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BUTWAL POWER
COMPANY LIMITED

Annual Report 2008

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Engineering & Consultancy Business

BPC has aggressive plans to develop green-field projects and expand business in the energy sector. The Company has a number of green-field projects in hand, which are expected to go under construction soon. Mix of medium and large projects ranging from 10 MW plus to 100 MW plus are targeted for expansion of generation business. Besides, BPC is looking at acquiring projects with potential technical value additions and capacity enhancement.

Corporate Social Responsibility

ABBREVIATIONS

AGM	Annual General Meeting
BPC	Butwal Power Company Limited
BPCH	BPC Hydroconsult
BPCSL	BPC Services Ltd.
CEO	Chief Executive Officer
DGM	Deputy General Manager
EDC	Electricity Distribution Centre
EIA	Environment Impact Assessment
FY	Fiscal Year
Go N	Government of Nepal
GWh	Gigawatt Hour
HPL	Himal Power Limited
ICAN	Institute of Chartered Accountants of Nepal
IEE	Initial Environmental Examination
JDMP	Jhimruk Downstream Mitigation Project
JIDCO	Jhimruk Industrial Development Company
KHL	Khudi Hydropower Limited
kV	Kilovolt
kVA	Kilo volt-ampere
LEDGO	Lamjung Electricity Development Company Ltd.
MW	Megawatt
NEA	Nepal Electricity Authority
NEPSE	Nepal Stock Exchange
NHE	Nepal Hydro & Electric Ltd
NHL	Nyadi Hydropower Ltd
NRs.	Nepalese Rupees
REEP	Rural Electrification Expansion Programme
REGDAN	Rural Electrification Global Development Alliance Nepal
UO	User Organization

This report covers data and activities for businesses that are both owned and operated during FY 2064/65. In some cases, events and activities in FY 2065/66 are included where they help to provide a more complete picture of performance.

Corporate Profile

Butwal Power Company Limited (BPC) is the pioneer and leading private sector hydropower developer in Nepal. The core business areas are generation, distribution and engineering & consultancy services.

Since its establishment in 1965, BPC pioneered various concepts for developing self competency in various facets of the hydropower industry, including engineering consultancy, construction, operation, maintenance, and manufacturing of hydroelectric equipment.

BPC wholly owns and operates the 12 MW Jhimruk Hydropower Plant and the 5.1MW Andhi Khola Hydropower Plant and developed the 4 MW Khudi Hydropower Project, which is in operation since 2007, through a special purpose company. With these plants, BPC has supplied power to the national grid and electrified around 29,000 households under its rural electrification programme.

BPC provides engineering and consultancy services through its consultancy business unit BPC Hydroconsult, a leading hydropower consultant in Nepal. It owns shares in Himal Power Ltd., which owns and operates the 60- MW Khimti I Hydropower Plant.



> CORPORATE INFORMATION

Name: Butwal Power Company Limited

Registration No.: Pa. Li. No. 3-049/50

Date incorporated: 29 December 1965 (2022/09/14 BS)

Date converted into Public Ltd.: 17 February 1993 (2049/11/06 BS)

Date privatised: 3 January 2003 (2059/09/19 BS)

Corporate office: Gangadevi Marga - 313, Buddha Nagar, Kathmandu, Nepal

Registered office: Gangadevi Marga - 313, Buddha Nagar, Kathmandu, Nepal

PAN /VAT No: 500047963

Bank accounts: Himalayan Bank Limited, Nepal Investment Bank Limited.

Statutory auditor: Sundar & Co., Pulchowk, Lalitpur, Nepal

Internal auditor: BRS Neupane & Co., Naxal, Kathmandu, Nepal

Stock Listing: Nepal Stock Exchange (NEPSE) under the code BPCL

Corporate Objectives

“To be a leading enterprise in the 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 provide innovative engineering solutions and management services

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

> Core 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.

Teamwork – We work together with mutual respect and trust to achieve results.



Integrated Quality and Environmental Policy

BPC is committed to providing quality and competitive products and services to satisfy customer's need and conducting business in an environmentally and socially responsible manner, through:

- Continual improvement of Integrated Quality and Environmental Management System and Business Processes
- Conservation and optimization in use of key resources, minimizing impact on environment, and prevention of pollution
- Commitment to meet customers, statutory and regulatory requirements
- Motivated work force trained for effective management of business processes and systems
- Effective communication of policy requirements with both internal and external parties.



Chairman's Report

Respected Shareholders,

It gives me immense pleasure to welcome you all at this 16th Annual General Meeting of Shareholders of your Company. By investing in BPC, you have invested in an endeavor to build the nation while securing stable returns on investment.

BPC is committed to excellence, corporate ethics, good governance, integrity of values and quality of service. It adheres to the highest levels of transparency, accountability and equity, in all areas of its business operations and interactions with its stakeholders. All efforts of BPC team are concentrated and directed towards increasing value for Shareholders. As Chairman of the Board of Directors, I would now like to present the Annual Report and share with you, the performance of the Company for the Fiscal Year 2064/65 BS.

Performance Review

You will be happy to learn that BPC made significant improvement in both its financial and operational performance.

Performance Highlights

- BPC registered a net profit of NRs. 353.88 million, an increase of 39.96% over last year's NRs. 252.84-million net profit.
- Earnings per share increased from NRs. 30.13 last year to NRs. 42.17 this year.
- The company is debt free, and its net worth is NRs. 1.395 billion.

The Company continued with the three main areas of business: generation of hydroelectricity, distribution of electricity and providing engineering & consultancy services to hydropower and infrastructure projects. In addition, the Company has strategic investments in other companies. The performance highlights of the business segments are:

Generation Business

Both the Andhikhola and Jhimruk power plants were in full operation in the FY 2064/65. The generation of electricity at the Jhimruk Plant reached an all-time high of 67.19 GWh. The total generation at both plants was 107.39 GWh, an increase of 3.28% over last year's 103.97 GWh in spite of the fact that the old, worn-out equipment of the Andhikhola Plant forced it to shut down several times. The revenue from Generation Business was NRs. 372.5 million, an increase of 11% over previous year.

Distribution Business

The Distribution Business spread across 4 districts, Syangja, Palpa, Pyuthan and Arghakhanchi primarily supplies electricity to rural areas. The rural electrification started way back in 1990 A.D. (2047 B.S.) and is continuously under expansion, currently providing electricity to around 29000 consumers.

During the year, 1,850 consumers were added to the distribution network and 3404 consumers were converted from cutout to metered category. The consumer count as on end Ashad, 2065 (15th July 2008), was 28761.

The numbers of consumers in Electricity Distribution Centre (EDC) at Galyang and at Pyuthan were increased by 6% and 9% respectively. At the end of the fiscal year, the consumer category mix was: 69.1% domestic-metered, 29.5% domestic-cutout and 1.3% industrial. The sale of energy reached 12.87

> Financial highlights

Particular	2064/65 (in '000 NRs.)	2063/64 (in '000 NRs.)	% Change
Bulk electricity sale to NEA	372,522	334,166	11.48
Sale of electricity and services to own consumers	55,317	49,237	12.35
Engineering and consultancy services	18,894	9,534	98.17
Total operating income	446,732	392,938	13.69
Total operating expenses	147,685	116,642	26.61
Gross operating profit	299,046	276,296	8.23
Other income	199,007	96,032	107.23
Administrative and other expenses	125,270	103,943	20.52
Net profit before appropriation	353,879	252,840	39.96



GWh, 2.73% more than last year. The revenue collected was NRs. 49.11 million, an increase of 8% over last year.

Engineering & Consultancy Business

BPC Hydroconsult (BPCH), the Engineering & Consultancy Business Unit provided engineering & consultancy services for hydropower projects to various companies and to BPC's new projects which are under various stages of development. Besides conducting feasibility study and EIA of various projects, BPCH was involved in implementation of rural electrification projects in Syangja, Palpa, Pyuthan and Arghakhachi districts, under the rural electrification projects, Rural Electrification Global Development Alliance Nepal (REGDAN) and Rural Electrification and Expansion Program (REEP).

BPCH is collaborating with several international firms to expand its operations into neighboring countries. It qualified in an international bid to conduct screening and feasibility study of ten hydroelectricity projects in Punjab, Pakistan, an initiative supported by Asian Development Bank, and is pursuing opportunities in Bhutan. Revenue from this sector reached an all-time high of NRs. 18.89 million, an increase of 98.17% over last year.

At the beginning of FY 2064/65, BPC Hydroconsult had seven contracts in hand. During the year, another eight contracts were won. A total of seven projects were completed during the year. At the end of fiscal year, it has a total of 8 contracts in hand worth NRs. 207.62 million.

Board of Directors

The representation of Shareholders on the Board of Directors remained unchanged. Four Directors represent Shangri-La Energy Limited; one Director represents Interkraft Nepal AS; one Director represents the Government of Nepal, Nepal Electricity Authority, United Mission to Nepal and Nepal Industrial Development Corporation; and one Director represents general public and employees. Shangri-La Energy nominated Mr. Rajib Rajbhandari as Alternate Director on June 4, 2008. Members

of the Board of Directors and share ownership structure of the Company are presented in Table - 1 & 2 respectively.

The Board complies with all legal and regulatory requirements. The Directors fulfill their individual and collective responsibilities under the Companies Act, 2063 effectively and efficiently. No Director sits on the Board of another company with similar objectives though they do represent BPC on the Boards of the BPC's subsidiary companies as nominated by the Board.

Board Committees

The Executive Committee, which was constituted to assist the Management in managing and optimizing resources, improve the management structure and develop growth and expansion plans, was dissolved after it handed its responsibilities over to the Chief Executive Officer (CEO). The Audit Committee played a vital role in strengthening the Company's system of financial governance.

BPC is committed to excellence, corporate ethics, good governance, integrity of values and quality of service. It adheres to the highest levels of transparency, accountability and equity in all areas of its business operations and in all interactions with its stakeholders. All efforts of the BPC team are concentrated and directed towards increasing value for shareholders.

— Padma Jyoti, Chairman



BPC has pioneered the development of the hydropower sector through establishment and promotion of companies associated with hydropower and socio-economic development. The involvement and exposure in the subsidiaries and associate companies are strategic, which undergoes periodical review in the overall interest of BPC.

The Budget Committee assisted the Board in reviewing, monitoring and controlling the budget. A Remuneration Committee comprising of Board members Mr. Gyanendra Lal Pradhan, Mr. Bijay Bahadur Shrestha, and the CEO was constituted by the Board to review the remuneration package of the Deputy General Managers (DGMs). The composition of the Audit Committee and Budget Committee is given in Table 3.

Company Management

Mr Ranjan Lohar served as CEO of the Company throughout the year, but there was a change in Top Management as two new DGMs were appointed to fulfill vacant positions. Mr. Manohar Shrestha is now DGM of Engineering and Mr. Devi Prasad Dahal is DGM of Corporate Support.

There were 312 employees, 284 male and 28 female, at the end of FY 2064/65. Several trainings were provided to the employees as per the need and future growth plans of the Company. Management expenses incurred during the year totaled NRs. 535, 08,586.

Change In Corporate Identity

The Company launched its rejuvenated Corporate Identity on World Environment Day, 5th June, 2008 (23rd Jestha, 2065) with an aim to reflect consistency and professionalism in its business operations. The blue color in the logo signifies tranquil sky and cool water flowing from Himalayas whereas orange color signifies energy.

Risk Management

The risk management is an integral part of business operations. The periodical internal audits carried out validated the risk management of the Company's assets, financial and accounting procedures and controls. The Company's assets and risks have been safeguarded with adequate Insurance coverage.

Corporate Social Responsibility

To fulfill its Social Responsibility, BPC continued its various CSR projects including Jhimruk Downstream Mitigation Program (JDMP), building irrigation systems, conducting river training programs, tree plantation in and around the surroundings of BPC premises and other enterprise development programs. The Company also contributed to the Prime Minister's Natural Disaster Relief Fund to help Koshi flood victims.

Subsidiaries and Associates

BPC has pioneered the development of the hydropower sector through establishment and promotion of companies associated with hydropower and socio-economic development. The involvement and exposure in the subsidiaries and associate companies are strategic which undergoes periodical review in the overall interest of BPC.

Nepal Hydro & Electric (NHE) Ltd., the only hydro-mechanical and electro-mechanical equipment manufacturer in the country had a turnover of NRs 410 million* and registered a net profit of NRs 21.6* million. The company is not only expanding its market in Nepal but is strategically entering into new projects in Bhutan

Table 1: Board of Directors

Name	Organisation represented	Position
Mr. Padma Jyoti	Shangri-La Energy Limited	Chairman
Mr. Pradeep Kumar Shrestha	Shangri-La Energy Limited	Director
Mr. Gyanendra Lal Pradhan	Shangri-La Energy Limited	Director
Mr. Bijay Bahadur Shrestha	Shangri-La Energy Limited	Director
Mr. Ratna Sansar Shrestha, FCA	Interkraft Nepal AS.	Director
Mr. Anup Kumar Upadhyay	GoN, Ministry of Water Resources	Director
Mr. Santosh Kumar Pradhan	General Public	Director
Mr. Bijaya Krishna Shrestha	Shangri-La Energy Limited	Alternate director
Dr. K. B. Rokaya	Interkraft Nepal As.	Alternate director
Mr. Rajib Rajbhandari	Shangri-La Energy Limited	Alternate director

Table 2: Share Ownership Structure

at the end of the Fiscal Year

Name of shareholder	Ownership (%)	Shares subscribed (no.)
Shangri-La Energy Limited	68.95	5,785,463
General public / individuals	10.00	839,207
Government of Nepal	9.09	762,755
Interkraft Nepal AS	6.05	507,469
United Mission to Nepal	2.79	234,211
Employees	2.00	167,811
Nepal Electricity Authority	1.06	88,619
Nepal Industrial Development Corporation	0.06	5,042
Total	100	8,390,577

* Provisional

The 10,000 MW target has created space for many willing and serious developers. BPC has undertaken number of projects under development which sums up to 100 MW and the company is engaged in identifying a number of green field projects for future development.

and India after the success of hydro turbine runner repair works of Chuka Plant.

Khudi Hydropower Ltd. which owns and operates 4 MW Khudi Hydropower Plant, sold NRs 74.469 million* worth of electricity during the year. A total loss of NRs. 8,420,147* has been reported during fiscal year because of several forced outages on account of flood.

Khudi Hydropower Plant was hit by severe flood on 11th Bhadra, 2065 (27th August 2008). The flood submerged the powerhouse equipments and caused severe damages to the infrastructure including penstock pipe and anchor blocks. The repair and reinstatement works are going on in full swing and the plant is expected to be back in operation by end of this December.

BPC Services Ltd (BPCSL) continued to provide operation and maintenance services to Khudi Hydropower Plant. With

turnover of NRs 9.726 million, BPCSL made a net profit of NRs. 1,010,504.

Jhimruk Industrial Development Company (JIDCO), a CSR initiative of BPC, continued to provide trainings on skill and various enterprise development programs. JIDCO's turnover was NRs. 1.866 million and it reported a loss of NRs. 602,636.

Hydro Lab Pvt. Ltd. provided specialized research and consulting services in hydraulics and sediments to various projects including Upper Tama Koshi headworks Model Study. The turnover of Hydro Lab in this fiscal year was NRs 12.46 million.* It recorded a net profit of NRs. 3,067,814*.

Himal Power Ltd. which owns and operate 60 MW Khimti I Hydropower Plant sold NRs 2.132 billion worth of electricity during the fiscal year from Khimti-I plant and registered a net profit of NRs. 981,532,807.

Board of Directors

FRONT ROW: (Left to Right)
Pradeep Kumar Shrestha
Padma Jyoti
Ratna Sansar Shrestha
Bijaya Krishna Shrestha

BACK ROW: (Left to Right)
Dr. K.B. Rokaya
Anup Kumar Upadhyay
Bijay Bahadur Shrestha
Gyanendra Lal Pradhan
Rajib Rajbhandari
Santosh Kumar Pradhan



> Table 3: Committees Constituted by the Board**Audit Committee**

Mr. Ratna Sansar Shrestha, FCA	Chairperson
Mr. Pradeep Kumar Shrestha	Member
Mr. Bijay Bahadur Shrestha	Member

Budget Committee

Mr. Padma Jyoti	Chairperson
Mr. Gyanendra Lal Pradhan	Member

Nyadi Hydropower Limited, a special purpose company established to develop the 20 MW Nyadi Hydropower Project has completed the pre-construction activities and has initiated training and awareness programs in the project areas. The Project is under detailed design stage and hydraulic model study. The Project will go under construction after signing of PPA.

BPC has acquired majority stake in Keton Hydropower Pvt. Limited which will develop 42 MW Marsyangdi-III Hydropower Project. Feasibility study and EIA of the Project are being conducted. The shareholding of BPC in its subsidiaries and associate companies are shown in table 4.

Dividend

The Board of Directors has recommended a dividend of 30% of paid up capital from the net profit of fiscal year 2064/065. The amount of dividend thereof comes to NRs. 251,717,310.

Sector Outlook

The demand supply gap has further increased this year with the country's electricity demand rising at a restricted rate of about 10% per year. Capacity Addition Growth Rate in last 5 years was only 0.35%. The demand supply gap is continuously on the rise and is likely to touch 359 MW by 2011/12. Government has strongly emphasized the need of infrastructure development as the catalyst for overall economic development of the country and has prioritized the development of the energy sector by harnessing the indigenous hydropower resources. Further, the new government has ushered the coming ten years as decade of the hydropower development and has proposed to develop 10,000 MW within 10yrs. The targeted capacity will foster multifaceted development across the country and facilitate the economic growth of the country. The new proposed Electricity Act and Regulatory Act would be the catalyst in development of the sector. Promulgation of these long awaited acts and a well coordinated and coherent infrastructure development can surely lead to success of the 10000 MW endeavor.

> Table 4: Ownership of Subsidiaries and Associates

Name of company	Paid-up capital (in mil. NRs.)	BPC's investment (in mil. NRs.)	Holding (%)
Himal Power Limited	1,764.0	263.0	14.9
Nepal Hydro & Electric Limited	139.5	71.6	51.3
Khudi Hydropower Limited	175.0	50.4	60.0
Khudi Hydropower Limited (Preference Share)	-	57.6	-
Nyadi Hydropower Limited	25.0	12.1	97.2
BPC Services Limited	10.0	10.0	100.0
Keton Hydropower Limited	10.0	9.0	90.0
JIDCO	18.5	4.5	24.0
Hydro Lab Private Limited	5.0	1.0	20.0

The Year Ahead

The mammoth target 10,000 MW set by the government has created space for many willing and serious hydropower developers. As a proactive enterprise, BPC has undertaken number of projects under development which sums up to 100 MW plus capacity.

