iLight the future

ANNUAL REPORT

2022-2023

BUTWAL POWER COMPANY LIMITED

Contents

Company Profile

Butwal Power Company (BPC) was incorporated in 1965 standing today with 58 years of experience in the hydropower sector, positioning itself as a prominent listed Company in Nepal. Generation and distribution of electricity are its core business areas. Besides, it is actively engaged in the 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 commendable track record of pioneering multi-faceted capacity building initiatives in hydropower development.

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

Commencing its journey by electrifying a small city in the south-central Nepal through a development of the Tinau Project (1 MW), BPC stands as the sole enterprise with a history spanning over five-decades, marked by its success, sustained growth, and capacity building in the country. Currently, the Company has 55 MW in operation and 37.6 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 supplies power to its own customers in Syangja, Palpa, Pyuthan, and Arghakhanchi districts for around 62,700 households. Furthermore, these plants supply power to Nepal Electricity Authority (NEA) under Power Purchase Agreement (PPA). BPC owns majority stake in 4 MW Khudi Hydropower Plant and 30 MW Nyadi Hydropower Plant under operation and 37.6 MW Kabeli-A Project under construction, through separate SPVs namely Khudi Hydropower Ltd. (KHL), Nyadi Hydropower Ltd. (NHL), and Kabeli Energy Ltd.

BPC has formed a joint venture Company named SCIG International Nepal Hydro Joint Development Company Pvt Ltd. involving three Chinese companies from Chengdu, Sichuan Province, People's Republic of China. The joint venture aims to invest in the Marsyangdi Cascade projects, comprising the 135 MW Manang Marsyangdi Hydroelectric Project (MMHEP), the 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP), and the 327 MW Upper Marsyangdi-2 Hydroelectric Project (UM2HEP) in the Manang and Lamjung districts. All these projects will be peaking run-of-river (PROR) projects.

A prominent name in hydropower sector since

1965

The Company is gearing up for the development of the 7.9 MW Chino Khola Hydropower Project (CKHP) with the intention of supplying construction power to the cascade projects. Following the completion of these cascade projects, a PPA will be finalized with NEA for the sale of power. The Connection Agreement has already been signed, and the project is currently awaiting PPA with NEA. Simultaneously, Feasibility study and Environmental Impact Assessment (EIA) study for the 160 MW Mugu Karnali Hydropower Project (MKHP), situated near Gamgadhi, the district headquarters of Mugu district is ongoing.

BPC owns 16.88% of Himal Power Limited's 60 MW Khimti Hydropower Plant, along with Statkraft Norfund Power Invest AS (SN Power) and Bergenshalvoens Kommunale Kraftselskap (BKK). BPC is also a partner in Hydro Lab, which specializes in hydraulic model studies of hydropower projects, sediment analysis, and efficiency measures.

Nepal Hydro & Electric Limited (NHE), a subsidiary of BPC, specializes in the design, manufacture, installation, testing, and commissioning of penstock pipes, hydraulic gates, trash racks, stoplogs, micro and mini hydro turbines, turbine housing and casing, HV substations, galvanised steel telescopic poles, and heavy steel bridges, among others.

Hydro-Consult Engineering Limited (HCE) was established by BPC in 2009 to provide consultancy services in water resource-based infrastructure projects respecting the local socio-ecological systems. It investigates, designs, and assists in the development of hydropower projects in Nepal and internationally, with outstanding business results.

BPC has adopted integrated management system with certification of ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System) since 2005 and OH&S 45001:2018 (Occupational Health and Safety Management System) since 2014, recognized by the Certification Body, DNV GL (Det Norske Veritas).

BPC has been acknowledged as the best-managed Company in the hydropower sector, receiving recognition like National Best Presented Annual Report (BPA) awards multiple times. The Company was also awarded the 'International Blue Planet Award 2005' by International Hydropower Association, UK. BPC is committed to achieving operational excellence and upholds principles of good governance, corporate citizenship, and the creation of value for stakeholders.

Projects with capacity **800**MW+ under development

Has been electrifying **62,700** customers through its own distribution business

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

Joshi & Bhandary, Chartered Accountants

Internal Auditor

PL Shrestha & Co., Chartered Accountants

Stock Exchange Listing

Nepal Stock Exchange (NEPSE), Code BPCL

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

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 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 and 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 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.

Turbine Maintenance of 12 MW Jhimruk Hydropower Plant.

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 and 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 and energy.

7. Corporate social citizenship

- Maintain good relationship with neighbors 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 and socially responsible manner through:

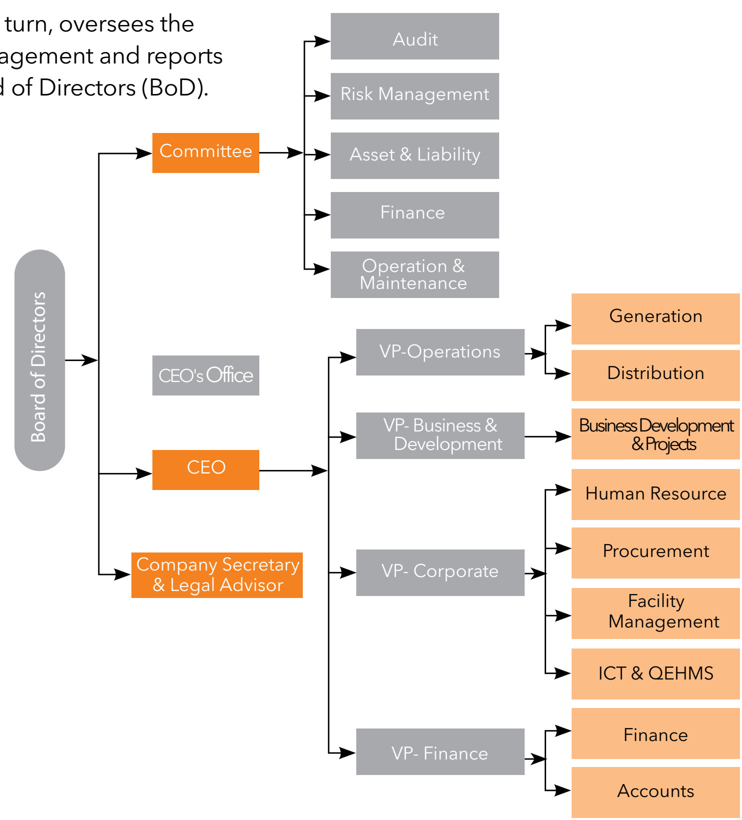
- Improvement of Integrated Management System and business processes;
- Identification of occupational health and safety hazards and minimizing potential risks to prevent injury and ill health;
- Conservation and optimization in use of key resources, minimizing impact on environment and prevention of 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 is done so as to ensure its relevancy and appropriateness to the company.

Organisational Structure

BPC employs a functional organizational structure with a high degree of specialization, productivity, accountability, and specific job responsibilities among its employees. The Company directly oversees the generation, distribution, and transmission business, as well as engages in business and project development activities. However, once a SPV is formed for each project, construction activities are executed through these SPVs. The subsidiaries of BPC are responsible for engineering, manufacturing, operation, and maintenance of hydropower projects as required. The organizational structure including key departments such as Operations, Business Development & Projects (BD&P), Finance, and Corporate is in place, all reporting directly to the Chief Executive Officer (CEO).

The CEO, in turn, oversees the overall management and reports to the Board of Directors (BoD).



Highlights of the Year

Total Revenue earned **NPR 724.42 million** and Net Profit **NPR 305.07 million.**

Project Development Agreement (PDA) signed with Ministry of Energy, Water Resources and Irrigation (MOEWRI) for **135 MW Manang Marsyangdi HEP (MMHEP).**

EPC Contract has been signed for the construction of **MMHEP**.

Power Purchase Agreement (PPA) signed for **139.2 MW Lower Manang Marsyangdi HEP (LMMHEP)**.

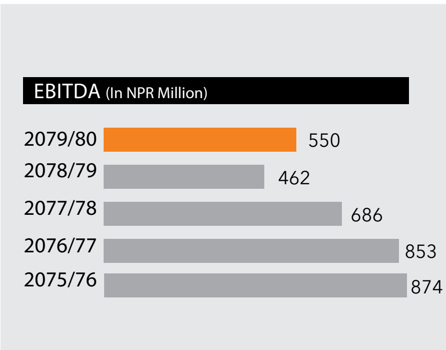
Detail Project Report (DPR) for **327 MW Upper Marsyangdi-2 HEP (UM2HEP)** has been prepared and submitted to IBN for approval.

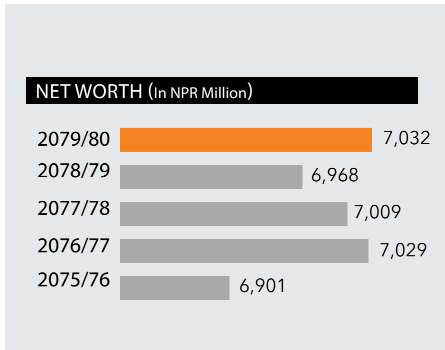
SPV named Chino Hydropower Limited has been incorporated for the development of **Chino Khola Hydropower Project (CKHP)**.

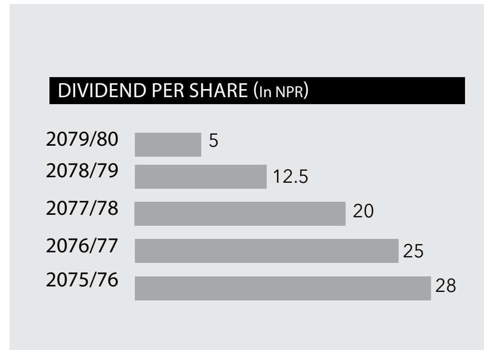
Construction of **37.6 MW Kabeli-A Hydropower Project (KHP)** has been resumed and PPA Amendment signed with NEA.

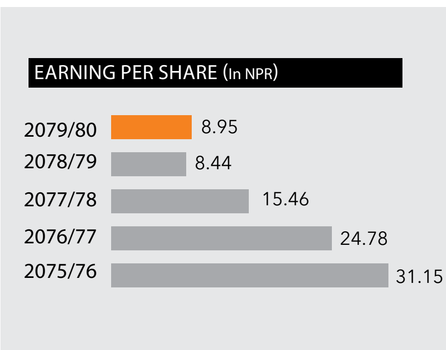
Initial Environmental Examination (IEE) Study of **Jhimruk Solar Project** has been completed.

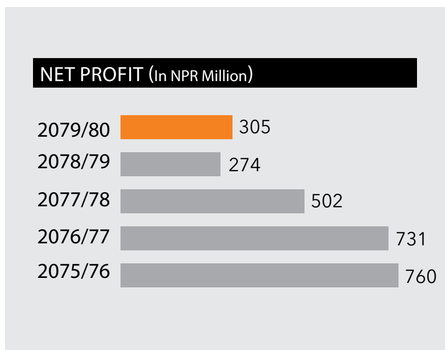
Financial Highlights

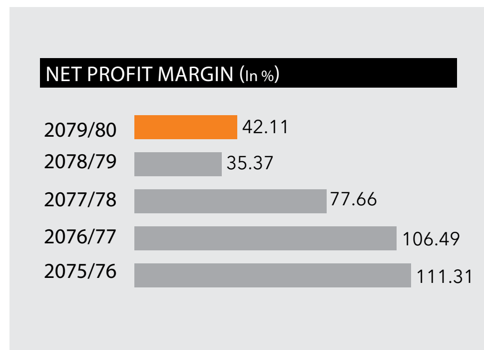


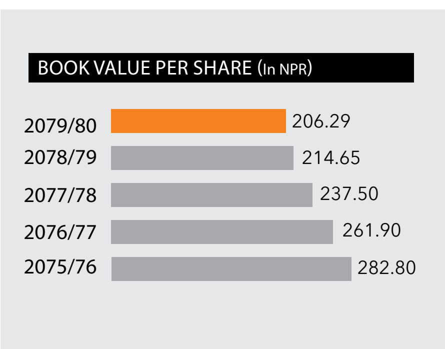


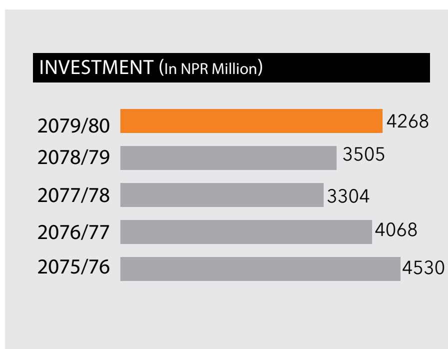


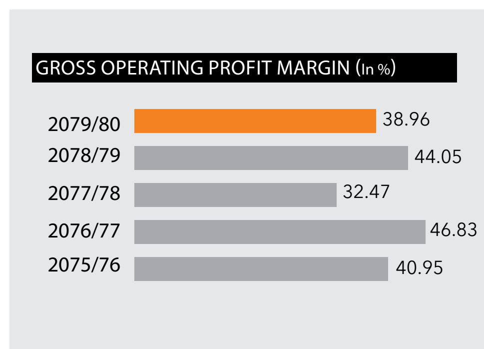


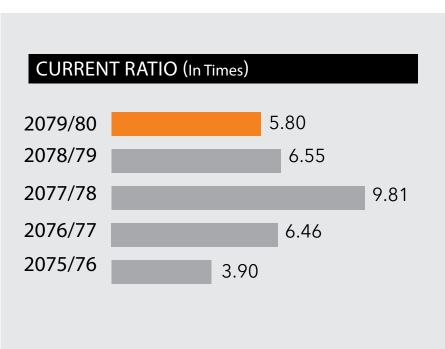


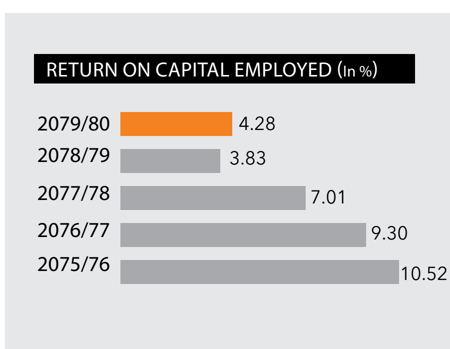


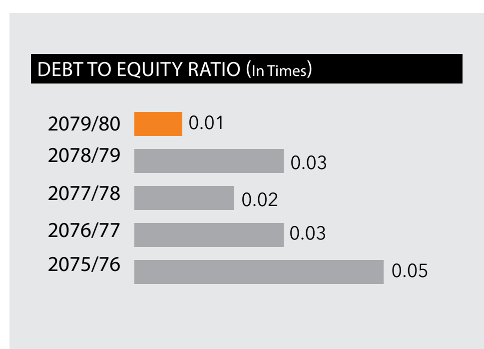












Board of Directors

From left to right (Sitting):
Mr. Padma Jyoti, Chairman
Mr. Pradeep Kumar Shrestha, Director
Ms. Bina Rana, Director
Mr. Bijay Bahadur Shrestha, Alternate Director

From left to right (Standing):
Mr. Tirtha Man Shakya, Independent Director
Mr. Bijaya Krishna Shrestha, Director
Mr. Om Prakash Shrestha, Director
Mr. Sanjib Rajbhandari, Alternate Director
Mr. Raju Maharjan, Director

Message from Chairperson

In the journey of development and prosperity in Nepal, Independent Power Producers' contribution to the power sector have been remarkable. I am happy to see that BPC's contribution has been multifaceted, as a developer, engineering service provider, electricity distributor, institutional investor, and power plant repair and maintenance service provider institutionalized through its subsidiary and associate companies. BPC is one with the Government of Nepal in the task of achieving the hydropower target of 20,000 MW in the next ten years.

Over 2600 MW has been developed in the country, however the country has been experiencing a power surplus in the wet season and a power deficit in the dry season. This has been addressed to some extent through the export of power to India in the wet season and the import of power in the dry season. But NEA and IPPs still have to spill the electricity on a number of occasions in the wet season as the Indian energy market is only partially open to Nepal for power trading. We hope that the hurdles will be removed for a win-win situation for all.

A lack of clarity in internal and cross-border energy market and insufficient power infrastructure are the biggest challenges to the country. There is a need to increase internal electricity consumption through increased domestic use and expansion of industrial and commercial activities. Further, there is a need to eliminate the non-tariff barriers for power trading in the cross-border energy markets. The non-tariff barriers hinder the free flow of foreign investments as well.

> "BPC is all set to develop the three projects under the name of Marsyangdi Cascade with FDI partners. BPC is gearing up and taking the necessary steps to mobilise resources. These projects, on completion, will raise BPC to a stronger height in the power sector in Nepal."

A regional energy market needs to be created to promote the value of green and clean energy like hydropower. It is a pertinent and urgent issue in the context of both COP 21 and COP 28.

Some governance problems in government undertakings and private sector companies are hampering the development of our hydropower to its full potential. Weaknesses in the coordination among different government bodies, policy instability, inability to attract FDI, inconsistencies and ad-hoc culture in bureaucratic actions and service delivery, and the duplication in institutional set-up have prolonged the pre-construction phase of hydropower projects, impacting both the revenue to the developer and the royalty to the GON. GON land lease and forest clearance for a project are overly stringent and time-consuming. A time has come to speed up hydropower development in a balanced manner, using GON land and forest land in terms of reducing carbon emissions, energy security, and revenue generation in the country. We firmly believe that hydropower is one of the prime movers of growth in Nepal. We cannot afford to discourage this sector.

The overall performance of BPC in FY 2022/23 has been satisfactory. We have had a few hiccups along with satisfying progress in a number of areas. The business activities and performances have been reported to the shareholders and other stakeholders through quarterly

BPC is one with the Government of Nepal in the task of achieving the hydropower target of 20,000 MW in the next ten years.

reporting and the annual report in a transparent manner. BPC is all set to develop the three projects under the name of Marsyangdi Cascade with FDI partners. BPC is gearing up and taking the necessary steps to mobilise resources. These projects, on completion, will raise BPC to a stronger height in the power sector in Nepal. But BPC urges that the steps be taken urgently to speed up the slow pace of project development affected by the investment climate mentioned above. BPC, on its part, has been putting all possible efforts to expedite projects and other business activities based on its defined corporate governance value framework. We remain very optimistic about the future growth of BPC.

Finally, I would like to extend my sincere thanks to all Government of Nepal agencies, partners, all stakeholders and our valuable shareholders for their trust on and cooperation with BPC.

Padma Jyoti
Chairman

UM2HEP Powerhouse Area

Report from Board of Directors

Dear Shareholders,
We are delighted to present this Board of Directors' Report for FY 2079/80 at the Company's 31st Annual General Meeting (AGM).

In FY 2079/80, the Company's operations business along with investment and project development businesses performed moderately well. The performance of various business segments has been presented under the respective headings. The Company reported a net profit of NPR 305 million in FY 2079/80, an increase of 11.28% over the previous year's net profit of NPR 274 million.

PERFORMANCE REVIEW

Finance

The Company earned gross profit of NPR 282.26 million in FY 2079/80, a decrease of 17.32% over the previous year. However, other income increased by 81.22% to NPR 86.75 million, compared to NPR 47.87 million in the previous year. Finance income marginally increased by 3.54% to NPR 103.47 million. Consequently, the profit before and after taxes increased by 10.29% and 11.28% respectively. In FY 2079/80, the Company's net profit was NPR 305.07 million. The Company's financial highlights are briefly outlined below.

The decrease in group revenue by 15.76% is due to the capitalization of revenue during the construction phase related to NHL. Similarly, the decrease in cost of sales by 30.71% is mainly due to a decrease in cost incurred during the construction phase, resulting in an increase in gross profit of 44.97%. However, the group suffered a net loss due to the provision for impairment loss incurred by KEL. Consequently, the group earnings per share dropped negatively to NPR 0.29, which was NPR 6.65 in the previous year. The net worth has decreased by 6.22% compared to the last FY.

(in million NPR unless specified)

Particulars	FY 2079/80	FY 2078/79	Variance (In %)
Electricity sale to NEA	469.31	526.76	-10.91
Electricity sale and services to consumers	255.10	248.29	2.75
Generation Expenses	303.59	295.79	2.64
Distribution Expenses	138.57	137.87	0.50
Gross profit	**282.26**	**341.38**	**-17.32**
Other income including dividend received	86.75	47.87	81.22
Written back of provision for impairment loss on investment	50.63		NA
Administrative and other expenses	126.79	127.43	-0.50
Profit before interest and taxes	**292.85**	**261.82**	**11.85**
Profit before taxes	384.85	348.94	10.29
Net profit after tax	**305.07**	**274.15**	**11.28**
Investment in other companies	4,268.34	3,505.28	21.77
Earnings per share (in NPR)	8.95	8.44	6.04
Total Net worth (Equity)	7,032.67	6,968.19	0.93

The Group consolidated financial status for FY 2079/80

(In million NPR unless specified)

Particulars	FY 2079/80	FY 2078/79	Variance (In %)
Revenue	2,380.61	2,825.95	-15.76
Cost of sales	1,571.43	2,267.80	-30.71
Gross Profit	809.18	558.15	44.97
Profit before interest and taxes	628.53	342.99	83.25
Profit before tax	-58.49	318.35	-81.63
Profit after tax	-41.02	228.80	-117.93
Profit attributable to owners of parent	-9.82	215.77	-104.55
Profit attributable to non-controlling interest	-31.19	13.03	-339.41
Earnings Per Share (in NPR)	-0.29	6.65	-104.33
Net worth	7,090.81	7,561.31	-6.22

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 the plants performed well and generated a total of 140.65 GWh in FY 2079/80. Due to low river discharge, the generation is 9% lower compared to 155.26 GWh generated in the previous FY. Out of the total generated energy, around 66.21% energy was supplied to NEA and the remaining to the distribution business of the Company. Both the power plants supplied electricity to BPC Distribution and local NEA distribution areas by purchasing energy from NEA grid during low generation and plant shutdown of power plants of the Company.

The generation status of both the power plants in the FY 2079/80 was as follows:

- APP generated 65.08 GWh with plant factor of 79.04%, which is a decrease of 9.65% (6.95 GWh) over the previous year. Lower water discharge in the river due to low rainfall is the major factor for the decreased generation. Out of total available energy, 30.33 GWh (43.85%) was supplied to NEA and 38.075 GWh (55.04%) energy was sold to BPC distribution.

- JPP generated 77.57 GWh with plant factor of 71.89%, which is a decrease of 9.21% (7.664 GWh) over the previous year. The major factor of decreased generation is low rainfall. Out of the total available energy, 67.097 GWh (86.062%) was supplied to NEA and 8.956 GWh (11.48%) was sold to BPC distribution.

Distribution Business

During FY 2079/80, the total energy purchased from the generation business was 47.03 GWh, which is 0.56% more than that of last year. The increase in purchase is due to the increased number of consumers this year (1.82%) and the increase in average electricity consumption per consumer per month by 0.92% compared to last FY. The corresponding sales of electricity has also increased by 2.71%. The Company sold 39.90 GWh of energy to retail consumers and 0.055 GWh was internally consumed. The revenue loss incurred in distribution business this year is NPR 125.52 million, which will continue to increase in the coming years too if the distribution tariff is not revised. Hence, sustainability of distribution business is at stake.

SUBSIDIARY AND ASSOCIATES OF THE COMPANY

Company's investment portfolio at the end of Ashadh, 2080

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

POWER PLANTS OWNED BY SUBSIDIARIES AND ASSOCIATES

Nyadi Hydropower Limited

(NHL), a listed subsidiary company, has been operating a 30 MW Nyadi Hydropower Plant (NHP) in Lamjung district since May 2022. NHP's annual generation capacity is 168.55 GWh, but NEA dispatched only 105.297 GWh from NHP in FY 2079/80 despite adequate plant availability, and transmission line availability. The reason for this is the delayed construction of 220 kV Khudi Hub and transmission

Name of company	No. of shares	Holding (In %)	Investment at cost (In NPR)	Investment at Fair Value (In NPR)
Himal Power Ltd.	2,978,502	16.88	434,931,461	759,512,872
Nepal Hydro & Electric Ltd.	715,800	51.30	71,580,000	-
Khudi Hydropower Ltd.	504,000	60.00	50,400,000	-
Khudi Hydropower Ltd. (Preference Share)	576,000	70.55	57,600,000	-
Nyadi Hydropower Ltd.	10,751,453	71.68	1,075,145,300	-
Kabeli Energy Ltd.	2,966,860	27.24	296,686,000	-
Hydro-consult Engineering Limited	147,231	100.00	42,991,260	-
Manang Marshyangdi HPC (P) Ltd.	198,455	22.40	147,402,781	
BPC Services Ltd.	100,000	100.00	10,000,000	-
Hydro Lab (P) Ltd.	10,000	10.73	1,000,000	34,052,484
Himtal Hydropower Co. (P) Ltd.	601,300	19.40	789,700,830	
Marshyangdi Transmission Co. (P) Ltd.	6,406	19.40	10,346,245	
Gurans Energy Ltd.	3,319,836	40.00	331,983,600	-
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	3,125,439	20.00	93,520,876	-
Total	**26,001,282**		**3,413,288,353**	**793,565,356**

facilities by NEA. NHP constructed an alternative transmission line to supply power, but despite the previously agreed "Take or Pay" PPA Agreement, NEA temporarily imposed a condition of 'take and pay' to dispatch power from the alternative transmission line until the construction of Khudi Hub is completed and power evacuation commissioned through it. NHL generated revenue of NPR 591.64 million in FY 2079/80 with a net loss of NPR 198.41 million.

Khudi Hydropower Limited (KHL), a subsidiary company, owns and operates the 4 MW Khudi Power Plant, which began its commercial operation in FY 2063/64. KHL generated revenue of NPR 89.96 million in FY 2079/80, which is a 6.58% increase compared to the previous year, yielding a net profit of NPR 26.50 million.

Advance towards share capital including incidental cost:

Name of company	Amount (Rs.)
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	44,000,000
Manang Marshyangdi HPC (P) Ltd.	182,086,000
Nepal Power Exchange Ltd.	20,000,000
Kabeli Energy Ltd.	251,330,400
Total	**497,416,400**

Himal Power Ltd. (HPL), an associate company, owns and operates 60 MW Khimti–I Hydropower Plant (KHP). In accordance with the terms of the previous 20-year PPA, HPL's equity interest in the project has been diluted to NEA by 50% as of July 2020. Since then, KHP has been operating under an interim PPA at a very nominal rate. HPL's negotiations with NEA for setting up an SPV are in process and not yet finalized. The delay in setting up SPV and finalizing a new reasonable PPA for KHP has adversely impacted BPC's dividend income.

ENGINEERING AND OTHER SERVICES

Hydro Consult Engineering Limited (HCEL), a fully owned subsidiary, has been performing well by offering Tier-1 consulting engineering services to different hydropower projects in Nepal and abroad. HCEL is also in the process of business diversification to consulting services for other infrastructure sectors. HCEL generated revenue of NPR 204.84 million in FY 2079/80, which is a 14.71% decrease compared to the previous year, yielding a net profit of NPR 11.97 million.

The financial performance highlights of the subsidiary and associate companies are as below:

Name of company	Net Profit (In million NPR)	Increase (decrease) in net profit	Net Worth (In Million NPR)	Earnings Per Share (In NPR)	Book Value Per Share (In NPR)
Himal Power Ltd.	-41.36	-673.65%	4,498.54	-2.34	255
Nepal Hydro & Electric Ltd.	40.24	218.75%	368.59	28.84	264.17
Khudi Hydropower Ltd.	26.50	169.92%	204.49	17.61	123.44
Kabeli Energy Ltd.	-625.72	-	913.72	-57.72	83.90
Nyadi Hydropower Ltd.	-198.41	315.81%	1,156.94	-13.23	77.13
Hydro-consult Engineering Ltd.	11.97	-84.58%	172.31	81.16	1,170.22
BPC Services Ltd.	0.91	1.51%	16.37	9.13	163.73
Hydro Lab (P) Ltd.	22.74	-25.03%	207.96	378.38	3,460.28
Gurans Energy Ltd.	-63.97	-	1.32	-7.71	0.16
SCIG International Nepal Hydro Joint Development Co. (P) Ltd.	-16.06	-	1,485.27	-1.00	92.44
Manang Marsyangdi Hydropower Company (P) Ltd.	13.04	-	847.60	14.71	956.71
Marsyangdi Transmission Company (P) Ltd.	0.05	-	43.12	-1.44	1,305.68
Himtal Hydropower Company (P) Ltd.	16.32		1,272.66	5.27	410.60

The Company earned dividend income of NPR 44,165,000 in FY 2079/80 from the following subsidiary companies:

Name of Company	Net Dividend Amount received in NPR (from the profit of F/Y 2078/79)
BPC Services Ltd.	950,000
Khudi Hydropower Ltd.	27,360,000
Hydro- Consult Engineering Ltd.	15,000,000
Nepal Power Exchange Ltd.	855,000
Total	**44,165,000**

BPC Services Limited (BPCSL), a fully owned subsidiary, was established to provide operation and maintenance services to power plants and interconnection facilities. This company offers operation and maintenance services to power plants.

Hydro Lab Pvt. Ltd., an associate not-for-profit distributing company, conducts physical hydraulic model studies, sediment studies, and associated research for water resources development projects. This company has also been providing services in geological testing & site investigation, and numerical modeling services.

PROJECTS

Kabeli-A Hydroelectric Project (KAHEP)

37.6 MW Kabeli-A Hydroelectric Project (KAHEP), located in the Panchthar and Taplejung districts of Koshi Province, drowsed off at the end of 2019 with the decision of main lender, World Bank (WB) not to extend the disbursement deadline. The lead partner, InfraCo Asia, was likewise unable to move ahead to revive the project. BPC undertook a challenge to revive the project and make it successful. In this course, the PDA and PPA of the project have been amended and the project has been optimized as an ROR project. Arun Kabeli Power Limited (AKPL) has been engaged as an equity partner. The financial closure of the project has recently been achieved by signing a syndicated credit facilities agreement with a consortium of banks led by Kumari Bank Limited. The construction works have been resumed from Kartik 2079 and the current work progress is satisfactory. The revived project is expected to be completed and commissioned by Chaitra end, 2081.

Marsyangdi Cascade Projects (MCPs)

Marsyangdi Cascade Projects (MCPs) comprise of three peaking run of river (PROR) projects – 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) with combined installed capacity of 601 MW. The adjustment of all three projects into a cascade system, redefining the nature of the project as PROR, updating the feasibility study, and conducting supplementary

Environment Impact Assessments (EIA), investigations, and resource optimization of MCPs have been completed. These projects are being implemented through a separate Special Purpose Vehicle (SPV) for each project jointly with the Chinese investors-SCIG International Limited, Xingcheng International Investment Co. Ltd., and QYEC International Co. Ltd. BPC will have 20% equity interest in all these projects.

- MMHEP is in the advanced stage to start its construction work. Obtaining the generation license and its amendment, concluding PPA, signing PDA, appointing the Owner's Engineer, and appointing the EPC contractor have been achieved. Private land acquisition, GON land lease and tree-cutting approval, and financial closure are in the advanced stages.

- LMMHEP is still in the pre-construction stage. The PPA has recently been signed. The process of SPV formation is ongoing.

- UM2HEP is in the study phase. The Detail Project Report (DPR) has been prepared and submitted to IBN for approval. The Connection Agreement has been signed with NEA and its PPA is in the process.

MCPs will evacuate power through NEA's 220 kV Marsyangdi Corridor Transmission line, which is under construction and expected to be ready by December 2026.

Chino Khola Hydropower Project (CKHP)

7.9 MW Chino Khola Hydropower Project (CKHP) is a RoR project, located near LMMHEP. All the studies of CKHP have been completed. The EIA report of the project has been approved by the MOFE and a generation license has been obtained from the DOED. Connection Agreement has been signed and PPA is in the process. An SPV named Chino Hydropower Limited has been incorporated to implement the project. The process for getting the government land in lease and tree-cutting approval is in progress.

Mugu Karnali Hydropower Project (MKHP)

The Project is in the Mugu district of Karnali Province. The feasibility study of the project has been completed and optimized at 173.47 MW. EIA study of the project is pending due to the issue related to the overlapping of the project boundary with the downstream project. An application for the generation license has been submitted to DOED before the expiry of the survey license. GON has a plan to construct a 400 kV transmission line along the Karnali Corridor for power evacuation from power plants in that region.

New Initiatives

As Nepal has abundant water and surplus hydropower to produce green hydrogen, it could be a potential area to explore. BPC has initiated the knowledge-gaining process to go for the green hydrogen business in the future. BPC is also looking for international collaboration in this new initiative.

CORPORATE GOVERNANCE

BPC is committed to maintaining ethical business practices and implementing good corporate governance. BPC is dedicated to preserving the trust of our stakeholders through its commitment to ethical, honest, and transparent conduct in the ongoing pursuit of our Vision, Mission, And Values. Annually, we produce the Corporate Governance Report (CGR) to provide transparency regarding our Board's activities, performance, internal control systems, and risk management.

The corporate value framework encompasses our vision, mission, core values, business principles, policies, code of corporate governance, code of conduct and ethics, and guidelines. This framework is applicable to all individuals within the Company, from employees to members of the Board of Directors. Fundamental to this framework is the commitment to uphold the highest standards of ethics and conduct in both interpersonal and business relations, ensuring compliance with the legal framework, and prioritizing fairness, integrity, honesty, and consideration of environmental impacts and stakeholder interests. Reports aligned with these principles, as mandated by prevailing laws, are submitted to regulatory bodies within the stipulated timeframes. The CGR is presented separately in the Company's Annual Report.

Board and its Committees

During the year, there have been some changes in the Board of Directors (BoD). The last AGM elected two Directors representing general public shareholders and one Independent Director for four years. However, one Director resigned in June 2023 citing personal reasons. The Board has set up three committees: Audit Committee, Risk Management Committee, and Assets & Liability Committee as per the regulatory requirement, and three other committees: Finance Committee, Operation & Maintenace Committee, and Marsyangdi Cascade Projects Committee as per the business need of the Company. The Directors performed satisfactorily in FY 2079/80. 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 70,563 at the end of FY 2079/80.

Management

The CEO of the Company, Mr. Uttar Kumar Shrestha, has been successfully leading the Company's management for the past ten years. He had worked with NEA in the top managerial position for a long time with extensive management experience. Mr Shrestha leads a team of 184 personnel with 18 personnel in management positions. Management accomplished the major targets in FY 2079/80 in line with with the Company's vision, mission, and values, and under the strategic direction of the Board and its 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), and ISO 45001:2018 (Occupational Health and Safety Management System) [Certification Body- DNV (Det Norske Veritas), India]. BPC is certified with QMS ISO 9001:2008, and EMS 14001:2004 since 2005, later, upgraded to ISO 9001:2015, and ISO 14001:2015 in 2018, and it is also certified with OHSAS 18001:2007 in 2013 and later upgraded to ISO 45001:2018 in 2021. The validation period of these three ISO standards is till May 2026. These standards are combined as an Integrated Management System (IMS). Periodic internal and external audits on IMS are being carried out for continual improvement.

Industrial and Business Relations of the Company

BPC is actively engaged with its stakeholders and is consistently committed to strengthening relationships through participation in seminars, training programs, meetings, and involvement in CSR activities. The Company holds institutional membership in various organizations, including the Federation of Nepalese Chamber of Commerce and Industries, Independent Power Producers' Association Nepal, Nepal Hydropower Association, Confederation of Nepalese Industries, International Center for Hydropower Norway, Energy Development Council, Nepal Tunneling Association, and Management Association of Nepal.

The Company ha s established a partnership with foreign investors such as Statkraft AS-Norway and SCPHI-Canada in the development of Khimti-I and Khudi Hydropower Projects respectively. The Company has further partnered 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 the development of MCPs. The Company continues to maintain co-operation with IFC, WB, and NORAD.

Enterprise Risk Management

The Company has adopted a well-defined Risk Management System. Risk management is an integral part of business initiation, decision-making, and implementation. BPC has been continually assessing and monitoring the risks at different levels of management to ensure that the risks are properly identified and managed. The Risk Management Committee monitors and guides Management and recommends the Board to ensure good risk management in the Company.

Internal Control and Accountability

BPC has implemented an internal control and accountability system. The Audit Committee and the Board monitor the control environment and accountability. Internal and external ISO audits are done periodically for continual improvement and implementation of the management systems. Additionally, an independent auditor conducted quarterly internal audits for the assessment of 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 conducted the internal audit of the Company in the fiscal year.

Statutory Audit

M/S Joshi & Bhandary., Chartered Accountants audited the financial statements of the Company for FY 2079/80 and issued an unqualified audit report.

Shareholders' Suggestions and Communication

The Company has earnestly considered the recommendations made by shareholders and has implemented them based on their merit and alignment with the Company's business interests. Regular updates, including quarterly reports, abridged reports, annual reports, and minutes of the Annual General Meeting (AGM), are consistently posted on the Company's website for the benefit of shareholders. The Company actively encourages and welcomes suggestions from shareholders for continuous improvement.

Share Registrar and Share Transactions

Nabil Investment Banking Ltd, Narayanchaur, Naxal, Kathmandu has been the share registrar of the Company since 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 below:

Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length price, as per the best industry practices and prevailing laws. The notes to the financial statements for FY 2079/80 include information on all major transactions the Company made with its subsidiaries and affiliated businesses.

Business Environment and Investment Climate

The business environment in the power sector in Nepal is in a critical but optimistic phase. The Russia-Ukraine conflict created an energy crisis in our neighboring countries due to the inter-dependence on fossil fuels, and Nepal's hydropower became the superior source of energy in the context of sustainable source of energy and fulfilling the clean energy shift as one of the objectives of COP21 Paris Agreement. Conversely, the ongoing war has adversely affected the world economy, particularly in developing nations like ours. The life of people in the Third World is becoming difficult due to the hiked price of petroleum products, currency devaluation, raised bank interest rates and costly commodities. As a result, the cost of ongoing hydropower developments is rising, affecting the overall financial viability of the projects.

IPPs aim to supply power in the domestic market as well as export electricity to neighboring countries through a power trading company, which is already in place, but is waiting for license from GoN. The first 400 kV cross-border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur is solely used for major power exchange. Process has been initiated for the construction of three other 400 kV cross border transmission lines, out of which the construction of Butwal-Gorakhpur line has already been started. Nepal is trading electricity in Indian energy market through IEX. The GON is also striving for power trading with Bangladesh and is presently negotiating with the Governments of India and Bangladesh.

The state-owned NEA is now expediting the signing of PPAs with private companies for PROR and ROR projects. The GoN has increased quotas of 1500 MW under the 'take or pay' scheme, for which most of the projects have signed the PPAs in Nepalese currency. All these projects with PPA need to secure financing from local banks and financial institutions, which is likely to create a financial crunch in the market. In the case of FDI projects, the hedging policy is in place, which is not yet investment friendly. With the current hedging policy, the government is in a view that foreign investment will be attracted in hydropower development. However, the policy lacks clarity on hedging cost, its sharing mechanism, and implementation timeframe to provide adequate confidence to the FDI projects like MCPs. Unless a favorable hedging policy is in place, financial closure with International Financial Institutions (IFIs) is very challenging. On the other hand, there appears to be a

THE SUMMARY OF ANNUAL SHARE TRANSACTION HIGHLIGHTS OF THE COMPANY

Year	Max. Price	Min. Price	Closing Price	Transaction Days	Transaction (Nos)	Volume of Transaction	Turnover Amount (In million)
2079/80	377	288	330.5	236	27,021	2,981,090	9,804
2078/79	703	294	322	239	92,078	10,535,360	5,735

lack of proper study on the supply and demand situation and market of hydroelectricity. The risk of financial closure and lack of energy market will put hydropower developers at risk of loss of the huge pre-investment costs.

The failure to build power infrastructure like transmission lines and substations, the lack of balanced development of hydropower projects characterized by the domination of ROR projects, the mismatch of GON's policy for hydropower licensing and PPA, and the costly internal financial market have severely hit the hydropower developers in the construction and operation of hydropower projects. The distribution, transmission, and power trading businesses have been virtually monopolized by GON through its undertaking, NEA. The involvement of IPPs is limited to the development and operation only. The much-awaited policy shift in the power sector has been halted for more than two decades. It has been twenty-two years after the issuance of the Hydropower Development Policy, eight years after the promulgation of the new Constitution of Nepal, and three years after the issuance of the National Water Resources Policy. The Electricity Bill has recently been submitted to the House of Representatives, which is the third attempt of GON. The Bill is still incomplete and yet to be approved by parliament.

Domestic investors are attracted to hydropower development despite different adversities such as policy and political instability. However, the current investment climate is not much friendly for both the domestic and foreign investors to invest in the hydropower sector mainly because of the following reasons:

- GON has been providing licenses for the development of hydropower projects, without considering the proper planning of river-basin and the availability of transmission facilities for power evacuation of projects.
- NEA has been signing PPA after connection agreement. based on quota system on a first-come and first-served basis. However, there is a problem with power evacuation due to delay in the construction of power transmission systems by NEA, resulting in huge revenue loss for the developers.
- There is a huge gap in political commitments and bureaucratic actions, failing to materialize its political statements into binding policy and legal instruments.
- Land acquisition and forest clearances have been a headache for developers including NEA. It has now become a herculean task for all.
- There has not been an honest effort evident to mitigate the forex risk to bring foreign currency loans to develop hydropower projects.
- GON service delivery is cumbersome, lengthy, and less result oriented.
- The bilateral arrangement between Nepal and India does not provide open access to Nepal for power trading in the regional energy market, in addition to Indian energy market.

