BUTWAL POWER COMPANY LIMITED

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ANNUAL REPORT 2018

CONTENTS

COMPANY PROFILE

Butwal Power Company (BPC) was incorporated in 1965 standing today with 53 years of experience in the hydropower sector and has placed itself as one of the leading listed company in Nepal. Generation and distribution of electricity is its core business areas and engaged in development, operation and maintenance of hydro-power plants, engineering and design consultancy of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electro-mechanical equipment for power plants through its subsidiary companies. BPC has a track record of pioneering multi-faceted capacity building initiatives in hydropower development.

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

Starting with electrification of a small city in the south central Nepal developing Tinau project (1 MW), BPC is the only enterprise which can look back to a five decade long history of success, sustained growth and capacity building in the country developing 210 MW projects in progress.

BPC owns and operates Andhikhola (9.4 MW) and Jhimruk (12 MW) plants located in western Nepal. BPC owns majority stake in Khudi hydropower plant (4 MW). It is also constructing two hydropower projects Nyadi (30 MW) and Kabeli A (37.6 MW) through separate SPVs Nyadi Hydropower Limited and Kabeli Energy Ltd respectively. Lower Manang Marsyangdi Hydropower Project (140 MW), located in southern region of Manang District, is under construction phase from newly formed Joint venture company.

BPC received survey license for 159 MW Mugu Karnali Hydropower Project (MKHP), located near Gamgadhi, the district headquarter of Mugu district. BPC further identified few hydropower projects in Karnali basin and Koshi basin. Likewise, Upper Marsyangdi-2 Hydropower Project and Manang Marsyangdi Hydropower Project in the Marsyangdi river downstream and upstream of LMMHEP are also identified with a view to develop in cascade with LMMHEP.

BPC formed a joint venture company named, SCIG International Nepal Hydro Joint Development Company Pvt Ltd with three Chinese Companies of Chengdu, Sichuan Province, People's Republic of China. The construction of Marsyangdi cascade projects together with LMMHEP will be started as soon as the regulatory clearances are achieved.

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

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

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

BPC has been awarded for its best managed company in hydropower sector and received national best presented annual report award continuously for 10 years from ICAN.

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

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., Nepal Bangladesh Bank Ltd., Nepal Investment Bank Ltd.
Statutory Auditor: BRS Neupane & Co, Chartered Accountants
Internal Auditor: PL Shrestha & Co., Chartered Accountants
Stock Exchange Listing: Nepal Stock Exchange (NEPSE), as BPCL

VISION, MISSION AND VALUES

VISION

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

MISSION

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

VALUES

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

STRATEGIC GOALS OF THE COMPANY

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

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

ETHICAL PRINCIPLES

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

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

THE BPC CODE

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

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

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

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

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

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

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

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

5. Strive to create a safe workplace.

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

6. Strive to protect the environment.

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

7. Corporate Social Citizenship

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

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

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

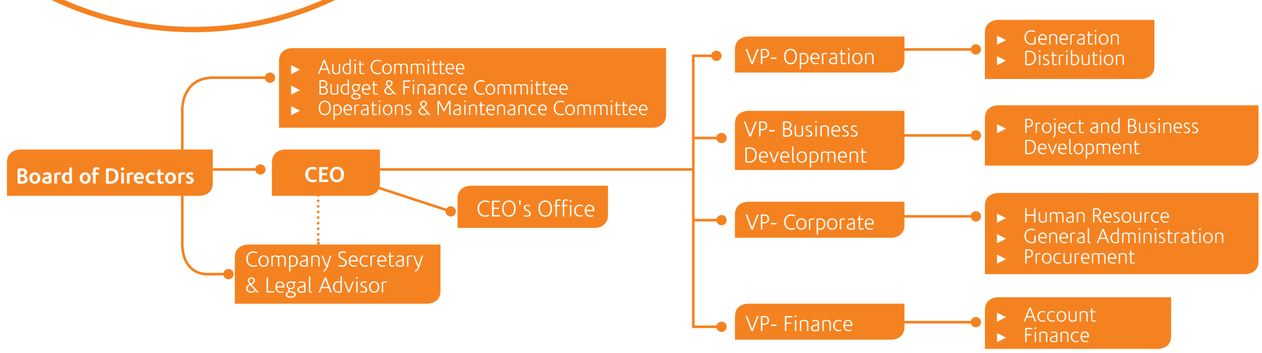
INTEGRATED QUALITY, HEALTH, SAFETY **AND ENVIRONMENT POLICY**

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

- Continual 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.
- Periodic review of the policy to ensure its relevancy and appropriateness to the company.

ORGANISATIONAL **STRUCTURE**

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



HIGHLIGHTS **OF THE YEAR**

NPR 2 billion
fund raised through FPO from issue of 4,081,000 new shares adding 85,000 shareholders.

Net worth increased by
48.2%
Profitability by
5.13%

3.94km.
tunnel of Nyadi Hydropower Project breakthrough.

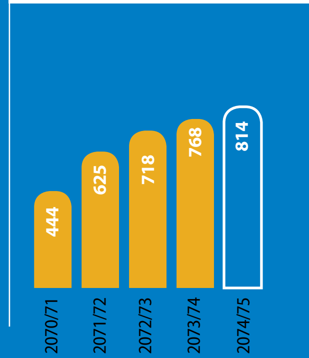
New projects upto
1,000 MW
in hand for development through SCIG JVC.

Survey License of 160 MW
Mugu Karnali Hydropower Project.

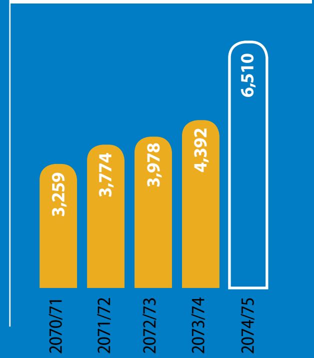
Distribution consumers increased to 54021 with an addition of
2,655 new consumers

FINANCIAL HIGHLIGHTS

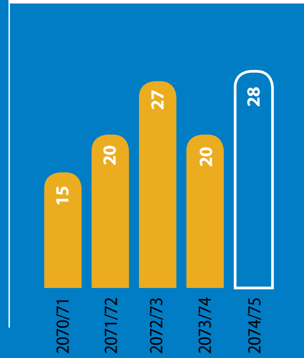
EBITDA (In NPR Million)



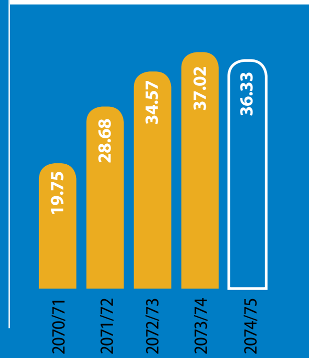
NET WORTH (In NPR Million)



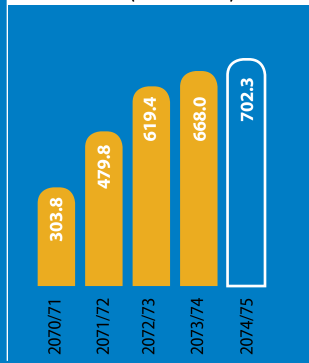
DIVIDEND PER SHARE (In NPR)



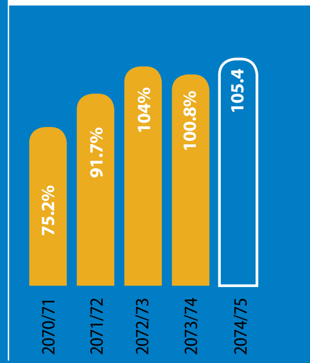
EARNING PER SHARE (In NPR)



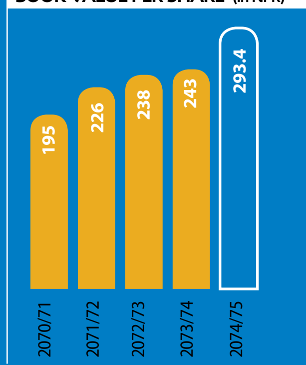
NET PROFIT (In NPR Million)



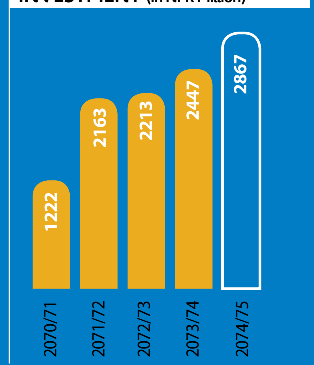
NET PROFIT MARGIN



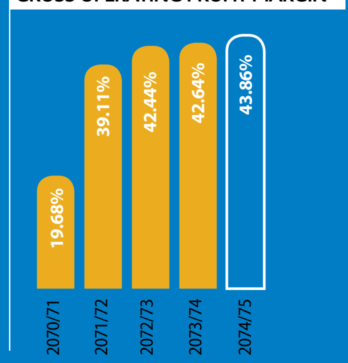
BOOK VALUE PER SHARE (In NPR)



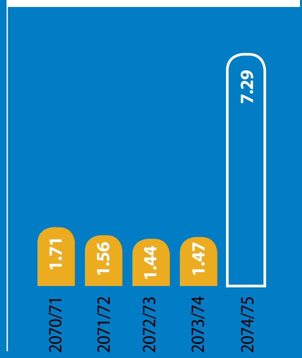
INVESTMENT (In NPR Million)



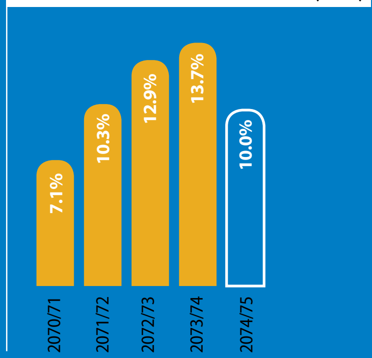
GROSS OPERATING PROFIT MARGIN



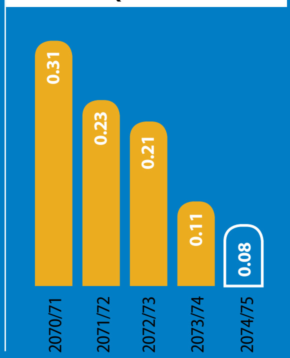
CURRENT RATIO



RETURN ON CAPITAL EMPLOYED (ROCE)



DEBT TO EQUITY RATIO



BOARD OF **DIRECTORS**

From left to right:
Mr. Bijay Bahadur Shrestha, *Alternate Director*
Mr. Chandi Prasad Shrestha, *Director*
Mr. Om Prakash Shrestha, *Director*
Mr. Bijaya Krishna Shrestha, *Director*
Mr. Padma Jyoti, *Chairman*
Mr. Uttar Kumar Shrestha, *CEO*
Mr. Hari Budhathoki, *Company Secretary*
Mr. Pradeep Kumar Shrestha, *Director*
Mr. Sandip Kumar Dev, *Director*

MESSAGE FROM **CHAIRPERSON**

The year 2017/018 has been a successful year for BPC. Addition of around 85,000 shareholders in the family of BPC through further public offering of shares, joint venture cooperation with Chinese investors for development of hydropower projects in Marsyangdi river basin, continuity of construction activities of under-construction projects, good performance of running power plants and exploration of a few new hydropower projects were the major activities carried out in the year 2017/018. Good corporate governance has been practiced and maintained in BPC.

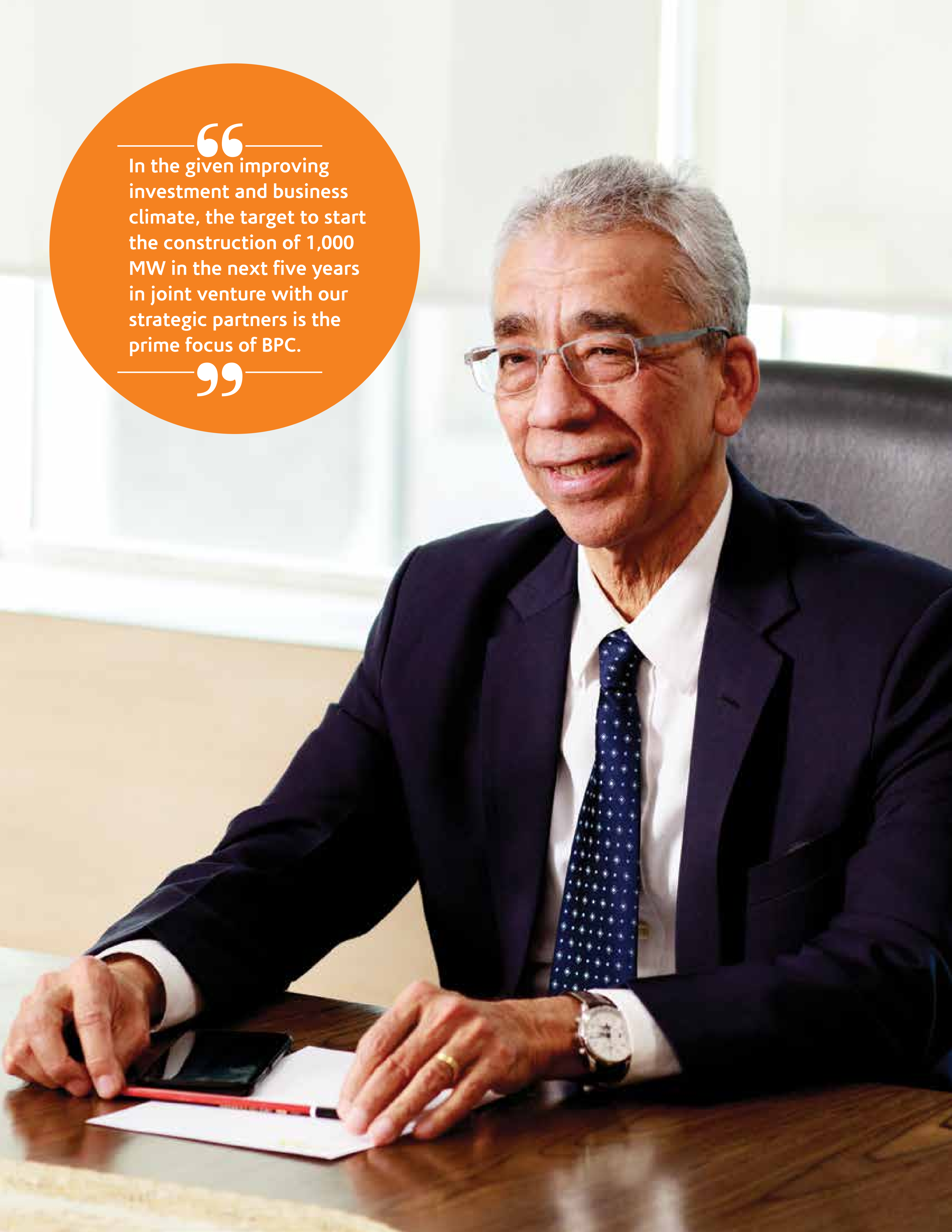
The shareholders would appreciate the increase of net profit by 5.1% and net worth by 48.2% and declaration for distribution of 28% dividend (18% cash dividend and 10% stock dividend) from the net profit and retained earnings of the year 2017/018. The shareholders would also appreciate to note that they have received 370% dividend till last year after divestment of shares to the general public. All these results have become possible with the hard work of management, proper guidance and supervision of the Board to the management, support of governmental and regulatory bodies, partners and stakeholders, and most importantly, the faith and confidence accorded by the shareholders to the Board and management.

In pursuing its vision, mission and goals, BPC has more to do in the days to come. The journey of BPC would be to serve the country through supplying quality power to the internal energy market with the expectation that this would be a means for other industrial and economic activities of the country, whereby the long term interest of all esteemed shareholders would be served. In the given improving investment and business climate, the target to start the construction of 1000 MW in the next five years in joint venture with our strategic partners is the prime focus of BPC. In the course of the journey for materializing this target, it is hoped that the investment and business climate would also be further improved and there would be more conducive and facilitative policy and legal measures and actions with speedy decisions in place on behalf of the different levels of governments in the country.

Finally, I would like to thank our valued shareholders and all stakeholders for their continued support and look forward to working together for the betterment of the company.

Padma Jyoti
Chairman

> In the given improving investment and business climate, the target to start the construction of 1,000 MW in the next five years in joint venture with our strategic partners is the prime focus of BPC.




BUTWAL POWER COMPANY LTD.
bpc

Dear Shareholders,

It is our great pleasure to present this annual report of the Board of Directors for FY 2074/75 in this 26th Annual General Meeting of the Company.

At the outset, we are happy to share that the overall performance of the Company remained good in F/Y 2074/075. The Company succeeded in increasing its net profit (after tax) by 5.13% compared to previous F/Y. The Company did the further public offering (FPO) successfully despite adversities in the capital market. After the FPO, the net worth of the Company has increased by 48.2%. However, the consolidated group profit is decreased by 6% due to increase in the tax liabilities and administrative expenses of some group companies. The operating power plants and distribution business of the Company performed satisfactorily. The Company has undertaken different projects which are in the different stages of development. Out of two under construction projects, the progress of 30 MW Nyadi Hydropower Project is satisfactory and the progress of 37.6 MW Kabeli-A Hydroelectric Project is not as expected. The Company has established joint venture cooperation with three Chinese companies for development of hydropower projects in Nepal. As a result of this cooperation, the process of acquisition, optimization and development of three projects in Marsyangdi River is started to develop these project in cascade model. These three projects are 282 MW Manang Marsyangdi Hydropower Project (MM), 140 MW Lower Manang Marsyangdi Hydropower Project (LMM) and 600 MW Upper Marsyangdi – II Hydropower Project (UM2). The Generation License of LMM and MM has been obtained from the Ministry of Energy, Water Resources and Irrigation. All three projects will be optimized and developed to supply the energy in the domestic energy market, and the Company will have around 20% equity interest in these projects. The Survey License of 160 MW Mugu Karnali Project, located in Mugu District, has been received from the Ministry of Energy, Water Resources and Irrigation, and the feasibility study of this project has started.

Performance Review

FINANCE

The Company earned gross profit NPR 292.2 million in F/Y 2074/075 from the sale of electricity and the electricity services, which is an increase of 3.4% compared to the gross profit of previous fiscal year. The profit before taxes stands at NPR 750.2 million with an increase of 9.3%. The increase is comparatively significant due to increase in the financial income. The net profit after tax stands at NPR 702.3 million compared to the previous year's net profit of NPR 668.0 million, which is an increase by 5.13%. The financial highlights of the Company are briefly summarized below.

The group turnover of the company has increased to NPR1808.6 million in FY 2074/075 which is an increase of 24.5% compared to the

> **The Company has established joint venture cooperation with three Chinese companies for development of hydropower projects in Nepal. As a result of this cooperation, the process of acquisition, optimization and development of three projects in Marsyangdi River is started to develop these project in cascade model.**

FINANCIAL HIGHLIGHTS (in million NPR unless specified)

Particulars	FY 2074-75	FY 2073-74	% Change
Electricity sale to NEA	477.1	478.9	-0.4%
Electricity sale and services to consumers	189.3	183.9	2.9%
Generation Expense	263.3	282.9	-7.0%
Distribution Expense	110.8	97.3	14.0%
Gross profit	292.3	282.6	3.4%
Other income including dividend received	556.9	589.8	-5.6%
Administrative and other expenses	126.1	121.5	3.83%
Profit before interest and taxes	723.0	750.9	-3.72%
Profit before taxes	750.2	686.1	9.3%
Net profit after tax	702.3	668.0	5.13%
Investment in other companies	2866.9	2447.4	17.14%
Earnings per share (in NPR)	36.33	37.02	
Net worth (Equity)	6,510	4,392	48.2%

THE GROUP CONSOLIDATED FINANCIAL STATUS FOR THE YEAR IS AS UNDER: (in million NPR unless specified)

PARTICULARS	FY 2074-75	FY 2073-74	% Change
Revenue	1808.6	1452.9	24.5%
Cost of sales	1312.0	1016.3	29.1%
Gross Profit	496.6	436.6	13.7%
Profit before interest and taxes	828.6	907.1	-8.6%
Profit before tax	820.4	828.9	-1.02%
Profit after tax	745.4	790.9	-5.76%
Profit attributable to owners of parent	723.2	740.1	-2.28%
Profit attributable to non-controlling interest	22.2	50.8	-56.3%
Earning Per Share	37.41	41.01	
Net worth	7009.7	4856.6	44.3%

turnover of previous year. The tax liabilities and administrative expenses of the group companies have also increased. The group net profit after tax stands at NPR 745.4 million, which is a decrease of 5.76% compared to the net profit of previous fiscal year. Further, the group earning per share has also decreased to NPR 37.41, which was NPR 41.01 in the previous year.

Operations

GENERATION BUSINESS

The Company owns and operates 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. Both plants operated satisfactorily and generated 133.82 GWh, out of which 71.24 % of total available energy was supplied to NEA and 26.44 % to distribution business of the Company.

Andhikhola Power Plant generated 65.12 GWh with plant factor of 78.87%, a decrease of 4.92 % (3.37GWh) over the last year due to decrease in water discharge in the river and problem in the obermeyer gate and main valve. Out of total available energy, 35.95 GWh (53.21%) was supplied to NEA including Kaligandaki compensation of 3.17 GWh, and 30.05 GWh (44.49%) to the distribution business of the Company.

Jhimruk Power Plant generated 68.69 GWh with plant factor of 64.91%, an increase of 0.68 % (1.26 GWh) over the last year. Out of total available energy, 62.78 GWh (88.38 %) was supplied to NEA and 6.58 GWh (9.27 %) to the distribution business of the Company. The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts. Overhauling of all turbine parts were carried out. The old outdated PLC and protection relay were replaced by new one. The preventive maintenance was carried out as per the schedule. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works were carried out to protect the project area and farmers' land.

Distribution Business

The total energy purchased from Generation during the year was 36.639 GWh which is about 1% more than that of last fiscal year. Increase in purchase is due to the increase in the number of customers which is an increase of 5% in the consumer base maintained in the previous year. A total of 2,655 new consumers were added in the distribution network of the Company and the total consumer base has reached to 54,021 at the end of FY 2074/075. This year 30.638 GWh energy was sold to consumers and 0.063 GWh was consumed in the staff quarters and distribution offices. The total sale has slightly decreased by 0.04% compared to the sale of previous year. This is mainly due to 5% reduction in average unit consumption.

Subsidiary and Associates

THE COMPANY'S INVESTMENT PORTFOLIO AS ON END OF ASHADH 2075

BPC has equity investments in the following companies valued at cost and at fair value:

Name of company	No. of shares	Holding (%)	Investment at Cost (in NPR)	Investment at Fair Value (in NPR)
Himal Power Limited	2,978,502	16.88	434,931,461	1,137,772,578
Nepal Hydro & Electric Limited	715,800	51.30	71,580,000	-
Khudi Hydropower Limited	504,000	60.00	50,400,000	-
Khudi Hydropower Limited (Preference Share)	576,000	-	57,600,000	-
Nyadi Hydropower Limited	5,395,710	97.22	539,571,000	-
Kabeli Energy Limited	2,966,860	27.24	296,686,000	-
Hydro-consult Engineering Limited	117,785	80.00	11,778,500	-
BPC Services Limited	100,000	100.00	10,000,000	-
Hydro Lab (P) Limited	10,000	10.73	1,000,000	14,406,648
Jumdi Hydropower Co. Limited	6,395	1.06	639,500	639,500
Gurans Energy Limited	3,319,836	40.00	331,983,600	-
Convertible Loan to Kabeli Energy	-	-	1,260,044	-
Investment in New Projects	-	-	355,801, 276	-
Total	**16,690,888**	-	**2,163,231,381**	**1,152,818,726**

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

Name of company	Net Profit (In million NPR)	Increase (decrease) in net profit	Net Worth (in Million NPR)	Earning Per Share (Rupees in NPR)	Book Value Per Share (Rupees in NPR)
Himal Power Limited	3006.77	-5.0%	6738.94	170.44	381.99
Nepal Hydro & Electric Limited	47.41	-51.8%	410.45	33.98	294.17
Khudi Hydropower Limited	27.69	-0.77%	204.14	32.97	243.03
Hydro-consult Engineering Limited	27.47	114.15%	103.29	186.56	701.58
BPC Services Limited	1.17	81.19%	15.06	11.74	150.57
Hydro Lab (P) Limited	9.52	200.73%	93.35	102.19	1001.87
Gurans Energy Limited	-5.13	-28.1%	800.28	0	96.40

Note: The projects undertaken by Nyadi Hydropower Limited and Kabeli Energy Limited being under construction phase, their financial performance highlights have not been presented. The net profit of Nepal Hydro & Electric Limited is based on the unaudited financial statements availed by the NHE management.

The overall performance of Himal Power Limited, Khudi Hydropower Limited, Hydro-Consult Engineering Limited, BPC Services Limited, Nyadi Hydropower Limited and Hydro Lab Pvt. Ltd. was satisfactory. However, the performance of Nepal Hydro & Electric Limited could not be satisfactory due to interference of majority Board members nominated by other shareholders. A petition has been filed against Nepal Hydro & Electric Limited and its Board members in the Tulsipur High Court, Butwal Bench to establish the right of the Company for nominating the majority Board members therein as per the shareholding ratio. Further, the progress of Kabeli Energy Limited and Gurans Energy Limited was not as expected due to slow progress in the construction of Kabeli-A Hydroelectric Project.

The Company received return on investment as follows from the following subsidiary and associate companies:

Name of Company	Dividend Amount in NPR (from the profit of F/Y 2073/074)
Himal Power Limited	492,487,474
Hydro-Consult Engineering Limited	2,944,625
Khudi Hydropower Limited (Preference Dividend)	16,835,104
Total	512,267,203

PROJECTS

30 MW Nyadi Hydropower Project (NHP) is located at Marsyangdi Rural Municipality, Lamjung. The overall progress of NHP is over 50%. The breakthrough of headrace tunnel excavation was done in November 2018. The total length of headrace tunnel is 3840 meter. Diversion tunnel, flushing tunnel, surge shaft excavation, penstock alignment rock excavation and saddle support concrete works, tailrace box culvert, access road track opening, excavation of foundation of powerhouse and permanent housing have been completed. The contractor has started fabrication of penstock pipe at project site. The contract for construction of 132kV transmission line has been awarded, and the contractor has completed the tower design. NEA has invited tender for construction of 220kV Udipur-Khudi-Manang Transmission Line including sub-station at Tarikuna, Khudi. The power generated from NHP will be delivered to NEA at Tarikuna sub-station. The contractor has started fabrication of penstock pipe at project site. The total capital work in progress amounts to NPR 1318 million as of mid-July, 2018. The required commercial operation date of NHP is scheduled in April 18, 2020. NHP will generate 168.55 GWh annually. By the end of this fiscal year, the process of public issuance of share is expected to be initiated.

37.6 MW Kabeli-A Hydroelectric Project (KAHEP) is located in Taplejung and Panchther Districts. The overall progress of the project is about 22%. The Contractor for civil and hydro-mechanical works has completed the construction of basic facilities like Contractors' camp and construction power supply. The Contractor has completed the remaining works on access road for good accessibility to work sites at barrage, surge shaft and power house. Similarly contractor is progressing with stabilization of land benches where employer's permanent camp will be located. Contractor has installed crushing plant and batching plant at headworks site. The excavation of 380 m access tunnel towards main project structures and 560 m head race tunnel (460 m from inlet side and 100 m from outlet side) have been completed. Similarly, a notice to proceed has been issued to the Contractor for electromechanical works and the Contractor is progressing with design and drawing of electromechanical works. The direct financial support of NPR 11.79 million has been provided to the project affected areas for rural electrification. The electrification is in progress and around 650 households have been electrified. The work is underway to electrify the remaining households. The total capital work in progress amounts to NPR 1642 million as of mid-July, 2018. The progress of the project is not as expected. The extensive follow up has been made with the Contractor for the progress of civil works in compliance with the contractual arrangement.

140 MW Lower Manang Marsyangdi Hydropower Project (LMMHP), is located in the southern part of Manang district. The Generation License of LMMHP has been obtained from the Ministry of Energy, Water Resources and Irrigation. The GIS study has been completed for the purpose of evacuation of electricity generated from LMMHP. The process of concluding the connection agreement is in the advance stage.

The energy generated by LMMHP will be sold to NEA. NEA has issued the tender notice for construction 220kV Marsyangdi corridor transmission line through which NEA will off take the power supplied by LMMHP. LMMHP will be developed by setting up a project company in joint venture with the Chinese Partners: Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC). This project will be optimized together with MMHP so as to develop these projects in cascade.

282 MW Manang Marsyangdi Hydropower Project (MMHP) is located in Manang District. MMHP is being developed by Manang Marsyangdi Hydropower Company Pvt. Ltd. (MMHCPL). The acquisition of entire shares of MMHPCL is in the advance stage. The Generation License of MMHP has been obtained from the Ministry of Energy, Water Resources and Irrigation. MMHP will be developed in joint venture with the Chinese Partners. The preparatory works for optimization of these projects is underway.

600 MW Upper Marsyangdi-2 Hydropower Project (UMHP) and associated transmission line, is located in Manang and Lamjung districts. UMHP is being developed by Himtal Hydropower Company Pvt. Ltd. (HHCPL). The acquisition of entire shares of HHCPL is in the advance stage. The shares are being acquired by BPC and Chinese Partners. UMHP will be optimized to supply the energy generated from the project for domestic energy market.

8.5 MW Chinokhola Hydropower Project (CKHP) is located in Manang District. The feasibility study of CKHP has been completed. EIA study and detail design of CKHP is underway. The energy generated from CKHP will be supplied to Marsyangdi cascade projects (MMHP, LMMHP and UMHP) for construction power and thereafter to NEA. The project development modality of CKHP is under preparation and will be finalized shortly.

160 MW Mugu Karnali Hydropower Project (MKHP), is located in Mugu District. The Survey License of MKHP was obtained from the Ministry of Energy, Water Resources and Irrigation in November 23, 2017. The contract for carrying out the feasibility study and EIA study of MKHP has been awarded to Hydro Consult Engineering Ltd (HCEL) in 23 February, 2018. HCEL has started the feasibility study of MKHP.

New Initiative

The Company has identified some studied projects in Karnali basin. Preliminary works to acquire few projects have started with a view to develop jointly with the Chinese Partners.

CORPORATE GOVERNANCE

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

Board of Directors

There were few changes in the Board of Directors. GoN nominated Mr. Sandip Kumar Dev in place of Mr. Chiranjeewee Chataut on 03 September, 2018 (2075.05.18). Mr. Chiranjeewee Chataut represented GoN as Director from 05 February, 2017 to 02 September, 2018. The Board of Directors appointed Mr. Chandi Prasad Shrestha, the Shareholder, in the vacant position of Director representing the general public shareholders on 15 Jestha, 2075 for a period up to the 26th Annual General Meeting. The amendment in Articles of Association approved by the 25th

Annual General Meeting to revise the structure of the Board of Directors was recorded in the Office of the Company Registrar on 30 Jestha, 2075. Two Directors including one female Director representing the general public shareholders and two Independent Directors will be appointed by the 26th Annual General Meeting.

Board Committees

The Board committees, including the Audit Committee required by the Company Act, 2063, performed actively to discharge their duties and responsibilities.

Audit Committee has provided substantial input in the internal control and financial governance of the Company.

Finance and Budget Committee helped the Board by scrutinizing and controlling the budgets of the Company and providing strategic directions in financial management of the company.

Operation and Maintenance Committee provided the guidelines to the management for operation, maintenance and operational efficiency of generation and distribution business of the Company.

The details of shareholding pattern, Board structure and Board committees of the Company and their members are disclosed in the Corporate Governance Report. The Board has recently approved the terms of reference of Audit Committee, Risk Management Committee and Assets and Liabilities Committee in line with the Corporate Governance Guidelines issued by the Securities Board of Nepal. These committees will get complete shape after completion of election of Directors representing public shareholders and appointment of Independent Directors.

Flood Monitoring System installed in the upstream of Jhimruk Power Plant Dam.

SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company has changed significantly. With the further public offering (FPO), the ownership percentage of the institutional shareholders in other groups has been diluted. Now, the general public shareholders hold around 32% shares in the Company. The number of shareholders was 87,012 at the end of F/Y 2074/075.

MANAGEMENT

The management of the Company is led by CEO Mr. Uttar Kumar Shrestha. Mr. Shrestha has long management experience in NEA. He has been leading the management of the Company over 4 years successfully.

IMPLEMENTATION OF SEBON CORPORATE GOVERNANCE GUIDELINE 2074

The Corporate Governance Guidelines, 2074 issued by the Securities Board of Nepal (SEBON) was come into effect from 1 Srawan, 2075. The Company has started to implement these guidelines. Periodic reporting has been done by the Company. The process of setting up the different committees envisioned by the guidelines has started.

Human Resource

The number of employees counts 224 employees at the end of the FY 2074/75. The optimization of human resources base of the Company has been taken as the continued process.

At the End of Fiscal Year	Total employees	Regular	Contract
2074/75	224	203	21
2073/74	229	212	17

The various trainings, workshops and seminars were conducted for capacity building and professional growth of the employees as well as to meet future requirement of the Company.

The Personnel Manual has been amended to meet the new requirements of the Labour Act, 2074. A Labour Relation Committee has been set up in line with the Labour Act, 2074. The cordial relation has been maintained with Employees Union.

Health, Safety and Environment

The Company has been recertified with ISO 9001:2015 (Quality Management Systems); ISO 14001:2015 (Environment Management Systems) on 17 September, 2018 and ISO 18001:2007 (Occupational Health, Safety and Security) on 23 May, 2017. OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization.

These have been integrated and implemented as part of its overall business operations, system and procedures of the Company. The medical and accidental insurance policies of all employees have been maintained. Internal and external audits on management systems were carried out for continual improvement. The safe working environment has been ensured, with all safety measures in place.

Industrial and Business Relations

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

The Company has established partnership with international agencies such as IFC, World Bank, Infra-Co Asia (Singapore) at different area of business relationship in development of hydropower projects. The Company has further established partnership with three renowned Chinese companies viz. Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC). These companies have proven track record in the sector of hydropower development in China.

Enterprise Risk Management

Enterprise Risk Management System has been implemented through identification, assessment, planning and mitigation of the risks across the Company. The Company regularly analyzes the risks through the matrix of high, medium or low risk measurement and adopts the appropriate risk mitigation strategy. To maintain the risks at a relatively low level, the risks are avoided, transferred, reduced and accepted depending upon the nature of risk and the company's risk appetite. Risk Management Committee has been monitoring the risks associated with the activities being carried out by the different business units across the Company. All assets of the Company, including human resource, are insured with a reliable insurance company.

Internal Control and Accountability

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management systems. Also, the internal audit has been carried out periodically by an independent auditor for assessment of the internal control and risk management of the company. The recommendations of the internal auditor and the decisions of the Audit Committee have been implemented by the Management. M/s PL Shrestha & Co., Chartered Accountants, performed the internal audit of the Company in FY 2074/75.

Statutory Audit

M/s BRS Neupane & Co., Chartered Accountants, audited the books and accounts of the Company for FY 2074/75. The auditor has issued an unqualified report on financial statements of the Company.

Share Registrar and Share Transactions

NMB Capital Ltd is share registrar of the Company. There is no case of share forfeiture and share buyback during the year. The summary of annual share transaction highlights of the company is as under:

Max. Price	Min. Price	Closing Price	Transaction Days	Transactions	Volume of Transaction	Turnover Amount
783	420	457	231	15,059	2,659,692	1,599 million.

Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length price, as per the best industry practices and prevailing law. All major transactions, which the Company undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2074/75.

Shareholders' Suggestions and Communication

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

Award and Recognitions

The Company has been awarded the Runner up Best Presented Annual Report Award, 2017 by the Institute of Chartered Accountants of Nepal (ICAN) in 17 July, 2018 for excellence in the presentation of its annual report. The Company also received Frost & Sullivan – 2017 Nepal Market Leadership Award in Hydropower in 15 March, 2018.

Business Environment and Investment Climate

The investment climate and business environment of the country is improving. The GoN is in the process of enactment of different policy, legal and procedural measures to promote the investments in different sectors under the new Constitution of Nepal. Hydropower is one of the priority sectors of GoN. NEA has been importing electricity from India to meet the energy requirement of the country. Many hydropower projects are under construction and pipeline. There is ample scope for export of electricity in Bangladesh and India. Bangladesh is showing intense interest to import and invest in hydropower of Nepal. Preliminary understandings have been agreed upon. Nepal's large perennial rivers with favorable conditions for generation of power are ample opportunities for investment in hydropower development. In the context of Nepal's federal, provincial and local governance, the clarity on ownership of water resources, benefits sharing, facilitation and legal requirements are expected to be well addressed. The expectations of local stakeholders are affecting the ongoing projects. Stakeholder's engagement has been emphasized to get minimum disturbances on the ongoing construction of hydropower projects.

The GoN vide its budget for FY 2075/076has planned to generate 5,000 MW electricity in 5 years and 15,000 MW in 10 years. NEA has already fixed the tariff for the electricity generated from reservoir and peaking Run of the River (RoR) projects. The NEA has adopted a policy for PPA in USD for projects more than 100 MW having foreign investment. The GoN has made an effort to attract more investment in hydropower sector for meeting the energy need of the country by providing income tax holiday for the first 10 years and 50% waiver thereafter for the next 5 years to the projects that

BPC shareholders addressing their views at 25th Annual General Meeting

come into the operation by 2022/23. However, still there are some area to be addressed by the GoN and its undertaking NEA for promotion of private investment in hydropower sector. The management of forex risk, policy stability, process simplification, accountability, transparency and timely delivery of services are the areas of improvement.

Dividend

The Company has adopted stable dividend policy. Considering the dividend policy and future plans of the Company to develop hydropower projects, the Board has proposed to the 26th Annual General Meeting of the Company to distribute 18% cash dividend and 10% bonus shares to the shareholders from the net profit of F/Y 2074/75 and retained earnings.

The Year Ahead

The Company is already in the middle of F/Y 2075/076. Some of the works carried out in last five months have been included in the report. The remaining period of this year is going to be crucial to the Company mainly for the optimization of projects and obtaining the licenses and approvals and signing the project development agreement. The running power plants seem to perform satisfactorily throughout this year. The Board has expected to complete the following project related works in this F/Y 2075/076.

- Optimization of MMHP, LMMHP and UMHP as cascade projects;
- Negotiation of PDA of MMHP, LMMHP and UMHP;
- Conclude PPA of MMHP and LMMHP;
- Complete EIA and setting up project company of CKHP; and
- Complete Feasibility Study of MKHP.

Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, Foreign partners, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed, supported and provided assistance directly or indirectly towards the betterment of the company in the F/Y 2074/75.

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

Thanking you.