Andhikhola Upgrading Project, Nyadi Hydropower Project, Bhimkhola Hydropower Project, Kabeli-A Hydropower Project and Marsyangdi-III Hydropower Project are the priorities of the current fiscal year. Negotiations with the Government for the development of the Kabeli-A Hydropower Project in joint venture with other partners have been completed and it is expected that the Project Development Agreement shall be concluded soon. While the project development activities for the projects in hand are ongoing, the Company is also engaged in identifying a number of new green field projects for future development.

Closing Remarks

Finally, I extend my sincere thanks to the members of the committees constituted by the Board, to the Management and Staff for their dedication and contributions towards the progress of the company. We are grateful to the GoN, NEA, Ministry of Foreign Affairs-Norway, USAID, Winrock International, and other donor agencies, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors and all others who have contributed directly or indirectly towards the betterment of the company during the fiscal year. I would also like to thank the shareholders for their confidence in us.

Thanking you all again on behalf of the entire Board of Directors.



Padma Jyoti
Chairman

Date : 4th January, 2009
Place : Kathmandu

Corporate Governance

BPC is committed to upholding the highest standards of corporate governance in all of its activities and business processes. Our business dealings are transparent and we place great emphasis on our core values and on constant stable returns on the investments of our shareholders. To ensure that our business operations add value to our shareholders, we review our governance practices periodically and strengthen them as required.

Board of Directors

Board Composition

As on Ashad end 2065, the Board consisted of eight members. There has been no change in representation of Shareholders on Board. Shangri-La Energy nominated Mr. Rajib Rajbhandari alternate director on 4 June, 2008. The 15th AGM of shareholders held on 4 January, 2008 approved the addition of one independent director, for whom recommendations are being solicited.

Conduct of Board

In line with the global standards of corporate governance, the role of the Board of Directors is kept distinct from that of the management.

The company is managed by its executives of the company under the direction and leadership of the CEO and the oversight of the Board. The Board holds a minimum of six meetings every year to review and discuss the performance of the company, its future plans, major business strategies and other pertinent issues.

In addition, the Board performs the following specific functions:

- Review, monitor and approve major financial, business and corporate strategies
- Assess critical risks
- Provide counsel on the selection, evaluation, and development of top management team
- Ensure that mechanisms are in place for maintaining the integrity of the business
- Oversee financial statements
- Ensure compliance with legal requirements
- Ensure compliance with code of business conduct
- Delegate appropriate authority to the top management team so it can manage business operations effectively and efficiently

> Board meeting fees

Position	Meeting Fee (NRs.)	Transportation and Telephone Allowances (NRs.) per month
Chairman	3000	5000
Directors	3000	3500

> The composition of the board

Name	Position	Organisation	Group	Period
Mr. Padma Jyoti	Chairman	Shangri-La Energy Limited	B	January, 2003 - present
Mr. Pradeep Kumar Shrestha	Director	Shangri-La Energy Limited		January, 2003 - present
Mr. Gyanendra Lal Pradhan	Director	Shangri-La Energy Limited		January, 2003 - present
Mr. Bijay Bahadur Shrestha	Director	Shangri-La Energy Limited		May, 2007 - present
Mr. Ratna Sansar Shrestha, FCA	Director	Interkraft Nepal AS.	B	February, 2003 - present
Mr. Anup Kumar Upadhyay	Director	GoN, UMN, NEA & NIDC	A	May, 2005 - present
Mr. Santosh Kumar Pradhan	Director	General Public	C	January, 2007 - present
Mr. Bijaya Krishna Shrestha	Alternate director	Shangri-La Energy Limited	B	May, 2007 - present
Dr. K. B. Rokaya	Alternate director	Interkraft Nepal AS.		May, 2003
Mr. Rajib Rajbhandari	Alternate director	Shangri-La Energy Limited		June, 2008 - present
Independent Director	Vacant	-Independent Director	Vacant	-

Note:

1. Mr. Ratna Sansar Shrestha, FCA represented UMN from September 2001 to January, 2003 as Director.
2. Mr. Rajib Rajbhandari Represented SEL from January, 2003 to May, 2007 as Director.
3. Mr. Bijay Bahadur Shrestha represented SEL from April, 2003 to May, 2007 as Alternate Director.

> Dates of Board Meetings

Nepali	Gregorian
9 Shrawan, 2064	25 July, 2007
26 Bhadra 2064	12 September, 2007
21 Kartik 2064	7 November, 2007
20 Poush, 2064	4 January, 2008
2 Jestha, 2065	15 May, 2008
29 Falgun 2065	12 March, 2008
4 Ashad, 2065	18 June, 2008
26 Ashad, 2065	10 July, 2008

Agendas and other documents needed at Board meetings are circulated well ahead of time so that all directors come well-prepared to engage in intelligent discussions before arriving at resolutions.

Eight board meetings were held during the FY 2064/65 on the dates specified below. The longest gap between any two meetings was 68 days and the least, 22.

Company Secretary

Mr. Murali Prasad Sharma was Company Secretary during the last FY. He has been working for BPC since 1993 as secretary and legal advisor on a part-time and intermittent basis. He holds a Master's in Commerce and a Bachelor's in Law. He served in the government from July 1975 to September 1991.

Board Committees**Executive Committee**

The Board constituted a three-member executive committee on 7 June, 2004 (25 Jestha, 2061) to carry out three main functions:

1. Optimise the utilisation of resources within BPC
2. Improve the management structure of BPC
3. Identify areas of growth and expansion

The Executive Committee was dissolved on 7 November, 2007, (21 Kartik, 2064) after its responsibilities devolved to the CEO.

Audit Committee

The three-member Audit Committee was set up on 29 November, 2005 (14 Mangsir, 2062). All three have a good knowledge of finance, accounts and company law.

> Audit Committee and their attendance

Name	Position	Meetings held During the tenure	Meetings attended
Mr. Ratna Sansar Shrestha, FCA	Chairman	4	4
Mr. Pradeep Kumar Shrestha	Member	4	2
Mr. Bijay Bahadur Shrestha	Member	4	4

Attendance of Directors

Directors	Meetings held during the tenure	Meetings attended
Mr. Padma Jyoti	8	7
Mr. Pradeep Kumar Shrestha	8	6
Mr. Gyanendra Lal Pradhan	8	5
Mr. Bijay Bahadur Shrestha	8	7
Mr. Ratna Sansar Shrestha, FCA	8	8
Mr. Anup Kumar Upadhyay	8	8
Mr. Santosh Kumar Pradhan	8	7
Mr. Bijaya Krishna Shrestha	8	7
Dr. K. B. Rokaya	8	3
Mr. Rajib Rajbhandari	2	2

As prescribed by the Section 165 of Companies Act, 2063, the committee is responsible for the following duties:

1. Review financial statements and internal control and risk management systems;
2. Supervise and review internal auditing;
3. Prepare a policy for the appointment of an internal auditor 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 auditor, remuneration and other terms and conditions of appointment to the AGM for ratification;
5. Monitor and supervise whether the auditor has followed the code of conduct, standards and directives or not;
6. Prepare and implement the company's accounting policy and
7. Perform any other responsibilities regarding accounting, financial statements or auditing as assigned by the Board of Directors.

Sr. Legal Officer of BPC acts as the Secretary of Audit Committee. Four meetings were held by Audit Committee in FY 2064/65. Meeting fee for the Audit Committee meetings including Committee Chairman is NRs. 3, 000/- per meeting.

Budget Committee

The Budget Committee was set up on 20 March, 2006 (7 Chaitra, 2064). The committee consists of two directors of the company. CEO, DGMS and Sr. Finance Manager are the regular attendees in the Budget Committee meetings.

The responsibilities of the Budget Committee are stated as below:

1. Budgetary monitoring and control

> Budget Committee and their attendance

Name	Position	Meetings held During the tenure	Meetings attended
Mr. Padma Jyoti	Chairman	2	2
Mr. Gyanendra Lal Pradhan	Member	2	2

2. Scrutiny of the budget proposed by the management
3. Recommendation of a proposed budget to the Board for approval.

Sr. Finance Manager acts as the Secretary of the Budget Committee. Meeting fee for the Budget Committee meetings including Committee Chairman is Rs. 3000/- per meeting.

Remuneration Committee

The Remuneration Committee is constituted as and when required by the Board. In the FY 2064/65, directors Mr. Gyanendra Lal Pradhan and Mr. Bijaya Bahadur Shrestha and the CEO met to revise the salaries of DGMs.

Shareholders meeting and communication

The 15th AGM of Shareholders was held on 4 January, 2008 (20 Poush, 2064) at the BPC Corporate Office at Kathmandu.

Special Resolution Taken

The 15th AGM resolved to amend the Articles of Association for addition of an independent director to the Board. The amendment was communicated to the shareholders. The amended Articles of Association was endorsed by the Office of the Company Registrar.

Financial Disclosures

Disclosures on financial statements and accounts, related-party transactions and contingent liabilities are disclosed in the various sections of Significant Accounting Policies and Notes to the Annual Account.

Means of Communication

Shareholders are informed about the business status and progress of the company through letters, national daily newspapers and the company website.

Internal Control and Accountability

The company emphasizes the need to provide appropriate financial disclosures and operating information within the bounds of commercial reality and to adopt sound reporting practices. Its financial statements are prepared in line with Nepal's accounting standards and in compliance with prevailing rules and regulations.

The company places great importance on internal auditing, which, in its view, covers controls on financial and accounting systems and processes, risk and asset management and the review of operational performance.

Code of Business Conduct

All BPC staff and its Board members follow a well-defined code of business conduct (CBC). The company's commitment to adherence to this code is reiterated below.

- The BPC-CBC applies to everyone at BPC, regardless of his or her individual role or position.
- Each BPC staff member is expected to behave according to the principles contained in the CBC.
- BPC promotes and supports the BPC CBC in its day-to-day business activities.
- BPC encourages recommendations and advice about the application of its code as appropriate.

> BPC's Representation in its Subsidiaries and Associate Companies

Company	Name	Position
Himal Power Limited	Mr. Rajib Rajbhandari	Member, BOD
	Mr. Bijaya Krishna Shrestha	Alternate member, BOD
Nepal Hydro & Electric Ltd	Mr. Gyanendra L. Pradhan	Chairman, BOD
	Mr. Ranjan Lohar	Member, BOD
Jhimruk Industrial Development Centre (P) Ltd	Mr. R.B. Karki	Member, BOD
	Mr. Prakash Shrestha	Member, BOD
Hydro Lab Pvt. Ltd	Mr. R.B. Karki	Member, BOD
Khudi Hydro-Power Ltd	Mr. Gyanendra L. Pradhan	Chairman, BOD
	Mr. Bijay Bahadur Shrestha	Member, BOD
	Mr. Bijaya Krishna Shrestha	Member, BOD
	Mr. Ranjan Lohar	Alternate member, BOD
BPC Services Ltd	Mr. R.B. Karki	Chairman, BOD
	Mr. Ranjan Lohar	Member, BOD
	Mr. Manohar Shrestha	Alternate member, BOD
	Mr. Prakash Shrestha	Member BOD and CEO
Nyadi Hydro-Power Limited	Mr. Padma Jyoti	Chairman, BOD
	Mr. Gyanendra L. Pradhan	Member, BOD
	Mr. Bijaya Krishna Shrestha	Member, BOD
Keton Hydro-Power Limited	Mr. Ranjan Lohar	Chairman
	Mr. R.B. Karki	Member, BOD

Brief Resumes and Disclosures of the Directors of the Board CURRENT INVOLVEMENTS



> **Padma Jyoti, 62**
Chairman

Bachelor's in Mechanical Engineering from IIT, Kanpur, India. MBA from Sloan School of Management, Massachusetts Institute of Technology, USA. Mr. Jyoti is a leading industrialist who has been managing industries in Nepal for the last 38 years.



> **Pradeep Kumar Shrestha, 48**
Director

MBA from Tribhuvan University, Kathmandu, Nepal. Mr. Shrestha has been actively involved in management for more than 25 years in the industry and commerce sectors.



> **Gyanendra Lal Pradhan, 48**
Director

Electrical engineering graduate from MACT, Bhopal, India. Mr. Pradhan has been involved in management in the industry, business and social sector for 20 years. He also has experience in the construction of hydropower projects, transmission and distribution and energy audits.



> **Bijay Bahadur Shrestha, 52**
Director

MBA from the Faculty of Management Studies, University of Delhi. Mr. Shrestha has 25 years of experience in the export sector and more than 10 years of experience in the capital market, banking and financial sectors.



> **Ratna Sansar Shrestha, FCA, 56**
Director

CPA from Massachusetts, USA, Master's in Commerce and Bachelor's in Law Member of the Institute of Chartered Accountants of Nepal (ICAN) and a corporate lawyer accredited by the Nepal Bar Council. Mr. Shrestha has been in the clean energy sector for over two decades.



> **Anup Kumar Upadhyay, 43**
Director

M.Sc. in Electrical Networking and Systems from the Georgian Technical University, Russia. Mr. Upadhyay is Joint Secretary of the Ministry of Water Resources and has more than two decades of experience in the power sector of Nepal.



> **Santosh Kumar Pradhan, 58**
Director

M.Sc. in Electrical Engineering from Moscow Power Engineering Institute, Russia. Mr. Pradhan has more than 30 years of experience in the planning, design and execution of distribution, transmission and generation projects.



> **Bijaya Krishna Shrestha, 60**
Alternate Director

Electrical engineer with an MBA from Southern Illinois University, USA. Mr. Shrestha has more than 30 years experience in banking, insurance, computer, energy and electronics sector.



> **Dr K. B. Rokaya, 54,**
Alternate Director

Ph.D. in Energy Engineering from the University of the Philippines. M.Sc. in Electrical and Electronics Engineering from University of Bradford, UK. BE in Electrical Engineering from Jadavpur University, Calcutta, India. He was appointed as a member of the National Human Rights Commission of Nepal in September 2007.



> **Rajib Rajbhandari, 51**
Alternate Director

B.Com. (Honours) from Bombay University. Mr. Rajbhandari has more than 20 years experience in the industry and commerce sectors.

> Padma Jyoti

- :: Chairman, Bhajuratna & Co. Pvt. Ltd.
 - :: Chairman, Bhajuratna Eng. & Sales Ltd.
 - :: Chairman, Bhajuratna Finance and Saving Co. Ltd.
 - :: Chairman, Himal & Co. Pvt. Ltd.
 - :: Chairman, Himal Iron Steel Pvt. Ltd.
 - :: Chairman, Himal Oxygen Pvt. Ltd.
 - :: Chairman, Himal Wires Pvt. Ltd.
 - :: Chairman, Jyoti & Co. Pvt. Ltd.
 - :: Chairman, Jyoti Yarns Processing Pvt. Ltd.
 - :: Chairman, Syakar Company Ltd.
 - :: Chairman, Syamukapu & Co. Pvt. Ltd.
 - :: Director, Sagarmatha Insurance Co. Ltd.
 - :: Director, Shangri-La Energy Limited
 - :: Honorable Member, Constituent Assembly
 - :: President, National Business Initiatives (NBI)
- Does not hold any shares in BPC.

> Pradeep Kumar Shrestha

- :: Chairman, Nepal Srijanshil Samooaha
 - :: Managing Director, Nepal Bitumen & Barrel Udyog Ltd.
 - :: Managing Director, Panchakanaya Group of Industries
 - :: Director, Shangri-La Energy Limited
 - :: Assistant Governor, Nepal Rotary
 - :: Honorary Consul, The Republic of South Africa
 - :: President, Nepal Golf Association
 - :: Member, Academic Assembly-NAST
 - :: Member, Nepal Rastra Bank
- Does not hold any shares in BPC.

> Gyanendra Lal Pradhan

- :: Chairman, Megha International P. Ltd.
 - :: Managing Director, Blue Spring Villa
 - :: Managing Director, ESCO Nepal P. Ltd.
 - :: Managing Director, Shangri-La Impex
 - :: Managing Director, Trishakti Cable Industries P. Ltd.
 - :: Managing Director, Narayani Rotomould Industries P. Ltd.
 - :: Managing Director, Shangri-La Developers P. Ltd.
 - :: Managing Director, Trishakti Wire Industries P. Ltd.
 - :: Director, Nepal Orthopedic Hospital
 - :: Director, East Nepal Developers Endeavor Pvt. Ltd.
 - :: Director, Manang Trade Link
 - :: Director, Shangri-La Energy Ltd.
 - :: Patron & Chief Strategist, Hydro-Solutions Ltd
 - :: Executive Member, Nepal China Chamber of Commerce
 - :: Executive Member, FNCCI
 - :: Executive Member, Independent Power Producer Association of Nepal
 - :: Executive Member, Nepal India Chamber of Commerce.
 - :: Executive Member, Nepal German Chamber of Commerce
 - :: Coordinator, Hydro Power Development Forum - FNCCI
- Does not hold any shares in BPC.

> Bijay Bahadur Shrestha

- :: Director, Himalayan Bank Ltd
 - :: Director, Shangri-La Energy Limited.
 - :: Director, Soaltee Hotel Ltd.
 - :: Director, United Insurance Ltd
 - :: Central Executive Member, FNCCI
 - :: Treasurer, Royal Nepal Golf Club
- Holds 3700 shares in BPC.

> Ratna Sansar Shrestha, FCA

- :: Member, Water Supply Tariff Fixation Commission
 - :: Member, Board of Director, Everest Bank Ltd.
- Holds 500 shares in BPC.

> Anup Kumar Upadhyay

- :: Joint Secretary, Ministry of Water Resources, Government of Nepal
- Does not hold any shares in BPC.

> Santosh Kumar Pradhan

- :: Director, Nepal Bitumen and Barrel Udyog Ltd.
 - :: Chief Executive, East Nepal Development Endeavour Pvt. Ltd.
- Holds 9870 shares in BPC.

> Bijaya Krishna Shrestha

- :: Chairman, Beltron Investment Pvt. Ltd.
 - :: Director, Nepal Electric Vehicle Company
 - :: Director, Nepal Insurance Limited
 - :: Director, Shangri-La Energy Limited
- Holds 100 shares in BPC.

> Dr. K. B. Rokaya

- :: Director, Patan Hospital
 - :: General Secretary, National Council of Churches of Nepal (NCCN)
 - :: Vice-President, Inter-Religious Council Nepal
 - :: Honourable Member, National Human Rights Commission of Nepal.
- Does not hold any shares in BPC.