Looking at the scenario in FY 2079/80, 499.5 MW was added to the Integrated Nepal Power System (INPS) reaching a total installed capacity of 2,685 MW. IPP contributes 58% to hydropower and 60% in solar power. The share of hydropower in electricity supply accounts for 94.5%. GON targets to provide electricity access to the entire population by 2024 and the achievement is 95% till this FY. The challenge is to increase the electricity consumption within the country for the stability of the power industry as well as the industrial and economic growth of the country. The power purchase by NEA from IPPs has increased by 19.41% compared to FY 2078/79. Similarly, NEA increased the import of electricity from India by 18.79%. The total available energy in the system reached 12,369 GWh in FY 2079/80 with shares of 43.80% energy generated by NEA and its subsidiaries, 14.82% energy imported from India, and 41.38% energy supplied by IPPs. Domestic energy consumption in the FY has increased by 5.5%. NEA exported up to 452 MW in the Day Ahead Market of India but also spilled over some power due to the restrictive import criteria of India. The total energy export to India reached 1,346 GWh in 2079/80 which was 493 GWh in the previous year. While netting the imported and exported electricity, the share of imports is high. But it has dropped to 3.94% compared to 9.49% in the last FY.

Many hydropower projects are currently under construction, and NEA has been facing the risk of spilling energy, particularly during the rainy season. The same risks have been transferred to IPPs by not completing the ongoing transmission line projects timely and partially dispatching energy from operational plants. In this scenario, domestic consumption must be increased by using electricity in cooking, transportation, irrigation, agriculture, etc.

During the Honourable Prime Minister's visit to India from 31 May to 3 June 2023, six projects were launched and seven MoUs signed between the two countries, largely those that enhance cooperation in the energy and connectivity infrastructure sectors. The Agreement for Long-Term Power Trade is being finalized, under which India will import 10,000 MW power from Nepal over next ten years. India has also been constructing the 900 MW Arun-3 Hydroelectric Project in Nepal under the Joint Vision Statement on Power Sector Cooperation signed in April 2022. Both the countries also signed an MoU for the development of the 480 MW Phukat-Karnali Project, as well as a Project Development Agreement for the 669 MW Lower Arun Project. A decision was made to facilitate the first trilateral power transaction from Nepal to Bangladesh via India, a step that will boost cooperation under Bangladesh-Bhutan-India-Nepal (BBIN) framework.

Joint Statement between the People's Republic of China and Nepal issued after China Visit of Prime Minister of Nepal, from September 23 to 30, 2023 states that the two sides will further promote cooperation in the field of energy, particularly the development of hydropower and cross-border power transmission lines and associated substations. Both the countries will continue working toward the finalization of China-Nepal Electric Power Cooperation Plan by convening the second meeting of the Joint Implementation Mechanism at the earliest. Besides, it was also decided to launch the construction of the Jilong/Keyrung-Rasuwagadhi-Chilime 220 kV Cross-Border Power Transmission line at an early date. The countries have agreed to continue making good use of the platform of the China-Nepal Joint Implementation Mechanism, which will carry out exchanges and cooperation in the field of hydropower, wind power, solar power, biomass power and hydrogen. The China government agreed to positively consider supplying grid power to electrify northern remote villages of Nepal from Xizang Autonomous Region of China and take overall consideration of providing equipment or technology on commercial terms.

Creating a favorable business and investment-friendly environment, like speedy regulatory approval processes, policy consistency, and facilitation for financing & land acquisition, are important measures to attract local and foreign investors in this sector.

The Year Ahead

The upcoming year poses challenges in commencing construction works for MMHEP after the financial closure, securing financial closure for LMMHEP, and attaining important milestones in the construction progress of Kabeli-A HEP. The following activities are scheduled to be completed in the FY 2080/81:

- **MMHEP:** Financial closure, contract mobilization, and construction start.
- **LMMHEP:** PPA signed with NEA, PDA signed with GoN, SPV formation in JV with Chinese partners and transfer of project license.
- **UM2HEP:** Connection Agreement and PPA with NEA, approval of DPR, and start of PDA negotiations with IBN.
- **CKHP:** PPA signed with NEA, financial closure, and start of pre-construction activities.
- **Kabeli-A HEP:** Financial closure and achievement of construction milesztones.
- Exploring opportunities in new business areas like Green Hydrogen.

Acknowledgement

We express our gratitude to the Government of Nepal and its line agencies, including Electricity Regulatory Commission, Nepal Rastra Bank, Investment Board Nepal, Securities Board of Nepal, Nepal Electricity Authority. Our appreciation extends to our foreign partners, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, electricity consumers, and all other stakeholders who have contributed, supported, and provided valuable feedback directly or indirectly towards the betterment of the Company in the FY 2079/80.

We thank the members of the Board Committees, Management Team, and Employees for their dedication and continued contribution to the progress of the Company. We also extend our gratitude to the shareholders for their trust rendered to us.

Thanking you.

On behalf of the Board of Directors

Padma Jyoti
Chairman

CEO's Perspective

In the recently concluded COP28 Climate Summit, 118 governments pledged to triple the world's renewable energy capacity by 2030. The replacement of fossil fuels through wider uses of electricity in all sectors of economy only can boost Nepal's economy, protect natural environment, and help government commitment fulfilling the clean energy shift as one of the objectives of COP21 Paris Agreement.

Hydroelectricity is a sustainable source of energy, and its extensive uses may reduce trade deficit caused by import of petroleum products, minimize the adverse effects of climate change, and make the country self-reliant. On one hand, hydroelectricity is a very important source of energy worldwide, while on the other, Nepal is facing the wastage of surplus energy due to market constraints. With the generation capacity soon reaching 5000 MW, it is imperative for Nepal to strategically plan for increased internal consumption and trading of surplus power in cross-border markets. The private investors are also at financial risk while NEA is unable to sell surplus energy through its system. The development of hydropower to its full potential is only viable if the market is ensured and an appropriate mix of RoR, PRoR, and storage type projects are chosen to balance the demand and supply system. The contributions of private investments and local financing institutions will be significant, given their already gained experience and capabilities in the sector.

The government has been issuing licenses to the promoters to carry out surveys, investigations, and EIA, without basin-wise planning, proper demand forecast, availability & future planning of transmission line networks, and integrated development approach, which involve substantial costs including license fees. On the other hand, there are challenges to get Connection Agreement and PPA due to absence of transmission line networks. The private sector is undertaking risks on financial closure. Hedging regulation has been framed and amended, but there is still a lack of clarity in hedging cost, its sharing mechanism and implementation timeframe to provide adequate confidence to the Foreign Direct Investment (FDI) projects like MCPs, making the business environment for FDI projects less friendly in terms of policy stability, approval processes and delays, social and environmental issues, forest clearance, land procurement & compensation, and a lack of favorable hedging policy. The private sector expects an investment-friendly climate like acceptable PDAs & bankable PPAs for FDIs, workable hedging facility, tax exemptions, facilitation for land acquisition, and prompt approval processes, among others.

"Hydroelectricity is a sustainable source of energy, and its extensive uses may reduce trade deficit caused by import of petroleum products, minimize the adverse effects of climate change, and make the country self-reliant."

The Company performed well in its operations business in FY 2079/80 and remained moderate in the investment & project development. The uncertainty of the investment in 37.6 MW Kabeli-A for the last four years has ended and the project has been revived after the amendment of PPA & generation license, and financial closure with a consortium of local banks. The construction work at site has resumed aiming to achieve COD by the end of 2081. The 60 MW Khimti has experienced delays in finalization of operational modality, signing of new PPA, and establishing the JV company, severely impacting the dividend income of BPC. The 30 MW Nyadi Hydropower plant operated under contingency power evacuation plan due to delay in the construction of 220 kV transmission line and sub-station by NEA, earned only 63% of planned revenue, incurring huge loss.

The Company is committed to and is continuing to provide reliable, affordable, and quality power supply to its more than 62,000 local consumers in rural areas of western Nepal. It has been a loss-making business for many years due to lower tariffs and remote rural coverage of the distribution system under Andhikhola Distribution Centre. BPC requested ERC for necessary tariff revision, but it has not yet been addressed. If the BPC's distribution business could not be sustainable, GoN consideration of its continuity is a must, and it is our strong urge to the government either to increase distribution tariff on a sustainability principle or to acquire the distribution assets.

We are continuing to expand the Company's assets base by investing in MCPs and other projects, while cautiously maintaining sustainable returns to the shareholders. Under the fund-raising pressure for investments in upcoming projects, this year the Company is also declaring a reasonable dividend to the shareholders.

We are making every effort to contribute to the generation of renewal energy sources in Nepal by blending new technology, human & capital resources, and experiences to meet the expectations of our customers and shareholders to the possible extent.

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

Thank you.

Uttar Kumar Shrestha
Chief Executive Officer

Jhimruk Plant: Headworks Area

Corporate Governance Report

The Company has adopted the Corporate Value Framework, which encompasses core values, business principles, code of corporate governance, and code of conduct & ethics. Upholding the trust of stakeholders is crucial for the Company as it strives to align with its vision, mission, and values of conducting ethical, honest, and transparent business operations. The Company is dedicated to upholding the highest level of transparency, accountability, and equity in its operations and interactions with shareholders, stakeholders, government, and regulatory bodies. As a responsible corporate entity in the country, the Company is committed to promoting enterprise values and safeguarding the trust of its shareholders through honesty and transparency in all aspects of its business practices.

Share Ownership Structure

The major shareholders of the Company and their shareholding is as follows:

Shareholder	% Holding
Government of Nepal (GoN)	7.42%
United Mission to Nepal (UMN)	1.37%
Nepal Electricity Authority (NEA)	0.86%
Shangri-La Energy Limited (SEL)	56.30%
IKN Nepal AS	1.58%
General Public (including employees)	32.47%
Total	**100%**

The number of shareholders of the Company was 70,563 at the end of FY 2079/80.

Board of Directors and Board Committees

Board of Directors

The Company's governing body is the Board of Directors. In accordance with the requirements of the Companies Act, 2006 and the Listed Companies Corporate Governance Guidelines, 2018, the Board has formed various Committees. The Board of Directors has appointed a Management Team led by the Chief Executive Officer (CEO). The Board, Committees, and Management Team each have distinct and well-defined roles. The Committees guide the Management Team and recommend to the Board for decisions within the scope of their work. The Management Team manages and executes the Company's operations under the direction of the Board and its Committees.

Responsibilities of the Board

Adhering to the prevailing corporate governance standards, the role of the Board is distinct from that of the management. The Board reviews and discusses the company's performance, plans, major business strategies, risk management, and other strategic issues. It also assumes accountability for overseeing the overall direction and management of company affairs. All the Directors are obligated to act in good faith, prioritizing the best interests of the Company and recognizing their individual and collective responsibilities towards the shareholders.

The Chairperson, in particular, is tasked with providing strategic direction and effective conduct of Board meetings by ensuring that Board members have sufficient information to make informed decisions on any agenda presented to the Board.

Board Composition

During the year, there have been some changes in the Board of Directors (BoD). The last AGM elected two Directors representing general public shareholders and an Independent Director for four years. However, Director Dinesh Humagain resigned in June 2023 citing personal reasons. The Company now has seven Directors, and the position of one Director, and one Independent Director is currently vacant. The Company's Directors are as follows:

Board Meetings

The Board has the practice of fixing its annual meeting calendar before the start of each FY. Altogether, 14 meetings were held in FY 2079/80. To ensure adequate and active discussion on the agenda before coming to resolutions, the Board meeting notice, agenda, and agenda materials are communicated to the Directors well in advance of the meetings. The longest gap between meetings was 63 days and the shortest was 8 days. The attendance for the Board meetings were as follows:

There was no case of postponement of the Board meeting due to lack of quorum. The minutes of all Board meetings have been maintained separately. The Company has a Code of Conduct and Ethics, which applies to Directors as well. All Directors have been providing their personal details to the Company within the deadline specified by the Companies Act, 2006.

Fee and Allowances of Directors

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

1. The meeting fee for attending the meeting of the Board and the 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 Directors;
3. The information communication and technology allowance for all Directors is NPR 5,000 per month;
4. Allowance for special task assigned to the Board members if any, as decided by the Board on reasonable ground;
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 the Board.

Name	Position	Representation	Remark
Mr. Padma Jyoti	Chairperson	SEL	
Mr. Pradeep Kumar Shrestha	Director	SEL	
Mr. Bijaya Krishna Shrestha	Director	SEL	
Mr. Om Prakash Shrestha	Director	SEL	
Mr. Raju Maharjan	Director	GON	
Dr. Sandip Shah	Director	General Public	Till 2079/09/30 (January 14, 2023)
Ms. Bina Rana	Director	General Public	Elected on 2079/09/30 (January 14, 2023)
Mr. Dinesh Humagain	Director	General Public	Till 2080/03/15 (June 30, 2023)
Mr. Tirtha Man Shakya	Independent Director	-	Re-elected on 2079/09/30 (January 14, 2023).
Mr. Bijay Bahadur Shrestha	Alt. Director	SEL	
Mr. Sanjib Rajbhandari	Alt. Director	SEL	

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

Name	Designation	Meetings Attended
Mr. Padma Jyoti	Chairperson	14/14
Mr. Pradeep Kumar Shrestha	Director	12/14
Mr. Bijaya Krishna Shrestha	Director	14/14
Mr. Om Prakash Shrestha	Director	14/14
Mr. Raju Maharjan	Director	14/14
Dr. Sandip Shah	Director	5/14
Mr. Dinesh Humagain	Director	12/14
Ms. Bina Rana	Director	8/14
Mr. Tirtha Man Shakya	Independent Director	14/14
Mr. Bijay Bahadur Shrestha	Alt. Director	2/14
Mr. Hari Bahadur Budhathoki	Company Secretary	14/14

The Company paid NPR 3,367,250 to Directors as meeting fees and allowances in FY 2079/80. Further, the Directors were covered under GPA insurance policy procured by the Company.

Board Committees

The Company has three mandatory Committees: Audit Committee, Risk Management Committee, and Assets & Liabilities Committee as per the regulatory requirement, and three other Committees: Finance Committee, Operation & Maintenance Committee, and Marsyangdi Cascade Projects Committee as per the business need of the Company.

Audit Committee

The Audit Committee is comprised of three Board members. The meeting of Audit Committee is normally held quarterly. CEO and VPs attend the meeting of Audit Committee as management invitees and Company Secretary acts as Secretary of the Audit Committee.

Composition

Name	Position
Mr. Pradeep Kumar Shrestha, Director	Chairman
Ms. Bina Rana, Director*	Member
Mr. Bijaya Bahadur Shrestha, Alternate Director	Member

** Appointed as a member of the Audit Committee on 2080/03/15 (June 30, 2023), in place of Mr. Dinesh Humagain.*

The Audit Committee had 4 meetings in FY 2079/80.

The Audit Committee appointed an internal auditor for FY 2079/80 and recommended to 30th AGM of the Company to appoint the Statutory Auditor for FY 2079/80. The Audit Committee perused audit reports, financial statements of the Company and provided necessary guidance to Management and recommendation to the Board.

Risk Management Committee

The Risk Management Committee (RMC) is comprised of three Board members. The meeting of RMC is normally held quarterly. CEO, Chief Risk Officer (CRO), VPs, and Compliance Officer attend the RMC meeting as management invitees and Company Secretary acts as Secretary of the RMC. The VP-Finance works as the CRO of the Company.

Composition*

Name	Position
Mr. Bijaya Bahadur Shrestha, Alternate Director	Chairman
Mr. Tirtha Man Shakya, Independent Director	Member
Ms. Bina Rana, Director	Member

** Board restructured RMC on 2079/11/30 (March 14, 2023). Previously, Dr. Sandip Shah was Chairman and Mr. Bijay Bahadur Shrestha and Mr. Tirtha Man Shakya were Members of RMC.*

The RMC had 3 meetings in FY 2079/80.

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

Assets and Liabilities

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

Composition

Name	Position
Mr. Bijaya Krishna Shrestha, Director	Chairman
Mr. Om Prakash Shrestha, Director	Member
Mr. Raju Maharjan, Director	Member

The ALC had 4 meetings in FY 2079/80.

The Committee reviewed the annual budget performance for FY 2079/80, scrutinized the Annual Budget for FY 2080/81, and the Physical Assets Verification Report prepared by the management.

Finance Committee

The Finance Committee (FC) is comprised of two Board members. The meeting of FC is held as per the need basis. CEO and VPs 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 was a member of the Finance Committee till 2080/03/15 (June 30, 2023).*

BPC Board Meeting

The FC had 6 meetings in FY 2079/80.

FC contributed to the areas of renewal of insurance policies, re-arrangement of credit facilities, funding plan, fund management, and interest rate risk management in FY 2079/80.

Marsyangdi Cascade Committee

The Marsyangdi Cascade Committee (MCC) is a business Committee comprised of two Board members to advise and recommend the Board to develop strategies and take necessary decisions with regards to MCPs and provide necessary guidance to the management. CEO attends MCC meetings as management invitee.

Composition*

Name	Position
Mr. Pradeep Kumar Shrestha, Director	Chairman
Mr. Padma Jyoti, Chairman	Member

**Dr. Sandip Shah was a member of the Marsyangdi Cascade Committee till 2079/9/30 (January 14, 2023).*

The MCC had 3 meetings in FY 2079/80.

Operations and Maintenance Committee

The Operations and Maintenance Committee (OMC) is comprised of two Board members. The meeting of OMC is held as per the need basis. CEO, and VP-Operations attend the OMC meeting as management invitees and Company Secretary acts as the Secretary of the OMC. The Committee guides management to establish the power plants operation and maintenance services business as an independent business segment through BPC Services Limited, and review the operation, maintenance, and Asset Management Plan of JHP and AHP.

Composition*

Name	Position
Mr. Tirtha Man Shakya, Independent Director*	Chairman
Mr. Raju Maharjan, Director	Member

** Board restructured OMC on 2079/11/30 (March 14, 2023). Previously, Dr. Sandip Shah was Chairman and Mr. Tirtha Man Shakya was Member of OMC.*

The OMC had 2 meetings in FY 2079/80.

Regulatory Compliance and Reporting

The Company submitted the Compliance Report for FY 2079/80 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.

The statutory reports have been submitted to the Electricity Regulatory Commission, Securities Board of Nepal, Nepal Stock Exchange Limited, CDS and Clearing Limited, Office of the Company Registrar, Medium Taxpayers' 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 a timely manner.

Relations and Communication with Shareholders and Stakeholders

BPC has prioritized timely communication with shareholders and stakeholders to ensure that key messages are consistently delivered. The Company believes that effective communication with shareholders is critical for them to have a clear assessment of the Company's performance. Feedback received during the 30th AGM, which was held on January 14, 2023, has been duly considered as potentially beneficial to the Company. The AGM was attended by 408 shareholders.

The notice of the 30th AGM and Abridged Financial Report of the Company, the minutes of AGM, quarterly financial reports of the Company were published in newspapers and on the Company's website for the convenience of shareholders and other stakeholders. Any other information about the Company required to be disclosed under prevailing laws has been timely disseminated. BPC maintains a website where important information about the Company's activities and corporate matters is uploaded according to the requirement of the Right to Information Act, 2064 and Right to Information Rules, 2065.

Management

The management performs and delivers the Company's business under the guidance of the Board and its Committees. Management is led by the CEO. A comprehensive report on key initiatives undertaken during the year, segment performance, five-year financial review, achievement, and the future outlook is prepared and published in the Company's Annual Report. The total amount paid to the Company's Top Management (CEO, VPs, and Senior Manager- BD&P) of the Company in FY 2079/80 is NPR 19,802,999.

Human Resource

The Company's foundation is its human resources. The total number of employees of the Company was 184 in the FY 2079/80. A cordial relationship has been maintained with the Employees Union. The Company conducted Labor Audit for the FY 2079/80 and submitted the report to the Labor Office. The Company carried out the Annual Performance Appraisal of the employees and their performance has been rated Very Good in FY 2079/80. The personnel expenses for FY 2079/80 was 35% of the total expenses of the Company.

Share Registrar

NABIL Investment Banking Limited has been appointed and is working as Share Registrar of the company effective from Shrawan 1, 2077.

Dividend Distribution

The 30th AGM had approved for distribution of 7.5% cash dividend and 5% stock dividend from the net profit of FY 2078/79. 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, 2006.

Transparency and Disclosures

The Company adheres to the principle of operational transparency and makes disclosures as required. The disclosures are communicated to SEBON and the capital market through quarterly and annual reporting for the benefits of shareholders and stakeholders of the Company. The notes to the financial statements also contain disclosures on related-party transactions, contingent liabilities, and other pertinent information.

Risk Management

The Enterprise Risk Management System has been implemented throughout the Company by identifying, assessing, planning, evaluating, controlling, and monitoring risk. The Company analyzes risk on a regular basis using the major, high, moderate, minor, and insignificant risk measurement matrix and implements the appropriate risk mitigation strategy. Risks are managed in accordance with Company policy and as required. The RMC set up by the Board has been monitoring the risks associated with the activities carried out by the different business units of the Company. Management reports quarterly to RMC, and RMC reports annually to the Board on the overall implementation of the risk plan and processes. The Company has procured insurance policies from a reliable insurance company to safeguard the personnel and assets of the Company.

Internal Control and Accountability

BPC has a practice of hiring an independent audit firm for internal audits as well. For its day-to-day functions and business operations, the Company has framed Financial, Procurement and Personnel Manuals. The roles, responsibilities, and authority matrix are well defined in the manuals. Meetings of the Board, Committees and management are held on a regular basis. Internal and external communication channels are clearly defined and implemented in the company. A well-defined risk management system is in place.

To guarantee operational effectiveness and efficiency, the accuracy of financial reporting, and compliance with relevant laws and regulations, the Company hired independent auditors and consultants. The Audit Committee reviews the internal audit reports, and it makes decisions based on those recommendations that are then put into practice to improve the Company's financial governance.

The statutory auditor reviews the financial statements in accordance with the Nepal Financial Reporting Standard (NFRS) along with the prevailing Acts, Rules and Regulations; and issues the audit report. The company has been preparing financial statements that are IFRS/NFRS compliant since FY 2073/74. Additionally, the Company has presented consolidated financial statements that comply with IFRS/NFRS. The internal and statutory audit reports state that there was no material breakdown in internal controls and the controls are adequate for the financial records to be relied upon. The Company has maintained proper books of accounts in accordance with the legal requirements and internationally adopted accounting principles and therefore, they accurately reflect the Company's financial situation as of Ashad 32, 2079 in all material respects.

A system of internal controls is set up with a focus on safeguarding assets and providing timely reports on the company's risk management. It covers all controls including financial, operational and compliance controls. The Company believes that internal controls assist management perform its operating and fiduciary responsibilities efficiently, which is crucial for the sustainable growth of the Company.

Corporate Social Responsibility

The Company carried out its Corporate Social Responsibilities (CSR) in accordance with the CSR Policy. Under CSR, the Company prioritizes the location and people where it carries out its business. The total contribution made by the Company for CSR in FY 2079/80 amounts to NPR 23.40 million, which is significantly more than the requirement prescribed by the Industrial Enterprises Act, 2020.

Accounts and Auditing

The Company has adopted the NFRS and 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 2079/80 was conducted by an independent audit firm, M/S P.L. Shrestha & Co., Chartered Accountants and M/S Joshi & Bhandary, Chartered Accountants conducted statutory audit and certifications of the Company.

Shareholding of Board of Directors in BPC:

S. No.	Name	Designation	No. of shares held
1	Mr. Padma Jyoti	Chairman	138,517
2	Mr. Pradeep Kumar Shrestha	Director	18,768
3	Mr. Bijaya Krishna Shrestha	Director	333
4	Mr. Om Prakash Shrestha	Director	-
5	Mr. Raju Maharjan	Director	-
6	Ms. Bina Rana	Director	105
7	Mr. Tirtha Man Shakya	Independent Director	-
8	Mr. Bijay Bahadur Shrestha	Alt. Director	12,273
9	Mr. Sanjib Rajbhandari	Alt. Director	-

BPC's representation in its Subsidiaries and Associate Companies

The current status of representation from BPC in the Board of Directors of its subsidiary and associate companies is as follows:

Company	Shareholding (In %)	Name	Position in Board
BPC Services Ltd.	100%	Mr. Uttar Kumar Shrestha Mr. Prakash Kumar Shrestha Mr. Radheshyam Shrestha Mr. Pratik Man Singh Pradhan	Chairman Director Director Alt. Director
Himal Power Ltd.	16.88%	Mr. Sanjib Rajbhandari Mr. Bijaya Krishna Shrestha	Director Alt. Director
Hydro Consult Engineering Ltd.	100%	Mr. Uttar Kumar Shrestha Mr. Tirtha Man Shakya Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha	Chairman Director Director Director
Hydro Lab (P) Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Director
Gurans Energy Ltd.	100%	Mr. Bijay Krishna Shrestha Mr. Om Prakash Shrestha Mr. Uttar Kumar Shrestha	Chairman Director Director
Kabeli Energy Ltd.	27.24%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Chairman Director Alt. Director
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Om Prakash Shrestha Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha Mr. Prakash Kumar Shrestha	Chairman Director Director Alt. Director Alt. Director
Nepal Hydro & Electric Ltd.	51.30%	Mr. Bijay Bahadur Shrestha Mr. Dinesh Humagain Mr. Uttar Kumar Shrestha	Director Director Alt. Director
Nyadi Hydropower Ltd.	71.68%	Mr. Om Prakash Shrestha Mr. Pradeep Kumar Shrestha Mr. Bijay Bahadur Shrestha Ms. Bina Rana Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Director Director Director Alt. Director Alt. Director
S.C.I.G. International Nepal Hydro Joint Development Company (P) Ltd.	20%	Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Director Director
Manang Marshyangdi Hydro Power Co. (P) Ltd.	22.40%	Mr. Pradeep Kumar Shrestha Mr. Uttar Kumar Shrestha	Director Director
Himtal Hydropower Co. (P) Ltd.	19.40%	Mr. Uttar Kumar Shrestha	Director
Marshyangdi Transmission Co. (P) Ltd.	19.40%	Mr. Uttar Kumar Shrestha	Director

Top Management and Senior Executives

The CEO leads the overall management of the Company, while the Vice Presidents/Function Heads lead the functional management. The names and designations of the senior executives are as follows:

S. N.	Name & Designation	Educational Qualification	Year of Experience	Remark
1	Mr. Uttar Kumar Shrestha, CEO	Chartered Accountant, M.B.A.	37 years	
2	Mr. Pratik Man Singh Pradhan, VP-BD&P	M.S. (Hydropower Planning & Development and Civil & Environment Management)	29 years	Deputed to SCIG as DGM
3	Mr. Radheshyam Shrestha, VP-Finance	Chartered Accountant, M.B.A.	43 years	
4	Mr. Tika Ram Bhatta, VP-Corporate	M.A. (Political Science), Master of Management Studies (MMS)	42 years	
5	Mr. Prakash Kumar Shrestha, VP- Operations	B. Tec. (Electrical), M.E. (Electrical; Diploma), M.B.A.	29 years	
6	Mr. Ganesh Prasad Khanal, Sr. Manager- BD&P	B.E. (Civil), M.B.A.	29 years	

Brief Resume of the Board Members and Disclosures

Mr. Padma Jyoti, 77

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 20 years of experience in hydropower along with 51 years of experience in industries and business operations
- Chairman, Jyoti Group
- Director, Shangri-La Energy Ltd.
- Alternate Director, Sagarmatha Lumbini Insurance Co. Ltd.
- Immediate Past President, National Business Initiative

Mr. Pradeep Kumar Shrestha, 63

DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal
- More than 20 years of experience in hydropower along with 38 years of experience in industries and business operations
- Managing Director, Panchakanya 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 Ltd.
- Director, Scenic Housing

Mr. Bijaya Krishna Shrestha, 75

DIRECTOR

- B.E (Electrical) and MBA graduate from Southern Illinois University, USA
- More than 15 years of experience in hydropower along with 42 years of experience in the banking, insurance, computer and electronics sector
- Chairman, Beltron Investment (P) Ltd.
- Director, Premier Insurance Ltd.
- Director, Shangri-La Energy Ltd.

Mr. Om Prakash Shrestha, 64

DIRECTOR

- B.E (Civil) from Punjab University, Chandigarh, India
- More than 12 years of experience in hydropower along with 35 years of experience in the field of construction management and trading
- Director, Arniko Nirman Co.
- Director, Interworld Trading

Mr. Raju Maharjan, 51

DIRECTOR

- B.E (Electrical and Electronics Engineering) from Bangalore University, India
- M. Tech., Water Resources Development, IIT Roorkee, India
- More than 26 years of experience in engineering field with 24 years in energy and water resources sector in public service
- Senior Divisional Engineer, Ministry of Energy, Water Resources and Irrigation, GoN

Ms. Bina Rana, 64
DIRECTOR

- Bachelor of Arts (BA) from Isabella Thoburn College, Lucknow University, India
- More than 33 years of professional experience in Banking and Consulting
- Over 28 years of experience (1987-2017) with Standard Chartered Bank Nepal Ltd., including 15 years as a member of the Management Committee and Head of the Human Resources and Corporate Affairs Functions.
- Managing Director, Humsikha Consultancy (P) Ltd since 2018
- Certified Coach, Neuro Leadership Institute (NLI)
- Advisory Board, Human Resources Society of Nepal
- Vice President, Zonta Club of Kathmandu
- Conferred with the 100 Top Global HR Minds award at the World HRD Conference in February 2018
- Recognized as 'HR Manager of the Year 2012' in the country

Mr. Tirtha Man Shakya, 70
INDEPENDENT DIRECTOR

- B. E. (Electrical) Honors from Jadavpur University, Calcutta, India, 1975
- EMBA (Merit) from Kathmandu University, Dhulikhel, Nepal, 2003
- More than 35 years of experiences in various positions in NEA including the position of General Manager, Transmission and System Operation
- More than 12 years of consulting services for NEA, Asian Development Bank (ADB), UNDP, Total Management Services (TMS), Jade Consultant (P) Ltd. and others in the field of Organization and Management Study and Power System Development Projects
- Independent Director, Butwal Power Company Limited since 2019
- Director, Hydro-Consult Engineering Ltd. since 2023
- Member, Nepal Engineering Council
- Member, Nepal Engineers Association
- Life Member, Vice President, Society of Electrical Engineers Nepal (SEEN)
- Life Member, JICA Alumni Association Nepal (JAAN)
- Life Member, Executive Committee Member, The Shakya Foundation Nepal

Mr. Bijay Bahadur Shrestha, 68
ALTERNATE DIRECTOR

- MBA in Finance and Marketing from the University of Delhi, India
- More than 20 years of experience in hydropower along with 37 years of experience in the export sector and more than 22 years of experience in the capital market, banking, financial and insurance sectors
- Director, Himalayan Bank Ltd.
- Director, Shangri-La Energy Ltd.
- Director, Snowlion Carpets (P) Ltd.
- Director, Nepal Lube Oil Ltd.
- Chairman, Nepal Hydro & Electric Ltd.
- Director, Nyadi Hydropower Ltd.
- President Elect, Rotary Club of Himalayan Golfers

Mr. Sanjib Rajbhandari, 64
ALTERNATE DIRECTOR

- Graduate from Mumbai University, India
- 34 years of experience in IT sector
- Chairman, Mercantile Office Systems (P) Ltd.
- Chairman, Mercantile Communications (P) Ltd.
- Director, Pumori Agro Forestry Industries (P) Ltd.
- Director, Hits Nepal (P) Ltd.
- Director, Incessant Rain Studio (P) Ltd.
- Chairman, Info Developers Pvt. Ltd.
- Chairman, M Nepal (P) Ltd.
- Director, Serving Minds (P) Ltd.
- Director, Himal Power Ltd.
- Chairman, SR Investment (P) Ltd.
- Chairman, SS Investment (P) Ltd.

Project Area of Chino Khola Hydropower Project

Management Discussion and Analysis

Business Environment

Nepal is an emerging economy with a growing population, numerous opportunities for businesses and its geographic location. As Nepal continues to develop its infrastructure and resources, the business environment is expected to become increasingly competitive in the coming years. By understanding these factors, entrepreneurs can identify areas where they can invest their time and resources to create successful businesses.

After the restoration of democracy in 1990, Nepal Government adopted a liberal and open market economy policy. This policy has given economic freedom to private entrepreneurs by minimizing administrative hurdles in licensing, registration, incorporation, etc. The involvement of the private sector in economic activities has increased as a result of free market economy and they have started to play major roles in the economic development of the nation. After the government terminated the monopoly power of public enterprises in hydropower, telecommunication, water supply, airlines, etc., private sectors have significantly increased the stake of hydropower generation. Private companies including foreign investors started to invest in the infrastructure area of the nation. The economic liberalization policy of the government and the WTO agreement has created opportunities for multinational companies to perform business activities in Nepal. There has been a rapid growth of service sectors in Nepal in recent years. Businesses are diverting from the manufacturing sector to the service sector. The open market policy has developed a competitive environment among the manufacturers, suppliers and service providers, and customers have benefitted from that. The more products on the market available, the easier it is for customers to switch from one product to another.

Nepal has huge potential for hydropower development and generation of clean energy. On the other hand, Nepal is suitable for solar power projects because of the south facing lands with long hours of sun light. However, the installed hydro capacity to date is only about 2680 MW which is around 6% of techno-commercially feasible hydro potential in Nepal. In addition, about 62 MW of Solar power developed by NEA and IPP and 53.41 MW of thermal power plant owned by NEA are under operation. NEA owns the national grid and is the only off-taker in the electricity market in Nepal. It has been difficult to sell wet season energy in the cross-border market and some of the generating plants are operating under contingency power evacuation. The coming years will be further challenging if the construction of cross-border transmission lines is delayed.

Nepal's national grid now provides access to electricity to 95% of population and GoN has set a target to provide electricity access to the entire population within 2024. NEA purchased 19.41% more energy from IPPs as compared to the previous fiscal year. The energy import from India increased by 18.8% and export to India increased by 173% as compared to last fiscal year. Nepal's domestic consumption increased by 5.5%. Use of EVs, promotion of industries, enhance electrified irrigation system and other uses may increase the domestic consumption of electricity. Nepal government undertakes hydropower and its export as its major development goal in its path to socialism. The path, however, remains unclear until the new electricity bill is enacted. In case of generation capacity, IPPs hold 1477 MW hydro and 62 MW solar whereas NEA alone holds 583 MW hydro, 25 MW solar and 53 MW thermal power. NEA's subsidiaries contribute 478 MW hydropower and total installed capacity till end of FY 2022/023 has reached 2,680 MW in the power system and 2,685 including isolated power plants. Private developers are increasing their stake in power generation in the country.

The energy import from India increased by 18.8% and export to India increased by 173% as compared to last fiscal year.

The Agreement for Long-Term Power Trade was also finalized, under which, India will import 10,000 MW power from Nepal over ten years.

Nepal's first 400 kV Cross Border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur, has been a fundamental means for cross border power trade, but the other cross border transmission lines are not progressing well. The substations and high voltage transmission lines, being the major hub for power exchange between Nepal and India should be in place to meet the generation plan of GoN. It will also help meet the increasing demand for electricity in Nepal. NEA has initiated the process for New Butwal to Gorakhpur and New Duhabi-Purnia and Lumki-Bareilli cross-border transmission lines to enhance the cross-border power trading.

Nepal had a liberal foreign investment policy aimed at creating an investment-friendly environment to attract FDIs in the hydropower sector. Subsequently, many foreign investors, including three Chinese parties in joint ventures with BPC, were drawn to invest in Nepal's hydropower sector in 2018 and pursue PPAs in foreign currency, following prevailing practices. However, NEA declined to sign PPAs in foreign currency, the GoN did not provide a friendly hedging mechanism, and the terms of the PDA did not become favourable since the GoN is not aligning PDA conditions with previous practices. These dilemmas in FDI projects have led to difficulties in concluding bankable PDAs and PPAs. Under such circumstances, the environment for foreign investors and financial institutions to invest in Nepal's hydropower sector is not conducive. The Electricity Regulatory Commission (ERC) is working to facilitate IPPs for a feasible PPA tariff, accelerating regulatory approvals, and intervening in the monopoly of the NEA. For the timely completion of larger PROR and reservoir projects, the expansion and reinforcement of high-voltage transmission line networks and interconnection facilities are imperative.

Russia-Ukraine and middle east conflicts have created a situation of fossil fuel crisis and price rise in our neighboring countries due to inter-dependence, and our hydroelectricity is becoming the superior source of energy in the context of sustainable source of energy and fulfilling the clean energy shift as one of the objectives of COP21 Paris Agreement. Conversely, the ongoing wars will further impact the world economy primarily on the developing nations like ours. The hiked prices of petroleum products, currency devaluation, raised bank interest rates and resulting costly commodities have made life difficult for Nepalese. As a result, the cost level of ongoing hydropower projects is increasing, affecting the overall financial viability of the projects. Increased prices, shortages and pollution generating fossil fuels demands for development of sustainable source for clean energy like hydropower and solar.

During the visit of the Prime Minister to India from May 31 to June 3, 2023, six projects were launched and seven MoUs signed between the two countries, largely those that enhance cooperation in the energy and connectivity infrastructure sectors. The Agreement for Long-Term Power Trade was also finalized, under which, India will import 10,000 MW power from Nepal over ten years. India imported 452 MW of power from Nepal during the FY. This is a result of the Joint Vision Statement on Power Sector Cooperation signed in April 2022, as per which India is also constructing the 900 MW Arun-3 hydro-electric project in Nepal. Both countries also signed an MoU for development of the 480 MW Phukat-Karnali project and a project development agreement to build the 669 MW Lower Arun project. A decision was taken to facilitate the first trilateral power transaction from Nepal to Bangladesh via India, a step that will boost cooperation under Bangladesh-Bhutan-India-Nepal (BBIN) framework.

During the visit of the Prime Minister of Nepal to China, from September 23 to 30, 2023, a Joint Statement between Republic of China and Nepal was issued for further promoting cooperation in the field of energy, particularly the development of hydropower and cross-border transmission lines and associated substations. The two countries will continue working toward the finalization of China-Nepal Electric Power Cooperation Plan by convening the second meeting of the Joint Implementation Mechanism at the earliest. The construction of the Jilong/Keyrung-Rasuwagadhi-Chilime 220 KV Cross-Border Power Transmission line will be launched at an early date. The two sides will continue to make good use of the platform of the China-Nepal Joint Implementation

Mechanism. The Mechanism will carry out exchanges and cooperation in the field of hydropower, wind power, solar power, biomass power and hydrogen. The Chinese Government also agreed to supply grid power to electrify northern remote villages of Nepal from Xizang Autonomous Region of China and take overall consideration of providing equipment or technology on commercial terms.

With higher prospect of power trading to India and Bangladesh, NEA has increased quota for take or pay PPA of RoR projects by 1500 MW and accelerating the signing of PPAs for PROR projects within approved quota. Policy is being formulated to exclude RoR projects of less than 10 MW from the quota system, allowing many small projects in the same river basins to get PPAs and develop projects utilizing local financing and resources.

Green Hydrogen is an unexplored area in the context of huge hydro potential and global demand for clean energy to combat for global warming. Nature has hydrogen in abundance. It is a clean-burning molecule that helps to de-carbonise a range of sectors previously proven hard to clean. Green hydrogen powers steel, cement and transport industries which then emit water instead of carbon dioxide without using fossil fuels. Green hydrogen can also produce green fertilisers, which can ensure food safety and security and energy security through energy storage. It not only addresses threats and risks associated with global warming but may help Nepal become one of the prosperous nations by 2030, if we work together with policymakers and the public collaboratively. Kathmandu University, NEA, and some private sectors have initiated exploring the commercial viability of producing green hydrogen. It has been a challenge tasks to make a commercially viable production of green hydrogen by the uses of emerging technologies and abundant natural resources.

Financial Performance

Nepal Financial Reporting Standards 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 have also prepared the financial statements in compliance with NFRS, and Group consolidated financial statements are also prepared accordingly.

Financial Result

BPC's net profit stands at NPR 305.07 million this year with an increase of 11.28% compared to last year. Company's revenue from electricity sales and services also decreased by 6.53% to NPR 724.42 million resulting decrease in the gross profit by 17.32% to NPR 282.26 million. However, other income has increased significantly by 1,377.86% to NPR 591.58 million this year compared to last year NPR 40.03 million, which was mainly represented by written back of allowance made for impairment loss and dividend income. Generation expenses increased by 2.64% to NPR 303.59 million compared to NPR 295.79 million last year. The increase was mainly due to the increase in purchase of electricity from NEA and repair and maintenance. Distribution

Gross Capital investment in shares and projects was recorded at NPR 4,289.68 million in FY 2079/80.

expenses has been decreased marginally by 0.50% to NPR 138.57 million from NPR 137.87 million last year. Administrative expenses however, decreased by 0.50% to NPR 126.79 million this year from NPR 127.43 million last year. Finance income is increased by 3.54% to NPR 103.47 million which was NPR 99.93 million last year. This increase is mainly due to the increase in placement of fixed deposit causing delay in project works in pipeline.

The EPS amounts increased to NPR 8.95 compared to last year and the net worth of the Company marginally increased by 0.93% to NPR 7,032.67 million compared to previous year. Investment in shares (unlisted companies) has been increased by 21.77% (by NPR 763.06 million) this year mainly due to the written back of investment in shares of KEL and GEL along with the increase in advance towards shares of Kabeli Energy Limited held by BPC.