On behalf of the Board of Directors

Padma Jyoti
Chairman
Date: 11 January, 2019

Investment in hydropower takes long time to get return. Managing hydropower development is a rigorous process with multiple interfaces. It encompasses the management of technical, financial, contractual, social, environmental, legal, regulatory, bureaucratic and political aspects. In doing so, the key is the confidence and support accorded by the Board and shareholders of the Company.

The management is working hard on materializing the target set by the Board to start the construction of around 1000 MW in five years, in joint venture with the strategic partner. The JV cooperation with Sichuan Investment Group Ltd., Chengdu Xingcheng Investment Group Co. Ltd. and Sichuan Qingyuan Engineering Consulting Co. Ltd. has taken a path with the establishment of JV company, and the process of acquisition of 282 MW Manang Marsyangdi Hydropower Project and 600 MW Upper Marsyandgi –II Hydropower Project is in the advance stage. These two projects together with 140 MW Lower Manang Maryangdi Hydropower Project, which Generation License has been received, will be optimized and developed to supply the power to the internal energy market. Further, the preparation has started to develop 8.5 MW Chino Khola Hydropower Project to supply construction power to these cascade projects during construction period and to sale energy to NEA thereafter. The implementation of cascade projects will bring a paradigm shift to the Company.

30 MW Nyadi Hydropower Project and 37.6 MW Kabeli-A Hydroelectric Project are under construction through subsidiary and associate companies. Due attention has been given in these projects. Also, the feasibility study of 160 MW Mugu Karnali Hydropower Project has been started by obtaining the survey license from the Ministry of Energy, Water Resources and Irrigation. The effort to explore the potential projects is continue.

Two operating hydropower plants Andhikhola & Jhimrukh are running smoothly generating 133 GWh of energy during the year with a gross revenue of NPR 666.4 million this year. Flood monitoring system was installed at the upstream of the Dam of the Jhimruk Power Plant in Jhimruk River to monitor the flood level. This system will help the plant to minimize the erosion of the turbine due to high silt and also act as warning alarm to alert the community during high flood.

The company raised fund of NPR 2.1 billion through FPO for the purpose of investment on Hydropower projects. In the year 2017/18, we succeeded to increase the net profit before tax to Rs. 750 million with an increase by 9.35% compared to previous year. Consolidated Group performance stands at NPR 818.5 million profit before tax which is shortfall by 1.25% this year. We are able to declare 18% cash dividend and 10% stock dividend for the year 2017/018 with a steady progress in delivering the return to shareholders of the Company.

The company is recertified with an upgraded version of ISO on quality, environment and occupational health and safety standards. The company is able being awarded by Best Presented Annual Report award continuously for one decade. The company also conducted the various CSR activities and social support beyond the legal requirements.

There is much to do in the country to utilize the abundant water resources and develop the hydropower projects. Now, the government has set a target to develop 15,000 MW in ten years. Our efforts are to help the government in achieving its targets. Also, the government has established cooperation and understanding to export the electricity to the energy market in the neighboring country, which will give further impetus for the development more hydropower project in Nepal. Policy and legal reform has also been initiated. The enactment of law relating to the electricity regulatory commission will further pave for the development of hydropower projects in Nepal. Nepal Electricity Authority has come up with certain flexibility for concluding power purchase agreement in USD for the project more than 100 MW having foreign investment. It is hoped that Nepal Electricity Authority will plan, implement and bring into the operation of transmission lines in different river corridors to evacuate the power and to ease the speedy development of hydropower projects.

Last but not the least, I would like to thank to the Board, shareholders, the employees of the Company for their support and confidence accorded to the management. I further would like to thank to the governmental agencies, regulators, partners, consumers and other stakeholders for their support.

Uttar Kumar Shrestha
Chief Executive Officer

CORPORATE GOVERNANCE

BPC is committed to, and acknowledged, as a leader in maintaining sound corporate governance. We strive to keep the trust of our stakeholders being ethical, honest and transparent in its business operations in the continuing pursuit of our vision, mission and values.

The corporate governance has been maintained in the company in line with the Corporate Value Framework adopted by the Board on December 6, 2010. The framework specifies core values, business principles, code of corporate governance, code of conducts and ethics. The framework is based on the best corporate principles of corporate governance, existing legal requirements and the Memorandum and Articles of Association of the Company. The company has thrived to maintain the highest level of transparency, accountability and equity in its operations and in all interactions with its shareholders and other stakeholders as well as the government and other regulatory bodies. All focus and efforts of the company are dedicated and committed to promote the enterprise values and safeguarding trust of its shareholders being honest and transparent in business practices as responsible corporate citizen of the country.

Share Ownership Structure

The share ownership structure of the Company in F/Y 2074/075 after issue of FPO is as under.

Group	Shareholder	% Holding	Remark
A	Government of Nepal United Mission to Nepal NIDC Development Bank Ltd. Nepal Electricity Authority	7.42% 1.37% 0.05% 0.86%	9.70%
B	Shangri-La Energy Limited IKN Nepal AS	56.27% 1.58%	57.85%
C	General Public (including Employees)	32.45%	32.45%
	Total	**100%**	**100%**

Board of Directors and Board Committees

BOARD OF DIRECTORS

The Board is the apex body of the company management with supervisory and facilitative role for the better performance of the company, its future plans, major business strategies, risk management and other pertinent policy issues. The board has formed Board Committees to perform specific tasks and responsibilities. Mr. Hari Bahadur Budhathoki served as company secretary of the company. The Company Secretary fulfilled his responsibilities well and advised to the Board of Directors in regards to the legal requirements, compliance and company affairs.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role and function of Chairman and Chief Executive Officer has been separated. The Chairman is responsible for the strategic direction and efficient conduct of Board meetings of the company. He also maintained close relationship with directors, board committees and accountable to the shareholders. The CEO is made responsible for overall performance of the Company for achievement of the company objectives and accountable to the chairman and board of directors.

RESPONSIBILITIES OF THE BOARD

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

The board has the following specific functions:

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

BOARD COMPOSITION

The Board of Directors of the Company is composed of nine Directors with representation of shareholders as follows:

NAME	POSITION	GROUP	REPRESENTING
Mr. Padma Jyoti	Chairperson	B	SEL
Mr. Pradeep Kumar Shrestha	Director	B	SEL
Mr. Bijaya Krishna Shrestha	Director	B	SEL
Mr. Om Prakash Shrestha	Director	B	SEL
Mr. Sandip Kumar Dev	Director	A	GoN
Mr. Chandi Prasad Shrestha	Director	C	General Public
Vacant	Director	C	General Public
Vacant	Independent Director	-	-
Vacant	Independent Director	-	-
Mr. Bijay Bahadur Shrestha	Alt. Director	B	SEL
Mr. Sanjib Rajbhandari	Alt. Director	B	SEL

Note:

* GoN nominated Mr. Sandip Kumar Dev in place of Mr. Chiranjeewee Chataut from September 03, 2018 (2075.05.18). Mr Chiranjeewee Chataut represented GoN as Director from February 05, 2017 to September 02, 2018.

** In a vacant position of Director representing general public, Mr. Chandi Prasad Shrestha, the Shareholder, was appointed by the Board on May 29, 2018 (2075.02.15) for a period up to the 26th Annual General Meeting of the Company.
The vacant position of directors shall be fulfilled in upcoming Annual General Meeting of the Company.

- To ensure that mechanisms are in place for maintaining the integrity of the business;
- To ensure an adequate framework for risk assessment and management;
- To provide counsel for development of top management team;
- To delegate appropriate authority to the CEO that it can manage business operations effectively and efficiently.

BOARD MEETINGS

The Board had adopted an annual meeting calendar on 27 Ashadh, 2074 for F/Y 2074/075. A total of thirteen meetings were held during the year. The Directors were communicated the notice, agenda and agenda materials of the Board meeting well ahead of the meetings to ensure the adequate and active discussion on the agenda before arriving at resolutions. The longest gap between meetings was 67 days and the shortest was 12 days. The attendance for the Board meetings was as follows:

NAME	DESIGNATION	MEETINGS ATTENDED	REMARK
Mr. Padma Jyoti	Chairperson	16/16	
Mr. Pradeep Kumar Shrestha	Director	15/16	
Mr. Bijaya Krishna Shrestha	Director	16/16	
Mr. Rajib Raj Bhandari	Director	5/16	
Mr. Om Prakash Shrestha	Director	11/16	
Mr. Sandip Kumar Dev	Director	-	From 2075.05.18
Mr. Chiranjeewee Chataut	Director	14/16	
Mr. Chandi Prasad Shrestha	Director	15/16	
Mr. Divakar Vaidya	Director	13/16	Till 2075.02.08
Mr. Bijay Bahadur Shrestha	Alt. Director	11/16	
Mr. Sanjib Rajbhandari	Alt. Director	-	
Mr. Hari Bahadur Budhathoki	Company Secretary	16/16	

Note: The meetings attended by the Board members mentioned in the above refers the attendance of the Board meeting by the Director and Alt. Director in the capacity of Director having full voting right in the Board meeting.

FEE AND ALLOWANCES OF DIRECTORS

The 21st Annual General Meeting revised the allowances of the Board members, which is in effect from Falgun 12, 2070. The allowances of the Board members are as follows:

1. The meeting fee for attending the meeting of the Board and Board Committee formed by the Board is Rs. 5,000 per meeting;
2. The transportation allowance to all Board members is NPR 1,000 per month
3. The telephone allowance for Board Members is NPR 4,500 per month and for the Chairperson is NPR 6,000 per month.

BPC Board Meeting.

Board Committees

The Company has Audit Committee, Budget and Finance Committee and Operation and Maintenance Committee set up by the Board. However, the Board has recently approved the terms of reference of Audit Committee, Assets and Liabilities Committee and Risk Management Committee as per the requirement of the SEBON Corporate Governance Guidelines, 2074. The Board will set up these new committees after concluding the 26th Annual General Meeting of the Company to be held on January 11, 2019.

AUDIT COMMITTEE

The Audit Committee consists of three Directors as under:

NAME	POSITION
Mr. Chandi Prasad Shrestha	Chairman
Mr. Bijaya Krishna Shrestha	Member
Mr. Bijaya Bahadur Shrestha (From 29th May 2018)	Member
Mr. Divakar Vaidya (Till 22 May 2018)	Member

Company Secretary acts as secretary of the Audit Committee. CEO and functional heads attends the meetings. As prescribed by the Section 165 of the Companies Act, 2063, function of the audit committee is underlined below:

1. Review financial statements, internal control and risk management systems;
2. Review internal and external audit reports;
3. To appoint internal auditor with approved TOR following the guidelines of the code of conduct, standards and directives issued by the Institute of Chartered Accountants of Nepal;
4. Recommend the name of an statutory auditor, remuneration and other terms and conditions of appointment to the Annual General Meeting for ratification;
5. Monitor and supervise the auditor on following of the code of conduct, standards and directives;
6. Review and approve the company's accounting policy; and
7. Perform any other tasks on policy matters regarding accounting, financial statements or auditing as assigned by the board of directors.

The audit committee performed the specified jobs as prescribed by the act. The Audit Committee conducted 4 meetings in this fiscal year.

BUDGET & FINANCE COMMITTEE

The Budget and Finance Committee consists of two Directors as under:

NAME	POSITION
Mr. Bijay Bahadur Shrestha	Convenor
Mr. Bijaya Krishna Shrestha	Member

VP-Finance acts as secretary of the Budget & Finance Committee. CEO, functional heads attends the meetings. The functions of the committee are underlined below:

1. Scrutinize the annual budget proposed by the management and recommends and recommend to the board for approval;
2. Responsible to the Board in securing best financing deal for borrowings to meet BPC's financing needs
3. Assess financing requirements
4. Counsel CEO and Head of Finance in dealing with Banks
5. Negotiate with Banks when necessary on interest rates, securities, guarantees etc.
6. Finalize financing terms and recommend to the Board for approval.

The Budget and Finance committee performed the specified jobs as stipulated above. The committee played vital role in the FPO process viz. selection of issue manager, valuation of share, review of projected financial statement and prepayment of term loan borrowed for Andhikhola upgrading project. The Budget and Finance Committee conducted 14 meetings in this fiscal year.

OPERATION AND MAINTENANCE COMMITTEE

The Operation and Maintenance Committee was set up on April 04, 2016 (Chaitra 22, 2072) to monitor the plans, targets and achievements in generation, distribution, maintenance and operational efficiencies, and review the works and activities of the management in these areas, and to provide guidance to the management, to improve the overall operations business. The committee consists of three boards of director as under:

Name	Position
Mr. Divakar Vaidya (Till 22 May 2018)	Convenor
Mr. Shyam Kishor Yadav (Till 02 September 2018)	Member
Mr. Om Prakash Shrestha	Member

Head-Operation acts as secretary of the Operation and Maintenance Committee. CEO, functional heads attends the meetings. The Operation and Maintenance Committee had two meetings in this fiscal year.

Compliance of SEBON Corporate Governance Guideline 2074

The SEBON Corporate Governance Guidelines, 2074 came into effect from Shrawan 1, 2075 which requires the company to set up Audit Committee, Asset and Liabilities Committee (to evaluate the assets and liabilities of the company), and Risk Management Committee (to mitigate and management of the possible organizational and financial risk of the company) at board level. BPC has complied this statutory requirement.

The Board designated Mr. Ratna Sambhava Shakya, Chief Manager-Finance of the company as Compliance Officer to ensure and reporting on the compliance of SEBON Corporate Governance Guidelines, 2074 as part of statutory requirement. The company is committed to comply all relevant Acts, Regulations and the legal requirements on Quality, Environment and Health and Safety as well. The company has complied with its all legal and regulatory requirements. The company also complied all terms and conditions mentioned in the Generation, Transmission and Distribution Licenses issued by the GoN.

Relation's with Shareholders

The 25th annual general meeting of shareholders was held on May 22, 2018. A total of 591 shareholders representing 70.23% shares attended the general meeting and thirteen shareholders actively participated in the discussion. With appreciation for distributing cash dividend, the shareholders also suggested to provide stock dividend, enhance operational excellence, disclosure of the progress achieved in the projects and subsidiaries, and expansion of the business of the company. The suggestions of the shareholders have been taken at the right earnest commensurate with the need of business operations of the Company, which are reviewed, analyzed and implemented on merits in the business interest of the company.

Communication with Stakeholders

The shareholders were communicated of the notice of 25th annual general meeting and abridged financial report of the company through newspaper and the website of the company for ready information to the shareholders. Further, the minutes of meeting of the general meeting were published in the newspaper and web site of the company for information to the stakeholders. The quarterly financial reports of the company were also published in the newspaper and website of the company for information to the stakeholders. The other information of the company activities and specific reports are also communicated to the stakeholders through web site of the company for their ready reference.

Share Registrar

The service agreement with NMB Capital is renewed as Share Registrar of the Company.

Dividend Distribution

The 25th Annual General Meeting had approved the distribution of 20% cash dividend from the net profit of F/Y 2073/074. The approval of the Ministry of Finance received via Ministry of Energy for distribution of dividend to the shareholders excluding UMN was received on Ashadh 25, 2075 pursuant to the Section 182 (2) of the Company Act, 2063; and accordingly, the distribution of dividend was started on Ashadh 28, 2075.

Transparency and Disclosures

BPC believes in transparency of its business operations and makes disclosures as required. The disclosures on related-party transactions, contingent liabilities and other relevant information are made in the notes to the financial statements.

Reporting to Regulators

The statutory reports in line with the reporting requirements prescribed by the prevalent laws and regulations have been submitted to the Securities Board of Nepal, Nepal Stock Exchange Limited, CDS and Clearing Limited, the Company Registrar's Office, the Large Tax Payers' Office and the Department of Electricity Development timely by the Company.

Risk Management

BPC has implemented the Enterprise Risk Management System and is managing risks through the process of identification, assessment, mitigation, and monitoring the risks associated with the activities being carried out by the different business units across the Company. Risk registers has been prepared, updated and monitored. A Risk Management Committee comprising all VPs and SBU Heads under the chair of CEO is coordinating and monitoring the risk management activities for effective risk management in the Company.

The assets of the Company are adequately insured against operation risk (covering Fire and allied perils, Business Machine, Transit, Money, Fidelity and Burglary) and revenue risk (covering Loss of Profit and construction risk covering contractor's all risk, erection all risk, third party liability including materials damages). The repair and maintenance of power plants and distribution lines are done timely as per the maintenance schedule. Good relations are maintained with the local people in the project vicinity.

Internal Control and Accountability

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

The company obtained the services from independent auditors/consultants to ensure the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The internal audit reports are reviewed by the Audit Committee and are discussed with management for corrective and improvement measures. The statutory auditor examines the financial statements in line with the Nepal Financial Reporting Standard (NFRS), prevailing Act, Rules and Regulations and issues his report. BPC has prepared IFRS/NFRS compliant financial statements from the year 2017 and presented first time adoption financial statement according to IFRS/NFRS last year.

According to the Internal and External audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied upon. The Company has kept proper books of accounts as required by law and internationally adopted standard and therefore give a true and fair view, in all material respects the financial position of the Company as at Ashadh 32, 2075 and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and comply with Companies Act 2063.

Management

Business operations and management of the company is managed by the management team under the leadership of CEO Mr. Uttar Kumar Shrestha. The management improved performance during the FY 2074/75 with fulfillment of major tasks as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors and Board Committees.

Management Review and Responsibility

A comprehensive report on key initiatives undertaken during the year, segment performance, five year financial review, achievement and future outlook is being prepared every year and published in company's annual report. Management review meetings are being conducted twice a year for the continual improvement of quality, environment and occupational health and safety management of the company, documented and monitored by ISO core team internally and external ISO auditors as well.

The risk management committee is formed for ensuring ongoing process of identifying, evaluating and managing significant risks. The potential risks, both internal and external, faced by the company and actions taken for mitigating such risk also reported in the annual report. The company's workplace practices, social, environment and ethical aspects and issues are reported by the management in CSR, Health, and Safety and Environment report. The company strives to protect shareholder value and provide consistent return utilizing its resources in a sustainable way.

Shareholding of Board of Directors in BPC

S. NO.	NAME	DESIGNATION	NO. OF SHARES HELD
1	Mr. Padma Jyoti	Chairman	90104
2	Mr. Pradeep Kumar Shrestha	Director	47337
3	Mr. Bijaya Krishna Shrestha	Director	216
4	Mr. Om Prakash Shrestha	Director	None
5	Mr. Sandip Kumar Dev	Director	None
6	Mr. Chandi Prasad Shrestha	Director	314
7	Mr. Bijay Bahadur Shrestha	Alt. Director	30066
8	Mr. Sanjib Rajbhandari	Alt. Director	62051

BPC's representation in its Subsidiaries and Associate Companies

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

COMPANY	BPC 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 Limited	16.88%	Mr. Sanjib Rajbhandari Mr. Bijaya Krishna Shrestha	Director Alt. Director
Hydro Consult Engineering Limited	80%	Mr. Uttar Kumar Shrestha Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha Mr. Ratna Sambhava Shakya	Chairman Director Director Alt. Director
Hydro Lab Pvt. Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Director
Kabeli Energy Ltd.	27.24%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Chairman Director Alt. Director
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Om Prakash Shrestha Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Director Director Alt. Director
Nepal Hydro & Electric Ltd.	51.3%	Mr. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha	Chairman Director
Nyadi Hydropower Limited	97.2%	Mr. Om Prakash Srestha Mr. Pradeep Kumar Shrestha Mr. Uttar Kumar Shrestha Mr. Padma Jyoti	Chairman Director Director Alt. Director
Gurans Energy Limited	40%	Mr. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha	Chairman Director
S.C.I.G. International Nepal Hydro Joint Development Company Pvt. Ltd.	20%	Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Director Director

Top Management and Senior Executives

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

SENIOR EXECUTIVES

S. NO.	NAME	DESIGNATION
1	Mr. Uttar Kumar Shrestha	CEO
2	Mr. Pratik Man Singh Pradhan	VP- Business Development and Project (Deputed in SCIG International Nepal Hydro Joint Development Company Pvt. Ltd. in the capacity of DGM)
3	Mr. Radheshyam Shrestha	VP – Finance
4	Mr. Tikaram Bhatta	VP- Corporate
5	Mr. Prakash Kumar Shrestha	Head –Operations
6	Mr. Ratna Sambhava Shakya	Chief Manager – Finance
7	Mr. Ganesh Prasad Khanal	Sr. Manager, Business Development and Project

Brief Resume of the Board Members and Disclosures

Mr. Padma Jyoti, 72

CHAIRPERSON

- M.E. in Mechanical Engineering from IIT Kanpur, India and MBA from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 16 years of experience in hydropower along with 47 years of experience in industries and business operations.

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

Pradeep Kumar Shrestha, 58

DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal.
- More than16 years of experience in hydropower along with 34 years of experience in industries and business operations

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

Bijaya Krishna Shrestha, 70

DIRECTOR

- Electrical Engineer and MBA graduate from Southern Illinois University, USA.
- More than 11 years of experience in hydropower along with 38 years of experience in the banking, insurance, computer, and electronic sector

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

Om Prakash Shrestha, 59

DIRECTOR

- Bachelor's in Civil Engineering from Punjab University, Chandigarh, India
- More than 8 years of experience in hydropower along with 31 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co
- Director, Interworld Trading

Chandi Prasad Shrestha, 64

DIRECTOR

- MBA and MA in Political Science from Tribhuvan University, Nepal
- Former Secretary of the Government of Nepal with more than 30 years of experience in economy, finance, industry and commerce sector

Sandip Kumar Dev, 49

DIRECTOR

- M. Tech., IIT Rookree, India
- 24 years of public service
- Deputy Director General, Department of Electricity Development, GoN

Bijay Bahadur Shrestha, 63

ALTERNATE DIRECTOR

- MBA graduate from Delhi University, India.
- More than16 years of experience in hydropower along with 33 years of experience in the export sector and more than 18 years of experience in the capital market, banking, financial and insurance sectors.
- Director, United Insurance Ltd
- Director, Shangri-La Energy Limited
- Director, Snowlion Carpets Pvt. Ltd
- Director, Nepal Lube Oil Limited

Sanjib Rajbhandari, 59

ALTERNATE DIRECTOR

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment

Nepal is trying to manage power from internal sources to end load shedding that continued since last decade. Of the total energy required for the year 2018, around 37% is projected to be imported from India. National demand for electricity is growing by around 60 to 70 MW annually which is a great opportunity to the Nepalese hydropower developers like BPC. India and Bangladesh are power hungry neighbors; there is ample scope for export of electricity from Nepal. Bangladesh is showing intense interest to import and invest in hydropower of Nepal. Accordingly, preliminary understandings have been agreed upon. Various sectors of the national economy like agriculture, industry, transport, tourism, health or service etc. are needed to switch on electrical energy in order to minimize the dependency on imported petroleum products. Rising prices, shortages and pollution generating fossil fuels contributes to demand for development of sustainable source for clean energy like hydropower. Nepal's large perennial rivers with favorable conditions for generation of power are ample opportunities for investment in hydropower development.

As Nepal's federal, provincial and local governments are functional well, the clarity on ownership of water resources, benefits sharing, facilitation and legal requirements are expected be well addressed. However, though the local institutions are empowered, the expectations of local stakeholders and interested parties are still adversely affecting the ongoing projects. Stakeholder's engagement has been emphasized to get minimum disturbances on the ongoing construction of hydropower projects.

In order to make the nation self-reliant in electricity and make hydropower as source of prosperity, GoN through fiscal budget 2075/76 has planned to generate additional 5,000 MW electricity within 5 years period and 15,000 MW within 10 years period. Dependency over petroleum product is the major cause of huge trade deficit. This can be reduced through the necessary production and distribution of electricity to meet the demand of household and industrial sector, replacing cooking gas, and using electric transport. Government's recently released transmission line master plan has prioritized the expansion and enhancing transmission line networks to facilitate the hydropower development. The Dhalkebar- Muzaffarpur 400 kV transmission line is in operation and has been used to import power from India to minimize the load shedding. The construction of other 400 kV cross border lines will facilitate to import and export of electricity and attract private developers to go for large hydropower projects.

Hydropower development has been lucrative financing opportunity to banks and financial institutions and Nepalese banks have already started to venture in large hydro projects. Because of the improving investment friendly environment, international financial institutions (IFIs) and banks; attracting foreign as well as local investors for investing in Nepal's hydropower.

Nepal Electricity Authority (NEA) has already fixed the tariff for the electricity to be generated from reservoir and peaking Run of the River (RoR) projects. The NEA is also working on attracting FDI by signing the PPA in foreign currency (US$). The PPA template is also being prepared for such PPA. From this, the developers are encouraged to invest in large reservoir and peaking projects also. For new PPA, the dry energy period has been increased from 4 months to 6 months so that the overall price of RoR projects has been increased. NEA's policy to conclude PPA in US dollar for the projects larger than 100 MW for which investment is made in foreign currency has open access to bring FDI in the larger projects.

GoN to provide incentive for the early completion of hydropower projects with the income tax holiday for the first 10 years and 50 per cent discount thereafter for the next 5 years. The commissioning dates of Nyadi and Kabeli- A Hydroelectric Projects are expected to get these exemptions. Lower Manang Marsyangdi HEP (LMMHEP), Chino Khola Project and other new projects taking up by BPC may get such incentive if construction could be completed before 2022/23.

Financial Performance

NFRS COMPLIANT FINANCIAL STATEMENTS

The company has prepared NFRS compliant financial statements from the last fiscal year

2073/74 BS (year 2017), to fulfil the mandatory provision of Institute of Chartered Accountants of Nepal (ICAN). All subsidiary companies also prepared the NFRS complied financial statements for the compliance and Group consolidated financial statements are also prepared accordingly. NFRS is compatible to IFRS issued by IASB.

Financial Result

BPC's net profit concluded at NPR 702.26 million this year with an increment of 5.13% from last year. Company's revenue increased by 0.53% amounting total turnover to NPR 666.37 million. Thus, the gross profit increased by 3.40% amounting to NPR 292.25. The 5.13% decrease in Other income (including dividend income) amounting to income of NPR 551.96 million in comparison to last year NPR 581.79 million. Similarly, 3.83% increase in the administrative overhead from NPR 121.5 million to NPR 126.15 million resulting to 3.72% decrease in the profit from operation amounting to NPR 723.0 million, which was NPR 750.9 million last year. Financial income increased by 933% amounting to NPR 92.6 million, which was NPR 8.9 million last year. This increase is due to the deposit of FPO amount.

The Earning per share amounts to NPR 36.33, a minor decrease of 1.86% and the net worth of the Company amounts to NPR 6,510 million, an increase of 48.21% compared to last year. The equity has been raised by issuance of 4,081,000 new shares through FPO at a premium price of NPR 501 per share. Additional investment in shares (unlisted companies) is NPR 419.51 million with an increment by 17.14%.

Net Financial Assets

Gross Capital investment in shares and projects was NPR 2,866.9 million in FY 2074-75 as compared to NPR 2,447.4 million in FY 2073-74. The investment was made mainly in Himal Power Limited (60 MW), Nyadi (30 MW), Kabeli project (37.6 MW) and LMMP (140MW).

Intangible Assets

The tenure of the Service Concession Arrangement (license from GoN) of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively. The total amortized assets value to this effect NPR 1,954.3 million has been treated as intangible assets as a leasehold property.

Group Consolidated Financial Statement

BPC has majority share in NHE, Khudi, HCEL and BPCSL. All group companies have prepared IFRS/NFRS compliant financial statements. Group consolidated financial statement is prepared in accordance with the provision of Company Act, 2063 and NFRS. Consolidated turnover amounts to NPR 1,808 million with the increment of 24.5%. Gross profit amounts to NPR 496.6 million with an increment of 13.7% and profit from operation is NPR 828.6 million with a decrease of 8.6%. Similarly, consolidated net profit for the year concluded at NPR 745.4 million with a decrease of 5.76%. Group earning per share stands at Rs. 37.41 per share and net worth is NPR 7,009.7 million which amounts to NPR 315.9 per share.

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

Further Public Issue of Shares

The issuance of further public offering of 4,081,000 shares at the premium price NPR 501 has been completed with fund raising of NPR 2,044.6 million during the year. Additional 84,804 shareholders were added after allotment of FPO resulting total 87,012 shareholders in F/Y 2074/075. This has increased the general public shareholding ownership from 12% to 32.5% in the Company. The fund raised through FPO will be utilized for meeting fund requirement of the Company on Kabeli-A Hydroelectric Project (37.6 MW), Nyadi Hydropower Project (30 MW) and other new projects.

Contribution towards National Economy

The hydropower development has been considered as one of the major factor of economic development of a country. Nepal has vast water resources and favourable geographical conditions for generation of hydroelectricity for internal use and as export commodity. Despite of immense hydropower generation potential, the total generation of hydro- electricity in our country is currently limited to only 1,020 MW, which is 2.43% of its feasible potential of 42,000 MW and 1.23% of gross potential of 83,000 MW.

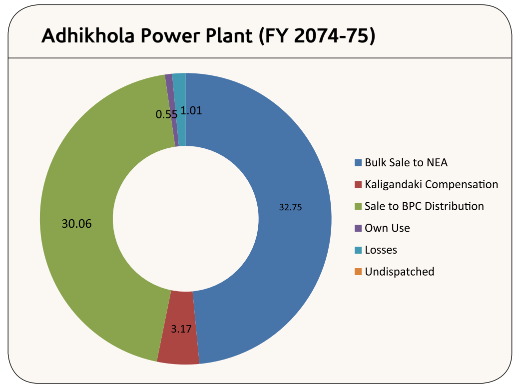
BPC has been operating own two power plants and investing in Khimti (60 MW) and Khudi (4 MW) with total of 34 MW as equity. Its contribution in national hydropower generation is 3.33% in terms of MW and more than 5% in terms of energy of total generated by NEA and IPPs in Nepal. It is around 6.63% contribution as compared with the contribution of IPP generated MW only. Out of total energy estimated to be required in 2018 in the country, around 37% will be imported from India. In terms of total number of national customers BPC serves more than 1.5% of them directly connected through own distribution system in four districts of western Nepal. The total nos. of consumers electrified by BPC till the end of FY 2074/75 is 54,021 which is about 1.5 % of total existing consumers in the country.

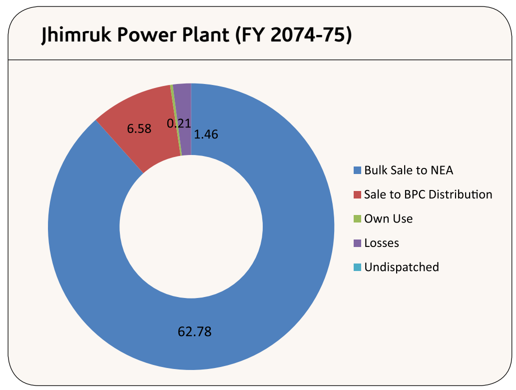
Generation Business

The main objective of the Generation Business Unit is to carry out smooth operation and maintenance of hydropower plants for the sale of energy to its customers. Currently, this Business Unit is involved in overall operation and maintenance management of two hydropower plants – the Andhikhola (9.4 MW) and Jhimruk (12 MW) power plants. The core business of the Company is energy generation and sales; which contributes to the major portion of revenue of the company.

During the fiscal year 2074/75, total generation amounted to 133.82 GWh. About 71.24 % of total available energy was supplied to NEA and 26.44 % to BPC distribution.

Andhikhola Power Plant generated 65.12 GWh with plant factor of 78.87%, a decrease of 4.92 % (3.37GWh) over the last year due to decrease in the water flow in the river and problem in obermeyer gate. Out of total available energy,





35.95 GWh (53.21%) was supplied to NEA including Kaligandaki compensation 3.17 GWh, and 30.05 GWh (44.49%) was sold to BPC Distribution.

Jhimruk Power Plant generated 68.69 GWh with plant factor of 65.17%, an increase of 0.68 % (1.26 GWh) over the last year. Out of total available energy, 62.78 GWh (88.38 %) was supplied to NEA and 6.58 GWh (9.27 %) was sold to BPC Distribution.

The high silt content in Jhimruk River water during monsoon season remained the major factor for severe erosion of turbine parts. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. Update of PLC and protection relay has been carried out. The preventive maintenance was carried out as per the schedule. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works to protect the project area and farmers' land was carried out.

Future Prospects

It is planned to generate 71.86 GWh from Jhimruk Power Plant assuming that NEA will purchase the additional energy throughout the year and 70.11 GWh from Andhikhola Power Plant. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on Average River Discharge of both power plants and estimated outages.

Repair and overhauling of all turbine parts eroded by silt of Jhimruk Power Plant will be carried out. Repair and maintenance of Andhikhola Power Plant will be carried out as per the maintenance procedure of new power plant. The major maintenance of Jhimruk Power Plant has been planned from Jestha to Bhadra, so that the efficiency of the turbine can be gained for rest of the period in that year in order to optimize the generation. Online Sediment Monitoring System will be installed at headworks of Jhimruk Power Plant to monitor the silt continuously in order to save the turbine erosion from silt. Likewise, study to reduce the effect of silt on turbine parts will be carried out. River training works, to channelize water into tunnel will be done in Jhimruk River. Social upliftment program in affected areas will be continued to utilize water for optimizing the generation.

Distribution Business

During the fiscal year 2074/75, the total energy purchased was 36.639 GWh, with the increment of 1% compared to last fiscal year. Increase in purchase is due to the increase in the number of customer this year, with the increment of 5% compared to last fiscal year.

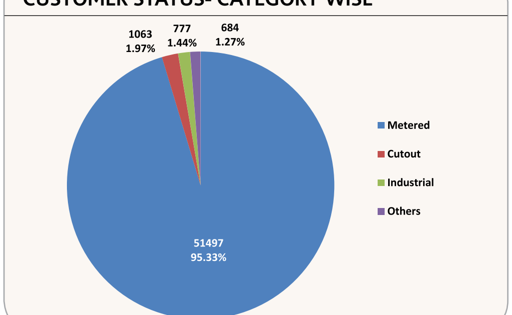
This year 30.638 GWh energy was sold to retail customers and 0.063 GWh was consumed in the staff quarters and distribution offices. The total sale has slightly decreased by 0.04 % compared to last year due to 5% reduction in average unit consumption per month compared to last year.

Out of 30.638 GWh sold to retail customers, 24.66 GWh (80.51%) was sold to metered consumers, 0.3037 GWh (0.99%) to unmetered consumers, 2.711 GWh (8.85%) to industrial consumers and 2.954 GWh (9.64%) to other consumers. In comparison to last year, there is no significant change in energy consumption pattern of different customer category in this year. A comparison of energy sale to different categories of customers for FY 2073/74 and 2074/75 is shown in table below.

Category	Energy Sale (GWh)		Sale (%)	
	2073/74	2074/75	2073/74	2074/75
Cutout	0.381	0.3037	1.24	0.99
Domes-tic-Meter	24.74	24.666	80.71	80.51
Industry	2.682	2.711	8.75	8.85
Others	2.849	2.954	9.29	9.64
Total	**30.65**	**30.638**	**100**	**100**

There has been a slight increase in the revenue this fiscal year compared to last year. Total revenue (billed amount) for this year was 187.93 million rupees, an increase of 2% compared to last year. Out of total revenue, 142.104 million rupees (75.61%) from metered consumers, 22.501 million rupees (11.97%) was from industry, 22.304 million rupees (11.87%) from others consumers, and 1.027 million rupees (0.55%) from unmetered consumers. Though the energy sale has decreased by 0.04%, revenue generation has increased by 2% in comparison to last year.

CUSTOMER STATUS- CATEGORY WISE



The total energy loss for this year was 5.94 GWh, almost 16.21% of the total purchase which is less than the target. Loss minimization has been a focus of the management particularly for the past several years and firm efforts have been made to identify system loss and minimize it. For this purpose, complete metering in network was initiated in the last fiscal year and will be continued in the coming fiscal year as well, which will help to prioritize high loss areas for suitable means of reducing the losses.

By the end of the fiscal year 2074/75, total of 54,021 customers have been electrified in four districts marking an increase of 5% compared to last year. The consumer addition was mostly due to consumer addition in existing network and network expansion done in FY 2073/74. During last year only 2,655 consumers were added, which is less than the targeted figure amounting to 3,039 since this year network expansion was delayed due to delay in delivery of construction material to the site. The consumers have been categorized into three types and their status is illustrated in graphs below.

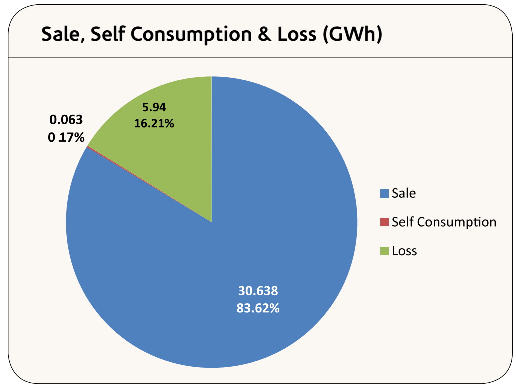
By the end of the year, a total of 2,655 consumers were added. Out of total consumers, 2,888 were domestic metered consumers, 78 others consumers were newly connected, 76 were industrial consumers and 1 was cutout consumer. Further, conversion of cutout consumers into meter was sought. The total of 182 cutout consumers were converted into metered and 460 consumers were disconnected.

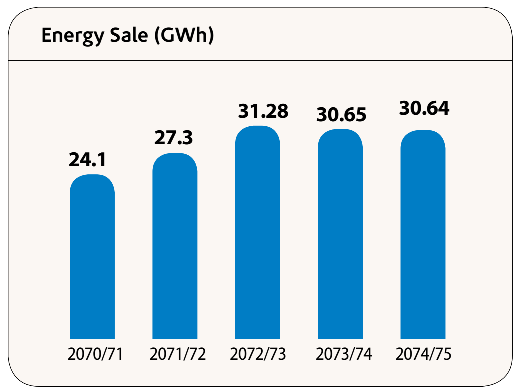
Necessary system expansion for consumer addition was made possible through installation of 5 new transformers of 11 kV & 33 kV increasing the installed capacity from 13,400 kVA to 13,975 kVA. Further, 17.57 km (ckt-km) 33 kV network and 225.59 km (ckt-km) low voltage line was also constructed this year.

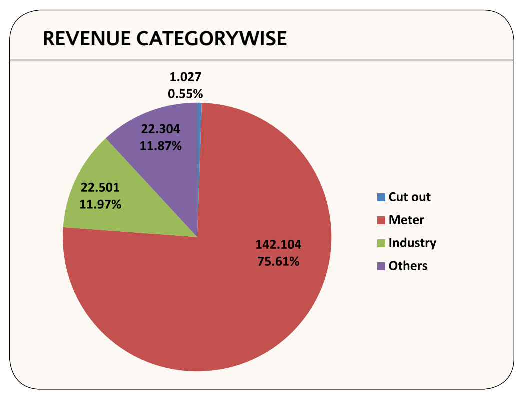
In this year, the average service availability index in the distribution system was 96.7% which is 0.08% increment in comparison to last year.

