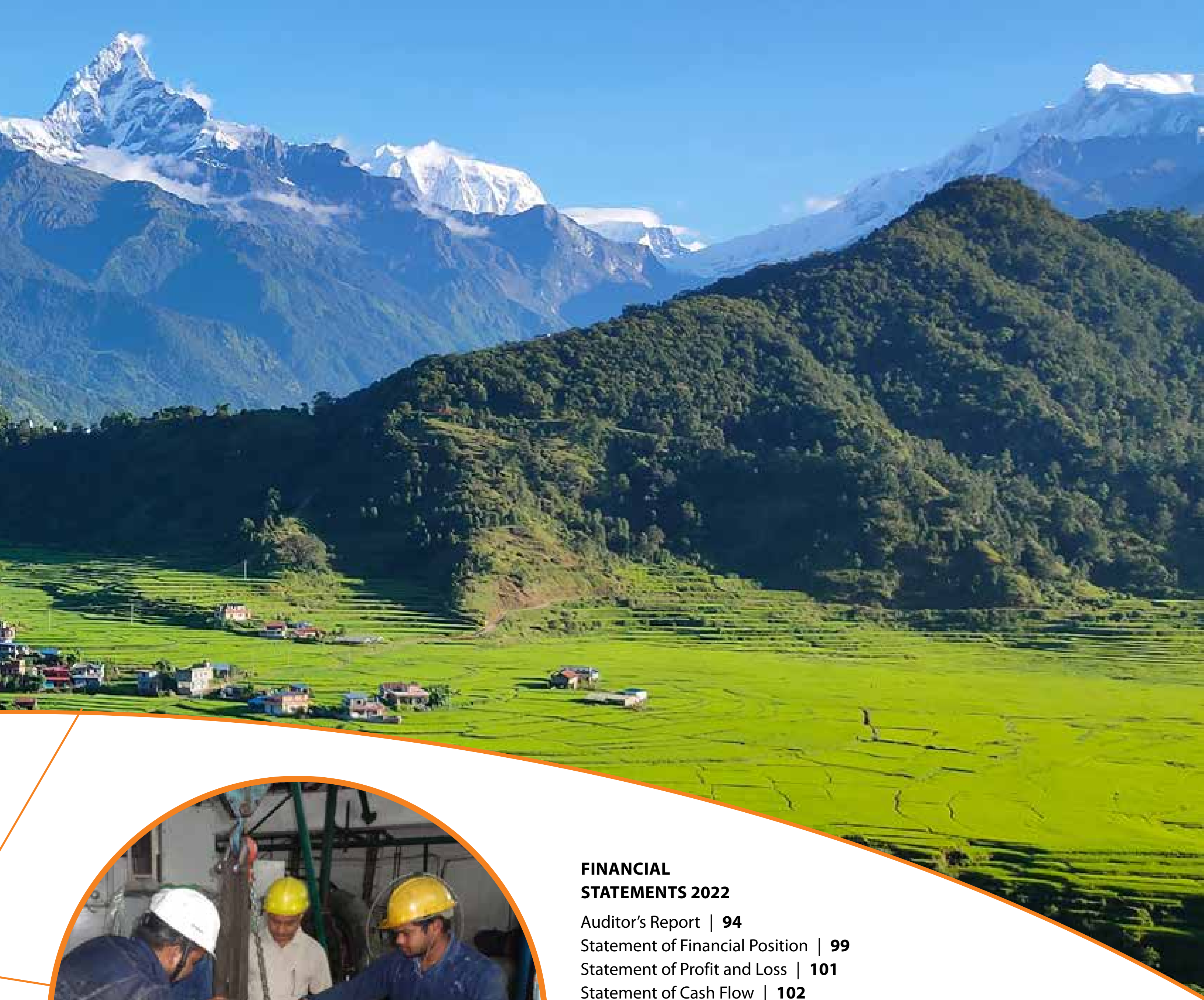
BUTWAL POWER COMPANY LIMITED

iLight the future

ANNUAL REPORT

2021/22

Contents



FINANCIAL STATEMENTS 2022

CONSOLIDATED FINANCIAL STATEMENTS 2022

Company Profile

A prominent name in hydropower sector since

1965

A prominent name in Nepal's hydropower industry since its incorporation in 1965, Butwal Power Company (BPC), has been engaged in hydropower generation, transmission, and distribution business. It has established itself as one of the country's leading publicly traded companies. In addition to its core business of electricity generation and distribution, it has also been actively involved in the development, operation, and maintenance of hydro-power plants, engineering and design consultancy of hydropower and infrastructure projects, manufacturing & repair of hydro-mechanical (HM) and electro-mechanical (EM) equipment for power plants through its subsidiary companies. BPC has a history of spearheading multi-faceted capacity building initiatives in hydro-power development.

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

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

BPC is the only company in the nation that can look back on more than a five decades of success, sustained growth, and capacity building with 55 MW in operation and 37.6 MW under construction in terms of equity investment through separate Special Purpose Vehicles (SPVs). The company began by electrifying a small city called Butwal in west Nepal through the development of 1 MW Tinau Project.

BPC owns and operates 9.4 MW Andhikhola and 12 MW Jhimruk Power Plants located in western Nepal and supplies power to Nepal Electricity Authority (NEA) under Power Purchase Agreement (PPA). Additionally, it has been electrifying around 62,000 customers in Syangja, Palpa, Pyuthan, and Arghakhanchi districts through its own distribution network. BPC owns majority stake in 4 MW Khudi Hydropower Plant (KHP) and 30 MW Nyadi Hydropower Plant (NHP) under operation and 37.6 MW Kabeli-A Hydro-Electric Project (KAHEP) under construction through separate SPVs namely, Khudi Hydropower Ltd. (KHL), Nyadi Hydropower Limited (NHL), and Kabeli Energy Limited (KEL) respectively.

BPC has formed a joint venture (JV) company named, SCIG International Nepal Hydro Joint Development Investment Company Pvt. Ltd. with three Chinese Companies of Chengdu, Sichuan Province, People's Republic of China. The JV company was formed with an aim to invest in Marsyangdi Cascade Projects (MCPs),

which include the 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) in Manang and Lamjung districts. These projects will be peaking run-off-river (PROR) projects.

The company is preparing to develop 7.9 MW Chino Khola Hydropower Project (CKHEP), with a view to supply power for the construction of the cascade projects. PPA will also be concluded with NEA to sell power after the completion of cascade projects. The connection agreement has been signed and the project is in queue for PPA with NEA. Feasibility and EIA study of 160 MW Mugu Karnali Hydropower Project (MKHEP) is ongoing. The project is located near Gamgadhi, the district headquarters of Mugu district.

BPC has 16.88% share ownership in Himal Power Ltd (HPL) operating 60 MW Khimti Hydropower Plant (Khimti-1). However, in accordance with the terms of the PPA, 50% of the plant's ownership is under the process of transferring to NEA. The new company with 50% share ownership of NEA in HPL will be formed and BPC will have 8.5% share ownership. PPA terms of Khimti-1 will be restructured. BPC also owns partial share in Hydro Lab Pvt. Ltd. (HLPL), a Company that specializes in hydraulic model study of hydropower projects, sediment analysis, and efficiency measurements. Nepal Hydro & Electric Limited (NHE), a subsidiary of BPC, has an expertise in design, manufacturing, installation, testing, commissioning, and repair & maintenance of HM and EM equipment.

Hydro-Consult Engineering Limited (HCE) established by BPC in 2009 has been providing cutting-edge and competitive engineering consulting services for water resource-based infrastructure projects. Through its specialized, experienced, and competent professionals, it investigates, designs, and assists to develop hydropower projects in Nepal and abroad with an excellent business result.

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 received recognition as the best-managed company in hydropower sector. It has received national best presented annual report (BPA) awards several times. The company was also rewarded with 'International Blue Planet Award 2005' from International Hydropower Association, UK.

BPC is dedicated to operational excellence and believes in good governance, corporate citizenship, and creating value for stakeholders.

Has been electrifying
62,000
customers through its own distribution business

Projects with capacity
800MW+
under development

Vision, Mission and Values

VISION

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

MISSION

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

VALUES

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

Strategic Goals of the Company

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

- Continuous focus on a strong financial performance in terms of reasonable return on investment through maximizing the use of financial capabilities in terms of asset utilization, optimized resources utilization, risk management, and the diversification of the company's investment portfolio in other business areas.

- Expand the businesses mainly through the development and acquisition of power generation facilities in the sustainable green field of hydropower and in other renewable projects of mid and large-size for the domestic and cross-border markets, respectively.

- Improve the business operation or increase productivity through the prudent and dynamic management practices including timely organizational restructuring, well-defined processes and the latest technologies that creates favourable environment for teamwork to enhance core competency and institutional memory.

- Develop and strengthen workforce competency to ensure excellence in performance through identification and development of skills and knowledge necessary for the company to succeed as a commercial enterprise, ensure right people in right roles and opportunity for career growth, instil customer-focused internal and external business relationship and manage and retain knowledge and expertise.

- Efficient and optimum use of environmental resources along with focus on improved occupational health and safety and continual improvement in the Quality and Environmental Management System.

Ethical Principles

We strive to exercise the highest standards of ethics and conduct in our personal and business relations 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.

Jhimruk Plant: Control Panel Testing

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

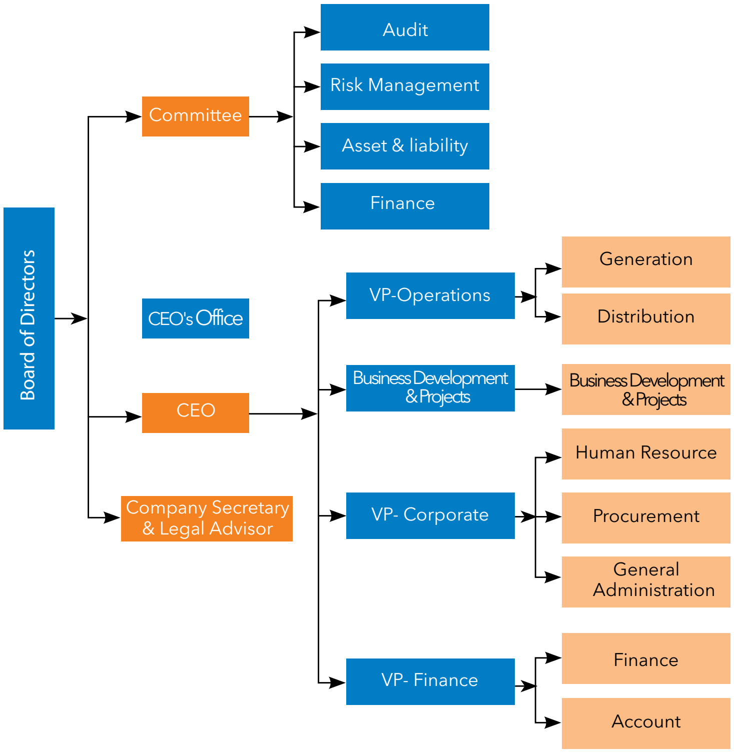
BPC is committed to provide quality and competitive products and services to meet customers' expectations and to ensure health and safety at work by conducting business in an environmentally and socially responsible manner through:

- 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 adopts a functional organizational structure with a high level of specialization, productivity, accountability, and clarity of specific job responsibilities among its employees. The company directly manages the businesses of generation, distribution, and transmission. BPC also conducts business and project development activities. However, after the formation of an SPV for each project, construction activities are carried out through SPVs. Hydropower projects are engineered, manufactured, operated, and maintained by its subsidiaries as needed. The organizational structure is in place, with Operations, Business Development & Projects (BD&P), Finance, and Corporate reporting directly to the Chief Executive Officer (CEO). The CEO leads the overall management and reports to the Board of Directors (BoD).

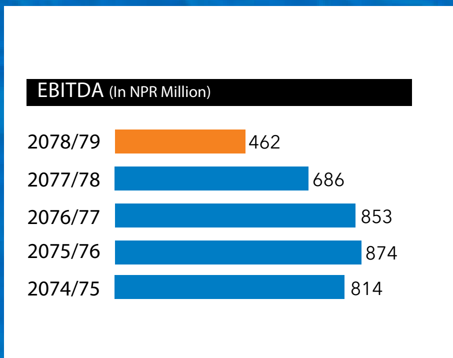


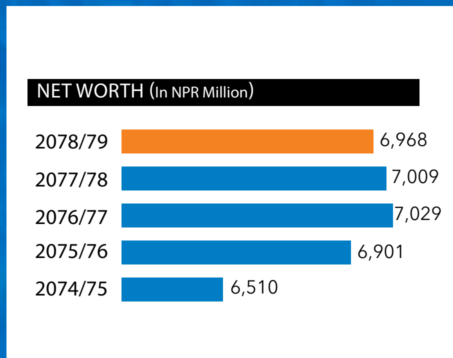
Company Profile

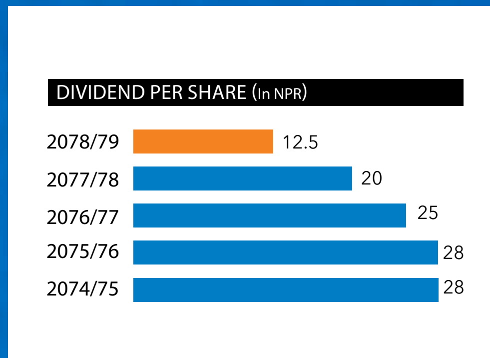
Highlights of the Year

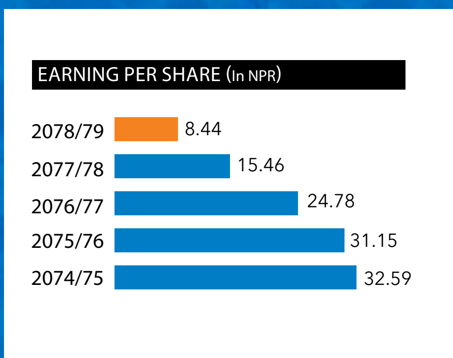
- Total Revenue earned NPR 923 million and Net Profit NPR 274 million.
- Draft Project Development Agreement (PDA) initialized with MOEWRI for 135 MW Manang Marsyangdi Hydropower Project (MMHEP).
- Supplementary Environmental Impact Assessment (SEIA) study for 139.2 MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) approved.
- Owner's Engineer (OE) appointed, bidding, and contract negotiations completed for MMHEP.
- Industry Registration for 139.2 MW LMMHEP completed.
- Survey License received from Investment Board Nepal (IBN) for 327 MW Upper Marsyangdi-2 HEP(UMHEP).
- Industry registration completed, connection agreement signed, and generation license issued for Chino Khola HEP (CKHEP).
- Construction of 30 MW Nyadi Hydropower Project (NHP) completed and commissioned.
- Feasibility study for 7 MW solar project completed and IEE ongoing.

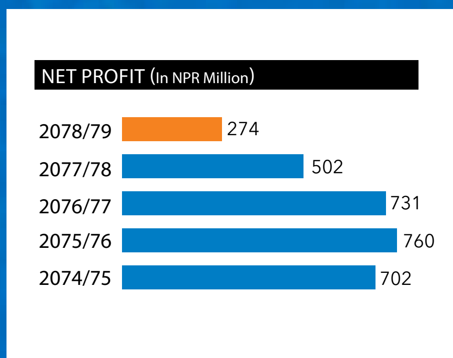
Financial Highlights

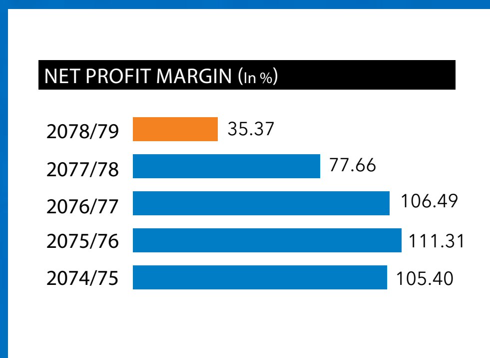


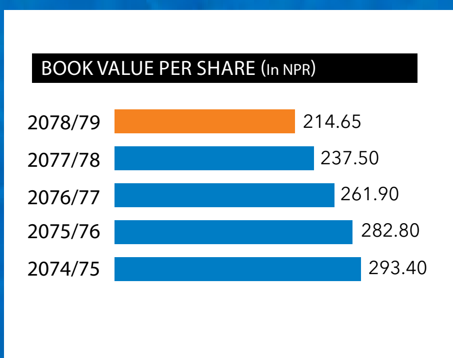


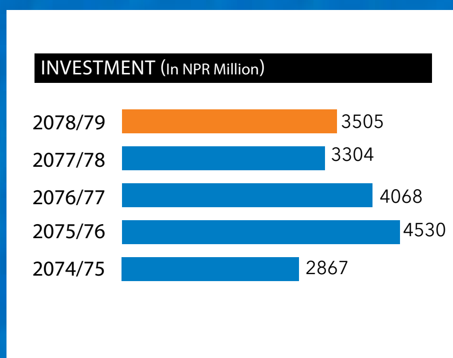


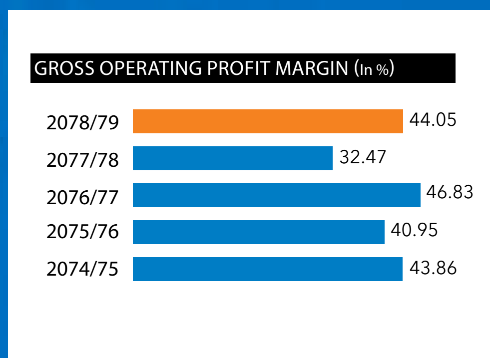


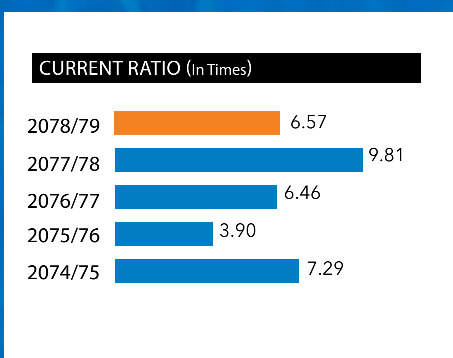


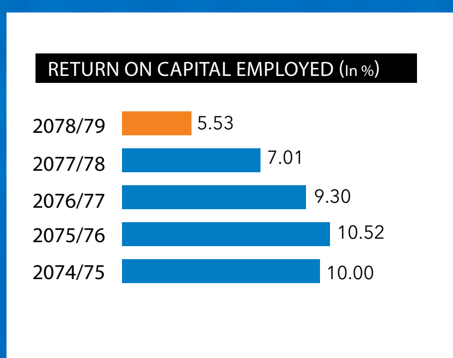


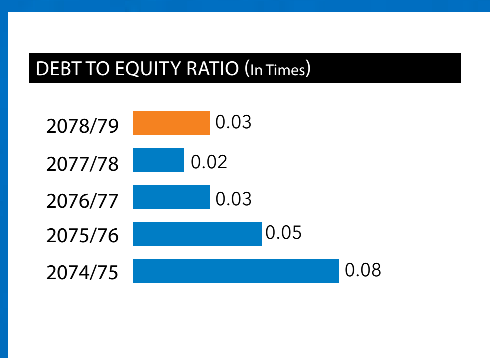












Board of Directors

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

Message from Chairperson

> The Company has collaborated with both local and credible international investors as equity partners to take up larger hydropower projects.

With an aim to reduce greenhouse gas emissions and to protect the earth from the threat of climate change, COP26 was held in Glasgow November 2021, followed by COP27 held in Egypt. Nepal has made a commitment to achieving a net-zero carbon emissions by 2045, with the endorsement of Long-Term Strategy to achieve this target. This is an opportunity for Nepal to harness its hydropower resource to its full potential.

Currently, the world is plagued by skyrocketing prices of petroleum products, primarily because of the impacts of the war between Russia and Ukraine. Nepal is also not untouched by the ripple of the increasing prices of petroleum products. However, Nepal being absolutely dominated by hydroelectricity and other renewal sources, could continue to play a big role in supplying power within the country and in the cross-border regional market, even during the energy crisis.

Promoting growth through Foreign Direct Investment (FDI) has been reiterated time and again in the national plans and various policy documents of the country. Due to lack of sufficient domestic funds to build the large infrastructure projects for meeting the government policy targets, FDI is highly necessary. Hydropower projects as renewable source of energy have been identified as the major attractive ventures for FDI given the export potential of hydroelectricity in the sub-continent to minimize the carbon emission. In the same spirit, the White Paper on the Present Situation and Future Roadmap of Energy, issued by the Ministry of Energy, Water Resources, and Irrigation, addresses on the need of international investments in hydropower under the constricted investment capacity of Nepali public and private sector. It further addresses on the development of policy to mobilize capital through foreign loans and grants provided by foreign banks and financial institutions to meet the investment requirements in energy sector. The efforts made by the Government to bring in the hedging regulation to attract the FDI is highly appreciable. Encouraging FDI and facilitating measures like practical hedging mechanism also empowers Nepalese investors and financial institutions since, in most cases, they are the joint partners in FDI. However, the lack of a clear hedging mechanism despite the amendments is impeding the progress of hydropower projects under international financing.

With the successful completion of the federal and provincial elections as well as local elections in November 2022 and May 2022 respectively, a new seven-party coalition government has been formed. It is noteworthy that the political parties have included ambitious goals for hydropower development in their election manifestos. It is thus anticipated that the newly formed government will prioritize and facilitate hydropower development. The recent surge in private sector interest in hydropower development demonstrates that the government must implement policies that encourage and promote private sector participation in the sector.

BPC is dedicated to developing hydropower projects in Nepal that has been contributing to the government's generation targets. The Company has collaborated with both local and credible international investors as

> "Due to lack of sufficient domestic funds to build the large infrastructure projects for meeting the government policy targets, FDI is highly necessary."

equity partners to take up larger hydropower projects. Such collaborations will be vital for bringing foreign capital, technology, and management skills into the country.

The Company's operating plants performed well in the last fiscal year, with Jhimruk plant achieving the milestone of highest generation since its Commercial Operation Date in 1994. The construction of 30 MW Nyadi project has been successfully completed and it has started commercial operation. The Company is committed to and is continuing to provide reliable, affordable, and quality power supply to its local consumers. Project Development Agreement of 135 MW Manang Marsyangdi HEP, one of the major milestones required for one of our FDI projects, is successfully signed with the GoN. The construction of the project will start in early 2023. For Upper Marsyangdi-2 HEP, survey license has been received following the signing of the Memorandum of Understanding with Investment Board Nepal, and Detailed Project Report has been submitted for start of Project Development Agreement negotiations. In 2022/23, the Company is working on the revival of Kabeli-A Hydroelectric Project and the construction of Chinokhola Hydropower Project. The ongoing process of dilution of the Company's ownership interest in Khimti plant and finalization of PPA are expected to be completed this year.

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

Padma Jyoti
Chairman

Andhikhola Plant: Automatic Trashrack Cleaner at Headworks

Report from Board of Directors

Dear Shareholders,

It gives us an immense pleasure to present this Board of Directors' Report for the year 2022 at the Company's 30th Annual General Meeting (AGM).

The Company performed well in its operations business during FY 2078/79, but the performance remained moderate in the investment and project development businesses. The performance of various business segments is presented herein under the respective headings. The Company posted a net profit of NPR 274 million in FY 2078/79, which is 45.37% less than the previous year. Although there is around 24% increase in the net sale of electricity this year, there is 96.48% decline in the dividend income of the Company, which is largely attributed to overall decrease of net profits for the current period.

PERFORMANCE REVIEW

Finance

The Company earned gross operating profit of NPR 341.38 million in FY 2078/79, an increase of 62.72% over the previous year. Finance income also increased by 70.73% to NPR 99.93 million. However, the profitability has been significantly reduced due to 96.48% decrease in dividend to NPR 11.44 million compared to NPR 324.96 million in the previous year. Consequently, the profit before and after taxes decreased by 38.20% and 45.37% respectively. In the FY 2078/79, the Company's net profit was NPR 274.15 million. The financial highlights of the Company are briefly summarized below.

The increase in group revenue by 6.11% is due to increase in sale of services although there is a decrease in revenue due to projects in construction phase. Additionally, the decrease in cost of sales by 3.63% is mainly due to decrease in cost incurred during construction phase and electricity purchase, resulting the increase in gross profit by 79.39%. However, the decrease of group net profit by 27.44% is mainly due to significant

(in million NPR unless specified)

Particulars	FY 2078/79	FY 2077/78	Variance (In %)
Electricity sale to NEA	526.76	423.72	24.32
Electricity sale and services to consumers	239.47	213.99	11.91
Generation expenses	295.79	312.18	-5.25
Distribution expenses	137.87	124.16	11.05
Gross profit	**341.38**	**209.80**	**62.72**
Other income including dividend received	40.03	687.72	-94.18
Administrative and other expenses	127.43	127.74	-0.24
Profit before interest and taxes	**261.82**	**525.51**	**-50.18**
Profit before taxes	348.94	564.60	-38.20
Net profit after tax	**274.15**	**501.82**	**-45.37**
Investment in other companies	3,505.28	3,303.68	6.10
Earnings per share (in NPR)	8.44	15.46	
Total Net worth/Equity	**6,968.19**	**7,009.39**	**-0.59**

The Group consolidated financial status for FY 2078/79:

(in million NPR unless specified)

Particulars	FY 2078/79	FY 2077/78	Variance (In %)
Revenue	2,821.11	2,658.74	6.11
Cost of sales	(2,261.50)	(2,346.79)	-3.63
Gross profit	559.61	311.96	79.39
Profit before interest and taxes	350.45	769.12	-54.43
Profit before tax	320.70	393.51	-18.50
Profit after tax	228.32	314.66	-27.44
Profit attributable to owners of parent	239.40	339.13	-29.41
Profit attributable to non-controlling interest	(11.09)	(24.47)	-54.70
Earnings per share	7.37	10.45	
Net worth	7,551.70	7,205.13	4.81

decrease in dividend income. The increase in net worth by 4.81% is mainly due to issue of NHL shares to public. The group earnings per share is NPR 7.37, which was NPR 10.45 in previous year.

OPERATIONS

Generation Business

The Company has been operating two power plants namely, 9.4 MW Andhikhola Power Plant (APP) and 12 MW Jhimruk Power Plant (JPP). Both plants operated quite well in the FY 2078/79. The total generation was 155.26 GWh, which is 21.76% higher compared to 127.5 GWh generated in the previous FY. Out of total generated energy, around 68.88% energy was supplied to NEA and remaining to the distribution business.

The generation status of both power plants was as follows:

- APP generated 72.03 GWh with plant factor of 87.24%, which is an increase of 16.66% (10.286 GWh) over the previous year. Higher than normal rainfall during the dry season was the major factor contributing to the increased generation. Out of total available energy, 35.048 GWh (47.47%) was supplied to NEA, which includes 3.167 GWh compensation for Kaligandaki Power Plant and 37.957 GWh was sold to BPC distribution.
- JPP generated 83.23 GWh with plant factor of 78.96%, which is an increase of 26.58% (17.48 GWh) over the previous year. JPP has achieved the milestone of highest generation this year since its Commercial Operation Date (August 1994). The major factor in substantial increase in generation was higher than normal rainfall during dry season and maintaining good operating condition of the plant. Out of the total available energy, 74.76 GWh (87.35%) was supplied to NEA and 8.808 GWh was sold to BPC distribution.

During the monsoon season, water in the Jhimruk river contains a large amount of quartz particle. The quartz particle is extremely abrasive and therefore, severely erodes the inner parts of the turbine. As a result, the plant cannot operate at full capacity during high flood in the monsoon season. During the FY 2078/79, all the turbine parts, including runners, guide vanes, side covers, sealing rings, shaft seals, and others, were maintained on time. Further, preventive and annual maintenance was carried out as per the schedule.

Distribution Business

During the FY 2078/79, the total energy purchased from the generation business was 46.76 GWh, which is about 9.93% more than that of last year. The reasons of the increased purchase are the increase in consumer number by 2.6% and rise in average electricity consumption per consumer per month by 6.81%. The corresponding sale of electricity has also increased by 9.6% compared to previous year. The Company sold 38.82 GWh energy to retail consumers and 0.064 GWh was internally consumed.

SUBSIDIARY AND ASSOCIATES OF THE COMPANY

Company's investment portfolio at the end of Ashadh, 2079

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

Name of company	No. of shares	Holding (In %)	Investment at cost (In NPR)	Investment at Fair Value (In NPR)
Himal Power Ltd.	2,978,502	16.88	434,931,461	760,196,753
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	98.18	1,075,145,300	-
Kabeli Energy Ltd.	2,966,860	27.24	296,686,000	-
Hydro-consult Engineering Ltd.	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	30,093,262
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	-
Convertible Loan to Kabeli Energy	-	-	1,260,044	-
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	3,125,439	-	93,520,876	-
Total	**26,001,282**		**3,414,548,397**	**790,290,015**

Advance towards share capital including incidental cost to associated companies:

Name of company	Amount (Rs.)
SCIG Int'l Nepal Hydro Joint Venture Development (P) Ltd.	44,000,000
Gurans Energy Ltd.	3,012,232
Manang Marshyangdi HPC (P) Ltd.	182,086,000
Nepal Power Exchange Ltd.	20,000,000
Total	**249,098,232**

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

Name of company	Net Profit (In million NPR)	Increase (decrease) in net profit	Net Worth (In Million NPR)	Earnings Per Share (In NPR)	Book Value Per Share (In NPR)
Himal Power Ltd.	-15.21	-120.06%	4,834.89	-0.86	274.06
Nepal Hydro & Electric Ltd.	8.01	149.07%	322.09	5.74	230.84
Khudi Hydropower Ltd.	9.82	-34.53%	218.81	11.69	260.49
Kabeli Energy Ltd.	-60.35	-22.92%	802.13	-4.97	73.93
Nyadi Hydropower Ltd.	-43.58	98.35%	1,357.32	-3.12	90.49
Hydro-consult Engineering Ltd.	23.29	-11.58%	176.18	158.18	1,196.65
BPC Services Ltd.	0.90	17.37%	16.46	8.99	164.60
Hydro Lab (P) Ltd.	30.33	32.45%	184.17	504.72	3,064.36
Gurans Energy Ltd.	-3.51	-97.24%	65.28	NA	7.87
SCIG International Nepal Hydro Joint Development Co. Pvt. Ltd.	-34.69	1.04%	1,491.62	-2.16	92.84
Manang Marsyangdi Hydropower Company Pvt. Ltd.	-0.04	-101.32%	87.09	-0.05	98.30
Marsyangdi Transmission Company Private Ltd.	0.05	0%	43.17	-1.37	1,307.12
Himtal Hydropower Company Private Ltd.	-0.04	-71.27%	594.56	-0.01	191.83

The Company earned dividend income of NPR 11,440,209 in FY 2078/79 from the following subsidiary companies:

Name of company	Dividend amount in NPR (from the profit of F/Y 2077/78)
BPC Services Ltd.	950,000
Hydro- Consult Engineering Ltd.	10,490,209
Total	**11,440,209**

Power Plants owned by Subsidiaries and Associates

Khudi Hydropower Limited (KHL), a subsidiary company owns and operates the 4 MW run-of-river Khudi Power Plant, which began commercial operation in FY 2063/64. BPC is the major shareholder of KHL. The power plant was unable to operate normally for much of the year due to flood, which led to some lost revenue. Heavy rain and high floods in the project area during Ashadh 2078 caused damage to the plant's structures and forced a one and half month plant shut down. The company recorded revenue of NPR 84.41 million in FY 2078/79 with 36.71% increase from previous year (which suffered from heavy flood and consecutive shut down of plant for around half the year). The company earned a net profit of NPR 9.82 million with decrease of 32% compared to the previous year.

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 till a final PPA is signed. According to the new PPA, KHP will operate under a new special purpose vehicle. This change has a significant impact on the dividend income of the Company.

Engineering and other Services

Hydro Consult Engineering (HCE), a fully owned subsidiary has been performing well by offering Tier-1 consulting engineering services to numerous hydropower projects both domestically and abroad. HCE is also in the process of business diversification to consulting services for other infrastructure sectors.

BPC Services Limited (BPCSL), a fully owned subsidiary, was established to provide operation and maintenance services to the power plants and interconnection facilities. This company aims to offer its operation and maintenance services to the various power plants through BPCSL.

Hydro Lab Pvt. Ltd., an associate company, has been conducting physical hydraulic model studies, sediment studies, and associated research for water resources development projects. This company has also provided services in geological testing & site investigation, and numerical modelling services.

PROJECTS

Nyadi Hydropower Project (NHP)

Nyadi Hydropower Limited (NHL), a SPV with a majority shareholding of BPC has developed 30 MW Nyadi Hydropower Project located in Lamjung district using local financing. The other equity partners in NHL include general public and LEDCO. Construction of the project is complete, and commercial operation was achieved on 10th May 2022. The plant is currently operating under contingency power evacuation plan with an additional 3 km transmission line constructed by the project up to Upper Marsyangdi-A powerhouse due to delay in the construction of 220 kV transmission line and sub-station by NEA. The generated power is not being fully dispatched now by NEA due to which NHL is unable to generate anticipated revenue from the power plant.

Kabeli-A Hydroelectric Project (KAHEP)

All the physical works of the 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) undertaken by Kabeli Energy Limited (KEL) are under suspension from the beginning of 2020 as the World Bank (WB) stopped loan disbursement to the project after expiry of disbursement deadline. However, the project is in revival process under local financing by amendment of PPA. The project company has been following up with NEA for the amendment of PPA for which in-principal approval of generation license has been received from DOED. Preliminary discussions have been initiated with potential lenders to conclude the financial closure with local financing and resume construction.