Net Financial Assets

Gross Capital investment in shares and projects was recorded at NPR 4,289.68 million in FY 2079/80, which was NPR 3,819.22 million in FY 2078/79. This comprises equity investment in 14 companies and 4 projects in pipelines including Nepal Hydro and Electric Limited, Hydro-Consult Engineering Limited, Khudi Hydropower Limited (4 MW), Himal Power Limited (60 MW), Nyadi (30 MW), Kabeli-A Hydroelectric Project (37.6 MW), Lower Manang Marsyangdi Hydropower Project (139.2 MW), Manang Marshyangdi Hydropower Project (135 MW) and Upper Marshyangdi-2 Project (327 MW) etc..

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 continued till Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively. The net value of these assets stands at NPR 1,857.66 million as on 31st Asadh 2080 and have been treated as leasehold property.

Group Consolidated Financial Statement

BPC has owned 100% shareholdings in Hydro-Consult Engineering Limited (HCEL) and BPC Services Limited (BPCSL) along with majority holdings in Nyadi Hydropower Limited (NHL), Nepal Hydro and Electric Limited (NHE), Khudi Hydropower Limited (KHL). All group companies have prepared IFRS/NFRS compliant financial statements and Group consolidated financial statement is prepared as per the provision of Company Act, 2063 and NFRS.

Consolidated turnover recorded at NPR 2,380.61 million with a decrease of 15.76%. Gross profit amounts to NPR 809.18 million with an increase of 44.97% and profit from the operation is NPR 628.53 million with an increase of 83.25%. However, the group suffered a net loss of NPR 41.02 million due to the provision for impairment loss incurred by KEL. Consequently, the group earnings per share reduced negatively to NPR 0.29, which was NPR 6.81 in the previous year. The net worth has decreased by 6.22% compared to the last FY.

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

Contribution towards National Economy

Energy is one of the fundamental inputs for businesses and industries for achieving a country's economic development. Energy as an input influences productivity, health, education, safe water, and communication. It can improve and even save lives. In developing countries like Nepal, reliable energy supports to expand industry, modernize agriculture, increase trade, and improve transportation. Apart from modernizing agriculture by employing various agricultural tools in a situation where most of the youths are in foreign employment, industries can reduce the heavy dependence of the people on agriculture. Like agriculture, tourism and manufacturing industries, hydropower development is one of the major factors of economic development of our country where abundant water resources, favorable geography and market potential are available. Hydropower development has generated employment opportunities to thousands of people and created different businesses due to increased access to electricity. The sufficiency of clean energy production can reduce import of petroleum products, boosting businesses and industries. Cross border power trading is also important with respect to reduction of trade deficit with India and increase foreign currency reserve to some extent.

Despite huge hydropower generation potential, the total generation of hydroelectricity in our country currently has reached 2,685 MW, which is 6.24% of its economically feasible potential and 3.23% of the gross potential. Because most of the generation is dependent on river flow, the generation can come down up to one-third during the dry season, when there is maximum power demand in domestic consumption. It has been a compulsion to import power from India to fulfil demand during the dry season and maintain system stability until the storage type hydropower projects like Kulekhani are developed.

BPC, which operates two power plants directly and invests in three others. The Company contributes 55 MW (equity MW) to INPS. BPC's stake is around 2.04% and 2.8% in total installed capacity and generation of hydroelectricity respectively. BPC serves around 1.22% customers out of the total customers in Nepal, through its distribution system in Syangja, Palpa, Pyuthan and Rolpa districts of western Nepal.

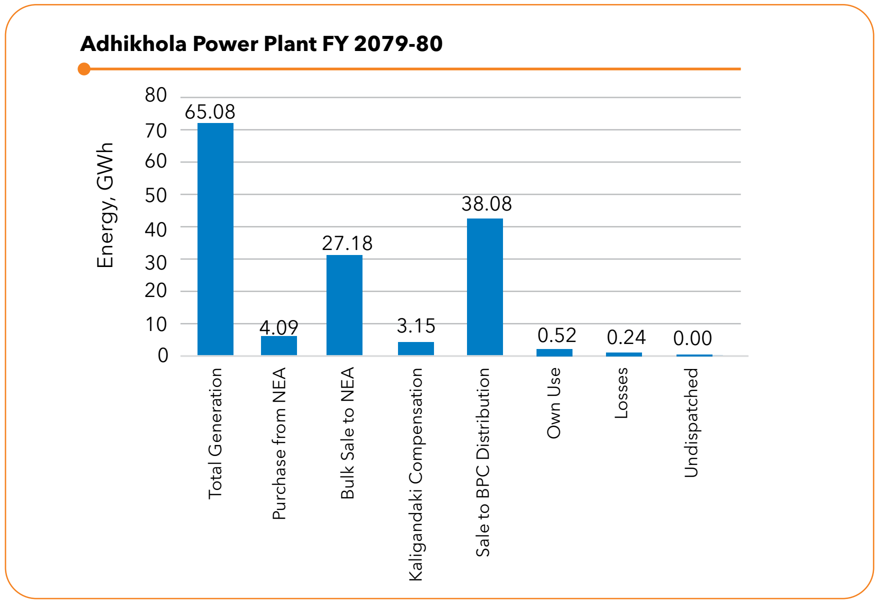
BPC in partnership with Chinese investors is developing three hydropower projects of a total installed capacity of 601 MW, with total annual energy production of about 3500 GWh in a cascade model in Marsyangdi basin. The Company also holds other projects in the pipeline to achieve sustainable growth in hydropower development in Nepal and support government target of hydropower generation.

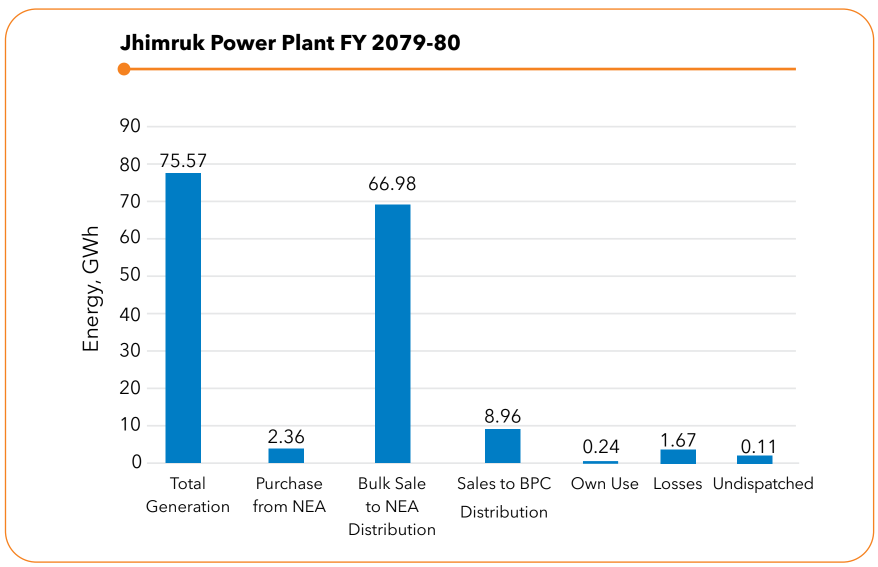
In a broader perspective, BPC is not only involved in generation and distribution business, but also contributing towards creating multifaceted areas of knowledge and experiences in hydropower sector for the last six decades. Though the Company has not been able to generate large figure of hydropower in megawatts, it is still leading the hydropower sector of the country, by creating value additions in multiple areas. The engineers are gaining technical experiences through our consulting company, management experiences through the corporate company, and manufacturing & construction experiences through project companies and other associates. Engineers with experience from BPC and its subsidiaries are working on and leading many hydropower projects all over the country and abroad too. With long experience of power plant operations and distribution while working in BPC, many technical people have had the opportunities to enhance their skills, and now are involved in the operation of many hydropower plants throughout the country.

Generation Business

The main objective of the Generation business unit is to ensure the smooth operation and maintenance of hydropower plants for the sale of energy to its customers. Currently, this business unit is involved in overall operation and maintenance management of two hydropower plants-the 9.4 MW Andhikhola and the 12 MW Jhimruk. BPC's primary business is energy generation and sales, which make up for most of the Company's revenue.

During the fiscal year 2079/80, the total generation was 140.648 GWh.





About 66.21% of total available energy was supplied to NEA and 31.96 % to BPC distribution.

Andhikhola Power Plant (APP) generated 65.082 GWh, with plant factor of 79.04 %. The generation has decreased by 9.65 % (6.950 GWh) compared to last year. The main reason for less generation is low water discharge in the river due to low rainfall. Out of total available energy, 30.331 GWh (43.85 %) was supplied to NEA, including Kaligandaki compensation 3.15 GWh, and 38.075GWh (55.04 %) was sold to BPC Distribution. APP maintained regular electricity supply to BPC Distribution and Local NEA by purchasing energy from NEA Grid during low production and shutdown of the plant.

Jhimruk Power Plant (JPP) generated 75.566 GWh with plant factor of 71.89 %. The generation at this plant has similarly decreased by 9.21 % (7.664 GWh) compared to last year. The low rainfall this year was the main cause for low energy production. Out of total available energy, 67.097 GWh (86.062 %) was supplied to NEA and 8.956 GWh (11.48 %) was sold to BPC Distribution. JPP also supplied electricity to BPC Distribution and Local NEA by purchasing energy from NEA Grid during low energy production and plant shutdown.

The high quartz content in Jhimruk river water during monsoon season remained the major factor for the severe erosion of turbine parts this year too.

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. River training works have been carried out along the Jhimruk and Madi River for protection of farmers' land and plant's civil structures from flood. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation during dry periods. The plastic sheets were provided to irrigation canal users of Jhimruk River for optimization of downstream released water.

Under Social Mitigation works, JPP has been financially supporting JIDCO annually for carrying out different activities in the affected areas such as income generation, skill development training, irrigation system improvement and environment development support program.

Future Plans and Programmes

In the FY 2080/81, it has been planned to generate 69.084 GWh from Jhimruk plant and 68.426 GWh from Andhikhola plant, considering the past flood outage and if NEA will take the additional energy throughout the year. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on average river discharge and estimated outages of both the plants.

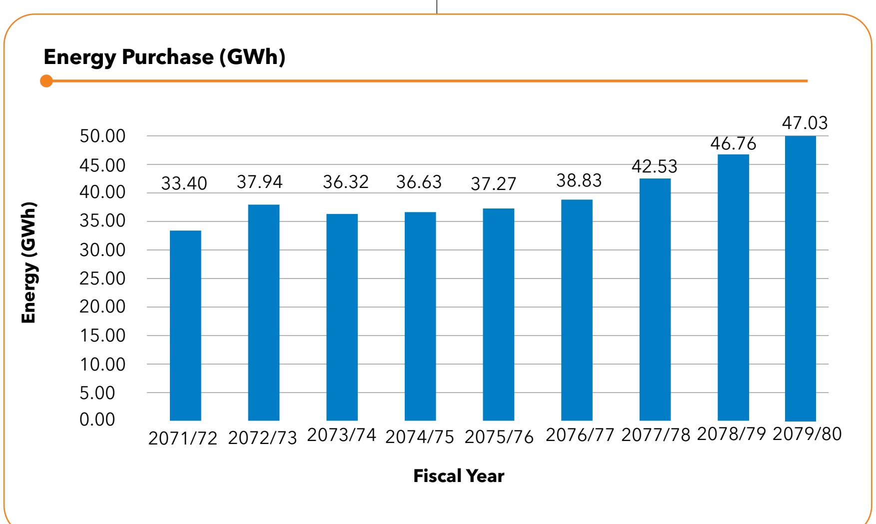
The repair and overhauling of all turbine parts which is eroded by silt of JPP will be carried out this year too. Repair and maintenance of APP will be carried out as per the maintenance plan. The major maintenance of JPP has been planned from Jestha to Bhadra, so that the efficiency of the turbine can be gained during rest of the period to maximize the generation. The river training works shall be carried out in Jhimruk River. SUP in affected areas will be continued to optimize water for maximizing generation at Jhimruk. Likewise, mitigation works will be carried out at APPA.

Distribution Business

During FY 2079/80, the total energy purchased was 47.030 GWh, which is about 0.56 % more than that of last FY. The increase in the purchase is due to 1.82 % increase in the number of customers and 0.92 % increase in the average units consumption per consumer per month compared to last year.

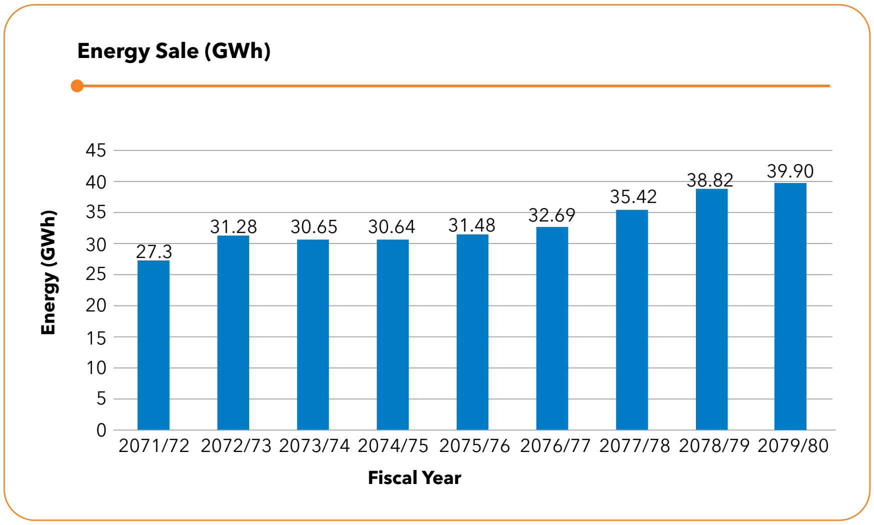
This year, 39.90 GWh of energy was sold to retail customers and 0.0551 GWh was consumed in the staff quarters and distribution offices. The total sales have increased by 2.71 % compared to the previous year. The reason for the increase in sales is the slight reduction in distribution loss, increase in customers and increase in average units consumption per consumer per month.

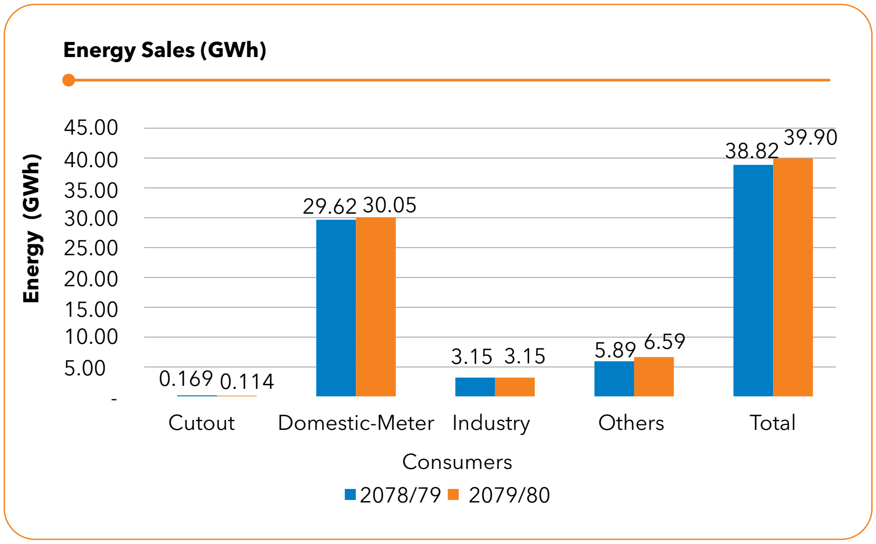
Out of 39.90 GWh sold to retail customers, 30.05 GWh (75.31%) was sold to metered consumers, 0.114 GWh (0.29%) to unmetered consumers, 3.146 GWh (7.89 %) to industrial consumers and 6.59 GWh (16.52 %) to other consumers. Compared to last year's, there is no significant change in energy



Category	Energy Sale (GWh)		Sale (%)	
	2078/79	2079/80	2078/79	2079/80
Cutout	0.169	0.114	0.44%	0.29%
Domestic-Meter	29.62	30.05	76.28%	75.31%
Industry	3.15	3.15	8.11%	7.89%
Others	5.89	6.59	15.17%	16.52%
Total	**38.82**	**39.90**	**100.00%**	**100.00%**

*Other consumers include commercial, non-commercial, drinking water, irrigation, temple, streetlight, entertainment, and non-domestic customers.





consumption pattern of different customer categories this year also. A comparison of energy sales to different categories of customers for last FY 2078/79 and this fiscal year 2079/80 is as follows:

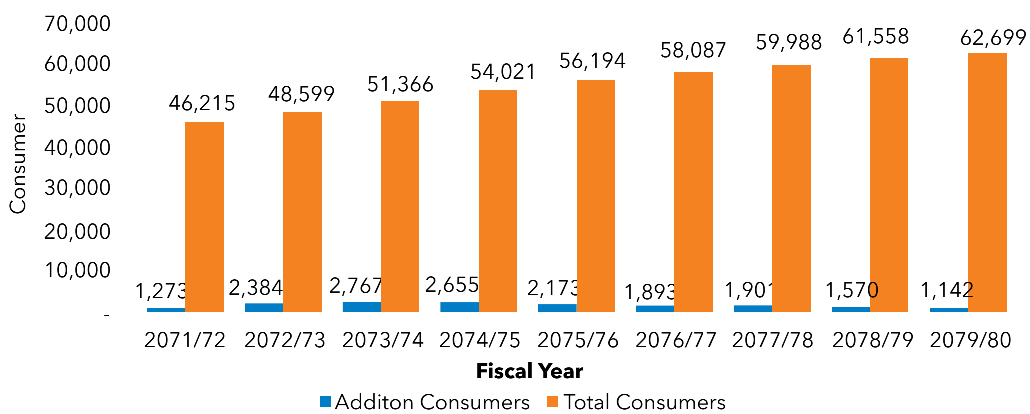
There has been an increase in the revenue generated this FY compared to last year. Total revenue (billed amount) this year was NPR 263.89 million, out of which NPR 22.29 million (8.45%) was from industries, NPR 41.73 million (15.82 %) from other consumers, NPR 199.58 million (75.63%) from metered consumers and NPR 0.26 million (0.1%) from unmetered consumers. Energy sales has increased by 2.71% whereas, revenue has increased by 4.38% from that of last year.

Loss Management/ Minimization

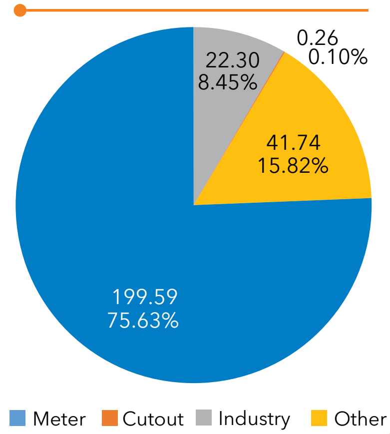
The total distribution loss this year was 7.07 GWh, which is 15.03% of the total purchase whereas the distribution loss last year was 16.85%. Distribution loss has decreased by 1.82% compared to last year, which is due to renovation of the distribution networks. Loss minimization has been the main priority of the management for the past several years and BPC has been putting efforts to identify and minimize system losses within the financial limitations.

By the end of the FY 2079/80, a total of 62699 customers have been electrified in the Syangja, Palpa, Pyutha and Arghakhachi districts marking an increase of 1.82% compared to last year. The increase was mostly due to consumer addition in old network and the network expansion done in the FY 2079/80. The additional consumers connected this year is 1142. The

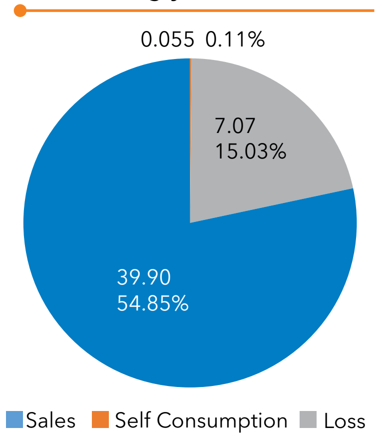
Consumer Growth



Revenue Categorywise
Total Revenue 263.89 Million



Status of Enegry Loss (GWh)



consumers have been categorized mainly into three types and their status is as given above:

By the end of the fiscal year, out of a total 1142 consumers added, 1070 were domestic metered consumers and 72 other consumers. In addition to this, conversion of cut-out consumers into meter was also done. A total of 370 cut-outs were converted into meters.

Necessary system expansion for consumer addition was made possible through installation of new transformers of 11 kV and 33 kV, increasing the installed capacity from 18625 kVA to 19,600 kVA.

Reliability Indices

This year, the average service availability index in the distribution system was 97.87%, which is slightly more than last year.

Customer Relations

The Distribution business is committed to providing quality service to its customers. Customer feedback is collected on a regular basis, and grievances are addressed in accordance with the commitment. The average respond time per complain this year was within the time frame specified in the citizen charter. The total User Organizations this year is 114.

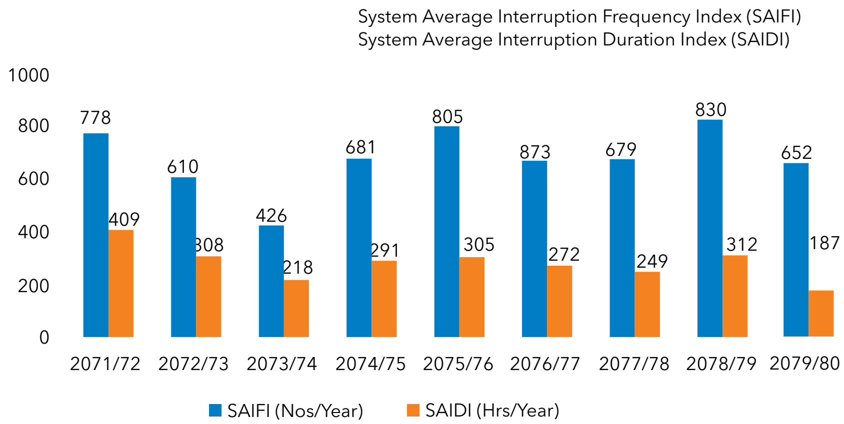
Future Plans and Programs

Under the system expansion plan, total of 1066 new consumers out of which 25 industrials, 57 other consumers, and 984 metered consumers are planned for addition in the FY 2080/81, by construction of 10.3 km of 33 kV, 3.2 km 11 kV, and 98.25 km of low voltage line and addition of 2 transformers of 33 kV and 1 of 11 kV. It has been planned to continue installing energy meters in distribution transformers of all remaining feeders for loss monitoring.

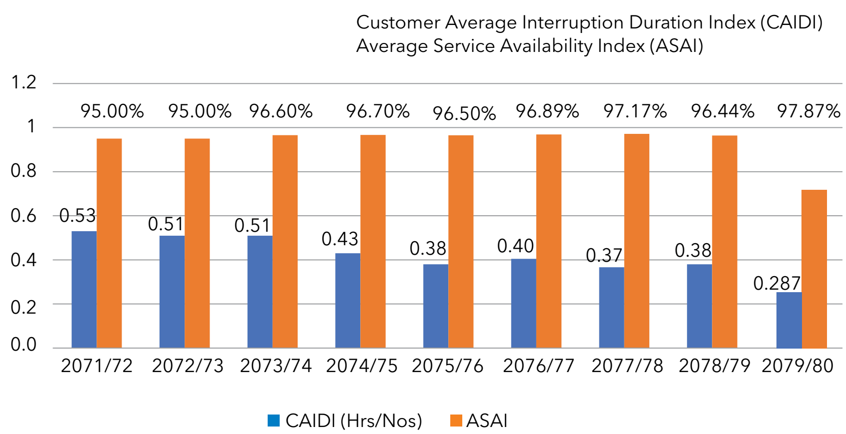
Major Challenges

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

Reliability Indices



Reliability Indices



more than NPR 120 million and it is increasing annually. The primary reasons for such revenue loss are low tariff rates, rural setting of distribution area and huge financial requirement for distribution network expansion and maintenance. The revenue loss could be reduced only by increasing the tariff rates. Hence BPC submitted tariff proposal to ERC to increase consumer tariff under Andhikhola Distribution Centre. After analysing BPC's tariff proposal, ERC organized a public hearing to adjust the tariff in line with NEA. During the public hearing some consumer leaders stood against the proposal and local consumers also conducted a signature campaign against tariff adjustment. ERC then requested MOEWRI that BPC's distribution business is not sustainable without adjustment of the tariff, and so the distribution business in that case has to be handed over to the GoN.

The implementation of MCPs is only possible with favorable PPA and PDA for international financing. NEA being the sole utility to manage Nepal's power sector, has continued addition of hydro plants, resulting in a serious challenge to sell energy during wet season. Marketing arrangements and options for domestic power consumption must be explored by strengthening transmission and distribution systems to make them more reliable. Nyadi Power Plant is operating under contingent power evacuation, under which the power is only partially evacuated, adversely impacting the revenue generation and financial returns. If the Marsyangdi corridor 220 kV transmission line could not be built on time, then many hydropower plants completed recently in the Marsyangdi corridor will continue to suffer like Nyadi Plant. The hedging policy that has been recently amended and published, still has many confusions on rate, sharing ratio, eligibility, implementing agency etc. The policy does not seem favorable to attract FDIs in hydropower sector. Nepali conservationists have expressed outrage over the Ministry of Forest and Environment's recent proposal to scrap existing guidelines through the backdoor, to make it easier for developers to build large-scale hydropower plants in the protected areas. There are also challenges with Nepal's forest policies and time-consuming approval processes, such as forest clearing and land leasing.

Project Development

Kabeli Energy Limited (KEL), an SPV with BPC has been formed for the development of 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) on BOOT basis. KEL signed a PPA with NEA on September 24, 2015. KAHEP is in Panchthar and Taplejung districts of Koshi

Province. The water will be diverted through a 4.5 km long tunnel into a e 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.

KEL completed all the preparatory works, access tunnel excavation work, and has achieved excavation of 1000 m of headrace tunnel till mid of 2019.

As the EPC contract was terminated, WB's loan disbursement timeline could not be extended beyond December end 2019. BPC, being the majority shareholder of KEL, began to work out various strategies to recover the project. A recovery plan has been formulated and approached GoN for amendment of PPA on RoR basis with posted tariff rate to continue the project with local financing. As InfraCo Asia, 40% investor in KEL decided to exit from the project by selling its all shares to BPC at nominal price, a change in the shareholding structure and partnership has been initiated with a new local investor. On exit of InfraCo Asia, Arun Kabeli Private Ltd. (AKPL) is participating in KEL with 40% stake and is leading the overall construction of project at fixed cost of NPR 7520 million, including the interest during construction (IDC). All physical work has been resumed after amendment of PPA with NEA and financial closure has been completed with the Nepalese Consortium of Banks led by Kumari Bank Ltd. The contracts for Civil, Hydro-Mechanical, and Electromechanical works have been awarded and works are ongoing smoothly. After completion of all correction works, tunnel excavation

LMMHEP_Public Hearing for PPA at ERC

resumed from Falgun, 2079 and has completed around 1600 m as of now. As per the amended PPA, the revised COD is set for Poush 1, 2081.Total construction time has been fixed at 30 months.

Chinokhola Hydropower Project (CKHP): BPC obtained the survey license on March 3, 2015 and completed the feasibility study and EIA of the project. The project capacity has been optimized at 7.9 MW at 40% flow exceedance as RoR project. The EIA approval of the project has been granted by the Ministry of Forest and Environment (MOFE) on Ashadh 20, 2079. The generation license has also been received in July 2022. The land leasing and tree cutting approval process is ongoing. The connection agreement with NEA has already been achieved and PPA is yet to be concluded. The formation of an SPV named Chino Hydropower Ltd has been completed for the implementation of the project.

Mugu Karnali Hydropower Project (MKHP): BPC identified Mugu Karnali Hydropower Project (MKHP) and received Survey License on Mangsir 07, 2074. The Project is in Mugu district of Karnali province. The feasibility study of the Project has been completed and optimized at 173.47 MW. EIA study of the project is pending due to the issue related to overlapping of project boundary with downstream project. An application for the generation license has been submitted to DOED prior to the expiry date of survey license. There is a plan to construct transmission line in the Karnali Corridor by the GoN.

The consultant's team for EIA study, mobilized for preparations of ToR and scoping documents identified that the project area is located within the buffer zone of Rara National

Parks and prior consent is required from Department of National Parks and Wildlife Conservation (DNPWC), Ministry of Forest and Environment (MOFE) to carry out the feasibility study and EIA. The consent for feasibility study and EIA have been received from DNPWC and feasibility report has been updated accordingly. For prior submission of application for generation license, the survey license needed to be amended at the optimized capacity as per the feasibility study (173.47) for which, the application was submitted to DOED on Bhadra 01, 2079. However, Ministry of Energy, Water Resources, and Irrigation (MOEWRI) decided to amend the project from RoR to PRoR, but no consent has been granted for the optimized capacity of 173.47 MW due to license area overlapping issues with downstream storage project being developed by VUCL.

License boundary of Mugu Karnali Hydropower Project has overlapped with the license boundary of Mugu Karnali Storage Hydropower Project (MKSHP) granted to VUCL. The survey license of 1902 MW MKSHP was issued to VUCL after the survey license issued to BPC. As per VUCL, the storage project is feasible only with the overlapped boundary with Full Supply Level (FSL) of 1350 masl. However, for BPC also the project is only feasible with design tailwater level of 1280 masl (only with the overlapped area), which indicates that there is 70 m head difference with VUCL's project along the most sloped river stretch.

Currently, there is no ongoing transmission line projects along the Karnali Corridor. However, Nepal Power Transmission network has proposed 220 kV line up to the project site and up to Betan- Phukot for Betan Karnali Project, bidding for 400 kV transmission line is already in process. Unless there is transmission line project near the MKHP with timeline of readiness to evacuate the power of Mugu Karnali, no connection agreement with NEA can be signed.

Marsyangdi 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 Marsyangdi river. Manang Marsyangdi Hydropower Project (M1), Lower Manang Marsyangdi Hydropower Project (M2) and Upper Marsyangdi-2 Hydropower Project (M3) are 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) Ltd. through respective project companies. Manang Marshyangdi Hydropower Company Private Limited (MMHCPL) will develop 135 MW Manang Marshyangi HEP; 139.2 MW Lower Manang Marsyangi HEP (LMMHEP) will be developed by an SPV which is under incorporation process; and Himtal Hydropower Company Private Limited will develop 327 MW Upper Marsyangdi-2 HEP (UM-2HEP). The three projects M1, M2, and M3 are interconnected cascade projects with maximum utilization of resources named together as Marsyangdi Cascade Projects (MCPs).

Project acquisition process started in 2017, as a preparation works, upgrading of Beshisahar to Chame road to facilitate smooth transportation of goods and people in the project area, the construction of camps at Danaque, access road and bridge to connect powerhouse site of MMHEP, additional field investigations and re-optimization of MCPs, updating of feasibility reports and supplementary EIA and other preparations were carried out. While starting the PPA process in 2017, the prevailing NEA policy to sign PPA in US$ for FDI projects bigger than 100 MW suddenly changed, and NEA denied signing PPA in US$. The concept of hedging mechanism was brought up by GoN and policy was developed. In the meantime, COVID-19 pandemic affected two years, delayed PPA and PDA processes, no clear hedging policy came up and delayed financial closure pushed back the projects to start construction till now. The hedging policy is in place, which still lacks clarity, and so is not investment friendly for foreign investors as it was thought to be.

Manang Marsyangdi Hydropower Project (MNHEP): Generation License of the project issued on November 17, 2018 for 282 MW as a RoR project, amended to 135 MW as PROR project in 2022. The PPA with NEA has been concluded in Nepalese currency but the coverage of exchange risks is yet to be addressed adequately through hedging policy. The supplementary EIA at 135 MW got approval from the Ministry of Forest and Environment (MoFE) and leasing of government land and tree cutting is in the process of cabinet approval. The PDA with MoEWRI has already been signed. After the signing of PDA, financial closure process with China EXIM Bank has been started, even without clear hedging policy. After the appointment of Owner's Engineer, the bid documents were prepared, EPC contract negotiations carried out, EPC contract signed and mobilized to start preparatory works at site. The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from LMMHEP through interconnection at Manang switching station.

Lower Manang Marsyangdi Hydropower Project (LMNHEP): BPC received a survey license in 2009 and the feasibility and EIA studies were completed in 2013. EIA was approved for 140 MW. The connection agreement was signed in 2017 with NEA. Generation License was issued at 140 MW as RoR type on November 4, 2018. However, after the acquisition of MMHEP and UM-2HEP, this project has been re-optimized by changing project boundary to fit into MCPs. The project has now been re-optimized at 139.2 MW as a PROR to meet the requirement of NEA's guideline for

Bird-eye View of Marsyangdi River and MCP Construction Camp concluding the PPA. Accordingly, the connection agreement has been amended and PPA has been recently signed. The investment approval has been granted by IBN and industry registration has been granted by DOI dated October 4, 2021. Together with three Chinese Investors, BPC and JVC are in the process of SPV formation for implementation of project. The Owner's Engineer has already been selected for this project. The process of contractor selection and financial closure will start in parallel with PDA negotiations with MoEWRI.

The proposed 220 kV Marsyangdi corridor transmission line will evacuate power of LMMHEP interconnected at Manang switching station. The development of this Marsyangdi transmission line is being carried out by NEA at a very slow pace. The 220 kV Manang switching station is located at Ghalanchowk village of Nashong Rural Municipality in Manang District. The project will tap the silt-free tailrace water of MMHEP and add discharge available from intermediate catchment by constructing a small weir. Being a cascade project of MMHEP, this project will also be a PROR project getting only the PPA tariff as RoR project.

Upper Marsyangdi-2 Hydroelectric Project (UM2HEP), an SPV of Himtal Hydropower Company Pvt. Ltd. (HHCPL) is developing this project under MCPs. BPC's joint venture with three Chinese partners has acquired this project to develop together with MMHEP and LMMHEP. PDA negotiations with IBN could not be expedited due to the new PPP act, though the PDA fees was already deposited for 600 MW. The project was previously owned by Indian investors and was planned as an "Export Oriented" project with a capacity of 600 MW. Accordingly, Marshyangdi Transmission Company Private Limited (MTCPL), a sister 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 has now been re-optimized at 327 MW to utilize the power in Nepali market by concluding PPA with NEA. The project is PROR type under cascade development with MMHEP and LMMHEP. The MCPs will evacuate power through 220 kV under construction Marsyangdi corridor transmission line by NEA. After the survey license was granted by IBN, the Detail Project Report (DPR) has been prepared and submitted for approval. Once the DPR is approved by IBN, PDA negotiations will be initiated. As a process of PPA with NEA, Connection Agreement has already been signed. The initialization of Draft PPA is expected soon.

Ground Breaking Ceremony for Construction of 135MW Manang Marsyangdi Hydropower Project.

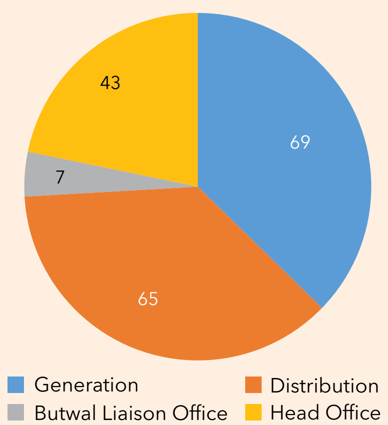
New Initiatives: As per the growth plan of BPC, identification and review of new hydropower projects and relevant businesses is a regular process for acquiring them and studying for future developments. BPC has also initiated solar power project by obtaining survey license and conducting feasibility study at headworks area of Jhimruk power plant, where the land area required for the project is already available. The feasibility and IEE studies have been completed, and the IEE is in the process of government approval. The Company is in the process of identifying under-construction projects and operating plants for acquisition, to ease the cash flow management of the Company in the near future, as there has been reduced cash income from Khimti plant. In recent years, Green Hydrogen has emerged as a new area of development in the context of global clean energy and carbon emission reduction targets. BPC, being the leading private company in the energy sector, is in the process of initiating knowledge gain to move into green hydrogen business in the future as technology, markets, and the economy mature.

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 in Nepal. BPC is working on project development through different SPVs involving 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 the development of hydropower projects. The JVC is developing MMHEP, LMMHEP and UM2HEP as MCPs. 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 also ongoing with other foreign parties

SCIG Chairman visit to BPC Office

Activity-wise Number of Employees of 2079/80



for collaboration in a future project like Mugu Karnali HEP and other new projects.

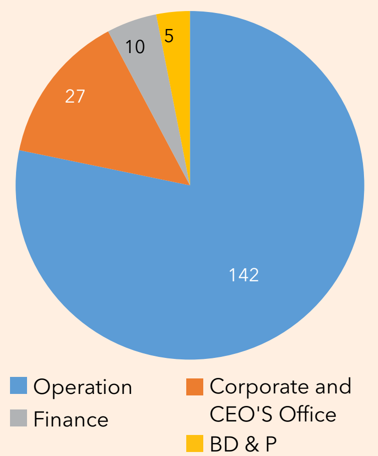
Corporate Overview

Corporate Management oversees the management of human resources, administrative facilities, information, and communication technology (ICT) support, procurement of goods, services, and works, service quality, environmental protection, occupational health and safety in compliance with ISO standards, security, and CSR initiatives across the Company.

Human Capital

The competency of the Company's workforce is a key factor in its growth. The management places a high value on the development of employees' skills and knowledge. Employees' suggestions and grievances are promptly addressed to ensure the smooth operation of Company's business. This also contributes to the maintenance and improvement of relation between the employees and management.

Function-wise Number of Employee of 2079/80



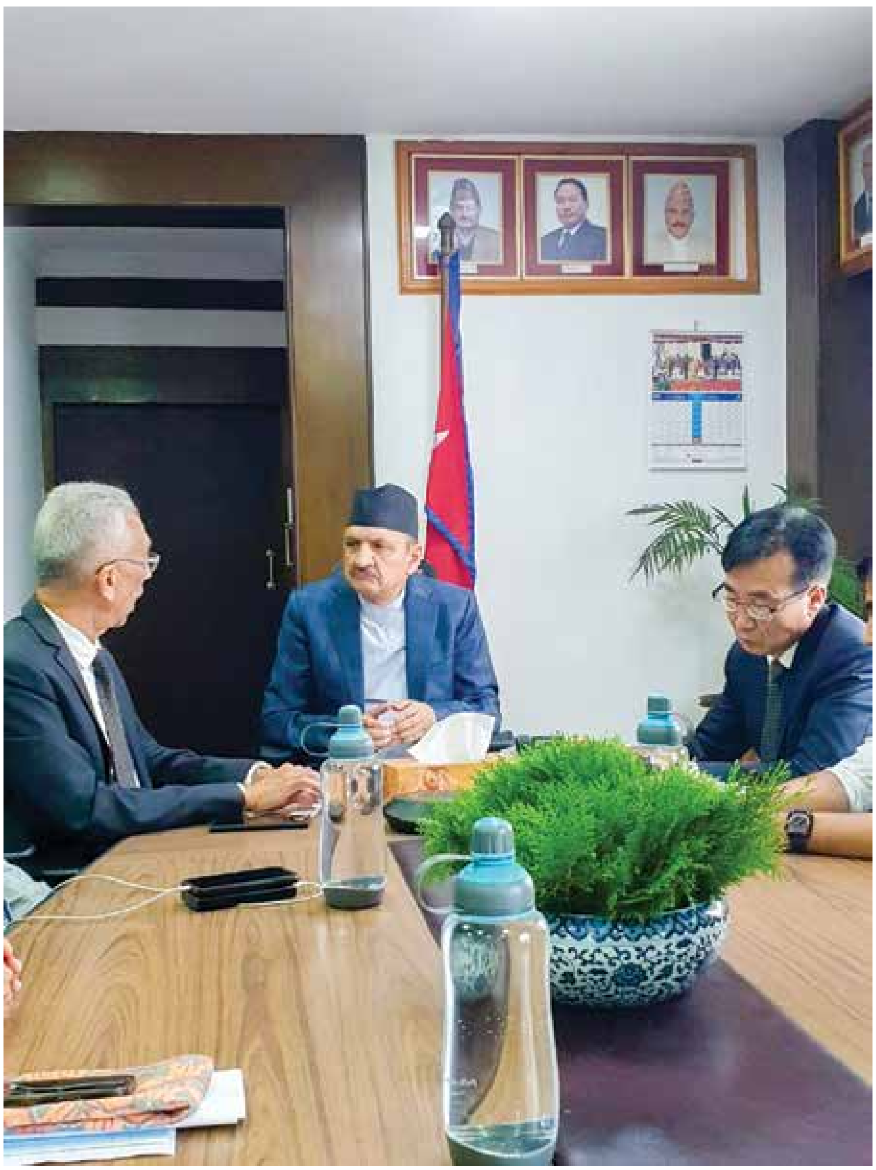
The total number of personnel was 184 at the end of the FY 2079/80 within the approved organization structure (excluding part-time and job-based contract employees), which included 141 regular, 37 time-based contract, and 6 special contract employees. The total employees comprised 95 technical and 89 non-technical. During the FY, the Company hired 7 personnel on a time-based contract basis and 1 on a special contract basis. This year, 10 employees retired because of the age factor, 1 time-based contract employee, and two regular employees resigned.