> Rajib Rajbhandari

- :: Director, Ace Development Bank Limited
 - :: Director, Himal Media Pvt. Ltd.
 - :: Director, Hits Nepal Pvt. Ltd.
 - :: Director, Malpi International School
 - :: Director, Mercantile Investment Pvt. Ltd.
 - :: Director, Purnori Agro Forestry Industries Pvt. Ltd.
 - :: Director, R.R.B. Investment Pvt. Ltd.
 - :: Director, Serving Minds Pvt. Ltd
 - :: Director, Shangri-La Energy Limited
- Does not hold any shares in BPC.

Investor Information

Annual General Meeting

Date: 4 January, 2009 (20 Poush, 2065)

Time: 1:00 PM

Venue: BPC Corporate Office

Fiscal year: 16 July, 2007 – 15 July, 2008

(1 Shrawan, 2064 – 31 Ashad, 2065)

Share registrar and transfer agents: NIDC Capital Markets Ltd.

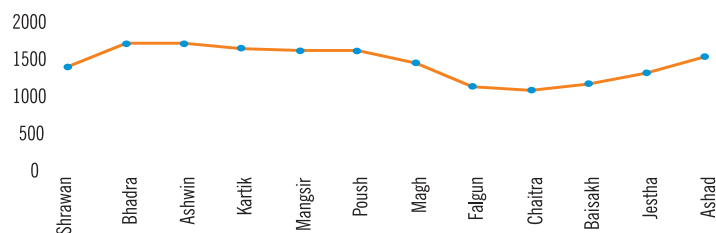
Website: <http://www.bpc.com.np>

Listing of shares: NEPSE

Stock code: BPCL

> Shareholding pattern as of 15 July, 2008 (31 Ashad, 2065)

Shareholder	No. of shares	Percentage of total capital
Shangri-La Energy Ltd.	5,785,463	68.95
General Public	839,057	10.00
Government of Nepal	762,755	9.09
Interkraft Nepal A.S., Norway	507,469	6.05
United Mission to Nepal	234,211	2.79
Employees	167,811	2.00
Nepal Electricity Authority	88,619	1.056
Nepal Industrial Development Corporation	5,042	0.06
Purna Prasad Adhikari	50	0.0006
Balaram Pradhan	50	0.0006
Suman Basnet	50	0.0006



Month End Share Prices at NEPSE (in Rs)

> Distribution of Shareholdings as on 15 July, 2008 (31 Ashad, 2065)

Number of Shares	Number of Shareholders	%
Up to 500	301	42.94
500 – 1000	311	44.37
1000 – 5000	46	6.56
Above 5000	43	6.13
Total	701	100

CEO'S perspective

Operational excellence is the guiding principle of our business and its success. In 2064/65 all our business segments operated at historically high level of performance. Our generation business which supplies bulk power to NEA and to our own distribution business has outperformed over previous years and recorded highest ever generation and sales from its generation facilities at Andhikhola and Jhimruk with an average annual plant load factor of 71.7%.

The Generation and sales recorded growth of 3.3% and 11% respectively. The distribution business added highest number of consumers in a year and achieved collection efficiency of 115%, reducing the AT&C losses to 3%. The engineering business made a turnaround and turned into profitability. This has been possible because of the highly capable management team and outstanding contribution of our employees.

Climate change has emerged as an eminent issue and is globally changing the future of power industry. With just about 1.5% of techno-commercially feasible hydropower tapped till now there is immense potential to contribute to the global concern while addressing country's own energy requirement and driving the economic development. This is backed up by Nepal's strategic location between two energy guzzlers which provide unlimited scope for cross border trade. The aggressive target of 10000 MW in a decade on the backdrop of about 564 MW in past 100 yrs is setting the stage for all out infrastructure development and has created space for small, medium and large scale hydropower projects. A good and planned mix of the projects sizes will not only lead to the targeted capacity but will fill in the growing demand supply gap and put the domestic IPPs as well as financial institutions on forward path.

We are well positioned to take on the challenge and we envision ourselves playing a significant role in achieving the goal and are strategically focusing on mix of medium and large capacity projects. BPC's long experience in the hydropower sector and overall accomplishments in 2064/65 have strengthened our ability to invest in new projects which will increase the installed capacity and value for shareholders.

The developmental works on the projects in hand are in advanced stages and the projects are poised to take off shortly. We have developed strategic partnership with investors and financial institutions for speedy financial closure after entering into PPA. Our goal is to maximize the use of domestic funds for development of the projects. Our business transactions are guided by our core values. For the third consecutive year, BPC was awarded the prestigious BPA award, a prestigious honor given by ICAN in recognition of transparency and presentation of financial statements. This reflects our commitment to excellence and sustainability.

We are well positioned to take on the challenge and we envision ourselves playing a significant role in achieving the goal and are strategically focusing on mix of medium and large capacity projects.

— Ranjan Lohar, Chief Executive Officer



Senior Executives

Left to right

Murali Prasad Sharma
Company Secretary

Ram Bhakta Karki
DGM, Operations

Vinay Bhandari
DGM, Planning and Business Development

Manohar Shrestha
DGM, Engineering

Devi Prasad Dahal
DGM, Corporate Support

Gopal Chandra Joshi
Sr. Manager, Distribution

Ratna Shakya
Sr. Manager, Finance

Prakash Kumar Shrestha
Sr. Manager, Generation

Bishnu Prasad Shrestha
Manager, Administration

Kabindra Sharma
Manager, Human Resources

Surendra Sapkota
Manager, Project Development, Engineering

Bharat Raj Pandey
Senior Engineer

Rita Chitrakar
Senior Engineer

Guru Prasad Adhikari
Senior Engineer

We recognize that our employees are the most important drivers of operational excellence & success. Together with that leadership is an important need for driving the new ventures. To address our future expansion needs, we are training our employees, hiring and training new employees and partnering with educational institutions. Our employees not only work hard for business success but also for the communities where we do business.



Nepal's power sector is getting on the move and we are moving ahead with it and building up solid foundation for leading the hydropower industry in Nepal. We appreciate the confidence of all stakeholders on BPC and we commit continuous hard work for improving our operational excellence and increasing value for all stakeholders.

Encouraging our customers to use electricity wisely is something we have been doing since long to manage the demand supply gap. We not only encourage our customers to conserve electricity but are careful consumers ourselves. We have reduced our electricity consumption by almost 2% in the last two years. Our engineers are working closely with USAID on SARI/E program to increase awareness about energy/electricity conservation amongst women who typically manage the home needs.

We recognize that our employees are the most important drivers of operational excellence & success. Together with that leadership is an important need for driving the new ventures. To address our future expansion needs, we are training our employees, hiring and training new employees and partnering with educational institutions. Our employees not only work hard for business success but also for the communities where we do business. Our employees are actively involved in the community development endeavors and working closely with the NGOs

and other voluntary organizations. Our employees contributed voluntarily & generously to the Prime Minister's Disaster Relief fund for the welfare of the Koshi flood victims.

Nepal's power sector is getting on the move and we are moving ahead with it and building up solid foundation for leading the hydropower industry in Nepal. We appreciate the confidence of all stakeholders on BPC and we commit continuous hard work for improving our operational excellence and increasing value for all stakeholders.



— Ranjan Lohar,
Chief Executive Officer



Performance Review

Financial Performance

BPC recorded a sound financial performance during FY 2064/65 with higher sales, revenue and profit. Following is the review on the financial performance of the company during the FY 2064/65:

Financial Results

The total revenue recorded a growth of 13.69% over previous year with an aggregate of 447 m NRs. The revenue from generation, distribution and engineering & consultancy businesses recorded a growth of 11.48%, 12.35% and 98.17% respectively.

Operating profit, in the year under review was NRs. 246 million, which is 3% higher than the operating profit of last year. The total operating expenses increased by 26.61%, and administrative and other expenses increased by 20.52%. The net profit rose from NRs. 252.8 million in FY 2063/64 to NRs. 353.9 million in FY 2064/65, a substantial increase of 40%.

Asset and Investments

During the year, assets amounting Rs. 38.78 million were capitalized which includes equipment and furniture worth Rs. 11.16 million; vehicles worth Rs. 17.33 million; power plant equipments, transmission and distribution lines worth Rs. 10.29 million.

An investment of Rs.12.15 million has been made in Nyadi Hydropower Limited, a special purpose project company, during the year. The BPC's total investment in shares on the reporting date was Rs. 477.85 million, an increase of 2.61% over the previous year.

Taxable Income

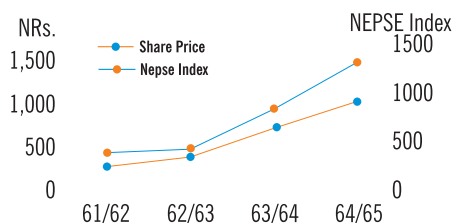
The total taxable income was Rs. 39.64 million and 9.4 million has been paid as corporate tax. Income from the Andhikhola Power Plant is taxable as it has completed the tax exemption period, 15 years of operation, on 18 Jestha 2063. The income from Jhimruk Power Plant is tax exempted as it is operating in 14th year of operation.

Segment Performance

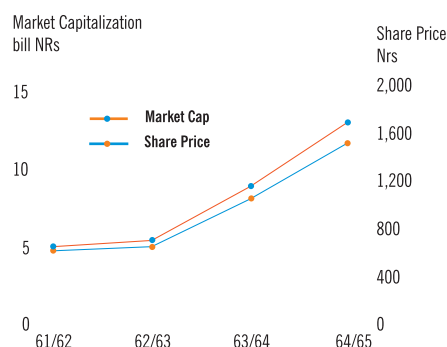
The business portfolio comprising of generation, distribution, engineering & consultancy have contributed to the consolidated financial performance and so has the corporate and other sources.

Value Additions

The direct value addition to the Government exchequer, by way of taxes in the FY 2064/65 were as under:



BPC's Share Price (In NRs)



BPC's Market Capitalisation

> Value Additions

Value Addition	In Million	
	FY 2064/65 (Rs)	FY 2063/64 (Rs)
Corporate Tax	9.40	9.62
Royalties	24.83	23.69
Employee Taxes	7.24	2.46
TDS	2.25	0.79
VAT	1.86	1.50
Dividend Tax	5.93	7.44
Staff Bonus	9.50	5.92

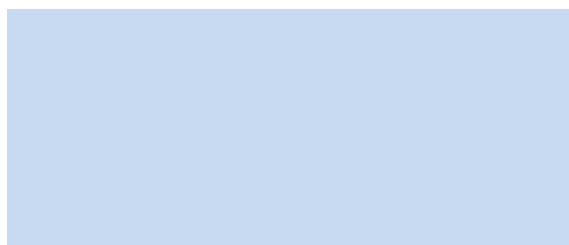
Details are found in the BPC's balance sheet and schedules as well as in the notes to the accounts therein.

> Market Capitalization

	Market Capitalisation
All listed companies	309,365,571,309
BPC	13,080,909,543

> Market Capitalization-Hydropower companies

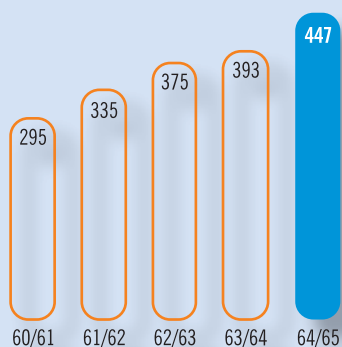
	Total paid-up value	Market Capitalization
All hydropower companies	2,268,657,700	30,036,801,082
BPC	839,057,700	13,080,909,543



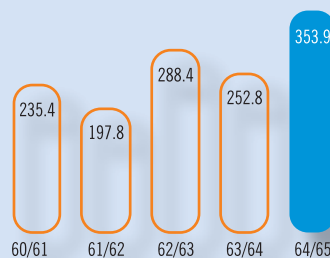
> Segment Performance

In Rs. '000

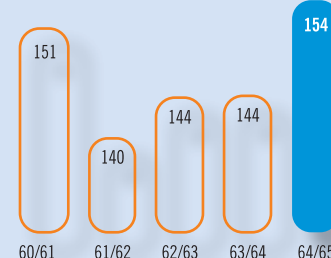
Particulars	Total	Generation	Distribution	Engineering	Corporate
Income	446,731	372,521	55,316	18,894	-
Expenditure	161,294	91,240	53,312	16,743	-
Income from Operation	285,437	281,282	2,005	2,151	-
Other Income	199,006	1,475	5,467	58	192,006
Other Expenses	111,660	35,960	12,341	1,515	61,844
Net Result	372,783	246,797	(4,870)	694	130,162



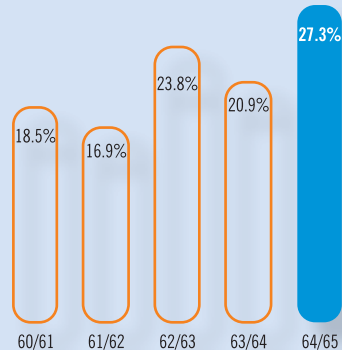
Revenue (In NRs Mill)



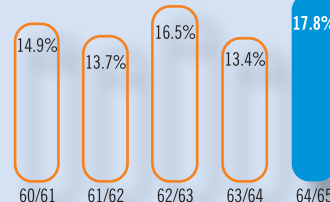
Net profit (In NRs Mill)



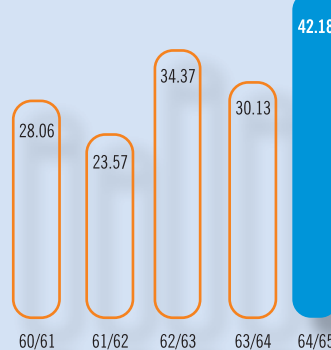
Book Value Per Share (In NRs)



Return to equity (ROE)



Return on assets (ROA)



Earning Per Share (In NRs)

Financials

> Balance Sheet

NRs in '000

Particulars	2060/61 2003/2004	2061/62 2004/2005	2062/63 2005/2006	2063/64 2006/2007	2064/65 2007/2008
ASSETS & PROPERTY:					
Fixed Assets	727,340	714,016	743,605	743,893	725,742
Land	11,864	13,674	60,372	60,408	60,408
Office Building & Quarters	19,860	18,717	30,710	33,629	33,502
Access Road	3,706	3,475	3,245	3,014	2,784
Suspension Bridge	2,445	2,293	2,141	1,989	1,837
Power Plant & Machinery	409,476	387,809	368,596	340,697	314,043
Transmission & Distribution Line	266,583	267,853	254,182	276,756	267,466
Office Equipments	8,292	15,923	19,565	22,700	25,695
Furnitures	446	498	1,305	1,461	1,645
Vehicles	4,668	3,774	3,489	3,239	18,362
Capital Work in Progress	5,277	318	18,576	1,111	7,247
Investment in Shares	356,906	381,505	434,481	465,705	477,858
Current Assets, Loan & Advance	481,833	335,582	543,416	670,674	776,080
Stock	41,766	48,038	57,623	58,896	74,647
Current Work in Progress	8,163	9,477	19,394	23,258	29,944
Debtors & Receivable	31,309	42,921	35,512	58,918	88,407
Cash & Bank Balance	324,349	172,240	364,373	457,035	412,635
Advance & Deposit	76,246	62,906	66,514	72,567	170,447
Deferred Revenue Expenditure	7,839	7,817	4,369	888	4,765
Total	1,579,195	1,439,238	1,744,447	1,882,271	1,991,692
CAPITAL & LIABILITIES:					
Equity	839,058	839,058	839,058	839,058	839,058
Reserve & Surplus	506,726	541,470	461,510	455,805	556,762
General Reserve	148,700	148,700	148,700	148,700	148,700
Retained Earnings	281,346	311,343	222,131	222,805	306,397
Grant Aid in Reserve	76,680	81,427	90,679	84,300	101,665
Current Liabilities	216,589	58,218	440,410	568,510	570,323
Bank Overdraft	-	-	-	89,947	183,956
Creditors & Payables	216,205	56,364	438,803	447,705	356,934
Advance & Deposit	384	1,854	1,607	30,858	29,433
Provisions	16,822	492	3,469	18,898	25,549
Provision for Corporate Tax	16,822	492	3,469	9,619	9,401
Provision of Loss in Investment	-	-	-	9,279	16,148
Total	1,579,195	1,439,238	1,744,447	1,882,271	1,991,692

Financials

> Profit and Loss Account

NRs in '000

Particulars	2060/61 2003/2004	2061/62 2004/2005	2062/63 2005/2006	2063/64 2006/2007	2064/65 2007/2008
INCOME					
Operating Income					
Electricity Sale to NEA	249,530	286,795	318,483	334,166	372,521
Electricity Sale to Consumers	33,637	36,339	39,936	45,603	49,166
Electricity Services	3,479	3,529	5,353	3,634	6,151
Consultancy Services	8,212	8,831	11,498	9,535	18,894
Total Operating Income	294,858	335,494	375,270	392,938	446,732
Income from Other Sources					
Interest Income	4,950	8,455	13,639	15,365	16,495
Foreign Currency Exchange Gain (Loss)	(2,621)	(10,222)	7,483	(25,740)	18,217
Dividend Received	131,677	40,005	88,036	97,982	156,894
KHP-I Preparation Fee in Share	92,753	-	-	-	-
Gain (Loss) on disposal of Assets & Scrap Material	1,002	371	(6,090)	-	143
Depreciation Being Revenue Portion of Grant Aid	6,184	6,536	6,833	6,964	5,276
Financial Support for Training & Technology Transfer	-	13,418	-	371	(2,544)
Others	2,432	1,655	918	1,461	1,983
Total Non- Operating Income	236,377	60,218	110,819	96,403	196,464
Total Income	531,235	395,712	486,089	489,341	643,196
EXPENDITURE					
Power Plant Expenses	47,369	59,600	57,715	74,565	82,514
Distribution Expenses	27,170	30,296	31,054	33,303	48,428
Consultancy Expenses	10,946	14,903	13,692	8,774	16,743
Administrative Expenses	38,371	41,201	34,990	37,645	53,509
KHP Back End, Force Majeure Payment	100,075	-	-	-	-
Provision of Loss in Investment	-	-	-	9,479	6,869
Interest Expense	-	-	-	5,266	7,246
Depreciation	46,131	47,413	49,959	51,924	55,103
Staff Bonus	8,933	4,046	6,791	5,926	9,504
Total Expenditure	278,995	197,459	194,201	226,882	279,916
Net Profit Before Tax	252,240	198,253	291,888	262,459	363,280
Income Tax Provision	16,822	492	3,469	9,619	9,401
Net Profit After Tax	235,418	197,761	288,419	252,840	353,879
Retained Earnings b/f	381,552	281,346	185,484	222,131	222,805
Prior Year's Adjustment	-	47	(55)	(531)	(18,570)
Dividend of 2057/58 Paid	-	-	-	(41,871)	-
Proposed Dividend	(335,624)	(293,670)	(251,717)	(209,764)	(251,717)
Balance Transferred to B/S	281,346	185,484	222,131	222,805	306,397



Generation Business

BPC's generation business is responsible for the smooth operation and maintenance of its two power plants, the 5.1-MW Andhi Khola and the 12-MW Jhimruk. Energy generation and sales are the core business of the company, the one generating a major portion of its revenue.

