been maintained separately. The Company has the Code of Conducts and Ethics, which applies to Directors as well. All Directors have provided their personal details to the Company within the deadline specified by the Companies Act, 2006 and they have not reported any changes in personal detail or new information to the Company during the reported FY.

### Fee and Allowances of Directors

The allowances of the Board members as approved by 27th AGM held on Poush 24, 2076 are as follows:

1. The meeting fee for attending the meeting of the Board and Board Committee formed by the Board is NPR 10,000 per meeting;
2. The transportation allowance is NPR 10,000 per month for Chairperson and NPR 8,500 per month for other Board Members;
3. The Information Communication and Technology allowance for all Board Members is NPR 5,000 per month;
4. Allowance for special task assigned to the Board Members if any, as decided by Board of Directors on reasonable ground; and
5. Travel allowances (TA) and Daily allowances (DA) – actual expenses incurred for domestic travel and in case of foreign travel DA will be US$ 150 except for India or actual expenses incurred as the case may be; and
6. Other facilities – Insurance (Group personal accident (GPA), and international travel) as decided by Board of Directors.

A total of 13 Board meetings and 32 Committee meetings from eight Committees were held during FY 2076/77 and the Company paid NPR 2,495,000 to Directors as meeting fees and allowances. Further, the Directors were covered under GPA and COVID-19 insurance policy procured by the Company. The meeting expenses including the fees and allowances paid to directors in FY 2076/77 was NPR 2,694,128.

### Board Committees

The Company has three mandatory committees and five other committees set up by the Board to strengthen the internal control system and ensure the better monitoring and supervision of Management and to recommend the Board for taking decisions as per the requirement of the Company. The name of committees and their members and meetings number in FY 2076/77 are mentioned in the table below.

### Committees Details

| Committees | No. of members | No. of meetings conducted |
|---|---|---|
| Audit Committee | 3 | 4 |
| Risk Management Committee | 3 | 4 |
| Asset & Liability Committee | 3 | 4 |
| Finance Committee | 3 | 3 |
| Others | | |
| NHE Matters Committee | 3 | 9 |
| Remuneration Committee | 2 | 2 |
| Marsyangdi Cascade Committee | 3 | 2 |
| Recovery Committee | 3 | 4 |

### Composition

| Name | Position |
|---|---|
| Mr. Pradeep Kumar Shrestha, Director | Chairman |
| Mr. Dinesh Humagain, Director | Member |
| Mr. Bijaya Bahadur Shrestha, Alternate Director | Member |

### Audit Committee

The Audit Committee is comprised of three Board members. The Meeting of Audit Committee is held as per the need basis. CEO, Chief Risk Officer (CRO), VPs and Compliance Officer attend the meeting of Audit Committee as management invitee and Company Secretary acts as Secretary of the Audit Committee.

The functions of the Audit Committee are as per the following:

- To review accounts and financial statements of the Company and ascertain the facts mentioned in such accounts and statements;
- To review the internal control system of the Company and monitor its implementation;
- To review the risk management system of the Company subject to overlap with Risk Management Committee (RMC);
- To monitor and supervise the internal audit works of the Company;
- To prepare the policies and standards with regards to selection, recommendation/ appointment of auditors;
- To select and appoint the Internal Auditor of the Company and fix their remuneration;
- To select and recommend the suitable candidates to the Annual General Meeting (AGM) for appointment as Statutory Auditor of the Company and also recommend their remuneration;
- To oversee the compliance of code of conducts, directives and standards by the auditor, as issued by the relevant authorized body;
- To prepare the accounting standards and cause to implement the same;
- To review the internal and external audit reports and advise the Board if any measure or decision is to be taken based on the audit findings and recommendations;
- To carry out any other works assigned by the Board from time to time;
- To provide advice to the other committees, if asked and required; and
- To coordinate with other committees as per the need.

The Audit Committee had 4 meetings in FY 2076/77.

The Audit Committee appointed Internal Auditor for FY 2076/77. 27th AGM of the Company appointed the Statutory Auditor for FY 2076/77 as per the recommendation of the Audit Committee. As per the instruction of the Audit Committee, Management has maintained the dividend payable account and partial provisioning of investment in Kabeli-A HEP. As advised by the Audit Committee, the search of a potential candidate for the vacant position of an Independent Director has started. However, Management is in the process of implementation of certain instruction of Audit Committee regarding the preparation of an ideal organizational structure; and planning of training and refresher program to Directors.

### Risk Management Committee

The Risk Management Committee (RMC) is comprised of three Board members. The meeting of RMC is held as per the need basis. CEO, Chief Risk Officer, VPs and Compliance Officer attend the RMC meeting as management invitee and Company Secretary acts as Secretary of the RMC. The VP-Finance works as the Chief Risk Officer of the Company. The Chief Risk Officer submits the report to the RMC every quarter or as and when required regarding the overall implementation of risk plan and processes.

### Composition

| Name | Position |
|---|---|
| Dr. Sandip Shah, Director | Chairman |
| Mr. Tirtha Man Shakya, Independent Director | Member |
| Mr. Bijaya Bahadur Shrestha, Alternate Director | Member |

The functions of the RMC are as per the following:

- To advise the Board on the Company's overall risk appetite, tolerance and strategy taking account of the current and prospective scenario of economic and energy sectors of the country;
- To oversee and advise the board on the current risk exposures of the Company and future risk strategy;
- To review the risk assessment and management processes and their effectiveness on continue basis subject to overlap with the Audit Committee;
- To review the annual operation and maintenance plan from risk management perspective;
- To review the annual risk register prepared by the management;
- To advise the Board on proposed strategic partnership/ investment/ transactions including acquisitions or disposals before a decision to proceed is taken by the Board, ensuring that a due diligence study is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and also taking independent external advice where appropriate and available;
- To review reports on any material breaches of risk limits and the adequacy of proposed action;
- To provide advice to the other committees, if asked and required;
- To review the procedures of the Company for detecting fraud and preventing the bribery;
- To review the reports received from the CRO;
- To ensure that the CRO has been given direct access to the Chairman of the Board and the RMC; and
- To coordinate with other committees as needed.

The RMC had 4 meetings in FY 2076/77.

The RMC reviewed and recommended the update Enterprise Risk Management Manual and the

***BPC Board Meeting***

Procurement Manual to the Board for approval. These Manuals have been approved by the Board and are in implementation.

CRO submits report to the RMC on quarterly basis regarding overall implementation of risk plans and processes by the management along with the report on significant risk affecting gravely to the business or financial health of the Company on requirement basis. CRO reviews and monitors the annual risk register prepared by management.

### Asset and Liability Committee

Assets and Liabilities Committee (ALC) is comprised of three Board members. The meeting of ALC is held as per the need basis. CEO, CRO, VPs and Compliance Officer attend the ALC meeting as management invitee and Company Secretary acts as Secretary of ALC.

### Composition

| Name | Position |
|---|---|
| Mr. Bijaya Krishna Shrestha, Director | Chairman |
| Mr. Om Prakash Shrestha, Director | Member |
| Mr. Sandip Kumar Dev, Director | Member |

The functions of the ALC are as per the following:

- To scrutinize the annual budget of the Company and recommend to the Board for approval;
- To carry out half-yearly review of budget of the Company and effectiveness of its implementation and recommend to the Board for necessary amendment;
- To review the physical assets verification report;
- To review the terms and conditions of various insurance policies to be procured by the Company;

- To oversee the timely tax and other filings to other statutory body;
- To review and advise to the Board on the financial requirements, plans and financing terms of the Company for investment and daily activities;
- To advise to the Board on the financial, interest rate and forex risk subject to not overlapping with RMC;
- To advise to the Board for promoting the financial governance of the Company;
- To review the dividend plan in line with the dividend policy and recommend to the Board;
- To provide advice to the other committees, if asked and required; and
- To coordinate with other committees as per the need.

The ALC had 4 meetings in FY 2076/77.

The ALC reviewed the annual budget performance for FY 2076/77 and scrutinized the annual budget for FY 2077/78 and the Physical Assets Verification Report prepared by Management. ALC reviewed the proposed dividend for FY 2075/76 and gave its recommendation to the Board.

### Finance Committee

The Finance Committee (FC) is comprised of three Board members. The meeting of FC is held as per the need basis. CEO, CRO, VPs and Compliance Officer attend the FC meeting as management invitees and Company Secretary acts as Secretary of FC.

### Composition

| Name | Position |
|---|---|
| Mr. Bijay Bahadur Shrestha, Alternate Director | Chairman |
| Mr. Bijaya Krishna Shrestha, Director | Member |
| Mr. Dinesh Humagain, Director | Member |

The functions of the FC are as per the following:

- To review the terms and conditions of various insurance policies to be procured by the Company;
- To review and advise to the Board on the financial requirements, business and investment plans and financing terms of the Company for investment and daily activities;
- To advise to the Board on the financial, interest rate and forex risk subject to not overlapping with RMC;
- To advise to the Board for promoting the financial governance of the Company;
- To provide advice to the other committees, if asked and as required; and
- To coordinate with other committees as per the need.

The Finance Committee had 3 meetings in FY 2076/77.

FC contributed in the areas of renewal of insurance policies, re-arrangement of credit facilities, funding plan, fund management and interest rate risk management in FY 2076/77.

### NHE Matters Committee

The Committee on Nepal Hydro & Electric Limited (NHE) Matters is comprised of three Board members, which was set up by the Board on Falgun 29, 2075 as an ad-hoc committee to guide Management to resolve the difference and dispute regarding the management of NHE.

### Composition

| Name | Position |
|---|---|
| Mr. Bijay Bahadur Shrestha, Alternate Director | Chairman |
| Mr. Sandip Kumar Dev, Director | Member |
| Dr. Sandip Shah, Director | Member |

The functions of the NHE Committee are as per the following:

- To resolve the predicament in NHE; and
- To guide Management to resolve the difference and dispute with regard to management of NHE

The NHE Committee had 9 meetings in FY 2076/77 and completed its tasks.

The litigations with NHE Board were settled through compromise in the court as per the recommendation of the committee. The Committee worked on building a better understanding with the other shareholders of NHE for promoting good corporate governance in managing NHE. Still, there are some areas to be improved in NHE.

Late reporting of financial and other information by NHE has been a matter of concern to the Company.

### Remuneration Committee

The Remuneration Committee (RC) is an ad-hoc committee comprised of two Board members. CEO attends RC meetings as management invitee.

### Composition

| Name | Position |
|---|---|
| Mr. Bijay Bahadur Shrestha, Alternate Director | Chairman |
| Dr. Sandip Shah, Director | Member |

The functions of the RC are as per the following:

- To evaluate performance of senior personnel and recommend the Board to appoint senior personnel; and
- To extend the term of such personnel including revision of their annual remuneration package.

The Remuneration Committee had 2 meetings in FY 2076/77.

As per recommendation of RC, the term of Company Secretary & Legal Counsel and VP-Corporate has been extended.

### Marsyangdi Cascade Committee

The Marsyangdi Cascade Committee (MCC) is a business committee comprised of three Board members. CEO attends MCC meetings as management invitee.

### Composition

| Name | Position |
|---|---|
| Mr. Pradeep Kumar Shrestha, Director | Chairman |
| Mr. Padma Jyoti, Chairman | Member |
| Dr. Sandip Shah, Director | Member |

The functions of the MCC are as per the following:

- To advise and recommend the Board to develop strategies and take necessary decision with regards to Marsyangdi Cascade Projects undertaken by the Company in joint venture with Chinese partners; and
- To provide necessary guidance to the Management in the course of implementation of the strategies and decision of the Board.

The MCC had 2 meetings in FY 2076/77.
MCC has been performing its functions effectively.

### Recovery Committee

The Recovery Committee is an ad-hoc business committee comprised of three Board members. Independent Director, Tirtha Man Shakya and CEO attended Recovery Committee meeting as invitees.

### Composition

| Name | Position |
|---|---|
| Mr. Bijay Bahadur Shrestha, Alternate Director | Chairman |
| Dr. Sandip Shah, Director | Member |
| Mr. Dinesh Humagain, Director | Member |

The function of the Recovery Committee is to guide management to recover the advance given to SC Power Pvt. Ltd. and its shareholders.
The Recovery Committee had 4 meetings in FY 2076/77.
Recovery Committee has been working on the function entrusted to it by the Board.

### Regulatory Compliance & Reporting

The Company submitted the Compliance Report for FY 2075/76 to SEBON confirming that the Company has complied with the requirements as per the Listed Companies Corporate Governance Guidelines, 2074. Mr. Tika Ram Bhatta, VP- Corporate has been designated as the Compliance Officer of the Company effective from Magh 29, 2076. Mr. Ratna Sambhav Shakya, then Chief Manager- Finance worked as Compliance Officer till Poush 13, 2076.

The statutory reports have been submitted to Electricity Regulatory Commission, Securities Board of Nepal, Nepal Stock Exchange Limited, CDS and Clearing Limited, Office of the Company Registrar, Medium Tax Payers' Office, Department of Industry, Department of Electricity Development and Labor Office in line with the reporting requirements prescribed by the prevailing laws and regulations on timely manner. However, the Company could submit fourth quarter report for FY 2076/77 few days late due to the situation created by COVID–19.

## Relations and Communication with Shareholders and Stakeholders

Utmost importance has been given for good relation with shareholders through timely communication to the shareholders. Positive feedbacks have been received from shareholders during the previous AGM of the Company held on 11th January, 2019 with the presence of 1,417 shareholders representing 58.88% shares. The declaration of cash dividend combined with bonus shares was appreciated by Shareholders. The suggestions received from shareholders have been considered by the Board as per the merit of the suggestion while decision making.

The Company communicated the notice of 27th AGM and Abridged Financial Report of the Company, the minutes of meeting of the AGM and quarterly financial reports of the Company through publishing in newspapers and the website of the Company for ready information to the shareholders and other stakeholders. Any other information of the Company which are required to disclose under prevailing laws have been disclosed and disseminated by the Company on time.

BPC has been uploading information in its website as per the requirement of Right to Information Act, 2064 and Right to Information Rules, 2065.

## Management

The Management performs and delivers the business of the Company under the guidance of the Board and its Committees. Management is led by CEO. A comprehensive report on key initiatives undertaken during the year, segment performance, five-year financial review, achievement and the future outlook is being prepared every year and published in the Annual Report of the Company. The total payments made to the Top Management (CEO, VPs, Head of Operation and Senior Manager- BD&P) of the Company in FY 2076/77 amounts to NPR 19,054,617.

## Human Resource

Human resources are the backbone of the Company. There were 163 regular employees and 30 contract employees in the Company which includes 102 technical and 91 non-technical employees. During the FY, the Company hired three employee - one contract employee and two regular employees. Four employees have been retired because of the age factor. Labor Audit for the FY 2075/76 has been conducted by the Compliance Officer and submitted to the Labor Office. The Company carries out the annual performance appraisal of its personnel. Out of the total expenses of the Company, the personnel expenses share 37% in FY 2076/77.

## Share Registrar

NMB Capital Limited worked as Share Registrar till the end of Ashad, 2077 with satisfactory performance. NABIL Investment Banking Limited has been appointed as Share Registrar of the Company effective from Shrawan 1, 2077.

## Dividend Distribution

The 27th AGM had approved for distribution of 18% cash dividend and 10% stock dividend from the net profit of FY 2075/76. The dividend was distributed as per the decision of Board and the approval of Ministry of Finance pursuant to Section 182(2) of the Companies Act, 2063.

## Transparency and Disclosures

The Company believes in transparency of its business operations and makes disclosures as required. The disclosures are communicated to SEBON and capital market through quarterly and annual reporting for the benefits of shareholders and stakeholders of the Company. The disclosures on related-party transactions, contingent liabilities and other relevant information are also made in the notes to the financial statements.

## Risk Management

Enterprise Risk Management System has been implemented through identification, assessment, planning, evaluation, controlling and monitoring process of risk across the Company. The Company regularly analyzes the risk through the matrix of major, high, moderate, minor and insignificant risk measurement and adopts the appropriate risk mitigation strategy. To maintain the risks at a relatively low level; the risks are avoided, transferred, reduced and accepted depending upon the nature of risk and the risk appetite of the Company. The RMC set up by the Board has been monitoring the risks associated with the activities being carried out by the different business units across the Company. Quarterly reporting system by management to RMC and annual reporting by RMC to Board regarding the overall implementation of risk plan and processes are in place. The Company has procured insurance policies from the reliable insurance company to safeguard the assets and personnel of the Company.

## Internal Control and Accountability

The Company has a practice to hire independent audit firm for internal audits as well. The Company has framed Financial, Procurement and Personnel manual for its day to day function and business operation. The roles, responsibilities and authority matrix are well defined. Meetings of the Board, Committees and Management are held regularly. Internal and external communication channels in the Company are defined and implemented accordingly. A defined risk management system is in place.

The Company obtained the services from independent auditors/consultants to ensure the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal audit reports are reviewed by the Audit Committee; and the internal audit recommendations and decision of the Audit Committee have been implemented to promote the financial governance of the Company.

The statutory auditor examines the financial statements in line with the Nepal Financial Reporting Standard (NFRS) along with the prevailing Acts, Rules and Regulations; and issues the audit report. The Company started preparing IFRS/NFRS compliant financial statements since FY 2073/74 and also presented consolidated financial statement in line with the IFRS/NFRS. According to the Internal and Statutory audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied upon. The Company has kept proper books of

## Shareholding of Board of Directors in BPC:

| S.N. | Name | Designation | No. of shares held |
|---|---|---|---|
| 1 | Mr. Padma Jyoti | Chairman | 109,025 |
| 2 | Mr. Pradeep Kumar Shrestha | Director | - |
| 3 | Mr. Bijaya Krishna Shrestha | Director | 262 |
| 4 | Mr. Om Prakash Shrestha | Director | - |
| 5 | Mr. Sandip Kumar Dev | Director | - |
| 6 | Dr. Sandip Shah | Director | 22,688 |
| 7 | Mr. Dinesh Humagain | Director | 1,753 |
| 8 | Mr. Tirtha Man Shakya | Independent Director | - |
| 9 | Mr. Bijay Bahadur Shrestha | Alt. Director | 36,379 |
| 10 | Mr. Sanjib Rajbhandari | Alt. Director | 75,082 |

accounts as required by law and internationally adopted standard and therefore give a true and fair view, in all material respects the financial position of the Company as on Ashad 31, 2077.

Internal control system is established with emphasis on safeguarding assets and timely report on risk management of the company. It covers all controls including financial, operational and compliance control. The Company believes that internal controls assist management in carrying out their fiduciary duties and operating responsibilities effectively, which is essential for the sustainable growth.


***27th Annual General Meeting- FY 2075/76***

### Corporate Social Responsibility

The Company performed its Corporate Social Responsibilities (CSR) in line with the CSR Policy. The Company gives priority to the location and people under CSR where it carries out the business. Total contribution made by the Company for CSR in FY 2076/77 amounts to NPR 8,048,955; which is much higher than the requirement prescribed by the Industrial Enterprises Act, 2020.

### Accounts and Auditing

The Company has adopted the NFRS. The books and accounts of the Company have been maintained as per the prescribed standards and in compliance with the applicable laws. The internal audit of the Company for FY 2076/77 was conducted by an independent audit firm. M/S P.L. Shrestha & Co., Chartered Accountants. M/S CSC & Co., Chartered Accountants conducted statutory audit and certifications of the Company for FY 2076/77.

### Annual Report

The Company prepares and publishes a comprehensive report on key initiatives undertaken during the year, segment performance, five year financial review, achievement and future outlook every year.

## BPC's representation in its Subsidiaries and Associate Companies

The representation of BPC in the Board of Directors of its subsidiary and associate company is as below:

| Company | Shareholding (In %) | Name | Position in Board |
|---|---|---|---|
| BPC Services Ltd. | 100.00% | Mr. Uttar Kumar Shrestha<br>Mr. Prakash Kumar Shrestha<br>Mr. Radheshyam Shrestha<br>Mr. Pratik Man Singh Pradhan | Chairman<br>Director<br>Director<br>Alt. Director |
| Himal Power Ltd. | 16.88% | Mr. Sanjib Rajbhandari<br>Mr. Bijaya Krishna Shrestha | Director<br>Alt. Director |
| Hydro Consult Engineering Ltd. | 80.00% | Mr. Uttar Kumar Shrestha<br>Mr. Pratik Man Singh Pradhan<br>Mr. Radheshyam Shrestha | Chairman<br>Director<br>Director |
| Hydro Lab Pvt. Ltd. | 16.64% | Mr. Pratik Man Singh Pradhan | Director |
| Gurans Energy Ltd. | 40.00% | Mr. Bijay Bahadur Shrestha<br>Mr. Uttar Kumar Shrestha | Chairman<br>Director |
| Kabeli Energy Ltd. | 27.24% | Mr. Pradeep Kumar Shrestha<br>Mr. Padma Jyoti<br>Mr. Uttar Kumar Shrestha | Chairman<br>Director<br>Alt. Director |
| Khudi Hydropower Ltd. | 60.00% | Mr. Bijaya Krishna Shrestha<br>Mr. Om Prakash Shrestha<br>Mr. Dinesh Humagain<br>Mr. Uttar Kumar Shrestha<br>Mr. Radheshyam Shrestha | Chairman<br>Director<br>Director<br>Alt. Director<br>Alt. Director |
| Nepal Hydro & Electric Ltd. | 51.30% | Mr. Bijay Bahadur Shrestha<br>Mr. Dinesh Humagain<br>Mr. Uttar Kumar Shrestha | Director<br>Director<br>Alt. Director |
| Nyadi Hydropower Ltd. | 97.20% | Mr. Om Prakash Shrestha<br>Mr. Pradeep Kumar Shrestha<br>Mr. Bijay Bahadur Shrestha<br>Mr. Uttar Kumar Shrestha<br>Mr. Radheshyam Shrestha | Chairman<br>Director<br>Director<br>Alt. Director<br>Alt. Director |
| S.C.I.G. International Nepal Hydro Joint Development Company Pvt. Ltd. | 20.00% | Mr. Padma Jyoti<br>Mr. Uttar Kumar Shrestha | Director<br>Director |
| Manang Marshyangdi Hydro Power Co. Pvt. Ltd. | 100.00% | Mr. Pradeep Kumar Shrestha<br>Mr. Bijay Bahadur Shrestha<br>Mr. Uttar Kumar Shrestha | Chairman<br>Director<br>Director |
| Himtal Hydropower Co. Pvt. Ltd. | 19.40% | Mr. Uttar Kumar Shrestha | Director |
| Marshyangdi Transmission Co. Pvt. Ltd. | 19.40% | Mr. Uttar Kumar Shrestha | Director |

## Top Management and Senior Executives

The overall company management is led by the CEO and functionally led by the vice-presidents/Function Heads. The names and designations of Sr. Executives are as below:

| S.N. | Name & Designation | Educational Qualification | Year of Experience | Remark |
|---|---|---|---|---|
| 1 | Mr. Uttar Kumar Shrestha, CEO | Chartered Accountant, M.B.A. | 34 years | |
| 2 | Mr. Pratik Man Singh Pradhan, VP-BD&P | M.S. (Hydropower Planning & Development and Civil & Environment Management) | 26 years | Deputed in SCIG as DGM |
| 3 | Mr. Radheshyam Shrestha, VP-Finance | Chartered Accountant, M.B.A. | 40 years | |
| 4 | Mr. Tika Ram Bhatta, VP-Corporate | M.A. (Pol. Science), Master of Management Studies (MMS) | 39 years | |
| 5 | Mr. Prakash Kumar Shrestha, Head- Operations | B. Tec. (Electrical), M.E. (Electrical ; Diploma), M.B.A. | 26 years | |
| 6 | Mr. Ganesh Prasad Khanal, Sr. Manager- BD & P | B.E. (Civil), M.B.A. | 26 years | |

# Brief Resume of the Board Members and Disclosures

## Mr. Padma Jyoti, 74

**CHAIRPERSON**

- B.Tech. in Mechanical Engineering from IIT Kanpur, India and S.M. from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 17 years of experience in hydropower along with 48 years of experience in industries and business operations.

- Chairman, Jyoti Group of Companies
- Alternate Director, Sagarmatha Insurance Co. Limited
- Director, Shangri-La Energy Limited
- Past President, National Business Initiative

## Mr. Pradeep Kumar Shrestha, 60

**DIRECTOR**

- MBA from Tribhuvan University, Kathmandu, Nepal.
- More than17 years of experience in hydropower along with 35 years of experience in industries and business operations

- Managing Director, Panchakanaya Group of Industries
- Honorary Consul, the Republic of South Africa
- Vice President, Confederation of Asia Pacific Chamber of Commerce & Industries
- Past President, Federation of Nepalese Chamber of Commerce & Industry (FNCCI)
- Director, Shangri-La Energy Limited
- Director, Scenic Housing

## Mr. Bijaya Krishna Shrestha, 72

**DIRECTOR**

- B.E (Electrical) and MBA graduate from Southern Illinois University, USA.
- More than 12 years of experience in hydropower along with 39 years of experience in the banking, insurance, computer and electronic sector

- Chairman, Beltron Investment Pvt. Ltd.
- Director, Premier Insurance Limited
- Director, Shangri-La Energy Limited

## Mr. Om Prakash Shrestha, 61

**DIRECTOR**

- B.E. (Civil) from Punjab University, Chandigarh, India
- More than 9 years of experience in hydropower along with 32 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co.
- Director, Interworld Trading

## Mr. Sandip Kumar Dev, 51

**DIRECTOR**

- M. Tech., IIT Roorkee, India
- More than 25 years of experience in Energy and Water Resources Sector in Public Service

- Joint Secretary , Water and Energy Commission Secretariat , MoEWRI , GoN

## Dr. Sandip Shah, 56
**DIRECTOR**

- Ph.D. in Rock Engineering and M.A.Sc. in Structural Engineering from University of Toronto, Canada; B.E. (Civil) from University of Roorkee.
- More than 28 years of experience as hydropower engineer, energy specialist independent power producer and project management professional including experience of working with international hydropower and renewable energy companies like Panda Energy, USA, SN Power and Statkraft AS, Norway and Dolma Himalayan Energy of UK
- Chairman & Managing Director – Pashupati Renewables Pvt. Ltd.
- Chairman – Sarthak Concrete Pvt. Ltd.
- Strategic Technical Advisor – Power Trade & Energy Exchange Ltd.
- Former Managing Director – Dolma Himalayan Energy
- Former General Manager of Himal Power Ltd.
- Former VP and Country Director – SN Power AS and Statkraft AS
- Former General Manager – Bhote Koshi Power Company
- Former Director (Hydro) – Shah Consult International
- Fellow of International Hydropower Association (IHA)
- Life Member of Nepal Engineers' Association (NEA), Nepal Geological Society (NGS) and Nepal Hydropower Association (NHA)
- Past President of Independent Power Producers' Association, Nepal (IPPAN)
- Immediate Past President of Nepal Tunnelling Association (NTA)

## Mr. Dinesh Humagain, 43
**DIRECTOR**

- M.A. in Rural Development and Political Science from Tribhuvan University.
- 16 Years of experience in Nepalese Stock Market (NEPSE) and 21 Years of experience in different social works.

## Mr. Tirtha Man Shakya, 67
**INDEPENDENT DIRECTOR**

- B. E. (Electrical) Honours from Jadavpur University, Calcutta, India, in 1975.
- EMBA (Merit) from Kathmandu University, Dhulikhel, Nepal, in 2003.
- More than 36 Years of Work Experiences in Different Job Positions in NEA including General Manager, Transmission and System Operation.
- More than 9 years of Consulting Services for NEA, Asian Development Bank (ADB), UNDP, Total Management Services (TMS) and others in the field of Management and Electrical Power System.
- Member, Nepal Engineering Council.
- Member, Nepal Engineers Association.
- Vice President, Society of Electrical Engineers, Nepal (SEEN).
- Life Member, JICA Alumni Association Nepal (JAAN).
- Executive Member, the Shakya Foundation Nepal.

## Mr. Bijay Bahadur Shrestha, 65
**ALTERNATE DIRECTOR**

- MBA from Delhi University, India
- More than17 years of experience in hydropower along with 34 years of experience in the export sector and more than 19 years of experience in the capital market, banking, financial and insurance sectors.
- Director of Himalayan Bank Ltd.
- Director, Shangri-La Energy Limited
- Director, Snowlion Carpets Pvt. Ltd
- Director, Nepal Lube Oil Limited

## Mr. Sanjib Rajbhandari, 61
**ALTERNATE DIRECTOR**

- Graduate from Mumbai University, India
- 31 years of experience in IT sector
- Chairman, Mercantile Office Systems Pvt. Ltd
- Chairman, Mercantile Communications Pvt. Ltd
- Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Chairman, Resonance Nepal Pvt. Ltd.
- Director, Hits Nepal Pvt. Ltd.
- Chairman, M Nepal Pvt. Ltd.
- Director, Serving Minds Pvt. Ltd.
- Chairman, Flexiterm Pvt. Ltd.
- Director, Himal Power Ltd.
- Chairman SR Investment Pvt. Ltd
- Chairman SS Investment Pvt. Ltd

# Management Discussion and Analysis

## Business Environment

Nepal has huge potential for hydropower development with more than 6,000 rivers crisscrossing the country. It is believed that energy security and economic prosperity of the country depends highly on hydropower development. However, the installed hydro capacity to date is only about 1,300 MW. NEA owns and operates the national grid, and is the only off-taker in the electricity market in Nepal. NEA's financial strength has been improved for the past few years which boost up the confidence of power producers for the investment in the hydropower sector. NEA has fixed posted rates for energy purchase from three categories of projects; viz Run of River (ROR), Peaking Run of River (PROR) and Storage type projects.

> Nepal has been pursuing a liberal foreign investment policy and striving to create an investment-friendly environment to attract Foreign Direct Investments (FDI) into the country. FDI has also been encouraged in hydropower sector.

Nepal has been pursuing a liberal foreign investment policy and striving to create an investment-friendly environment to attract Foreign Direct Investments (FDI) into the country. FDI has also been encouraged in hydropower sector. Accordingly, the PPA of Upper Trishuli 1 HEP (216 MW) and Rasuwa-Bhotekoshi HEP (120 MW) on foreign currency risk sharing basis were signed. Subsequently, many foreign investors were attracted to invest in Hydropower sector in Nepal and pursue for PPA in foreign currency. In the meantime, the GoN has issued hedging mechanism to address foreign exchange risks in PPA leading NEA unwilling to sign PPA in same modality. However, lack of clarity on hedging mechanism created dilemma in FDI projects for concluding bankable PPA such as hedging costs, parties involved and sharing ratio. As a result, the environment to invest in Hydropower sector by foreign investors and financial institution is not conducive. With the establishment of Electricity Regulatory Commission (ERC), IPPs are looking forward to adjust the PPA tariff with clear provision of hedging cost, parties involved and sharing ratio for FDI projects and speeding up the regulatory processes. Government's transmission line master plan as prioritized for the expansion and enhancing transmission line networks to facilitate the hydropower development is very important for its timely implementation.

Cross Border Power trading with India started a few years back. The first 400 kV Cross Border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur, has been fully functional. NEA has initiated discussions with Indian authorities for New Butwal to Gorakhpur and New Duhabi-Purnia and Lumki-Bareilli cross-border transmission lines. GoN has recently decided to give prior approval to NEA for all types of cross border power trading. In addition to power exchanges, NEA has also commenced the commercial preparations by signing a composite agreement with NTPC Vidyut Vyapar Nigam (NVVN) for power trading.

The consumption of power is only marginally increased during the year because of the reduced activities in industrial and commercial sector due to Covid-19 pandemic. The sale of power from IPPs has increased by 36.57% as compared to previous FY whereas the import of power from India has reduced by 38.55%. This indicates that Nepal is in the direction of independent in the power sector. Many hydropower projects under construction are expected to complete in the years to come and meet the internal demand with high possibility of excess power during wet season. In general, the adequate supply of power has lead the country to get positive indicators of overall economic development even during the Covid-19 pandemic situations. As compared to the FY 2018/19, total installed capacity added in 2019/20 is 151 MW; where from IPP contribution is 135 MW.

Various sectors of the national economy like agriculture, industry, transport, tourism, health or service are needed to switch on electrical energy in order to minimize the dependency on imported petroleum products. Dependency over petroleum product is the major cause of huge trade deficit. Increased prices, shortages and pollution generating from use of fossil fuels demands for development of sustainable source for clean energy like hydropower. This can be reduced through the necessary production and distribution of electricity to meet the demand of household and industrial sector, replacing cooking gas, and using electric transport.

The government is extending its support to the private sector through interest subsidies and debt financing. As a result, Nepal experienced a notable rise in private investments in the first quarter of the current FY. Nepal is at a critical juncture and this is an opportune moment that Nepal should leverage to restructure its legislative realm with sound policies. It is indeed time for the government to deliberate on policies that would ensure a favorable business and investment environment. Equal focus should also be given to reducing bureaucratic hurdles, stringent regulations, archaic and inconsistent policies; and anti-competitive practices, allowing embellishment of new and innovative enterprises. MoEWRI has also recommended relief package for sick hydropower plants below 10 MW.

With over 1/3 of the global population under some form of movement restriction, the importance of digital technologies in all walks of life has come to the force. In the commercial world, the organizations like BPC have already benefited from greater built-in resiliency during the COVID-19 crisis, reducing dependence on human resources. For power utilities, the ongoing health crisis has posed a number of challenges. Accelerating the adoption of automation and digitalization technologies can enable power utilities like BPC to maintain better business continuity in their supply chains, operations & customer management and reduce the load and reliance on their workforces.

## Financial Performance

### NFRS Compliant Financial Statements

The company has prepared IFRS/NFRS compliant financial statements from the FY 2073/74 BS (the year 2017), to fulfil the mandatory provision of Institute of Chartered Accountants of Nepal (ICAN). All subsidiary companies also prepared the financial statements in compliance with NFRS, and Group consolidated financial statements are also prepared accordingly.

### Financial Result

BPC's net profit concluded at NPR 731.28 million this year with a decrease of 3.82% from last year. Company's revenue increased marginally by 0.53% amounting total turnover to NPR 686.71 million. However, the gross profit is increased by 14.98% amounting to NPR 321.61 million. The Other income (mainly represented by dividend income) increased significantly by 25.11% to NPR 767.82 million this year in comparison to last year NPR 613.71 million. Conversely, administrative and other expenses have been decreased this year by 24.91% to NPR 123.34 million from NPR 164.25 million last year. The administrative expenses of the previous year include additional expenses incurred for the implementation of the mutually agreed retirement scheme. Similarly, financial income is decreased by 83.99% to NPR 24.25 million which war NPR 151.54 million last year. This decrease is due to the diversion of the deposit amount to equity investment.

The EPS amounts to NPR 27.25 is minor decrease than last year and the net worth of the Company amounts to NPR 7,029.05 million however, an increase of 1.85% compared to previous year. Investment in shares (unlisted companies) has been decreased by 10.19% (by NPR 461.85 million) this year mainly due to decrease in fair value of an investment in shares of Himal Power Limited (HPL) and provision made for impairment loss on investment in Kabeli-A project.

### Net Financial Assets

Gross Capital investment in shares and projects was NPR 4,068.46 million in FY 2076/77 as compared to NPR 4,530.3 million in FY 2075/76. The investment was made mainly in Himal Power Limited (60 MW), Nyadi (30 MW), Kabeli-A project (37.6 MW), LMMP (139.2 MW), Manang Marshyangdi Hydropower Project (135 MW) and Upper Marshyangdi-2 Project (327 MW).

### Intangible Assets

The tenure of the Service Concession Arrangement (license from GoN) of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively. The total amortized assets value to this effect NPR 1,871.19 million has been treated as intangible assets as a leasehold property.

### Group Consolidated Financial Statement

BPC has a majority share in Nyadi Hydropower Limited (NHL), Nepal Hydro and Electric Limited (NHE), Khudi Hydropower Limited (KHL), Hydro-consult Engineering Limited (HCEL), Manang Marshyangdi Hydropower Company Pvt. Ltd. (MM) and BPC Services Limited (BPCSL). All group companies have prepared IFRS/NFRS compliant financial statements except NHE and Group consolidated financial statement is prepared as per the provision of Company Act, 2063 and NFRS. Consolidated turnover amounts to NPR 3,194.35 million with the decrease of 4.49%. Gross profit amounts to NPR 536.79 million with the increment of 18.81% and profit from the operation is NPR 1,052.88 million with the increment of 38.04%. Similarly, consolidated net profit for the year concluded at NPR 765.83 million with an increase of 5.45%. Group EPS stands at NPR 28.10 per share and the net worth is NPR 7,452.02 million which amounts to NPR 277.66 per share.

The financial statements of BPC and the consolidated group financial statements along with detail notes are presented separately in this annual report.

## Contribution towards National Economy

Industries are considered the backbone of a country's economic development. Apart from modernizing agriculture by employing various agricultural tools in a situation where most of the youths are in foreign employment for earning to run their family, industries can reduce the heavy dependence of the people on agriculture. Like agriculture, tourism and manufacturing industries; the hydropower development has also been considered as one of the major factors of economic development of the country where abundant water resources, favorable geography and market potential are available to favor hydropower development. Under construction hydropower projects and new hydropower plants under operation have generated employment opportunities to thousands of people and created small businesses due to increased access to electricity. Even by the purchase of electricity from India, the decade long load shedding has been eradicated resulting reduced import of petroleum products, boosting of businesses and industries ultimately resulting in the reduction of trade deficit with India and foreign currency reserve to some extent. The country is moving towards reliance on the power sector and selling surplus power to neighboring countries.

Despite immense hydropower generation potential, the total generation of hydroelectricity in our country is currently limited to only 1,333 MW, which is 3.17% of its feasible potential of 42,000 MW and 1.6% of the gross potential of 83,000 MW. Being most of the generations based on the river flow, the generation can come down up to one third during the dry season when there is maximum system demand. To fulfil demand during the dry period it is our compulsion to import power from India unless we develop reservoir based hydropower projects.

BPC, directly operating two power plants and investing in two other projects under construction, is directly contributing to national hydropower generation of 2.55% in terms of MW. In terms of the total number of national customers, BPC serves more than 1.47% of them directly connected through its distribution system in Syangja, Palpa, Pyuthan and Rolpa districts of western Nepal.

BPC in partnership with Chinese investors is going to invest in three hydropower projects in Marsyangdi basin with a total installed capacity of 601 MW in a cascade model. Likewise, 30 MW Nyadi hydropower project is nearing completion that will improve BPC's equity MW once commissioned. There are other projects in the pipeline to develop in future to achieve sustainable growth for leading in hydropower development in Nepal.

## Generation Business

The main objective of the Generation Business Unit is to carry out smooth operation and maintenance of hydropower plants for the sale of energy to its customers. The energy generation and sale is the core business of the Company, which generate a major portion of the revenue for the Company. This Business Unit is presently involved in overall Operation and Maintenance Management of two hydropower plants – 9.4 MW Andhikhola and 12 MW Jhimruk power plants.

During the FY 2076/77, total energy generated was 144.51 GWh. About 73.63% of the total generated energy was supplied to NEA and 26.86% to BPC distribution. The generation was higher in this FY compared to previous FY due to frequent rainfall from time to time.

**Andhikhola Power Plant** generated 71.370 GWh with a plant factor of 86.67%, which is an increase of 4.88% (3.321 GWh) over the previous FY. Out of total available energy 72.83 GWh including purchase from NEA, 39.737 GWh (54.56%) was supplied to NEA including Kaligandaki compensation 3.169 GWh and 31.457 GWh (43.19%) was sold to BPC Distribution.

**Jhimruk Power Plant** generated 73.144 GWh with plant factor of 69.58%, which is an increase of 5.23% (3.637 GWh) over the previous FY. Out of total available energy 75.73 GWh including purchase from NEA, 66.669 GWh (88.03%) was supplied to NEA and 7.377 GWh (9.74%) was sold to BPC Distribution.

The high quartz content in Jhimruk River water during monsoon season remained the major factor for reduced power generation and severe erosion of turbine parts. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The preventive maintenance was carried out as per the schedule. Besides the silt problem, the major problem also occurred in excitation system of all three generators. The insulation of terminal bolts was damaged, thus resulting in a short circuit. All three generators were taken out to service floor and the rotor was removed from generator stator for repair. Mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works to protect the project area and farmers' land was carried.

**Chart 1: Andhikhola Power Plant (FY 2076/77)**

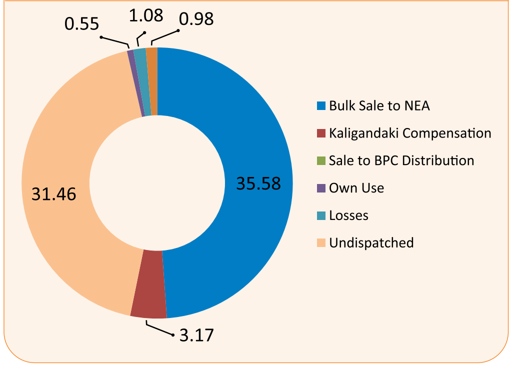
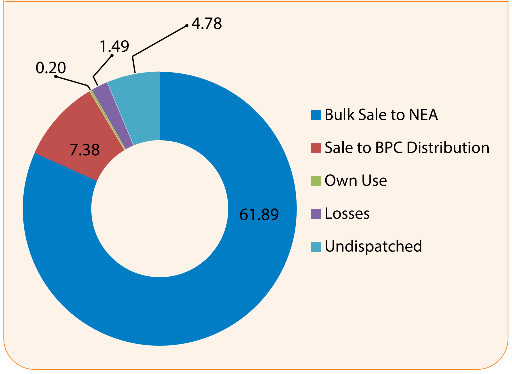



**Chart 2: Jhimruk Power Plant (FY 2076/77)**




## Future Prospects

In FY 2077/78, it has been planned to generate 70.19 GWh from Jhimruk Power Plant (JPP) assuming that NEA will take the excess energy throughout the year and 71.155 GWh from Andhikhola Power Plant (APP). The generation plan is based on average river discharge and estimated outages including flood outage in the past years of both plants.

All turbine parts damaged by silt (quartz) of JPP will be repaired and overhauled. Repair and maintenance of both APP and JPP will be carried out as per requirement and maintenance schedule. The major maintenance including turbine maintenance of JPP has been mainly scheduled from Baishakh to Bhadra so that the efficiency of the turbines can be gained for rest of the period in that year to maximize the generation. Major repair and maintenance of APP will be carried out mainly in dry season i.e. from Falgun to Baishakh. Old 33kV panels which supply electricity to different areas and leaking main valve of APP will be replaced by new for the smooth operation of the plant and reliable electricity supply to the consumers. Testing of Control and Relay panels of JPP will be carried out to ensure that each component is functioning as per the design requirement for the smooth operation of the plant. Necessary spare parts required for the plant operation will be maintained in stock. Possibilities to minimize the effect of silt on turbine parts will be explored. Civil and river training works to protect the plant's structures and farmer's land as well as to channelize water into the tunnel will be carried out. Mitigation works in the plant's affected areas will be continued to optimize the use of water for maximizing generation.

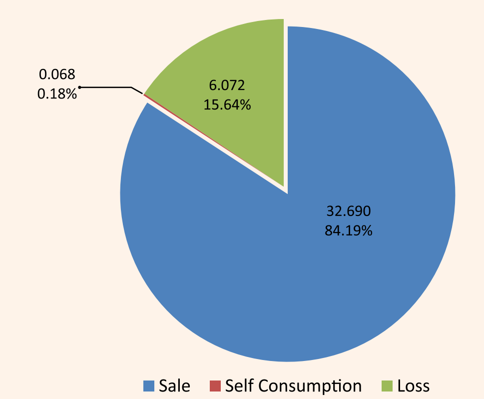
## Distribution Business

During the FY 2076/77, the total energy purchased was 38.8278 GWh which is about 4.16% more than that of previous FY. Increase in the purchase is due to the increase in the number of customer this year which is 3.37% more than the previous year.

In this FY, 32.69 GWh energy was sold to retail customers and 0.068 GWh was consumed in the staff quarters and distribution offices. The total sale has marginally increased by 3.83% as compared to previous year is mainly due to an increase in consumers. Out of 32.69 GWh sold to retail customers, 25.60 GWh (78.31%) was sold to metered consumers, 0.23 GWh (0.70%) to unmetered consumers, 2.68 GWh (8.19%) to industrial consumers and 4.18 GWh (12.78%) to other consumers. In this year also, there is no significant change in the energy consumption pattern of different customer category compared to previous year. A comparison of energy sale to different categories of customers for previous FY 2075/76 and this FY 2076/77 is as follows:

| Category | Energy Sale (GWh) | | Sale (%) | |
|---|---|---|---|---|
| | 2075/76 | 2076/77 | 2075/76 | 2076/77 |
| Cutout | 0.2454 | 0.23 | 0.78 | 0.74 |
| Domestic-Meter | 24.663 | 25.60 | 78.34 | 78.31 |
| Industry | 2.848 | 2.68 | 9.04 | 8.19 |
| Others | 3.725 | 4.18 | 11.83 | 12.78 |
| Total | 31.48 | 32.69 | 100 | 100 |

**Chart 3: Sale, Self-Consumption & Loss (GWh)**




In this FY, revenue generated from the sale of energy to retail consumers has marginally increased compared to previous year. Total revenue (billed amount) in this year was 208.09 million rupees, which is an increase of 4.8% compared to previous year. Out of total revenue, 22.96 million rupees (11.03%) was earned from industry, 41.51 million rupees (19.95) from others consumers, 142.94 million rupees (68.69%) from metered consumers and 0.68 million rupees (0.33%) from unmetered consumers. Energy sale has increased by 3.83% whereas revenue generation has increased by 4.8% from that of previous year.