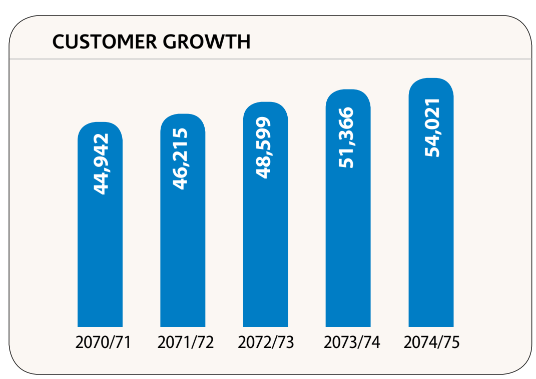
Customer relations

Distribution Business is committed towards its customers for delivering quality service. Hence,









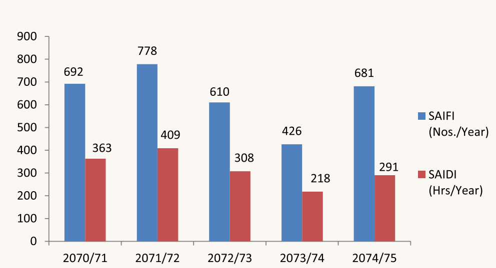
feedbacks from customers are collected on a regular basis and grievances are appeased as per commitment. This year average respond time per complain was within the time period specified in the citizen charter. The total UOs of this year amounts to 114.

Future Prospects

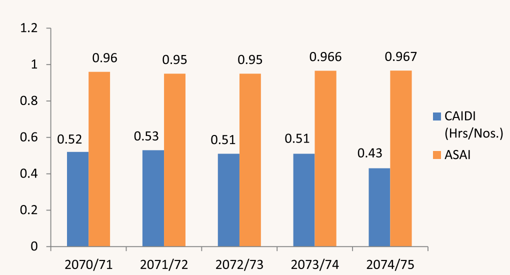
As a part of system expansion, total 2,655 new consumers are facilitated. Out of total consumers, 56 industrial and 111 others consumers are planned for addition in the following year (FY 75/76) by construction of 3.00 Km of 11 kV, 21.93 Km of 33 kV and 174.6 km of low voltage line, with addition of 17 nos. of 33 kV & 1 no. of 11 kV transformers.

Further, distribution also plans to continue demand side management (DSM) in order to lower the existing consumption pattern of retail customers which was initiated last year. Proposed initiative includes distribution of Light Emitting Diode (LED) bulbs to customer free of cost. Further, various awareness programs and printed flyer distribution are also planned for information dissemination.

RELIABILITY INDICES



RELIABILITY INDICES



In the coming year, BPC also plans to install energy meters in distribution transformers of all the remaining feeders for loss monitoring. As a part of energy management for distribution, alternate energy sources will be explored particularly the solar energy.

Project Development

Kabeli Energy Limited (KEL), a SPV of BPC has executed the Project Development Agreement (PDA) with Government of Nepal on 31st January, 2010 for the development of the 37.6 MW Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis. Subsequently, the PDA was amended on 3rd July, 2013. The project is located in Panchthar and Taplejung districts of Province 1. On operation, the project will be able to generate 205 GWh of electric energy annually.

Kabeli-A Hydroelectric Project (KAHEP) is a Peaking Run-Of-River (PROR) project with a peaking reservoir constructed by damming Kabeli River at headwork. The water from the reservoir will be diverted through a 4.5 km long tunnel into a Powerhouse located on the left bank of Tamor River generating 37.6 MW. The generated power will be evacuated through 132kV Kabeli Corridor Transmission line from the switchyard located at Powerhouse site of the project. The 132 kV Kabeli Corridor transmission line has been separately funded by the World Bank and is under construction. The Kabeli-A project is expected to have significant development impacts and will help relieve the dire electricity shortage through providing clean power to the eastern part of Nepal.

Kabeli Energy Limited (KEL) is jointly formed by BPC and Gurans Energy Limited (GEL). GEL is an investment company, jointly promoted by BPC and InfraCo Asia Development Pte Ltd.

The total capitalized cost of the project will be US$ 100 million. In the equity part, majority of equity will be hold by BPC. BPC will have 55.6% ownership in KEL with 26% direct holding and the balance through GEL, a JV investment company.

In the debt part US$ 78.6 million will be available from WB and IFC. Loan Agreement between GoN and WB has been signed and US$ 40 million

loan available from WB will be channelized to KAHEP through Hydropower Investment and Development Company Ltd (HIDCL). US$ 38.6 million of loan will be provided by IFC. A subsidiary loan agreement between GoN and HIDCL, further KEL and HIDCL has also been signed to disburse the US$ 40 million IDA loan to the project. Power Purchase Agreement (PPA) of KAHEP has been signed with Nepal Electricity Authority (NEA) on 24th September, 2015. Acquisition of private land for permanent structures and leasing government land has been completed. Total leasing and purchased land required for the project is around 9 hectares.

Track opening for 24 km of access road to the project has been completed and upgrading works is being carried out. Access tunnel excavation work has been completed and main tunnel excavation has been started from headwork site and completed for around 500 m. Further, Temporary Contractor camps and facilities at headwork and power house sites have been completed.

Nyadi Hydropower Limited (NHL), a SPV of BPC as majority shareholder has been incorporated to build, own and operate 30 MW Nyadi Hydropower Project. The project will be able to supply 168 GWh of annual energy to INPS.

MD of NEA Kulman Ghising and project team of transmission line visiting at site.

After the issuance of generation license from Ministry of Energy, further Power Purchase Agreement (PPA) signed with NEA; Facility Agreement has been signed with Nepalese Consortium of Banks on 20th Magh, 2072 for providing NRS 440 crores of loans to the project. Everest Bank Limited is the lead bank of the Consortium banks. Majority of equity has been injected by BPC as a major equity holder.

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

The IEE study for the Nyadi Hydropower Project was completed and approved from the Ministry of Energy on 21st Bhadra, 2068. EIA study of 7 km long transmission line has also been approved by Ministry of Population and Environment (MoPE). The project is under fully construction after acquiring all required permanent land and leasing government lands.

Project construction at site was started on 23rd March, 2017. Currently, the contractor has completed excavation of headrace tunnel with total length of 3,937 m. Adit tunnel, penstock tunnel and diversion tunnel excavation has been completed. Flushing tunnel and surge shaft excavation have also been completed. The contractor has started to work on tunnel support and lining. River protection works at powerhouse site has been completed yet. The preparation for weir foundation and crusher installation at headworks site is ongoing. Further, excavation of underground desilting basins is ongoing . Construction of saddle supports and anchor blocks for penstock has been completed near powerhouse site (lower part of penstock). Side slope cutting at headwork is still ongoing. Excavation at left bank has been completed. Shotcrete and Rock bolt support has been provided at small part on the right bank for slope stabilization. Also the temporary camp construction has been completed.

BPC team and Chinese delegates with Hon. Minister of Energy, Water Resources and Irrigation.

Contract has been awarded for electromechanical works but no works have been started yet. The steel plates have been transported at site for fabrication of penstock and penstock fabrication ongoing for hydro mechanical part.

Inter-connection of the project will be made to the 220kV Marsyangdi Corridor trunk line planned by NEA at Tarikuna Substation, 7 km from the Power House site of Nyadi Hydropower Project. The contract has been awarded and construction works has been started for this transmission line by NEA.

Lower Manang Marsyangdi Hydropower Project (LMMHP), Butwal Power Company Ltd received a survey license of the 93 MW project in 2009. Feasibility study, EIA and the geotechnical investigation of the project have been completed. The project capacity was fixed at 140 MW. The feasibility, EIA and designs have been reviewed by international consultants. The hydraulic modelling has been carried out by Hydro Lab. EIA report has been approved by the Ministry of Population & Environment on 7th Chaitra, 2070. The generation license of the project has been received .

The project is located in the southern part of Manang district. The project lies along Beshisahar-Chame road. Track opening of this road has been completed and as of now the motorable track is operational with continued improvements and upgrades. Due to very difficult topography and terrain, the road is characterized by narrow width, high gradient, sharp bends and inadequate overhead clearances. The proposed Marsyangdi cascade projects is working on to upgrade road since 2017 together with Department of Roads.

The project capacity has been re-optimized at 40% flow and fixed at 135 MW to meet the requirement of NEA guideline for concluding the PPA. The connection agreement of the project is being signed. Further, the PPA negotiation is in process with Power Trade Department of NEA. The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from this project. The EIA of this transmission line has already been approved and the contract has already been awarded for construction of transmission line and associated substations by NEA. The 220 kV Manang hub will be located at Ghalanchowk village of Nashong Rural Municipality in Manang District. The generated power of Manang Marsyangdi, Lower Manang Marsyangdi and Upper Marsyangdi-2 will be evacuated through this substation. The consultant is re-optimizing the project by shifting headwork and powerhouse site of the project on cascade

approach. The discharge measurement, gauge reading, sediment sample collection and analysis are ongoing as regular activities.

Chinokhola Small Hydropower Project (CKSHP), survey license was awarded to BPC by DoED/ MoE on 3rd March, 2015. A consulting agreement with HCEL was signed to carry out feasibility study, EIA and Detail design of Chino Khola SHP. The feasibility study has been completed and the project capacity has been fixed at 8.5 MW at 40% flow exceedance currently. Accordingly, the survey license has been amended by DOED. For the EIA study, the scoping document and ToR have been prepared and approval has been obtained from the Ministry of Population and Environment on 19th Shrawan, 2074. The EIA study is being carried out in line with approved scoping and ToR. The detail design is being carried out by the consultant. For the detail design of the project, the Chinese Consultant for Marsyangdi cascade projects, QYEC has provided feedbacks to optimize the headwork of the project. The BPC's consultant, HCEL is working on the assessment of simplified headwork as per the feedback of QYEC. The project will be developed for the generation of construction power for LMMHEP and other projects in the basin and will be connected in INPS together with LMMHEP when construction of other projects is completed.

Gabion protection work at Lower Manang access road.

The discharge measurement, gauge reading, sediment sample collection and analysis are being carried out as regular activities.

282MW Manang Marsyangdi Hydropower Project (MMHP) is located in Manang District. MMHP is being developed by Manang Marsyangdi Hydropower Company Pvt. Ltd. (MMHCPL). The acquisition of entire shares of MMHPCL is in the advance stage. The Generation License of MMHP has been obtained from the Ministry of Energy, Water Resources and Irrigation. MMHP will be developed in joint venture with the Chinese Partners. The preparatory works for optimization of these projects is underway.

600 MW Upper Marsyangdi-2 Hydropower Project (UMHP) and associated transmission line, is located in Manang and Lamjung districts. UMHP is being developed by Himtal Hydropower Company Pvt. Ltd. (HHCPL). The acquisition of entire shares of HHCPL is in the advance stage. The shares are being acquired by BPC and Chinese Partners. UM-2 HP will be optimized to supply the energy generated from the project for domestic energy market.

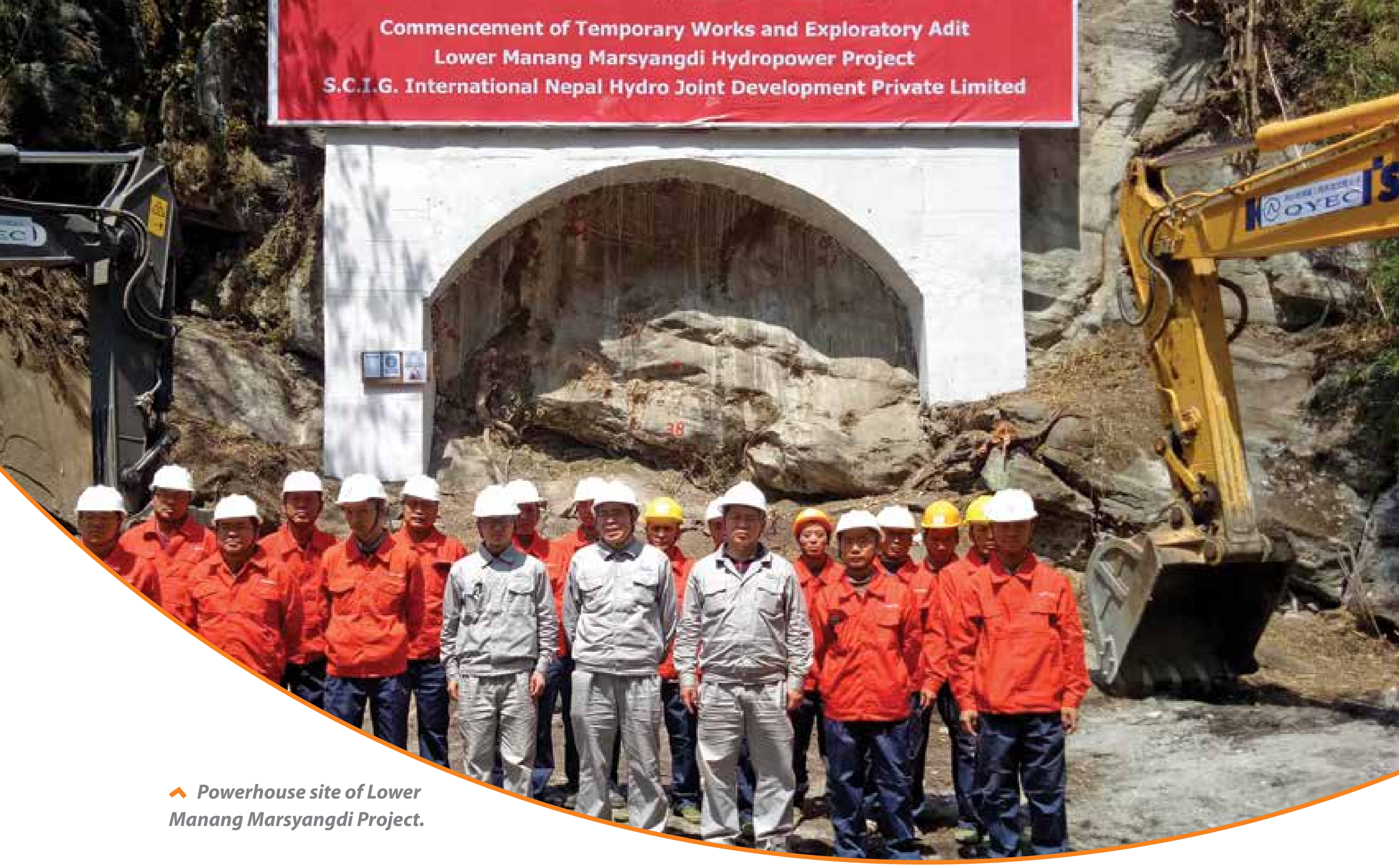
Mugu Karnali Hydropower Project (MKHP), survey license was awarded to BPC by DOED/ MoE on 23rd November, 2018. The consultant has been assigned to carry out the feasibility study and EIA of the project. The pre-feasibility study of the project is being carried out by HCEL. The consulting Agreement has been signed with Hydro Consult Engineering Ltd (HCEL) on 23rd February, 2018 for feasibility study and EIA study.

The consultant team has been mobilized to site for reconnaissance survey and site visit report has been submitted with different options of project layout. The project is located near Gamgadhi, the district headquarter of Mugu district. The road is under construction at the project site and expected to be connected by motorable road within few years. The consultant has submitted the draft report of pre-feasibility study with various options of project scheme. Once the most feasible option is chosen based on the techno-commercial aspects, feasibility study and EIA study will start.

FOREIGN COLLABORATION ON PROJECT DEVELOPMENT

BPC has Joint Venture with InfraCo Asia (Singapore) for equity investment in 37.6 MW KAHEP through GEL, an Investment Company with 40% stake.

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) has setup a Joint Venture Company (JVC) and is in the process of acquiring two more hydropower projects in Marsyangdi Corridor. The JVC will develop Lower Manang Marsyangdi Hydroelectric Project (140 MW) of BPC and other two projects in Marsyangdi corridor, (i. e. Upper Marshyangdi -2: 600 MW and Manang Marshyangdi : 282 MW) as a cascade development model. The plan of JVC is to develop upto 1000 MW projects in five years' time.



Powerhouse site of Lower Manang Marsyangdi Project.

After the collaboration with three Chinese partners, BPC has moved up from small to medium scale hydropower development on its own and large size hydropower projects with international collaborations. This is a paradigm shift in terms of scale and collaboration with international investors.

NEW INITIATIVES

As per the growth plan of BPC, new projects are also being identified and studied. BPC has identified few hydropower projects in Karnali and Koshi basins. Likewise, Upper Marsyangdi-2 Hydropower Project and Manang Marsyangdi Hydropower Project in the Marsyangdi river downstream and upstream of LMMHEP are also being acquired with a view to develop in cascade with LMMHEP. .

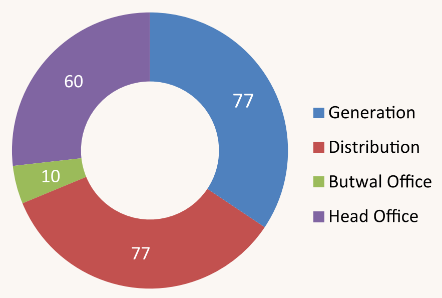
Corporate Overview

HR undergoes incessant enrichment of skill and competency through various trainings and workshops. The company resolutely believes that the escalation of the company rests in the hands of the employees. Therefore, the HR unit, through the process of human resource accounting, is continuously analysing information which assists the Management to implement and monitor the company's human resource plan in line with the company's vision and goals. Employees' suggestions and grievances are handled to ensure a smooth operation throughout the organization. This also helps in maintaining and improving the industrial relations within the company. Good relationship between management and employees has been maintained. Various trainings were imparted for capacity building and professional growth of the employees and to meet future requirement of the company.

HUMAN CAPITAL AT THE END OF FY 2074/75

BPC's total employees at the end of the Fiscal Year counts to 224, regular employees 203 and contract employees 21 only. Further, on basis of Classification II, technical employees are 124 and non-technical are 100 only. The competency of employees made a strong foundation of the company to grow on. The management of BPC gives a high priority for enhancement of employees' skill and knowledge. Employees' suggestions and grievances are handled to ensure a smooth operation of business throughout the Company. This also helps in maintaining and improving the industrial relations between employees and management of the company. 24 different events including trainings, workshops and seminars were attended and actively

Unitwise Employees Status



participated during FY 2074/75. Collective bargaining agreement (CBA) with employee's union has been made for two year.

Fiscal Year	Number of employee	Employee Turn-over	Number of Trainings Provided
2074/075	224	7	24
2073/074	229	4	13
2072/073	242	9	9
2071/072	272	14	26
2070/071	275	23	16

General Administration

The assets of the company are adequately insured for FY 2075/76 against operational risks i.e. covering fire and allied perils business machine, transit money, fidelity and burglary, revenue risk (covering loss of profit) and third party liability including materials damage. New IMS and AMS software have been implemented in all BPC site offices.

Facility Management Unit provides support services of general administrative nature to smoothen day to day operation of the company. Effective space management, event management, operation and maintenance of building and vehicles are the key responsibilities of the unit. Apart from day to day activities, the unit is involved in organizing various events like AGM, Anniversary Program, Sport Activities, Picnic, Farewell and Dashain Bhoj etc.

The eight storey new corporate office building is fully occupied and functional. Ground, first, fourth, fifth and seventh floors of the building have been rented to BPC's subsidiary companies and outside parties. Second, third and sixth floor are being occupied exclusively by BPC. Further, Facility management unit organized the event of signing ceremony of joint venture agreement with three Chinese companies for Hydropower Development in Nepal on 22nd November, 2017 held at Soaltee Crowne Plaza, Kathmandu. The JVC signing ceremony pertaining to LMMHEP with Chinese business partners SCIG, CXIG & QYEC for the purpose to promote in Hydropower business was felicitated at Hyatt Regency, Kathmandu on 14th April, 2018.

In order to support Health, Safety and Environment matters, the periodic disposal of day to day generated waste is managed through outsourcing. Likewise, periodic lab test of drinking water, plantation inside and outside of office premises of Head Office along Dhobikhola corridor and arrangement of stand by First Aid service at all sites are maintained regularly. CC cameras are installed in all sites along with training on awareness and uses of safety intensive equipment such as Personal Protective Equipment, Fire Fighting equipment, Mock Drill practice and Emergency Preparedness Plan activities. No major accidents and incidents of vehicle, personnel and loss of properties occurred this year.

Environment friendly, reliable and secured data centre with high availability is established with reliable network structure in the Head Office. Optical fibre intranet connectivity is in place from Head Office to site offices to transfer and access the data to and fro through VPN technology. Unified communication software is installed for fast communication, video conferencing, file sharing etc. among head office and site offices for improving productivity and security. Maintaining safe, secured and risk free working environment in ICT.

A data center is established to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression) and various security devices. Implementation of Virtualization to minimize the numbers of physical servers, power consumption, cost and reliability, security, less heat build-up, faster redeploy, easier backups, better disaster recovery. Optical fiber is laid out to connect the site offices i.e. Butwal, Galyang, Waling and Jhimruk with Head Office, Kathmandu. There is VPN connection among the site offices to transfer the data, share the internet bandwidth and intranet software applications

securely. EPABX systems are installed in all the site offices and Head Office for inter-com facility. With this facility, communication becomes fast and reliable in minimal cost. Internal website i.e. Intranet is developed to share the information within the organization. In Intranet, customer feedback survey, online requisition for ICT support, document management etc. are components to make the daily tasks easy and disseminate information in organized and secured way.

Value for Money procurement was done in procuring major Generation and Distribution related materials in fiscal year 2074/75 abiding Procurement Guideline of BPC. It also considers quality, environment and occupational health and safety during the procurement process.

All mandatory processes and procedures as per the standards are cross cutting to the organization, which are specified under IMS Process Manual. It includes processes for document control, record control, internal audit, corrective and preventative actions, communication, competence, training & awareness, management review etc. It has planned to manage quality management system in terms of environment and occupational health & safety throughout the company. For this, QEHSMS SBU conducts Internal Audits, External Audit, and re-certification audit. It will also process to conduct ISO 9001:2015 IMS Awareness Program as per need of the organization and Internal Auditor's Training in terms of QMS, EMS, and OHSAS.

Management Review

Management Reviews are held twice a year as a schedule program. However, it is also held in between when some important issues demand urgent management attention and action. Management Review Meeting is chaired by CEO with participation of all VPs, SBU 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 QEMS audits (internal and external) are presented and discussed in the meeting along with significant changes that could affect the performance of the product as well as the processes. It is a forum where all key personnel of the company meet to discuss for continual improvement of Integrated Management System and Process of the company.

IMS Periodic Audits and Recertification

DNV GL – Business Assurance, India is the management system certification body of BPC. The Company has been certified with ISO new versions ISO 9001:2015 (Quality Management Systems); ISO 14001:2015 (Environment Management Systems) on 17th September, 2018 and ISO 18001:2007 (Occupational Health, Safety and Security) on 23rd May, 2017. The validation period of the certifications continues till 23rd May, 2020. Initial certification date of the ISO management system was 24th May, 2005. Periodic Internal audit, external audit and re-certification audits were carried out for continual improvement.

Employees recognized by 25 years long service award at 53rd Anniversary of BPC.

FROM LEFT TO RIGHT:
Mr. Radheshyam Shrestha — *VP- Finance*
Mr. Prakash Kumar Shrestha
— *Head- Operations*
Mr. Pratik Man Singh Pradhan
— *VP- Business Development and Projects*
Mr. Uttar Kumar Shrestha — *CEO*
Mr. Tikaram Bhatta — *VP- Corporate*
Mr. Ganesh P. Khanal
— *Sr. Manager- Business Development and Projects*
Mr. Ratna Sambhava Shakya
— *Chief Manager- Finance*

SENIOR EXECUTIVES

ENTERPRISE RISK MANAGEMENT

Risk Management Framework

Risk is a potential adverse effect or the consequence of the uncertainty (deficiency of information related to understanding of knowledge of events and its consequences or likelihood). It can also be defined as the combination of the probability of an event and its consequences.

Risk management is the process of reducing the possibility of the risks in an organization. It is a continual and developing process which runs throughout the organization's strategy and implementation. The risk management addresses the risks surrounding the organization's activities of past, present and future. It needs to be integrated into the culture of the organization (BPC) with an effective policy and program led by the top management.

Risk management is mandatory part of BPC and has become an urgent need to address through a proper mechanism. It includes the risk identification, risk assessment, risk planning and risk monitoring. BPC has been continually assessing and monitoring the risks at different levels of management to ensure that they do not adversely affect the organizational objectives. The business units have the main responsibility for risk management, utilizing established policies and procedures. Their work is coordinated by Functions/ SBUs at the corporate level. The Board of Directors regularly reviews and evaluates the overall risk management system and environment within the Company. It is crucial for management of business and growth of BPC.

To ensure minimum or no impact upon employee, business and environment, BPC manages the risks by adopting the process of identification, assessment, planning, monitoring and review of risks. SBU heads identify risks pertaining to their area with regards in which it operates; the legal, social, political and cultural environment in which it exists as well as the development of a sound understanding of its strategic and operational objectives; including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

Risk Mitigation and Risk Reporting

Enterprise Risk Management Manual is prepared to handle and manage the risk. The manual helps to identify, assess, plan and monitor the hazard and associated risks as well as pro-active actions to eliminate or mitigate these risks. All possible risks have been analyzed in a high-low matrix in risk register to mitigate those risks. Risk register is reviewed and updated twice in a year. Risks are avoided, accepted, reduced and transferred depending upon the nature of risks.

Cross drainage work carried out by LMM project along the Beshi Sahar, Chame.

Risk register, risk response action plan and the action taken report are prepared for the purpose of risk reporting. The responsible person prepares risk response action plan and reduces/mitigates the risk to the extent possible and gives the report to the management. Risk response action taken report is prepared quarterly through MIS. Identified risks are effectively managed through reporting and review to ensure that appropriate controls and responses are in place. The whole process of risks assessment and risk management strategies is reviewed annually by the risk management committee. Different levels within organization i.e. individuals, SBUs, and the Top Management needs different information from risk management process and are regularly being reported and communicated. The Board is reported with the major and significant risks quarterly and the Stakeholders are communicated about the major and strategic business risks and preventive mitigation measures through annual report.

Generation Risk

Andhikhola Power house is 250 m down from the control room and no person stay at powerhouse as the plant is on remote mode which can be operated from control room. Due to long vertical distance the problem of signal interference may be the problem which enforced the plant to be shutdown. The effective management of spare parts has been kept in place for quick maintenance of plant as well as timely preventive maintenance of the plant and grid line has minimized the breakdown time to increase the generation.

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

Distribution Risk

BPC is expanding its distribution area through rural electrification every year since 2047. This year consumer number increased by 5% and energy purchase increased by 1% compared to that of last year. However, the foremost challenge in operation and expansion of the business is to make it sustainable. Though rural electrification is loss making activity even in operation, the high demand of public for distribution expansion in rural areas still in place and grant from VDCs is also pouring in, thereby increasing loss further. In order to reduce the risk of increased revenue loss, it is necessary to timely revise the existing distribution tariff.

Project Development Risk

BPC through its SPV owns two projects Kabeli-A (37.6 MW) and Nyadi (30 MW) under construction; and three projects Lower Manang, Chino Khola and Mugu Karnali are under development directly by BPC. BPC has been experiencing challenges and risks in executing these projects. The risks associated with the project development are categorized as Technical, Socio-Political, Financial and Legal. Technical risks are poor geology, landslides, earthquakes, design changes, lack of expertise, hydrology, etc. Likewise, Socio-Political risks are

demands of financial support, work interruptions, labour strike, intimidations, poor performance of contractors/ consultants, road blockade etc. Financial risks are price hike, time and cost overrun, fluctuations of bank interest rates, forex, penalties, energy deficit etc. Legal risks could be delay in government approvals, import of most of materials/ equipments from third countries, environmental issues and unnecessary burden on custom / duty/ tax clearances.

Some of risks have been minimized by means of CSR activities and some risks which are associated with Politics and Socio-culture are beyond the control of the project company. The Technical and Financial risks are managed internally whereas socio-political and legal risks are minimized through stakeholders' engagement and group dynamics.

Financial Risk

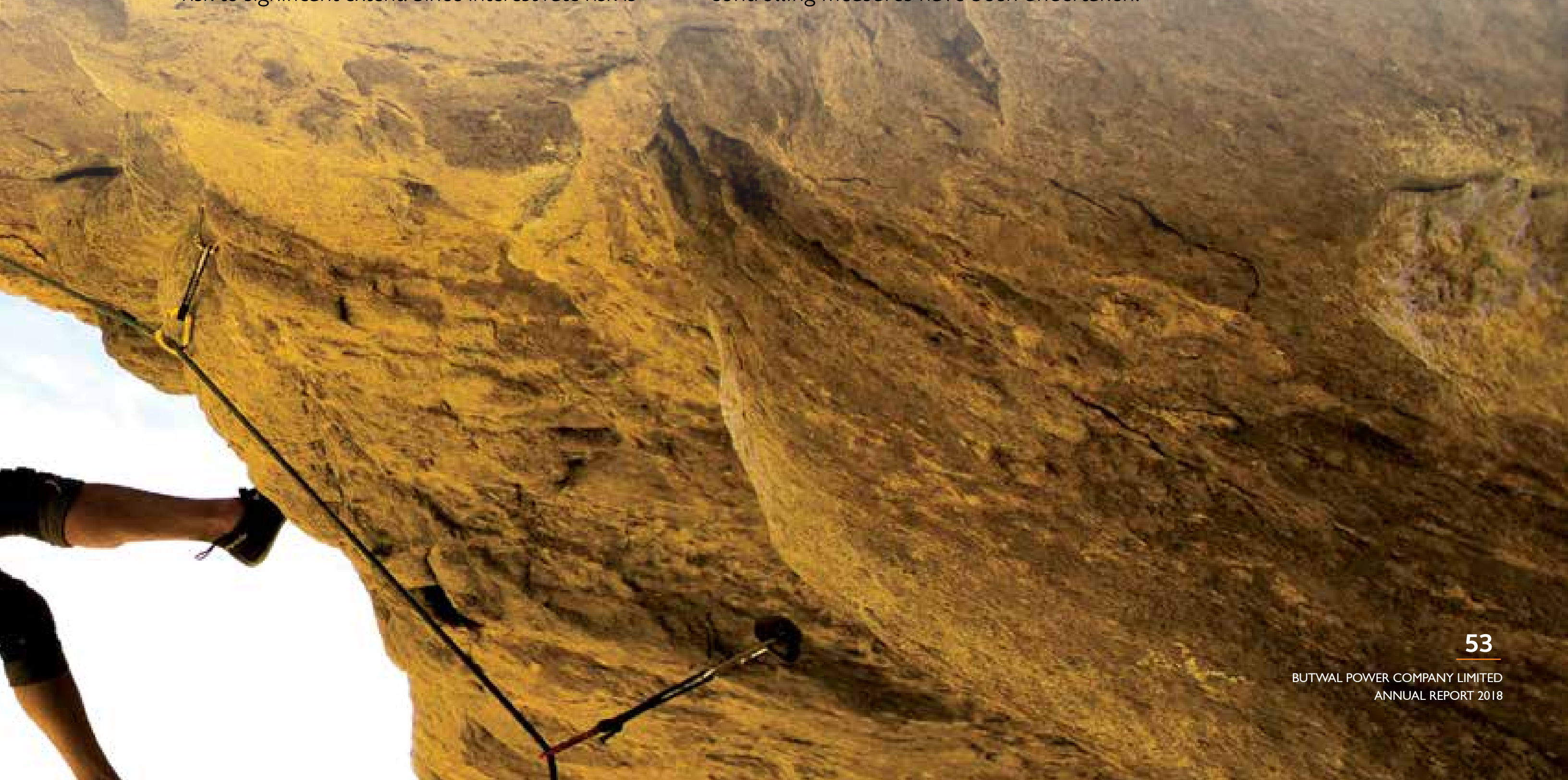
The company uses debt in addition to equity financing to meet financial obligations. The company is primarily facing Credit risk, Interest rate risk, Foreign currency risk and Investment risks. BPC has established system for regular review of accounts and making timely and adequate provision based on actual and expected losses. The Company has borrowed substantial amount term-loan and operating loan thereby creating the interest rate risk to significant extent. Since interest rate risk is influenced by market forces, BPC has minimal role to play for minimizing this risk. BPC has made swap arrangement to minimize the interest risk associated with foreign currency. In order to control liquidity risk and for better working capital management, BPC has made arrangement of adequate level of OD facility for short term financing.

Price Risk

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

Investment Risk

BPC has made equity investment in its subsidiaries and associates considering the technical and financial feasibility of those companies. Among the subsidiaries, Nyadi Hydropower 30MW and Kabeli-A 37.6 MW projects are at construction phase now and scheduled to be completed within stipulated period. Financial and non-financial risks such as interest rate risk, foreign currency risk, price risk and geological risks are associated with these investments during the construction periods. To mitigate these risks, necessary controlling measures have been undertaken.



SHAREHOLDER'S INFORMATION

The Shareholding pattern of BPC as on end of Ashadh, 2075 is as under:

S.N.	Shareholders	No. of Shares	Holding %
1	Shangri-La Energy Ltd.	12,484,065	56.27%
2	Government of Nepal	1,645,899	7.42%
3	IKN Nepal A.S., Norway	350,411	1.58%
4	United Mission to Nepal	303,233	1.37%
5	Nepal Electricity Authority	191,225	0.86%
6	General Public/ Employees	7,211,887	32.50%
	Total	**22,186,720**	**100.00%**

Share Trading Information

Market response for BPC stock was active in FY 2074-75 and much affected by the market movement of banks and other listed companies in the securities market. Quarterly Key figures related to BPC shares in stock exchange for FY 2074-75 are given below:

QUARTER	TRADED SHARE (IN THOUSANDS)	TRADED AMOUNT (IN MILLIONS)	NUMBER OF TRADES	HIGH	LOW	CLOSING	AVERAGE PRICE	TRADING DAY
First	207.90	131.51	540	673	600	642	632	55
Second	1223.81	846.66	3642	783	594	711	692	57
Third	531.28	287.40	2181	697	420	456	541	56
Fourth	696.70	333.78	8696	524	430	457	479	63
Total	**2659.69**	**1599.34**	**15059**	**783**	**420**	**457**	**601**	**231**

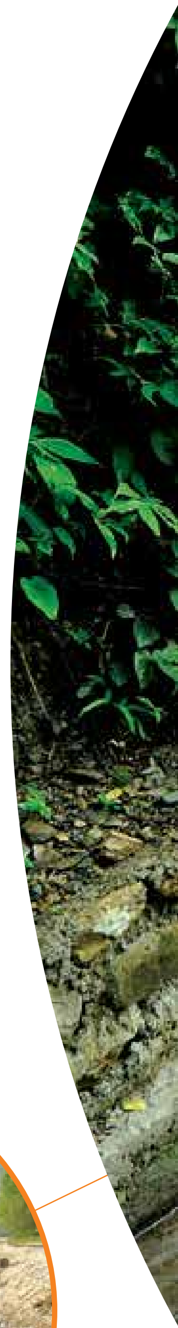
All shares are being traded in Nepal Stock Exchange Ltd. (NEPSE) in active market. NMB Capital Limited is the Share Registrar of BPC. All share should be in demat form for trading.

Share Status	No. of Shareholders	No. of Shares
Physical Shareholders	291	2,271,135
Demat Shareholders	81,286	19,915,585
Total	**81,577**	**22,186,720**

Mugu Karnali Hydropower Project Site.

CORPORATE SOCIAL **RESPONSIBILITY**

BPC encourages joining hands with the host communities in protecting the environment and helping the social upliftment. Relying on the socio-economic and environmental status of Nepal, CSR aims to develop appropriate schemes for social, economic and environmental programme in its working areas.



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

Social Upliftment Program in BPC's Hydropower Plant affected areas in Pyuthan District was conducted. The program consists of mushroom production, fruit garden establishment and training, coffee market management, potato seed storage, repair and maintenance of irrigation system, basic arc welding training, lift drinking water scheme and other programs. The budget spent for this program was NPR 2,500,000.

Further, Mitigation works such as providing scholarship to the students, helping to maintain irrigation system to irrigate about 300 hectors land, providing irrigation water, construction and repair of river training structures to protect the farmer's land from flood and landslides and so on was conducted actively. The total amount spent for these works is NPR 9,051,285. BPC continues to do mitigation works/ CSR activities each year.

Environment Friendly activities such as plantation around the Dhobikhola river costing NPR 500,000 were carried out. The company continues to provide financial support to schools, sponsorship service and local development activities amounting to NPR 1,299,000.

In the FY 2074-075, various activities were carried out in Jhimruk Center. River training has been done for the protection of land in Jhimruk and Madi River. Different mitigation program has been conducted through Social Upliftment Program (SUP) such as skill development program (welding training), Income generation program (mushroom plantation, coffee marketing), lift drinking water supply etc. Further, support was provided for the maintenance of road, aid was provided to various activities of clubs and other social organization. Similarly, at the Andhikhola Center, river training has been done for the protection of land in Dam area, Bhattarai Phant and Chartikhola. Support was provided for construction of Simle road drain canal, irrigation canal of Bhattarai Phant, water tank in Amilkhark and black top of road in Tallo galyang. Also, financial support was provided to AAMA mitigation, schools, various activities of clubs and other social organization.

HEALTH, SAFETY & ENVIRONMENT

Good Health, Safety and Environment (HSE) performance and its constant improvement is indicative of a good and responsible management contributing significantly to overall progress of the company.

BPC continuously monitors its environmental facets and works related hazards in order to identify any critical areas and making efforts towards the constant improvement of work conditions, in terms of reduction of the number of work accidents, incidents and occupational sickness. Safety awareness trainings and mock drills are conducted regularly to keep abreast of first aid tips and equipments. Annual routine health check-up was conducted of all BPC employees. No serious illness was found during thorough check-up to any employee. No accident, incident and serious injuries have been reported during the year.

As regards to safety, BPC is carrying every activity in a safe manner with adequate control. All the safety majors are enforced while carrying out activities. The Company has well developed safety & emergency preparedness and response plan that is well communicated amongst all to cope with all emergencies situation like fire, flood, landslide, earthquake etc. Beside, health check-up of all the persons prone to hazardous working environment was carried out. The Company has implemented the OHSAS 18001:2007 Standard to enhance the health and safety standard in the company.

Hydro-energy is considered as environment friendly energy. BPC has been operating run-of-river hydropower plants. In such plants, there are no major environmental issues. However, the impact due to water diversion have been mitigated properly in a scientific manner. The Company has been carrying out river training works every year to protect the farmer's land from flood. Various activities are being carried out to improve the health and sanitation condition in the community.