Marsyangdi Cascade Projects (MCPs):

MCPs comprises three peaking run of river (PROR) projects - Manang Marsyangdi Hydroelectric Project (MMHEP), Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) and Upper Marsyangdi-2 Hydroelectric Project (UM2HEP) with combined installed capacity of 601 MW. Adjustment of coordinate boundaries, redefining the nature of the project as PROR, updating feasibility study and conducting supplementary EIA, investigations and resource optimization of MCPs have been completed. These projects are being implemented through a separate special project vehicle (SPV) for each project jointly with the Chinese partners namely SCIG International Limited, Xingcheng International Investment Co. Ltd. and QYEC International Co. Ltd.

The status of MMHEP is as follows:

- Installed capacity has been optimized at 135 MW as PROR and generation license has been amended accordingly.
- Process ongoing for approval of government land and tree cutting.
- Draft PDA has been initialized and waiting for cabinet approval for final signing.

- Owner's Engineer has been appointed, bid documents prepared and bid notice has been published for EPC contractors.
- Contract negotiation with the bidders of EPC contractors is complete.
- Process for financial closure is ongoing with the Chinese banks.

The status of LMMHEP is as follows:

- The project has been optimized as PROR at 139.2 MW and connection agreement has been signed accordingly.
- Supplementary EIA has been prepared at 139.2 MW and approved by MoFE.
- Industry Registration has been approved at 139.2 MW after the investment approval by IBN.
- Follow up is ongoing for draft PPA at NEA.
- The process of SPV formation is ongoing.

The status of UM2HEP is as follows:

- IBN has granted survey license after signing of MOU for 327 MW and DPR has been prepared and submitted to IBN for approval.
- PPA process at NEA has been initiated.
- Supplementary EIA has been approved by Ministry of Forest and Environment(MoFE).

Power from MCPs will be evacuated through 220 kV Marsyangdi Corridor Transmission Line, which is being constructed by NEA. However, construction of the transmission line has been delayed, impacting the power evacuation of the completed and ongoing hydropower projects in Marsyangdi corridor like Nyadi Hydropower Project.

Chino Khola Hydropower Project (CKHEP)

7.9 MW Chino Khola Hydropower Project (CKHEP), a RoR project close to LMMHEP, will initially supply construction power to the MCPs and will then sell power to NEA through a PPA. The generation license has been granted by DOED and the EIA report of the project has been approved by the MoFE. After signing of connection agreement, the PPA process with NEA is ongoing. Industry registration of the project has been completed. Process for leasing government land and tree-cutting approval has been initiated for the start of construction works after the PPA and financial closure.

Mugu Karnali Hydropower Project (MKHEP)

BPC has been granted the survey license of 160 MW Mugu Karnali Hydropower Project (MKHP) effective from 2074/08/07. Following the findings of the pre-feasibility study, HCEL selected the most attractive option to carry out a detailed feasibility study and an EIA. Department of National Park and Wildlife Conservation (DNPWC) has given consent to BPC for a feasibility study on 2078/12/25 and for EIA on 2079/06/05 as the project is located in buffer zone of Rara National Park. Feasibility and EIA studies of the project are ongoing.

License boundary of the project is overlapped with the license boundary of Mugu Karnali Storage Hydropower Project (MKSHP), the survey license of which was granted to Vidyut Utpadan Company Ltd (VUCL) effective from 2075/03/15. The survey license of 1902 MW MKSHP was issued to VUCL after BPC received the survey license of MKHEP. MKHEP is found feasible at 173.47 MW including the overlapped area. However, MOEWRI is of the opinion that the storage project should be prioritized for reasons of national interest, so MKSHP should be given the overlapped portion to make it feasible, and BPC is urged to concentrate its study on moving the boundary upstream rather than staying in the overlapped area. Accordingly, application for generation license has been submitted to DOED.

Currently, there is no transmission line along the Karnali corridor. However, for Betan Karnali Project, bidding for the 400 kV transmission line is already underway by Rastriya Prasaran Grid Company Ltd. up to Betan-Phukot. The connection agreement with NEA will be signed only after the construction of transmission line near MKHEP is ensured.

New Initiatives

BPC has been awarded survey license of solar project at headworks area of Jhimruk power plant with capacity of 7 MW. Feasibility and IEE studies of the project and assessing the viability in the context of reduced tariff for solar projects by NEA are ongoing. In the context of clean energy and the global goal of reducing carbon emissions, green hydrogen has recently emerged as a new area of development. BPC, a market leader in the energy sector, is initiating the knowledge gaining process to go for the green hydrogen business when it reaches economic, technological, and market maturity.

CORPORATE GOVERNANCE

BPC is dedicated to upholding ethical business practices and good corporate governance. We strive to keep the confidence of our stakeholders by being ethical, honest, and transparent in the continuing pursuit of our vision, mission and values. Each year we produce the Corporate Governance Report (CGR) with the intent of being transparent on our Board's activities and its performance, internal control systems and risk management. The vision, mission, core values, business principles and policies, code of corporate governance, code of conduct and ethics, and guidelines are all included in the corporate value framework. This framework applies to everyone in the company, from employees to members of the board of directors. The fundamentals of this framework include striving to exercise the highest standards of ethics and conduct in our interpersonal and business relations, while also ensuring compliance with the legal framework, fairness, integrity, honesty, and consideration of the environmental impacts and stakeholder interests. The reports to this intent, as required by the prevailing laws, have been submitted to the regulatory bodies on due time. The CGR has been presented separately in the company's Annual Report.

Board and its Committees

During the year, there was no change in the Board of Directors (BoD). The Board has set up three Committees as per the mandatory requirement- Audit Committee, Risk Management Committee, Assets & Liability Committee: and other five committees as per the need of the company. The performance of Directors as members of the Board and its Committees remained satisfactory in FY 2078/79. 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 71,613 at the end of FY 2078/79.

Management

The Company's management is led by the CEO Mr. Uttar Kumar Shrestha. Mr. Shrestha has extensive management experience with NEA in the past. He has successfully led the Company's management for the past nine years. The Company employs 191 people, with 18 in management positions. The Collective Bargaining Agreement (CBA) signed on Mangsir 17, 2078 with the Trade Union remains valid until the end of Ashadh, 2080. Employees have been covered with medical and accidental insurance policies.

The Management has improved performance during the fiscal year 2078/79 by completing major tasks in accordance with the Company's vision, mission, and values under the strategic direction of the BoD and Board Committees.

Quality, Environment and Occupational Health and Safety Management System

The Company has developed its Quality, Environment, Occupational Health, and Safety Management System in line with ISO standards. The Company has been certified with ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), 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. 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 2023. 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

The Company is engaged with its stakeholders and is always committed to enhance relationships through participation in seminars, training programs, meetings, and involvement in CSR activities. The Company is an institutional member of the Federation of Nepalese Chamber of Commerce and Industries, 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 has established partnership with international agencies such as IFC, WB, InfraCo Asia-Singapore, Statkraft AS-Norway and SCPHI-Canada for different areas of business relationships in the development of hydropower projects. The Company has further established partnership with three renowned Chinese companies from Sichuan Province viz. Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) for the development of MCPs.

Enterprise Risk Management

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

Internal Control and Accountability

The Company has implemented an internal control and accountability system. The Audit Committee and the Board monitor the control environment and accountability. Internal and external ISO audit is done periodically for continual improvement and implementation of the management systems. Additionally, an independent auditor conducts 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 books and accounts of the Company for FY 2078/79. The auditor has issued an unqualified report of financial statements of the Company.

Shareholders' Suggestions and Communication

The recommendations from shareholders have been considered in good faith and implemented in accordance with their merit and the Company's business interest. The Company's quarterly reports, abridged reports, annual report, and AGM minutes are uploaded to its website for information to the shareholders. Shareholder suggestions for ongoing improvement are encouraged and welcomed by the Company.

Share Registrar and Share Transactions

Nabil Investment Banking Ltd, Narayanchaur, Naxal, Kathmandu is 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 the FY 2078/79 include information on all major transactions the Company done with its subsidiaries and affiliated businesses.

Business Environment and Investment Climate

Nepal's total installed capacity has been increased by 735 MW last year, including 456 MW Upper Tamakoshi, bringing it to 2190 MW. Of the total hydroelectricity generation, IPP's contribution is 49%, whereas in solar power generation IPP's contribution is 61%. Currently, 96% of power generation is through hydro, with the remaining 2% each coming from thermal and solar. As part of efforts to reduce the nation's trade deficit and manage seasonal energy surpluses, NEA has been exporting up to 364 MW to India through the Day Ahead Market of Indian Energy Exchange. Russia-Ukraine conflict created energy crisis in our neighboring countries due to inter-dependence on fossil fuels, and our hydroelectricity emerged as the best source of energy in the context of sustainable energy source and achieving the clean energy shift as one of the goals of COP21 Paris Agreement. Conversely, the ongoing conflict has had a negative impact on the global economy, primarily for developing nations like ours. People now have a difficult time making ends meet because of the significant increase in the price of petroleum products, currency devaluation, elevated bank interest rates, and expensive commodity prices. As a result, the cost of ongoing hydropower projects is going up, which is affecting overall project's financial viability.

Currently, 93% of the population in Nepal has access to the national grid, and the Government of Nepal has set a target of 100% accessibility to electricity by 2023/2024. "Quit LPG Gas and Use Electricity" has been government's priority to maximize the domestic electricity consumption. Use of EVs, promotion of industries, enhance electrified irrigation system and other uses increase the domestic consumption of electricity. GoN has undertaken hydropower and its export as its major development goal. The goal, however, remains unclear as new electricity bill is yet to be enacted.

The outbreak of COVID–19 pandemic from the mid of FY 2076/77 continued to be global pandemic, which not only created health crisis but also pushed back the economic activities of the country. After rapid vaccination programs, disease severity and fatalities has decreased, and human life is normal, reviving business environment and economic activities in the country.

NEA has increased its energy purchases from IPPs by 39% from FY 2020/21 to 4,286 GWh. Compared to last year, the import of energy has dropped by 45% this year. In the FY 2021/2022, the system's total available energy increased by 25% to 11,064 GWh. NEA and its subsidiaries contributed 47.32% of the total energy available, while 13.94% of the energy was imported from India and 38.74% came from IPPs. IPPs hold 1020 MW of hydropower and 33 MW of solar power in

Year	Max. Price	Min. Price	Closing Price	Transaction Days	Transaction (Nos)	Volume of Transaction	Turnover Amount (In million)
2078/79	703	294	322	239	92,078	10,535,360	5,735
2077/78	590	343	506	233	99,161	16,752,810	7,717

terms of generation capacity, whereas NEA alone holds 583 MW of hydropower, 22 MW of solar power, and 53 MW of thermal power. The stake of private developers in power generation is on the rise. The increase in economic activities brought on by pandemic relief has resulted in a 21.28% increase in energy consumption in the current fiscal year as compared to the prior year.

IPPs, in addition to power supply to the national grid, seek to export electricity to nearby nations through a power trading company. The first 400 kV cross border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur, is fully functional now. Process is underway for the construction of other three cross border transmission lines.

In accordance with the government's directives, NEA has put on hold the signing of PPAs under the "take or pay" scheme with private companies. The government has been issuing licenses to developers to conduct surveys, studies, and EIAs. However, NEA has imposed many conditions to treat PPA as “take and pay” when being requested for connection agreement and PPA. Without any assurance of PPA with NEA, IPPS are compelled to bear the burden of a sizable investment up until the PPA process is initiated. The government believes that the PPA should only be signed following a study of the market's supply and demand conditions, putting the hydropower project's pre-investment costs at risk. Creating a favorable business and investment-friendly environment like speedy regulatory approval processes, uniform policies, and facilitation for PPA & land acquisition are important measures to attract local and foreign investors in hydropower sector. Though the Hedging Regulation has been framed and amended, there is still a lack of clarity regarding the cost of hedging, the risk sharing mechanism, and the implementation timeframe to attract the Foreign Direct Investment (FDI) involved projects like MCPs. Unless a favorable hedging policy is in place, financial closure with International Financial Institutions (IFIs) is very challenging.

Power projects with a combined capacity of over 3000 MW are currently under construction. However, NEA is concerned about the risk of energy spillage, especially during the rainy season, and the same risk is being transferred to IPPs by delaying PPAs of ongoing projects and by dispatching partial energy from operational plants, even when the PPA is “take or pay” basis. In this scenario, domestic consumption must be increased by using electricity in cooking, transportation, irrigation, agriculture, etc. Due to delay in the completion of NEA’s transmission lines, several hydropower plants are unable to supply electricity at their full capacity. Timely implementation of under-construction and planned transmission lines and reinforcement of the distribution system is very crucial for power evacuation to increase domestic consumption of electricity.

The Year Ahead

The year ahead is going to be challenging in terms of starting construction works for Manang Marsyangdi HEP and resuming construction of Kabeli-A HEP. In relation to the other two projects of MCPs, PPA for LMMHEP is expected to be initialized and PDA negotiation for UM2HEP will begin after taking survey license and DPR approval. Concluding bankable PPA for LMMHEP, achieving financial closure and starting the construction of MMHEP have been planned for the year. The revival efforts for Kabeli-A HEP is ongoing, and the amendment of the PPA, financial closure, and start of construction are expected to be done this year. The following activities are scheduled to be completed in the FY 2079/80:

- PDA of MMHEP;
- PPA of LMMHEP and CKHEP;
- Approval of DPR of UM2HEP and start of PDA negotiation;
- Connection Agreement of UM-2HEP;
- SPV formation for LMMHEP with Chinese partners and transfer of project license;

- SPV formation, financial closure, and start of construction of CKHEP;
- Financial closure, EPC contract award and construction start of MMHEP;
- PPA Amendment, financial closure and start of construction of Kabeli-A HEP; and
- Exploring opportunities in new business area like Green Hydrogen.

Acknowledgement

We are appreciative of the contributions made to the improvement of the Company in the FY 2078/79 by the Government of Nepal and its line agencies, Electricity Regulatory Commission (ERC), Nepal Rastra Bank (NRB), Investment Board Nepal (IBN), Securities Board of Nepal (SEBON), Nepal Electricity Authority (NEA), foreign partners, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, consumers, and other stakeholders.

We acknowledge the dedication and ongoing efforts of the Board Committee members, Management Team, and Employees in advancing the Company, as well as the confidence that our investors have placed in us.

Thanking you.

On behalf of the Board of Directors

Padma Jyoti
Chairman

CEO's Perspective

"The private sector expects an investment-friendly climate like, acceptable PDAs for FDIs & bankable PPAs, workable hedging facility, tax exemptions, facilitation for land acquisition, and prompt approval processes, among others."

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 in fulfilling the clean energy shift as one of the objectives of COP21 Paris Agreement.

Hydroelectricity is a sustainable source of energy, and its applications reduce trade deficit caused by import of petroleum products, minimize the adverse effects of climate change, and increase self-reliance. On one hand, hydroelectricity has been very important source of energy worldwide and on the other hand Nepal is facing the wastage of surplus energy due to market constraints. As the generation capacity approaches 5000 MW, proper planning for increasing internal consumption and trading of surplus power in the cross-border market is required. Timely construction of second cross boarder link; Butwal-Gorakhpur 400kV transmission line is very important in this context. The private investors are also at financial risks while NEA is unable to sell surplus energy through its system. The construction of high voltage cross-border transmission lines, expansion & reinforcement of existing transmission and distribution systems, and provision of power wheeling mechanisms are essential to realize full hydropower potential of Nepal.

Use of EVs, promotion of industries, enhanced electrified irrigation and transportation systems, and other uses can massively increase domestic consumption of electricity. The government should encourage the private sector to attract more domestic and foreign investments by harmonizing the policy matters. The private sector expects an investment-friendly climate like, acceptable PDAs for FDIs & bankable PPAs, workable hedging facility, tax exemptions, facilitation for land acquisition, and prompt approval processes, among others.

The government has been issuing survey licenses to promoters to carry out surveys, studies, investigations, and EIA without any hesitation. However, once the study is completed, while requesting NEA for connection agreement and PPA, the process is very slow, and there are numerous conditions to partially treat PPA as take and pay. A huge investment is made till the PPA process begins, which is to be borne by the developer without any guarantee of PPA with NEA and financial closure. Hedging regulation has been framed and amended, but there is still a lack of clarity in hedging costs, sharing mechanisms, and implementation timeframe to provide adequate confidence to the Foreign Direct Investment (FDI) projects like MCPs. Unless the favorable hedging policy is in place, financial closure with International Financial Institutions (IFIs) remains challenging.

The Company performed well in its operations business during the FY 2078/79, but it remained moderate in the investment and project development businesses. In accordance with the terms of the previous 20-year PPA, HPL's equity interest in the 60 MW Khimti has been diluted to NEA by 50% as of July 2020, and the Company's dividend income has been severely affected due to the delay in finalization of operation modality. The 30 MW Nyadi Hydropower project construction work has been completed, and commercially operating from May 2022 under contingency power evacuation plan due to delay in the construction of 220 kV transmission line and sub-station by NEA. The 37.6 MW Kabeli Hydroelectric project is in revival process under local financing by amendment of PPA with NEA.

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

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

I am grateful and would like to extend my 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

BPC has presented the Corporate Governance Report (CGR) to its shareholders and other stakeholders since FY 2063/64. In FY 2067/68, the company adopted the Corporate Value Framework comprising of the core values, business principles, code of corporate governance, and code of conduct & ethics. The continued trust of stakeholders is the key to the company pursuing the vision, mission, and values of being ethical, honest, and transparent in business operations. The company has thrived to maintain the highest level of transparency, accountability, and equity in its operations, and in its interactions with shareholders and other stakeholders, as well as the government and other regulatory bodies. As a responsible corporate citizen of the country, the company's focus and effort is dedicated and committed to promoting enterprise values and safeguarding the trust of its shareholders through honesty and transparency in all business practices.

Share Ownership Structure

The share ownership structure of the company in FY 2078/79 is indicated in the table below:

Group	Shareholder	% Holding	Remark
A	Government of Nepal (GoN) United Mission to Nepal (UMN) Nepal Electricity Authority (NEA)	7.42% 1.37% 0.86%	9.65%
B	Shangri-La Energy Limited (SEL) IKN Nepal AS	56.30% 1.58%	57.88%
C	General Public (including employees)	32.47%	32.47%
	Total	**100%**	**100%**

The number of shareholders of the company was 71,613 at the end of FY 2078/79.

Board of Directors and Board Committees

Board of Directors

The Board of Directors is the company's regulating body. The Board has formed different Committees in accordance with the requirements of the Companies Act, 2006 and the Listed Companies Corporate Governance Guidelines, 2018. The Board has appointed a Management Team led by the Chief Executive Officer (CEO). The role of Board, Committees and Management Team are distinct and well-defined. Furthermore, the Chairperson's role is to provide the strategic direction and efficient conduct of Board meetings by ensuring that adequate information is provided to Board members for them to make informed decision in any agenda presented to the Board. The role of Committees is to guide the Management Team and recommend decisions to the Board based on the needs of the company. The Management Team performs and delivers the company's business under the supervision of the Board and its Committees.

Responsibilities of the Board

In accordance with 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 responsibility for the overall direction and supervision of the company affairs. All the Directors owe a duty to act in good faith in the best interests of the company and are aware of their individual and collective responsibilities towards the shareholders.

The role of Chairperson is to provide strategic direction and efficient conduct of Board meetings by ensuring that Board members have enough information to make informed decisions on any agenda presented to the Board.

Board Composition

The company has eight Directors, and the position of one of the Independent Directors is currently unfilled. Five out of the eight Directors are promoters and institutional shareholders, two are general public shareholders, and one is an Independent Director. The company's current Board of Directors is as follows:

Board Meetings

The Board has the practice to fix its annual meeting calendar before the start of each FY. Altogether, thirteen meetings were held in total during the year. 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 44 days and the shortest was 8 days. The attendance for the Board meetings were as follows:

There was no case of postponement of Board meeting due to lack of quorum. The minutes of all Board meetings have been maintained separately. The company has the Code of Conducts and Ethics, which applies to Directors as well. All Directors have been

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

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

Name	Designation	Meetings Attended
Mr. Padma Jyoti	Chairperson	12/13
Mr. Pradeep Kumar Shrestha	Director	12/13
Mr. Bijaya Krishna Shrestha	Director	13/13
Mr. Om Prakash Shrestha	Director	12/13
Mr. Sandip Kumar Dev	Director	2/13
Mr. Raju Maharjan*	Director	9/13
Dr. Sandip Shah	Director	12/13
Mr. Dinesh Humagain	Director	12/13
Mr. Tirtha Man Shakya	Independent Director	13/13
Mr. Bijay Bahadur Shrestha	Alt. Director	9/13
Mr. Hari Bahadur Budhathoki	Company Secretary	13/13

** Mr. Raju Maharjan, Senior Divisional Engineer, Ministry of Energy, Water Resources and Irrigation was designated as a Director of the Company effective from 2078/05/22 in place of Mr. Sandip Kumar Dev.*

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 Board Committee formed by the Board is NPR 10,000 per meeting;
2. The transportation allowance is NPR 10,000 per month for Chairperson and NPR 8,500 per month for other Board members;
3. The Information Communication and Technology allowance for all Board members is NPR 5,000 per month;
4. Allowance for special task assigned to the Board members if any, as decided by 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.

A total of 13 Board meetings and 35 Committee meetings from nine Committees were held during FY 2078/79 and the company paid NPR 3,484,000 to Directors as meeting fees and allowances. Further, the Directors were covered under GPA insurance policy procured by the company.

Board Committees

In the FY 2078/79, the company had three mandatory Committees and six other Committees set up by the Board to strengthen the internal control system, to ensure the better monitoring and supervision of management, and to recommend the Board for making decisions in accordance with the needs of the company. The table below lists the names of the Committees, their members, and the number of meetings conducted in FY 2078/79:

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.

Committees Details

Committees	No. of members	No. of meetings conducted
Audit Committee	3	5
Risk Management Committee	3	5
Assets & Liability Committee	3	6
Others		
Finance Committee	3	7
NHE Matters Committee	2	0
Remuneration Committee	2	4
Marsyangdi Cascade Committee	3	3
Recovery Committee	3	2
Operation and Maintenance Committee	2	3

Composition

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

The Audit Committee had 5 meetings in FY 2078/79.

The Audit Committee appointed internal auditor for FY 2078/79. 29th AGM of the company appointed the Statutory Auditor for FY 2078/79 as per the recommendation of the Audit Committee.

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

The RMC had 5 meetings in FY 2078/79.

CRO submits the report to the RMC on quarterly basis regarding overall implementation of risk plans and processes by the management along with the report on significant risk affecting gravely to the

BPC Board Meeting

business or financial health of the company on requirement basis. CRO reviews and monitors the risk register prepared by the management.

Asset and Liability Committee

Assets and Liabilities Committee (ALC) is comprised of three Board members. The meeting of ALC is held as per the need basis. CEO 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 6 meetings in FY 2078/79.

The Committee reviewed the annual budget performance for FY 2078/79 and scrutinized the annual budget for FY 2079/80 & the Physical Assets Verification Report prepared by management.

Finance Committee

The Finance Committee (FC) is comprised of three 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, Director	Member

The FC had 7 meetings in FY 2078/79.

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 2078/79.

NHE Matters Committee

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

Composition

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

The NHE Committee had 0 meetings in FY 2078/79.

Remuneration Committee

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

Composition

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

The RC had 4 meetings in FY 2078/79.

Marsyangdi Cascade Committee

The Marsyangdi Cascade Committee (MCC) is a business Committee comprised of three Board members to advise and recommend the Board to develop strategies and take necessary decision 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, Director	Member

The MCC had 3 meetings in FY 2078/79.

Recovery Committee

The Recovery Committee is an ad-hoc business Committee comprised of three Board members in order to guide management to recover the advance given to SC Power Pvt. Ltd. and its shareholders. CEO attended Recovery Committee meeting as a management invitee.

Composition

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

The Recovery Committee had 2 meeting in FY 2078/79.

Recovery Committee has been working on the function entrusted to it by the Board. An extended agreement has been signed to recover the remaining amount within FY 2079/80.

Operation and Maintenance Committee

The Operation 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
Dr. Sandip Shah, Director	Chairman
Mr. Tirtha Man Shakya, Independent Director	Member

The OMC had 3 meetings in FY 2078/79.

Regulatory Compliance and Reporting

The company submitted the Compliance Report for FY 2078/79 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 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 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 essential is critical for them to have a clear assessment of the company's performance. Feedback received during the 29th AGM, which was virtually held on January 10, 2022, has been duly considered as potentially beneficial to the company. The AGM was attended by 22 number shareholders, representing 58.64 % of the shares. The declaration of cash dividend combined with bonus shares was well received by shareholders.

The notice of the 29th 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 of the company required to be disclosed under prevailing laws have been widely and timely disseminated by the company. BPC maintains a corporate website where important information about the company's activities and corporate matters are uploaded according to the requirement of 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 2078/79 is NPR 18,558,728.

Human Resource

The company's foundation is its human resources. In the FY 2078/79, the company had 154 regular employees and 37 contract employees, which included 99 technical and 92 non-technical employees. During the FY, the company hired five employees on employment contract basis and one employee on special contract basis. Eight employees retired because of age factor. One regular employee died during the treatment due to brain stroke and three contract employees and three regular employees resigned last year. Labor audit for the FY 2078/79 has been conducted by the CO and submitted to the Labor Office. The company also carried out the annual performance appraisal of its personnel. Out of the total expenses of the company, the personnel expenses shared 35% in FY 2078/79.

Share Registrar

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

Dividend Distribution

The 29th AGM had approved for distribution of 10% cash dividend and 10% stock dividend from the net profit of FY 2077/78. The dividend was distributed as per the decision of Board and the approval of Ministry of Finance pursuant to Section 182(2) of the Companies Act, 2063.

Transparency and Disclosures

The company adheres to the principle of operational transparency and makes disclosures as required. The disclosures are communicated to SEBON and capital market through quarterly and annual reporting for the benefits of shareholders and stakeholders of the company. The 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

29th AGM of the Company

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 31, 2078 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 2078/79 amounts to NPR 28,016,455, 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 2078/79 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.

Annual Report

Every year, the company prepares and publishes a comprehensive report on key initiatives undertaken and/or completed during the year, segment performance, five-year financial review, accomplishments, and future outlook.

Shareholding of Board of Directors in BPC:

S. No.	Name	Designation	No. of shares held
1	Mr. Padma Jyoti	Chairman	131,921
2	Mr. Pradeep Kumar Shrestha	Director	17,874
3	Mr. Bijaya Krishna Shrestha	Director	317
4	Mr. Om Prakash Shrestha	Director	-
5	Mr. Raju Maharjan	Director	-
6	Mr. Sandip Shah	Director	27,453
7	Mr. Dinesh Humagain	Director	1,887
8	Mr. Tirtha Man Shakya	Independent Director	-
9	Mr. Bijay Bahadur Shrestha	Alt. Director	44,019
10	Mr. Sanjib Rajbhandari	Alt. Director	8,349

BPC's representation in its Subsidiaries and Associate Companies

The representation of 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 Dr. Sandip Shah** 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.	40%	Mr. Bijay Krishna Shrestha*** Mr. Om Prakash Shrestha**** Mr. Uttar Kumar Shrestha	Chairman Director
Kabeli Energy Ltd.	27.24%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Chairman Director Alt. Director

Company	Shareholding (In %)	Name	Position in Board
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Om Prakash Shrestha Mr. Dinesh Humagain Mr. Uttar Kumar Shrestha Mr. Radheshyam 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 Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman 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. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha	Chairman 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

** BPC acquired additional 20% shares held by People Energy and Environment Development Association (PEEDA) on 2078/04/08. With this acquisition, BPC owned 100% shares of Hydro Consult Engineering Ltd. (HCE) effective from FY 2078/79.*
***Appointed Board of Directors of HCE effective from 2078/05/13 (August 29, 2021)*
**** Appointed Board of Directors of Gurans Energy Ltd. effective from 2079/05/14 (August 30, 2022) in place of Mr. Bijaya Bahadur Shrestha.*
***** Appointed Board of Directors of Gurans Energy Ltd. effective from 2078/11/12 (February 24, 2022).*

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.	36 years	
2	Mr. Pratik Man Singh Pradhan, VP-BD&P	M.S. (Hydropower Planning & Development and Civil & Environment Management)	28 years	Deputed to SCIG as DGM
3	Mr. Radheshyam Shrestha, VP-Finance	Chartered Accountant, M.B.A.	42 years	
4	Mr. Tika Ram Bhatta, VP-Corporate	M.A. (Pol. Science), Master of Management Studies (MMS)	41 years	
5	Mr. Prakash Kumar Shrestha, VP- Operations	B. Tec. (Electrical), M.E. (Electrical; Diploma), M.B.A.	28 years	
6	Mr. Ganesh Prasad Khanal, Sr. Manager- BD & P	B.E. (Civil), M.B.A.	28 years	

Brief Resume of the Board Members and Disclosures

Mr. Padma Jyoti, 76

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 19 years of experience in hydropower along with 50 years of experience in industries and business operations
- Chairman, Jyoti Group
- Alternate Director, Sagarmatha Insurance Co. Ltd.
- Director, Shangri-La Energy Ltd.
- Immediate Past President, National Business Initiative

Mr. Pradeep Kumar Shrestha, 62

DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal
- More than19 years of experience in hydropower along with 37 years of experience in industries and business operations
- Managing Director, Panchakanaya Group of Industries
- Honorary Consul, the Republic of South Africa
- Vice President, Confederation of Asia Pacific Chamber of Commerce & Industries
- Past President, Federation of Nepalese Chamber of Commerce & Industry (FNCCI)
- Director, Shangri-La Energy Ltd.
- Director, Scenic Housing

Mr. Bijaya Krishna Shrestha, 74

DIRECTOR

- B.E (Electrical) and MBA graduate from Southern Illinois University, USA
- More than 14 years of experience in hydropower along with 41 years of experience in the banking, insurance, computer and electronic sector
- Chairman, Beltron Investment (P) Ltd.
- Director, Premier Insurance Ltd.
- Director, Shangri-La Energy Ltd.

Mr. Om Prakash Shrestha, 63

DIRECTOR

- B.E (Civil) from Punjab University, Chandigarh, India
- More than 11 years of experience in hydropower along with 34 years of experience in the field of construction management and trading
- Director, Arniko Nirman Co.
- Director, Interworld Trading

Mr. Raju Maharjan, 50

DIRECTOR

- B.E (Electrical and Electronics Engineering) from Bangalore University, India
- M. Tech., Water Resources Development, IIT Roorkee, India
- More than 25 years of experience in engineering field with 23 years in energy and water resources sector in public service
- Senior Divisional Engineer, Ministry of Energy, Water Resources and Irrigation, GoN

Dr. Sandip Shah, 58
DIRECTOR

- Ph. D in Rock Engineering and M.A.Sc in Structural Engineering from University of Toronto, Canada; B.E (Civil) from University of Roorkee
- Executive Certificate in Directorship, Singapore Management University
- More than 30 years of experience as hydropower engineer, energy specialist independent power producer and project management professional including experience of working with international hydropower and renewable energy companies like Panda Energy, USA, SN Power and Statkraft AS, Norway and Dolma Himalayan Energy of UK
- Chairman & Managing Director, Pashupati Renewables (P) Ltd.
- Founder Chairman, Sandip Shah Consult (P) Ltd.
- Senior Strategic Technical Advisor, Power Trade & Energy Exchange Ltd.
- Chairman, Sukarma Investment (P) Ltd.
- Chairman, Sarthak Concrete (P) Ltd.
- Former Managing Director, Dolma Himalayan Energy
- Former General Manager, Himal Power Ltd.
- Former VP and Country Director, SN Power AS and Statkraft AS
- Former General Manager, Bhote Koshi Power Company
- Former Director (Hydro), Shah Consult International
- Fellow of International Hydropower Association (IHA)
- Life Member of Nepal Engineers' Association (NEA), Nepal Geological Society (NGS) and Nepal Hydropower Association (NHA)
- Past President of Independent Power Producers' Association, Nepal (IPPAN)
- Immediate Past President of Nepal Tunnelling Association (NTA)

Mr. Dinesh Humagain, 45
DIRECTOR

- M.A in Rural Development and Political Science from Tribhuvan University, Nepal
- 18 years of experience in Nepalese Stock Market (NEPSE), and 23 years of experience in various social works

Mr. Tirtha Man Shakya, 69
INDEPENDENT DIRECTOR

- B. E. (Electrical) Honours from Jadavpur University, Calcutta, India
- EMBA (Merit) from Kathmandu University, Dhulikhel, Nepal
- More than 35 years of experiences in various positions in NEA including the position of General Manager, Transmission and System Operation
- More than 11 years of consulting services for NEA, Asian Development Bank (ADB), UNDP, Total Management Services (TMS), Jade Consultant (P) Limited and others in the field of Organization and Management Study and Power System Development Projects
- Independent Director, Butwal Power Company Limited since 2019
- 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, 67
ALTERNATE DIRECTOR

- MBA from Delhi University, India
- More than19 years of experience in hydropower along with 36 years of experience in the export sector and more than 21 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.
- Director, Nepal Lube Oil Ltd.
- Chairman, Rotary Club of Himalayan Golfers

Mr. Sanjib Rajbhandari, 63
ALTERNATE DIRECTOR

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

Management Discussion and Analysis

Business Environment

One of the most important aspects for a company's growth is its business environment. The investment decisions rely on the conducive business environment, the major elements of which are political, economic, social, technological, legal, and environmental (PESTLE). Even in three decades after the restoration of democracy, people's expectations have not been met, no major infrastructure has been built; and there are no positive economic indicators, leaving the country poorer than the rest of the SAARC nations. With a turbulent change in governments over the last 32 years, the country continues to remain in an unstable political situation that has inhibited significant development.