A total number of 58,091 customers were electrified in the four districts by the end of the FY 2076/77. The customer base was increased by 3.37% as compared to previous year. The consumer addition was mostly due to consumer addition in the old network and network expansion done partly in this FY. The addition of consumers in this year was 1,897; which is more than the targeted number of 1,751. Among total consumers addition, 1,769 were domestic metered consumers, 39 were industrial consumers and 89 other consumers. The expansion and renovation works could not be done as per plan due to COVID-19 pandemic.

In addition to this, cutout customers were also converted into metered customers. A total of 54 cutouts were converted into metered customers.

Although the distribution works were impacted by Covid-19 pandemic, some expansion works for consumer addition was made possible through the installation of new transformers of 11kV & 33kV increasing the installed capacity from 15,000 kVA to 17,025 kVA.

The average service availability index in the distribution system in this year was 96.9% which is slightly more than previous year.

## Loss management/ minimization

The total energy loss in this year was 6.072 GWh, which is about 15.64% of the total energy purchase whereas the loss in the previous year was 15.36%. The marginal increase in system loss as compared to previous year is due to the global COVID-19 pandemic as the distribution networks system improvement work could not be done this year. Loss minimization has remained the main priority of the management particularly for the past several years and efforts have been made to identify system loss and minimize it. For this purpose, complete metering in the network was initiated and will be continued in the coming FY as well which will help to prioritize high loss areas and reduce the loss in such areas using appropriate means. Further, surprise checking of customer's premises is being conducted to control the commercial losses.

## Customer Relations

Distribution Business is committed towards its customers for delivering quality service. Hence, feedback from customers is collected regularly and grievances are appeased as per the

**Chart 4: Energy Sale (GWh)**

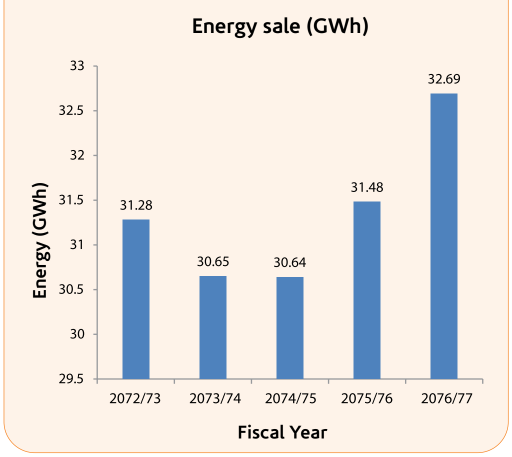



**Chart 5: Revenue Category-wise**

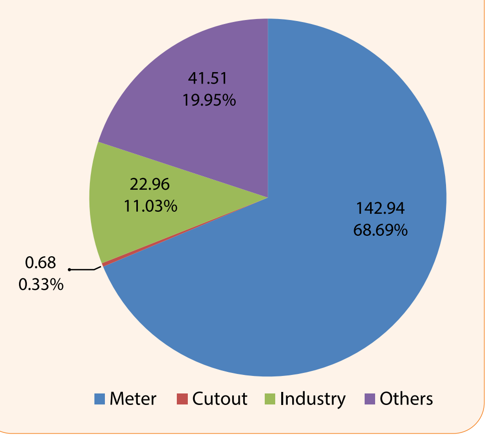
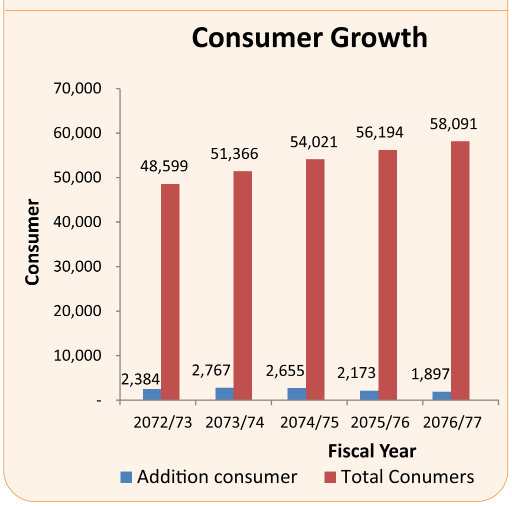



**Chart 6: Consumer Growth**



commitment. This year, average respond time per complaint was within the time specified in the citizen charter.

The total UOs FY 2076/77 is 116.

## Future Prospects

As a part of a system expansion plan, a total of 1,363 new consumers which includes 51 industrial, 87 others consumers and 1,225 metered consumers are planned for addition in the following FY 2077/78 by constructing of 21 km of 11 kV, 34.5 km 33 kV and 108.1 km of low voltage line and addition of 10 nos. of 33 kV & 9 nos. of 11 kV transformers. Various renovation works will be carried out for the improvement of voltage, reduction of loss and safety in supplying electricity to the consumers. It has been planned to initiate for the revision of distribution tariff especially for Andhikhola Distribution Areas to reduce the revenue loss. 33 kV Control and Relay panels will be replaced and one new 11 kV metal-clad switchgear will be installed at Mirdi Substation to enhance the reliability of electricity supply. As a part of energy management for distribution, alternate energy sources will be explored particularly solar energy.

***APP: Transformer load recording***

**Chart 7: Reliability Indices_ SAIFI/ SAIDI**

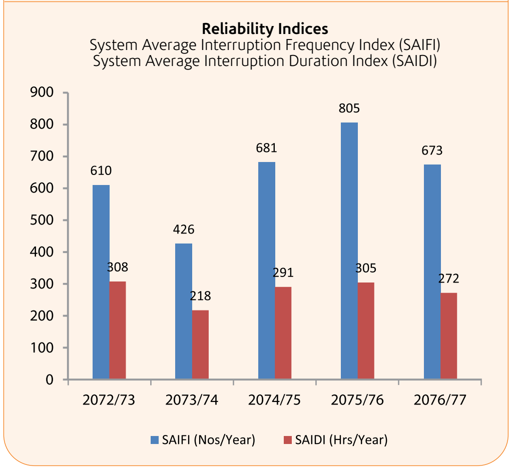
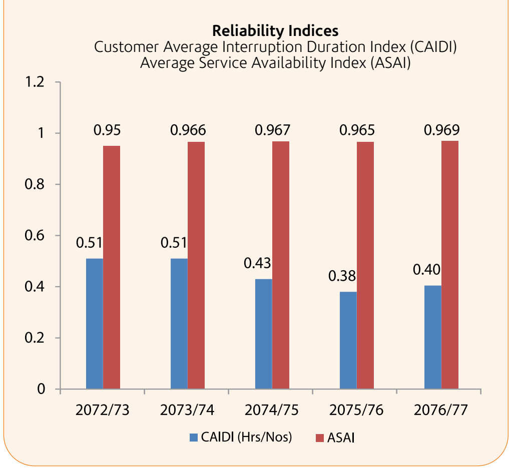



**Chart 8: Reliability Indices- CAIDI/ ASAI**




## Major Challenges

The major challenge for operating the distribution business is sustainability. Despite annual revenue growth, BPC's distribution business is incurring significant revenue loss every year. The annual loss of distribution business is about NPR 100 million and the loss has gradually been increasing. The primary reasons for such revenue loss are low tariff rates at Electricity Distribution Centre, Galyang, rural setting of distribution area and huge financial requirement for distribution network expansion. The revenue loss could be reduced only by increasing the tariff rates. Since the rural electrification is a loss-making business, BPC has been doing social contribution by supplying electricity to the consumers which may not be possible to continue for a long time.

Andhikhola Power Plant: Main Valve Repair



## Project Development

**Kabeli Energy Limited (KEL),** a SPV with BPC signed a Project Development Agreement (PDA) with GoN on 31st January, 2010 and its amendment on 3rd July, 2013; for the development of the 37.6 MW Kabeli-A Hydroelectric Project on BOOT basis. KEL signed Power Purchase Agreement (PPA) with NEA on 24th September, 2015. The project company purchased and leased all required land for permanent and temporary structures of the project.

In the equity financing part, the majority has to be financed by BPC as it owns 55.6% equity shares in KEL with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company.

In the debt part, US$ 78.6 million will be available from WB and IFC. Loan Agreement between GoN and WB for US$ 40 million loans was signed and the fund is being channelized to Kabeli-A project through Hydropower Investment and Development Company Ltd. (HIDCL). US$ 38.6 million of the loan will be provided by IFC.

Kabeli-A Hydroelectric Project (KAHEP) is located in Panchthar and Taplejung districts of Province 1. The project is Peaking Run-Of-River (PROR) type project with a peaking reservoir constructed by damming Kabeli River at headworks. The water from the reservoir will be diverted through a 4.5 km long tunnel into a Powerhouse located on the left bank of Tamor River generating 37.6 MW. The generated power will be evacuated through 132 kV Kabeli Corridor Transmission line from the switchyard located at Powerhouse site of the project. NEA built the 132 kV Kabeli Corridor transmission line funded by the WB for power evacuation of Kabeli-A project and other hydropower projects along the corridor.

24 km of an access road to the project sites have been constructed and upgraded by the project. Access tunnel excavation work has been completed and the main tunnel excavation has been started from headworks site and completed for around 1000 m. Temporary Contractor camps and facilities at headworks and powerhouse sites have been also been completed.

As the EPC Contractor was unable to comply with work standards and construction progress as per the contract following the social and environmental requirements, a notice of termination was given to the EPC Contractor effective in April, 2019. Then after the Contractor

evacuated human resource, materials and plants from the site. KEL has already recovered the Advance Payment Guarantee (APG) from the bank and Performance Guarantee (PG) has also been settled. The recovery plan was formulated after the termination of the Contractor. To move with the recovery plan, a change in the shareholding structure and partnership is realized and discussions were initiated with the new potential investors. A draft MoU has been worked out with China National Technical Import and Export Corporation (CNTEC to undertake the Project as an equity investor. However, the Required Commercial Operation Date (RCOD) has already been expired before achieving the significant construction progress not only because of KEL, it is due to delay decisions from the Government authorities in channelizing the WB loan, necessary approvals and stringent requirements of WB and IFC for loan disbursement. In December 2019, the timeline for WB loan drawdown has been expired. Delay in the processing of extending the term of the WB loan disbursement adversely impacted the construction progress to meet the RCOD as per the PPA. All physical works are under suspension now and it is uncertain when the recovery plan will be implemented to resume the construction works.

***Construction Work***

High-level lobbying is being carried out by KEL for RCOD extension at the MoEWRI required for completion of remaining construction works and bring the project into commercial operation. KEL Management has already made a presentation to a committee set up by MoEWRI for extension of RCOD of the Project. All physical works at the site are still under suspension. Once the RCOD will be extended as per the requirement of the remaining works for the project, the collaboration with new partners will be made and resume the construction works.

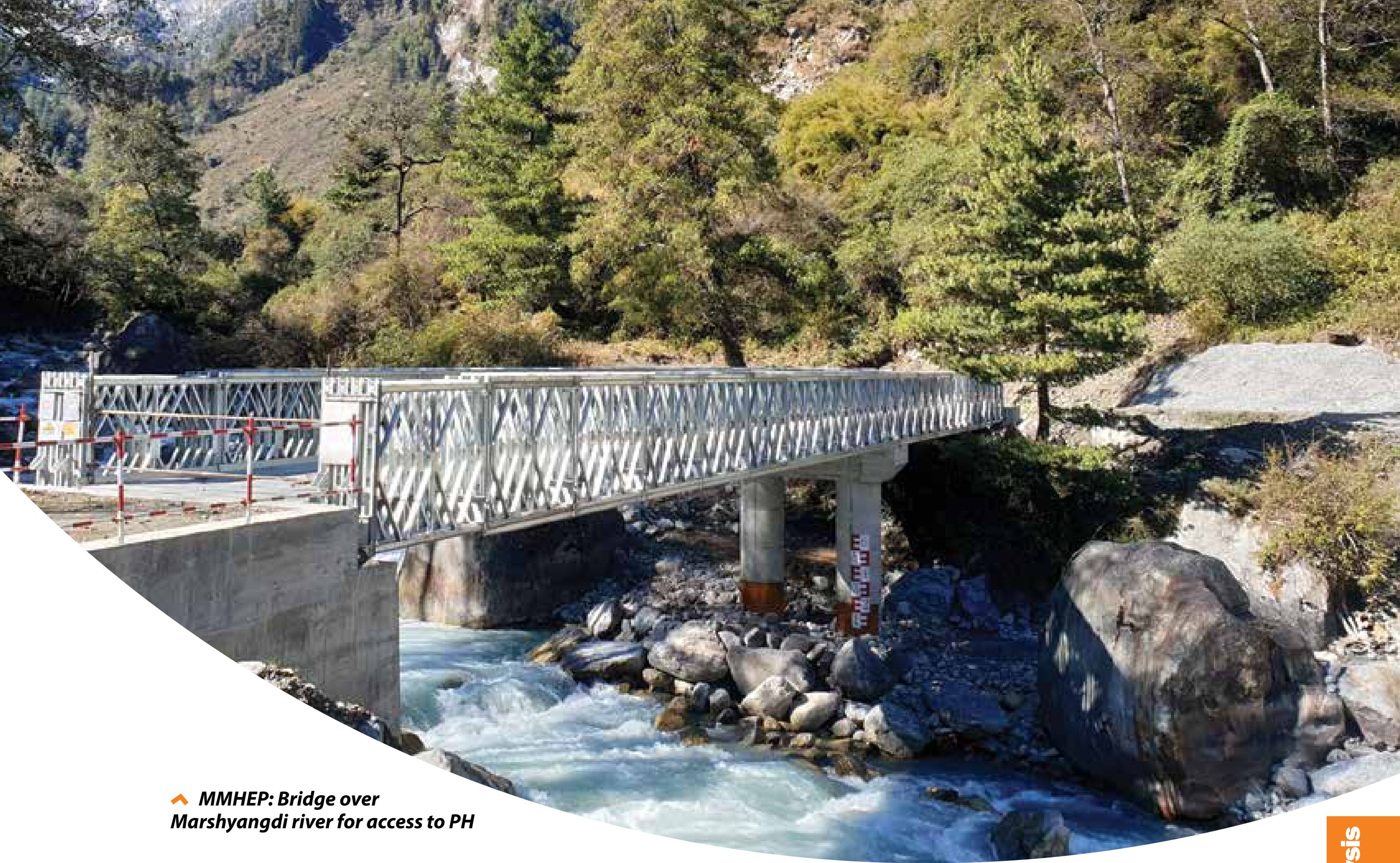
**Nyadi Hydropower Limited (NHL),** a SPV with BPC as a majority shareholder has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project which will generate 168 GWh of energy annually.

The generation license was issued from MoE and PPA was signed with NEA and Loan Facility Agreement was signed with Nepalese Consortium of Banks for providing NRP 440 crores of loans to the project.

Contract Agreement was signed with EPC contractor for Civil, Hydromechanical and E/M works. The project is connected from Beshisahar to Manang road by the construction of a bridge over Marsyangdi river and road from Thakanbeshi to project sites. All sites of the project have been connected by road internally. All these roads and a bridge were constructed by the projects on its own cost.

Project construction at the site was started on 23rd March, 2017. As of October end 2020, the contractor has completed excavation of headrace tunnel and other underground works. The contractor is working on tunnel supports and lining. The status of the project construction is as under:

**Headworks:** Contractor completed the Diversion tunnel and the Distributary works that also works as coffer dam. Excavation of diversion tunnel and concreting of inlet and outlet portion have been completed. The intake, sluice & dam body, approach tunnel and settling basin are nearing completion. The works for the stilling basin is ongoing. Excavation and concreting of the first cut-off wall up to level 1,372 m at dam site have been completed. Concreting of second cut-off wall and downstream cut-off wall up to level 1,372 m have been completed. Likewise, a submerged sand trap at upstream of the first cut-off wall up to level 1,374 m and intermediate submerged sand trap wall up to 1,381 m has been completed. Retaining wall of stilling basin at the right bank of the river up to level 1,381 m has been completed. Curtain grouting work at the first cut-off wall has also been completed. Grouting at both sides of the dam axis between first and the second cut off wall has been completed. Concreting up to level 1,398 m at stop logs and radial gates section of Dam has been completed. The brick-work of the control room and hoist room of the headworks has been completed and at intake hoist room is ongoing. First lift concrete work at the stilling basin up to level 1,369.20masl has been completed. About 95% excavation quantity of headworks has been completed. Excavation of approach tunnel (230 m) has been completed. The lining of intake tunnel for C-type rock class at CH 0+194 m to 0+208 m and CH 0+147 m to CH 0+158 m has been completed. The lining of the Inlet



***MMHEP: Bridge over Marshyangdi river for access to PH***



transition section from CH 0+9.52 m to 0+21.52 m has been completed. Concreting work at intake up to trash rack cleaning machine (TRCM) hoisting slab level 1395.00masl and hoisting slab of intake gate up to level 1397.00masl has been completed. Concrete work at the roof of hoist room up to level 1402.00masl has been completed. Construction for the access road up to level 1390.50 of intake at the right bank of headworks has been completed, masonry wall for the access road area has been completed.

Excavation of Siuri pumping outlet pool has been completed. Construction of outlet pool for storage of 1.1 $m^3/s$ discharge has been completed. Installation of three numbers of inlet pipe (40 cm diameter) and 70 cm diameter outlet pipe at overhead tank has been completed and excavation for the retaining wall of pump house and pool of pump house has been completed. Plum concrete (C20) work for the retaining wall, water inlet pool and concrete work at the pump house is ongoing. Outlet penstock pipe casing is ongoing.

**Underground works:** The contractor completed all the underground excavation works that include Intake portal, Intake tunnel, Settling Basin, Head race tunnel, Surge tank, outlet tunnel, Flushing tunnel, Adits and Ventilation tunnel. The permanent support of the Underground works has been completed for Intake tunnel, Settling Basin, Surge tank and still ongoing for Head race tunnel and flushing tunnel.

**Penstock:** The total length of penstock is 780 m. The works on saddle support, staircase and anchor blocks are completed. The laying of the penstock pipe is ongoing and remaining only around 100 m. About 620 m of the concrete casing of penstock pipe has been completed. The fabrication and testing of penstock have been completed.

**Powerhouse, Tailrace and River Training:** The work of Tailrace is complete and structural concreting of the Powerhouse building is completed. About 97% of powerhouse civil works have been completed by September, 2020. Overall finishing works and installations of fixtures in the powerhouse are nearing completion.

Structural concrete of tailrace has been completed. River protection works have been completed in the powerhouse area. River protection works have been completed. Construction of boundary wall and fencing around the powerhouse and switchyard area is ongoing.

**Switchyard:** The foundation of the power transformer, auxiliary transformer, station transformer, lightning arrestor, isolator, circuit breaker, cable trench, take of the gantry, CT PT as well as bus bar has been completed for both bays. Sump pit has also been completed. Steel pillar for switchyard fabrication has been completed. Total 6 nos. of steel pillar are being fitted with ladder and painting is continuing at the welded parts as per steel structure drawing of EPC. Individual Lighting Rods and "D" Section have been manufactured. Fixing the position and erection of gantry, lighting arrestor and tower of bus bar has been completed. Earthing and the steel works have been completed. Cable trench for power transformer bay has also been completed. Furthermore, wire conduit pipe was installed for Power Transformer cable box. Steel tubular poles of the switchgear equipment for both the feeder has been erected at the switchyard.

**Other Civil Works:** Permanent housing building works have been finished in January, 2019. There are 9 blocks of the permanent housing camp. Installation of main entrance gate has been completed and outdoor area preparation is remaining. Employer's team and the Employer's Representatives team shifted to the permanent housing on 30th January, 2019.

The construction of about 14 km access road is complete, connecting all sites. The facilities for quality control have also been established at sites.

**H/M Works:** The installation of the turbine and Generator is ongoing. Galvanized MS clad stipe lied down in Corbel beam and roof gutters of machine hall for the purpose of earthing. All the embedded earthing parts were finished in September. Installation of resistors was completely connected. Further, the installing of EOT crane in the powerhouse is in progress. Four Nozzles for both Units are aligned. Unit 1 of nozzle no. 2 has been installed. The deflector of Unit #2 of Unit #1 has been completely installed in July. Other 3 nos. of Unit #1 and all the 4 nos. of Unit #2 is still yet to be installed.

***Foreign Collaboration with NTNU Norway***

**Electromechanical Equipment:** Most of the Electro-mechanical equipment and accessories have been manufactured and transported to the site. Installation of equipment and accessories is ongoing. Without Load and Capacity test was performed for the Electrical Overhead travelling crane main hook 50T of the powerhouse on 20th October, 2019 in the presences of Employer's and Engineer's representative. Both units of the main spherical valve have been completely installed mechanically in July. For this purpose, proper alignment and levelling as per the EPC were obtained; meanwhile, the various components of the Unit i.e. air valve, hydraulic needle valve, main hole, upstream and downstream expansion joints were installed with the help of adequate size of nuts bolts as recommended by the manufacturer. Furthermore, the control cabinet and other electrical control system are yet to be installed in further months ahead. This was properly earthed. Furthermore, the heavy hammer, brake interface, bypass system, overhaul ball valve was completely assembled for both of the Units.

**Transmission Line:** Inter-connection of the project has been agreed through the 220 kV Marsyangdi Corridor trunk line planned by NEA at Tarikuna Substation, 7 km away from the Power House site of Nyadi Hydropower Project. As the construction of 220 kV transmission line of NEA is expected to be delayed, a contingency plan of power evacuation worked out and is being implemented by constructing 3.5 km additional 132 kV line. The fabrication of towers have been completed and erection at the site is ongoing for 7 km line. After study and approval of SEIA for an additional line, the excavation of foundations for additional 3.5 km Transmission Line towers is ongoing and fabrication of towers is ongoing.

**Initial Public Offer (IPO) of Nyadi Hydropower Limited:** The Company as per the prescheduled capital plan has initiated the IPO process to meet up equity and cash flow requirements. Global IME Capital and NMB Capital has been appointed as an Issue Manager and Co-Issue Manager respectively for the public issue of shares of NHL. Similarly, CARE Nepal Ltd. has been appointed as a rating agency of the IPO of the shares of NHL. Approval from ERC for the proposed IPO of NHL has been received on Poush 25, 2076.

**Chinokhola Hydropower Project (CKHP),** survey license was awarded to BPC by on 3rd March, 2015. Hydro-consult Engineering Ltd (HCEL) carried out a feasibility study and EIA of the project. The feasibility study has been completed and the project capacity has now been fixed at 7.9 MW at 40% flow exceedance. Accordingly, the survey license has been amended. For the EIA study, the scoping document and ToR have been prepared and got approval from the Ministry of Population and Environment on Shrawan 19, 2074. The EIA study has been carried out in line with approved scoping and ToR and is in the final stage for government approval. For the detail design of the project, our Chinese consultant for Marsyangdi cascade projects, QYEC is interested to utilize the power of Chino for the construction of Marsyangdi cascade projects as construction power. The project has to be undertaken for construction at the earliest so that the power to be generated from the plant could be ready before the start of Marsyangdi Cascade projects. The discharge measurement, gauge reading, sediment sample collection and analysis are being carried out as regular activities. The process for PPA with NEA has been initiated and Generation License of the project will be issued soon.

**Mugu Karnali Hydropower Project (MKHP):** Department of Electricity Development (DoED) together with MoE had awarded survey license of MKHP to BPC in 2018. The consulting agreement was signed with HCEL on 23rd February, 2018 (Falgun 11, 2074) for feasibility and EIA study. As of now the pre-feasibility study has been carried out and finalized the feasible option to go for detail feasibility and EIA study.

The lower stretch of the license area which is a part of the feasible option for the feasibility study has been overlapped with the Mugu Karnali Reservoir project being undertaken by Generation Company of GoN. The decision on the overlapped area will only be taken after the completion of a feasibility study for the storage project. Considering the overlapped area and feasible option as identified after the pre-feasibility study; the detail topographical survey has been carried out. Other field activities like gauge installations, direct flow measurement, sediment sampling & analysis, ERT and core drillings could not be started due to COVID-19 pandemic and transportation/movement restrictions.

The project is located near Gamgadhi, the district headquarter of Mugu district. The road is under construction at the project site and expected to be connected by motorable very soon. The main challenge of the project is power evacuation. As the license can be extended up to maximum two years from now, we need to apply for generation license and PPA before that. Under the present status of the transmission line plan, it seems very hard to get a connection agreement for PPA. Therefore it is necessary to validate the survey license beyond the maximum period to ensure the timeline of implementation for transmission line and assurance of connection. Then after only the application for Generation License can be received. Therefore, the project will be kept as a backup plan for BPC to develop in future when the transmission line project will be finalized and the connection agreement is signed with NEA. To get the regular extension of survey license, significant progress has to be demonstrated on the feasibility study, EIA, field investigations and other stipulated activities as mentioned in the survey license.

**Marshyangdi Cascade Projects (MCPs):** BPC has formed a joint venture company named, SCIG International Nepal Hydro Joint Development Company Pvt. Ltd. with three Chinese Companies of Chengdu, Sichuan Province, the People's Republic of China to develop three hydropower projects in Marshyangdi river. Manang Marshyangdi Hydropower Project (M1), Lower Manang Marshyangdi Hydropower Project (M2) and Upper Marshyangdi-2 Hydropower Project (M3) are located in Lamjung and Manang districts. M1, M2 & M3 are to be developed as a cascade project with the collaboration of Chinese companies SCIG International Limited, Xingcheng International Investment Co. Limited, QYEC International Co. Limited, and SCIG International Nepal Hydro Joint Development Company (P) Limited through respective project companies. Manang Marshyangdi Hydropower Company Private Limited (MMHCPL) will develop 135 MW Manang Marshyangi HEP; 139.2 MW Lower Manang Marsyangi (LMM) HEP will be developed by an SPV which is under incorporation process; and Himtal Hydropower Company Private Limited will develop 327 MW Upper Marsyangdi-2 (UM-2) HEP. BPC Joint venture will be able to generate 601 MW power in Marshyangdi river once these three projects are commissioned.

As a preparation work, the JV Company is upgrading Beshisahar to Chame road on its own cost to facilitate smooth transportation of goods and people in the project area. The construction camps at Danaque have been constructed and other preparations are carried out as well so that the main construction works can be started once PPA is signed and financial closure is done. The construction of MCPs has been delayed due to the effects of Covid-19 and delay in achieving regulatory clearances and approvals.

**Manang Marshyangdi Hydropower Project (135 MW),** being developed by MMHCPL has been acquired by BPC to develop together with the Chinese partners. Share transfer of MMHCPL to Chinese partners is in the process. A Generation License has been issued for 35 years on 17th November, 2018 at 282 MW as a RoR project. After the issue of Generation License, project optimization was carried out under Marshyangdi Cascade development taking consideration of two downstream projects LMM HEP and UM-2 HEP for better utilization of water resources. The consents for PROR development and changes of coordinate boundaries were taken from DoED prior optimization study. The project has been optimized with Peaking RoR type to 135 MW capacity. The connection agreement was also signed for 135 MW and draft PPA was initialized and is seeking approval from ERC. The supplementary EIA was carried out as per the optimized report on 135 MW and approval from the Ministry of Forest and Environment has (MoFE) been received. An application for PDA has been submitted and the process is ongoing at the MoEWRI. As the project is supposed to get PPA in foreign currency for the project being an FDI project, NEA is declining for US$ PPA. The provision of hedging mechanism has been introduced to cater to the currency risks in PPA, but investors are waiting for the clarity on hedging cost, sharing proportion and underlying conditions. Once the PPA will be finalized and concluded, the financial closure will be carried out and the main construction works will start. The preconstruction activities are partially completed and slowed down due to COVID-19 effects.

**Lower Manang Marshyangdi Hydropower Project (LMMHP):** BPC received a survey license in 2066. Feasibility study, EIA and the geotechnical investigation of the project was completed in 2070. EIA has been approved by the Ministry of Population & Environment on Chaitra 7, 2070 for 140 MW. The connection agreement was signed in 2074 with NEA. Generation License was issued at 140 MW as RoR type project on Kartik 18, 2075 for 35 years period. However, to fit MCPs, this project has been re-optimized to take tailwater of PROR Manang Marshyangdi project so that this project is also a PROR project for which a consent for PROR and change in coordinate's boundary has been received from DoED. The project now has been re-optimized at 40 percentile flow and fixed at 139.2 MW to meet the requirement of NEA's guideline for concluding the PPA. After re-optimization at 139.2 MW, the connection agreement has been amended after fixing the energy table and project features with NEA. The process of draft PPA preparation is ongoing at NEA.

The project is located in the southern part of Manang district. The project lies along the Beshisahar-Chame road. The road up-gradation work has been done for the last three years.

The proposed 220 kV Marshyangdi corridor transmission line will evacuate power from MCPs. The development of this Marshyangdi transmission line is being carried out by NEA. The 220 kV Manang hub located at Ghalanchowk village of Nashong Rural Municipality in Manang District will be the connection point of cascade projects. The discharge measurement, gauge reading, sediment sample collection and analysis are ongoing as regular activities.

**Upper Marsynagdi-2 Hydroelectric Project,** a SPV Himtal Hydropower Company Pvt. Ltd. (HHCPL) is developing this project under Marshyangdi Cascade. BPC in a joint venture with three Chinese partners has acquired this project to develop together with Manang Marshyangdi and LMMHEP. Share transfer of HHCPL to JV companies has been completed. PDA negotiations with the Investment Board of Nepal (IBN) is in the process. IBN team visited the MCPs and conducted stakeholders meetings at different locations. IBN also has approved the Foreign Direct Investments (FDIs) of the project

***LMMHEP: SEIA Public Hearing***

*UM2HEP: Public hearing for SEIA*

Foreign Direct Investments (FDIs) of the project dated Asadh 05, 2077. Handover of assets and documents related to the project company has already been done to JV Company. The project was previously owned by Indian investors and was developed predominantly as an "Export Oriented" project with a capacity of 600 MW. Accordingly, our sister company Marshyangdi Transmission Company Private Limited (MTCPL), which is another project company, had obtained a Survey License for the transmission line from UM-2 HEP up to Indo-Nepal border. However, considering the growing economy in Nepal, the Project including its project companies HHCPL and MTCPL, have been recently acquired by BPC jointly with Chinese investors, for cascade development with Manang Marshyangdi HEP and LMM HEP to serve Nepal's domestic power market. The Project has now been re-optimized as 327 MW keeping intact the headworks and powerhouse locations of the project as per NEA's guideline for PPA and proposes to evacuate its power through the 220 kV proposed Marshyangdi corridor transmission line which is under-construction by NEA. The detailed project report as well as Supplementary EIA have been updated based on the outcomes of additional investigations at sites and resources optimization. Furthermore, the Project is currently in the process of PDA negotiations with IBN and it has issued a letter dated Poush 23, 2076 to NEA requesting facilitation of PPA signing.

**New Initiatives:** As per the growth plan of BPC, identification and review of new hydropower projects is a regular process to acquire and study for future developments. BPC has identified an under-construction project and discussions initiated, nearing to completion stage to acquire stake on the project company to ease the cash flow management in near future from such plant as there will be reduced cash income from Khimti plant. BPC will also search the appropriate Greenfield projects from the government basket.

After the screening of projects in government basket, BPC will carry out internal due diligence and prepare desk study reports and apply to DoED for survey license as per the requirement of a new project in the pipeline. The discussions are also ongoing to acquire a stake in other under-construction hydropower projects.

## International Collaboration on Project Development

The Company has established a partnership with international agencies such as IFC, World Bank, Infra-Co Asia (Singapore), Statkraft (Norway) and SCPHI (Canada) at a different area of the business relationship in the development of hydropower projects. BPC is under the process of project development through different SPVs involves foreign partners, consultants, contractors, manufacturers and suppliers. Most of them are Chinese as their preferred business strategy is in under developing countries like Nepal. Most of the collaborations are project-based. The Joint Venture between BPC and three Chinese Companies named Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) have set up a Joint Venture Company (JVC) to collaborate in hydropower projects located in Marshyangdi Corridor. The JVC is developing MMHEP, LMMHEP and UM2HEP. After the collaboration, BPC has moved up from small and medium hydropower projects to large size hydropower projects with international collaborations. This is a paradigm shift in terms of scale and collaboration with international investors.

Discussions are ongoing with other foreign parties for collaboration in a future project like Mugu Karnali HEP and ongoing Kabeli-A HEP as equity investors.

***Meeting with Honourable Minister of MoEWRI along with Chinese partners***

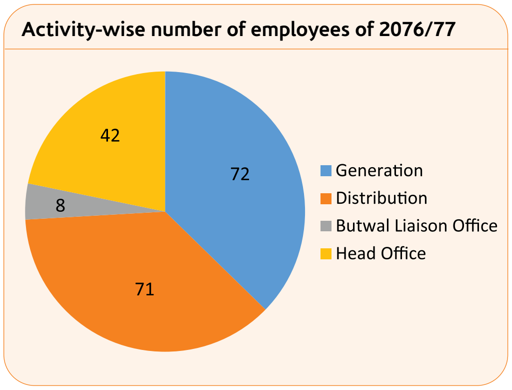
## Corporate Overview

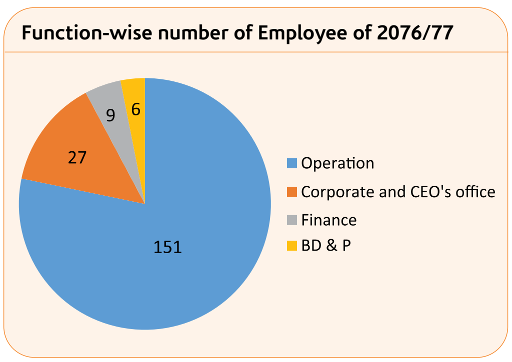
Corporate Management is responsible for the management of human resources, providing administrative facilities, Information and Communication Technology (ICT) related support, procurement of goods services & works, management of Quality, Environment and Occupational Health and Safety as per ISO standards, an arrangement of Security and CSR related work throughout the BPC projects and its corporate office.

## Human Capital

The competency of employees made a strong foundation for company growth. The management of BPC gives a high priority for enhancement of employees' skill and knowledge. Employees' suggestions and grievances are handled to ensure a smooth operation of business throughout the Company. This also helps in maintaining and improving the industrial relations between the employee and management of the Company.

BPC's total number of employees at the end of FY 2076/77 was 193. The competency of employees made a strong foundation of the company to grow on.




## General Administration

A **Procurement** business unit procures goods, works and services in BPC for the smooth operation of the power plants. The procurement strategy of BPC is a long-term plan to cost-effectively acquire the necessary supplies from a list of efficient vendors who can deliver quality goods on time; abiding by the purchasing terms. The strategic objectives of the procurement unit are cost reduction, risk management, supplier management & optimization, Global sourcing and total quality management.

Existing Procurement Manual was reviewed and a comprehensive manual was prepared, approved by the Board and implemented. Quality and Cost Based Selection (QCBS) process in bidding and arrangement of procurement from subsidiary companies are also well defined in the manual. The procurement processes are guided by the principle of the best value for money, fairness, integrity and transparency.

Procurement Unit procures spare parts of power plants JHC and AHC after sourcing from manufacturers of different countries like India, China, Germany, Sweden, and Norway. The spare parts fall under generation related electrical items and transmission & distribution related items.

**Information and Communication Technology (ICT)** provides external and internal support, web update, back up and email request. Environment friendly, reliable and secured data center with high availability is established with reliable network structure in Head Office (HO). Optical fiber intranet connectivity is in place from HO to site offices to transfer and access the data

*Disinfection of BPC head office*

***BPC ICT data center***

to and fro through VPN technology. Unified communication software is installed for fast communication, video conferencing, file sharing etc., among HO and site offices for improving productivity and security. ICT maintains safe, secured and risk-free working environment in ICT.

**Data Center:** A data center is established to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (e.g. air conditioning, fire suppression) and various security devices. Implementation of virtualization to minimize the numbers of physical servers, power consumption & cost; and for reliability, security, less heat buildup, faster redeploy, easier backups and better disaster recovery. BPC has arranged data protection, security and backups by having Disaster Recovery (DR) in the cloud in the different seismic zone.

**Optical Fiber:** Optical fiber is laid out to connect the site offices i.e. Butwal, Galyang, Waling, Rampur and Jhimruk with HO, Kathmandu and planning to extend it to other site offices. There is VPN connection among the site offices to transfer the data, share the internet bandwidth and intranet to use centralized software applications (Revenue Accounting System-RAS, Asset Management System-AMS and Inventory Management System-IMS) securely.

**Inter-communication:** EPABX systems are installed in all the site offices and HO for the intercom facility. With this facility, communication becomes fast and reliable at a minimal cost.

RAS, the billing system software is upgrading to a more reliable, user-friendly, more secure and manageable manner. The upgraded software will have an e-payment feature so the customer can pay the bill through their mobile and any hand held device.

**Facility Management** provides the service support of repair & maintenance, advertisement & publicity, media handling, newspaper management, events management, material transportation, risk management, safety & security arrangement, vehicle management, waste management, mail handling, Health, Safety & Security and Corporate Social Responsibility (CSR). The eight stories corporate office building is fully occupied and functional. Ground, first, fourth, fifth and seventh floors of the building have been rented to BPC's subsidiaries and outside parties. Second, third and sixth floor are being occupied exclusively by BPC. The periodic disposal of day to day generated waste is managed through outsourcing. Likewise, periodic lab test of drinking water, plantation inside and outside of office premises of HO along Dhobikhola corridor and arrangement of stand by First Aid service at all sites are maintained regularly. CC cameras are installed in all sites including HO along with training on awareness and uses of safety equipment such as Personal Protective Equipment, Fire Fighting equipment, Mock Drill practice and Emergency Preparedness Plan activities. Signboards of energy saving, water saving and safety-related signposts have been placed in various places of the office building for safety purpose.

## Management Review and Responsibilities

Management reviews are held minimum once in a year as a scheduled program. However, it is also held in between when some important issues demand urgent management attention and action. Management Review Meeting (MRM) is chaired by CEO with participation of all VPs, Business Unit (BU) heads, Site in-charges and ISO Core Team Members. VP-Corporate has been designated as the Management Representative

(MR) of the company. MR ensures that results of QEHMS audits (internal and external) are presented and discussed in the meeting along with significant changes that could affect the performance of the product as well as the processes. It is a forum where all key personnel of the company meet to discuss for improvement of the IMS and Process of the company.

## IMS Periodic Audits and Recertification

As per Management System Certification Agreement between DNVGL, India (Certification Body) and BPC, the number of Periodic Audit to be performed during a 3-year audit cycle (May 2017 – May 2020) is 2 audits. In this process, 1st IMS Periodic Audit was conducted on 17-23rd June, 2018 at BPC site offices, Andhikhola Hydropower Centre, Butwal Liaison Office and BPC Corporate Office, Kathmandu.  Likewise, 2nd IMS Periodic Audit was conducted on 16-22th June, 2019 at BPC site offices, Jhimruk Hydropower Centre, Butwal Liaison Office and its Corporate Office, Kathmandu. As per Management System Certification Agreement between DNVGL, India and BPC, recertification audit has to be performed before the deadline of the ISO certificates. In this process, Recertification audit was planned to conduct in May, 2020 by the DNVGL. Due to the Coronavirus spread out in Nepal and all over the world, physical recertification audit was not possible in May, 2020. However, the first part of recertification audit of three ISO standards- 9001:2015 Quality Management Systems, 14001:2015 Environment Management Systems and 18001:2007 Occupational Health, Safety and Security was conducted at HO and all sites via Microsoft teams (virtual meeting platform) from 23-29th August, 2020.  DNV GL has planned to conduct one short physical recertification audit after COVID-19 situation gets normal and renew the ISO certificates. Periodic Internal audit, external audit and re-certification audits have been carried out for improvement.

# Enterprise Risk Management

Risk management being a continual and developing process runs throughout the organization and is crucial for managing the business operations and its growth. Risk management system includes the Risk identification, Risk assessment, Risk planning and Risk monitoring. It addresses methodically all the risks surrounding the organization's activities past, present and future.

Strategic risks have been assessed and managed by the Top Management, Risk Management Committee (RMC) and Board level. It is related to expansion, merger, new technologies and new businesses at corporate level activities. Tactical level risks have been assessed and managed at Business Unit and Top Management level. It is related to the performance and profitability of Business Units, Divisions and Centres. Operating risks have been assessed and managed at the operational level. It is related to day to day operational activities which arise from the individual, unit or handling of regular tasks or assignments.

Risk of the Company are exposed throughout the value chain. The most important risks are related to operations, financial management, project execution, operating activities and legal & tax framework conditions. BPC has a RMC to improve risk handling in relation to current risk exposures of the Company and future risk strategy along with the investments. The risk management is an integrated part of the governance through a risk-based system for the corporate management's follow-up of the business areas. The Company's

overall risk profile is reviewed and updated periodically by the Management and reported to the Board of Directors.

## Risk Mitigation and Risk Reporting

The existing Enterprise Risk Management (ERM) Manual has been reviewed at Management level, Risk Management Committee and approved by the Board. All possible risks have been analysed in a high-low matrix in risk register to mitigate those risks. Risk Register, Risk Response Action Plan and Action Taken registers are prepared, reviewed and updated of all Functions and Business Units. Risk registers are reviewed quarterly and discussed in Management. Risks are avoided, accepted, reduced and transferred upon the nature of risks. The significant risks are to be reported to the RMC quarterly basis or as and when required by Top Management. The whole process of risk assessment and risk management strategies is reviewed by the RMC. RMC quarterly reports to the Board about major and significant risks. The stakeholders are communicated about the major and strategic business risks and preventive mitigation measures through annual report.

Risk management at early stages of the development for an investment project has turned out to be an important success factor. BPC has insurance coverage for all significant types of damage or injury. The assets of the company are adequately insured for FY 2077/78 against operational risks i.e. covering fire and allied perils business machine, transit money, fidelity and burglary, revenue risk (covering loss of profit) and third party liability including materials damage. BPC manages operational risk through detailed procedures for activities in all operational units and various types of contingency plans. Furthermore, BPC has a comprehensive system for registering and reporting hazardous conditions, undesirable incidents and damage and injuries. Such cases are analysed continuously to prevent and limit any consequences, and to ensure that we can follow up causes and implement the necessary measures. Political issues and conflicts are properly addressed.

Cyber Security risks such as server attack, data, fire and physical access to resources are managed well by keeping the firewall systems, accessing server through VPN, regular backup of data in multiple sources onsite/offsite including cloud in different seismic zone and anti-virus protection. Further, Datacenter has been protected with fire suppression system using Data Center Infrastructure Management (DCIM) for alert system through SMS and email.

### 1.Generation RISK

Andhikhola Power house is underground power house situated at about 250 m down from the ground surface. The power house is unmanned and is being operated from control room located at ground surface. Due to long vertical distance and dampness along the vertical shaft, the problem of signal interference/loss causes sometimes plant to be shutdown. The effective management of spare parts has been kept in place for quick maintenance of plant as well as timely preventive maintenance of the plant and grid line has minimized the outage time to increase the generation. Further, if the obermeyer gate, made of rubber bladders and steel plates, which has been used to increase the water head at headworks becomes non-functional due to bladder or steel plate damage during the monsoon period, then there will be partial generation loss as the gate will not be possible to repair during rainy season.

The water of Jhimruk River contains a large quantity of quartz during monsoon period. This high silt content in Jhimruk River water during monsoon season is the major reason for severe erosion of turbine parts. This has enforced to operate the plant at low capacity during flood resulting in reduction in power generation. The erosion of turbine parts also reduces turbine efficiency and increases maintenance duration and costs. A complete set of all turbine parts and accessories that are subject to erosion have been kept as spare for overhauling of turbine in less time. Further, in-house manpower has been trained to accomplish this job. The effective management of other spare parts is also kept in place as well as timely preventive maintenance of the plant and grid line has minimized the breakdown time to increase the generation. The variation of water in the Andhikhola and Jhimruk Rivers is one of the major factors of variation in power generation

## 2. Distribution RISK

BPC is expanding its distribution area through rural electrification every year since 2047. This year consumer number increased by 3.37% and energy purchase increased by 4.16% compared to that of last year. However, the foremost challenge in operation and expansion of the business is to make it sustainable. Though rural electrification is loss making activity even in operation, the high demand of public for distribution expansion in rural areas still in place, thereby increasing loss further. In order to reduce the risk of increased revenue loss, it is necessary to timely revise the existing distribution tariff and limit the expansion within licensed areas only.


## 3. Business and Project Development Risks

BPC as leading entity in hydropower sector is exposed to various risks related to its operating plants, investments in Khudi and Khimti plants and new under-development projects like Nyadi, Kabeli-A, Marsyangdi Cascade, Chino and Mugu Karnali HEPs. Through a separate SPV, two projects Kabeli-A (37.6 MW) and Nyadi (30 MW) are under construction and other projects under Marsyangdi Cascade, Chino and Mugu Karnali are under development. Kabeli-A hydropower project construction has already been delayed beyond RCOD because of the uncertainty of WB financing and termination of EPC Contract leading to risk to BPC's investment including reputation. Likewise, BPC has also acquired shares in Manang Marsyangdi (135 MW) and Upper Marsyangdi-2 (327 MW) HEPs under the Marsyangdi cascade development being developed jointly with Chinese partners. BPC has been experiencing challenges and risks in executing these projects mainly because of hurdle in PPA in foreign currency or lack of clarity in hedging mechanism that is very important from the perspectives of financial closure with International Financial Institutions (IFIs).

The risks associated with the project development are categorized as technical, socio-political, financial and legal at different stages of project development like Planning, Design, Construction and Operation & Maintenance. Technical risks are poor geology, landslides, earthquakes, design changes, lack of expertise, hydrology, etc. Likewise socio-political risks are demands of financial support, land acquisition and compensation, work interruptions, labour strike, intimidations, poor performance of contractors/consultants, road blockade, pandemic etc. Financial risks are price hike, time and cost overrun, fluctuations of bank interest rates and foreign currency exchange rates, penalties, energy deficit etc. Legal risks could be delay in government approvals, PPA, Connection agreement, import of most of materials/equipment from third countries, environmental issues and unnecessary burden on custom /duty clearances, contractor's claims and settlements etc.