One of the major environmental aspects of distribution is tree cutting during line construction and cutting and trimming of the bushes and bamboos during line maintenance. For minimizing the impact of the said aspect, seedlings are distributed to local community as per requirement. All wastes like damaged electromechanical parts, insulating materials and used oils are disposed in a standard way as per ISO requirement.

BPC has been recertified with three ISO standards ISO 9001:2015 Quality Management System, ISO 14001:2015 Environment Management System and ISO 18001:2007 Occupational Health and Safety Management System. Internal Audit being the requirement of ISO is a mechanism of continual improvement, means of communication about the result of audit and helps to provide ways to improve on them.

An IMS awareness training /orientation program was conducted in BPC site offices and head office to improve the knowledge of BPC Staff on QMS, EMS and OHSAS and to gain practical knowledge regarding identification of risk, hazard and how to save lives from the emergency situation and make them familiar with occupational related disease and techniques of first aid method and safety management.

Controlling environmental impact is based on the Prevention of Pollution. It is the use of processes, practices, techniques, materials, products, services or energy to avoid, reduce or control the creation, emission or discharge of any type of pollutant or waste in order to reduce adverse environmental impacts.

Prevention of pollution can include a source reduction or elimination; process, product or service change; efficient use of resources; material and energy substitution; reuse; recovery; recycling; reclamation or retreatment. Environmental aspect register is prepared to minimize and mitigate environmental impacts.

BPC has identified eight functional areas for environmental aspect applicable to its activities, products and services as follows, which have been dealt with the environmental impact.

- **Head works:** Water diversion from respective rivers (Jhimruk and Andhikhola rivers) to channel the water from head works to power house for the production of electricity.
- **Power House:** All the activities associated with the operation and maintenance of equipment in the power house.
- **Control Room/ switchyard/ sub-station:** All the activities associated with the operations and maintenance of equipment in the switchyard/ control room and sub-station.
- **Transmission Line:** Operations and maintenance of transmission lines (33 kV and 132 kV).
- **Distribution Network:** Operation and maintenance of the line of distribution network.
- **Facility Management:** Logistic support and other related works.
- **Store and Inventory Service:** All the activities associated with the store and inventory activities.
- **Server and Back-up System:** All the activities associated with the ICT.

SUSTAINABILITY

Sustainable development is the core objective of BPC's business and value. BPC's business decisions and operations invariably integrate economic, environmental and social considerations. BPC has been carrying out series of social, environmental and economic development activities in and around its project areas and plan to continue them in future in a sustainable way in collaboration with the various stakeholder organizations in the project areas.

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

BPC is certified with three ISO standards: 9001:2015, 14001:2015 and 18001:2007. This is the good evidence of its administrative values, quality service delivery and its commitments to the social and environment. BPC has been awarded numerous other credentials that reflect its commitments to quality, environment and occupational health and safety--International Quality Crown (IQC) Award by Business Initiative Directions, Spain, in the Gold Category is also a good example of this. This award was given based on IQC regulations and on the criteria of the QC 100 Total Quality Management Model. Similarly, BPC has been continuously rewarded with National Best Presented Accounts (BPA) Award – 2017 in the category of General Sector for excellence in the presentation of financial statement and annual report.

Social Responsibility Initiatives

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

Environmental Initiatives

BPC is sensitive to the environmental concerns in its project area. BPC has always kept conservation and protection of environmental resources as one of its key strategy while carrying out its business. BPC, not only provides electricity through its generation project but also focus on green energy and sustainable development. BPC is constructing its new office building based on principles of the Green Building, which is a holistic approach that addresses concerns of environment protection, resource conservation, and energy efficiency ensuring the highest level of use of renewable energy and healthy indoor environmental quality. The new BPC building aspiring to be the first Nepalese Building to be accredited with prestigious Leadership in Energy and Environmental Design (LEED) certification by US Green Building Council based at Washington. As part of the environmental development program, recently, BPC has been conducted plantation program in the Dhobikhola corridor/ periphery areas. The main objective of the program was to develop greenery and to protect environment of the areas. In this process, BPC has been contributing to environmental causes beyond the legal requirements such as IEE, EIA studies etc.

Environmental and Social Obligations

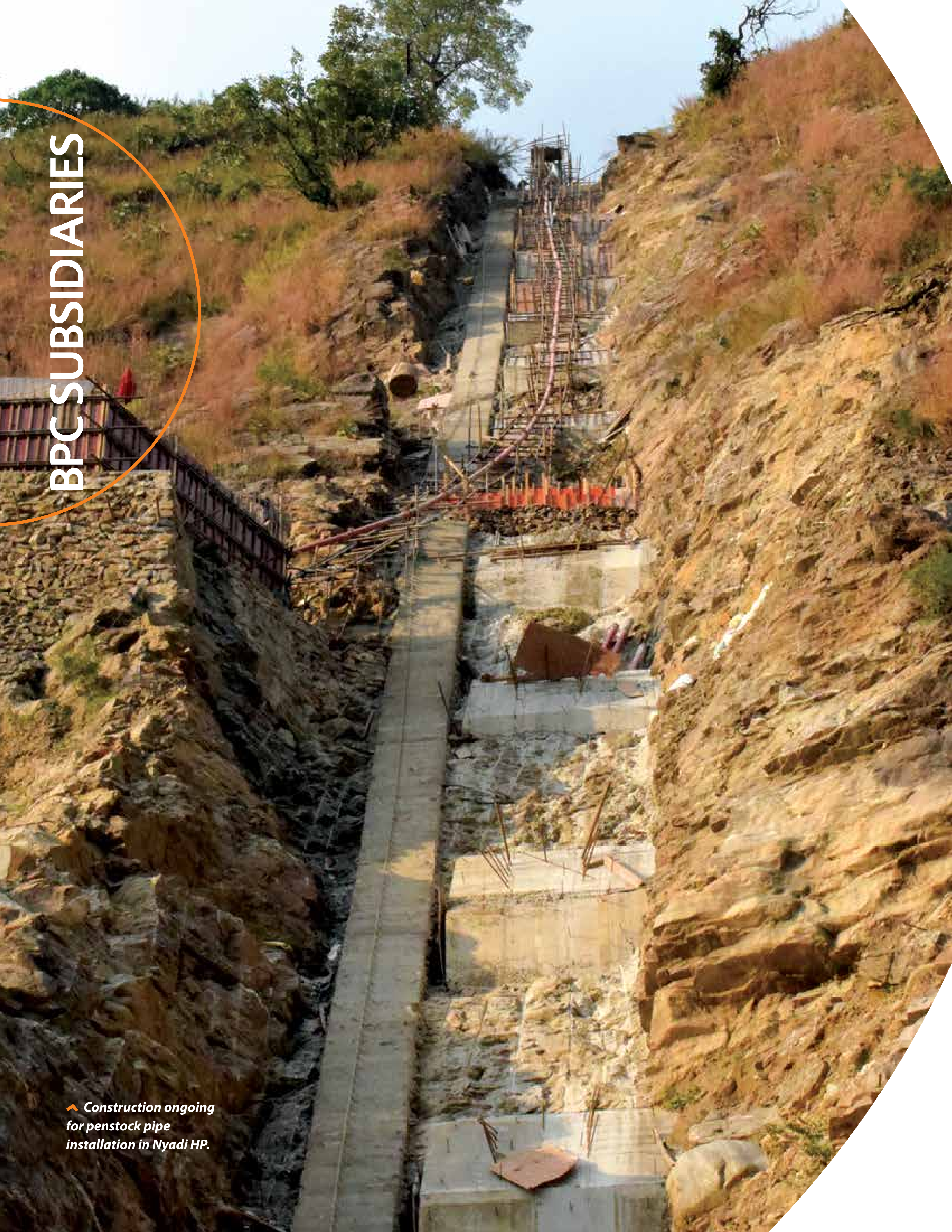
In its pursuit of excellence in environmental management towards sustainable business development, BPC continues to be committed to develop and implement Environmental Management System (EMS) throughout the company to measure, control and reduce the environmental impact. BPC is fully compliant with various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

BPC is very much concerned in environmental and social obligations in hydropower development. Similarly, BPC takes initiation for the conduction of EIA and IEE for its any development projects and always follow Environmental Protection Act, 2054 and EPR, 2054 and its amendments. The company is also committed to CSR and takes great care to address the societal, environmental and stakeholders concerns while carrying out its business. We have voluntarily taken steps to improve the quality of life of local communities where we do business. Before launching any programs/projects, BPC conducts SIA study to know the socio-economic baseline, its impacts and to recommend mitigation measures in the area. BPC has also followed all the relevant government rules and regulations in context of the hydropower development.

The project has always encouraged the local people for the project job and opportunities. About 70% local people are still getting employment opportunity in the AndhiKhola and Jhimruk Hydropower Centres.

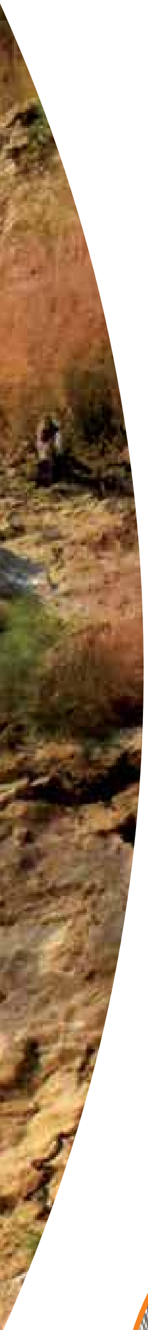
Integrated Reporting

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



Construction ongoing for penstock pipe installation in Nyadi HP.

Nyadi Hydropower Limited



Nyadi Hydropower Limited (NHL), a special purpose vehicle established with the majority stake of BPC, has been developing Nyadi Hydropower Project (30 MW). The project has obtained the Electricity Generation License for 35 years as on 2069.11.03 BS and signed PPA on 2072.02.12 BS. NHL had signed a Facility agreement with Financing Institution lead by Everest Bank Limited, Co-Lead Nabil Bank & Global IME Bank and other members Himalayan Bank, Sunrise Bank and Hydro Electricity Investment & Development Company Limited.

The Contractor of the major works M/S. Zhejiang Hydropower Construction & Installation Co. Ltd had been mobilized on the project site on March 23, 2017 and the construction of the project is going as per the scheduled timeline with completion of access road, access and adit tunnels, headrace tunnel etc. During the Financial Year, various construction works of the projects have been completed. The side slopes excavation for dam and construction of powerhouse protection wall has already been completed. Similarly, Contract for the construction of 132 kV Transmission Line for the evacuation of power generated by the Project has already been signed. All in over, the construction progress of the project during the financial year is satisfactory and as per the scheduled timeline.

Nyadi headrace tunnel.

Nyadi powerhouse construction in progress.

PROJECT FACT SHEET

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

Project Location:

Head work site – Lamjung District, Bahundanda-2, Near Naiche village

Power House site – Lamjung District, Bahundanda-7, Near Thulobeshi village

Installed Capacity: 30 MW

Annual Energy Generation: 168.50 GWh

Design Discharge: 11.02 Cumec at Q40

Gross head: 333.90 m

Head Race Tunnel: 3937 m

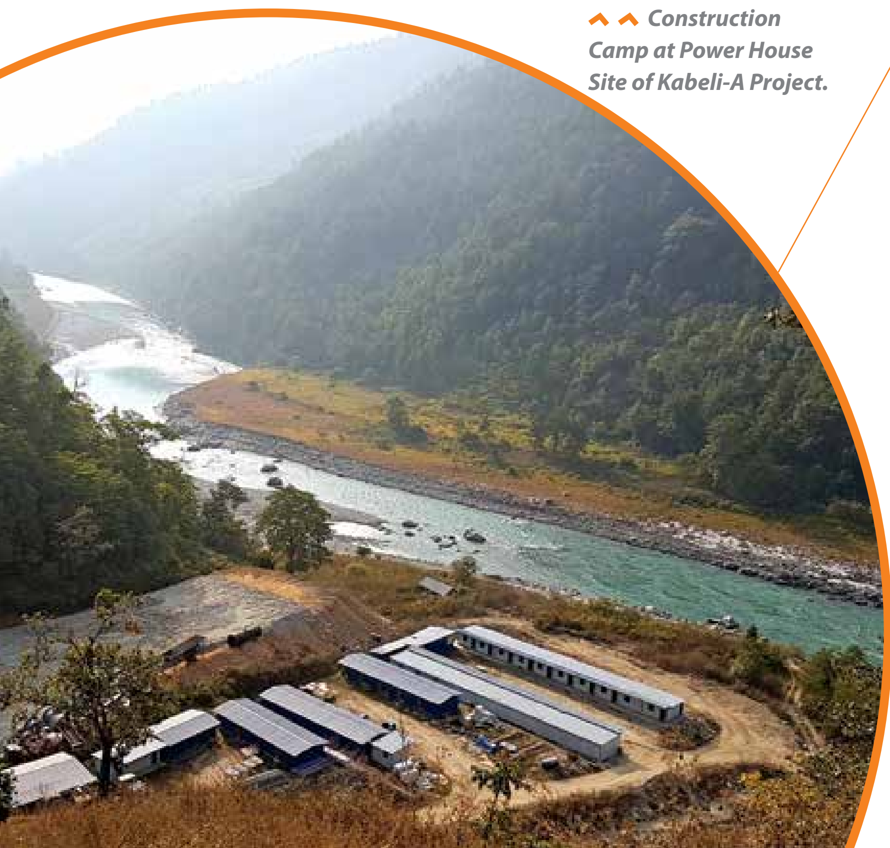
Power Evacuation: Inter-connection will be made to the Marshyangdi Corridor Transmission line planned by NEA at Khudi Hub.

Access to site: The site can be reached within 6 hours drive from Kathmandu. Power house site is at Thulobeshi village, 4 km away from Thakanbeshi point at Besisahar-Chame Road. Headworks Site is 5 km further away from Power house.

Kabeli Energy Limited

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

This project is a daily pondage run-of-river type with installed capacity of 37.6 MW and will generate 205.15 GWh energy annually. It utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharge into Tamor River after power generation. The gross head of the project is 116.8 m and the design discharge based on 40 % flow in the river is 37.73 m3/s. Project Development Agreement with Government of Nepal (GoN) was signed in January, 2010 and amended in 2013. The updated Feasibility study and IEE of the project has been completed and approved by GoN and PPA has been signed with NEA on September 24, 2015. The project has purchased all the required private land whereas GoN has approved of 1.316 hectares of forest land as permanent leasing and 21.780 hectares of forest land as temporary leasing to project on March 2, 2016. In lieu of 1.316 hectares of permanently leased forest land, equal land has been compensated to concerned District Forest Offices of Panchthar and Taplejung. Currently the project is under construction.



Construction Camp at Power House Site of Kabeli-A Project.

PROJECT FACT SHEET

Project type: Peaking Run of-river (PRoR)
Project Location: Head Woks site- Headwork's site lies in Dhuseni area of Hiliang 1 Rural Municipality of Panchthar on the left bank and Yangwarak 2 Rural Municipality of Taplejung.
Power House site- lies in Pinase Hiliang 2 Rural Municipality of Panchthar District.
Installed Capacity: 37.6 MW
Annual energy generation: 205.15 GWh
Design discharge: 37.73 m^3/sec at Q40
Gross Head: 116.8 m
Head Race Tunnel: 4327 m
Power Evacuation: Power evacuation from switchyard of KAHEP
Access to site: The project area is about 800 km away from Kathmandu.
Headwork's - 8 km from Mechi highway
Powerhouse – 16 km from Mechi highway

Civil and Hydro-mechanical Contractor is already mobilized at site and progressing the related construction works. Contractor already has setup Crusher, batching plant and laboratory to expedite the construction works.. The contractor has started the excavation of the Head Race Tunnel and completed excavation of 500 m. Contractor Camp at Powerhouse and Headwork's site is completed. The area grading and the slope protection works as well as preparation work for the permanent housing is in progress at the power house location.

Debt financing of the project is arranged from World Bank (through Hydroelectricity Investment and Development Company Limited (HIDCL) and International Finance Corporation. NIC Asia Bank Limited has been appointed local transaction bank and Security Agent for such loans. Master Security Agreement, Accounts Agreement, Inter-creditor Agreement have been signed. Fitchner GmBH has been appointed as Lender's Engineer and AECOM India has been appointed as Independent Environment and Social Consultant (IESC) as per lender's requirement. KEL has planned to expedite project construction works during FY 2075-76.

Nepal Hydro & Electric Limited

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

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

NHE's major Hydropower project accomplishments are Lower Mai (2.4MW), Khudi (4.2MW), Siuri (5MW), Andhikhola (9.4MW, upgrading), Siprin (9.6MW), Jhimruk (12MW), Puwakhola (6.2MW); Modi(14MW), Chilime (20 MW), Khimti-I (60MW), Middle Marsyangdi (70MW), Kali Gandaki 'A' (144 MW) Hydropower Plant.

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

The company posted a consolidated turnover of NPR 309 Million during the FY 2074-75 and registered a net profit before tax amounting to NPR 47.4 Million. The net worth of NHE as on July 16, 2018 is NPR 388.53 Million.

NHE has been awarded NEA Projects as;

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

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

Hydro-Consult Engineering Ltd.

Hydro-Consult Engineering Limited (HCE) provides consultancy services in water resource based infrastructure development and works with water, land and people while respecting the local socio-ecological systems. HCE investigate, design and assist to develop hydropower projects in Nepal and abroad. HCE offer services in water supply, irrigation, and transportation sectors as well.

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

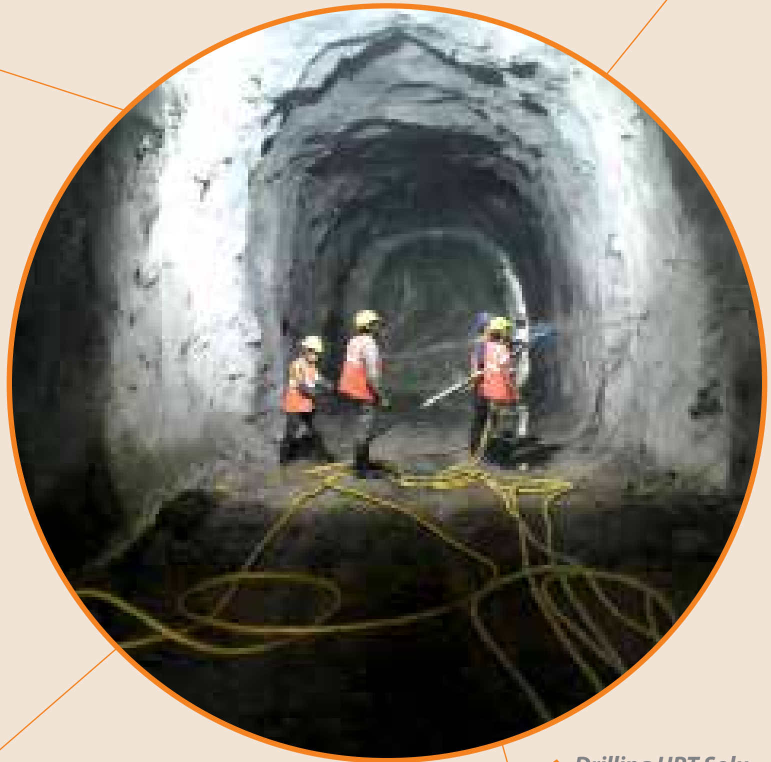
Power house Lower Hewa Khola HPP.

Presently, HCE is recognized for its quality and stands among the best consulting company in the hydropower sector of Nepal. The Consultant has three decade long experience of undertaking the pre-feasibility, feasibility, detail design, construction supervision, environmental and social studies of hydropower projects. HCE embraces customer-focused philosophy and works closely with its customers to achieve mutual growth and success

The Core services that HCE offers are:

- Project Management
- Investigation and planning Feasibility, detail design and construction supervision
- Environmental and social safeguard studies
- Due diligence studies
- Financial and economic analysis etc.

HCE has completed Detailed Engineering Design of Lower Hongu Khola (30.30 MW), Inkhu Khola Small Hydropower Project (21.4 MW) and Pre-Feasibility Study of Upper Jhimruk Storage Project (97.7 MW) for DOED. Similarly, Construction supervision of Gura Hydropower project in Kenya (5.8 MW), Feasibility Study of JamshillTuren More (240 MW), Turen More – Kari (350 MW) Hydropower Projects in Pakistan, Detailed Design of Khimti-2 (48.8 MW), Khani Khola (30 MW), Solukhola (86 MW, Dudhkoshi) hydropower projects are few examples of the hydropower projects completed recently.



Drilling HRT Solu Dudhkoshi 86 MW

At Present, in international market, HCE is involved in the Feasibility Study of Kari-Muskera (440 MW), Gabral-Kalam (110 MW) Hydropower Projects and Construction Supervision and Project Management of Nagdar Hydel Power Project (35 MW) in Pakistan. Nationally, HCE is carrying out the Detailed Feasibility Study of Kaligandaki Tinau Multipurpose Project (104 MW) and Detailed Investigation and Engineering Design of Sunsari Morang Irrigation Project (SMIP) Headworks for the Department of Irrigation (DOI); Detail Design of Siwa Khola SHP (26 MW) and Budhi Ganga SHP (11 MW); Feasibility and EIA Study of Sankhuwa Khola (41 MW) and Sankhuwa Khola – 1 HEPS (40 MW); and Feasibility and IEE studies of Kwadi Khola (30 MW), Bheri Khola (4.23 MW) and Nyauri Gad (4.1MW) HPs for the DOED; and Detailed Design of Tamakoshi V HEP (99 MW) for the NEA.

Likewise, Detailed Design of Bhotekoshi V (62 MW) and Likhu -2 (55 MW) Hydropower Projects; Construction Supervision of Solu Khola (86 MW, Dudhkoshi), MistriKhola (42 MW), Nyadi (30 MW) and GharKhola (14.5 MW)HEPS are some of the major projects under the private sector.

HCEL is able to earn net profit of NPR 27.1 million registering 111.3% increase than last year resulting earning per share NPR 184.10 and net worth amounting to NPR 102.9 million as on 16th July 2018.

Khudi Hydropower Limited

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

The overall performance of the company has improved this year. Operation has focused on timely repair/maintenance, river training work and flood monitoring during the monsoon season and cost minimization.

The company recorded revenue of NPR 90.6 million in FY 2074/75 with 3.22% decrease from last year. The company earned a net profit of NPR 29.8 million with an increase of 7% in comparison to last year.

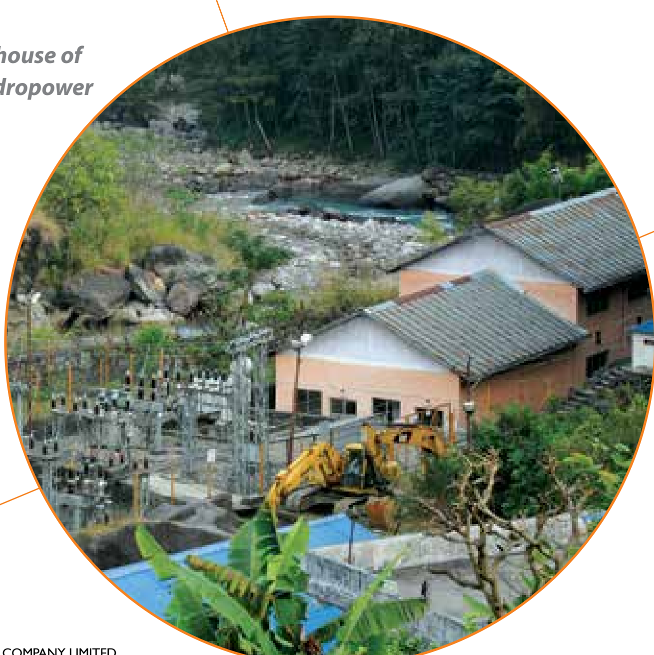
The Khudi River is itself unpredictable, with occurrence of frequent boulder laden flash floods during monsoon containing a huge quantity of sediment. Occurrence of high floods has been recorded previously, damaging various project structures. This high silt content during monsoon season is the major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

PROJECT FACT SHEET:

Project type: ***Run-of- River (RoR) type***
Project Location: ***Head Work site - Lamjung district, Ghanapokhara VDC, located on the left bank of Khudi River.***
Power House site- Lamjung district, Simpani VDC, located on the right bank of Khudi River.
Installed Capacity: ***4.00 MW***
Annual energy generation: ***24,284 MWh***
Design discharge: ***4.9 m^3/s***
Gross Head: ***103 m***
Intake and Penstock: ***A side intake, just upstream of the diversion weir placed across the river, diverts the flow into the approach canal which conveys the flow from intake to settling basin. From the settling basin, the flow enters into the 2471 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 Integrated Nepal Power System (INPS) at Udipur Sub-Station of NEA.***
Access to site: ***The power house site can be reached within 5 hours drive from Kathmandu and is 9 km away from Besisahar, the District Head Quarter of Lumjung District.***
Headworks Site is further 2.5 km away from Power house.

Khudi Hydropower Project is contributing the people of Lamjung reducing load-shedding drastically. The electricity supply from Khudi HP is consumed primarily in the surrounding areas of Khudi, Besisahar, Dumre and Bandipur. The quality of electricity supply in Lamjung and Tanahu district has substantially improved after commissioning of Khudi Hydropower Project.

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



Powerhouse of Khudi Hydropower Project.

BPC Services Limited

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

BPCSL had been providing Operation and Maintenance Management (OMM) Services to Independent Power Producers' previously and is currently exploring for additional opportunities of similar nature.

The company has also been aiming to take the existing power plants (below 5 MW) owned by NEA on lease for operation and maintenance, apprise the banks and financial institutions of the importance of operation and maintenance management of the power plant and make strategic relations with them. BPCSL's incurred a net profit of NPR 1.17 million after tax in the FY 2074-75. The net worth of BPCSL as on July 16, 2018 stands at NPR 15.06 million.

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

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

FIVE YEAR FINANCIAL SUMMARY

Five Year Summary of Statement of Financial Position

In Thousand NRs

PARTICULARS	2070/71 2013/2014	2071/72 2014/2015 (Restated)	2072/73 2015/2016 (Restated)	2073/74 2016/2017	2074/75 2017/2018
ASSETS					
Non-Current Assets	**4,260,974**	**4,634,395**	**4,699,565**	**4,953,923**	**5,391,087**
Property, Plant and Equipment	1,432,459	305,322	298,544	360,154	358,484
Project Work in Progress	-	155,788	163,939	175,321	206,563
Intangible Assets	-	1,980,296	1,978,387	1,961,694	1,954,317
Capital Work in Progress	1,316,475	23,577	41,865	3,140	2,382
Investment in Shares	1,512,040	2,162,538	2,213,367	2,447,419	2,866,934
Other Non-current Asssets		6,874	3,465	6,195	2,407
Current Assets:	**598,069**	**511,823**	**515,191**	**415,410**	**2,294,505**
Inventories	56,912	40,995	52,071	60,111	44,986
Trade Receivables	335,948	90,790	87,468	83,406	88,266
Cash & Bank Balance	202,039	85,767	65,756	66,276	613,202
Other Financial Assets		214,986	225,866	120,406	1,469,544
Other Current Assets		13,592	12,325	10,906	10,557
Current Tax Assets (Net)		62,522	71,705	74,305	67,950
Assets Held for Sale	3,170	3,170	-	-	-
Total	**4,859,043**	**5,146,218**	**5,214,756**	**5,369,333**	**7,685,592**
EQUITY & LIABILITIES:					
Equity	**3,259,498**	**3,774,028**	**3,977,850**	**4,392,459**	**6,510,197**
Equity Share Capital	1,673,223	1,673,223	1,673,223	1,810,572	2,218,672
Other Equity	1,586,275	2,100,805	2,304,627	2,581,887	4,291,525
Non-Current Liabilities	**1,106,457**	**1,047,171**	**880,304**	**693,506**	**860,777**
Grant Aid in Reserve	199,573	200,516	202,171	202,344	208,575
Borrowings	873,509	756,768	580,290	368,483	328,271
Other Financial Liabilities		11,328	4,192	-	-
Provisions	25,412	17,607	16,812	15,126	10,034
Deferred Tax Liabilities	7,963	29,287	50,785	83,748	291,433
Other Non-Current Liabilities		31,666	26,055	23,806	22,464
Current Liabilities	**493,088**	**325,018**	**356,603**	**283,368**	**314,618**
Borrowings	126,306	122,105	236,885	98,546	161,155
Trade Payables	364,247	84,171	31,519	72,431	28,027
Other Financial Liabilities	2,535	77,886	30,916	36,741	29,812
Provisions		1,242	1,877	1,666	777
Other Current Liabilities		39,614	55,406	73,984	94,847
Total	**4,859,043**	**5,146,218**	**5,214,756**	**5,369,333**	**7,685,592**

Five Year Summary of Statement of Profit & Loss

In Thousand NRs

PARTICULARS	2070/71 2013/2014	2071/72 2014/2015	2072/73 2015/2016	2073/74 2016/2017	2074/75 2017/2018
INCOME					
Operating Income					
Electricity Sale to NEA	289,299	402,356	460,333	478,869	477,098
Electricity Sale to Consumers	108,509	114,589	125,291	173,854	177,401
Electricity Services	6,299	6,247	9,956	10,149	11,868
Total Operating Income	**404,107**	**523,192**	**595,580**	**662,872**	**666,367**
Income from Other Sources					
Financial Income	35,134	37,767	14,949	8,964	92,597
Dividend Income	393,615	433,103	531,768	556,964	512,267
Gain (Loss) on Disposal of Assets & Stock Materials	2,277	(624)	2,781	-	-
Depreciation Being Revenue Portion of Grant Aid	11,506	11,640	6,651	6,930	7,183
Other Income Including Forex gain/loss	13,018	40,669	15,983	24,825	39,691
Total Non- Operating Income	**455,550**	**522,555**	**572,132**	**597,683**	**651,738**
Total Income	**859,657**	**1,045,747**	**1,167,712**	**1,260,555**	**1,318,105**
EXPENDITURE					
Generation Expenses	298,580	302,490	252,315	282,948	263,259
Distribution Expenses	86,044	94,660	90,497	97,270	110,855
Administrative Expenses	144,020	129,003	114,928	121,502	126,150
Impairment Loss in Investment	(4,969)	(17,364)	725	(1,073)	2,244
Finance Costs	50,413	41,234	80,751	73,855	65,393
Total Expenditure	**574,088**	**550,023**	**539,216**	**574,502**	**567,901**
Net Profit Before Tax	**285,569**	**495,724**	**628,496**	**686,053**	**750,204**
Current Tax Provision	-	-	-	-	19,318
Deferred Tax Expenses	(18,199)	15,895	9,067	18,031	28,623
Net Profit After Tax	**303,768**	**479,829**	**619,429**	**668,022**	**702,263**

AWARD & RECOGNITION

Frost & Sullivan – 2017 Nepal Market Leadership Award in Hydropower

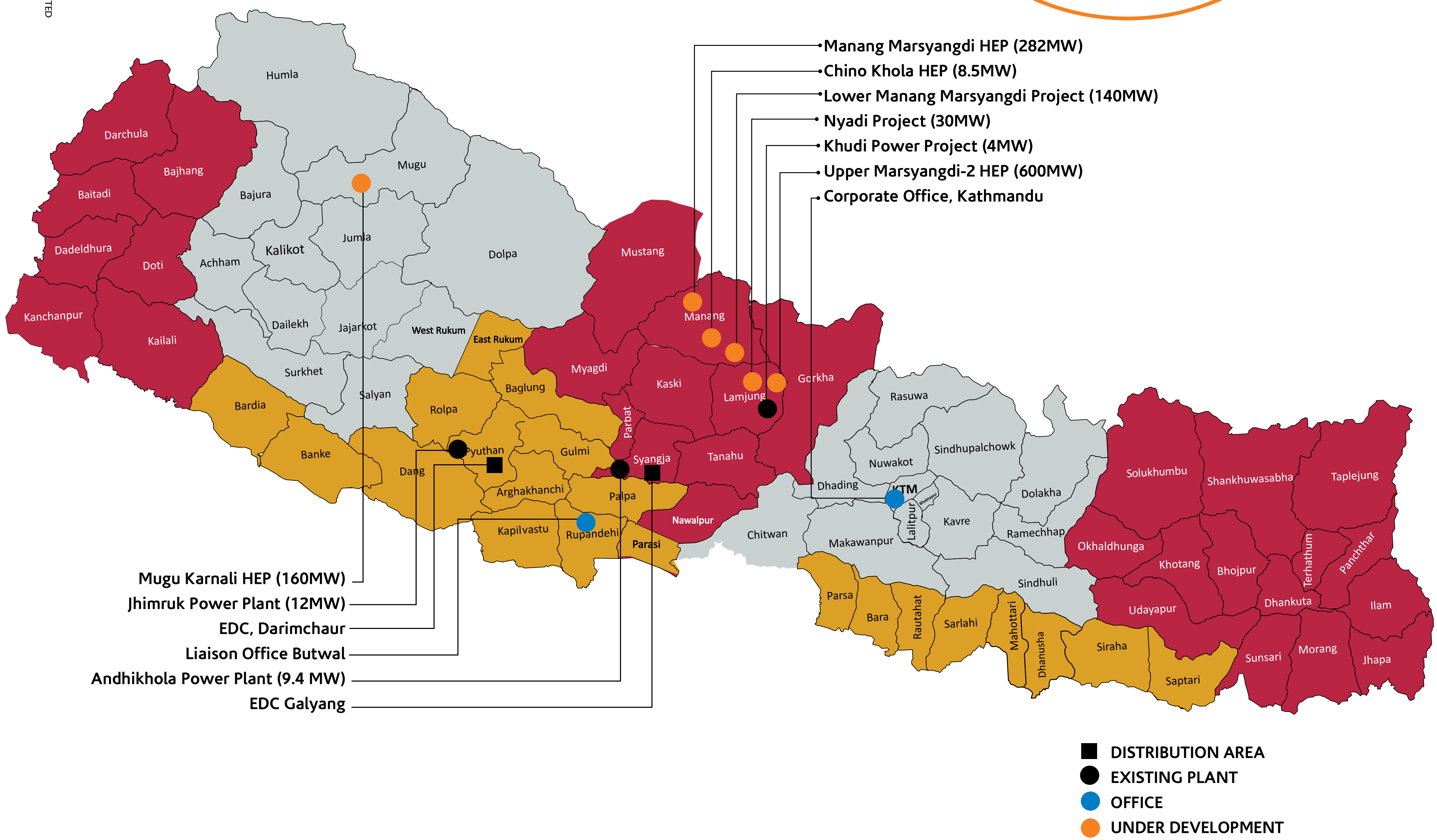
BPC has been awarded with Frost & Sullivan – 2017 Nepal Market Leadership Award in Hydropower on March 15, 2018 in a program FROST & SULLIVAN - 2018 SOUTH ASIA BEST PRACTICES AWARD BANGQUET held at Hotel Soaltee in Kathmandu.

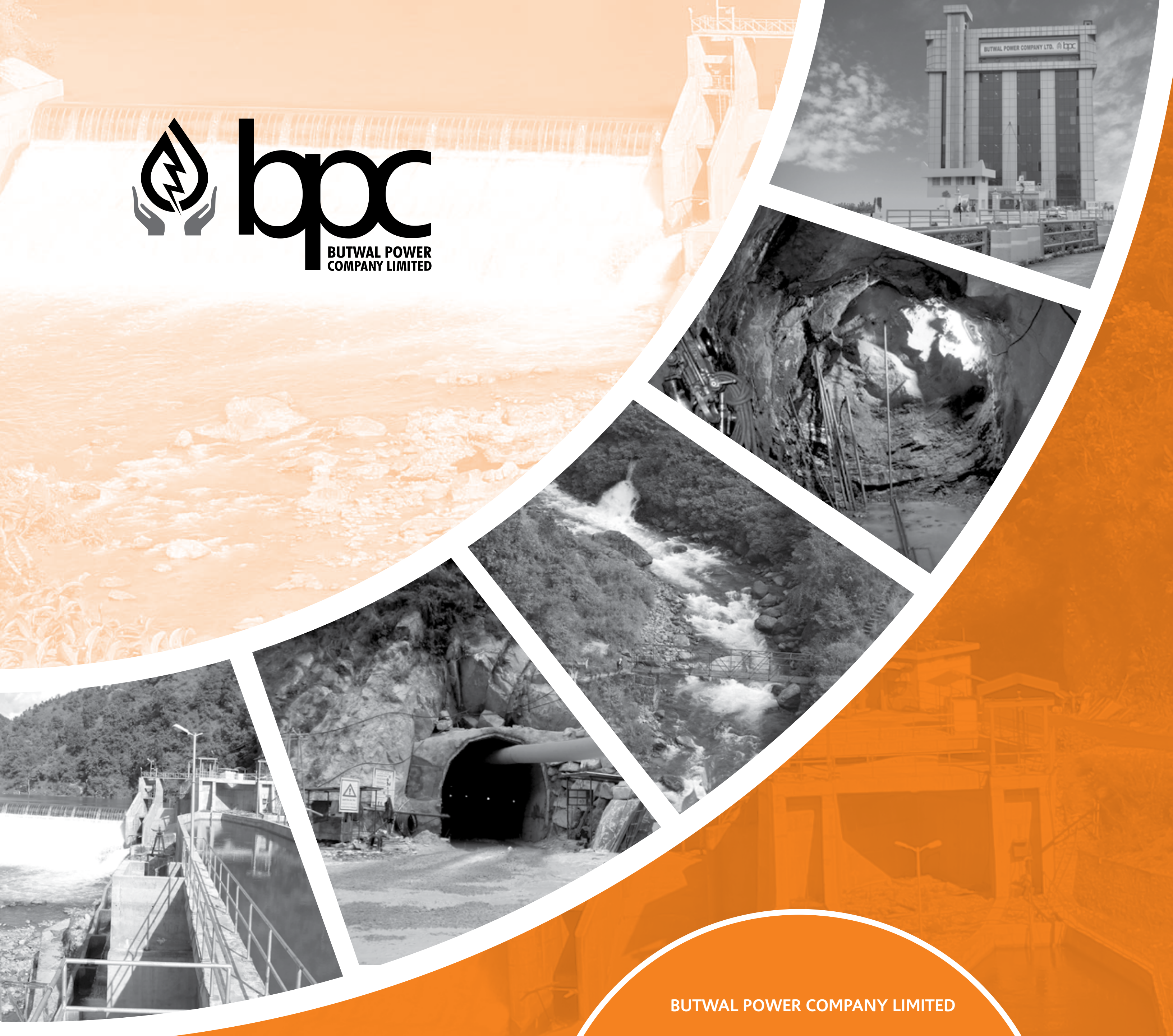
Best-Presented Annual Report Award 2017

The Institute of Chartered Accountants of Nepal awarded BPC by "Runner up National Best-Presented Annual Report Award, 2017". CEO of BPC Mr. Uttar Kumar Shrestha has received this award from the honourable Minister of Finance Mr. Yubaraj Khatibada on 17th July 2018 at a function in Hotel Soaltee organized by ICAN. We take pride in having received "Best Presented Annual Report Award" continuously for last 10 years in the General sector for excellence in the presentation of its financial report.