The results of the federal and provincial elections in mid-November indicated that the stability of upcoming governments is not possible without collaboration of major/ different political parties. Considering the dire political and economic turmoil, citizens are becoming distrustful of their leaders and major political parties. In desperation, many youths are migrating to countries with ample economic opportunities in hopes of better future.

Nepal has a huge potential for hydropower development owning mostly perennial rivers flowing down the high mountains and hills. 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 2100 MW which is around 5% of techno-commercially feasible hydro potential. In addition, about 56 MW of solar power developed by NEA and IPPs 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. If the wet season energy could not be sold in the domestic and cross-border market, the investment in hydropower sector by IPPs will be at risk.

Nepal has been pursuing a liberal foreign investment policy and striving to create an investment-friendly environment to attract Foreign Direct Investments (FDI) into the country. The PPA of Upper Trishuli 1 HEP (216 MW) and Rasuwa-Bhotekoshi HEP (120 MW) on foreign currency risk sharing basis were signed. Subsequently, many foreign investors including three Chinese parties in joint ventures with BPC were attracted to invest in hydropower sector in Nepal and pursue for PPA in foreign currency. In the meantime, NEA declined to sign PPA in foreign currency, and GoN failed to provide clear hedging mechanism to entice foreign investments due to which the terms of PDA remained unfavourable. Additionally, the government is also not providing PDA terms in accordance with previous practices. Such dilemmas make it difficult for FDI projects to conclude bankable PDAs and PPAs. Under such circumstances, the environment to invest in hydropower sector by foreign investors and financial institution is not conducive. Electricity Regulatory Commission (ERC) is working on to facilitate IPPs for feasible PPA tariff, speeding up regulatory approvals and intervention over the monopoly of NEA. In order to expeditiously complete larger PROR and reservoir projects, it is crucial to expand and reinforce transmission line networks and interconnection facilities.

Nepal's first 400 kV GIS substation at Dhalkebar was inaugurated on February 1, 2021,

and Cross Border transmission line between Nepal and India, from Dhalkebar to Mujaffarpur has commissioned. The substation and transmission line, which serve as a major hub for power exchange between

Nepal and India has eased the process of importing and exporting power to some extent. It will also help in meeting Nepal's increasing electricity demand. To enhance the cross-border power trading, NEA has initiated the process of constructing cross-border transmission lines from New Butwal to Gorakhpur, as well as New Duhabi-Purnia and Lumki-Bareilli.

Various sectors of the national economy, such as agriculture, industry, transportation, tourism, health care, must switch to electrical energy in order to reduce reliance on imported petroleum products and manage spill power, since the dependency on petroleum product is the major cause of the massive trade deficit. Increased prices, shortages, and pollution from fossil fuels demand the development of sustainable clean energy sources like hydropower and solar. This can be reduced by producing and distributing sufficient electricity to meet the needs of the household and industrial sector, replacing cooking gas, and using electric transportation.

Nepal Green Hydrogen Summit (October 10-11, 2022) was organized in Kathmandu to investigate the 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 emits water instead of carbon dioxide without using fossil fuels. Green hydrogen can also produce green fertilizers, which can ensure food safety and security and energy security through energy storage. It not only addresses the threats and risks associated with global warming, but it also helps Nepal in becoming one of the prosperous nations by 2030, if policymakers and the public work collaboratively. Kathmandu University, NEA, and some private sectors have already begun to investigate the commercial viability of producing green hydrogen.

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 274.15 million this year with a decrease of 45.37% compared to last year. Company's revenue from electricity sales and services increased by 19.95% to NPR 775.05 million resulting an increase in gross profit by 62.72% to NPR 341.38 million. However, other income has decreased significantly by 94.18% to NPR 40.03 million this year compared to NPR 687.72 million last year, which was mainly represented by dividend income from HPL and gain on sale of 77.6% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd. Whereas, the company did not receive the dividend and capital gain from HPL this year. Conversely, Generation expenses decreased by 5.25% to NPR 295.79 million mainly due to decrease in purchase of electricity from NEA compared to NPR 312.18 million last year. Distribution expenses however has been increased by 11.05%, to NPR 137.87 million from NPR 124.16 million last year. Administrative expenses marginally decreased by 0.24% to NPR 127.43 million this year from NPR 127.74 million last year. Finance income has increased by 70.73% to NPR 99.93 million which was NPR 58.53 million last year. This increase is mainly due to the increase in interest rate on fixed deposit amount at the Banks.

The EPS amounts to NPR 8.44 is significantly decreased compared to last year and the net worth of the company decreased by

0.59% to NPR 6,968.19 million compared to previous year. Investment in shares (unlisted companies) has increased by 6.10% (by NPR 201.60 million) this year, which is mainly due to increase in investment in shares of Hydro-Consult and MM held by BPC.

Net Financial Assets

Gross Capital investment in shares and projects recorded at NPR 3,819.23 million in FY 2078/79, which was NPR 3,589.24 million in FY 2077/78. 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 Hydropower Limited (30 MW), Kabeli-A Hydropower Project (37.6 MW), Lower Manang Marsyangdi Hydropower Project (139.2 MW), Manang Marsyangdi Hydropower Project (135 MW), Upper Marsyangdi-2 Hydropower 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 Plants 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 1,896.37 million as on 32nd Asadh 2079 and these 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), and Khudi Hydropower Limited (KHL). All group companies have prepared IFRS/NFRS compliant financial statements, and the group consolidated financial statement is prepared in accordance with the provisions of the Company Act of 2063 and the NFRS.

Consolidated turnover has been recorded at NPR 2,821.11 million with the increase of 6.11%. Gross profit amounting to NPR 559.61 million with an increase of 79.39% and profit from the operation is NPR 350.45 million with a decrease of 54.43%. Similarly, consolidated net profit for the year concluded at NPR 228.32 million with a decrease of 27.44%. Group EPS stands at NPR 7.37 per share and the net worth is NPR 7,551.70 million which amounts to NPR 233 per share.

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

For developing nations like Nepal, the need for reliable and affordable energy are more fundamental. Energy services influence productivity, health, education, safe water, and communications, which help improve and even save lives. Reliable energy helps developing nations expand industries, modernize their agriculture, boost 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, hydropower development is one of the key drivers of economic growth of the country with abundant water resources, favorable topography, and market potential. Due to increased access to electricity, the hydropower development has created numerous businesses and provided thousands of people with employment opportunities. The sufficiency of energy production can reduce import of petroleum products, boost businesses & industries, reduce trade deficit with India, and ultimately increase foreign currency reserve to some extent. Currently, the country is moving towards reliance on the power sector and selling surplus power to neighboring countries.

BPC is contributing 2.31% of hydroelectricity generated nationally. In terms of the total number of national customers, BPC serves more than 1.30% of them directly connected through its distribution system in Syangja, Palpa, Pyuthan, and Arghakhachi districts of western Nepal. BPC, in partnership with Chinese investors, is developing three Hydropower Projects in Marsyangdi basin in a cascade model with a total installed capacity of 601 MW. Likewise, with the commissioning of the 30 MW Nyadi hydropower project, BPC's equity MW has increased. In order to achieve sustainable growth and take the lead in the development of hydropower in Nepal, the company also has other projects in pipeline.

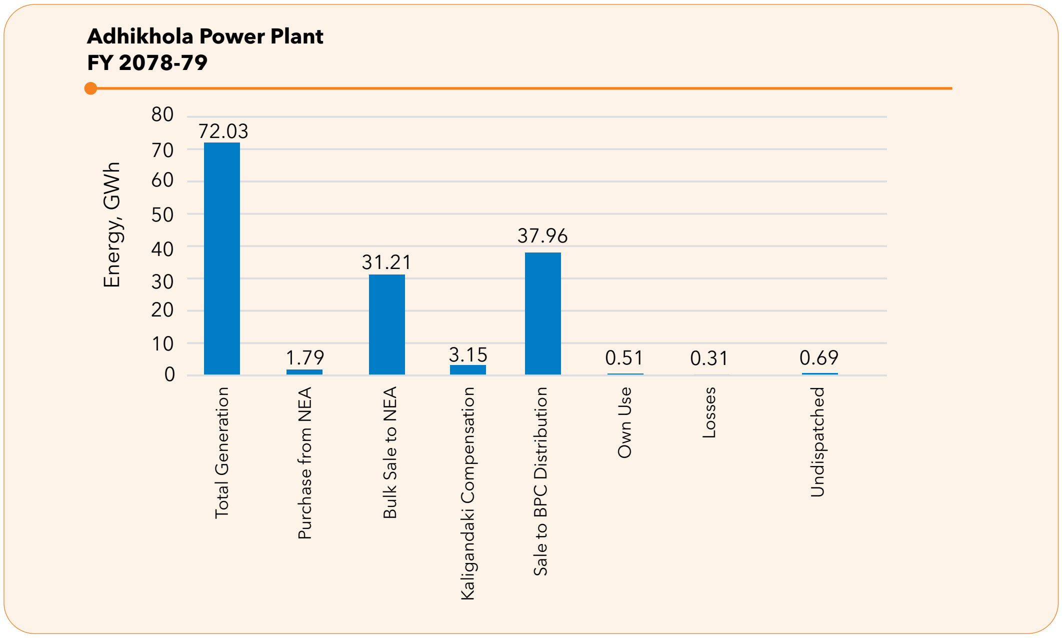
Generation Business

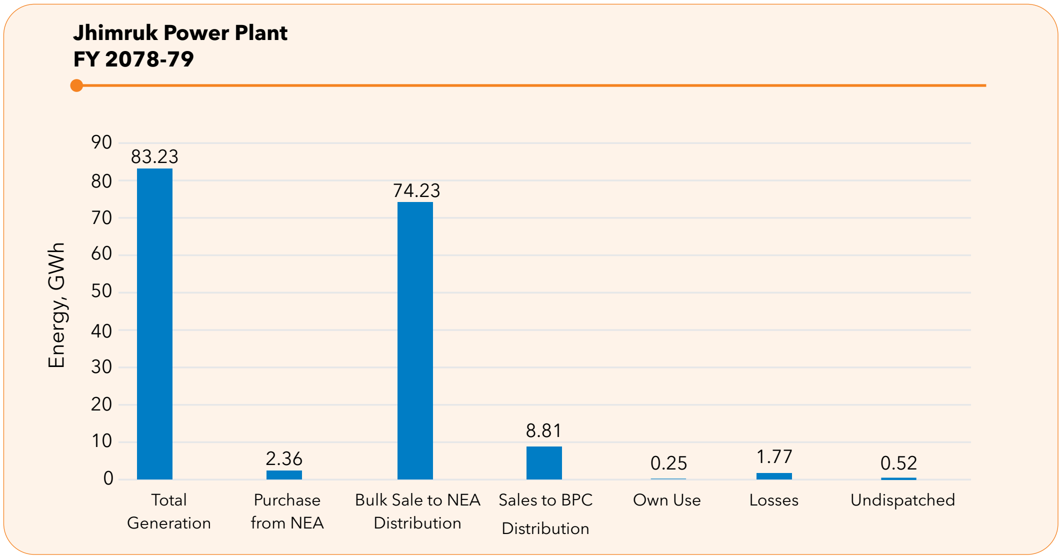
The main objective of the Generation business unit is to ensure the smooth operation and maintenance of hydropower plants for the sale of energy to its customers. Currently, this business unit is involved in overall operation and maintenance management of two hydropower plants- the 9.4 MW Andhikhola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

During the fiscal year 2078/79, the total generation was 155.26 GWh. About 68.88% of total available energy was supplied to NEA and 29.34 % to BPC distribution.

Andhikhola Power Plant generated 72.03 GWh with plant factor of 87.24%, which is an increase of 16.66% (10.286 GWh) over the previous year. Frequent rainfall during the dry season was the major contributing factor in increasing the generation. Out of the total available energy, 35.048 GWh (47.47%) was supplied to NEA including Kaligandaki compensation of 3.15 GWh, and 37.957 GWh (51.41%) was sold to BPC Distribution.

Jhimruk Power Plant generated 83.23 GWh with plant factor of 78.96%, which is an increase of 26.58% (17.476 GWh) over the previous year. Jhimruk Plant has achieved the milestone of highest generation this year since its Commercial Operation Date (August 1994). The major factor for the substantial increase in generation was frequent rainfall during dry season and maintaining the plant in good operating condition. Out of the total available energy, 74.757 GWh (87.35%) was supplied to NEA and 8.808 GWh (10.29%) was sold to BPC distribution.

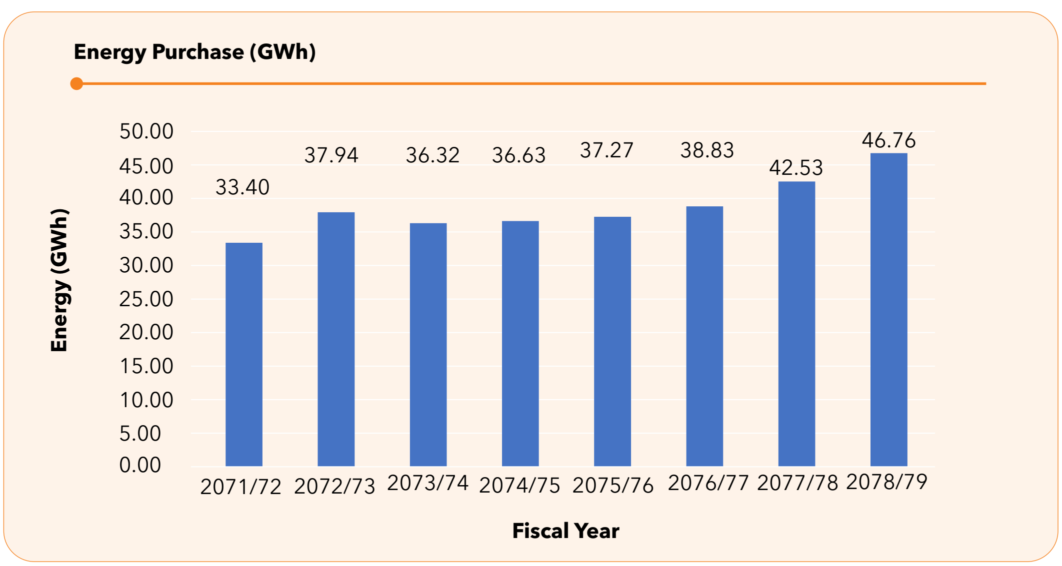


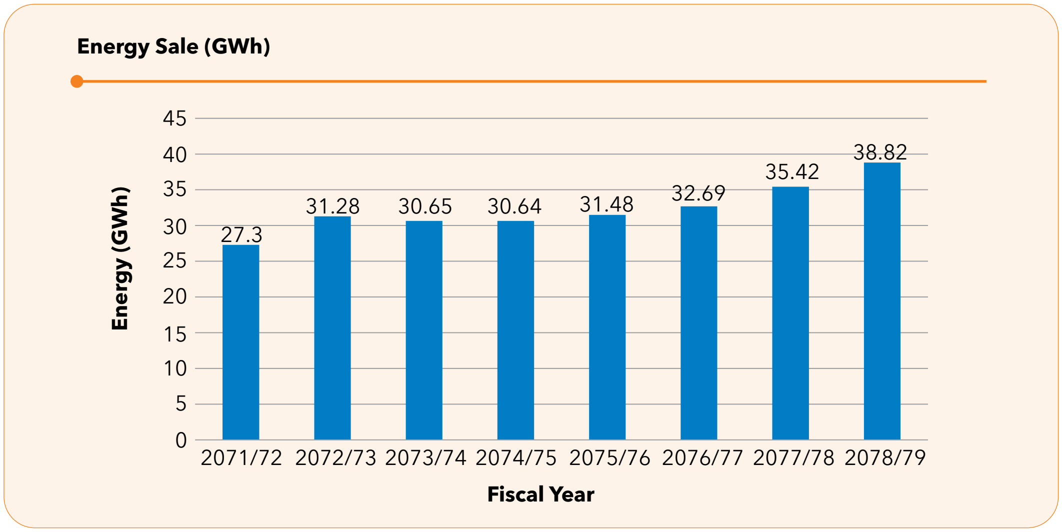


The high quartz content in Jhimruk river water during monsoon season remained the major factor for the severe erosion of turbine parts this year too. Routine overhauling of all turbine parts which included runners, guide vanes, side covers, sealing rings, shaft seals, and others was carried out during the year. The preventive maintenance was carried out as per the schedule. The river training works at upstream of dam structure in right bank of Jhimruk river and Madi river were carried out for protecting the plant's structure, tailrace area, and farmers' land from flood. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation.

Future Plans and Programmes

In the FY 2079/80, it has been planned to generate 68.83 GWh from AHC and 68.48 GWh from JHC, considering that NEA will take the additional energy throughout the year. The generation plan is based on average river discharge of both the plants and estimated outages.





Repair and overhauling of all turbine parts of Jhimruk Plant eroded by silt will be carried out. Repair and maintenance of Andhikhola Plant will be carried out as per the maintenance plan. The major maintenance of Jhimruk Plant has been planned from Jestha to Bhadra so that the efficiency of the turbine can be gained and to maximize generation for rest of the year. The river training works shall be carried out to channelize water into tunnel in Jhimruk river. Social Upliftment Program (SUP) in project affected areas shall be continued to optimize water for maximizing generation.

Distribution Business

During the FY 2078/79, the total energy purchased was 46.76 GWh, which is 9.93% more than that of previous fiscal year. Increase in the purchase is due to 2.6% increase in the number of customers and 6.81% increase in the average units consumption per customer per month compared to last year.

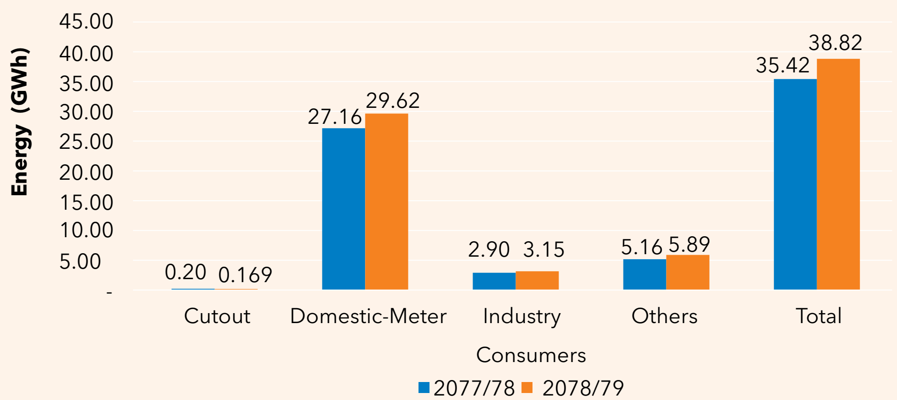
This year, 38.82 GWh energy was sold to retail customers and 0.064 GWh was consumed in the staff quarters and distribution offices. The total sale has increased by 9.6 % compared to previous year. The increase in sale is mainly due to increase in consumer numbers and the average units consumption per consumer per month.

Of the 38.82 GWh sold to retail customers, 29.62 GWh (76.28%) was sold to metered consumers, 0.169 GWh (0.44%) to unmetered consumers, 3.15 GWh (8.11%) to industrial consumers, and 5.89 GWh (15.17%) to other consumers*. Compared to previous year, there has been no significant change in the energy consumption pattern of different customer categories. A comparison of energy sale to different categories of customers for the FY 2077/78 and FY 2078/79 is as follows:

Category	Energy Sale (GWh)		Sale (%)	
	2077/78	2078/79	2077/78	2078/79
Cut-out	0.203	0.169	0.57%	0.44%
Domestic-Meter	27.16	29.62	76.67%	76.28%
Industry	2.90	3.15	8.18%	8.11%
Others	5.16	5.89	14.57%	15.17%
Total	**35.42**	**38.82**	**100.00%**	**100.00%**

*Other consumers includes commercial, non-commercial, drinking water, irrigation, temple, street light, entertainment, and non-domestic customers.

Category-wise Energy Sales (GWh)

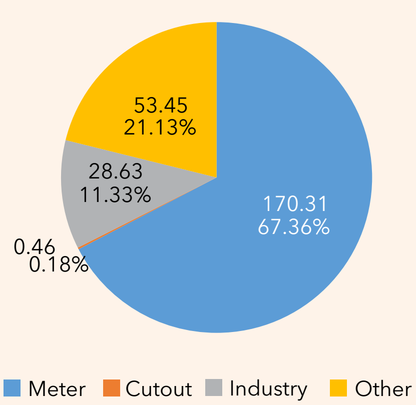


There has been an increase in the revenue generated this fiscal year compared to last year. Total revenue (billed amount) this year was NPR 252.82 million out of which, NPR 28.63 million (11.33%) was from industries, NPR 53.43 million (21.13%) from other consumers, NPR 170.31 million (67.36%) from metered consumers and NPR 0.46 million (0.18%) from unmetered consumers. Energy sale has increased by 9.6% whereas revenue generation has increased by 11.48% from that of last year.

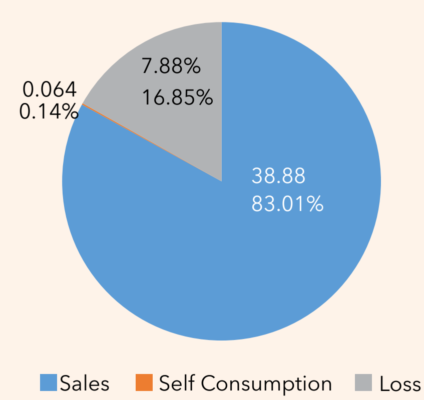
Loss Management/Minimization

The total energy loss this year was 7.88 GWh, which is 16.85% of the total purchase energy whereas the loss last year was 16.59%. The slight increase in system loss over last year is due to the inability to complete distribution network system improvement work this year. Furthermore, loss minimization has been a top priority for the management for past several years, and the company has been putting efforts to identify and minimize the losses. For this, complete metering in network was initiated, which will be given continuity in the coming fiscal year as well. This will help in prioritizing high loss areas and determining effective means to reduce loss in these areas. In addition, a distribution loss study was initiated this year, and a loss reduction plan will be developed based on the findings of the study.

Revenue Categorywise
Total Revenue 252.82 Million



Status of Enegry Loss (GWh)

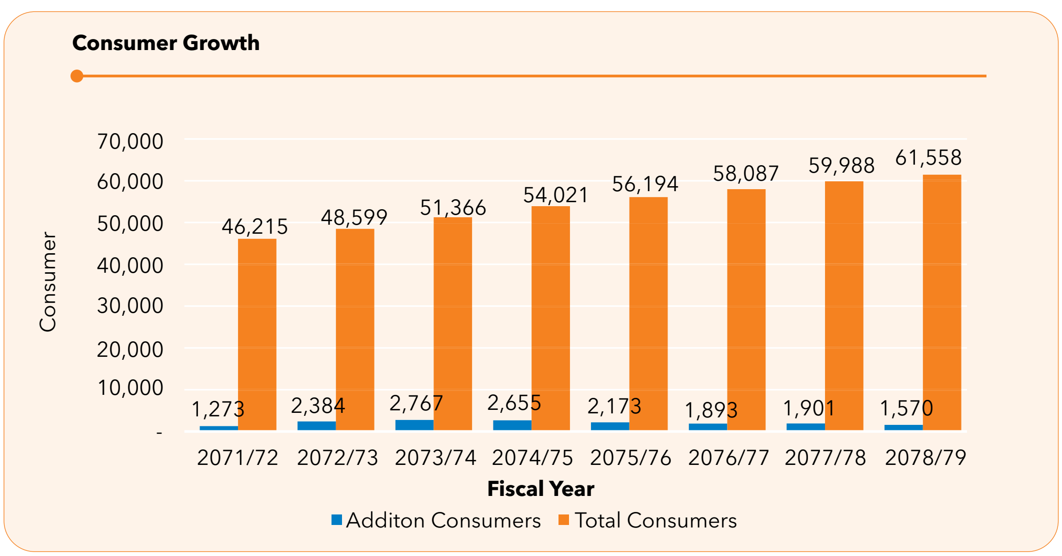


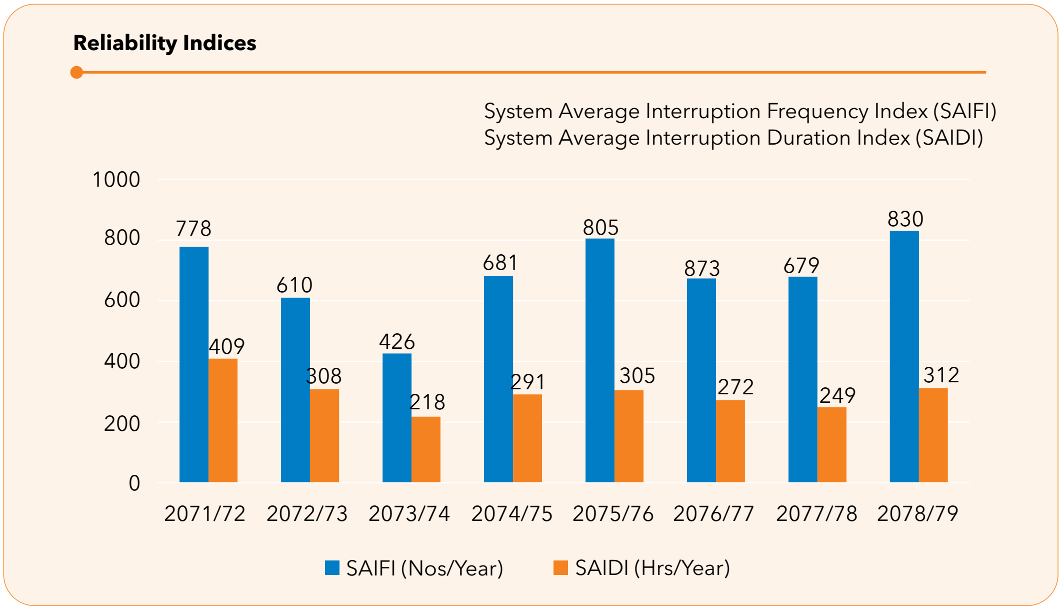
Andhikhola Plant: Energy Meter Testing

By the end of the fiscal year 2078/79, total of 61,558 customers have been electrified in the four districts marking an increase of 2.62% compared to last year. The increase was mostly due to consumer addition in the old network and network expansion done in the FY 2078/79. The addition of consumers this year was 1570, which is more than the targeted figure of 1253.

By the end of the fiscal year, a total of 1570 consumers were added, out of which 1538 were domestic metered consumers. In addition to this, conversion of cut-out consumers into meter was also sought. A total of 139 cut-outs were converted into meter.

Necessary system expansion for consumer addition was made possible through





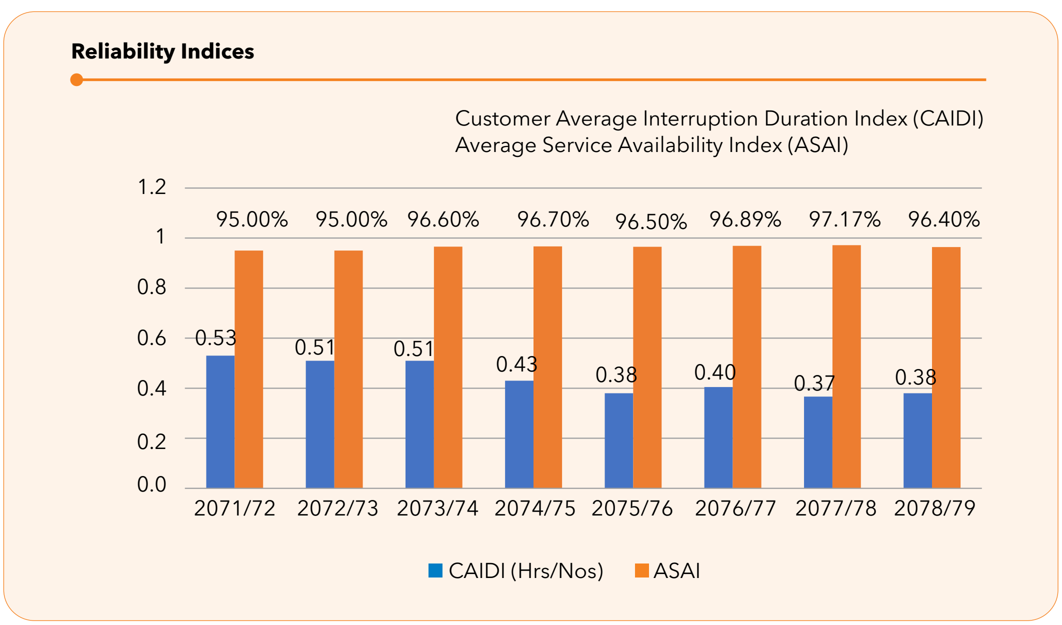
installation of new transformers of 11 kV and 33 kV, increasing the installed capacity from 18,525 kVA to 18,625 kVA.

Reliability Indices

This year, the average service availability index in the distribution system was 96.4%, which is slightly less than last year (0.7%).

Customer Relations

Distribution business is committed to providing quality service to its customers. Hence, 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 was 114.



Nyadi HEP: Pump House.

Future Plans and Programs

As a part of system expansion, total of 1684 new consumers out of which 66 industrials, 78 other consumers, and 1540 metered consumers are planned to be added in the FY 79/80 by the construction of 4.5 km of 33 kV, and 104 km of low voltage line and addition of 3 transformers of 33 kV. In addition, the conversion of cut-out consumers into meters is planned, with a total of 510 cut-outs being converted into meters. Furthermore, it is planned to continue installing energy meters in distribution transformers of all remaining feeders for loss monitoring.

As a part of energy management for distribution, alternate energy sources, particularly solar energy will be explored for development by BPC.

Major Challenges

The most difficult aspect of running a distribution business is its sustainability. Despite the annual revenue growth, BPC's distribution business is incurring significant revenue loss every year. The annual loss of distribution business is around NPR 100 million and it has been steadily increasing. The primary reasons for such revenue loss are low tariff rates at electricity distribution centre in Galyang, rural distribution area settings, and a huge financial requirement for distribution network expansion and maintenance. The revenue loss could be reduced only by increasing the tariff rates. Since the rural electrification is a loss-making business, BPC has been doing social contribution by supplying electricity to the consumers, which may not be sustainable in the long run.

Project Development

Kabeli Energy Ltd. (KEL) was established with the purpose of development of 37.6 MW Kabeli-A Hydroelectric Project (KAHEP) located at Panchthar district in Nepal. All the physical works of the project was under suspension from the beginning of 2020 as the World Bank (WB) stopped loan disbursement to the project after expiry of disbursement deadline. However, the project is in revival process under local financing by amendment of PPA.

Currently, following cabinet decision, DOED has provided in-principle consent to amend the project generation license as ROR project instead of PROR and to NEA for amendments of PPA for posted tariff rate and revise the energy table accordingly. In parallel with efforts for PPA amendment, preliminary discussions have been initiated with potential lenders to conclude the financial closure with local financing and resume construction.

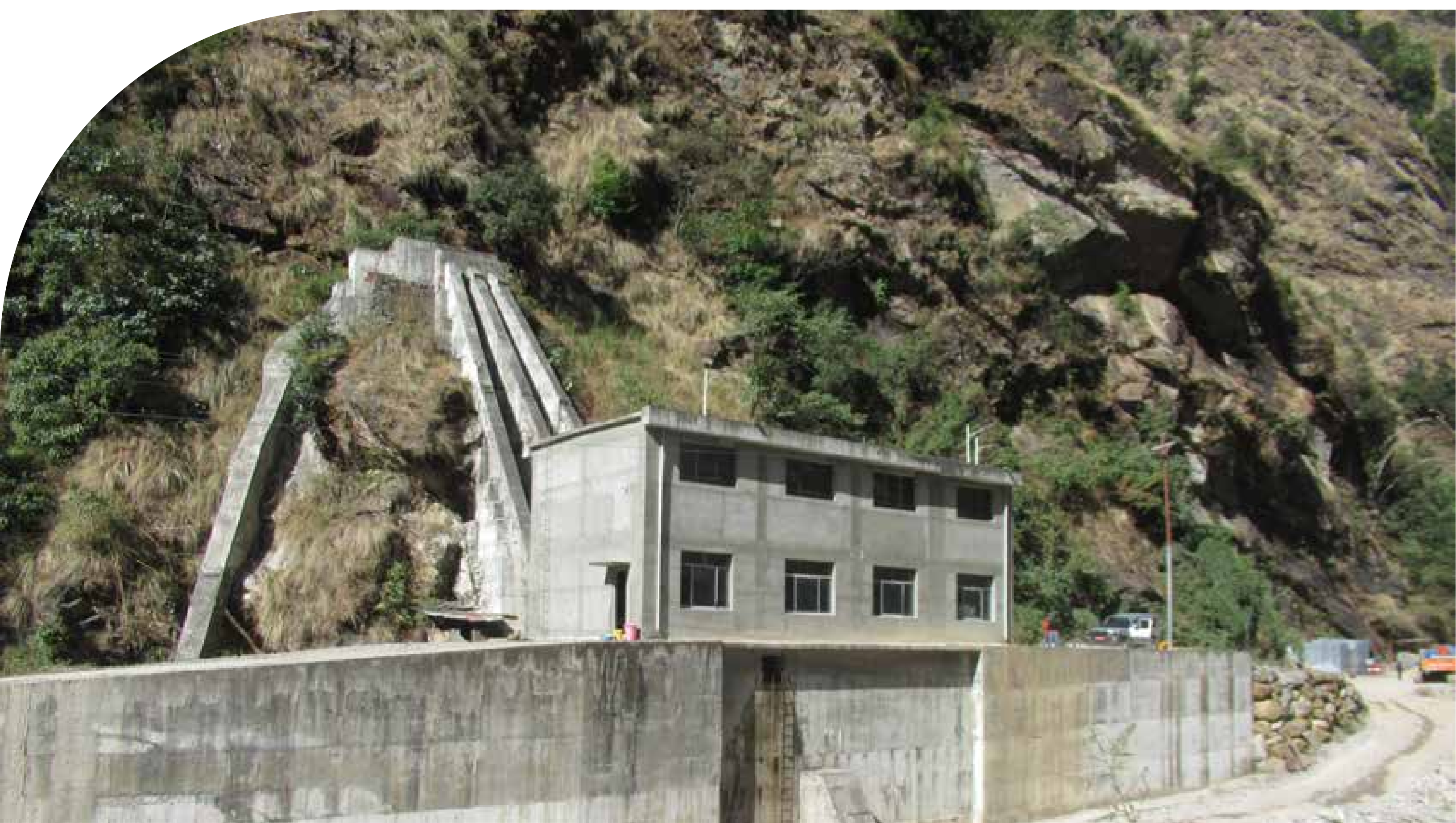
Nyadi Hydropower Limited (NHL), a SPV with a majority shareholding of BPC has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project to generate 168 GWh of energy annually.