Some of social risks have been minimized by means of CSR activities and some risks which are associated with politics and socio-culture are beyond the control of the project company. The technical and financial risks are managed internally whereas socio-political and legal risks are minimized through stakeholders' engagement and group dynamics. Some specific risks are identified and mitigation measures are planned for the new projects, under-construction projects and business operation.

From country's perspective, already affected by years of construction delays, the expected increase in Nepal's generation capacity is going to be delayed because of the COVID-19 crisis as well as heavy flooding/landslides. The lockdowns and increasing cases of infections has also lowered demand for electricity due to closure of factories, reduced commercial activities and domestic consumption.

Commissioning timeline of 24 hydropower projects with a net capacity of 1,200 MW is expected to be pushed back at least two years due to Covid-19 effects. In addition, some under-construction projects were seriously damaged by flash floods and landslides. The high floods and sediment load also forced BPC's plants for several hours of shutdown.

Besides bureaucratic hurdles and other delays, the Covid effects and floods have delayed start of project construction. Considering the overall effects of Covid-19, the Ministry of Energy, Water Resources and Irrigation (MoEWRI) has come up with some relief programs to mitigate the losses and time lapses. Private sector hydropower projects were expected to increase generation capacity by 12% this year, and that is unlikely to happen. Meanwhile, the clock is ticking on bank interests for loan repayment even as work has stopped in many of the projects.

Private sector projects have borrowed NPR 750 billion for under construction projects with approximately 3,000 MW. There is commitment from banks for another NPR 300 billion for the projects in pipeline. Because of the delays and interruptions there will be significant cost overruns leading reduced profit margins of the projects being developed by IPPs.

### 4. Financial Risk

The company uses debt in addition to equity financing to meet financial obligations. The Finance department coordinates and manages the financial risk associated with foreign currencies, interest rates and liquidity, including refinancing and new borrowing. The Company has borrowed term-loan and operating loan thereby creating the interest rate risk. Since interest rate risk is influenced by market forces, BPC has minimal role to play for minimizing this risk. BPC has made swap arrangement to minimize the interest risk associated with foreign currency. The liquidity risk in BPC is related to the deviation between the maturity profile of financial liabilities and the cash flows generated by the assets. In order to control liquidity risk and for better working capital management, BPC has made arrangement of adequate level of OD facility for short term financing. The liquidity risk can mainly be handled through good borrowing sources, credit facilities and minimum requirements for the cash and cash equivalents.

### 5. Price Risk

For purchase of goods, it is limited to the foreign currency exchange variation particularly in case of import of specific and spares parts from abroad. For other purchase, it is subject to market variations. There is no price risk on sale of power as the company has fixed rate power purchase agreement with NEA.

### 6. Investment Risk

BPC has made equity investment in its subsidiaries and associates considering the technical and financial feasibility of those companies.

### 7. Other risk

BPC's activities are influenced by framework conditions such as taxes, fees, generation, distribution and transmission regulations as well as general terms and conditions stipulated for the energy industry. These framework conditions can influence BPC's production, costs and revenue.

# Senior Executives

## Senior Executives

***FROM LEFT TO RIGHT:***

**Mr. Tika Ram Bhatta** — *VP- Corporate*

**Mr. Ganesh P. Khanal** — *Sr. Manager- BD&P*

**Mr. Uttar Kumar Shrestha** — *CEO*

**Mr. Prakash Kumar Shrestha** — *Head- Operations*

**Mr. Pratik Man Singh Pradhan** — *VP- BD&P*

**Mr. Radheshyam Shrestha** — *VP- Finance*

12MW Jhimruk Power Plant

# Shareholder's Information

The Shareholding pattern of BPC as on end of Asadh, 2077 is as under:

| S.N. | Shareholders | No. of Shares | Holding % |
|---|---|---|---|
| 1 | Shangri-La Energy Ltd. | 15,105,719 | 56.28% |
| 2 | Government of Nepal | 1,991,538 | 7.42% |
| 3 | IKN Nepal A.S., Norway | 423,997 | 1.58% |
| 4 | United Mission to Nepal | 366,912 | 1.37% |
| 5 | Nepal Electricity Authority | 231,383 | 0.86% |
| 6 | General Public Shareholders | | |
| 6.1 | NMB Bank Ltd. | 513,359 | 1.91% |
| 6.2 | Kamana Sewa Bikas Bank Ltd. | 332,325 | 1.24% |
| 6.3 | Other General Public shareholders | 7,873,585 | 29.34% |
| | **Total** | **26,838,818** | **100.00%** |

## Share Trading Information

Market response for BPC stock was normal in FY 2076/77 and much affected by the market movement of banks and other listed companies in the securities market. Quarterly Key figures related to BPC shares in stock exchange for FY 2076/77 are given below:

| QUARTER | TRADED SHARE (IN THOUSANDS) | TRADED AMOUNT (IN MILLIONS) | NUMBER OF TRADES (TOTAL TRANSACTIONS) | HIGH | LOW | CLOSING | AVERAGE PRICE | TRADING DAY |
|---|---|---|---|---|---|---|---|---|
| First | 304.329 | 117.00 | 2,703 | 421 | 350 | 364 | 384 | 63 |
| Second | 470.666 | 161.85 | 3,750 | 375 | 300 | 328 | 344 | 59 |
| Third | 933.217 | 338.85 | 5,417 | 429 | 309 | 330 | 363 | 46 |
| Fourth | 114.344 | 39.69 | 1,130 | 377 | 284 | 359 | 347 | 15 |
| **Total** | **1822.556** | **657.40** | **13,000** | **429** | **284** | **359** | **360** | **183** |

All shares are being traded in Nepal Stock Exchange Ltd. (NEPSE) in active market. NMB Capital Limited worked as Share Registrar till Ashad end, 2077 with satisfactory performance. NABIL Investment Banking Limited has been appointed as Share Registrar of the Company effective from Shrawan 1, 2077.

| Share Status | No. of Shareholders | No. of Shares |
|---|---|---|
| Physical Shareholders | 225 | 2,653,793 |
| Demat Shareholders | 72,713 | 24,185,025 |
| **Total** | **72,938** | **26,838,818** |

# Corporate Social Responsibility

**BPC being socially accountable, the company is involved in protecting the environment and helping the social uplift. Relying on the socio-economic and environmental status of Nepal, Corporate Social Responsibility (CSR) aims to develop appropriate schemes for social, economic and environmental in its working areas.**

Business decisions and operations have been integrated with economic, environmental and social considerations. BPC endeavours to work with stakeholders to foster sustainable development and to promote effective use of natural resources. BPC thrives to make a better future in close cooperation with all people and groups; including stakeholders, suppliers and local communities. BPC has been doing different activities related to the social and environmental improvement programs to fulfil and meet its CSR objectives.

Various Mitigation activities have continuously been carried out at both the plant areas to enhance the Community Relations and Public Interest protection. In the FY 2076/77, various activities were carried out at Jhimruk Hydroelectric Center (JHC). River training has been done for the protection of land in Jhimruk and Madi River. Similarly, at the Andhikhola Hydroelectric Center (AHC), river training has been done for the protection of land in Chartikhola. Support was provided to various activities of clubs and other social organization, road maintenance and irrigation canal construction and maintenance, operation and maintenance of irrigation system and educational institutions. Plantation was also done at both centers to safeguard the environment. Other activities such as income generation, skill developments etc. could not be carried out due to COVID-19 pandemic. BPC spent NPR 7,950,187 in these CSR activities in FY 2076/77 which is 1.05 % of net profit of the Company for FY 2075/76 in its project areas at JHC and AHC.

***Meeting with Jhimruk Local Stakeholders***

***Jhimruk Power Plant: River Training Works***

NHP: Usta Village Track Upgrading

# Health, Safety & Environment

**BPC always strives to conduct its business in healthy, safe and environmentally conscious manner at its workplace and in the society where it does business through responsible management for the prosperity of the Company.**

The Occupational Health and Safety Manual has been prepared incorporating the statutory obligations Labor Act, 2074 and Labor Regulation, 2075. Occupational Health and Safety Management System (OHSAS 18001:2007) guideline has been implemented throughout the Company to enhance the health and safety standard in the company. Company has also prepared and implemented the Environment Aspect Register to minimize and mitigate environmental impacts.

OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system and procedures of the Company. The medical and accidental insurance policies of all employees have been maintained. Staff health check-up has been carried out once in every 3 years for the healthy workplace environment.

BPC considers that a good HSE performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company. BPC continuously monitors its environmental facets and works related hazards in order to identify any critical areas and making efforts towards the constant improvement of work conditions, in terms of reduction of the number of work accidents, incidence and occupational sickness. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipment.

All the activities are carried out in a safe manner enforcing safety measures. A well-developed Safety & Emergency Preparedness Plan is well communicated amongst all to cope up with all emergency situations like fire, floods, landslides, earthquake, pandemic etc. to further enhance the health and safety standards in the company. No serious illness, accident, incident and injuries have been reported during the year.

From the very beginning of Coronavirus (COVID-19) outspread, BPC has been aware for the safety of its employees from its infection. Continuous awareness programs about the safety against Coronavirus have been conducted. Safety notices are issued time to time. Emergency Prepared and Response Plan and Standard Operating Plan (SOP) have been issued for implementation against Coronavirus infection. Arrangement of daily measuring of temperature of employees and visitors, record keeping of visitors, use of mask and sanitizer, hand washing, maintaining social distance are implemented at Head Office (HO) and all sites. Personal Protective Equipment (PPE) have been kept at HO and all Sites for the use of rescuing any employee if infected by the Coronavirus. HO building and all sites have been fully disinfected time to time and arrangement for daily disinfection has been made for more used places like biometric attendance machine, door handle, toilets, meeting rooms, lift etc.

Despite the awareness and implementing all the precautionary protocols against Coronavirus at HO and all Sites; four employee at HO, one at Butwal Liaison Office, two at JHC and six at AHC were infected by the Coronavirus. One Sr. Office Helper working at JHC, Pyuthan was died due to Coronavirus infection.

Hydro-energy is an environment friendly energy. BPC has been operating run-of-river hydropower plants. In such plants, there are minimal environmental issues. However, the impact due to water diversion have been mitigated properly in a scientific manner. The Company has been carrying out river training works every year to protect the farmer's land from floods. One of the major environmental aspects of distribution is tree cutting during line construction and cutting and trimming of the bushes and bamboos during line maintenance. For minimizing the impact of said aspect, seedlings are distributed to local community as per requirement. All wastes like damaged electromechanical parts, insulating materials, used oil and wastes are disposed in a standard way as per ISO requirement. Controlling environmental impact is based on the prevention of pollution. Prevention of pollution can include a source reduction or elimination, process, product or service change, efficient use of resources, material and energy substitution, reuse, recovery, recycling, reclamation or retreatment.

***Jhimruk: Headworks***

# Sustainability

**BPC's business decisions and operations invariably integrate economic, environmental and social considerations to maintain the competitive edge. BPC has been carrying out series of social, environmental and economic development activities in and around its project areas and plan to continue them in future in a sustainable way in collaboration with the various stakeholder in the project areas to ensure continuity of business.**

Sustainability is the long-term and multi-dimensional concept comprising of environmental, economic, and social dimensions. It encompasses the concept of stewardship and the responsible management of resources. Key prerequisites to attain sustainability in a development projects are peace, security and social justice. Social disruptions like war, crime and corruption divert resources from areas of critical human needs, damage the capacity of societies to plan for the future, and generally threaten human well-being and the environment.

BPC is certified with three ISO standards: 9001:2015 Quality, 14001:2015 Environment and 18001:2007 Occupational Health and Safety (OHSAS). This is the good evidence of its administrative values, quality service delivery and its commitments to the social and environment. BPC has been awarded numerous other credentials that reflect its commitments to quality, environment and occupational health and safety- International Quality Crown (IQC) Award by Business Initiative Directions, Spain, in the Gold Category is also a good example of this. This award was given based on IQC regulations and on the criteria of the QC 100 Total Quality Management Model. Similarly, BPC has been rewarded with National Best Presented Accounts (BPA) Award in the category of General Sector for excellence in the presentation of financial statement and annual report by the Institute of Chartered Accountants of Nepal (ICAN) for 11 years.

## Social Responsibility Initiatives

BPC is sensitive for the excellent social performance and situation for the peoples of the project area. It conducts Social Impact Assessment (SIA) study to set the socio-economic baseline before implementation of its projects, which helps in identifying impacts and recommending mitigation social development activities in its project area. To keep excellent social performance of the people of its project areas, JHC and AHC have been implementing Social Upliftment Program (SUP) by mobilizing resources in the field of social, environmental and economic development. Further, awareness programs and capacity building trainings programs have been carried out to enhance skills and knowledge enabling communities to initiate new economic activities. As a result, BPC is confident that these endeavour will improve the quality of life of the people and improve their economic condition which will ultimately help in sustainability of the project development. In recognition of company's excellence in mitigating the environmental and social impacts from Andhikhola Hydropower Plant and producing environment friendly hydropower, BPC was rewarded with 'International Blue Planet Award 2005' from International Hydropower Association, UK.

## Environmental Relative Initiatives

BPC is sensitive to the environmental concerns in its project area. BPC has always kept conservation and protection of environmental resources as one of its key strategy while carrying out its business. BPC, not only provides electricity through its generation project but also focuses on green energy and sustainable development. BPC built its Corporate Office Building based on principles of the Green Building, which is a holistic approach that addresses concerns of environment protection, resource conservation and energy efficiency ensuring the highest level of use of renewable energy and healthy indoor environmental quality. As part of the environmental development program, BPC has planted trees and taking care of trees in the premises of office building and Dhobikhola corridor/periphery areas adjacent to office building. The main objective of the program is to develop greenery and to protect environment of the area. For the protection of environment BPC has prepared waste management process guideline and implemented at Head office and all sites. Regular maintenance of power plants, diesel generator and vehicles have been timely done to control the pollution. During the construction and modification of transmission line, the responsibility of tree cutting lies with local community and BPC facilitates the community for new plantation. BPC has been contributing to environmental causes as per legal requirements such as IEE & EIA studies of the projects prior construction.

## Environmental and Social Obligations

In its pursuit of excellence in environmental management towards sustainable business development, BPC continues to be committed to develop and implement Environmental Management System (EMS) throughout the company to measure, control and reduce the environmental impact. BPC is fully compliant with various environmental protection and health and safety laws and regulations. In its constant endeavour to be fully compliant with all regulatory standards, BPC has instituted a compliance management system, which ensures that the Company is in full compliance to all applicable legal requirements. Prior to the implementation of new projects the potential environmental impacts are assessed. The environment impact assessment and risk analysis are performed for all new and major expansion projects and necessary measures are incorporated to mitigate adverse environmental impacts at the planning stage of project.

BPC is very much concerned in environmental and social obligations in hydropower development. Similarly, BPC takes initiation for the conduction of EIA and IEE for its any development projects and always follow Environmental Protection Act, 1997 and Environmental Protection Rules, 1997 and its amendments. The company is also committed to CSR and takes care to address the societal, environmental and stakeholders concerns while carrying out its business. We have voluntarily taken steps to improve the quality of life of local communities where we do business. Before launching any programs/projects, BPC conducts SIA study to know the socio-economic baseline, its impacts and to recommend mitigation measures in the area. BPC has also followed all the relevant government rules and regulations in context of the hydropower development.

The projects have always encouraged the local people for the project jobs and opportunities. About 70% local people are still getting employment opportunity in the AHC and JHC.

## Integrated Reporting

BPC is certified with three ISO standards. Quality, Environmental and Occupational Health and Safety Management System (QEHMS) are established, implemented and maintained in accordance with the requirements of QMS 9001:2015, EMS 14001:2015 and OHSAS 18001:2007 standards. Its integrated form has been termed as Integrated Management System (IMS). Based on the IMS, organization's reporting system has been developed and it controls quality of reporting system. It also assures for the timely availability of internal and external resources for uninterrupted supply of power to the local consumer and national grid to the complete satisfaction. The continual improvement of IMS is being checked by the internal and external audits. Likewise, the continual improvement of IMS is being ensured in the management review meetings, with the review of the improvement requirements in the company processes on continued terms.

Previous Management Review Meeting (MRM) was held on 21st July, 2020 and discussed on follow-up actions, reviewed quality, HSE policies, IMS audit, customers relation; status of safety and security, risk management, business performance and areas of improvement.

# Human Resource Accounting Information

## Human Capital:

BPC's total number of employees at the end of the FY 2076/77 was193 as mentioned below:

| Year | Manager Level Employees (Nos.) | Other Employees (Nos.) |
|---|---|---|
| 2076/77 | 19 | 174 |

The human capital for 5 years has been mentioned below:

| Fiscal Year | Number of employee | | | Employee Turnover | Number of training provided |
|---|---|---|---|---|---|
| | Regular | Contract | Total | | |
| 2076/77 | 163 | 30 | 193 | 4 | 9 |
| 2075/76 | 173 | 29 | 202 | 32 | 20 |
| 2074/75 | 203 | 21 | 224 | 7 | 24 |
| 2073/74 | 212 | 17 | 229 | 4 | 13 |
| 2072/73 | 212 | 29 | 241 | 9 | 9 |

The Collective Bargaining Agreement (CBA) has been signed with the Trade Union on Ashwin 10, 2076 which remains valid till the end of the Ashadh, 2078.

## Human Resource Accounting (HRA) information:

HRA is a process of identification, collection and analysis of information about human resources which assists management to plan, implement and monitor the Company's human resource related activities in line with the Company's Vision and Goals.

In addition to optimum placement and use of human resources, HRA also plays an important role in making suitable personnel policies about carrier growth, working environment, job satisfaction of employees. HRA is also a tool for the management to ensure equitable welfare and high morale and motivations in the work force. Human resource development activities including identification of suitable training and exposure are also greatly facilitated by HRA.

Cleaning service, security guards, mess, canteen and some meter reading services are out- sourced. The number of employees counts 208 including short-term and part-time contract at the end of FY 2076/77 as mentioned below:

### A. Cadre-wise Human Resources

| Cadre | Cadre- Wise | Gender- wise (Female) | Gender- wise (Male) | Technical | Non- technical |
|---|---|---|---|---|---|
| Management | 19 | 1 | 18 | 10 | 10 |
| Officer | 17 | 1 | 16 | 5 | 12 |
| Assistant | 172 | 20 | 152 | 87 | 84 |
| **Total** | **208** | **22** | **186** | **102** | **106** |

### B. As per Labor Act, 2074 - Classification of employee,

| Year | Regular | Time- based | Job- based | Part- time | Total |
|---|---|---|---|---|---|
| 2076/77 | 163 | 30 | 9 | 6 | 208 |

### C. Skill Development

HR undergoes incessant enrichment of skill and competency through various trainings and workshops. The competency of employees made a strong foundation of the company to grow on. Nine different events including trainings, workshops and seminars were attended and actively participated during FY 2076/77 for capacity building, professional growth and motivation of the employees. 69 employees participated various trainings like Contemporary Issues of Accounting Profession; Artificial Conference for Transforming Business and Society; HR and Admin Skill; Bank Reconciliations and Petty Cash Management; Disaster Risk Management for Hydropower, Emergency Action Plan and Dam Beach Simulation; Diploma in International Financial Reporting Standards (IFRS); Training Need Assessment; Training Program on Traffic Awareness (Health & Safety); and Art of Living Holistic Wellbeing Program (Motivational). These trainings imparted the knowledge to the participants in finance, banking, cash management, gap analysis, disaster management and emergency action plan, safety and security and motivation.

In addition, top management has attended various national and international Conferences, workshops and seminars related to Energy sector, Economics and Finance via virtual/remote mode.

# Value Added Statement

The VA statement is a financial statement which shows how much value (wealth) has been created by an enterprise through utilization of its capacity, capital, manpower and other resources and allocated to stakeholders. It indicates how the benefits of the efforts of an enterprise are shared between employees, providers of finance, the state and towards the replacement and expansion.

| Particulars | Asadh 31, 2077 | | Asadh 32, 2076 | |
|---|---|---|---|---|
| | In NPR | % | In NPR | % |
| **Revenue from Sales of electricity and services provided** | **686,706,569** | **49.32%** | **683,077,756** | **50.53%** |
| Less: cost of bought in materials and services | | | | |
| Operating cost | 94,185,131 | 6.76% | 104,169,925 | 7.71% |
| **Value added by revenue from sales and services of electricity** | **592,521,438** | **42.56%** | **578,907,831** | **42.82%** |
| Add: Other income including dividend income | | | | |
| Dividend Income | 744,120,794 | 53.44% | 578,954,023 | 42.83% |
| Finance Income | 24,253,988 | 1.74% | 151,539,902 | 11.21% |
| Other Income | 31,445,751 | 2.26% | 42,435,995 | 3.14% |
| **Available for Application** | **1,392,341,971** | **100.00%** | **1,351,837,751** | **100.00%** |
| **Application of Value Added** | | | | |
| **To pay Employees** | | | | |
| Wages, salaries and other benefits | 191,709,187 | 13.77% | 252,176,798 | 18.65% |
| **To pay Government** | | | | |
| Corporate Tax | 141,725,178 | 10.18% | 154,401,193 | 11.42% |
| **To pay Financers** | | | | |
| Interest on borrowings | 31,995,706 | 2.30% | 41,627,741 | 3.08% |
| Dividends | 683,355,512 | 49.08% | 621,228,160 | 45.95% |
| **To provide for the maintenance and expansion of the Company** | | | | |
| Depreciation | 101,552,923 | 7.29% | 103,594,115 | 7.66% |
| Deferred tax credit accounts | (52,226,957) | -3.75% | 37,872,378 | 2.80% |
| Retained profit | 47,928,580 | 3.44% | 139,107,196 | 10.29% |
| Provision for impairment loss | 246,301,842 | 17.69% | 1,830,170 | 0.14% |
| **Total Application** | **1,392,341,971** | **100.00%** | **1,351,837,751** | **100.00%** |

## Highlights:

- Net Earnings Per Employee is NPR 3.79 million
- Gross Earnings Per Employee is NPR 1.67 million
- Sales Per Employee is NPR 3.56 million
- Value Added per Employee is NPR 7.21 million

## Analysis:

1. **Payment to Employees:** 13.77% of the total value added amount has been used to pay employees during FY 2076/77, which is 23.98% less in comparison to the previous year. Such decrease is due to implementation of Mutually Agreed Retirement Scheme (MARS) to the employees in FY 2075/76.

2. **Payment to Government:** 10.18% of the total value added amount has been paid to government during FY 2076/77, which is 8.21% less in comparison to the previous year. The decrease is mainly due to reduction in profit.

3. **Payment to Financers:** 2.30% of the total value added amount has been paid to lenders during FY 2076/77, which is 23.14% less in comparison to the previous year. The decrease is due to reduction in borrowings.

   Similarly, 49.08% of the total value added amount has been paid to shareholders as dividend during FY 2076/77, which is 10% more in comparison to the previous year. The increase is due to increase in paid up capital.

4. **Retained in company for the maintenance and expansion:** 24.67% of the total value added amount comprising depreciation, deferred tax, and provision for impairment loss and balance profit retained in the company during FY 2076/77, which is 21.65% more in comparison to the previous year. The increase is mainly due to significant increase in provision for impairment loss and in deferred tax credit due to significant decrease in fair value assessment of investment in shares of Himal Power Limited.

# BPC Subsidiaries

NHP: Underground Settling Basin

# Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL), a SPV of BPC as majority shareholder, has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project (NHP).

After the issuance of generation license from Ministry of Energy, Power Purchase Agreement (PPA) was signed with NEA; Facility Agreement was signed with Nepalese Consortium of Banks on Magh 20, 2072 for providing NRP 440 crores of loans to the project. Everest Bank Limited is the lead bank of the Consortium banks. Majority of equity has been injected by BPC as a major equity holder. Contract Agreement was signed with EPC contractor for Civil, Hydro-mechanical and E/M works. The project is connected from Beshisahar to Manang road by construction of bridge over Marshyangdi river and access road from Thakanbeshi to project powerhouse site. All sites of project components have been connected by road internally. All these roads and a bridge over Marshyangdi river were constructed by NHP. The IEE study for the NHP was completed and approved from the Ministry of Energy on Bhadra 21, 2068. EIA study of 7 km long transmission line has also been approved by Ministry of Population and Environment (MoPE). Project construction at site was started on 23rd March, 2017.

Currently, the contractor has almost completed all underground works, powerhouse, penstock, headworks and river protection works. Installations of electromechanical equipment, remaining works of headworks, Siuri water pumping arrangements and transmission line construction are ongoing now.

The project is nearing completion stage and expected to achieve its commercial operation by March, 2021. If there has been no COVID -19 pandemic effects all over the world and if no additional arrangement for power evacuation had to be made, NHP would have come into commercial operation already.

*NHP: Weir Site*

The connection point for the project is Tarikuna 220 kV substation which is 7 km away from the powerhouse of NHP. However, due to delay in the construction of Marshyangdi Corridor 220 Transmission Line by NEA, an alternate arrangement of power evacuation is being made by constructing 3 km additional 132 kV line by the project.

NHL has already initiated for initial public offering (IPO) of shares to the general public including project-affected locals. IPO is expected to complete by March, 2021.

## PROJECT FACT SHEET

**Project Type:** Run-of-River (RoR) type
**Project Location:** Lamjung District, Marshyangdi Rural Municipality -6, Near Thulobeshi village and Naiche village
**Installed Capacity:** 30 MW
**Annual Energy Generation:** 168.5 GWh
**Design Discharge:** 11.08 Cumec at Q40
**Gross head:** 334.40 m
**Head Race Tunnel:** 3,840 m
**Power Evacuation:** Inter-connection will be made to the Marshyangdi Corridor Transmission line under construction by NEA at Khudi Hub.
**Access to site:** The site can be reached within 6 hours drive from Kathmandu.
**Powerhouse site:** At Thulobeshi village, 4 km away from Thakanbeshi point at Besisahar-Chame Road.
**Headworks site:** 5 km away from Power house.

# Kabeli Energy Limited

Kabeli Energy Limited has been established to execute the Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis. The project is located between elevations 400 m and 600 m above mean sea level in Panchthar and Taplejung districts, in the eastern part of Nepal. The project area is accessible through Mechi Highway. The headwork and powerhouse work sites are accessible by 8 km and 16 km long access roads from respective Mechi Highway points.

This project is a daily pondage run-of-river type with installed capacity of 37.6 MW and will generate 205.15 GWh energy annually. It utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharge into Tamor River after power generation. The gross head of the project is 116.8 m and the design discharge based on 40% flow in the river is 37.73 $m^3/s$.

Project Development Agreement with GoN was signed in January, 2010 and amended in 2013. All necessary preparation and clearances before commencing the construction including completion of updated Feasibility study and IEE and its approval by GoN, signing of PPA with NEA, purchase of required private land and lease approval of forest lands from government have been completed. In lieu of 1.316 hectares of permanently leased forest land, equal land has been compensated to concerned District Forest Offices of Panchthar and Taplejung. Similarly, major construction contracts in Civil and Hydro-mechanical package as well as electro-mechanical package are signed.

*KEL: Portal of Access tunnel*

## PROJECT FACT SHEET

**Project type:** Peaking Run of-river (PRoR)
**Project Location:**
**Headworks site:** Lies in Dhuseni area of Hiliang-1 Rural Municipality of Panchthar on the left bank and Yangwarak-2 Rural Municipality of Taplejung.
**Powerhouse site:** lies in Pinase Hiliang-2 Rural Municipality of Panchthar District.
**Installed Capacity:** 37.6 MW
**Annual energy generation:** 205.15 GWh
**Design discharge:** 37.73 $m^3$/sec at Q40
**Gross Head:** 116.8 m
**Head Race Tunnel:** 4,327 m
**Power Evacuation:** Power evacuation from switchyard of KAHEP
**Access to site:** The project area is about 800 km away from Kathmandu.
**Headwork's site:** 8 km from Mechi highway
**Powerhouse site:** 16 km from Mechi highway

Civil and Hydro-mechanical Contractor is already mobilized at site and progressing the related construction works. Contractor already has setup Crusher, batching plant and laboratory to expedite the construction works. The contractor has started the excavation of the Head Race Tunnel and has completed excavation of 1000 m. approximately by the end of FY. Contractor's Camp at Powerhouse and Headwork's site is completed. The area grading and the slope protection works as well as preparation work for the permanent housing is in progress at the power house location.

Debt financing of the project is arranged from World Bank (through Hydroelectricity Investment and Development Company Limited (HIDCL) and International Finance Corporation (IFC). NIC Asia Bank Limited has been appointed local transaction bank and Security Agent for such loans. Master Security, Accounts and Inter-creditor Agreements have been signed. M/s Fitchner GmBH has been appointed as Lender's Engineer and AECOM, India has been appointed as Independent Environment and Social Consultant (IESC) as per lender's requirement.

# Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited (NHE) is a subsidiary of BPC.  It was established in 2042 B.S. and current shareholding structure are BPC 51.3%, IKN Industrial AS, Norway (IKNI) 46.9%, Butwal Technical Institute 1.1% and Himal Hydro & General Construction Ltd. 0.7%.

NHE's capabilities include design, manufacturing, installation, testing and commissioning of heavy penstock pipe, hydraulic gate, trashrack, stoplog, micro and mini-hydro turbines, housing and casing of medium size turbines, HV substations, galvanised steel telescopic pole and heavy steel bridge. Repairing of all the equipment mentioned above, inclusive of transformers up to 30 MVA 132kV, 11kV HV Generators and Motors.

NHE's major Hydropower project accomplishments are Lower Mai (2.4 MW), Khudi (4 MW), Siuri (5 MW), Andhikhola (9.4 MW, upgrading), Siprin (9.6 MW), Jhimruk (12 MW), Puwakhola (6.2 MW); Modi (14 MW), Chilime (20 MW), Khimti-I (60 MW), Middle Marshyangdi (70 MW), Kali Gandaki 'A' (144 MW) Hydropower Plant.

In addition to accomplishment of major EPC high voltage substation contracts (132 kV  and 66 kV) for NEA are 30 MVA Chandranigahpur substation, 2x45 MVA Parwanipur substation, 63 MVA Yogikuti substation Butwal, 2 x30 MVA Butwal–Kohalpur Substations, 7x 16.6 MVA, XLPE Cable laying and GIS at Chapali Substation Augmentation Kathmandu Projects, Kohalpur-Mahendranagar 132 kV 2nd Circuit Transmission Line Project (6 substations, contract amount NPR 820 million); 132 kV Grid Substation Reinforcement Project (8 substations, contract amount NPR 660 million), Kulekhani-I Hydro power Station (contract amount NPR 70 million).

NHE has been awarded NEA Projects as:

- 132 kV Purbi-Chitwan Substation Project;
- Kirtipur 132kV Substation under Dordi Corridor Project; and
- 33/ 11kV Rehabilitation Projects.

Other major ongoing Projects are Sanjen (14.5 MW, Upper) and Sanjen Projects (42.5 MW) HM Equipment works & Mistri Khola (42 MW) HEP.

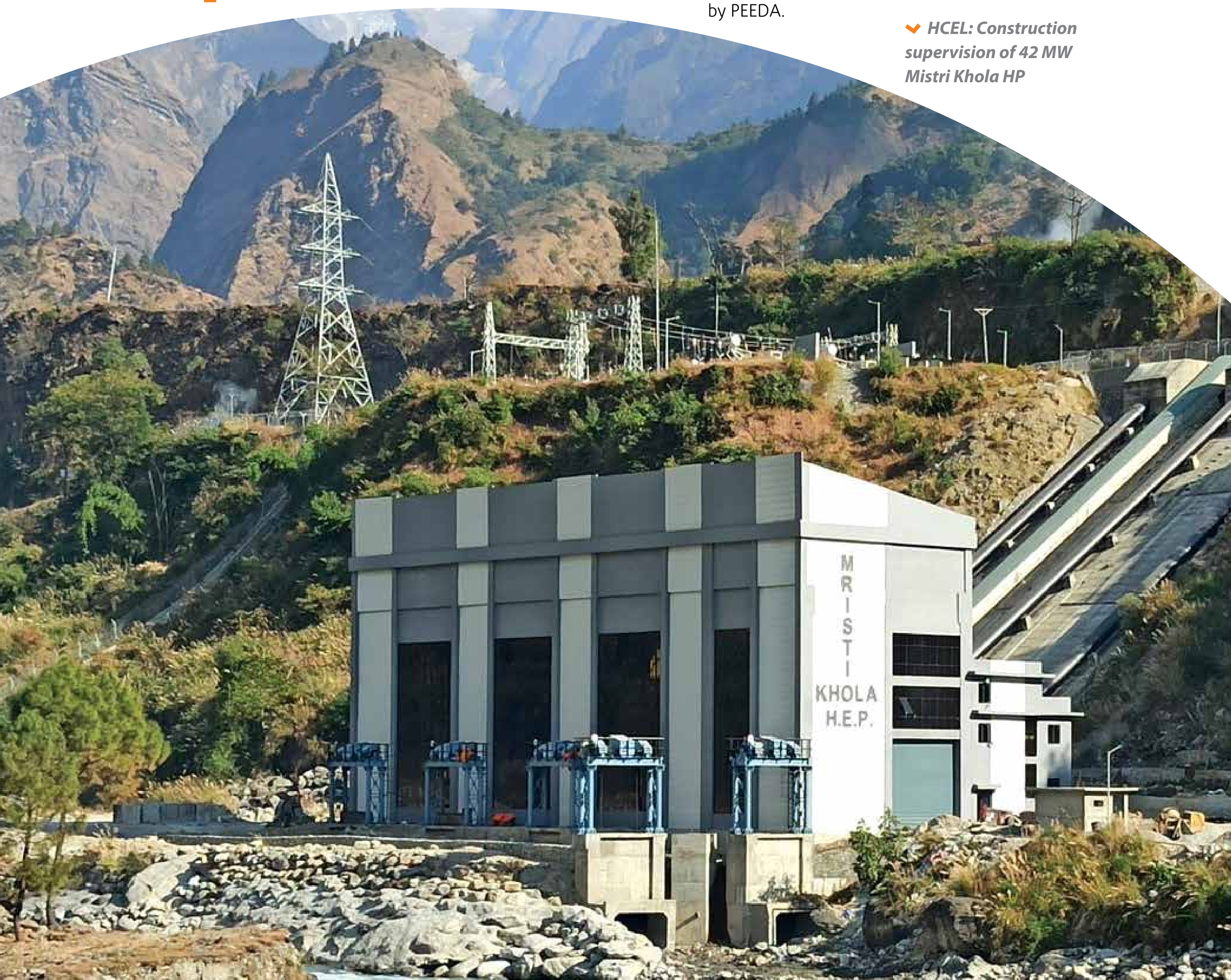


*NHE: Workshop*

# Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE) provides engineering consulting services specialized in water resource based infrastructure development. It offers value and services in engineering solutions. It emphasizes on quality, cost effective solutions, optimization of available resources with continual interaction with the clients. It works with water, land and people while respecting the local socio-ecological systems. HCE investigate, design and assist to develop hydropower projects in Nepal and abroad. HCE offers services in transmissions, water supply, irrigation, and transportation sectors as well.

HCE initially was established as a consulting and engineering business of BPC in 1966. In 2009, Engineering Department of BPC was established as an independent entity; Hydro Consult Private Limited (HCPL), by acquiring major shares in an existing form that was being run by People Energy and Environment Development Association (PEEDA). BPC, along with its ongoing consulting business; transferred goodwill, technical data and reports including intellectual property, staff and assets of Engineering Department (BPC Hydro-consult) to HCE. HCE was transformed into public limited on 18th September, 2012; renowned as the first engineering consulting firm registered as public limited company in Nepal. At present, BPC holds 80% share of HCE and 20% share is held by PEEDA.




***HCEL: Construction supervision of 42 MW Mistri Khola HP***

HCEL: Construction supervision of Solu Khola (Dudhkoshi) HPP 86 MW Intake & Settling Basin

Presently, HCE is recognized for its quality and stands among the best consulting company in the hydropower sector of Nepal. The Consultant has three decade long experience of undertaking the pre-feasibility, feasibility, detail design, construction supervision, project management, environmental and social studies and engineering services in post operation of hydropower projects.

HCE has continued to provide international and national engineering consultancy services in FY 2076/77 paying attention to end with successful business results even in this difficult and turbulent situation of the COVID-19 pandemic. The contract for Project Management and Construction Supervision of Orio Mini Hydropower Project is ongoing in Uganda. Besides, HCE is carrying out Feasibility Study of Gabral Kalam (110 MW) and Kari Muskhur (446 MW) HPP in Pakistan as a foreign partner of the joint venture with AGES Consultants (A Local Consultant), Dolsar Engineering Inc. Co. Turkey, in association with other local consulting firms.

In FY 2076/77, the Company has completed Feasibility Study and EIA of Naurigad HP (4 MW), Bheri Khola HP (4.1 MW), Kwadi Khola HP (30 MW), Sankhuwa khola-HEP (41.06 MW) and Sankhuwa khola-I HEP (40.82 MW) for DoED. Similarly, Pre-Feasibility Study of Mugu Karnali HEP (Phase-1) (160 MW), Feasibility Study of Mistri Khola–2 (12 MW), Due Diligence Appraisal of Buku Kapti HPP (5 MW), Super Drodi Kha HP, Chepe Khola HP, Sangu (Sarun) Khola HP, Super Nyadi HP, Ishuwa Khola HP, Upper Nyasim Khola HP and Study of Khimti-II HPP Tailrace tapping by Khimti-I HPP are few examples of the projects completed for the Independent Power Producers (IPPs).

Currently, the company is carrying out the major projects such as; Detail Engineering Design of Bhotekoshi V (62 MW), Detail Engineering Design and Tender document preparation of Seti Nadi HEP (25 MW), Landruk Modi HEP (86 MW), Upper Tadi (11 MW), Palun Khola (21 MW); and Feasibility Review, Detail Engineering Design and tender document preparation of Hidi Khola (6.82 MW), Detail Engineering Design and Tender document preparation Upper Rahughat (48.5 MW), Rahugat Mangale (37 MW) and Mewa Khola (50 MW) HP.

In addition, HCE is in the project management and construction supervision of Solukhola-Dudhkhoshi (86 MW), Mistri Khola (42 MW), Nyadi (30 MW), Seti Khola HEP (25 MW) and Ghar Khola (14 MW) Hydropower Project. HCE is able to earn net profit of NPR 31.19 million resulting earning per share NPR 211.83 and net worth amounting to NPR 146.43 million as on 15th July, 2020.

# Khudi Hydropower Limited

Khudi Hydropower Limited (KHL) owns and operates the 4 MW run-of-river type Khudi Power Plant, which began its commercial operation in FY 2063/64. BPC is the major shareholder of KHL. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada. Power generated from the plant is supplied to the national grid connected to the Integrated Nepal Power System (INPS) in accordance with the PPA signed with NEA.

The Khudi River is itself unpredictable, with occurrence of frequent boulder laden flash floods during monsoon containing a huge quantity of sediment. Occurrence of high floods have been recorded previously, damaging various project structures. High silt content during monsoon season is the major cause for severe erosion of turbine parts. This has enforced to shut down the plant during flood as the river water is turbid with high sediment content. The erosion of turbine parts also reduces turbine efficiency and increases maintenance duration and cost. As a preventive measure, the power plant has been shut-down mostly during the high floods since the water is very turbid with high sediment content during these times.

## PROJECT FACT SHEET:

**Project type:** *Run-of- River (RoR) type*

**Project Location:**

**Head Work site:** *Lamjung district, Ghanapokhara VDC, located on the left bank of Khudi River.*

**Power House site:** *Lamjung district, Simpani VDC, located on the right bank of Khudi River.*

**Installed Capacity:** *4.00 MW*

**Annual energy generation:** *24,284 MWh*

**Design discharge:** *4.9 $m^3/s$*

**Gross Head:** *103 m*

**Intake and Penstock:** *A side intake, just upstream of the diversion weir placed across the river, diverts the flow into the approach canal which conveys the flow from intake to settling basin. From the settling basin, the flow enters into the 2,471 m long headrace pressurized pipe.*

**Power Evacuation:** *The generated power is evacuated through 14 km long 33 kV transmission line and is connected to the INPS at Udipur Sub-Station of NEA.*

**Access to site:**

**Powerhouse site-** *within 5 hours drive from Kathmandu and is 9 km away from Besisahar, the District Head Quarter of Lamjung District.*

**Headworks Site:** *2.5 km away from Power house.*

***Khudi HP Substation***

The overall performance of the company has satisfactory this year. Operation has focused on timely repair/maintenance, river training work and flood monitoring during the monsoon season and cost minimization. The company recorded revenue of NPR 96.1 million in FY 2075/76 with 6.1% increase from previous year. The company earned a net profit of NPR 26.75 million with decrease of 3.4% in comparison to previous year. The decrease is mainly due to the major repair works.

A great care has given to share the benefits of the project with the local community. Various mitigation activities have continuously been carried out to enhance the community relations and protect public interests. KHL has been directly involved in supporting various programs related to health, education, technical training, village development etc.

# BPC Services Limited

BPC Services Limited (BPCSL), a subsidiary company of BPC established in 2006, is a pioneer in providing quality services for Operation and Maintenance Management of Power Plant, Distribution and Transmission system in Nepal.

BPCSL had provided Operation and Maintenance Management (OMM) Services to IPP power plants in the past and is currently seeking for such opportunities in the market. Moreover, BPCSL has been providing competent technical experts in hydropower projects as well as in social and environmental mitigation program implemented by IPPs.

The company has also been aiming to take the existing power plants (below 5 MW) on lease for operation and maintenance, apprise the banks and financial institutions of the importance of operation and maintenance management of the power plant and make strategic relations with them.

BPCSL's incurred a net profit of NPR 0.82 million after tax in the FY 2076/77. The net worth of BPCSL as on 15th July, 2020 stands at NPR 15.80 million.

Nepal has enormous hydropower potential which has yet to be harnessed. There are extensive plans to develop this sector, for which the Government of Nepal (GoN) and Independent Power Producers (IPPs) are working together for more effective results. The development of this sector has necessitated the dire need of expertise for successful operation and maintenance (O&M) of the power plants for sustainability and yielding the desired return on investment. This creates a good market opportunity for the company which can provide operation and maintenance services to hydropower plants. BPCSL has acquired sound experience and excellent expertise in O & M of hydropower plants and is the only of its kind in the nation that has the competency of providing similar services to upcoming projects of any capacity. BPCSL has been aiming to capture such market opportunity and be in a position to cater their needs from the construction to testing & commissioning and OMM.

As an OMM Service provider, BPCSL has also been involved in preparing and implementing different social development and environmental mitigation activities in the vicinity of hydropower project. This has eased the clients for planning and implementing different mitigation activities around the project areas. BPCSL has been actively coordinating, participating and assisting in the implementation of various CSR activities for its clients.