THE INSTITUTE OF CHARTERED ACCOUNTANTS
National Best Presented Annual Report (BPA) Award,
Presented to:
BUTWAL POWER COMPANY LIMITED
Winner:
Category: General Sector
Kathmandu, Nepal
July 18, 2014
Best Presented Annual Report (BPA) Award, 2015
Presented to:
Butwal Power Company Limited
WINNER
Category: General Sector
Kathmandu, Nepal
July 22, 2016
अभियान
DNV·GL
MANAGEMENT SYSTEM CERTIFICATE
This is to certify that the management system of
Butwal Power Company Limited
Ganga Devi Marga, House No. 313, Buddha Nagar, Kathmandu, Nepal
and the sites as mentioned in the appendix accompanying this certificate
has been found to conform to the Occupational Health and Safety Management System standard:
OHSAS 18001:2007
This certificate is valid for the following scope:
Generation of hydroelectricity, transmission & distribution of electricity and providing management services for establishing renewable energy generation facilities
DNV·GL
MANAGEMENT SYSTEM CERTIFICATE
This is to certify that the management system of
Butwal Power Company Ltd.
ISO 14001:2015
This certificate is valid for the following scope:
Generation of hydroelectricity, transmission & distribution of electricity and providing management services for establishing renewable energy generation facilities
IAF

OUR PRESENCE





BUTWAL POWER COMPANY LIMITED

BUTWAL POWER COMPANY LIMITED

FINANCIAL STATEMENTS

2018

BRS Neupane & Co.
Chartered Accountants
Kumari Marga, House No. 43
P.o. Box No. 8137, Naxal
Kathmandu, Nepal

Tel. : 977-1-4411314
Fax. : 977-1-4420572
e-mail : chartered@brs.com.np
Web : www.brs.com.np

BRS Neupane & Co.

INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED

We have audited the accompanying financial statements of Butwal Power Company Limited which comprise the Statement of Financial Position as at 32 Ashad 2075 (Corresponding 16 July, 2018) and Statement of Profit or Loss and other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity for the year ended and a summary of significant accounting policies and Notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Nepal Financial Reporting Standards (NFRS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Butwal Power Company Limited, as at 32 Ashad, 2075 (Corresponding 16 July, 2018), and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and comply with the Company Act 2063.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the basis of our examination, we would like to further report that:

i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
ii. The company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
iii. The Statement of Financial Position, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Cash Flows, the Statement of Changes in Equity, and a summary of significant accounting policies and Notes to the financial statements dealt by this report are in agreement with the books of account maintained by the company.
iv. During our examination of the books of account of the company, we have not come across the cases where the Board of Directors or any member thereof or any representative or any office holder or any employee of the company has acted contrary to the provisions of law or caused loss or damage to the company.
v. We have not come across any fraudulence in the accounts, so far as it appeared from our examination of the book, and
vi. The company has not acted in a manner to jeopardize the interest and security of the stakeholders.

Date: Marga 24, 2075 (10th December 2018)
Place: Kathmandu, Nepal

CA. Gyanendra B. Bhari
Partner

STATEMENT OF FINANCIAL POSITION

As at 32 Ashad 2075 (16 July 2018)

(in NPR)

	Note	As at 32 Ashad 2075	As at 31 Ashad 2074
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	358,483,829	360,153,568
Capital work-in-progress	3	2,381,756	3,140,082
Intangible assets	4	1,954,316,697	1,961,694,374
Project work-in-progress	5	206,562,704	175,320,792
Financial assets			
Investment in Subsidiaries and Associates	6	1,714,115,551	1,307,087,527
Other investments	7	1,152,818,726	1,140,331,438
Other non-current assets	12	2,407,377	6,195,175
Total Non-Current Assets		**5,391,086,640**	**4,953,922,956**
Current assets			
Inventories	8	44,985,836	60,111,293
Financial assets			
Trade receivables	9	88,266,346	83,405,869
Cash and cash equivalents	10	575,683,648	31,757,809
Bank balance other than cash and cash equivalents	11	37,518,299	34,518,132
Other financial assets	13	1,469,543,579	120,405,939
Other current assets	12	10,557,570	10,906,171
Current tax assets (net)	14	67,949,652	74,304,779
Total current assets		**2,294,504,930**	**415,409,992**
Total assets		**7,685,591,570**	**5,369,332,948**
EQUITY AND LIABILITIES			
Equity			
Equity share capital	15	2,218,672,000	1,810,572,000
Other equity	16	4,291,524,889	2,581,887,172
Total Equity		**6,510,196,889**	**4,392,459,172**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	17	208,574,681	202,343,666
Financial liabilities			
Borrowings	19	328,270,504	368,482,666
Provisions	22	10,034,095	15,126,264
Deferred tax	14	291,433,107	83,747,736
Other non-current liabilities	20	22,464,540	23,805,823
Total Non-Current Liabilities		**860,776,927**	**693,506,155**
Current Liabilities			
Financial liabilities			
Borrowings	19	161,154,742	98,546,448
Trade payables	18	28,026,608	72,430,459
Other financial liabilities	21	29,812,319	36,741,140
Provisions	22	776,740	1,665,768
Other current liabilities	20	94,847,345	73,983,806
Total Current Liabilities		**314,617,754**	**283,367,621**
Total Liabilities		**1,175,394,681**	**976,873,776**
Total Equity and Liabilities		**7,685,591,570**	**5,369,332,948**

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip kumar Dev
Director

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Ratna Sambhava Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

Date: December 7, 2018
Place: Kathmandu, Nepal

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 32 Ashad 2075 (16 July 2018)

(in NPR)

	Note	2074-75	2073-74
Revenue	23	666,366,940	662,871,666
Cost of Sales			
Generation Expenses	24	(263,259,242)	(282,948,498)
Distribution Expenses	25	(110,855,249)	(97,270,088)
Gross profit		**292,252,449**	**282,653,080**
Depreciation Being Revenue Portion of Grant Aid	17	7,183,408	6,930,169
Other income	28	551,958,452	581,789,030
Administrative and other operating expenses	26	(126,149,926)	(121,501,157)
Impairment loss on investment	27	(2,244,252)	1,073,102
Profit from Operation		**723,000,131**	**750,944,224**
Finance Income	29	92,597,399	8,964,290
Finance Costs	30	(65,393,194)	(73,855,116)
Profit Before Tax		**750,204,336**	**686,053,398**
Income Tax Expense			
Current tax	14	(19,317,678)	-
Deferred tax credit/charge	14	(28,623,430)	(18,031,494)
Profit for the year		**702,263,228**	**668,021,904**
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	33	-	5,776,990
ii. Equity instruments through other comprehensive income		12,487,288	(63,581,433)
iii. Tax relating to items that will not to be reclassified to profit or loss	14	(179,061,941)	(14,931,242)
Other comprehensive gain/(loss) for the year, net of tax		**(166,574,653)**	**(72,735,685)**
Total Comprehensive gain/(loss) for the year, net of tax		**535,688,575**	**595,286,219**
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	31	36.33	37.02
Diluted Earnings per share - Rs.	31	36.33	37.02

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip kumar Dev
Director

Ratna Sambhava Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

As per our report of even date

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Date: December 7, 2018
Place: Kathmandu, Nepal

STATEMENT OF CASH FLOWS
For the year ended 32 Ashad 2075 (16 July 2018)

(in NPR)

	2074-75	2073-74
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**750,204,336**	**686,053,398**
Adjustments for:		
Depreciation on property, plant and equipment	31,271,991	28,641,857
Amortization of Intangible Assets	71,708,033	70,028,349
Depreciation Being Revenue Portion of Grant Aid	(7,183,408)	(6,930,169)
Provision for employee benefits	(5,981,197)	3,879,844
Provision for Bonus	19,602,763	14,405,364
Finance income	(92,597,399)	(8,964,290)
Impairement of Intangible asset	122,924	599,376
Finance cost	65,265,444	72,370,098
Impairment loss on investment in subsidiaries and assosiates	2,244,252	(1,073,102)
Loss/ (gain) on sale of Property, plant and equipment	(760,341)	(2,647,179)
Unrealized foreign exchange difference on cash and cash equivalents	(146,311)	-
Working capital adjustments:		
(Increase)/ Decrease in Trade receivables	(4,860,477)	4,062,537
(Increase)/ Decrease in other financial assets	(9,137,640)	105,460,314
(Increase)/ Decrease in other assets	4,136,399	(1,312,317)
(Increase)/ Decrease in Inventories	15,125,457	(8,040,694)
Increase / (Decrease) in trade payables	(44,403,851)	40,911,804
Increase / (Decrease) in financial liabilities	(2,281,498)	(3,194,519)
Increase / (Decrease) in other current liabilities	904,330	(2,299,945)
Cash generated from operations	**793,233,807**	**991,950,726**
Bonus paid	(14,275,317)	(11,737,879)
Income Tax Paid	(12,962,551)	(2,599,628)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**765,995,939**	**977,613,219**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment	1,019,988	2,989,865
(Increase)/Decrease in Project work-in-progress	(31,241,912)	(11,382,309)
(Increase)/Decrease in Investment in Fixed Deposits	(1,340,000,000)	-
Interest Received	92,597,399	8,964,290
(Increase)/ Decrease Investment in Subsidiaries and Associates	(409,272,276)	(296,560,435)
Acquisition of Property, plant and Equipment	(29,103,573)	(51,869,461)
Purchase of Intangibles	(64,453,280)	(53,935,083)
Grant Aid received/ (refunded)	13,414,423	7,103,132
Bank balance other than cash and cash equivalents	(3,000,167)	105,624
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(1,770,039,398)**	**(394,584,377)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of further public offering (FPO)	2,044,581,000	-
Issue of right share	-	160,924,439
Share Issue Cost	(18,797,458)	(3,186,063)
Borrowing (repaid) / taken (net)	(32,198,413)	(293,141,843)
Dividend paid	(430,443,920)	(322,453,371)
Interest paid	(69,037,636)	(58,069,381)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**1,494,103,573**	**(515,926,219)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**490,060,114**	**67,102,623**
Net foreign exchange difference on cash and cash equivalents	146,311	-
CASH AND CASH EQUIVALENTS, Beginning of Year	19,311,633	(47,790,990)
CASH AND CASH EQUIVALENTS, End of Period	**509,518,058**	**19,311,633**

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip kumar Dev
Director

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Ratna Sambhava Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

Date: December 7, 2018
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended 32 Ashad 2075 (16 July 2018)

(in NPR)

	Equity Share Capital	Retained earnings and reserves			Total
		Share Premium	General Reserve	Retained Earnings	
Balance at 1 Shrawan 2073	1,673,222,700	11,006,400	148,700,000	2,144,920,416	**3,977,849,516**
Profit for the year	-	-	-	668,021,904	668,021,904
Other comprehensive income	-	-	-	(72,735,685)	(72,735,685)
Total comprehensive income	-	-	-	**595,286,219**	**595,286,219**
Issue of right share	18,893,000	142,031,439	-	-	160,924,439
Issue of bonus share	118,456,300	-	-	(118,456,300)	-
Share Issue Cost	-	(3,186,063)	-	-	(3,186,063)
Dividends to shareholders	-	-	-	(338,414,939)	(338,414,939)
Balance at 1 Shrawan 2074	1,810,572,000	149,851,776	148,700,000	2,283,335,396	**4,392,459,172**
Profit for the year	-	-	-	702,263,228	702,263,228
Other comprehensive income	-	-	-	(166,574,653)	(166,574,653)
Total comprehensive income	-	-	-	**535,688,575**	**535,688,575**
Issue of right share	-	-	-	-	-
Issue of Further Public Offering (FPO)	408,100,000	1,636,481,000		-	2,044,581,000
Share Issue Cost	-	(18,797,458)	-	-	(18,797,458)
Dividends to shareholders	-	-	-	(443,734,400)	(443,734,400)
Balance at 32 Ashad 2075	2,218,672,000	1,767,535,318	148,700,000	2,375,289,571	**6,510,196,889**

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip kumar Dev
Director

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Ratna Sambhava Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

Date: December 7, 2018
Place: Kathmandu, Nepal

Note: 1
Background

Butwal Power Company Limited was established and registered in 2022 (1966) as a private limited company under the Company 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 5 April 2015, 12-MW Jhimruk project, and 4-MW Khudi project. BPC is one of the sponsors of the 60-MW Khimti hydropower project. BPC was converted into a public limited company in 2049 (1993), and it was privatized in 2059 (2003). Its main shareholders are Shangri-La Energy Limited (SEL), IKN Nepal AS, (IKNN) from Norway, Government of Nepal (GoN) and General Public. The corporate office of the BPC is located at Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal.
The core business of BPC includes:

- Generation of Hydro electricity
- Distribution of Hydro electricity
- Project development
- Investment in the shares of projects and other companies

The financial statements apply to the financial year ended 32 Ashad 2075 (16 July 2018).

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

The accompanied financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on 21 Mangsir, 2075 (7 December, 2018). The Board of Directors acknowledges the responsibility of preparation of financial statements.

Note: 2
Significant accounting policies

2.1 Basis of Preparation and measurement

I. STATEMENT OF COMPLIANCE

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

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 acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

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

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 judgements

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

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year primarily includes:-

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

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

CONTINGENCIES

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

FAIR VALUE MEASUREMENTS

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

RECOGNITION OF DEFERRED TAX ASSETS

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

2.3 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 ?

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

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

FINANCIAL ASSET MODEL:

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

INTANGIBLE ASSET MODEL

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

INTANGIBLE ASSETS UNDER SERVICE CONCESSION ARRANGEMENT (SCA)

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

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

Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal 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 assets are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

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

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

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

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

2.6 Depreciation and Amortization

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

ii. 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 pro-rata basis in the year of purchase. 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 of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.

The estimated useful life, residual values an 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 NPR10, 000 per unit is charged to the profit and loss account in the year of purchase.

vi. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

2.7 Impairment of tangible and intangible assets

i. At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

iii. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

iv. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit and Loss.

v. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit and Loss.

2.8 Borrowing cost

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing cost also includes exchange differences to the extent regarded as an adjustment to the borrowing costs. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are expensed in the period in which they occur.

2.9 Cash and cash equivalents

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

2.10 Inventories

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

2.11 Revenue recognition

I) SALE OF ELECTRICITY

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

II) OTHER ELECTRICITY SERVICES

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

III) DIVIDEND INCOME

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

IV)INTEREST INCOME

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

2.12 Foreign currency transactions

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

2.13 Employment Benefits

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

DEFINED CONTRIBUTION PLAN – PROVIDENT FUND

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

DEFINED CONTRIBUTION PLAN – GRATUITY FUND

As per the provision of new Labor Act enacted and effective from 4 September, 2017, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution of 8.33% of basic salary needs to be deposited on monthly basis to the separate Social Security Fund. Total gratuity obligation calculated as per previous labor act till the transition date also needs to be deposited to the Social Security Fund. As on date, the procedure for depositing in social security fund has not been finalized by the Government of Nepal, so the Company has set aside net obligation amount as statutory dues payable in current liabilities.

SHORT TERM AND LONG-TERM EMPLOYMENT BENEFITS

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

2.14 Taxation

INCOME TAX

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

CURRENT TAX

Current tax is the expected tax payable on the taxable income for the year using tax rates at the balance sheet date and any adjustment to tax payable in respect of previous years.
Income tax rates applicable to company:
Income from Manufacturing and sale of electricity: 17% (2073/74: 17%)
Income from Other services: 25% (2073/74: 25%)
The Company has availed the rebate of 15% (2073/74: 15%) on total tax liabilities under section 11 (3 chha) of Income Tax Act, 2058.

DEFERRED TAX

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

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 would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

2.16 Provisions, contingencies and commitments

i. Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
ii. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.
iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.
iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.
vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the standalone financial statements.
vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
viii. Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.
ix. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

2.17 Financial Instruments

I.FINANCIAL INSTRUMENTS

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

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

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

II. EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income/ expense arising on financial instruments after applying an effective interest rate is recognised in Statement of Profit and Loss and is included in the "Other finance income" or "Other finance cost" line item. For calculating EIR, risk free interest rate of 8% p.a. has been considered.

III. FINANCIAL ASSETS

Financial assets at amortised cost

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

Financial assets measured at fair value

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

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

Impairment of financial assets

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through the statement of profit of loss.

The company recognises impairment loss on trade receivables using expected credit loss model. For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

De-recognition of financial assets

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

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

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

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

IV.FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

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

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

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

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

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

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

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

VI. FAIR VALUE MEASUREMENT
The Company measures financial instruments, such as, investment in equity instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
i) In the principal market for the asset or liability, or
ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

2.18 Leases

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

THE COMPANY AS A LESSEE

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

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

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

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

a. another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
b. the payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

THE COMPANY AS LESSOR

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

2.19 Government grants and Grant Aid in Reserve

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

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

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

2.20 Non-current assets held for sale

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

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

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

2.21 Financial risk management objectives and policies

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

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

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

A. CURRENCY RISK

The Company is subject to the risk that changes in foreign currency values impact the Company's imports of inventories and property, plant and equipment. As at 32nd Ashad, 2075, there is no unhedged exposure to the Company on holding financial assets (Bank balances and Trade receivables) and liabilities (trade payables) other than in their functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Company's approach to management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant currency risk, the Company has not entered into any forward contract.

The following table demonstrate the unhedged exposure in USD exchange rate as at 32 Ashad, 2075 and 31 Ashad, 2074:

Particulars	Currency	32 Ashad, 2075	31 Ashad, 2074
Cash and bank balance	NPR	3,772,196	3,243,917
	USD	34,500	31,537

B. CREDIT RISK

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

C. INTEREST RATE RISK

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

D.LIQUIDITY RISK

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

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

2.22 Capital Management

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 32 Ashad 2075 and 2074.

2.23 Segment reporting

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

2.24 Staff bonus

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

2.25 Provision for Housing Facilities

No provision has been made for staff housing facilities as BPC provides housing facilities to its staff at site offices and housing allowance is being paid to the employees in the remuneration package.

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 13.90% (i.e. the prevailing interest rate of the principal loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

C) BPC SERVICES LIMITED

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

D) NYADI HYDROPOWER LIMITED

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO shareholding 2.78%. BPC is planning to hold 70.22% shareholdings by setting aside 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works are going on as per the set timeline with the completion of access road and excavation works including tunnels are almost completed.

E) HYDRO-CONSULT ENGINEERING LIMITED

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

F) GURANS ENERGY LIMITED

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 331.98 million in the shares of GEL till the end of FY 2074/75. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

G) KABELI ENERGY LIMITED (KEL)

Kabeli Energy Ltd. was established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. BPC holds overall 56.16% shares of KEL being 27.24% direct investment and 28.92% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US $98 million. The project is under construction being Civil and Hydro-mechanical Contractor is already mobilized at site.

H) HIMAL POWER LIMITED

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057 (5 July, 2000). HPL was established on 10 Falgun, 2049 (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 current shareholders are SN Power, BKK and BPC. BPC is holding 16.88% shares in HPL

I) HYDRO LAB PRIVATE LIMITED

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

J) JUMDI HYDROPOWER PRIVATE LIMITED

Jumdi Hydropower Private Limited (JHPL) is established to develop and operate the 1.5 MW Jumdi Khola Small Hydropower project. Shareholders agreement has been signed with Sulabh Co-operative Society Limited in March 2009 and now the project is doubtful to be under construction.

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

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22 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 (SXIG) 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.

Figures in NPR

Note no: 3

Property, plant and equipment:

	Freehold Land	Building	Office Equipment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
Cost									
Balance at 31st Ashad 2073	48,515,535	176,638,559	51,587,292	23,009,929	2,473,986	14,014,567	11,583,514	41,864,477	**369,687,859**
Additions	-	39,847,009	3,239,475	799,538	20,340	5,116,365	2,591,930	917,471	**52,532,128**
Transfer from CWIP	-	38,979,199	-	-	-	-	-	(39,641,866)	**(662,667)**
Disposals	-	-	(188,813)	(62,080)	(159,234)	(27,404)	(245,000)	-	**(682,531)**
Balance at 31st Ashad 2074	48,515,535	255,464,767	54,637,954	23,747,387	2,335,092	19,103,528	13,930,444	3,140,082	**420,874,789**
Additions	-	5,184,346	5,201,885	209,652	137,497	18,228,413	900,106	159,145	**30,021,044**
Transfer from CWIP	-	-	-	-	-	-	-	(917,471)	**(917,471)**
Disposals	-	-	(211,495)	(41,439)	(36,308)	(26,294)	(275,037)	-	**(590,573)**
Balance at 32nd Ashad 2075	48,515,535	260,649,113	59,628,344	23,915,600	2,436,281	37,305,647	14,555,513	2,381,756	**449,387,789**
Accumulated depreciation									
Balance at 1st Shrawan 2073	-	8,709,510	10,894,865	**4,247,999**	**468,863**	**2,329,796**	2,628,094	-	**29,279,127**
Charge for the year	-	8,369,343	10,103,776	4,826,740	419,803	2,525,678	2,396,517	-	**28,641,857**
Disposals	-	-	(101,000)	(60,351)	(51,629)	(9,865)	(117,000)	-	**(339,845)**
Balance at 31st Ashad 2074		17,078,853	20,897,641	9,014,388	837,037	4,845,609	4,907,611	-	**57,581,139**
Charge for the year	-	11,892,190	8,672,995	3,767,851	365,115	4,282,453	2,291,387	-	**31,271,991**
Disposals	-	-	(122,271)	(23,957)	(14,010)	(11,682)	(159,006)	-	**(330,926)**
Balance at 32nd Ashad 2075	-	28,971,043	29,448,365	12,758,282	1,188,142	9,116,380	7,039,992	-	**88,522,204**
Net book value									
At 1st Shrawan 2073	48,515,535	167,929,049	40,692,427	18,761,930	2,005,123	11,684,771	8,955,420	41,864,477	**340,408,732**
At 31st Ashad 2074	48,515,535	238,385,914	33,740,313	14,732,999	1,498,055	14,257,919	9,022,833	3,140,082	**363,293,650**
At 32nd Ashad 2075	48,515,535	231,678,070	30,179,979	11,157,318	1,248,139	28,189,267	7,515,521	2,381,756	**360,865,585**

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

b) Capital work in progress majorly includes expenditure on on-going contractual works such as Corporate Building and other infrastructural facilities.

Figures in NPR

Note no: 4

Intangible assets:

Particulars	Computer Software	Service Concession Arrangement	Total
Balance at 1st Shrawan 2073	3,880,724	2,041,815,005	**2,045,695,729**
Additions - Externally acquired	840,257	52,432,159	**53,272,416**
Transfer from CWIP	-	662,667	**662,667**
Adjustment during the year	(13,763)	(585,613)	**(599,376)**
Balance at 31st Ashad 2074	**4,707,218**	**2,094,324,218**	**2,099,031,436**
Additions - Externally acquired	39,550	63,496,259	**63,535,809**
Transfer from CWIP	-	917,471	**917,471**
Adjustment during the year	(333,077)	(205,570)	**(538,647)**
Balance at 32nd Ashad 2075	4,413,691	2,158,532,378	**2,162,946,069**
Amortisation			
Balance at 1st Shrawan 2073	680,970	66,627,745	**67,308,715**
Charge for the year	1,647,294	68,381,053	**70,028,347**
Adjustment during the year	-	-	**-**
Balance at 31st Ashad 2074	2,328,264	135,008,798	**137,337,062**
Charge for the year	993,010	70,715,023	**71,708,033**
Adjustment during the year	(395,666)	(20,057)	**(415,723)**
Balance at 32nd Ashad 2075	2,925,608	205,703,764	**208,629,372**
Net book value			
At 1st Shrawan 2073	3,199,754	1,975,187,260	**1,978,387,014**
At 31st Ashad 2074	2,378,954	1,959,315,420	**1,961,694,374**
At 32nd Ashad 2075	1,488,083	1,952,828,614	**1,954,316,697**

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

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

Note no: 5

Project work-in-progress

Particulars		As at 32 Ashad	As at 31 Ashad
		At cost	At cost
Chino Khola SHP		21,195,699	13,445,201
Lower Manang Marshyangdi HEP		178,888,538	161,875,591
Mugu Karnali HEP		6,478,467	-
Total		**206,562,704**	**175,320,792**

a) Expenditure on Lower Manang Marsyangdi, Chino Khola projects and Mugu Karnali are shown as project work in progress.

Note no: 6

Investment in subsidiaries and associates

Figures in NPR

Particulars	As at 32 Ashad 2075		As at 31 Ashad 2074	
	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at cost [Deemed 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)	5,395,710	539,571,000	4,666,560	466,656,000
Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)	117,785	11,778,500	117,785	11,778,500
Convertible loan to Nyadi Hydropower Limited (convertible to fixed number of equity share)	-	-	-	19,444,000
Investment in Associate Companies				
Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)	3,319,836	331,983,600	1,888,500	188,850,000
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 Gurans Energy Limited (convertible to fixed number of equity share)	-	-	-	143,133,600
Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)	-	1,260,044	-	1,260,044
Advance towards share capital paid to promoters of:				
Projects under Karnali Basin	-	205,000,000	-	-
Manang Marshayandi Hydropower Company Pvt. Ltd.	-	150,801,276	-	-
Gross Investment at cost (A)	**13,695,991**	**1,726,660,420**	**11,535,505**	**1,317,388,144**
Less: Provision for impairment loss				
Khudi Hydropower Limited		-		-
Gurans Energy Limited		(12,544,869)		(10,300,617)
Total Provision (B)		**(12,544,869)**		**(10,300,617)**
Net Investment at cost less impairment (A+B)		**1,714,115,551**		**1,307,087,527**

a. Provision for impairement loss was made in proportion of BPC's share investments in subsidiaries and associates as per the audited / latest available financial statements. This year the accumulated loss in Gurans Energy Limited is increased by NPR 2,244,252.

Note no: 7

Other investments

Particulars	As at 32 Ashad 2075		As at 31 Ashad 2074	
	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	1,137,772,578	2,978,502	1,130,717,624
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	14,406,648	10,000	8,974,314
Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)	6,395	639,500	6,395	639,500
Total Investment at Fair Value through Other Comprehensive Income	**2,994,897**	**1,152,818,726**	**2,994,897**	**1,140,331,438**

a) Jumdi Hydro Power is on construction phase and in such circumstances, the Company assumes its cost of the equity instrument to be an appropriate estimate of fair value.

Figures in NPR

Note no: 8

Inventories

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
General Stock/Office Supplies/Consumer Service Items	9,632,112	5,615,613
Stock of Electric Goods	5,678,216	7,051,634
T/L & D/L Stock	7,888,697	7,364,032
Other engineering inventories and spare parts	21,786,811	40,080,014
Total	**44,985,836**	**60,111,293**

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

Note no: 9

Trade receivables

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
Nepal Electricity Authority	71,579,468	68,180,148
Local Consumers	16,686,878	15,225,721
	88,266,346	**83,405,869**

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

Note no: 10

Cash and cash equivalents

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
Balances with banks		
Local currency account		
In current accounts	19,224,656	17,810,606
In call accounts	32,079,014	10,105,364
In deposits accounts (Orignal maturity less than 3 months)	520,000,000	-
Convertible currencies account		
In current accounts	2,958,750	1,446,245
In call accounts	813,446	1,797,672
Cash on hand	407,520	597,922
Cheque on hand	200,262	-
	575,683,648	**31,757,809**

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
Cash at banks and on hand	575,683,648	31,757,809
Overdraft	(66,165,590)	(12,446,176)
	509,518,058	**19,311,633**

Note no: 11

Bank balance other than cash and cash equivalents

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
Balances with Bank		
In deposit account	35,000,000	33,800,000
Embarked balance with bank		
Unpaid dividend	2,329,299	588,132
Margin money	189,000	130,000
	37,518,299	**34,518,132**

a. Debt Service Reserve Account (DSRA) balance has been maintained at Standard Chartered Bank Nepal Limited. This deposit is maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.

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

Figures in NPR

Note no: 12

Other assets (Current and Non-current)

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	Current	Non-current	Current	Non-current
Capital advance	-	2,407,377	-	6,195,175
Prepaid Expenses	10,557,570	-	10,906,171	-
	10,557,570	**2,407,377**	**10,906,171**	**6,195,175**

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

Note no: 13

Other financial assets (Current and Non-current)

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	Current	Non-current	Current	Non-current
Government Deposits	24,000,000	-	33,000,000	-
Deposit (Others)	589,198	-	704,198	-
Loan and Advance to Staff	4,790,431	-	654,564	-
Dividend receivable from subsidiaries and associates	-	-	3,579,000	-
Interest receivable from subsidiaries and associates	79,190,664	-	79,190,664	-
Other interest receivables	2,663,013	-	-	-
Investment in Fixed Deposit	1,340,000,000	-	-	-
Other receivables from subsidiaries and associates	17,376,305	-	1,953,430	-
Other receivables	933,968	-	1,324,083	-
Total	**1,469,543,579**	**-**	**120,405,939**	

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, 2075	Year ended 31 Ashadh, 2074
	Current tax		
	Current tax on profits for the year	17,980,433	-
	Adjustments for under provision in prior periods	1,337,245	-
	Deferred tax credit/charge		
	Origination and reversal of temporary differences	28,562,767	18,031,494
	Adjustments/(credits) related to previous years - (net)	60,663	-
	Income tax expense reported in statement of Profit or Loss	**47,941,108**	**18,031,494**

B.	Tax expense recognised in Other comprehensive income	Year ended 32Ashadh, 2075	Year ended 31 Ashadh 2074
	Deferred tax		
	Origination and reversal of temporary differences	3,121,822	(14,931,242)
	Adjustments/(credits) related to previous years - (net)	175,940,119	-
	Income tax charged to OCI	**179,061,941**	**(14,931,242)**

C.	Current tax asset / (liability) -net:	Year ended 32 Ashadh, 2075	Year ended 31 Ashadh, 2074
	Advance Income Tax	85,930,085	74,304,779
	Less: Income Tax Liability	(17,980,433)	-
	Total	**67,949,652**	**74,304,779**

		Year ended 32 Ashadh, 2075			Year ended 31 Ashadh, 2074		
D.	Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Hydro	Other source	Total	Hydro	Other source	Total
	Accounting Profit/ (Loss) before income tax	190,498,177	559,706,159	750,204,336	130,037,079	556,016,319	686,053,398
	Enacted tax rate	17%	25%		17%	25%	
	Computed tax expense	**32,384,690**	**139,926,540**	**172,311,230**	**22,106,303**	**139,004,080**	**161,110,383**
	Differences due to:						
	Tax effect due to non taxable income	-	(128,066,801)	(128,066,801)	(1,694,271)	(138,750,150)	(140,444,421)

Effect due to non deductible expenses	1,649,674	4,361,816	6,011,490	8,125,600	2,146,637	10,272,237
Tax effect due to difference in depreciation rate	(17,124,385)	(29,672)	(17,154,057)	(19,023,610)	(277,841)	(19,301,451)
Opening Accumulated losses	(15,121,429)	-	(15,121,429)	(24,704,252)	(2,021,548)	(26,725,800)
Closing Accumulated losses	-	-	-	15,190,230	(101,178)	15,089,052
Current tax on profits for the year	**1,788,550**	**16,191,883**	**17,980,433**	-	-	-

E. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2074 and 32 Ashadh, 2075:

i.	Movement during the year ended 31 Ashadh, 2074	As at 1 Shrawan, 2073	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 31 Ashadh, 2074
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	1,608,288	201,905	-	1,810,193
	Provision for loss on investment	2,843,430	14,662,966	(14,931,242)	2,575,154
	Depreciation and Amortisation	(87,833,471)	(10,339,794)	-	(98,173,265)
	Unused tax losses	32,596,753	(22,556,571)	-	10,040,182
		(50,785,000)	**(18,031,494)**	**(14,931,242)**	**(83,747,736)**

ii.	Movement during the year ended 32 Ashadh, 2075	As at 1 Shrawan, 2074	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 32 Ashadh, 2075
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	1,810,193	369,660	-	2,179,853
	Provision for loss on investment	2,575,154	561,063	-	3,136,217
	Depreciation and Amortisation	(98,173,265)	(19,453,308)	-	(117,626,573)
	Investment in equity instrument	-	-	(179,061,941)	(179,061,941)
	Amortisation cost of term loan	-	(60,663)	-	(60,663)
	Unused tax losses	10,040,182	(10,040,182)	-	-
		(83,747,736)	**(28,623,430)**	**(179,061,941)**	**(291,433,107)**

Figures in NPR

Note no: 15

Equity Share Capital

	Particulars	As at 32nd Ashad, 2075		As at 31st Ashad, 2074	
		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	22,202,250	2,220,225,000	22,202,250	2,220,225,000
	Subscribed and Fully Paid				
	Equity Shares of Rs. 100 each with voting rights	22,186,720	2,218,672,000	18,105,720	1,810,572,000
		22,186,720	**2,218,672,000**	**18,105,720**	**1,810,572,000**

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

Particulars	As at 32nd Ashad, 2075	As at 31st Ashad, 2074
	No. of Shares	No. of Shares
Balance as at the beginning of the year	18,105,720	16,732,227
Add: Issue of bonus share during the year	-	1,184,563
Add: Auction of right shares unsubscribed by UMN	-	188,930
Add: Issue of Further Public Offering (FPO) during the year	4,081,000	
Balance as at the end of the year	**22,186,720**	**18,105,720**

C. Details of shareholding more than 1%

Particulars	As at 32nd Ashad, 2075		As at 31st Ashad, 2074	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	12,484,065	56.27%	12,484,065	68.95%
Government of Nepal	1,645,899	7.42%	1,645,899	9.09%
IKN Nepal A.S., Norway	350,411	1.58%	350,411	1.94%
United Mission to Nepal	303,233	1.37%	303,233	1.67%
Nepal Electricity Authority	191,225	0.86%	191,225	1.06%
General Public/Employees	7,211,887	32.50%	3,130,887	17.29%

D. Terms/rights attached to equity shares

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

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	As at 32nd Ashad, 2075	As at 31st Ashad, 2074
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2073-74: NPR. 20 per share (2072-73: NPR. 20 per share)	443,734,400	338,414,939
Dividends on ordinary shares:		
Proposed cash dividend for 2074-75 NPR 18 per share and stock dividend NPR 10 per share (2073-74: cash dividend NPR 20 per share)	399,360,960	443,734,400

a) The board of directors has proposed 18% cash dividend and 10% stock dividend on paid up capital from the net profit of the fiscal year 2074/75 and its accumulated reserve & surplus. The total amount of dividend NPR 399.36 million shall be payable and 2,218,672 numbers of bonus shares of NPR 100 each (equivalent to Rs.221.87 million) shall be issued after the approval of 26th Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2074/75 Rs.512.27 million (Net of 5% final withholding tax) plus such previous years' dividend income remained in reserve. Therefore, BPC will not have to pay dividend tax on its proposed distribution of dividend.

Note no: 16

Other equity

	Share Premium	General Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2073	11,006,400	148,700,000	2,144,920,416	**2,304,626,816**
Profit for the year	-	-	668,021,904	**668,021,904**
Other comprehensive income	-	-	(72,735,685)	**(72,735,685)**
Issue of right share	142,031,439	-	-	**142,031,439**
Issue of bonus share	-	-	(118,456,300)	**(118,456,300)**
Share Issue Cost	(3,186,063)			**(3,186,063)**
Dividends to shareholders		-	(338,414,939)	**(338,414,939)**
Prior Year's Adjustment	-	-	-	**-**
Balance at 1 Shrawan 2074	149,851,776	148,700,000	2,283,335,396	**2,581,887,172**
Profit for the year	-	-	702,263,228	**702,263,228**
Other comprehensive income	-	-	(166,574,653)	**(166,574,653)**
Issue of right share	-	-	-	**-**
Issue of Further Public Offering	1,636,481,000	-	-	**1,636,481,000**
Share Issue Cost	(18,797,458)	-	-	**(18,797,458)**
Dividends to shareholders	-	-	(443,734,400)	**(443,734,400)**
Balance at 32 Ashad 2075	1,767,535,318	148,700,000	2,375,289,571	**4,291,524,889**

Figures in NPR

Note no: 17

Grant aid in reserve

Particulars	As at 32nd Ashad 2075 Closing balance	Amortisation for the year	As at 31st Ashad 2074 Closing balance	Amortisation for the year
Name of Grantors				
NORAD	9,121,062	328,484	9,449,547	328,484
UMN PCS	18,281,266	673,931	18,955,198	673,931
USAID	10,329,187	382,723	10,711,910	382,723
REGDAN	11,215,752	414,375	11,630,126	414,375
JRP	5,568,677	206,805	5,775,183	206,795
REEP	74,987,874	2,773,848	77,761,722	2,773,848
Local VDC/Community	79,070,863	2,403,242	68,059,980	2,150,013
Total	**208,574,681**	**7,183,408**	**202,343,666**	**6,930,169**

Note no: 18

Trade payables

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	Current	Non-Current	Current	Non-Current
Trade payables	28,026,608	-	72,430,459	-
	28,026,608	-	**72,430,459**	**-**

Note no: 19

Borrowings

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	Current	Non-Current	Current	Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	94,989,152	328,270,504	86,100,272	368,482,666
Overdraft	66,165,590	-	12,446,176	-
	161,154,742	**328,270,504**	**98,546,448**	**368,482,666**

1) The company has entered into consortium arrangement for one of the term loan with International Financial Corporation (IFC) and Mega Bank. These loans are secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project, ranking paripassu among bankers. All these assets are classified as "Service Concession Arrangement Intangibles.

The portion of Mega Bank has been fully paid by the company as on 31st Ashad, 2074, hence the hypothecation of above mentioned assets is applicable only for IFC.

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

3) Short term loan and overdraft facility is obtained from NIC Asia Bank which is secured as charge by way of hypothecation on all current assets and fixed assets pertaining to Jhimruk project. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles"

4) Terms of Repayment of Term Loans

Particulars	As at 32nd Ashad 2075	As at 31st Ashad 2074
2-3 Years	189,978,304	172,200,544
4-5 Years	88,331,898	138,318,410
5-10 Years	49,603,460	58,032,000
	327,913,662	**368,550,954**

Note no: 20

Other liabilities (current and non-current)

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	817,777	22,464,540	-	23,805,823
Dividend Payable	68,137,752	-	54,847,272	-
Statutory dues	2,600,725	-	3,138,233	-
Gratuity Payable	663,292	-		
VAT Payable (Net)	(226,170)	-	251,886	-
Welfare Fund Clearing Account	3,121,159	-	1,341,051	-
Bonus payable	19,732,810	-	14,405,364	-
	94,847,345	**22,464,540**	**73,983,806**	**23,805,823**

a) Gratuity payable is the net balance after deducting NPR 157,506,547 which is balance amount in Gratuity Fund maintained with Citizen Investment Trust (CIT).