General Administration

Procurement Business Unit procures goods, works, and services for the Company. BPC's procurement strategy is a long-term plan to efficiently obtain the required supplies at the lowest cost from a list of reliable vendors who meet the purchasing terms and deliver high-quality items on time. Cost reduction, global sourcing, risk management, supplier management & optimization, and overall quality control are the procurement unit's strategic goals. The procurement manual specifies procurement processes such as procurement of goods, services, and works, product transportation, performance feedback, and supplier management. Procurement processes are guided by the principle of best value for money, fairness, integrity, and transparency.

Procurement unit purchases spare parts for Jhimruk and Andhikhola Plants from manufacturers in India, China, Germany, and other countries. Power transformers, current transformers, voltage transformers, relays, switchgear panels, circuit breakers, ACSR conductors, single phase static energy meters, three phase energy meters, CT operated meters, poles and accessories, and so on are the spare parts that are procured for generation, transmission, and distribution facilities.

Information and Communication Technology (ICT) supports external and internal communications, official website updates, data backup, and email requests. An environmentally friendly, reliable, and secure data center with high availability is established, along with a reliable network structure. To access the centralized software applications (Revenue Accounting System-RAS, Asset Management System-AMS, and Inventory Management System-IMS), file sharing, and communication via VPN technology, optical fiber intranet connectivity between the head office and site offices is in place.



Meeting of SCIG Chairman with Finance Minister

The datacenter is established to house computer systems and associated components such as servers, network devices, telecommunications devices, security devices, and storage systems in a controlled environment, such as air conditioning, fire suppression systems, smoke detectors, CCTV cameras, and data center infrastructure management (DCIM) to alert via alarm, SMS, and email. ICT has implemented virtualization to reduce the number of physical servers, power consumption, cost, and heat buildup while improving reliability, security, faster redeployment, easier backups, and disaster recovery. The unit also executes Vulnerable Assessment and Penetrating Testing (VAPT) on a regular basis to monitor and analyze the ICT system.

Facility Management provides service support of repair & maintenance, advertisement & publicity, media handling, newspaper management, events management, material transportation, risk management, health, safety & security arrangement, vehicle management, waste management, mail handling, and conducting CSR activities. It ensures and monitors the implementation of quality, environment, and OH&S

Vertical Shaft of 9.4 MW Andhikhola Power Plant.

Powerhouse og 9 MW Andhikhola Hydropower Plant.

policies in all the business units of the Company.

Training on emergency preparedness and response plan, traffic awareness, firefighting, occupational health, and safety management were conducted in JHC, AHC, and Butwal site offices during FY 2079/80. First aid and safety management training to the first aiders, and vehicle safety operation and maintenance training to the drivers were given in the head office. Detailed health check-ups of all the employees were done during the year. A team of lab technicians, nurses, and doctors of Hospital for Advance Medicine and Surgery (HAMS), Kathmandu was sent to all sites and completed the required tests. Furthermore, a team of specialist doctors visited all the sites to conduct thorough examinations, consultations, and recommendations to individual employees to maintain physical fitness and good health of the employees based on their job assignments.

Management Review and Responsibilities

Management Review Meetings (MRM) are held a minimum of once a year as a scheduled program as cited in the IMS process manual and as required to look into ways to improve the Company's business and IMS processes. MRM is chaired by the CEO with the 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 Company. MRM-23 was held on 28 September 2023 with the participation of all the functional heads, SBU heads, Site-In Charges, and the ISO core team.

IMS Periodic Audits and Recertification

As per the Management System Certification Agreement between DNV Business Assurance India Pvt. Ltd. (Certification Body) and BPC, two periodic audits and one recertification audit had to be performed during a 3-year audit cycle (May 2020–May 2023). In this process, 1st IMS periodic audit was conducted on 23-27 August 2021 at Andhikhola Hydroelectric Center (AHC), Butwal Liaison Office, and BPC Corporate Office, Kathmandu. The 2nd IMS periodic audit was conducted on 23-27 May 2022 at Jhimruk Hydroelectric Center (JHC), Butwal Liaison Office, and its corporate office, Kathmandu, and likewise, the IMS recertification audit was conducted on 17-21 April 2023 at AHC, JHC, Butwal, and Head Office Kathmandu. BPC has been re-certified with the three ISO standards. The validation period of QMS 9001:2015, EMS 14001:2015, and OH&S 45001:2018 is till 23 May 2026.

Enterprise Risk Management

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

Top management, the Risk Management Committee (RMC), and the Board collectively evaluate and manage strategic risks, particularly those associated with expansion, mergers, adoption of new technologies, and the initiation of new business activities. Tactical-level risks, pertaining to the performance and profitability of business units, divisions, and centers, are assessed, and managed at both business unit and top management levels. Operational risks related to day-to-day operational activities and arising from individuals, units, or the execution of routine tasks and assignments, are evaluated and managed at the operational level. Risks of the Company are exposed throughout the value chain, with particular emphasis on addressing risks associated with operations, financial management, project execution, operating activities, and compliance with legal and tax framework. RMC provides clear direction on how to handle risk better in relation to the Company's current risk exposures, future risk strategy, and investment plans. Risk management is an integrated part of the governance through a comprehensive, risk-based system in all business areas of the Company. The management periodically reviews and updates the Company's overall risk profile, reporting the findings to both RMC and the Board.

Risk Mitigation and Risk Reporting

All potential risks are systematically identified and assessed, categorized as major, high, moderate, and low in risk register, following the guidelines outlined in the Enterprise Risk Management (ERM) Manual. The Risk Register, Risk Response Action Plan, and Action Taken Status Reports are prepared, reviewed, and updated quarterly and discussed in management meetings. Given the nature of these risks, strategies are employed to either avoid, accept, reduce, or transfer the risks. Significant risks are reported to the RMC quarterly or as necessitated by the top management. The RMC thoroughly reviews the entire risk assessment and management strategies on the most crucial risks, before presenting the findings to the Board. Stakeholders are kept informed about significant and strategic business risks, along with the preventive measures taken, through the annual report. Risk management at early stages of project development has proven to be an important success factor for the project. BPC has insurance coverage for all significant damages or injuries. The Company's assets are adequately insured for each fiscal year against operational risks i.e. covering fire and allied perils business machine, transit money, fidelity & 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. Furthermore, BPC has a comprehensive system for registering and reporting hazardous conditions, undesirable incidents, damages, and injuries. Such cases are continuously analyzed to prevent and/or limit any consequences, to ensure that the causes of such incidents are tracked down, and to make sure that the necessary mitigation measures are adopted.

Potential cyber security threats, including server attacks, data loss, fire incidents, and unauthorized physical access to resources, are effectively managed by maintaining firewall systems, accessing server through Virtual Private Network (VPN), routine data backups stored in multiple sources onsite/offsite including cloud in different seismic zone and anti-virus protection. Further, the datacenter is equipped with a fire suppression system utilizing Data Center Infrastructure Management (DCIM) to trigger alarms and send alerts via SMS and email.

1.Generation Risk

The Andhikhola powerhouse is 250 m below the ground surface-level. The powerhouse is unmanned and is being operated from the control room. The long vertical distance occasionally causes the plant to shut down due to signal interference/loss. Effective management of spare parts is in place for prompt maintenance of the plant. Timely preventive maintenance of the plant and grid line has minimized the downtime, thus resulting in an increase in generation.

The water of Jhimruk river contains a large quantity of quartz particles during monsoon season. This high silt content in Jhimruk river water is the main cause of the severe erosion of turbine parts during monsoon. This has enforced the plant to operate at a reduced capacity during flood, which reduced generation. The erosion of turbine parts has further reduced turbine efficiency and increased the maintenance duration. A complete set of erosive-prone turbine parts and accessories have been kept as spares 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, along with timely preventive maintenance of the plant and grid line, have minimized the downtime to increase generation. The variation of water in the Andhikhola and Jhimruk rivers is also one of the major factors of the variations in power generation.

2. Distribution Risk

BPC has been expanding its distribution area through rural electrification every year since 2047. Compared to last year, this year's consumer base has increased by 1.85%, and energy purchase has increased by 0.56%. However, the foremost challenge in the operation and expansion of the distribution

business is its sustainability. The distribution business under BPC has been recurring huge losses for many years and further increasing annually. Despite, there is still a considerable public demand for distribution expansion in the rural areas. Therefore, it is inevitable to increase the tariff at the earliest to make the distribution business commercially viable. If the tariff is not increased, the distribution business could not be continued in the future.

3. Business and Project Development Risks

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, operation, and maintenance. Poor geology, landslides, earthquakes, changes in design, lack of expertise, hydrology, etc are examples of technical risks. Likewise socio-political risks are demands of financial support, land acquisition & compensation, work interruptions, labour strike, intimidations, poor performance of contractors/consultants, road blockade, pandemic etc. Financial risks are price hike, time & cost overrun, fluctuations in bank interest rates & foreign currency exchange rates, penalties, energy deficit etc. Legal risks are delay in government approvals, licensing, PPA, Connection Agreement, import of materials/ equipment from third countries, environmental issues, unnecessary burden on custom or duty clearances, contractor claims, and settlements etc.

Some of the social risks have been minimized through CSR activities, stakeholder's engagement and maintaining public relations. Some risks which are associated with politics and socio-culture are beyond the control of the project companies. 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 have been identified, and mitigation measures have been planned for the new projects, under-construction projects and business operation.

The Company is exposed to several risks related to its investments in Khudi, Khimti, and Nyadi plants and under-development projects like Kabeli-A, MCPs, Chino and Mugu Karnali HEPs. Kabeli-A hydropower project has been resumed with financial closure, PPA amendment and strict construction schedule of 30 months, which has significantly reduced the investment risk and reputational risk. However, the RCOD related penalty and reduced cash flow years are the remaining risks.

Preparatory works of MCPs started in 2018 with upgrading of Beshisahar to Chame road, construction of camps at Danaque, Bagarchhap, installations of material testing lab, construction of bunker house etc. These works at site were affected by landslides and floods caused due to the heavy rainfalls in June 2021. The PPA of MMHEP has been signed in NPR, but there is a need to mitigate currency risks through hedging mechanism. The hedging regulation is in place, but it is unable to address the expected currency risks. The already signed PDA provisions are not in line with the requirements of international financing. Due to the delay in signing of PDA and exchange risks sharing under the PPA, the financial closure and the start of construction have been delayed. As the Generation License was issued in 2018, the project is incurring loss of cashflow years. In addition, the MCPs are likely to pose climate change risks like extreme rainfall, floods, landslides, GLOFs, and hydrology variations as per the recent trends.

The PPA of LMMHEP has recently been concluded but the amendment of Generation License and concluding PDA for the project is delayed. Five years have already passed since the date of Generation License, which is a loss of cashflow years impacting project's returns. On the other hand, the time extension for Financial Closure is becoming a risk and there is the extra cost of paying fee, equivalent to capacity royalty for last two years.

PDA with IBN could not be started for UM-2 HEP due to the requirement of re-processing under the new PPPIA Act. MOU has been signed and Survey License issued from IBN to submit DPR for the start of PDA negotiations and PPA process. The DPR has been prepared and submitted many months before to IBN, but it is taking unnecessary time for approval. The delay in approval of DPR, concluding PDA and issuance of license will further delay the process of Financial Closure. The risks associated with underlying conditions of power evacuation, quota for PROR PPA and management of wet energy under PPA is increasing due to such delays. If the delay persists, the project will also not be able to get the benefits as declared for the PROR projects larger than 200 MW.

The feasibility study of MKHEP has been completed considering the boundary coordinates of survey license and optimized project capacity is still pending for approval at MOEWRI due to overlapping of the license area with the downstream project. The transmission line is still uncertain for Connection Agreement with NEA, which puts investment at high risk. The CKHP has completed the Connection Agreement, obtained Generation License, and is waiting for PPA with NEA. The project being ROR type, the approval of increasing quota for ROR projects is required for concluding its PPA. The feasibility study and IEE of Jhimruk Solar Project has been completed but the PPA tariff rate fixed by NEA for solar projects is not adequate to make the project financially viable.

Many hydropower plants including Nyadi developed by IPPs are operating under contingency power evacuation, resulting in generation and revenue loss, which is due to the lack of management of power evacuation by NEA.

4. Financial Risk

The Company uses both debt and equity financing to meet its financial obligations. The Finance department coordinates and manages financial risk associated with foreign currencies, interest rates & liquidity, including refinancing and new borrowing. The Company has borrowed term-loan and operating loan, exposing itself to interest rate risk. Since market forces have an impact on interest rate risk, BPC has minimal role in minimizing it. The liquidity risk of BPC is associated with the deviation between the maturity profile of financial liabilities and the cash flows generated by assets. BPC has made arrangements for an adequate level of overdraft facility for short-term financing in order to limit liquidity risk and improve working capital management. Investment risk is also associated with BPC's equity investment in its subsidiaries and associates, considering the technical and financial feasibility of those companies.

5. Other Risks

BPC's operations are influenced by the overarching conditions that shape the energy industry, such as taxes, fees, regulations related to generation, distribution, and transmission, as well as general terms and conditions. These framework factors can potentially affect BPC's production, expenses, and income.

Senior Executives

FROM LEFT TO RIGHT (SITTING)
Mr. Pratik Man Singh Pradhan — *VP- BD&P*
Mr. Uttar Kumar Shrestha — *CEO*
Mr. Radheshyam Shrestha — *VP- Finance*

FROM LEFT TO RIGHT (STANDING)
Mr. Tika Ram Bhatta — *VP- Corporate*
Mr. Ganesh P. Khanal — *Sr. Manager- BD&P*
Mr. Prakash Kumar Shrestha — *VP- Operations*

Pondage Area of 9.4 MW Andhikhola Hydropower Plant

Shareholder's Information

The shareholding pattern of BPC as on end of Asadh, 2080 is as below:

S.N.	Shareholders	Number of Shares	Holding %
1	Shangri-La Energy Ltd.	19,191,816	56.30
2	Government of Nepal	2,530,249	7.42
3	IKN Nepal A.S., Norway	538,689	1.58
4	United Mission to Nepal	466,161	1.37
5	Nepal Electricity Authority	293,974	0.86
6	General Public Shareholders	11,069,757	32.47
	Total	**34,090,646**	**100.00**

Share Trading Information

In FY 2079/80, the market response to BPC stock was normal. The stock was heavily influenced 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 the year are given below:

Quarter	Traded Share (In thousands)	Traded Amount (In millions)	Number of Trades (Total transactions)	High	Low	Closing	Trading Day
First	792.44	262.78	7624	377	288	294	66
Second	645.58	208.01	5367	368.5	290.1	332	52
Third	651.45	212.79	5993	352	306.1	320	56
Fourth	891.62	296.85	8037	365	305	330.5	62
Total	**2981.09**	**980.43**	**27021**	**377**	**288**	**330.5**	**236**

All shares are being traded in Nepal Stock Exchange Ltd. (NEPSE) in active market. NABIL Investment Banking Limited has been appointed as Share Registrar of the Company effective from Shrawan 1, 2077. The detail of shareholders as of Ashad end, 2080 is as follows:

Share Status	Number of Shareholders	Number of Shares
Physical Shareholders	157	3,046,914
Demat Shareholders	70,406	31.043,430
Total	**70,563**	**34,090,344**

Corporate Social Responsibility

The Corporate Social Responsibility (CSR) initiatives of BPC revolve around environmental sustainability, community engagement, and responsible business practices as a socially conscious corporate citizen. CSR activities aim to develop appropriate social, economic, and environmental programs in its working areas based on the socio-economic and environmental requirements.

Economic, environmental, and social considerations have been incorporated into business decisions. BPC strives to collaborate with stakeholders to promote sustainable development and for the efficient use of natural resources. To fulfill and meet its CSR objectives, BPC has been engaging in various activities related to socio-economic and environmental improvement programs.

Throughout FY 2079/80, various mitigation activities were carried out at both Jhimruk and Andhikhola Hydro-Electric Centres (JHC and AHC). These efforts aimed to uplift community livelihood, enhance community relations, and safeguard public interests. CSR activities at AHC and JHC were primarily focused on income generation, improved agriculture and energy techniques, skill development training, irrigation system improvement, road improvement, plantation and environment development support programs. River training and other protection works were carried out in the vicinity of power plants to protect plant's structures and farmer's land. Plastic sheets were provided to irrigation canal users for optimization of downstream released water. Furthermore, financial assistance was provided to various clubs, educational institutions, and other social organizations for the purpose of carrying out social activities.

Mushroom Production.

Social Upliftment Program.

Certification

BPC is certified by DNV GL (Det Norske Veritas), India with QMS 9001:2015 (Quality Management System), EMS 14001:2015 (Environmental Management System) and OH&S 45001:2018 (Occupational Health and Safety Management System).

BPC has been recognized as the best managed Company in the hydropower sector and has received the ICAN national best presented annual report award 13 times during last 16 years. BPC has also been awarded with HRM Nepal Award for Corporate Excellence in power and energy sector. BPC is committed to operational excellence, good governance, corporate citizenship, and creating value for stakeholders.

Health, Safety and Environment

BPC consistently strives to ensure the prosperity of the Company by conducting its business in a manner that prioritizes health, safety, and environment consciousness, both within its workplace and in the community where it does business.

BPC places utmost priority on Health, Safety, and Environment (HSE). The Company is committed to creating a fulfilling work environment for its employees. BPC believes that a robust HSE performance, coupled with continuous improvement, reflects responsible management, significantly contributing to the overall progress of the Company.

The Company consistently monitors environmental aspects, work-related hazards, and incidents of gender-based violence and harassment. Efforts are directed towards identifying critical areas and implementing continuous improvements in working conditions, with a specific focus on reducing work accidents/incidents, workplace gender-based violence and harassment, and occupational illnesses. BPC has adopted an Integrated Quality, Environmental, and Occupational Health & Safety Policy. Occupational Health and Safety Manual has been prepared to encompass the statutory obligations under Labor Act, 2074 and Labor Regulation, 2075. Guidelines from the Occupational Health and Safety Management System (OH&S 45001:2018) have been implemented company-wide to enhance the health and safety standards. Company has also prepared and implemented the Environment Aspect Register to minimize and mitigate environmental impacts. Furthermore, a comprehensive Safety & Emergency Preparedness Plan has been disseminated to all the employees, addressing potential emergency situations like fires, floods, landslides, earthquakes, pandemics, and more, which further contribute to the enhancement of health and safety standards within the Company. The business units have been carrying out business activities with a focus on OH&S, environmental responsibility, and quality consciousness. OH&S

system has played a crucial role in creating awareness and effectively managing occupational health, safety, and security issues across the organization. These principles have been integrated into the Company's overall business operations, system, and procedures. Moreover, all employees are insured with Medical and Group Personal Accident (GPA) insurance policies. To maintain a healthy working environment, regular staff health check-ups are carried out once every three years. BPC has been operating ROR hydropower projects, which is considered as green energy, with minimal environmental issues. The impacts of water diversion have been adequately and scientifically mitigated. River training work is done annually to protect the farmer's land from flooding in the project-affected areas. Likewise, the environmental impact of tree cutting and trimming of bushes and bamboos for distribution

Jhimruk Hydroelectric Center Occupational Health & Safety Training

line expansion and maintenance is minimized by providing local communities with seedlings as per need. All the waste, including damaged electromechanical parts, insulating materials, used oil, and other wastes, are disposed of in accordance with ISO standards. The prevention of pollution, which includes source reduction or elimination, process, product, or service changes, efficient resource use, material and energy substitution, reuse, recovery, recycling, reclamation, or retreatment, is the foundation of environmental impact control.

Sustainability

BPC's core focus revolves around sustainable development, with business decisions and operations consistently incorporating economic, environmental, and social considerations to ensure a competitive advantage. BPC actively participates in various social, environmental, and economic development initiatives within and around its project areas. In order to sustain the viability of its businesses, BPC aims to persistently carry forward these initiatives in a sustainable manner, fostering collaboration with diverse stakeholders in the project areas.

Sustainability is a comprehensive, long-term concept that comprises of technical, environmental, economic, and social dimensions. It encompasses the principles of stewardship and responsible resource management. Achieving sustainability in development projects necessitates key foundations such as peace, security, and social justice. Social disruptions, including war, crime, and corruption, redirect resources away from essential human needs, hindering societies' ability to plan for the future and posing a general threat to the environment and the well-being of people.

BPC is certified with three ISO standards: 9001:2015 Quality, 14001:2015 Environment and 45001:2018 Occupational Health and Safety (OH&S). This sets the tone for BPC's commitments to the community, the environment, and its employees. BPC has been awarded with numerous other credentials that reflect its commitments to quality, environment, and occupational health & safety- International Quality Crown (IQC) Award by Business Initiative Directions, Spain, in the Gold Category. This award was given based on IQC regulations and on the criteria of the QC 100 Total Quality Management Model. Similarly, BPC has been recognized by the Institute of Chartered Accountants of Nepal (ICAN) 13 time during last 16 years with the National Best Presented Accounts (BPA) Award in the category of General Sector for Excellence.

Social Responsibility Initiatives

BPC places a strong emphasis on the well-being of the locals of the project areas, focusing on their social performance and living conditions. Before initiating projects, BPC conducts a Social Impact Assessment (SIA) analysis to establish a baseline for socioeconomic conditions. This analysis helps identify potential impacts and suggests social development initiatives to mitigate these effects within the project area. JHC and AHC are actively engaged in Sustainable Urban Planning (SUP), leveraging resources for social, environmental, and economic development to uphold the exemplary social performance in the project areas.

Moreover, training initiatives for awareness and capacity building have been executed to enhance the skills and knowledge of communities, empowering them to initiate new economic activities. BPC is optimistic that these efforts will enhance the quality of life and economic standing of local residents, ultimately contributing to the sustainability of the projects. Recognizing the Company's commitment to minimizing environmental and social impacts, as well as its production of environmentally friendly hydro-energy, BPC received the prestigious 'International Blue Planet Award 2005' from the International Hydropower Association in the UK.

Environmental Relative Initiatives

Beyond its core business, BPC is sensitive to the environmental concerns in its project areas. Conservation and protection of environmental resources have always been top priorities for BPC when conducting business. BPC not only provides electricity through its generation projects but also gives a strong emphasis on green energy and sustainable development. BPC built its corporate

office building based on the "green building" principles, which is a holistic approach that addresses environmental concerns, resource conservation, and energy efficiency while ensuring the maximum possible use of renewable energy with a healthy indoor environment. As part of its environmental development initiative, BPC has been routinely planting and maintaining the plants in its premises. For the protection of the environment, BPC has developed and implemented waste management process guidelines. The system of routine maintenance of power plants, diesel generators, and vehicles is in place to control pollution. If the construction and modification of transmission lines demands tree cutting, BPC facilitates local communities in plantation of new plants as needed. BPC has been contributing to environmental causes in accordance with regulatory requirements, such as IEE and EIA studies of the projects.

Social Initiatives

BPC is greatly concerned about its social obligations in hydropower development. Additionally, BPC mandates that all its projects undergo EIA and IEE studies. The company is also committed to CSR and makes it a point to address the societal, environmental, and stakeholders' concerns as it conducts business. BPC has been making voluntary efforts to improve the quality of life of local communities where it does its business. BPC has complied with all applicable rules and regulations pertaining to hydropower development. The projects have always encouraged the locals of the project areas for jobs and opportunities at the projects. As of today, AHC and JHC provide employment opportunities to the locals, which is about 70% of the total number of employees.

Integrated Reporting

BPC is certified with three ISO standards. Quality, Environmental and Occupational Health & Safety Management System (QEHMS) are established, implemented, and maintained in accordance with the requirements of QMS 9001:2015, EMS 14001:2015 and OH&S 45001:2018 standards. These three standards are combined as Integrated Management System (IMS). Based on the IMS, the organization's reporting system has been developed. It controls the quality of the reporting system and assures timely availability of internal and external resources for uninterrupted supply of power to the local consumer and the national grid. The continual improvement of IMS is being ascertained and ensured by internal and external audits through MRM with the review of the improvement requirements in the company processes on continual basis.

MRM-23 was held on September 28, 2023, in the presence of the functional heads, SBU heads, and ISO core team. The meeting was focused on follow-up actions, reviewed quality, HSE policies, IMS audit, customers' relations, status of safety and security, risk management, business performance, and suggested the areas of improvement.

Human Resource Accounting Information

Human Resource Accounting (HRA) involves the identification, collection, and analysis of information about human resources. This process aids management in planning, implementing, and monitoring the alignment of the Company's human resource-related activities with its vision and goals.

HRA is essential in creating personnel policies that support employee job satisfaction, career growth, and the creation of a positive work environment, in addition to ensuring that human resources are employed properly. HRA is a mechanism used by management to provide fair welfare, strong morale, and employee motivation. HRA also makes it easier to do tasks related to the development of human resources, such choosing the right exposure and training.

Human Capital

At the end of the FY 2079/80, the number of total employees (excluding those on part-time and job-based contracts) sums up to 184 within the approved organization structure, which are as segregated below:

Year	Manager Level Employees (Nos.)	Other Employees (Nos.)
2079/80	18	166

* 17 Short-term and part-time employees are not included in the table above.

The human capital for last 5 years is as mentioned below:

Year	Number of Employees			Employee Turnover	Number of Trainings Provided
	Regular	Contract	Total		
2079/80	141	43	184	3	34
2078/79	154	37	191	6	19
2077/78	160	42	202	9	5
2076/77	163	30	193	4	9
2075/76	173	29	202	32	20

A. Cadre-wise Human Resources

Cadre	Cadre-wise	Gender-wise (Female)	Gender-wise (Male)	Technical	Non-Technical
Management	18	0	18	9	9
Officer	29	3	26	9	20
Assistant	137	13	124	77	60
Total	**184**	**16**	**168**	**95**	**89**

B. Classification of Employee-As per Labor Act, 2074

Year	Regular	Special Contract	Time-based	Job-based	Part-time	Total
2079/80	141	6	37	4	13	201

C. Skill Development

The HR department consistently undergoes ongoing skill and competency enrichment of its employees through multitude of training sessions and workshops. The competency of employees has made a strong foundation for the Company to expand on. The employees actively engaged in twenty-nine separate events during FY 2079/80, including trainings, seminars, and workshops aimed at fostering professional development, employee motivation, and capacity building.

In the fiscal year, 616 employees have participated in various trainings, workshops, and seminars like: Contemporary Issues of Accounting Profession; Leadership Matters; Nepal Infrastructure Summit-2022; Sustainable Economic Development; Respectful Workplace Training for Powered by Women Member Companies in Nepal; International Financial Reporting Standards/Nepal Financial Reporting Standards (NRFS/IFRS); Income Tax Management 2079/80; Paradigm Shift in HR Management: A Perspective; Coaching and Mentoring for Support Staff; SAFA Conference and BPA Awards Ceremony; Conference on Role of Professional Accountants in Shaping Economic Growth of Nation; Excellence Stores Management-ESM; ISO Awareness Training on 9001:2015-QMS, 14001:2015-EMS and 45001:2018-OH&S; Fire Fighting Management; Traffic Awareness and Road Safety Management; Awareness on GVH GRM; Diploma in International Financial Reporting; HR Meet-2023; Gender and Hydropower; Human Resources Software Implementation; Hydropower Financing and Risk Management; Sahaj Samadhi Meditation; Financial Reporting for Sustainable Economy; GBV GRM Implementation Skills; Microsoft Certified: AZ 104 Azure Administrator Associate; Operation, Maintenance & Safety of Hydropower Plant; Operation, Maintenance & Safety of Transmission & Distribution Lines; NPNOG-8; WePower-SAR 100; South Asia Regional Infrastructure Connetivity-2023.

Distribution of 25 years long service award.

Value Added Statement

The Value Added 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.

Analysis:

Payment to Employees: 16.38% of the total value-added amount has been used to pay employees during FY 2079/80, which stands at Rs.198.89 million. This amount is 0.88% more than previous year's payment to employees Rs.197.15 million.

Payment to Government: 14.97% (Rs.181.85 million) of the total value-added amount has been paid to government during FY 2079/80. This amount is 5.79% less than the

Particulars	31st Asadh, 2080		32nd Asadh, 2079	
	NPR	%	NPR	%
Revenue from Sales of electricity and services provided	**724,416,725**	**59.65%**	**775,048,826**	**99.06%**
Less: Cost of Bought in Materials and Services				
Operating Cost	212,851,853	17.53%	140,428,568	17.95%
Value Added by Revenue from Sales and Services of Electricity	**511,564,872**	**42.12%**	**634,620,258**	**81.11%**
Add: Other Income Including Dividend Income				
Dividend Income	44,165,000	3.64%	11,440,209	1.46%
Finance Income	103,466,812	8.52%	99,928,739	12.77%
Other Income	555,310,751	45.72%	36,427,970	4.66%
Available for Application	**1,214,507,435**	**100.00%**	**782,417,176**	**100.00%**

Application of Value Added				
To pay Employees				
Wages, salaries, and other benefits	198,886,139	16.38%	197,145,763	25.20%
To pay Government				
Tax, VAT and Royalty	181,850,170	14.97%	193,021,318	24.67%
To pay Financers				
Interest on Borrowings	11,466,997	0.94%	12,809,954	1.64%
Dividends	397,895,200	32.76%	590,272,100	75.44%
To Provide for the Maintenance and Expansion of the Company	**424,408,930**	**34.94%**	**(210,831,959)**	**-26.95%**
Depreciation	44,381,363	3.65%	100,112,871	12.80%
Deferred Tax Credit Accounts	18,650,795	1.54%	5,177,034	0.66%
Retained Profit	(100,720,177)	-8.29%	(316,121,864)	-40.40%
Provision for Impairment Loss	462,096,949	38.05%	-	-
Total Application	**1,214,507,435**	**100.00%**	**782,417,176**	**100.00%**

Highlights:

- No. of Employees = 184
- Net Earnings Per Employee is NPR 1.66million
- Gross Earnings Per Employee is NPR 1.53 million
- Sales Per Employee is NPR 3.94 million
- Value Added per Employee is NPR 6.60 million

previous year's payment to the government Rs.193.02 million. The decrease is mainly due to decrease in revenue from sale of electricity.

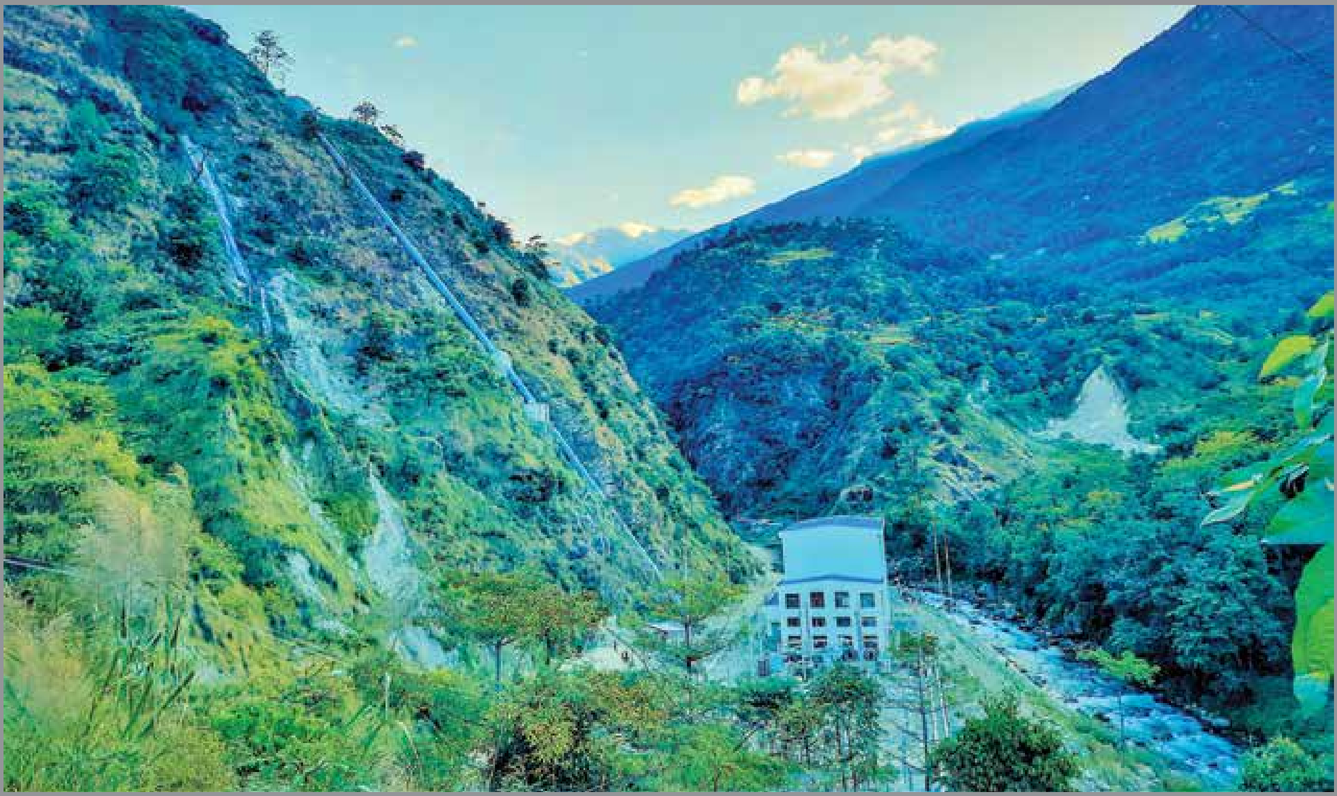
Payment to Debt Financers:
0.94% (Rs. 11.47 million) of the total value-added amount has been paid to debt financers during FY 2079/80. This amount is10.48% less than previous years payment to debt financers Rs.12.81 million. The decrease is due to repayment of term loan installment.

Payment to Providers of Capital:
32.76% (Rs. 397.90 million) of the total value-added amount has been paid to shareholders as a dividend during FY 2079/80. This amount is 32.59% less than the previous year's payment to shareholders Rs.590.27 million. The decrease is mainly due to decrease in distribution on cash dividend (from 10% to 7.5%) and stock dividend (from 10% to 5%)

Retained in Company: Rs. 44.38 million (3.65%) and Rs. 18.65 million (1.54%) of the total value-added amount have been provided for depreciation and deferred tax charges respectively. During the year Provision for impairment loss Rs. 462.10 million has been made, which constitutes 30.05% of the total value added. Deficit of Rs. 100.72 million (8.29%) has been adjusted from retained earnings of the company during FY 2079/80. Accordingly, net amount adjustment to retained in company comprises Rs. 424.41 million (34.94%), which was 301.30% less than the previous year's deficit retained amount Rs. 210.83 million. The decrease in deficit is mainly due to the provision made significantly for impairment loss on investment.

BPC Subsidiaries

Nyadi Hydropower Limited



Nyadi HP: Power House and Substation

The 30 MW Nyadi Hydropower Plant (NHP) is under operation by Nyadi Hydropower Limited (NHL), a project company with a majority shareholding of BPC. The plant started its commercial operation from May 10, 2022 (COD).

The total generation during FY 2079/80 was 105.297 GWh, which is only 62.47% of the Annual Contract Energy (168.552 GWh). The generation from the plant has only been in accordance with the contingency plan as approved by the NEA. Hence, the full utilization of the plant has not been achieved.

PROJECT FACT SHEET

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

Project location: Lamjung District, Marsyangdi Rural Municipality-6, near Thulobeshi and Naiche villages.

Installed capacity: 30 MW

Annual energy generation: 168.5 GWh

Design discharge: 11.08 Cumec at Q40

Gross head: 334.40 m

Headrace tunnel: 3,840 m

Power evacuation: Interconnection will be made to the Marsyangdi Corridor transmission line under construction by NEA at Khudi Hub. Currently power evacuation is through 50 MW Upper Marsyangdi-A transmission line under contingency plan.

Access to site: The site is about 6-hour drive from Kathmandu.

Powerhouse site: At Thulobeshi village, 4 km away from Thakanbeshi point at Besisahar-Chame road.

Headworks site: 5 km away from powerhouse.

Kabeli Energy Limited

Kabeli Energy Ltd. (KEL) has been established for the development of 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) located at Panchthar and Taplejung districts in Nepal, under build, own, operate, and transfer (BOOT) model as per the PDA with GoN.

After the exit of InfraCo Asia, BPC is developing the project in partnership with Arun Kabeli Private Ltd. (AKPL). BPC owns 60% and AKPL 40% stake in the project. Project construction has resumed after amendment of PPA with NEA and financial closure. The total project cost is estimated to be NPR 7520 million, including the interest during construction (IDC). As per the amended PPA, the revised COD is set for Poush 1, 2081. The total construction time has been fixed at 30 months.

KAHEP: Construction work in progress.

PROJECT FACT SHEET

Project type: Cascade Run-of-river (RoR)

Project location:

Headworks site-Cascade interconnection with Kabeli B-1 and Phawa Khola Plants, Panchthar District

Powerhouse site-Pinaseghat, Panchthar District

Installed capacity: 37.6 MW

Annual energy generation: 218.35 GWh

Design discharge: 37.23 m3/sec at Q40

Gross head: 120.3 m

Head race tunnel: 4,326 m

Power evacuation: Power evacuation through 132 kV Kabeli A switchyard

Access to site: The project area is about 800 km away from Kathmandu

Headwork site: 8 km from Mechi highway

Powerhouse site: 16 km from Mechi highway

KAHEP: Tunnel Inlet

KAHEP: Headrace Canal Construction

Nepal Hydro & Electric Limited

Nepal Hydro and Electric Limited (NHE), established in 2042 B.S., is a subsidiary of BPC, with the shareholding structure as such; BPC 51.3%, IKN Industrial AS, Norway (IKNI) 46.9%, Butwal Technical Institute 1.1%, and Himal Hydro & General Construction Ltd. 0.7%. With a history of excellence, stretching back more than 38 years, and as a pioneer Company in this sector, NHE has always been committed to quality.

NHE's operation encompass design, manufacturing, installation, testing, and commissioning of HM and EM equipment (including penstock pipe up to 100 mm thick, radial gate up to 16mx20m, roller gates, slide gates, stoplogs, trashrack & trashrack cleaning machine, hydro turbine parts etc), EPC high voltage substations, galvanized pole, transmission towers and motorable steel bridges. In addition, NHE is also involved in repairing/refurbishment and overhauling of power plant equipment including power transformers 132kV, 33kV, 11kV high voltage generators and motors.

NHE strives to be an esteemed Company engaging with and earning trust of its clients and stakeholders.

Purbi Chitwan 132-11kV Substation constructed by NHE

NHE: Workshop

Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE), a consulting wing of BPC with 100% ownership is committed to provide innovative and competitive engineering consultancy services in feasibility & environmental studies, detailed design, construction supervision & project management of hydropower projects, tunnels & other infrastructural development projects through qualified, experienced, competent, and specialized human resources from within the country and abroad. HCE also provides specific services like; pre and post construction/ maintenance, up-gradation of the projects, specific expertise service; transmission & distribution, other energy sector, irrigation, water supply, roads, bridges, in geology, contracts, and tender document preparations.

HCE has five decades long experience of undertaking the pre-feasibility, feasibility, detail design, construction supervision, project management, environmental & social studies, and engineering services in hydropower projects. Our pursuit for competitive excellence begins and ends with our commitment to excel in engineering services through highest level of quality and customer satisfaction.

HCE continues to provide international and national engineering consultancy services in accordance with national and international standard safety regulations. HCE is working as a foreign consultant/expert in Uganda on project management and construction supervision of Orio's nine Mini hydropower projects:

Seti Nadi HPP under Construction Supervision of HCE

similarly, in Kenya and Pakistan on projects larger than 450 MW. In FY 2078/79, the company completed the feasibility study and EIA of 133 MW Kaligandaki Tinau Diversion Multipurpose Project, construction supervision of 86 MW Solu Khola (Dudhkoshi), 30 MW Nyadi Khola, 42 MW Mistri Khola Hydropower Projects. HEC was also involved in Detailed Engineering Design of some of the distinguishable projects like; 38 MW Nilgiri Khola-1 HPP and 25 MW Seti Nadi HPP.

At present, the HCE is involved in; Feasibility and EIA study of 512 MW Bharbhung Storage Project including Tatu ROR Project. HCE is also involved in the 63.5MW Manahari Multipurpose Project, 62 MW Humla Karnali, 141 MW Mugu Karnali Phase II HPP, 80.5 MW Dadagau Khalanga Bheri HPP, 350 MW Lower Badigad Storage HPP, and 42.46 MW Tila HPP for DoED. Similarly, HCE is implementing the feasibility study, tender document preparation and detailed engineering design of 12 MW Mistri-2 HEP, feasibility study of 235 MW Humla Karnali 1 , 335 MW Humla Karnali 2, 63 MW Chhujung Khola HPP, 141.46 MW Mugu Karnali HP-Phase II, detailed engineering design of 37 MW Rahughat Mangale HPP, 48 MW Upper Rahughat HPP, 52 MW Upper Lapche Khola HPP, 62 MW Bhotekoshi V HEP, 86 MW Landruk Modi HEP, detail engineering design, tender document preparation, and design support during the construction of 48.5 MW Upper Rahughat HEP and 37 MW Rahughat Mangale HEP. HCE is also engaged in construction supervision for 25 MW Seti Nadi HEP and 14 MW Ghar Khola HPP, among others.

Furthermore, among the various projects with HCE, there are projects that stand out as integral components of its business diversification strategy, such as involvement in various reservoir, water security enhancement, lift irrigation, road tunnel, and transmission lines projects.

Khudi Hydropower Limited

Khudi HP_Forebay

Khudi Hydropower Limited (KHL) owns and operates the 4 MW Khudi Hydropower Plant, which began its commercial operation in FY 2063/64. BPC is the major shareholder of KHL. Power generated from the plant is supplied to the national grid through 33 kV line.