***BPCSL: Maintenance Team***

# Five Year Financial Summary

## Five Year Summary of Statement of Financial Position

(In Thousands NPR)

| Particulars | 2072/73 2015/16 (Restated) | 2073/74 2016/17 | 2074/75 2017/18 | 2075/76 2018/19 | 2076/77 2019/20 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | **4,699,565** | **4,953,923** | **5,391,087** | **7,024,001** | **6,525,094** |
| Property, Plant and Equipment | 298,544 | 360,154 | 358,484 | 338,771 | 315,804 |
| Project Work in Progress | 163,939 | 175,321 | 206,563 | 221,267 | 266,393 |
| Intangible Assets | 1,978,387 | 1,961,694 | 1,954,317 | 1,927,473 | 1,871,187 |
| Capital Work in Progress | 41,865 | 3,140 | 2,382 | 534 | 1,922 |
| Investment in Shares | 2,213,367 | 2,447,419 | 2,866,934 | 4,530,307 | 4,068,461 |
| Other Non-current Assets | 3,465 | 6,195 | 2,407 | 5,649 | 1,326 |
| | | | | | |
| **Current Assets:** | **515,191** | **415,410** | **2,294,505** | **925,269** | **1,341,192** |
| Inventories | 52,071 | 60,111 | 44,986 | 42,779 | 54,037 |
| Trade Receivables | 87,468 | 83,406 | 88,266 | 98,680 | 73,332 |
| Cash & Bank Balance | 65,756 | 66,276 | 613,202 | 347,103 | 89,688 |
| Other Financial Assets | 225,866 | 120,406 | 1,469,544 | 373,396 | 1,104,441 |
| Other Current Assets | 12,325 | 10,906 | 10,557 | 18,921 | 11,305 |
| Current Tax Assets (Net) | 71,705 | 74,305 | 67,950 | 44,390 | 8,389 |
| Assets Held for Sale | - | - | - | - | - |
| **Total** | **5,214,756** | **5,369,333** | **7,685,592** | **7,949,270** | **7,866,285** |
| | | | | | |
| **EQUITY & LIABILITIES:** | | | | | |
| **Equity** | **3,977,850** | **4,392,459** | **6,510,197** | **6,901,281** | **7,029,047** |
| Equity Share Capital | 1,673,223 | 1,810,572 | 2,218,672 | 2,440,555 | 2,683,882 |
| Other Equity | 2,304,627 | 2,581,887 | 4,291,525 | 4,460,726 | 4,345,165 |
| | | | | | |
| **Non-Current Liabilities** | **880,304** | **693,506** | **860,777** | **810,570** | **629,774** |
| Grant Aid in Reserve | 202,171 | 202,344 | 208,575 | 202,660 | 195,809 |
| Borrowings | 580,290 | 368,483 | 328,271 | 233,520 | 159,134 |
| Other Financial Liabilities | 4,192 | - | - | - | |
| Provisions | 16,812 | 15,126 | 10,034 | 10,939 | 17,526 |
| Deferred Tax Liabilities | 50,785 | 83,748 | 291,433 | 339,337 | 232,613 |
| Other Non-Current Liabilities | 26,055 | 23,806 | 22,464 | 24,114 | 24,692 |
| | | | | | |
| **Current Liabilities** | **356,603** | **283,368** | **314,618** | **237,419** | **207,465** |
| Borrowings | 236,885 | 98,546 | 161,155 | 94,989 | 82,764 |
| Trade Payables | 31,519 | 72,431 | 28,027 | 25,507 | 20,832 |

| Particulars | 2072/73 2015/16 (Restated) | 2073/74 2016/17 | 2074/75 2017/18 | 2075/76 2018/19 | 2076/77 2019/20 |
|---|---|---|---|---|---|
| Other Financial Liabilities | 30,916 | 36,741 | 29,812 | 38,242 | 22,443 |
| Provisions | 1,877 | 1,666 | 777 | 1,460 | 2,033 |
| Other Current Liabilities | 55,406 | 73,984 | 94,847 | 77,221 | 79,393 |
| | - | - | - | - | |
| **Total** | **5,214,756** | **5,369,333** | **7,685,592** | **7,949,270** | **7,866,285** |

## FIVE YEAR SUMMARY OF STATEMENT OF PROFIT & LOSS

(In Thousands NPR)

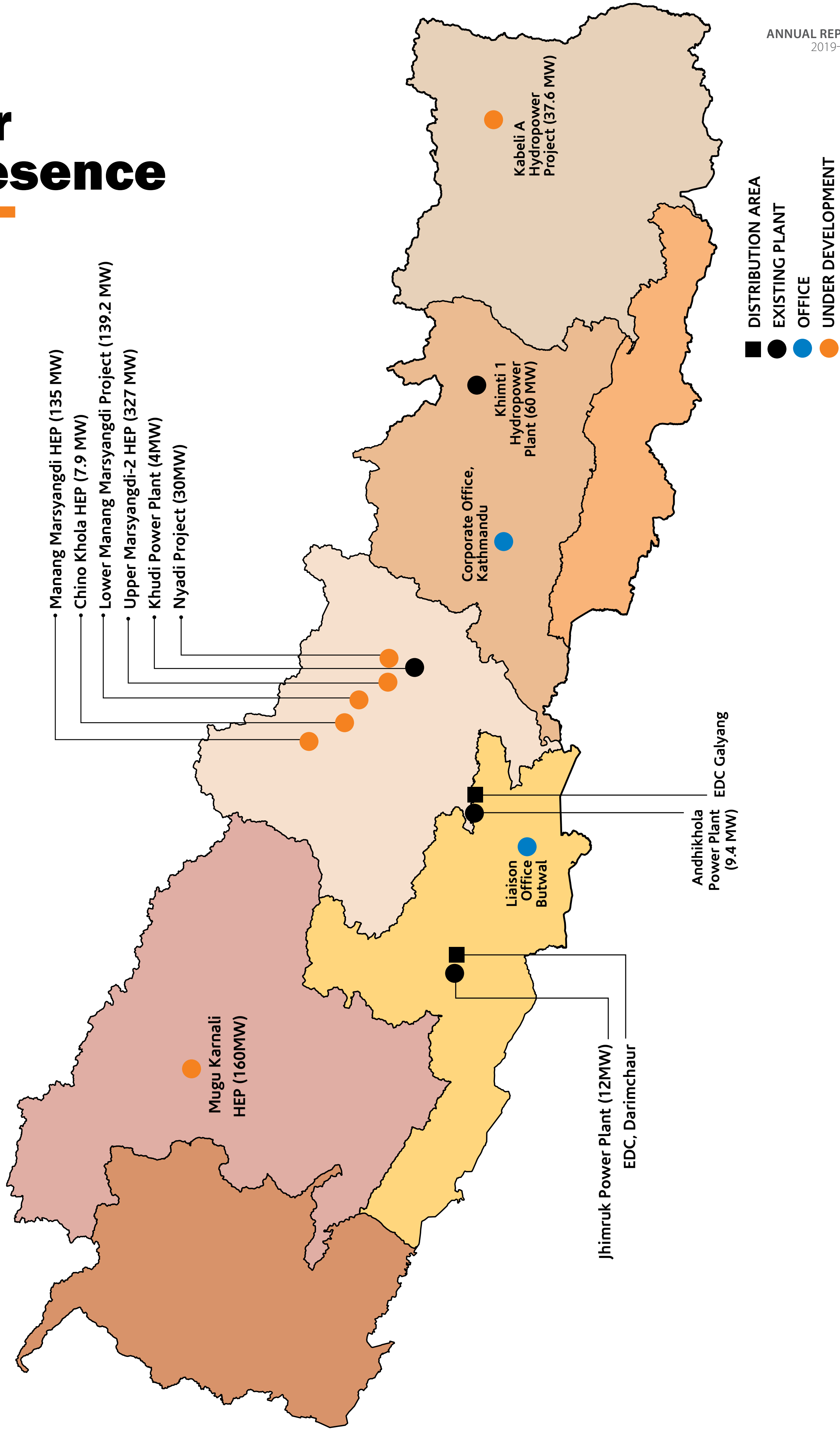
| Particulars | 2072/73 2015/16 | 2073/74 2016/17 | 2074/75 2017/18 | 2075/76 2018/19 | 2076/77 2019/20 |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| **Operating Income** | | | | | |
| Electricity Sale to NEA | 460,333 | 478,869 | 477,098 | 486,830 | 483,838 |
| Electricity Sale to Consumers | 125,291 | 173,854 | 177,401 | 187,203 | 195,137 |
| Electricity Services | 9,956 | 10,149 | 11,868 | 9,045 | 7,732 |
| **Total Operating Income** | **595,580** | **662,872** | **666,367** | **683,078** | **686,707** |
| **Income from Other Sources** | | | | | |
| Financial Income | 14,949 | 8,964 | 92,597 | 151,540 | 24,254 |
| Dividend Income | 531,768 | 556,964 | 512,267 | 578,954 | 744,121 |
| Gain (Loss) on Disposal of Assets & Stock Materials | 2,781 | 2,647 | 760 | 6,571 | 147 |
| Depreciation Being Revenue Portion of Grant Aid | 6,651 | 6,930 | 7,183 | 7,681 | 7,747 |
| Other Income Including Forex gain/loss | 15,983 | 22,178 | 38,931 | 28,184 | 23,551 |
| **Total Non- Operating Income** | **572,132** | **597,683** | **651,738** | **772,930** | **799,828** |
| **Total Income** | **1,167,712** | **1,260,555** | **1,318,105** | **1,456,008** | **1,486,527** |
| | | | | | |
| **EXPENDITURE** | | | | | |
| Generation Expenses | 252,315 | 282,948 | 263,259 | 266,312 | 245,690 |
| Distribution Expenses | 90,497 | 97,270 | 110,855 | 137,045 | 119,405 |
| Administrative Expenses | 114,928 | 121,502 | 126,150 | 164,256 | 123,339 |
| Impairment Loss in Investment | 725 | (1,073) | 2,244 | 1,830 | 246,302 |
| Finance Costs | 80,751 | 73,855 | 65,393 | 41,628 | 31,996 |
| **Total Expenditure** | **539,216** | **574,502** | **567,901** | **611,071** | **766,732** |
| **Net Profit Before Tax** | **628,496** | **686,053** | **750,204** | **844,937** | **719,795** |
| Current Tax Provision | - | - | 19,318 | 46,730 | (40,738) |
| Deferred Tax Expenses | 9,067 | 18,031 | 28,623 | 37,872 | 52,227 |
| **Net Profit After Tax** | **619,429** | **668,022** | **702,263** | **760,335** | **731,284** |

# Certification

BPC is certified with ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) recognized by the Certification Body, DNV GL (Det Norske Veritas), India.

BPC has been awarded for its best managed company in hydropower sector and received national best presented annual report award for 11 years from ICAN.  BPC is committed to operational excellence and believes in good governance, corporate citizenship and creating value for stakeholders.

# Our Presence



Jhimruk: Headworks

BUTWAL POWER COMPANY LIMITED

# Financial Statements 2019-2020

# CSC & Co.
Chartered Accountants

Mahamati Bhawan
175,Gairidhara Marg, Gairidhara
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## Independent Auditor's Report

### TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LIMITED

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

**OPINION**

We have audited the accompanying financial statements of Butwal Power Company Limited ("the Company" or "BPCL"), which comprise the statement of financial position as at Ashad 31, 2077 (15th July 2020), the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as on 15th July 2020, and its financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards (NFRS).

**BASIS FOR OPINION**

We conducted our audit in accordance with Nepal Standards on Auditing (NSA). 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 ICAN's Handbook of Code of Ethics for Professional Accountants together 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 and the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit financial statements of the financial year ended on Ashadh 31, 2077 (15th July 2020). These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report:

**OTHER INFORMATION**

We have nothing to report on the other information in the Annual Report. The directors are responsible for the other information presented in the Butwal Power Company

| Key Audit Matters | How our audit addressed the key audit matters |
|---|---|
| Royalty pertaining to additional 4.3 MW project in Andhikhola<br>(Refer Note 13 "Other Financial Assets" and Note 35 "Contingent Liabilities and Commitments" of the financial statements) | |
| Andhikhola Hydropower Project was upgraded to 9.5 MW from 5.1 MW with Commercial Operation Date on 5th April, 2015. The Company has considered an additional 4.3 MW project in Andhikhola as a separate project on the basis of a separate PPA agreement. It has calculated and paid a royalty for this new project to the Department of Electricity Development (DoED) on a revised rate @ NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. However, DoED has been claiming the additional Royalty @ NPR 1,000 per installed capacity in KW and 10% of revenue from electricity sales. During the year, DoED has instructed the Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to the Company. As of 15th July 2020, NEA has deducted NPR 25,088,251 from the Company's receivable balance and paid the amount to DoED.<br>The Company has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Company's legal counsel. There's a risk that the Company's claim will not substantiate in the court and the liability on account of royalty would increase by an approximate amount of NPR 35.7 million considering the period since commencement date till Ashad end 2077. | • We have evaluated the design and operating controls in relation to compliance with applicable laws and regulations.<br>• We read the summary of litigation matters provided by management and held discussions with the Company's legal counsels.<br>• In respect of provisions against litigation and the assessment of contingent liabilities, we tested the calculation of the provision/ contingent liability assessment; we reviewed the assumptions against third party data (wherever available) and assessed the estimates against historical trends. We considered management's judgments on the level of provision/recognition of contingent liability as appropriate. |

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Impairment of Investments in Kabeli Energy Limited and Gurans Energy Limited<br>(Refer Note 6 and 27 "Impairment loss on investment" of the financial statements)</td></tr>
<tr><td>BPCL holds overall 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through joint venture company Gurans Energy Limited (GEL) and as on Ashad 31, 2076, BPCL has invested about NPR 71 crores in the project. This project is halted since December 2018 due to a dispute with the contractor (Zhejiang) and the agreement with the contractor has been terminated in April 2019.<br>Recently, the Government of Nepal has awarded the Tamor hydropower project which will reduce the capacity of the Kabeli-A project. The Government may compensate the project for such impact but if the project does not progress from the current stage, then the position to claim the compensation will be weakened.<br>So, considering the above situation, there is significant doubt about the successful completion of the Kabeli-A project in near future.<br>The Company has booked an impairment loss of 40% of net investment value (amounting to NPR 246,301,842) considering the status, future prospects, carrying value of the project, and management's best judgment. The appointment of an expert has not been done yet due to the COVID-19 pandemic.</td><td>• We evaluated the reasonableness of impairment loss booked by the Company and the key assumptions in respect of status, future prospects, and carrying value of the project.<br>• We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss, on the prospects and future plans of the project.<br>• We have also assessed the adequacy of the disclosures made in the standalone financial statements</td></tr>
<tr><td colspan="2">Recoverability of Advances<br>(Refer Note 13 "Other Financial Assets (Current and Non-current)" of the financial statements)</td></tr>
<tr><td>As on Ashadh 31, 2077, an advance of NPR 21 crore to Mr. Harish Chandra Shah (Shareholder of SC Power) and NPR 1.5 crore to SC Power Pvt Ltd is outstanding as receivables in the books of BPCL. These advances were provided to purchase a share of SC Power Pvt. Ltd., the developer of 440 MW Tila-I and 420 MW Tila-II hydropower projects. Due to various reasons, the 337th Board meeting dated 12th April, 2019 of BPCL had resolved unanimously to exit from the process of acquisition of shares of SC Power and to get reimbursement or refund of the advance.<br>The Company has been conducting regular discussions with concerned parties through the recovery committee. The Company has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Company's legal counsel.</td><td>• We inquired from management and those charged with governance about the recoverability status and reviewed communication received from the party.<br>• We read the summary of litigation matters provided by management and held discussions with the Company's legal counsels.<br>• We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate.</td></tr>
</table>

Annual Report and Accounts 2076/77 (2019/20) together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

**RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

As part of an audit in accordance with NSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Butwal Power Company Limited's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Butwal Power Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Butwal Power Company Limited to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the statement of financial position, profit and loss, other comprehensive income, changes in equity and cash flows have been prepared in accordance with the provisions of Companies Act, 2063 and conform to the books of accounts of the Company and the books of accounts and records are properly maintained in accordance with the prevailing laws.

During the course of our audit, we did not come across the cases where the Board of Directors or the representative or any employee of the Company has acted deliberately contrary to the provisions of the law or caused loss or damage to the Company or misappropriated funds of the Company, nor have we been informed of any such case by the management.

**JITENDRA KUMAR MISHRA**
**PARTNER**
**CSC & CO.**
**CHARTERED CCOUNTANTS**

**PLACE: KATHMANDU**
**DATE: 18TH DECEMBER, 2020**
**UDIN Number: 20122ICA00264V1JFE**

# STATEMENT OF FINANCIAL POSITION

*As at Ashadh 31, 2077 (15th July, 2020)*

*(in NPR)*

| | Note | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 315,804,119 | 338,771,303 |
| Capital work-in-progress | 3 | 1,922,130 | 533,925 |
| Intangible assets | 4 | 1,871,187,298 | 1,927,472,589 |
| Project work-in-progress | 5 | 266,393,190 | 221,267,225 |
| Financial assets | | | |
| Investment in Subsidiaries and Associates | 6 | 3,094,142,881 | 3,338,002,146 |
| Other investments | 7 | 974,318,080 | 1,192,304,424 |
| Other non-current assets | 12 | 1,325,939 | 5,649,094 |
| **Total Non-Current Assets** | | **6,525,093,637** | **7,024,000,706** |
| **Current Assets** | | | |
| Inventories | 8 | 54,036,887 | 42,779,405 |
| Financial assets | | | |
| Trade receivables | 9 | 73,331,875 | 98,679,533 |
| Cash and cash equivalents | 10 | 54,679,741 | 312,095,427 |
| Bank balance other than cash and cash equivalents | 11 | 35,008,000 | 35,008,000 |
| Other financial assets | 13 | 1,104,440,942 | 373,396,352 |
| Other current assets | 12 | 11,304,954 | 18,920,614 |
| Current tax assets (net) | 14 | 8,389,294 | 44,389,795 |
| **Total Current Assets** | | **1,341,191,693** | **925,269,126** |
| **Total Assets** | | **7,866,285,330** | **7,949,269,832** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity share capital | 15 | 2,683,881,800 | 2,440,555,400 |
| Other equity | 16 | 4,345,164,805 | 4,460,725,983 |
| **Total Equity** | | **7,029,046,605** | **6,901,281,383** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Grant aid in reserve | 17 | 195,809,188 | 202,659,432 |
| Financial liabilities | | | |
| Borrowings | 19 | 159,133,651 | 233,520,295 |
| Provisions | 22 | 17,526,081 | 10,939,281 |
| Deferred tax | 14 | 232,613,242 | 339,336,785 |
| Other non-current liabilities | 20 | 24,691,509 | 24,113,645 |
| **Total Non-Current Liabilities** | | **629,773,671** | **810,569,438** |
| **Current Liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 19 | 82,764,272 | 94,989,152 |

*(in NPR)*

| | Note | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|---|
| Trade payables | 18 | 20,831,734 | 25,506,992 |
| Other financial liabilities | 21 | 22,442,979 | 38,242,250 |
| Provisions | 22 | 2,033,204 | 1,460,001 |
| Other current liabilities | 20 | 79,392,865 | 77,220,616 |
| **Total Current Liabilities** | | **207,465,054** | **237,419,011** |
| **Total Liabilities** | | **837,238,725** | **1,047,988,449** |
| **Total Equity and Liabilities** | | **7,866,285,330** | **7,949,269,832** |

The accompanying notes are integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended Ashadh 31, 2077 (15th July, 2020)*

*(in NPR)*

| | Note | 2076/77 | 2075/76 |
|---|---|---|---|
| Revenue | 23 | 686,706,569 | 683,077,756 |
| Cost of Sales | | | |
| Generation Expenses | 24 | (245,689,657) | (266,311,738) |
| Distribution Expenses | 25 | (119,405,150) | (137,044,775) |
| **Gross profit** | | **321,611,762** | **279,721,243** |
| Depreciation Being Revenue Portion of Grant Aid | 17 | 7,747,316 | 7,681,350 |
| Other income | 28 | 767,819,229 | 613,708,668 |
| Administrative and other operating expenses | 26 | (123,339,031) | (164,255,522) |
| Impairment loss on investment | 27 | (246,301,842) | (1,830,170) |
| **Profit from Operation** | | **727,537,434** | **735,025,569** |
| Finance Income | 29 | 24,253,988 | 151,539,902 |
| Finance Costs | 30 | (31,995,706) | (41,627,741) |
| **Profit Before Tax** | | **719,795,716** | **844,937,730** |
| **Income Tax Expense** | | | |
| Current tax | 14 | (40,738,581) | (46,729,996) |
| Deferred tax credit/charge | 14 | 52,226,957 | (37,872,378) |
| **Profit for the year** | | **731,284,092** | **760,335,356** |
| **Other comprehensive Income:** | | | |
| **Other comprehensive Income not to be reclassified to profit or loss in subsequent periods** | | | |
| i. Equity instruments through other comprehensive income | 7 | (217,986,344) | 40,125,198 |
| ii. Tax relating to items that will not to be reclassified to profit or loss | 14 | 54,496,586 | (10,031,300) |
| **Other comprehensive gain/(loss) for the year, net of tax** | | (163,489,758) | 30,093,898 |
| **Total Comprehensive gain/(loss) for the year, net of tax** | | 567,794,334 | 790,429,254 |
| **Earnings per equity share of Rs. 100 each** | | | |
| Basic Earnings per share - Rs. | 31 | 27.25 | 31.15 |
| Diluted Earnings per share - Rs. | 31 | 27.25 | 31.15 |

The accompanying notes are integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

# STATEMENT OF CASH FLOWS

*For the year ended Ashadh 31, 2077 (15th July, 2020)*

*(In NPR)*

| | 2076/77 | 2075/76 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the year | 719,795,716 | 844,937,730 |
| **Adjustments for:** | | |
| Depreciation on property, plant and equipment | 26,805,140 | 29,995,539 |
| Amortization of Intangible Assets | 74,747,785 | 73,598,577 |
| Depreciation Being Revenue Portion of Grant Aid | (7,747,316) | (7,681,350) |
| Provision for employee benefits | 7,160,003 | 1,588,447 |
| Provision for Bonus | 14,689,708 | 27,909,547 |
| Finance income | (24,253,988) | (151,539,902) |
| Equity Investment written off | - | 639,500 |
| Impairment of Intangible asset | 4,798,854 | 1,585,587 |
| Finance cost | 31,107,485 | 41,590,722 |
| Impairment loss on investment in subsidiaries and associates | 246,301,842 | 1,830,170 |
| Loss/ (gain) on sale of Property, plant and equipment | (147,080) | (6,571,083) |
| Unrealized foreign exchange difference on cash and cash equivalents | (206,884) | (7,961) |
| **Working capital adjustments:** | | |
| (Increase)/ Decrease in Trade receivables | 25,347,658 | (10,413,187) |
| (Increase)/ Decrease in other financial assets | (731,044,590) | (38,852,773) |
| (Increase)/ Decrease in other assets | 11,938,815 | (11,604,761) |
| (Increase)/ Decrease in Inventories | (11,257,482) | 2,206,431 |
| Increase / (Decrease) in trade payables | (4,675,258) | (2,519,616) |
| Increase / (Decrease) in financial liabilities | (15,799,271) | 8,429,931 |
| Increase / (Decrease) in other current liabilities | 602,944 | 4,237,577 |
| **Cash generated from operations** | **368,164,081** | **809,359,125** |
| Bonus paid | (28,359,802) | (19,282,555) |
| Income Tax Paid | (4,738,080) | (23,170,139) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **335,066,199** | **766,906,431** |
| **CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES** | | |
| Proceeds from sale of Property, Plant and Equipment | 351,139 | 6,958,360 |
| (Increase)/Decrease in Project work-in-progress | (45,125,965) | (14,704,521) |
| (Increase)/Decrease in Investment in Fixed Deposits | - | 1,340,000,000 |
| Interest Received | 24,253,988 | 151,539,902 |
| (Increase)/ Decrease Investment in Subsidiaries and Associates | (2,442,577) | (1,830,716,765) |
| Acquisition of Property, plant and Equipment | (5,430,220) | (8,822,459) |
| Purchase of Intangibles | (23,261,348) | (48,340,056) |
| Grant Aid received/ (refunded) | 897,072 | 1,766,101 |
| Bank balance other than cash and cash equivalents | - | 2,510,299 |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | **(50,757,911)** | **(399,809,139)** |

| | 2076/77 | 2075/76 |
|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Issue of further public offering (FPO) | - | - |
| Issue of right share | - | - |
| Share Issue Cost | - | - |
| Borrowing (repaid) / taken (net) | (86,607,973) | (94,989,152) |
| Dividend paid | (424,211,849) | (428,186,953) |
| Interest paid | (31,111,036) | (41,351,779) |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | **(541,930,858)** | **(564,527,884)** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **(257,622,570)** | **(197,430,592)** |
| Net foreign exchange difference on cash and cash equivalents | 206,884 | 7,961 |
| **CASH AND CASH EQUIVALENTS, Beginning of Year** | 312,095,427 | 509,518,058 |
| **CASH AND CASH EQUIVALENTS, End of Period** | **54,679,741** | **312,095,427** |

The accompanying notes are integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

# STATEMENT OF CHANGES IN EQUITY

*For the year ended Ashadh 31, 2077 (15th July, 2020)*

*(In NPR)*

| | Equity Share Capital | Retained earnings and reserves | | | | Total |
|---|---|---|---|---|---|---|
| | | Share Premium | General Reserve | Fair Value Reserve | Retained Earnings | |
| **Balance at Shrawan 1, 2075** | 2,218,672,000 | 1,767,535,318 | 148,700,000 | 537,185,824 | 1,838,103,747 | **6,510,196,889** |
| Profit for the year | - | - | - | - | 760,335,356 | 760,335,356 |
| Other comprehensive income | - | - | - | 30,093,898 | - | 30,093,898 |
| **Total comprehensive income** | **-** | **-** | **-** | 30,093,898 | **760,335,356** | **790,429,254** |
| Issue of right share | - | - | - | - | - | - |
| Issue of Further Public Offering (FPO) | - | - | - | - | - | - |
| Issue of bonus share | 221,883,400 | - | - | - | (221,883,400) | - |
| Share Issue Cost | - | - | - | - | - | - |
| Dividends to shareholders | - | - | - | - | (399,344,760) | (399,344,760) |
| **Balance at Ashadh 31, 2076** | 2,440,555,400 | 1,767,535,318 | 148,700,000 | 567,279,722 | 1,977,210,943 | **6,901,281,383** |
| Profit for the year | - | - | - | - | 731,284,092 | 731,284,092 |
| Other comprehensive income | - | - | - | (163,489,758) | - | (163,489,758) |
| **Total comprehensive income** | **-** | **-** | **-** | **(163,489,758)** | **731,284,092** | **567,794,334** |
| Issue of right share | - | - | - | - | - | - |
| Issue of Further Public Offering (FPO) | - | - | - | - | - | - |
| Issue of bonus share | 243,326,400 | | | | (243,326,400) | - |
| Share Issue Cost | - | - | - | - | - | - |
| Dividends to shareholders | - | - | - | | (440,029,112) | (440,029,112) |
| **Balance at Ashadh 31, 2077** | 2,683,881,800 | 1,767,535,318 | 148,700,000 | 403,789,964 | 2,025,139,523 | **7,029,046,605** |

The accompanying notes are integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

# NOTES TO THE FINANCIAL STATEMENTS

*for the year ended Ashadh 31, 2077*

## Note 1: Background

Butwal Power Company Limited was established and registered in 2022 (1966) as a private limited company under the Companies Act, 2021 (1965) by the United Mission to Nepal, Government of Nepal (GoN), Nepal Electricity Authority (NEA), and Nepal Industrial Development Corporation (NIDC) with an aim to develop hydropower projects using appropriate training, technology transfer and human resources. BPC developed and operated 1 MW Tinau project, 5.1 MW Andhikhola project up-graded to 9.4 MW from 5th April, 2015; 12 MW Jhimruk project and 4 MW Khudi project. BPC is one of the sponsors of the 60 MW Khimti hydropower project. BPC was converted into a public limited company in 2049 (1993) and it was privatized in 2059 (2003). Its main shareholders are Shangri-La Energy Limited (SEL), IKN Nepal AS, (IKNN) from Norway, Government of Nepal (GoN) and General Public. The corporate office of the BPC is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.

The core business of BPC includes:

- Generation of Hydroelectricity;
- Distribution of Hydroelectricity;
- Project Development and
- Investment in the shares of projects and other companies.

The financial statements apply to the financial year ended Ashadh 31, 2077 (15th July, 2020).

In the Financial Statements, Butwal Power Company Limited has been referred as "BPC" or "Company".

The accompanied financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on Poush 3, 2077 (18th December, 2020). The Board of Directors acknowledges the responsibility of preparation of financial statements.

## Note 2: Significant accounting policies

### 2.1 BASIS OF PREPARATION AND MEASUREMENT

***i. Statement of Compliance***

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Financial Statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 2063 of Nepal.

***ii. Standards issued by ICAN but not yet applicable at 15th July, 2020***

BPC has not opted for the early adoption of any of the new set of NFRS pronounced by ICAN, which may relate to it, but whose application was not mandatory for financial year 2076-77 (2019-20). These standards include:

a. NFRS 9 "Financial Instruments", NFRS 14 "Regulatory Deferral Accounts", NFRS 15 "Revenue from Contracts with Customers", NFRS 16 "Leases", NFRS 17 "Insurance Contracts" & NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July, 2021 and

b. All other standards under NFRS 2018 applicable from 16th July, 2020.

BPC is currently assessing the impact and plans to adopt the new standard on the required effective date.

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue. It replaces standards NAS 11 "Construction Contracts" and NAS 18 "Revenue", as well as the different existing interpretations SIC 31 "Revenue – Barter Transactions Involving Advertising Services", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 18 "Transfers of Assets from Customers".

NFRS 9 "Financial Instruments" is the new NFRS standard introducing new provisions regarding Impairment of financial assets and hedging. It replaces standards NAS 39 "Financial Instruments: Recognition and Measurement" and NFRS 9 (2013) "Financial Instruments".

NFRS 16 "Leases" changes the recognition of leases by lessees. It replaces NAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

***iii. Basis of preparation***

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements are presented in functional and presentation currency of the Company i.e. Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Company operates.

***iv. Basis of measurement***

These financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

***v. Standards issued but not yet applicable at 15th July, 2020***

BPCL has not opted for the early adoption of any of the new set of NFRS pronounced by ICAN, which may relate to it, but whose application was not mandatory for financial year 2076-77 (2019-20). These standards include:

a. NFRS 9 "Financial Instruments", NFRS 14 "Regulatory Deferral Accounts", NFRS 15 "Revenue from Contracts with Customers", NFRS 16 "Leases", NFRS 17 "Insurance Contracts" & NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July, 2021; and

b. All other standards under NFRS 2018 applicable from 16th July, 2020.

BPCL is currently assessing the impact and plans to adopt the new standard on the required effective date.

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue. It replaces standards NAS 11 "Construction Contracts" and NAS 18 "Revenue", as well as the different existing interpretations SIC 31 "Revenue – Barter Transactions Involving Advertising Services", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 18 "Transfers of Assets from Customers".

NFRS 9 "Financial Instruments" is the new NFRS standard introducing new provisions regarding Impairment of financial assets and hedging. It replaces standards NAS 39 "Financial Instruments: Recognition and Measurement" and NFRS 9 (2013) "Financial Instruments".

NFRS 16 "Leases" changes the recognition of leases by lessees. It replaces NAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

## 2.2 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The Company makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes: -

**USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT**
Management reviews the useful life and residual values of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

**IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT**
At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above mentioned factors could impact the carrying value of assets.

**CONTINGENCIES**
In the normal course of business, contingent liabilities may arise from litigation and other claims against the Company. Potential liabilities that are possible but not probable of crystallizing or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

**FAIR VALUE MEASUREMENTS**
Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation as per necessity. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

**RECOGNITION OF DEFERRED TAX ASSETS**
Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments; however, may change due to market changes or circumstances arising beyond the control of the Company.

## 2.3 Service concession arrangements

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what prices;

(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement;

(c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement.

Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met.

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

**FINANCIAL ASSET MODEL**

The Financial asset model is used when the Company, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any; between amounts received from the users of the public services and specified or determinable amounts.

**INTANGIBLE ASSET MODEL**

The intangible asset model is used to the extent that the Company, being an operator, receives a right (a license) to charge users of the public service. A right to charge users of a public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a Financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset.

**INTANGIBLE ASSETS UNDER SERVICE CONCESSION ARRANGEMENT (SCA)**

The Company manages concession arrangements which include power supply from its two hydro power plant viz. 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. The Company maintains and services the infrastructure during the concession period. Further, the concession arrangement gives BPC right to use the hydro power project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

Revenue from service concession arrangement under intangible asset model is recognised in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility; with a maximum of the duration of the concession.

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.

The tenure of the Service Concession Arrangement of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra, 2101 B.S. and Chaitra, 2102 B.S. respectively.

## 2.4 Property, plant and equipment

i. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

ii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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 any component accounted for as a separate asset are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

iii. The Company identifies and determines cost of each component/part of the asset separately, if the component/part have a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

iv. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

v. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

vi. Assets in the course of construction are capitalized in the assets under capital work in progress account (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimate cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from production during the trial period is capitalized.

## 2.5 Other Intangible Assets

i. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

ii. Certain computer software costs are capitalized and recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.

iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit and loss when the asset is derecognised.

## 2.6 Depreciation and Amortization

i. Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the written down method.

ii. Amortization is recognized on a straight line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

iii. Depreciation is provided on the written down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year when it is available for use. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows:

| Category of asset | Estimated useful life | Depreciation Rate |
|---|---|---|
| Building | 58 - 59 years | 5% |
| Plant and Equipment | 18 - 19 years | 15% |
| Office equipment | 10 - 11 years | 25% |
| Furniture and fixtures | 10 - 11 years | 25% |
| Computers and accessories | 10 - 11years | 25% |
| Vehicles | 13 - 14 years | 20% |

Computer software is amortized over an estimated useful life of 5 years on straight line basis.

iv. Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset. The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.
v. Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR 10,000 per unit is charged to the profit and loss account in the year of purchase.
vi. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

## 2.7 Impairment of tangible and intangible assets

i. At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.
ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.
iii. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.
iv. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit and Loss.
v. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit and Loss.

## 2.8 Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur.

## 2.9 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

## 2.10 Inventories

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories of stores, spare parts and loose tools are stated at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

## 2.11 Revenue recognition

**i) SALE OF ELECTRICITY**

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Company and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances. Revenue is recognised when substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract.

**ii) OTHER ELECTRICITY SERVICES**

Fees from other electricity services is accounted on accrual basis as and when the right to receive arises.

**iii) DIVIDEND INCOME**

Dividend income (net of withholding taxes) from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably). In case of stock dividend only the number of shares is increased.

**iv) INTEREST INCOME**

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 2.12 Foreign currency transactions

i. The functional currency of the Company and its subsidiaries is determined on the basis of the primary economic environment in which it operates. The functional currency of the Company is Nepalese Rupee (NPR).
ii. In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.
iii. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.
iv. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.
v. Exchange differences on monetary items are recognised in Statement of Profit and Loss in the period in which they arise.

## 2.13 Employment Benefits

The Company has schemes of employment benefits namely provident fund, employee gratuity and accumulated leave payable as per employee service manual.

**DEFINED CONTRIBUTION PLAN – PROVIDENT FUND**

Under defined contribution plans-provident fund, the Company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. Contributions to defined contribution schemes (Provident fund) are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions. Contributions to defined contribution schemes are deposited with Employees Provident Fund (Karmachari Sanchaya Kosh).

**DEFINED CONTRIBUTION PLAN – GRATUITY FUND**

As per the provision of new Labor Act enacted and effective from Bhadra 19, 2074, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution for gratuity needs to be deposited on monthly basis to the separate Social Security Fund (SSF). However, deposited with Citizen Investment Trust (CIT) instead of contribution in SSF due to lack of clear and practical guidelines in this regard. Contribution to Gratuity fund are charged to the profit or loss statement in the year to which they relate as the company has no further defined obligations beyond monthly contributions. This year onwards the company has initiated depositing the gratuity amount in individual gratuity account maintained in CIT, so there is no further obligation once the amount is deposited in the said account.

**SHORT TERM AND LONG-TERM EMPLOYMENT BENEFITS**

i. A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period. The related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.
ii. Liabilities recognised in respect of short-term employee and contractual employees, benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.
iii. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date determined based on an actuarial valuation.

## 2.14 Taxation

**INCOME TAX**

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

**CURRENT TAX**

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to company:

- Income from Manufacturing and sale of electricity: 20% (2075/76: 17%)
- Income from Other services: 25% (2075/76: 25%)

**DEFERRED TAX**

i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.
ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Tax rate for income from manufacturing and sale of electricity is 20%.

## 2.15 Earnings per share

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average n umber of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

## 2.16 Provisions, contingencies and commitments

i. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ii. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

vii. A contingent asset is a possible asset 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.

viii. Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

ix. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

## 2.17 Financial Instruments

**I. FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss. In case of interest free or concession loans/debentures/ preference shares given to subsidiaries, associates and joint ventures, the excess of the actual amount of the loan over initial measure at fair value is accounted as an equity investment.

Investment in equity instruments issued by subsidiaries, associates and joint ventures are measured at cost less impairment.

Investment in preference shares/debentures of the subsidiaries are treated as equity instruments if the same are convertible into equity shares or are redeemable out of the proceeds of equity instruments issued for the purpose of redemption of such investments. Investment in preference shares/ debentures not meeting the aforesaid conditions are classified as debt instruments at amortised cost.

**II. EFFECTIVE INTEREST METHOD**

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Income/ expense arising on financial instruments after applying an effective interest rate is recognised in Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item. For calculating EIR, risk free interest rate of 8% p.a. has been considered.

**III. FINANCIAL ASSETS**

***Financial assets at amortized cost***

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Financial assets measured at fair value***

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company in respect of equity investments (other than in subsidiaries, associates and joint ventures) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Company on an instrument by instrument basis at the time of initial recognition of such equity investments.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

***Impairment of financial assets***

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

***De-recognition of financial assets***

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

**IV. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS**

***Classification as debt or equity***

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

***Financial Liabilities***

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

***Financial guarantee contracts***

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

***De-recognition of financial liability***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**V. OFF-SETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are offset and the net amount is reported in the standalone balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**VI. FAIR VALUE MEASUREMENT:**

The Company measures financial instruments, such as, investment in equity instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1 —** Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability; and the level of the fair value hierarchy as explained above.

## 2.18 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease.

**THE COMPANY AS A LESSEE**

A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

**THE COMPANY AS LESSOR**

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2.19 Government grants and Grant Aid in Reserve

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities

Grant received related to assets is shown at fair value as "grant aid in reserve" to the extent of asset creation they contribute. Grant aid in reserve is reduced by the depreciation of such assets and the same amount is realized as income to balance the expense of depreciation expense in the profit and loss account.

Revenue grant and related expenses are recognized in the profit and loss account.

## 2.20 Non-current assets held for sale

The Company classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale/distribution to owners are not depreciated or amortised.

## 2.21 Financial risk management objectives and policies

The Company's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Company's Board and senior management has overall responsibility for the establishment and oversight of the Company's risk management. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Risk Management is done by the Company's management that provides assurance that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below: -

**A. CURRENCY RISK**

The Company is subject to the risk that changes in foreign currency values impact the Company's imports of inventories and property, plant and equipment. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Company's approach to management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant currency risk, the Company has not entered into any forward contract.

The following table demonstrate the unhedged exposure in USD exchange rate as at Ashadh 31, 2077 and Ashadh 31, 2076: -

| Particulars | Currency | Ashadh 31, 2077 | Ashadh 31, 2076 |
|---|---|---|---|
| Cash and bank balance | NPR | 3,939,176 | 3,833,931 |
| | USD | 32,726 | 35,058 |

Financial Statements

**B. CREDIT RISK**

Credit risk refers to the risk that a counterparty including its subsidiaries and associates will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks provided by the Company. The Company's maximum exposure in this respect is the maximum amount the Company could have to pay if the guarantee is called on. No amount has been recognised in the financial position as financial liabilities.

**C. INTEREST RATE RISK**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term and short-term debt obligations. Since, the interest rate risk is influenced by market forces, BPC has little role to play for minimizing this risk. BPC has made swap arrangement to minimize the interest rate risk associated with foreign currency. Further, the Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings by negotiating with highly reputed commercial banks.

**D. LIQUIDITY RISK**

Liquidity risk is the risk that the Company will face in meeting its obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

In order to control liquidity risk and for better working capital management, BPC has arranged adequate level of OD facility for short term financing. The Company's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to optimize its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

**2.22 CAPITAL MANAGEMENT**

For the purpose of the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the company. The Company manages its capital so as to safeguard its ability to continue as a going concern and to optimize returns to the shareholders. The capital structure of the Company is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's aim is to translate profitable growth to superior cash generation through efficient capital management. The Company's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Company's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Company. The Company will take appropriate steps in order to maintain, or if necessary, adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Company's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies or processes for managing capital during the years ended Ashadh 31, 2077 and Ashadh 31, 2076.

## 2.23 Segment reporting

The Chief Executive Officer and functional managers of the Company has been identified as the Chief Operating Decision Maker (CODM) as defined by NFRS 8, Operating Segments. The CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators, however the Company is primarily engaged in only one segment viz., "Generation and Sale of electricity" and that most of the operations are in Nepal. Hence the Company does not have any reportable Segments as per NFRS 8 "Operating Segments".

## 2.24 Staff bonus

A 2% bonus on electricity income in line with the provisions of the Electricity Act 2049, 2% bonus on dividend Income and 10% bonus on income from other sources as per Bonus Act 2030 have been provided.

## 2.25 Contingent Assets

As per point 61 of the Budget Speech of Fiscal Year 2014/15, Government of Nepal, Ministry of Finance declared to provide a lump sum grant of NPR 5.5 million per MW of electricity to those producers who generate and connect the generated electricity to national grid within FY 2017/18. Andhikhola Hydropower Project, upgraded from 5.1 MW to 9.4 MW achieved Commercial Operation Date (COD) on April 5, 2015 (Chaitra 22, 2071) from Nepal Electricity Authority (NEA). The first request was made to Ministry of Energy dated May 8, 2015 and subsequent follow up letters have been submitted time to time. The total Grant for upgraded capacity of the plant is NPR 23.65 million.

## 2.26 Description of Subsidiaries, Associates and other equity investments

**A) NEPAL HYDRO & ELECTRIC LIMITED**

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the initial shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. Shares held by GE Energy and Alstom Power have been transferred in the name of IKN Industrial AS (Norwegian company). The current shareholders are BPC (51.3%), IKNI (46.9%), Butwal Technical Institute (1.1%) and Himal Hydro and General Construction Limited (0.7%). The company manufactures and refurbishes hydro and electric power equipment. It designs, manufactures, installs, tests and commissions hydro-mechanical and electro-mechanical equipment, including HV sub-stations, transmission line towers and poles and heavy steel structures.

**B) KHUDI HYDROPOWER LIMITED**

Khudi Hydropower Limited (KHL) operates 4 MW Khudi Power Plant, which began commercial operation in FY 2063/64. BPC is holding 60% shares of KHL. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada.

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 13.83% (14% in FY 2075/76) (i.e. the prevailing interest rate 11.33% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

**C) BPC SERVICES LIMITED**

BPC is the sole owner of BPC Services Limited (BPCSL), which was established in FY 2063/64 to provide operation and maintenance services to hydropower plants. BPCSL is in process of negotiation with several power plant owners for undertaking O&M service contract.

**D) NYADI HYDROPOWER LIMITED**

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 98.19% shares followed by LEDCO shareholding 1.81%. BPC is planning to hold 70.22% shareholdings by setting aside 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works are ongoing as per the set timeline. Altogether, around 90% of the total contract works of head works, underground works, penstock, powerhouse, other civil works, HM works, EM and transmission lines are completed as on reporting date.

**E) HYDRO-CONSULT ENGINEERING LIMITED**

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and 20% shares held by People Energy and Environment Development Association (PEEDA).

**F) GURANS ENERGY LIMITED**

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 331.98 million in the shares of GEL till the end of FY 2076/77. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

**G) KABELI ENERGY LIMITED (KEL)**

Kabeli Energy Ltd. was established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. BPC holds overall 56.16% shares of KEL being 27.24% direct investment and 28.92% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US $98 million. The project is under construction. However, due to unsatisfactory performance, notice of termination has been issued to the Civil / HM Contractor effective from April, 2019. Recovery plan has been formulated after the Termination of Civil/HM Contractor. All physical works are under suspension as on reporting date. KEL has requested for extension of Required Commercial Operation Date (RCOD) to Ministry of Energy, Water Resources and Irrigation (MoEWRI) for next 32 months. The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

**H) HIMAL POWER LIMITED (HPL)**

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashadh, 2057 (5 July, 2000). HPL was established on 2049/11/10 (21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energy AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The major current shareholders are SN Power, BKK and BPC. BPC is holding 16.88% shares in HPL As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July 2020 (Asadh 28, 2077), and necessary process of handover and takeover of the share has been initiated and in progress now.

**I) HYDRO LAB PRIVATE LIMITED**

Hydro Lab Private Limited was established in 2053 B.S. to carry out research and provide consulting services in hydraulics and sediments. It assists water resource engineering professionals by conducting the physical hydraulic model studies needed to validate the design and operation modality of headworks. Hydro Lab conducted model studies for Upper Tama Koshi Hydropower Headworks, Devighat Intake, Melamchi Drinking Water Headworks, Jhimruk Intake, Khudi Hydropower Headworks, Kabeli A, Nyadi and others. BPC holds 10.73% shares in HLPL.

**J) S.C.I.G. INTERNATIONAL NEPAL HYDRO JOINT DEVELOPMENT COMPANY PRIVATE LIMITED**

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited was established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and invest in such business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture

Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company has the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each.

**K) MANANG MARSYANGDI HYDROPOWER COMPANY PVT. LTD.**

Manang Marshyangdi Hydropower Company Private Limited ("MMHCPL" or "the Company") is a private limited company incorporated on 7th December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4., contract address is at Ward No. 10, Buddhanagar, Kathmandu and its principal place of business is Manang district, Gandaki Zone of Nepal.

Manang Marsyangdi Hydro-Electric Project developed by the Company with the installed capacity of 282 MW (now optimized capacity at 135MW under Q40) is located on the Marshyangdi river in Manang district, Gandaki Zone of Nepal. Development rights of the project have been awarded by the Department of Electricity Development (DoED), Ministry of Energy and Government of Nepal (GON) to MMHCPL on Build-Own-Operate-Transfer (BOOT) basis. The project is in the development phase.

BPC has acquired 100% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17th November, 2018 and connection agreement signed. The process of obtaining approval of PPA and PDA of MMHCPL is in progress.

**L) HIMTAL HYDROPOWER COMPANY PVT. LTD.**

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on 13th April, 2001 under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from 2nd January 2008, to develop and operate 600 MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marshyandi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, contract address is at Sanepa, Lalitpur, Nepal. The company is in the process of setting up of the project.

BPC has acquired 19.40% shares of M3 project of the Company with a plan to develop the cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation.

**M) MARSYANGDI TRANSMISSION COMPANY PVT. LTD. (MTCL)**

Marsyangdi Transmission Company Pvt. Ltd., incorporated in Nepal on 27th April, 2010 under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), to develop the transmission line for power evacuation of 600 MW upper Marsyangdi Hydro Electric Project – 2 in Marsyangdi River. The register address of the company is P O Box: 148, Chakupat-10, Lalitpur and contract address is at Sanepa, Lalitpur, Nepal.

BPC has acquired 19.40% shares of MTCPL on 24th May 2019.