Note no: 21

Other Financial Liabilities

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	9,898,718	-	10,236,154	-
Refundable Deposits of Parties	2,553,719	-	3,794,867	-
Retention Payable	7,747,315	-	10,678,188	-
Interest Payable	-	-	4,647,323	-
Royalty Payable	5,142,833	-	3,574,894	-
Other Payable	4,469,734	-	3,809,714	-
	29,812,319	**-**	**36,741,140**	-

Note no: 22

Provisions (current and non-current)

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	Current	Non-Current	Current	Non-Current
Provision for Gratuity (Net)	-	**-**	-	7,777,354
Provision for leave encashement	776,740	10,034,095	1,665,768	7,348,910
	776,740	**10,034,095**	**1,665,768**	**15,126,264**

Figures in NPR

Note no: 23

Revenue

Particulars	2074-75	2073-74
Electricity Sale to NEA		
Electricity Sale	477,949,098	485,242,397
Short supply charges	(851,419)	(6,373,861)
	477,097,679	**478,868,536**
Electricity Sale to Consumers		
Metered Consumers	150,078,941	149,869,836
Unmetered Consumers	1,033,060	1,264,117
Industrial Consumers	36,824,536	33,087,820
UO Rebate	(10,534,924)	(10,367,469)
	177,401,613	**173,854,304**
Electricity Services		
Fee and Charges	1,632,666	1,282,395
Sale of Meter/Cutout & Accessories	10,234,982	8,866,431
	11,867,648	**10,148,826**
Total	**666,366,940**	**662,871,666**

Note no: 24

Generation Expenses

Particulars	2074-75	2073-74
Electricity Purchase	30,730,302	22,810,403
Salaries and other employee cost	43,780,956	39,356,447
Contribution to Provident and Gratuity Fund	9,416,074	1,472,000
Defined benefit plan expenses	-	4,012,267
Staff Bonus	5,574,075	4,057,029
Environment, Community & Mitigation (CSR)	11,327,065	19,590,860
Repair and Maintenance	24,501,913	53,094,037
Vehicle running cost	488,909	311,570
Depreciation	2,964,855	2,487,904
Amortisation of Intangible Assets - SCA	55,791,216	54,941,495
Royalty	59,456,686	60,321,828
Insurance	8,094,954	9,078,182
Stock written off	-	23,472
Assets written off	266,917	435,753
Miscellaneous Expenses	10,865,320	10,955,251
Total	**263,259,242**	**282,948,498**

Note no: 25

Distribution Expenses

Figures in NPR

Particulars	2074-75	2073-74
Cost of sale of Meter/Cutout & Accessories	6,530,967	5,862,763
Salaries and other employee cost	38,411,614	33,009,416
Contribution to Provident and Gratuity Fund	7,640,785	1,411,854
Defined benefit plan expenses	-	2,079,212
Staff Bonus	5,229,007	3,998,499
Environment, Community & Mitigation (CSR)	49,600	101,104
Repair and Maintenance	5,616,050	6,456,585
Vehicle running cost	681,734	255,428
Depreciation	2,288,134	1,872,603
Amortisation of Intangible Assets - SCA	14,910,271	13,439,558
Royalty	18,793,654	18,422,178
Insurance	526,495	498,462
Stock written off	-	93,935
Assets written off	56,997	340,362
Miscellaneous Expenses	10,119,941	9,428,129
Total	**110,855,249**	**97,270,088**

Note no: 26

Administrative and other operating expenses

Particulars	2074-75	2073-74
Salaries and other employee cost	58,731,805	51,720,041
Contribution to Provident and Gratuity Fund	2,894,698	2,239,044
Defined benefit plan expenses	-	747,104
Staff Bonus	8,799,681	6,349,836
Staff Welfare	5,272,723	4,835,431
Advertisement and business promotion	307,738	2,224,655
AGM and Board Expenses	2,398,911	3,036,022
Audit Fee & Expenses	1,458,240	2,330,519
Communication Expenses	2,654,935	2,345,005
Depreciation and amortisation	27,025,548	25,928,646
Environment, Community & Mitigation (CSR)	700,520	433,947
Hospitality and Refreshment	735,077	2,022,353
Insurance	1,298,289	1,248,715
Legal and professional Expenses	4,203,622	1,708,279
Office running cost	7,181,905	5,677,063
Printing and Stationery	1,353,010	1,378,656
Rates and Taxes	1,275,154	718,387
Rent	217,200	324,000
Repair and Maintenance	6,425,984	4,766,516
Training and Development	1,205,605	937,275
Travelling expenses	3,477,585	4,176,913
Vehicle running cost	(756,966)	(673,071)
Bad Debts	222,771	-
Asssets Written off	58,669	165,949
Miscellaneous Expenses	3,479,771	1,466,633
Overhead Charged to Projects	(14,472,549)	(4,606,761)
Total	**126,149,926**	**121,501,157**

Figures in NPR

Note no: 27

Impairment loss on investment

Particulars	2074-75	2073-74
Khudi Hydropower Limited	-	2,330,736
Guras Energy Limited	(2,244,252)	(1,257,634)
Total	**(2,244,252)**	**1,073,102**

Note no: 28

Other Income

Particulars	2074-75	2073-74
Dividend income	512,267,203	556,963,630
Income from Other Sources	10,135,566	9,946,437
House Rent	13,010,480	11,717,574
Gain / (Loss) on disposal of assets and inventories	760,341	2,647,179
Insurance Claim received on Loss of Assets	14,358,145	-
Foreign Currency Exchange Gain/(Loss)	1,426,717	514,210
Total	**551,958,452**	**581,789,030**

a. Detail of Dividend income

Name of Company	2074-75	2073-74
Himal Power Limited [USD 4,811,798 (2073-74: 5,132,584)]	492,487,474	548,673,230
Hydro-Consult Engineering Limited	2,944,625	2,355,700
Hydro-Consult Engineering Limited (Bonus Share)	-	2,355,700
Nepal Hydro & Electric Limited	-	3,579,000
Khudi Hydropower Limited (Preference Dividend)	16,835,104	-
Total	**512,267,203**	**556,963,630**

b. Detail of Foreign Currency Exchange Gain/(Loss):	2074-75	2073-74
Andhikhola Upgrading Project 9.4 MW		
Foreign exchange losses charged to SOPL	(485,239)	(442,816)
Other Foreign exchange gain/(loss)		
HPL dividend	1,765,645	1,054,343
Foreign currency accounts maintained with various banks	146,311	(97,317)
Total	**1,426,717**	**514,210**

Note no: 29

Finance income

Particulars	2074-75	2073-74
Interest income	92,597,399	8,964,290
	92,597,399	**8,964,290**

Note no: 30

Finance Costs

Particulars	2074-75	2073-74
Interest Expenses	64,390,313	62,716,703
Other finance cost	875,131	9,653,395
Bank Charges	127,750	1,485,018
	65,393,194	**73,855,116**

Note: 31

EARNINGS PER SHARE	2074-75	2073-74
Profit for the year	702,263,228	668,021,904
Weighted average number of equity shares outstanding	19,330,020	18,045,262
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	**36.33**	**37.02**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	19,330,020	18,045,262
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)	**36.33**	**37.02**

Figures in NPR

Note no: 32

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

A. Employee benefit expenses

Particulars	2074-75	2073-74
Included in Generation expenses	58,771,105	48,897,743
Included in Distribution expenses	51,281,406	40,498,981
Administrative and other operating expenses	75,698,907	65,891,456
Total	**185,751,418**	**155,288,180**

B. Depreciation and Amortisation

Particulars	2074-75	2073-74
Included in Generation expenses	58,756,071	57,429,399
Included in Distribution expenses	17,198,405	15,312,161
Administrative and other operating expenses	27,025,548	25,928,646
Total	**102,980,024**	**98,670,206**

Note no: 33

Financial Instruments: Classifications and fair value measurements

A. Fair value measurements

Particulars	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 32 Ashad 2075	As at 31Ashad 2074		
Financial assets :				
I Investment in equity instruments of Himal Power Limited	1,137,772,578	1,130,717,624	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	14,406,648	8,974,314	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 Jumdi Hydropower Co. Limited	639,500	639,500	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

As at 32 Ashad 2075	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	1,714,115,551	-	-	-
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,152,818,726	-	-	1,152,818,726
Financial assets carried at amortised cost				
Trade receivables	88,266,346	-	-	88,266,346
Cash and cash equivalents	575,683,648	-	-	575,683,648
Bank balance other than cash and cash equivalents	37,518,299	-	-	37,518,299
Other financial assets	1,469,543,579	-	-	1,469,543,579
Total Financial Assets	**2,171,011,872**	**-**		**2,171,011,872**
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	489,425,246	-	-	489,425,246
Trade payables	28,026,608	-	-	28,026,608
Other financial liabilities	29,812,319	-	-	29,812,319
Total Financial Liabilities	**547,264,173**	**-**	**-**	**547,264,173**

As at 31 Ashad 2074	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	**1,307,087,527**	-	-	-
Financial Assets measured at FVTOCI				
Investment in other equity instruments	**1,140,331,438**	-	-	**1,140,331,438**
Financial assets carried at amortised cost				
Trade receivables	83,405,869	-	-	83,405,869
Cash and cash equivalents	31,757,809	-	-	31,757,809
Bank balance other than cash and cash equivalents	34,518,132	-	-	34,518,132
Other financial assets	120,405,939	-	-	120,405,939
Total Financial Assets	**270,087,749**	**-**	**-**	**270,087,749**
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	467,029,114	-	-	467,029,114
Trade payables	72,430,459	-	-	72,430,459
Other financial liabilities	36,741,140	-	-	36,741,140
Total Financial Liabilities	**576,200,713**	**-**	**-**	**576,200,713**

Figures in NPR

Note no: 34

RELATED PARTY DISCLOSURES

(a) Relationship

The company is controlled by Shangri-La Energy Ltd which owns 56.27% of the company's shares.

Relationship	Related Parties
Holding Company	Shangri-La Energy Ltd
Company with Common Directors	Mercantile Communications (P) Ltd
	Syakar Trading Co. Pvt. Ltd.
	Beltron Trading Pvt. Ltd.
Subsidiaries	Nepal Hydro & Electric Ltd.
	Khudi Hydropower Limited
	BPC Services Limited
	Nyadi Hydropower Limited
	Hydro-Consult Engineering Limited
Associates	Gurans Enegy Limited
	Kabeli Energy Limited

(b) Those charged with governance

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Bijaya Krishna Shrestha	Director
iv) Mr. Om Prakash Shrestha	Director
v) Mr. Sandip Kumar Dev	Director
vi) Mr. Chandi Prasad Shrestha	Director
vii) Mr.Bijay Bahadur Shrestha	Alt. Director
viii) Mr. Sanjib Rajbhandari	Alt. Director

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

Nature of Expense	Current year	Previous year	
Meeting Allowances	800,000	680,000	
Telephone, Mobile and Newspaper / Magazines	530,919	546,000	

(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	5,656,104	4,744,441
	5,656,104	**4,744,441**

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	433,920	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	32,635	260,541	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	-	46,386	-	-
Nepal Hydro & Electric Ltd.	Purchase and other expenses	25,505,831	19,037,295	(11,414,462)	2,624,036.00
	Reimbursement of rent and utilities	4,204	15,368	-	3,661.00
	Advance given	2,998,038	-	-	-
Khudi Hydropower Limited	Reimbursement of rent and utilities	74,472	142,917	28,200	102,672.00
BPC Services Limited	Reimbursement of rent and utilities	58,192	57,150	344	
	Purchase	25,882	26,173	-	
Nyadi Hydropower Limited	Reimbursement of rent and utilities	939,444	1,882,621	117,604	113,397.00
	Disbursement of convertible loan	(19,444,000)	19,444,000	-	19,444,000.00
Hydro-Consult Engineering Limited	Purchase	5,571,212	3,313,561	(468,995)	(325,765.00)
	Reimbursement of rent and utilities	4,626,052	4,796,717	-	472,487.00
Kabeli Energy Limited	Sale	1,651,377.64	1,720,201	3,092,562	1,593,847.00

Note : 35

Contingent Liabilities and commitments

A. Corporate Guarantee

S.no.	Party Name	Purpose	Amount	Expiry Date (A.D.)
1	Nepal Investment Bank Ltd.	Khudi Hydro's long term loan	187,800,000	12/15/2021
2	Nepal Investment Bank Ltd.	Khudi Hydro's overdraft facilities	14,000,000	12/15/2021

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

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

If the Company applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 21.9 million considering the period since commencement date till Asadh end 2074. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project. The advance ruling is still awaited.

C. Capital Commitments

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

BPC is the leading partner in this project. The Project Company has signed a Project Development Agreement with the Government of Nepal for development of the project on BOOT basis. BPC's part of capital commitment on this project is NPR 1,226 million for overall 56.16% shareholding (including indirect holding through Gurans Energy Limited) of which BPC has invested overall NPR 630 million as on reporting date.

ii. 30-MW Nyadi Hydropower Project

NHP (upgraded capacity 30 MW) is a Run-of-River type project being developed over Nyadi River in Bahundada VDC in Lamjung district by Nyadi Hydropower Limited (NHL). At present BPC and Lamjung Electric Development Company (LEDCO) own 97.22% and 2.78% of NHL shares respectively.

BPC's part of capital commitment on this project is NPR 1,176 million for overall 70.22% shareholding after set aside for locals/public and employees; of which BPC has invested NPR 540 million as on reporting date.

iii. 140-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.179 million has been spent by the group as on reporting date.

iv. 8.5-MW Chino Khola Hydropower Project

BPC has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study has been completed and the consent for EIA has been received from Ministry of Forest. Detail design is being carried out. NPR. 21 million has been spent by the company for this project as on reporting date.

v. Mugu Karnali Hydropower Project

BPC has got survey license for 200 MW capacity 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. 6 million has been spent by the company for this project as on reporting date.

vi. Other upcoming projects

BPC in partnership with Chinese Investors has set up of a Joint Venture Company (JVC) and is in the process of acquiring two more projects in Marsyangdi Corridor upstream and downstream of LMM HEP, In Marsyangdi basin, Manang Marsyangdi HEP, Lower Manang Marsyangdi HEP and Upper Marsyangdi-2 Hydroelectric Projects are planned to be developed in cascade by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA.

Note 36

Figures in NPR

Income Statement of generation, distribution and other sources of income For the year ending on 32 Ashad, 2075

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	328,693,608	148,404,071	44,246,701	145,022,560	-	666,366,940
Cost of Sales						
Generation Expenses	(139,269,024)	(123,990,218)	-	-	-	(263,259,242)
Distribution Expenses	-	-	(36,412,415)	(74,442,834)	-	(110,855,249)
Gross profit	**189,424,584**	**24,413,853**	**7,834,286**	**70,579,726**	**-**	**292,252,449**
Depreciation Being Revenue Portion of Grant Aid	232,918	259,851	2,649,410	4,041,229	-	7,183,408
Other income	15,130,359	2,690,659	862,443	2,334,759	530,940,232	551,958,452
Administrative and other operating expenses	(50,425,400)	(22,202,666)	(6,512,939)	(21,346,010)	(25,662,911)	(126,149,926)
Impairment loss on investment	-	-	-	-	(2,244,252)	(2,244,252)
Profit from Operation	**154,362,461**	**5,161,697**	**4,833,200**	**55,609,704**	**503,033,069**	**723,000,131**
Finance Income	7,195	34,096	31,155	36,397	92,488,556	92,597,399
Finance Costs	-	(30,831,815)	(630)	(100)	(34,560,649)	(65,393,194)
Profit Before Tax	**154,369,656**	**(25,636,022)**	**4,863,725**	**55,646,001**	**560,960,976**	**750,204,336**

Income Statement of generation, distribution and other sources of income For the year ending on 31 Ashad, 2074

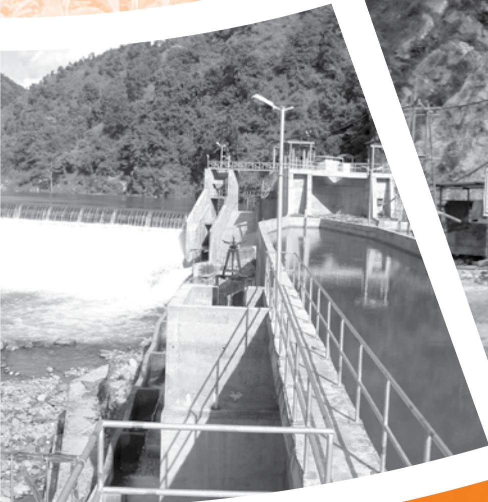
Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	325,608,210	153,260,326	41,049,038	142,954,092	-	662,871,666
Cost of Sales						
Generation Expenses	(168,919,998)	(114,028,500)	-	-	-	(282,948,498)
Distribution Expenses	-	-	(30,536,477)	(66,733,611)	-	(97,270,088)
Gross profit	**156,688,212**	**39,231,826**	**10,512,561**	**76,220,481**	**-**	**282,653,080**
Depreciation Being Revenue Portion of Grant Aid	232,899	259,852	2,577,502	3,859,916	-	6,930,169
Other income	417,430	3,210,870	716,165	1,963,252	575,481,313	581,789,030
Administrative and other operating expenses	(53,821,727)	(25,770,866)	(6,793,928)	(23,652,081)	(11,462,555)	(121,501,157)
Impairment loss on investment	-	-	-	-	1,073,102	1,073,102
Profit from Operation	**103,516,814**	**16,931,682**	**7,012,300**	**58,391,568**	**565,091,860**	**750,944,224**
Finance Income	15,943	42,096	12,711	42,325	8,851,215	8,964,290
Finance Costs	-	(55,927,800)	(530)	(30)	(17,926,756)	(73,855,116)
Profit Before Tax	**103,532,757**	**(38,954,022)**	**7,024,481**	**58,433,863**	**556,016,319**	**686,053,398**

Note 37

CSR expenses as per Industrial Enterprises Act 2016 (2073 B.S.)

New Industrial Enterprises Act 2016 (2073 BS) (the "Act") has been introduced with effect from 22 November, 2016 repealing the Industrial Enterprises Act 1992 (2049 BS) (the "Previous Act"). Section 48 of Industrial Enterprises Act 2016 (2073 BS) 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, however, such sectors are yet to be specified by the Act. The progress report of the utilization of the fund collected for CSR is required to be submitted to the relevant government authorities registered within three months from expiry of the financial year. The Company believes that it has been expending on different CSR activities from earlier years. In current year, the Company has already incurred Rs. 12,077,185 on "Environment, Community & Mitigation" and allocated budget Rs. 26.20 million for FY 2075/76 to meet CSR requirement, which is more than required 1% of annual profit. Hence, additional amount for CSR activities has not been set aside.

bpc
BUTWAL POWER
COMPANY LIMITED



BUTWAL POWER COMPANY LIMITED

CONSOLIDATED FINANCIAL **STATEMENTS**

2018

BRS Neupane & Co.
Chartered Accountants
Kumari Marga, House No. 43
P.o. Box No. 8137, Naxal
Kathmandu, Nepal

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BRS Neupane & Co.

INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Butwal Power Company Limited, ("the Company") and its subsidiaries, (hereinafter collectively referred to as the "Group"), which comprise the Consolidated Statement of Financial Position as at 32nd Ashad 2075 (16th July 2018), and also the Consolidated Statement of Profit or Loss and other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended and a summary of Significant Accounting Policies and Notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Nepal Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, the financial position of Butwal Power Company Limited and its subsidiaries as at 32nd Ashad 2075 (Corresponding 16th July 2018), and of the results of their financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

OTHER REPORTING

We did not audit the financial statements of subsidiaries included in the consolidated financial statements. These financial statements of the subsidiaries have been audited by other auditors whose audit reports have been furnished to us by the management except for the financial statements of **Nepal Hydro and Electric Limited**. The financial statements of one of the subsidiaries, **Nepal Hydro and Electric Limited** has not been audited till the date of our report. Our audit opinion on the consolidated financial statements of the Group for the year then ended, to the extent they relate to the financial statements not audited by us as stated in this paragraph, is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

Date: Marga 24, 2075 (December 10, 2018)
Place: Kathmandu, Nepal

CA. Gyanendra B. Bhari
Partner

Consolidated Statement of Financial Position

As at 32 Ashad 2075 (16 July 2018)

Figures in NPR

	Note	As at 32 Ashad 2075	As at 31 Ashad 2074
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	554,885,236	526,145,949
Capital work-in-progress	3	27,283,541	27,754,943
Intangible assets	4	2,302,931,659	2,327,053,164
Intangible assets under development	5	1,033,426,517	427,576,946
Project work-in-progress	7	206,562,704	175,320,792
Financial assets			
Investment in associates and joint ventures	8	978,703,942	638,177,856
Other investments	9	1,153,818,726	1,141,331,438
Trade receivables	13	7,647,988	35,318,543
Other financial assets	14	111,490	1,584,517
` Deferred tax assets	6	17,652,777	17,712,346
Other non-current assets	15	239,523,152	270,298,722
Total Non-Current Assets		**6,522,547,732**	**5,588,275,216**
Current assets			
Inventories	10	97,044,010	149,765,455
Financial assets			
Trade receivables	13	383,845,094	420,202,630
Cash and cash equivalents	11	684,913,740	76,526,022
Bank balance other than cash and cash equivalents	12	57,680,896	71,992,868
Other financial assets	14	1,793,132,222	341,823,385
Other current assets	15	422,959,007	108,657,274
Current tax assets (net)	6	78,077,626	91,204,151
Total current assets		**3,517,652,595**	**1,260,171,785**
Total assets		**10,040,200,327**	**6,848,447,001**
EQUITY AND LIABILITIES			
Equity			
Equity	16	2,218,672,000	1,810,572,000
Other Equity	17	4,523,596,533	2,794,072,456
Non-controlling interest	35	267,470,181	251,942,189
Total Equity		**7,009,738,714**	**4,856,586,645**
Liabilities			
Non-Current Liabilities			
Grant aid in reserve	18	208,574,681	202,343,666
Financial liabilities			
Borrowings	21	1,482,701,551	800,108,830
Other financial liabilities	22	38,069,812	939,100
Provisions	19	14,767,841	73,532,472
Deferred tax liabilities	6	316,264,416	100,787,467
Other non-current liabilities	23	23,957,413	27,468,900
Total Non-Current Liabilities		**2,084,335,714**	**1,205,180,435**

Current Liabilities			
Financial liabilities			
Borrowings	21	238,046,551	190,092,465
Trade payables	20	50,283,376	116,333,582
Other financial liabilities	22	131,822,065	88,831,510
Provisions	19	4,995,061	6,416,373
Other current liabilities	23	520,978,846	385,005,992
Total Current Liabilities		**946,125,899**	**786,679,922**
Total Liabilities		**3,030,461,613**	**1,991,860,357**
Total Equity and Liabilities		**10,040,200,327**	**6,848,447,001**

The accompanying notes are an integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip Kumar Dev
Director

Ratna S Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

As per our report of even date

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Date: December 7, 2018
Place: Kathmandu, Nepal

Consolidated Statement of Profit and Loss

For the year ended 32 Ashad 2075 (16 July 2018)

Figures in NPR

	Note	2074-75	2073-74
Revenue	24	1,808,571,904	1,452,968,051
Cost of Sales	25	(1,311,998,240)	(1,016,319,712)
Gross profit		**496,573,664**	**436,648,339**
Depreciation Being Revenue Portion of Grant Aid	18	7,183,408	6,930,169
Other income	27	536,865,637	579,782,638
Administrative and other operating expenses	26	(231,978,595)	(206,009,165)
Profit / (Loss) Transferred from JVs	30	20,000,000	89,775,000
Profit from Operation		**828,644,114**	**907,126,981**
Finance Income	28	96,988,822	14,478,053
Finance Costs	29	(89,915,731)	(97,502,114)
Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations		**835,717,205**	**824,102,920**
Share of (loss) / profit of associates and joint ventures (net) under equity method		(15,275,185)	4,819,114
Profit Before Tax		**820,442,020**	**828,922,034**
Income Tax Expense			
Current tax	6	(38,603,728)	(14,802,258)
Deferred tax credit/charge	6	(36,474,577)	(23,240,051)
Profit for the year		**745,363,715**	**790,879,725**
Attributable to:			
Owners of the parent		723,190,626	740,094,099
Non controlling interests		22,173,088	50,785,625
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		-	(1,901,120)
ii. Equity instruments through other comprehensive income		12,487,288	(63,581,433)
iii. Income tax relating to items that will not be reclassified to profit or loss	6	(179,061,941)	(13,009,753)
Other comprehensive gain/(loss) for the year, net of tax		**(166,574,653)**	**(78,492,306)**
Attributable to:			
Owners of the parent		(166,574,653)	(75,698,186)
Non controlling interests		-	(2,794,120)
Total Comprehensive gain/(loss) for the year, net of tax		**578,789,062**	**712,387,419**
Attributable to:			
Owners of the parent		556,615,973	664,395,914
Non controlling interests		22,173,088	47,991,505
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	32	37.41	41.01
Diluted Earnings per share - Rs.	32	37.41	41.01

The accompanying notes are an integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip Kumar Dev
Director

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Ratna S Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

Date: December 7, 2018
Place: Kathmandu, Nepal

Consolidated Statement of Cash Flows

For the year ended 32 Ashad 2075 (16 July 2018)

Figures in NPR

	2074-75	2073-74
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	820,442,020	828,922,034
Adjustments for:		
Depreciation on property, plant and equipment (including Capital work-in-progress)	51,718,092	45,417,481
Amortization of Intangible Assets	88,451,862	87,154,218
Depreciation Being Revenue Portion of Grant Aid	(7,183,408)	(6,930,169)
Provision for employee benefits	(60,185,943)	4,946,212
Provision for Bonus	27,611,175	26,968,154
Finance income	(96,988,822)	(14,478,053)
Impairment of Intangible asset	122,924	599,376
Finance cost	88,384,247	84,218,132
(Profit)/Loss transferred from JVs	(20,000,000)	(89,775,000)
Unrealized foreign exchange difference on cash and cash equivalent	(312,564)	637,565
Loss/ (gain) on sale of Property, plant and equipment	(5,538,546)	(4,525,893)
Working capital adjustments:		
(Increase)/ Decrease in Trade Receivables	64,028,091	4,349,375
(Increase)/ Decrease in Other Financial Assets	(99,835,810)	27,741,295
(Increase)/ Decrease in Other Assets	(283,526,163)	(338,013,837)
(Increase)/ Decrease in Inventories	52,721,445	733,450
Increase /(Decrease) in Trade Payables	(66,050,206)	53,054,846
Increase/(Decrease) in Financial Liabilities	82,825,843	8,139,252
Increase/(Decrease) in Other Liabilities	115,553,760	39,503,084
Cash generated from operations	**752,237,996**	**758,661,522**
Bonus paid	(25,668,428)	(27,293,675)
Income Tax Paid	(25,477,203)	(20,116,872)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**701,092,365**	**711,250,975**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment (including Capital work-in-progress)	6,399,934	4,064,391
(Increase)/Decrease in Project work-in-progress	(31,241,912)	(11,382,309)
(Increase)/Decrease in Intangible assets under development	(605,849,571)	(27,211,157)
(Increase)/Decrease in Investment in Fixed Deposits	(1,350,000,000)	-
Interest Received	96,988,822	14,478,053
(Increase)/ Decrease Investment in Associates and Joint Ventures	(320,526,086)	(189,804,850)
Acquisition of Property, plant and Equipment	(80,847,359)	(91,397,932)
Purchase of Intangibles	(64,453,280)	(66,004,624)
Grant Aid received/ (refunded)	13,414,423	7,103,132
Bank balance other than cash and cash equivalents	14,311,972	(9,438,442)
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(2,321,803,058)**	**(369,593,738)**

Figures in NPR

	2074-75	2073-74
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of further public offering (FPO)	2,044,581,000	-
Issue of right share	-	160,924,439
Share Issue Cost	(18,797,458)	(3,186,063)
Issue of share in subsidiaries	1,529,000	-
Receipt of convertible loan	-	555,980
Borrowing (repaid) / taken (net)	727,706,418	(85,484,506)
Dividend paid	(436,041,927)	(323,352,282)
Interest paid	(93,031,571)	(79,570,810)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**2,225,945,462**	**(330,113,242)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**605,234,770**	**11,543,995**
Net foreign exchange difference on cash and cash equivalents	312,564	(637,565)
CASH AND CASH EQUIVALENTS, Beginning of Year	5,259,012	(5,647,421)
CASH AND CASH EQUIVALENTS, End of Period	**610,806,346**	**5,259,012**

The accompanying notes are an integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip Kumar Dev
Director

Ratna S Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

As per our report of even date

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Date: December 7, 2018
Place: Kathmandu, Nepal

Consolidated Statement of Changes in Equity

For the year ended 32 Ashad 2075 (16 July 2018)

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	Retained Earnings	Total		
Balance at 1 Shrawan, 2073	**1,673,222,700**	**11,006,400**	**13,361,437**	**148,700,000**	**2,274,882,561**	**2,447,950,398**	**207,443,123**	**4,328,616,221**
Profit for the year	-	-	-	-	740,094,099	740,094,099	50,785,625	790,879,724
Other comprehensive income	-	-	-	-	(75,698,186)	(75,698,186)	(2,794,120)	(78,492,306)
Total comprehensive income	**-**	**-**	**-**	**-**	**664,395,913**	**664,395,913**	**47,991,505**	**712,387,418**
Issue of right share	18,893,000	142,031,439	-	-	-	142,031,439	-	160,924,439
Issue of bonus share	118,456,300	-	-	-	(118,456,300)	(118,456,300)	-	-
Share Issue Cost	-	(3,186,063)	-	-	-	(3,186,063)	-	(3,186,063)
Dividends to shareholders	-	-	-	-	(338,662,931)	(338,662,931)	(4,048,419)	(342,711,350)
Receipt of convertible loan	-	-	-	-	-	-	555,980	555,980
Housing Fund reserve	-	-	4,790,404	-	(4,790,404)	-	-	-
Balance at 1 Shrawan, 2074	**1,810,572,000**	**149,851,776**	**18,151,841**	**148,700,000**	**2,477,368,839**	**2,794,072,456**	**251,942,189**	**4,856,586,645**
Profit for the year	-	-	-	-	723,190,626	723,190,626	22,173,088	745,363,714
Other comprehensive income	-	-	-	-	(166,574,653)	(166,574,653)	-	(166,574,653)
Total comprehensive income	**-**	**-**	**-**	**-**	**556,615,973**	**556,615,973**	**22,173,088**	**578,789,061**
Issue of share in subsidiaries	-	-	-	-	-	-	1,529,000	1,529,000
Issue of right share	-	-	-	-	-	-	-	-
Issue of bonus share	-	-	-	-	-	-	-	-
Issue Of Further Public Offering(FPO)	408,100,000	1,636,481,000	-	-	-	1,636,481,000	-	2,044,581,000
Share Issue Cost	-	(18,797,458)	-	-	-	(18,797,458)	-	(18,797,458)
Dividends to shareholders	**-**	**-**	**-**	**-**	**(444,775,438)**	**(444,775,438)**	**(8,174,096)**	**(452,949,534)**
Receipt of convertible loan	-	-	-	-	-	-	-	-
Housing Fund reserve	-	-	-	-	-	-	-	-
Balance at 32nd Ashad, 2075	**2,218,672,000**	**1,767,535,318**	**18,151,841**	**148,700,000**	**2,589,209,374**	**4,523,596,533**	**267,470,181**	**7,009,738,714**

The accompanying notes are an integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Bijaya Krishna Shrestha
Director

Sandip Kumar Dev
Director

CA. Gyanendra B. Bhari
Partner
BRS Neupane & Co.
Chartered Accountants

Ratna S Shakya
Chief Manager- Finance

Om Prakash Shrestha
Director

Chandi Prasad Shrestha
Director

Date: December 7, 2018
Place: Kathmandu, Nepal

Notes to the consolidated financial statements

for the year ended 32 Ashad 2075

Figures in NPR

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 Ashad, 2075.

The Group principal activities includes the development of hydropower project, provide consulting services, hydraulic modelling and operation and maintenance services to hydropower plants. The group has carried on the business in Nepal and overseas and employs over 500 people. Information on the Group's structure is provided in Note 2.24.

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 32 Ashadh 2075 (16 July, 2018).

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

The accompanied consolidated financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on 21 Mangsir, 2075 (7 December, 2018). The Board of Directors acknowledges the responsibility of preparation of consolidated financial statements.

Note 2: Significant accounting policies

2.1 Basis of Preparation and measurement

i. Statement of Compliance

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

ii. Basis of preparation

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

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

iii. Basis of measurement

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

iv. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at 32nd Ashad, 2075. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

  The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above. The group considers all relevant facts and circumstances in assessing whether it has power over the investee, including:

- The size of Group's holding of voting rights;
- Potential voting rights held by the Group;
- Rights arising from other contractual arrangements.

Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances except for one of its subsidiary (NHE) as mentioned in note no 2.24. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 32 Ashad. 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.

Consolidation procedure:

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.
(b) Off set (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.
(c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.
(d) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates and joint ventures:

An associate is an entity over which the Group has significant influences but not control or joint control. This is generally the case where the Group holds between 20% to 50% of the voting rights or the Group has power to participate in the financial and operating policy decision of the investee. Investments in associate are accounted for using equity method accounting. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with NFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associates or joint ventures exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associates or joint ventures. An investment in an associates or joint ventures is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised directly in equity as capital reserve in the period in which the investment is acquired. After application of the equity method of accounting, the Group determines whether there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment in an associate or joint venture and that event (or events) has an impact on the estimated future cash flows from the net investment that can be reliably estimated. If there exists such an objective evidence of impairment, then it is necessary to recognise impairment loss with respect to the Group's investment in an associate or joint venture.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or joint venture, or when the investment is classified as held for sale. Distributions received from an associate or joint venture reduce the carrying amount of the investment. Unrealised gains on transactions between the group and its associates or joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment of the assets transferred.

2.2 Critical accounting estimates and judgements

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

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

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

Contingencies

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

Fair value measurements

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

Recognition of deferred tax assets

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

2.3 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 ?

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

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

FINANCIAL ASSET MODEL:

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

INTANGIBLE ASSET MODEL:

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

INTANGIBLE ASSETS UNDER SERVICE CONCESSION ARRANGEMENT (SCA)

The Group manages concession arrangements which include power supply from it's two hydro power plant. The Group maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset models is applied.Income from the concession arrangements earned under the intangible asset model consists of the (i) Fair Value of the 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 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 disposal 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.

2.4 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 Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets 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 Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.

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

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

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

2.5 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 there from for a period longer than one year.

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

2.6 Depreciation and Amortization

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

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 pro-rata basis in the year of purchase. 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 & 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 of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.
The estimated useful life, residual values an depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

v. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

2.7 Impairment of tangible and intangible assets

i. At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

ii. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

iii. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

iv. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Statement of Profit and Loss.

v. When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Statement of Profit and Loss.

2.8 Borrowing cost

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are 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.

2.9 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 Group's cash management.

2.10 Inventories

Cost of inventories includes cost of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories of stores, spare parts and loose tools are stated at the lower of weighted average cost and net realizable value. Net 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.

2.11 Revenue recognition

I) SALE OF ELECTRICITY

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

II) REVENUE FROM CONSULTANCY CONTRACTS

Consultancy contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the outcome of the contract cannot be estimated reliably, revenue is recognised to the extent of the contract costs incurred if it is probable that they will be recoverable. When the outcome of the contract is ascertained reliably, contract revenue is recognised at cost of work performed on the contract plus proportionate margin, using the percentage of completion method. Percentage of completion is the proportion of cost of work performed to-date, to the total estimated contract costs. The estimated outcome of a contract is considered reliable when all the following conditions are satisfied:

i. The amount of revenue can be measured reliably,
ii. It is probable that the economic benefits associated with the contract will flow to the Group,
iii. The stage of completion of the contract at the end of the reporting period can be measured reliably, and
iv. The costs incurred or to be incurred in respect of the contract can be measured reliably.

Provision is made for all losses incurred to the balance sheet date. Variations in contract work, claims and incentive payments are recognised to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. Expected loss, if any, on a contract is recognised as expense in the period in which it is foreseen, irrespective of the stage of completion of the contract. For contracts where progress billing exceeds the aggregate of contract costs incurred to-date and recognised profits (or recognised losses, as the case may be), the surplus is shown as the amount due to customers.

III) OTHER ELECTRICITY SERVICES

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

IV) DIVIDEND AND INTEREST INCOME

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

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

2.12 Foreign currency transactions

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

2.13 Employment Benefits

The Group has schemes of employment benefits namely provident fund, employee gratuity, other retirement benefit and accumulate leave payable as per employee service manual.

DEFINED CONTRIBUTION PLAN – PROVIDENT FUND

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

DEFINED BENEFIT PLAN - GRATUITY

As per the provision of new Labor Act enacted and effective from September 4, 2017, gratuity plan has been converted into contribution plan from defined benefit plan. Contribution of 8.33% of basic salary needs to be deposited on monthly basis to the separate Social Security Fund. Total gratuity obligation calculated as per previous labor act till the transition date also needs to be deposited to the Social Security Fund. As on date, the procedure for depositing in social security fund has not been finalized by the Government of Nepal, so the group has set aside net obligation amount as statutory dues payable in current liabilities.

SHORT TERM AND LONG-TERM EMPLOYMENT BENEFITS

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

2.14 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 Group:
Income from Manufacturing and sale of electricity: 17% (2073/74: 17%)
Income from Other services: 25% (2073/74: 25%)

Parent Company, being a listed manufacturing company, has availed the rebate of 15% (2073/74:15%) on total tax liabilities under section 11 (3 chha) of Income Tax Act, 2058.

DEFERRED TAX

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

2.15 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 would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date.

2.16 Provisions, contingencies and commitments

i. Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
ii. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.
iii. The expense relating to a provision is presented in the statement of profit and loss net of any reimbursement.
iv. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.
v. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.
vi. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the standalone financial statements.
vii. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.
viii. Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.
ix. Provisions, contingent liabilities, contingent assets and commitments are reviewed at each reporting period.

2.17 Financial Instruments

I.FINANCIAL INSTRUMENTS

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

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

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

II. EFFECTIVE INTEREST METHOD

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

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

III. FINANCIAL ASSETS

Financial assets at amortised cost

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

Financial assets measured at fair value

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

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

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

Impairment of financial assets

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through the statement of profit of loss.

The Group recognises impairment loss on trade receivables using expected credit loss model. For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition.

De-recognition of financial assets

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

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

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

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

IV. FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

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

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

Financial guarantee contracts

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

De-recognition of financial liability

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

V. OFF-SETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the 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 realise the assets and settle the liabilities simultaneously.