Project construction was started on March 23, 2017 and commercial operation has been achieved effective from May 10, 2022. The plant is operating under contingency power evacuation. The substation at Upper Marsyangdi-A powerhouse is to be ready within a year to fully evacuate the power from plant. NHL has constructed an additional 3 km transmission line and interconnection facilities as an alternate plan to evacuate power from NHP because of delay in construction of 220 kV transmission facilities by NEA. The generated power is not fully dispatchable now and NHL is unable to get the planned revenue from the power plant. As per the connection agreement, the plant was supposed to be interconnected at 220 kV Khudi hub for which NHL has already completed the project's own transmission line and other arrangements.

The debt part of the project has been financed by Nepalese consortium of banks and the equity has been financed by BPC, LEDCO, and public.

Chinokhola Hydropower Project (CKHEP): The survey license of CKHEP was awarded to BPC on March 3, 2015. HCE carried out the feasibility study and EIA of the project. The feasibility study has been completed and the project capacity has been fixed at 7.9 MW. Accordingly, the generation license has been granted to BPC by DOED. The project has also been granted approval of EIA from the Ministry of Population and Environment on

Nyadi HEP: Headworks Area



Ashadh 20, 2079. The connection agreement with NEA has been achieved and PPA process is ongoing. The discussions are also ongoing with the potential contractor of Marsyangdi Cascade Projects (MCPs) to utilize the power to be generated from the project as construction power. The approval of industry registration for 7.9 MW has been granted by DOI. The process of SPV formation is ongoing for implementation of the project.

Mugu Karnali Hydropower Project (MKHEP): BPC received survey license effective from Mangsir 7, 2074. HCE was assigned for feasibility study and EIA of the project. The scope of services is divided into Phase I comprised of reconnaissance and prefeasibility study report of the project and Phase II consists of detailed feasibility study including expert consultations and EIA. After the completion of Phase 1 two years before, the detailed feasibility study is ongoing.

The detailed feasibility study is currently underway, two years after Phase 1 was completed.

On the other hand, the consultant's team for EIA study mobilized for preparations of ToR and scoping documents for EIA 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) and Ministry of Forest and Environment (MOFE) to carry out the feasibility study and EIA. Company has received the required consents for feasibility and EIA study. Prior submission of application for generation license, the survey license must be amended at the optimized capacity as per the feasibility study (173.47 MW) for which the application was submitted to DOED on Bhadra 5, 2079. In this regard, MOEWRI decided to amend the project from RoR to PRoR.

License boundary of MKHP has been overlapped with the license boundary of Mugu Karnali Storage Hydropower Project (MKSHP) granted to VUCL effective from Ashad 15, 2075. The survey license of 1902 MW storage project was issued to VUCL after MOU was signed between BPC and VUCL

Nyadi HEP: Headworks Area

dated Jestha 3, 2075. As per the information received from VUCL, the storage project is feasible only with the overlapped boundary. However, for BPC also the project is feasible only with the overlapped area. Since the survey license was valid till Mangsir 6, 2079, completing 5 years period, application for generation license has been submitted in advance to DOED as required.

Currently there is no ongoing transmission line projects along the Karnali corridor. However, the bidding for Betan-Phukot 400 kV transmission line for Betan Karnali Project by Rastriya Prasaran Grid Company Ltd. is already in process. After this, MKHP is still 40-45 km away from this transmission line. Unless the timeline of readiness to evacuate the power of Mugu Karnali is in place, no connection agreement and PPA can be signed with NEA.

Marsyangdi Cascade Projects (MCPs):
BPC has formed a joint venture company named, SCIG International Nepal Hydro Joint Development Investment 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 located in Lamjung and Manang districts. M1, M2 & M3 are to be developed as a cascade project with the collaboration of Chinese companies SCIG International Ltd., Xingcheng International Investment Co. Ltd., QYEC International Co. Ltd., and SCIG International Nepal Hydro Joint Development Company Pvt. Ltd. through the respective project companies. Manang Marshyangdi Hydropower Company Pvt. Ltd. (MMHCPL) will develop 135 MW Manang Marsyangi HEP; 139.2 MW Lower Manang Marsyangi HEP (LMMHEP) will be developed by SPV, which is under incorporation process; and Himtal Hydropower Company Pvt. Ltd. (HHCPL) will develop 327 MW Upper Marsyangdi-2 HEP (UM-2HEP). The three projects M1, M2 and M3 are interconnected cascade projects with maximum utilization

MMHEP: PDA Signing with MOEWRI

of resources named together as Marsyangdi Cascade Projects (MCPs).

Since the project acquisition process started in 2017, as preparation works, upgrading of Beshisahar to Chame road to facilitate smooth transportation of goods and people in the project area, 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 USD for FDI projects bigger than 100 MW suddenly changed and has been replaced by the concept of hedging mechanism. In the meantime, the effect of Covid-19 pandemic for two years, which delayed PPA, PDA, and financial closure processes, and the absence of clear hedging policy pushed back the projects to start construction till now.

Manang Marsyangdi Hydropower Project (MMHEP): The project generation license was issued on November 17, 2018, for 282 MW as a RoR project, which has been amended to 135 MW as PROR project. The PPA with NEA has been concluded in Nepali currency but the coverage of exchange risks is yet to be addressed adequately through hedging policy. The supplementary EIA got approval from the MoFE and leasing of government land and tree cutting approval is in the process. The PDA negotiations at the MoEWRI has been completed and initialized the draft to get approval from the cabinet, which is also in the process. The signing of PDA and issue of clear hedging policy are required to conclude financial closure with the international banks and financing institutions. After appointment of Owner's Engineer, the bid documents were prepared, bid notice issued, and EPC contract negotiations completed with a view to start construction works at the earliest. The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from LMMHEP.

MCPs: Site Visit with Government Officials

Lower Manang Marsyangdi Hydropower Project (LMMHEP): The project is in the southern part of Manang district located along the Beshisahar-Chame road. BPC received a survey license for the project in 2066. Feasibility and EIA study was completed in 2070. EIA was approved for 140 MW. The connection agreement was signed in 2074 with NEA. Generation license was issued at 140 MW as RoR type in 2075. 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 now has been re-optimized at 139.2 MW as a PROR to meet the requirement of NEA's guideline for concluding the PPA. Accordingly, the connection agreement has been amended with NEA. The draft PPA is yet to be initialized. The investment approval has been granted by IBN and industry registration has been granted by DOI dated Ashoj 18, 2078.

The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from LMMHEP. The development of this Marsyangdi transmission line is being carried out at a very slow pace by NEA. The 220 kV Manang hub located at Ghalanchowk village of Nashong Rural Municipality in Manang District will be the connection point for power evacuation of LMMHEP and MMHEP. 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 operated as a PROR project.

Upper Marsyangdi-2 Hydroelectric Project (UM2HEP): Himtal Hydropower Company Pvt. Ltd. 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. 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

MMHEP: Camp Area

NEA. The project is PROR type under cascade development with MMHEP and LMMHEP. The project proposes to evacuate its power through the 220 kV proposed Marsyangdi corridor transmission line which is under-construction by NEA. The detailed project report has been updated and supplementary EIA report has already been approved.

As the PDA negotiations could not be expedited, IBN proposed to sign MOU considering all previous activities in account so that the survey license is awarded to prepare and submit DPR in line with new PPP Act. Accordingly, MOU has been signed, survey license issued, and DPR has been submitted to IBN. Once the DPR is approved by IBN, PDA negotiations will be initiated. The process of PPA has been initiated with NEA after the issuance of survey license.

New Initiatives: As per the growth plan of BPC, identification and review of new hydropower projects is a regular process to acquire them and study for future developments. BPC has started to enter into solar power project by taking survey license and conducting feasibility study at headworks area of Jhimruk power plant. The feasibility study and IEE is ongoing. The company is in the process of identifying under construction and operation plants to acquire them to ease the cash flow management in near future as there has been reduced cash income from Khimti plant. In the recent years, the green hydrogen is the emerging new area of development in the context of clean energy and reducing carbon emission target worldwide. BPC being the leading private company in renewable energy sector, is in the process initiating the knowledge gain to go for green hydrogen business in future as it becomes mature in terms of technology, markets, and economy.

International Collaboration on Project Development

The Company has constituted partnership with international agencies such as IFC, WB, Infra-Co Asia (Singapore), Statkraft (Norway) and SCPHI (Canada) at different areas 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 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 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 ongoing with other foreign parties for collaboration in future projects like Mugu Karnali HEP and new projects as equity partners.

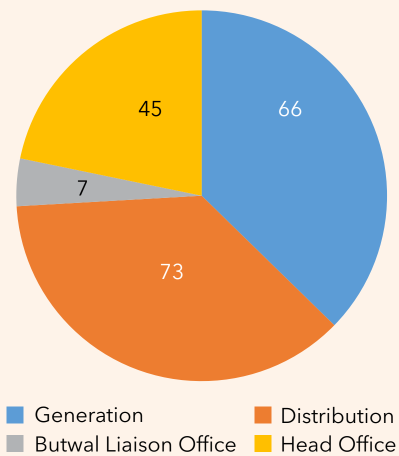
Corporate Overview

Corporate Management is responsible for the management of human resources, administrative facilities information & communication technology (ICT) support, procurement of goods, services & works, service quality, the environment, and occupational health and safety in accordance with ISO standards, as well as security and CSR activities throughout the company.

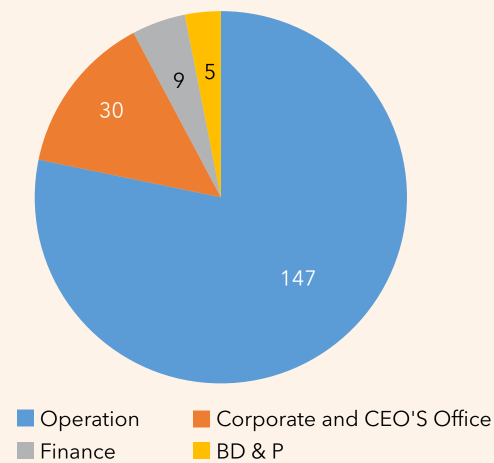
Human Capital

Employee competency has laid a strong foundation for the company's growth. BPC 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.

Activity-wise Number of Employees of 2078/79



Function-wise Number of Employee of 2078/79



The total number of employees was 191 at the end of FY 2078/79 within the approved organization structure (excluding short term and part-time contract employees).

General Administration

Procurement Business Unit procures goods, works, and services for the company.

Procurement strategy of BPC is a long-term plan to cost-effectively acquire the necessary supplies at the lowest possible cost from a list of efficient vendors delivering quality goods on time while adhering to the purchasing terms. The procurement unit's strategic objectives are cost reduction, global sourcing, risk management, supplier management & optimization, and total quality management. 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 JHC and AHC 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): External and internal communications, official website updates, data backup, and email requests have all been supported by Information and Communication Technology (ICT). 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.

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 policies in all the business units of the company.

Trainings on emergency preparedness and response plan, traffic awareness, firefighting, occupational health, and safety management were conducted in JHC, AHC, and Butwal site offices during the FY 2078/79. 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-up of all the employees was 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 site 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 minimum once in a year as a scheduled program as cited in the IMS process manual and as required to discuss on the improvement of the businesses and IMS processes of the company. MRM is chaired by the CEO with participation of all VPs, Business Unit (BU) heads, site in-charges and ISO core team members. VP-Corporate has been designated as the Management Representative (MR) of the company. MR ensures that results of QEHMS audits (internal and external) are presented and discussed in the meeting along with significant changes that could affect the performance of the product as well as the processes. MRM-22 was held on September 15, 2022, with the participation of all the functional heads, BU heads, and the ISO core team.

IMS Periodic Audits and Recertification

As per Management System Certification Agreement between DNV Business Assurance India Pvt Ltd, India (Certification Body) and BPC, two periodic audits 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 AHC, Butwal liaison office, and the corporate office, Kathmandu. Likewise, the 2nd IMS periodic audit was conducted on 23-27 May 2022 at JHC, Butwal liaison office, and the corporate office, Kathmandu. The recertification audit must be performed within the validation period of IMS i.e., May 23, 2023. 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 May 23, 2023.

Enterprise Risk Management

Enterprise Risk Management (ERM) is the comprehensive approach of the company to identify and prepare for risks to projects, company's finances, and its businesses. ERM includes risk identification, analysis, evaluation, control, and monitoring for company businesses. All of Company's operational and project development risks are identified and analyzed periodically.

Strategic risks are assessed and managed by the top management, Risk Management Committee (RMC) and from the board level. It is related to expansion, merger, new technologies, and new business activities at corporate level. Tactical level risks are assessed and managed at business units and top management level. It is related to the performance and profitability of business units, divisions, and centers. Operational risks are assessed and managed at the operational level. It is related to day-to-day operational activities which arise from individuals, units or when handling of regular tasks or assignments.

Risks of the company are exposed throughout the value chain. The risks related to operations, financial management, project execution, operating activities, and conditions with regards to legal and tax framework are the ones that need to be addressed most. 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 risk-based system in all business areas of the company. The company's overall risk profile is reviewed and updated periodically by the management and reported to RMC and the board.

Risk Mitigation and Risk Reporting

All possible risks are identified, and analyzed as major, high, moderate, and low matrix in risk register to mitigate those risks. 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 the risks, they are avoided, accepted, reduced, and transferred. Significant risks are reported to the RMC on quarterly basis or as and when required by the top management. The RMC reviews the entire risk assessment and risk management strategies on the most important and significant risks before reporting to the board. The stakeholders are informed of the significant and strategic business risks as well as the preventive mitigation measures taken through annual report.

Early project development risk management has proven to be an important success factor for the project. BPC has the provision of 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 controls operational risk through detailed procedures for activities for the 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 risks like server attack, data loss, fire, and physical access to resources are effectively managed by maintaining firewall systems, accessing server through Virtual Private Network (VPN), regular backup of data in multiple sources onsite/ offsite including cloud in different seismic zone and anti-virus protection. Further, datacenter has been equipped with fire suppression system that uses Data Center Infrastructure Management (DCIM) to send alarm, SMS and email alerts.

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. The 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 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 2.62%, and energy purchase has increased by 9.93%. However, the foremost challenge in operation and expansion of the distribution business is its sustainability. Rural electrification is a loss-making activity even in operation, and the high demand of public for distribution expansion in the rural areas has further increased the loss. In order to lower the risk of increased revenue loss, it is necessary to timely revise the existing distribution tariff and limit the expansion to project licensed areas only.

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, licenses, 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 a number of risks related to its investments in Khudi, Khimti, and Nyadi plants and under-development projects like Kabeli-A, Marsyangdi Cascade, Chino and Mugu Karnali HEPs. Kabeli-A hydropower project imposed huge risks in terms of investment and reputation due to uncertainty of implementation. Although, PPA amendment with NEA and discussions for financial closure with the local banks are ongoing, the start of construction will take time and the business period is being gradually reduced. The company will be relieved from significant financial loss and reputational risk if the project construction is resumed and completed within shortest possible time.

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 have been affected by landslides and floods caused due to the heavy rainfalls in June 2021. 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 initialized draft 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 has been delayed. As the generation license was issued in 2018, the project is incurring loss of cashflow years. In addition, the cascade projects 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 could not be initialized for last two years due to delay in amendment of generation license for MMHEP. Four years have already passed from the date of generation license, which is a loss of cashflow years impacting project's returns.

As PDA with IBN could not start and re-processing is required for UM-2 HEP due to new PPP Act, MOU has been signed and survey license issued from IBN to submit DPR for the start of PDA negotiations and PPA process. The delay in concluding PDA and issuance of license has led to delay in connection agreement and PPA with NEA. 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 projects larger than 200 MW.

The fifth year of survey license period has already passed for MKHEP without any clarity from VUCL regarding the overlapping of the license area. The transmission line is still uncertain to get connection agreement with NEA, which puts investment at high risk. Due to delay in start of MCPs construction, the power sale and purchase agreement with the contractor of MCPs for CHEP as construction power could not be concluded. The project being RoR type, there is a risk of "Take and Pay" PPA with NEA.

Around 23 hydropower plants including Nyadi developed by IPPs are operating under contingency power evacuation, resulting in partial generation and revenue loss, which is due to the lack of management for spill energy in the INPS.

4. Financial Risk

The company uses debt in addition to equity financing to meet financial obligations. The finance department coordinates and manages the financial risk associated with foreign currencies, interest rates & liquidity, including refinancing & new borrowing. The company has borrowed term-loan and operating loan, thereby facing interest rate risk. Since market forces have an impact on interest rate risk, BPC has minimal role to play in minimizing this risk. The liquidity risk of BPC is related to the deviation between the maturity profile of financial liabilities and the cash flows generated by the assets. BPC has made arrangements for an adequate level of overdraft facility for short-term financing in order to control liquidity risk and for better 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

The framework conditions that govern the energy industry, such as taxes, fees, generation, distribution, and transmission regulations, as well as general terms and conditions, have an impact on BPC's operations. The production, expenses, and income of BPC may be impacted by these framework factors.

Senior Executives

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

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

Andhikhola Plant: Headworks

Shareholder's Information

The shareholding pattern of BPC as on end of Asadh, 2079 is as below:

S.N.	Shareholders	Number of Shares	Holding %
1	Shangri-La Energy Ltd.	18,277,920	56.30
2	Government of Nepal	2,409,761	7.42
3	IKN Nepal A.S., Norway	513,037	1.58
4	United Mission to Nepal	443,963	1.37
5	Nepal Electricity Authority	279,975	0.86
6	General Public Shareholders	10,538,612	32.47
	Total	**32,463,268**	**100.00**

Share Trading Information

In FY 2078/79, 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	7082.32	4227.54	55102	703	460	500	57
Second	1537.24	736.95	15687	560	398	459	59
Third	1279.34	552.55	13811	485.5	365	376	58
Fourth	636.46	217.65	7478	393	294	322	65
Total	**10535.36**	**5734.69**	**92078**	**703**	**294**	**322**	**239**

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, 2079 is as follows:

Share Status	Number of Shareholders	Number of Shares
Physical Shareholders	170	2,969,357
Demat Shareholders	71,443	29,493,911
Total	**71,613**	**32,463,268**

Corporate Social Responsibility

BPC is engaged in environmental protection and social upliftment support activities as a socially conscious corporate citizen. Its Corporate Social Responsibility (CSR) aims to develop appropriate social, economic, and environmental programs in its working areas based on the socio-economic and environmental requirements.

Business decisions and operations have been integrated with economic, environmental, and social considerations. 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.

Various mitigating activities were carried out continuously in the FY 2078/79 at both Jhimruk and Andhikhola Hydro-Electric Centres (JHC and AHC) to uplift community livelihood, enhance community relations, and protect public interest. CSR activities at AHC and JHC were primarily focused on income generation, improved agriculture and energy techniques, skill development trainings, irrigation system improvement, and environment development support programs. River training was constructed in Jhimruk and Madi rivers during the year to protect plant structures and farmer's land. Furthermore, financial assistance was provided to various clubs and other social organizations for the purpose of carrying out social activities.

Similarly, in AHC, gabion box filling work in the Lalyang landslide area has been completed and access road of shaft site and other civil maintenance works have been carried out. As part of mitigation activities, financial support was provided to AMA, Galyang Campus, local clubs, and other social organizations for performing various social activities.

During the fiscal year, BPC also provided the Kathmandu Metropolitan Police Office, Buddhanagar with a 1000-liters water tank for the daily storage of drinking water in the office.

Health, Safety and Environment

For the prosperity of the company, BPC constantly aspires to conduct its business in healthy, safe, and environmentally conscious manner both at its workplace and in the community where it does business.

Health, Safety, and Environment (HSE) are the priority areas for BPC. BPC's endeavor towards its employees is always directed to providing fulfilling work environment within the company. BPC believes that a strong HSE performance and its continuous improvement is indicative of a good and responsible management, which significantly contributes to overall progress of the company. BPC continuously monitors its environmental facets, work-related hazards, and gender-based violence & harassment to identify any critical areas and makes efforts towards ongoing improvements of working conditions, including a decrease in the number of work accidents/incidents, workplace violence & harassments, and occupational illness. BPC has adopted an Integrated Quality, Environmental, and Occupational Health & Safety Policy. Occupational Health and Safety Manual has been prepared incorporating the statutory obligations under Labor Act, 2074 and Labor Regulation, 2075. Occupational Health and Safety Management System (OH&S 45001:2018) guideline has been implemented throughout the company to enhance the health and safety standards. Company has also prepared and implemented the Environment Aspect Register to minimize and mitigate environmental impacts. A well-developed Safety & Emergency Preparedness Plan is

Andhikhola Plant: Machine Hall

communicated amongst all to deal with emergency situations like fire, floods, landslides, earthquake, pandemic etc., which further enhances the health and safety standards in the company.

The business units have been carrying out business activities in an OH&S, environmental, and quality conscious manner. OH&S system has created awareness and assisted in managing occupational health, safety, and security issues throughout the organization. These have been integrated and implemented as a part of the company's overall business operations, system, and procedures. All the employees have been insured with Medical and Group Personal Accident (GPA) insurance policies. Staff health check-up is carried out once every three years to maintain a healthy working environment.

BPC has been operating ROR hydropower projects, which are considered as green energy, with minimal environmental issues. The impacts of water diversion have been properly and scientifically mitigated. River training work is done annually to protect the farmer's land from flood in the project affected areas. Likewise, the environmental impact of tree cutting and trimming of bushes and bamboos for distribution line expansion and maintenance is minimized by providing local communities with seedlings as per need. According to ISO requirements, all wastes, including damaged electromechanical parts, insulating materials, used oil, and other wastes are disposed of in a standard manner. The prevention of pollution, which includes source reduction or elimination, process, product or service change, efficient use of resources, material and energy substitution, reuse, recovery, recycling, reclamation, or retreatment, forms the basis of environmental impact control.

First Aid and Safety Management Training

Andhikhola Center: Distribution Line Repair

Sustainability

The businesses and values of BPC are centered on sustainable development. BPC's business decisions and operations invariably integrate economic, environmental, and social considerations to maintain the competitive edge. BPC has been engaged in a number of social, environmental, and economic development initiatives in and around its project areas. To maintain the viability of its businesses, BPC intends to give continuity to these initiatives in future in a sustainable manner, collaborating with the various stakeholders in the project areas.

Sustainability is a long-term and multi-dimensional concept comprising of technical, environmental, economic, and social dimensions. It encompasses the concept of stewardship and prudent resource management. Key prerequisites to attain sustainability in developing projects are peace, security, and social justice. Social disruptions like war, crime, and corruption divert resources from areas of critical human needs, impairing societies' capacity to plan for the future, and generally endangering 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. In the similar vein, BPC has been recognized by the Institute of Chartered Accountants of Nepal (ICAN) for 12 years with the National Best Presented Accounts (BPA) Award in the category of General Sector for Excellence.

Social Responsibility Initiatives

BPC is compassionate for the excellent social performance and situation of the people of the project areas. Prior to the implementation of the project, BPC conducts SIA study to set the socio-economic baseline. This helps in identifying impacts and recommending social development activities for mitigating those impacts in its project area. JHC and AHC have been implementing SUP by mobilizing resources in the field of social, environmental, and economic development so as to maintain excellent social performance of the people in the project areas. Further, awareness and capacity building training programs have been implemented to enhance skills and knowledge that enable communities to initiate new economic activities. BPC is confident that these endeavors will help improve the quality of life and the economic status of the locals, which will ultimately contribute to the sustainability of the projects. In recognition of company's excellence in minimizing the environmental and social impacts of AHC and producing environment friendly hydro-energy, BPC was honored with the 'International Blue Planet Award 2005' from International Hydropower Association, 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

Andhikhola Plant: Obermeyer Gate at Headworks

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 principles of the "green building", which is a holistic approach that addresses concerns of environment protection, 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 program, BPC has been routinely planting and maintaining the plants in its premises. For the protection of environment, BPC has prepared and implemented waste management process guideline. 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 the local communities in plantation of new plants as needed. BPC has been contributing to environmental causes as per legal requirements such as IEE and EIA studies of the projects.

Social Initiatives

BPC is greatly concerned to its social obligations in hydropower development. Additionally, BPC mandates that all its projects undergo EIA and IEE. The company is also committed to CSR and makes it a point to address the societal, environmental, and stakeholders concerns as it conducts business. We at BPC have been making voluntary efforts to improve the quality of life of local communities where we do business. BPC has complied with all applicable rules and regulations pertaining to the development of hydropower.

The projects have always encouraged the local people for jobs and opportunities at projects. As of today, AHC and JHC offer 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, organization's reporting system has been developed. It controls the quality of 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-22 was held on September 15, 2022, 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' relation, status of safety and security, risk management, business performance, and suggested the areas of improvement.

Human Resource Accounting Information

Huma Resource Accounting (HRA) is a process of identification, collection, and analysis of information about human resources that assists the management to plan, implement, and monitor if the company's human resource related activities are in line with its vision and goals.

In addition to ensuring that human resources are used effectively, HRA is crucial in developing personnel policies that promote employee job satisfaction, carrier advancement, and creates a positive work environment. HRA is a tool for the management to ensure equitable welfare, high morale, and motivation in the work force. HRA also significantly facilitates activities involving the development of human resources, such as identifying appropriate training and exposure.

Human Capital

At the end of the FY 2078/79, the number of total employees (excluding those on short term and part-time contracts) sums up to 191 within the approved organization structure, which are as segregated below:

Year	Manager Level Employees (Nos.)	Other Employees (Nos.)
2078/79	18	173

* 18 Short-term and part-time employees are not included in the tables 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		
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
2074/75	203	21	224	7	24

A. Cadre-wise Human Resources

Cadre	Cadre-wise	Gender-wise (Female)	Gender-wise (Male)	Technical	Non-Technical
Management	18	1	17	9	9
Officer	25	3	22	7	18
Assistant	148	14	134	82	66
Total	**191**	**18**	**173**	**98**	**93**

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

Year	Regular	Time-based	Job-based	Part-time	Total
2078/79	154	37	4	14	209

C. Skill Development

HR undergoes incessant enrichment of skill and competency through numerous trainings and workshops. The competency of employees has made a strong foundation of the company to expand on. During the FY 2078/079, attendees actively participated in nineteen different events, including trainings, seminars, and workshops for capacity building, professional growth, and motivation of employees. 233 employees participated in various trainings, workshops, and seminars like, Awareness Training Program on ISO/OHSAS 45001:2018; Gender and Hydropower; Inventory Management System; Help Drivers Gain Road and Life Safety Skills with Positive Attitudes; Training for Mitigation of Gap Identification in NFRS Implementation; Internal Awareness Training on Emergency Evacuation and Response Plan; FMO Steward Leadership Session-Environment and Social Management System Implementation; CEO Conference-2022; ISO 9001:2015 Internal Auditor Training; HR Meet-2022; First National Convention of Accounting Professionals; Risk Management and Hydropower Development Module-II; Breeding Success in Business and Career; GIS Using Software ArcGIS (The Beginners to Intermediate to Intermediate Course); Basic First Aid and Safety Management; Energy Workshop; HR Software Installation Training; OH&S Internal Awareness Training and GIS Using Software ArcGIS (Intermediate to Advanced Level Course).

Staff-Management Interaction Program

Distribution of Long Service Award

Value Added Statement

The Value Added (VA) statement is a financial statement that shows how much value (wealth) an enterprise has created and allocated to stakeholders by utilizing its capacity, capital, manpower, and other resources. It indicates how the benefits of the efforts of an enterprise are distributed among employees, financial providers, the government, and towards replacement and expansion.

Particulars	32nd Asadh, 2079		31st Asadh, 2078	
	NPR	%	NPR	%
Revenue from Sales of Electricity and Services Provided	**775,048,826**	**99.06%**	**646,141,923**	**52.82%**
Less: Cost of Bought in Materials and Services				
Operating Cost	140,428,568	17.95%	176,940,038	14.46%
Value Added by Revenue from Sales and Services of Electricity	**634,620,258**	**81.11%**	**469,201,885**	**38.36%**
Add: Other Income Including Dividend Income				
Dividend Income	11,440,209	1.46%	324,956,259	26.57%
Finance Income	99,928,739	12.77%	58,531,646	4.79%
Other Income	36,427,970	4.66%	370,541,096	30.29%
Available for Application	**782,417,176**	**100.00%**	**1,223,230,886**	**100.00%**
Application of Value Added				
To pay Employees				
Wages, Salaries, and Other Benefits	197,145,763	25.20%	191,566,268	15.66%
To pay Government				
Tax, VAT and Royalty	193,021,318	24.67%	211,884,792	17.32%
To pay Financers				
Interest on Borrowings	12,809,954	1.64%	19,435,478	1.59%
Dividends	590,272,100	75.44%	670,970,450	54.85%
To Provide for the Maintenance and Expansion of the Company	**(210,831,959)**	**-26.95%**	**129,373,898**	**10.58%**
Depreciation	100,112,871	12.80%	99,562,756	8.14%
Deferred Tax Credit Accounts	5,177,034	0.66%	(53,085,940)	-4.34%
Retained Profit	(316,121,864)	-40.40%	(169,154,776)	-13.83%
Provision for Impairment Loss	-	0.00%	252,051,858	20.61%
Total Application	**782,417,176**	**100.00%**	**1,223,230,886**	**100.00%**

Highlights: No. of Employees = 191

- Net Earnings Per Employee is NPR 1.44 million
- Gross Earnings Per Employee is NPR 1.79 million
- Sales Per Employee is NPR 4.06 million
- Value Added per Employee is NPR 4.10 million

Analysis:

Payment to Employees: 25.20% of the total value-added amount has been used to pay the employees during FY 2078/79, which stands at NPR 197.15 million. This is 2.91% more than previous year's employee payment of NPR 191.57 million.

Payment to Government: 24.67% (NPR 193.02 million) of the total value-added amount has been paid to the government during FY 2078/79. This is 8.90% less than previous year's payment to the government of NPR 211.88 million. The decrease is primarily due to the reduction in other income, i.e., in the previous year, BPC gained NPR 338 million from the sale of 77.4% shares of Manang Marsyangdi Hydropower Company Pvt. Ltd to Chinese investors.

Payment to Debt financers:1.64% (NPR 12.81 million) of total value-added amount has been paid to debt financers during FY 2078/79. This is 34.09% less than the previous year's payment to debt financers, which was NPR 19.44 million. The decrease is due to the repayment of term loan installment.

Payment to Providers of Capital: 75.44% (NPR 590.27 million) of total value-added amount was paid to shareholders as dividend during FY 2078/79. This is 12.03% less than previous year's payment to shareholders of NPR 670.97 million. The decrease is primarily due to a reduction in cash dividend distribution (from 15% to 10%).

Retained in Company: NPR 5.18 million (0.66%) of the total value-added amount have been provided for depreciation and deferred tax charges respectively. Deficit of NPR 316.12 million (40.40%) has been adjusted from retained earnings of the company during FY 2078/79. Accordingly, the net deficit amount adjustment to retained in Company amounts to NPR 210.83 million (26.95%), which is 262.96% less than retained amount of NPR 129.37 million from previous year. The decrease is primarily due to decrease in the profit.

BPC Subsidiaries

Nyadi HP: Excitation Room

Nyadi Hydropower Limited

The 30 MW Nyadi Hydropower Plant (NHP) is under operation by Nyadi Hydropower Limited (NHL), a project company with a majority shareholding of BPC.

As per the PPA, the power evacuation must be via 220 kV Marsyangdi Corridor transmission line interconnected at Tarikuna substation, 7 km from the powerhouse of NHP. However, the 220 kV transmission line and substations are still under construction by NEA. As a temporary arrangement, the power evacuation has been currently managed through Middle Marsyangdi 132 kV transmission line with the construction of additional 3.8 km of 132 kV transmission line from Khudi Hub. The company has completed construction, testing and commissioning of the project in the fiscal year. The Commercial Operation Date (COD) of the project has been declared by NEA effective from May 10, 2022.

The generation has only been done in accordance with NEA's dispatch approval, as per the contingency plan of power evacuation.

Nyadi HP: Power House and Substation

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 District in Nepal, to build, own, operate, and transfer (BOOT) the project as per the PDA signed with GoN. The financial closure of the project was concluded with the World Bank (WB), International Finance Corporation (IFC), and local banks including PPA with NEA. BPC holds 56.16% share of KEL, 27.24% being direct investment and 28.92% through joint venture company 'Gurans Energy Limited'.

WB stopped loan disbursement to the project after expiry of disbursement deadline on December 31, 2019, and all physical works are under suspension since then due to financing uncertainty. All possible and feasible options are continuously being explored to revive and resume the construction of KAHEP.