# NOTES TO THE FINANCIAL STATEMENTS
*for the year ended Ashadh 31, 2077*

**Note no: 3**

*(In NPR)*

**Property, plant and equipment:**

| | Freehold Land | Building | Office Equipment | Furniture and Fixtures | Plant & Equipment | Vehicles | Computers | Capital work-in-progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance at Shrawan 1, 2075 | 48,515,535 | 260,649,113 | 59,628,344 | 23,915,600 | 2,436,281 | 7,305,647 | 14,555,513 | 2,381,756 | **449,387,789** |
| Additions | - | 307,361 | 959,739 | 1,149,309 | - | 4,378,782 | 1,652,489 | 533,925 | **8,981,605** |
| Transfer from CWIP | - | 2,222,610 | - | - | - | - | - | (2,381,756) | **(159,146)** |
| Disposals | - | - | (129,029) | (75,462) | (24,317) | (489,995) | (278,154) | - | **(996,957)** |
| **Balance at Ashadh 31, 2076** | **48,515,535** | **263,179,084** | **60,459,054** | **24,989,447** | **2,411,964** | **41,194,434** | **15,929,848** | **533,925** | **457,213,291** |
| Additions | - | 273,234 | 1,210,541 | 94,420 | - | 657,000 | 1,806,820 | 1,388,205 | **5,430,220** |
| Transfer from CWIP | - | - | - | - | - | - | - | - | **-** |
| Disposals | - | - | (361,568) | (107,221) | (32,488) | - | (320,527) | - | **(821,804)** |
| **Balance at Ashadh 31, 2077** | **48,515,535** | **263,452,318** | **61,308,027** | **24,976,646** | **2,379,476** | **41,851,434** | **17,416,141** | **1,922,130** | **461,821,707** |
| **Accumulated depreciation** | | | | | | | | | |
| Balance at Shrawan 1, 2075 | - | 28,971,043 | 29,448,365 | 12,758,282 | 1,188,142 | 9,116,380 | 7,039,992 | - | **88,522,204** |
| Charge for the year | - | 11,556,798 | 6,959,033 | 3,288,272 | 314,580 | 5,774,964 | 2,101,892 | - | **29,995,539** |
| Disposals | - | - | (88,204) | (51,585) | (11,623) | (268,124) | (190,144) | - | **(609,680)** |
| **Balance at Ashadh 31, 2076** | **-** | **40,527,841** | **36,319,194** | **15,994,969** | **1,491,099** | **14,623,220** | **8,951,740** | **-** | **117,908,063** |
| Charge for the year | - | 11,111,221 | 5,953,089 | 2,336,567 | 265,489 | 5,362,144 | 1,776,630 | - | **26,805,140** |
| Disposals | - | - | (273,430) | (81,777) | (18,073) | - | (244,465) | - | **(617,745)** |
| **Balance at Ashadh 31, 2077** | **-** | **51,639,062** | **41,998,853** | **18,249,759** | **1,738,515** | **19,985,364** | **10,483,905** | **-** | **144,095,458** |
| **Net book value** | | | | | | | | | |
| **At Shrawan 1, 2075** | **48,515,535** | **231,678,070** | **30,179,979** | **11,157,318** | **1,248,139** | **28,189,267** | **7,515,521** | **2,381,756** | **360,865,585** |
| **At Ashadh 31, 2076** | **48,515,535** | **222,651,243** | **24,139,860** | **8,994,478** | **920,865** | **26,571,214** | **6,978,108** | **533,925** | **339,305,228** |
| **At Ashadh 31, 2077** | **48,515,535** | **211,813,256** | **19,309,174** | **6,726,887** | **640,961** | **21,866,070** | **6,932,236** | **1,922,130** | **317,726,249** |

a) Refer Note 19 for the details in respect of certain assets hypothecated/mortgaged as security for borrowings.

b) Capital work in progress includes expenditure on on-going contractual works for development of Revenue Accounting Software

**Note no: 4**

*(In NPR)*

**Intangible assets:**

| | Computer Software | Service Concession Arrangement | Total |
|---|---|---|---|
| Balance at Shrawan 1, 2075 | 4,413,691 | 2,158,532,378 | **2,162,946,069** |
| Additions - Externally acquired | - | 48,180,910 | **48,180,910** |
| Transfer from CWIP | - | 159,146 | **159,146** |
| Adjustment during the year | (1,493,199) | (1,794,254) | **(3,287,453)** |
| **Balance at Ashadh 31, 2076** | **2,920,492** | **2,205,078,180** | **2,207,998,672** |
| Additions - Externally acquired | 95,112 | 23,166,236 | **23,261,348** |
| Transfer from CWIP | - | - | **-** |
| Adjustment during the year | (2,040,686) | (5,602,209) | **(7,642,895)** |
| **Balance at Ashadh 31, 2077** | **974,918** | **2,222,642,207** | **2,223,617,125** |
| **Amortization** | | | |
| Balance at Shrawan 1, 2075 | 2,925,608 | 205,703,764 | **208,629,372** |
| Charge for the year | 714,030 | 72,884,547 | **73,598,577** |
| Adjustment during the year | (1,493,199) | (208,667) | **(1,701,866)** |
| Balance at Ashadh 31, 2076 | 2,146,439 | 278,379,644 | **280,526,083** |
| Charge for the year | 605,250 | 74,142,535 | **74,747,785** |
| Adjustment during the year | (2,040,686) | (803,355) | **(2,844,041)** |
| **Balance at Ashadh 31, 2077** | **711,003** | **351,718,824** | **352,429,827** |
| **Net book value** | | | |
| At Shrawan 1, 2075 | 1,488,083 | 1,952,828,614 | **1,954,316,697** |
| At Ashadh 31, 2076 | 774,053 | 1,926,698,536 | **1,927,472,589** |
| At Ashadh 31, 2077 | 263,915 | 1,870,923,383 | **1,871,187,298** |

a) Refer Note 19 for the details in respect of certain intangible assets hypothecated/mortgaged as security for borrowings.

b) The tenure of the Service Concession Arrangement of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

**Note no: 5**

**Project work-in-progress**

| Particulars | As at Ashadh 31, 2077 At cost | As at Ashadh 31, 2076 At cost |
|---|---|---|
| Chino Khola SHP | 27,856,900 | 23,676,057 |
| Lower Manang Marshyangdi HEP | 194,278,484 | 185,318,828 |
| Mugu Karnali HEP | 44,257,806 | 12,272,340 |
| **Total** | **266,393,190** | **221,267,225** |

a) Expenditure on Lower Manang Marshyangdi, Chino Khola and Mugu Karnali project are shown as project work in progress. Refer Note 35C (iii), (iv), and (v) for status and detail of these projects

**Note no: 6**

**Investment in subsidiaries and associates**

*(in NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| **Unquoted Investments at cost** | | | | |
| **Investment in Subsidiary Companies** | | | | |
| Nepal Hydro & Electric Limited (Equity Shares of NPR 100 each fully paid up) | 715,800 | 71,580,000 | 715,800 | 71,580,000 |
| Khudi Hydropower Limited (Equity Shares of NPR 100 each fully paid up) | 504,000 | 50,400,000 | 504,000 | 50,400,000 |
| Khudi Hydropower Limited (Preference Shares of NPR 100 each fully paid up) | 576,000 | 57,600,000 | 576,000 | 57,600,000 |
| BPC Services Limited (Equity Shares of NPR 100 each fully paid up) | 100,000 | 10,000,000 | 100,000 | 10,000,000 |
| Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up) | 10,751,453 | 1,075,145,300 | 10,751,453 | 1,075,145,300 |
| Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up) | 117,785 | 11,778,500 | 117,785 | 11,778,500 |
| Manang Marshyangdi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up) | 885,960 | 566,416,367 | 885,960 | 564,173,790 |
| **Investment in Associate Companies** | | | | |
| Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up) | 3,319,836 | 331,983,600 | 3,319,836 | 331,983,600 |
| Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up) | 2,966,860 | 296,686,000 | 2,966,860 | 296,686,000 |
| Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share) | - | 1,260,044 | - | 1,260,044 |
| Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up) | 601,300 | 777,902,830 | 601,300 | 777,902,830 |
| Marshyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up) | 6,406 | 10,346,245 | 6,406 | 10,346,245 |
| SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up) | 3,125,439 | 93,520,876 | - | - |
| **Advance towards share capital including incidental cost:** | | | | |
| SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd. | - | - | - | 93,520,876 |
| Gurans Energy Limited | - | 200,000 | - | - |
| **Gross Investment at Cost (A)** | **23,670,839** | **3,354,819,762** | **20,545,400** | **3,352,377,185** |
| Less: Provision for impairment loss | | | | |
| Gurans Energy Limited | | (141,498,463) | | (14,375,039) |
| Kabeli Energy Limited | | (119,178,418) | | - |
| **Total Provision (B)** | | **(260,676,881)** | | **(14,375,039)** |
| **Net Investment at cost less impairment (A+B)** | | **3,094,142,881** | | **3,338,002,146** |

a. Provision for impairment loss was made in proportion of BPC's share investments in subsidiaries and associates as per the latest available financial statements. This year provision for impairment loss made in Kabeli Energy Limited is NPR 119,178,418 and NPR 127,123,424 in Gurans Energy Limited. During the current year, the Provision for impairment loss was made at 40% of investment value as per management's best estimate.

**Note no: 7**

**Other investments**

*(in NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| **Unquoted Investments at fair value through other comprehensive income** | | | | |
| Himal Power Limited (HPL)<br>(Equity Shares of NPR 100 each fully paid up) | 2,978,502 | 954,961,138 | 2,978,502 | 1,175,049,485 |
| Hydro Lab (P) Limited<br>(Equity Shares of NPR 100 each fully paid up) | 10,000 | 19,356,942 | 10,000 | 17,254,939 |
| **Total Investment at Fair Value through Other Comprehensive Income** | **2,988,502** | **974,318,080** | **2,988,502** | **1,192,304,424** |

a) As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July, 2020 (Ashadh 28, 2077), and necessary process of handover and takeover of the share is in progress.

**Note no: 8**

*(In NPR)*

**Inventories**

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| General Stock/Office Supplies/Consumer Service Items | 3,685,835 | 4,393,871 |
| Stock of Electric Goods | 6,180,576 | 6,399,586 |
| T/L & D/L Stock | 12,965,976 | 7,505,100 |
| Other engineering inventories and spare parts | 31,204,500 | 24,480,848 |
| **Total** | **54,036,887** | **42,779,405** |

Refer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

**Note no: 9**

**Trade receivables**

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Nepal Electricity Authority | 50,427,893 | 80,258,808 |
| Local Consumers | 22,903,982 | 18,420,725 |
| **Total** | **73,331,875** | **98,679,533** |

Refer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

**Note no: 10**

**Cash and cash equivalents**

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| **Balances with banks** | | |
| Local currency account | | |
| In current accounts | 40,764,891 | 25,845,504 |
| In call accounts | 9,077,817 | 78,627,316 |
| In deposits accounts (Original maturity less than 3 months) | - | 200,000,000 |
| Convertible currencies account | | |
| In current accounts | 2,705,269 | 3,010,149 |
| In call accounts | 1,233,907 | 823,782 |
| Cash on hand | 897,857 | 688,603 |
| Cheque on hand | - | 3,100,073 |
| **Total** | **54,679,741** | **312,095,427** |

Refer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

**Note no: 11**

*(In NPR)*

**Bank balance other than cash and cash equivalents**

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Balances with Bank | | |
| In deposit account | 35,000,000 | 35,000,000 |
| Embarked balance with bank | | |
| Unpaid dividend | - | - |
| Margin money | 8,000 | 8,000 |
| **Total** | **35,008,000** | **35,008,000** |

"a. Debt Service Reserve Account (DSRA) balance has been maintained at Standard Chartered Bank Nepal Limited. This deposit is maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.
b. Refer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings."

**Note no: 12**

**Other assets (Current and Non-current)**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Capital advance | - | 1,325,939 | - | 5,649,094 |
| Prepaid Expenses | 11,304,954 | - | 10,308,172 | - |
| Gratuity Fund Surplus | - | - | 8,612,442 | - |
| **Total** | **11,304,954** | **1,325,939** | **18,920,614** | **5,649,094** |

a) Refer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

**Note no: 13**

**Other financial assets (Current and Non-current)**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Government Deposits | - | - | 24,000,000 | - |
| Deposit (Others) | 518,968 | - | 561,968 | - |
| Advances to Staff | 271,415 | - | 408,833 | - |
| Receivables from Employee Welfare Fund | 9,301,855 | - | 9,301,855 | - |
| Receivables from Harish Chandra Shah | 210,000,000 | - | 210,000,000 | - |
| Receivables from SC Power Company Pvt. Ltd. | 15,000,000 | - | 15,000,000 | - |
| Dividend receivable from subsidiaries and associates | 755,790,547 | - | 16,705,060 | - |
| Interest receivable from subsidiaries and associates | 79,190,659 | - | 79,190,659 | - |
| Other receivables from subsidiaries and associates | 6,736,236 | - | 17,311,508 | - |
| Other receivables from Citizen Investment Trust | 1,408,418 | - | - | - |
| Other receivables from Department of Electricity Development (DoED) | 25,088,251 | - | - | - |
| Other receivables | 1,134,593 | - | 916,469 | - |
| **Total** | **1,104,440,942** | **-** | **373,396,352** | **-** |

Refer Note 19 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

*(In NPR)*

**Note no: 14**

**INCOME TAXES**

| A. Tax expense recognized in the Statement of Profit and Loss | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| **Current tax expenses** | | |
| Current tax on profits for the year | 40,738,581 | 46,729,996 |
| Adjustments for under provision in prior periods | - | - |
| **Deferred tax credit/charge** | | |
| Origination and reversal of temporary differences | (52,226,957) | 37,872,378 |
| Adjustments/(credits) related to previous years - (net) | - | - |
| **Income tax expense reported in Statement of Profit or Loss** | **(11,488,376)** | **84,602,374** |

| B. Tax expense recognized in Other comprehensive income | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| **Deferred tax** | | |
| Origination and reversal of temporary differences | (54,496,586) | 10,031,300 |
| Adjustments/(credits) related to previous years - (net) | - | - |
| **Income tax charged to OCI** | **(54,496,586)** | **10,031,300** |

| C. Current tax asset / (liability) -net: | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| Advance Income Tax | 49,127,875 | 91,119,791 |
| Less: Income Tax Liability | (40,738,581) | (46,729,996) |
| **Total** | **8,389,294** | **44,389,795** |

| D. Reconciliation of tax liability on book profit vis-à-vis actual tax liability | Year ended Ashadh 31, 2077 | | | Year ended Ashadh 31, 2076 | | |
|---|---|---|---|---|---|---|
| | Hydro | Other source | Total | Hydro | Other source | Total |
| Accounting Profit/ (Loss) before income tax | 210,253,781 | 509,541,934 | 719,795,715 | 158,581,944 | 686,355,786 | 844,937,730 |
| Enacted tax rate | 20% | 25% | | 17% | 25% | |
| **Computed tax expense** | **42,050,756** | **127,385,484** | **169,436,240** | **26,958,930** | **171,588,947** | **198,547,877** |
| **Differences due to:** | | | | | | |
| Tax effect due to non taxable income | - | (186,081,920) | (186,081,920) | (201,159) | (144,740,496) | (144,941,655) |
| Effect due to non deductible expenses | 4,837,681 | 64,365,210 | 69,202,891 | 442,024 | 6,158,144 | 6,600,168 |
| Tax effect due to difference in depreciation rate | (11,812,226) | (6,404) | (11,818,630) | (13,473,625) | (2,769) | (13,476,394) |
| **Current tax on profits for the year** | **35,076,211** | **5,662,370** | **40,738,581** | **13,726,170** | **33,003,826** | **46,729,996** |

*(In NPR)*

**E. The movement in deferred tax assets and liabilities during the year ended Ashadh 31, 2076 and Ashadh 31, 2077:**

| i.Movement during the year ended Ashadh 31, 2076 | "As at Shrawan 1, 2075" | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | "As at Ashadh 31, 2076" |
|---|---|---|---|---|
| **Deferred tax assets/(liabilities)** | | | | |
| Provision for leave encashment | 2,179,853 | 484,305 | - | 2,664,158 |
| Provision for loss on investment | 3,136,217 | 457,543 | - | 3,593,760 |
| Depreciation and Amortization | (117,626,573) | (38,994,046) | - | (156,620,619) |
| Investment in equity instrument | (179,061,941) | - | (10,031,300) | (189,093,241) |
| Amortization cost of term loan | (60,663) | 179,820 | | 119,157 |
| **Total** | **(291,433,107)** | **(37,872,378)** | **(10,031,300)** | **(339,336,785)** |

| ii.Movement during the year ended Ashadh 31, 2077 | "As at Shrawan 1, 2076" | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | "As at Ashadh 31, 2077" |
|---|---|---|---|---|
| **Deferred tax assets/(liabilities)** | | | | |
| Provision for leave encashment | 2,664,158 | 1,472,810 | - | 4,136,968 |
| Provision for loss on investment | 3,593,760 | 61,575,460 | - | 65,169,220 |
| Depreciation and Amortization | (156,620,619) | (10,820,603) | - | (167,441,222) |
| Investment in equity instrument | (189,093,241) | - | 54,496,586 | (134,596,655) |
| Amortization cost of term loan | 119,157 | (710) | - | 118,447 |
| **Total** | **(339,336,785)** | **52,226,957** | **54,496,586** | **(232,613,242)** |

**Note no: 15**

**Equity Share Capital**

| Particulars | "As at Ashadh 31, 2077" | | "As at Ashadh 31, 2076" | |
|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount |
| **A. Equity Shares** | | | | |
| **Authorized** | | | | |
| Equity Shares of Rs. 100 each with voting rights | 80,000,000 | 8,000,000,000 | 80,000,000 | 8,000,000,000 |
| **Issued** | | | | |
| Equity Shares of Rs. 100 each with voting rights | 26,838,818 | 2,683,881,800 | 24,405,554 | 2,440,555,400 |
| **Subscribed and Fully Paid** | | | | |
| Equity Shares of Rs. 100 each with voting rights | 26,838,818 | 2,683,881,800 | 24,405,554 | 2,440,555,400 |
| | **26,838,818** | **2,683,881,800** | **24,405,554** | **2,440,555,400** |

**B. Reconciliation of the number of shares outstanding at the beginning and end of the year** *(In NPR)*

| Particulars | "As at Ashadh 31, 2077" | "As at Ashadh 31, 2076" |
|---|---|---|
| | No. of Shares | No. of Shares |
| Balance as at the beginning of the year | 24,405,554 | 22,186,720 |
| Add: Issue of bonus share during the year | 2,433,264 | 2,218,834 |
| Add: Issue of Further Public Offering (FPO) during the year | - | - |
| **Balance as at end of the year** | **26,838,818** | **24,405,554** |

**C. Details of shareholding more than 1%**

| Particulars | "As at Ashadh 31, 2077" | | "As at Ashadh 31, 2076" | |
|---|---|---|---|---|
| | No. of Shares | Share % | No. of Shares | Share % |
| Shangri-La Energy Ltd. | 15,105,719 | 56.28% | 13,732,472 | 56.27% |
| Government of Nepal | 1,991,538 | 7.42% | 1,810,489 | 7.42% |
| IKN Nepal A.S., Norway | 423,997 | 1.58% | 385,452 | 1.58% |
| United Mission to Nepal | 366,912 | 1.37% | 333,556 | 1.37% |
| Nepal Electricity Authority | 231,383 | 0.86% | 210,348 | 0.86% |
| General Public Shareholders | | | | |
| - NMB Bank Ltd. | 513,359 | 1.91% | 458,897 | 1.88% |
| - Kamana Sewa Bikas Bank Ltd. | 356,525 | 1.33% | 324,114 | 1.33% |
| - Other General Public shareholders | 7,849,385 | 29.25% | 7,150,226 | 29.29% |

**D. Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of NPR 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital. The Company declares and pays dividend in Nepalese rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

**E. Dividend Paid and Proposed:**

| Declared dividends and proposed dividends | "As at Ashadh 31, 2077" | "As at Ashadh 31, 2076" |
|---|---|---|
| **Declared and approved for during the year:** | | |
| "Dividends on ordinary shares:<br>Final dividend for 2075-76: NPR. 18 per share<br>(2074-75: NPR. 18 per share) " | 440,029,112 | 399,344,760 |
| **"Proposed for approval at the annual general meeting (not recognized as a liability as at balance sheet date): "** | | |
| **Dividends on ordinary shares:** | | |
| "Proposed dividend for 2076-77: Cash dividend NPR 15 per share and stock dividend NPR 10 per share.<br>(2075-76: cash dividend NPR 18 per share and stock dividend NPR 10 per share) " | | 440,029,112 |

**Note no: 16**

*(In NPR)*

| Other equity | Share Premium | General Reserve | Fair Value Reserve | Retained Earnings | Total |
|---|---|---|---|---|---|
| **Balance at Shrawan 1, 2075** | 1,767,535,318 | 148,700,000 | 537,185,824 | 1,838,103,747 | **4,291,524,889** |
| Profit for the year | - | - | - | 760,335,356 | **760,335,356** |
| Other comprehensive income | - | - | 30,093,898 | - | **30,093,898** |
| Issue of right share | - | - | - | - | **-** |
| Issue of Further Public Offering | - | - | - | - | **-** |
| Issue of bonus share | - | - | - | (221,883,400) | **(221,883,400)** |
| Share Issue Cost | - | - | - | - | **-** |
| Dividends to shareholders | | - | - | (399,344,760) | **(399,344,760)** |
| **Balance at Ashadh 31, 2076** | 1,767,535,318 | 148,700,000 | 567,279,722 | 1,977,210,943 | **4,460,725,983** |
| Profit for the year | - | - | - | 731,284,092 | **731,284,092** |
| Other comprehensive income | - | - | (163,489,758) | - | **(163,489,758)** |
| Issue of right share | - | - | - | - | **-** |
| Issue of Further Public Offering | - | - | - | - | **-** |
| Issue of bonus share | | | | (243,326,400) | **(243,326,400)** |
| Share Issue Cost | - | - | - | - | **-** |
| Dividends to shareholders | - | - | - | (440,029,112) | **(440,029,112)** |
| **Balance at Ashadh 31, 2077** | 1,767,535,318 | 148,700,000 | 403,789,964 | 2,025,139,523 | **4,345,164,805** |

**Note no: 17**

| Grant aid in reserve | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| **Particulars** | **Closing balance** | **Amortization for the year** | **Closing balance** | **Amortization for the year** |
| Name of Grantors | | | | |
| NORAD | 8,464,094 | 328,484 | 8,792,578 | 328,484 |
| UMN PCS | 16,933,404 | 673,931 | 17,607,335 | 673,931 |
| USAID | 9,563,740 | 382,724 | 9,946,463 | 382,724 |
| REGDAN | 10,387,002 | 414,375 | 10,801,377 | 414,375 |
| JRP | 5,155,066 | 206,805 | 5,361,872 | 206,805 |
| REEP | 69,440,177 | 2,773,849 | 72,214,025 | 2,773,849 |
| Local VDC/Community | 75,865,705 | 2,967,148 | 77,935,782 | 2,901,182 |
| **Total** | **195,809,188** | **7,747,316** | **202,659,432** | **7,681,350** |

**Note no: 18**

**Trade payables**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | **Current** | **Non-Current** | **Current** | **Non-Current** |
| Trade payables | 20,831,734 | - | 25,506,992 | - |
| **Total** | **20,831,734** | **-** | **25,506,992** | **-** |

**Note no: 19**

**Borrowings**

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| **Measured at amortized cost** | | | | |
| **Secured Borrowings from Banks** | | | | |
| Term loan | 82,764,272 | 159,133,651 | 94,989,152 | 233,520,295 |
| Overdraft | - | - | - | - |
| **Total** | **82,764,272** | **159,133,651** | **94,989,152** | **233,520,295** |

1) The company has entered into arrangement for term loan with International Financial Corporation (IFC). The loan is secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project. All these assets are classified as "Service Concession Arrangement Intangibles".

2) Term loan includes another loan obtained from Sunrise Bank which is secured as charge by way of hypothecation on Land and Building of company's corporate office situated at Kathmandu.

3) Short term loan and overdraft facility is obtained from Sunrise Bank which is secured as charge by way of assignment of revenue stream of Jhimruk project.

4) Terms of Repayment of Term Loans

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| 2 - 3 Years | 63,882,136 | 156,096,170 |
| 4 - 5 Years | 30,000,000 | 54,449,760 |
| 5 - 10 Years | 64,659,280 | 22,378,580 |
| **Total** | **158,541,416** | **232,924,510** |

**Note no: 20**

**Other liabilities (current and non-current)**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Advance Received from DDC, VDC and NTC | 920,739 | 24,691,509 | 920,739 | 24,113,645 |
| Dividend Payable | 55,112,822 | - | 39,295,559 | - |
| Statutory dues | 7,113,990 | - | 7,423,608 | - |
| VAT Payable (Net) | 150,944 | - | 309,921 | - |
| Welfare Fund Clearing Account | 1,404,662 | - | 910,987 | - |
| Bonus payable | 14,689,708 | - | 28,359,802 | - |
| **Total** | **79,392,865** | **24,691,509** | **77,220,616** | **24,113,645** |

**Note no: 21**

**Other Financial Liabilities**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Employees Accounts Payable | 10,829,976 | - | 25,100,756 | - |
| Refundable Deposits of Parties | 1,230,648 | - | 1,344,325 | - |
| Retention Payable | 2,790,604 | - | 3,736,358 | - |
| Royalty Payable | 4,426,295 | - | 5,310,947 | - |
| Other Payable | 3,165,456 | - | 2,749,864 | - |
| **Total** | **22,442,979** | **-** | **38,242,250** | **-** |

**Note no: 22**

**Provisions (current and non-current)**

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Provision for leave encashment | 2,033,204 | 17,526,081 | 1,460,001 | 10,939,281 |
| **Total** | **2,033,204** | **17,526,081** | **1,460,001** | **10,939,281** |

**Note no: 23**

**Revenue**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Electricity Sale to NEA | | |
| Electricity Sale | 486,127,493 | 487,410,246 |
| Short supply charges | (2,289,330) | (580,471) |
| | **483,838,163** | **486,829,775** |
| Electricity Sale to Consumers | | |
| Metered Consumers | 162,623,259 | 156,112,157 |
| Unmetered Consumers | 767,818 | 897,511 |
| Industrial Consumers | 43,077,932 | 41,232,268 |
| UO Rebate | (11,332,438) | (11,038,706) |
| | **195,136,571** | **187,203,230** |
| Electricity Services | | |
| Fee and Charges | 1,305,775 | 1,718,905 |
| Sale of Meter/Cutout & Accessories | 6,426,060 | 7,325,846 |
| | **7,731,835** | **9,044,751** |
| **Total** | **686,706,569** | **683,077,756** |

**Note no: 24**

**Generation Expenses**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Electricity Purchase | 20,811,206 | 20,316,178 |
| Salaries and other employee cost | 54,597,568 | 44,316,717 |
| Mutually Agreed Retirement Scheme [Refer Note no. 2.13] | - | 11,734,924 |
| Contribution to Provident and Gratuity Fund | 4,647,880 | 6,156,214 |
| Staff Bonus | 5,028,098 | 8,637,463 |
| Environment, Community & Mitigation | 7,356,101 | 16,242,471 |
| Donation expenses | 556,200 | 487,800 |
| Repair and Maintenance | 16,800,741 | 17,341,373 |
| Vehicle running cost* | (216,621) | 160,239 |

*(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Depreciation | 2,174,235 | 2,605,492 |
| Amortization of Intangible Assets - SCA | 56,917,849 | 56,387,334 |
| Royalty | 60,504,277 | 60,556,307 |
| Insurance | 6,979,373 | 7,865,122 |
| Safety and Security | 2,935,126 | 2,942,303 |
| Legal and professional Expenses | - | 2,929,779 |
| Assets written off | 77,308 | 1,052,203 |
| Miscellaneous Expenses | 6,520,316 | 6,579,819 |
| **Total** | **245,689,657** | **266,311,738** |

*BPC has a system of charging its employees for any personal use of its vehicles and deducting such amount from corresponding expenses. During the year, the charge for personal use of vehicle exceeded the cost incurred and thus there is negative balance in vehicle running cost

**Note no: 25**

**Distribution Expenses**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Cost of sale of Meter/Cutout & Accessories | 3,481,342 | 4,334,898 |
| Salaries and other employee cost | 46,209,622 | 39,557,544 |
| Mutually Agreed Retirement Scheme [Refer Note no. 2.13] | - | 17,996,124 |
| Contribution to Provident and Gratuity Fund | 4,437,699 | 6,319,456 |
| Staff Bonus | 4,725,286 | 8,218,700 |
| Environment, Community & Mitigation | 32,055 | - |
| Donation expenses | 38,800 | 39,200 |
| Repair and Maintenance | 8,279,028 | 9,416,313 |
| Vehicle running cost | 406,389 | 844,115 |
| Depreciation | 2,361,086 | 2,803,998 |
| Amortization of Intangible Assets - SCA | 17,211,149 | 16,483,677 |
| Royalty | 20,646,900 | 19,824,194 |
| Insurance | 542,690 | 504,329 |
| Safety and Security | 714,048 | 714,046 |
| Assets written off | 71,943 | 68,538 |
| Miscellaneous Expenses | 10,247,113 | 9,919,643 |
| **Total** | **119,405,150** | **137,044,775** |

**Note no: 26**

**Administrative and other operating expenses** *(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Salaries and other employee cost | 52,915,169 | 57,520,986 |
| Mutually Agreed Retirement Scheme [Refer Note no. 2.13] | - | 35,965,928 |
| Contribution to Provident and Gratuity Fund | 12,204,832 | 1,678,296 |
| Staff Bonus | 4,936,324 | 11,053,384 |
| Staff Welfare | 2,006,709 | 3,021,062 |
| Advertisement and business promotion | 272,404 | 458,864 |
| AGM and Board Expenses | 3,416,588 | 2,303,085 |
| Audit Fee and Expenses | 1,361,949 | 1,924,245 |
| Communication Expenses | 2,183,203 | 2,452,302 |
| Depreciation and amortization | 22,888,604 | 25,313,614 |
| Environment, Community & Mitigation | 159,800 | 38,600 |
| Gift and Donation | 111,882 | 177,000 |
| Hospitality and Refreshment | 405,262 | 743,169 |
| Insurance | 1,436,245 | 1,282,039 |
| Safety and Security | 2,404,419 | 2,578,105 |
| Legal and professional Expenses | 2,863,878 | 2,682,091 |
| Office running cost | 4,046,392 | 4,742,018 |
| Printing and Stationery | 1,609,566 | 2,040,704 |
| Rates and Taxes | 1,437,148 | 1,284,080 |
| Rent | - | 18,100 |
| Repair and Maintenance | 4,999,325 | 5,773,060 |
| Training and Development | 169,265 | 821,727 |
| Travelling expenses | 1,083,021 | 1,582,252 |
| Vehicle running cost | 203,769 | 872,498 |
| Bad Debts | - | 223,350 |
| Assets Written off | 54,808 | 53,120 |
| Equity Investment written off | - | 639,500 |
| Miscellaneous Expenses | 5,321,560 | 5,804,579 |
| Overhead Charged to Projects | (5,153,091) | (8,792,236) |
| **Total** | **123,339,031** | **164,255,522** |

**a. Detail of Audit Fee and related expenses**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| External Audit | 452,000 | 395,500 |
| Other assurance services (includes out of pocket expenses of external audit) | 298,313 | 239,830 |
| Internal Audit (including out of pocket expenses) | 610,282 | 780,380 |
| ISO Audit | 1,354 | 508,535 |
| **Total** | **1,361,949** | **1,924,245** |

**Note no: 27**

**Impairment loss on investment**

*(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Gurans Energy Limited | (127,123,424) | (1,830,170) |
| Kabeli Energy Limited | (119,178,418) | - |
| **Total** | **(246,301,842)** | **(1,830,170)** |
| Refer Note 6 for details of Impairment | | |

**Note no: 28**

**Other Income**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Dividend income | 744,120,794 | 578,954,023 |
| Income from Other Sources | 7,258,778 | 11,642,840 |
| House Rent | 13,549,706 | 13,171,378 |
| Gain / (Loss) on disposal of assets and inventories | 147,080 | 6,571,083 |
| Insurance Claim received on Loss of Assets | 2,691,900 | 155,162 |
| Foreign Currency Exchange Gain/(Loss) | 50,971 | 3,214,182 |
| **Total** | **767,819,229** | **613,708,668** |

| a. Detail of Dividend income | 2076/77 | 2075/76 |
|---|---|---|
| Name of Company | | |
| Himal Power Limited | 739,085,486 | 556,587,033 |
| Hydro-Consult Engineering Limited | 5,035,308 | 4,711,930 |
| Khudi Hydropower Limited (Preference Dividend) | - | 16,705,060 |
| BPC Services Limited | - | 950,000 |
| **Total** | **744,120,794** | **578,954,023** |

| b. Detail of Foreign Currency Exchange Gain/(Loss): | 2076/77 | 2075/76 |
|---|---|---|
| - On account of term loan with IFC | (317,574) | 730,567 |
| - On account of HPL dividend | 161,661 | 2,475,654 |
| - On account of Revaluation of different foreign currency bank accounts | 206,884 | 7,961 |
| **Total** | **50,971** | **3,214,182** |

**Note no: 29**

**Finance income**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Interest income | 24,253,988 | 151,539,902 |
| **Total** | **24,253,988** | **151,539,902** |

**Note no: 30**

**Finance Costs**

*(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Interest Expenses | 31,111,036 | 41,351,779 |
| Other finance cost | (3,551) | 238,943 |
| Bank Charges | 888,221 | 37,019 |
| **Total** | **31,995,706** | **41,627,741** |

**Note: 31**

**EARNINGS PER SHARE**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Profit for the year | 731,284,092 | 760,335,356 |
| Weighted average number of equity shares outstanding | 26,838,818 | 24,405,554 |
| **"Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [2074-75 Restated]"** | **27.25** | **31.15** |
| Add: Weighted average number of potential equity shares | - | - |
| Weighted average number of Equity shares (including dilutive shares) outstanding | 26,838,818 | 24,405,554 |
| **"Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [2074-75 Restated]"** | **27.25** | **31.15** |

**Note no: 32**

**Employee benefits expenses, Depreciation and Amortization included in the statement of profit or loss:**

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| **Employee benefit expenses** | | |
| Salary | 78,305,172 | 52,405,820 |
| Allowances | 57,172,161 | 77,550,072 |
| Provident Fund | 7,497,206 | 4,894,536 |
| Gratuity | 13,793,205 | 9,259,430 |
| Insurance | 780,478 | 440,759 |
| Leave Encashment | 17,464,548 | 10,998,596 |
| Mutually Agreed Retirement Scheme | - | 65,696,976 |
| Staff Welfare | 2,006,709 | 3,021,062 |
| Staff Bonus | 14,689,708 | 27,909,547 |
| **Total** | **191,709,187** | **252,176,798** |
| **Depreciation and Amortization** | | |
| Depreciation of Property, Plant and Equipment | 26,805,140 | 29,995,539 |
| Amortization of Intangibles Asset - Software | 605,250 | 714,030 |
| Amortization of Intangibles Asset - Service Concession Arrangement | 74,142,535 | 72,884,547 |
| Less: Depreciation being Revenue Portion of Grant Aid | (7,747,316) | (7,681,350) |
| **Total** | **93,805,609** | **95,912,766** |

**Note no: 33**

**Financial Instruments: Classifications and fair value measurements**

**A. Fair value measurements**

*(In NPR)*

| Particulars | Fair value | | "Fair value hierarchy" | "Valuation technique(s) and key input(s)" |
|---|---|---|---|---|
| | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 | | |
| Financial assets : | | | | |
| Investment in equity instruments of Himal Power Limited | 954,961,138 | 1,175,049,485 | Level 3 | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. |
| Investment in equity instruments of Hydro Lab (P) Limited | 19,356,942 | 17,254,939 | Level 3 | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. |

**Note no: 34**

**RELATED PARTY DISCLOSURES**

**(a) Relationship**

The company is controlled by Shangri-La Energy Ltd. which owns 56.28% of the company's shares.

| Relationship | Related Parties |
|---|---|
| Holding Company | Shangri-La Energy Ltd |
| Company with Common Directors | Mercantile Communications (P) Ltd |
| | Syakar Trading Co. Pvt. Ltd. |
| | Beltron Trading Pvt. Ltd. |
| Subsidiaries | Nepal Hydro & Electric Ltd. |
| | Khudi Hydropower Limited |
| | BPC Services Limited |
| | Nyadi Hydropower Limited |
| | Hydro-Consult Engineering Limited |
| | Manang Marshyangdi Hydropower Company Pvt. Ltd. |
| Associates | Gurans Energy Limited |
| | Kabeli Energy Limited |
| | S.C.I.G International Nepal Hydro Joint Development Company Pvt. Ltd |
| | Himtal Hydropower Company Pvt. Ltd. |
| | Marshyangdi Transmission Company Pvt. Ltd. |

**(b) Those charged with governance**

Those charged with governance of the BPC include members of Board of directors namely:

| Name | Designation |
|---|---|
| I) Mr. Padma Jyoti | Chairman |
| ii) Mr. Pradeep Kumar Shrestha | Director |
| iii) Mr. Bijaya Krishna Shrestha | Director |
| iv) Mr. Om Prakash Shrestha | Director |

*(In NPR)*

| Name | Designation |
|---|---|
| v) Mr. Sandip Kumar Dev | Director |
| vi) Mr. Sandip Shah | Director |
| vii) Mr. Dinesh Humagain | Director |
| viii) Mr.Tirtha Man Shakya | Director |
| ix) Mr. Bijay Bahadur Shrestha | Alt. Director |
| x) Mr. Sanjib Rajbhandari | Alt. Director |

The following provides expenses incurred for those charged with governance of BPC:

| Nature of Expense | Current year | Previous year |
|---|---|---|
| Meeting Allowances | 1,584,000 | 620,000 |
| Telephone, Mobile and Newspaper / Magazines | 911,000 | 480,000 |

**(c) Transactions with key management personnel**

Key Management personnel includes:

I) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

| Particulars | Current year | Previous Year |
|---|---|---|
| Short-term employee benefits | 10,118,239 | 9,585,894 |
| | **10,118,239** | **9,585,894** |

**(d) Other related party transactions**

| Name of the related party | Nature of transaction | Transaction | | Outstanding balance | |
|---|---|---|---|---|---|
| | | Current Year | Previous Year | Current Year | Previous Year |
| Mercantile Communications (P) Ltd | Internet and VSAT Service | 433,920 | 433,920 | | |
| Syakar Trading Co. Pvt. Ltd. | Vehicle repair Maintenance | 185,120 | 71,535 | | |
| Beltron Trading Pvt. Ltd. | Electrical items purchase | - | 109,949 | | |
| Nepal Hydro & Electric Ltd. | Purchase and other expenses | 15,516,753 | 12,371,624 | (62,360) | (1,205,617) |
| | Reimbursement of rent and utilities | - | 4,294 | - | 4,294 |
| | Advance given | 1,289,488 | 2,077,354 | - | - |
| Khudi Hydropower Limited | Reimbursement of rent and utilities | 31,805 | 198,465 | - | 11,454 |
| | Dividend Receivable | - | - | 16,705,060 | 16,705,060 |
| BPC Services Limited | Reimbursement of rent and utilities | 63,705 | 63,745 | - | 2,004 |
| | Purchase | 33,900 | 33,900 | (2,787) | (2,625) |
| Nyadi Hydropower Limited | Reimbursement of rent, utilities and man hour charge | 964,342 | 3,977,330 | - | 145,690 |
| | Disbursement of convertible loan | - | - | - | - |
| Hydro-Consult Engineering Limited | Purchase | 6,403,733 | 9,866,534 | - | (3,563,534) |
| | Reimbursement of rent and utilities | 5,079,690 | 4,907,631 | - | - |
| Kabeli Energy Limited | Reimbursement of rent and utilities | 1,848,666 | 1,757,195 | - | 69,201 |

**Note : 35**

**Contingent Liabilities and commitments**

**A. Corporate Guarantee**

*(In NPR)*

| S.no. | Party Name | Purpose | Amount | "Expiry Date(A.D.)" |
|---|---|---|---|---|
| 1 | Nepal Investment Bank Ltd. | Khudi Hydro's long term loan | 163,800,000 | 12/15/2021 |
| 2 | Nepal Investment Bank Ltd. | Khudi Hydro's overdraft facilities | 14,000,000 | 12/15/2021 |

**B. Royalty and Tax exemption regarding additional 4.3 MW project in Andhikhola**

The Company has considered additional 4.3 MW project in Andhikhola as a separate project on basis of separate PPA agreement. It has calculated and paid royalty for this new project to Department of Electricity Development (DoED) on revised rate i.e. Rs. 100 per installed capacity in KW and 2% of revenue from electricity sales. Company has applied for advance ruling for tax exemption status for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License.

If the Company applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 35.7 million considering the period since commencement date till Ashadh end 2077. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project. The advance ruling is still awaited.

During the year DoED has instructed Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to BPC. As of 15$^{th}$ July 2020, NEA has deducted NRs 2,50,88,251 from BPC's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 13 of Financial Statements.

**C. Capital Commitments**

i. 37.6-MW Kabeli-A Hydropower Project (KAHEP)

BPC is the leading partner in this project. The Project Company has signed a Project Development Agreement with the Government of Nepal for development of the project on BOOT basis.

BPC's part of capital commitment on this project is NPR 1,226 million for overall 56.16% shareholding (including indirect holding through Gurans Energy Limited) of which BPC has invested overall NPR 630 million as on reporting date. Due to unsatisfactory performance, notice of termination has been issued to the Civil /HM Contractor effective from April, 2019. Recovery plan has been formulated after the termination of Civil/HM Contractor. All physical works are under suspension as on reporting date. KEL has requested for extension of Required Commercial Operation Date (RCOD) to Ministry of Energy, Water Resources and Irrigation (MoEWRI) for next 32 months. The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

ii. 30-MW Nyadi Hydropower Project

NHP (upgraded capacity 30 MW) is a Run-of-River type project being developed over Nyadi River in Bahundada VDC in Lamjung district by Nyadi Hydropower Limited (NHL). At present BPC and Lamjung Electric Development Company (LEDCO) own 98.19% and 1.81% of NHL shares respectively.

BPC's part of capital commitment on this project is NPR 1,075 million for overall 70.22% shareholding after set aside for locals/public and employees and BPC has invested total committed amount NPR 1,075 million as on reporting date. Its COD is expected by 31$^{st}$ December 2020 (16 Poush, 2077).

iii. 140-MW Lower Manang Marshyangdi Hydropower Project (M2)

BPC has got generation license of 140 MW capacities Lower Manang Marshyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR.194.28 million has been spent by the group as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR.

iv. 7.9 -MW Chino Khola Hydropower Project

BPC has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study has been completed and EIA report has been prepared as per the ToR and Scoping document approved by GoN. Project is being slightly re-designed to fit into MM and LMM Cascade development. A consent for PPA has been received from NEA as required for the process of Generation License. EIA report has been submitted to MOEWRI after incorporating the comments of review committee. NPR. 27.86 million has been spent by the company for this project as on reporting date.

v. 159.62 MW Mugu Karnali Hydropower Project

BPC has got survey license for Mugu Karnali Hydropower Project on November 23, 2017. The project is located near Gamgadhi, Mugu district. The feasibility study and EIA study of the project is ongoing. NPR.44.26 million has been spent by the company for this project as on reporting date.

vi. SCIG International Nepal Hydro Joint Development Company Pvt. Ltd. (SCIG JVC)

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. BPC's part of capital commitment on this project is NPR 380 million for 20% shareholding.

vii. 135 MW Manang Marshyangdi Hydropower Project (M1)

BPC has acquired 100% shares of M1 with a plan to develop in cascade at Marshyangdi basin along with 139.2 MW-Lower Manang Marshyangdi (M2) and 327 MW Upper Marshyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17 Nov 2018 and connection agreement signed. The process of obtaining approval of PPA and PDA is in progress. BPC's part of capital commitment on this project is NPR 943 million for 19.40% shareholding as 80.60% of the total shares is proposed to transfer to SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 566.42 million for this project as on reporting date.

viii. 327 MW PROR Upper Marshyangdi 2 Hydropower Project (M3)

BPC has acquired 19.40% shares of M3 with a plan to develop in cascade at Marshyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation. BPC's part of capital commitment on this project is NPR 2,284 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 777.90 million for this project as on reporting date.

ix. Marshyangdi Transmission Project (MTP)

BPC has acquired 19.40% shares to construct the transmission line with a view to evacuate the electricity generated by M3. Its Share transfer to BPC has been completed by 24th May 2019. 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 10.34 million for this project as on reporting date.

x. New RAS Software Development

BPC has entered into contract to develop the new RAS (Revenue Accounting Software) for billing to electricity consumers. As per the contract, the total consideration for such services shall be NPR 2.13 million, out of which the company has already made payment of 90% and has further capital commitment of NPR 0.21 million under this contract.