VI. FAIR VALUE MEASUREMENT:

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

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

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

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

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

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

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

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

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

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

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

2.18 Leases

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

GROUP AS A LESSEE

A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased asset or, at the present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on the borrowing costs.

Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term unless either:

a. Another systematic basis is more representative of the time pattern of the user's benefit even if the payments to the lessors are not on that basis; or
b. The payments to the lessor are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases. If payments to the lessor vary because of factors other than general inflation, then this condition is not met.

THE GROUP AS LESSOR

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

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

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

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

2.20 Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.
The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the consolidated 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 Group's business activities expose it to a variety of financial risks, namely primarily to fluctuations in foreign currency exchange rates, interest rates, equity prices, liquidity and credit risk, which may adversely impact the fair value of its financial instruments. The Group's Board and senior management has overall responsibility for the establishment and oversight of the Group's risk management. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

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

A. CURRENCY RISK

The Group is subject to the risk that changes in foreign currency values impact the Group's imports of inventories and property, plant and equipment. As at 32 Ashad, 2075, there is no unhedged exposure to the Group on holding financial assets (Bank balances and Trade receivables) and liabilities (trade payables) other than in their functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Group's approach to management of currency risk is to leave the Group with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant risk, management has not entered into any forward contract.

The following table demonstrates the unhedged exposure in USD with corresponding equivalent NRs. as at 32 Ashad 2075 and 31 Ashad 2074:-

Particulars	Currency	32 Ashad 2075	31 Ashad 2074
Cash and bank balance	NPR	6,533,095	5,563,339
	USD	59,750	54,087
Trade Receivables	NPR	8,462,342	24,777,468
	USD	77,394	235,270
Trade Payables	NPR	-	1,276,904
	USD	-	12,414
Advance to Suppliers / Contractors/Sub-contracts	NPR	187,556,797	193,968,220
Advance to Suppliers / Contractors/Sub-contracts	USD	3,452,426	1,871,617
Retention Money Payable	NPR	20,660,033	-
Retention Money Payable	USD	237,055	-

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, BPC has little role to play for minimizing this risk. BPC has made swap arrangement to minimize the interest rate risk associated with foreign currency. Further, the 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 stressed conditions. A material and sustained shortfall in our cash flow could create potential business continuity risk.

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

2.22 Capital Management

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

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

No changes were made in the objectives, policies or processes for managing capital during the year ended 32nd Ashad 2075, and 31 Ashad 2074.

2.23 Segment reporting

The Chief Executive Officer and functional managers of the Group has been identified as the Chief Operating Decision Maker (CODM) as defined by NFRS 8, Operating Segments. The CODM evaluates the Group's performance and allocates resources based on an analysis of various performance indicators, however the Group 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".

2.24 Description of Subsidiaries, Associates, Joint Ventures and other equity investments

Name	Nature of Business	Direct Shareholding as at	
		Ashad 32, 2075	Ashad 31, 2074
On the basis of audited financial statement			
Subsidiaries:			
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	97.22%	97.22%
BPC Services Limited (BPCSL)	Engineering consultancy services	100%	100%
Hydro-Consult Engineering Limited (HCEL)	Engineering consultancy services	80%	80%
Khudi Hydropower Limited (KHL)	Generation and sale of hydro electricity	60%	60%
Associates:			
Gurans Energy Limited (GEL)	Develop and invest in hydropower projects	40%	40%
Kabeli Energy Limited (KEL)	Generation and sale of hydro electricity	27.24%	26.78%
On the basis of unaudited financial statement			
Subsidiaries:			
Nepal Hydro & Electric Limited (NHE)	Contractual service related to hydro, mechanical and electromechanical equipment	51.30%	51.30%

Note: Due to some practical difficulties, AGM of NHE for the last financial year i.e. 2073-74 is still not held. So, the financial statement of the current year has not been audited and also not been prepared in accordance with Nepal Financial Reporting Standards (NFRS). Hence, this is an exception to the statement that the group has applied the uniform accounting policies for like transactions and other events in similar circumstances, while preparing this Consolidated financial statements.

Joint ventures:			
CQNEC - NHE Consortium - KM Project	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC-NHE Consortium – Chapali	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC - NHE Consortium – GSRP	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC-NHE Consortium-Purbi Chitwan	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
CQNEC-NHE Consortium – Kohalpur	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%
NHE-IPM Joint Venture	Supply and Delivery of Turbine Spare Parts and Repair of Turbine	26.16%	26.16%
CWE - NHE JOINT VENTURE	Design, Supply, & Construction of 132kV Substations	-	25.14%
ERMC & Hydro Consult JV	Prefeasibility Study of Upper Jhimruk Storage Project.	32.00%	32.00%
Hydro Consult & ERMC JV	Detailed Engineering Design of various hydro projects Prefeasibility Study of Upper Jhimruk Storage Project Feasibility and Initial Environment Examination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP	48.00%	48.00%
HCE-Hydrolab RECHAM JV	Study on sediment Management in Run-of-River Hydropower Projects of Nepal	36.00%	36.00%

Name	Nature of Business	Direct Shareholding as at	
		Ashad 32, 2075	Ashad 31, 2074
ITECO-TMS-HCE JV	Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project	24.00%	24.00%
HCE-ITECO-TMS JV	Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project	32.00%	-
Other equity investments:			
Himal Power Limited		16.88%	16.88%
Hydro Lab Private Limited		10.73%	10.73%
Jumdi Hydropower Private Limited		1.06%	1.06%
Dordi Khola Jal Bidyut Company Ltd		0.3%	0.3%

SUBSIDIARIES

a) Nepal Hydro & Electric Limited

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

b) Khudi Hydropower Limited

Khudi Hydropower Limited (KHL) owns the 4-MW Khudi Power Plant, which began commercial operation in FY 2063/64. BPC is the major shareholder of KHL. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada.

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 13.9% (i.e. the prevailing interest rate of the principal loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

c) BPC Services Limited

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

d) Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established to build, own and operate the 30 MW Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO shareholding 2.78%. BPC is planning to hold 70.22% shareholdings by setting aside 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works are going on as per the set timeline with the completion of access road and excavation works including tunnels are almost completed.

e) Hydro-Consult Engineering Limited

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

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 2074/75. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

g) Kabeli Energy Limited (KEL)

Kabeli Energy Ltd. was established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. BPC holds overall 56.16% shares of KEL being 27.24% direct investment and 28.92% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US $98 million. The project is under construction, being Civil and Hydro-mechanical Contractor is already mobilized at site.

JOINT VENTURES

h) NHE-IPM Joint Venture

Nepal Hydro & Electric Limited have entered into a joint venture agreement with Industrial Processors & Metallizers (P) Ltd (IPM) [named 'NHE-IPM Joint Venture'] for carrying out the work of 'Supply and Delivery of Turbine Spare Parts and Repair of Turbine of Kali Gandaki 'A' Hydro Power Plant Rehabilitation Project' contract ID No. KGAHPPRP/G/ICB-3. The Joint Venture entered into an agreement with Nepal Electric Authority for the said project on August 8, 2014. The value of the contract was Rs. 115,872,100. Based on which the Joint Venture has awarded the work of 'repair of turbine' to Nepal Hydro & Electric Limited for a contract value of Rs. 37,356,100 on August, 2014.

i) CQNEC-NHE Consortium, Chapali

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Supply, Construction & Installation of 132/66 kV Chapali Substations and Associated Works under 'Chapali Augmentation (Chapali 132 kV Substation expansion) Project'. The Consortium entered into an agreement with Nepal Electric Authority for the said project on June 06, 2014. The value of the contract was US$ 4,203,781.15 plus CHF 1,377,567.59 plus IRs 65,005,374.30 plus NRs 153,609,740.49. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 120,000,000 on 7 September, 2014.

j) CQNEC-NHE Consortium, Kohalpur Mahendranagar

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Design, Supply, & Construction of 132kV Substations. The Consortium entered into an agreement with Nepal Electric Authority for the said project on February 06, 2015. The value of the contract was US$ 1,862,528.09 plus IRs 166,098,628.99 plus NRs 329,915,964.42. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 324,967,224.95 on 7 April, 2015.

k) CQNEC-NHE Consortium, GSRP

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Procurement of Plant for Grid Substation Reinforcement Project (Design, Supply and Install)' contract ID No. PMD/GSRP-071/072-01. The Consortium entered into an agreement with Nepal Electric Authority for the said project on July 05, 2015. The value of the contract was US$ 3,687,101.76 plus IRs 79,733,918.74 plus NRs 134,643,028.14. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation work to Nepal Hydro & Electric Limited for a contract value of RS 130,603,737.32 on 20 July 2015.

l) CQNEC-NHE Consortium, Kulekhani 1st

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Supply, Delivery, Laying, Installation, Testing & Commissioning of 66kV, XLPE,240 Sq. mm, Single Core, Copper Conductor, Aluminum Armored Power Cable With Termination Kits'. The Consortium entered into an agreement with Nepal Electric Authority for the said project on 20 March, 2016. The value of the contract was NRs 31,178,906.94. Based on which, the Consortium will be awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited.

m) HCE-ERMC Joint Venture (Lower Hongu Khola small hydropower, Inkhu Khola small hydropower)

Project, Siwa Khola Small Hydropower Project and Budhi Ganga Khola Small Hydropower Project

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 23.5 MW Lower Hongu Khola Small Hydropower Project (LHKSHP), Solukhumbu District,
- Detailed Engineering Design of 20 MW Inkhu Khola Small Hydropower Project (IKSHP), Solukhumbu District,

- Detailed Engineering Design of 15 MW Siwa Khola Small Hydropower Project (SKSHP), Taplejung District and
- Detailed Engineering Design of 6.2 MW Budhi Ganga Khola Small Hydropower Project (BGKSHP), Bajura District

The Joint Venture has entered into a contract with the Department of Electricity Development (DoED) for the above projects on 31Ashad, 2072 (July 16, 2015). The total value of the contract is NRs. 81,042,000.00 (put total of all 4 projects).

Based on which the Joint Venture has awarded the work of Detailed Engineering Design of 23.5 MW Lower Hongu Khola Small Hydropower Project (LHKSHP),Solukhumbu District, Detailed Engineering Design of 20 MW Inkhu Khola Small Hydropower Project (IKSHP), Solukhumbu District and Detailed Engineering Design of 15 MW Siwa Khola Small Hydropower Project (SKSHP) to HCE for a contract value of NRs. 36,795,080.00 (put total of all 3 projects) on May 04, 2016. Up to last fiscal year HCE raised invoice of NRs. 11,636,240.00. During the year, the HCE has raised invoices worth of NRs. 19,226,390.00. At the balance sheet date HCE shows receivable of NRs. 11,181,658.25.

n) HCE-ERMC Joint Venture (Prefeasibility Study of Upper Jhimruk Storage Project)

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 Prefeasibility Study of Upper Jhimruk Storage Project.

The JV has entered into agreement with Department of Electricity Development (DoED) on 17 Kartik, 2072 (3 November, 2015). The total value of the contract is NRs. 16,405,600.00.

Based on which the Joint Venture has awarded the work to HCE for a contract value of NRs. 11,483,920.00 on April 21, 2016.

Up to last fiscal year HCE raised invoice of NRs. 4,593,567.80. During the year, the HCE has raised invoice NRs. 6,890,352.20. At the balance sheet date HCE shows receivable of NRs. 1,834,556.22.

o) HCE-ERMC Joint Venture (Feasibility and Initial Environment Examination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP)

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 :-

- 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)

The Joint Venture has entered into a contract with the Department of Electricity Development (DoED) for the above projects on 31 Ashad, 2073 (15 July, 2016). The total value of the contract is NRs. 67,367,350.00 (put total of all 3 projects).

Based on which the Joint Venture has awarded the work to HCE for : Feasibility and Initial Environment Examination Study of Bheri Khola Hydropower Project (10 MW), Feasibility and Initial Environment Examination Study of Nyaurigad Hydropower Project and Feasibility and Initial Environment Examination Study of Kawadi Khola Hydropower Project (10 MW) on February 14, 2017 for a contract value of NRs. 47,157,145.00 (put total of all 3 projects). Up to last fiscal year HCE raised invoice of NRs. 3,772,571.60. During the year, the HCE has raised invoices with NRs. 5,658,857.40. At the balance sheet date HCE shows receivable of NRs. 6,026,683.12.

p) 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.

The Joint Venture has entered into a contract with the Department of Electricity Development (DoED) for the above projects on 27 Ashwin 2071 (13 October, 2014). The total value of the contract is NRs. 35,183,000.00 (put total of all 2 projects).

Based on which the Joint Venture has awarded the work to HCE of Feasibility and Environmental Impact Assessment except geological and geotechnical investigations of Sankhuwa Khola and Sankhuwa Khola-1 HP on February 17, 2015 for a contract value of NRs. 18,678,100.00 (put total of all 2 projects). Upto last fiscal year HCE raised invoice of NRs. 7,471,240.00. During the year, the HCE has raised invoices for NRs. 2,801,715.00. At the balance sheet date HCE shows receivable of NRs. 5,294,370.20.

q) 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).

The Joint Venture has entered into a contract with the Irrigation Feasibility Study and Construction Quality Program, Department of Irrigation on 27 Ashad, 2073. The total value of the contract is NRs. 35,905,500.00.

Based on which the Joint Venture has awarded the work to HCE of Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project on August 17, 2016 for a contract value of NRs. 17,640,500. Upto last fiscal year HCE has raised invoice for NRs. 882,025.00. During the year, HCE has not been raised invoice.

r) HCE-Hydro Lab-RECHAM Joint Venture

HCE has entered into a joint venture agreement with Hydro Lab Pvt. Ltd. and RECHAM Consult (Pvt.) Ltd. for Study on sediment Management in Run-of-River Hydropower Projects of Nepal (named Hydro-Consult Engineering Ltd., Hydro Lab Pvt. Ltd. and RECHAM Consult (Pvt.) Ltd. JV).

The Joint Venture has entered into a contract with the Water and Energy Commission secretariat on July 05, 2016. The total value of the contract is for NRs. 6,880,000.00.

Based on which the Joint Venture has awarded the partial works to HCE on July 20, 2016 for a contract value of NRs. 2,569,800.00 Up to last fiscal year HCE has raised invoice for NRs. 1,927,350.00.During the year, HCE has raised invoices for Rs. 642,450.00.

s) 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).

The Joint Venture has entered into a contract with the Sunsari Morang Irrigation Project on 29 June, 2017. The total value of the contract is NRs. 33,007,000.00.

Based on which the Joint Venture has awarded the work to HCE of Detailed Investigation and Engineering Design of Sunsari Morang Irrigation Project Headworks on 24 January, 2018 for a contract value of NRs. 1,400,000. During the year, HCE has raised invoices for Rs. 70,000.

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 Ashad, 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 current shareholders are SN Power, BKK and BPC. BPC is holding 16.88% shares in HPL

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 10.73% shares in HLPL.

v) Jumdi Hydropower Private Limited

Jumdi Hydropower Private Limited (JHPL) is established to develop and operate the 1.5 MW Jumdi Khola Small Hydropower project. Shareholders agreement has been signed with Sulabh Co-operative Society Limited in March 2009 and now the project is doubtful to be under construction.

w) Dordi Khola Jala Bidyut Company Limited

Dordi Khola Jala Bidyut Company Limited is established to develop and operate the 12 MW Dordi Khola Hydropower Project located at Lamjung District. The civil construction of the project has been started from Chaitra 2074. It is promoted by Lamjung Electricity Development Company Ltd and Khudi Hydropower Ltd.

x) S.C.I.G. International Nepal Hydro Joint Development Company Private Limited

S.C.I.G. International Nepal Hydro Joint Development Company Private Limited is established on 22nd November, 2017 to develop, own, acquire and operate hydropower projects in Nepal and carry out other business activities. Butwal Power Company Ltd (BPC), Sichuan Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd (SXIG) 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.

Note no: 3

Property, plant and equipment:

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Automobiles	Capital work in progress	Total
Cost									
Balance as at 1st Shrawan 2073	**98,995,089**	**209,594,480**	**59,045,496**	**22,594,831**	**54,936,589**	**15,774,461**	**15,675,404**	**65,399,314**	**542,015,664**
Additions	-	39,847,009	4,580,286	4,444,950	5,342,602	5,056,409	31,716,346	1,997,495	**92,985,097**
Transfer from CWIP	-	38,979,199	-	-	(924,498)	-	-	(39,641,866)	**(1,587,165)**
Disposals	-	-	(609,217)	(196,427)	(1,360,462)	(1,382,145)	(1,072,500)	-	**(4,620,751)**
Balance at 31st Ashad 2074	**98,995,089**	**288,420,688**	**63,016,565**	**26,843,354**	**57,994,231**	**19,448,725**	**46,319,250**	**27,754,943**	**628,792,845**
Additions	1,173,860	5,184,346	38,941,570	444,712	7,377,172	2,943,055	25,254,046	446,069	**81,764,830**
Adjustment	-	1,509,073	1,376,325	1,799,366	4,369,112	2,804,835	560,839	-	**12,419,550**
Transfer from CWIP	-	-	-	-	-	-	-	(917,471)	**(917,471)**
Disposals	-	-	(36,308)	(41,439)	(220,192)	(293,033)	(1,081,087)	-	**(1,672,059)**
Balance at 32nd Ashad 2075	**100,168,949**	**295,114,107**	**103,298,151**	**29,045,993**	**69,520,323**	**24,903,583**	**71,053,048**	**27,283,541**	**720,387,696**
Accumulated depreciation									
Balance at 1st Shrawan 2073	**-**	**10,293,263**	**8,552,513**	**2,869,951**	**10,055,346**	**1,982,519**	**803,133**	**-**	**34,556,725**
Charge for the year	-	9,937,951	8,310,368	5,518,114	11,974,645	3,284,965	6,391,437	-	**45,417,481**
Disposals	-	-	(501,612)	(194,698)	(2,076,836)	(1,254,145)	(1,054,962)	-	**(5,082,253)**
Balance at 31st Ashad 2074	**-**	**20,231,214**	**16,361,269**	**8,193,367**	**19,953,156**	**4,013,339**	**6,139,608**	**-**	**74,891,952**
Charge for the year	-	13,333,849	9,162,851	4,753,415	10,104,969	3,933,596	10,429,412	-	**51,718,091**
Adjustment	-	67,414	543,311	1,839,497	3,426,429	3,219,892	3,323,002	-	**12,419,544**
Disposals	-	-	(14,010)	(23,957)	(130,968)	(177,002)	(464,734)	-	**(810,671)**
Balance at 32nd Ashad 2075	**-**	**33,632,477**	**26,053,421**	**14,762,322**	**33,353,586**	**10,989,825**	**19,427,288**	**-**	**138,218,918**
Net book value									
At 1st Shrawan 2073	98,995,089	199,301,217	50,492,983	19,724,880	44,881,243	13,791,942	14,872,271	65,399,314	507,458,939
At 31st Ashad 2074	98,995,089	268,189,474	46,655,296	18,649,987	38,041,075	15,435,386	40,179,642	27,754,943	**553,900,892**
At 32nd Ashad 2075	100,168,949	261,481,630	77,244,730	14,283,671	36,166,737	13,913,758	51,625,760	27,283,541	**582,168,777**

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 Rs. 36,991,322.87, machineries valued at Rs 23,534,837 are lying uninstalled till date and same is shown under Capital work in progress. Apart from this, it includes expenditure on on-going contractual works such as Corporate Building and other infrastructural facilities.

Figures in NPR

Note no: 4

Intangible assets:

	Computer Softare	Service Concession Arrangement Intangibles	Total
Cost			
Balance as at 1st Shrawan 2073	9,022,684	2,424,213,909	**2,433,236,593**
Additions - Externally acquired	1,815,282	63,526,675	65,341,957
Transfer from CWIP	-	662,667	662,667
Adjustment during the year	(13,763)	(585,613)	(599,376)
Balance at 31st Ashad 2074	10,824,203	2,487,817,638	**2,498,641,841**
Additions - Externally acquired	39,550	63,496,259	**63,535,809**
Transfer from CWIP	-	917,471	**917,471**
Adjustment during the year	(333,077)	(205,570)	**(538,647)**
Balance at 32nd Ashad 2075	10,530,676	2,552,025,798	**2,562,556,474**
			-
Amortisation			-
Balance at 1st Shrawan 2073	2,283,127	82,151,332	84,434,458
Charge for the year	3,221,325	83,932,893	**87,154,218**
Adjustment during the year	-	-	-
Balance at 31st Ashad 2074	5,504,452	166,084,225	**171,588,676**
Charge for the year	1,723,999	86,727,863	**88,451,862**
Adjustment during the year	(395,666)	(20,057)	(415,723)
Balance at 32nd Ashad 2075	6,832,784	252,792,031	**259,624,815**
			-
Net book value			-
At 1st Shrawan 2073	3,518,232	2,258,129,684	**2,261,647,916**
At 31st Ashad 2074	5,319,751	2,321,733,413	**2,327,053,164**
At 32nd Ashad 2075	3,697,892	2,299,233,767	**2,302,931,659**

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

c) The tenure of the Service Concession Arrangement of 4 MW Khudi Hydro Power Plant, 9.4 MW Andhikhola 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.

Figures in NPR

Note 5

Intangible assets under development

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
Pre-operating Expenses (A)	**204,121,069**	**137,339,306**
Depreciation	10,728,958	6,460,366
Employee related cost	60,169,918	46,470,994
Other Project Operation Expenses	20,856,768	15,626,796
LEDCO Service Fee and Expenses	30,514,752	28,965,183
Licensing & Other Development Fees	8,899,100	8,899,100
Pre-Construction Interest, Commission & Fees	24,835,484	24,835,484
Interest, Commission & Fees during Construction	45,344,302	6,081,383
Price Indexation	2,771,787	-
Land Acquisitions (B)	**33,718,908**	**33,718,908**
Land & Land Developments	33,718,908	33,718,908
Civil Works (C)	**582,506,622**	**63,710,235**
Civil Works	518,796,387	-
Access Road	28,634,345	28,634,345
Marshyangdi Bridge	32,427,420	32,427,420
Head Works Dam - (Siuri tailrace canal to Intake)	2,648,470	2,648,470
Environment & Social Cost (D)	**18,905,700**	**4,093,769**
Trainings & Developments	1,601,684	1,348,026
Community & Social Expenses	12,408,453	1,914,779
Nursery and Plantation	830,964	830,964
Infrastructure Developments	4,064,599	-
Engineering & Management (E)	**193,411,757**	**187,952,267**
Engineering, Design & Development Expenses	125,365,708	157,965,712
Consultancy Fee & Expenses	65,060,310	28,438,894
Inspection & Project Supervision	2,985,739	1,547,661
Transmission Line (F)	**762,461**	**762,461**
Transmission Line Works	762,461	762,461
Total (A+B+C+D+E+F)	**1,033,426,517**	**427,576,946**

a) The Group's subsidiary company - NHL is a developer of hydro electricity. It is yet to start generation of hydro electricity and currently it is at initial stage of construction phase. Revenue and margin from the contraction phase cannot be estimated reliably. Hence, profit margin on construction phase is assumed to be 0% and accordingly revenue and cost during construction phase has been recognised which is equal to actual construction cost during the period.

b) Refer Note no: 21 for the details in respect of certain Intangible assets under development hypothecated / Pledged / mortgaged as security for borrowings

Figures in NPR

Note no: 6

INCOME TAXES

A. Tax expense recognised in the Statement of Profit and Loss	Year ended 32 Ashad, 2075	Year ended 31 Ashad, 2074
Current tax		
Current income tax charge	37,266,483	11,820,358
Adjustment for under provision in prior periods	1,337,245	2,981,900
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	36,413,914	23,240,051
Adjustments/(credits) related to previous years - (net)	60,663	-
Income tax expense reported in statement of Profit or Loss	**75,078,305**	**38,042,309**

B. Tax expense recognised in Other comprehensive income	Year ended 32 Ashad, 2075	Year ended 31 Ashad, 2074
Deferred tax		
Income tax relating to items that will not be reclassified to profit or loss	179,061,941	13,009,753
Income tax charged to OCI	**179,061,941**	**13,009,753**

C. Current tax asset / (liability) -net:	Year ended 32 Ashad, 2075	Year ended 31 Ashad, 2074
Advance Income Tax	116,674,915	104,831,690
Less: Income Tax Liability	(38,597,289)	(13,627,539)
Total	**78,077,626**	**91,204,151**

D. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 32 Ashad, 2075	Year ended 31 Ashad, 2074
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	856,245,300	841,233,053
Enacted tax rate	23.04%	23.57%
Computed tax expense	197,247,014	198,293,058
Differences due to:		
Profit transferred from JVs (Final withholding tax)	-	(22,443,750)
Tax effect due to non taxable income	(128,562,187)	(140,445,189)
Tax effect due to non-deductible expenses	8,531,579	15,745,504
Tax effect due to difference in depreciation rate	(17,219,035)	(20,013,654)
Doubtful debt recovered	-	(375,000)
Use of previous losses	(22,731,225)	(18,940,611)
Tax Related to Prior Period	1,337,245	2,981,900
Current tax on profits for the year	**38,603,391**	**14,802,258**

E. The movement in deferred tax assets and liabilities during the year ended 31 Ashad, 2074 and 32 Ashad, 2075:

i) Deferred Tax AssetsMovement during the year ended 31 Ashad, 2074	As at 1 Shrawan, 2073	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 31 Ashad, 2074
Deferred tax assets/(liabilities)				
Provision for leave encashment	777,333	(10,249)	-	767,084
Provision for gratuity	11,481,620	373,678	1,929,334	13,784,632
Depreciation	326,528	1,990,620	-	2,317,148
Provision for PLI	722,563	120,919	-	843,482
	13,308,044	**2,474,968**	**1,929,334**	**17,712,346**

Movement during the year ended 32 Ashad, 2075	As at 1 Shrawan, 2074	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive income	As at 32 Ashad, 2075
Deferred tax assets/(liabilities)				
Provision for leave encashment	767,084	39,360	-	806,444
Provision for gratuity	13,784,632	(72,125)	-	13,712,507
Depreciation	2,317,148	(64,978)	-	2,252,170
	-	93,165	-	93,165
Provision for PLI	843,482	(54,991)	-	788,491
	17,712,346	**(59,569)**	**-**	**17,652,777**

Movement during the year ended 32 Ashad, 2075	As at 1 Shrawan, 2074	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive income	As at 32 Ashad, 2075
Deferred tax assets/(liabilities)				
Provision for leave encashment	767,084	39,360	-	806,444
Provision for gratuity	13,784,632	(72,125)	-	13,712,507
Depreciation	2,317,148	(64,978)	-	2,252,170
Provision for CSR	-	93,165	-	93,165
Provision for PLI	843,482	(54,991)	-	788,491
	17,712,346	**(59,569)**	**-**	**17,652,777**

ii) Deferred Tax Liability Movement during the year ended 31 Ashad, 2074	As at 1 Shrawan, 2073	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive income	As at 31 Ashad, 2074
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	58,995,945	(29,984,843)	-	29,011,102
Provision for leave encashment	316,277	1,630,183	-	1,946,460
Provision for gratuity	1,732,528	(1,582,608)	(7,846)	142,074
Leave money payable	-	126,439	-	126,439
Depreciation	(124,021,537)	(10,567,159)	-	(134,588,696)
Provision for loss on investment	2,843,430	14,662,966	(14,931,242)	2,575,154
	(60,133,357)	**(25,715,022)**	**(14,939,088)**	**(100,787,467)**

Movement during the year ended 32 Ashad, 2075	As at 1 Shrawan, 2074	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive income	As at 32 Ashad, 2075
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	29,011,102	(17,649,977)	-	11,361,125
Provision for leave encashment	1,946,460	233,393	-	2,179,853
Provision for gratuity	142,074	(142,074)	-	0
Leave money payable	126,439	(126,439)	-	0
Depreciation	(134,588,696)	(19,297,525)	-	(153,886,221)
Amortisation cost of term loan	-	6,549	-	6,549
Investment in equity instrument	-	-	(179,061,941)	(179,061,941)
Provision for loss on investment	2,575,154	561,063	-	3,136,217
	(100,787,467)	**(36,415,009)**	**(179,061,941)**	**(316,264,416)**

Note no: 7

Project work-in-progress

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
	At cost	At cost
Chino Khola SHP	21,195,699	13,445,201
Lower Manang Marshyangdi HEP	178,888,538	161,875,591
Mugu Karnali HEP	6,478,467	-
Total	**206,562,704**	**175,320,792**

a) Expenditure on Lower Manang Marsyangdi, Chino Khola projects and Mugu Karnali are shown as project work in progress.

Note no: 8

Investment in associates and joint ventures

Particulars	As at 32nd Ashad 2075		As at 31st Ashad 2074	
	No. of shares	Amount	No. of shares	Amount
Investment in associates				
Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)	3,319,836	320,112,943	1,888,500	178,549,383
Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)	2,966,860	286,307,556	2,966,860	296,686,000
Convertible loan to Gurans Energy Limited (convertible to fixed number of equity share)	-	-	-	143,133,600
Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)	-	1,260,044	-	1,260,044
Investment in joint ventures				
CQNEC - NHE Consortium (KM Project)	-	3,029,102	-	4,357,755
CQNEC-NHE Consortium, Chapali	-	6,808,850	-	8,811,484
CQNEC - NHE Consortium (GSRP)	-	2,919,802	-	4,861,582
CQNEC-NHE Consortium-Kohalpur	-	-	-	118,942
ERMC & Hydro Consult JV	-	475,874	-	305,067
Hydro Consult & ERMC JV	-	1,896,619	-	-
HCE-Hydrolab RECHAM JV	-	91,876	-	93,999
Advance towards share capital paid to promoters of:				
Projects under Karnali Basin	-	205,000,000	-	-
Manang Marshayandi Hydropower Company Pvt. Ltd.	-	150,801,276	-	-
Total Investment	**6,286,696**	**978,703,942**	**4,855,360**	**638,177,856**

Note no: 9

Other investments

Particulars	As at 31st Ashad 2075		As at 31st Ashad 2074	
	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	1,137,772,578	2,978,502	1,130,717,624
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	14,406,648	10,000	8,974,314
Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)	6,395	639,500	6,395	639,500
Dordi Khola Jal Bidyut Company Limited	10,000	1,000,000	10,000	1,000,000
(Equity Shares of NPR 100 each fully paid up)				
Total Investment at Fair Value through Other Comprehensive Income	**3,004,897**	**1,153,818,726**	**3,004,897**	**1,141,331,438**

a) Jumdi Hydropower Co. Ltd. and Dordi Khola Jal Bidyut Company Ltd. are on construction phase and in such circumstances, the Group assumes its cost of the equity instrument to be an appropriate estimate of fair value.

Figures in NPR

Note no: 10

Inventories

Particulars	As at 32nd Ashad 2075	As at 31st Ashad 2074
General Stock/Office Supplies/Consumer Service Item	14,642,915	10,423,706
Stock of Electric Goods	40,795,927	83,709,883
T/L & D/L Stock	7,888,697	7,364,032
Other engineering inventories and spare parts	33,716,471	48,267,834
Total	**97,044,010**	**149,765,455**

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

Note no: 11

Cash and cash equivalents

Particulars	As at 32nd Ashad 2075	As at 31st Ashad 2074
Balances with banks		
Local currency account		
In current accounts	66,326,434	25,969,304
In call accounts	87,722,182	44,343,319
In deposits accounts (Orignal maturity less than 3 months)	520,000,000	-
Convertible currencies account		
In current accounts	6,858,117	3,765,667
In call accounts	-	1,797,672
Cash on hand	436,603	650,060
Cheques on hand	3,570,404	-
	684,913,740	**76,526,022**

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:-

Particulars	As at 32nd Ashad 2075	As at 31st Ashad 2074
Cash at banks and on hand	684,913,740	76,526,022
Overdraft	(74,107,399)	(71,267,010)
	610,806,340	**5,259,012**

Note no: 12

Bank balance other than cash and cash equivalents

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
Balances with Bank		
In deposit account	48,500,000	46,000,000
Embarked balance with bank		
Unpaid dividend	2,329,299	588,132
Margin money	6,851,597	25,404,736
	57,680,896	**71,992,868**

a. Debt Service Reserve Account (DSRA) balance of has been maintained at Standard Chartered Bank Nepal Limited. This deposit is maintained as reserve in accordance with loan agreement for Andhikhola up-grading project 9.4 MW with IFC.
b. Refer Note 21 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 13

Trade receivables

Figures in NPR

	As at 32 Ashad 2075		As at 31 Ashad 2074	
Particulars	Current	Non-Current	Current	Non-Current
Nepal Electricity Authority	81,549,172	8,373,961	90,738,795	-
Local Consumers	16,686,878	-	15,225,721	-
Bills receivables from JVs	20,000,000	-	88,904,595	-
Retention money held by the Customers	2,160,718	948,819	18,084,642	35,318,543
Other trade receivables	269,360,774	-	214,139,602	-
Less: Allowances for doubtful receivables	(5,912,448)	(1,674,792)	(6,890,725)	-
	383,845,094	**7,647,988**	**420,202,630**	**35,318,543**

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)

	As at 32 Ashad 2075		As at 31 Ashad 2074	
Particulars	Current	Non-Current	Current	Non-Current
Security deposits				
Government Deposits	24,000,000	-	33,000,000	-
Deposit (Others)	34,407,629	111,490	929,200	1,133,830
Investment in Fixed Deposit	1,350,000,000			
Loan and Advance to Staff				
Loan and Advance to Staff	16,338,336	-	7,907,902	450,687
Unamortized loan processing fees	-	-	-	-
Accrued Contract Revenue	190,452,753	-	68,581,050	-
Receivables from associates and joint ventures				-
Other receivables from associates	17,230,157	-	1,587,108	-
Interest receivable from associates	79,190,664	-	79,190,664	-
Advance receivables from JVs	77,235,782	-	148,960,294	-
Other receivables		-	1,667,167	-
Gratuity Fund Receivables	9,101	-	-	-
Other Interest Receivables	2,892,054	-	-	-
Other receivables	1,375,746	-	-	-
Total	**1,793,132,222**	**111,490**	**341,823,385**	**1,584,517**

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

Figures in NPR

Note no: 15

Other assets (Current and Non-current)

Particulars	As at 32 Ashad 2075		As at 31 Ashad 2074	
	Current	Non-current	Current	Non-current
Capital advance	-	2,407,377	-	6,195,175
Prepayments	15,442,965	-	16,596,139	-
Advance to Supplier/Contractor/Sub Contract	407,516,042	234,398,825	92,061,135	261,405,794
Deposit with Government authorities	-	2,697,753	-	2,697,753
Other Non Current Assets	-	19,197		
	422,959,007	**239,523,152**	**108,657,274**	**270,298,722**

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

Figures in NPR

Note no 16

Equity Share Capital

Particulars	As at 32 Ashad 2075		As at 31 Ashad 2074	
	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	22,202,250	2,220,225,000	17,000,000	1,700,000,000
Subscribed and Fully Paid				
Equity Shares of Rs. 100 each with voting rights	22,186,720	2,218,672,000	18,105,720	1,810,572,000
	22,186,720	**2,218,672,000**	**18,105,720**	**1,810,572,000**

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

	As at 32 Ashad 2075	As at 31 Ashad 2074
	No. of Shares	No. of Shares
Balance as at the beginning of the year	18,105,720	16,732,227
Add: Issue of bonus share during the year	-	1,184,563
Add: Auction of right shares unsubscribed by UMN	-	188,930
Add: Issue of Further Public Offering (FPO) during the year	4,081,000	-
Balance as at the end of the year	**22,186,720**	**18,105,720**

C. Details of shareholding more than 1%

Particulars	As at 32 Ashad 2075		As at 31 Ashad 2074	
	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	12,484,065	56.27%	12,484,065	68.95%
Government of Nepal	1,645,899	7.42%	1,645,899	9.09%
IKN Nepal A.S., Norway	350,411	1.58%	350,411	1.94%
United Mission to Nepal	303,233	1.37%	303,233	1.67%
Nepal Electricity Authority	191,225	0.86%	191,225	1.06%
General Public/Employees	7,211,887	32.50%	3,130,887	17.29%

D. Terms/rights attached to equity shares

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

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	As at 32 Ashad 2075	As at 31 Ashad 2074
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2073-74: NPR. 20 per share (2072-73: NPR. 20 per share)	444,775,438	338,662,931
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed cash dividend for 2074-75 NPR 18 per share and stock dividend NPR 10 per share (2073-74: cash dividend NPR 20 per share)	399,360,960	444,775,438

a) The board of directors has proposed 18% cash dividend and 10% stock dividend on paid up capital from the net profit of the fiscal year 2074/75 and its accumulated reserve & surplus. The total amount of dividend NPR 399.36 million shall be payable and 2,218,672 numbers of bonus shares of NPR 100 each (equivalent to Rs.221.87 million) shall be issued after the approval of 26th Annual General Meeting. Dividend will be distributed from the combination of dividend income received during the FY 2074/75 Rs.512.27 million (Net of 5% final withholding tax) plus such previous years' dividend income remained in reserve. Therefore, BPC will not have to pay dividend tax on its proposed distribution of dividend.