As a revival process, DOED has provided in-principle consent to amend the generation license as ROR project instead of PROR and accordingly follow-ups ongoing with NEA for the amendments of PPA for posted tariff rate. Preliminary discussions have been initiated with the local potential lenders to conclude the financial closure and resume construction.

PROJECT FACT SHEET

Project type: Peaking Run-of-river (PRoR)

Project location:

Headworks site-Dhuseni area of Hiliang-1 Rural Municipality of Panchthar on the left bank and Yangwarak-2 Rural Municipality of Taplejung

Powerhouse site-lies in Pinase Hiliang-2 Rural Municipality of Panchthar District

Installed capacity: 37.6 MW

Annual energy generation: 205.15 GWh

Design discharge: 37.73 m3/sec at Q40

Gross head: 116.8 m

Head race tunnel: 4,327 m

Power evacuation: Power evacuation from switchyard of KAHEP

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

Headwork site: 8 km from Mechi highway

Powerhouse site: 16 km from Mechi highway

Kabeli HEP: Tunnel Inlet

Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited (NHE) is a subsidiary of BPC. It was established in 2042 B.S. 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%. Over the journey of 37 years of its establishment, NHE has a successful history, a distinctive culture, and a shared pride in its performance. NHE has its expertise in design, manufacturing, installation, testing, and commissioning of HM and EM equipment (including but not limited to penstock pipe up to 100 mm thick, radial gate up to 16mx20m, roller gates, slide gates, stoplogs, trashrack & trashrack cleaning machine, hydro turbine parts), 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.

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.

It 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: similarly, in Kenya and Pakistan on projects larger than 450 MW. In FY 2077/78, the company completed the feasibility

Powerhouse Area Solukhola (Dudhkoshi) 86 MW.

study and EIA of 133 MW Kaligandaki Tinau Diversion Multipurpose Project, construction supervision of 30 MW Nyadi Khola and 42 MW Mistri Khola Hydropower Projects (HPPs). HCE has almost completed detail design, construction supervision, and management of 86 MW Solu Khola-Dudhkoshi HPP. In addition, HCE has completed due diligence appraisal of 54 MW Super Dordi Khola, 100 MW Super Trishuli, and 57.3 MW Myagdi Khola HPPs.

At present, the HCE is involved in; Feasibility and EIA study of 512 MW Bharbhung Storage Project including Tatu ROR Project, 62 MW Humla Karnali HPP, 141. MW Mugu Karnali Phase II HPP, 80.5 MW Dadagau Khalanga Bheri HPP, and 350MW Lower Badigad Storage HPP; for DoED. Similarly, HCE is implementing the feasibility study, tender document preparation and detailed design of 12 MW Mistri-2 HEP, detailed design of 37 MW Rahughat Mangale HPP, 48 MW Upper Rahughat HPP, construction supervision and detail design of 25 MW Seti Nadi HEP, 86 MW Landruk Modi HEP, 21 MW Palun Khola HEP, and 38 M Nilgiri Khola I HEP. Similarly, it has been carrying out specific design review of headworks of 50 MW Mewa Khola HPP, feasibility study review, tender document and specification preparation, and detail design of 57.3 MW Myagdi and 12.5 MW Myagdi Khola-B HEPs, review design and support during construction of 220 kV Lekhnath Damauli Transmission Line, bill verification of 27 MW Dordi Khola HPP, 28.1 MW Lower Likhu HPP, 73 MW Middle Tamor HPP, and 14.3 MW Mathilo Mailung Khola HPP.

Ghar Khola HEP Tunnel (14MW).

Powerhouse Area Seti Nadi HEP (25 MW)

Headworks Area Mistri Khola HEP (42 MW)

Khudi Hydropower Limited

Khudi HP: Powerhouse & Substation

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

The overall performance of the company has been satisfactory this year. During the monsoon season, the operation has focused on timely repair/maintenance, river training work, and flood monitoring, as well as cost minimization. The power plant could not be operated normally during the year due to flood, resulting in some revenue loss. During Ashadh 2078, due to heavy rain and high flood at the project area, the company suffered damage from flood in its structures due to which compelling the shutdown of the commercial production further for the next more than one and half month. The company recorded revenue of NPR 84.41 million in FY 2078/79 with 36.71% increase from previous year. The company earned a net profit of NPR 9.82 million with decrease of 34.09% in comparison to previous year. The decrease in profit is mainly due to the impact of flooding in Khudi River.

Various mitigation activities have continuously been carried out to enhance the community relations and to protect public interests. KHL has been directly involved in supporting various programs related to health, education, technical training, village development etc.

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

BPCSL: Maintenance Team

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.

Five Year Financial Summary

FIVE YEAR SUMMARY OF STATEMENT OF FINANCIAL POSITION

(In Thousands NPR)

Particulars	2074/75 2017/18	2075/76 2018/19	2076/77 2019/20	2077/78 2020/21	2078/79 2021/22
ASSETS					
Non-Current Assets	**5,391,087**	**7,024,001**	**6,525,094**	**5,764,916**	**6,002,110**
Property, Plant and Equipment	358,484	338,771	315,804	298,844	284,591
Project Work in Progress	206,563	221,267	266,393	285,558	313,951
Intangible Assets	1,954,317	1,927,473	1,871,187	1,864,526	1,896,369
Capital Work in Progress	2,382	534	1,922	1,922	1,922
Investment in Shares	2,866,934	4,530,307	4,068,461	3,303,680	3,505,277
Other Non-current Assets	2,407	5,649	1,326	10,384	-
Current Assets:	**2,294,505**	**925,269**	**1,341,192**	**1,922,492**	**1,680,701**
Inventories	44,986	42,779	54,037	50,873	55,365
Trade Receivables	88,266	98,680	73,332	93,039	107,473
Cash & Bank Balance	613,202	347,103	89,688	684,861	32,638
Other Financial Assets	1,469,544	373,396	1,104,441	1,058,297	1,469,098
Other Current Assets	10,557	18,921	11,305	11,377	16,127
Current Tax Assets (Net)	67,950	44,390	8,389	24,045	-
Total	**7,685,592**	**7,949,270**	**7,866,285**	**7,687,408**	**7,682,810**
EQUITY & LIABILITIES:					
Equity	**6,510,197**	**6,901,281**	**7,029,047**	**7,009,391**	**6,968,194**
Equity Share Capital	2,218,672	2,440,555	2,683,882	2,951,361	3,246,327
Other Equity	4,291,525	4,460,726	4,345,165	4,058,031	3,721,867
Non-Current Liabilities	**860,777**	**810,570**	**629,774**	**482,123**	**457,974**
Grant Aid in Reserve	208,575	202,660	195,809	189,437	183,049
Borrowings	328,271	233,520	159,134	110,069	94,659
Provisions	10,034	10,939	17,526	20,055	22,175
Deferred Tax Liabilities	291,433	339,337	232,613	140,201	138,697
Other Non-Current Liabilities	22,464	24,114	24,692	22,360	19,394
Current Liabilities	**314,618**	**237,419**	**207,465**	**195,894**	**256,642**
Borrowings	161,155	94,989	82,764	48,882	101,374
Trade Payables	28,027	25,507	20,832	38,177	39,030
Other Financial Liabilities	29,812	38,242	22,443	23,102	27,592
Provisions	777	1,460	2,033	3,647	2,600
Other Current Liabilities	94,847	77,221	79,393	82,085	85,192
Current Tax Liabilities (Net)	-	-	-	-	854
Total	**7,685,592**	**7,949,270**	**7,866,285**	**7,687,408**	**7,682,810**

FIVE YEAR SUMMARY OF STATEMENT OF PROFIT & LOSS

(In Thousands NPR)

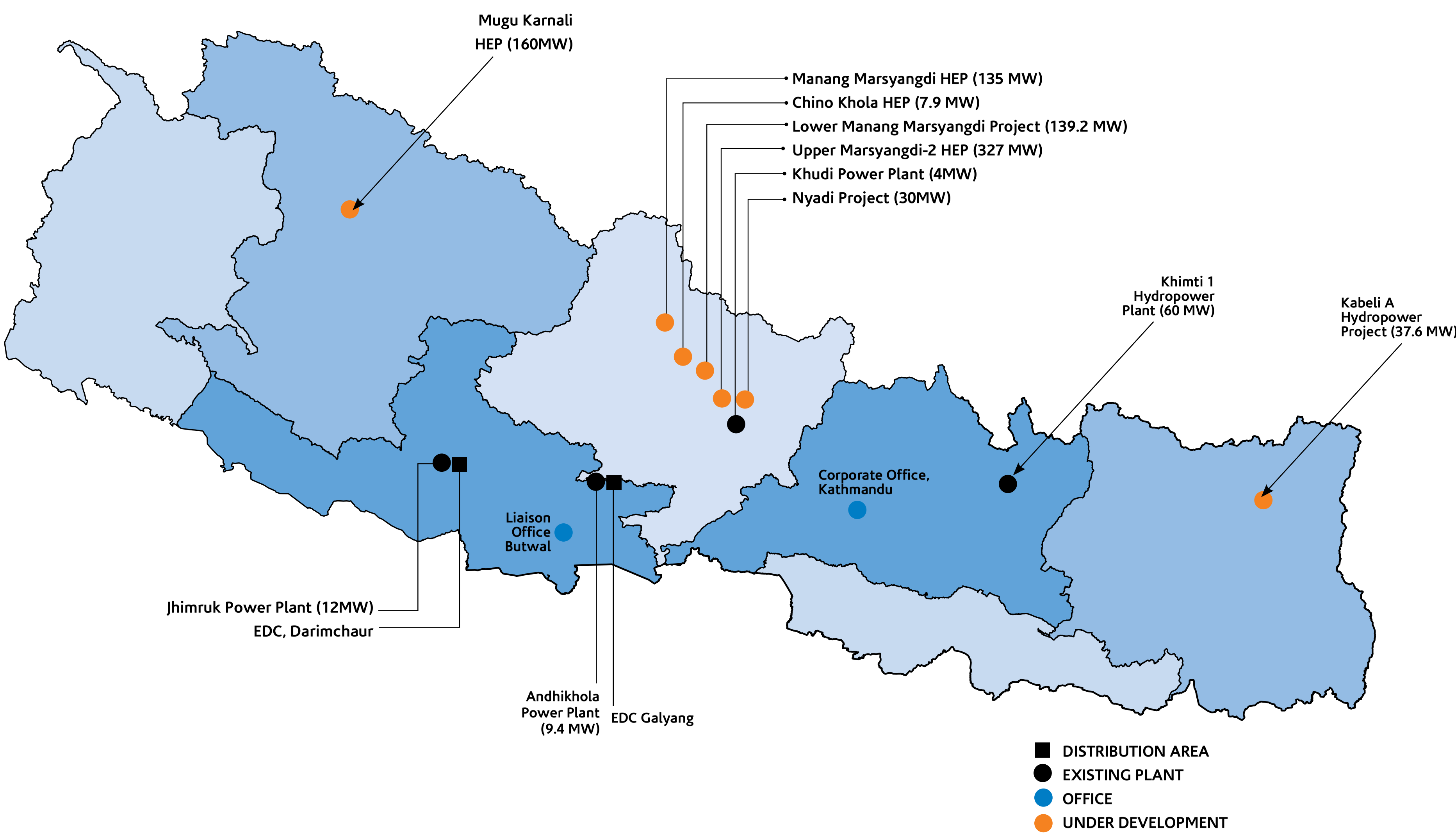
Particulars	2074/75 2017/18	2075/76 2018/19	2076/77 2019/20	2077/78 2020/21	2078/79 2021/22
INCOME					
Operating Income					
Electricity Sale to NEA	477,098	486,830	483,838	423,725	526,762
Electricity Sale to Consumers	177,401	187,203	195,137	213,989	239,480
Electricity Services	11,868	9,045	7,732	8,428	8,807
Total Operating Income	**666,367**	**683,078**	**686,707**	**646,142**	**775,049**
Income from Other Sources					
Financial Income	92,597	151,540	24,254	58,532	99,929
Dividend Income	512,267	578,954	744,121	324,956	11,440
Gain (Loss) on Disposal of Assets & Stock Materials	760	6,571	147	2,837	-
Depreciation Being Revenue Portion of Grant Aid	7,183	7,681	7,747	7,782	7,839
Other Income Including Forex gain/loss	38,931	28,184	23,551	359,922	28,589
Total Non- Operating Income	**651,738**	**772,930**	**799,828**	**754,029**	**147,797**
Total Income	**1,318,105**	**1,456,008**	**1,486,527**	**1,400,171**	**922,846**
EXPENDITURE					
Generation Expenses	263,259	266,312	245,690	312,181	295,793
Distribution Expenses	110,855	137,045	119,405	124,160	137,875
Administrative Expenses	126,150	164,256	123,339	127,739	127,427
Impairment Loss in Investment	2,244	1,830	246,302	252,051	-
Finance Costs	65,393	41,628	31,996	19,435	12,810
Total Expenditure	**567,901**	**611,071**	**766,732**	**835,567**	**573,905**
Net Profit Before Tax	**750,204**	**844,937**	**719,795**	**564,603**	**348,941**
Current Tax Provision	19,318	46,730	40,738	115,873	69,614
Deferred Tax Expenses/Credit	28,623	37,872	(52,227)	(53,086)	5,177
Net Profit After Tax	**702,263**	**760,335**	**731,284**	**501,816**	**274,150**

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 for 12 years. BPC has also been awarded with Certificate of Merit by South Asian Federation of Accountants (SAFA) and the 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.

Our Presence



Jhimruk Plant: Powerhouse

BUTWAL POWER COMPANY LIMITED

FINANCIAL STATEMENTS

2021-2022

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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 32, 2079 (corresponding to July 16, 2022), 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 32, 2079 [i.e. July 16, 2022] 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.

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 32, 2079. 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.

OTHER INFORMATION

The management is responsible for other information presented in the Butwal Power Company Limited's Annual Report and Accounts FY 2078/79 (FY 2021/22) 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

Key Audit Matters	How our audit addressed the key audit matter
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).	
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 2078-79 (2021-22). 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".	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 13 "Other Financial Assets" and Note 35B "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 32, 2079 amounted to NPR 39,216,416 (PY 34,498,322) 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.	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.
Impairment of Investments in Kabeli Energy Limited and Guras Energy Limited (Refer Note 6 and Note 27 "Impairment loss on investment" of the financial statements)	

Key Audit Matters	How our audit addressed the key audit matter
BPCL holds overall 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through joint venture company Gurans Energy Limited (GEL) and as on Ashad 32, 2079 BPCL has invested around 71 Crore (including interest receivable for NPR 7.9 Crore) for the 37.6 MW Kabeli A project through both the companies. The construction work of KAHEP has been suspended since early 2020 mainly due to stoppage of loan disbursement to the project by World Bank after the expiry of disbursement deadline on December 31, 2019 and its' resultant effect and also the company failure, so far to revive the project. Further, the Government of Nepal had also awarded the upstream Tamor Hydropower Project which will reduce the capacity of Kabeli A project. The government may compensate the project for such impact but if the project does not progress from the current stage, the position to claim the compensation may be weakened. Considering the status of the project, future prospects, carrying value of the project and management's best judgment, the company had already considered the investment as doubt for recovery and had already booked impairment loss of NPR 512,728,738 until end of the previous FY 2077/78 (FY 2020/21). No further provision for impairment however was made during the year since, as per management, necessary efforts for revival of the project are being considered including associating with suitable equity partners for resuming of the construction work with notable progress.	We carried out discussion with the management and those charged with governance regarding the revival plan of the Kabeli A Project and prospects of its revival considering its MOU with Arun Kabeli Power Limited KPL and initiatives taken so far. We also reviewed the board decision and other regulatory approvals with respect to revival plan. As per management and also board minute, the project will be revived through certain modifications and necessary funding required would be arranged. We also evaluated the reasonableness of impairment loss booked by the company and the key assumptions in respect of status, future prospects, and carrying value of the project. We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss, on the prospects and future plans of the project. We have also assessed the adequacy of the disclosures made in the standalone financials statements. Though no concrete visible progress has been made, the basis taken by the company that no further impairment loss has been incurred other than what has already been booked till previous reporting period, cannot be questioned for the current reporting period considering the available facts.
Recoverability of Advances (Refer Note 13 "Other Financial Assets" (Current and Non-Current) of the financial statements.)	
As on Shrawan 1st 2078 (opening balance), advance of NPR 20 Crore to Mr. Harish Chandra Shah (shareholder of SC Power) and NPR 1.5 Crore to SC Power Company Pvt. Ltd were outstanding as receivables in the books of BPCL. This advance was provided in order to purchase shares of SC Power Company Ltd, the developer of 440MW Tila-I and 420 MW Tila-II hydropower projects. Due to various reasons, 337th Board meeting dated 12th of April 2019 of BPCL had resolved unanimously to exit from the process of acquisition of shares of SC power Company Ltd. and to get reimbursement or refund of the advance. Based on which, a repayment schedule (commitment letter) was agreed with Mr. Harish Chandra Shah (representing as Chairman of SC Power Company Pvt. Ltd) dated Sept 03, 2021 with the following schedule for payment to be received during the current reporting period: (i) Payment of NPR 1 Crore within Asoj 2078. (ii) Payment of NPR 2 Crore within Kartik 2078 (iii) Payment of NPR 12.5 Crore within Chaitra End 2078 (iv) Payment of NPR 6 Crore in Jestha 2079 Despite the commitment letter, Mr. Shah could only make payment of NPR 1.5 Crore during the current FY and no further payment was received till the time of our audit. As per management, initiative for recovery of the outstanding balance is made continuously and a new commitment through a supplementary agreement has been signed with Mr. Harish Chandra Shah where he has agreed to settle his entire outstanding balance by the end of Dec 2022. The following schedule for payment has been agreed (i) Payment of NPR 1.5 Crore by Sept 05, 2022 (ii) Payment of NPR 5 Crore by Oct end 2022 (iii) Payment of NPR 13.5 Crore by Dec end 2022 Despite the commitment, no improvement in recovery of receivable from Mr. Shah so far is observed, as such the recoverability of receivable seems doubtful.	We enquired from the management and those charged with governance about the recoverability status and reviewed communication received from the party. The Board has formed a recovery subcommittee who is overseeing the recovery process on a consistent manner. As per management, legal action for recovery would be taken against Mr. Shah, if he fails to meet his latest commitment and necessary provision would be made. We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate and came to a conclusion that not providing for loss on recovery from receivable outstanding from Mr. Shah is appropriate for the current reporting period.

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 32, 2079 [corresponding to July 16, 2022], 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.

The engagement partner on the audit resulting in this independent auditor's report is CA Prabin Kumar Jha.

DILLIBAZAR, KATHMANDU
DATE: POUSH 08, 2079 (DEC 23, 2022)
UDIN - 221223CA0021397FB6

AUDITOR
PRABIN K JHA, FCA
SENIOR PARTNER

STATEMENT OF FINANCIAL POSITION

As at 32nd Ashadh 2079 (16 July 2022)

Figures in NPR

	Note	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	284,591,037	298,844,047
Capital work-in-progress	3	1,922,130	1,922,130
Intangible assets	4	1,896,368,544	1,864,526,396
Project work-in-progress	5	313,951,359	285,558,459
Financial assets			
Investment in Subsidiaries and Associates	6	2,694,986,430	2,466,668,276
Other investments	7	810,290,015	837,012,180
Other non-current assets	12	-	10,384,375
Total Non-Current Assets		**6,002,109,515**	**5,764,915,863**
Current Assets			
Inventories	8	55,364,530	50,873,400
Financial assets			
Trade receivables	9	107,473,300	93,038,501
Cash and cash equivalents	10	32,622,886	649,845,846
Bank balance other than cash and cash equivalents	11	15,000	35,015,000
Other financial assets	13	1,469,098,262	1,058,297,129
Other current assets	12	16,126,859	11,377,166
Current tax assets (net)	14	-	24,045,122
Total Current Assets		**1,680,700,837**	**1,922,492,164**
Total Assets		**7,682,810,352**	**7,687,408,027**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	3,246,326,800	2,951,360,500
Other equity	16	3,721,867,116	4,058,030,604
Total Equity		**6,968,193,916**	**7,009,391,104**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	17	183,048,550	189,437,420
Financial liabilities			
Borrowings	19	94,659,280	110,069,324
Provisions	22	22,174,837	20,055,158
Deferred tax	14	138,697,320	140,200,827
Other non-current liabilities	20	19,393,572	22,359,958
Total Non-Current Liabilities		**457,973,559**	**482,122,687**
Current Liabilities			
Financial liabilities			
Borrowings	19	101,373,945	48,882,136

	Note	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Trade payables	18	39,029,537	38,177,354
Other financial liabilities	21	27,591,996	23,102,333
Provisions	22	2,600,431	3,647,417
Other current liabilities	20	85,192,201	82,084,996
Current tax Liabilities (net)	14	854,767	-
Total Current Liabilities		**256,642,877**	**195,894,236**
Total Liabilities		**714,616,436**	**678,016,923**
Total Equity and Liabilities		**7,682,810,352**	**7,687,408,027**

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

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Prabin Kumar Jha
Partner
Joshi & Bhandary
Chartered Accountants

Date: December 22, 2022
Place: Kathmandu, Nepal

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 32nd Ashadh 2079 (16 July 2022)

Figures in NPR

	Note	2078-79	2077-78
Revenue	23	775,048,826	646,141,923
Cost of Sales			
Generation Expenses	24	(295,792,791)	(312,180,903)
Distribution Expenses	25	(137,874,933)	(124,160,425)
Gross profit		**341,381,102**	**209,800,595**
Depreciation Being Revenue Portion of Grant Aid	17	7,839,086	7,782,134
Other income	28	40,029,093	687,715,221
Administrative and other operating expenses	26	(127,427,032)	(127,739,479)
Impairment loss on investment	27	-	(252,051,858)
Profit from Operation		**261,822,249**	**525,506,613**
Finance Income	29	99,928,739	58,531,646
Finance Costs	30	(12,809,954)	(19,435,478)
Profit Before Tax		348,941,034	564,602,781
Income Tax Expense			
Current tax	14	(69,613,764)	(115,873,047)
Deferred tax credit/charge	14	(5,177,034)	53,085,940
Profit for the year		**274,150,236**	**501,815,674**
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	(26,722,165)	(157,305,900)
ii. Tax relating to items that will not to be reclassified to profit or loss	14	6,680,541	39,326,475
Other comprehensive gain/(loss) for the year, net of tax		**(20,041,624)**	**(117,979,425)**
Total Comprehensive gain/(loss) for the year, net of tax		**254,108,612**	**383,836,249**
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	31	8.44	15.46
Diluted Earnings per share - Rs.	31	8.44	15.46

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

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Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 22, 2022
Place: Kathmandu, Nepal

STATEMENT OF CASH FLOWS

For the year ended 32nd Ashadh 2079 (16 July 2022)

Figures in NPR

	Note	2078-79	2077-78
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		348,941,034	564,602,781
Adjustments for:			
Depreciation on property, plant and equipment		21,788,417	24,029,406
Amortization of Intangible Assets		78,324,454	75,533,350
Depreciation Being Revenue Portion of Grant Aid		(7,839,086)	(7,782,134)
Provision for employee benefits		1,072,693	4,143,290
Provision for Bonus		14,993,429	20,561,832
Finance income		(99,928,739)	(58,531,646)
Equity Investment written off		-	-
Impairment of Intangible asset		1,211,411	3,652,600
Finance cost		12,642,219	19,268,852
Impairment loss on investment in subsidiaries and associates		-	252,051,858
Loss/ (gain) on sale of Property, plant and equipment		-	(2,837,277)
Unrealized foreign exchange difference on cash and cash equivalents		(273,774)	44,074
Working capital adjustments:			
(Increase)/ Decrease in Trade receivables		(14,434,799)	(19,706,626)
(Increase)/ Decrease in other financial assets		(81,568,530)	746,911,210
(Increase)/ Decrease in other assets		5,634,682	(9,130,648)
(Increase)/ Decrease in Inventories		(4,491,130)	3,163,487
Increase / (Decrease) in trade payables		852,183	17,345,620
Increase / (Decrease) in financial liabilities		4,489,663	659,354
Increase / (Decrease) in other current liabilities		(2,990,778)	(1,201,969)
Cash generated from operations		**278,423,349**	**1,632,777,414**
Bonus paid		(20,561,832)	(14,689,708)
Income Tax Paid		(44,713,875)	(131,528,875)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**213,147,642**	**1,486,558,831**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		447,852	3,675,876
(Increase)/Decrease in Project work-in-progress		(28,392,900)	(19,165,269)
(Increase)/Decrease in Investment in Fixed Deposits		(329,232,603)	(700,767,397)
Interest Received		99,928,739	58,531,646
(Increase)/ Decrease Investment in Subsidiaries and Associates		(228,318,154)	375,422,747

	Note	2078-79	2077-78
(Increase)/ Decrease in Other Investments		-	(20,000,000)
Acquisition of Property, plant and Equipment		(7,983,259)	(7,907,933)
Purchase of Intangibles		(111,378,013)	(72,525,048)
Grant Aid received/ (refunded)		1,450,216	1,410,366
Bank balance other than cash and cash equivalents		35,000,000	(7,000)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(568,478,122)**	**(381,332,012)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of further public offering (FPO)		-	-
Issue of right share		-	-
Share Issue Cost		-	-
Borrowing (repaid) / taken (net)		(49,292,180)	(82,764,272)
Dividend paid		(286,605,800)	(407,801,325)
Interest paid		(12,642,219)	(19,451,043)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(348,540,199)**	**(510,016,640)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(703,870,679)**	**595,210,179**
Net foreign exchange difference on cash and cash equivalents		273,774	(44,074)
CASH AND CASH EQUIVALENTS, Beginning of Year		**649,845,846**	**54,679,741**
CASH AND CASH EQUIVALENTS, End of Period	**38**	**(53,751,059)**	**649,845,846**

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

Prabin Kumar Jha
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 22, 2022
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 32nd Ashadh 2079 (16 July 2022)

Figures in NPR

	Equity Share Capital	Retained earnings and reserves				Total
		Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	
Balance at 1 Shrawan 2077	2,683,881,800	1,767,535,318	148,700,000	403,789,964	2,025,139,523	7,029,046,605
Profit for the year	-	-	-	-	501,815,674	501,815,674
Other comprehensive income	-	-	-	(117,979,425)	-	(117,979,425)
Total comprehensive income	**-**	**-**	**-**	**(117,979,425)**	**501,815,674**	**383,836,249**
Issue of right share	-	-	-	-	-	-
Issue of Further Public Offering (FPO)	-	-	-	-	-	-
Issue of bonus share	267,478,700				(267,478,700)	-
Share Issue Cost	-	-	-	-	-	-
Dividends to shareholders	-	-	-		(403,491,750)	(403,491,750)
Balance at 31 Ashadh 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 32nd Ashadh 2079	**3,246,326,800**	**1,767,535,318**	**148,700,000**	**265,768,915**	**1,539,862,883**	**6,968,193,916**

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

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Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 22, 2022
Place: Kathmandu, Nepal

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 32nd Ashadh 2079

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 32nd Ashadh 2079 (16th July 2022).

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 Poush 07,2079 (Dec. 22, 2022). 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 which are not yet applicable on 16th July 2022 and Standard to be 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 2078-79 (2021-22). These standards include:

NFRS 9 "Financial Instruments" (Revised), NFRS 17 "Insurance Contracts" & NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2022, and the Company is currently assessing the impact and plans to adopt the new standard on the required effective date.

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2078-79 (2021-22). 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 from Galyang to Rampur, renovation of distribution lines, etc. amounting to NPR 111,378,013.42 (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 actually 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. The amounts paid are set at market value.

The Company is assessing its current systems and processes to determine the impact of the adoption of NFRS-15.

ii. Basis of preparation
The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between 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 Company 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 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 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 (if 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 based on 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) about 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% (2077/78: 20%)

Income from Other services: 25% (2077/78: 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 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 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 is carried at fair value through the statement of profit and loss.

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

Impairment of financial assets

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

De-recognition of financial assets

The Company 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, 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 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 lease 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 are 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 analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

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

The Board of Directors reviews and agrees 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 32, 2079 and Ashadh 31, 2078: -

Particulars	Currency	Ashadh 32, 2079	Ashadh 31, 2078
Cash and bank balance	NPR	4,133,304	3,859,799
	USD	32,416	32,424

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 32nd Ashadh, 2079 and 31st Ashadh, 2078.

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 12.56% (9.54% in FY 2077/78) (i.e., the prevailing interest rate 10.06% 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 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 331.98 million in the shares of GEL till the end of FY 2077/78. 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 banks is ongoing.

h) Himal Power Limited (HPL)
Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashadh, 2057 (5 July 2000). HPL was established on 2049/11/10 (21 February 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energy AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The major current shareholders are SN Power, BKK and BPC. BPC is holding 16.88% shares in HPL As per the provision of PPA, Nepal Electricity Authority (NEA) is entitled to get 50% of the shares of the Khimti hydropower Project owned by HPL effective from 12th July 2020 (Asadh 28, 2077), and necessary process of 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 16.64% 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.

BPC owns 22.40% shares of Manang Marsyangdi 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 amendment of Generation License for 135 MW with PROR scheme has been completed. The approval process of PDA is at its final stage.

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.