**Note 36**

**Income Statement of generation, distribution and other sources of income**

**For the year ending on Ashadh 31, 2077**

| Particulars | Generation Jhimruk | Generation Andhikhola | Distribution Jhimruk | Distribution Andhikhola | Other Sources | Total |
|---|---|---|---|---|---|---|
| Revenue | 321,745,007 | 162,093,156 | 49,323,055 | 153,545,351 | - | 686,706,569 |
| Cost of Sales | | | | | | |
| Generation Expenses | (131,484,485) | (114,205,172) | - | - | - | (245,689,657) |
| Distribution Expenses | - | - | (40,328,928) | (79,076,222) | - | (119,405,150) |
| **Gross profit** | **190,260,522** | **47,887,984** | **8,994,127** | **74,469,129** | **-** | **321,611,762** |
| Depreciation Being Revenue Portion of Grant Aid | 232,919 | 259,852 | 2,801,363 | 4,453,182 | - | 7,747,316 |
| Other income | 112,630 | 2,637,264 | 901,589 | 1,870,383 | 762,297,363 | 767,819,229 |
| Administrative and other operating expenses | (54,035,446) | (27,655,941) | (8,432,073) | (26,092,125) | (7,123,446) | (123,339,031) |
| Impairment loss on investment | - | - | - | - | (246,301,842) | (246,301,842) |
| **Profit from Operation** | **136,570,625** | **23,129,159** | **4,265,006** | **54,700,569** | **508,872,075** | **727,537,434** |
| Finance Income | 27,782 | 49,418 | 154,680 | 50,307 | 23,971,801 | 24,253,988 |
| Finance Costs | - | (15,576,667) | (370) | - | (16,418,669) | (31,995,706) |
| **Profit Before Tax** | **136,598,407** | **7,601,910** | **4,419,316** | **54,750,876** | **516,425,207** | **719,795,716** |

**Income Statement of generation, distribution and other sources of income**

**For the year ending on Ashadh 31, 2076**

| Particulars | Generation Jhimruk | Generation Andhikhola | Distribution Jhimruk | Distribution Andhikhola | Other Sources | Total |
|---|---|---|---|---|---|---|
| Revenue | 330,916,130 | 155,913,645 | 47,885,394 | 148,362,587 | - | 683,077,756 |
| Cost of Sales | | | | | | |
| Generation Expenses | (149,370,393) | (116,941,345) | - | - | - | (266,311,738) |
| Distribution Expenses | - | - | (38,846,440) | (98,198,335) | - | (137,044,775) |
| **Gross profit** | **181,545,737** | **38,972,300** | **9,038,954** | **50,164,252** | **-** | **279,721,243** |
| Depreciation Being Revenue Portion of Grant Aid | 232,919 | 259,852 | 2,735,397 | 4,453,182 | - | 7,681,350 |
| Other income | 85,995 | 4,806,245 | 1,057,592 | 2,383,893 | 605,374,943 | 613,708,668 |
| Administrative and other operating expenses | (62,538,155) | (30,365,754) | (9,247,093) | (28,481,415) | (33,623,105) | (164,255,522) |
| Impairment loss on investment | - | - | - | - | (1,830,170) | (1,830,170) |
| **Profit from Operation** | **119,326,496** | **13,672,643** | **3,584,850** | **28,519,912** | **569,921,668** | **735,025,569** |
| Finance Income | 20,740 | 37,364 | 164,051 | 36,730 | 151,281,017 | 151,539,902 |
| Finance Costs | - | (22,932,897) | (480) | (250) | (18,694,114) | (41,627,741) |
| **Profit Before Tax** | **119,347,236** | **(9,222,890)** | **3,748,421** | **28,556,392** | **702,508,571** | **844,937,730** |

**Note 37**

**CSR expenses as per Industrial Enterprises Act 2076**

New Industrial Enterprises Act 2076 (the "Act") has been introduced with effect from Mangshir 28, 2076 repealing the Industrial Enterprises Act 2073 (the "Previous Act"). Section 54 of Industrial Enterprises Act 2076 makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the "CSR Requirement"). The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors, that are prescribed under the Act. In current year, the Company has incurred Rs. 7,547,956 on "Environment, Community & Mitigation" and allocated budget Rs. 17.97 million for FY 2077/78 to meet CSR requirement, which is in line to the required 1% of annual profit. Hence, additional amount for CSR activities has not been set aside.

BUTWAL POWER COMPANY LIMITED

# Consolidated
Financial Statements
**2019-2020**

CSC & Co.
Chartered Accountants

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# Independent Auditor's Report

## TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LIMITED

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

### OPINION

We have audited the accompanying consolidated financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (together referred to as "the Group"), its associates and joint ventures, which comprise the consolidated statement of financial position as at 15th July 2020, the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and explanatory information.

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other information of the subsidiaries, associates and joint ventures, the accompanying consolidated financial statements present fairly, in all material aspects, the consolidated financial position of the Group, its associates and joint ventures as at 15th July 2020, their consolidated total comprehensive income, consolidated cash flows and consolidated statement of changes in equity for the year then ended, in accordance with Nepal Financial Reporting Standards (NFRS).

### BASIS OF OPINION

We conducted our audit in accordance with Nepal Standards on Auditing (NSA). 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 Group in accordance with the ICAN's Handbook of Code of Ethics for Professional Accountants, together with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements and the ICAN's Handbook of Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the financial year ended 15th July 2020. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each

| Key Audit Matters | How our audit addressed the key audit matters |
|---|---|
| **Royalty pertaining to additional 4.3 MW project in Andhikhola**<br>(Refer Note 14 "Other Financial Assets" and Note 33 "Contingent Liabilities and Commitments" of the financial statements) | |
| Andhikhola Hydropower Project was upgraded to 9.5 MW from 5.1 MW with Commercial Operation Date on 5th April 2015. The Group has considered an additional 4.3 MW project in Andhikhola as a separate project on the basis of a separate PPA agreement. It has calculated and paid a royalty for this new project to the Department of Electricity Development (DoED) on a revised rate @ NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. However, DoED has been claiming the additional Royalty @ NPR 1,000 per installed capacity in KW and 10% of revenue from electricity sales. During the year, DoED has instructed the Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to the Group. As of Ashadh 31, 2077, NEA has deducted NPR 25,088,251 from the Group's receivable balance and paid the amount to DoED.<br>The Group has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Group's legal counsel. There's a risk that the Group's claim will not substantiate in the court and the liability on account of royalty would increase by an approximate amount of NPR 35.7 million considering the period since commencement date till Ashadh end 2077. | • We have evaluated the design and operating controls in relation to compliance with applicable laws and regulations.<br>• We read the summary of litigation matters provided by management and held discussions with the Group's legal counsels.<br>• In respect of provisions against litigation and the assessment of contingent liabilities, we tested the calculation of the provision/ contingent liability assessment; we reviewed the assumptions against third party data (wherever available) and assessed the estimates against historical trends. We considered management's judgments on the level of provision/recognition of contingent liability as appropriate. |

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td colspan="2">Impairment of Investments in Kabeli Energy Limited and Gurans Energy Limited<br>(Refer Note 6 "Investment in Associates and Joint Ventures" of the financial statements)</td></tr>
<tr><td>The Group has effective holding of 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through associate company Gurans Energy Limited (GEL) and as on Ashadh 31, 2076, the Group has invested about NPR 71 crores in the project. This project is halted since December 2018 due to a dispute with the contractor (Zhejiang) and the agreement with the contractor has been terminated in April 2019.<br>Recently, the Government of Nepal has awarded the Tamor hydropower project which will reduce the capacity of the Kabeli-A project. The Government may compensate the project for such impact but if the project does not progress from the current stage, then the position to claim the compensation will be weakened.<br>So, considering the above situation, there is significant doubt about the successful completion of the Kabeli-A project in near future.<br>The Group has booked an impairment loss of 40% of net investment value (amounting to NPR 246,301,842) considering the status, future prospects, carrying value of the project, and management's best judgment. The appointment of an expert has not been done yet due to the COVID-19 pandemic.</td><td>• We evaluated the reasonableness of impairment loss booked by the Group and the key assumptions in respect of status, future prospects and carrying value of the project.<br>• We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss on the prospects and future plans of the project.<br>• We have also assessed the adequacy of the disclosures made in the standalone financial statements.</td></tr>
<tr><td colspan="2">Recoverability of Advances<br>(Refer Note 14 "Other Financial Assets (Current and Non-current)" of the financial statements)</td></tr>
<tr><td>As on Ashadh 31, 2077, an advance of NPR 21 crore to Mr. Harish Chandra Shah (Shareholder of SC Power) and NPR 1.5 crore to SC Power Pvt. Ltd. are outstanding as receivables in the books of the group. These advances were provided to purchase a share of SC Power Pvt. Ltd., the developer of 440 MW Tila-I and 420 MW Tila-II hydropower projects. Due to various reasons, the 337th Board meeting dated 12th April 2019 of BPCL holding company had resolved unanimously to exit from the process of acquisition of shares of SC Power and to get reimbursement or refund of the advance.<br>The Group has been conducting regular discussions with concerned parties through the recovery committee. The Group has obtained legal advice on this matter and planning for the legal proceeding as suggested by the Group's legal counsel.</td><td>• We inquired from management and those charged with governance about the recoverability status and reviewed communication received from the party.<br>• We read the summary of litigation matters provided by management and held discussions with the Group's legal counsels.<br>• We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate.</td></tr>
</table>

matter below, our description of how our audit addressed the matter is provided in that context. We have determined the matters described below to be the key audit matters to be communicated in our report.

**OTHER INFORMATION**

The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Consolidated Financial Statements and our auditors' report thereon. Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

**RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Nepal Financial Reporting Standards (NFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 NSAs 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 consolidated financial statements.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on ability of the Group, its associates and joint ventures, to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group, its associates and joint ventures to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group, its associates and joint ventures of which we are the independent auditors and whose financial information we have audited, to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

**OTHER MATTERS**

- We did not audit the financial statements and other financial information, in respect of 2 subsidiaries, whose financial statement reflects total assets of NPR 491.22 million as at 15th July 2020, total revenue of NPR 63.39 million and net cash (inflows) of 6.18 million for the year ended on that date. These financial statements and other financial information have been audited by other auditors, of which financial statement, other financial information and auditor's reports have been furnished to us by the management. Our opinion on the consolidated financial statement, in so far as it relates to these subsidiaries, is based solely on the reports of such other auditors.
- The accompanying consolidated financial statements included unaudited financial statements and other unaudited financial information in respect of 1 subsidiary company "Nepal Hydro & Electric Limited (NHE)", whose financial statement reflect total assets of NPR 803.76 million as at 15th July 2020 and total revenue of NPR 938.06 million for the year ended on that date and unaudited financial statements and other unaudited financial information in respect of 5 associates and 6 joint ventures which reflects Group's share of net profit of NPR 15.03 million. These unaudited financial statements and other unaudited financial information have been furnished to us by the management. Our opinion, in so far as it relates to the amounts and disclosures included in respect of these subsidiary, associates and joint ventures, is based solely on such unaudited financial statements and unaudited financial information.

Our opinion on the consolidated financial statements and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit. In our opinion, the consolidated financial statement of financial position, total comprehensive income, cash flows and changes in equity have been prepared in accordance with the provisions of Companies Act, 2063 and conform to the books of accounts of the group and such books of accounts and records are properly maintained in accordance with the prevailing laws.

During the course of our audit, we did not come across the cases where the Board of Directors or the representative or any employee of the Group, has acted deliberately contrary to the provisions of the law or caused loss or damage to the Group or misappropriated funds of the Group, nor have we been informed of any such case by the management.

**PLACE: KATHMANDU**
**DATE: 18TH DECEMBER, 2020**
**UDIN Number: 20122ICA00264ptClc**

**JITENDRA KUMAR MISHRA**
**PARTNER**
**CSC & CO.**
**CHARTERED CCOUNTANTS**

BUTWAL POWER COMPANY LIMITED

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at Ashadh 31, 2077 (15th July, 2020)* *(In NPR)*

| | Note | As at Ashadh 31, 2077 | As at Ashadh 31, 2076* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 3 | 484,073,246 | 524,733,718 |
| Capital work-in-progress | 3 | 26,076,777 | 24,688,572 |
| Intangible assets | 4 | 2,664,566,830 | 2,733,591,015 |
| Intangible assets under development | 5 | 3,653,127,395 | 2,304,997,379 |
| Project work-in-progress | 7 | 264,784,649 | 220,373,448 |
| Financial assets | | | |
| Investment in associates and joint ventures | 8 | 1,264,032,158 | 1,495,099,530 |
| Other investments | 9 | 980,646,080 | 1,198,632,424 |
| Trade receivables | 13 | 3,349,585 | 61,600,288 |
| Other financial assets | 14 | 82,490 | 4,912,975 |
| Deferred tax assets | 6 | 21,337,457 | 20,977,510 |
| Other non-current assets | 15 | 42,771,109 | 117,801,669 |
| **Total Non-Current Assets** | | **9,404,847,776** | **8,707,408,528** |
| **Current Assets** | | | |
| Inventories | 10 | 106,143,314 | 170,459,216 |
| Financial assets | | | |
| Trade receivables | 13 | 382,530,661 | 621,440,519 |
| Cash and cash equivalents | 11 | 120,289,767 | 568,447,105 |
| Bank balance other than cash and cash equivalents | 12 | 58,349,255 | 91,084,398 |
| Other financial assets | 14 | 1,401,430,732 | 608,838,995 |
| Other current assets | 15 | 403,549,704 | 366,733,396 |
| Current tax assets (net) | 6C | 49,019,150 | 68,842,323 |
| **Total Current Assets** | | **2,521,312,583** | **2,495,845,952** |
| **Total Assets** | | **11,926,160,359** | **11,203,254,480** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity | 16 | 2,683,881,800 | 2,440,555,400 |
| Other Equity | 17 | 4,534,104,738 | 4,624,096,867 |
| Non-controlling interest | 34 | 234,035,561 | 219,820,396 |
| **Total Equity** | | **7,452,022,099** | **7,284,472,663** |
| **Liabilities** | | | |
| **Non-Current Liabilities** | | | |
| Grant aid in reserve | 18 | 195,809,188 | 202,659,432 |
| Financial liabilities | | | |
| Borrowings | 21 | 2,739,204,846 | 1,960,336,242 |
| Other financial liabilities | 22 | 185,132,404 | 110,301,120 |
| Provisions | 19 | 24,172,977 | 16,198,905 |
| Deferred tax liabilities | 6 | 261,802,296 | 371,044,477 |

| | Note | As at Ashadh 31, 2077 | As at Ashadh 31, 2076* |
|---|---|---|---|
| Other non-current liabilities | 23 | 24,691,509 | 24,113,645 |
| **Total Non-Current Liabilities** | | **3,430,813,220** | **2,684,653,821** |
| **Current Liabilities** | | | |
| Financial liabilities | | | |
| Borrowings | 21 | 412,896,456 | 485,866,133 |
| Trade payables | 20 | 247,862,889 | 102,772,146 |
| Other financial liabilities | 22 | 86,739,010 | 203,134,942 |
| Provisions | 19 | 11,389,496 | 9,136,432 |
| Other current liabilities | 23 | 284,304,874 | 430,256,183 |
| Current tax liabilities (net) | 6D | 132,315 | 2,962,160 |
| **Total Current Liabilities** | | **1,043,325,040** | **1,234,127,996** |
| **Total Liabilities** | | **4,474,138,260** | **3,918,781,817** |
| **Total Equity and Liabilities** | | **11,926,160,359** | **11,203,254,480** |

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

The accompanying notes are an integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

BUTWAL POWER COMPANY LIMITED

# CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

*For the year ended Ashadh 31, 2077 (15th July, 2020)* *(In NPR)*

| | Note | 2076/77 | 2075/76* |
|---|---|---|---|
| Revenue | 24 | 3,194,352,058 | 3,344,626,546 |
| Cost of Sales | 25 | (2,657,565,435) | (2,892,825,399) |
| **Gross profit** | | **536,786,623** | **451,801,147** |
| Depreciation Being Revenue Portion of Grant Aid | 18 | 7,747,316 | 7,681,350 |
| Other income | 27 | 762,922,509 | 589,415,320 |
| Administrative and other operating expenses | 26 | (254,572,924) | (286,152,018) |
| **Profit from Operation** | | **1,052,883,524** | **762,745,799** |
| Finance Income | 28 | 31,651,901 | 159,026,664 |
| Finance Costs | 29 | (86,365,246) | (84,046,864) |
| **Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations** | | **998,170,179** | **837,725,599** |
| Share of (loss) / profit of associates and joint ventures (net) under equity method | | 15,034,471 | (5,950,021) |
| Impairment loss on investment | | (246,301,842) | (1,830,170) |
| **Profit Before Tax** | | **766,902,808** | **829,945,408** |
| **Income Tax Expense** | | | |
| Current tax | 6A | (56,178,844) | (61,997,522) |
| Deferred tax credit/charge | 6A | 55,105,543 | (41,701,277) |
| **Profit for the year** | | **765,829,507** | **726,246,609** |
| **Attributable to:** | | | |
| Owners of the parent | | 754,065,640 | 732,121,380 |
| Non controlling interests | | 11,763,867 | (5,874,771) |
| **Other comprehensive Income:** | | | |
| **Other comprehensive Income not to be reclassified to profit or loss in subsequent periods** | | | |
| i. Re-measurement (losses) / gains on post employment define benefit plans | | - | - |
| ii. Equity instruments through other comprehensive income | | (217,986,344) | 40,125,198 |
| iii. Income tax relating to items that will not be reclassified to profit or loss | 6B | 54,496,586 | (10,031,300) |
| **Other comprehensive income/(loss) for the year, net of tax** | | **(163,489,758)** | **30,093,898** |
| **Attributable to:** | | | |
| Owners of the parent | | (163,489,758) | 30,093,898 |
| Non controlling interests | | - | - |
| **Total Comprehensive Income/(loss) for the year, net of tax** | | **602,339,749** | **756,340,507** |
| **Attributable to:** | | | |
| Owners of the parent | | 590,575,882 | 762,215,278 |
| Non controlling interests | | 11,763,867 | (5,874,771) |
| **Earnings per equity share of Rs. 100 each** | | | |
| Basic Earnings per share - Rs. | 30 | 28.10 | 30.00 |
| Diluted Earnings per share - Rs. | 30 | 28.10 | 30.00 |

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

The accompanying notes are an integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

BUTWAL POWER COMPANY LIMITED

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended Ashadh 31, 2077 (15th July, 2020)*

*(In NPR)*

| | 2076/77 | 2075/76* |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit for the year | 766,902,808 | 829,945,408 |
| **Adjustments for:** | | |
| Depreciation on property, plant and equipment | 47,389,720 | 52,554,290 |
| Amortization of Intangible Assets | 91,406,579 | 90,256,584 |
| Depreciation Being Revenue Portion of Grant Aid | (7,747,316) | (7,681,350) |
| Provision for employee benefits | 10,227,136 | 8,828,914 |
| Provision for Bonus | 19,134,431 | 32,366,692 |
| Finance income | (31,651,901) | (159,026,664) |
| Impairment of Intangible asset | 4,798,854 | 1,585,587 |
| Finance cost | 85,162,859 | 82,814,718 |
| Equity Investment Written Off | - | 639,500 |
| Amount written off | 8,069,484 | - |
| Non-Cash Income | - | (4,600,000) |
| Unrealized foreign exchange difference on cash and cash equivalent | (1,982,374) | 71,000 |
| Loss/ (gain) on sale of Property, plant and equipment | (147,080) | (6,571,083) |
| **Working capital adjustments:** | | |
| (Increase)/ Decrease in Trade Receivables | 297,160,561 | (242,961,085) |
| (Increase)/ Decrease in Other Financial Assets | (767,884,128) | (101,583,961) |
| (Increase)/ Decrease in Other Assets | 38,214,252 | 172,914,177 |
| (Increase)/ Decrease in Inventories | 64,315,902 | (73,247,342) |
| Increase /(Decrease) in Trade Payables | 145,090,743 | 47,545,716 |
| Increase/(Decrease) in Financial Liabilities | (28,744,183) | 118,145,478 |
| Increase/(Decrease) in Other Liabilities | (162,515,778) | (49,479,493) |
| **Cash generated from operations** | **577,200,569** | **792,517,086** |
| Bonus paid | (31,954,895) | (23,655,002) |
| Income Tax Paid | (40,126,113) | (40,871,622) |
| **NET CASH FLOWS FROM OPERATING ACTIVITIES** | **505,119,561** | **727,990,462** |
| **CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES** | | |
| Proceeds from sale of Property, Plant and Equipment | 478,952 | 7,007,414 |
| (Increase)/Decrease in Project work-in-progress | (44,411,201) | (13,810,744) |
| (Increase)/Decrease in Intangible assets under development | (1,348,130,016) | (1,180,421,178) |
| (Increase)/Decrease in Investment in Fixed Deposits | (20,000,000) | 1,319,813,014 |
| Interest Received | 31,774,777 | 159,026,664 |
| Acquisition of a Subsidiary | (1,641,147) | (564,112,737) |
| (Increase)/ Decrease Investment in Associates and Joint Ventures | 231,067,372 | (721,395,588) |
| (Increase)/ Decrease Other Investment | - | (728,000) |
| Acquisition of Property, plant and Equipment | (8,449,326) | (20,110,943) |
| Purchase of Intangibles | (25,540,101) | (49,027,056) |
| Grant Aid received/ (refunded) | 897,072 | 1,766,101 |

| | 2076/77 | 2075/76* |
|---|---|---|
| Bank balance other than cash and cash equivalents | 32,735,143 | (4,000,002) |
| **NET CASH FLOWS FROM INVESTING ACTIVITIES** | **(1,151,218,475)** | **(1,065,993,055)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Share Issue Cost | (300,000) | - |
| Issue of share in subsidiaries | - | 4,425,700 |
| Borrowing (repaid) / taken (net) | 710,674,164 | 763,184,691 |
| Dividend paid | (424,476,866) | (430,971,599) |
| Interest paid | (85,162,859) | (77,301,416) |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | **200,734,439** | **259,337,376** |
| **INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | **(445,364,475)** | **(78,665,217)** |
| Net foreign exchange difference on cash and cash equivalents | 1,982,374 | (71,000) |
| **CASH AND CASH EQUIVALENTS, Beginning of Year** | 532,070,124 | 610,806,341 |
| **CASH AND CASH EQUIVALENTS, End of Period** | **88,688,023** | **532,070,124** |

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

The accompanying notes are an integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

BUTWAL POWER COMPANY LIMITED

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended Ashadh 31, 2077 (15th July, 2020)*

*(In NPR)*

| | Equity Share Capital | Retained earnings and reserves attributable to owner of parent | | | | | | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Share Premium | Housing Fund Reserve | General Reserve | Fair Value Reserve* | Retained Earnings* | Total | | |
| **Balance at 1 Shrawan, 2075*** | **2,218,672,000** | **1,767,535,318** | **18,151,841** | **148,700,000** | **537,185,824** | **2,012,558,925** | **4,484,131,908** | **230,006,897** | **6,932,810,805** |
| Profit for the year | - | - | - | - | | 732,121,380 | 732,121,380 | (5,874,771) | 726,246,609 |
| Other comprehensive income | - | - | - | - | 30,093,898 | - | 30,093,898 | - | 30,093,898 |
| Total comprehensive income | - | - | - | - | 30,093,898 | 732,121,380 | 762,215,278 | (5,874,771) | 756,340,507 |
| Issue of share in subsidiaries | - | - | - | - | - | - | - | 4,425,700 | 4,425,700 |
| Issue of right share | - | - | - | - | - | - | - | - | - |
| Issue of bonus share | 221,883,400 | - | - | - | - | (221,883,400) | (221,883,400) | - | - |
| Issue Of Further Public Offering(FPO) | - | - | - | - | - | - | - | - | - |
| Share Issue Cost | - | - | - | - | - | - | - | - | - |
| Dividends to shareholders | - | - | - | - | - | (400,521,968) | (400,521,968) | (8,582,381) | (409,104,349) |
| Transfer to Retained Earnings | - | - | - | - | - | 155,049 | 155,049 | (155,049) | - |
| **Balance at Ashadh 31, 2076*** | **2,440,555,400** | **1,767,535,318** | **18,151,841** | **148,700,000** | **567,279,722** | **2,122,429,986** | **4,624,096,867** | **219,820,396** | **7,284,472,663** |
| Profit for the year | - | - | - | - | - | 754,065,640 | 754,065,640 | 11,763,867 | 765,829,507 |
| Other comprehensive income | - | - | - | - | (163,489,758) | - | (163,489,758) | - | (163,489,758) |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **(163,489,758)** | **754,065,640** | **590,575,882** | **11,763,867** | **602,339,749** |

| | Equity Share Capital | Retained earnings and reserves attributable to owner of parent | | | | | | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Share Premium | Housing Fund Reserve | General Reserve | Fair Value Reserve* | Retained Earnings* | Total | | |
| Issue of share in subsidiaries | - | - | - | - | - | - | - | - | - |
| Issue of right share | - | - | - | - | - | - | - | - | - |
| Issue of bonus share | 243,326,400 | - | - | - | - | (243,326,400) | (243,326,400) | - | - |
| Issue Of Further Public Offering(FPO) | - | - | - | - | - | - | - | - | - |
| Share Issue Cost | - | - | - | - | - | (294,560) | (294,560) | (5,440) | (300,000) |
| Dividends to shareholders | - | - | - | - | - | (440,294,127) | (440,294,127) | (1,325,072) | (441,619,199) |
| Transfer to Retained Earnings | - | - | - | - | - | (310,099) | (310,099) | 310,099 | - |
| Prior Period Adjustment | - | - | - | - | - | 3,657,175 | 3,657,175 | 3,471,711 | 7,128,886 |
| **Balance at Ashadh 31, 2077** | **2,683,881,800** | **1,767,535,318** | **18,151,841** | **148,700,000** | **403,789,964** | **2,195,927,615** | **4,534,104,738** | **234,035,561** | **7,452,022,099** |

*The previous year figures has been restated to include one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose financial statements were not made available for the purpose of consolidation in the previous year. Refer note 2(1)(v) for the detail.

The accompanying notes are an integral part of these financial statements.

As per our report of even date

**Uttar Kumar Shrestha**
Chief Executive Officer

**Padma Jyoti**
Chairman

**Pradeep Kumar Shrestha**
Director

**Radheshyam Shrestha**
Vice President- Finance

**Bijaya Krishna Shrestha**
Director

**Sandip Kumar Dev**
Director

**Jitendra Kumar Mishra**
Partner
CSC & Co.
Chartered Accountants

**Om Prakash Shrestha**
Director

**Dr. Sandip Shah**
Director

**Date: 18th December, 2020**
**Place: Kathmandu, Nepal**

**Dinesh Humagain**
Director

**Tirtha Man Shakya**
Independent Director

BUTWAL POWER COMPANY LIMITED

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the year ended Ashadh 31, 2077*

## Note 1: Background

The consolidated financial statements comprise financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (hereinafter referred to as "the Group") for the year ended Ashadh 31, 2077

The Group principal activities includes the development of hydropower project, provide consulting services, hydraulic modelling and operation and maintenance services to hydropower plants. The group has carried on the business in Nepal and overseas and employs over 500 people. Information on the Group's structure is provided in Note 2.25.

The Company is a limited liability company incorporated and domiciled in Nepal. The address of its registered office is: Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal. The Company's shares are listed on Nepal Stock Exchange (NEPSE) as BPCL.

The consolidated financial statements apply to the financial year ended Ashadh 31, 2077 (15th July 2020).

In the Consolidated financial statements, Butwal Power Company Limited has been referred as "BPC" or "Company".

The accompanied consolidated financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on Poush 3, 2077 (18th December, 2020). The Board of Directors acknowledges the responsibility of preparation of consolidated financial statements.

## Note 2: Significant accounting policies

### 2.1 BASIS OF PREPARATION AND MEASUREMENT

***i. Statement of Compliance***

The consolidated financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN). The Consolidated financial statements have also been prepared in accordance with the relevant presentational requirements of the Companies Act, 2063 of Nepal.

The Group has applied Carve Out issued by the Institute of Chartered Accountants of Nepal (ICAN) as an alternative treatment for equity accounting under NAS 28- Investment in Associates and Joint Ventures. As per alternative treatment under Para 35 of NAS 28, the entity's financial statements shall be prepared using uniform accounting policies for like transactions and events in similar circumstances unless, in case of an associate, it is impracticable to do so. All associates and joint ventures of the Group have not prepared the financial statements using the uniform accounting policies, so the Group has adopted this carve out which is valid till fiscal year 2019/20.

***ii. Standards issued by ICAN but not yet applicable at 15th July 2020***

The Group has not opted for the early adoption of any of the new set of NFRS pronounced by ICAN, which may relate to it, but whose application was not mandatory for financial year 2076/77 (2019/20). These standards include:

a. NFRS 9 "Financial Instruments", NFRS 14 "Regulatory Deferral Accounts", NFRS 15 "Revenue from Contracts with Customers, NFRS 16 "Leases", NFRS 17 "Insurance Contracts" & NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2021, and
b. All other standards under NFRS 2018 applicable from 16th July 2020.

The Group is currently assessing the impact and plans to adopt the new standard on the required effective date.

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue. It replaces standards NAS 11 "Construction Contracts" and NAS 18 "Revenue", as well as the different existing interpretations SIC 31 "Revenue – Barter Transactions Involving Advertising Services", IFRIC 13 "Customer Loyalty Programs", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 18 "Transfers of Assets from Customers".

NFRS 9 "Financial Instruments" is the new NFRS standard introducing new provisions regarding Impairment of financial assets and hedging. It replaces standards NAS 39 "Financial Instruments: Recognition and Measurement" and NFRS 9 (2013) "Financial Instruments".

NFRS 16 "Leases" changes the recognition of leases by lessees. It replaces NAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

***iii. Basis of preparation***

The consolidated financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the consolidated financial statements. All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The consolidated financial statements is presented in functional and presentation currency of the Group i.e. Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Group operates.

***iv. Basis of measurement***

These consolidated financial statements are prepared under historical cost convention except for certain material items that have been measured at fair value as required by the relevant NFRS and explained in the ensuing policies below.

***v. Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at Ashadh 31, 2077. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns
  The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above. The group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:
- The size of Group's holding of voting rights;
- Potential voting rights held by the Group;
- Rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on Ashadh 31. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

**LIMITATION ON CONSOLIDATION DURING THE YEAR**

The audited financial statements of Nepal Hydro & Electric Limited (NHE), a subsidiary company were not made available to the management of the Company so, in the current year, the consolidated financial statements include the financial information of NHE based on unaudited financial statements made available. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group have been consolidated the unaudited amounts of revenue and expenses, cash flows and changes in equity of NHE for the year. The consolidated statement of financial position of the group has consolidated assets, liabilities and equity at amount equivalent to respective unaudited amounts of NHE.

In addition, during the year 2075/76, the financial statements of Nepal Hydro & Electric Limited (NHE), a subsidiary company were not made available to the management of the Company so the consolidated financial statements did not include the financial information of NHE in the FY 2075/76. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group had not consolidated the amounts of revenue and expenses, cash flows and changes in equity of NHE for the year 2075/76. The consolidated statement of financial position of the group for FY 2075/76 had consolidated assets, liabilities and equity at amount equivalent to previous year (FY 2074/75) respective amounts of NHE. In the current year (FY 2076/77), the opening figures of the consolidated financial statements has been restated for the amounts of revenue, expenses, cash flows, assets, liabilities and equity of NHE for FY 2075/76 based on unaudited financial statement provided during the year.

**CONSOLIDATION PROCEDURE:**

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Off set (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

(c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

(d) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**INVESTMENTS IN ASSOCIATES AND JOINT VENTURES:**

An associate is an entity over which the Group has significant influences but not control or joint control. This is generally the case where the Group holds between 20% to 50% of the voting rights or the Group has power to participate in the financial and operating policy decision of the investee. Investments in associate are accounted for using equity method. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with NFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associates or joint ventures exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or joint ventures. An investment in an associates or joint ventures is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. After application of the equity method of accounting, the Group determines whether there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment in an associate or joint venture and that event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. If there exists such an objective evidence of impairment, then it is necessary to recognise impairment loss with respect to the Group's investment in an associate or joint venture.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. Distributions received from an associate or joint venture reduce the carrying amount of the investment. Unrealised gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the assets transferred.

## 2.2 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Refer Note 4 (c) of consolidated financial statement for detail w.r.t Goodwill recognised during the year.

## 2.3 Critical accounting estimates and judgements

The preparation of the consolidated financial statements in conformity with Nepal Financial Reporting Standards requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The Group makes certain estimates and assumptions regarding the future events. Estimates and judgments are continuously evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management believes that the estimates used in the preparation of the consolidated financial statements are prudent and reasonable. Future results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in current and future periods. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes: -

**USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT**

Management reviews the useful life and residual values of property, plant and equipment at least once a year. Such life is dependent upon an assessment of both the technical life of the assets and also their likely economic life, based on various internal and external factors including relative efficiency and operating costs. Accordingly, depreciable lives are reviewed annually using the best information available to the Management.

**IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined on the basis of discounted estimated future cash flows. This involves management estimates on anticipated commodity prices, market demand and supply, economic and regulatory environment, discount rates and other factors. Any subsequent changes to cash flow due to changes in the above-mentioned factors could impact the carrying value of assets.

**CONTINGENCIES**

In the normal course of business, contingent liabilities may arise from litigation and other claims against the Group. Potential liabilities that are possible but not probable of crystallising or are very difficult to quantify reliably are treated as contingent liabilities. Such liabilities are disclosed in the notes but are not recognised.

**FAIR VALUE MEASUREMENTS**

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The management determines the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation as per necessity. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

**RECOGNITION OF DEFERRED TAX ASSETS**

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group.

## 2.4 Service concession arrangements

Under IFRIC 12 – Service Concession Arrangements applies to public-to-private service concession arrangements if:

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and

(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement

(c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement.

Infrastructure used in a public-to-private service concession arrangement for its entire useful life (whole life of assets) is within the scope of this IFRIC, if the conditions in (a) above are met.

These arrangements are accounted on the basis of below mentioned models depending on the nature of consideration and relevant contract law.

**FINANCIAL ASSET MODEL:**

The Financial asset model is used when the Group, being an operator, has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Unconditional contractual right is established when the grantor contractually guarantees to pay the operator (a) specific or determinable amount; (b) the shortfall, if any, between amounts received from the users of the public services and specified or determinable amounts.

**INTANGIBLE ASSET MODEL:**

The intangible asset model is used to the extent that the Group, being an operator, receives a right (a license) to charge users of the public service. A right to charge users of a public services is not an unconditional right to receive cash because the amounts are contingent on to the extent that public uses the services. Both type of arrangements may exist within a single contract to the extent that the grantor has given an unconditional guarantee of payment for the construction and the operation i.e. considered as a Financial asset and to the extent that the operator has to rely on the public using the service in order to obtain payment, the operation has an intangible asset.

**INTANGIBLE ASSETS UNDER SERVICE CONCESSION ARRANGEMENT (SCA)**

The Group manages concession arrangements which include power supply from its three hydro power plant viz. 12 MW Jhimruk Power Plant, 9.4 MW Andhikhola Power Plant and 4MW Khudi Hydropower Plant. The Group maintains and services the infrastructure during the concession period. Further, the concession arrangement gives the Group right to use the hydro power project for generating electricity and earn revenue by selling electricity to NEA and local consumers. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset model is applied.

Revenue from service concession arrangement under intangible asset model is recognised in accordance with the terms of the power purchase agreement as and when the power is supplied. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Group, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or when the contractual rights to the financial asset expire.

The tenure of the Service Concession Arrangement of 9.4 MW Andhikhola, 12 MW Jhimruk Hydro Power Plant and 4MW Khudi Hydropower Project for generation, transmission and distribution shall be ended on Chaitra 2101 B.S., Chaitra 2102 B.S. and Chaitra 2096 B.S. respectively.

## 2.5 Property, plant and equipment

i. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

ii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset are derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

iii. The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

iv. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

v. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

vi. Assets in the course of construction are capitalised in the assets under capital work in progress account (CWIP). At the point when an asset is operating at management's intended use, the cost of construction is transferred to the appropriate category of property, plant and equipment and depreciation commences. Where an obligation (legal or constructive) exists to dismantle or remove an asset or restore a site to its former condition at the end of its useful life, the present value of the estimate cost of dismantling, removing or restoring the site is capitalized along with the cost of acquisition or construction upon completion and a corresponding liability is recognized. Revenue generated from production during the trial period is capitalised.

## 2.6 Other Intangible Assets

i. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

ii. Certain computer software costs are capitalized and recognised as intangible assets based on materiality, accounting prudence and significant benefits expected to flow there from for a period longer than one year.

iii. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

## 2.7 Depreciation and Amortization

i. Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives.

ii. Amortisation is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

iii. Depreciation is provided on the written down method based on the estimated useful lives of the assets determined by the management. Depreciation on additions to fixed assets is charged on pro-rata basis in the year when it is available for use. The useful life of the assets and the corresponding rates at which the assets are depreciated are as follows: -

| Category of asset | Estimated useful life | Depreciation Rate |
|---|---|---|
| Building | 58 - 59 years | 5% |
| Plant and Equipment | 18 - 19 years | 15% |
| Office equipment | 10 - 11 years | 25% |
| Furniture and fixtures | 10 - 11 years | 25% |
| Computers and accessories | 10 - 11 years | 25% |
| Vehicles | 13 - 14 years | 20% |

Computer software is amortised over an estimated useful life of 5 years on straight line basis.

iv. Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.

The estimated useful life, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

v. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

## 2.8 Impairment of tangible and intangible assets

i. At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

iii. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

iv. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit and Loss.

v. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit and Loss.

## 2.9 Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur.

## 2.10 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and on hand and demand deposits with an original maturity of three months or less and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

## 2.11 Inventories

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories of stores, spare parts and loose tools are stated at the lower of weighted average cost and net realizable value. Net realisable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and estimated costs necessary to make the sale.

## 2.12 Revenue recognition

**i) SALE OF ELECTRICITY**

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Group and that the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances. Revenue is recognised when substantial risks and rewards of ownership is transferred to the buyer under the terms of the contract.

**ii) REVENUE FROM CONSULTANCY CONTRACTS**

Consultancy contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the outcome of the contract cannot be estimated reliably, revenue is recognised to the extent of the contract costs incurred if it is probable that they will be recoverable. When the outcome of the contract is ascertained reliably, contract revenue is recognised at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs. The estimated outcome of a contract is considered reliable when all the following conditions are satisfied:

i. The amount of revenue can be measured reliably,
ii. It is probable that the economic benefits associated with the contract will flow to the Group,
iii. The stage of completion of the contract at the end of the reporting period can be measured reliably, and
iv. The costs incurred or to be incurred in respect of the contract can be measured reliably.

Provision is made for all losses incurred to the balance sheet date. Variations in contract work, claims and incentive payments are recognised to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Expected loss, if any, on a contract is recognised as expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and recognised profits (or recognised losses, as the case may be), the surplus is shown as the amount due to customers.

**iii) OTHER ELECTRICITY SERVICES**

Fees from other electricity services is accounted on accrual basis as and when the right to receive arises.

**iv) DIVIDEND AND INTEREST INCOME**

Dividend income (net of withholding taxes) from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). In case of stock dividend only the number of shares is increased.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

## 2.13 Foreign currency transactions

i. The functional currency of the Group and its subsidiaries is determined on the basis of the primary economic environment in which it operates. The functional currency of the Group is Nepalese Rupee (NPR).
ii. In preparing the consolidated financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the date of the transactions.
iii. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date

when the fair value was determined.

iv. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

v. Exchange differences on monetary items are recognised in Statement of Profit and Loss in the period in which they arise.

## 2.14 Employment Benefits

The Group has schemes of employment benefits namely provident fund, employee gratuity, other retirement benefit and accumulate leave payable as per employee service manual.

**DEFINED CONTRIBUTION PLAN – PROVIDENT FUND**

Under defined contribution plans, provident fund, the Group pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. Contributions to defined contribution schemes (Provident fund) are charged to the profit or loss statement in the year to which they relate as the Group has no further defined obligations beyond monthly contributions. Contributions to defined contribution schemes are deposited with Employees Provident Fund (Karmachari Sanchaya Kosh).

**DEFINED BENEFIT PLAN - GRATUITY**

As per the provision of new Labor Act enacted and effective from 4th September, 2017, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution of 8.33% of basic salary needs to be deposited on monthly basis to the separate Social Security Fund (SSF), however, deposited with Citizen Investment Trust (CIT) instead of contribution in SSF due to lack of clear and practical guidelines in this regard. Contribution to Gratuity fund are charged to the profit or loss statement in the year to which they relate as the group has no further defined obligations beyond monthly contributions. As on date, the group has set aside net obligation amount as gratuity payable in current liabilities.

**SHORT TERM AND LONG-TERM EMPLOYMENT BENEFITS**

i. A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

ii. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

iii. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date determined based on an actuarial valuation.

## 2.15 Taxation

**INCOME TAX**

Income tax on the profit or loss for the year comprises current taxes and deferred taxes. Income tax is recognized in the profit or loss statement except to the extent that it relates to items recognized directly to equity.

**CURRENT TAX**

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.

Income tax rates applicable to Group:

Income from Manufacturing and sale of electricity: 20% (2075/76: 17%)

Income from Other services: 25% (2075/76: 25%)

**DEFERRED TAX**

i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

## 2.16 Earnings per share

Basic earnings per share is computed by dividing the profit/ (loss) for the year by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year is adjusted for treasury shares, bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

## 2.17 Provisions, contingencies and commitments

i. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

ii. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.

iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

vii. A contingent asset is a possible asset 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.

viii. Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

ix. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

## 2.18 Financial Instruments

**i. FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised when the Group becomes a party to the contract embodying the related financial instruments. All financial assets, financial liabilities and financial guarantee contracts are initially measured at transaction cost and where such values are different from the fair value, at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value measured on initial recognition of financial asset or financial liability. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit and loss are immediately recognised in the statement of profit and loss. In case of interest free or concession loans/debentures/preference shares given to subsidiaries and associates, the excess of the actual amount of the loan over initial measure at fair value is accounted as an equity investment.

Investment in equity instruments issued by subsidiaries and associates are measured at cost less impairment.

Investment in preference shares/debentures of the subsidiaries are treated as equity instruments if the same are convertible into equity shares or are redeemable out of the proceeds of equity instruments issued for the purpose of redemption of such investments. Investment in preference shares/ debentures not meeting the aforesaid conditions are classified as debt instruments at amortised cost.

**ii. EFFECTIVE INTEREST METHOD**

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Income/ expense arising on financial instruments after applying an effective interest rate is recognised in Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item. For calculating EIR, risk free interest rate of 8% p.a. has been considered.

**iii. FINANCIAL ASSETS**

***Financial assets at amortised cost***

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Financial assets measured at fair value***

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell these financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group in respect of equity investments (other than in subsidiaries and associates) which are not held for trading has made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of such equity instruments. Such an election is made by the Group on an instrument by instrument basis at the time of initial recognition of such equity investments.

Financial asset not measured at amortised cost or at fair value through other comprehensive income is carried at fair value through the statement of profit and loss.

For financial assets maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the shorter maturity of these instruments.

***Impairment of financial assets***

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

***De-recognition of financial assets***

The Group de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the carrying amounts measured at the date of de-recognition and the consideration received is recognised in statement of profit or loss.

**iv. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS**

***Classification as debt or equity***

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

***Equity Instruments***

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

***Financial Liabilities***

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the statement of profit and loss.

For trade and other payables maturing within one year from the balance sheet date, the carrying amounts approximate fair value due to the short maturity of these instruments.

***Financial guarantee contracts***

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee.

***De-recognition of financial liability***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit and loss.

**v. OFF-SETTING OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**vi. FAIR VALUE MEASUREMENT:**

The Group measures financial instruments, such as, investment in equity instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1 —** Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3 —** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 2.19 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease is classified at the inception date as a finance lease or an operating lease.

## Group as a lessee

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

**THE GROUP AS LESSOR**

Rental income from operating leases is generally recognised on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## 2.20 Government grants and Grant Aid in Reserve

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities

Grant received related to assets is shown at fair value as "grant aid in reserve" to the extent of asset creation they contribute. Grant aid in reserve is reduced by the depreciation of such assets and the same amount is realized as income to balance the expense of depreciation expense in the profit and loss account.

Revenue grant and related expenses are recognized in the profit and loss account.

## 2.21 Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.

The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the balance sheet.

Property, plant and equipment and intangible assets once classified as held for sale/ distribution to owners are not depreciated or amortized.

## 2.22 Financial risk management objectives and policies

The Group's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Group's Board and senior management has overall responsibility for the establishment and oversight of the Group's risk management. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Risk Management is done by the Group's management that provides assurance that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below: -

**A. CURRENCY RISK**

The Group is subject to the risk that changes in foreign currency values impact the Group's imports of inventories and property, plant and equipment. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Group's approach to management of currency risk is to leave the Group with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant risk, management has not entered into any forward contract.

The following table demonstrates the unhedged exposure in USD with corresponding equivalent NPR as at Ashadh 31, 2077 and Ashadh 31, 2076: -

**B. CREDIT RISK**

Credit risk refers to the risk that a counterparty including its subsidiaries and associates will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on. No amount has been recognised in the financial position as financial liabilities.

**C. INTEREST RATE RISK**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term and short-term debt obligations. Since, the interest rate risk is influenced by market forces, the group has little role to play for minimizing this risk. Group has made swap arrangement to minimize the interest rate risk associated with foreign currency. Further, the Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings by negotiating with highly reputed commercial banks.

| Particulars | Currency | Ashadh 31, 2077 | Ashadh 31, 2076 |
|---|---|---|---|
| Cash and bank balance | NPR | 12,545,546 | 9,439,503 |
| | USD | 104,225 | 86,317 |
| Trade Receivables | NPR | 9,316,006 | 8,463,890 |
| | USD | 77,395 | 77,395 |
| Advance to Suppliers / Contractors/Sub-contracts | NPR | - | 126,649,012 |
| Advance to Suppliers / Contractors/Sub-contracts | USD | - | 2,606,454 |
| Retention Money Payable | NPR | 157,009,665 | 51,113,926 |
| Retention Money Payable | USD | 1,304,392 | 725,567 |
| Sundry Creditors | NPR | 166,360,127 | - |
| Sundry Creditors | USD | 1,382,073 | - |

**D. LIQUIDITY RISK**

Liquidity risk is the risk that the Group will face in meeting its obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure that it will have sufficient funds to meet its liabilities when due without incurring unacceptable losses. In doing this, management considers both normal and stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

In order to control liquidity risk and for better working capital management, Group has arranged adequate level of OD facility for short term financing. The Group's Finance department regularly monitors the cash position to ensure it has sufficient cash on-going basis to meet operational needs. Any short-term surplus cash generated by the operating entities, over and above the amount required for working capital management and other operational requirements, are retained as cash and cash equivalents (to the extent required) and any excess is invested in interest bearing term deposits to optimise its cash returns on investments. The said investments are made in instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

## 2.23 Capital Management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Group. The Group manages its capital so as to safeguard its ability to continue as a going concern and to optimise returns to the shareholders. The capital structure of the Group is based on management's judgement of the appropriate balance of key elements in order to meet its strategic and day-to-day needs. We consider the amount of capital in proportion to risk and manage the capital structure in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Group's aim to translate profitable growth to superior cash generation through efficient capital management. The Group's policy is to maintain a stable and strong capital structure with a focus on total equity so as to maintain investor, creditor, and market confidence and to sustain future development and growth of its business. The Group's focus is on keeping strong total equity base to ensure independence, security, as well as a high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Group. The Group will take appropriate steps in order to maintain, or if necessary, adjust, its capital structure. The management monitors the return on capital as well as the level of dividends to shareholders. The Group's goal is to continue to be able to return excess liquidity to shareholders by continuing to distribute dividends in future periods.