In fiscal year 2064/65, total generation reached 107.39 GWh- the recorded highest generation to date since commercial operation of the plants- with an average yearly plant factor of 71.69 %. The energy generation was higher by 3.3 % from the last fiscal year.

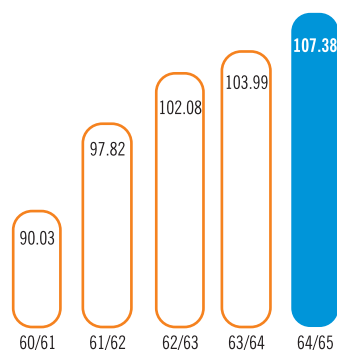
Of the total generation, 83.82% was supplied to NEA; the remaining 14.28% went to BPC's local distribution network. Revenue from electricity generation in FY 2064/65 was NRs. 372.5 million, an increase of 11% over the previous FY.

Andhi Khola Hydroelectric Center

Andhi Khola Plant generated 40.198 GWh, 1.32% less than the generation of previous year. The reduction can be ascribed to the major breakdown of one unit in June; however the average the plant factor was 89.98%.

Of the total generated, 26.62 GWh (66.22 %) was sold to NEA and 12.92 GWh (32.15 %) was supplied to BPC distribution. As in the last year, the plant was not able to supply the contracted 30 GWh energy to NEA because of the growth in the volume of sales to the local distribution.

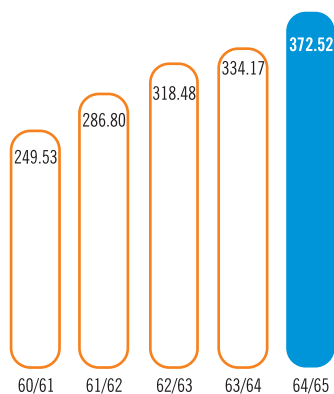
- The major maintenance work included the repair of the damaged stator and field windings of the generators as well as the damaged runner, by-pass valve, deflector and buckets of turbine; damaged circuit breakers.
- To increase reliability and reduce outages, preventive maintenance of the plant and the 33-kV grid line was carried out as scheduled.
- There are plans to rewind the complete stator of one generator and re-insulate the spare old stator coil in order to prevent breakdown and reduce the downtime.



Generation (in GWh)



Generation (Total Generation 107.39) (in GWh)

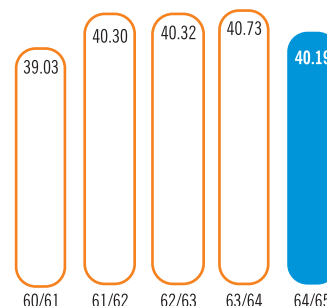


Generation Business- Sales Revenue (in NRs mill)

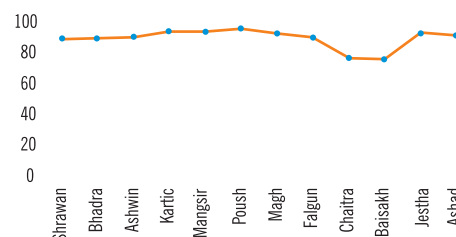
Jhimruk Hydroelectric Center

Jhimruk Plant generated a record high 67.193 GWh energy with a plant factor of 63.92%; this was an increase of 6.24% (3.947 GWh) over the last year. Out of the total, 61.20 GWh (91.08%) was sold to NEA and 2.41 GWh (3.59%) was supplied to BPC's local distribution network.

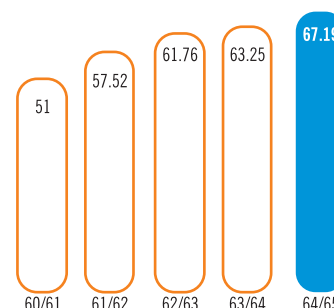
- All turbine parts, including runners, guide vanes; side covers, sealing rings, and shaft seals and the main Inlet valve were overhauled. The main reason for the severe erosion of turbine parts is the high silt content in Jhimruk river water during the monsoon season.
- The installation and commissioning of 0.1 Class JEMSTAR Electronic Main and Check Energy Meters at 132 kV Lamahi Sub-station for the possible sale of excess energy to NEA was successfully accomplished.
- The installation and commissioning of 0.2 Class Electronic Energy Meters on the 33-kV line at Sari and Bhingri was also successfully completed. As a result, the energy accounting system has improved.
- A 44-kVA DG set was successfully installed, tested and commissioned at Jhimruk's headworks as a back-up supply to operate the gates which control the entry of sediments during flood.
- Jhimruk Plant has the capacity to generate additional energy in a favorable monsoon season. NEA is being pursued for excess energy off take.
- There are plans to design and install a debris-removal mechanism in the fine track rash for easy removal of debris deposited at the bottom of the trash rack and to install water-flow meters to measure the water flowing into the turbines.
- The 3-MVA transformer at Jhimruk Sub-station will be upgraded to supply power to Arghakhanchi.
- It is planned to install a flood monitoring system in the headworks area to minimize the possible damages due to flood.



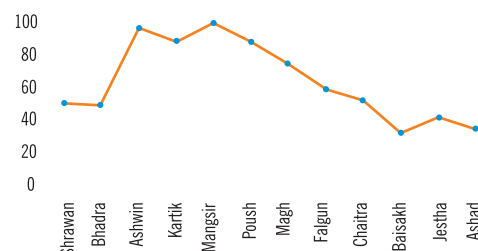
Andhi Khola Power Plant Generation (in GWh)



Andhi Khola Power Plant Plant Factor (in %)



Jhimruk Power Plant Generation (in GWh)



Jhimruk Power Plant Plant Factor (in %)



Distribution Business

Distribution Division of BPC distributes electrical energy in Syangja, Palpa, Pyuthan and Arghakhanchi districts.

During the FY 2064/65, the total energy purchase was 15.33 GWh, an increase of about 6%. This year's energy sales totaled 12.87 GWh, which is 2.73% more than last year. Losses during transmission and distribution were 2.39 GWh, and 0.067 GWh was consumed by staff quarters and offices. The total revenue collected during the year was 49.11 million rupees, an increase of 8% as compared to the last year. 14% of the revenue, 7.03 million was collected from industrial consumers. Domestic-metered consumers accounted for majority of the collection which was 66% (32.13 million) and domestic-cutout consumers accounted 20% (9.94 million).

Out of the 12.87 GWh sold to retail customers, 7.51 GWh (58%) was sold to domestic metered consumers, 3.84 GWh (30%) to domestic cutout consumers, and 1.52 GWh (12%) to industrial consumers. In comparison to last year, the energy sales to metered consumers increased drastically, as more than 3000 consumers were converted from cutout category to metered category.

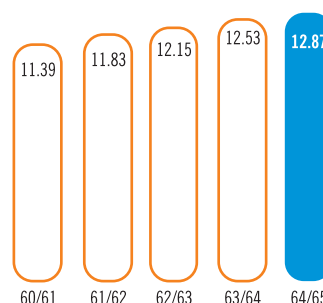
By the end of the FY 2064-65, a total of 28,761 customers in four districts, a 7% increase over last year, were connected to the BPC distribution network.

Consumer Categories

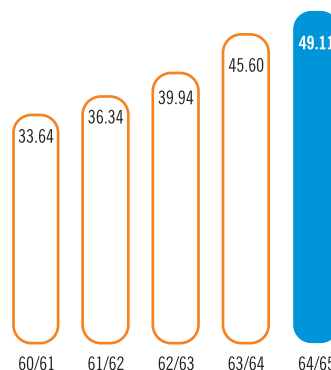
BPC consumers are categorized as either industrial or domestic, and domestic consumers are further subdivided into metered and cutout.

Out of the total consumer base of 28,761, 69.1% are domestic metered, 29.5% domestic cutout and 1.3% industries. By the end of the year, a total of 1,810 new domestic and 40 new industrial consumers had been connected. In addition, 3,404 cutout consumers became metered consumers.

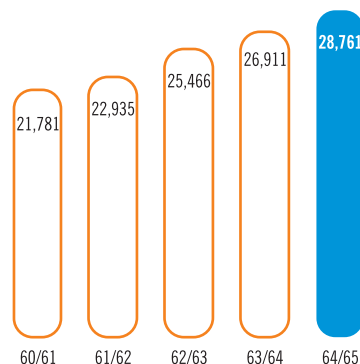
Collection efficiency, in this fiscal year, improved from 108% of last year to 115%. AT&C loss decreased to 3% in this year from last fiscal year's 6%.



Distribution Sales (in GWh)



Distribution Sales Revenue (in NRs mill)



Distribution Consumer (in Nos.)



Customer Care

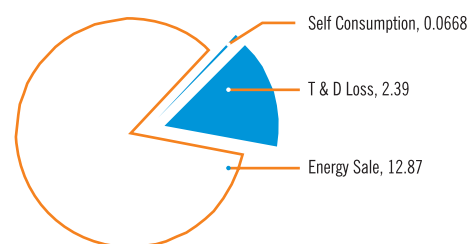
BPC is committed to delivering quality and reliable service to its customers. To this end, it collects feedback from customers regularly and addresses any grievances expressed. This year total response time per complaint was less than a day, consistent with last year's performance. The number of complaints decreased by 10%, from 3,047 to 2,748. The average fault restoration time was 13 minutes.

More Users' organizations (UOs) were formed this year. EDC Darimchaur initiated UO formation in its precinct, establishing 13. The six additional UOs established in EDC Galyang raised its count to 69 and the total number of UOs in the distribution area to 82. As a part of capacity building of UOs, a weeklong training was conducted for all the service men and officials of UO of EDC Galyang.

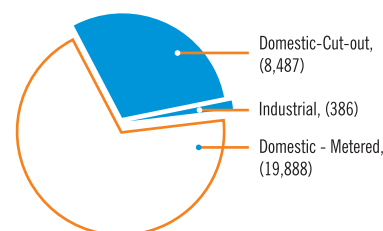
BPC's distribution network was also expanded for providing electricity to un-electrified rural areas in the existing VDCs. Six new transformers were added to the system, increasing the installed capacity from 6,075 to 6,400 kVA. 15 km 33 kV network and 196 km (ckt-km) low voltage line was constructed this year.

For loss minimization, electronic data loggers were installed, on all the distribution transformer of local line (downstream), one of the four 33 KV feeders of the EDC Darimchaur. Data retrieved from data logging equipment is analyzed on a regular basis.

- Due to increase in consumers as well as the demand, existing system had to be augmented. About 28 km circuit length of ACSR conductor was replaced by higher capacity conductor in areas requiring upgrading. In addition, about four higher capacity 1 kV transformers were installed replacing about ten smaller capacity single-phase 1 kV transformers.
- Under the ongoing REEP (Rural electrification expansion program), a five-year rural electrification program, which is on its second year of implementation, a number of construction and upgrading activities are ongoing. This includes, construction of a 33/11 kV- 3 MVA substation at Mirdi, conversion of two 1 kV system into 11 kV system, conductor upgrading of 33 kV Syangja Feeder.



Distribution- Energy Sale & Losses (in GWh)



Consumers by Category (Nos.)



Engineering & Consultancy Business

BPCH, the engineering & consultancy business unit of BPC, provides consulting services in the fields of hydropower, water supply, irrigation, road and bridges. It has gained expertise in multidisciplinary projects in hydropower, tunneling, irrigation, water supply, rural electrification, roads, multipurpose water development, bridges, buildings, energy management, and environmental and socio-economic impact.

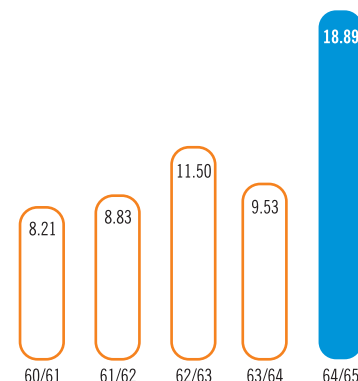
Engineering & Consultancy Business improved substantially in its financial performance from the last fiscal year. Consultancy Service income increased to NRs 18.89 million, an increase of 98% compared to the last year. Engineering and Consultancy business made a turnaround and moved to profitability this year.

In addition, major project works undertaken during the year and ongoing are Detailed Design of 9 MW Bhimkhola Hydropower Project, Feasibility Study of 42 Marsyangdi III Hydropower Project and Detailed Engineering Design of 20 MW Nyadi Hydropower Project. BPCH is involved in implementation of rural electrification works in Syangja, Palpa, Pyuthan and Arghakhachi districts - under Rural Electrification Global Development Alliance Nepal (REGDAN) and Rural Electrification and Expansion Programme (REEP) projects.

BPCH is also preparing to expand its scope of work into the international arena

- Pre-qualified and submitted an international bid for the screening and feasibility studies of ten hydel projects to be established in Punjab, Pakistan, with the support of the Asian Development Bank.
- Collaborating with Lahmeyer International GmbH, Germany, for the project management consultancy for Sub-Project I of the Melamchi Valley Sub-Project.
- Collaborating with BPR, Canada, on domestic and international projects.
- Pursuing consultancy work for hydro projects in Bhutan.

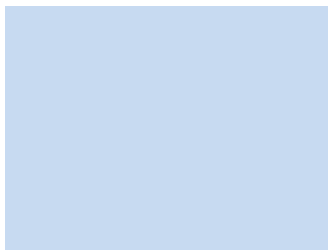
BPCH manpower strength is 51, which includes highly experienced engineers, hydrologists, geologists and surveyors.



**Engineering & Consultancy Business-
Revenue (In Rs. Mill)**

> Projects executed during 2064/65

Project	Scope
9-MW Bhimkhola Hydropower Project	<ul style="list-style-type: none"> • Feasibility study • EIA study
23.5-MW Lower Hongu Khola Hydropower Project	<ul style="list-style-type: none"> • Feasibility study • EIA study
50-MW Balephi Hydropower Project	<ul style="list-style-type: none"> • Pre-feasibility study
20-MW Nyadi Hydropower Project	<ul style="list-style-type: none"> • Feasibility study
10-MW Upper Mai Hydropower Project	<ul style="list-style-type: none"> • Tender document preparation • Review of feasibility study • Detailed design
9.4-MW Andhi Khola Upgrading Project	<ul style="list-style-type: none"> • Review of feasibility study • EIA study • Tender document preparation • Detailed design
12-MW Madi Hydropower Project	<ul style="list-style-type: none"> • Draft report of feasibility study • Draft report of EIA
4-MW Khudi Hydropower Project	<ul style="list-style-type: none"> • Headworks modification works
42-MW Marsyangdi III Hydropower Project	<ul style="list-style-type: none"> • Due diligence study
Dudh Khola Hydropower Project	<ul style="list-style-type: none"> • Due diligence study
200-MW Kali Gandaki Gorge.	<ul style="list-style-type: none"> • Reconnaissance study



Business Development

BPC has aggressive plans to develop green-field projects and expand business in the energy sector. Project development is one of the key focus areas. The Company has a number of green-field projects in hand, which are expected to go under construction soon. Mix of medium and large projects ranging from 10 MW plus to 100 MW plus are targeted for expansion of generation business. Besides, BPC is looking at acquiring projects with potential technical value additions and capacity enhancement. The Company has submitted license application for a number of projects.

Besides the new project development, the company is in process of expansion of its existing business and optimization of use of assets. The Company has signed a MoU with an upcoming cement industry for sell of bulk energy. BPC is preparing itself for expansion of distribution business after the enactment of new Electricity Act. BPC has started discussions with different partners in energy sector, and financing sector for possible strategic alliance in developing clean energy in Nepal.

Projects Under Development

Kabeli A Hydropower Project

BPC's bid qualified in the international competitive bidding for development of 30 MW Kabeli-A Hydropower Project. Negotiations with GoN for development of project have been completed and approval of GoN is awaited for finalization of the Project Development Agreement.

Nyadi Hydropower Project

The 20-MW Nyadi Hydropower Project is being developed by Nyadi Hydropower Limited, a special-purpose project company with BPC as its majority shareholder. A feasibility study has been completed and a detailed design and a hydraulic model study started. Skill development and awareness program in project area for local people has been taken up. Preliminary discussion with NEA is ongoing for Power Purchase Agreement.

Andhi Khola Upgrading Project

The existing 5.1-MW Andhi Khola Power Plant will be upgraded to 9.4 MW. The feasibility study is complete and preliminary discussions on PPA have been initiated with NEA.

Bhim Khola Hydropower Project

Feasibility Study of the 9-MW Bhim Khola Hydropower Project has been completed and is under review. IEE of the project is in progress.

Marsyangdi III Hydropower Project

The 42 MW Marsyangdi III Hydropower Project is being developed by Keton Hydropower Ltd with BPC as majority shareholder. At present, stake of BPC is at 90%. Both feasibility study and EIA of the project are in progress.



Other Information

BPC places the highest importance on the safety and health of employees, contractors, and clients. BPC is committed to providing a work environment to the Employees where safety and health are prime drivers.



Human Resource Capacity-Building in the Hydropower Sector

BPC has been developing its human resources keenly in order to manage the rapid growth in its business as well as to strengthen its organizational processes and systems. An assessment of the training needs of senior officers, team leaders and managers has been conducted and trainings are being provided.

Environment, Health and Safety

The company has obtained ISO 14001:2004 certifications for environmental management and is guided by the Integrated Quality and Environment Policy.

BPC places the highest importance on the safety and health of employees, contractors, and clients. BPC is committed to providing a work environment to the Employees where safety and health are prime drivers. Before assignment of tasks, proper safety equipment and training necessary to perform their jobs without injury are disseminated. All employees are covered by a 24-hour group personal accident insurance policy and all employees and their spouses are covered by the company's medical insurance policy. Mock drills guided by the company's disaster management plan are conducted regularly to increase awareness amongst employees. Seven accidents were reported during the year with one fatal accident. A total 1,233 man hours were lost on account of injuries and accidents during the year.

ISO Re-certification Audit

ISO recertification Audit was conducted on Ashad, 22-26, 2065 (6-10 July 2008) covering all four sites. External auditors from Det Norske Veritas (DNV) conducted the audit of the processes, systems, and its implementation. The results of the Audit were satisfactory and company has been re-certified for ISO 9001:2000 and 14001:2004 for a period of 3 years.

Launch of New Corporate Identity

BPC underwent a facelift of its corporate identity. The change in the corporate identity marks its commitment towards new standards of development. The colors in BPC's new logo are blue and orange. Blue represents peace and color of tranquil sky reflected in the flowing cool Himalayan waters. Orange represents energy and power. BPC aims to create a coherent perception of the company amongst all stakeholders with its new identity.