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 32ND ASHADH 2079

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 2077	48,515,535	263,452,318	61,308,027	24,976,646	2,379,476	41,851,434	17,416,141	1,922,130	**461,821,707**
Additions	-	-	4,857,679	104,104	1,426,162	222,000	1,297,988	-	**7,907,933**
Transfer from CWIP	-	-	-	-	-	-	-	-	**-**
Disposals	-	-	(2,095,714)	(233,963)	(39,712)	(417,349)	(1,070,695)	-	**(3,857,433)**
Balance at 31st Ashadh 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**
Accumulated depreciation									
Balance at 1st Shrawan 2077	-	51,639,062	41,998,853	18,249,759	1,738,515	19,985,364	10,483,905	-	**144,095,458**
Charge for the year	-	10,563,557	5,181,676	1,776,767	284,336	4,385,523	1,837,547	-	**24,029,406**
Disposals	-	-	(1,643,189)	(192,322)	(24,735)	(297,464)	(861,124)	-	**(3,018,834)**
Balance at 31st Ashadh 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**
Net book value									
At 1st Shrawan 2077	48,515,535	211,813,256	19,309,174	6,726,887	640,961	21,866,070	6,932,236	1,922,130	**317,726,249**
At 31st Ashadh 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**

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 2077	974,918	2,222,642,207	**2,223,617,125**
Additions - Externally acquired	1,528,890	70,996,158	**72,525,048**
Transfer from CWIP	-	-	**-**
Adjustment during the year	(840,257)	(3,927,583)	**(4,767,840)**
Balance at 31st Ashadh 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**
Amortisation			
Balance at 1st Shrawan 2077	711,003	351,718,824	**352,429,827**
Charge for the year	502,739	75,030,611	**75,533,350**
Adjustment during the year	(840,257)	(274,983)	**(1,115,240)**
Balance at 31st Ashadh 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**
Net book value			
At 1st Shrawan 2077	263,915	1,870,923,383	**1,871,187,298**
At 31st Ashadh 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**

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 32nd Ashadh 2079	As at 31st Ashadh 2078
	At cost	At cost
Chino Khola SHP	32,856,368	30,983,674
Lower Manang Marshyangdi HEP	202,320,629	198,929,729
Mugu Karnali HEP	76,599,012	55,573,356
Solar Project at Jhimruk Area (7 MW)	2,175,350	71,700
Total	**313,951,359**	**285,558,459**

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 32nd Ashadh 2079		As at 31st Ashadh 2078	
	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	117,785	11,778,500
Investment in Associate Companies				
"Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)"	3,319,836	331,983,600	3,319,836	331,983,600
"Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)"	2,966,860	296,686,000	2,966,860	296,686,000
"Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)"	-	1,260,044	-	1,260,044
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	789,700,830	601,300	777,902,830
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	126,756,282
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	-	200,000
Hydro-Consult Engineering Limited	-	-	-	7,501,337
Manang Marsyangdi Hydropower Company Pvt. Ltd.	-	182,086,000	-	12,736,000
Gross Investment at Cost (A)	**23,012,780**	**3,207,715,168**	**22,983,334**	**2,979,397,014**
Less: Provision for impairment loss				
Gurans Energy Limited		(274,371,902)		(274,371,902)
Kabeli Energy Limited		(238,356,836)		(238,356,836)
Total Provision (B)		**(512,728,738)**		**(512,728,738)**
Net Investment at cost less impairment (A+B)		**2,694,986,430**		**2,466,668,276**

Note no: 7
Other investments

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	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	760,196,753	2,978,502	792,758,372
"Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)"	10,000	30,093,262	10,000	24,253,808
Total Investment at Fair Value through Other Comprehensive Income	**2,988,502**	**790,290,015**	**2,988,502**	**817,012,180**
Advance towards share capital including incidental cost:				
Nepal Power Exchange Ltd.	-	20,000,000	-	20,000,000
Total other investments	**2,988,502**	**810,290,015**	**2,988,502**	**837,012,180**

Note no: 8
Inventories

Figures in NPR

Particulars	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
General Stock/Office Supplies/Consumer Service Items	9,410,599	8,860,772
Stock of Electric Goods	8,515,017	7,536,857
T/L & D/L Stock	6,664,035	6,084,793
Other engineering inventories and spare parts	30,774,879	28,390,978
Total	**55,364,530**	**50,873,400**

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 32nd Ashadh 2079	As at 31st Ashadh 2078
Nepal Electricity Authority	88,483,280	57,650,102
Local Consumers	18,990,020	35,388,399
Total	**107,473,300**	**93,038,501**

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 32nd Ashadh 2079	As at 31st Ashadh 2078
Balances with banks		
Local currency account		
In current accounts	24,156,407	90,965,851
In call accounts	3,276,850	4,771,136
In deposits accounts (Original maturity less than 3 months)	-	550,000,000
Convertible currencies account		
In current accounts	2,887,300	2,685,395
In call accounts	1,246,004	1,174,404
Cheques in Hand	410,209	-
Cash in hand	646,116	249,060
Total	**32,622,886**	**649,845,846**

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

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	-	35,000,000
Embarked balance with bank		
Margin money	15,000	15,000
Total	**15,000**	**35,015,000**

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 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-current	Current	Non-current
Capital advance	761,823	-	-	10,384,375
Prepaid Expenses	15,365,036	-	11,377,166	-
Gratuity Fund Surplus	-	-	-	-
Total	**16,126,859**	**-**	**11,377,166**	**10,384,375**

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 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-current	Current	Non-current
Deposit (Others)	470,268	-	527,888	-
Advances to Staff	351,780	-	387,707	-
Receivables from Employee Welfare Fund	14,301,855	-	9,301,855	-
Receivables from Harish Chandra Shah	185,000,000	-	200,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	15,000,000	-
Dividend receivable from subsidiaries and associates	16,705,060	-	16,705,060	-
Interest receivable from subsidiaries and associates	79,190,659	-	79,190,659	-
Investment in Fixed Deposit	1,030,000,000	-	700,767,397	-
Other receivables from subsidiaries and associates	806,381	-	-	-
Advance to subsidiaries and associates	87,500,000		-	
Other receivables from Department of Electricity Development (DoED)	39,216,416	-	34,498,322	-
Other receivables	555,843	-	1,918,241	-
Total	**1,469,098,262**	**-**	**1,058,297,129**	**-**

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

Note no: 14
INCOME TAXES

Figures in NPR

A.	Tax expense recognised in the Statement of Profit and Loss	Year ended 32 Ashadh, 2079	Year ended 31 Ashadh, 2078
	Current tax expenses		
	Current tax on profits for the year	69,613,764	115,873,047
	Adjustments for under provision in prior periods	-	-
	Deferred tax credit/charge		
	Origination and reversal of temporary differences	5,177,034	(53,085,940)
	Adjustments/(credits) related to previous years - (net)	-	-
	Income tax expense reported in Statement of Profit or Loss	**74,790,798**	**62,787,107**

B.	Tax expense recognised in Other comprehensive income	Year ended 32 Ashadh, 2079	Year ended 31 Ashadh, 2078
	Deferred tax		
	Origination and reversal of temporary differences	(6,680,541)	(39,326,475)
	Adjustments/(credits) related to previous years - (net)	-	-
	Income tax charged to OCI	**(6,680,541)**	**(39,326,475)**

C.	Current tax asset / (liability) -net:	Year ended 32 Ashadh, 2079	Year ended 31 Ashadh, 2078
	Advance Income Tax	70,967,568	139,918,169
	Less: Income Tax Liability	(71,822,335)	(115,873,047)
	Total	**(854,767)**	**24,045,122**

D.	Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 32 Ashadh, 2079			Year ended 31 Ashadh, 2078		
		Hydro	Other source	Total	Hydro	Other source	Total
	Accounting Profit/ (Loss) before income tax	245,607,038	103,333,997	348,941,035	143,446,176	421,156,605	564,602,781
	Enacted tax rate	20%	25%		20%	25%	
	Computed tax expense	**49,121,408**	**25,833,499**	**74,954,907**	**28,689,235**	**105,289,151**	**133,978,386**
	Differences due to:						
	Tax effect due to non taxable income	-	(2,860,052)	(2,860,052)	-	(81,239,065)	(81,239,065)
	Effect due to non deductible expenses	3,276,741	2,300,421	5,577,162	4,810,046	67,471,404	72,281,450
	Tax effect due to difference in depreciation rate	(8,016,119)	(42,134)	(8,058,253)	(9,037,356)	(110,368)	(9,147,724)
	Current tax on profits for the year	**44,382,030**	**25,231,734**	**69,613,764**	**24,461,925**	**91,411,122**	**115,873,047**

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

i.	Movement during the year ended 31 Ashadh, 2078	"As at 1 Shrawan, 2077"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2078"
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	4,136,968	902,787	-	5,039,755
	Provision for loss on investment	65,169,220	63,012,965	-	128,182,185
	Depreciation and Amortisation	(167,441,222)	(10,793,374)	-	(178,234,596)
	Investment in equity instrument	(134,596,655)	-	39,326,475	(95,270,180)
	Amortisation cost of term loan	118,447	(36,438)		82,009
	Total	**(232,613,242)**	**53,085,940**	**39,326,475**	**(140,200,827)**

ii.	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)**

Note no: 15
Equity Share Capital

Figures in NPR

Particulars	"As at 32nd Ashadh, 2079"		"As at 31st Ashadh, 2078"	
	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	32,463,268	3,246,326,800	29,513,605	2,951,360,500
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	32,463,268	3,246,326,800	29,513,605	2,951,360,500
	32,463,268	**3,246,326,800**	**29,513,605**	**2,951,360,500**

B. Reconciliation of the number of shares outstanding at the beginning and end of the year		
	"As at 32nd Ashadh, 2079"	"As at 31st Ashadh, 2078"
	No. of Shares	No. of Shares
Balance as at the beginning of the year	29,513,605	26,838,818
Add: Issue of bonus share during the year	2,949,663	2,674,787
Balance as at end of the year	**32,463,268**	**29,513,605**

C. Details of shareholding more than 1%				
Particulars	"As at 32nd Ashadh, 2079"		"As at 31st Ashadh, 2078"	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	18,277,920	56.30%	16,616,291	56.30%
Government of Nepal	2,409,761	7.42%	2,190,692	7.42%
IKN Nepal A.S., Norway	513,037	1.58%	466,397	1.58%
United Mission to Nepal	443,963	1.37%	403,603	1.37%
Nepal Electricity Authority	279,975	0.86%	254,522	0.86%
General Public Shareholders				
- Other General Public shareholders	10,538,612	32.47%	9,582,100	32.47%

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 32nd Ashadh, 2079"**	**"As at 31st Ashadh, 2078"**
Declared and approved for during the year:		
"Dividends on ordinary shares: Final dividend for 2077-78: NPR. 10 per share (2076-77: NPR. 15 per share) "	295,305,800	403,491,750
"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 2078-79: Cash dividend NPR 7.5 per share and stock dividend NPR 5 per share. (2077-78: cash dividend NPR 10 per share and stock dividend NPR 10 per share) "		295,305,800

Note no: 16
Other equity

Figures in NPR

Other equity	Share Premium	General Reserve	Fair Value Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2077	1,767,535,318	148,700,000	403,789,964	2,025,139,523	**4,345,164,805**
Profit for the year	-	-	-	501,815,674	**501,815,674**
Other comprehensive income	-	-	(117,979,425)	-	**(117,979,425)**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share	-	-	-	(267,478,700)	**(267,478,700)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders		-	-	(403,491,750)	**(403,491,750)**
Balance at 31st Ashadh 2078	1,767,535,318	148,700,000	285,810,539	1,855,984,747	**4,058,030,604**
Profit for the year	-	-	-	274,150,236	**274,150,236**
Other comprehensive income	-	-	(20,041,624)	-	**(20,041,624)**
Issue of right share	-	-	-	-	**-**
Issue of Further Public Offering	-	-	-	-	**-**
Issue of bonus share				(294,966,300)	**(294,966,300)**
Share Issue Cost	-	-	-	-	**-**
Dividends to shareholders	-	-	-	(295,305,800)	**(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**

Note no: 17
Grant aid in reserve

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Closing balance	Amortisation for the year	Closing balance	Amortisation for the year
Name of Grantors				
NORAD	7,807,125	328,484	8,135,610	328,484
UMN PCS	15,585,541	673,931	16,259,473	673,931
USAID	8,798,293	382,723	9,181,017	382,724
REGDAN	9,558,252	414,375	9,972,627	414,375
JRP	4,741,456	206,805	4,948,261	206,805
REEP	63,892,480	2,773,848	66,666,329	2,773,849
Local VDC/Community	72,665,403	3,058,920	74,274,103	3,001,966
Total	**183,048,550**	**7,839,086**	**189,437,420**	**7,782,134**

Note no: 18
Trade payables

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Trade payables	39,029,537	-	38,177,354	-
Total	**39,029,537**	**-**	**38,177,354**	**-**

Note no: 19
Borrowings

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	15,000,000	94,659,280	48,882,136	110,069,324
Overdraft	86,373,945	-	-	-
Total	**101,373,945**	**94,659,280**	**48,882,136**	**110,069,324**

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

3) Terms of Repayment of Term Loans

Particulars	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
2-3 Years	30,000,000	30,000,000
4-5 Years	30,000,000	30,000,000
5-10 Years	34,659,280	49,659,280
Total	**94,659,280**	**109,659,280**

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

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	19,393,572	920,962	22,359,958
Dividend Payable	59,503,247	-	50,803,247	-
Statutory dues	7,528,669	-	7,777,536	-
VAT Payable (Net)	24,288	-	(1,165)	-
Welfare Fund Clearing Account	2,221,606	-	2,022,584	-
Bonus payable	14,993,429	-	20,561,832	-
Total	**85,192,201**	**19,393,572**	**82,084,996**	**22,359,958**

Note no: 21
Other Financial Liabilities

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	11,814,149	-	10,109,891	-
Refundable Deposits of Parties	1,868,349	-	1,697,725	-
Retention Payable	4,916,862	-	2,688,112	-
Royalty Payable	6,666,222	-	5,320,971	-
Other Payable	2,326,414	-	3,285,634	-
Total	**27,591,996**	**-**	**23,102,333**	**-**

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

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Provision for leave encashment	2,600,431	22,174,837	3,647,417	20,055,158
Total	**2,600,431**	**22,174,837**	**3,647,417**	**20,055,158**

Note no: 23
Revenue

Figures in NPR

Particulars	2078-79	2077-78
Electricity Sale to NEA		
Electricity Sale	529,469,371	437,727,966
Short supply charges	(2,707,568)	(14,003,309)
	526,761,803	423,724,657
Electricity Sale to Consumers		
Metered Consumers	197,912,455	176,539,025
Unmetered Consumers	551,962	665,833
Industrial Consumers	54,357,948	49,602,941
UO Rebate	(13,342,809)	(12,818,868)
	239,479,556	213,988,931
Electricity Services		
Fee and Charges	1,850,947	1,669,641
Sale of Meter/Cutout & Accessories	6,956,520	6,758,694
	8,807,467	8,428,335
Total	**775,048,826**	**646,141,923**

Note no: 24
Generation Expenses

Figures in NPR

Particulars	2078-79	2077-78
Electricity Purchase	20,366,626	47,292,306
Salaries and other employee cost	57,343,917	54,731,757
Contribution to Provident and Gratuity Fund	4,581,703	4,695,031
Staff Bonus	5,106,908	6,783,424
Environment, Community & Mitigation	28,008,785	23,205,336
Donation expenses	502,220	491,200
Repair and Maintenance	29,891,577	42,327,061
Vehicle running cost*	761,949	(164,989)
Depreciation	2,122,844	2,053,319
Amortisation of Intangible Assets - SCA	58,320,870	57,167,547
Royalty	66,562,312	54,711,352
Insurance	8,107,849	7,946,813
Safety and Security	3,872,397	3,230,304
Bad Debts	-	2,500
Assets written off	97,134	98,879
Miscellaneous Expenses	10,145,700	7,609,063
Total	**295,792,791**	**312,180,903**

Note no: 25
Distribution Expenses

Figures in NPR

Particulars	2078-79	2077-78
Cost of sale of Meter/Cutout & Accessories	3,879,564	4,083,867
Salaries and other employee cost	51,966,403	46,675,774
Contribution to Provident and Gratuity Fund	4,496,801	4,568,371
Staff Bonus	4,738,818	6,822,484
Environment, Community & Mitigation	-	-
Donation expenses	22,880	14,800
Repair and Maintenance	11,233,091	7,265,470
Vehicle running cost	1,155,565	381,850
Depreciation	1,927,217	2,078,557
Amortisation of Intangible Assets - SCA	19,655,359	17,849,528
Royalty	25,282,237	22,680,780
Insurance	512,456	407,206
Safety and Security	799,345	714,048
Bad Debts	-	230,855
Assets written off	51,950	97,108
Miscellaneous Expenses	12,153,247	10,289,727
Total	**137,874,933**	**124,160,425**

Note no: 26
Administrative and other operating expenses

Figures in NPR

Particulars	2078-79	2077-78
Salaries and other employee cost	56,430,754	54,672,395
Contribution to Provident and Gratuity Fund	4,566,801	4,488,194
Staff Bonus	5,147,703	6,955,924
Staff Welfare	2,765,955	1,172,914
Advertisement and business promotion	467,834	232,618
AGM and Board Expenses	4,641,236	3,714,018
Audit Fee and Expenses	1,832,727	2,103,944
Communication Expenses	2,307,713	2,290,191
Depreciation and amortisation	18,086,581	20,413,805
Environment, Community & Mitigation	7,670	59,680
Gift and Donation	140,520	4,936,318
Hospitality and Refreshment	237,547	237,622
Insurance	1,342,849	1,388,233
Safety and Security	2,398,034	2,142,132
Legal and professional Expenses	6,041,269	3,577,200
Office running cost	4,970,704	4,215,787
Printing and Stationery	1,582,924	1,629,755
Rates and Taxes	620,087	1,265,250
Rent	-	-

Particulars	2078-79	2077-78
Repair and Maintenance	7,300,107	5,279,046
Training and Development	554,353	134,544
Travelling expenses	746,151	1,005,524
Vehicle running cost	771,466	57,784
Bad Debts	2,000	6,736,236
Assets Written off	298,769	271,030
Equity Investment written off	-	-
Miscellaneous Expenses	10,290,961	4,520,496
Overhead Charged to Projects	(6,125,683)	(5,761,161)
Total	**127,427,032**	**127,739,479**

a. Detail of Audit Fee and related expenses

Particulars	2078-79	2077-78
External Audit	452,000	452,000
Other assurance services (includes out of pocket expenses of external audit)	141,875	129,754
Internal Audit (including out of pocket expenses)	654,821	803,088
ISO Audit	584,031	719,102
Total	**1,832,727**	**2,103,944**

Note no: 27
Impairment loss on investment

Figures in NPR

Particulars	2078-79	2077-78
Gurans Energy Limited	-	(132,873,440)
Kabeli Energy Limited	-	(119,178,418)
Total	**-**	**(252,051,858)**

Refer Note 6 for details of Impairment

Note no: 28
Other Income

Figures in NPR

Particulars	2078-79	2077-78
Dividend income	11,440,209	324,956,259
Income from Other Sources	9,868,101	342,666,945
House Rent	17,997,393	13,817,044
Gain / (Loss) on disposal of assets and inventories	-	2,837,277
Insurance Claim received on Loss of Assets	782,852	-
Foreign Currency Exchange Gain/(Loss)	(59,462)	3,437,696
Total	**40,029,093**	**687,715,221**

a. Detail of Dividend income

Name of Company	2078-79	2077-78
Himal Power Limited	-	318,242,514
Hydro-Consult Engineering Limited	10,490,209	6,713,745
BPC Services Limited	950,000	-
Total	**11,440,209**	**324,956,259**

b. Detail of Foreign Currency Exchange Gain/(Loss):	2078-79	2077-78
- On account of term loan with IFC	(333,236)	(746,057)
- On account of HPL dividend	-	-
- On account of Revaluation of different foreign currency bank accounts	273,774	(44,074)
- On account of MM Project	-	4,227,827
Total	**(59,462)**	**3,437,696**

Note no: 29
Finance income

Figures in NPR

Particulars	2078-79	2077-78
Interest income	99,928,739	58,531,646
Total	**99,928,739**	**58,531,646**

Note no: 30
Finance Costs

Figures in NPR

Particulars	2078-79	2077-78
Interest Expenses	12,642,219	19,451,043
Other finance cost	-	(182,191)
Bank Charges	167,735	166,626
Total	**12,809,954**	**19,435,478**

Note: 31
EARNINGS PER SHARE

Figures in NPR

EARNINGS PER SHARE	2078-79	2077-78
Profit for the year	274,150,236	501,815,674
Weighted average number of equity shares outstanding	32,463,268	32,463,268
"Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) [2077-78 Restated]"	8.44	15.46
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	32,463,268	32,463,268
"Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) [2077-78 Restated]"	8.44	15.46

Note no: 32

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

Figures in NPR

Particulars	2078-79	2077-78
Employee benefit expenses		
Salary	80,085,932	80,608,524
Allowances	70,638,725	59,202,851
Provident Fund	7,542,603	7,595,286
Gratuity	6,102,702	6,156,310
Insurance	963,298	936,952
Leave Encashment	14,086,929	15,331,599
Staff Welfare	2,765,955	1,172,914
Staff Bonus	14,993,429	20,561,832
Total	**197,179,573**	**191,566,268**

Depreciation and Amortisation

Figures in NPR

Particulars	2078-79	2077-78
Depreciation of Property, Plant and Equipment	21,788,417	24,029,406
Amortization of Intangibles Asset - Software	334,688	502,739
Amortization of Intangibles Asset - Service Concession Arrangement	77,989,766	75,030,611
Less: Depreciation being Revenue Portion of Grant Aid	(7,839,086)	(7,782,134)
Total	**92,273,785**	**91,780,622**

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 32nd Ashadh 2079	As at 31st Ashadh 2078		
Financial assets :				
Investment in equity instruments of Himal Power Limited	760,196,753	792,758,372	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	30,093,262	24,253,808	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
vii) Mr. Dinesh Humagain	Director
viii) Mr.Tirtha Man Shakya	Director
ix) Mr. Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

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

Figures in NPR

Nature of Expense	Current year	Previous year
Meeting Allowances	2,170,000	1,860,000
Telephone, Mobile and Newspaper / Magazines	1,314,000	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	9,166,576	8,767,642
	9,166,576	8,767,642

(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	612,912	575,622	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	68,870	-	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	25,425	1,253,170	-	(39,025.00)
Nepal Hydro & Electric Ltd.	Purchase and other expenses	18,854,564	15,283,620	(925,674)	(2,203,475)
	Reimbursement of rent and utilities	-	1,763	-	-
	Advance given	2,383,706	1,835,849	-	-
Khudi Hydropower Limited	Reimbursement of rent and utilities	-	-	-	-
	Dividend Receivable	-	-	16,705,060	16,705,060
BPC Services Limited	Reimbursement of rent and utilities	69,711	66,172	-	-
	Purchase	32,206	28,409	-	-
Nyadi Hydropower Limited	Reimbursement of rent, utilities and man hour charge	994,104	1,038,599	-	-
	Disbursement of convertible loan	87,500,000	-	-	-
Hydro-Consult Engineering Limited	Purchase	11,063,310	6,582,199	-	-
	Reimbursement of rent and utilities	5,528,633	5,350,995	-	-
Kabeli Energy Limited	Reimbursement of rent and utilities	886,240	1,240,451	-	-

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	7/3/2023
2	NIC ASIA Bank Limited	On behalf of Kabeli Energy Limited to obtain PPA of 37.6 MW Capacity from NEA.	37,600,000	15/05/2023
3	Sunrise Bank Limited	To NEA for PPA of 135 MW MMHEP	135,000,000	18/3/2026
4	Sanima Bank Limited	On behalf of upper Marsyangdi 2 (UM2) 327 MW in favor of IBN	100,000,000	14/11/2024

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. 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. 45.55 million considering the period since commencement date till Ashadh end 2079. 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 2022, NEA has deducted NRs 3,92,16,416 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 1,353 million for overall 60% shareholding (including indirect holding through Gurans Energy Limited) considering debt equity ratio at 70:30, of which BPC has invested overall NPR 712 million as on reporting date. Total project cost is estimated at Rs. 7520 million. Revival process has been initiated for reconstruction of suspended physical works. PPA amendment process in local currency by replacing it with the posted tariff applicable for ROR from PROR, is ongoing as amendment of Generation of the Project in-principle approved by DOED.

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 Rs. 87.50 million as on reporting date.

III. 139.2-MW LOWER MANANG MARSYANGDI HYDROPOWER PROJECT (M2)

BPC has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. 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 draft PPA is being signed with NEA. BPC's part of capital commitment on this project is NPR 1035 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.33 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 210 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. Detailed feasibility and EIA study of the project are in progress. NPR.76.60 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.

VI. SCIG INTERNATIONAL NEPAL HYDRO JOINT DEVELOPMENT COMPANY PVT. LTD. (SCIG JVC)

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (CXIG) and Sichuan Qingyuan Engineering Consulting Co. Ltd (QYEC) jointly established a Joint Venture Company with capital contribution of 20%, 51%, 17% and 12% respectively. The company have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. BPC's part of capital commitment on this project is NPR 380 million for 20% shareholding, 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 amendment of Generation License for 135 MW is ongoing with DOED. The approval process of PDA is at final stage. BPC's part of capital commitment on this project is NPR 1,203 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 PROR 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. Office of Investment Board Nepal (IBN) has issued a survey license of 327 MW UM2HEP to Himtalfor DPR preparation. BPC's part of capital commitment on this project is NPR 2,538 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 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 ongoing 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 Rs. 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 Rs. 20 million in the shares of NEPEX established by IPP for cross border power trade as on reporting date and commited total Rs. 200 million (10%) of its share capital amount Rs, 2,000 million.

Note 36
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)	(127,427,032)
Impairment loss on investment	-	-	-	-	-	-
Profit from Operation	161,469,134	(3,798,968)	13,041,549	74,643,246	16,467,288	261,822,249
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	348,941,034
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**	**348,941,034**

Income Statement of generation, distribution and other sources of income
For the year ending on 31 Ashadh, 2078

Figures in NPR

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	318,643,077	105,081,580	55,769,513	166,647,753	-	646,141,923
Cost of Sales						
Generation Expenses	(178,480,211)	(133,700,692)	-	-	-	(312,180,903)
Distribution Expenses	-	-	(40,867,956)	(83,292,469)	-	(124,160,425)
Gross profit	**140,162,866**	**(28,619,112)**	**14,901,557**	**83,355,284**	**-**	**209,800,595**
Depreciation Being Revenue Portion of Grant Aid	232,919	259,852	2,836,181	4,453,182	-	7,782,134
Other income	806,071	46,666	1,406,460	2,569,783	682,886,241	687,715,221
Administrative and other operating expenses	(38,228,428)	(12,580,680)	(6,842,239)	(20,250,235)	(49,837,896)	(127,739,479)
Impairment loss on investment	-	-	-	-	(252,051,858)	(252,051,858)
Profit from Operation	**102,973,428**	**(40,893,274)**	**12,301,959**	**70,128,014**	**380,996,487**	**525,506,613**
Finance Income	15,856	11,325	63,609	12,963	58,427,893	58,531,646
Finance Costs	(250)	(8,033,363)	(130)	(870)	(11,400,865)	(19,435,478)
Profit Before Tax	**102,989,034**	**(48,915,312)**	**12,365,438**	**70,140,107**	**428,023,515**	**564,602,781**
Inter departmental electricity sales/(purchase)	42,916,497	167,541,133	(42,916,497)	(167,541,133)	-	-
	145,905,531	**118,625,821**	**(30,551,059)**	**(97,401,026)**	**428,023,515**	**564,602,781**

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. 2,80,16,455 on "Environment, Community & Mitigation" and allocated budget Rs. 19.56 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 32nd Ashadh 2079	As at 31st Ashadh 2078
Cash at banks and on hand (Note 10)	32,622,886	649,845,846
Bank overdrafts(Note 19)	(86,373,945)	-
Cash and cash equivalents	(53,751,059)	649,845,846

CONSOLIDATED **FINANCIAL** STATEMENTS

2021-2022

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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 32, 2079 (corresponding to July 16, 2022), 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 32, 2079 [i.e., July 16, 2022] 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.

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 32, 2079. 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.

OTHER INFORMATION

The management is responsible for other information presented in the Butwal Power Company Limited's Annual Report and Accounts FY 2078/79 (FY 2021/22) 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.

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 2078-79 (2021-22). 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 13 "Other Financial Assets" and Note 35B "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 32, 2079 amounted to NPR 39,216,416 (PY 34,498,322) 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.	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.
Impairment of Investments in Kabeli Energy Limited and Guras Energy Limited (Refer Note 6 and Note 27 "Impairment loss on investment" of the financial statements)	

BPCL holds overall 56.16% shares of Kabeli Energy Limited being 27.24% direct investment and 28.92% through joint venture company Gurans Energy Limited (GEL) and as on Ashad 32, 2079 BPCL has invested around 71 Crore (including interest receivable for NPR 7.9 Crore) for the 37.6 MW Kabeli A project through both the companies. The construction work of KAHEP has been suspended since early 2020 mainly due to stoppage of loan disbursement to the project by World Bank after the expiry of disbursement deadline on December 31, 2019, and its' resultant effect and also the company failure, so far to revive the project. Further, the Government of Nepal had also awarded the upstream Tamor Hydropower Project which will reduce the capacity of Kabeli A project. The government may compensate the project for such impact but if the project does not progress from the current stage, the position to claim the compensation may be weakened. Considering the status of the project, future prospects, carrying value of the project and management's best judgment, the company had already considered the investment as doubt for recovery and had already booked impairment loss of NPR 512,728,738 until end of the previous FY 2077/78 (FY 2020/21). No further provision for impairment however was made during the year since, as per management, necessary efforts for revival of the project are being considered including associating with suitable equity partners for resuming of the construction work with notable progress.	We carried out discussion with the management and those charged with governance regarding the revival plan of the Kabeli A Project and prospects of its revival considering its MOU with Arun Kabeli Power Limited KPL and initiatives taken so far. We also reviewed the board decision and other regulatory approvals with respect to revival plan. As per management and also board minute, the project will be revived through certain modifications and necessary funding required would be arranged. We also evaluated the reasonableness of impairment loss booked by the company and the key assumptions in respect of status, future prospects, and carrying value of the project. We discussed with the management for justification of assumptions underlying the management's best estimate of impairment loss, on the prospects and future plans of the project. We have also assessed the adequacy of the disclosures made in the standalone financials statements. Though no concrete visible progress has been made, the basis taken by the company that no further impairment loss has been incurred other than what has already been booked till previous reporting period, cannot be questioned for the current reporting period considering the available facts.
Recoverability of Advances (Refer Note 13 "Other Financial Assets" (Current and Non-Current) of the financial statements.)	
As on Shrawan 1st 2078 (opening balance), advance of NPR 20 Crore to Mr. Harish Chandra Shah (shareholder of SC Power) and NPR 1.5 Crore to SC Power Company Pvt. Ltd were outstanding as receivables in the books of BPCL. This advance was provided in order to purchase shares of SC Power Company Ltd, the developer of 440MW Tila-I and 420 MW Tila-II hydropower projects. Due to various reasons, 337th Board meeting dated 12th of April 2019 of BPCL had resolved unanimously to exit from the process of acquisition of shares of SC power Company Ltd. and to get reimbursement or refund of the advance. Based on which, a repayment schedule (commitment letter) was agreed with Mr. Harish Chandra Shah (representing as Chairman of SC Power Company Pvt. Ltd) dated Sept 03, 2021 with the following schedule for payment to be received during the current reporting period: (i) Payment of NPR 1 Crore within Asoj 2078. (ii) Payment of NPR 2 Crore within Kartik 2078 (iii) Payment of NPR 12.5 Crore within Chaitra End 2078 (iv) Payment of NPR 6 Crore in Jestha 2079 Despite the commitment letter, Mr. Shah could only make payment of NPR 1.5 Crore during the current FY and no further payment was received till the time of our audit. As per management, initiative for recovery of the outstanding balance is made continuously and a new commitment through a supplementary agreement has been signed with Mr. Harish Chandra Shah where he has agreed to settle his entire outstanding balance by the end of Dec 2022. The following schedule for payment has been agreed (i) Payment of NPR 1.5 Crore by Sept 05, 2022 (ii) Payment of NPR 5 Crore by Oct end 2022 (iii) Payment of NPR 13.5 Crore by Dec end 2022 Despite the commitment, no improvement in recovery of receivable from Mr. Shah so far is observed, as such the recoverability of receivable seems doubtful.	We enquired from the management and those charged with governance about the recoverability status and reviewed communication received from the party. The Board has formed a recovery subcommittee who is overseeing the recovery process on a consistent manner. As per management, legal action for recovery would be taken against Mr. Shah, if he fails to meet his latest commitment and necessary provision would be made. We evaluated management's judgments on the level of provision/recognition of contingent liability as appropriate and came to a conclusion that not providing for loss on recovery from receivable outstanding from Mr. Shah is appropriate for the current reporting period.

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, 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 any of the subsidiaries and associates of the Company whose financial statements reflects total assets of NPR 1,201.38 Crore as at Asadh 32, 2079, total revenue of NPR 208.72 Crore and Net cash outflow of NPR 8.40 Crore for the year ended on that date. These financial statements and other financial information have been audited by other auditors, of which financial statement, other financial information and auditor's report have been furnished to us by the management. 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 reports of such auditors.

The accompanying consolidated financial statements also includes unaudited financial statements and other unaudited financial information in respect of one of the subsidiaries namely Nepal Hydro Electric Limited (NHE), whose financial statements reflects total assets of NPR 78.84 Crore as at Asadh 32, 2079, total revenue of NPR 58.34 Crore and Net cash inflow of NPR 3.83 Crore for the year ended on that date and unaudited financial statement and unaudited financial information in respect of 6 associates and 16 joint venture which reflect Groups' share of net loss of NPR 1.39 Crore.

Our opinion on the Consolidated Financial Statements is not modified in respect of the above matters with respect to our reliance on the work done and reports of the other auditors.

The engagement partner on the audit resulting in this independent auditor's report is CA Prabin Kumar Jha.