Note no: 17

Other Equity

Particulars	Share Premium	Housing fund reserve	General Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2073	**11,006,400**	**13,361,437**	**148,700,000**	**2,274,882,561**	**2,447,950,398**
Profit for the year	-	-	-	740,094,099	**740,094,099**
Other comprehensive income	-	-	-	(75,698,186)	**(75,698,186)**
Issue of right share	142,031,439				**142,031,439**
Issue of bonus share				(118,456,300)	**(118,456,300)**
Share Issue Cost	(3,186,063)				**(3,186,063)**
Dividends to shareholders	-	-	-	(338,662,931)	**(338,662,931)**
Housing Fund reserve	-	4,790,404		(4,790,404)	**-**
Balance at 1 Shrawan 2074	**149,851,776**	**18,151,841**	**148,700,000**	**2,477,368,839**	**2,794,072,456**
Profit for the year		-	-	723,190,626	**723,190,626**
Other comprehensive income		-	-	(166,574,653)	**(166,574,653)**
Issue of right share	-		-	-	**-**
Issue of bonus share		-	-	-	**-**
Issue of Further Public Offering	1,636,481,000			-	**1,636,481,000**
Share Issue Cost	(18,797,458)	-	-	-	**(18,797,458)**
Dividends to shareholders		-	-	(444,775,438)	**(444,775,438)**
Balance at 32 Ashad 2075	**1,767,535,318**	**18,151,841**	**148,700,000**	**2,589,209,374**	**4,523,596,533**

Note no: 18

Grant aid in reserve

Figures in NPR

Particulars	As at 32 Ashad 2075		As at 31 Ashad 2074	
	Closing balance	Amortisation for the year	Closing balance	Amortisation for the year
Name of Grantors				
NORAD	9,121,062	328,484	9,449,547	328,484
UMN PCS	18,281,266	673,931	18,955,198	673,931
USAID	10,329,187	382,723	10,711,910	382,723
REGDAN	11,215,752	414,375	11,630,126	414,375
JRP	5,568,677	206,805	5,775,183	206,795
REEP	74,987,874	2,773,848	77,761,722	2,773,848
Local VDC/Community	79,070,863	2,403,242	68,059,980	2,150,013
Total	**208,574,681**	**7,183,408**	**202,343,666**	**6,930,169**

Figures in NPR

Note no: 19

Provisions (current and non-current)

Particulars	As at 32nd Ashad 2075 Current	As at 32nd Ashad 2075 Non-Current	As at 31st Ashad 2074 Current	As at 31st Ashad 2074 Non-Current
Provision for Gratuity	-	-	35,840	63,561,412
Provision for Leave Encashment	1,841,099	14,767,841	3,006,607	9,971,060
Provision for Performance Link Incentive	3,153,962	-	3,373,926	-
	4,995,061	**14,767,841**	**6,416,373**	**73,532,472**

Note no: 20

Trade payables

Particulars	As at 32nd Ashad 2075 Current	As at 32nd Ashad 2075 Non-Current	As at 31st Ashad 2074 Current	As at 31st Ashad 2074 Non-Current
Sundry creditors	50,283,376	-	116,333,582	-
	50,283,376	**-**	**116,333,582**	-

Note no: 21

Borrowings

Particulars	As at 32nd Ashad 2075 Current	As at 32nd Ashad 2075 Non-Current	As at 31st Ashad 2074 Current	As at 31st Ashad 2074 Non-Current
Measured at amortised cost				
Secured Borrowings from Banks				
Term loan	130,989,152	1,482,701,551	89,600,272	800,108,830
Short Term loan	-	-	18,175,183	-
Trust Receipt Loan	32,950,000	-	11,050,000	-
Overdraft	74,107,399	-	71,267,010	-
	238,046,551	**1,482,701,551**	**190,092,465**	**800,108,830**

1. DETAILS OF SECURITY

a. The group has entered into consortium arrangement for term loan aggregate to Rs.237.17 million (as at 31st Ashad, 2074 - 304.87 million) with International Financial Corporation (IFC) and Mega Bank. These loans are secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project, ranking paripassu among bankers. All these assets are classified as "Service Concession Arrangement Intangibles". The portion of Mega Bank has been fully paid by the group as on 31st Ashad, 2074 hence the hypothecation of above mentioned assets is applicable only for IFC.

b. The group has entered into consortium arrangement for term loan aggregate to Rs. 111.455 million (as at 31st Ashad, 2074 - 137.51 million) and overdraft facility aggregate to Rs 7.942 million (as at 31st Ashad, 2074 - Rs 11.042 million) with Nepal Investment Bank, Laxmi Bank, Machhapuchchhre Bank, Siddhartha Bank and Rasytriya Banijya Bank. These loans along with overdraft facility aggregate to to Rs 7.942 million (as at 31st Ashad, 2074 - Rs 11.042million) 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. All these assets are classified as "Service Concession Arrangement Intangibles".

c. The group has entered into consortium arrangement for term loan aggregate to Rs. 1,079.31 (as at 31st Ashad, 2074 - 297.62) with Everest Bank Limited as Lead Bank, Nabil Bank Limited and Global IME Bank Limited as Co-Lead Banks and Himalayan Bank Limited, Sunrise Bank Limited and HIDC Limited. These loans are secured as charge by way of hypothecation on entire present and future fixed assets created with or without financing owned by the subsidiary NHL, all receivable of PPA and charge on general License, ranking paripassu among bankers. All these assets are classified as "Intangible assets under development".

d. Term loan aggregate to Rs.185.73 million (as at 31st Ashad, 2074 - 149.71 million) is obtained from NIC Asia Bank which is secured as charge by way of hypothecation on Land and Building of holding company's corporate office situated at Kathmandu.

e. Short term loan aggregate to 27.22 (as at 31st Ashad, 2074 - Nil) and overdraft facility aggregate to Rs 66.166 million (as at 31st Ashad, 2074 - Rs 12.446 million) is obtained from NIC Asia Bank which is secured as charge by way of hypothecation on all current assets and fixed assets pertaining to Jhimruk project. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles".

f. Trust Receipt Loan aggregate to Rs. 32.95 million (as at 31st Ashad,2074 - Rs 11.05) is obtained from Nepal Investment Bank Ltd which is secured by way of hyphothecation on Freehold land situated at Belbas, Rupandehi including all Plant and Machiniries, Inventories and Trade Receivables of subsidiary NHE.

2) Terms of Repayment of Term Loans

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
2-3 Years	312,403,080	258,200,544
4-5 Years	329,848,574	241,466,615
6-10 Years	626,576,224	240,342,447
Beyond 10 years	243,034,959	83,428,775
	1,511,862,837	**823,438,381**

Note no: 22

Other Financial Liabilities

	As at 32 Ashad 2075		As at 31 Ashad 2074	
Particulars	Current	Non-Current	Current	Non-Current
Advance From Shareholders (Cash)	7,500,000	-	7,500,000	-
Advance payable to JVs	53,243,220	-	5,103,305	-
Bonus Payable	3,686,134	-	1,743,387	-
Employee related accrual	20,700,891	-	15,074,067	-
Refundable Deposits of Parties	2,553,719	387,584	3,794,867	939,100
Retention money Payable	23,075,360	37,682,228	37,913,232	-
Interest Payable	-	-	4,647,323	-
Royalty Payable	5,142,833	-	3,574,894	-
Other Payables	15,919,908	-	9,480,435	-
	131,822,065	**38,069,812**	**88,831,510**	**939,100**

Note no: 23

Other liabilities (current and non-current)

	As at 32 Ashad 2075		As at 31 Ashad 2074	
Particulars	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	817,777	22,464,540	-	23,805,823
Dividend Payable	75,152,379	-	58,244,772	-
Gratuity Payable	60,032,084	-	-	-
Advance from Customers	342,560,211	1,492,873	267,368,391	3,663,077
TDS Payable	2,142,598	-	577,087	-
Statutory dues	25,206,720	-	32,207,696	-
VAT Payable	11,945,918	-	25,266,995	-
Welfare Fund Clearing Account	3,121,159	-	1,341,051	-
	520,978,846	**23,957,413**	**385,005,992**	**27,468,900**

Figures in NPR

Note no: 24

Revenue

Particulars	2074-75	2073-74
Electricity Sales to NEA	567,722,874	572,509,693
Electricity Sale to Consumers	177,401,613	173,854,304
Revenue during construction phase	628,838,294	34,981,688
Sale of services	434,609,123	671,622,366
Total	1,808,571,904	1,452,968,051

Note no: 25

Cost of Sales

Particulars	2074-75	2073-74
Cost of Consumed Materials, Supplies and Services	152,082,642	444,385,384
Electricity Purchase	30,730,302	22,810,403
Cost incurred during construction phase	628,838,294	34,981,688
Salaries and other employee cost	219,949,078	190,716,809
Contribution to Provident and Gratuity Fund	20,334,636	5,493,429
Defined benefit plan expenses	-	9,839,340
Staff Bonus	18,225,723	16,544,789
Repair and Maintenance	88,319	42,544,841
Depreciation and amortization	104,207,091	103,155,408
Environment, Community & Mitigation (CSR)	11,376,665	19,691,964
Vehicle running cost	5,596,213	4,515,455
Royalty	80,462,611	81,016,579
Insurance	10,677,446	11,771,678
Stock written off	-	117,407
Assets written off	323,914	776,115
Miscellaneous Expenses	29,105,306	27,958,423
Total	**1,311,998,240**	**1,016,319,712**

Figures in NPR

Note no: 26

Administrative and other operating expenses

Particulars	2074-75	2073-74
Salaries and other employee cost	101,639,119	91,950,618
Contribution to Provident and Gratuity Fund	8,948,053	3,399,559
Defined benefit plan expenses	-	2,320,998
Staff Bonus - admin	9,385,452	10,423,365
Staff Welfare	6,587,885	6,179,264
Depreciation and amortization	31,694,294	26,887,638
House Rent	1,877,081	2,048,610
Vehicle Running Expenses	523,009	747,007
Printing and Stationery Expenses	4,607,617	4,636,529
Advertisement & Publicity	1,175,977	4,192,795
Support Staff Expenses	794,077	536,466
Gift & Donations	75,397	472,828
Assets Written off	58,669	209,042
Environment, Community & Mitigation (CSR)	1,672,021	854,867
Rates and Taxes	1,814,802	1,196,560

Office Operation and Maintainance	11,319,708	8,308,867
Traveling Expenses & Allowance	7,674,068	7,322,007
Audit fee and expenses	2,422,868	3,175,706
AGM and Board Expenses	5,764,409	4,734,810
Legal and Profesional Fees	6,902,941	4,848,510
Hospitality and Refreshment	3,057,681	4,283,699
Communication expenses	4,305,789	4,123,996
Training and Development	3,394,237	4,346,136
Insurance expenses	2,279,974	2,213,088
Repair and Maintenance - Admin	7,167,010	5,772,364
Bad debts	2,399,313	117,194
Previous Year Tax Expenses	2,002,582	-
Miscellaneous Expenses	16,907,111	5,313,403
Overhead Charged to Projects	(14,472,549)	(4,606,761)
Total	**231,978,595**	**206,009,165**

Note no: 27

Other Income

Particulars	2074-75	2073-74
Dividend income	492,487,474	548,673,230
Income from Other Sources	10,062,011	12,676,720
House Rent	7,382,588	6,724,056
Profit/(Loss) on Sale & Write Off Fixed Assets	5,538,546	4,525,893
Foreign exchange Gain (loss)	3,285,992	1,015,722
Miscellaneous Income	3,750,881	6,167,017
Insurance Claim received on Loss of Assets	14,358,145	-
Total	**536,865,637**	**579,782,638**

Note no: 28

Finance income

Particulars	2074-75	2073-74
Interest income	96,988,822	12,119,902
Other finance income	-	2,358,151
	96,988,822	**14,478,053**

Note no: 29

Finance Costs

Particulars	2074-75	2073-74
Interest Expenses	88,384,247	84,218,132
Other finance cost	983,594	11,297,411
Bank Charges & Commision	547,890	1,986,571
	89,915,731	**97,502,114**

Note no: 30

Profit / (Loss) Transferred from JVs

Particulars	2074-75	2073-74
CQNEC - NHE Consortium (KM Project)	5,000,000	39,900,000
CQNEC - NHE Consortium (GSRP Project)	10,000,000	39,900,000
CQNEC - NHE Consortium (Chapali Project)	5,000,000	9,975,000
	20,000,000	**89,775,000**

Figures in NPR

Note no: 31

EARNINGS PER SHARE

Particulars	2074-75	2073-74
Profit attributable to equity holders of the parent company	723,190,626	740,094,099
Weighted average number of equity shares outstanding	19,330,020	18,046,194
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	**37.41**	**41.01**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	19,330,020	18,046,194
Earnings Per Share (Rs.) - Diluted(Face value of Rs. 100 per share)	**37.41**	**41.01**

Note no: 32

Financial Instruments: Classifications and fair value measurements

Fair value measurements

Particulars	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 32 Ashad 2075	As at 31 Ashad 2074		
Financial assets :				
Investment in equity instruments of Himal Power Limited	1,137,772,578	1,130,717,624	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_	14,406,648	8,974,314	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 Jumdi Hydropower Co. Limited	639,500	639,500	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	1,000,000	1,000,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)
Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values:-

As at 32 Ashad 2075	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	978,703,942	-	-	-
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,153,818,726	-	-	1,153,818,726
Financial assets carried at amortised cost				
Trade receivables and other receivables	391,493,082	-	-	391,493,082
Cash and cash equivalents	684,913,740	-	-	684,913,740
Bank balance other than cash and cash equivalents	57,680,896	-	-	57,680,896
Other financial assets	1,793,243,712	-	-	1,793,243,712
Total Financial Assets	**5,059,854,099**	**-**	**-**	**4,081,150,157**

Figures in NPR

Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	1,720,748,102	-	-	1,720,748,102
Trade payables	50,283,376	-	-	50,283,376
Other financial liabilities	169,891,877	-	-	169,891,877
Total Financial Liabilities	**1,940,923,355**	**-**	**-**	**1,940,923,355**

As at 31 Ashad 2074	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	638,177,856	-	-	638,177,856
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,141,331,438	-	-	1,141,331,438
Financial assets carried at amortised cost				
Trade receivables and other receivables	455,521,173	-	-	455,521,173
Cash and cash equivalents	76,526,022	-	-	76,526,022
Bank balance other than cash and cash equivalents	71,992,868	-	-	71,992,868
Other financial assets	343,407,902	-	-	343,407,902
Total Financial Assets	**2,726,957,259**	**-**	**-**	**2,726,957,259**
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	990,201,295	-	-	990,201,295
Trade payables	116,333,582	-	-	116,333,582
Other financial liabilities	89,770,610	-	-	89,770,610
Total Financial Liabilities	**1,196,305,487**	**-**	**-**	**1,196,305,487**

Figures in NPR

Note no: 33

RELATED PARTY DISCLOSURES

(a) Relationship

The Group is controlled by Shangri-La Energy Ltd which owns 56.27% of the company's shares.

Relationship	Related Parties
Holding Company	Shangri-La Energy Ltd
Company with Common Directors	Mercantile Communications (P) Ltd
	Syakar Trading Co. Pvt. Ltd.
	Beltron Trading Pvt. Ltd.
Other Related Party	SCP Hydro International
	Lamjung Electricity Development Company

Information on the Group's structure is provided in Note 2.24

(b) Those charged with governance

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Bijaya Krishna Shrestha	Director
iv) Mr. Om Prakash Shrestha	Director
v) Mr. Sandip Kumar Dev	Director
vi) Mr. Chandi Prasad Shrestha	Director
vii)Mr. Bijaya Bahadur Shrestha	Alt. Director
viii)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	800,000	680,000
Telephone, Mobile and Newspaper / Magazines	530,919	546,000

(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	5,656,104	4,744,441

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	433,920	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	32,635	260,541	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	-	46,386	-	-
Kabeli Energy Limited	Sale	1,651,378	1,720,201	3,092,562	1,593,847
Lamjung Electricity Development Company Limited	Payment for Development fees	2,085,000	563,480	236,189	-
SCHPI	Income from Rent, Electricity and Generator Charges	-	-	1,405,979	1,405,979

Note : 34

Contingent Liabilities and commitments

A. Bank Guarantee

S.no.	Bank Name	Purpose	Amount	Expiry Date (A.D.)
1	Nepal Investment Bank Ltd.	Khudi Hydro's long term loan	187,800,000	12/15/2021
2	Nepal Investment Bank Ltd.	Khudi Hydro's overdraft facilities	14,000,000	12/15/2021
3	Everest Bank Limited	As per requirement of Power Purchase Agreement (PPA) with Nepal Electricity Authority (NEA)	18,000,000	7/24/2020
4	Sanima Bank Ltd.	Advance Payment Guarantee for Nyadi Hydropower Ltd.	2,478,357	9 March, 2019
5	Nepal Investment Bank	Advance Payment Guarantee	224,073,679	Various Dates
6	Nepal Investment Bank	Advance Payment Guarantee	USD 46,909	Various Dates
7	Nepal Investment Bank	Bid Bond	59,964,000	Various Dates
8	Nepal Investment Bank	Performance Bond	90,808,788	Various Dates

B. Corporate Guarantee

S.no.	Party Name	Purpose	Amount	Expiry Date(A.D.)
1	Hydro consult/ITECO/ TMS JV	Advance Payment Guarantee for detal engennering design of Sunsari Morang Irrigation Projects headworks,Department of Irrigation	1,980,429	4 December,2018
2	ITECO/TMS/Hydro consult JV		1,616,000	28 September, 2018
3	CQNEC-NHE Chapali	Advance Payment & Performance Bond	20,107,956	30/11/2018
4	CQNEC-NHE Chapali	Advance Payment & Performance Bond	INR 6,501,000	30/11/2018
5	CQNEC-NHE Chapali	Advance Payment & Performance Bond	CHF 137,800	30/11/2018
6	CQNEC-NHE Chapali	Advance Payment & Performance Bond	USD 420,400	30/11/2018
7	CQNEC-NHE KM	Advance Payment & Performance Bond	INR 16,626,359	3/2/2019
8	CQNEC-NHE KM	Advance Payment & Performance Bond	USD 186,300	3/2/2019

C. Preference Dividend

Group's subsidiary company - KHL has issued cumulative preference shares amounting to NRs.24,050,000.00 to outsider and cumulative dividend calculated thereto is as follows:

Name	Preference Shares (NRs)	Accumulated Dividend		Dividend Payout during F/Y 2074/75	Total Cumulative Dividend (NRs)
		Up to F/Y 2073/74	F/Y 2074/75		
SCPHI	24,000,000	33,264,375	3,336,000	7,383,818.00	29,216,557.11
LEDCO	50,000	80,065	6,950	15,383.00	71,632.00
Total	**24,050,000**	**33,344,440**	**3,342,950**	**7,399,201.00**	**29,288,189**

As agreed, dividend on preference shares is calculated at a rate equivalent to the average interest rate of the consortium loan plus 2.5% per annum as premium to be calculated at the end of the fiscal year and credited to the shareholders accordingly. In line with the agreement, the preference dividend for the current FY was calculated at 13.9% (average consortium loan rate of 11.4% plus 2.5%)

The cumulative dividend upto the current financial year is NRs 29,288,189 which will be credited to the shareholders' account at the time when company shall make profitable income and approved by its shareholders.

D. Income tax matters

a. 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. Rs. 100 per installed capacity in KW and 2% of revenue from electricity sales. Group has applied for advance ruling for tax exemption status for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License.

If the group applies the existing rate applicable to original 5.1 MW project i.e. 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. 21.9 million considering the period since commencement date till Asadh end 2074. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project.

The advance ruling is still awaited.

b. The inland revenue department has opened self-assessment returns filed by the group's subsidiary company - HCEL for the financial years 2069-70 and demanded additional tax of NRs. 2,609,716.72. The Company has contested the demands as not payable and filed application for administrative review. The Company has deposited amount of NRs. 2,697,753 against the appeal with the department. The company has created contingent liability of NRs. 2,697,753 against this matter.

c. The group's subsidiary company - HCEL has carried forward balance of advance tax paid in Kenya amounting to NRs. 10,106,283 (cumulative tax up to 2072-73). As the matter is similar to that the company is in administrative review for tax reassessment of 2069/70, the treatment of this advance tax shall be finalized after obtaining decision on the administrative review of fiscal year 2069-70.

E. Other Contingencies

As a result of share holding agreement concluded between Butwal Power Company Limited & LEDCO for the development of Nyadi Hydropower Project, development cost of Rs. 4,485,247 payable to Lamjung Electricity Development Company (LEDCO).

F. Capital Commitments

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

The Group is the leading partner in this under construction project. The Project Company has signed a Project Development Agreement with the Government of Nepal for development of the project on BOOT basis. Group's part of capital commitment on this project is NPR 1,226 million for overall 56.16% shareholding of which group has invested overall NPR 630 million as on reporting date.

ii. 140-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.179 million has been spent by the group as on reporting date.

iii. 8.5-MW Chino Khola Hydropower Project

The group has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project. Feasibility study has been completed and the consent for EIA has been received from Ministry of Forest. Detail design is being carried out. NPR.21 million has been spent by the Group for this project as on reporting date.

iv. 30-MW Nyadi Hydropower Project

The Group has made contract with M/S. Zhejiang Hydropower Construction and Installation Co. (P) Ltd. (ZHCIC) for the construction of Nyadi hydropower project for Rs 3,664 million out of which Rs. 336.95 million is paid to the party in the reporting date.

v. 160-MW Mugu Karnali Hydropower Project

The Group has got survey license for 60 MW capacity 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. 6 million has been spent by the company for this project as on reporting date.

vi. Other upcoming projects

The Group in partnership with Chinese Investors has set up of a Joint Venture Company (JVC) and is in the process of acquiring two more projects in Marsyangdi Corridor upstream and downstream of LMM HEP.

In Marsyangdi basin, Manang Marsyangdi HEP, Lower Manang Marsyangdi HEP and Upper Marsyangdi-2 Hydroelectric Projects are planned to be developed in cascade by optimizing the project capacity and best utilization of resources with a view to conclude PPA with NEA.

Note no: 35

Non-controlling interests

Figures in NPR

Particulars	As at 32 Ashad 2075	As at 31 Ashad 2074
Balance at beginning of year	251,942,189	207,443,123
Profit for the year	22,173,088	50,785,625
Other comprehensive income	-	(2,794,120)
Dividends to shareholders	(8,174,096)	(4,048,419)
Receipt of convertible loan	-	555,980
Issue of share in subsidiaries	1,529,000	-
Balance at end of year	**267,470,181**	**251,942,189**

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 32 Ashad 2075	As at 31 Ashad 2074	As at 32 Ashad 2075	As at 31 Ashad 2074	As at 32 Ashad 2075	As at 31 Ashad 2074
Nepal Hydro & Electric Limited	48.70%	48.70%	9,211,089	37,071,342	159,585,253	150,374,165
Hydro-Consult Engineering Limited	20.00%	20.00%	616,844	1,196,688	13,964,929	14,122,981
Khudi Hydropower Limited	40.00%	40.00%	12,430,079	12,599,330	78,936,852	73,905,987
Nyadi Hydropower Limited	2.78%	2.78%	(84,923)	(81,735)	14,983,154	13,539,057
			22,173,089	**50,785,625**	**267,470,188**	**251,942,190**

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 32 Ashad 2075	As at 31 Ashad 2074
Non-current assets	203,681,357	209,482,855
Current assets	751,099,345	644,765,213
Non-Current Liabilities	3,414,235	57,329,659
Current Liabilities	540,913,573	433,874,047
Equity attributable to owners of the Company	186,244,647	138,732,079
Non-controlling interests	176,799,717	131,696,630
Revenue	309,794,805	574,705,563
Total Cost	262,386,273	476,343,852
Profit for the year	**47,408,531**	**98,361,712**
Profit attributable to owners of the Company	24,320,954	50,460,340
Profit attributable to the non-controlling interests	23,087,578	47,901,372
Other comprehensive income for the year	**-**	**5,746,058**
Other comprehensive income attributable to owners of the Company	-	2,947,773
Other comprehensive income attributable to the non-controlling interests	-	2,798,285
Total comprehensive income for the year	**47,408,531**	**104,107,769**
Total comprehensive income attributable to owners of the Company	24,320,954	53,408,114
Total comprehensive income attributable to the non-controlling interests	23,087,578	50,699,655

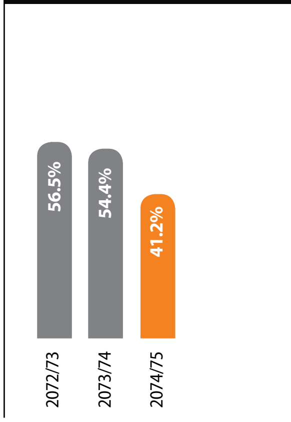
Hydro-Consult Engineering Limited	As at 32 Ashad 2075	As at 31 Ashad 2074
Non-current assets	19,874,722	17,415,994
Current assets	120,574,102	95,836,453
Non-Current Liabilities	2,002,511	4,410,238
Current Liabilities	35,995,468	29,140,668
Equity attributable to owners of the Company	60,661,716	53,533,730
Non-controlling interests	15,165,326	13,383,342
Revenue	169,059,661	119,601,558
Total Cost	142,435,856	106,775,141
Profit for the year	**26,623,805**	**12,826,417**
Profit attributable to owners of the Company	21,299,073	10,261,148
Profit attributable to the non-controlling interests	5,324,732	2,565,269
Other comprehensive income for the year	**-**	**41,948**
Other comprehensive income attributable to owners of the Company	-	33,559
Other comprehensive income attributable to the non-controlling interests	-	8,389
Total comprehensive income for the year	**26,623,805**	**12,868,365**
Total comprehensive income attributable to owners of the Company	21,299,073	10,294,706
Total comprehensive income attributable to the non-controlling interests	5,324,732	2,573,659

Khudi Hydropower Limited	As at 32 Ashad 2075	As at 31 Ashad 2074
Non-current assets	354,991,544	364,546,294
Current assets	17,997,925	30,348,628
Non-Current Liabilities	100,660,426	152,318,413
Current Liabilities	68,184,183	41,007,195
Equity attributable to owners of the Company	105,869,371	104,175,850
Non-controlling interests	70,579,580	69,450,566
Revenue	90,625,195	93,641,157
Total Cost	62,929,285	65,729,643
Profit for the year	**27,695,910**	**27,911,514**
Profit attributable to owners of the Company	16,617,546	16,746,908
Profit attributable to the non-controlling interests	11,078,364	11,164,606
Other comprehensive income for the year	**-**	**(31,384)**
Other comprehensive income attributable to owners of the Company	-	(18,830)
Other comprehensive income attributable to the non-controlling interests	-	(12,554)
Total comprehensive income for the year	**27,695,910**	**27,880,130**
Total comprehensive income attributable to owners of the Company	16,617,546	16,728,078
Total comprehensive income attributable to the non-controlling interests	11,078,364	11,152,052

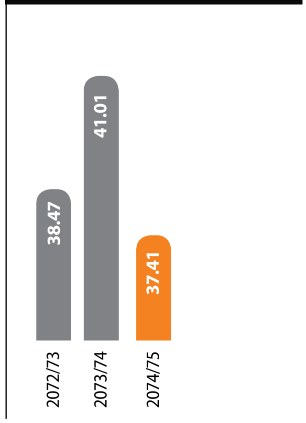
Nyadi Hydropower Limited		As at 32 Ashad 2075	As at 31 Ashad 2074
Non-current assets		1,320,887,496	721,374,061
Current assets		341,822,628	85,284,972
Non-Current Liabilities		1,117,481,355	297,615,620
Current Liabilities		9,781,274	24,597,492
Equity attributable to owners of the Company		524,449,325	475,429,749
Non-controlling interests		14,996,597	13,594,885
Revenue		628,838,294	34,981,688
Total Cost		632,836,720	39,560,401
Profit for the year		**(3,998,426)**	**(4,578,713)**
Profit attributable to owners of the Company		(3,887,270)	(4,451,424)
Profit attributable to the non-controlling interests		(111,157)	(127,289)
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		**(3,998,426)**	**(4,578,713)**
Total comprehensive income attributable to owners of the Company		(3,887,270)	(4,451,424)
Total comprehensive income attributable to the non-controlling interests		(111,157)	(127,289)

GROUP CONSOLIDATED
FINANCIAL HIGHLIGHTS

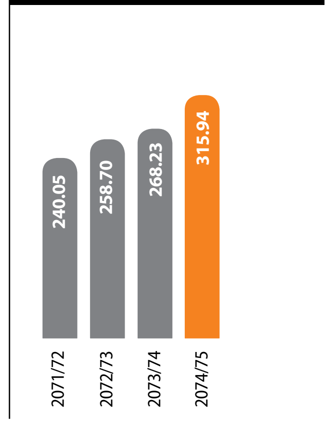
NET PROFIT MARGIN



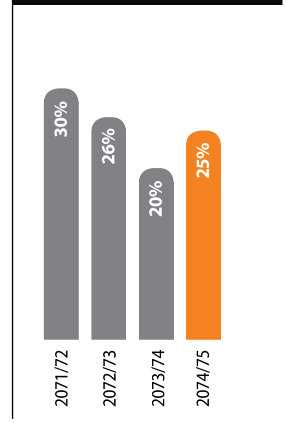
EARNING PER SHARE (In NPR)



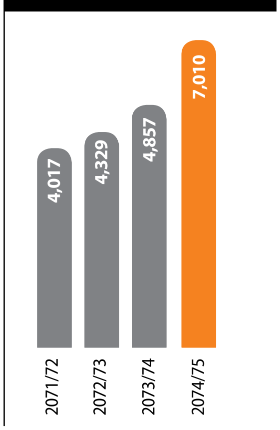
Book Value Per Share (In NPR)



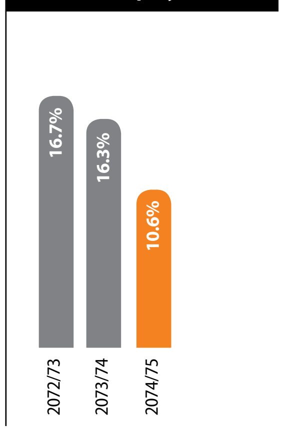
DEBT TO EQUITY RATIO



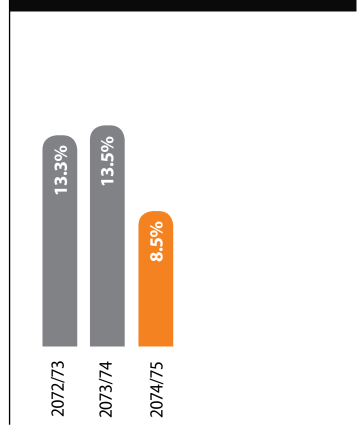
NET WORTH (In NPR Million)



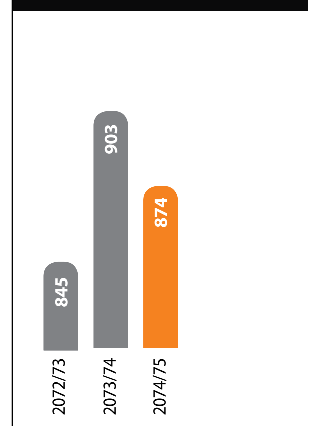
Return on Equity



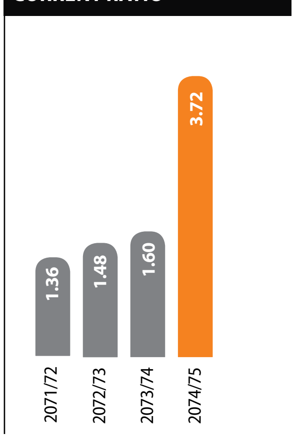
RETURN ON CAPITAL EMPLOYED (ROCE)



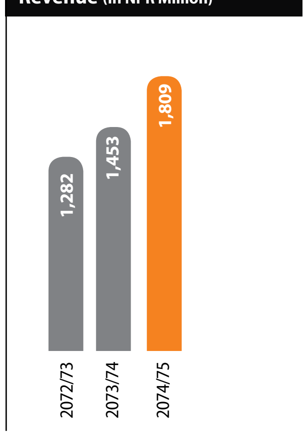
EBITDA (In NPR Million)



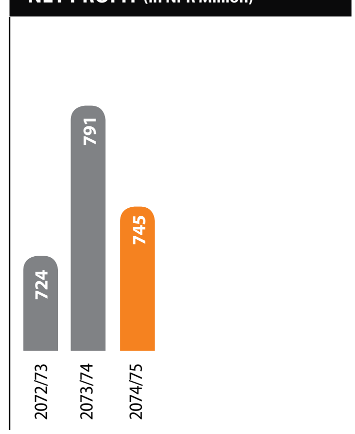
CURRENT RATIO



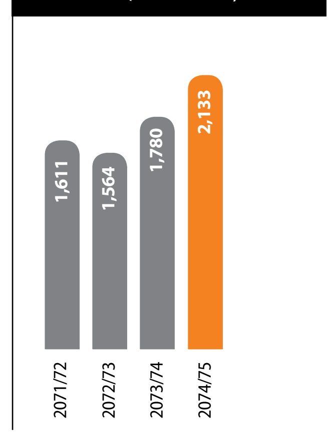
Revenue (In NPR Million)



NET PROFIT (In NPR Million)



Investment (In NPR Million)



Statement of Financial Position of BPC Subsidiaries

As on 32 Asadh 2075 (16 July 2018)

PARTICULARS	NHE	HCEL	Khudi	Nyadi	BPCSL	Kabeli
ASSETS						
Non-Current Assets						
Property, plant and equipment	161,121,827	13,723,669	850,369	19,269,094	1,211,446	13,332,744
Capital work in progress	24,901,785	-	-	-	-	-
Intangible assets	934,393	1,463,565	346,442,008	1,063,258,734	-	1,154,937,960
Financial assets						
Investment in equity instruments	-	-	1,000,000	-	-	-
Trade receivables	-	948,819	6,699,169	-	-	-
Other financial assets	-	111,490	137,820	-	-	183,078
Other non-current assets	-	2,697,753	-	235,591,882	-	487,514,673
Deferred tax	16,723,352	929,426	-	-	-	-
Total Non-Current Assets	**203,681,357**	**19,874,722**	**355,129,366**	**1,318,119,710**	**1,211,446**	**1,655,968,455**
Current assets						
Inventories	47,047,371	-	5,010,803	-	-	-
Financial assets						
Trade receivables	248,720,366	55,196,274	9,969,703	-	35,603	-
Cash and cash equivalents	46,632,148	32,375,485	126,073	28,614,335	1,482,051	146,640,026
Bank balance other than cash and cash equivalents	-	6,074,777	-	450,000	13,500,000	940,000
Other financial assets	305,835,491	19,723,546	331,382	150,736	-	95,873,142
Other current assets	101,728,948	624,979	2,368,143	312,607,557	-	107,143,576
Current tax (net)	3,441,385	6,579,041	54,000	-	53,548	-
Total current assets	**753,405,709**	**120,574,102**	**17,860,104**	**341,822,628**	**15,071,202**	**350,596,744**
Total assets	**957,087,066**	**140,448,824**	**372,989,470**	**1,659,942,338**	**16,282,648**	**2,006,565,199**
EQUITY AND LIABILITIES						
Equity						
Equity share capital	139,530,000	14,723,100	84,000,000	555,000,000	10,000,000	1,085,014,947
Other equity	270,922,895	87,727,746	120,144,861	(22,320,291)	5,056,972	(15,188,835)
Total Equity	**410,452,895**	**102,450,846**	**204,144,861**	**532,679,709**	**15,056,972**	**1,069,826,112**
Liabilities						
Non-Current Liabilities						
Financial Liabilities						
Borrowings	-	-	75,119,007	1,079,312,040	-	770,984,965
Other financial liabilities	387,584.00	1,492,873	-	37,682,228	-	13,241,632
Provisions	63,974,160	509,638	710,370	487,087	-	1,473,372
Deferred tax	-	-	24,831,049	-	262	-
Total Non-Current Liabilities	**64,361,744**	**2,002,511**	**100,660,426**	**1,117,481,355**	**262**	**785,699,969**
Current Liabilities						
Financial liabilities						
Borrowings	32,950,000	-	43,941,809	-	-	-
Trade payables	29,720,440	2,767,641	3,634,593	4,008,664	-	27,406,240
Other financial liabilities	71,015,357	15,181,131	12,700,366	3,690,400	1,220,482	121,173,240
Provisions	-	4,218,321	-	-	-	1,516,889
Other current liabilities	348,586,630	13,828,374	7,907,415	2,082,210	4,932	942,749
Current tax (net)	-	-	-	-	-	-
Total Current Liabilities	**482,272,427**	**35,995,467**	**68,184,183**	**9,781,274**	**1,225,414**	**151,039,118**
Total Liabilities	**546,634,171**	**37,997,978**	**168,844,609**	**1,127,262,629**	**1,225,676**	**936,739,087**
Total Equity and Liabilities	**957,087,066**	**140,448,824**	**372,989,470**	**1,659,942,338**	**16,282,648**	**2,006,565,199**

Statement of Profit and Loss and Other Comprehensive Income of BPC Subsidiaries

For the year ended 32 Asadh 2075 (16 July 2018)

PARTICULARS	NHE	HCEL	Khudi	Nyadi	BPCSL	KEL
Revenue	309,794,805	169,059,661	90,625,195	626,070,504	406,074	455,358,076
Cost of Sales	(198,873,244)	(111,794,975)	(31,719,366)	(626,070,504)	(222,726)	(455,358,076)
Gross profit	**110,921,561**	**57,264,686**	**58,905,829**	**-**	**183,348**	**-**
Other income	6,908,907	3,629,716	87,452	585	-	2,284,177
Profit Transferred form JVs	20,000,000	-	-	-	-	-
Administrative and other operating expenses	(72,647,384)	(26,758,151)	(8,153,173)	(6,766,798)	(172,285)	(7,620,779)
Finance Income	473,575	2,363,314	(15,352,530)		1,554,534	-
Finance Costs	(9,111,950)	(58,058)	-	-	-	-
Profit Before Tax	**56,544,709**	**36,441,507**	**35,487,578**	**(6,766,213)**	**1,565,597**	**(5,336,602)**
Income Tax Expense						
Current tax	(9,136,177)	(9,758,136)	-	-	(391,737)	-
Deferred tax credit/charge	0	(59,566)	(7,791,668)	-	87	-
Profit from continuing operations	**47,408,532**	**26,623,805**	**27,695,910**	**(6,766,213)**	**1,173,947**	**(5,336,602)**
Net Profit for the year	**47,408,532**	**26,623,805**	**27,695,910**	**(6,766,213)**	**1,173,947**	**(5,336,602)**
Earnings per equity share of Rs. 100 each						
Basic Earnings per share - Rs.	33.98	180.83	32.97	(1.22)	11.74	(0.49)
Diluted Earnings per share - Rs.	33.98	180.83	32.97	(1.22)	11.74	(0.49)

List of Abbreviations

ASAI	Average Service Availability Index
ASUI	Average Service Unavailability Index
BOOT	Build, Own, Operate and Transfer
CAIDI	Customer Average Interruption Duration Index
CAIFI	Customer Average Interruption Frequency Index
CKHP	Chino Khola Hydropower Project
CXIG	Chengdu Xingcheng Investment Group Co. Ltd.
DoI	Department of Industry
DoED	Department of Electricity Development
EMS	Environment Management System
GEL	Gurans Energy Limited
GoN	Government of Nepal
HCEL	Hydro Consult Engineering Limited
HPL	Himal Power Limited
IKN	Interkraft AS. Norway
IRD	Inland Revenue Department
ISO	The International Organization for Standardization
KEL	Kabeli Energy Limited
KHL	Khudi Hydropower Limited
LMMP	Lower Manang Marsyangdi HydroPower Project
MKHP	Mugu Karnali Hydropower Project
MMHP	Manang Marsyangdi Hydropower Project
NHL	Nyadi Hydro Power Limited
NMFA	Norwegian Ministry of Foreign Affairs
MOE	Ministry of Energy
NEA	Nepal Electricity Authority
NHE	Nepal Hydro and Electric Limited
NPR/NRs	Nepalese Rupees
OHSAS	Occupational Health Safety Management System
PPA	Power Purchase Agreement
QMS	Quality Management System
QYEC	Qing Yuan Engineering Consulting Co. Ltd.
REEP	Rural Electrification and Expansion Project
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
UMHP	Upper Marsyangdi-2 Hydropower Project
UMN	United Mission to Nepal

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