No changes were made in the objectives, policies or processes for managing capital during the years ended Ashadh 31, 2077 and Ashadh 31, 2076.

## 2.24 Segment reporting

The Chief Executive Officer and functional managers of the Group has been identified as the Chief Operating Decision Maker (CODM) as defined by NFRS 8, Operating Segments. The CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators, however the Group

## 2.25 Description of Subsidiaries, Associates, Joint Ventures and other equity investments

| Name | Nature of Business | Direct Shareholding as at | |
|---|---|---|---|
| | | Ashadh 31, 2077 | Ashadh 31, 2076 |
| **On the basis of audited financial statement** | | | |
| **Subsidiaries:** | | | |
| Nyadi Hydropower Limited (NHL) | Generation and sale of hydro electricity | 98.19% | 98.19% |
| BPC Services Limited (BPCSL) | Engineering consultancy services | 100.00% | 100.00% |
| Hydro-Consult Engineering Limited (HCEL) | Engineering consultancy services | 80.00% | 80.00% |

| Name | Nature of Business | Direct Shareholding as at | |
|---|---|---|---|
| | | Ashadh 31, 2077 | Ashadh 31, 2076 |
| Manang Marshyandi Hydropower Company Private Limited (MMHCPL) | Generation and sale of hydro electricity | 100.00% | 100.00% |
| Khudi Hydropower Limited (KHL) | Generation and sale of hydro electricity | 60.00% | 60.00% |
| **On the basis of unaudited financial statement** | | | |
| **Subsidiaries:** | | | |
| Nepal Hydro & Electric Limited (NHE) **Refer Limitation on Consolidation w.r.t this subsidiary in Note 2.1(iv)** | Contractual service related to hydro, mechanical and electromechanical equipment | 51.30% | 51.30% |
| **Associates:** | | | |
| Gurans Energy Limited (GEL) | Develop and invest in hydropower projects | 40.00% | 40.00% |
| Kabeli Energy Limited (KEL) | Generation and sale of hydro electricity | 27.24% | 27.24% |
| Himtal Hydropower Company Private Limited | Generation and sale of hydro electricity | 19.40% | 19.40% |
| Marsyangdi Transmission Company Private Limited | Transmission of electricity | 19.40% | 19.40% |
| SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd. | Develop, own, acquire and operate hydropower projects | 20.00% | - |
| **Joint ventures:** | | | |
| CQNEC-NHE Consortium-Purbi Chitwan | Design, Supply, & Construction of 132kV Substations | 25.14% | 25.14% |
| ERMC & Hydro Consult JV | Feasibility and EIA of Sankhuwa Khola and Sankhuwa Khola-I | 32.00% | 32.00% |
| Hydro Consult & ERMC JV | Detailed Engineering Design of Siwa Khola Small Hydropower Project and Budhi Ganga Khola Small Hydropower Project Feasibility and Initial Environment Examination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP | 48.00% | 48.00% |
| ITECO-TMS-HCE JV | Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project | 24.00% | 24.00% |
| HCE-ITECO-TMS JV | Detailed Feasibility Study of Sunsari Morang Irrigation Project | 32.00% | 32.00% |
| HCE-BDA JV | Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW) | 48.00% | 48.00% |
| **Other equity investments:** | | | |
| Himal Power Limited | | 16.88% | 16.88% |
| Hydro Lab Private Limited | | 10.73% | 10.73% |
| Dordi Khola Jal Bidyut Company Ltd | | 0.30% | 0.30% |

is primarily engaged in only one segment viz., "Generation and Sale of electricity" and that most of the operations are in Nepal. Hence the Group does not have any reportable Segments as per NFRS 8 "Operating Segments".

**SUBSIDIARIES**

***a) Nepal Hydro & Electric Limited***

BPC established Nepal Hydro & Electric Limited (NHE) in 2042 B.S. with the shareholdings of Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. The current shareholders are BPC, IKNI, Butwal Technical Institute and Himal Hydro and General Construction Limited. Shares held by GE Energy and Alstom Power have been transferred in the name of IKN Industrial AS (Norwegian company). The company manufactures and refurbishes hydro and electric power equipment. It designs, manufactures, installs, tests and commissions hydro-mechanical and electro-mechanical equipment, including HV sub-stations, transmission line towers and poles and heavy steel structures.

***b) Khudi Hydropower Limited***

Khudi Hydropower Limited (KHL) owns the 4 MW Khudi Power Plant, which began commercial operation in FY 2063/64. BPC is the major shareholder of KHL. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada.

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 13.83% (i.e. the prevailing interest rate 11.33% of the term loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

***c) BPC Services Limited***

BPC is the sole owner of BPC Services Limited (BPCSL), which was established in FY 2063/64 to provide operation and maintenance services to hydropower plants. BPCSL is in process of negotiation with several power plant owners for undertaking O&M service contract.

***d) Nyadi Hydropower Limited***

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 98.19% shares followed by LEDCO shareholding 1.81%. BPC is planning to hold 70.22% shareholdings by setting aside 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works are going on as per the set timeline. Altogether, around 90% of the total contract works of head works, underground works, penstock, powerhouse, other civil works, HM works, EM and transmission lines are completed as on reporting date.

***e) Hydro-Consult Engineering Limited***

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from Shrawan 1, 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL and 20% shares held by People Energy and Environment Development Association (PEEDA).

***f) Manang Marsyangdi Hydropower Company Pvt. Ltd.***

Manang Marshyangdi Hydropower Company Private Limited is a private limited company incorporated on 7th December 2010 under the Companies Act 2006 of Nepal. The registered office is located at Kathmandu Ward No.4., contract address is at Ward No. 10, Buddhanagar, Kathmandu and its principal place of business is Manang district, Gandaki Zone of Nepal.

Manang Marsyangdi Hydro-Electric Project developed by the Company with the installed capacity of 282 MW (now optimized capacity at 135 MW under Q40) is located on the Marshyangdi River in Manang district, Gandaki Zone of Nepal. Development rights of the project have been awarded by the Department of Electricity Development (DoED), Ministry of Energy and Government of Nepal (GON) to MMHCPL on Build-Own-Operate-Transfer (BOOT) basis. The project is in the development phase.

BPC has acquired 100% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi

(M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. Its Share transfer to BPC has been completed by 26th March 2019. DoED has issued Generation License for 35 years period from 17th November, 2018 and connection agreement signed. The process of obtaining approval of PPA and PDA of MMHCPL is in progress.

**ASSOCIATES**

***g) Gurans Energy Limited***

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 331.98 million in the shares of GEL till the end of FY 2076/77. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

***h) Kabeli Energy Limited (KEL)***

Kabeli Energy Ltd. was established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. BPC holds overall 56.16% shares of KEL being 27.24% direct investment and 28.92% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6 MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US $98 million. The project is under construction. However, due to unsatisfactory performance, notice of termination has been issued to the Civil / HM Contractor effective from April, 2019. Recovery plan has been formulated after the Termination of Civil/HM Contractor. All physical works are under suspension as on reporting date. KEL has requested for extension of Required Commercial Operation Date (RCOD) to Ministry of Energy, Water Resources and Irrigation (MoEWRI) for next 32 months. The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

***i) Himtal Hydropower Company Pvt. Ltd***

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on 13th April, 2001 under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from 2nd January, 2008, to develop and operate 600 MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marshyandi River, Lamjung and Manang District. The registered address of the company is P O Box: 148, Chakupat-10, Lalitpur, contact address is at Sanepa, Lalitpur, Nepal. The company is in the process of setting up of the project. BPC has acquired 19.40% shares of M3 project of the Company with a plan to develop the cascade at Marsyangdi basin. Its Share transfer to BPC has been completed by 30th December 2018. PDA is on process of negotiation.

***j) Marsyangdi Transmission Company Pvt. Ltd.***

Marsyangdi Transmission Company Pvt. Ltd., incorporated in Nepal on 27th April, 2010 under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), to develop the transmission line for power evacuation of 600 MW upper Marsyangdi Hydro Electric Project – 2 in Marsyangdi River. The register address of the company is P O Box: 148, Chakupat-10, Lalitpur and contact address is at Sanepa, Lalitpur, Nepal. BPC has acquired 19.40% shares of MTCPL.

***k) S.C.I.G. International Nepal Hydro Joint Development Company Private Limited***

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each.

**JOINT VENTURES**

***l) CQNEC-NHE Consortium-Purbi Chitwan***

Nepal Hydro & Electric Limited has entered into a joint venture agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium] for the design, supply and construction of 132kV substations at Purbi Chitwan. NHE holds 25.14% interest in the joint venture.

***m) HCE-ERMC Joint Venture***

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'HCE-ERMC Joint Venture'] for carrying out the following work:

- Detailed Engineering Design of 15 MW Siwa Khola Small Hydropower Project (SKSHP), Taplejung District
- Detailed Engineering Design of 6.2 MW Budhi Ganga Khola Small Hydropower Project (BGKSHP), Bajura District
- Feasibility and Initial Environment Examination Study of Bheri Khola Hydropower Project (10 MW)
- Feasibility and Initial Environment Examination Study of Nyaurigad Hydropower Project
- Feasibility and Initial Environment Examination Study of Kawadi Khola Hydropower Project (10 MW)

***n) ERMC-HCE Joint Venture (Feasibility and EIA of Sankhuwa Khola and Sankhu khola-1)***

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'ERMC-HCE Joint Venture'] for carrying out the following work: -

- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola Hydropower Project, and
- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola-1 Hydropower Project.

***o) ITECO-TMS-HCE Joint Venture***

HCE has entered into a joint venture agreement with ITECO Nepal (P) Ltd and Total Management Services Pvt. Ltd. for Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project (named ITECO Nepal (P.) Ltd. /Total Management Services Pvt. Ltd. / Hydro-Consult Engineering Ltd. JV).

***p) HCE-BDA Joint Venture***

HCE has entered into a joint venture agreement with Building Design Authority (BDA) on Kartik 18, 2075 to carry out Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW).

***q) HCE-ITECO-TMS Joint Venture***

HCE has entered into a joint venture agreement with ITECO Nepal (P) Ltd and Total Management Services Pvt. Ltd. for Consulting Services for Detailed Investigation and Engineering Design of Sunsari Morang Irrigation Project Headworks (named Hydro Consult/ITECO/TMS JV).

**OTHER EQUITY INVESTMENTS**

***r) Himal Power Limited***

Himal Power Limited (HPL) owns and operates the 60 MW Khimti I Hydropower Project, which began commercial operation on Ashad 27, 2057 (5th July, 2000). HPL was established on 2049/11/10 (21st February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energy AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The current shareholders are SN Power, BKK and BPC. BPC is holding 16.88% shares in HPL. As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July, 2020 (Asadh 28, 2077), and necessary process of handover and takeover of the share has been initiated and in progress now.

***s) Hydro Lab Private Limited***

Hydro Lab Private Limited was established in 2053 B.S. to carry out research and provide consulting services in hydraulics and sediments. It assists water resource engineering professionals by conducting the physical hydraulic model studies needed to validate the design and operation modality of headworks. Hydro Lab conducted model studies for Upper Tama Koshi Hydropower Headworks, Devighat Intake, Melamchi Drinking Water Headworks, Jhimruk Intake, Khudi Hydropower Headworks, Kabeli A, Nyadi and others. BPC holds 10.73% shares in HLPL.

***t) Dordi Khola Jala Bidyut Company Limited***

Dordi Khola Jala Bidyut Company Limited is established to develop and operate the 12 MW Dordi Khola Hydropower Project located at Lamjung District. The civil construction of the project has been started from Chaitra 2074. It is promoted by Lamjung Electricity Development Company Ltd and Khudi Hydropower Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*for the year ended Ashadh 31, 2077*

**Note no: 3**

**Property, plant and equipment:**

*(In NPR)*

| | Freehold Land | Buildings | Plant & Machinery | Furniture & Fixture | Office Equipment | Computers | Vehicles | Capital work in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **Balance as at Shrawan 1, 2075** | 100,168,949 | 293,672,449 | 102,684,218 | 29,086,997 | 68,704,777 | 25,222,267 | 73,881,913 | 27,274,846 | **720,696,416** |
| Additions | 1,050,000 | 307,361 | 1,747,524 | 4,283,835 | 2,737,686 | 4,292,669 | 4,975,507 | 875,506 | **20,270,088** |
| Transfer from CWIP | - | 2,222,610 | - | - | - | - | - | (2,381,756) | **(159,146)** |
| Disposals | - | - | (24,317) | (116,049) | (142,974) | (378,657) | (489,995) | (1,080,024) | **(2,232,016)** |
| **Balance at Ashadh 31, 2076** | 101,218,949 | 296,202,420 | 104,407,425 | 33,254,783 | 71,299,489 | 29,136,279 | 78,367,425 | 24,688,572 | **738,575,342** |
| Additions | 525,000 | 273,234 | - | 124,420 | 2,729,168 | 2,752,298 | 657,000 | 1,388,205 | **8,449,325** |
| Disposals | - | - | (32,488) | (107,221) | (589,887) | (320,527) | - | - | **(1,050,123)** |
| **Balance at Ashadh 31, 2077** | 101,743,949 | 296,475,654 | 104,374,937 | 33,271,982 | 73,438,770 | 31,568,050 | 79,024,425 | 26,076,777 | **745,974,544** |
| **Accumulated depreciation** | | | | | | | | | |
| **Balance as at Shrawan 1, 2075** | - | 33,680,996 | 25,055,594 | 14,934,096 | 32,956,851 | 11,474,457 | 19,212,429 | - | **137,314,423** |
| Charge for the year | - | 12,972,467 | 11,883,436 | 4,184,036 | 8,520,582 | 3,852,720 | 11,141,049 | - | **52,554,290** |
| Disposals | - | - | (11,623) | (79,330) | (97,737) | (258,847) | (268,124) | - | **(715,661)** |
| **Balance at Ashadh 31, 2076** | - | 46,653,463 | 36,927,407 | 19,038,802 | 41,379,696 | 15,068,330 | 30,085,354 | - | **189,153,052** |
| Charge for the year | - | 12,456,107 | 10,249,361 | 3,649,178 | 7,610,055 | 3,720,702 | 9,704,316 | - | **47,389,719** |
| Disposals | - | - | (18,073) | (81,777) | (373,935) | (244,465) | - | - | **(718,250)** |
| **Balance at Ashadh 31, 2077** | - | 59,109,570 | 47,158,695 | 22,606,203 | 48,615,816 | 18,544,567 | 39,789,670 | - | **235,824,521** |
| **Net book value** | | | | | | | | | |
| At Shrawan 1, 2075 | 100,168,949 | 259,991,453 | 77,628,624 | 14,152,901 | 35,747,926 | 13,747,810 | 54,669,484 | 27,274,846 | **583,381,993** |
| At Ashadh 31, 2076 | 101,218,949 | 249,548,957 | 67,480,018 | 14,215,981 | 29,919,793 | 14,067,949 | 48,282,071 | 24,688,572 | **549,422,290** |
| At Ashadh 31, 2077 | 101,743,949 | 237,366,084 | 57,216,242 | 10,665,779 | 24,822,954 | 13,023,483 | 39,234,755 | 26,076,777 | **510,150,023** |

a) Refer Note 21 for the details in respect of certain tangible assets hypothecated/mortgaged as security for borrowings.

b) Out of the machinery and equipment acquired during FY 2059/60 (2002/03) to establish facility for assembling and refurbishing generators as part of the business expansion plan valued at NPR 36,991,322; machinery valued at NPR 23,534,837 are lying uninstalled till date and same is shown under Capital work in progress. Apart from this, it majorly includes expenditure on on-going contractual works for development of Revenue Accounting Software and installation of Solar Power System.

c) During the FY 2075/76, some of the assets which were already recorded under deemed costs at the first time NFRS adoption were written off by the Group's subsidiary company - HCE. The original purchase costs were reduced from gross block and accumulated depreciation instead of reducing only the deemed costs of those assets. Hence, necessary adjustment of NPR 510,037 has been made in disposal values of FY 2075/76.

**Note no: 4**

**Intangible assets:**

*(In NPR)*

| | Goodwill | Computer Software | "Service Concession Arrangement Intangibles" | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance as at Shrawan 1, 2075 | - | 10,530,676 | 2,552,025,798 | **2,562,556,474** |
| Additions - Externally acquired | - | - | 48,180,910 | **48,180,910** |
| Acquisition of a Subsidiary [Refer Note "c" below] | 473,095,586 | 1,767,024 | - | **474,862,610** |
| Transfer from CWIP | - | - | 159,146 | **159,146** |
| Adjustment during the year | - | (1,493,199) | (1,794,254) | **(3,287,453)** |
| Balance at Ashadh 31, 2076 | 473,095,586 | 10,804,501 | 2,598,571,600 | **3,082,471,687** |
| Additions - Externally acquired | - | 95,112 | 25,444,989 | **25,540,101** |
| Acquisition of a Subsidiary [Refer Note "c" below] | 1,641,147 | - | - | **1,641,147** |
| Transfer from CWIP | - | - | - | **-** |
| Adjustment during the year | - | (2,040,686) | (5,602,209) | **(7,642,895)** |
| Balance at Ashadh 31, 2077 | 474,736,733 | 8,858,927 | 2,618,414,380 | **3,102,010,040** |
| **Amortisation** | | | | |
| Balance as at Shrawan 1, 2075 | - | 7,533,923 | 252,792,031 | **260,325,954** |
| Charge for the year | - | 1,359,197 | 88,897,387 | **90,256,584** |
| Adjustment during the year | - | (1,493,199) | (208,667) | **(1,701,866)** |
| Balance at Ashadh 31, 2076 | - | 7,399,921 | 341,480,751 | **348,880,672** |
| Charge for the year | - | 1,251,204 | 90,155,375 | **91,406,579** |
| Adjustment during the year | - | (2,040,686) | (803,355) | **(2,844,041)** |
| Balance at Ashadh 31, 2077 | - | 6,610,439 | 430,832,771 | **437,443,210** |
| **Net book value** | | | | |
| At Shrawan 1, 2075 | - | 2,996,753 | 2,299,233,767 | **2,302,230,520** |
| At Ashadh 31, 2076 | 473,095,586 | 3,404,580 | 2,257,090,849 | **2,733,591,015** |
| At Ashadh 31, 2077 | 474,736,733 | 2,248,488 | 2,187,581,609 | **2,664,566,830** |

a) Refer Note 21 for the details in respect of certain intangible assets hypothecated/mortgaged as security for borrowings.

b) The tenure of the Service Concession Arrangement of 4 MW Khudi Hydro Power Plant, 9.4 MW Andhikhola Hydropower Plant and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Falgun 2096 B.S., Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

c) On 26 March 2019, the Group acquired 100% equity shares of Mananag Marshyangdi Hydropower Company Pvt. Ltd. The company is developing 135 MW Manang Marshyandi Hydro Electric Project located on the Marshyandi River in Manang district. The total purchase consideration for such acquisition stands at NPR 565,814,937 at Ashadh 31, 2077.

Goodwill under such acquisition has been derived as:

| Particulars | Amount |
|---|---|
| Total Purchase Consideration | 565,814,937 |
| Less: Net Assets Acquired | (91,078,204) |
| **Goodwill** | **474,736,733** |

**Note: 5**

**Intangible assets under development** *(In NPR)*

| Particulars | "As at Ashadh 31, 2077" | "As at Ashadh 31, 2076" |
|---|---|---|
| **Pre-operating Expenses (A)** | **743,980,445** | **465,940,294** |
| Depreciation | 17,962,210 | 14,721,247 |
| Employee related cost | 103,038,502 | 87,597,522 |
| Other Project Operation Expenses | 163,404,034 | 107,335,398 |
| LEDCO Service Fee and Expenses | 35,000,000 | 35,000,000 |
| Licensing & Other Development Fees | 8,899,100 | 8,899,100 |
| Pre-Construction Interest, Commission & Fees | 24,879,366 | 24,879,366 |
| Interest, Commission & Fees during Construction | 390,797,233 | 187,507,661 |
| **Land Acquisitions (B)** | **33,967,346** | **33,718,908** |
| Land & Land Developments | 33,967,346 | 33,718,908 |
| **Civil Works (C)** | **1,845,060,306** | **1,347,778,863** |
| Civil Works | 1,781,342,866 | 1,284,068,628 |
| Access Road | 28,634,345 | 28,634,345 |
| Marshyangdi Bridge | 32,427,420 | 32,427,420 |
| Head Works Dam - (Siuri tailrace canal to Intake) | 2,655,675 | 2,648,470 |
| **Environment & Social Cost (D)** | **36,566,605** | **27,422,334** |
| Trainings & Developments | 2,062,552 | 1,789,919 |
| Community & Social Expenses | 19,712,677 | 16,102,882 |
| Nursery and Plantation | 836,464 | 836,464 |
| Infrastructure Developments | 13,954,912 | 8,693,069 |
| **Engineering & Management (E)** | **259,005,968** | **221,861,331** |
| Engineering, Design & Development Expenses | 118,275,685 | 122,255,243 |
| Consultancy Fee & Expenses | 135,337,579 | 95,547,164 |
| Inspection & Project Supervision | 5,392,704 | 4,058,924 |
| **Transmission Line (F)** | **4,694,326** | **3,091,913** |
| Transmission Line Works | 4,694,326 | 3,091,913 |
| **Hydro Mechanical Works (G)** | **321,932,041** | **102,638,547** |
| Hydro Mechanical Works | 321,932,041 | 102,638,547 |
| **Electro Mechanical Works (H)** | **407,920,358** | **102,545,189** |
| Electro Mechanical Works | 407,920,358 | 102,545,189 |
| **Total (A+B+C+D+E+F+G+H)** | **3,653,127,395** | **2,304,997,379** |

a) The Group's subsidiary company - NHL is a developer of hydro electricity. It is yet to start generation of hydro electricity and currently it is at construction phase. Revenue and margin from the contraction phase cannot be estimated reliably. Hence, profit margin on construction phase is assumed to be 0% and accordingly revenue and cost during construction phase has been recognised which is equal to actual construction cost during the period.

b) Refer Note no. 21 for the details in respect of certain Intangible assets under development hypothecated/Pledged/mortgaged as security for borrowings

**Note no: 6**

**INCOME TAXES**

*(In NPR)*

| A. Tax expense recognised in the Statement of Profit or Loss | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| **Current tax** | | |
| Current income tax charge | 56,178,844 | 59,945,519 |
| Adjustments for under provision in prior periods | - | 2,052,003 |
| **Deferred tax credit/(charge)** | | |
| Origination and reversal of temporary differences | (55,105,543) | 41,701,277 |
| Adjustments/(credits) related to previous years - (net) | - | - |
| **Income tax expense reported in statement of Profit or Loss** | **1,073,301** | **103,698,799** |

| B. Tax expense recognised in Other comprehensive income | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| **Deferred tax** | | |
| Income tax relating to items that will not be reclassified to profit or loss | (54,496,586) | 10,031,300 |
| **Income tax charged to OCI** | **(54,496,586)** | **10,031,300** |

| C. Current tax asset -net: | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| Advance Income Tax | 132,075,608 | 117,189,080 |
| Less: Income Tax Liability | (83,056,458) | (48,346,757) |
| **Total** | **49,019,150** | **68,842,323** |

| D. Current tax (liability) -net: | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| Income Tax Liability | (132,315) | (27,009,929) |
| Less: Advance Income Tax | - | 24,047,769 |
| **Total** | **(132,315)** | **(2,962,160)** |

| E. Reconciliation of tax liability on book profit vis-à-vis actual tax liability | Year ended Ashadh 31, 2077 | Year ended Ashadh 31, 2076 |
|---|---|---|
| Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs | 762,599,991 | 885,669,726 |
| Enacted tax rate | 23.88% | 23.56% |
| **Computed tax expense** | 182,143,345 | 208,641,021 |
| **Differences due to:** | | |
| Tax effect due to non taxable income | (186,519,229) | (145,369,155) |
| Tax effect due to non-deductible expenses | 82,953,494 | 17,467,149 |
| Due to reduced tax rate on foreign income source | (360,968) | (16,677) |
| Effect due to additional deductible expenses | (329,470) | (92,024) |
| Tax effect due to difference in depreciation rate | (11,800,769) | (13,505,389) |
| Use of previous losses | (9,907,559) | (7,179,406) |
| Tax Related to Prior Period | - | 2,052,003 |
| **Current tax on profits for the year** | **56,178,844** | **61,997,522** |

**F. The movement in deferred tax assets and liabilities during the year ended Ashadh 31, 2076 and Ashadh 31, 2077:**

**i) Deferred Tax Assets**

| Movement during the year ended Ashadh 31, 2076 | "As at Shrawan 1, 2075" | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | "As at Ashadh 31, 2076" |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Provision for leave encashment | 1,317,459 | 290,940 | - | 1,608,399 |
| Provision for gratuity | 13,995,850 | 2,600,752 | - | 16,596,602 |
| Depreciation | 1,735,059 | (433,584) | - | 1,301,476 |
| Provision for CSR | 93,165 | 21,101 | - | 114,266 |
| Provision for PLI | 788,491 | 568,276 | - | 1,356,767 |
| | **17,930,024** | **3,047,485** | **-** | **20,977,510** |

| Movement during the year ended Ashadh 31, 2077 | "As at Shrawan 1, 2076" | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | "As at Ashadh 31, 2077" |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Provision for leave encashment | 1,608,399 | 139,619 | - | 1,748,018 |
| Provision for gratuity | 16,596,602 | - | - | 16,596,602 |
| Depreciation | 1,301,476 | 142,101 | - | 1,443,577 |
| Provision for CSR | 114,266 | 7,964 | - | 122,230 |
| Provision for PLI | 1,356,767 | 70,264 | - | 1,427,030 |
| | **20,977,510** | **359,948** | **-** | **21,337,457** |

**ii) Deferred Tax Liability**

| Movement during the year ended Ashadh 31, 2076 | "As at Shrawan 1, 2075" | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | "As at Ashadh 31, 2076" |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Accumulated Tax Based Losses | 11,361,125 | (9,411,677) | - | 1,949,448 |
| Provision for leave encashment | 2,179,853 | 626,379 | - | 2,806,232 |
| Provision for gratuity | - | 189,793 | - | 189,793 |
| Leave money payable | - | - | - | - |
| Depreciation | (153,886,220) | (36,761,710) | - | (190,647,930) |
| Amortisation cost of term loan | 6,549 | 150,911 | - | 157,461 |
| Investment in equity instrument | (179,061,941) | - | (10,031,300) | (189,093,241) |
| Provision for loss on investment | 3,136,217 | 457,543 | - | 3,593,760 |
| | **(316,264,417)** | **(44,748,761)** | **(10,031,300)** | **(371,044,477)** |

| Movement during the year ended Ashadh 31, 2077 | "As at Shrawan 1, 2076" | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | "As at Ashadh 31, 2077" |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Accumulated Tax Based Losses | 1,949,448 | (1,949,448) | - | - |
| Provision for leave encashment | 2,806,232 | 1,580,535 | - | 4,386,767 |
| Provision for gratuity | 189,793 | (181,764) | - | 8,029 |
| Leave money payable | - | - | - | - |

*(In NPR)*

| Movement during the year ended Ashadh 31, 2077 | "As at Shrawan 1, 2076" | Credit/(charge) in the Statement of Profit and Loss | Credit/(charge) in Other Comprehensive Income | "As at Ashadh 31, 2077" |
|---|---|---|---|---|
| Depreciation | (190,647,930) | (6,333,927) | - | (196,981,857) |
| Amortisation cost of term loan | 157,461 | 54,739 | - | 212,200 |
| Investment in equity instrument | (189,093,241) | - | 54,496,586 | (134,596,655) |
| Provision for loss on investment | 3,593,760 | 61,575,460 | - | 65,169,220 |
| | **(371,044,477)** | **54,745,595** | **54,496,586** | **(261,802,296)** |

**Note no: 7**

**Project work-in-progress**

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| | At cost | At cost |
| Chino Khola SHP | 26,826,145 | 23,360,066 |
| Lower Manang Marshyangdi HEP | 194,278,484 | 185,318,828 |
| Mugu Karnali HEP | 43,680,020 | 11,694,554 |
| **Total** | **264,784,649** | **220,373,448** |

a) Expenditure on Lower Manang Marsyangdi, Chino Khola and Mugu Karnali projects are shown as project work in progress. Refer Note. 33E (ii.), (iii.) and (iv.) for the status and detail of these projects.

**Note no: 8**

**Investment in associates and joint ventures**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| **Investment in associates (at cost less impairment loss)** | | | | |
| "Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)" | 3,319,836 | 190,564,235 | 3,319,836 | 317,608,562 |
| "Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)" | 2,966,860 | 194,087,662 | 2,966,860 | 296,461,997 |
| "Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)" | - | 756,026 | - | 1,260,044 |
| Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up) | 601,300 | 772,709,173 | 601,300 | 772,756,890 |
| Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up) | 6,406 | 10,024,510 | 6,406 | 10,024,510 |
| SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up) | 3,125,439 | 84,291,599 | - | - |
| **Investment in joint ventures (at cost less impairment loss)** | | | | |
| CQNEC-NHE Consortium-Purbi Chiitwan | - | 5,880,171 | - | - |
| ERMC & Hydro Consult JV | - | 985,663 | - | 651,113 |
| Hydro Consult & ERMC JV | - | 3,021,533 | - | 1,427,124 |
| ITECO-TMS-HCE JV | - | 1,260,618 | - | 1,337,010 |
| HCE-ITECO-TMS JV | - | - | - | 19,058 |
| Hydro Consult & BDA JV | - | 250,968 | - | 32,346 |

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| **Advance towards share capital including incidental cost:** | | | | |
| Gurans Energy Limited | - | 200,000 | - | - |
| SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd. | - | - | - | 93,520,876 |
| **Total Investment** | **10,019,841** | **1,264,032,158** | **6,894,402** | **1,495,099,530** |

a. Provision for impairment loss was made in proportion of Group's share investments in subsidiaries and associates as per the latest available financial statements. This year provision for impairment loss was recognized for NPR 119,178,418 in Kabeli Energy Limited and NPR 127,123,424 in Gurans Energy Limited. During the current year, the Provision for impairment loss was made at 40% of investment value as per management's best estimate.

**Note no: 9**

**Other investments**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | No. of shares | Amount | No. of shares | Amount |
| **Unquoted Investments at fair value through other comprehensive income** | | | | |
| "Himal Power Limited (HPL)<br>(Equity Shares of NPR 100 each fully paid up)" | 2,978,502 | 954,961,138 | 2,978,502 | 1,175,049,485 |
| "Hydro Lab (P) Limited<br>(Equity Shares of NPR 100 each fully paid up)" | 10,000 | 19,356,942 | 10,000 | 17,254,939 |
| Dordi Khola Jal Bidyut Company Limited | 56,000 | 6,328,000 | 56,000 | 6,328,000 |
| (Equity Shares of NPR 100 each fully paid up) | | | | |
| **Total Investment at Fair Value through Other Comprehensive Income** | **3,044,502** | **980,646,080** | **3,044,502** | **1,198,632,424** |

"a) As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July 2020 (Ashadh 28, 2077), and necessary process of handover and takeover of the share is in progress.

b) The Group's subsidiary company - Khudi Hydropower Limited has received 56,000 shares of Rs. 100 each from Dordi Khola Jal Bidyut Company Ltd. without any consideration payment. In FY 2075/76, Company had incurred cost of Rs. 728,000 for receiving such shares and the same has been accounted as share investment."

## Note no: 10
## Inventories

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| General Stock/Office Supplies/Consumer Service Item | 5,857,255 | 7,791,924 |
| Stock of Electric Goods | 36,694,333 | 118,729,036 |
| T/L and D/L Stock | 12,965,976 | 7,505,100 |
| Other engineering inventories and spare parts | 50,625,750 | 36,433,156 |
| **Total** | **106,143,314** | **170,459,216** |

Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

## Note no: 11
## Cash and cash equivalents

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| **Balances with banks** | | |
| Local currency account | | |
| In current accounts | 49,593,505 | 27,777,602 |
| In call accounts | 57,169,072 | 121,351,193 |
| In deposits accounts (Orignal maturity less than 3 months) | - | 400,000,000 |
| Convertible currencies account | | |
| In current accounts | 12,561,504 | 9,450,502 |
| In call accounts | - | - |
| Cash on hand | 965,686 | 733,538 |
| Cheques on hand | - | 9,134,270 |
| | **120,289,767** | **568,447,105** |

Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Cash at banks and on hand | 120,289,767 | 568,447,105 |
| Overdraft | (31,601,744) | (36,376,981) |
| | **88,688,023** | **532,070,124** |

## Note no: 12
## Bank balance other than cash and cash equivalents

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| **Balances with Bank** | | |
| In deposit account | 49,000,000 | 48,500,000 |
| Embarked balance with bank | | |
| Unpaid dividend | - | - |
| Margin money | 9,349,255 | 42,584,398 |
| | **58,349,255** | **91,084,398** |

a. Debt Service Reserve Account (DSRA) balance of has been maintained at Standard Chartered Bank Nepal Limited. This deposit is maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.

b. Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

## Note no: 13

## Trade receivables

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Nepal Electricity Authority | 60,605,475 | 8,373,961 | 90,030,986 | 8,373,961 |
| Local Consumers | 22,903,982 | - | 18,420,725 | - |
| Bills receivables from JVs | - | - | 4,446,556 | - |
| Retention money held by the Customers | 177,963,416 | - | 75,021,186 | 56,575,911 |
| Other trade receivables | 137,649,074 | - | 447,925,231 | - |
| Less: Allowances for doubtful receivables | (16,591,286) | (5,024,376) | (14,404,165) | (3,349,584) |
| | **382,530,661** | **3,349,585** | **621,440,519** | **61,600,288** |

Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

## Note no: 14

## Other financial assets (Current and Non-current)

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| **Security deposits** | | | | |
| Government Deposits | - | - | 24,000,000 | - |
| Deposit (Others) | 38,050,372 | 82,490 | 628,999 | 1,488,106 |
| Investment in Fixed Deposit | 50,064,110 | | 30,186,986 | |
| **Loan and advances** | | | | |
| Advances to Staff | 8,066,273 | - | 7,315,542 | 3,424,869 |
| Receivables from Employee Welfare Fund | 9,301,855 | - | 9,301,855 | - |
| Accrued Contract Revenue | 214,892,841 | - | 212,035,856 | - |
| **Receivables from associates and joint ventures** | | | | |
| Dividend receivable from associates | 739,085,487 | - | - | - |
| Other receivables from associates | 6,736,236 | - | 17,148,066 | - |
| Interest receivable from associates | 79,190,659 | - | 79,190,659 | - |
| Advance receivables from JVs | 1,928,979 | - | 1,928,979 | - |
| **Other receivables** | | | | |
| Receivables from Harish Chandra Shah | 210,000,000 | - | 210,000,000 | - |
| Receivables from SC Power Company Pvt. Ltd. | 15,000,000 | - | 15,000,000 | - |
| Other receivables from Department of Electricity Development (DoED) | 25,088,251 | - | - | - |
| Other receivables from Citizen Investment Trust | 1,408,418 | - | - | - |
| Other receivables | 2,617,251 | - | 2,102,053 | - |
| **Total** | **1,401,430,732** | **82,490** | **608,838,995** | **4,912,975** |

Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

## Note no: 15

## Other assets (Current and Non-current)

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-current | Current | Non-current |
| Capital advance | - | 1,325,939 | - | 5,649,094 |
| Prepayments | 17,076,058 | - | 12,724,459 | - |
| Advance to Supplier/Contractor/Sub Contract | 386,469,870 | - | 345,325,086 | 108,905,568 |
| Deposit with Government authorities | - | 2,697,753 | - | 2,697,753 |
| Gratuity Fund Surplus | - | - | 8,679,792 | - |
| Other assets | 3,776 | 38,747,417 | 4,059 | 549,254 |
| | **403,549,704** | **42,771,109** | **366,733,396** | **117,801,669** |

a) Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

## Note no: 16

## Equity Share Capital

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount |
| A. Equity Shares | | | | |
| Authorised | | | | |
| Equity Shares of Rs. 100 each with voting rights | 80,000,000 | 8,000,000,000 | 80,000,000 | 8,000,000,000 |
| Issued | | | | |
| Equity Shares of Rs. 100 each with voting rights | 26,838,818 | 2,683,881,800 | 24,405,554 | 2,440,555,400 |
| Subscribed and Fully Paid | | | | |
| Equity Shares of Rs. 100 each with voting rights | 26,838,818 | 2,683,881,800 | 24,405,554 | 2,440,555,400 |
| | **26,838,818** | **2,683,881,800** | **24,405,554** | **2,440,555,400** |

**B. Reconciliation of the number of shares outstanding at the beginning and end of the year**

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| | No. of Shares | No. of Shares |
| Balance as at the beginning of the year | 24,405,554 | 22,186,720 |
| Add: Issue of bonus share during the year | 2,433,264 | 2,218,834 |
| Add: Issue of Further Public Offering (FPO) during the year | - | - |
| **Balance as at the end of the year** | **26,838,818** | **24,405,554** |

**C. Details of shareholding more than 1%**

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | No. of Shares | Share % | No. of Shares | Share % |
| Shangri-La Energy Ltd. | 15,105,719 | 56.28% | 13,732,472 | 56.27% |
| Government of Nepal | 1,991,538 | 7.42% | 1,810,489 | 7.42% |
| IKN Nepal A.S., Norway | 423,997 | 1.58% | 385,452 | 1.58% |
| United Mission to Nepal | 366,912 | 1.37% | 333,556 | 1.37% |
| Nepal Electricity Authority | 231,383 | 0.86% | 210,348 | 0.86% |
| General Public/Employees | | | | |
| - NMB Bank Ltd. | 513,359 | 1.91% | 458,897 | 1.88% |
| - Kamana Sewa Bikas Bank Ltd. | 356,525 | 1.33% | 324,114 | 1.33% |
| - Other General Public shareholders | 7,849,385 | 29.25% | 7,150,226 | 29.29% |

**D. Terms/rights attached to equity shares**

The Company has only one class of equity shares having par value of NPR 100 per share. Every member holding equity shares therein shall have voting rights in proportion to the member's share of the paid up equity share capital. The Company declares and pays dividend in Nepalese rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity shareholders.

**E. Dividend Paid and Proposed:**

*(In NPR)*

| Declared dividends and proposed dividends | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| **Declared and approved for during the year:** | | |
| Dividends on ordinary shares: Final dividend for 2075/76: NPR 18 per share and stock dividend NPR 10 per share (2074/75: cash dividend NPR 18 per share and stock dividend NPR 10 per share ) | 440,029,112 | 399,344,760 |
| **Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):** | | |
| Dividends on ordinary shares: | | |
| Proposed cash dividend for 2076/77: Cash dividend of NPR 15 and Stock Dividend of NPR 10. (2075/76: cash dividend NPR 18 per share and stock dividend NPR 10 per share) | | 440,029,112 |

a) The board of directors has proposed 15% cash dividend and 10% stock dividend on paid up capital from the net profit of the fiscal year 2076/77 and its accumulated reserve & surplus. The total amount of cash dividend **NPR 403 million shall be payable and 2,683,882 numbers of bonus shares of NPR 100 each (equivalent to NPR 26.84 million)** shall be issued after the approval of 28th Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2076/77 **NPR 744.12 million** (Net of 5% final withholding tax) plus such previous years' dividend income remained in reserve. Therefore, BPC will not have to pay dividend tax on its proposed distribution of dividend.

## Note no: 17

## Other Equity

*(In NPR)*

| Particulars | Share Premium | Housing Fund Reserve | General Reserve | Fair Value Reserve* | Retained Earnings* | Total |
|---|---|---|---|---|---|---|
| **Balance at Shrawan 1, 2075** | **1,767,535,318** | **18,151,841** | **148,700,000** | **537,185,824** | **2,012,558,925** | **4,484,131,908** |
| Profit for the year | - | - | - | | 732,121,380 | **732,121,380** |
| Other comprehensive income | - | - | - | 30,093,898 | - | **30,093,898** |
| Issue of right share | - | - | - | - | - | **-** |
| Issue of bonus share | - | - | - | - | (221,883,400) | **(221,883,400)** |
| Issue of Further Public Offering | - | - | - | - | - | **-** |
| Share Issue Cost | - | - | - | - | | **-** |
| Dividends to shareholders | - | - | - | - | (400,521,968) | **(400,521,968)** |
| Transfer to Retained Earnings | - | - | - | - | 155,049 | **155,049** |
| **Balance at Ashadh 31, 2076** | **1,767,535,318** | **18,151,841** | **148,700,000** | **567,279,722** | **2,122,429,986** | **4,624,096,867** |
| Profit for the year | - | - | - | - | 754,065,640 | **754,065,640** |
| Other comprehensive income | - | - | - | (163,489,758) | - | **(163,489,758)** |
| Issue of right share | - | | - | - | - | **-** |
| Issue of bonus share | | - | - | - | (243,326,400) | **(243,326,400)** |
| Issue of Further Public Offering | - | - | - | - | - | **-** |
| Share Issue Cost | - | - | - | - | (294,560) | **(294,560)** |
| Dividends to shareholders | - | - | - | - | (440,294,127) | **(440,294,127)** |
| Transfer to Retained Earnings | - | - | - | - | (310,099) | **(310,099)** |
| Prior Period Adjustment | - | - | - | - | 3,657,175 | **3,657,175** |
| **Balance at Ashadh 31, 2077** | **1,767,535,318** | **18,151,841** | **148,700,000** | **403,789,964** | **2,195,927,615** | **4,534,104,738** |

## Note no: 18

## Grant aid in reserve

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Closing Balance | Amortisation for the year | Closing Balance | Amortisation for the year |
| Name of Grantors | | | | |
| NORAD | 8,464,094 | 328,484 | 8,792,578 | 328,484 |
| UMN PCS | 16,933,404 | 673,931 | 17,607,335 | 673,931 |
| USAID | 9,563,740 | 382,724 | 9,946,463 | 382,724 |
| REGDAN | 10,387,002 | 414,375 | 10,801,377 | 414,375 |
| JRP | 5,155,066 | 206,805 | 5,361,872 | 206,805 |
| REEP | 69,440,177 | 2,773,849 | 72,214,025 | 2,773,849 |
| Local VDC/Community | 75,865,705 | 2,967,148 | 77,935,782 | 2,901,182 |
| **Total** | **195,809,188** | **7,747,316** | **202,659,432** | **7,681,350** |

## Note no: 19

## Provisions (current and non-current)

*(In NPR)*

| Particulars | Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Provision for Leave Encashment | 5,192,457 | 24,172,977 | 4,232,990 | 16,198,905 |
| Provision for Performance Link Incentive | 5,708,119 | - | 4,522,555 | - |
| Provision for CSR | 488,920 | - | 380,887 | - |
| | **11,389,496** | **24,172,977** | **9,136,432** | **16,198,905** |

## Note no: 20

## Trade payables

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Sundry creditors | 247,862,889 | - | 102,772,146 | - |
| | **247,862,889** | **-** | **102,772,146** | **-** |

## Note no: 21

## Borrowings

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| **Measured at amortised cost** | | | | |
| **Secured Borrowings from Banks** | | | | |
| Term loan | 113,531,772 | 2,739,204,846 | 130,989,152 | 1,960,336,242 |
| Trust Receipt Loan | 42,060,000 | - | 268,500,000 | - |
| Bridge Gap Loan | 52,500,000 | - | - | - |
| Short term loan | 173,202,940 | - | 50,000,000 | - |
| Overdraft | 31,601,744 | - | 36,376,981 | - |
| | **412,896,456** | **2,739,204,846** | **485,866,133** | **1,960,336,242** |

## 1) Details of Security

a. The Group has entered into consortium arrangement for term loan aggregate to NPR 33.88 million (As at Ashadh 31, 2076 - NPR 169.41 million ) with International Financial Corporation (IFC). The loan is secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project. All these assets are classified as "Service Concession Arrangement Intangibles".

b. The Group has entered into consortium arrangement for term loan aggregate to NPR 39.46 million (As at Ashadh 31, 2076 - NPR 75.46 million) and overdraft facility aggregate to nil (As at Ashadh 31, 2076 - NPR 4.48 million) with Nepal Investment Bank, Laxmi Bank, Machhapuchchhre Bank, Siddhartha Bank and Rastriya Banijya Bank. During the year, Bridge Gap Loan facility has been obtained from Nepal Investment Bank Ltd. with consent of consortium banks in order to finance for repair of the damaged plant structures due to flood. Also, additional term loan for the purpose of working capital has been obtained during the year from Nepal Investment Bank Ltd. These loans along with overdraft facility are secured as charge by way of hypothecation on entire project of Khudi project, all receivable of PPA, Current account, Bills and Receivables of subsidiary KHL, ranking paripassu among bankers.

c. The Group has entered into consortium arrangement for term loan aggregate to NPR 2,586.98 million (As at Ashadh 31, 2076 - NPR 1709.37 million) with Everest Bank Limited as Lead Bank, Nabil Bank Limited and Global IME Bank Limited as Co-Lead Banks and Himalayan Bank Limited, Sunrise Bank Limited and HIDC Limited. Short term loan includes bridge gap loan provided during the year by the lead bank within the terms agreed in above consortium loan arrangement. These loans are secured as charge by way of hypothecation on entire present and future fixed assets created with or without financing owned by the subsidiary NHL, all receivable of PPA and charge on general License, ranking paripassu among bankers. All these assets are classified as "Intangible assets under development".

d. Term loan aggregate to NPR 124.66 million (As at Ashadh 31, 2076 - NPR 158.50 million from NIC Asia Bank) is obtained from Sunrise Bank Limited which is secured as charge by way of hypothecation on Land and Building of holding company's corporate office situated at Kathmandu.

e. Short term loan and overdraft facility is obtained from Sunrise Bank which is secured as charge by way of assignment of revenue stream of Jhimruk project.. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles".

f. Trust Receipt Loan aggregate to NPR 42.06 million (As at Ashadh 31, 2076 - NPR 26.85 million), Working Capital Loan aggregate to NPR 123.34 million (As at Ashadh 31, 2076 - NPR 50 million) and overdraft facility aggregate to NPR 31.06 million (As at Ashadh 31, 2076 - NPR 31.90 million) is obtained from Nepal Investment Bank Limited which is secured by way of hyphothecation on Freehold land situated at Belbas, Rupandehi including all Plant and Machinery, Inventories and Trade Receivables of subsidiary NHE.