BPC's corporate identity was launched on Jestha 23, 2065 on the occasion of World Environment Day as the company gives equal importance to the environmental issues and its core business which reflects commitment towards environment protection. Chief Guest - Mr. Narayan Prasad Silwal, Secretary at Ministry for Environment, Science and Technology unveiled the new corporate identity. On the occasion, the members of the board and staff members, dignitaries present adopted the UNDP's theme for the year "Kick the CO2 Habit" which was launched by Mr. Ghulam M. Isaczia, Deputy Resident Representative at UNDP.



Awards and Recognition

Best-Presented Accounts Award

ICAN awarded BPC the “Best-Presented Accounts Award, 2007” in the manufacturing sector for excellence in the presentation of its financial statements and annual report. The award was announced by ICAN on 18 July, 2008 (3 Shrawan, 2065).

This is the third consecutive time BPC has won this prestigious award, clearly demonstrating the consistency of its efforts to maintain transparency.

International Quality Crown Award

Business Initiative Directions, Spain, awarded BPC the International Quality Crown (IQC) Award in the Gold Category. This award was given on the basis of IQC regulations and on the criteria of the QC100 Total Quality Management Model.



Blue Planet Prize



Boss Business Excellence Award



Best Presented Accounts Award 2005



Best Presented Accounts Award 2006



Best Presented Accounts Award 2007

Corporate Social Responsibility

BPC is committed to corporate social responsibility 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. BPC has pledged to strengthen its role in developing the national economy through hydropower development.



The following has been the focus are in fulfilment of Corporate Social Responsibility:

- Continuing river-training work to protect cultivated land and to sustain livelihoods.
- Implementing infrastructure rehabilitation, including the upgrading of and provision of support to drinking water and irrigation systems, road construction, education and health care, so that communities have access to better services.
- Engaging in rural electrification initiatives in collaboration with REEP and REGDAN to benefit over 6,000 households and 100 enterprises.
- Conducting 175 skill and enterprise development programme in areas such as technical trainings, electrical safety awareness, and agro-production technology.

Andhi Khola Centre was involved in the following activities:

- Installing, operating and maintaining street lights in the project vicinity.
- Constructing a 700 meter Black-topped Road- sub grade work
- Holding regular meetings with *Sarokar Samitee* to discuss and mitigate local issues

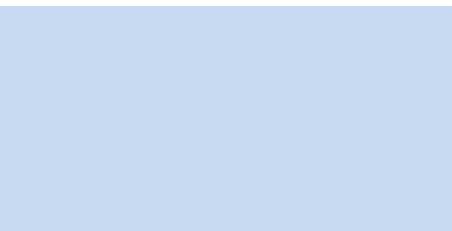
- Constructing gabion wall and bridge at Chharti Khola
- Providing support to build Cold Storage center
- Constructing protection walls at various places along river banks
- Distribution of Sisso seedlings to landowners

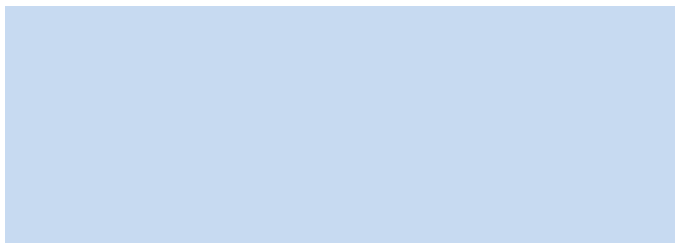
Jhimruk Centre was involved in the following activities:

- Repairing and maintaining drinking water systems in the project vicinity
- Repairing four irrigation canals downstream of the Jhimruk Dam under JDMP to optimize the use of water for irrigation Dam
- Providing support for building temporary dams for irrigation
- Implementing river-training works with community benefit concept
- Running school support programmes
- Supporting lift irrigation
- Sharing ideas with communities to solve different problems
- Carrying out afforestation activities near the power house and dam site
- Conducting a study to resolve the water-logging problems in Jhimruk
- Providing support for the construction of the Cherneta-Puranthati Community Road

Rural Electrification and Mitigation Program (REMP)

Rural Electrification and Mitigation Program (REMP), funded by Norwegian MFA, started in November 2006 is being implemented under Rural Electrification and Expansion Project (REEP) and Jhimruk Downstream Mitigation Project (JDMP). Of the targeted 6,000 households, the project has electrified 650 households in Syangja, Palpa, Arghakhanchi and Pyuthan districts





this year. Construction of switching station and power substation are in progress.

Over the next five years, JDMP aims to mitigate the impact of the Jhimruk Power Plant by carrying out activities such as irrigation system improvement, income generation, environment development by setting up an appropriate management system. So far, 14 irrigation canals have been constructed and the project implementation is in full swing.

REGDAN

REGDAN, a partnership of public, private and non-government organizations, was formed to facilitate sustainable and cost-effective expansion of electrification services in rural areas. This USAID- funded programme was initiated in December 2005 and completed in this fiscal year jointly by BPCH, Winrock International, and South Lalitpur Rural Electric Cooperative. In its two years, the project connected 3,020 households to BPC's rural electrification network of the Syangja-Palpa and Pyuthan-Arghakhanchi distribution centre, exceeding its target of 2,635 households. REGDAN also conducted several trainings on enterprise promotion, electricity safety, and account keeping.

Demand Supply Management

BPC is working on Demand Supply Management (DSM) since August 2005, with the objective of optimization of energy use,

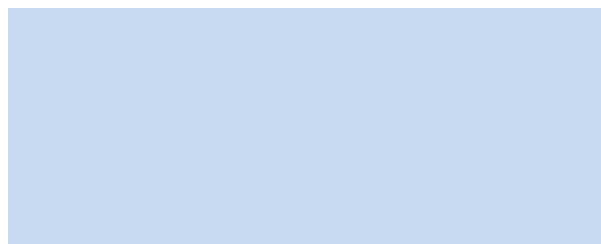
peak saving and valley filling. It has been conducting various activities like Load Research (LR), Awareness Program, Training Classes, Energy Efficiency and Demand Supply Management.

With a view to build awareness among the internal and external customers, it conducted various awareness building program through interactions and training to office staffs in Galyang, Waling, Rampur and Butwal branch, servicemen of different UOs, UO members, different community group and Bazaar Management Committee, domestic and industrial consumers, electric shops, wiring contractors and wiring persons, etc.

BPC, in collaboration with Kathmandu University took initiative to conduct a joint research program for testing of different categories of CFLs. Presenting ourselves as an example to motivate people; we replaced almost all incandescent lamps of CFL in Head Office and branch offices of Galyang, Waling, Rampur and Butwal.

Besides, the above mentioned projects, BPC organized following events as part of its CSR commitment:

- Plantation Program organized at Dhobikhola Corridor; contributed to clean and safe environment
- Contribution to Prime Minister's Fund for Disaster Relief and Sai Baba Committee in Buddhanagar for the relief of the Koshi flood victims





Environment

BPC gives high importance to environmental issues in all its business operations and ensures that environmental impacts are mitigated properly right from the project planning stage.

The company has been carrying out river training works in the upstream and downstream of Jhimruk Power Plant to protect the physical environment and prevent the loss of agricultural land attributable to flooding. BPC has been safeguarding forest near its power plant area and raising awareness among people for environment protection.

BPC puts its efforts to minimize tree-cutting during transmission line construction and trimming of shrubbery and forest during line maintenance. It also distributes seedlings to meet local requirements. All waste, including damaged electromechanical parts, insulating materials and used oils are disposed off according to standard operating procedures.

BPC has continued to help monitor fish ecology in the Andhi Khola Power Plant area as part of the Sustainable Poverty Reduction Programme, a project led by SWECO Groner, Norway,

and Norwegian University of Science and Technology (NTNU) which aims to raise awareness about the development of green power and fish farming.

During the year, BPC carried out several EIA and IEE studies for hydropower projects. BPC as a developer and as engineering consultant of hydropower projects, at all stages of the project from project identification to O&M takes into account environmental consideration for minimum environmental impact of the project.

BPC celebrated World Environment Day on 5 June, 2008, with a plantation programme at the head office attended by the board of directors and employees. On the occasion, BPC employees displayed a badge with UNDP's slogan for the year "Kick the CO₂ Habit" to raise awareness amongst themselves about carbon emission reduction.



Subsidiaries, Associates and Investments

Over the years BPC has been making strategic investments. It has been actively involved in the establishment of subsidiaries for vertical and horizontal expansion and integration of its business operations.

Himal Power Limited

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 5 July, 2000 (27 Ashad, 2057). HPL was established on 21 February, 1993 (10 Falgun 2049) by BPC and the Norwegian companies Statkraft SF, ABB Energi AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro). The company was registered with the objective of developing the project under the build, operate and transfer (BOOT) approach. HPL has a 50-year generation license from the GoN (then His Majesty's Government of Nepal).

HPL's objective is to attend to and further develop assets and interests in Nepal with regard to the production, maintenance and administration of its properties in Nepal. HPL sold NRs. 2.132 billion worth of electricity in FY 2064/65 and has a net worth of NRs. 5.137 billion.

Nepal Hydro & Electric Limited

Nepal Hydro & Electric Limited (NHE) was established in 2042 B.S. by with Butwal Power Company Ltd., Alstom Power Norway AS, GE Energy (Norway) AS, Butwal Technical Institute, Himal Hydro and General Construction Ltd. as the shareholder

The company is mainly involved in manufacturing and refurbishing hydro & electric power equipment indigenously with

local manpower starting from design, manufacturing, installation, testing and commissioning of Hydro-mechanical and Electro-mechanical equipment including HV substations and transmission lines and heavy steel structures.

NHE's major accomplishment in the last two decades are 1MW Tinau, 0.25MW Darchula, 5.1MW Andhikhola, 12MW Jhimruk, 6.2MW Puwakhola, 60MW Khimti1, 14MW Modi, 20MW Chilime, 144MW Kaligandaki 'A', 4 MW Khudi and 70 MW Middle Marsyangdi Hydropower Projects, complete reclamation of 2 units of 48 MW Vertical Francis Turbine runner of Kaligandaki 'A' Power Station and 30 MVA 132/33kV Chandranigahpur Substation Projects in the domestic market. Whereas in the abroad market, the company has done reclamation of the 84 MW Vertical Pelton Turbine runner for 336 MW Chhukha Hydropower Station in Bhutan.

Currently, NHE is executing the 45 MVA 132/66 kV Parwanipur Substation, 2.4 MW Lower Maikhola Project Hydro-mechanical equipment and steel penstock for Himal Dolakha Hydropower Co. Ltd, reclamation of 2 units of 12 MW Pelton runners of Khimti1 Power Station, reclamation of 2nd Runner of Chhukha Power Station and 2 Pelton Runners of 1 MW each from Ranjung Power Station of Bhutan Power Corporation Ltd., Bhutan. The turnover of the company in FY 2064/65 was NRs. 410 million* and its net worth was NRs. 196 million*.

> Investment Portfolio

Name of Company	Paid-up capital (in mil. NRs.)	BPC's Investment (in mil. NRs.)	Holding (%)
Himal Power Limited	1,764	263.03	14.9
Nepal Hydro & Electric Limited	139.5	71.58	51.3
Khudi Hydropower Limited	175	50.4	60
Khudi Hydropower Limited (Preference Share)	-	57.6	-
Nyadi Hydropower Limited	25	12.15	97.2
BPC Services Limited	10	10	100
Keton Hydropower Limited	10	9	90
JIDCO	18.5	4.5	24
Hydro Lab Private Limited	5	1	20



Khudi Hydropower Limited

Khudi Hydropower Limited (KHL) owns the 4-MW Khudi Power Plant, which began its commercial operation in FY 2063/64. BPC is the majority shareholder of KHL. Other shareholders are Lamjung Electricity Development Company Limited (LEDCO) and SCP Hydro International Inc., Canada. KHL sold NRs 74.469 million worth of electricity in FY 2064/65 and its net worth was NRs 140.96 million.

BPC Services Limited

BPC Services Limited (BPCSL) a wholly owned subsidiary of BPC was established in 2063/64 to provide operation and maintenance services to hydropower plants. Currently, BPCSL is providing operation and maintenance services to Khudi Hydropower Limited.

The company is managed and governed by the BPC Management Team. BPCSL's turnover in FY 2064/65 was NRs 9.726 million and its net worth was NRs 1.28 million.

Nyadi Hydropower Limited

Nyadi Hydro-power Limited (NHL) has been established to build, own and operate the 20 MW project. BPC is the majority shareholder of NHL. Lamjung Electricity Development Company Limited (LEDCO) is another shareholder of NHL. Discussion with strategic partners for equity participation is ongoing.

The project is located in Lamjung district. The feasibility study and EIA for the project are complete. NHL has initiated training and awareness programme at the site.

Keton Hydropower Limited

BPC signed a shareholders' agreement with Keton Hydropower Limited for the development of the 42 MW Marsyangdi Hydropower Project. The project is located in the southern part of Lamjung in Western Nepal. The due diligence study of the project is complete and the feasibility study is being conducted. BPC is the majority shareholder in Keton Hydropower Limited.

Jhimruk Industrial Development Centre (P) Limited

Jhimruk Industrial Development Centre (P) Ltd. (JIDCO) was established in 2054 B.S. in Pyuthan District as part of BPC's corporate social responsibility initiative. JIDCO promotes skill development among the locals and is involved in various community and enterprise development programme.

In the FY 2064/65, JIDCO's turnover was NRs. 1.866 million*. The net worth of the company stood at NRs. 13.59 million*.

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 achieve the successful design and operation of headworks. Hydro Lab conducted model studies for Upper Tama Koshi Hydropower Headworks, Devighat Intake, Melamchi Drinking Water Headworks, Jhimruk Intake, Khudi Hydropower Headworks, and others.

Recently, Hydro Lab provided services in India and Bhutan for thermodynamic efficiency measurement, the first of its kind in the region. The turnover of Hydro Lab this fiscal year was NRs. 12.46 million. When the fiscal year closed, Hydro Lab's net worth was NRs. 25.7 million.

Risk Management

Existing business

Generation

Old worn-out electro-mechanical equipment and a feeble 33-kV grid connection often impede the smooth operation of Andhi Khola Plant. Frequent breakdowns of the plant's generators and turbines and of the feeble 33kV grid connection cause major plant outages. To cope, a well-trained operation and maintenance team and sufficient spare parts are made available at all times. In the FY 2064/65, in-house staff managed to repair damaged equipment quickly and to use timely preventive maintenance which increased the reliability of the plant's electricity generation.

The high silt content in Jhimruk River during the monsoon season is the main reason for severe erosion of turbine parts. Erosion reduces turbine efficiency and necessitates much maintenance; thus resulting low generation. A complete set of turbine parts and accessories that are subject to erosion have been kept as spare for speeding up overhauling process. Further, in-house

manpower has been trained to accomplish major overhauls. The timely availability of other spare parts and preventive maintenance of the plant and the grid line have minimized the breakdown time and increased the generation.

Distribution

Low population density in rural areas and low retail tariffs render electricity distribution a loss-making business, but because of the high public demand, BPC has continued to expand this service since the year 2047. Number of consumer increased by 7% and energy sale by 3% compared to last year. Still, it is a challenge to make this business sustainable.

Engineering and Consultancy

Retaining expertise and talent is a challenge because of the dearth of hydropower professionals in local as well as global markets. Job-hopping is on the rise and highly qualified and trained engineers often move abroad. To keep its human resources, BPC periodically adapts and implements various strategies.

New business

One of the many constraints and challenges hydropower development faces is capital management. The single-borrow obligor and single-sector limits on banks reduces the scope of investments. High interest rates and the lack of long-term lending agencies have also hindered growth. Another constraint is technical risks like unforeseen geological and hydrological events. The volatility of the cost of construction materials and non-negotiable PPAs also pose significant hurdles, as does addressing the increasing demands of locals in project areas.

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08

Sundar & Co.

Chartered Accountants

Pulchowk (Machagaa),
Lalitpur 20/8 Gha
PO Box: 3102, Kathmandu, Nepal

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AUDITOR'S REPORT TO THE SHAREHOLDERS OF BUTWAL POWER COMPANY LTD.

1. We have audited the accompanying Balance Sheet of Butwal Power Company Limited as of Ashadh 31, 2065 (July 15, 2008) and the related Profit and Loss Account and Cash Flow Statement for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the generally accepted auditing standards in Nepal. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. On examination of the financial statements as aforesaid, we report that:
 - a) We have obtained all information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our examination.
 - b) In our opinion, proper books of account as required by law have been kept by the Company, in so far as appears from our examination of those books of account and the financial statements dealt with by this report are in agreement with the books of accounts.
 - c) In our opinion and to the best of our information and according to the explanations given to us, the Board of Directors, the representative, or any employee of the Company has not acted deliberately in contrary to the provisions of the law relating to accounts nor caused any direct loss or damage to the Company.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements referred to above, read together with the notes attached thereon give a true and fair view:
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as on Ashadh 31, 2065 (July 15, 2008) and
 - ii. In the case of the Profit and Loss Account and the Cash Flow Statement, the profit of the Company and its cash flow for the year ended on that date.



Sundar Man Shrestha, FCA
Senior Partner
For, Sundar & Co.
Chartered Accountants



Date: December 2, 2008
Mangsir 17, 2065

BALANCE SHEET

As on 31 Ashadh 2065 (15 July 2008)

Particulars	Schedule	F.Y. 2064/65 Rs.	F.Y. 2063/64 Rs.
I SOURCES OF FUND			
1 Shareholder's Fund			
Share Capital	1	839,057,700	839,057,700
Reserve & Surplus	2	455,096,794	371,505,066
Total Shareholder's Fund		1,294,154,494	1,210,562,766
2 Other Funds			
Grant Aid in Reserve	3	101,665,425	84,299,727
Total Other Funds		101,665,425	84,299,727
TOTAL		1,395,819,920	1,294,862,493
II APPLICATION OF FUND			
1 Fixed Assets	4		
Gross Block		1,302,313,847	1,279,745,528
Less: Depreciation		576,571,468	535,852,203
Net Block		725,742,379	743,893,326
2 Capital Work in Progress	5	7,247,290	1,110,414
3 Investment in Share	6	477,857,609	465,705,109
4 Current Assets:			
Stocks	7	74,646,551	58,896,332
Debtors & Accounts Receivable	8	88,407,172	58,917,140
Cash in hand and at Bank	9	412,634,609	457,034,978
Current Work in Progress	10	29,943,848	23,257,853
Advance & Deposit Paid	11	170,447,176	72,566,692
Total Current Assets		776,079,357	670,672,995
5 Less: Current Liabilities			
Bank Overdraft		183,955,841	89,946,517
Creditors & Accounts Payable	12	356,933,880	447,705,098
Advance & Deposit Received	13	29,433,230	30,858,341
Provisions	14	25,548,342	18,897,459
Total Current Liabilities		595,871,293	587,407,415
Net Current Assets		180,208,064	83,265,580
6 Deferred Revenue Expenditure		4,764,578	888,065
TOTAL		1,395,819,920	1,294,862,493

Significant Accounting Policies & Notes on Accounts 26
Schedule 1 to 14 form an integral part of this financial statement.

