BUTWAL POWER
COMPANY LIMITED

BUTWAL POWER COMPANY LIMITED

Annual **Report** 2017

Contents

COMPANY PROFILE

Butwal Power Company (BPC) was incorporated in 1965 standing today with 52 years of experience in the hydropower sector and has placed itself as one of the leading listed company in Nepal. Generation and distribution of electricity is its core business areas and engaged in development, operation and maintenance of hydro-power plants, engineering and design consultancy of hydropower and infrastructure projects, manufacturing and repair of hydro-mechanical and electro-mechanical equipment for power plants through its subsidiary companies. BPC has a track record of pioneering multi-faceted capacity building initiatives in hydropower development.

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

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

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

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

BPC is implementing integrated management system with certification of ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System) and OHSAS 18001:2007 (Occupational Health and Safety Management System) recognized by the Certification Body, DNV (Det Norske Veritas).

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

CORPORATE INFORMATION

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

VISION, MISSION AND VALUES

VISION

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

MISSION

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

VALUES

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

STRATEGIC GOALS OF THE COMPANY

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

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

ETHICAL PRINCIPLES

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

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

THE BPC CODE

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

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

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

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

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

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

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

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

6. **Strive to protect the environment.**
- Comply with all applicable environmental laws and regulations.
- Prevent pollution and conserve water & energy.

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

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

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

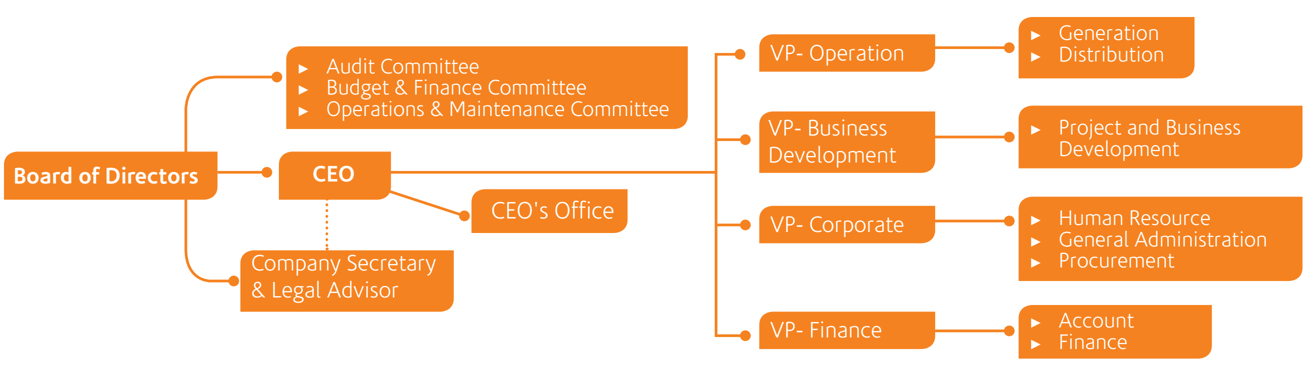
BPC is committed to provide quality and competitive products and services to meet customers' expectations and to ensure health and safety at work by conducting business in an environmentally & socially responsible manner through:

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

ORGANISATION **STRUCTURE**

Generation, Distribution and Transmission business activities are being carried out by BPC directly. Project development activities are carried out through Special Purpose Vehicles (SPVs). The Engineering, Manufacturing, Operation & Maintenance of hydropower equipment businesses are carried out through subsidiaries.

The functional organizational structure is in place viz. Operations, Business Development and Project, Finance and Corporate under the direct supervision of CEO. The overall responsibility of management resides with the CEO, who is responsible to the Board of Directors.

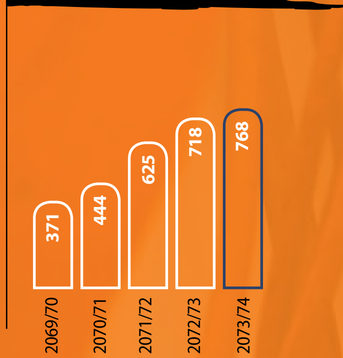


HIGHLIGHTS
OF THE YEAR

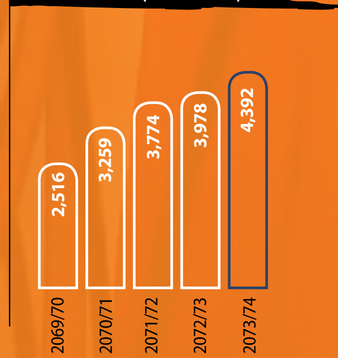
- Golden Jubilee Anniversary of BPC and Ground Breaking Ceremony of Nyadi and Kabeli organized
- The full fledge construction of 30 MW Nyadi and 37.6 MW Kabeli-A hydropower Project started
- Joint Venture Company registered with Chinese Partners for development of new hydropower projects
- Successful implementation of tariff revision in Andhikhola distribution
- NFRS complied Financial statements prepared
- Best Presented Annual Report 2016 awarded by ICAN
- Net Profit NPR 668 million, 7.8% higher than last year
- Total Generation 136.73 GWh, 3% higher than last year
- Distribution consumers increased to 51366, 5.7% higher than last year