The plant generated 21.93 GWh in the FY 2079/80. The company earned revenue of NPR 89.96 million in FY 2079/80 with an increase of 6.58% and a net profit of NPR 26.50 million with an increase of 170% compared to previous year.

PROJECT FACT SHEET

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

Project location:

Head work site-Lamjung district, Marsyangdi Rural Municipality, Ghanapokhara village located on the left bank of Khudi river

Powerhouse site-Lamjung district, Marsyangdi Rural Municipality, Simpani village

Installed capacity: 4.00 MW

Annual energy generation: 24,284 MWh

Design discharge: 4.9 m3/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 substation of NEA.

Access to site:

Powerhouse site within 5 hours drive from Kathmandu and is 9 km away from Besisahar, the district headquarters of Lamjung District.

Headworks site: 2.5 km away from the powerhouse.

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 has previously provided Operation and Maintenance Management (OMM) services to IPP power plants and is looking for similar opportunities in the market. Moreover, BPCSL has been providing competent technical experts in hydropower projects as well as in social and environmental mitigation programs 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.

The development of hydropower sector has necessitated the dire need of expertise for successful operation and maintenance of the power plants for project sustainability and yielding the desired return on investment. This creates a good market opportunity for the company which can provide these services to hydropower plants. BPCSL has been aiming to capture such market opportunities and be able to cater the needs from construction to testing & commissioning and OMM.

BPCSL, as an OMM service provider, has also been involved in preparing and implementing various social development and environmental mitigation activities in the vicinity of hydropower projects to assist clients with mitigation activities. It has also been actively coordinating, participating, and assisting in the implementation of various CSR activities for its clients.

Turbine Maintenance of 9.4 MW Andhikhola Hydropower Plant.

Five Year Financial Summary

FIVE YEAR SUMMARY OF STATEMENT OF FINANCIAL POSITION

(In Thousands NPR)

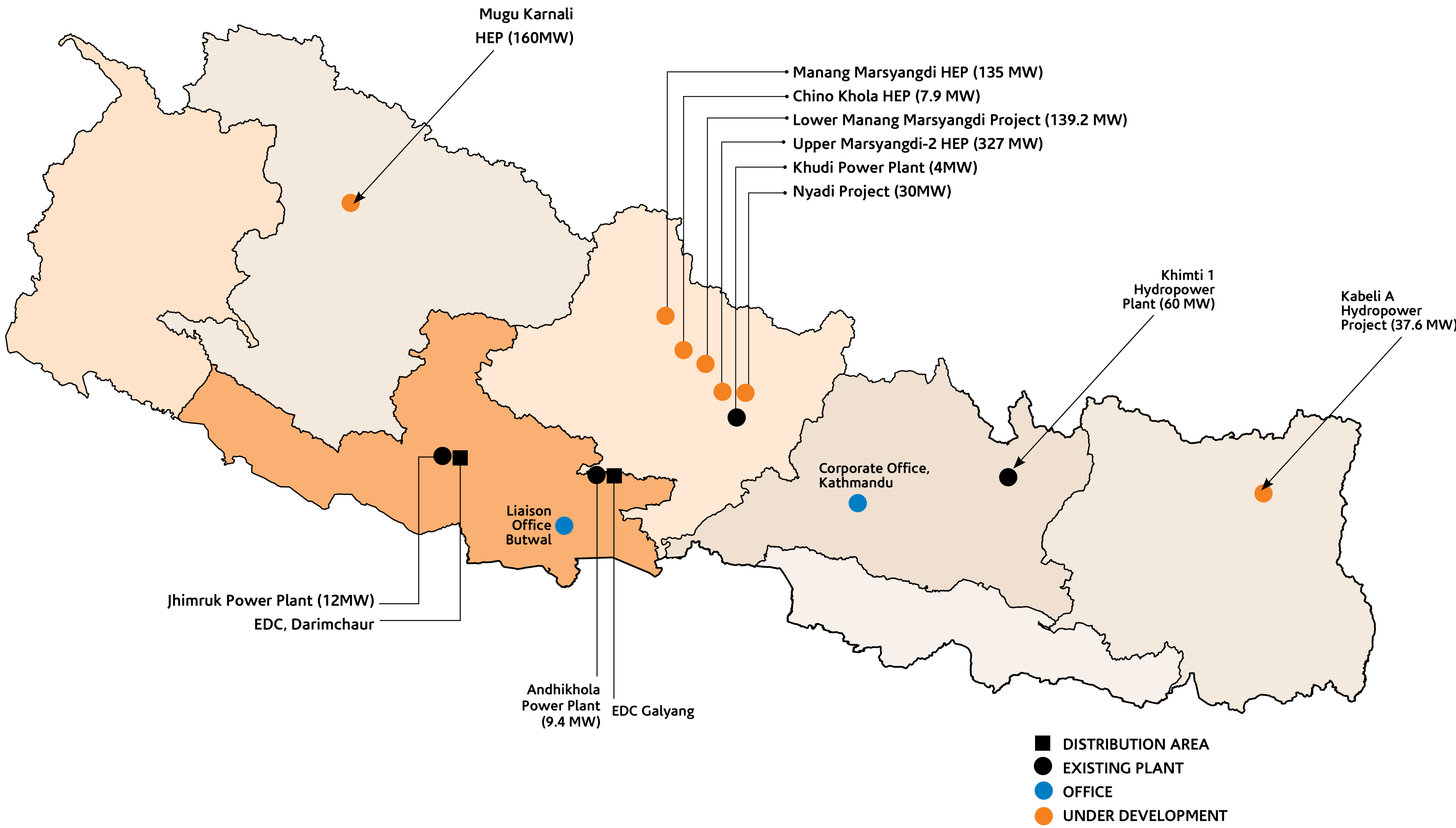
Particulars	2075/76 2018/19	2076/77 2019/20	2077/78 2020/21	2078/79 2021/22	2079/80 2022/23
ASSETS					
Non-Current Assets	**7,024,001**	**6,525,094**	**5,764,916**	**6,002,110**	**6,745,644**
Property, Plant and Equipment	338,771	315,804	298,844	284,591	271,559
Project Work in Progress	221,267	266,393	285,558	313,951	346,167
Intangible Assets	1,927,473	1,871,187	1,864,526	1,896,369	1,857,657
Capital Work in Progress	534	1,922	1,922	1,922	1,922
Investment in Shares	4,530,307	4,068,461	3,303,680	3,505,277	4,268,339
Other Non-current Assets	5,649	1,326	10,384	-	-
Current Assets:	**925,269**	**1,341,192**	**1,922,492**	**1,680,701**	**893,411**
Inventories	42,779	54,037	50,873	55,365	58,065
Trade Receivables	98,680	73,332	93,039	107,473	65,686
Cash & Bank Balance	347,103	89,688	684,861	32,638	64,195
Other Financial Assets	373,396	1,104,441	1,058,297	1,469,098	681,555
Other Current Assets	18,921	11,305	11,377	16,127	16,418
Current Tax Assets (Net)	44,390	8,389	24,045	-	7,492
Total	**7,949,270**	**7,866,285**	**7,687,408**	**7,681,956**	**7,681,956**
EQUITY & LIABILITIES:					
Equity	**6,901,281**	**7,029,047**	**7,009,391**	**6,968,194**	**7,032,668**
Equity Share Capital	2,440,555	2,683,882	2,951,361	3,246,327	3,409,065
Other Equity	4,460,726	4,345,165	4,058,031	3,721,867	3,623,603
Non-Current Liabilities	**810,570**	**629,774**	**482,123**	**457,974**	**452,354**
Grant Aid in Reserve	202,660	195,809	189,437	183,049	175,148
Borrowings	233,520	159,134	110,069	94,659	79,659
Provisions	10,939	17,526	20,055	22,175	20,907
Deferred Tax Liabilities	339,337	232,613	140,201	138,697	158,167
Other Non-Current Liabilities	24,114	24,692	22,360	19,394	18,473
Current Liabilities	**237,419**	**207,465**	**195,894**	**255,788**	**154,033**
Borrowings	94,989	82,764	48,882	101,374	15,000
Trade Payables	25,507	20,832	38,177	39,030	15,543
Other Financial Liabilities	38,242	22,443	23,102	27,592	28,677
Provisions	1,460	2,033	3,647	2,600	3,866
Other Current Liabilities	77,221	79,393	82,085	85,192	90,947
Total	**7,949,270**	**7,866,285**	**7,687,408**	**7,681956**	**7,639,055**

FIVE YEAR SUMMARY OF STATEMENT OF PROFIT & LOSS

(In Thousands NPR)

Particulars	2075/76 2018/19	2076/77 2019/20	2077/78 2020/21	2078/79 2021/22	2079/80 2022/23
INCOME					
Operating Income					
Electricity Sale to NEA	486,830	483,838	423,725	526,762	469,313
Electricity Sale to Consumers	187,203	195,137	213,989	239,480	247,530
Electricity Services	9,045	7,732	8,428	8,807	7,574
Total Operating Income	**683,078**	**686,707**	**646,142**	**775,049**	**724,417**
Income from Other Sources					
Financial Income	151,540	24,254	58,532	99,929	103,467
Dividend Income	578,954	744,121	324,956	11,440	44,165
Gain (Loss) on Disposal of Assets & Stock Materials	6,571	147	2,837	-	512,729
Depreciation Being Revenue Portion of Grant Aid	7,681	7,747	7,782	7,839	7,900
Other Income Including Forex gain/loss	28,184	23,551	359,922	28,589	34,682
Total Non- Operating Income	**772,930**	**799,828**	**754,029**	**147,797**	**702,943**
Total Income	**1,456,008**	**1,486,527**	**1,400,171**	**922,846**	**1,427,360**
EXPENDITURE					
Generation Expenses	266,312	245,690	312,181	295,793	303,590
Distribution Expenses	137,045	119,405	124,160	137,875	138,569
Administrative Expenses	164,256	123,339	127,739	127,427	126,787
Impairment Loss in Investment	1,830	246,302	252,051	-	462,097
Finance Costs	41,628	31,996	19,435	12,810	11,467
Total Expenditure	**611,071**	**766,732**	**835,567**	**573,905**	**1,042,510**
Net Profit Before Tax	**844,937**	**719,795**	**564,603**	**348,941**	**384,850**
Current Tax Provision	46,730	40,738	115,873	69,614	61,128
Deferred Tax Expenses/Credit	37,872	(52,227)	(53,086)	5,177	18,651
Net Profit After Tax	**760,335**	**731,284**	**501,816**	**274,150**	**305,071**

Our Presence



FINANCIAL STATEMENTS

2022-2023

bpc
BUTWAL POWER COMPANY LIMITED

JOSHI & BHANDARY ▪ Chartered Accountants

▪ G.P.O. Box: 3423
Koshi Compound, Dillibazar
Kathmandu, Nepal
Tel: 977-1-4419364
Tel: 977-1-4423550
Fax: 977-1-4413038
Web: www.jb.com.np

INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS 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 (SoFP) as at Ashad 31, 2080 (corresponding to July 16, 2023), the Statement of Profit and Loss and Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and notes to the financial statements, including a summary of Significant Accounting Policies.

In our opinion and to the best of our information and explanations provided to us, the accompanying financial statement referred to above present fairly, in all material respects, the financial position of the Company as at Ashad 31, 2080 [i.e. July 16, 2023] and its financial performance and its cash flow for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

BASIS OF OPINION

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). 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 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.

EMPHASIS OF MATTER

We draw attention Note 16 relating to "Other Equity" of the financial statements which included Share Premium account with a balance of Rs. 1,767 million raised through equity shares issued to public at premium in FY 2074/75 and auction of right shares in earlier years. As explained, the company has no intension of distributing bonus shares out of such Share Premium Balance in near future even though same can be used for distribution of bonus share as per Companies' Act. Should company decide to utilize same and distribute as bonus in future, corporate income tax under section 56 (3) of Income-tax Act will be applicable at that time and distribution thereof. Income tax obligation on such transaction shall accordingly be considered in line with the provision of Nepal Accounting Standard 12: "Income-Tax".

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended Ashad 31, 2080. These matters were addressed in the context of our audit of the standalone 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. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Standalone Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the standalone financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying standalone financial statements.

<table>
<tr><th>Key Audit Matters</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">New Nepal Financial Reporting Standards which are specifically applicable for the current reporting period as per the pronouncement of Institute of Chartered Accountants of Nepal (ICAN) are not adopted by the Company (Refer Note 2.1 "Basis of Preparation and Measurement of the financial statements).</td></tr>
<tr><td>BPC has opted not to adopt any of the new set of NFRS pronounced by ICAN, which are mandatory and might relate to it, but not specifically applicable considering the nature of its business and transactions for the financial year 2079-80 (2022-23). These standards include:

• NFRS 9 (New) "Financial Instruments",
• NFRS 14 "Regulatory Deferral Accounts"
• NFRS 16 "Leases",
• NFRS 17"Insurance Contracts"
• NAS 29 "Financial Reporting in Hyperinflationary Economies".</td><td>We discussed with the management and those charged with governance regarding the non-adoption of new NFRS for the current reporting period. We also evaluated the effect on financial position of the company due to non-adoption with each of the new NFRS's which are mandatory for current reporting period as pronounced by ICAN considering the nature of business executed by the company. Based on our evaluation considering the transaction and account balances, we determined that overall impact on the financial position and profitability of the company due to non-adoption of new NFRS won't be significant.

Those charged with governance of the company as well as management have committed to adopt all applicable NFRSs from next year despite the effect of such adoption on financial statement not being significant.

Considering the circumstances, we have concluded that the exception noted are not significant.</td></tr>
<tr><td colspan="2">Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 13 "Other Financial Assets" and Note 35B "Contingent Liabilities and Commitments" of the financial statements).</td></tr>
<tr><td>BPCL has entered into a separate Power Purchase Agreement for a new project at Andhikhola with a Commercial Operation Date on April 05, 2015 increasing its then existing capacity of 5.1 MW to 9.4 MW. The company has considered the additional 4.3 MW project at Andhikhola as a new project on the basis of a separate/new PPA agreement and has calculated and paid royalty to the Department of Electricity Development (DoED) at the rate applicable for a new project i.e. NPR 100 per KW of the installed capacity and 2% of revenue from sale of electricity. However, DoED has considered the project as an upgrade of the original project has demanded royalty applicable for an ongoing project i.e. NPR 1,000 per KW of installed capacity and 10% of revenue from sale of electricity which is under dispute and under consideration at the Supreme Court of Nepal as a writ petition

Also, DoED, through its direct instruction to Nepal Electricity Authority (NEA), has already recovered the amount from the receivable of the company from NEA from sale of electricity made. Total disputed royalty payment withheld by NEA on behalf of DoED as of Asadh 31, 2080 amounted to NPR 40,238,306 (PY 39,216,416) and the amount thus deducted is accounted for and reported as receivable from DoED reflected under Note 13, recovery of which depends upon the outcome of the court ruling.</td><td>Our audit procedures included, but were not limited to, the following:

We understood the basis taken by the company while taking a call that the additional 4.3 MW Project is a new project.

We have evaluated the design and operation controls in relation to compliance with applicable laws and regulations.

We collected and reviewed the summary of litigation documents provided by management and held discussion with those charge with governance.

In respect to 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 applicable) and assessed the estimates against the historical trends.

We considered management's judgment on the level of provisions/recognition of contingent liability as appropriate.</td></tr>
</table>

OTHER INFORMATION

The management is responsible for other information presented in the Butwal Power Company Limited's Annual Report and Accounts FY 2079/80 (FY 2022/23) together with the Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

This report is expected to be made available to us after the date of our auditor's report. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, expect as explicitly stated below, any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 as on the date of this issuance of this report.

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

Company's management is responsible for the preparation and fair presentation of these financial statements. In accordance with NFRSs that is also described under Notes to account 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 RESPONSIBILITY 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 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 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 risk of material misstatement of the financial statements, whether due to fraud or error, design and performed 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 omission, 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 of the effectiveness of the Company'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 the 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 cause significant doubt on the Company'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 disclosure 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 the Company to cease to continue as a going concern.

- Evaluated 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 identified 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

As per Companies Act 2063, based on our audit carried out on sampling basis, we report that, in our opinion:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit;
2. Proper books of accounts as required by law have been kept by the Company as far as appears from our examination of such books;
3. The Statement of Financial Position (SoFP) as at Ashad 31, 2080 [corresponding to July 16, 2023], the Statement of Profit and Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company;
4. The business of the Company has been conducted satisfactorily; and
5. To the best of our knowledge and in accordance with explanations given to us and from our examination of the books of accounts of the Company, necessary for the purpose of our audit, we have not come across cases where the Board of Directors, representative or any employee of the Company has acted contrary to the provisions of law, or committed any misappropriation or caused loss or damage to the Company deliberately.
6. Our suggestions for improvement in the Company's internal controls and accounting system have been presented in a separate management letter.

DILLIBAZAR, KATHMANDU
DATE: MANGSIR 29, 2080 (DEC 15, 2023)
UDIN – 231222CA00106PX8CR

MANMOHAN RAJ KAFLE, FCA
EXECUTIVE PARTNER

STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2080 (16 July 2023)

Figures in NPR

	Note	As at 31 Ashadh 2080	As at 32 Ashadh 2079
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	271,559,483	284,591,037
Capital work-in-progress	3	1,922,130	1,922,130
Intangible assets	4	1,857,657,366	1,896,368,544
Project work-in-progress	5	346,166,596	313,951,359
Financial assets			
Investment in Subsidiaries and Associates	6	3,454,773,292	2,694,986,430
Other investments	7	813,565,356	810,290,015
Other non-current assets	12	-	-
Total Non-Current Assets		**6,745,644,223**	**6,002,109,515**
Current Assets			
Inventories	8	58,064,717	55,364,530
Financial assets			
Trade receivables	9	65,686,320	107,473,300
Cash and cash equivalents	10	64,179,003	32,622,886
Bank balance other than cash and cash equivalents	11	15,000	15,000
Other financial assets	13	681,555,420	1,469,098,262
Other current assets	12	16,418,463	16,126,859
Current tax assets (net)	14	7,492,170	-
Total Current Assets		**893,411,093**	**1,680,700,837**
Total Assets		**7,639,055,316**	**7,682,810,352**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	3,409,064,600	3,246,326,800
Other equity	16	3,623,603,445	3,721,867,116
Total Equity		**7,032,668,045**	**6,968,193,916**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	17	175,148,433	183,048,550
Financial liabilities			
Borrowings	19	79,659,280	94,659,280
Provisions	22	20,907,155	22,174,837
Deferred tax	14	158,166,950	138,697,320
Other non-current liabilities	20	18,472,610	19,393,572
Total Non-Current Liabilities		**452,354,428**	**457,973,559**
Current Liabilities			
Financial liabilities			
Borrowings	19	15,000,000	101,373,945

	Note	As at 31 Ashadh 2080	As at 32 Ashadh 2079
Trade payables	18	15,543,166	39,029,537
Other financial liabilities	21	28,676,980	27,591,996
Provisions	22	3,865,533	2,600,431
Other current liabilities	20	90,947,164	85,192,201
Current tax Liabilities (net)	14	-	854,767
Total Current Liabilities		**154,032,843**	**256,642,877**
Total Liabilities		**606,387,271**	**714,616,436**
Total Equity and Liabilities		**7,639,055,316**	**7,682,810,352**

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

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st Ashadh 2080 (16 July 2023)

Figures in NPR

	Note	2079-80	2078-79
Revenue	23	724,416,725	775,048,826
Cost of Sales			
Generation Expenses	24	(303,590,208)	(295,792,791)
Distribution Expenses	25	(138,569,213)	(137,874,933)
Gross profit		**282,257,304**	**341,381,102**
Depreciation Being Revenue Portion of Grant Aid	17	7,900,117	7,839,086
Other income	28	78,846,896	40,029,093
Provision for Impairment loss on Investment written back	28	512,728,738	
Administrative and other operating expenses	26	(126,786,657)	(127,427,032)
Allowance for Expected Credit loss	27	(462,096,949)	-
Profit from Operation		**292,849,449**	**261,822,249**
Finance Income	29	103,466,812	99,928,739
Finance Costs	30	(11,466,997)	(12,809,954)
Profit Before Tax		**384,849,264**	**348,941,034**
Income Tax Expense			
Current tax	14	(61,127,796)	(69,613,764)
Deferred tax credit/charge	14	(18,650,795)	(5,177,034)
Profit for the year		**305,070,673**	**274,150,236**
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	3,275,341	(26,722,165)
ii. Tax relating to items that will not to be reclassified to profit or loss	14	(818,835)	6,680,541
Other comprehensive gain/(loss) for the year, net of tax		**2,456,506**	**(20,041,624)**
Total Comprehensive gain/(loss) for the year, net of tax		**307,527,179**	**254,108,612**
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	31	8.95	8.44
Diluted Earnings per share - Rs.	31	8.95	8.44

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

Om Prakash Shrestha
Director

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

STATEMENT OF CASH FLOWS

For the year ended 31st Ashadh 2080 (16 July 2023)

Figures in NPR

	Note	2079-80	2078-79
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		384,849,264	348,941,034
Adjustments for:			
Depreciation on property, plant and equipment		20,206,154	21,788,417
Amortization of Intangible Assets		82,719,872	78,324,454
Depreciation Being Revenue Portion of Grant Aid		(7,900,117)	(7,839,086)
Provision for employee benefits		(2,580)	1,072,693
Provision for Bonus		20,925,231	14,993,429
Finance income		(103,466,812)	(99,928,739)
Equity Investment written off		-	-
Impairment of Intangible asset		3,977,874	1,211,411
Finance cost		11,349,926	12,642,219
Impairment loss on investment in subsidiaries and associates		(462,096,949)	-
Loss/ (gain) on sale of Property, plant and equipment		(3,214,349)	-
Unrealized foreign exchange difference on cash and cash equivalents		(118,081)	(273,774)
Working capital adjustments:			
(Increase)/ Decrease in Trade receivables		41,786,980	(14,434,799)
(Increase)/ Decrease in other financial assets		207,542,842	(81,568,530)
(Increase)/ Decrease in other assets		(291,604)	5,634,682
(Increase)/ Decrease in Inventories		(2,700,187)	(4,491,130)
Increase / (Decrease) in trade payables		(23,486,371)	852,183
Increase / (Decrease) in financial liabilities		1,084,984	4,489,663
Increase / (Decrease) in other current liabilities		(3,290,462)	(2,990,778)
Cash generated from operations		**167,875,615**	**278,423,349**
Bonus paid		(15,061,001)	(20,561,832)
Income Tax Paid		(69,474,733)	(44,713,875)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**83,339,881**	**213,147,642**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		3,525,597	447,852
(Increase)/Decrease in Project work-in-progress		(32,215,234)	(28,392,900)
(Increase)/Decrease in Investment in Fixed Deposits		580,000,000	(329,232,603)
Interest Received		103,466,812	99,928,739
(Increase)/ Decrease Investment in Subsidiaries and Associates		(297,689,913)	(228,318,154)

	Note	2079-80	2078-79
(Increase)/ Decrease in Other Investments		-	-
Acquisition of Property, plant and Equipment		(7,485,848)	(7,983,259)
Purchase of Intangibles		(47,986,568)	(111,378,013)
Grant Aid received/ (refunded)		-	1,450,216
Bank balance other than cash and cash equivalents		-	35,000,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		**301,614,846**	**(568,478,122)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further public offering (FPO)		-	-
Issue of right share		-	-
Share Issue Cost		-	-
Borrowing (repaid) / taken (net)		(15,000,000)	(49,292,180)
Dividend paid		(240,792,820)	(286,605,800)
Interest paid		(11,349,926)	(12,642,219)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(267,142,746)**	**(348,540,199)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**117,811,981**	**(703,870,679)**
Net foreign exchange difference on cash and cash equivalents		118,081	273,774
CASH AND CASH EQUIVALENTS, Beginning of Year		**(53,751,059)**	**649,845,846**
CASH AND CASH EQUIVALENTS, End of Period	**38**	**64,179,003**	**(53,751,059)**

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

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2080 (16 July 2023)

Figures in NPR

	Equity Share Capital	Retained earnings and reserves				Total
		Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	
Balance at 1 Shrawan 2078	2,951,360,500	1,767,535,318	148,700,000	285,810,539	1,855,984,747	7,009,391,104
Profit for the year	-	-	-	-	274,150,236	274,150,236
Other comprehensive income	-	-	-	(20,041,624)	-	(20,041,624)
Total comprehensive income	**-**	**-**	**-**	**(20,041,624)**	**274,150,236**	**254,108,612**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	294,966,300				(294,966,300)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-		(295,305,800)	(295,305,800)
Balance at 31st Ashadh 2079	**3,246,326,800**	**1,767,535,318**	**148,700,000**	**265,768,915**	**1,539,862,883**	**6,968,193,916**
Profit for the year	-	-	-	-	305,070,673	305,070,673
Other comprehensive income	-	-	-	2,456,506	-	2,456,506
Total comprehensive income	-	-	-	**2,456,506**	**305,070,673**	**307,527,179**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	162,737,800				(162,737,800)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-		(243,053,050)	(243,053,050)
Balance at 31st Ashadh 2080	**3,409,064,600**	**1,767,535,318**	**148,700,000**	**268,225,421**	**1,439,142,706**	**7,032,668,045**

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

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2080

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, the Government of Nepal (GoN) and the 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
- Investment in the shares of projects and other companies

The financial statements apply to the financial year ended 31st Ashadh 2080 (16th July 2023).

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

The accompanying financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on Mangsir 29, 2080 (December 15, 2023). The Board of Directors acknowledges the responsibility for the 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.

New Standards issued by ICAN which are applicable at 16th July 2023:

NFRS 9 "Financial Instruments" (Revised), The Company classifies financial assets and financial liabilities in accordance with the categories specified in NAS 32 and NFRS 9. The company has recognized a loss allowance for expected credit losses for NPR 462,096,949 on financial assets during the FY 2079/80 based on the assessment that there have been significant increases in credit risk since initial recognition. Additional disclosures were made under Note 27 and Note 2.17

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2078-79 (2021-22). Revenue from service concession arrangement under the intangible asset model is recognized based on the principles laid down under IFRIC-12 and 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.

During the year, BPCL constructed a new infrastructure asset and identifies a performance obligation (operation and maintenance) under a service concession arrangement (contract) which includes transmission line upgrading, renovation of distribution lines, etc. amounting to NPR 47,986,568 (Intangible asset during the year). The company has applied intangible asset model to recognize the asset as per IFRIC 12 – Service concession arrangements.

Income from the concession arrangements earned under the intangible asset model consists of:

i) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and
ii) payments received from the users.

The cost for such improvements to concession assets is based on actual costs incurred by the Company in the execution of the upgradation, considering the requirements in the concession agreement. The amount of revenue recognized is equal to the amount of costs incurred, considering the fair value of the amount transferred, therefore no adjustments were made to revenue and cost incurred. The amounts paid are set at market value.

NFRS 16 Leases: The new standard on lease is applicable from 16 July 2021 and it sets out the principles for the recognition, measurement, presentation, and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, lease payments are made over time, also obtaining financing. Accordingly, NFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by earlier IAS 17 and instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. NFRS 16 substantially carries forward lessor accounting requirements in IAS 17. Accordingly, the company in the capacity of a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

New Standards issued by ICAN which are yet to be adopted at 16th July 2023:
BPC has not opted for the adoption of the new set of NFRS pronounced by ICAN, which may relate to it, but not specifically relevant to the company. These standards include:

NFRS 17 "Insurance Contracts" NFRS 17 would be effective from July 16, 2024 and early application is allowed. The effect of application of NFRS 17 is being studied and initial assessment is that our business would not be materially affected by NFRS 17.

NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2021, has not be adopted based and initial assessment is that our business would not be materially affected by NAS 29.

ii. Basis of preparation
The financial statements have been prepared on an 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 the 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 the functional and presentation currency of the ra2Company i.e., Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Company operates.

iii. 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.

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 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 include: -

Useful life and residual value of property, plant and equipment

Management reviews the useful life and residual values of property, plants, and equipment at least once a year. Such a 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 to determine the extent of the impairment loss (if any). The 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 on 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 qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Recognition of deferred tax assets

A 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: 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.

The 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 for based on 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 the right (a license) to charge users of the public service. A right to charge users of public service is not an unconditional right to receive cash because the amounts are contingent on to the extent the public uses the services. Both types 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 hydropower plants 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 the right to use the hydropower 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 the 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 the cost of each component/ part of the asset separately if the component/ part has a cost that 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 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 therefrom 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. Amortisation is recognised 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 a 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 during 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 are 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 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 the 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 the 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 incurred 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

The cost of inventories includes the 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. The 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 are transferred to the buyer under the terms of the contract.

ii) Other Electricity services

Fees from other electricity services are accounted on an 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 the case of a 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 the 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 re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.
v. Exchange differences on monetary items are recognised in the 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 the 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 the new Labor Act enacted and effective from 19th Bhadra, 2074, the gratuity plan has been converted into a contribution plan from a defined benefit plan. Contribution for gratuity is currently being deposited with Citizen Investment Trust (CIT). However, from FY 2078/79, BPC has started to deposit contribution for gratuity on monthly basis to the separate Social Security Fund (SSF) with regard to the new employees appointed from Shrawan 01, 2078, onwards. Contributions to the 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.

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 employees 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 that 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 the company:

Income from Manufacturing and sale of electricity: 20% (/78: 20%)

Income from Other services: 25% (/78: 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 assets 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. The tax rate for income from manufacturing and the 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 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 decreases the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted 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) because 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. 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 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 the 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 a financial asset or financial liabilities. 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 the 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. Investments 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 the Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item.

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 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 assets not measured at amortised cost or at fair value through other comprehensive income are 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 derecognises 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 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 a 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
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 contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The company as a Lessee

At the commencement date, the Company shall recognize a right to use asset at cost and a lease liability at the present values of the lease payments that are not paid at that date. The lease payment shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the company shall use it's incremental borrowing rate.

After the commencement date, the company shall measure the right to use asset applying a cost model or measurement model. To apply a cost model, the company shall measure the right of use asset at cost less any depreciation and any accumulated impairment losses adjusted for remeasurement of lease liability as mentioned below.

After the commencement date, the company shall measure the lease liability by

(a) Increasing the carrying amount to reflect interest on the lease liability.
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications to reflect revised in-substance fixed lease payments

The arrangement is, or contains, a lease if fulfillment 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 lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance Lease

At the commencement date, a lessor shall recognize assets held under a finance lease in its Statement of Financial Position and present them as receivable at the amount equal to net investment in lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease., In case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the lease) to measure the net investment in the sublease.

A lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating Lease

A lessor shall recongise lease payments from operating leases as income either of straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefits from use of the underlying asset is diminished.

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 as 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 analyze 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 on 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 on 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 the management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all the 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, 2080 and Ashadh 32, 2079: -

Particulars	Currency	Ashadh 31, 2080	Ashadh 32, 2079
Cash and bank balance	NPR	4,239,122	4,133,303
	USD	32,318	32,416

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 arrangements 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 stressful 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 an 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 headroom 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 to meet its strategic and day-to-day needs. it considers the amount of capital in proportion to the risk and manages the capital structure considering 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 the future development and growth of its business. The Company's focus is on keeping a strong total equity base to ensure independence, and security, as well as high financial flexibility for potential future borrowings, if required, without impacting on the risk profile of the Company. The Company will take appropriate steps 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 31st Ashadh, 2080 and 32nd Ashadh, 2079.

2.23 SEGMENT REPORTING

The Chief Executive Officer and functional managers of the Company have 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 most of its 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 a 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, the Government of Nepal, Ministry of Finance declared to provide a lump sum grant of Rs 5.5 million per MW of electricity to those producers who generate and connect the generated electricity to the national grid within FY 2017/18. Andhikhola Hydropower Project, upgraded from 5.1 MW to 9.4 MW achieved a Commercial Operation Date (COD) on April 5, 2015 (Chaitra 22, 2071) from Nepal Electricity Authority (NEA). The first request was made to the Ministry of Energy dated May 8, 2015, and subsequent follow-up letters have been submitted from time to time. The total Grant for the 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 a 4 MW Khudi Power Plant, which began commercial operation in FY 2063/64. BPC holds 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 14.34.% (12.56% in FY 2078/79) (i.e., the prevailing interest rate 11.84% 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 including Khudi and Nyadi Hydropower projects

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 owned 71.68% shares of NHL followed by 27% Public and 1.32% LEDCO shareholdings as on reporting date. Generation of electricity started from Baisakh 27, 2079 (May 10, 2022) the COD date.

e) Hydro-Consult Engineering Limited

The engineering business unit of BPC was merged with 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 also acquired 20% shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this additional acquisition, BPC owned 100% shares of HCEL effective from FY 2078/79.

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 467.68 million in GEL till the end of FY 2079/80. Currently, the only project under the joint venture pipeline is 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 (KAHEP) 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). BPC holds overall 95% shares of KEL being 27.24% direct investment and 28.92.% through 'Gurans Energy Limited'. Kabeli A is a 37.6 MW run-of-river hydro power plant with an estimated capacity factor of 60%.. The construction of the project has been resumed and financial closure from local consortium of banks has been achieved on December 1, 2023.BPC has invested additional NPR 300 million in Kablei-A project till the end of FY 2079/80 as a part of the its Equity for the revival process.

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,), and necessary process of forming Joint venture Company as per the provision of PPA regarding handover and takeover of the share is in progress.

i) Hydro Lab Private Limited

Hydro Lab Private Limited (HLPL)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 16.74% 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 a capital contribution of 20%, 51%, 17% and 12% respectively. The company has an 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 7 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. Manang Marsyangdi Hydro-Electric Project developed by the Company with an 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 within the Annapurna Conservation Area (ACAP). The project is in the pre-construction phase as on reporting date.

l) Himtal Hydropower Company Pvt. Ltd.

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001, under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marsyandi 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 the project.

BPC owns 19.40% shares of Manang Mrsyangdi Hydropower Company Pvt. Ltd, a SPV formed to develop and operate MMHEP. 80.60% of the total shares are owned by SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. DoED has issued Generation License for 35 years period from 17 Nov 2018 for 282 MW ROR type and PPA with NEA for 135 MW has been signed. The process of financial closure is ongoing with the Chinese banks and the EPC Contractor has started site preparation works.

l) Himtal Hydropower Company Pvt. Ltd.

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001, under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marsyandi 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 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 in the process of negotiation. DPR has been reviewed by IBN and is under approval process. The Grid Impact Study (GIS) has been completed and forwarded to Grid Operation Department for Connection Agreement

m) Marsyangdi Transmission Company Pvt. Ltd. (MTCL)

Marsyangdi Transmission Company Pvt. Ltd., incorporated in Nepal on April 27, 2010, under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), to develop the transmission line for power evacuation of 600MW 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 31ST ASHADH 2080

Note no: 3
Property, plant and equipment:

Figures in NPR

	Freehold Land	Building	Office Equipment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
Cost									
Balance at 1st Shrawan 2078	48,515,535	263,452,318	64,069,992	24,846,787	3,765,926	41,656,085	17,643,434	1,922,130	**465,872,207**
Additions	-	1,265,404	920,994	242,057	399,094	1,769,900	3,385,810	-	**7,983,259**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(585,250)	(1,218,992)	(33,959)	(9,482)	(322,288)	-	**(2,169,971)**
Balance at 32nd Ashadh 2079	48,515,535	264,717,722	64,405,736	23,869,852	4,131,061	43,416,503	20,706,956	1,922,130	**471,685,495**
Additions	-	-	950,174	164,317	3,939,855	261,900	2,169,602	-	**7,485,848**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(654,730)	(167,675)	(186,812)	(330,314)	(699,438)	-	**(2,038,969)**
Balance at 31st Ashadh 2080	48,515,535	264,717,722	64,701,180	23,866,494	7,884,104	43,348,089	22,177,120	1,922,130	**477,132,374**
Accumulated depreciation									
Balance at 1st Shrawan 2078	-	62,202,619	45,537,340	19,834,204	1,998,116	24,073,423	11,460,328	-	**165,106,030**
Charge for the year	-	10,040,580	4,575,451	1,354,559	409,620	3,733,169	1,675,038	-	**21,788,417**
Disposals	-	-	(488,159)	(924,126)	(23,072)	(7,494)	(279,268)	-	**(1,722,119)**
Balance at 32nd Ashadh 2079	-	72,243,199	49,624,632	20,264,637	2,384,664	27,799,098	12,856,098	-	**185,172,328**
Charge for the year	-	9,596,621	3,672,908	992,795	622,146	3,131,337	2,190,347	-	**20,206,154**
Disposals	-	-	(562,738)	(142,369)	(134,387)	(267,381)	(620,846)	-	**(1,727,721)**
Balance at 31st Ashadh 2080	-	81,839,820	52,734,802	21,115,063	2,872,423	30,663,054	14,425,599	-	**203,650,761**
Net book value									
At 1st Shrawan 2078	48,515,535	201,249,699	18,532,652	5,012,583	1,767,810	17,582,662	6,183,106	1,922,130	**300,766,177**
At 32nd Ashadh 2079	48,515,535	192,474,523	14,781,104	3,605,215	1,746,397	15,617,405	7,850,858	1,922,130	**286,513,167**
At 31st Ashadh 2080	48,515,535	182,877,902	11,966,378	2,751,431	5,011,681	12,685,035	7,751,521	1,922,130	**273,481,613**

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
Intangible assets:

Figures in NPR

Intangible assets:	Computer Software	Service Concession Arrangement	Total
Balance at 1st Shrawan 2078	1,663,551	2,289,710,782	**2,291,374,333**
Additions - Externally acquired	-	111,378,013	**111,378,013**
Transfer from CWIP	-	-	**-**
Adjustment during the year	(39,550)	(1,375,919)	**(1,415,469)**
Balance at 32nd Ashadh 2079	1,624,001	2,399,712,876	**2,401,336,877**
Additions - Externally acquired	-	47,986,568	**47,986,568**
Transfer from CWIP	-	-	**-**
Adjustment during the year	-	(4,509,221)	**(4,509,221)**
Balance at 31st Ashadh 2080	1,624,001	2,443,190,223	**2,444,814,224**
Amortisation			
Balance at 1st Shrawan 2078	373,485	426,474,452	**426,847,937**
Charge for the year	334,688	77,989,766	**78,324,454**
Adjustment during the year	(39,550)	(164,508)	**(204,058)**
Balance at 32nd Ashadh 2079	668,623	504,299,710	**504,968,333**
Charge for the year	324,800	82,395,072	**82,719,872**
Adjustment during the year	-	(531,347)	**(531,347)**
Balance at 31st Ashadh 2080	993,423	586,163,435	**587,156,858**
Net book value			
At 1st Shrawan 2078	1,290,066	1,863,236,330	**1,864,526,396**
At 32nd Ashadh 2079	955,378	1,895,413,166	**1,896,368,544**
At 31st Ashadh 2080	630,578	1,857,026,788	**1,857,657,366**

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

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
	At cost	At cost
Chino Khola SHP	36,059,482	32,856,368
Lower Manang Marshyangdi HEP	220,879,812	202,320,629
Mugu Karnali HEP	85,810,765	76,599,012
Solar Project at Jhimruk Area (7 MW)	3,416,537	2,175,350
Total	**346,166,596**	**313,951,359**

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

Note no: 6
Investment in subsidiaries and associates

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	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)"	147,231	42,991,260	147,231	42,991,260
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
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	789,700,830	601,300	789,700,830
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,346,245	6,406	10,346,245
Manang Marsyangdi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up). Refer note 2.26 (k) for details	198,455	147,402,781	198,455	147,402,781
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	3,125,439	93,520,876
Advance towards share capital including incidental cost:				
SCIG Int'l Nepal Hydro Joint Venture Development Co. Pvt. Ltd.	-	44,000,000	-	44,000,000
Gurans Energy Limited	-	-	-	3,012,232
Hydro-Consult Engineering Limited	-	-	-	-
Manang Marsyangdi Hydropower Company Pvt. Ltd.	-	182,086,000	-	182,086,000
Kabeli Energy Limited		251,330,400	-	-
Gross Investment at Cost (A)	**23,012,780**	**3,454,773,292**	**23,012,780**	**3,207,715,168**
Less: Provision for impairment loss				
Gurans Energy Limited		-		(274,371,902)
Kabeli Energy Limited		-		(238,356,836)
Total Provision (B)		**-**		**(512,728,738)**
Net Investment at cost less impairment (A+B)		**3,454,773,292**		**2,694,986,430**

During the current year Impariment loss on Investment has been reversed for Kabeli Energy Limited and Gurans Energy Limted for amount of NPR 238,356,836 and NPR 274,371,902 resepectively considering the current progress of Kabeli-A Project. Further Allowances for expected credit loss has been made considering remoteness of chances for conversion of Advance towards share into Equity shares of Kabeli Energy for NPR 123,536,367 and for Gurans Energy Limited for NPR 135,700,323.