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Gyanendra Lal Pradhan
Director

Bijay Bahadur Shrestha
Director

Ratna Sansar Shrestha
Director

Anup Kumar Upadhyay
Director

Santosh Kumar Pradhan
Director

Ranjan Lohar
Chief Executive Officer

Sundar Man Shrestha
For Sundar & Company
Chartered Accountants

Date: 2 - 12- '08
Place: Kathmandu, Nepal

As per our report of even date

PROFIT AND LOSS ACCOUNT

For the year ended Ashadh 31, 2065 (July 15, 2008)

Particulars	Schedule	F.Y. 2064/65 Rs.	F.Y. 2063/64 Rs.
OPERATING INCOME			
Electricity Sale to NEA		372,521,461	334,165,956
Electricity Sale to Consumers	15	49,166,032	45,602,818
Electricity Services	16	6,150,567	3,634,632
Consultancy Services	17	18,893,719	9,534,939
Total Operating Income		446,731,779	392,938,344
OPERATING EXPENSES			
Power Plant Expenses	18	82,514,398	74,565,047
Distribution Expenses	19	48,427,976	33,303,253
Consultancy Services	20	16,743,019	8,774,442
Total Operating Expenses		147,685,393	116,642,742
GROSS OPERATING PROFIT		299,046,386	276,295,602
ADMINISTRATIVE AND OTHER EXPENSES			
Administrative Expenses	21	53,508,586	37,644,444
Depreciation	4	55,102,939	51,923,817
Provision of Loss in Investment	22	6,868,973	9,478,678
Financial Support for Training & Technology Transfer	23	2,543,678	(370,559)
Interest on Loan		7,245,699	5,266,265
Total Administrative and Other Expenses		125,269,875	103,942,645
INCOME FROM OTHER SOURCES			
Interest income		16,495,059	15,364,708
Other Income	24	1,981,773	1,461,610
Depreciation Being Revenue Portion of Grant Aid		5,276,103	6,964,097
Dividend Received		156,894,170	97,981,800
Foreign Currency Exchange Gain (Loss)		18,217,263	(25,740,098)
Gain on Sale of Assets & Scrap Materials	25	142,834	-
Total Income From Other Sources		199,007,201	96,032,117
PROFIT (LOSS) BEFORE BONUS & TAX		372,783,712	268,385,074
Employees's Bonus		9,503,641	5,926,333
Provision for Corporate Tax		9,400,691	9,618,781
NET PROFIT (LOSS) BEFORE APPROPRIATION		353,879,380	252,839,960

Profit & Loss Appropriation Account:			
Last years balance		222,805,066	222,131,376
Profit for this fiscal year		353,879,380	252,839,960
Total		576,684,446	474,971,336
Less: Dividend of 2057/58 paid		-	(41,870,880)
Less: Proposed Dividend		(251,717,310)	(209,764,425)
Total Dividend		(251,717,310)	(251,635,305)
Prior years adjustment		(18,570,341)	(530,965)
Balance Transferred to Balance Sheet		306,396,794	222,805,066

Schedule 15 to 25 form an integral part of this financial statement.

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Gyanendra Lal Pradhan
Director

Bijay Bahadur Shrestha
Director

Ratna Sansar Shrestha
Director

Anup Kumar Upadhyay
Director

Santosh Kumar Pradhan
Director

As per our report of even date

Ranjan Lohar
Chief Executive Officer

Sundar Man Shrestha
For Sundar & Company
Chartered Accountants

Date: 2 - 12- '08
Place: Kathmandu, Nepal

STATEMENT OF CHANGES IN EQUITY

For the year ended Ashadh 31, 2065 (July 15, 2008)

Particulars	Share Capital	General Reserve	Retained Earnings	Total
Last year's balance	839,057,700	148,700,000	222,805,066	1,210,562,766
Proposed dividend for the year			(251,717,310)	(251,717,310)
Profit for the year			353,879,380	353,879,380
Final VAT assessment of 2059/60			(278,036)	(278,036)
Prior year adjustment			(18,292,305)	(18,292,305)
Balance as on 31st Ashadh, 2065	839,057,700	148,700,000	306,396,794	1,294,154,494

STATEMENT OF CASH FLOW

For the year ended Ashadh 31, 2065 (July 15, 2008)

Particulars	F.Y. 2064/65	F.Y. 2063/64
Cash Flow from Operating Activities:		
Profit (Loss) Before Appropriation	353,879,380	252,839,960
Adjustments		
Ordinary Depreciation	35,443,163	44,000,183
Depreciation Charged to Grant Aid in Reserve	5,276,103	6,964,097
Increase (Decrease) in Tax Provision	(218,090)	6,149,460
Increase (Decrease) in Bonus Provision	3,577,308	(864,849)
Foreign Currency Exchange Loss/(Gain)	(18,217,263)	25,740,098
Dividend Received	(156,894,170)	(97,981,800)
Increase (Decrease) in Loss in Investment Provision	6,868,973	9,278,678
Loss (Gain) on Sale of Assets/Stock Materials	(142,834)	-
Operating Profit Before Working Capital Changes	229,572,570	246,125,827
Decrease (Increase) in Debtors & Accounts Receivable	(29,490,032)	(23,404,693)
Decrease (Increase) in Stocks	(15,750,219)	(1,273,289)
Decrease (Increase) in Current WIP	(6,685,995)	(3,864,194)
Decrease (Increase) in Advance & Deposit Paid	(105,165,259)	(7,892,830)
Increase (Decrease) in Creditors & Accounts Payable	(94,348,526)	9,766,753
Increase (Decrease) in Advance & Deposit Received	(1,425,111)	29,251,221
Advance Tax Paid	7,284,775	1,840,808
Increase (Decrease) in Retained Earning for Tax Adjustment	(18,570,341)	(530,965)
Foreign Currency Exchange (Loss)/Gain	18,217,263	(25,740,098)
Net Cash Flow From Operating Activities (A)	(16,360,876)	224,278,540
Cash Flow From Investing Activities:		
Gain/(Loss) on Sale of Assets/Stock Materials	142,834	-
Decrease (Increase) in Deferred Revenue Expenditure	(3,876,513)	3,480,907
Decrease (Increase) in Land, Building & Office Assets	(13,757,551)	(12,246,848)
Decrease (Increase) in Andhikhola Hydro Power Plant & Property	(5,785,395)	(18,898,944)
Decrease (Increase) in Jhimruk Hydro Power Plant & Property	(3,025,373)	(20,107,239)
Decrease (Increase) in Investment in Share	(12,152,500)	(31,224,000)
Decrease (Increase) in Capital Work-in-Progress	(6,136,876)	17,465,687
Net Cash Flow From Investment Activities (B)	(44,591,375)	(61,530,437)
Cash Flow From Financing Activities:		
Increase (Decrease) in Grant Aid in Reserve	17,365,698	(6,378,787)
Dividend Received	156,894,170	97,981,800
Dividend of 2059/60 paid	-	(41,870,880)
Proposed Dividend for the year	(251,717,310)	(209,764,425)
Net Cash Flow From Financing Activities (C)	(77,457,442)	(160,032,292)
Net Change in Cash & Cash Equivalents (A+B+C)	(138,409,693)	2,715,811
Opening Cash & Bank Balance	367,088,461	364,372,649
Closing Cash & Bank Balance	228,678,768	367,088,461
Change in Cash & Bank Balance	(138,409,693)	2,715,811

Schedules to the Balance Sheet & Profit & Loss Account

Fiscal Year 2064/65 (2007/2008)

Share Capital

Schedule No. 1

Particulars	F.Y. 2064/65	F.Y. 2063/64
Authorised Capital:		
15000000 Shares of Rs.100/- each	1,500,000,000	1,500,000,000
Issued Capital		
14000000 Shares of Rs.100/- each	1,400,000,000	1,400,000,000
Paid up Capital:		
Shares at face value of Rs. 100 each		
Government of Nepal	76,275,500	76,275,500
Shangri-La Energy Ltd.	578,546,300	578,546,300
Interkraft Nepal A.S., Norway	50,746,900	50,746,900
United Mission to Nepal	23,421,100	23,421,100
Nepal Electricity Authority	8,861,900	8,861,900
Nepal Industrial Development Corporation	504,200	504,200
Employees	16,781,100	16,781,100
General Public	83,905,700	83,905,700
Purna Prasad Adhikari	5,000	5,000
Balaram Pradhan	5,000	5,000
Suman Basnet	5,000	5,000
Total	839,057,700	839,057,700

Reserve and Surplus

Schedule No. 2

Particulars	F.Y. 2064/65	F.Y. 2063/64
General Reserve	148,700,000	148,700,000
Retained Earnings	306,396,794	222,805,066
Total	455,096,794	371,505,066

Grant Aid in Reserve

Schedule No. 3

Particulars	F.Y. 2064/65	F.Y. 2063/64
NORAD Grant for JHEREP II A - R.E.	18,949,713	13,826,790
UMN PCS Assistance for Rural Electrification	31,464,694	33,104,449
USAID Grant for Rural Electrification	21,199,468	10,637,037
USAID Support for REGDAN	17,635,956	15,004,300
JRP Grant for Enhancement of Power Plant	9,977,881	10,282,633
KADOORI VDC	725,225	755,868
Udaypur Kot VDC	408,743	426,012
Dhungegadhi VDC	547,760	-
Hansapur VDC	503,992	-
Dhakabang VDC	251,992	262,638
Total	101,665,425	84,299,727

Fixed Asset & Depreciation

Schedule No. 4

	Gross Block As at 32nd Ashadh, 2064	Depreciation Addition during the Year	Net Block Adjustment during the Year	As at 31st Ashadh, 2065	As at 32nd Ashadh, 2064	Adjustment during the Year	Provided during this Year	As at 31st Ashadh, 2065	As at 31st Ashadh, 2065
Group A : Property and Power Plant:									
i : BPC Funded Asset									
Land	60,408,037			60,408,037				60,408,037	60,408,037
Access Road	5,760,000			5,760,000	2,745,600		230,400	2,784,000	3,014,400
Suspension Bridge	3,800,000			3,800,000	1,811,333		152,000	1,836,667	1,988,667
Guesthouse Stores, Offices, Quarters	46,920,827	1,870,558		48,791,385	13,292,311		1,996,641	33,502,433	33,628,516
Power Plant Electro-Mechanical Equipment	335,639,421			335,639,421	158,687,927		13,425,578	172,113,505	176,951,494
Power Plant Civil Works	318,160,000			318,160,000	162,670,836		12,726,401	142,762,763	155,489,164
Transmission Line	167,176,609	1,889,326	-	169,065,935	86,760,308	-	6,712,004	93,472,311	80,416,302
Distribution Line	148,304,014	2,178,386	(643,488)	149,838,912	38,323,981	(152,449)	5,935,371	105,732,009	109,980,033
Sub - Total i	1,086,168,909	5,938,270	(643,488)	1,091,463,691	464,292,296	(152,449)	41,178,395	505,318,242	621,876,613
ii : Grant Aided Asset									
Transmission Line	9,841,154			9,841,154	2,337,670		393,646	7,109,839	7,503,485
Distribution Line	101,207,180	4,349,496		105,556,676	23,946,325		4,106,138	77,504,213	77,260,855
Power Plant Electro-Mechanical Equipment	12,574,320			12,574,320	4,317,378		502,973	7,753,969	8,256,942
Transmission Sub-station	1,760,314			1,760,314	164,297		70,413	1,525,604	1,596,017
Sub - Total ii	125,382,968	4,349,496	-	129,732,464	30,765,669	-	5,073,171	35,838,840	94,617,299
Total A (i+ii)	1,211,551,878	10,287,766	(643,488)	1,221,196,156	495,057,965	(152,449)	46,251,565	541,157,081	716,493,913
Group B: Office Equipment & Furniture									
i : BPC Funded Asset									
Computer & Accessories	21,925,392	3,414,679	(11,141,472)	14,198,599	15,184,234	(10,280,493)	1,986,597	7,308,261	6,741,158
Furniture & Fixture	3,600,693	710,777	(1,545,977)	2,765,494	2,139,977	(1,446,347)	426,463	1,645,401	1,460,716
Office Equipment	16,500,969	2,644,326	(2,707,734)	16,437,561	8,184,094	(2,386,711)	2,285,682	8,354,496	8,316,875
Sub - Total i	42,027,054	6,769,783	(15,395,183)	33,401,654	25,508,304	(14,113,551)	4,698,742	16,093,496	16,518,749
ii : Grant Aided Asset									
Office Equipment	1,574,260			1,574,260	762,532		202,932	608,796	811,728
Sub - Total ii	1,574,260	0	0	1,574,260	762,532	-	202,932	608,796	811,728
Total B (i+ii)	43,601,313	6,769,783	(15,395,183)	34,975,913	26,270,836	(14,113,551)	4,901,674	17,058,960	17,330,477
Group C: Vehicle									
Vehicles	12,459,646	17,332,160	(20,000)	29,771,805	9,221,075	(20,000)	2,208,794	18,361,937	3,238,571
Group D: Workshop Plant and Equipment									
Workshop Plant & Equipment	9,009,692	2,014,330	(156,816)	10,867,206	3,849,090	(97,673)	916,064	6,199,725	5,160,602
Construction Equipment	50,000			50,000	42,784		1,082	6,134	7,216
Distribution Networks	1,239,312	58,760		1,298,072	696,371		84,349	517,352	542,941
Total D	10,299,004	2,073,090	(156,816)	12,215,278	4,588,245	(97,673)	1,001,495	6,723,212	5,710,759
Group E: Intangible Assets									
Computer Software	1,833,688	2,321,007	-	4,154,695	714,082	-	739,411	2,701,202	1,119,606
Grant Total (A+B+C+D+E)	1,279,745,528	38,783,806	(16,215,487)	1,302,313,847	535,852,203	(14,383,673)	55,102,939	576,571,468	743,893,326
Total Asset BPC Funded	1,152,788,300	34,434,310	(16,215,487)	1,171,007,123	504,324,001	(14,383,673)	49,826,836	539,767,165	648,464,299
Total Asset Grant Aided	126,957,228	4,349,496	-	131,306,724	31,528,201	-	5,276,103	94,502,420	95,429,027

Capital Work in Progress

Schedule No. 5

Particulars	F.Y. 2064/65	F.Y. 2063/64
Rural Electrification on MFA Grant (REEP)	6,205,004	1,061,696
Galyang-Syangja Line Upgrading	48,718	48,718
Transmission Line	942,473	-
Distribution works at Bangesal	51,096	-
Total	7,247,290	1,110,414

Investment in Shares

Schedule No. 6

Particulars	F.Y. 2064/65	F.Y. 2063/64
Shares are at face value on cost basis		
Himal Power Limited	270,625,109	270,625,109
Nepal Hydro & Electric Ltd.	71,580,000	71,580,000
Jhimruk Industrial Dev. Center (P) Ltd	4,500,000	4,500,000
Hydro Lab (P) Ltd	1,000,000	1,000,000
Khudi Hydropower Limited	50,400,000	50,400,000
Khudi Hydropower Limited (Preference Share)	57,600,000	57,600,000
BPC Services Limited	10,000,000	10,000,000
Nyadi Hydropower Limited	12,152,500	-
Total	477,857,609	465,705,109

Stocks

Schedule No. 7

Particulars	F.Y. 2064/65	F.Y. 2063/64
General Stock/Office Supplies/Consumer Service Item	5,122,650	1,479,740
Stock of Electric Goods	4,579,933	4,740,230
Power Plant Simulator/Power House Equipment	31,529,181	24,528,799
T/L & D/L stock	24,361,786	19,219,972
Steel Stock	399,553	54,187
GI Fittings	84,248	71,948
Fuel/Lubricants	204,133	193,891
Vehicle Spareparts	225,521	199,532
Medical Stock	46,260	48,496
Stock at Site	930,280	1,196,532
Power House Equipment (JRP Grant)	7,163,005	7,163,005
Total	74,646,551	58,896,332

Debtors & Accounts Receivable

Schedule No. 8

Particulars	F.Y. 2064/65	F.Y. 2063/64
Sundry Debtors	2,867,790	3,593,029
Nepal Electricity Authority	41,216,897	24,532,517
Local Consumers	4,117,815	4,581,149
Other Receivables	1,248,302	880,374
Accrued Interest (HBL)	514,193	-
Retention Receivable	30,000	30,000
Bank Guarantee Margin	3,155,500	3,535,000
Receivable from USAID	2,302,699	5,746,300
REGDAN Receivables	1,040,185	4,432,545
Dhungegadhi VDC	427,248	-
Hanspur VDC	399,329	-
Employees Accounts Receivable	4,275	-
Ministry of Finance, GON	-	597,778
Dhakabang VDC	-	200,751
Subsidiaries and Joint Ventures:		
Khudi Hydropower Limited	3,214,621	1,955,261
BPC Services Limited	3,917,566	1,147,609
Jhimruk Industrial Dev. Center (P) Ltd	24,674	-
Nyadi Hydropower Limited	16,690,665	1,868,698
Keton Hydropower Limited	1,287,787	-
BPC - SILT Joint Venture	2,249,522	3,001,859
BPC - HES - WRC Joint Venture	3,698,103	2,814,271
Total	88,407,172	58,917,140

Cash in hand and at Bank

Schedule No. 9

Particulars	F.Y. 2064/65	F.Y. 2063/64
Office Cash	276,766	902,100
Current Bank A/c	5,962,192	6,460,180
Foreign Currency A/c	8,819,935	118,082,946
Call/Time/Fixed Deposit	35,982,437	160,708,345
Cheques in hand	-	293,822
Fixed/Time/ Deposit : Foreign Currency (US\$)	361,593,279	170,587,585
Total	412,634,609	457,034,978