DILLIBAZAR, KATHMANDU
DATE: POUSH 08, 2079 (DEC 23, 2022)
UDIN - 221223CA0021397FB6

AUDITOR
PRABIN K JHA, FCA
SENIOR PARTNER

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 32nd Ashadh 2079 (16 July 2022)

Figures in NPR

	Note	As at 32nd Ashadh 2079	As at 31st Ashadh 2078*
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	440,733,205	464,110,505
Capital work-in-progress	3	26,076,777	26,076,777
Right-of-use assets	3	15,926,137	-
Intangible assets	4	8,135,555,186	2,166,480,473
Intangible assets under development	5	-	4,951,245,641
Project work-in-progress	7	305,568,527	283,358,383
Financial assets			
Investment in associates and joint ventures	8	1,304,650,017	1,063,106,141
Other investments	9	816,618,015	843,340,180
Trade receivables	13	90,631,063	29,915,779
Other financial assets	14	16,459,211	31,704,934
Deferred tax assets	6	14,775,482	14,329,985
Other non-current assets	15	610,841	11,971,624
Total Non-Current Assets		**11,167,604,461**	**9,885,640,422**
Current Assets			
Inventories	10	98,843,890	99,391,610
Financial assets			
Trade receivables	13	336,081,156	345,165,285
Cash and cash equivalents	11	78,434,498	748,676,270
Bank balance other than cash and cash equivalents	12	116,666,780	68,769,945
Other financial assets	14	1,767,484,451	1,284,452,917
Other current assets	15	62,972,664	109,766,750
Current tax assets (net)	6C	54,647,439	79,414,483
Total Current Assets		**2,515,130,878**	**2,735,637,260**
Total Assets		**13,682,735,339**	**12,621,277,682**
EQUITY AND LIABILITIES			
Equity			
Equity	16	3,246,326,800	2,951,360,500
Other Equity	17	3,746,129,891	4,062,992,183
Non-controlling interest	34	559,242,846	190,781,618
Total Equity		**7,551,699,537**	**7,205,134,301**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	18	183,048,550	189,437,420
Financial liabilities			
Borrowings	21	3,954,843,221	3,246,563,346
Other financial liabilities	22	429,095,904	297,293,024
Provisions	19	64,854,005	63,215,859

	Note	As at 32nd Ashadh 2079	As at 31st Ashadh 2078*
Deferred tax liabilities	6	160,540,915	168,781,415
Other non-current liabilities	23	32,834,054	22,359,958
Total Non-Current Liabilities		**4,825,216,649**	**3,987,651,022**
Current Liabilities			
Financial liabilities			
Borrowings	21	564,373,848	716,441,021
Trade payables	20	317,289,438	281,928,274
Other financial liabilities	22	116,147,757	188,545,031
Provisions	19	14,129,375	17,988,201
Other current liabilities	23	293,023,968	223,589,832
Current tax liabilities (net)	6D	854,767	-
Total Current Liabilities		**1,305,819,153**	**1,428,492,359**
		6,131,035,802	**5,416,143,381**
Total Equity and Liabilities		**13,682,735,339**	**12,621,277,682**

*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

Prabin Kumar Jha
Partner
Joshi & Bhandary
Chartered Accountants

Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 22, 2022
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 32nd Ashadh 2079 (16 July 2022)

Figures in NPR

	Note	2078-79	2077-78*
Revenue	24	2,821,106,882	2,658,744,283
Cost of Sales	25	(2,261,496,371)	(2,346,787,510)
Gross profit		**559,610,511**	**311,956,773**
Depreciation Being Revenue Portion of Grant Aid	18	7,839,086	7,782,134
Other income	27	52,017,334	687,428,696
Administrative and other operating expenses	26	(269,014,452)	(238,046,827)
Profit from Operation		**350,452,479**	**769,120,776**
Finance Income	28	108,274,911	69,598,697
Finance Costs	29	(121,978,600)	(53,656,251)
Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations		**336,748,790**	**785,063,222**
Share of (loss) / profit of associates and joint ventures (net) under equity method		(13,884,508)	(139,500,959)
Impairment loss on investment		-	(252,051,858)
Provision for Maintenance and debt service reserve account		(2,162,465)	-
Profit Before Tax		**320,701,817**	**393,510,405**
Income Tax Expense			
Current tax	6A	(94,390,239)	(131,930,105)
Deferred tax credit/charge	6A	2,005,456	53,075,189
Profit for the year		**228,317,034**	**314,655,489**
Attributable to:			
Owners of the parent		239,402,391	339,128,955
Non controlling interests		(11,085,357)	(24,473,474)
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		-	25,864,604
ii. Equity instruments through other comprehensive income		(26,722,165)	(157,305,900)
iii. Income tax relating to items that will not be reclassified to profit or loss	6B	6,680,541	32,860,324
Other comprehensive income/(loss) for the year, net of tax		**(20,041,624)**	**(98,580,972)**
Attributable to:			
Owners of the parent		(20,041,624)	(108,027,864)
Non controlling interests		-	9,446,892
Total Comprehensive Income/(loss) for the year, net of tax		**208,275,410**	**216,074,517**
Attributable to:			

	Note	2078-79	2077-78*
Owners of the parent		219,360,767	211,197,970
Non controlling interests		(11,085,357)	(15,026,582)
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	30	7.37	10.45
Diluted Earnings per share - Rs.	30	7.37	10.45

*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
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Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
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Om Prakash Shrestha
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Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Prabin Kumar Jha
Partner
Joshi & Bhandary
Chartered Accountants

Date: December 22, 2022
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 32nd Ashadh 2079 (16 July 2022)

Figures in NPR

	Note	2078-79	2077-78*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		364,962,167	584,481,798
Adjustments for:			
Depreciation on property, plant and equipment		35,601,876	39,227,189
Amortization of Intangible Assets		94,963,520	91,868,667
Depreciation on Right-of-use Assets		4,571,610	-
Depreciation Being Revenue Portion of Grant Aid		(7,839,086)	(7,782,134)
Provision for employee benefits		(2,220,680)	7,394,836
Provision for Bonus		19,198,128	24,875,243
Provision For Reserves		2,162,465	-
Dividend income		(13,055,209)	(3,135,000)
Non cash finance income		(188,208)	(177,809)
Finance cost on lease liability		1,712,384	-
Assets written off		-	45,995
Finance income		(107,838,155)	(69,267,873)
Impairment of Intangible asset		1,211,411	3,652,600
Finance cost		44,397,306	52,330,723
Impairment loss on investment in subsidiaries and associates		-	252,051,858
Loss/ (gain) on sale of Property, plant and equipment		-	(3,867,845)
Unrealized foreign exchange difference on cash and cash equivalents		(1,335,267)	10,518
Working capital adjustments:			
(Increase)/ Decrease in Trade receivables		(17,101,005)	(62,969,942)
(Increase)/ Decrease in other financial assets		(190,318,294)	754,540,250
(Increase)/ decrease in other current assets		41,064,771	293,398,706
(Increase)/ Decrease in other assets		11,360,783	28,101,732
(Increase)/ Decrease in Inventories		547,720	6,751,704
Increase / (Decrease) in trade payables		28,392,367	129,664,623
Increase / (Decrease) in financial liabilities		(5,562,314)	112,193,292
Increase / (decrease) in other financial liabilities		7,601,891	(495,213)
Increase / (Decrease) in other current liabilities		53,447,293	(2,869,245)
Cash generated from operations		**365,737,474**	**2,230,024,673**
Bonus paid		(24,888,963)	(19,296,444)
Income Tax Paid		(68,768,427)	(160,877,892)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**272,080,084**	**2,049,850,337**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES			
Proceeds from sale of Property, Plant and Equipment		1,925,906	4,775,876
(Increase)/Decrease in Project work-in-progress		(28,392,900)	(19,165,269)
(Increase) / Decrease in Intangible Assets Under Development		4,998,503,123	(1,439,331,132)
(Increase) / Decrease in Intangible Assets Under Development		(6,029,505,215)	-
(Increase)/Decrease in Investment in Fixed Deposits		(369,232,603)	(700,767,397)
Interest Received		108,015,964	64,640,364

	Note	2078-79	2077-78*
Dividend income		13,055,209	3,135,000
(Increase)/ Decrease Investment in Subsidiaries and Associates		(228,318,154)	375,422,747
(Increase)/ Decrease in Other Investments		(1,000,000)	(20,000,000)
Acquisition of Property, plant and Equipment		(16,048,524)	(16,141,876)
Purchase of Intangibles		(112,046,013)	(72,525,048)
Grant Aid received/ (refunded)		1,450,216	1,410,366
Bank balance other than cash and cash equivalents		27,177,900	8,631,000
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(1,634,415,091)**	**(1,809,915,369)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity from Shareholders		405,000,000	-
Share Issue Cost		(9,668,284)	(3,132,300)
Borrowing (repaid) / taken (net)		572,751,407	840,950,654
Overdraft for working capital (repaid)/taken		11,050,053	-
Payment of lease liabilities		(5,241,017)	-
Dividend paid		(298,648,125)	(416,635,185)
Interest paid		(44,397,306)	(52,044,176)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**630,846,728**	**369,138,994**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(731,488,279)**	**609,073,962**
Net foreign exchange difference on cash and cash equivalents		1,335,267	(10,518)
CASH AND CASH EQUIVALENTS, Beginning of Year		697,547,857	88,484,413
CASH AND CASH EQUIVALENTS, End of Period		**(32,605,155)**	**697,547,857**
Components of Cash & Cash Equivalent			
Bank & Cash		**78,434,498**	**748,676,272**
Overdraft(OD)		**(111,039,655)**	**(51,128,415)**
Total Cash & Cash Equivalent		**(32,605,157)**	**697,547,857**

As per our report of even date

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Chief Executive Officer

Padma Jyoti
Chairman

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Director

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Vice President- Finance

Bijaya Krishna Shrestha
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Chartered Accountants

Raju Maharjan
Director

Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 22, 2022
Place: Kathmandu, Nepal

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 32nd Ashadh 2079 (16 July 2022)

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*	Total		
Balance at 1 Shrawan, 2077*	**2,683,881,800**	**1,767,535,318**	**18,151,841**	**148,700,000**	**403,789,964**	**2,168,113,277**	**4,506,290,400**	**207,631,757**	**7,397,803,957**
Profit for the year	-	-	-	-	-	339,128,955	339,128,955	(24,473,474)	314,655,481
Other comprehensive income	-	-	-	-	(108,027,864)	-	(108,027,864)	9,446,892	(98,580,972)
Total comprehensive income	**-**	**-**	**-**	**-**	**(108,027,864)**	**339,128,955**	**231,101,091**	**(15,026,582)**	**216,074,509**
Issue of share in subsidiaries	-	-	-	-	-	-	-	-	-
Issue of right share	-	-	-	-	-	-	-	-	-
Issue of bonus share	267,478,700	-	-	-	-	(267,478,700)	(267,478,700)	-	-
Issue Of Further Public Offering(FPO)	-	-	-	-	-	-	-	-	-
Share Issue Cost	-	-	-	-	-	(3,075,505)	(3,075,505)	(56,795)	(3,132,300)
Dividends to shareholders	-	-	-	-	-	(403,845,103)	(403,845,103)	(1,766,762)	(405,611,865)
Transfer to Retained Earnings	-	-	-	-	-	-	-	-	-
Prior Period Adjustment	-	-	-	-	-	-	-	-	-
Balance at 31st Ashadh, 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	-	-	-	-	-	239,402,391	239,402,391	(11,085,357)	228,317,034
Other comprehensive income	-	-	-	-	(20,041,624)	-	(20,041,624)	-	(20,041,624)

	Equity Share Capital	Retained earnings and reserves attributable to owner of parent						Non-controlling interest	Total
		Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve*	Retained Earnings*	Total		
Total comprehensive income	**-**	**-**	**-**	**-**	**(20,041,624)**	**239,402,391**	**219,360,767**	**(11,085,357)**	**208,275,410**
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)
Prior Period Adjustment	-	-	-	-	-		32,142,342		32,142,342
Balance at 32nd Ashadh, 2079	**3,246,326,800**	**1,767,535,318**	**18,151,841**	**148,700,000**	**275,720,476**	**1,503,879,914**	**3,746,129,891**	**559,242,846**	**7,551,699,537**

*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

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Dr. Sandip Shah
Director

Dinesh Humagain
Director

Tirtha Man Shakya
Director

Date: December 22, 2022
Place: Kathmandu, Nepal

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 32nd Ashadh 2079

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 32nd Ashadh, 2079.

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 32nd Ashadh 2079 (16th July 2022).

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 2079/09/07 (Dec.22, 2022). 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.

ii. New Standards which are not yet applicable at 16th July 2022 and Standard to be adopted by the Company

The Group 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 2078-79 (2021-22). These standards include:

NFRS 9 "Financial Instruments" (Revised), NFRS 17 "Insurance Contracts" & NAS 29 "Financial Reporting in Hyperinflationary Economies" applicable from 16th July 2022, and the Company is currently assessing the impact and plans to adopt the new standard on the required effective date.

NFRS 15 "Revenue from Contracts with Customers" is the new NFRS standard governing the accounting principles for revenue which is applicable for FY 2078-79 (2021-22). During the year, the Parent Company (BPCL) has constructed a new infrastructure asset and identified a performance obligation (operation and maintenance) under a service concession arrangement (contract) which includes transmission line upgrading from Galyang to Rampur, renovation of distribution lines, etc. amounting to NPR 111,378,013.42 (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:

a) fair value of contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and

b) Payments received from the users.
The cost for such improvements to concession assets is based on actual costs incurred by the Group 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. The amounts paid are set at market value.

The Group is assessing its current systems and processes to determine the impact of the adoption of NFRS-15

iii. 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.

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

v. Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at 32nd Ashadh, 2079.

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), a subsidiary company were not made available to the management of the Company so, in the current year, the consolidated financial statements include the financial information of NHE based on unaudited financial statements made available. The consolidated statement of total comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group have been consolidated 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 2077-78, 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 2077-78. 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 2077-78. In the current year (FY 2078-79), 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 2077-78 based on audited financial statement of 2077-78 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 Asad 32, 2079.

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, 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 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 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 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% (2077/78: 20%)

Income from Other services: 25% (2077/78: 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.16 Earnings per share

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

Diluted earnings per share is computed by dividing the profit/ (loss) for the year as adjusted for dividend, interest and other charges to expense or income (net of any attributable taxes) relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted 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 a contingent liability but discloses its existence in the financial statements.

vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

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

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

2.18 FINANCIAL INSTRUMENTS

i. Financial instruments

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

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

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

ii. Effective interest method

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

Income/ expense arising on financial instruments after applying an effective interest rate is recognised in 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 flows from the financial asset expire, or it transfers the financial asset, and the transfer qualifies for de-recognition under NFRS 9.

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

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and 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 lease 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 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 32, 2079 and Ashadh 31, 2078: -

Particulars	Currency	Ashadh 32, 2079	Ashadh 31, 2078
Cash and bank balance	NPR	17,042,359	29,617,420
	USD	133,655.08	248,802
Trade Receivables	NPR	31,510,367	11,775,384
	USD	247,121	98,920
Retention Money Payable	NPR	290,677,747	214,334,103
Retention Money Payable	USD	2,268,970	1,791,492
Sundry Creditors	NPR	179,826,213	221,077,611
Sundry Creditors	USD	1,403,686	1,847,857

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, 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 purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the Group. The Group manages its capital 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 32nd Ashadh, 2079 and 31st Ashadh, 2078.

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 asr at	
		Ashadh 32, 2079	Ashadh 31, 2078
On the basis of audited financial statement			
Subsidiaries:			
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	71.68%	98.19%
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%

Name	Nature of Business	Direct Shareholding asr at	
		Ashadh 32, 2079	Ashadh 31, 2078
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%
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).	60%	60%
Other equity investments:			
Himal Power Limited		16.88%	16.88%
Hydro Lab Private Limited		16.64%	16.64%
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 12.56% (9.54% in FY 2077/78) (i.e., the prevailing interest rate 10.06% 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 has invested NPR 331.98 million in the shares of GEL till the end of FY 2077/78. 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 banks is ongoing.

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 amendment of Generation License for 135 MW with PROR scheme has been completed. The approval process of PDA is at its final stage.

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.

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, 2077), 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 16.64% 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 32ND ASHADH 2079

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 2077	101,743,950	296,475,654	99,927,853	33,271,981	73,370,130	31,501,566	77,454,428	26,076,777	-	**739,822,339**
Additions	6,171,795	2,940,408	4,655,062	128,934	5,426,292	2,999,285	244,000	2,940,408	-	**25,506,184**
Disposals	-	-	(39,712)	(235,890)	(2,187,334)	(1,199,557)	(606,328)	(2,940,408)	-	**(7,209,229)**
									-	
Balance at 31st Ashadh 2078	107,915,745	299,416,062	104,543,203	33,165,025	76,609,088	33,301,294	77,092,101	26,076,777	-	**758,119,294**
Additions	-	5,175,906	723,846	242,057	2,931,145	5,205,670	1,769,900		20,497,747	**36,546,271**
Disposals	-	(2,495,684)	(33,959)	(1,218,992)	(585,250)	(322,288)	(9,482)	-	-	**(4,665,655)**
Balance at 32nd Ashadh 2079	**107,915,745**	**302,096,284**	**105,233,091**	**32,188,090**	**78,954,983**	**38,184,675**	**78,852,519**	**26,076,777**	**20,497,747**	**789,999,910**
Accumulated depreciation										
Balance at 31st Ashadh 2077	-	59,109,570	42,807,506	22,604,413	48,545,130	18,464,922	38,260,503	-	-	**229,792,045**
Charge for the year	-	11,846,837	8,884,811	2,763,801	6,640,688	3,478,577	7,848,015	-	-	**41,462,729**
Disposals	-	-	(24,735)	(193,906)	(1,713,509)	(973,599)	(417,011)	-	-	**(3,322,760)**
Balance at 31st Ashadh 2078	-	70,956,407	51,667,582	25,174,308	53,472,309	20,969,900	45,691,508	-	-	**267,932,014**

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Vehicles	Capital work in progress	Right of Use asset	Total
Charge for the year	-	11,420,937	8,124,504	2,099,099	5,910,191	3,448,430	6,496,755	-	4,571,610	**42,071,526**
Adjustment	-	-	-	-	-	-	-	-	-	**-**
Disposals	-	(1,017,630)	(23,072)	(924,126)	(488,159)	(279,268)	(7,494)	-	-	**(2,739,749)**
Balance at 32nd Ashadh 2079	-	81,359,714	59,769,014	26,349,281	58,894,341	24,139,062	52,180,769	-	4,571,610	**307,263,791**
Net book value										
At 31st Ashadh 2077	101,743,950	237,366,084	57,120,348	10,667,568	24,825,000	13,036,644	39,193,925	26,076,777	-	**510,030,295**
At 31st Ashadh 2078	107,915,745	228,459,655	52,875,621	7,990,717	23,136,779	12,331,393	31,400,593	26,076,777	-	490,187,281
At 32nd Ashadh 2079	107,915,745	220,736,569	45,464,077	5,838,809	20,060,642	14,045,613	26,671,750	26,076,777	15,926,137	482,736,119

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

b) Out of the machinery and equipment acquired during F.Y. 2059/60 (2002/03) to establish facility for assembling and refurbishing generators as part of the business expansion plan valued at NPR 36,991,322, machinery valued at NPR 23,534,837 are lying uninstalled till date and same is shown under Capital work in progress. Apart from this, it majorly includes expenditure on on-going contractual works for development of Revenue Accounting Software.

c) During the current year the Group has recognized the right of use of assets and corresponding lease liability at present value of the future lease payment discounted at rate of 10% over the lease period.

Note no: 4
Intangible assets:

Figures in NPR

	Goodwill	Computer Software	" Service Concession Arrangement Intangibles "	Total
Cost				
Balance as at 1st Shrawan 2077	474,736,733	8,858,927	2,618,414,380	**3,102,010,040**
Additions - Externally acquired	-	1,528,890	70,996,158	**72,525,048**
Acquisition of a Subsidiary [Refer Note "c" below]		-	-	**-**
Disposal	(474,736,733)			**(474,736,733)**
Transfer from CWIP	-	-	-	**-**
Adjustment during the year	-	(840,257)	(3,927,583)	**(4,767,840)**
Balance at 31st Ashadh 2078	-	9,547,560	2,685,482,955	**2,695,030,515**
Additions - Externally acquired	-	668,000	6,177,540,113	**6,178,208,113**
Acquisition of a Subsidiary [Refer Note "c" below]	-	-	-	**-**
Transfer from CWIP	-	-	-	**-**
Adjustment during the year	-	(39,550)	(1,375,919)	**(1,415,469)**
Balance at 32nd Ashadh 2079	-	10,176,010	8,861,647,149	**8,871,823,159**
Amortisation				
Balance as at 1st Shrawan 2077	-	6,610,439	430,832,771	**437,443,210**
Charge for the year	-	1,062,552	91,159,520	**92,222,072**
Adjustment during the year	-	(840,257)	(274,983)	**(1,115,240)**
Balance at 31st Ashadh 2078	-	6,832,734	521,717,308	**528,550,042**
Charge for the year	-	844,845	130,775,560	**131,620,405**
Adjustment during the year	-	(39,550)	76,137,076	**76,097,526**
Balance at 32nd Ashadh 2079	-	7,638,029	728,629,944	**736,267,973**
Net book value				
At 1st Shrawan 2077	474,736,733	2,248,488	2,187,581,609	**2,664,566,830**
At 31st Ashadh 2078	-	2,714,826	2,163,765,647	**2,166,480,473**
At 32nd Ashadh 2079	-	2,537,981	8,133,017,205	**8,135,555,186**

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

b) The tenure of the Service Concession Arrangement of 4 MW Khudi Hydro Power Plant, 9.4 MW Andhikhola Hydropower Plant and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Falgun 2096 B.S., Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively.

c) Externally acquired Service concession agreement (SCA) intangibles included a new infrastructure asset under a service concession arrangement(contract) like transmission line upgrading from Galyang to Rampur, renovation of distribution lines, etc. amounting to NPR 111,378,013.42 carried out by BPCL and the Capitalized value of intangible assets under SCA by one of its subsidiaries Nyadi Hydropower limited amounting to NPR 6,066,162,100 which came into operation w.e.f from Baisakh 27, 2079 (May 10, 2022) during the current year.

Note: 5
Intangible assets under development

Figures in NPR

Particulars	"As at 32nd Ashad 2079"	"As at 31st Ashad 2078"
Pre-operating Expenses (A)	**-**	**866,190,832**
Depreciation	-	20,272,171
Employee related cost	-	103,810,924
Other Project Operation Expenses	-	44,373,549
LEDCO Service Fee and Expenses	-	35,000,000
Licensing & Other Development Fees	-	8,899,100
Pre-Construction Interest, Commission & Fees	-	24,835,484
Interest, Commission & Fees during Construction	-	628,999,604
Land Acquisitions (B)	-	**33,967,346**
Land & Land Developments	-	33,967,346
Civil Works (C)	-	**2,549,264,658**
Civil Works	-	2,485,547,218
Access Road	-	28,634,345
Marshyangdi Bridge	-	32,427,420
Head Works Dam - (Siuri tailrace canal to Intake)	-	2,655,675
Environment & Social Cost (D)	-	**46,658,300**
Trainings & Developments	-	2,062,551
Community & Social Expenses	-	24,495,173
Nursery and Plantation	-	836,464
Infrastructure Developments	-	19,264,112
Engineering & Management (E)	-	**282,156,753**
Engineering, Design & Development Expenses	-	118,275,685
Consultancy Fee & Expenses	-	158,298,477
Inspection & Project Supervision	-	5,582,591
Transmission Line (F)	-	**97,098,474**
Transmission Line Works	-	97,098,474
Hydro Mechanical Works (G)	-	**405,044,771**
Hydro Mechanical Works	-	405,044,771
Electro Mechanical Works (H)	-	**670,864,507**
Electro Mechanical Works	-	670,864,507
Total (A+B+C+D+E+F+G+H)	-	**4,951,245,641**

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 32nd Ashad, 2079	Year ended 31st Ashad, 2078
Current tax		
Current income tax charge	91,719,133	131,930,105
Adjustments for under provision in prior periods	2,671,106	-
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	(2,005,456)	(53,075,189)
Adjustments/(credits) related to previous years - (net)	-	-
Income tax expense reported in statement of Profit or Loss	**92,384,783**	**78,854,916**

B. Tax expense recognised in Other comprehensive income	Year ended 32nd Ashad, 2079	Year ended 31st Ashad, 2078
Deferred tax		
Income tax relating to items that will not be reclassified to profit or loss	(6,680,541)	(32,860,324)
Income tax charged to OCI	**(6,680,541)**	**(32,860,324)**

C. Current tax asset -net:	Year ended 32nd Ashad, 2079	Year ended 31st Ashad, 2078
Advance Income Tax	123,686,984	250,129,618
Less: Income Tax Liability	(69,039,545)	(170,715,135)
Total	**54,647,439**	**79,414,483**

D. Current tax (liability) -net:	Year ended 32nd Ashad, 2079	Year ended 31st Ashad, 2078
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 32nd Ashad, 2079	Year ended 31st Ashad, 2078
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	409,134,167	606,454,035
Enacted tax rate	21.84%	23.66%
Computed tax expense	89,336,776	143,471,423
Differences due to:		
Profit transferred from JVs (Final withholding tax)	-	-
Tax effect due to non taxable income	(3,532,094)	(82,056,979)
Tax effect due to non-deductible expenses	11,978,180	65,031,596
Due to reduced tax rate on foreign income source	180,444	55,847
Due to loss on foreign income source	721,777	223,388
Effect due to additional deductible expenses	(54)	(147,360)
Tax effect due to difference in depreciation rate	(6,909,493)	(6,462,351)
Doubtful debt recovered	-	-
Use of previous losses	-	-
Tax Related to Prior Period	-	(68,253)
Accumulated losses	-	12,908,493
Current tax on profits for the year	**91,775,537**	**132,955,805**

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, 2077	"As at 1 Shrawan, 2077"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2078"
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,755,097	148,429	-	1,903,526
Provision for gratuity	16,711,301	(7,491,940)	-	9,219,361
Depreciation	1,399,695	24,843	-	1,424,538
Provision for CSR	122,230	(34,084)	-	88,146
Provision for PLI	1,427,030	267,384	-	1,694,414
	21,415,353	**(7,085,368)**	**-**	**14,329,985**

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 32 Ashadh, 2079"
Deferred tax assets/(liabilities)				
Provision for leave encashment	1,903,526	(962,959)	-	940,567
Provision for gratuity	9,219,361	(9,219,361.00)	-	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	-	(3,981,534)	-	(3,981,534)
Lease Liability	-	4,242,279	-	4,242,279
	14,329,985	**(15,610,349)**	**-**	**14,775,482**

ii) Deferred Tax Liability

Movement during the year ended 31 Ashadh, 2077	"As at 1 Shrawan, 2077"	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	"As at 31 Ashadh, 2078"
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	-	-	-	-
Provision for leave encashment	4,386,766	948,160	-	5,334,926
Provision for gratuity	8,029	65,879	-	73,908
Leave money payable	-	-	-	-
Depreciation	(196,981,857)	(10,202,406)	-	(207,184,263)
Amortisation cost of term loan	212,200	(130,191)	-	82,009
Investment in equity instrument	(134,596,655)	-	39,326,475	(95,270,180)
Provision for loss on investment	65,169,220	63,012,965	-	128,182,185
	(261,802,297)	**53,694,407**	**39,326,475**	**(168,781,415)**

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 32 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)**

Note no: 7
Project work-in-progress

Figures in NPR

Particulars	As at 32 Ashadh 2079	As at 31 Ashadh 2078
	At cost	**At cost**
Chino Khola SHP	26,497,089	29,857,814
Lower Manang Marshyangdi HEP	202,320,629	198,929,729
Mugu Karnali HEP	74,575,459	54,499,140
Solar Project at Jhimruk Area (7 MW)	2,175,350	71,700
Total	**305,568,527**	**283,358,383**

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 32nd Ashadh 2079		As at 31st Ashadh 2078	
	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	-	3,319,836	-
"Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)"	2,966,860	26,922,725	2,966,860	-
"Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)"	-	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	-		
"BPC Services Limited (Equity Shares of NPR 100 each fully paid up)"	100,000	-		
"Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)"	10,751,453	-		

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	No. of shares	Amount	No. of shares	Amount
Himtal Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	601,300	784,491,312	601,300	772,687,251
Marsyangdi Transmission Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	6,406	10,006,974	6,406	10,015,742
Manang Marsyandi Hydropower Company Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	198,455	145,939,264	198,455	127,050,350
SCIG Int'l Nepal Hydro Joint Development Co. Pvt. Ltd. (Equity Shares of NPR 100 each fully paid up)	3,125,439	71,131,958	3,125,439	78,166,837
Investment in joint ventures (at cost less impairment loss)				
CQNEC-NHE Consortium-Purbi Chiitwan	-	5,880,171	-	5,880,171
ERMC & Hydro Consult JV	-	753,052	-	753,052
Hydro Consult & ERMC JV	-	1,036,187	-	1,036,187
ITECO-TMS-HCE JV	-	2,259,311	-	1,404,311
HCE-ITECO-TMS JV	-	1,351,036	-	1,351,036
Hydro Consult & BDA JV	-	261,330	-	261,330
Hydro Consult & BDA JV (Phase 2)	-	149,581	-	149,581
Fichtner-HCE-NEW JEC JV	-	(57,699)	-	(57,699)
HCE-CEMAT-PNET JV	-	170,655	-	170,655
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	-	12,736,000
Hydro-Consult Engineering Limited	-	-	-	7,501,337
Total Investment	**21,573,749**	**1,304,650,017**	**10,218,296**	**1,063,106,141**

Note no: 9
Other investments

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	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	760,196,753	2,978,502	792,758,372
"Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)"	10,000	30,093,262	10,000	24,253,808
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**	**796,618,015**	**3,044,502**	**823,340,180**
Advance towards share capital including incidental cost:				
Nepal Power Exchange Ltd.	-	20,000,000	-	20,000,000
Total other investments	**3,044,502**	**816,618,015**	**3,044,502**	**843,340,180**

Note no: 10
Inventories

Figures in NPR

Particulars	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
General Stock/Office Supplies/Consumer Service Item	12,191,783	11,675,005
Stock of Electric Goods	34,539,530	45,647,174
T/L and D/L Stock	6,664,035	6,084,793
Other engineering inventories and spare parts	45,448,542	35,984,638
Total	**98,843,890**	**99,391,610**

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 32nd Ashadh 2079	As at 31st Ashadh 2078
Balances with banks		
Local currency account		
In current accounts	30,230,403	103,301,974
In call accounts	29,669,497	65,427,916
In deposits accounts (Orignal maturity less than 3 months)	-	550,000,000
Convertible currencies account		
In current accounts	17,402,078	29,629,393
Cheques on hand	410,209	-
Cash in hand	722,311	316,987
	78,434,498	**748,676,270**

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 32ndAshadh 2079	As at 31st Ashadh 2078
Cash at banks and on hand	78,434,498	748,676,270
Overdraft	(111,039,655)	(51,128,415)
	(32,605,157)	**697,547,855**

Note no: 12
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	90,188,208	49,000,000
Embarked balance with bank		
Margin money	26,478,572	19,769,945
	116,666,780	**68,769,945**

Note no: 13
Trade receivables

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Nepal Electricity Authority	14,496,642	8,373,961	65,634,336	8,373,961
Local Consumers	-	-	35,388,399	-
Bills receivables from JVs	-	-	41,777,914	-
Retention money held by the Customers	24,031,865	90,631,063	93,762,487	28,240,986
Other trade receivables	311,326,703	-	121,720,669	-
Less: Allowances for doubtful receivables	(13,774,054)	(8,373,961)	(13,118,520)	(6,699,168)
	336,018,156	90,631,063	345,165,285	29,915,779

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 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-current	Current	Non-current
Security deposits				
Deposit (Others)	25,205,128	13,901,618	773,303	30,493,629
Investment in Fixed Deposit	1,045,000,000		750,945,206	
Loan and advances				
Advances to Staff	19,002,117	2,419,773	6,261,143	1,211,305
Receivables from Employee Welfare Fund	14,301,855	-	9,301,855	-
Accrued Contract Revenue	170,405,319	-	109,189,502	-
Retention money	20,565,350			
Receivables from associates and joint ventures				
Dividend receivable from associates	-	-	-	-
Other receivables from associates	806,381	-	-	-
Interest receivable from associates	79,190,659	-	79,190,659	-
Advance receivables from JVs	37,802,447	-	71,766,319	-
Other receivables				
Receivables from Harish Chandra Shah	185,000,000	-	200,000,000	-
Receivables from SC Power Company Pvt. Ltd.	15,000,000	-	15,000,000	-
Other receivables from Department of Electricity Development (DoED)	39,216,416	-	34,498,322	-
Other receivables from Citizen Investment Trust	-	-	-	-
Margin Money	367,400	137,820	-	-
Other receivables	115,621,379	-	7,526,608	-
Total	**1,767,484 ,451**	**16,459,211**	**1,284,452,917**	**31,704,934**

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

Note no: 15
Other assets (Current and Non-current)

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-current	Current	Non-current
Capital advance	761,823	-	-	10,384,375
Prepayments	28,922,896	-	15,858,091	-
Work Advance to staff	24,259	-	91,185,406	-
Advance to Supplier/Contractor/Sub Contract	33,217,934	-	2,697,753	-
Deposit with Government authorities	-	-	-	-
Gratuity Fund Surplus	-	-	-	-
Other assets	45,752	610,841	25,500	1,587,249
Total	**62,972,664**	**610,841**	**109,766,750**	**11,971,624**

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 32nd Ashadh 2079		As at 31st Ashadh 2078	
	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	32,463,268	3,246,326,800	29,513,605	2,951,360,500
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	32,463,268	3,246,326,800	29,513,605	2,951,360,500
Total	**32,463,268**	**3,246,326,800**	**29,513,605**	**2,951,360,500**

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

Particulars	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
	No. of Shares	No. of Shares
Balance as at the beginning of the year	29,513,605	26,838,818
Add: Issue of bonus share during the year	2,949,663	2,674,787
Balance as at the end of the year	32,463,268	29,513,605

C. Details of shareholding more than 1%

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	18,277,920	56.30%	16,616,291	56.30%
Government of Nepal	2,409,761	7.42%	2,190,692	7.42%
IKN Nepal A.S., Norway	513,037	1.58%	466,397	1.58%
United Mission to Nepal	443,963	1.37%	403,603	1.37%
Nepal Electricity Authority	279,975	0.86%	254,522	0.86%
General Public/Employees				
Other General Public shareholders	10,538,612	32.46%	9,582,100	32.47%

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 32nd Ashadh 2079	As at 31st Ashadh 2078
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2077-78: NPR 10 per share and stock dividend NPR 10 per share (2076-77: cash dividend NPR 15 per share and stock dividend NPR 10 per share)	295,305,800	403,491,750
"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 2078-79: Cash dividend NPR 7.5 per share and Stock Dividend NPR 5 per share (2077-78: cash dividend NPR 10 per share and stock dividend NPR 10 per share)		295,305,800

a) The board of directors has proposed 7.5 % cash dividend and 5% stock dividend on paid up capital from the net profit of the fiscal year 2078/79 and its accumulated reserve & surplus. The total amount of cash dividend NPR 243.48 million shall be payable and 16,23,163 numbers of bonus shares of NPR 100 each (equivalent to NPR 162.32 million) shall be issued after the approval of 30th Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2078/79 NPR11.44 million (Net of 5% final withholding tax) plus NPR 203.49 million previous years' tax paid dividend income remained in reserve being total of NPR 214.93 million. Therefore, BPC will have to pay dividend tax on its proposed distribution of dividend over and above NPR 214.93 million.