Note no: 7
Other investments

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income				
"Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)"	2,978,502	759,512,872	2,978,502	760,196,753
"Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)"	10,000	34,052,484	10,000	30,093,262
Total Investment at Fair Value through Other Comprehensive Income	**2,988,502**	**793,565,356**	**2,988,502**	**790,290,015**
Advance towards share capital including incidental cost:				
Nepal Power Exchange Ltd.	-	20,000,000	-	20,000,000
Total other investments	**2,988,502**	**813,565,356**	**2,988,502**	**810,290,015**

Note no: 8
Inventories

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
General Stock/Office Supplies/Consumer Service Items	8,663,033	9,410,599
Stock of Electric Goods	8,890,299	8,515,017
T/L & D/L Stock	4,490,183	6,664,035
Other engineering inventories and spare parts	36,021,202	30,774,879
Total	**58,064,717**	**55,364,530**

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

Note no: 9
Trade receivables

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Nepal Electricity Authority	44,044,196	88,483,280
Local Consumers	21,642,124	18,990,020
Total	**65,686,320**	**107,473,300**

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

Note no: 10
Cash and cash equivalents

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Balances with banks		
Local currency account		
In current accounts	30,460,997	24,156,407
In call accounts	28,550,462	3,276,850
In deposits accounts (Original maturity less than 3 months)	-	-
Convertible currencies account		
In current accounts	2,981,882	2,887,300
In call accounts	1,257,240	1,246,004
Cheques in Hand	22,920	410,209
Cash in hand	905,502	646,116
Total	**64,179,003**	**32,622,886**

Refer Note 19 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 31st Ashadh 2080	As at 32nd Ashadh 2079
Cash at banks and on hand	64,179,003	32,622,886
Overdraft	-	(86,373,945)
Total	**64,179,003**	**(53,751,059)**

Note no: 11
Bank balance other than cash and cash equivalents

Figures in NPR

Particulars	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Balances with Bank		
In deposit account	-	-
Embarked balance with bank		
Margin money	15,000	15,000
Total	**15,000**	**15,000**

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)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-current	Current	Non-current
Capital advance	573,859	-	761,823	-
Prepaid Expenses	15,844,604	-	15,365,036	-
Gratuity Fund Surplus	-	-	-	-
Total	**16,418,463**	**-**	**16,126,859**	**-**

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)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-current	Current	Non-current
Deposit (Others)	462,268	-	470,268	-
Advances to Staff	406,917	-	351,780	-
Receivables from Employee Welfare Fund	14,301,855	-	14,301,855	-
Receivables from Harish Chandra Shah	-	-	185,000,000	-
Receivables from SC Power Company Pvt. Ltd.	-	-	15,000,000	-
Dividend receivable from subsidiaries and associates	-	-	16,705,060	-
Interest receivable from subsidiaries and associates	19,387,519	-	79,190,659	-
Investment in Fixed Deposit	450,000,000	-	1,030,000,000	-
Other receivables from subsidiaries and associates	1,758,555	-	806,381	-
Other receivables from Citizen Investment Trust	-	-	-	-
Advance to subsidiaries and associates	155,000,000		87,500,000	
Other receivables from Department of Electricity Development (DoED)	40,238,306	-	39,216,416	-
Other receivables	-	-	555,843	-
Total	**681,555,420**	**-**	**1,469,098,262**	**-**

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

Allowances for expected Credit loss has been provided for amount receivable from Harish Chandra Shah NPR 185,000,000 and from S.C Power Company Pvt. Limted for NPR 10,000,000 and for the interest receivable from subisdiaries and Associates (Kabeli Energy Limited) for NPR 7,860,259 considering the uncertainity regarding the recoverability.

Note no: 14
INCOME TAXES

Figures in NPR

A.	Tax expense recognised in the Statement of Profit and Loss	Year ended 31 Ashadh, 2080	Year ended 32 Ashadh, 2079
	Current tax expenses		
	Current tax on profits for the year	61,127,796	69,613,764
	Adjustments for under provision in prior periods	-	-
	Deferred tax credit/charge		
	Origination and reversal of temporary differences	18,650,795	5,177,034
	Adjustments/(credits) related to previous years - (net)	-	-
	Income tax expense reported in Statement of Profit or Loss	**79,778,591**	**74,790,798**

B.	Tax expense recognised in Other comprehensive income	Year ended 31 Ashadh, 2080	Year ended 32 Ashadh, 2079
	Deferred tax		
	Origination and reversal of temporary differences	818,835	(6,680,541)
	Adjustments/(credits) related to previous years - (net)	-	-
	Income tax charged to OCI	**818,835**	**(6,680,541)**

C.	Current tax asset / (liability) -net:	Year ended 31 Ashadh, 2080	Year ended 32 Ashadh, 2079
	Advance Income Tax	68,648,482	70,967,568
	Less: Income Tax Liability	(61,156,312)	(71,822,335)
	Total	**7,492,170**	**(854,767)**

D.	Reconciliation of tax liability on book profit vis-à-vis actual tax liability	31 Ashadh, 2080			32 Ashadh, 2079		
		Hydro	Other source	Total	Hydro	Other source	Total
	Accounting Profit/ (Loss) before income tax	197,461,255	187,388,009	384,849,264	245,607,038	103,333,997	348,941,035
	Enacted tax rate	20%	25%		20%	25%	
	Computed tax expense	**39,492,251**	**46,847,002**	**86,339,253**	**49,121,408**	**25,833,499**	**74,954,907**
	Differences due to:						
	Tax effect due to non taxable income	-	(11,041,250)	(11,041,250)	-	(2,860,052)	(2,860,052)
	Effect due to non deductible expenses	1,932,001	3,801,137	5,733,138	3,276,741	2,300,421	5,577,162
	Tax effect due to difference in depreciation rate	(7,181,744)	(63,654)	(7,245,398)	(8,016,119)	(42,134)	(8,058,253)
	Tax effect of Impairment reversal less Allowance for ECL		(12,657,947)	(12,657,947)			
	Current tax on profits for the year	**34,242,508**	**26,885,288**	**61,127,796**	**44,382,030**	**25,231,734**	**69,613,764**

E. The movement in deferred tax assets and liabilities during the year ended 32 Ashadh, 2079 and 31 Ashadh, 2080:

i.	Movement during the year ended 32 Ashadh, 2079	"As at 1 Shrawan, 2078"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 32 Ashadh, 2079"
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	5,039,755	234,783	-	5,274,538
	Provision for loss on investment	128,182,185	-	-	128,182,185
	Depreciation and Amortisation	(178,234,596)	(5,329,808)	-	(183,564,404)
	Investment in equity instrument	(95,270,180)	-	6,680,541	(88,589,639)
	Amortisation cost of term loan	82,009	(82,009)	-	-
	Total	**(140,200,827)**	**(5,177,034)**	**6,680,541**	**(138,697,320)**

ii.	Movement during the year ended 31 Ashadh, 2080	"As at 1 Shrawan, 2079"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2080"
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	5,274,538	73,398	-	5,347,936
	Provision for loss on investment	128,182,185	(128,182,185)	-	-
	Depreciation and Amortisation	(183,564,404)	(6,066,245)	-	(189,630,649)
	Investment in equity instrument	(88,589,639)	-	(818,835)	(89,408,474)
	Amortisation cost of term loan	-	115,524,237	-	115,524,237
	Total	**(138,697,320)**	**(18,650,795)**	**(818,835)**	**(158,166,950)**

Note no: 15
Equity Share Capital

Figures in NPR

Particulars	"As at 31st Ashadh, 2080"		"As at 32nd Ashadh, 2079"	
	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	34,090,646	3,409,064,600	32,463,268	3,246,326,800
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	34,090,646	3,409,064,600	32,463,268	3,246,326,800
	34,090,646	**3,409,064,600**	**32,463,268**	**3,246,326,800**

B. Reconciliation of the number of shares outstanding at the beginning and end of the year		
	"As at 31st Ashadh, 2080"	"As at 32nd Ashadh, 2079"
	No. of Shares	No. of Shares
Balance as at the beginning of the year	32,463,268	29,513,605
Add: Issue of bonus share during the year	1,627,378	2,949,663
Balance as at end of the year	**34,090,646**	**32,463,268**

C. Details of shareholding more than 1%				
Particulars	"As at 31st Ashadh, 2080"		"As at 32nd Ashadh, 2079"	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	19,191,816	56.30%	18,277,920	56.30%
Government of Nepal	2,530,249	7.42%	2,409,761	7.42%
IKN Nepal A.S., Norway	538,689	1.58%	513,037	1.58%
United Mission to Nepal	466,161	1.37%	443,963	1.37%
Nepal Electricity Authority	293,974	0.86%	279,975	0.86%
General Public Shareholders				
- Other General Public shareholders	11,069,757	32.47%	10,538,612	32.46%

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 31st Ashadh, 2080"**	**"As at 32nd Ashadh, 2079"**
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2078-79: cash dividend NPR. 7.5 per share and stock dividend NPR 5 per share (2077-078: Cash dividend NPR. 10 per share and stock dividend 10 per share)	162,737,800	295,305,800
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed dividend for 2079-80: Cash dividend NPR 5 per share. (2078-79: cash dividend NPR 7.5 per share and stock dividend NPR 5% per share)		162,737,800

Note no: 16
Other equity

Figures in NPR

Other equity	Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2078	1,767,535,318.00	148,700,000.00	285,810,539.00	1,855,984,747.00	**4,058,030,604**
Profit for the year	-	-	-	274,150,236.00	**274,150,236**
Other comprehensive income	-	-	(20,041,624.00)	-	**(20,041,624)**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share				(294,966,300.00)	**(294,966,300)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders	-	-	-	(295,305,800.00)	**(295,305,800)**
Balance at 32nd Ashadh 2079	1,767,535,318	148,700,000	265,768,915	1,539,862,883	**3,721,867,116**
Profit for the year	-	-	-	305,070,673	**305,070,673**
Other comprehensive income	-	-	2,456,506	-	**2,456,506**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share				(243,053,050)	**(243,053,050)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders	-	-	-	(162,737,800)	**(162,737,800)**
Balance at 31st Ashadh 2080	1,767,535,318	148,700,000	268,225,421	1,439,142,706	**3,623,603,445**

Note no: 17
Grant aid in reserve

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Closing balance	Amortisation for the year	Closing balance	Amortisation for the year
Name of Grantors				
NORAD	7,478,641	328,484	7,807,125	328,484
UMN PCS	14,911,610	673,931	15,585,541	673,931
USAID	8,415,570	382,723	8,798,293	382,723
REGDAN	9,143,877	414,375	9,558,252	414,375
JRP	4,534,651	206,805	4,741,456	206,805
REEP	61,118,632	2,773,848	63,892,480	2,773,848
Local VDC/Community	69,545,452	3,119,951	72,665,403	3,058,920
Total	**175,148,433**	**7,900,117**	**183,048,550**	**7,839,086**

Note no: 18
Trade payables

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Trade payables	15,543,166	-	39,029,537	-
Total	**15,543,166**	**-**	**39,029,537**	**-**

Note no: 19
Borrowings

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	15,000,000	79,659,280	15,000,000	94,659,280
Overdraft	-	-	86,373,945	-
Total	**15,000,000**	**79,659,280**	**101,373,945**	**94,659,280**

1) 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.

2) Terms of Repayment of Term Loans

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
2-3 Years	30,000,000	30,000,000
4-5 Years	30,000,000	30,000,000
5-10 Years	19,659,280	34,659,280
Total	**79,659,280**	**94,659,280**

Note no: 20
Other liabilities (current and non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	18,472,610	920,962	19,393,572
Dividend Payable	61,763,477	-	59,503,247	-
Statutory dues	3,571,015	-	7,528,669	-
VAT Payable (Net)	189,508	-	24,288	-
Welfare Fund Clearing Account	3,644,531	-	2,221,606	-
Bonus payable	20,857,671	-	14,993,429	-
Total	**90,947,164**	**18,472,610**	**85,192,201**	**19,393,572**

Note no: 21
Other Financial Liabilities

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	9,497,611	-	11,814,149	-
Refundable Deposits of Parties	2,371,062	-	1,868,349	-
Retention Payable	5,206,733	-	4,916,862	-
Royalty Payable	6,302,765	-	6,666,222	-
Other Payable	5,298,809	-	2,326,414	-
Total	**28,676,980**	**-**	**27,591,996**	**-**

Note no: 22
Provisions (current and non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Provision for leave encashment	3,865,533	20,907,155	2,600,431	22,174,837
Total	**3,865,533**	**20,907,155**	**2,600,431**	**22,174,837**

Note no: 23
Revenue

Figures in NPR

Particulars	2079-80	2078-79
Electricity Sale to NEA		
Electricity Sale	470,216,042	529,469,371
Short supply charges	(903,719)	(2,707,568)
	469,312,323	526,761,803
Electricity Sale to Consumers		
Metered Consumers	202,450,588	197,912,455
Unmetered Consumers	368,798	551,962
Industrial Consumers	58,140,462	54,357,948
UO Rebate	(13,429,535)	(13,342,809)
	247,530,313	239,479,556
Electricity Services		
Fee and Charges	1,570,994	1,850,947
Sale of Meter/Cutout & Accessories	6,003,095	6,956,520
	7,574,089	8,807,467
Total	**724,416,725**	**775,048,826**

Note no: 24
Generation Expenses

Figures in NPR

Particulars	2079-80	2078-79
Electricity Purchase	33,790,134	20,366,626
Salaries and other employee cost	56,657,464	57,343,917
Contribution to Provident and Gratuity Fund	4,564,844	4,581,703
Staff Bonus	5,422,515	5,106,908
Environment, Community & Mitigation	16,442,696	28,008,785
Donation expenses	608,900	502,220
Repair and Maintenance	38,809,920	29,891,577
Vehicle running cost*	744,219	761,949
Depreciation	2,582,278	2,122,844
Amortisation of Intangible Assets - SCA	59,288,881	58,320,870
Royalty	60,479,188	66,562,312
Insurance	11,506,080	8,107,849
Safety and Security	3,872,398	3,872,397
Bad Debts	-	-
Assets written off	91,917	97,134
Miscellaneous Expenses	8,728,774	10,145,700
Total	**303,590,208**	**295,792,791**

Note no: 25
Distribution Expenses

Figures in NPR

Particulars	2079-80	2078-79
Cost of sale of Meter/Cutout & Accessories	3,565,295	3,879,564
Salaries and other employee cost	45,162,815	51,966,403
Contribution to Provident and Gratuity Fund	4,145,287	4,496,801
Staff Bonus	7,881,642	4,738,818
Environment, Community & Mitigation	-	-
Donation expenses	21,600	22,880
Repair and Maintenance	11,543,163	11,233,091
Vehicle running cost	1,603,227	1,155,565
Depreciation	1,830,121	1,927,217
Amortisation of Intangible Assets - SCA	23,092,654	19,655,359
Royalty	26,095,984	25,282,237
Insurance	693,456	512,456
Safety and Security	799,345	799,345
Bad Debts	-	-
Assets written off	109,081	51,950
Miscellaneous Expenses	12,025,543	12,153,247
Total	**138,569,213**	**137,874,933**

Note no: 26
Administrative and other operating expenses

Figures in NPR

Particulars	2079-80	2078-79
Salaries and other employee cost	59,740,984	56,430,754
Contribution to Provident and Gratuity Fund	4,742,140	4,566,801
Staff Bonus	7,621,074	5,147,703
Staff Welfare	2,947,374	2,765,955
Advertisement and business promotion	543,258	467,834
AGM and Board Expenses	4,625,890	4,641,236
Audit Fee and Expenses	2,915,508	1,832,727
Communication Expenses	2,374,332	2,307,713
Depreciation and amortisation	16,132,091	18,086,581
Environment, Community & Mitigation	208,580	7,670
Gift and Donation	368,882	140,520
Hospitality and Refreshment	301,055	237,547
Insurance	1,632,081	1,342,849
Safety and Security	2,403,034	2,398,034
Legal and professional Expenses	3,970,652	6,041,269
Office running cost	5,053,441	4,970,704
Printing and Stationery	1,894,633	1,582,924
Rates and Taxes	731,359	620,087
Rent	-	-

Particulars	2079-80	2078-79
Repair and Maintenance	5,540,580	7,300,107
Training and Development	521,907	554,353
Travelling expenses	961,028	746,151
Vehicle running cost	889,401	771,466
Bad Debts	-	2,000
Assets Written off	110,249	298,769
Equity Investment written off	-	-
Miscellaneous Expenses	7,618,628	10,290,961
Overhead Charged to Projects	(7,061,504)	(6,125,683)
Total	**126,786,657**	**127,427,032**

*BPC has a system of charging its employees for any personal use of its vehicles and deducting such amount from corresponding expenses.

a. Detail of Audit Fee and related expenses

Particulars	2079-80	2078-79
External Audit	474,600	452,000
Other assurance services (includes out of pocket expenses of external audit)	285,080	141,875
Internal Audit (including out of pocket expenses)	572,926	654,821
ISO Audit	1,582,902	584,031
Total	**2,915,508**	**1,832,727**

Note no: 27
Allowance for Expected credit loss

Figures in NPR

Particulars	2079-80	2078-79
Gurans Energy Limited	135,700,323	-
Kabeli Energy Limited	131,396,626	-
Receivables from Harish Chandra Shah	185,000,000	-
Receivables from SC Power Company Pvt. Ltd.	10,000,000	-
Total	**462,096,949**	**-**

**Allowances for expected Credit loss has been provided for amounts receivable from Harish Chandra Shah NPR 185,000,000 and from S.C Power Company Pvt. Limted for NPR 10,000,000.Further it also includes amount provided for Advances towards share of Kabeli Energy Limited for NPR 123,536,367 and of Gurans Energy Limited for NPR 135,700,323 and for the interest receivable from Kabeli Energy Limited for NPR 7,860,259.(Refer Note 6 and Note 13 for details of allowance for expected credit loss).

Note no: 28
Other Income

Figures in NPR

Particulars	2079-80	2078-79
Dividend income	44,165,000	11,440,209
Income from Other Sources	11,908,678	9,868,101
Provision for Impairment loss on Investment written back	512,728,738	-
House Rent	19,298,658	17,997,393
Gain / (Loss) on disposal of assets and inventories	3,214,349	-
Insurance Claim received on Loss of Assets	142,130	782,852
Foreign Currency Exchange Gain/(Loss)	118,081	(59,462)
Total	**591,575,634**	**40,029,093**

Provision for Impairment loss on Investment written back comprises amount of Impiarment reversed for Kabeli Energy Limited and Gurans Energy Limited for amount of NPR 238,356,836 and NPR 274,371,902 considering the current progress of Kabeli-A Project.

a. Detail of Dividend income

Name of Company	2079-80	2078-79
Khudi Hydropower Limited-Preference Shares	27,360,000	-
Hydro-Consult Engineering Limited	15,000,000	10,490,209
BPC Services Limited	950,000	950,000
Nepal Power Exchange Ltd.	855,000	-
Total	**44,165,000**	**11,440,209**

b. Detail of Foreign Currency Exchange Gain/(Loss):	2079-80	2078-79
- On account of term loan with IFC		(333,236)
- On account od disposal of assests and inventories	-	-
- On account of Revaluation of different foreign currency bank accounts	118,081	273,774
- On account of MM Project	-	-
Total	**118,081**	**(59,462)**

Note no: 29
Finance income

Figures in NPR

Particulars	2079-80	2078-79
Interest income	103,466,812	99,928,739
Total	**103,466,812**	**99,928,739**

Note no: 30
Finance Costs

Figures in NPR

Particulars	2079-80	2078-79
Interest Expenses	11,349,926	12,642,219
Other finance cost	-	-
Bank Charges	117,071	167,735
Total	**11,466,997**	**12,809,954**

Note: 31
EARNINGS PER SHARE

Figures in NPR

EARNINGS PER SHARE	2079-80	2078-79
Profit for the year	305,070,673	274,150,236
Weighted average number of equity shares outstanding	34,090,646	32,463,268
"Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [-78 Restated]"	8.95	8.44
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	34,090,646	32,463,268
"Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [-78 Restated]"	8.95	8.44

Note no: 32
Employee benefits expenses, Depreciation and Amortisation included in the statement of profit or loss:

Figures in NPR

Particulars	2079-80	2078-79
Employee benefit expenses		
Salary	78,387,941	80,085,932
Allowances	69,904,748	70,638,725
Provident Fund	7,454,435	7,542,603
Gratuity	6,011,985	6,102,702
Insurance	973,413	963,298
Leave Encashment	12,281,012	14,086,929
Staff Welfare	2,947,374	2,765,955
Staff Bonus	20,925,231	14,993,429
Total	**198,886,139**	**197,179,573**

Depreciation and Amortisation

Figures in NPR

Particulars	2079-80	2078-79
Depreciation of Property, Plant and Equipment	20,206,154	21,788,417
Amortization of Intangibles Asset - Software	324,800	334,688
Amortization of Intangibles Asset - Service Concession Arrangement	82,395,072	77,989,766
Less: Depreciation being Revenue Portion of Grant Aid	(7,900,117)	(7,839,086)
Total	**95,025,909**	**92,273,785**

Note no: 33
Financial Instruments: Classifications and fair value measurements
A. Fair value measurements

Figures in NPR

Particulars	Fair value		" Fair value hierachy "	" Valuation technique(s) and key input(s)"
	As at 31st Ashadh 2080	As at 32nd Ashadh 2079		
Financial assets :				
Investment in equity instruments of Himal Power Limited	759,512,872	760,196,753	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	34,052,484	30,093,262	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 56.30% of the company's shares.

Figures in NPR

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
Associates	Manang Marshyangdi Hydropower Company Pvt. Ltd.
	Gurans Energy Limited
	Kabeli Energy Limited
	S.C.I.G International Nepal Hydro Joint Development Company Pvt. Ltd
	Himtal Hydropower Company Pvt. Ltd.
	Marsyangdi Transmission Company Pvt. Ltd.

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

Figures in NPR

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. Raju Maharjan	Director	
vi) Dr. Sandip Shah	Director	Tenure completed w.e.f Poush 30 ,2079
vii) Mr. Dinesh Humagain	Director	Resigned w.e.f Ashad 15 2079
viii) Mr.Tirtha Man Shakya	Director	
ix) Mr. Bijay Bahadur Shrestha	Alt. Director	
x) Mr. Sanjib Rajbhandari	Alt. Director	
xi) Mrs Beena Rana	Director	Appointed w.e.f. Magh 1, 2079

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

Figures in NPR

Nature of Expense	Current year	Previous year
Meeting Allowances	1,950,000	2,170,000
Telephone, Mobile and Newspaper / Magazines	1,307,250	1,314,000

(c) Transactions with key management personnel

Key Management personnel includes:

i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Figures in NPR

Particulars	Current year	Previous Year
Short-term employee benefits	10,093,864	9,166,576
	10,093,864	9,166,576

(d) Other related party transactions

Figures in NPR

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	596,640	612,912	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	-	68,870	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	252,382	25,425	-	-
Nepal Hydro & Electric Ltd.	Purchase and other expenses	16,029,739	18,854,564	(1,262,768)	(925,674)
	Reimbursement of rent and utilities	-	-	-	-
	Advance given	2,349,617	2,383,706	-	-
Khudi Hydropower Limited	Reimbursement of rent and utilities	-	-	-	-
	Dividend Receivable	-	-		16,705,060
BPC Services Limited	Reimbursement of rent and utilities	72,066	69,711	-	-
	Purchase	-	32,206	-	-
Nyadi Hydropower Limited	Reimbursement of rent, utilities and man hour charge	1,031,440	994,104	1,031,440	-
	Disbursement of convertible loan	62,500,000	87,500,000	-	-
Hydro-Consult Engineering Limited	Purchase	1,770,258	11,063,310	-	-
	Reimbursement of rent and utilities	5,673,458	5,528,633	-	-
Kabeli Energy Limited	Reimbursement of rent and utilities	727,115	886,240	727,115	-

Note : 35
Contingent Liabilities and commitments

A. Corporate Guarantee

Figures in NPR

S.no.	Party Name	Purpose	Amount	"Expiry Date (A.D.)"
1	Nepal Investment Bank Ltd.	Khudi Hydro's OD and Bridge gap loan	55,884,000	7/24/2024
2	Sanima Bank Limited	On behalf of upper Marsyangdi 2 (UM2) 327 MW in favor of IBN for DPR	100,000,000	11/14/2024
3	Sanima Bank Limited	For PDA of MM	50,000,000	4/20/2025
4	Sunrise Bank Limited	To NEA for PPA of 135 MW MMHEP	135,000,000	3/18/2026
5	Kumari Bank Limited	For Financial Closure of Kabeli-A Project	1,250,000,000	Till repayment.
6	Everest Bank Limited	For obtaining additional loan borrowed by Nyadi Hydropower Limited	550,000,000	Until NHL commences delivery of power.

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 filed writ petition at Supreme Court 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. 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 44.11 million considering the period since commencement date till Ashadh end 2080. DoED has claimed the royalty for newly added 4.3MW project at NPR 1,000 per installed capacity in kW and 10% of revenue from electricity sales considering them as only an upgradation of existing project. The decision of supreme Court 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 16th July 2023, NEA has deducted NPR 40,238,306 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's part of capital commitment on this project is NPR 1,805 million for overall 60% shareholding (including indirect holding through Gurans Energy Limited) considering debt equity ratio at 60:40, of which BPC has invested overall NPR 1068 million (including investment through Gurans Energy Limited) as on reporting date. The total project cost is estimated at NPR 7520 million. Construction of the project has been re-started and overall physical progress of around 35% has been achieved. The Financial Closure is expected to be achieved on December 1 2023.

ii. 30-MW Nyadi Hydropower Project (NHP)
NHP (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). BPC, General Public and Lamjung Electric Development Company (LEDCO) own 71.68%, 27% and 1.32% of NHL shares respectively. Construction of civil works, HM works, EM and transmission lines are completed as on reporting date and COD of the project has been declared effective from 12:00 noon, Baisakh 27, 2079 (May 11, 2022). BPC's part of capital commitment on this project is NPR 1,075 million and invested fully total committed amount. BPC has also provided short term loan of NPR 150 million as on reporting date.

iii. 139.2-MW Lower Manang Marsyangdi Hydropower Project (M2)
BPC has got generation license of 140 MW capacity Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. NPR.202.30 million has been spent by BPC as on reporting date. The re-optimized capacity of the project has been fixed at 139.2 MW under PROR. Supplementary EIA has been approved by Ministry of Forest and Environment (MOFE) and SPV formation is under process at Department of Industry (DOI). The PPA is already signed with NEA. BPC's part of capital commitment on this project is NPR 1188 million for 19.40% shareholding.

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 of the project is completed and the project capacity has been optimized to 7.9 MW at Q40. EIA study was completed and approved by the Ministry of

Forest and Environment. Generation License has been received for 35 years effective from Ashadh 20, 2079 (July 04, 2022). NPR 36 million has been spent by the company for this project as on reporting date. BPC's part of capital commitment on this project is NPR 276.5 million for 70% shareholding.

v. 160 MW Mugu Karnali Hydropower Project
BPC has got survey license for Mugu Karnali Hydropower Project on November 23, 2017 with an estimated project capacity of 160 MW. The project is located near Gamgadhi, Mugu district. Process for EIA is pending due to pending approval of project capacity by MOEWRI.The process of survey license amendment at 174 MW is still pending at DOED. NPR 85.81 million has been spent by the company for this project as on reporting date. This project being in an initial stage has not yet been concluded for capital commitment.

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 has 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 430 million for 20% shareholding, of which BPC has invested NPR 137.5 million as on reporting date.

vii. 135 MW Manang Marsyangdi Hydro-electric Project (MMHEP)

MMHEP is located on the Marsyangdi River in Manang District of Gandaki Province of Nepal. The project area is located within the Annapurna Conservation Area (ACAP). BPC owns 22.40% shares of Manang Mrsyangdi Hydropower Company Pvt. Ltd, a SPV formed to develop and operate MMHEP. DoED has issued Generation License for 35 years period from 17 Nov 2018 for 282 MW ROR type and PPA with NEA for 135 MW has been signed. The process of financial closure is ongoing with the Chinese banks and the EPC Contractor has started site preparation works. BPC's part of capital commitment on this project is NPR 1,152 million for 19.40% shareholding as 80.60% of the total shares to be owned by SCIG JVC, Chinese investors - SCIG HK, CXIG HK & QYEC HK at 3%, 49.47%, 16.49% and 11.64% respectively. BPC has invested NPR 329.49 million for this project as on reporting date.

viii. 327 MW Upper Marsyangdi 2 Hydropower Project (UM2HEP)
UM2HEP is high head PROR type project located along the Marsyangdi River in Manang and Lamjung Districts of Gandaki Province of Nepal. The project area is located within the Annapurna Conservation Area (ACAP). BPC has acquired 19.40% shares of Himtal Hydropower Company Pvt. Ltd. (Himtal), a SPV of UM2HEP, on 30th December 2018. DPR has been reviewed by IBN and is under approval process. The Grid Impact Study (GIS) has been completed and forwarded to Grid Operation Department for Connection Agreement.BPC's part of capital commitment on this project is NPR 2,791 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 789.70 million for this project as on reporting date.

ix. Marsyangdi Transmission Project (MTP)
BPC has acquired 19.40% shares to construct the transmission line with a view to evacuate the electricity generated by UM2HEP. Its Share transfer to BPC has been completed by 24th May 2019. 80.60% of the total shares are 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 is NPR 2.13 million, out of which the company has already made payment of 90% of the amount and and has further capital commitment of NPR 0.21 million under this contract.

xi. 7 MW Solar Power Project at Jhimruk Area
The Company has conducted Pre-feasibility study to generate solar energy utilizing approximately 37.4 acres (304 Ropani) land at headworks of JHC for 7MW Solar Power Project (SPP) at total estimated project cost of NPR 600 million and application submitted to DOED to obtain the Electricity Survey License for the same to carry out the Feasibility and Environmental Studies. Draft Feasibility study report of the project has been received from the consultant and Public hearing for IEE has been completed at site. However, due to being the initial stage, capital commitment has not yet been made for this project.

xii. Nepal Power Exchange Limited (NEPEX)
BPC has invested NPR 20 million in the shares of NEPEX established by IPP for cross border power trade as on reporting date and commited total NPR 200 million (10%) of its share capital amount NPR 2,000 million..

Note 36
Income Statement of generation, distribution and other sources of income
For the year ending on 31 Ashadh, 2080

Figures in NPR

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	349,828,488	119,483,834	62,884,487	192,219,916	-	724,416,725
Cost of Sales						
Generation Expenses	(158,269,708)	(145,320,500)	-	-	-	(303,590,208)
Distribution Expenses	-	-	(47,135,868)	(91,433,342)	-	(138,569,210)
Gross profit	191,558,780	(25,836,666)	15,748,619	100,786,574	-	282,257,307
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,954,164	4,453,182	-	7,900,117
Other income	283,240	779,564	1,848,388	3,626,960	585,037,482	591,575,634
Administrative and other operating expenses	(23,431,338)	(8,048,666)	(4,332,268)	(13,107,114)	(77,867,271)	(126,786,657)
Impairment loss on investment	-	-	-	-	-	-
Profit from Operation	168,643,601	(32,845,916)	16,218,903	95,759,602	507,170,211	754,946,401
Finance Income	21,436	34,416	122,144	33,763	103,255,053	103,466,812
Finance Costs	-	-	(178)	(245)	(11,466,574)	(11,466,997)
Profit Before Tax	168,665,037	(32,811,500)	16,340,869	95,793,120	598,958,690	846,946,216
Inter departmental electricity sales/(purchase)	46,895,519	190,760,345	(46,895,519)	(190,760,345)	-	-
	215,560,556	**157,948,845**	**(30,554,650)**	**(94,967,225)**	**598,958,690**	**846,946,216**

Income Statement of generation, distribution and other sources of income
For the year ending on 32 Ashadh, 2079

Figures in NPR

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	387,104,408	139,657,395	60,661,435	187,625,588	-	775,048,826
Cost of Sales						
Generation Expenses	(171,427,284)	(124,365,507)	-	-	-	(295,792,791)
Distribution Expenses	-	-	(43,999,157)	(93,875,776)	-	(137,874,933)
Gross profit	**215,677,124**	**15,291,888**	**16,662,278**	**93,749,812**	**-**	**341,381,102**
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,893,133	4,453,182	-	7,839,086
Other income	175,983	401,315	2,376,119	3,376,679	33,698,997	40,029,093
Administrative and other operating expenses	(54,616,892)	(19,752,023)	(8,889,981)	(26,936,427)	(17,231,709)	(127,427,033)
Impairment loss on investment	-	-	-	-	-	-
Profit from Operation	**161,469,134**	**(3,798,968)**	**13,041,549**	**74,643,246**	**16,467,288**	**261,822,248**
Finance Income	25,023	30,661	86,957	18,980	99,767,118	99,928,739
Finance Costs	(10)	(1,394,690)	(150)	(750)	(11,414,354)	(12,809,954)
Profit Before Tax	**161,494,147**	**(5,162,997)**	**13,128,356**	**74,661,476**	**104,820,052**	**348,941,033**
Inter departmental electricity sales/(purchase)	46,123,482	187,509,215	(46,123,482)	(187,509,215)	-	-
	207,617,629	**182,346,218**	**(32,995,126)**	**(112,847,739)**	**104,820,052**	**348,941,033**

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.16,651,276 on "Environment, Community & Mitigation" and allocated budget Rs. 23.40 million for FY 2079/80 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.

Note 38
Components of Cash and Cash Equivalents for the purpose of Cashfow

Figures in NPR

	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Cash at banks and on hand (Note 10)	64,179,003	32,622,886
Bank overdrafts(Note 19)	-	(86,373,945)
Cash and cash equivalents	64,179,003	(53,751,059)

CONSOLIDATED FINANCIAL STATEMENTS

2022-2023

bpc

BUTWAL POWER COMPANY LIMITED

JB JOSHI & BHANDARY ▪ Chartered Accountants ▪ G.P.O. Box: 3423
Koshi Compound, Dillibazar
Kathmandu, Nepal
Tel: 977-1-4419364
Tel: 977-1-4423550
Fax: 977-1-4413038
Web: www.jb.com.np

INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS 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 or "BPCL")** and its subsidiaries (together referred to as "the Group') which comprise the Consolidated Statement of Financial Position (SoFP) as at Ashad 31, 2080 (corresponding to July 16, 2023), the Consolidated Statement of Profit and Loss and Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow for the year then ended and notes to the financial statements, including a summary of Significant Accounting Policies.

In our opinion and to the best of our information and explanations provided to us, the accompanying Consolidated Financial Statement referred to above present fairly, in all material respects, the financial position of the Group as at Ashad 31, 2080 [i.e., July 16, 2023] and its financial performance and its cash flow for the year then ended in accordance with Nepal Financial Reporting Standards (NFRSs).

BASIS OF OPINION

We conducted our audit in accordance with Nepal Standards on Auditing (NSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated 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 other ethical responsibilities in accordance with these requirements and 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.

EMPHASIS OF MATTER

We draw attention Note 17 relating to "Other Equity" of the financial statements which included Share Premium account with a balance of Rs. 1,767 million raised through equity shares issued to public at premium in FY 2074/75 and auction of right shares in earlier years. As explained, the company has no intension of distributing bonus shares out of such Share Premium Balance in near future even though same can be used for distribution of bonus share as per Companies' Act. Should company decide to utilize same and distribute as bonus in future, corporate income tax under section 56 (3) of Income-tax Act will be applicable at that time and distribution thereof. Income tax obligation on such transaction shall accordingly be considered in line with the provision of Nepal Accounting Standard 12: "Income-Tax".

We also draw attention to Note 2.1.iv Basis of Consolidation (Limitation on consolidation during the year) of the Financial Statements. The audited financial statements of 'Nepal Hydro & Electric Limited (NHE)' and 'Nyadi Hydropower Limited (NHL)', a subsidiary company were not made available to the management of the Company on timely basis. This delay has created a notable challenge in the consolidation process for the Group's financials, particularly in the context of restated Financial Statements.

Our opinion is not modified in respect of these matters.

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 year ended Ashad 31, 2080. 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.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the 'Auditor's Responsibilities for the Audit of the Consolidated Financial Statements' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the Consolidated Financial Statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters	How our audit addressed the key audit matter
New Nepal Financial Reporting Standards which are not specifically applicable for the current reporting period as per the pronouncement of Institute of Chartered Accountants of Nepal (ICAN) are not adopted by the Company	
BPC has opted not to adopt any of the new set of NFRS pronounced by ICAN, which are mandatory and might relate to it, but not specifically applicable considering the nature of its business and transactions for the financial year 2079-80 (2022-23). These standards include: • NFRS 9 "Financial Instruments", • NFRS 14 "Regulatory Deferral Accounts" • NFRS 16 "Leases", • NFRS 17"Insurance Contracts" • NAS 29 "Financial Reporting in Hyperinflationary Economies".	We discussed with the management and those charged with governance regarding the non-adoption of new NFRS for the current reporting period. We also evaluated the effect on financial position of the company due to non-adoption with each of the new NFRS's which are mandatory for current reporting period as pronounced by ICAN considering the nature of business executed by the company. Based on our evaluation considering the transaction and account balances, we determined that overall impact on the financial position and profitability of the company due to non-adoption of new NFRS won't be significant. Those charged with governance of the company as well as management have committed to adopt all applicable NFRSs from next year despite the effect of such adoption on financial statement not being significant. Considering the circumstances, we have concluded that the exception noted are not significant.
Royalty pertaining to additional 4.3 MW project in Andhikhola (Refer Note 14 "Other Financial Assets" and Note 33D "Contingent Liabilities and Commitments" of the financial statements).	
BPCL has entered into a separate Power Purchase Agreement for a new project at Andhikhola with a Commercial Operation Date on April 05, 2015, increasing its then existing capacity of 5.1 MW to 9.4 MW. The company has considered the additional 4.3 MW project at Andhikhola as a new project on the basis of a separate/new PPA agreement and has calculated and paid royalty to the Department of Electricity Development (DoED) at the rate applicable for a new project i.e., NPR 100 per KW of the installed capacity and 2% of revenue from sale of electricity. However, DoED has considered the project as an upgrade of the original project has demanded royalty applicable for an ongoing project i.e., NPR 1,000 per KW of installed capacity and 10% of revenue from sale of electricity which is under dispute and under consideration at the Supreme Court of Nepal as a writ petition. Also, DoED, through its direct instruction to Nepal Electricity Authority (NEA), has already recovered the amount from the receivable of the company from NEA from sale of electricity made. Total disputed royalty payment withheld by NEA on behalf of DoED as of Asadh 31, 2080 amounted to NPR 40,238,306 (PY 39,216,416) and the amount thus deducted is accounted for and reported as receivable from DoED reflected under Note 14 recovery of which depends upon the outcome of the court ruling.	Our audit procedures included, but were not limited to, the following: We understood the basis taken by the company while taking a call that the additional 4.3 MW Project is a new project. We have evaluated the design and operation controls in relation to compliance with applicable laws and regulations. We collected and reviewed the summary of litigation documents provided by management and held discussion with those charge with governance. In respect to 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 applicable) and assessed the estimates against the historical trends. We considered management's judgment on the level of provisions/recognition of contingent liability as appropriate.

OTHER INFORMATION

The management is responsible for other information presented in the Butwal Power Company Limited's Annual Report and Accounts FY 2079/80 (FY 2022/23) together with the Consolidated Financial Statements. Our opinion on the Consolidated Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, expect as explicitly stated below, any form of assurance conclusion thereon.

This report is expected to be made available to us after the date of our auditor's report. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, expect as explicitly stated below, any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the 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 material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard as on the date of issuance of this report.

RESPONSIBILITY OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Company's management is responsible for the preparation and fair presentation of these consolidated financial statements. In accordance with NFRSs that is also described under Notes to account 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 RESPONSIBILITY 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 risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and performed 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 omission, 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 of the effectiveness of the 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 the 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 cause significant doubt on the Company'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 disclosure in the consolidated financial statements or subsidiaries, 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 to cease to continue as a going concern.
- Evaluated 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.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entity (namely BPCL) of which we are the independent auditor and whose financial information we have audited, to express an opinion on the Consolidated Financial Statement. We are responsible for the direction, supervision, performance of the audit of the financial statements of the entity (BPCL) included in the consolidated financial statement of which we are the independent auditors. For entities included in the Consolidated Financial Statements, which have been audited by other auditors, such other auditors shall remain responsible for the direction, supervision and performance of the audit 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 identified 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.

OTHER MATTERS

We did not audit the financial statements and other financial information of the subsidiaries and associates of the Company whose financial statements reflects total assets of NPR 1,306.76 Crore as at Asadh 31, 2080, total revenue of NPR 147.46 Crore and Net cash inflow of NPR 70.65 Crore for the year ended on that date. These includes certified financial statements and other financial information by management in respect of two of the subsidiaries namely Nepal Hydro Electric Limited (NHE), whose financial statements reflects total assets of NPR 123.95 Crore as at Asadh 31, 2080, total revenue of NPR 79.30 Crore and Net cash inflow of NPR 3.91 Crore, and Nyadi Hydropower Limited (NHL) whose financial statements reflects total assets of NPR 616.92 Crore as at Asadh 31, 2080, total revenue of NPR 59.16 Crore and Net cash inflow of NPR 0.50 Crore for the year ended on that date. Further, the accompanying consolidated financial statements also includes financial statement and financial information provided by management in respect of 6 associates and 15 joint venture which reflect Groups' share of net loss of NPR 17.53 Crore. These financial statements and other financial information have been/being audited by other auditors. Our opinion on the consolidated financial Statement is, so far as it relates to these subsidiaries, associates and joint ventures, and is based solely on the information and data furnished to us.