Current Work In Progress: Engineering & Consultancy

Schedule No. 10

Particulars	F.Y. 2064/65	F.Y. 2063/64
A. Ongoing WIP:		
Jumdi Khola Small Hydropower	1,278,076	1,192,674
BPC Distribution Expansion	830,689	823,189
Andhikhola Upgrading	15,751,403	9,788,034
Screening & Ranking Projects	1,383,401	1,095,319
Demand Side Managemet Study	782,047	750,659
Bhim Khola SHP	3,596,954	2,099,449
KABELI - A Project	3,317,734	2,085,944
Sub Total	26,940,304	17,835,268
B. Discontinued WIP:		
Khimti-II Feasibility Study	678,411	678,411
Chaku HP Detailed Design	673,996	673,996
Chaku Contract Document	145,123	145,123
Dordi Hydropower Project	34,364	34,364
Piluwa Khola HP	90,637	90,637
Rigdi Khola Hydropower	850,459	850,459
Thopal Khola HP	413,339	413,339
33kV Jhimruk Galyang Line Operation	33,949	33,949
Upper Tamakoshi Reports (PMD)	50,000	50,000
Preliminary Study of Alternative Layout Study and Field Investigation	33,267	33,267
Rupa Begnas Pump Storage HP	-	330,433
Nyadi Hydropower Project	-	1,612,890
Serpu Daha- Sani Bheri Nadi Pumped Storage Project	-	274,054
Tamakoshi 2 & 3 Concept Study	-	201,663
Sub Total	3,003,545	5,422,585
Total	29,943,848	23,257,853

Advance & Deposit Paid

Schedule No. 11

Particulars	F.Y. 2064/65	F.Y. 2063/64
Advance Income Tax	26,432,305	33,717,080
Loan & Advance to Staff	384,085	29,540
Gratuity Fund Deposit in CIT	38,206,698	33,701,315
Telephone & Deposits etc.	4,814,331	586,896
Various Advances	15,096,258	3,849,314
REGDAN Advances	8,176	682,547
NMFA Advances	4,442,348	-
L/C Related Expenses	1,760,775	-
Deposit against Tax Administrative Review	79,302,200	-
Total	170,447,176	72,566,692

Creditors & Accounts Payable

Schedule No. 12

Particulars	F.Y. 2064/65	F.Y. 2063/64
Sundry Creditors	20,796,149	7,460,544
Gratuity Fund Payable	54,836,238	40,267,562
Bonus Payable	9,503,641	5,926,333
Community Development Fund Payable	54,074	54,074
Loyalty Bonus Fund	192,000	-
Retention Payable	1,005,721	638,892
Audit Fee Payable with VAT	208,525	167,250
Royalty Payable	1,355,185	1,174,999
TDS Payable	2,604,406	1,400,267
Dividend Payable	251,882,257	377,991,821
VAT Payable	1,630,624	491,605
Employees Accounts Payable	2,183,018	1,383,183
REGDAN Payables	1,840,028	8,228,482
Stale Cheque	3,794	3,794
Nepal Telecommunication Corporation	116,536	65,357
PF Clearing A/C	14,522	59,924
Welfare Clearing A/C	1,432,990	545,972
CIT Clearing A/C	46,612	(1,176)
Provision of Expenses	133,893	-
Subsidiary:		
Nepal Hydro & Electric Ltd.	7,093,669	1,846,216
Total	356,933,880	447,705,098

Advance & Deposit Received

Schedule No. 13

Particulars	F.Y. 2064/65	F.Y. 2063/64
Customer Deposit	29,650	35,850
Security Deposit	83,183	69,761
Advance Received From MFA	28,574,064	27,358,216
Advance Received	19,645	-
Norwegian Embassy (TTT Grant)	726,689	3,394,514
Total	29,433,230	30,858,341

Provisions

Schedule No. 14

Particulars	F.Y. 2064/65	F.Y. 2063/64
Provision for Corporate Tax	9,400,691	9,618,781
Provision of Loss in Investment	16,147,651	9,278,678
Total	25,548,342	18,897,459

Electricity Sale to Consumers

Schedule No. 15

Particulars	F.Y. 2064/65	F.Y. 2063/64
Metered Consumers	29,712,316	26,667,285
Unmetered Consumers	2,582,500	4,205,370
Industrial Consumers etc.	6,382,047	6,102,926
User's Organization	10,489,170	8,627,236
Total	49,166,032	45,602,818

Electricity Services - Income

Schedule No. 16

Particulars	F.Y. 2064/65	F.Y. 2063/64
Fee and Charges	1,186,046	1,148,878
Sale of Meter/Cutout & Accessories	4,964,520	2,477,801
Tayari Wiring	-	7,952
Total	6,150,567	3,634,632

Consultancy Services - Income

Schedule No. 17

Particulars	F.Y. 2064/65	F.Y. 2063/64
Cast Net Fish Monitoring	2,170,498	1,833,150
Khare Khola Small HP	-	1,805,164
Khudi Detail Design & Support	954,879	3,739,745
Marketing	-	39,800
Mgmt. and Quality Assurance Fee on BPC-HES-WRC JV	225,111	175,087
Ladku Khola SHP Feasibility study	-	110,000
Jhankre Mini Hydropower Project	-	152,500
Upper Tamakoshi 2 & 3 Desk Study	-	80,600
Upper Mai Khola HP	3,269,664	1,598,894
Jhumdi Khola Small Hydro	12,500	-
Nyadi Hydropower Project	6,815,724	-
Tamakoshi 2 & 3 Concept Study	837,850	-
Review of FS of Lower Modi HP	438,255	-
Operational FS of VDC's in HPL areas	668,390	-
Field Visit to Kali Gandaki Gorge HP	397,390	-
KHL-Design Review	1,004,786	-
Pre-Feasibility Study of Balephi HP	2,098,673	-
Total	18,893,719	9,534,939

Power Plant Expenses

Schedule No. 18

Particulars	F.Y. 2064/65	F.Y. 2063/64
Electricity Purchase	2,968,709	1,556,842
Staff Cost	31,340,768	24,186,350
Office Overhead	5,107,738	4,129,333
Vehicle Operation & Maintenance	665,892	651,017
Environment, Community & Mitigation	840,342	1,444,758
Mitigation (JDMP)	879,210	2,040,878
Power Plant Operation & Insurance	5,266,831	8,585,697
Power Plant Maintenance	12,286,353	8,323,464
Deferred Expense - Mitigation Works	2,341,804	2,474,860
Royalty	20,685,386	19,810,133
Transmission Line Repair & Maintenance	131,365	61,902
Expenses Written Off	-	1,299,815
Total	82,514,398	74,565,047

Distribution Expenses

Schedule No. 19

Particulars	F.Y. 2064/65	F.Y. 2063/64
Staff Cost	25,492,106	16,160,844
Office Overhead	3,394,193	2,505,965
Vehicle Operation & Maintenance	1,422,285	1,352,441
Environment, Community & Mitigation	-	44,585
T/L Maintenance	84,102	78,720
D/L Network Operation	10,766,434	5,656,949
D/L Network Repair & Maintenance	2,958,152	3,025,514
Royalty	4,147,841	3,877,503
Expenses Written Off	162,862	600,732
Total	48,427,976	33,303,253

Consultancy Services: Expenses

Schedule No. 20

Particulars	F.Y. 2064/65	F.Y. 2063/64
Cast Net Fish Monitoring	1,195,325	869,054
Khare Khola SHP	8,814	992,807
Khudi Detail Design & Support	609,316	1,983,752
Marketing & Publication	-	252,419
Various Consultancy	4,419	3,940
ISO Related Activities	269,082	112,147
Ladku Khola SHP Feasibility study	-	1,142
Jhankre Mini Hydropower Project	-	92,292
Upper Tamakoshi 2 & 3 Desk Study	-	39,797
Upper Mai Khola HP	-	404,439
Engineering Overhead	7,230,021	4,022,651
Rupa Begnas Pump Storage	330,433	-
Nyadi Hydropower Project	1,536,306	-
Serpu Daha- Sani Bheri Nadi Pumped Storage	293,135	-
Upper Mai Khola HP	2,659,119	-
Tamakoshi 2 & 3 Concept Study	267,507	-
Review of FS of Lower Modi HP	243,133	-
Operational FS of VDC's in HPL areas	151,755	-
Field Visit to Kali Gandaki Gorge HP	203,172	-
Construction Mgmt & Supervision of KL III HEP	171,011	-
KHL-Design Review	312,939	-
Pre-Feasibility Study of Balephi HP	1,249,115	-
Jumdi Khola SHP	8,417	-
Total	16,743,019	8,774,442

Administrative Expenses

Schedule No. 21

Particulars	F.Y. 2064/65	F.Y. 2063/64
Staff Cost:		
Salary	11,208,348	8,228,269
Allowance	6,632,051	6,106,684
Provident Fund	1,095,663	799,577
Paid Leave	1,535,404	713,408
Daily Wage	61,120	56,999
Overtime	1,190,447	839,710
Gratuity	5,207,003	1,906,758
Insurance	270,474	299,801
Dashain Expenses	908,836	646,262
Performance Allowance	924,626	935,389
Sub-total	29,033,972	20,532,857
Office Overhead:		
General Office Overhead	8,730,786	5,695,659
Training and Development	1,891,952	1,160,653
CSR Expenses	2,286,662	1,629,000
Audit Fee and Expenses	1,008,580	765,722
Board Meeting and AGM Expenses	687,805	754,648
Vehicle O & M Expenses	996,034	1,101,236
Engineering & Consultancy Expenses	2,360,461	1,400,305
Legal Expenses	-	8,785
Share Registrar/Related Expenses	303,715	275,878
Insurance and Property Taxes	577,289	648,584
Communication Expenses	1,863,971	1,353,507
Travel/Daily Allowance	2,640,973	1,687,310
Union Expenses	528,608	382,889
Write Off Expenses	597,778	103,236
Planning Expenses	-	144,176
Sub-total	24,474,614	17,111,587
Total Administrative Expenses	53,508,586	37,644,444

Provision of Loss in Investment

Schedule No. 22

Particulars	F.Y. 2064/65	F.Y. 2063/64
Khudi Hydropower Limited	6,330,622	8,184,334
JV of BPC/HES/WRC	(37,962)	37,962
JV of BPC/SILT	176,808	277,746
JIDCO	399,505	778,636
Butwal Engineering Works (P) Ltd.	-	200,000
Total	6,868,973	9,478,678

Financial Support for Training and Technology Transfer

Schedule No. 23

Particulars	F.Y. 2064/65	F.Y. 2063/64
Training & Technology Transfer Service Expenses	6,411,194	2,423,896
Less: Financial Support from NORAD	(3,867,516)	(2,794,454)
Total	2,543,678	(370,559)

Other Income

Schedule No. 24

Particulars	F.Y. 2064/65	F.Y. 2063/64
Housing Services	125,545	110,115
Guest House Income	118,260	137,025
Income from Other Sources	1,311,368	727,345
Store Services	7,903	426
Equipment on Hire	3,025	31,050
Other General Services	415,672	455,650
Total	1,981,773	1,461,610

Gain on Sale of Asset/Stock Materials

Schedule No. 25

Particulars	F.Y. 2064/65	F.Y. 2063/64
Cost of Stock	1,085,467	1,463,944
Less: Sale Proceed	(1,085,467)	(1,463,944)
Gain on Sale of Assets/Scrap Materials	142,834	-
Total	142,834	-

Significant Accounting Policies and Notes Related to the Annual Account

Schedule No. 26

1. Background

Butwal Power Company Limited (BPC) was established in 2022 (1966) as a private limited company registered 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). Its aim was to develop hydropower projects using appropriate training, technology transfer and human resources. This pioneering company developed the 1-MW Tinau, the 5.1-MW Andhikhola, and the 12-MW Jhimruk hydropower projects and 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 now are Shangri-La Energy Limited (SEL), Interkraft AS, Norway (IKN), Government of Nepal (GoN) and General Public.

2. Significant Accounting Policies

A. Basis of Presentation

BPC's financial statements are prepared in accordance with generally accepted accounting principles ascribed in Nepal Accounting Standards as well as the prevailing rules of the Company Act 2063 (2006) and the Electricity Act 2049. Except where otherwise stated, they are based on accrual and historical cost convention basis.

B. Capitalisation of Fixed Assets

Fixed assets are recorded at cost-less accumulated depreciation and all direct costs relating to the acquisition and installation of fixed assets are capitalized. Rural electrification networks are capitalized according to actual accumulated direct overhead and direct material costs used in erection. Office furniture, equipment and vehicles costing less than Rs. 5,000 per unit and plant equipment costing less than Rs.10,000 per unit is charged to the profit and loss account in the year of purchase.

C. Depreciation and Amortisation

The depreciation of power plant, transmission and distribution lines is provided by using the straight line method provided for in the Electricity Act 2049. Depreciation of office furniture, equipment, vehicles and other assets are depreciated using the diminishing balance method at rates prescribed in the Income Tax Act 2058. Deferred revenue expenditures are amortised within five years while river training expenses are amortised within three years.

D. Inventory

Inventories are valued at cost and a weighted average costing method is applied to calculate the value of items issued from stock.

E. Foreign Currency

Transactions in foreign currency are stated in terms using the exchange rate prevailing on the date of transaction. Foreign currency assets and liabilities held in foreign currency on the date of balance sheet are given in Nepalese rupees using the buying rate of Nepal Rastra Bank on that date. Foreign currency exchange conversion differences are charged to the profit and loss account.

F. On-going Contracts and Projects

Income for ongoing contracts is recognised as per the billing agreement with the party. Expenditure on on-going engineering and consultancy work is shown at cost as current work in progress, while ongoing rural electrification works are shown as capital work in progress. Expenditure on ongoing In-house engineering, feasibility studies and operation support is valued at cost as current work in progress and is charged on cost basis.

G. Grant Aid in Reserve

Capital grants received are shown as grant aid in reserve to the extent of asset creation they constitute. Grant aid in reserve is reduced by the depreciation of such assets and the same amount is realised as income to balance the expense of depreciation expense in the profit and loss account.

Revenue grants are recognised as income in the profit and loss account (Refer to schedule no. 23).

H. Retirement Benefits

Retirement benefits for employees includes a provident fund, a citizen investment fund and a gratuity scheme. Periodic contributions made to the provident fund are charged to revenue. While provisions for gratuity is made in accordance with BPC's gratuity scheme, the actual gratuity is computed at the end of the year and an additional gratuity for the year provided as revenue expenses. Employees are eligible for the gratuity scheme only after completing three years of service.

I. Provision for Employee Bonuses

A 2% bonus on electricity Income and dividends from Himal Power Limited (HPL) is provided in line with the provisions of the Electricity Act 2049. In line with the Bonus Act, a 10% bonus is provided for income from other sources.

J. Asset Retirement

Obsolete, unusable and un-repairable asset/materials are written off on written down value and disposed off.

3. Paid-up Share Capital

After Privatization on 15 Magh, 2059 (29 January, 2003), M/s Shangri-La Energy Limited is the BPC's majority shareholder with shareholdings of 68.9%. As recorded in the share register, SEL's shares are pledged with Himalayan Bank Ltd. against a loan. As per the provisions of the Share Sale and Purchase Agreement, GoN issued a 2% shareholding to BPC employees and 10% of shares were sold to general public through competitive bidding. HMGN (now GON) retained a 9.09% shareholding. The company is listed in the Nepal Stock Exchange Limited since 28 Poush, 2061 (12 January, 2005). The closing market price of the share as on balance sheet date was NRs. 1559/- per share. The face value of share is Rs. 100/- per share.

4. Charge to Retained Earnings

Retained earnings has been reduced by the under-mentioned prior years adjustments

Particulars	Amount
Opening balance adjustment of grant aid in reserve on account of the depreciation charged to grant on BPC portion of grant assets.	18,292,305
Tax paid as per VAT assessment of fiscal year 2059/60	278,036
Total	18,570,341

5. Grant Aid in Reserve

The total depreciation of NRs.5,276,103 on grant aid assets have been charged against grant aid in reserve as shown below.

Source of Grant	Depreciation (in NRs.)	Balance to Amortise (in NRs.)
NORAD grant for Jhimruk Hydroelectric and Rural Electrification Center	1,263,314	18,949,713
UMN staff contributions for rural electrification	1,594,519	31,464,694
USAID grant for rural electrification	1,388,873	21,199,468
USAID support for Rural Electrification Global Development Alliance of Nepal	652,018	17,635,956
Jhimruk Rehabilitation Project grant for enhancement of power plants	304,752	9,977,881
Local VDC (Kadoori)	30,643	725,225
Local VDC (Udayapurkot)	17,268	408,743
Local VDC (Dhungegadhi)	7,327	547,760
Local VDC (Hanspur)	6,742	503,992
Local VDC (Dhakabang)	10,646	251,992
Total Grant Aid in Reserve	5,276,103	101,665,425
Less: Inventory items under JRP Grant		(7,163,005)
Total Grant Aided Assets		94,502,420

6. BPC Investments

A. Investment in Share

BPC has shares in the following companies.

Name of company	No. of shares	Unit rate	Face value (in NRs.)	Cost price (in NRs.)	Holding (%)
Himal Power Limited	2,630,334	100	263,033,400	270,625,109	14.9
Nepal Hydro & Electric Ltd	715,800	100	71,580,000	71,580,000	51.3
Khudi Hydropower Limited	504,000	100	50,400,000	50,400,000	60
KHL (preference share)	576,000	100	57,600,000	57,600,000	-
Nyadi Hydropower Limited	243,050	50	12,152,500	12,152,500	97.22
BPC Services Limited	100,000	100	10,000,000	10,000,000	100
Jhimruk Industrial Dev. Center (P) Ltd	45,000	100	4,500,000	4,500,000	24.0
Hydro Lab (P) Ltd.	10,000	100	1,000,000	1,000,000	20.0

All shares are valued at cost. Income from dividends is booked on cash basis.

BPC has pledged its shares in HPL as collateral in Wilmington Trust Company (WTC), USA, for a loan for the Khimti-I Hydropower Project under separate agreements with HPL, WTC and the lenders. This obligation will be terminated upon the full settlement of the loan by 2011 A.D.

BPC's preference share of Khudi is a redeemable cumulative non-voting class of shares with an annual dividend of 2.5% over the interest rate of the principal loan as per Article 1.2.24 of the Shareholders Agreement.

B. Participation in Joint Venture

I) BPC – SILT Joint Venture

BPC is the lead partner of the JV with SILT Consultants (P) Limited constituted for conducting feasibility study of the lower Hongu hydropower project. A contract was signed with the client Department of Electricity Development (DoED) on 5 September, 2005. The costs of the services, which include field investigation and an environmental impact assessment, are about NRs.7.65 million inclusive of VAT. The project has been completed during this year and a total accumulated loss of Rs. 757,590 has been reported in the audited JV account. Final tax assessment is in process.