FINANCIAL HIGHLIGHTS OF BPC

EBITDA (In NPR Million)

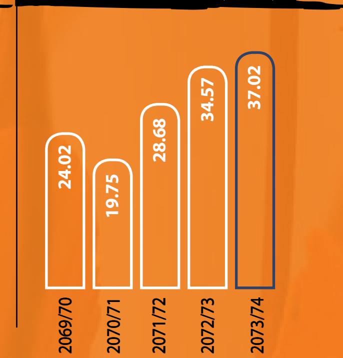


NET WORTH (In NPR Million)

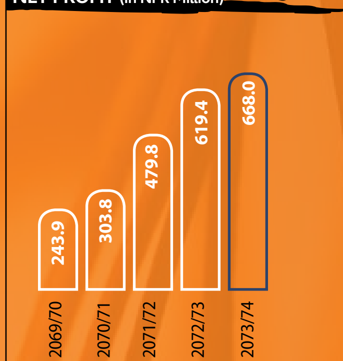


DIVIDEND PER SHARE (In NPR)

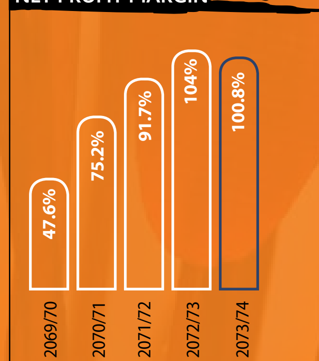
EARNING PER SHARE (In NPR)



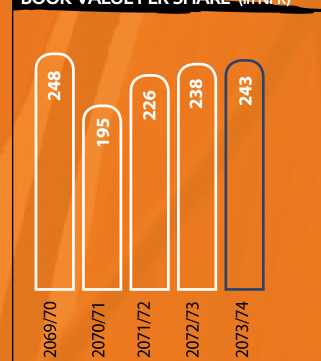
NET PROFIT (In NPR Million)



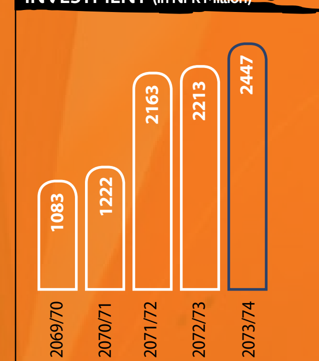
NET PROFIT MARGIN



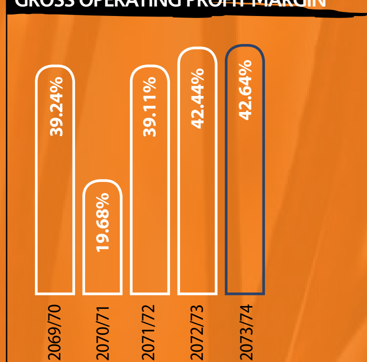
BOOK VALUE PER SHARE (In NPR)



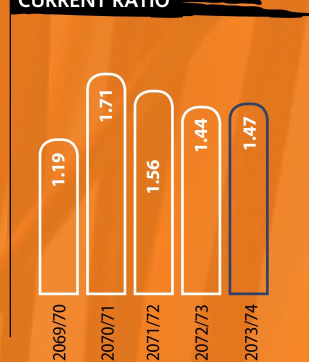
INVESTMENT (In NPR Million)



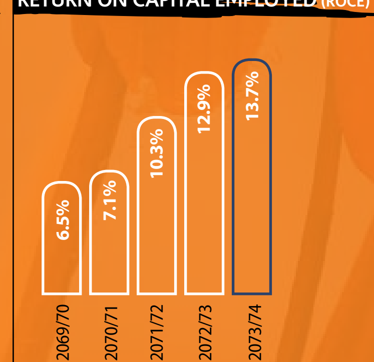
GROSS OPERATING PROFIT MARGIN



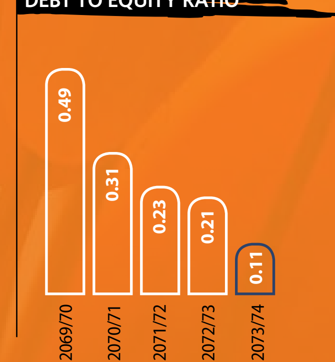
CURRENT RATIO



RETURN ON CAPITAL EMPLOYED (ROCE)



DEBT TO EQUITY RATIO



BOARD OF DIRECTORS

From left to right standing:
Mr. Rajib Rajbhandari, *Director*
Mr. Divakar Vaidya, *Independent Director*
Mr. Bijaya Krishna Shrestha, *Director*
Mr. Chiranjeewee Chataut, *Director*
Mr. Pradeep Kumar Shrestha, *Director*
Mr. Bijay Bahadur Shrestha, *Alternate Director*
Mr. Om Prakash Shrestha, *Director*
Mr. Uttar Kumar Shrestha, *CEO*
Mr. Hari Budhathoki, *Company Secretary*
Mr. Sanjib Rajbhandari, *Alternate Director*

From left to right sitting:
Mr. Chandi Prasad Shrestha, *Director*
Mr. Padma Jyoti, *Chairman*

CHAIRMAN'S MESSAGE

This year Nepal has made good progress on the political front. Nepal has successfully conducted local, provincial and federal elections for implementation of the new constitution. The successful implementation of constitution will open avenues for infrastructures development including bigger hydroelectricity projects. The election has given mandate to a stable government which is expected to focus on development agenda as a prime objective.