Note no: 17
Other Equity

Figures in NPR

	Share Premium	Housing Fund Reserve	General Reserve	Fair Value Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2077	**1,767,535,318**	**18,151,841**	**148,700,000**	**403,789,964**	**2,168,113,277**	**4,506,290,400**
Profit for the year	-	-	-		339,128,955	**339,128,955**
Other comprehensive income	-	-	-	(108,027,864)	-	**(108,027,864)**
Issue of right share	-	-	-	-	-	**-**
Issue of bonus share	-	-	-	-	(267,478,700)	**(267,478,700)**
Issue of Further Public Offering	-	-	-	-	(3,075,505)	**(3,075,505)**
Share Issue Cost	-	-	-	-		**-**
Dividends to shareholders	-	-	-	-	(403,845,103)	**(403,845,103)**
Transfer to Retained Earnings	-	-	-	-	-	**-**
Prior Period Adjustment	-	-	-	-	-	**-**
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	-	-	-	-	239,402,391	**239,402,391**
Other comprehensive income	-	-	-	(20,041,624)	-	**(20,041,624)**
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	-	-	-	-	32,142,342	**32,142,342**
Balance at 32nd Ashadh 2079	**1,767,535,318**	**18,151,841**	**148,700,000**	**275,720,476**	**1,536,022,256**	**3,746,129,891**

Note no: 18
Grant aid in reserve

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Closing Balance	Amortisation for the year	Closing Balance	Amortisation for the year
Name of Grantors				
NORAD	7,807,125	328,484	8,135,610	328,484
UMN PCS	15,585,541	673,931	16,259,473	673,931
USAID	8,798,293	382,723	9,181,017	382,724
REGDAN	9,558,252	414,375	9,972,627	414,375
JRP	4,741,456	206,805	4,948,261	206,805
REEP	63,892,480	2,773,848	66,666,329	2,773,849
Local VDC/Community	72,665,403	3,058,920	74,274,103	3,001,966
Total	**183,048,550**	**7,839,086**	**189,437,420**	**7,782,134**

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

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Provision for Leave Encashment	6,409,223	29,445,417	10,857,962	25,661,101
Provision for Gratuity	-	35,408,588	6,777,656	-
Provision for Performance Link Incentive	7,365,135	-	352,583	-
Provision for CSR	355,017	-	-	37,554,758
Total	**14,129,375**	**64,854,005**	**17,988,201**	**63,215,859**

Note no: 20
Trade payables

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Sundry creditors	317,289,438	-	281,928,274	-
Total	**317,289,438**	**-**	**281,928,274**	**-**

Note no: 21
Borrowings

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	18,060,000	3,954,843,221	62,329,707	3,246,563,346
Trust Receipt Loan	22,204,000	-	-	-
Bridge Gap Loan	5,000,000	-	471,450,000	-
Working Capital Loan	178,489,832	-	131,532,899	-
Short term loan	229,580,361	-	-	-
Overdraft	111,039,655	-	51,128,415	-
Total	**564,373,848**	**3,954,843,221**	**716,441,021**	**3,246,563,346**

1) Details of Security

a. The Group has entered into consortium arrangement for term loan aggregate to NPR 8.16 million (As at 31st Ashadh, 2078 - NPR 21.61 million) and bridge gap loan/overdraft facility aggregate to NPR 16.05 million (As at 31st Ashadh, 2078 - NPR 30 million) with Nepal Investment Bank, Laxmi Bank, Machhapuchchhre Bank, Siddhartha Bank and Rastriya Banijya Bank. During the year, Bridge Gap Loan facility has been obtained from Nepal Investment Bank Ltd. with consent of consortium banks in order to finance for repair of the 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, ranking paripassu among bankers.

b. The Group has entered into consortium arrangement for term loan aggregate to NPR 4,172.16 million (As at 31st Ashadh, 2078 - NPR 3,569.78 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 109.66 million (As at 31st Ashadh, 2078 - NPR 158.95 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. Short term loan and overdraft facility is obtained from Sunrise Bank which is secured as charge by way of assignment of revenue stream of Jhimruk project. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles".

e. Trust Receipt Loan aggregate to NPR 22.21 million (As at 31st Ashadh, 2078 - NIL), Working Capital Loan aggregate to NPR 178.49 million (As at 31st Ashadh, 2078 - NPR 131.53 million) and overdraft facility aggregate to NPR 13.62 million (As at 31st Ashadh, 2078 - NPR 51.13 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 32nd Ashadh 2079	As at 31st Ashadh 2078
2-3 Years	680,167,528	685,795,099
4-5 Years	351,716,656	351,716,656
6-10 Years	1,643,242,558	1,658,242,558
Beyond 10 years	1,279,716,479	1,045,579,131
Total	**3,954,843,221**	**3,741,333,444**

Note no: 22
Other Financial Liabilities

Figures in NPR

Particulars	As at 32nd Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Deferred Contract Revenue	38,954,067	-	4,762,948	-
Advance payable to JVs	-	-	89,616,858	-
Bonus Payable	18,938,060	-	24,493,136	-
Employee related accrual	23,037,455	-	17,487,920	-
Refundable Deposits of Parties	1,868,349	338,669	1,697,725	-
Retention money Payable	7,616,097	428,757,235	26,946,814	297,293,024
Royalty Payable	6,666,222	-	5,320,971	-
Other Payables	19,067,507	-	18,218,659	-
Total	**116,147,757**	**429,095,904**	**188,545,031**	**297,293,024**

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

Figures in NPR

Particulars	As at 31st Ashadh 2079		As at 31st Ashadh 2078	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	920,962	19,393,572	920,962	22,359,958
Dividend Payable	73,492,817	-	66,471,239	-
Gratuity Payable	595,742	-	61,754	-
Advance from Customers	169,406,681	-	116,400,677	-
Statutory dues	13,696,723	-	12,153,907	-
TDS Payable	247,979	-	-	-
VAT Payable	12,365,079	-	18,509,669	-
Welfare Fund Clearing Account	2,221,606	-	2,022,584	-
Lease Liability	3,528,632	13,440,482		
Provision for reserves	2,162,465	-		
Other current liabilities	14,385,282	-	7,049,040	-
Total	**293,023,968**	**32,834,054**	**223,589,832**	**22,359,958**

Note no: 24
Revenue

Figures in NPR

Particulars	2078-79	2077-78
Electricity Sales to NEA	721,849,349	485,469,959
Electricity Sale to Consumers	239,479,556	213,988,931
Revenue during construction phase	1,068,557,017	1,441,920,078
Sale of services	791,220,960	517,365,315
Total	**2,821,106,882**	**2,658,744,283**

Note no: 25
Cost of Sales

Figures in NPR

Particulars	2078-79	2077-78
Cost of Consumed Materials, Supplies and Services	381,555,769	240,948,895
Electricity Purchase	20,399,334	47,292,306
Cost incurred during construction phase	1,068,557,017	1,441,920,078
Salaries and other employee cost	326,420,073	276,687,959
Contribution to Provident and Gratuity Fund	15,775,132	20,181,060
Staff Bonus	13,467,682	17,351,605
Repair and Maintenance	61,874,997	42,246,121
Depreciation and amortization	144,430,987	106,527,324
Environment, Community & Mitigation (CSR)	28,008,785	23,205,336
Donation expenses	525,100	506,000
Vehicle running cost	9,263,877	4,277,961
Royalty	102,202,035	79,026,602
Insurance	15,147,703	13,034,224
Safety and Security	5,484,562	4,613,302
Assets written off	149,084	195,987
Miscellaneous Expenses	29,190,813	28,539,395
Bad Debts	-	233,355
Total	**2,261,496,371**	**2,346,787,510**

Note no: 26

Administrative and other operating expenses

Figures in NPR

Particulars	2078-79	2077-78
Salaries and other employee cost	109,684,276	103,162,524
Contribution to Provident and Gratuity Fund	5,724,747	7,698,577
Staff Bonus - admin	5,730,446	7,523,638
Staff Welfare	4,192,659	2,872,858
Depreciation and amortization	27,362,903	24,568,533
House Rent	(4,100,577)	2,422,236
Vehicle Running Expenses	5,793,617	2,720,713
Printing and Stationery Expenses	6,834,716	3,194,673
Advertisement & Publicity	1,168,107	1,347,566
Support Staff Expenses	1,324,563	1,173,263
Gift & Donations	160,520	5,051,318
Assets Written off	298,769	317,025
Environment, Community & Mitigation (CSR)	975,187	1,042,263
Rates and Taxes	7,108,757	1,785,262
Office Operation and Maintainance	9,620,736	10,245,369
Travelling and Transportation	301,288	-
Traveling Expenses & Allowance	2,259,490	1,895,512
Audit fee and expenses	3,038,895	3,639,034
AGM and Board Expenses	7,162,033	5,386,957
Legal and Profesional Fees	9,561,909	5,960,639
Hospitality and Refreshment	1,705,172	1,071,938
Communication expenses	3,840,256	4,180,365
Medical expenses	105,472	537,433
Safety and Security	2,398,034	2,142,132
Training and Development	3,045,455	1,011,234
Insurance expenses	2,177,583	2,449,470
Repair and Maintenance - Admin	10,728,783	6,327,393
Bad debts	2,000	8,411,028
Provision for doubtful debt expenses	1,674,793	-
Foreign exchange loss	25,611,217	12,788,729
Miscellaneous Expenses	18,170,275	12,880,306
Impairment loss on assets	1,478,054	-
Overhead Charged to Projects	(6,125,683)	(5,761,161)
Total	**269,014,452**	**238,046,827**

Note no: 27
Other Income

Figures in NPR

Particulars	2078-79	2077-78
Dividend income	-	318,242,514
Income from Other Sources	14,436,324	342,929,544
House Rent	12,639,235	8,727,556
Profit/(Loss) on Sale & Write Off Fixed Assets	-	2,837,277
Miscellaneous Income	20,261,968	13,417,088
Foreign exchange Gain (loss)	2,806,815	(134)
Provision for doubtful debt written back	491,640	-
Insurance Claim received on Loss of Assets	1,381,352	1,274,717
Total	**52,017,334**	**687,428,562**

Note no: 28
Finance income

Figures in NPR

Particulars	2078-79	2077-78
Interest income	108,274,911	64,907,078
Other finance income	-	4,691,619
Total	**108,274,911**	**69,598,697**

Note no: 29
Finance Costs

Figures in NPR

Particulars	2078-79	2077-78
Interest Expenses	119,825,407	52,044,146
Other finance cost	-	1,134,723
Bank Charges & Commision	2,153,193	477,382
Total	**121,978,600**	**53,656,251**

Note no: 30
EARNINGS PER SHARE

Figures in NPR

	2078-79	2077-78
Profit attributable to equity holders of the parent company	239,402,391	339,128,955
Weighted average number of equity shares outstanding	32,463,268	32,463,268
"Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share) " [2077-78 Restated]	**7.37**	**10.45**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	32,463,268	32,463,268
"Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share) " [2077-78 Restated]	**7.37**	**10.45**

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 2078	As at 31st Ashadh 2077		
Financial assets :				
Investment in equity instruments of Himal Power Limited	760,196,753	792,758,372	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	30,093,262	24,253,808	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.

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.
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
vii) Mr. Dinesh Humagain	Director
viii) Mr.Tirtha Man Shakya	Director
ix) Mr. Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

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

Nature of Expense	Current year	Previous year
Meeting Allowances	2,170,000	1,860,000
Communication, IT and Transportation	1,314,000	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	9,166,576	8,767,642

(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	612,912	575,622	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	68,870	-	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	25,425	1,253,170	-	(39,025.00)
Kabeli Energy Limited	Reimbursement of rent and utilities	886,240	1,240,451	-	-
Lamjung Electricity Development Company Limited	Payment for Development fees	-	-	-	236,198
SCHPI	Income from Rent, Electricity and Generator Charges	-	-	-	1,405,979

Note no: 33
Contingent Liabilities and commitments

A. Bank Guarantee

S.no.	Bank Name	Purpose	Currency	Amount	"Expiry Date (A.D.)"
1	Nepal Investment Bank Ltd.	Khudi Hydro's OD and Bridge gap loan	NPR	55,884,000	7/3/2023
2	NICA Bank Limited	On behalf of Kabeli Energy Limited to renew PPA of 37.6 MW Capacity from NEA.	NPR	37,600,000	5/15/2023
3	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	As per the requirement of Power Purchase Agreement (PPA) with Nepal Electricity Authority.	NPR	18,000,000	9/16/2022
6	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
7	Nepal Investment Bank	Advance Payment Guarantee	NPR	137,756,817	Various Dates
8	Nepal Investment Bank	Bid Bond	NPR	49,584,200	Various Dates
9	Nepal Investment Bank	Performance Bond	NPR	250,396,494	Various Dates
10	Nepal Investment Bank	Performance Bond	USD	42,174	Various Dates
11	Nepal Investment Bank	Performance Bond	EURO	34,432	Various Dates

B. Corporate Guarantee

The company has provided a corporate guarantee on behalf of MMHEP(135MW) in favor of NEA against the Power purchase agreement(PPA) for amount of NPR 135 million and on behalf Upper Marsyangdi-2(UM2)-327 MW in favor of IBN for the Power Development Agreement (PDA) for the amount of NPR 100 million.

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:

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 12.56 % (average consortium loan rate of 10.06 % plus 2.5%).

The cumulative dividend upto the current financial year is NPR 33,954,310 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. 40.07 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 2022, NEA has deducted NRs 39,216,416 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.

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 part of capital commitment on this project is NPR 1,353 million for overall 60% shareholding (including indirect holding through

Name	Preference Shares (NPR)	Accumulated Dividend		Dividend Payout up to F/Y 2077/78	Total Cumulative Dividend (NPR)
		Up to F/Y 2077/78	F/Y 2078/79		
SCPHI	24,000,000	45,569,175	3,014,400	14,710,599	33,872,977
LEDCO	50,000	105,700	6,280	30,647	81,333
Total	**24,050,000**	**45,674,875**	**3,020,680**	**14,741,246**	**33,954,310**

Gurans Energy Limited) considering debt equity ratio at 70:30, of which BPC has invested overall NPR 712 million as on reporting date. Total project cost is estimated at Rs. 7520 million. Revival process has been initiated for reconstruction of suspended physical works. PPA amendment process in local currency by replacing it with the posted tariff applicable for ROR from PROR, is ongoing as amendment of Generation of the Project in-principle approved by DOED.

ii. **139.2-MW Lower Manang Marsyangdi Hydropower Project**
The Group has got generation license of 140 MW capacities Lower Manang Marsyangdi Project in November 2018. The project is located in Tachebagar and Dharapani VDC of Manang District. The project is in process for obtaining PPA, NPR.202.30 million has been spent by BPC as on reporting date. The re-optimized capacity of the project has been fixed at 139.21 MW under PROR. Group's part of capital commitment on this project is NPR 1035 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.33 million has been spent by the company for this project as on reporting date. The Group's part of capital commitment on this project is NPR 210 million for 70% shareholding.

iv. **159.62 MW Mugu Karnali Hydropower Project**
The Group has got survey license for Mugu Karnali Hydropower Project on November 23, 2017. The project is located near Gamgadhi, Mugu district. The feasibility study and EIA study of the project is ongoing. NPR.76.60 million has been spent by the group 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 have the authorized capital of NPR 1,900,000,000 (One Billion Nine Hundred Million) comprising 19,000,000 shares of NPR 100 each. Group's part of capital commitment on this project is NPR 380 million for 20% shareholding, of which the group has invested NPR 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 1203 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 2,538 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 7MW Solar Power Project (SPP) at total estimated project cost of Rs. 600 million and application submitted to DOED to obtain the Electricity Survey License for the same to carry out the Feasibility and Environmental Studies.This project being an initial state has not yet been concluded for capital commitment.

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

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:

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.

Note no: 34
Non-controlling interests

Figures in NPR

Particulars	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Balance at beginning of year	190,781,618	207,631,757
Profit for the year	(11,085,357)	(24,473,474)
Other comprehensive income	-	9,446,892
Dividends to shareholders	-	(1,766,762)
Transfer to Retained Earnings	-	(56,795)
Issue of share in subsidiaries	405,000,000	-
Prior Period Adjustment	-	-
Adjustment in NCI (RE Portion) due to change in Shareholding %	(25,453,415)	
Balance at end of year	**559,242,846**	**190,781,618**

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 32nd Ashadh 2079	As at 31st Ashadh 2078	As at 32nd Ashadh 2079	As at 31st Ashadh 2078	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Nepal Hydro & Electric Limited	48.70%	48.70%	(6,995,572)	(37,701,920)	51,630,862	46,787,787
Hydro-Consult Engineering Limited	0.00%	20.00%	-	4,687,785	-	25,453,415
Khudi Hydropower Limited	40.00%	40.00%	4,949,155	6,528,528	93,298,198	88,349,042
Nyadi Hydropower Limited	28.32%	1.81%	(9,038,940)	(379,622)	414,313,784	18,352,727
			(11,085,357)	(26,865,229)	559,242,844	178,942,971

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 32nd Ashadh 2079	As at 31st Ashadh 2078
Non-current assets	269,173,808	229,670,715
Current assets	519,195,260	575,783,690
Non-Current Liabilities	59,981,441	43,926,567
Current Liabilities	406,297,060	447,444,635
Equity attributable to owners of the Company	161,127,182	159,547,153
Non-controlling interests	152,956,021	151,456,120
Revenue	583,426,863	328,247,743
Total Cost	575,419,498	344,566,266
Profit for the year	8,007,365	(16,318,523)
Profit attributable to owners of the Company	4,107,842	(8,371,532)
Profit attributable to the non-controlling interests	3,899,523	(7,946,991)
Other comprehensive income for the year	-	(19,398,453)
Other comprehensive income attributable to owners of the Company	-	(9,951,561)
Other comprehensive income attributable to the non-controlling interests	-	(9,446,892)
Total comprehensive income for the year	8,007,365	(35,716,976)
Total comprehensive income attributable to owners of the Company	4,107,842	(18,323,093)
Total comprehensive income attributable to the non-controlling interests	3,899,523	(17,393,883)

Hydro-Consult Engineering Limited	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Non-current assets	32,099,294	15,106,360
Current assets	248,434,399	197,522,460
Non-Current Liabilities	13,819,003	256,287
Current Liabilities	90,530,326	48,434,620
Equity attributable to owners of the Company	152,895,591	110,080,349
Non-controlling interests	-	27,519,900
Revenue	240,177,890	222,934,443
Total Cost	216,889,120	196,596,779
Profit for the year	23,288,771	26,337,664
Profit attributable to owners of the Company	23,288,771	21,070,160

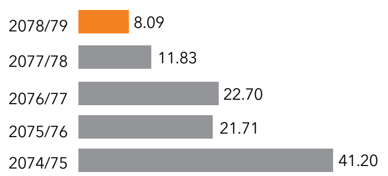
Hydro-Consult Engineering Limited	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Profit attributable to the non-controlling interests	-	5,267,504
Other comprehensive income for the year	-	-
Other comprehensive income attributable to owners of the Company	-	-
Other comprehensive income attributable to the non-controlling interests	-	-
Total comprehensive income for the year	23,288,771	26,337,664
Total comprehensive income attributable to owners of the Company	23,288,771	21,070,160
Total comprehensive income attributable to the non-controlling interests	-	5,267,504

Khudi Hydropower Limited	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Non-current assets	291,389,664	308,919,328
Current assets	20,853,636	26,584,560
Non-Current Liabilities	28,563,059	38,216,167
Current Liabilities	64,872,713	88,299,278
Equity attributable to owners of the Company	125,393,065	116,394,017
Non-controlling interests	83,595,377	77,596,012
Revenue	84,410,323	61,745,302
Total Cost	74,591,239	46,746,889
Profit for the year	9,819,085	14,998,413
Profit attributable to owners of the Company	5,891,451	8,999,048
Profit attributable to the non-controlling interests	3,927,634	5,999,365
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	9,819,085	14,998,413
Total comprehensive income attributable to owners of the Company	5,891,451	8,999,048
Total comprehensive income attributable to the non-controlling interests	3,927,634	5,999,365

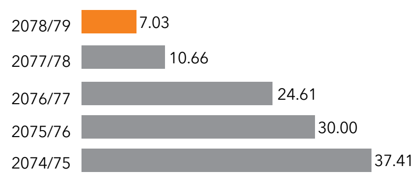
Nyadi Hydropower Limited	As at 32nd Ashadh 2079	As at 31st Ashadh 2078
Non-current assets	6,038,915,488	5,009,206,662
Current assets	145,654,658	98,162,918
Non-Current Liabilities	4,264,879,380	3,423,129,038
Current Liabilities	562,374,345	678,668,812
Equity attributable to owners of the Company	1,004,167,590	1,008,912,390
Non-controlling interests	396,735,856	18,631,577
Revenue	1,179,234,239	1,441,920,078
Total Cost	1,222,821,269	1,463,892,315
Profit for the year	(43,587,030)	(21,972,237)
Profit attributable to owners of the Company	(31,243,183)	(21,573,833)
Profit attributable to the non-controlling interests	(12,343,847)	(398,404)
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	(43,587,030)	(21,972,237)
Total comprehensive income attributable to owners of the Company	(31,243,183)	(21,573,833)
Total comprehensive income attributable to the non-controlling interests	(12,343,847)	(398,404)

GROUP CONSOLIDATED **FINANCIAL HIGHLIGHTS**

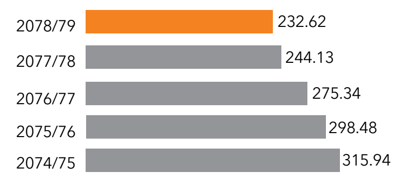
NET PROFIT MARGIN (In %)



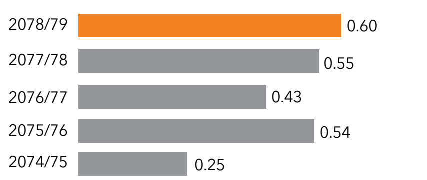
EARNING PER SHARE (In NPR)



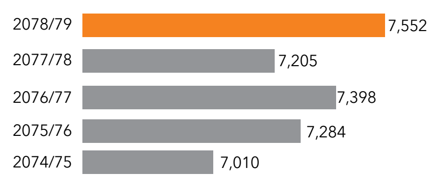
BOOK VALUE PER SHARE (In NPR)



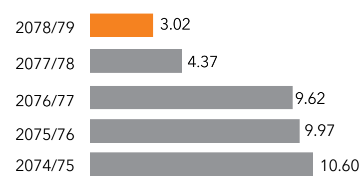
DEBT TO EQUITY RATIO (In Times)



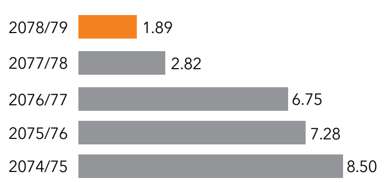
NET WORTH (In NPR MILLION)



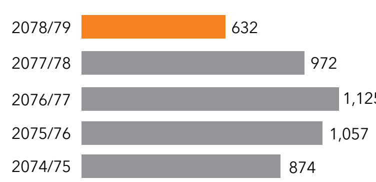
RETURN ON EQUITY (In %)



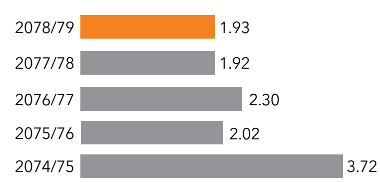
RETURN ON CAPITAL EMPLOYED (In %)



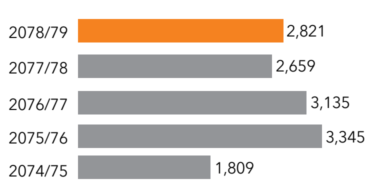
EBITDA (In NPR MILLION)



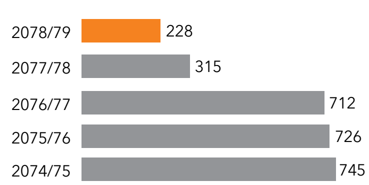
CURRENT RATIO (In Times)



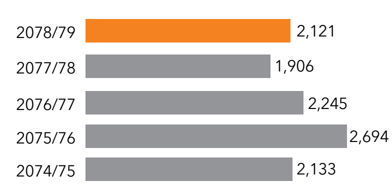
REVENUE (In NPR MILLION)



NET PROFIT (In NPR MILLION)



INVESTMENT (In NPR MILLION)



STATEMENT OF FINANCIAL POSITION OF BPC SUBSIDIARIES

As on 32nd Ashadh 2079 (16th July 2022)

Figures in NPR

Particulars	HCEL	Khudi	Nyadi	BPCSL	NHE
ASSETS					
Non-Current Assets					
Property, plant and equipment	11,994,551	308,095	8,799,432	8,937,525	126,102,566
Capital work-in-progress	-	-	-	-	24,154,647
Intangible assets	1,128,691	284,400,409	6,029,505,215	-	453,914
Intangible assets under development	-	-	-	-	-
Financial assets					
Other investments	-	6,328,000	-	-	-
Trade receivables	-	-	-	-	90,631,063
Other financial assets	88,000	353,160	-	-	16,018,051
Deferred-tax assets	2,961,915	-	-	-	11,813,567
Non-Current Lease Asset	15,926,137	-	-	-	-
Other non-current assets	-	-	610,841	-	-
Total Non-Current Assets	**32,099,294**	**291,389,664**	**6,038,915,488**	**8,937,525**	**269,173,808**
Current Assets					
Inventories	-	2,781,184	-	-	40,698,176
Financial assets					
Trade receivables	111,488,355	14,496,642	-	-	144,003,533
Cash and cash equivalents	39,863,000	23,346	1,894,370	1,386,305	2,644,591
Bank balance other than cash and cash equivalents	90,188,208	-	4,179,472	-	22,284,100
Bank balance other than cash and cash equivalents	510,693	392,400	115,065,536	15,000,000	242,277,316
Other current assets	2,905,785	2,214,255	24,515,280	45,752	17,164,733
Current tax assets (net)	3,478,357	945,807	-	100,466	50,122,809
Total Current Assets	**248,434,398**	**20,853,634**	**145,654,658**	**16,532,523**	**519,195,259**
Total Assets	**280,533,692**	**312,243,298**	**6,184,570,146**	**25,470,048**	**788,369,067**
EQUITY AND LIABILITIES					
Equity					
Equity	14,723,100	84,000,000	1,500,000,000	10,000,000	139,530,000
Other Equity	161,461,262	134,807,527	(142,683,584)	6,460,437	182,560,568
Total Equity	**176,184,362**	**218,807,527**	**1,357,316,416**	**16,460,437**	**322,090,568**
Liabilities					
Non-Current Liabilities					
Financial liabilities					
Borrowings	-	5,100,000	3,855,083,941	-	-
Other financial liabilities	-	-	407,962,057	-	21,133,847
Non-Current Lease Liability	13,440,482	-	-	-	-
Provisions	378,521	1,619,671	1,833,382	-	38,847,594
Deferred tax liabilities	-	21,843,388	-	207	-
Total Non-Current Liabilities	**13,819,003**	**28,563,059**	**4,264,879,380**	**207**	**59,981,441**

Particulars	HCEL	Khudi	Nyadi	BPCSL	NHE
Current Liabilities					
Financial liabilities					
Borrowings	-	19,110,053	317,080,361	-	214,309,489
Trade payables	13,536,220	8,507,882	236,184,774	-	26,695,138
Other financial liabilities	51,137,015	5,557,756	5,275,753	9,008,431	(24,378,223)
Current Lease Liability	3,528,632	-	-	-	-
Provisions	11,103,898	-	-	-	425,046
Other current liabilities	11,224,561	31,697,022	3,833,457	973	189,245,611
Current tax liabilities (net)	-	-	-	-	-
Total Current Liabilities	**90,530,326**	**64,872,713**	**562,374,345**	**9,009,404**	**406,297,058**
Total Liabilities	**104,349,329**	**93,435,772**	**4,827,253,726**	**9,009,611**	**466,278,499**
Total Equity and Liabilities	**280,533,692**	**312,243,298**	**6,184,570,146**	**25,470,048**	**788,369,067**
Net Worth Per Share	1,196.65	260.49	90.49	164.60	230.84

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

For the year ended 32nd Ashadh 2079 (16th July 2022)

Figures in NPR

	HCEL	Khudi	Nyadi	BPCSL	NHE
Revenue	240,177,890	84,410,323	1,179,234,239	28,500	583,426,863
Cost of Sales	(175,483,022)	(76,276,821)	(1,110,193,737)	(48,214)	(493,978,079)
Gross profit	**64,694,868**	**8,133,502**	**69,040,502**	**(19,714)**	**89,448,783**
Other income	7,484,346	16,361,031	177,521	-	7,613,001
Administrative and other operating expenses	(41,572,374)	(8,665,477)	(37,423,102)	(216,407)	(62,422,711)
Finance Income	6,261,844	203,281	45,267	1,277,835	557,945
Finance Costs	(1,722,024)	(3,289,033)	(75,427,217)	-	(28,730,371)
Profit from JVs	-	-	-	-	4,209,839
Profit Before Tax	**35,146,660**	**12,743,305**	**(43,587,030)**	**1,041,714**	**10,676,486**
Income Tax Expense					
Current tax	(12,303,386)	(9,661,144)	-	(142,824)	(2,669,121)
Deferred tax credit/charge	445,497	6,736,924	-	69	-
Net Profit for the year	**23,288,771**	**9,819,085**	**(43,587,030)**	**898,959**	**8,007,365**
Earnings per equity share of Rs. 100 each					
Basic Earnings per share - Rs.	158.18	11.69	(2.91)	8.99	5.74
Diluted Earnings per share - Rs.	158.18	11.69	(2.91)	8.99	5.74

List of Abbreviations

ADB- Asian Development Bank
AGM- Annual General Meeting
ALC- Assets and Liabilities Committee
Alt- Alternate
AMS- Asset Management System
APG- Advance Payment Guarantee
APP- Andhikhola Power Plant
ASAI- Average Service Availability Index
ASUI- Average Service Unavailability Index
BD&P- Business Development & Project
BoD- Board of Directors
BOOT- Build, Own, Operate and Transfer
BPA- Best Presented Accounts
BPCSL- BPC Service Limited
BU- Business Unit
CAIDI- Customer Average Interruption Duration Index
CAIFI- Customer Average Interruption Frequency Index
CBA- Collective Bargaining Agreement
CEO- Chief Executive Officer
CGR- Corporate Governance Report
CIT- Citizen Investment Trust
CKHP- Chino Khola Hydropower Project
CNI- Confederation of Nepalese Industries
CNTEC- China National Technical Import & Export Corp.
CODM- Chief Operating Decision Maker
COVID-19- Coronavirus Disease
CRO- Chief Risk Officer
CSR- Corporate Social Responsibility
CWIP- Capital Work In Progress
CXIG- Chengdu Xingcheng Investment Group Co. Ltd.
DA- Daily Allowances
DAM- Day Ahead Market
DCIM- Data Centre Infrastructure Management
DDC- District Development Committee
DoED- Department of Electricity Development
DoI- Department of Industry
DR- Disaster Recovery
DSRA- Debt Service Reserve Account
EDC- Energy Development Council
EIA- Environment Impact Assessment
EMS- Environment Management System
EPS- Earning Per Share
ERC- Electricity Regulatory Commission
FC- Finance Committee
FDI- Foreign Direct Investment
FNCCI- Federation of Nepalese Chamber of Commerce & Industries
FY- Fiscal Year
GEL- Gurans Energy Limited
GoN- Government of Nepal
GPA- Group Personal Accident
GWh- Giga Watt hour
HCEL- Hydro-Consult Engineering Limited
HHCPL- Himtal Hydropower Co. Pvt. Ltd.
HIDCL- Hydropower Investment and Development Co. Ltd.
HO- Head Office
HPL- Himal Power Limited
IBN- Investment Board Nepal
ICAN- Institute of Chartered Accountants of Nepal
ICH- International Centre for Hydropower
ICT- Information Communication Technology
IESC- Independent Environment and Social Consultant
IFC- International Financial Corporation
IFRIC- International Financial Reporting Interpretations Committee
IFRS- International Financial Reporting Standard
IMS- Inventory Management System
INPS- Integrated Nepal Power System
IPO- Initial Public Offer
IPPAN- Independent Power Producers' Association Nepal
IPPs- Independent Power Producers
IRD- Inland Revenue Department
ISO- International Organization for Standardization
JDMP- Jhimruk Downstream Mitigation Project
JPP- Jhimruk Power Plant
JV- Joint Venture
KEL- Kabeli Energy Limited
KHL- Khudi Hydropower Limited
LEDCO- Lamjung Electricity Development Company Limited
LMMHEP- Lower Manang Marshyangdi Hydroelectric Project
MAN- Management Association of Nepal
MARS- Mutually Agreed Retirement Scheme
MCC- Marsyangdi Cascade Committee
MCP- Marshyangdi Cascade Project
MKHP- Mugu Karnali Hydropower Project
MMHCPL- Manang Marshyangdi Hydropower Co. Pvt. Ltd.
MMHEP- Manang Marshyangdi Hydroelectric Project
MoE- Ministry of Energy
MoEWRI- Ministry of Energy, Water Resources & Irrigation
MoFE- Ministry of Forest & Environment
MoPE- Ministry of Population and Environment
MoU- Memorandum of Understanding
MRM- Management Review Meeting
MTCL- Marsyangdi Transmission Company Pvt. Ltd.
MTP- Marsyangdi Transmission Project
MW- Mega Watt
NEA- Nepal Electricity Authority
NEPSE- Nepal Stock Exchange Ltd.
NFRS- Nepal Financial Reporting Standard
NHA- Nepal Hydropower Association
NHE- Nepal Hydro and Electric Limited
NHL- Nyadi Hydropower Limited
NHP- Nyadi Hydropower Project
NIDC- Nepal Industrial Development Corporation
NMFA- Norwegian Ministry of Foreign Affairs
NORAD- Norwegian Agency for Development Cooperation
NPR/NRs. - Nepalese Rupees
NSA- Nepal Standards on Auditing
NTA- Nepal Tunnelling Association
NVVN- NTPC Vidyut Vyapar Nigam
OHSAS- Occupational Health & Safety Assessment Series
OMM- Operation and Maintenance Management
PDA- Project Development Agreement
PEEDA- People Energy and Environment Development Association
PG- Performance Guarantee
PPA- Power Purchase Agreement
PPE- Personal Protective Equipment
PPP- Public Private Partnership
PROR- Peak Run-of-River
QCBS- Quality and Cost Based Selection
QHSE- Quality, Health, Safety and Environment
QMS- Quality Management System
QYEC- Qing Yuan Engineering Consulting Co. Ltd.
RAS- Revenue Accounting Software
RC- Remuneration Committee
RCOD- Required Commercial Operation Date
REEP- Rural Electrification and Expansion Project
RMC- Risk Management Committee
ROR- Run-of-River
SAIDI- System Average Interruption Duration Index
SAIFI- System Average Interruption Frequency Index
SCIG- Sichuan Provincial Investment Group Co. Ltd.
SEBON- Security Exchange Board of Nepal
SEL- Shangri-La Energy Limited
SIA- Social Impact Assessment
SIC- Standard Interpretations Committee
SOP- Standard Operating Procedure
SPVs- Special Purpose Vehicles
SSF- Social Security Fund
SUP- Social Upliftment Program
TA- Travel Allowance
TAM- Term Ahead Market
TMS- Total Management System
UM2HEP- Upper Marsyangdi-2 Hydroelectric Limited
UMN- United Mission to Nepal
VA- Value Added
VDC- Village Development Committee
VPN- Virtual Private Network
VPs- Vice Presidents
WB- World Bank
WIP- Work In Progress

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