II) BPC-HES-WRC Joint Venture

BPC is the lead partner of the JV, with other two JVs, one is JV of Hydro Engineering Services (P) Ltd., Nepal Consult (P) Ltd. and GEOCE Consultants (P) Ltd. and the second is JV of Water Resources Consult (P) Ltd and Hydro Engineering & Development Company (P) Ltd., to conduct a feasibility study and an environmental impact assessment of the Madhi, Inkhu and Budhi Ganga rivers small hydropower project for the client DoED, financed by the Norwegian Agency for Development Cooperation (NORAD). The contract amount is NRs.26.32 million rupees inclusive of VAT. BPC's primary responsibility is for the Madi Khola Small Hydropower Project, which is contracted at NRs.8.71 million. Retained earnings of this JV at the end of Ashadh 2065 is Rs.2,208,190.

C. Provision of Loss in Investment

Provision of loss has been taken on BPC proportion of investment in shares in subsidiaries and in JV participation as per the audited / latest available financial statement of the afore-mentioned entities.

The financial statements of the following BPC's subsidiaries are attached as annexes 1, 2 and 3 respectively:
Nepal Hydro and Electric Limited (unaudited),
Khudi Hydropower Limited (unaudited), and
BPC Services Limited (audited)

7. Cash in Hand and at Bank / Bank Overdraft

Cash in hand and in the bank includes a foreign currency balance of US\$5,312,106.

The overdraft facility from bank has been obtained against the security of fixed deposit receipts.

8. Advance Income Tax

The BPC's advance income tax, which amounts to NRs. 26,432,305, includes the balance amount of excess tax deposited for legal cases settled by the tax settlement commission up to the FY2057/58 (2000/01). This amount, NRs. 19,643,508, is to be refunded to BPC by the Inland Revenue Office. The TDS for the year NRs. 2,334,006 is considered advance tax deduction at source deposited by various parties and remaining balance of NRs. 4,454,791 is the net adjustment made.

9. Deferred Revenue Expenditure

The details relating to deferred revenue expenditure are given below.

Particulars	Amount (in NRs.)	Remarks
Last year's balance	888,065	
Addition for the year		
Jhimruk River training	6,368,317	Shall be written off within 3 years
BPC Portion of JDMP	879,210	Fully amortised
Less amortization		
Jhimruk River training	2,122,772	1/3 Amortisation
Jhimruk River training	219,032	1/3 Amortisation
VSAT expenses	150,000	1/5 Amortisation
BPC's contribution to Jhimruk Downstream Mitigation Project	879,210	BPC expense as per agreement
Balance to be amortized	4,764,578	

10. Sale/Purchase of Electricity: Andhikhola Power Plant

Particulars	kWh	Amount (in NRs.)
Total electricity generation	40,198,200	
Total sales	37,528,083	
Sold to NEA at NRs.3.35 per kWh	26,620,967	89,180,239
Sold to local consumers at an average of NRs.3.626 per kWh	10,907,116	39,556,512
Internal consumption	118,905	
Transit loss	3,063,764	
Purchase from NEA	(522,720)	(1,751,112)

11. Sale/Purchase of Electricity: Jhimruk Power Plant

Particulars	kWh	Amount (in NRs.)
Total electricity generation	67,193,384	
Total sales	63,161,640	
Sold to NEA at Rs.4.63 per kWh	61,196,808	283,341,222
Sold to local consumers at an average of Rs.4.89 per kWh	1,964,832	9,609,520
Internal consumption	230,642	
Transit loss	1,877,898	
Purchase from NEA	(262,980)	(1,217,597)

12. Administrative Expenses

The expenses of the Head office, Butwal office and those of the operations support office are treated as administrative expenses.

13. Dividend Received

BPC received net of tax dividends during the fiscal year as under:

Name of Company	US Dollar	Amount NRs
Himal Power Limited	2,455,205	156,585,420
BPC Services Limited	-	308,750
Total		156,894,170

14. Provision for Corporate Tax

As per Electricity Act 2049, income tax on the sale of electricity generated by Jhimruk power plant is exempted upto end of Shrawan 2066. Income tax on the sale of electricity generated by Andhikhola power plant was exempted until 18 Jestha, 2063. So, tax provisions are made for Income from Andhikhola Power Plant and for income from engineering and other sources. The dividend received from HPL is the net of tax, so no tax provisions are made for this income.

Particulars	Taxable income	Tax provision
Net Income from Engineering and Other Sources	17,556,921	4,652,584
Net Income from Andhikhola Center	22,084,220	4,748,107
Total	39,641,141	9,400,691

BPC's taxable income for the year after tax audit may be different than the figures mentioned above which are as per self tax assessment. Difference if any, will be adjusted from retained earnings.

15. Transactions with Related Parties

Business transactions were conducted with related parties in line with the Section 93 (3.C) of the Company Act and as per BPC rules and regulations.

Name of transaction party	Amount (in NRs.)	Items/Services procured
Trishakti Group of Industries	9,535,505	Purchase of materials, etc
Mercantile Group of Companies	1,785,400	Proprietary VSAT service, computers, etc.

16. Transaction with Subsidiaries

Following transactions were made with the subsidiary companies:

Name of transaction party	Amount (in NRs.)	Items/Services procured
Nepal Hydro & Electric Ltd.	9,310,304	Repair and maintenance of power plant
Khudi Hydropower Limited	2,214,421	Engineering services
BPC Services Limited	2,843,062	Secondment of human resources
Nyadi Hydropower Limited	7,701,768	Engineering services

17. Provision for Housing Facilities

No provision has been made for staff housing facilities as BPC provides housing facilities to its staff at site offices.

18. REGDAN Project under USAID Financial Support

On 27 January, 2006 BPC signed an agreement concerning rural electrification development with USAID and formed an alliance of public and private sectors with Winrock International, Nepal, and South Lalitpur Rural Electric Co-operative (SLREC) and named it the Rural Electrification Global Development Alliance of Nepal (REGDAN). The program has been completed and final status as on balance sheet date is as under:

Particulars	Contributions (in NRs.)		
	USAID	BPC	Total
A Funds received	37,699,746		
B Expenditure capitalized	18,489,566	33,529,011	52,018,576
C Sub-Recipients	19,210,180		
Winrock International	10,061,025		
SLREC	9,149,154		
D Receivable from USAID	-		

The Project covers electrification of 2635 households in 25 VDCs in the districts of Pyuthan, Arghakhanchi, Palpa and Syangja and SLREC will serve 2610 households in 15 VDCs of Lalitpur District.

This project has been completed on December 2007. The independent audit of the project is nearing completion.

19. REEP and the JDMP Project under NFMA Financial Support

BPC signed an agreement with the NMFA on 30 November, 2006, to get the Norwegian Government's support for rural electrification and for the mitigation of the adverse impact that diverting water to the Jhimruk power plant at downstream areas. It will provide electricity to the people who live in these areas in order to improve their standard of living. The status as on balance sheet date is as under

Particulars	Contributions (in NRs.)			Total
	NMFA	BPC	Community Contribution	
Advance received	19,013,249			
Interest earned	877,768			
Total NMFA Grant	19,891,017			
Funds used (expenditure)				
REEP	14,838,002	5,902,845	1,235,411	21,976,256
JDMP	3,077,630	879,210	1,221,177	5,178,017
Total funds used	17,915,632	6,782,055	2,456,588	27,154,273
Fund surplus for the year	1,975,385			
Fund balance b/f	26,598,679			
Total NMFA Fund balance	28,574,064			

BPC will retain ownership of the extended distribution system (REEP) but ownership of the infrastructure project (JDMP) will be transferred to the local community after the project is completed (as per clause 3.1 of the REEP final inception report and clause 5.1 of the JDMP final inception report approved by NMFA on 10 September, 2007). The distribution works of REEP NRs.21,976,256 is in progress shown under the grant account ; the NMFA portion of JDMP, NRs.3,077,630 has been adjusted from advance received from NMFA and the BPC portion of JDMP, NRs.879,210 has been written off as a part of mitigation expenses. Community contribution is recognized both income and expenses on actual basis.

20. Contingent Tax Liability

a) BPC had received two tax assessment notices from the Large Taxpayers Office of the GON: one for the FY2059/60 up to when BPC was privatized on 2059.10.14 and one for the period after this date. As per the tax authorities assessment, BPC's income includes a capital gain income of Rs.428,758,485 on the basis of the price at which the government shares were sold to SEL and IKN at the time of privatization. The difference between the BPC's self assessment and that of the Large Tax Payers Office is shown below.

Period	Self Assessment submitted by BPC (taxable loss)	Assessment by Large Taxpayers Office	Tax Liability (including special fee and interest)
2059.4.1 to 2059.10.14	(6,103,678)	414,039,145	237,891,365
2059.10.15 to 2060.3.32	(9,859,676)	(304,539)	9,446
Total taxable (loss)/income	(15,963,354)	413,734,606	237,900,811
Deposited in Govt. Revenue A/c for administrative review appeal in IRD			(79,302,200)
Contingent tax liability			158,598,611

BPC has filed appeal proceedings for administrative review with Inland Revenue Department against this assessment order.

b) The final tax assessment of FY 2060/61 from Large tax payers office has been received subsequent to the balance sheet date with a total tax assessment of Rs. 33,315,572 with an additional tax liability of Rs.18,698,612. The legal proceeding on this is in process.

c) No provision is made for contingent tax liability.

21. Capital Commitment

a) 30-MW Kabeli-A Hydropower Project:

On 29 January, 2007 BPC signed a joint venture agreement with SEL, SCP Hydro International Inc., Canada; Asia-Pacific Power-Tech Company Limited, China; and KHL, for the development of the 30-MW Kabeli-A hydropower project. A proposal for the development of this project has been submitted to the DoED, GoN with a bank guarantee (bid bond) of US\$500,000 with the 10% margin deposit of US\$ 50,000. BPC will invest 10.8% of the project cost as equity investment based on the estimated project cost of US\$ 58.778 million, BPC share will be US\$6.35 million.

b) 20-MW Nyadi Hydropower Limited:

BPC has a shareholder's agreement with Lamjung Electricity Development Company Ltd. for the development of the 20-MW

Nyadi hydropower project. NHL has subscribed an initial equity share of NRs. 24,305,000. Out of the called amount of NRs. 24,305,000, 50% has been paid by BPC and remaining 50% is to be paid. BPC will have an obligation to inject equity of Rs. 592,000,000/- till the completion of the project construction.

c) 42-MW Keton Hydropower Limited:

BPC has signed a shareholders agreement with the principal promoter shareholders of the company for the development of the 42-MW Marsyangdi-III hydropower project with 90% shareholding. BPC has paid NRs. 9,000,000 for 90,000 share of Rs. 100/- each as an initial equity injection subsequent to the balance sheet date. After completion of feasibility study of the project, BPC will have an obligation to inject equity of Rs. 1,080,000,000/- on its part.

22. Price Risk

For purchase of goods, it is limited to the foreign currency exchange variation incase of specific spares and original manufactured goods from abroad. There is no risk on sale of power as the company has fixed rate power purchase agreement with NEA.

23. Figures of the previous year and rounding off

The figures of the FY 2063/64 have been regrouped and reclassified wherever necessary to make comparison with the figures of the FY 2064/65. All figures are in Nepalese rupees if not otherwise specified and have been rounded off to the nearest rupee.

Nepal Hydro & Electric Limited

Annex 1

Balance Sheet (Unaudited)

As on 31 Ashadh 2065 (15 July 2008)

Particulars	F.Y. 2064/65 Rs.
Sources of Fund:	
Share Capital	139,530,000
Reserve & Surplus	56,743,546
Mid Term Loan	77,436,049
TOTAL	273,709,595
Application of Fund:	
Fixed Assets	
Gross Block	227,448,699
Depreciation	114,859,025
Net Block	112,589,674
Investment (Capital Work in Progress)	36,934,727
	149,524,401
Current Assets, Loans & Advances	
Inventories	27,575,263
Work in Progress	55,152,613
Sundry Debtors	160,721,090
Cash & Bank Balance	3,370,907
Loan & Advances	11,382,727
Deposits & Other Advances	24,411,800
Letter of Credit Account	10,700,176
Total Current Assets	293,314,577
Less: Current Liabilities & Provisions	
Liabilities	102,403,439
Short Term Loan (Overdraft)	29,480,846
Provisions	33,756,849
Dividend Payable	3,488,250
Total Current Liabilities	169,129,383
Net Current Assets	124,185,194
TOTAL	273,709,595

Profit and Loss Account (Unaudited)

For the year ended Ashadh 31, 2065 (July 15, 2008)

Particulars	F.Y. 2064/65 Rs.
Sales Revenue	410,218,490
Cost of Sales:	329,732,334
Gross Profit/(Loss)	80,486,156
Administrative Expenses	29,774,248
Operating Profit/(Loss)	50,711,908
Less: Exchange (Loss)/gain	9,576,485
Less: Interest Expenses	8,339,439
Less: Depreciation	32,795,984
Non Operating Income	786,961
Staff Bonus	33,582,945
	3,052,995
Profit/(Loss) Before Taxation & Other Provisions	30,529,950
Provisions	
Provision for taxation	8,090,437
Provision for gratuity	769,567
	8,860,004
Profit /(Loss) after taxation & Provisions	21,669,946
Profit/(Loss) balance b/d from Previous years account	35,073,599
Appropriation of Dividend of 2062/63	—
Balance Transferred to Balance Sheet	56,743,545

Khudi Hydropower Limited

Annex 2

Balance Sheet (Unaudited)

As on 31 Ashadh 2065 (15 July 2008)

Particulars	F.Y. 2064/65 Rs.
Sources of Fund:	
Shareholder's Fund	
Share Capital	165,650,000
Reserve & Surplus	(24,685,917)
Total Shareholder's Fund	140,964,083
Other Funds	
Mid Term & Long Term Debt	354,836,716
Total Other Funds	354,836,716
TOTAL	495,800,799
Application of Fund:	
Fixed Assets	
Gross Block	526,337,500
Less: Depreciation	43,112,853
Net Fixed Assets	483,224,647
Capital Work in Progress	11,419,093
Current Assets	
Cash in Hand and at Bank	(15,145,007)
Advance & Deposits	31,919,904
Total Current Assets	16,774,897
Less: Current Liabilities	
Payables	32,769,827
Total Current Liabilities	32,769,827
Net Current Asset	(15,994,930)
Pre-Operating Cost	17,151,989
TOTAL	495,800,799

Profit and Loss Account (Unaudited)

For the year ended Ashad 31, 2065 (July 15, 2008)

Particulars	F.Y. 2064/65 Rs.
Operating Income	
Electricity Sale to NEA	74,469,062
Total Operating Income	74,469,062
Power Plant Expenses	20,842,341
Gross Profit	53,626,721
Interest Income	6,611
Administrative Expenses	9,799,934
Income from Operation	43,833,398
Other Expenses	
Depreciation	21,513,810
Interest Expenses	30,711,148
Total Other Expenses	52,224,958
Income from Other Sources	
Foreign Currency Exchange (Loss)/Gain	(28,587)
Grant for Mitigation from SCPHI	
Total Income From Other Sources	(28,587)
Profit (Loss) Before Bonus & Tax	(8,420,148)
Net Profit (Loss) Before Appropriation	(8,420,148)
Profit & Loss Appropriation Account:	
Appropriation :	
Last Years Balance	(16,265,769)
Profit for the year	(8,420,148)
Total	(24,685,917)
Balance Transferred to Balance Sheet	(24,685,917)

BPC Services Limited

Annex 3

Balance Sheet

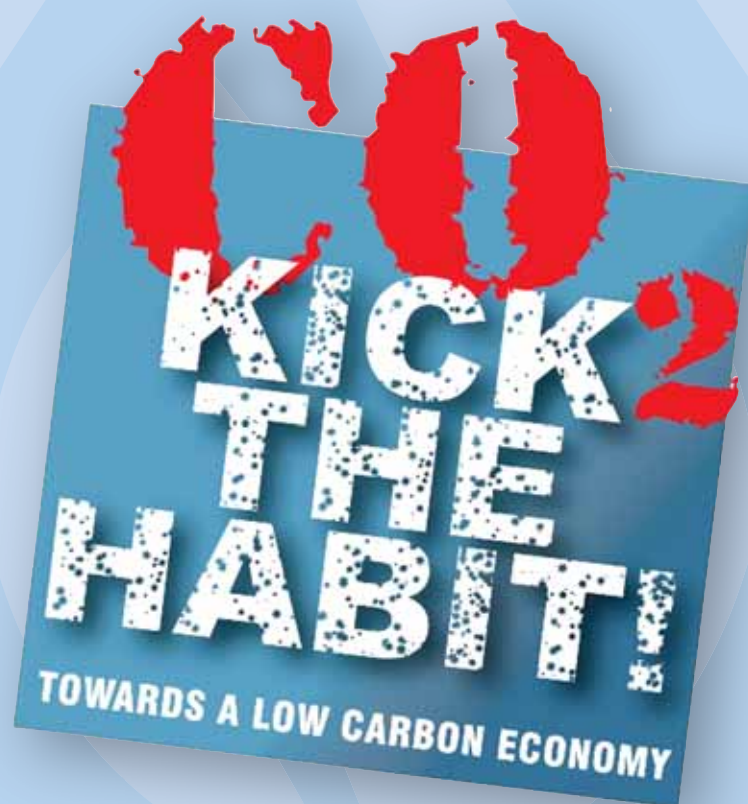
As on 31 Ashadh 2065 (15 July 2008)

Particulars	F.Y. 2064/65 Rs.
Sources of Fund:	
Shareholder's Fund	
Share Capital	10,000,000
Reserve & Surplus	282,431
Total Share holder's Fund	10,282,431
TOTAL	10,282,431
Application of Fund:	
Current Assets:	
Debtors & Accounts Receivable	13,002,602
Cash in hand and at Bank	4,272,041
Advance & Deposit Paid	944,838
Total Current Assets	18,219,481
Less: Current Liabilities:	
Creditors & Accounts Payable	7,419,960
Provisions	517,090
Total Current Liabilities	7,937,050
Net Current Assets	10,282,431
TOTAL	10,282,431

Profit and Loss Account

For the year ended Ashadh 31, 2065 (July 15, 2008)

Particulars	F.Y. 2064/65 Rs.
Operating Income:	
Sale and Service Fee Income	9,726,241
Total Operating Income	9,726,241
Operating Expenses	
Administrative Expenses	8,368,544
Total Operating Expenses	8,368,544
Gross Profit	1,357,697
Interest Income	169,897
Other Income	-
Income from Operation	1,527,594
Profit (Loss) Before Bonus & Tax	1,527,594
Provision for Employee's Bonus	152,759
Provision for Corporate Tax	364,331
Net Profit (Loss) Before Appropriation	1,010,504
Profit & Loss Appropriation Account:	
Last year Balance	21,927
Profit for this year	1,010,504
Total	1,032,431
Less: Proposed Dividend	750,000
Balance Transferred to Balance Sheet	282,431



Our Presence



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