Our opinion on the Consolidated Financial Statements is not modified in respect of the above matters.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As per Companies Act 2063, based on our audit carried out on sampling basis, we report that, in our opinion:

1. We have obtained all the information and explanations, which, to the best of our knowledge and belief, were considered necessary for the purpose of our audit;
2. Proper books of accounts as required by law have been kept by the Company as far as appears from our examination of such books;
3. The Consolidated Statement of Financial Position (SoFP) as at Ashad 31, 2080 [corresponding to July 16, 2023], the Consolidated Statement of Profit and Loss and Consolidated Other Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flow for the year then ended are prepared as per the provisions of the Company Act 2063 and the same are in agreement with the books of accounts maintained by the Company;
4. To the best of our knowledge and in accordance with explanations given to us, the business of the Company has been conducted satisfactorily; and
5. To the best of our information and according to explanations given to us and so far appeared from our examination of the books of account of the Company and its subsidiary, we have not come across cases where Board of Directors or any employees of the Company and its subsidiary, have acted contrary to the provisions of law or committed any misappropriation relating to the accounts or caused loss or damage to the Group or acted in a manner to jeopardize the interest and security of the Company and its subsidiary deliberately.
6. Our suggestions for improvement in the Company's internal controls and accounting system have been presented in a separate management letter.

DILLIBAZAR, KATHMANDU
DATE: MANGSIR 29, 2080 (DEC 15, 2023)
UDIN - 231222CA00106PX8CR

MANMOHAN RAJ KAFLE, FCA
EXECUTIVE PARTNER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st Ashadh 2080 (16 July 2023)

Figures in NPR

	Note	As at 31st Ashadh 2080	As at 32nd Ashadh 2079*
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	429,202,662	440,393,826
Capital work-in-progress	3	26,396,327	26,076,777
Right-of-use assets	3	11,354,527	15,926,137
Intangible assets	4	8,123,042,207	8,176,757,625
Intangible assets under development	5	-	-
Project work-in-progress	7	346,166,594	305,568,527
Financial assets			
Investment in associates and joint ventures	8	1,594,229,371	1,312,119,553
Other investments	9	819,893,356	816,618,015
Trade receivables	13	49,108,188	36,966,066
Other financial assets	14	16,457,661	39,502,637
Deferred tax assets	6	15,061,463	15,007,676
Other non-current assets	15	-	610,841
Total Non-Current Assets		**11,430,912,355**	**11,185,547,679**
Current Assets			
Inventories	10	112,173,684	98,843,890
Financial assets			
Trade receivables	13	713,655,930	328,944,731
Cash and cash equivalents	11	181,054,287	78,462,991
Bank balance other than cash and cash equivalents	12	166,509,295	116,666,780
Other financial assets	14	866,738,002	1,765,403,669
Other current assets	15	88,200,592	82,546,455
Current tax assets (net)	6C	71,138,881	59,060,866
Total Current Assets		**2,199,470,671**	**2,529,929,382**
Total Assets		**13,630,383,026**	**13,715,477,061**
EQUITY AND LIABILITIES			
Equity			
Equity	16	3,409,064,600	3,246,326,800
Other Equity	17	3,178,817,896	3,732,426,998
Non-controlling interest	34	502,929,808	582,554,015
Total Equity		**7,090,812,304**	**7,561,307,813**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	18	175,148,433	183,048,550
Financial liabilities			
Borrowings	21	4,600,970,567	3,954,843,221
Other financial liabilities	22	196,775,160	407,962,057
Provisions	19	59,523,049	61,776,055

	Note	As at 31st Ashadh 2080	As at 32nd Ashadh 2079*
Deferred tax liabilities	6	178,968,606	160,540,915
Other non-current liabilities	23	27,512,063	32,834,054
Total Non-Current Liabilities		**5,238,897,878**	**4,801,004,852**
Current Liabilities			
Financial liabilities			
Borrowings	21	477,959,655	566,926,799
Trade payables	20	37,547,015	364,050,042
Other financial liabilities	22	277,329,543	181,154,976
Provisions	19	15,527,717	19,423,377
Other current liabilities	23	492,308,913	220,754,437
Current tax liabilities (net)	6D	-	854,767
Total Current Liabilities		**1,300,672,843**	**1,353,164,398**
		6,539,570,721	**6,154,169,250**
		13,630,383,026	**13,715,477,061**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were 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

Om Prakash Shrestha
Director

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31st Ashadh 2080 (16 July 2023)

Figures in NPR

	Note	2079-80	2078-79*
Revenue	24	2,380,606,883	2,825,948,859
Cost of Sales	25	(1,571,429,930)	(2,267,796,167)
Gross profit		**809,176,953**	**558,152,692**
Depreciation Being Revenue Portion of Grant Aid	18	7,900,117	7,839,086
Other income	27	65,123,596	52,029,493
Provision for Impairment loss written back	27	513,156,391	-
Allowance for Expected Credit loss	27A	(462,096,949)	-
Administrative and other operating expenses	26	(304,730,465)	(275,027,371)
Profit from Operation		**628,529,643**	**342,993,900**
Finance Income	28	115,146,252	108,376,870
Finance Costs	29	(509,887,251)	(124,925,129)
Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations		**233,788,644**	**326,445,641**
Share of (loss) / profit of associates and joint ventures (net) under equity method		(188,060,847)	(13,884,508)
Profit / (Loss) Transferred from JVs		12,760,009	7,946,523
Impairment loss on investment		-	-
Provision for Maintenance and debt service reserve account		-	(2,162,465)
Profit Before Tax		**58,487,806**	**318,345,191**
Income Tax Expense			
Current tax	6A	(81,949,862)	(92,328,936)
Deferred tax credit/charge	6A	(17,555,070)	2,788,116
Profit for the year		**(41,017,126)**	**228,804,371**
Attributable to:			
Owners of the parent		(9,822,234)	215,774,342
Non controlling interests		(31,194,892)	13,030,029
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 defined benefit plans		-	2,201,863
ii. Equity instruments through other comprehensive income		3,275,341	(26,722,165)
iii. Income tax relating to items that will not be reclassified to profit or loss	6B	(818,835)	6,130,075
Other comprehensive income/(loss) for the year, net of tax		**2,456,506**	**(18,390,227)**
Attributable to:			
Owners of the parent		2,456,506	(17,586,010)
Non controlling interests		-	(804,217)
Total Comprehensive Income/(loss) for the year, net of tax		**(38,560,620)**	**210,414,144**

Figures in NPR

	Note	2079-80	2078-79*
Attributable to:			
Owners of the parent		(7,365,728)	198,188,332
Non controlling interests		(31,194,892)	12,225,812
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	30	(0.29)	6.65
Diluted Earnings per share - Rs.	30	(0.29)	6.65

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were 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

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st Ashadh 2080 (16 July 2023)

Figures in NPR

	Note	2079-80	2078-79*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit After Tax		**(41,017,126)**	**228,804,371**
Add: Provision for Tax			
Current tax		81,949,862	92,328,936
Deferred tax credit/charge		17,555,070	(2,788,116)
Profit Before Tax		**58,487,806**	**318,345,191**
Adjustments for:			
Depreciation on property, plant and equipment		35,015,616	31,199,027
Amortization of Intangible Assets		250,153,698	96,088,719
Depreciation on Right-of-use Assets		4,571,610	4,571,610
Depreciation Being Revenue Portion of Grant Aid		(7,900,117)	(7,839,086)
Provision for employee benefits, CSR		(6,148,666)	863,498
Provision for Bonus		27,456,063	19,198,128
Adjustment for Reserves		(138,345,268)	2,162,465
Finance income		(115,146,252)	(108,128,322)
Impairment of Intangible asset		3,977,874	1,211,411
Finance cost		507,132,581	47,377,230
Loss/ (gain) on sale of Property, plant and equipment		(6,187)	-
Unrealized foreign exchange difference on cash and cash equivalents		(3,904,522)	(1,336,119)
Working capital adjustments:			
(Increase)/ Decrease in Trade receivables		(396,853,321)	(24,898,352)
(Increase)/ Decrease in other financial assets		342,210,643	(100,130,088)
(Increase)/ Decrease in other assets		(5,043,296)	77,039,763
(Increase)/ Decrease in Inventories		(13,329,794)	547,720
Increase / (Decrease) in trade payables		(326,503,027)	(39,450,244)
Increase / (Decrease) in financial liabilities		(121,409,532)	151,173,562
Increase / (Decrease) in other current liabilities		266,523,574	(29,608,916)
Cash generated from operations		360,939,481	438,484,582
Bonus paid		(21,058,861)	(24,888,963)
Income Tax Paid		(94,882,645)	(71,120,552)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**244,997,975**	**342,475,066**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		**-**	**-**
Proceeds from sale of Property, Plant and Equipment		470,403	447,852
(Increase)/Decrease in Project work-in-progress		(40,598,067)	(28,392,900)
(Increase)/Decrease in Investment in Fixed Deposits		592,007,682	(460,420,811)
Interest Received		115,146,252	108,117,923
(Increase) / Decrease in Intangible Assets Under Development		-	4,998,503,123
Dividend income.		-	1,615,000
(Increase)/ Decrease Investment in associates and joint ventures		(314,252,165)	(210,223,807)
Acquisition of Property, plant and Equipment		(24,608,217)	(15,456,394)
Purchase of Intangibles		(200,416,153)	(6,141,551,228)

	Note	2079-80	2078-79*
Grant Aid received/ (refunded)		-	1,450,216
Bank balance other than cash and cash equivalents		-	35,000,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		**127,749,734**	**(1,170,911,026)**
CASH FLOWS FROM FINANCING ACTIVITIES			**-**
Borrowing (repaid) / taken (net)		684,988,190	524,175,942
Finance Cost.		-	(32,308,039)
Increase in Margin Money		(62,350,197)	-
Overdraft for working capital (repaid)/taken		-	11,050,053
Payment of lease liabilities		-	(5,241,017)
Dividend paid		(261,738,363)	(298,648,125)
Interest paid		(507,132,581)	(12,642,219)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(146,232,951)**	**581,718,311**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**226,514,759**	**(786,717,649)**
Net foreign exchange difference on cash and cash equivalents		3,904,522	1,336,119
CASH AND CASH EQUIVALENTS, Beginning of Year		**(32,576,664)**	**752,804,865**
CASH AND CASH EQUIVALENTS, End of Period		**197,842,617**	**(32,576,665)**
Components of Cash & Cash Equivalent			
Bank & Cash		181,054,287	78,462,991
Overdraft		16,788,333	(111,039,655)
Total Cash & Cash Equivalent		197,842,620	(32,576,664)

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were 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

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st Ashadh 2080 (16 July 2023)

Figures 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*	Actuary reserve	Total		
Balance at 1 Shrawan, 2078	**2,951,360,500**	**1,767,535,318**	**18,151,841**	**148,700,000**	**295,762,100**	**1,832,842,924**		**4,062,992,183**	**190,781,618**	**7,205,134,301**
Profit for the year	-	-	-	-	-	215,774,342		215,774,342	13,030,029	228,804,371
Other comprehensive Income:	-	-	-	-	(17,586,010)	-		(17,586,010)	(804,217)	(18,390,227)
Total comprehensive income	**-**	**-**	**-**	**-**	**(17,586,010)**	**215,774,342**		**198,188,332**	**12,225,812**	**210,414,144**
Issue of share in subsidiaries	-	-	-	-	-	-		-	405,000,000	405,000,000
Issue of right share	-	-	-	-	-	-		-	-	-
Issue of bonus share	294,966,300	-	-	-	-	(294,966,300)		(294,966,300)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-		-	-	-
Share Issue Cost	-	-	-	-	-	-		-		-
Dividends to shareholders	-	-	-	-	-	(295,907,916)		(295,907,916)	-	(295,907,916)
Transfer to Retained Earnings	-	-	-	-	-	22,508,815		22,508,815	(25,453,415)	(2,944,600)
Adjustment during the year	-	-	-	-	(19,398,453)	13,194,084	13,673,906	7,469,537		7,469,537
Balance at 32nd Ashadh, 2079	**3,246,326,800**	**1,767,535,318**	**18,151,841**	**148,700,000**	**258,777,637**	**1,493,445,949**	**13,673,906**	**3,700,284,651**	**582,554,015**	**7,529,165,466**
Profit for the year	-	-	-	-	-	(9,822,234)		(9,822,234)	(31,194,892)	(41,017,126)
Other comprehensive income	-	-	-	-	2,456,506	-		2,456,506	-	2,456,506
Total comprehensive income	**-**	**-**	**-**	**-**	**2,456,506**	**(9,822,234)**		**(7,365,728)**	**(31,194,892)**	**(38,560,620)**

	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*	Actuary reserve	Total		
Issue of share in subsidiaries	-	-	-	-	-	-		-	-	-
Issue of right share	-	-	-	-	-	-		-	-	-
Issue of bonus share	162,737,800	-	-	-	-	(162,737,800)		(162,737,800)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-		-	-	-
Share Issue Cost	-	-	-	-	-	-		-	-	-
Dividends to shareholders	-	-	-	-	-	(245,117,274)		(245,117,274)	(16,330,000)	(261,447,274)
Transfer to Retained Earnings	-	-	-	-	-	-		-	-	-
Restatement of prior period errors						2,162,465		2,162,465	-	2,162,465
Adjustment during the year	-	-	-	-	6,991,278	(117,051,093)	1,651,397	(108,408,418)	(32,099,315)	(140,507,733)
Balance at 31st Ashadh, 2080	**3,409,064,600**	**1,767,535,318**	**18,151,841**	**148,700,000**	**268,225,421**	**960,880,013**	**15,325,303**	**3,178,817,896**	**502,929,808**	**7,090,812,304**

*The previous year figures have been restated to include audited figures of one of the subsidiary "Nepal Hydro & Electric Limited (NHE)" whose provisional financial statements were 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

Om Prakash Shrestha
Director

Manmohan Raj Kafle
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Bina Rana
Director

Tirtha Man Shakya
Independent Director

Date: Mangsir 29, 2080
Place: Kathmandu, Nepal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31st Ashadh 2080

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 31st Ashadh 2080.

The Group's principal activities include the development of hydropower projects, providing consulting services, hydraulic modeling and operation and maintenance services to hydropower plants. The group has carried on 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 31st Ashadh 2080 (16th July 2023).

In the Consolidated financial statements, Butwal Power Company Limited has been referred to as "BPC" or "Company".

The accompanying consolidated financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on Mangsir 29,2080 (December 15, 2023) The Board of Directors acknowledges the responsibility of the 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.

New Standards issued by ICAN which are applicable at 16th July 2023:

NFRS 9 "Financial Instruments" (Revised), The Company classifies financial assets and financial liabilities in accordance with the categories specified in NAS 32 and NFRS 9. The company has recognized a loss allowance for expected credit losses for NPR 462,096,949 on financial assets during the FY 2079/80 based on the assessment that there have been significant increases in credit risk since initial recognition. Additional disclosures were made under Note 27 and Note 2.17

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2078-79 (2021-22). Revenue from service concession arrangement under the intangible asset model is recognized based on the principles laid down under IFRIC-12 and 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.

During the year, BPCL constructed a new infrastructure asset and identifies a performance obligation (operation and maintenance) under a service concession arrangement (contract) which includes transmission line upgrading, renovation of distribution lines, etc. amounting to NPR 47,986,568 (Intangible asset during the year).

The company has applied the intangible asset model to recognize the asset as per IFRIC 12 – Service concession arrangements.

Income from the concession arrangements earned under the intangible asset model consists of:

i) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and
ii) payments received from the users.

The cost for such improvements to concession assets is based on actual costs incurred by the Company in the execution of the upgradation, considering the requirements in the concession agreement. The amount of revenue recognized is equal to the amount of costs incurred, considering the fair value of the amount transferred, therefore no adjustments were made to revenue and cost incurred. The amounts paid are set at market value.

NFRS 16 Leases: The new standard on lease is applicable from 16 July 2021 and it sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, lease payments are made over time, also obtaining financing. Accordingly, NFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by earlier IAS 17 and instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. NFRS 16 substantially carries forward lessor accounting requirements in IAS 17. Accordingly, the company in the capacity of a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

New Standards issued by ICAN which are yet to be adopted at 16th July 2023:
BPC has not opted for the adoption of the new set of NFRS pronounced by ICAN, which may relate to it, but not specifically relevant to the company. These standards include:

NFRS 17 "Insurance Contracts" NFRS 17 would be effective from July 16, 2024 and early application is allowed. The effect of application of NFRS 17 is being studied and initial assessment is that our business would not be materially affected by NFRS 17.

NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2021, has not be adopted based and initial assessment is that our business would not be materially affected by NAS 29.

ii. Basis of preparation
The consolidated financial statements have been prepared on an 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 the 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 the 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.

iii. 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.

iv. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at 31st Ashadh 2080. 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 can 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 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 the 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 loses control of the subsidiary.

The Group re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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 the same reporting date as that of the parent company, i.e., year ended on 32 Ashadh. 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) and Nyadi Hydropower Limited (NHL), 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 and NHL 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 based on 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 2078-79, the unaudited (provisional) financial statements of Nepal Hydro & Electric Limited (NHE), a subsidiary company were made available to the management of the Company, so the consolidated financial statements had included the provisional financial figures of NHE in the FY 2078-79. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group had consolidated the provisional amounts of revenue and expenses, cash flows and changes in equity of NHE for the year 2078-79. In the current year (FY 2079-80), the opening figures of the consolidated financial statements have been restated for the amounts of revenue, expenses, cash flows, assets, liabilities, and equity of NHE for FY 2078-79 based on audited financial statement of 2078-79 provided during the year.

Consolidation procedure:

(a) Combine items of assets, liabilities, equity, income, expenses, and cash flows of the parent with those of its subsidiaries. For this purpose, the 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) Offset (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 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 the power to participate in the financial and operating policy decision of the investee. Investments in an associate are accounted for using the 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 associate 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 associate or joint venture 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 the 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 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.

The investment in associates and joint ventures applying equity method are made based on unaudited financial statements of the company for the period ended Ashadh 31, 2080 except for Gurans Energy Limited

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 the 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 than any accumulated impairment losses. To 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.

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 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 include: -

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 to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is usually determined based on 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 on 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

A 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 based on 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 the right (the license) to charge users of the public service. A right to charge users of 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 hydropower plants 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 hydropower 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 the 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 is 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 Group identifies and the 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, plants 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 from the 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 during 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 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 recognised 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 a 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 amortised over an estimated useful life of 5 years on straight-line basis.

iv. Useful life is either the period during which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of the 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 being 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 the 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 the 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 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 are 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. The 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 an 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 (if it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). In the 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 based on the primary economic environment in which it operates. The functional currency of the Group is the 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 the 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 benefits and accumulated leave payable as per the 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 the new Labor Act enacted and effective from September 4, 2017, gratuity plan has been converted into a 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 contributions 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 of 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 in which 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% (2078/79: 20%)

Income from Other services: 25% (2078/79: 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 assets 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 decreases the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted 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. 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 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 the 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 the Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item.

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 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 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 assets 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 have occurred since the initial recognition of the asset (an incurred 'loss event'), have 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 flow 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 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 the statement of profit or loss.

iii. 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 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 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

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.

iv. 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.

v. 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, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers 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 contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

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.

At the commencement date, the group shall recognize a right to use assets at cost and a lease liability at the present values of the lease payments that are not paid at that date. The lease payment shall be discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the group shall use it's incremental borrowing rate.

After the commencement date, the group shall measure the right to use the asset by applying a cost model or measurement model. To apply a cost model, the group shall measure the right of use asset at cost less any depreciation and any accumulated impairment losses adjusted for remeasurement of lease liability as mentioned below.

After the commencement date, the group shall measure the lease liability by

(a) Increasing the carrying amount to reflect interest on the lease liability.
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications to reflect revised in-substance fixed lease payments

The arrangement is, or contains, a lease if fulfillment 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 Group as lessor

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards to the ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Finance Lease

At the commencement date, a lessor shall recognize assets held under a finance lease in its Statement of Financial Position and present them as receivable at the amount equal to net investment in lease. The lessor shall use the interest rate implicit in the lease to measure the net investment in the lease., In case of a sublease, if the interest rate implicit in the sublease cannot be readily determined, an intermediate lessor may use the discount rate used for the head lease (adjusted for any initial direct costs associated with the lease) to measure the net investment in the sublease.

A lessor shall recognize finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Operating Lease

A lessor shall recongise lease payments from operating leases as income either of straight-line basis or another systematic basis. The lessor shall apply another systematic basis if that basis is more representative of the pattern in which benefits from use of the underlying asset is diminished.

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 installments. 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 grants 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 the non-current assets as held for sale within one year from the date of classification.

The criteria for held for sale classification is regarded as 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.

2.22 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.

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 on 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 on 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 the management of currency risk is to leave the Group with no material residual risk. This aim has been achieved in all the years presented. Since there is not a 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, 2080 and Ashadh 32, 2079: -

Particulars	Currency	Ashadh 31, 2080	Ashadh 32, 2079
Cash and bank balance	NPR	8,554,570.67	17,402,078
	USD	65,217.43	136,476
Trade Receivables	NPR	39,128,404.00	31,510,367
	USD	298,303.00	247,121
Retention Money Payable	NPR	152,237,570.56	290,677,747
Retention Money Payable	USD	1,155,328.00	2,268,970
Sundry Creditors	NPR	-	179,826,213
Sundry Creditors	USD	-	1,403,686

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. The group has made a 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.

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 stressful conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

To control liquidity risk and for better working capital management, the Group has arranged an adequate level of OD facility for short-term financing. The Group's Finance department regularly monitors the cash position to ensure it has a sufficient cash ongoing 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 headroom as determined by the above-mentioned forecasts.

2.23 CAPITAL MANAGEMENT

For 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 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 to meet its strategic and day-to-day needs. It considers the amount of capital in proportion to risk and manages the capital structure considering changes in economic conditions and the risk characteristics of the underlying assets.

The Group's aims 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 to maintain investor, creditor, and market confidence and to sustain the future development and growth of its business. The Group's focus is on keeping a strong total equity base to ensure independence, and security, as well as high financial flexibility for potential future borrowings, if required, without impacting the risk profile of the Group. The Group will take appropriate steps 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 31st Ashadh 2080 and 32st Ashadh, 2079.

2.24 SEGMENT REPORTING

The Chief Executive Officer and functional managers of the Group have 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 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".

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2080	Ashadh 32, 2079
On the basis of audited financial statement			
Subsidiaries:			
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	71.68.%	71.68%
BPC Services Limited (BPCSL)	Engineering consultancy services	100.00%	100.00%
Hydro-Consult Engineering Limited (HCEL)	Engineering consultancy services	100.00%	80.00%
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%
Manang Marshyangdi Hydropower Company Private Limited (MMHCPL)	Generation and sale of hydro electricity	22.40%	100.00%
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	Develop, own, acquire and operate hydropower projects	20%	20%
Joint ventures:			
CQNEC-NHE Consortium-Purbi Chitwan	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
ERMC & Hydro Consult JVr	Feasibility and EIA of Sankhuwa Khola and Sankhuwa Khola-I	60%	60%
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	40%	40%

Name	Nature of Business	Direct Shareholding as at	
		Ashadh 31, 2080	Ashadh 32, 2079
ITECO-TMS-HCE JV	Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project	30%.	30%
HCE-ITECO-TMS JV	Detailed Feasibility Study of Sunsari Morang Irrigation Project	40.%	40.%
HCE-BDA JV/ HCE-BDA JV(2)	Detail survey, detail design including preparation of tender documents, construction supervision works and geotechnical investigations of Seti Nadi Hydro Power Project (25 MW)	60.%	60.%
HCE-CEMAT-PNET JV	Feasibility and EIA study of Humla-Karnali Hydropower Project (62 MW)	40%	40%
Fichtner-HCE-NEW JEC JV	Feasibility and EIA study of Bharbhung Storage Hydropower Project including Tatu ROR Project (10MW), Dolpa District (512MW).	30%	30%
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%

2.25 DESCRIPTION OF SUBSIDIARIES, ASSOCIATES, JOINT VENTURES AND OTHER EQUITY INVESTMENTS

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 14.34.% (12.56% in FY 2078/79) (i.e., the prevailing interest rate 11.84% 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 negotiating 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 owned 71.68% shares of NHL followed by 27% Public and 1.32% LEDCO shareholdings as on reporting date. Generation of electricity started from Baisakh 27, 2079 (May 10, 2022) the COD date.

e) Hydro-Consult Engineering Limited
The engineering business unit of BPC was merged with 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 acquired 20% shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this additional acquisition, BPC owned 100% shares of HCEL effective from FY 2078/79.

Associates

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 as invested NPR 467.68 million in the shares of GEL till the end of FY 2079/80. Currently, the only project under the joint venture pipeline is 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 (KAHEP) 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). 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 with an estimated capacity factor of 60%. Under various circumstances, the construction work of KAHEP has been suspended since early 2020 due to loan disbursement to the project stopped by World Bank after the expiry of disbursement deadline on December 31,2019. The revival process to resume the construction of KAHEP with posted rate PPA and financial closure from local consortium banks has been achieved on December 1,2023. BPC has invested an additional NPR 300 million in Kablei-A project till the end of FY 2079/80 as a part of the its Equity for the revival processl.

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

i) Manang Marsyangdi Hydropower Company Pvt. Ltd.
Manang Marshyangdi Hydropower Company Private Limited ("MMHCPL" or "the Company") is a private limited company incorporated on 7 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. Manang Marsyangdi Hydro-Electric Project developed by the Company with an 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 within the

Annapurna Conservation Area (ACAP). The project is in the pre-construction phase as on reporting date.

BPC owns 22.40% shares of Manang Mrsyangdi Hydropower Company Pvt. Ltd, a SPV formed to develop and operate MMHEP. 77.60% of the total shares are owned by Chinese investors - SCIG HK, CXIG HK & QYEC HK at 49.47%, 16.49% and 11.64% respectively. DoED has issued Generation License for 35 years period from 17 Nov 2018 for 282 MW ROR type and PPA with NEA for 135 MW has been signed. . The process of financial closure is ongoing with the Chinese banks and the EPC Contractor has started site preparation works.

j) Himtal Hydropower Company Pvt. Ltd.

Himtal Hydropower Company Pvt. Ltd, incorporated in Nepal on April 13, 2001, under Companies Act 2063, is promoted by GMR Energy Limited (incorporated in India) from Jan 2, 2008, to develop and operate 600MW (now optimized capacity at 327 MW under Q40) Hydro based power project (M3) in Marsyandi 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 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 in the process of negotiation. DPR has been reviewed by IBN and is under approval process. The Grid Impact Study (GIS) has been completed and forwarded to Grid Operation Department for Connection Agreement

k) Marsyangdi Transmission Company Pvt. Ltd. (MTCL)

Marsyangdi Transmission Company Pvt. Ltd., incorporated in Nepal on April 27, 2010, under Companies Act 2063, is promoted by GMR Energy (Mauritius) Limited (incorporated in Mauritius), to develop the transmission line for power evacuation of 600MW 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.

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 18 Kartik 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).

r) HCE-CEMAT-PNET Joint Venture
HCE has entered into a joint venture agreement with Cemat Consultant Pvt. Ltd. (CEMAT) and Professional Network for Engineering Service (PNET) on 31 October 2019 to carry out Feasibility Study and Environmental Impact Assessment Study of Humla-Karnali Project (62 MW), Humla District.

s) FITCHNER-HCE-NEWJEC Joint Venture
HCE has entered into a joint venture agreement with FICHTNER GmbH & Co. KG, Germany and NEWJEC Inc., Japan on 11 September 2019 to carry out Feasibility Study and Environmental Impact Assessment Study of Bharbung Storage Hydropower Project and including Tatu RoR Project (10MW), Dolpa district (512MW).

Other equity investments

t) Himal Power Limited
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,), and necessary process of forming Joint venture Company as per the provision of PPA about handover and takeover of the share is in progress.

u) 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 16.74% shares in HLPL.

v) 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 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 31ST ASHADH 2080

Note no: 3

Property, plant and equipment:

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Vehicles	Capital work in progress	Right of Use asset	Total
Cost										
Balance at 31st Ashadh 2078	107,915,745	299,416,062	104,543,204	33,165,025	76,609,088	33,301,294	77,092,101	26,076,777	-	**758,119,295**
Additions	-	4,651,881	498,346	242,057	3,156,645	5,205,670	1,769,900	-	20,497,747	**36,022,246**
Disposals	-	(2,495,684)	(33,959)	(1,218,992)	(585,250)	(322,288)	(9,482)	-	-	**(4,665,655)**
Balance at 31st Ashadh 2079	107,915,745	301,572,259	105,007,591	32,188,090	79,180,483	38,184,676	78,852,519	26,076,777	20,497,747	**789,475,886**
Additions	-	-	4,980,490	335,837	2,353,151	4,509,081	12,110,108	319,550	-	**24,608,217**
Disposals	-	-	(268,769)	(167,675)	(846,737)	(793,063)	(333,701)	-	-	**(2,409,945)**
Balance at 32nd Ashadh 2080	**107,915,745**	**301,572,259**	**109,719,311**	**32,356,251**	**80,686,898**	**41,900,694**	**90,628,926**	**26,396,327**	**20,497,747**	**811,674,158**
Accumulated depreciation										
Balance at 31st Ashadh 2078	-	70,956,407	51,667,581	25,174,308	53,472,309	20,969,901	45,691,507	-	-	**267,932,013**
Charge for the year	-	11,327,638	8,078,717	2,099,107	5,874,492	3,438,563	6,496,755	-	4,571,610	**41,886,881**
Disposals	-	(1,017,630)	(23,072)	(924,126)	(488,159)	(279,268)	(7,494)	-	-	**(2,739,749)**
Balance at 31st Ashadh 2079	-	81,266,415	59,723,226	26,349,289	58,858,642	24,129,196	52,180,768	-	4,571,610	**307,079,146**

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Vehicles	Capital work in progress	Right of Use asset	Total
Charge for the year	-	10,988,187	7,300,693	1,592,299	5,335,638	4,208,535	5,590,263	-	4,571,610	**39,587,226**
Adjustment										
Disposals	-	-	(149,904)	(142,369)	(696,090)	(689,985)	(267,381)	-	-	**(1,945,730)**
Balance at 32nd Ashadh 2080	-	92,254,602	66,874,015	27,799,219	63,498,190	27,647,746	57,503,649	-	9,143,220	**344,720,642**
Net book value										
At 31st Ashadh 2078	107,915,745	228,459,655	52,875,622	7,990,716	23,136,779	12,331,393	31,400,594	26,076,777	-	490,187,282
At 31st Ashadh 2079	107,915,745	220,305,844	45,284,365	5,838,800	20,321,841	14,055,480	26,671,751	26,076,777	15,926,137	482,396,740
At 32nd Ashadh 2080	107,915,745	209,317,657	42,845,296	4,557,032	17,188,708	14,252,948	33,125,277	26,396,327	11,354,527	466,953,516

Note no: 4
Intangible assets:

Figures in NPR

	Goodwill	Computer Software	" Service Concession Arrangement Intangibles "	Total
Cost				
Balance as at 1st Shrawan 2078		9,547,560	2,685,482,954	**2,695,030,514**
Additions - Externally acquired	-	668,000	6,218,993,042	**6,219,661,042**
Acquisition of a Subsidiary [Refer Note "c" below]		-	-	**-**
Adjustment during the year	-	(39,550)	(1,375,919)	**(1,415,469)**
Balance at 31st Ashadh 2079	**-**	**10,176,010**	**8,903,100,077**	**8,913,276,087**
Additions - Externally acquired	-	-	200,416,153	**200,416,153**
Acquisition of a Subsidiary [Refer Note "c" below]	-	-		**-**
Transfer from CWIP	-	-		**-**
Adjustment during the year	-	-	(4,509,221)	**(4,509,221)**
Balance at 32nd Ashadh 2080	-	10,176,010	9,099,007,010	**9,109,183,020**
Amortisation				
Balance as at 1st Shrawan 2078	-	6,832,733	521,717,306	**528,550,039**
Charge for the year	-	844,845	131,026,053	**131,870,898**
Adjustment during the year	-	(39,550)	(164,508)	**(204,058)**
Balance at 31st Ashadh 2079	-	7,638,028	652,578,851	**660,216,879**
Charge for the year	-	960,377	325,494,904	**326,455,281**
Adjustment during the year	-	-	(531,347)	**(531,347)**
Balance at 32nd Ashadh 2080	-	8,598,406	977,542,408	**986,140,813**
Net book value				
At 1st Shrawan 2078	-	2,714,827	2,163,765,648	**2,166,480,475**
At 31st Ashadh 2079	-	2,537,982	8,174,219,642	**8,176,757,625**
At 31st Ashadh 2080	-	1,577,605	8,121,464,602	**8,123,042,207**

Note: 5
Intangible assets under development

Figures in NPR

Particulars	"As at 31st Ashad 2080"	"As at 32nd Ashad 2079"
Pre-operating Expenses (A)	**-**	**-**
Depreciation	-	-
Employee related cost	-	-
Other Project Operation Expenses	-	-
LEDCO Service Fee and Expenses	-	-
Licensing & Other Development Fees	-	-
Pre-Construction Interest, Commission & Fees	-	-
Interest, Commission & Fees during Construction	-	-
Land Acquisitions (B)	-	
Land & Land Developments	-	-
Civil Works (C)	-	
Civil Works	-	-

Particulars	"As at 31st Ashad 2080"	"As at 32nd Ashad 2079"
Access Road	-	-
Marshyangdi Bridge	-	-
Head Works Dam - (Siuri tailrace canal to Intake)	-	-
Environment & Social Cost (D)	-	
Trainings & Developments	-	-
Community & Social Expenses	-	-
Nursery and Plantation	-	-
Infrastructure Developments	-	-
Engineering & Management (E)	-	
Engineering, Design & Development Expenses	-	-
Consultancy Fee & Expenses	-	-
Inspection & Project Supervision	-	-
Transmission Line (F)	-	
Transmission Line Works	-	-
Hydro Mechanical Works (G)	-	
Hydro Mechanical Works	-	-
Electro Mechanical Works (H)	-	
Electro Mechanical Works	-	-
Total (A+B+C+D+E+F+G+H)	-	**-**

a) The Group's subsidiary company - NHL is a developer of hydro electricity. It has already started generating hydro electricity w.e.f Baisakh 27, 2079 (May 10, 2022) and currently it is in the operation phase. After the Commerical operation the value of the accumulated "Intangible assets under development" till the aforesaid date has been transferred to"Intangible assets" during the current year.

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

Figures in NPR

A. Tax expense recognised in the Statement of Profit or Loss	Year ended 31st Ashad, 2080	Year ended 32nd Ashad,2079
Current tax		
Current income tax charge	81,949,862	91,719,133
Adjustments for under provision in prior periods	-	2,671,106
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	17,555,070	(2,005,456)
Adjustments/(credits) related to previous years - (net)	-	-
Income tax expense reported in statement of Profit or Loss	**99,504,932**	**92,384,783**

B. Tax expense recognised in Other comprehensive income	Year ended 31st Ashad, 2080	Year ended 32nd Ashad,2079
Deferred tax		
Income tax relating to items that will not be reclassified to profit or loss	818,835	(6,680,541)
Income tax charged to OCI	**818,835**	**(6,680,541)**

C. Current tax asset -net:	Year ended 31st Ashad, 2080	Year ended 32nd Ashad,2079
Advance Income Tax	141,972,399	128,100,411
Less: Income Tax Liability	(70,833,518)	(69,039,545)
Total	**71,138,881**	**59,060,866**

D. Current tax (liability) -net:	Year ended 31st Ashad, 2080	Year ended 32nd Ashad,2079
Income Tax Liability	-	(71,822,335)
Less: Advance Income Tax	-	70,967,568
Total	**-**	**(854,767)**

E. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31st Ashad, 2080	Year ended 32nd Ashad,2079
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	484,175,544	409,134,167
Enacted tax rate	21.96%	21.84%
Computed tax expense	106,324,352	89,336,776
Differences due to:		
Profit transferred from JVs (Final withholding tax)	-	-
Tax effect due to non taxable income	(10,932,007)	(3,532,094)
Tax effect due to non-deductible expenses	5,231,165	11,978,180
Due to reduced tax rate on foreign income source	186,114	180,444
Due to loss on foreign income source	-	721,777
Effect due to additional deductible expenses	(23)	(54)
Tax effect due to difference in depreciation rate	(6,222,846)	(6,909,493)
Doubtful debt recovered	-	-
Use of previous losses	-	-
Tax Related to Prior Period	-	-
Accumulated losses	(12,657,947)	-
Current tax on profits for the year	**81,928,807**	**91,775,537**

F. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2078 and 32 Ashadh, 2079:

i) Deferred Tax Assets

Figures in NPR

Movement during the year ended 31 Ashadh, 2078	"As at 1 Shrawan, 2078"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 32nd Ashadh, 2079"
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,903,526	(962,959)	-	940,567
Provision for gratuity	9,219,361	(9,219,361)	-	0
Depreciation	1,424,538	(1,593,973)	-	(169,435)
Provision for CSR	88,146	608	-	88,754
Provision for PLI	1,694,414	146,870	-	1,841,284
Right of use asset	0	(3,981,534)	-	(3,981,534)
Lease Liability	0	4,242,279	-	4,242,279
	14,329,985	**(15,610,349)**	**-**	**15,007,676**

Movement during the year ended 32nd Ashadh, 2079	"As at 1 Shrawan, 2079"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2080"
Deferred tax assets/(liabilities)				
Provision for leave encashment	940,567	(106,981)	-	833,586
Provision for gratuity	0	-	-	0
Depreciation	(169,435)	(109,117)	-	(278,552)
Provision for CSR	88,754	39,359	-	128,113
Provision for PLI	1,841,284	78,785	-	1,920,069
Right of use asset	(3,981,534)	1,142,902	-	(2,838,632)
Lease Liability	4,242,279	(991,161)	-	3,251,118
	15,007,676	**1,044,948**	**-**	**15,061,463**

ii) Deferred Tax Liability

Movement during the year ended 31 Ashadh, 2078	"As at 1 Shrawan, 2078"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 32nd Ashadh, 2079"
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	-	-	-	-
Provision for leave encashment	5,334,926	263,546	-	5,598,472
Provision for gratuity	73,908	45,240	-	119,148
Leave money payable	-	-	-	-
Depreciation	(207,184,263)	1,333,182	-	(205,851,081)
Amortisation cost of term loan	82,009	(82,009)	-	-
Investment in equity instrument	(95,270,180)	-	6,680,541	(88,589,639)
Provision for loss on investment	128,182,185	-	-	128,182,185
	(168,781,415)	**1,559,959**	**6,680,541**	**(160,540,915)**

Movement during the year ended 32nd Ashadh, 2079	"As at 1 Shrawan, 2079"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2080"
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	-	-	-	-
Provision for leave encashment	5,598,472	45,897	-	5,644,369
Provision for gratuity	119,148	27,815	-	146,963
Leave money payable	-	-	-	-
Depreciation	(205,851,081)	(5,024,620)	-	(210,875,701)
Amortisation cost of term loan	-	115,524,237	-	115,524,237
Investment in equity instrument	(88,589,639)	-	(818,835)	(89,408,474)
Provision for loss on investment	128,182,185	(128,182,185)	-	-
	(160,540,915)	**(17,608,856)**	**(818,835)**	**(178,968,606)**

Note no: 7

Project work-in-progress

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
	At cost	**At cost**
Chino Khola SHP	36,059,482	26,497,089
Lower Manang Marshyangdi HEP	220,879,810	202,320,629
Mugu Karnali HEP	85,810,765	74,575,459
Solar Project at Jhimruk Area (7 MW)	3,416,537	2,175,350
Total	**346,166,594**	**305,568,527**

a) Expenditure on Lower Manang Marsyangdi, Chino Khola, Mugu Karnali and Solar project at Jhimruk are shown as project work in progress. Refer Note. 33E (ii.), (iii.), (iv.) and (x) for the status and detail of these projects.

Note no: 8

Investment in associates and joint ventures

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	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	526,160	3,319,836	-
"Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)"	2,966,860	47,927,072	2,966,860	26,922,725
"Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)"	-	28,268,160	-	28,268,160
"Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)"	-	-	-	-
"Khudi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	504,000	-	504,000	-
"BPC Services Limited (Equity Shares of NPR 100 each fully paid up)"	100,000	-	100,000	-
"Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	10,751,453	-	10,751,453	-
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	787,657,273	601,300	784,491,312
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	9,997,729	6,406	10,006,974
Manang Marsyandi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	198,455	149,985,669	198,455	145,939,264
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	69,231,409	3,125,439	71,131,958
Investment in joint ventures (at cost less impairment loss)				
CQNEC-NHE Consortium-Purbi Chiitwan		12,760,009		12,156,362
ERMC & Hydro Consult JV		753,052		753,052
Hydro Consult & ERMC JV		1,266,918		1,280,418
ITECO-TMS-HCE JV		2,259,311		2,259,311
HCE-ITECO-TMS JV		561,248		567,383
Hydro Consult & BDA JV		465,896		459,249
Hydro Consult & BDA JV (Phase 2)		1,263,594		758,692

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	No. of shares	Amount	No. of shares	Amount
Fichtner-HCE-NEW JEC JV		662,729		127,466
HCE-CEMAT-PNET JV		840,577		368,320
HCE & PNET JV		141,414		-
HCE-ERMC-FBC JV		4,064		-
ERMC & Hydro Consult (Tila)		343,351		137,201
ERMC & Hydro Consult - Silt (Badigad)		649,924		(11,411)
ERMC & Hydro Consult (Dadagau)		975,308		313,214
ERMC & Hydro Consult (Marshangdi)		272,104		103,904
Advance towards share capital including incidental cost:				
Gurans Energy Limited	-	-	-	-
SCIG Int'l Nepal Hydro Joint Venture Development Pvt. Ltd.	-	44,000,000	-	44,000,000
Manang Marsyandi Hydropower Company Pvt. Ltd.	-	182,086,000	-	182,086,000
Kabeli Energy Limited(Advance towards Share)	-	251,330,400	-	-
Total Investment	**21,573,749**	**1,594,229,371**	**21,573,749**	**1,312,119,553**

During the current year the Parent has made a reversal of Impariment loss on Investment for Kabeli Energy Limited and Gurans Energy Limted for amount of NPR 238,356,836 and NPR 274,371,902 resepectively considering the current progress of Kabeli-A Project. Further Allowances for expected credit loss has been made considering remoteness of chances for conversion of Advance towards share into Equity shares of Kabeli Energy for NPR 123,536,367 and for Gurans Energy Limited for NPR 135,700,323.