## 2) Terms of Repayment of Term Loans

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| 2 - 3 Years | 171,952,472 | 517,233,604 |
| 4 - 5 Years | 306,625,822 | 247,183,580 |
| 6 - 10 Years | 341,285,102 | 793,313,860 |
| Beyond 10 years | 1,936,380,756 | 424,014,404 |
| | **2,756,244,152** | **1,981,745,448** |

## Note no: 22

## Other Financial Liabilities

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Advance payable to JVs | 19,039,894 | - | 90,442,445 | - |
| Bonus Payable | 19,310,164 | - | 32,130,629 | - |
| Employee related accrual | 23,165,837 | - | 35,617,618 | - |
| Refundable Deposits of Parties | 1,569,317 | - | 1,344,325 | 338,669 |
| Retention money Payable | 2,335,347 | 185,132,404 | 27,198,806 | 109,962,451 |
| Royalty Payable | 4,426,295 | - | 5,310,947 | - |
| Other Payables | 16,892,156 | - | 11,090,172 | - |
| | **86,739,010** | **185,132,404** | **203,134,942** | **110,301,120** |

## Note no: 23

## Other liabilities (current and non-current)

| Particulars | As at Ashadh 31, 2077 | | As at Ashadh 31, 2076 | |
|---|---|---|---|---|
| | Current | Non-Current | Current | Non-Current |
| Advance Received from DDC, VDC and NTC | 920,739 | 24,691,509 | 920,739 | 24,113,645 |
| Dividend Payable | 70,427,462 | - | 53,285,129 | - |
| Gratuity Payable | 67,509,363 | - | 67,652,430 | - |
| Advance from Customers | 104,102,437 | - | 274,895,902 | - |
| Statutory dues | 13,606,303 | - | 14,085,866 | - |
| VAT Payable | 15,310,895 | - | 16,549,410 | - |
| Welfare Fund Clearing Account | 1,404,662 | - | 910,987 | - |
| Other current liabilities | 11,023,013 | - | 1,955,720 | - |
| | **284,304,874** | **24,691,509** | **430,256,183** | **24,113,645** |

a) Gratuity payable is the net balance after deducting NPR 10,044,004 which is balance amount in Gratuity Fund maintained with Citizen Investment Trust (CIT).

## Note no: 24

## Revenue

*(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Electricity Sales to NEA | 547,228,504 | 582,979,352 |
| Electricity Sale to Consumers | 195,136,571 | 187,203,230 |
| Revenue during construction phase | 1,302,248,765 | 1,189,177,506 |
| Sale of services | 1,149,738,218 | 1,385,266,458 |
| **Total** | **3,194,352,058** | **3,344,626,546** |

## Note no: 25

## Cost of Sales

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Cost of Consumed Materials, Supplies and Services | 729,789,735 | 1,056,713,532 |
| Electricity Purchase | 20,811,206 | 20,316,178 |
| Cost incurred during construction phase | 1,302,248,765 | 1,189,177,506 |
| Salaries and other employee cost | 287,772,194 | 256,868,845 |
| Mutually Agreed Retirement Scheme | - | 29,731,048 |
| Contribution to Provident and Gratuity Fund | 22,234,171 | 29,029,030 |
| Staff Bonus | 13,711,773 | 20,700,974 |
| Repair and Maintenance | 35,440,638 | 29,492,712 |
| Depreciation and amortization | 108,048,061 | 109,054,590 |
| Environment, Community & Mitigation (CSR) | 7,388,156 | 16,242,471 |
| Donation expenses | 595,000 | 527,000 |
| Vehicle running cost | 4,469,650 | 6,130,842 |
| Royalty | 82,815,639 | 82,703,032 |
| Insurance | 10,307,070 | 13,940,775 |
| Safety and Security | 3,649,174 | 3,656,349 |
| Legal and professional Expenses | - | 2,929,779 |
| Assets written off | 149,251 | 1,120,741 |
| Miscellaneous Expenses | 28,134,952 | 24,489,995 |
| **Total** | **2,657,565,435** | **2,892,825,399** |

## Note no: 26

## Administrative and other operating expenses

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Salaries and other employee cost | 105,089,565 | 103,437,482 |
| Mutually Agreed Retirement Scheme | - | 35,965,928 |
| Contribution to Provident and Gratuity Fund | 16,159,200 | 6,845,467 |
| Staff Bonus - admin | 5,422,658 | 11,665,718 |
| Staff Welfare | 3,908,576 | 5,830,163 |
| Depreciation and amortization | 27,507,270 | 30,042,979 |
| House Rent | 2,096,771 | 1,873,583 |

| | | |
|---|---|---|
| Vehicle Running Expenses | 1,597,727 | 1,899,042 |
| Printing and Stationery Expenses | 5,603,375 | 6,686,820 |
| Advertisement & Publicity | 760,495 | 1,487,486 |
| Support Staff Expenses | 1,237,451 | 1,000,946 |
| Gift & Donations | 144,392 | 242,375 |
| Assets Written off | 182,621 | 102,175 |
| Equity Investment written off | - | 639,500 |
| Environment, Community & Mitigation (CSR) | 1,251,720 | 1,056,087 |
| Rates and Taxes | 2,101,292 | 1,896,599 |
| Office Operation and Maintainance | 9,036,613 | 8,756,829 |
| Traveling Expenses & Allowance | 2,878,625 | 5,795,721 |
| Audit fee and expenses | 2,619,066 | 3,060,736 |
| AGM and Board Expenses | 5,531,041 | 4,698,432 |
| Legal and Profesional Fees | 5,739,724 | 8,092,576 |
| Hospitality and Refreshment | 1,624,512 | 2,236,268 |
| Communication expenses | 3,878,592 | 3,779,546 |
| Safety and Security | 2,404,419 | 2,578,105 |
| Training and Development | 1,570,151 | 2,877,271 |
| Insurance expenses | 2,301,124 | 2,197,750 |
| Repair and Maintenance - Admin | 6,687,104 | 7,211,503 |
| Bad debts | 10,990,798 | 13,367,257 |
| Foreign exchange loss | 21,248,443 | 10,469,600 |
| Miscellaneous Expenses | 10,152,690 | 9,150,310 |
| Overhead Charged to Projects | (5,153,091) | (8,792,236) |
| **Total** | **254,572,924** | **286,152,018** |

## Note no: 27

## Other Income

*(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Dividend income | 739,085,486 | 556,587,033 |
| Income from Other Sources | 7,221,177 | 8,544,054 |
| House Rent | 7,474,855 | 7,887,056 |
| Profit/(Loss) on Sale & Write Off Fixed Assets | 147,080 | 6,571,083 |
| Miscellaneous Income | 6,302,011 | 9,670,932 |
| Insurance Claim received on Loss of Assets | 2,691,900 | 155,162 |
| **Total** | **762,922,509** | **589,415,320** |

## Note no: 28

## Finance income

*(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Interest income | 31,651,901 | 159,026,664 |
| **Total** | **31,651,901** | **159,026,664** |

## Note no: 29

## Finance Costs

*(In NPR)*

| Particulars | 2076/77 | 2075/76 |
|---|---|---|
| Interest Expenses | 85,162,859 | 77,301,416 |
| Other finance cost | (280,798) | 5,896,763 |
| Bank Charges & Commision | 1,483,185 | 848,685 |
| **Total** | **86,365,246** | **84,046,864** |

## Note no: 30

*(In NPR)*

| Earnings Per Share | 2076/77 | 2075/76 |
|---|---|---|
| Profit attributable to equity holders of the parent company | 754,065,640 | 732,121,380 |
| Weighted average number of equity shares outstanding | 26,838,818 | 24,405,554 |
| **Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)** | **28.10** | **30.00** |
| Add: Weighted average number of potential equity shares | - | - |
| Weighted average number of Equity shares (including dilutive shares) outstanding | 26,838,818 | 24,405,554 |
| **Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)** | **28.10** | **30.00** |

## Note no: 31

## Financial Instruments: Classifications and fair value measurements

## Fair value measurements

*(In NPR)*

| Particulars | Fair value | | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 | | |
| **Financial assets :** | | | | |
| Investment in equity instruments of Himal Power Limited | 954,961,138 | 1,175,049,485 | Level 3 | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |
| Investment in equity instruments of Hydro Lab (P) Limited | 19,356,942 | 17,254,939 | Level 3 | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |
| Investment in equity instruments of Dordi Khola Jal Bidyut Company Ltd | 6,328,000 | 6,328,000 | Level 3 | Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable |

## Note no: 32

*(In NPR)*

## RELATED PARTY DISCLOSURES

**(a) Relationship**

The Group is controlled by Shangri-La Energy Ltd which owns 56.27% of the company's shares.

| Relationship | Related Parties |
|---|---|
| Holding Company | Shangri-La Energy Ltd |
| Company with Common Directors | Mercantile Communications (P) Ltd |
| | Syakar Trading Co. Pvt. Ltd. |
| | Beltron Trading Pvt. Ltd. |
| Other Related Party | SCP Hydro International |
| | Lamjung Electricity Development Company |

Information on the Group's structure is provided in Note 2.25

**(b) Those charged with governance**

Those charged with governance of the BPC include members of Board of directors namely:

| Name | Designation |
|---|---|
| i) Mr. Padma Jyoti | Chairman |
| ii) Mr. Pradeep Kumar Shrestha | Director |
| iii) Mr. Bijaya Krishna Shrestha | Director |
| iv) Mr. Om Prakash Shrestha | Director |
| v) Mr. Sandip Kumar Dev | Director |
| vi) Mr. Sandip Shah | Director |
| vii) Mr. Dinesh Humagain | Director |
| viii) Mr.Tirtha Man Shakya | Director |
| ix) Mr. Bijay Bahadur Shrestha | Alt. Director |
| x) Mr. Sanjib Rajbhandari | Alt. Director |

The following provides expenses incurred for those charged with governance of BPCL.

| Nature of Expense | Current year | Previous year |
|---|---|---|
| Meeting Allowances | 1,584,000 | 620,000 |
| Communication, IT and Transportation | 911,000 | 480,000 |

**(c) Transactions with key management personnel**

Key Management personnel includes:

i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

| Particulars | Current year | Previous Year |
|---|---|---|
| Short-term employee benefits | 10,118,239 | 9,585,894 |

**(d) Other related party transactions**

| Name of the related party | Nature of transaction | Transaction | | Outstanding balance | |
|---|---|---|---|---|---|
| | | Current Year | Previous Year | Current Year | Previous Year |
| Mercantile Communications (P) Ltd | Internet and VSAT Service | 433,920 | 433,383 | - | - |
| Syakar Trading Co. Pvt. Ltd. | Vehicle repair Maintenance | 185,120 | 71,535 | - | - |
| Beltron Trading Pvt. Ltd. | Electrical items purchase | - | 109,949 | - | - |
| Kabeli Energy Limited | Reimbursement of rent and utilities | 1,848,666 | 1,757,195 | - | 69,201 |
| Lamjung Electricity Development Company Limited | Payment for Development fees | - | 4,485,248 | 236,198 | 236,198 |
| SCHPI | Income from Rent, Electricity and Generator Charges | - | - | 1,405,979 | 1,405,979 |

## Note no: 33

## Contingent Liabilities and commitments

**A. Bank Guarantee**

| S.no. | Bank Name | Purpose | Currency | Amount | Expiry Date(A.D.) |
|---|---|---|---|---|---|
| 1 | Nepal Investment Bank Ltd. | Khudi Hydro's long term loan | NPR | 163,800,000 | 12/15/2021 |
| 2 | Nepal Investment Bank Ltd. | Khudi Hydro's overdraft facilities | NPR | 14,000,000 | 12/15/2021 |
| 3 | Everest Bank Limited | As per the requirement for importing HM/EM equipments from Rasuwa Custom Office, Rasuwa | NPR | 18,100,000 | 7/15/2020 |
| 4 | Everest Bank Limited | As per the requirement for importing HM/EM equipments from Birgunj Custom Office, Birgunj | NPR | 30,100,000 | 7/15/2020 |
| 5 | Everest Bank Limited | As per the requirement for importing TL equipments from Birgunj Custom Office, Birgunj | NPR | 400,000 | 9/16/2020 |
| 6 | Everest Bank Limited | As per the requirement of Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA) | NPR | 18,000,000 | 7/24/2020 |
| 7 | Everest Bank Limited | As per the requirement for application of EXIM Code from Department of Customs,Tripureshwor, Kathmandu | NPR | 300,000 | 8/25/2020 |
| 8 | Everest Bank Limited | As per the requirement for importing TL equipments from Birgunj Custom Office, Birgunj | NPR | 1,350,000 | 8/22/2020 |
| 9 | Nepal Investment Bank | Advance Payment Guarantee | NPR | 302,106,331 | Various Dates |
| 10 | Nepal Investment Bank | Advance Payment Guarantee | USD | 46,909 | Various Dates |
| 11 | Nepal Investment Bank | Bid Bond | NPR | 48,738,000 | Various Dates |
| 12 | Nepal Investment Bank | Performance Bond | NPR | 194,116,688 | Various Dates |
| 13 | Nepal Investment Bank | Performance Bond | USD | 42,606 | Various Dates |
| 14 | Nepal Investment Bank | Performance Bond | EURO | 34,432 | Various Dates |

**B. Corporate Guarantee**

| S.no. | Party Name | Purpose | Currency | Amount | Expiry Date A.D.) |
|---|---|---|---|---|---|
| 1 | ITECO/TMS/Hydro consult JV | Advance Payment Guarantee for Irrigation Feasibility Study and Construction of Kaligandaki Tinau Diversion Project (Guarantee on belhalf of JV) | NPR | 802,740 | 1/13/2021 |
| 2 | CQNEC-NHE , Purbi Chitwan | Advance Payment & Performance Bond | NPR | 44,419,791 | 5/15/2021 |
| 3 | CQNEC-NHE , Purbi Chitwan | Advance Payment & Performance Bond | INR | 9,183,223 | 5/15/2021 |
| 4 | CQNEC-NHE , Purbi Chitwan | Advance Payment & Performance Bond | USD | 179,455 | 5/15/2021 |

**C. Preference Dividend**

Group's subsidiary company - KHL has issued cumulative preference shares amounting to NPR 24,050,000 to outsider and cumulative dividend calculated thereto is as follows:

| Name | Preference Shares (NPR) | Accumulated Dividend | | Dividend Payout up to F/Y 2076/77 | Total Cumulative Dividend (NPR) |
|---|---|---|---|---|---|
| | | Up to F/Y 2075/76 | F/Y 2076/77 | | |
| SCPHI | 24,000,000 | 32,576,557 | 3,319,200 | 7,327,200 | **28,568,557** |
| LEDCO | 50,000 | 78,632 | 6,915 | 15,265 | **70,282** |
| **Total** | **24,050,000** | **32,655,189** | **3,326,115** | **7,342,465** | **28,638,839** |

As agreed, dividend on preference shares is calculated at a rate equivalent to the average interest rate of the consortium loan plus 2.5% per annum as premium to be calculated at the end of the fiscal year and credited to the shareholders accordingly. In line with the agreement, the preference dividend for the current FY was calculated at 13.83% (average consortium loan rate of 11.33% plus 2.5%).

The cumulative dividend upto the current financial year is NPR 28,638,839 which will be credited to the shareholders' account at the time when company shall make profitable income and approved by its shareholders.

**D. Income tax matters**

1. The group has considered additional 4.3 MW project in Andhikhola as a separate project on basis of separate PPA agreement. It has calculated and paid royalty for this new project to Department of Electricity Development (DoED) on revised rate i.e. NPR 100 per installed capacity in KW and 2% of revenue from electricity sales. Group has applied for advance ruling for tax exemption status for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License.

If the group applies the existing rate applicable to original 5.1 MW project i.e. NPR 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of NPR 35.70 million considering the period since commencement date till Ashadh end 2077. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project. The advance ruling is still awaited.

During the year DoED has instructed Nepal Electricity Authority (NEA) to deduct the additional royalty amount from its payable balance to the group. As of 15th July 2020, NEA has deducted NPR 2,50,88,251 from group's receivable balance and paid the amount to DoED. Such amount is shown as "Other receivables from Department of Electricity Development (DoED)" in Note 14 of Financial Statements.

2. The inland revenue department has opened self-assessment returns filed by the group's subsidiary company - HCEL for the financial years 2069/70 and demanded additional tax of NPR 2,609,717. The Company has contested the demands as not payable and filed application for administrative review. The Company has deposited amount of NPR 2,697,753 against the appeal with the department.

**E. Capital Commitments**

**i. 37.6-MW Kabeli-A Hydropower Project (KAHEP)**

The Group is the leading partner in this project. The Project Company has signed a Project Development Agreement with the Government of Nepal for development of the project on BOOT basis.

Group's part of capital commitment on this project is NPR 1,226 million for overall 56.16% shareholding (including indirect holding through Gurans Energy Limited) of which BPC has invested overall NPR 630 million as on reporting date. Due to unsatisfactory performance, notice of termination has been issued to the Civil/HM Contractor effective from April, 2019. Recovery plan has been formulated after the termination of Civil/HM Contractor. All physical works are under suspension as on reporting date. KEL has requested for extension of Required Commercial Operation Date (RCOD) to Ministry of Energy, Water Resources and Irrigation (MoEWRI) for next 32 months. The committee set up by the MoEWRI for extension of RCOD is finalizing on the report.

**ii. 100-MW Lower Manang Marsyangdi Hydropower Project**

The Group has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR 194.28 million has been spent by the group as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR.

**iii. 8.5-MW Chino Khola Hydropower Project**

The Group has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study has been completed and EIA report has been prepared as per the ToR and Scoping document approved by GoN. Project is being slightly re-designed to fit into MM and LMM Cascade development. A consent for PPA has been received from NEA as required for the process of Generation License. EIA report has been submitted to MOEWRI after incorporating the comments of review committee. NPR. 27.86 million has been spent by the group for this project as on reporting date.

**iv. 159.62 MW Mugu Karnali Hydropower Project**

The Group has got survey license for Mugu Karnali Hydropower Project on 23rd November, 2017. The project is located near Gamgadhi, Mugu district. The feasibility study and EIA study of the project is ongoing NPR 44.26 million has been spent by the group for this project as on reporting date.

**v. SCIG International Nepal Hydro Joint Development company Pvt. Ltd. (SCIG JVC)**

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. Group's part of capital commitment on this project is NPR 380 million for 20% shareholding, of which the group has invested NPR 93.52 million as on reporting date.

**vi. 135 MW Manang Marsyangdi Hydropower Project (M1)**

Group has acquired 100% shares of M1 with a plan to develop in cascade at Marsyangdi basin along with 139.2 MW- Lower Manang Marsyangdi (M2) and 327 MW Upper Marsyangdi 2 (M3) by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA under PROR. DoED has issued Generation License for 35 years period from 17 November 2018 and connection agreement signed. Group's part of capital commitment on this project is NPR 943 million for 19.40% shareholding as 80.60% of the total shares is proposed to transfer to SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 566.42 million for this project as on reporting date.

**vii. 327 MW PROR Upper Marsyangdi 2 Hydropower Project (M3)**

Group has acquired 19.40% shares of M3 with a plan to develop in cascade at Marsyangdi basin. PDA is on process of negotiation. Group's part of capital commitment on this project is NPR 2,284 million for 19.40% shareholding as 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 777.90 million for this project as on reporting date.

**viii. Marsyangdi Transmission Project (MTP)**

Group has acquired 19.40% shares to construct the transmission line with a view to evacuate the electricity generated by M3. 80.60% of the total shares is acquired by SCIG JVC and Chinese investors - SCIG, CXIG & QYEC at 3%, 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 10.34 million for this project as on reporting date.

**ix. New RAS Software Development**

Group has entered into contract to develop the new RAS (Revenue Accounting Software) for billing to electricity consumers. As per the contract, the total consideration for such services shall be NPR 2.13 million, out of which the company has already made payment of 90% and has further capital commitment of NPR 0.21 million under this contract.

**Note no: 34**

**Non-controlling interests**

*(In NPR)*

| Particulars | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Balance at beginning of year | 219,820,396 | 230,006,897 |
| Profit for the year | 11,763,867 | (5,874,771) |
| Other comprehensive income | - | - |
| Dividends to shareholders | (1,325,072) | (8,582,381) |
| Transfer to Retained Earnings | 304,659 | (155,049) |
| Issue of share in subsidiaries | - | 4,425,700 |
| Prior Period Adjustment | 3,471,711 | - |
| **Balance at end of year** | **234,035,561** | **219,820,396** |

**Details of non-wholly owned subsidiaries that have non-controlling interests**

**The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:**

| Name of subsidiary | Proportion of ownership interests and voting rights held by non controlling interests | | Profit (loss) allocated to non controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|
| | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
| Nepal Hydro & Electric Limited | 48.70% | 48.70% | 8,239,940 | (22,940,111) | 110,893,510 | 99,181,858 |
| Hydro-Consult Engineering Limited | 20.00% | 20.00% | 6,260,908 | 4,871,604 | 22,532,392 | 17,596,556 |
| Khudi Hydropower Limited | 40.00% | 40.00% | (2,269,616) | 12,495,325 | 81,820,515 | 84,090,132 |
| Nyadi Hydropower Limited | 1.81% | 1.81% | (467,365) | (301,589) | 18,789,144 | 18,951,850 |
| | | | **11,763,867** | **(5,874,771)** | **234,035,561** | **219,820,396** |

Summarised financial information in respect of each of the Group's subsidiaries that has non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| Nepal Hydro & Electric Limited | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Non-current assets | 182,206,811 | 253,863,634 |
| Current assets | 621,551,315 | 899,015,105 |
| Non-Current Liabilities | 3,606,635 | 8,518,880 |
| Current Liabilities | 455,430,078 | 842,492,311 |
| Equity attributable to owners of the Company | 158,517,629 | 171,100,967 |
| Non-controlling interests | 150,478,805 | 162,424,011 |
| Revenue | 938,061,562 | 1,187,197,536 |
| Total Cost | 902,336,583 | 1,218,854,965 |
| **Profit for the year** | **35,724,979** | **(31,657,429)** |
| Profit attributable to owners of the Company | 18,327,198 | (16,240,513) |

| | | |
|---|---|---|
| Profit attributable to the non-controlling interests | 17,397,781 | (15,416,916) |
| **Other comprehensive income for the year** | - | - |
| Other comprehensive income attributable to owners of the Company | - | - |
| Other comprehensive income attributable to the non-controlling interests | - | - |
| **Total comprehensive income for the year** | **35,724,979** | **(31,657,429)** |
| Total comprehensive income attributable to owners of the Company | 18,327,198 | (16,240,513) |
| Total comprehensive income attributable to the non-controlling interests | 17,397,781 | (15,416,916) |

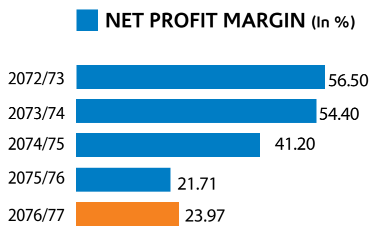
| Hydro-Consult Engineering Limited | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Non-current assets | 19,130,179 | 23,904,369 |
| Current assets | 168,919,476 | 150,178,131 |
| Non-Current Liabilities | 254,497 | 605,404 |
| Current Liabilities | 41,361,048 | 51,605,985 |
| Equity attributable to owners of the Company | 92,196,698 | 77,000,865 |
| Non-controlling interests | 23,049,018 | 19,250,085 |
| Revenue | 227,707,978 | 210,646,396 |
| Total Cost | 196,519,584 | 185,026,235 |
| **Profit for the year** | **31,188,394** | **25,620,161** |
| Profit attributable to owners of the Company | 24,950,749 | 20,496,157 |
| Profit attributable to the non-controlling interests | 6,237,645 | 5,124,004 |
| **Other comprehensive income for the year** | **-** | **-** |
| Other comprehensive income attributable to owners of the Company | - | - |
| Other comprehensive income attributable to the non-controlling interests | - | - |
| **Total comprehensive income for the year** | **31,188,394** | **25,620,161** |
| Total comprehensive income attributable to owners of the Company | 24,950,749 | 20,496,157 |
| Total comprehensive income attributable to the non-controlling interests | 6,237,645 | 5,124,004 |

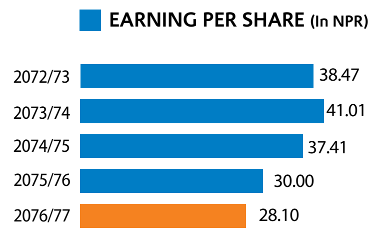
| Khudi Hydropower Limited | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Non-current assets | 326,873,433 | 342,438,505 |
| Current assets | 23,129,839 | 16,208,952 |
| Non-Current Liabilities | 51,576,705 | 71,681,420 |
| Current Liabilities | 104,436,537 | 81,994,394 |
| Equity attributable to owners of the Company | 122,982,986 | 107,531,125 |
| Non-controlling interests | 81,988,657 | 71,687,417 |
| Revenue | 63,390,341 | 96,149,577 |
| Total Cost | 74,371,954 | 70,396,476 |
| **Profit for the year** | **(10,981,613)** | **25,753,101** |
| Profit attributable to owners of the Company | (6,588,968) | 15,451,860 |
| Profit attributable to the non-controlling interests | (4,392,645) | 10,301,240 |
| **Other comprehensive income for the year** | - | - |
| Other comprehensive income attributable to owners of the Company | - | - |

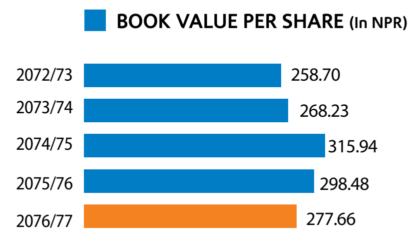
| | | |
|---|---|---|
| Other comprehensive income attributable to the non-controlling interests | - | - |
| **Total comprehensive income for the year** | **(10,981,613)** | **25,753,101** |
| Total comprehensive income attributable to owners of the Company | (6,588,968) | 15,451,860 |
| Total comprehensive income attributable to the non-controlling interests | (4,392,645) | 10,301,240 |

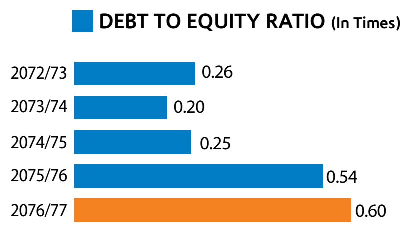
| Nyadi Hydropower Limited | As at Ashadh 31, 2077 | As at Ashadh 31, 2076 |
|---|---|---|
| Non-current assets | 3,607,313,857 | 2,381,312,789 |
| Current assets | 387,187,113 | 523,732,809 |
| Non-Current Liabilities | 2,745,601,564 | 1,793,278,486 |
| Current Liabilities | 218,223,139 | 54,051,697 |
| Equity attributable to owners of the Company | 1,038,242,203 | 1,053,229,724 |
| Non-controlling interests | 19,173,211 | 19,449,985 |
| Revenue | 1,302,248,765 | 1,189,177,506 |
| Total Cost | 1,328,987,912 | 1,204,141,800 |
| **Profit for the year** | **(26,739,147)** | **(14,964,295)** |
| Profit attributable to owners of the Company | (26,254,308) | (14,692,960) |
| Profit attributable to the non-controlling interests | (484,839) | (271,335) |
| **Other comprehensive income for the year** | - | - |
| Other comprehensive income attributable to owners of the Company | - | - |
| Other comprehensive income attributable to the non-controlling interests | - | - |
| **Total comprehensive income for the year** | **(26,739,147)** | **(14,964,295)** |
| Total comprehensive income attributable to owners of the Company | (26,254,308) | (14,692,960) |
| Total comprehensive income attributable to the non-controlling interests | (484,839) | (271,335) |

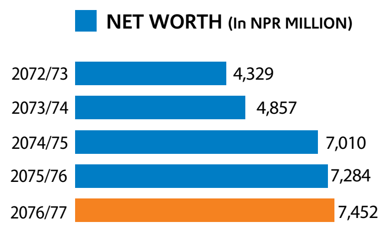
# GROUP CONSOLIDATED
# FINANCIAL HIGHLIGHTS

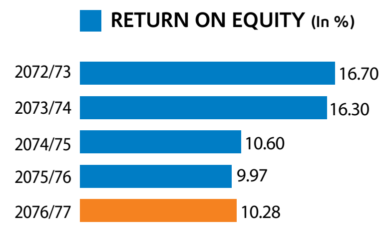


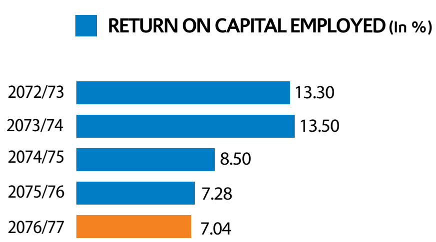



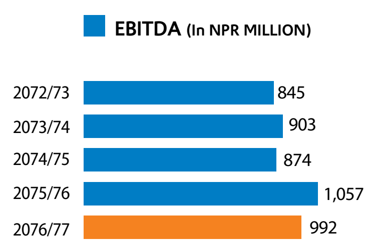



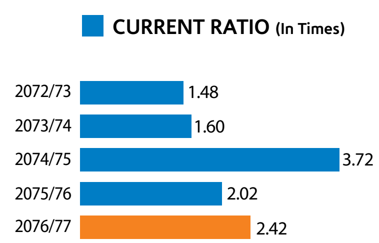



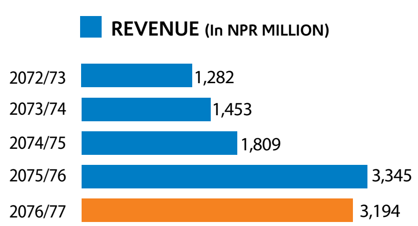



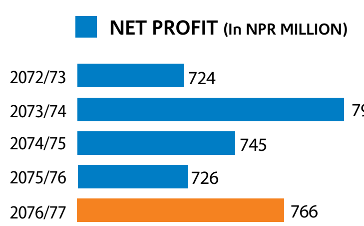



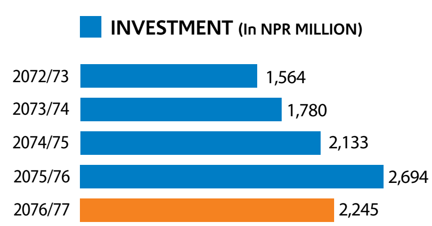



## STATEMENT OF FINANCIAL POSITION OF BPC SUBSIDIARIES

*As on Ashadh 31, 2077 (15th July, 2020)*

*(In NPR)*

| Particulars | HCEL | Khudi | Nyadi | BPCSL | MMHCPL | NHE |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-Current Assets** | | | | | | |
| Property, plant and equipment | 13,416,833 | 537,028 | 13,881,435 | 2,770,002 | - | 137,663,830 |
| Capital work-in-progress | - | - | - | - | - | 24,154,647 |
| Intangible assets | 823,257 | 316,658,821 | - | - | - | 1,160,723 |
| Intangible assets under development | - | - | 3,554,685,005 | - | 141,010,497 | - |
| Financial assets | | | | | | |
| Other investments | - | 6,328,000 | - | - | - | - |
| Trade receivables | - | 3,349,585 | - | - | - | - |
| Other financial assets | 82,490 | - | - | - | - | - |
| Deferred-tax assets | 2,109,846 | - | - | - | - | 19,227,611 |
| Other non-current assets | 2,697,753 | - | 38,747,417 | - | - | - |
| **Total Non-Current Assets** | **19,130,179** | **326,873,434** | **3,607,313,857** | **2,770,002** | **141,010,497** | **182,206,811** |
| **Current Assets** | | | | | | |
| Inventories | - | 2,171,420 | - | - | - | 49,935,007 |
| Financial assets | | | | | | |
| Trade receivables | 62,584,465 | 10,177,583 | - | 2,787 | - | 253,669,851 |
| Cash and cash equivalents | 40,766,119 | 6,688,226 | 14,940,000 | 1,766,619 | 203,791 | 1,245,270 |
| Bank balance other than cash and cash equivalents | 2,342,740 | 612,063 | 6,386,452 | 14,000,000 | - | - |
| Other financial assets | 60,723,569 | 389,408 | 1,386,733 | - | 750 | 251,194,390 |
| Other current assets | 1,294,965 | 3,071,776 | 364,473,928 | 3,776 | - | 26,149,165 |
| Current tax assets (net) | 1,207,618 | 19,363 | - | 45,243 | - | 39,357,632 |
| **Total Current Assets** | **168,919,476** | **23,129,839** | **387,187,113** | **15,818,425** | **204,541** | **621,551,315** |
| **Total Assets** | **188,049,655** | **350,003,273** | **3,994,500,970** | **18,588,427** | **141,215,038** | **803,758,126** |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Equity** | | | | | | |
| Equity | 14,723,100 | 84,000,000 | 1,095,000,000 | 10,000,000 | 88,596,000 | 139,530,000 |
| Other Equity | 131,711,011 | 109,990,030 | (64,323,733) | 5,795,592 | 1,772,722 | 205,191,413 |
| **Total Equity** | **146,434,111** | **193,990,030** | **1,030,676,267** | **15,795,592** | **90,368,722** | **344,721,413** |
| **Liabilities** | | | | | | |
| **Non-Current Liabilities** | | | | | | |
| Financial liabilities | | | | | | |
| Borrowings | - | 21,138,805 | 2,558,932,390 | - | - | - |
| Other financial liabilities | - | - | 185,132,404 | - | - | - |
| Provisions | 254,497 | 1,248,994 | 1,536,770 | - | - | 3,606,635 |
| Deferred tax liabilities | - | 29,188,906 | - | 147 | - | - |

| Particulars | HCEL | Khudi | Nyadi | BPCSL | MMHCPL | NHE |
|---|---|---|---|---|---|---|
| **Total Non-Current Liabilities** | **254,497** | **51,576,705** | **2,745,601,564** | **147** | **-** | **3,606,635** |
| **Current Liabilities** | | | | | | |
| Financial liabilities | | | | | | |
| Borrowings | - | 60,767,500 | 22,500,000 | - | 49,860,810 | 197,003,874 |
| Trade payables | 2,336,026 | 6,421,085 | 192,021,581 | - | - | 43,019,369 |
| Other financial liabilities | 17,064,234 | 6,118,358 | 3,016,980 | 2,792,233 | 809,611 | 23,562,761 |
| Provisions | 9,356,292 | - | - | - | - | - |
| Other current liabilities | 12,604,495 | 31,129,595 | 684,578 | 455 | 43,580 | 191,844,074 |
| Current tax liabilities (net) | - | - | - | - | 132,315 | - |
| **Total Current Liabilities** | **41,361,047** | **104,436,538** | **218,223,139** | **2,792,688** | **50,846,316** | **455,430,078** |
| **Total Liabilities** | **41,615,544** | **156,013,243** | **2,963,824,703** | **2,792,835** | **50,846,316** | **459,036,713** |
| **Total Equity and Liabilities** | **188,049,655** | **350,003,273** | **3,994,500,970** | **18,588,427** | **141,215,038** | **803,758,126** |
| **Net Worth Per Share** | **994.59** | **230.94** | **94.13** | **157.96** | **102.00** | **247.06** |

## STATEMENT OF PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME OF BPC SUBSIDIARIES

*For the year ended Ashadh 31, 2077 (15th July, 2020)* *(In NPR)*

| Particulars | HCEL | Khudi | Nyadi | BPCSL | MMHCPL | NHE |
|---|---|---|---|---|---|---|
| Revenue | 227,707,978 | 63,390,341 | 1,302,248,765 | 30,000 | - | 938,061,562 |
| Cost of Sales | (150,244,565) | (58,687,479) | (1,302,248,765) | (153,194) | - | (800,184,283) |
| **Gross profit** | **77,463,413** | **4,702,862** | **-** | **(123,194)** | **-** | **137,877,279** |
| Other income | 1,729,450 | 3,750 | - | - | 1,157,500 | 3,432,611 |
| Administrative and other operating expenses | (39,462,589) | (8,321,485) | (26,739,147) | (105,500) | (1,734,667) | (61,044,975) |
| Finance Income | 4,732,406 | 247,888 | - | 1,320,638 | - | 1,096,980 |
| Finance Costs | (15,452) | (10,014,583) | - | (100) | - | (44,339,405) |
| Profit from JV | - | - | - | - | - | - |
| **Profit Before Tax** | **44,447,228** | **(13,381,568)** | **(26,739,147)** | **1,091,844** | **(577,167)** | **37,022,490** |
| **Income Tax Expense** | | | | | | |
| Current tax | (13,618,790) | (118,637) | - | (273,010) | (132,315) | (1,297,511) |
| Deferred tax credit/charge | 359,956 | 2,518,592 | - | 49 | - | - |
| **Net Profit for the year** | **31,188,394** | **(10,981,613)** | **(26,739,147)** | **818,883** | **(709,482)** | **35,724,979** |
| **Earnings per equity share of Rs. 100 each** | | | | | | |
| Basic Earnings per share - Rs. | 211.83 | (13.07) | (2.44) | 8.19 | (0.80) | 25.60 |
| Diluted Earnings per share - Rs. | 211.83 | (13.07) | (2.44) | 8.19 | (0.80) | 25.60 |

# List of Abbreviations

**ADB-** Asian Development Bank
**AGM-** Annual General Meeting
**ALC-** Assets and Liabilities Committee
**Alt-** Alternate
**AMS-** Asset Management System
**APG-** Advance Payment Guarantee
**APP-** Andhikhola Power Plant
**ASAI-** Average Service Availability Index
**ASUI-** Average Service Unavailability Index
**BD&P-** Business Development & Project
**BoD-** Board of Directors
**BOOT-** Build, Own, Operate and Transfer
**BPA-** Best Presented Accounts
**BPCSL-** BPC Service Limited
**BU-** Business Unit
**CAIDI-** Customer Average Interruption Duration Index
**CAIFI-** Customer Average Interruption Frequency Index
**CBA-** Collective Bargaining Agreement
**CEO-** Chief Executive Officer
**CGR-** Corporate Governance Report
**CIT-** Citizen Investment Trust
**CKHP-** Chino Khola Hydropower Project
**CNI-** Confederation of Nepalese Industries
**CNTEC-** China National Technical Import & Export Corp.
**CODM-** Chief Operating Decision Maker
**COVID-19-** Coronavirus Disease
**CRO-** Chief Risk Officer
**CSR-** Corporate Social Responsibility
**CWIP-** Capital Work In Progress
**CXIG-** Chengdu Xingcheng Investment Group Co. Ltd.
**DA-** Daily Allowances
**DAM-** Day Ahead Market
**DCIM-** Data Centre Infrastructure Management
**DDC-** District Development Committee
**DoED-** Department of Electricity Development
**DoI-** Department of Industry
**DR-** Disaster Recovery
**DSRA-** Debt Service Reserve Account
**EDC-** Energy Development Council
**EIA-** Environment Impact Assessment
**EMS-** Environment Management System
**EPS-** Earning Per Share
**ERC-** Electricity Regulatory Commission
**FC-** Finance Committee
**FDI-** Foreign Direct Investment
**FNCCI-** Federation of Nepalese Chamber of Commerce & Industries
**FY-** Fiscal Year
**GEL-** Gurans Energy Limited
**GoN-** Government of Nepal
**GPA-** Group Personal Accident
**GWh-** Giga Watt hour
**HCEL-** Hydro-Consult Engineering Limited
**HHCPL-** Himtal Hydropower Co. Pvt. Ltd.
**HIDCL-** Hydropower Investment and Development Co. Ltd.
**HO-** Head Office
**HPL-** Himal Power Limited
**IBN-** Investment Board Nepal
**ICAN-** Institute of Chartered Accountants of Nepal
**ICH-** International Centre for Hydropower
**ICT-** Information Communication Technology
**IESC-** Independent Environment and Social Consultant
**IFC-** International Financial Corporation
**IFRIC-** International Financial Reporting Interpretations Committee
**IFRS-** International Financial Reporting Standard
**IMS-** Inventory Management System
**INPS-** Integrated Nepal Power System
**IPO-** Initial Public Offer
**IPPAN-** Independent Power Producers' Association Nepal
**IPPs-** Independent Power Producers
**IRD-** Inland Revenue Department
**ISO-** International Organization for Standardization
**JDMP-** Jhimruk Downstream Mitigation Project
**JPP-** Jhimruk Power Plant
**JV-** Joint Venture
**KEL-** Kabeli Energy Limited
**KHL-** Khudi Hydropower Limited
**LEDCO-** Lamjung Electricity Development Company Limited
**LMMHEP-** Lower Manang Marshyangdi Hydroelectric Project
**MAN-** Management Association of Nepal
**MARS-** Mutually Agreed Retirement Scheme
**MCC-** Marsyangdi Cascade Committee
**MCP-** Marshyangdi Cascade Project
**MKHP-** Mugu Karnali Hydropower Project
**MMHCPL-** Manang Marshyangdi Hydropower Co. Pvt. Ltd.
**MMHEP-** Manang Marshyangdi Hydroelectric Project
**MoE-** Ministry of Energy
**MoEWRI-** Ministry of Energy, Water Resources & Irrigation
**MoFE-** Ministry of Forest & Environment
**MoPE-** Ministry of Population and Environment
**MoU-** Memorandum of Understanding
**MRM-** Management Review Meeting
**MTCL-** Marsyangdi Transmission Company Pvt. Ltd.
**MTP-** Marsyangdi Transmission Project
**MW-** Mega Watt
**NEA-** Nepal Electricity Authority
**NEPSE-** Nepal Stock Exchange Ltd.
**NFRS-** Nepal Financial Reporting Standard
**NHA-** Nepal Hydropower Association
**NHE-** Nepal Hydro and Electric Limited
**NHL-** Nyadi Hydropower Limited
**NHP-** Nyadi Hydropower Project
**NIDC-** Nepal Industrial Development Corporation
**NMFA-** Norwegian Ministry of Foreign Affairs
**NORAD-** Norwegian Agency for Development Cooperation
**NPR/NRs. -** Nepalese Rupees
**NSA-** Nepal Standards on Auditing
**NTA-** Nepal Tunnelling Association
**NVVN-** NTPC Vidyut Vyapar Nigam
**OHSAS-** Occupational Health & Safety Assessment Series
**OMM-** Operation and Maintenance Management
**PDA-** Project Development Agreement
**PEEDA-** People Energy and Environment Development Association
**PG-** Performance Guarantee
**PPA-** Power Purchase Agreement
**PPE-** Personal Protective Equipment
**PPP-** Public Private Partnership
**PROR-** Peak Run-of-River
**QCBS-** Quality and Cost Based Selection
**QHSE-** Quality, Health, Safety and Environment
**QMS-** Quality Management System
**QYEC-** Qing Yuan Engineering Consulting Co. Ltd.
**RAS-** Revenue Accounting Software
**RC-** Remuneration Committee
**RCOD-** Required Commercial Operation Date
**REEP-** Rural Electrification and Expansion Project
**RMC-** Risk Management Committee
**ROR-** Run-of-River
**SAIDI-** System Average Interruption Duration Index
**SAIFI-** System Average Interruption Frequency Index
**SCIG-** Sichuan Provincial Investment Group Co. Ltd.
**SEBON-** Security Exchange Board of Nepal
**SEL-** Shangri-La Energy Limited
**SIA-** Social Impact Assessment
**SIC-** Standard Interpretations Committee
**SOP-** Standard Operating Procedure
**SPVs-** Special Purpose Vehicles
**SSF-** Social Security Fund
**SUP-** Social Upliftment Program
**TA-** Travel Allowance
**TAM-** Term Ahead Market
**TMS-** Total Management System
**UM2HEP-** Upper Marsyangdi-2 Hydroelectric Limited
**UMN-** United Mission to Nepal
**VA-** Value Added
**VDC-** Village Development Committee
**VPN-** Virtual Private Network
**VPs-** Vice Presidents
**WB-** World Bank
**WIP-** Work In Progress

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