Note no: 9
Other investments

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income				
"Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)"	2,978,502	759,512,872	2,978,502	760,196,753
"Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)"	10,000	34,052,484	10,000	30,093,262
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**	**799,893,356**	**3,044,502**	**796,618,015**
Advance towards share capital including incidental cost:				
Nepal Power Exchange Ltd.	-	20,000,000	-	20,000,000
Total other investments	**3,044,502**	**819,893,356**	**3,044,502**	**816,618,015**

Note no: 10
Inventories

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
General Stock/Office Supplies/Consumer Service Item	11,379,864	12,191,783
Stock of Electric Goods	44,082,919	34,539,530
T/L and D/L Stock	4,490,183	6,664,035
Other engineering inventories and spare parts	52,220,718	45,448,542
Total	**112,173,684**	**98,843,890**

Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 11
Cash and cash equivalents

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Balances with banks		
Local currency account		
In current accounts	98,285,684	28,147,066
In call accounts	73,236,651	29,669,497
In deposits accounts (Orignal maturity less than 3 months)	-	-
In short term call deposit	-	2,110,980
Convertible currencies account		
In current accounts	8,554,571	17,402,930
Cheques on hand	22,920	410,209
Cash in hand	954,461	722,309
	181,054,287	**78,462,991**

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:-

	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Cash at banks and on hand	181,054,287	78,462,991
Overdraft	16,788,333	(111,039,655)
	197,842,620	**(32,576,664)**

Note no: 12
Bank balance other than cash and cash equivalents

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Balances with Bank		
In deposit account	77,680,526	90,188,208
Embarked balance with bank		
Margin money	88,828,769	26,478,572
	166,509,295	**116,666,780**

a. Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 13
Trade receivables

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Nepal Electricity Authority	12,467,681	8,373,961	14,496,642	8,373,961
Local Consumers	-	-	-	-
Bills receivables from JVs	-	-	-	-
Retention money held by the Customers	66,842,375	49,108,188	81,806,985	36,966,066
Other trade receivables	648,403,193	-	246,415,158	-
Less: Allowances for doubtful receivables	(14,057,319)	(8,373,961)	(13,774,054)	(8,373,961)
	713,655,930	**49,108,188**	**328,944,731**	**36,966,066**

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)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-current	Current	Non-current
Security deposits				
Deposit (Others)	35,207,969	13,900,068	495,268	38,823,317
Investment in Fixed Deposit	465,500,000		1,045,000,000	
Loan and advances				
Advances to Staff	31,446,929	2,419,773	4,318,678	541,500
Receivables from Employee Welfare Fund	14,301,855	-	14,301,855	-
Accrued Contract Revenue	80,444,657	-	175,247,295	-
Receivables from associates and joint ventures				
Dividend receivable from associates	-	-	-	-
Other receivables from associates	6,758,555	-	806,381	-
Interest receivable from associates	19,387,519	-	79,190,659	-
Advance receivables from JVs	38,214,124	-	90,838,338	-
Other receivables				
Receivables from Harish Chandra Shah	-	-	185,000,000	-
Receivables from SC Power Company Pvt. Ltd.	-	-	15,000,000	-
Other receivables from Department of Electricity Development (DoED)	40,238,306	-	39,216,416	-
Other receivables from Citizen Investment Trust	-	-	-	-
Margin Money	367,400	137,820	367,400	137,820
Other receivables	134,870,688	-	115,621,379	-
Total	**866,738,002**	**16,457,661**	**1,765,403,669**	**39,502,637**

Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

During the year the parent has provided for Allowances for expected Credit loss for amount receivable from Harish Chandra Shah NPR 185,000,000 and from S.C Power Company Pvt. Limted for NPR 10,000,000 and for the interest receivable from subisdiaries and Associates (Kabeli Energy Limited) for NPR 7,860,259 considering the uncertainity regarding the recoverability.

Note no: 15

Other assets (Current and Non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-current	Current	Non-current
Capital advance	573,859	-	761,823	-
Prepayments	29,703,327	-	29,118,498	-
Work Advance to staff	28,764	-	24,259	-
Advance to Supplier/Contractor/Sub Contract	57,824,932	-	50,711,385	-
Deposit with Government authorities	-	-	-	-
Gratuity Fund Surplus	-	-	-	-
Advance to employees	-	-	1,884,738	
Other assets	69,710	-	45,752	610,841
Total	**88,200,592**	**-**	**82,546,455**	**610,841**

a) Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 16
Equity Share Capital

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	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	34,090,646	3,409,064,600	32,463,268	3,246,326,800
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	34,090,646	3,409,064,600	32,463,268	3,246,326,800
Total	**34,090,646**	**3,409,064,600**	**32,463,268**	**3,246,326,800**

B. Reconciliation of the number of shares outstanding at the beginning and end of the year

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
	No. of Shares	No. of Shares
Balance as at the beginning of the year	32,463,268	29,513,605
Add: Issue of bonus share during the year	1,627,378	2,949,663
Balance as at the end of the year	**34,090,646**	**32,463,268**

C. Details of shareholding more than 1%

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	19,191,816	56.30%	18,277,920	56.30%
Government of Nepal	2,530,249	7.42%	2,409,761	7.42%
IKN Nepal A.S., Norway	538,689	1.58%	513,037	1.58%
United Mission to Nepal	466,161	1.37%	443,963	1.37%
Nepal Electricity Authority	293,974	0.86%	279,975	0.86%
General Public/Employees				
- Other General Public shareholders	11,069,757	32.46%	10,538,612	32.46%

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 31st Ashadh 2080	As at 32nd Ashadh 2079
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2078-79: NPR. 7.5 per share stock dividend NPR 5 per share (2077-78): NPR 10 per share and stock dividend NPR 10 per share	162,737,800	295,305,800
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed dividend for 2079-80: Cash dividend NPR 5 per share (2078-79: NPR. 7.5 per share and stock dividend NPR 5 per share)		162,737,800

a) The board of directors has proposed 5 % cash dividend on paid up capital from the net profit of the fiscal year 2079/80 and its accumulated reserve & surplus. The total amount of cash dividend NPR 170.45 million shall be payable after the approval of 31st Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2079/80 NPR 44.17 million (Net of 5% final withholding tax) plus such previous years' dividend income remained in reserve.

Note no: 17
Other Equity

Figures in NPR

	Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve	Retained Earnings	Actuary Reserve	Total
Balance at 31st Ashadh 2078	**1,767,535,318**	**18,151,841**	**148,700,000**	**295,762,100**	**1,832,842,924**	**-**	**4,062,992,183**
Profit for the year	-	-	-	-	215,774,342	-	**215,774,342**
Other comprehensive income	-	-	-	(17,586,010)	-	-	**(17,586,010)**
Issue of right share	-	-	-	-	-	-	**-**
Issue of bonus share	-	-	-	-	(294,966,300)	-	**(294,966,300)**
Issue of Further Public Offering	-	-	-	-	-	-	**-**
Share Issue Cost	-	-	-	-	-	-	**-**
Dividends to shareholders	-	-	-	-	(295,907,916)	-	**(295,907,916)**
Transfer to Retained Earnings	-	-	-	-	22,508,815	-	**22,508,815**
Prior Period Adjustment	-	-	-	(19,398,453)	13,194,084	13,673,906	**7,469,537**
Balance at 32nd Ashadh 2079	**1,767,535,318**	**18,151,841**	**148,700,000**	**258,777,637**	**1,525,588,296**	**13,673,906**	**3,732,426,998**
Profit for the year	-	-	-	-	(9,822,234)	-	**(9,822,234)**
Other comprehensive income	-	-	-	2,456,506	-	-	**2,456,506**
Issue of right share	-		-	-	-	-	**-**
Issue of bonus share		-	-	-	(162,737,800)	-	**(162,737,800)**
Issue of Further Public Offering	-	-	-	-	-	-	**-**
Share Issue Cost	-	-	-	-	-	-	**-**
Dividends to shareholders	-	-	-	-	(245,117,274)	-	**(245,117,274)**
Transfer to Retained Earnings	-	-	-	-	-	-	**-**
Restatement of prior period errors					2,162,465	-	**2,162,465**
Prior Period Adjustment	-	-	-	6,991,278	(117,051,093)	1,651,397	**(108,408,418)**
Balance at 31st Ashadh 2080	**1,767,535,318**	**18,151,841**	**148,700,000**	**268,225,421**	**960,880,013**	**15,325,303**	**3,178,817,896**

Note no: 18
Grant aid in reserve

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Closing Balance	Amortisation for the year	Closing Balance	Amortisation for the year
Name of Grantors				
NORAD	7,478,641	328,484	7,807,125	328,484
UMN PCS	14,911,610	673,931	15,585,541	673,931
USAID	8,415,570	382,723	8,798,293	382,723
REGDAN	9,143,877	414,375	9,558,252	414,375
JRP	4,534,651	206,805	4,741,456	206,805
REEP	61,118,632	2,773,848	63,892,480	2,773,848
Local VDC/Community	69,545,452	3,119,951	72,665,403	3,058,920
Total	**175,148,433**	**7,900,117**	**183,048,550**	**7,839,086**

Note no: 19
Provisions (current and non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Provision for Leave Encashment	7,334,990	25,892,800	6,360,247	27,857,774
Provision for Gratuity	-	33,630,249	5,342,978	33,918,281
Provision for Performance Link Incentive	7,680,276	-	7,365,135	-
Provision for CSR	512,451	-	355,017	-
Total	**15,527,717**	**59,523,049**	**19,423,377**	**61,776,055**

Note no: 20
Trade payables

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Sundry creditors	37,547,015	-	364,050,042	-
Total	**37,547,015**	**-**	**364,050,042**	**-**

Note no: 21
Borrowings

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	36,666,667	4,600,970,567	18,060,000	3,954,843,221
Trust Receipt Loan	45,700,000	-	-	-
Bridge Gap Loan	33,080,000	-	5,000,000	-
Working Capital Loan	279,301,321	-	-	-
Short term loan	100,000,000	-	432,827,144	-
Overdraft	(16,788,333)	-	111,039,655	-
Total	**477,959,655**	4,600,970,567	**566,926,799**	**3,954,843,221**

1) Details of Security

a. The Group has entered into consortium arrangement for term loan aggregate to NPR 1.7 million (As at 32nd Ashadh, 2079 - NPR 5.10 million) and bridge gap loan/overdraft facility aggregate to NPR 68.40 million (As at 32nd Ashadh, 2079 - NPR 19.11 million) with Nepal Investment Bank and Laxmi 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 damanged plant structures due to flood. 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 and corporate guarnatee issued by the Parent Compnay, ranking paripassu among bankers.

b. The Group has entered into consortium arrangement for term loan aggregate to NPR 4,759.36 million (As at 32nd Ashadh, 2079 - NPR 4,172.16 million) with Everest Bank Limited as Lead Bank, Nabil Bank Limited and Global IME Bank Limited as Co-Lead Banks and Sunrise Bank Limited and HIDC Limited. Himalayan bank exited from the consortium arrangement due to it's internal corporate governance issue. 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".

c. Term loan aggregate to NPR 94.66 million (As at 32nd Ashadh, 2079 - NPR 109.86 million) 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.

d. Trust Receipt Loan aggregate to NPR 45.70 million (As at 32nd Ashadh, 2079 - 22.21 million), Working Capital Loan aggregate to NPR 275.90 million (As at 32nd Ashadh, 2079 - NPR 203.25 million) and overdraft facility aggregate to NPR -16.79 million (As at 32nd Ashadh, 2079 - NPR 13.62 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 31st Ashadh 2080	As at 32nd Ashadh 2079
2-3 Years	460,760,333	680,167,528
4-5 Years	528,564,000	351,716,656
6-10 Years	1,600,657,234	1,643,242,558
Beyond 10 years	2,010,989,000	1,279,716,479
Total	**4,600,970,567**	**3,954,843,221**

Note no: 22
Other Financial Liabilities

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Deferred Contract Revenue	23,416,270	-	38,954,067	-
Advance payable to JVs	108,630,615	-	45,993,227	-
Bonus Payable	26,718,423	-	20,321,221	-
Employee related accrual	24,729,786	-	24,315,601	-
Refundable Deposits of Parties	2,371,062	212,669	2,267,018	-
Retention money Payable	19,050,981	196,562,491	21,466,762	407,962,057
Royalty Payable	6,302,765	-	6,666,222	-
Interest Payable	34,473,824	-	-	-
Payable for property, plant and equipment	-	-	407,331	-
Other Payables	31,635,817	-	20,763,527	-
Total	**277,329,543**	**196,775,160**	**181,154,976**	**407,962,057**

Note no: 23
Other liabilities (current and non-current)

Figures in NPR

Particulars	As at 31st Ashadh 2080		As at 32nd Ashadh 2079	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	18,472,610	920,962	19,393,572
Dividend Payable	73,201,728	-	73,492,817	-
Gratuity Payable	734,814	-	595,742	-
Advance from Customers	352,014,165	-	1,342,941	-
Statutory dues	9,545,039	-	13,308,080	-
TDS Payable	56,355	-	247,979	-
VAT Payable	29,890,286	-	8,778,427	-
Welfare Fund Clearing Account	3,644,531	-	2,221,606	-
Lease Liability	3,965,020	9,039,453	3,528,632	13,440,482
Provision for reserves	-	-	2,162,465	-
Other current liabilities	18,336,013	-	114,154,786	-
Total	**492,308,913**	**27,512,063**	**220,754,437**	**32,834,054**

Note no: 24
Revenue

Figures in NPR

Particulars	2079-80	2078-79
Electricity Sales to NEA	1,150,918,367	721,849,349
Electricity Sale to Consumers	247,530,313	239,479,556
Sale of services	982,158,203	1,864,619,954
Total	**2,380,606,883**	**2,825,948,859**

Note no: 25
Cost of Sales

Figures in NPR

Particulars	2079-80	2078-79
Cost of Consumed Materials, Supplies and Services	408,094,874	347,987,709
Cost incurred during construction phase	-	1,068,557,017
Electricity Purchase	33,804,152	20,399,334
Defined benefit plan expenses	2,993,530	4,137,217
Salaries and other employee cost	294,861,567	318,943,333
Mutually Agreed Retirement Scheme	-	-
Contribution to Provident and Gratuity Fund	9,517,738	21,623,891
Staff Bonus	-	-
Staff Bonus - COS	15,379,625	14,521,536
Donation expenses	630,500	525,100
Rent	(25,576)	2,013
Transmission Line Operation & Maintenance	210,025	115,374
Miscellaneous Expenses	27,478,240	29,188,800
Site office expenses	341,883	-
Social security fund	5,692,451	-
leave encashment expenses	-	432,596
security expenses	-	673,200
Fuel and power charges	-	4,518,146
Repair and Maintenance	-	3,498,455

Particulars	2079-80	2078-79
Transportion and Site Installation Expenses	25,482,453	-
Sub-contracting expenses	140,521,147	9,041,029
Power Plant Operation & Maintenance	52,067	-
Repair and Maintenance	36,694,910	61,419,177
Vehicle Operation and Maintenance	6,812,950	24,118,098
Depreciation and amortization	338,678,264	145,269,651
Environment, Community & Mitigation (CSR)	16,442,696	28,008,785
Donation expenses	-	-
Vehicle running cost	3,308,890	2,580,560
Royalty	114,402,864	102,202,035
Insurance	33,284,515	15,015,598
Safety and Security	7,868,837	4,671,742
Legal and professional Expenses	48,700,330	39,043,421
Assets written off	200,998	149,084
Miscellaneous Expenses	-	-
Operation Expenses	-	1,153,266
Bad Debts	-	-
Total	**1,571,429,930**	**2,267,796,167**

Note no: 26

Administrative and other operating expenses

Figures in NPR

Particulars	2079-80	2078-79
Salaries and other employee cost	129,052,497	106,058,002
Mutually Agreed Retirement Scheme	-	-
Contribution to Provident and Gratuity Fund	9,501,996	8,212,659
Defined benefit plan expenses	-	1,917,316
Staff Bonus - admin	12,076,438	6,059,753
Staff Welfare	4,904,199	4,638,670
Depreciation and amortization	22,792,631	22,018,478
House Rent	970,135	1,531,503
Vehicle Running Expenses	5,211,410	5,793,617
Printing and Stationery Expenses	3,777,067	3,064,902
Advertisement & Publicity	2,005,786	1,168,107
Support Staff Expenses	1,881,093	1,324,563
Gift & Donations	429,182	170,520
Assets Written off	155,183	298,769
Equity Investment written off	-	-
Environment, Community & Mitigation (CSR)	5,982,864	975,187
Rates and Taxes	2,069,540	7,114,134
Office Operation and Maintainance	12,904,017	13,390,575
Travelling and Transportation	508,933	301,288
Traveling Expenses & Allowance	2,929,714	2,278,509

Particulars	2079-80	2078-79
Audit fee and expenses	4,351,771	3,038,895
AGM and Board Expenses	8,162,014	7,162,033
Legal and Profesional Fees	8,496,868	9,480,211
Hospitality and Refreshment	2,173,610	1,708,480
Communication expenses	4,922,994	3,842,356
Medical expenses	213,900	105,472
Safety and Security	2,403,034	2,398,034
Training and Development	4,533,566	3,045,455
Insurance expenses	2,062,325	2,309,688
Repair and Maintenance - Admin	7,113,428	10,958,688
Bad debts	-	2,000
Provision for doubtful debt expenses	-	1,674,793
Foreign exchange loss	19,146,328	25,611,217
Miscellaneous Expenses	30,610,498	17,522,594
Impairment loss on assets	-	-
IT Expenses	352,628	92,668
Fines and Penalties	16,200	-
Training and Seminars	80,120	-
Leave encashment expenses	-	527,214
Write offs	-	1,478,604
Community and social expenses	-	3,878,100
Overhead Charged to Projects	(7,061,504)	(6,125,683)
Total	**304,730,465**	**275,027,371**

Note no: 27
Other Income

Figures in NPR

Particulars	2079-80	2078-79
Dividend income	4,944,750	-
Income from Other Sources	14,355,331	14,436,324
House Rent	13,023,048	12,639,235
Profit/(Loss) on Sale & Write Off Fixed Assets	6,187	-
Foreign exchange gain	-	852
Miscellaneous Income	9,221,319	20,273,275
Foreign exchange Gain (loss)	3,904,522	2,806,815
Provision for doubtful debt written back	-	491,640
Provision for Impairment loss written back	513,156,391	-
Insurance Claim received on Loss of Assets	19,668,439	1,381,352
Total	**578,279,987**	**52,029,493**

Note no: 27A
Allowance for Expected Credit loss

Figures in NPR

Particulars	2079-80	2078-79
Gurans Energy Limited	135,700,323	-
Kabeli Energy Limited	131,396,626	-
Receivables from Harish Chandra Shah	185,000,000	-
Receivables from SC Power Company Pvt. Ltd.	10,000,000	-
Total	**462,096,949**	**-**

During the Current year the parent has provided for Allowances for expected Credit loss for amounts receivable from Harish Chandra Shah NPR 185,000,000 and from S.C Power Company Pvt. Limted for NPR 10,000,000.Further it also includes amount provided for Advances towards share of Kabeli Energy Limited for NPR 123,536,367 and of Gurans Energy Limited for NPR 135,700,323 and for the interest receivable from Kabeli Energy Limited for NPR 7,860,259.(Refer Note 8 and Note 14 for details of allowance for expected credit loss)

Note no: 28
Finance income

Figures in NPR

Particulars	2079-80	2078-79
Interest income	115,146,252	108,376,870
Other finance income	-	-
Total	**115,146,252**	**108,376,870**

Note no: 29
Finance Costs

Figures in NPR

Particulars	2079-80	2078-79
Interest Expenses	507,132,581	120,378,358
Other finance cost	-	2,426,972
Bank Charges & Commision	2,754,670	2,119,799
Total	**509,887,251**	**124,925,129**

Note no: 30
EARNINGS PER SHARE

Figures in NPR

	2079-80	2078-79
Profit attributable to equity holders of the parent company	(9,822,234)	215,774,342
Weighted average number of equity shares outstanding	34,090,646	32,463,268
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [2078-79 Restated]	**(0.29)**	**6.65**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	34,090,646	32,463,268
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [2078-79 Restated]	**(0.29)**	**6.65**

Note no: 31
Financial Instruments: Classifications and fair value measurements
Fair value measurements

Figures in NPR

Particulars	Fair value		"Fair value hierarchy"	"Valuation technique(s) and key input(s)"
	As at 31st Ashadh 2080	As at 32nd Ashadh 2079		
Financial assets :				
Investment in equity instruments of Himal Power Limited	759,512,872	760,196,753	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	34,052,484	30,093,262	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

RELATED PARTY DISCLOSURES

(a) Relationship

The Group is controlled by Shangri-La Energy Ltd which owns 56.30% 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. Raju Maharjan	Director	
vi) Mr. Sandip Shah	Director	Tenure completed w.e.f Poush 30 ,2079
vii) Mr. Dinesh Humagain	Director	Resigned w.e.f Ashad 15 2079
viii) Mr.Tirtha Man Shakya	Director	
ix) Mr. Bijay Bahadur Shrestha	Alt. Director	
x) Mr. Sanjib Rajbhandari	Alt. Director	
xi) Mrs Beena Rana	Director	Appointed w.e.f. Magh 1, 2079

The following provides expenses incurred for those charged with governance of BPCL.

Nature of Expense	Current year	Previous year
Meeting Allowances	1,950,000	2,170,000
Communication, IT and Transportation	1,307,250	1,314,000

(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	10,093,864	9,166,576

(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	596,640	612,912	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	-	68,870	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	252,382	25,425	-	-
Kabeli Energy Limited	Reimbursement of rent and utilities	727,115	886,240	-	-
Lamjung Electricity Development Company Limited	Payment for Development fees	-	-	-	-
SCHPI	Income from Rent, Electricity and Generator Charges	-	-	-	-

Note no: 33
Contingent Liabilities and commitments

A. Bank Guarantee

S.no.	Bank Name	Purpose	Currency	Amount	"Expiry Date (A.D.)"
1	Nepal Investment Mega Bank Ltd	Khudi Hydro's OD and Bridge gap loan	NPR	55,884,000	7/3/2023
2	Kumari Bank Limited	For Financial Closure of Kabeli-A Project	NPR	1,250,000,000	Till repayament
3	Laxmi Sunrise Bank Limited	To NEA for PPA of 135 MW MMHEP	NPR	135,000,000	3/18/2026
4	Sanima Bank Limited	On behalf of Upper Marsyangdi-2(UM2)-327 MW in favour of IBN	NPR	100,000,000	11/14/2024
5	Everest Bank Limited	For obtaining additional loan borrowed by Nyadi Hydropower Limited	NPR	550,000,000	Until NHL commences delivery of power.
6	Sanima Bank Limited	For PDA of MM	NPR	50,000,000	4/20/2025
7	Everest Bank Limited	As per the requirement for application of EXIM Code from Department of Customs,Tripureshwor, Kathmandu for	NPR	300,000	7/16/2022

B. Corporate Guarantee

All the Guarantees issed from S.no 1 to 7. are in the nature of Corporate Guarantee issued by the Parent.

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 2078/79	Total Cumulative Dividend (NPR)
		Up to F/Y 2078/79	Up to F/Y 2079/80		
SCPHI	24,000,000	48,583,575	3,441,600	13,975,069	38,050,107
LEDCO	50,000	111,980	7,170	14,614	104,536
Total	**24,050,000**	**48,695,555**	**3,448,770**	**13,989,683**	**38,154,643**

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 14.34% (average consortium loan rate of 11.84 % plus 2.5%).

The cumulative dividend upto the current financial year is NPR 38,154,643 which will be credited to the shareholders' account at the time when company shall make profitable income and approved by its shareholders.

D. Contingent Liabilities

i) Royalty and Tax exemption regarding additional 4.3 MW project in Andhikhola

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 filed writ petition at Supreme Court for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License.
If the group applies 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. 44.11 million considering the period since commencement date till Ashadh end 2078. DoED has claimed the royalty for newly added 4.3MW project at Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales considering them as only an upgradation of existing project. The decision of supreme Court 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 16th July 2023, NEA has deducted NRs 40,238,306 from Parent'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.

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 1,805 million for overall 60% shareholding (including indirect holding through Gurans Energy Limited) considering debt equity ratio at 60:40, of which BPC has invested overall NPR 1068 million as on reporting date. Total project cost is estimated

at NPR 7520 million. Revival process has been initiated for reconstruction of suspended physical works. Construction of the project has been re-started and overall physical progress of around 35% was acheived. The Financial Closure is expected to be achieved on December 1 2023.

ii. 139.2-MW Lower Manang Marsyangdi Hydropower Project

The Group has got generation license of 140 MW capacity Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. NPR 202.30 million has been spent by BPC as on reporting date. The re-optimized capacity of the project has been fixed at 139.2 MW under PROR. Supplementary EIA has been approved by Ministry of Forest and Environment (MOFE) and SPV formation is under process at Department of Industry (DOI). The PPA is already signed with NEA. BPC's part of capital commitment on this project is NPR 1188 million for 19.40% shareholding.

iii. 7.9-MW Chino Khola Hydropower Project

The Group has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study of the project is completed and the project capacity has been optimized to 7.9 MW at Q40. EIA study was completed and approved by the Ministry of Forest and Environment. Generation License has been received for 35 years effective from Ashadh 20, 2079 (July 04, 2022). NPR.36 million has been spent by the company for this project as on reporting date. BPC's part of capital commitment on this project is NPR 276.5 million for 70% shareholding.

iv. 160 MW Mugu Karnali Hydropower Project

The Group has got survey license license for Mugu Karnali Hydropower Project on November 23, 2017 with an estimated project capacity of 160 MW. The project is located near Gamgadhi, Mugu district. Process for EIA is pending due to pending approval of project capacity by MOEWRI.The process of survey license amendment at 174 MW is still pending at DOED. NPR.85.81 million has been spent by the company for this project as on reporting date. This project being an initial stage has not yet been concluded for capital commitment.

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 has 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 430 million for 20% shareholding, of which the group has invested NPR 137.5 million as on reporting date.

vi. 135 MW Manang Marsyangdi Hydropower Project (M1)

Group has currently owned 22.40% 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 Nov 2018 and connection agreement signed. Group's part of capital commitment on this project is NPR 1,152 million for 19.40% shareholding as 3% of the total shares is proposed to transfer to SCIG JVC. Balance 77.40% shares has been transferred to Chinese investors - SCIG HK, CXIG HK & QYEC HK 49.47%, 16.49% and 11.64% respectively. Group has invested NPR 329.49 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 2,791 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 789.70 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.

x. 7 MW Solar Power Project at Jhimruk Area

Group has conducted Pre-feasibility study to generate solar energy utilizing approximately 37.4 acres (304 Ropani) land at headworks of JHC for 7 MW Solar Power Project (SPP) at total estimated project cost of NPR 600 million. and application submitted to DOED to obtain the IEE approval. Feasibility study has been completed. This project being in an initial state has not yet been concluded for capital commitment.

xi. Nepal Power Exchange Limited (NEPEX)

BPC has invested NPR 20 million in the shares of NEPEX established by IPP for cross border power trade as on reporting date and commited total NPR 200 million (10%) of its share capital amount NPR 2,000 million.

Note no: 34

Non-controlling interests

Figures in NPR

Particulars	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Balance at beginning of year	582,554,015	190,781,618
Profit for the year	(31,194,892)	13,030,029
Other comprehensive income	-	(804,217)
Dividends to shareholders	(16,330,000)	-
Transfer to Retained Earnings	-	-
Issue of share in subsidiaries	-	405,000,000
Adjustment during the year	(32,099,315)	-
Adjustment in NCI (RE Portion) due to change in Shareholding %	-	(25,453,415)
Balance at end of year	**502,929,808**	**582,554,015**

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 31st Ashadh 2080	As at 32nd Ashadh 2079	As at 31st Ashadh 2080	As at 32nd Ashadh 2079	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Nepal Hydro & Electric Limited	48.70%	48.70%	4,747,651	(6,995,572)	19,930,204	74,942,033
Khudi Hydropower Limited	40.00%	40.00%	(4,949,155)	4,949,155	81,917,354	93,298,198
Nyadi Hydropower Limited	28.32%	28.32%	13,231,534	(9,038,940)	401,082,250	414,313,784
			13,030,030	(11,085,357)	502,929,808	582,554,015

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 31st Ashadh 2080	As at 32nd Ashadh 2079
Non-current assets	220,399,245	292,981,288
Current assets	1,019,111,671	508,802,831
Non-Current Liabilities	34,936,099	35,769,644
Current Liabilities	835,980,698	437,656,581
Equity attributable to owners of the Company	368,594,118	328,357,894
Non-controlling interests	-	-
Revenue	793,036,341	588,268,839
Total Cost	752,800,117	575,645,545
Profit for the year	**40,236,224**	**12,623,294**
Profit attributable to owners of the Company	20,641,183	6,475,750
Profit attributable to the non-controlling interests	19,595,041	6,147,544
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	40,236,224	12,623,294
Total comprehensive income attributable to owners of the Company	20,641,183	6,475,750
Total comprehensive income attributable to the non-controlling interests	19,595,041	6,147,544

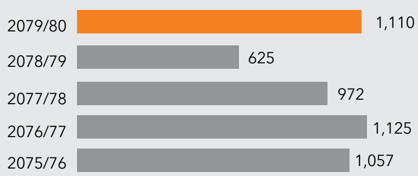
Khudi Hydropower Limited	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Non-current assets	275,286,769	291,389,664
Current assets	48,989,951	20,853,636
Non-Current Liabilities	34,237,000	28,563,059
Current Liabilities	85,553,677	64,872,713
Equity attributable to owners of the Company	177,982,525	125,393,065
Non-controlling interests	-	83,595,377
Revenue	89,962,156	84,410,323
Total Cost	63,458,639	74,591,239
Profit for the year	**26,503,517**	**9,819,085**

Khudi Hydropower Limited	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Profit attributable to owners of the Company	26,503,517	5,891,451
Profit attributable to the non-controlling interests	15,902,110	3,927,634
Other comprehensive income for the year	**10,601,407**	**-**
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	**26,503,517**	**9,819,085**
Total comprehensive income attributable to owners of the Company	15,902,110	5,891,451
Total comprehensive income attributable to the non-controlling interests	10,601,407	3,927,634

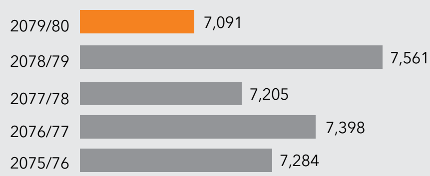
Nyadi Hydropower Limited	As at 31st Ashadh 2080	As at 32nd Ashadh 2079
Non-current assets	6,003,956,020	6,038,915,488
Current assets	165,276,282	145,654,658
Non-Current Liabilities	4,708,330,744	4,264,879,380
Current Liabilities	303,957,905	562,374,345
Equity attributable to owners of the Company	1,355,350,289	1,004,167,590
Non-controlling interests	-	396,735,856
Revenue	591,643,888	1,179,234,239
Total Cost	790,050,526	1,222,821,269
Profit for the year	(198,406,639)	(43,587,030)
Profit attributable to owners of the Company	(142,217,879)	(31,243,183)
Profit attributable to the non-controlling interests	(56,188,760)	(12,343,847)
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	(198,406,639)	(43,587,030)
Total comprehensive income attributable to owners of the Company	(142,217,879)	(31,243,183)
Total comprehensive income attributable to the non-controlling interests	(56,188,760)	(12,343,847)

Group Consolidated Financial Highlights

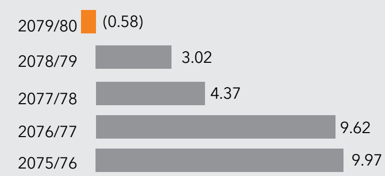
EBITDA (IN NPR MILLION)



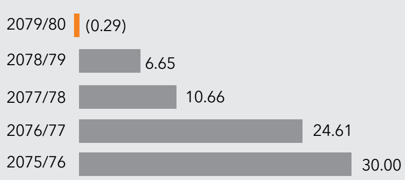
NET WORTH (In NPR MILLION)



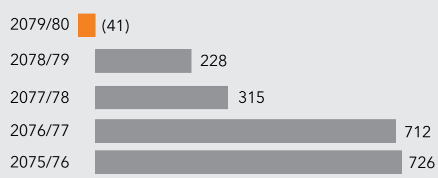
RETURN ON EQUITY (In %)



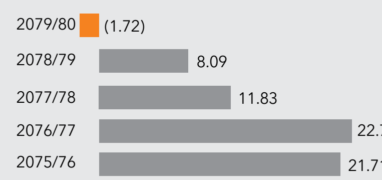
EARNINGS PER SHARE (In NPR)



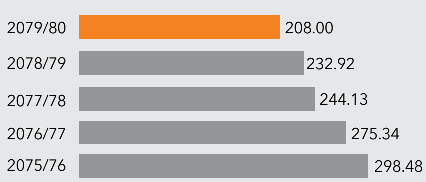
NET PROFIT (In NPR MILLION)



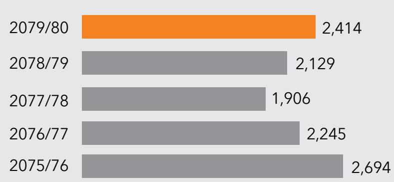
NET PROFIT MARGIN (In %)



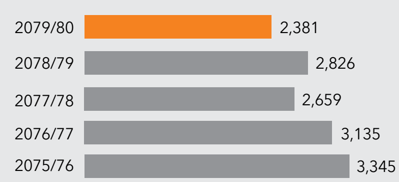
BOOK VALUE PER SHARE (IN NPR)



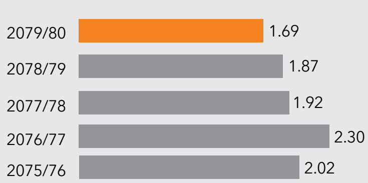
INVESTMENT (In NPR MILLION)



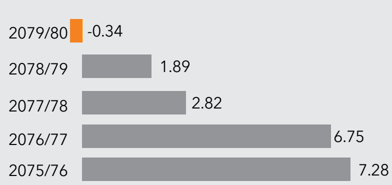
REVENUE (IN NPR MILLION)



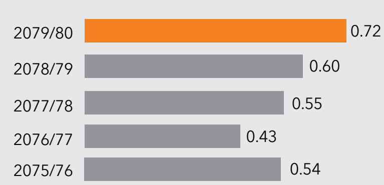
CURRENT RATIO (In Times)



RETURN ON CAPITAL EMPLOYED (in %)



DEBT TO EQUITY RATIO (In Times)



STATEMENT OF FINANCIAL POSITION OF BPC SUBSIDIARIES

As on 31st Ashadh 2080 (16th July 2023)

Figures in NPR

Particulars	HCEL	Khudi	Nyadi	BPCSL	NHE
ASSETS					
Non-Current Assets					
Property, plant and equipment	21,933,517	334,109	7,789,707	8,933,307	118,652,540
Capital work-in-progress	-	-	-	-	24,474,197
Intangible assets	846,519	268,271,500	5,996,166,313	-	100,508
Intangible assets under development	-	-	-	-	-
Financial assets					
Other investments	-	6,328,000	-	-	-
Trade receivables	-	-	-	-	49,108,188
Other financial assets	86,450	353,160	-	-	16,018,051
Deferred-tax assets	3,015,702	-	-	-	12,045,761
Non-Current Lease Asset	11,354,527	-	-	-	-
Other non-current assets	-	-	-	-	-
Total Non-Current Assets	**37,236,714**	**275,286,769**	**6,003,956,020**	**8,933,307**	**220,399,245**
Current Assets					
Inventories	-	2,716,831	-	-	51,392,136
Financial assets					
Trade receivables	89,643,256	12,467,681	-	-	555,822,971
Cash and cash equivalents	44,040,452	23,344,131	6,919,145	818,683	41,752,873
Bank balance other than cash and cash equivalents	70,116,526	-	8,835,869	-	87,541,900
Other financial assets	301,367	5,392,400	130,778,812	15,500,000	183,210,002
Other current assets	5,166,430	2,302,644	18,696,053	69,710	45,547,292
Current tax assets (net)	6,974,220	2,766,263	46,404	15,329	53,844,495
Total Current Assets	**216,242,251**	**48,989,950**	**165,276,282**	**16,403,722**	**1,019,111,670**
Total Assets	**253,478,966**	**324,276,719**	**6,169,232,302**	**25,337,029**	**1,239,510,915**
EQUITY AND LIABILITIES					
Equity					
Equity	14,723,100	84,000,000	1,500,000,000	10,000,000	139,530,000
Other Equity	157,569,453	120,486,042	(343,056,350)	6,371,819	229,064,118
Total Equity	**172,292,553**	**204,486,042**	**1,156,943,650**	**16,371,819**	**368,594,118**
Liabilities					
Non-Current Liabilities					
Financial liabilities					
Borrowings	-	11,953,333	4,509,357,954	-	-
Other financial liabilities	-	-	196,562,491	-	212,669
Non-Current Lease Liability	9,039,453	-	-	-	-
Provisions	-	1,482,164	2,410,299	-	34,723,430
Deferred tax liabilities	-	20,801,502	-	155	-
Total Non-Current Liabilities	**9,039,453**	**34,237,000**	**4,708,330,744**	**155**	**34,936,099**

Particulars	HCEL	Khudi	Nyadi	BPCSL	NHE
Current Liabilities					
Financial liabilities					
Borrowings	-	58,146,667	250,000,000	-	304,812,987
Trade payables	17,337,126	9,280,413	1,500,792	-	1,500,200
Other financial liabilities	31,258,419	5,787,472	51,293,332	8,964,029	132,841,255
Current Lease Liability	3,965,020	-	-	-	-
Provisions	11,527,072	-	-	-	135,112
Other current liabilities	8,059,324	12,339,125	1,163,781	1,026	396,691,143
Current tax liabilities (net)	-	-	-	-	-
Total Current Liabilities	**72,146,961**	**85,553,678**	**303,957,905**	**8,965,055**	**835,980,698**
Total Liabilities	**81,186,413**	**119,790,678**	**5,012,288,649**	**8,965,210**	**870,916,797**
Total Equity and Liabilities	**253,478,967**	**324,276,720**	**6,169,232,300**	**25,337,029**	**1,239,510,916**
Net Worth Per Share	1,170.22	243.44	77.13	163.72	264.17

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME OF BPC SUBSIDIAIRES

For the year ended 31st Ashadh 2080 (16th July 2023)

Figures in NPR

	HCEL	Khudi	Nyadi	BPCSL	NHE
Revenue	204,841,408	89,962,156	591,643,888	-	793,036,341
Cost of Sales	(164,487,025)	(46,816,278)	(262,480,797)	(49,442)	(678,802,667)
Gross profit	**40,354,383**	**43,145,878**	**329,163,091**	**(49,442)**	**114,233,674**
Other income	4,319,079	5,517,117	-	1	23,592,486
Administrative and other operating expenses	(36,990,886)	(6,072,795)	(61,689,270)	(213,347)	(80,409,521)
Finance Income	9,437,236	-	296,186	1,478,740	467,278
Finance Costs	(1,533,811)	(9,460,834)	(466,176,646)	-	(21,248,963)
Profit from JVs	-	-	-	-	12,760,009
Profit Before Tax	**15,586,001**	**33,129,366**	**(198,406,639)**	**1,215,951**	**49,394,963**
Income Tax Expense					
Current tax	(3,690,971)	(7,667,735)	-	(304,621)	(9,158,738)
Deferred tax credit/charge	53,787	1,041,886	-	52	-
Net Profit for the year	**11,948,817**	**26,503,517**	**(198,406,639)**	**911,382**	**40,236,224**
Earnings per equity share of Rs. 100 each					
Basic Earnings per share - Rs.	81.16	31.55	(13.23)	9.11	28.84
Diluted Earnings per share - Rs.	81.16	31.55	(13.23)	9.11	28.84

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

CORPORATE OFFICE
P.O. Box. 11728
Gangadevi Marga - 313, Buddha Nagar
Kathmandu, Nepal
Tel: 977-1-4791776, 4794026
Fax: 977-1-4790994
E-mail: info@bpc.com.np

JHIMRUK HYDROELECTRIC CENTER
Darimchaur, Pyuthan
Tel: 086-590104

ANDHIKHOLA HYDROELECTRIC CENTER
Galyang, Syangja
Tel: 977-063-460152
Fax: 977-063-460152

LIAISON OFFICE
Campus Road, Butwal
Tel: 977-071-540809
Fax: 977-071-541058

www.bpc.com.np

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DESIGNED AND PROCESSED BY: SPANDAN DESIGN COMMUNICATION, T: +977-1-5435884