Hydropower development, utilizing the large potential of water resources, is one of the key factors for economic transformation of the country. Nepal has considerable scope for exploiting its potential in hydropower, with an estimated 42,000 MW of commercially feasible capacity. Nepal and India signed trade and investment agreements in 2014 that increase Nepal's hydropower export potential. Additional challenges to Nepal's growth include its landlocked geographic location, persistent power shortages, and underdeveloped physical infrastructure.

GoN through fiscal budget 2074/75 has planned to generate additional 10000 MW electricity within ten years through" Brighter Nepal Campaign" under "Nepalko Pani Jantako Lagani" program. In order to realize government's ambitious plan, the government bodies are streamlining the relevant acts, regulations and guidelines to create a favorable environment for hydropower development. After fixing of PPA price for peaking and reservoir projects, private developers like BPC are now able to develop bigger projects by collaboration with foreign parties.

> "BPC has plans to develop 1000 MW through a number of projects under the joint venture partnership with renowned Chinese companies with an investment of US$ 2 Billion within next five years."

BPC through its subsidiaries has undertaken two hydropower projects 30 MW Nyadi and 37.6 MW Kabeli-A in Mid and eastern Nepal which are already in construction. The EPC contractors have mobilized at sites for works on construction camps, access road, explosive management, tunnel excavation etc. Project construction at the site was started with Ground Breaking Ceremony on 23rd March 2017. The progress of construction has been achieved as planned and both the projects are expected to generate power within 2020.

The feasibility and EIA of 140 MW Lower Manang Marsyangdi HEP have been completed and the process for PPA and issue of generation license is ongoing. A Joint Venture Company has been established to invest in various new hydropower projects. The feasibility study of 8.5 MW Chino Khola Hydropower Project has been completed, Scoping and ToR for EIA study has been approved by GoN and EIA study is being carried out.

Survey license of a new project named Mugu Karnali Hydropower Project with a planned capacity of 160 MW has been received recently and process for feasibility study and EIA has been initiated.

Considering the prevailing environment in the country, BPC has performed well with significant increment in both operating revenue and net profit compared to the previous year. The Andhikhola Plant is generating at full capacity. Appreciable quantum of energy has been generated from Jhimruk power plant, despite low discharge in dry months compared to previous years and high floods in wet months.

As the company's distribution business has been loss making since many years, this year the company has been able to reduce the distribution loss to some extent after the implementation of restructured tariff rates and service charges for the customers of Andhikhola Distribution Centre. Timely revision of distribution tariff in future is also required so that the distribution business could be sustainable for operation by private sectors like BPC.

BPC has plans to develop 1000 MW through a number of projects under the joint venture partnership with renowned Chinese companies, Sichuan Provincial Investment Group (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC), with investment of US$ 2 Billion within next five years. With the acquisition of new projects in the pipeline and efficient operation of Jhimruk and upgraded Andhikhola Plants, and with full-fledged construction of Kabeli A and Nyadi projects, I am confident of BPC's future prospects. I sincerely believe that the company is heading in the right direction of operational excellence and growth.

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

Padma Jyoti
Chairman


BUTWAL POWER COMPANY LTD.
bpc

REPORT FROM **BOARD OF DIRECTORS**

Dear Shareholders,

It is our great pleasure to present this annual report of the Board of Directors for FY 2073/74, in this 25th Annual General Meeting of the Company.

Overview of Achievement

The Company celebrated its Golden Jubilee on 25th March 2017 with the message "iLight happiness, iLight smiles, and iLight the future". In this auspicious event, the inauguration and celebration of ground breaking ceremony of two major projects: 37.6 MW Kabeli-A Hydroelectric Project and 30 MW Nyadi Hydropower Project were taken place. The construction progress of these projects is satisfactory and as per the schedule.

The Company has recently launched a Joint Venture Co-operation with renowned three Chinese Companies for development of new hydropower projects in Nepal with the target to develop 1000 MW in next five years and to make investment of US$ 2 billion. As a result of Joint Venture Cooperation, the JV parties have registered a JV Company on November 2017.

The financial performance of the Company has improved with the increase in net profit by 7.8% compare to previous year. The net profit of the Company stands at NPR 668 million in F/Y 2073/074. The BPC group consolidated financial statements for F/Y 2073/074 shows the consolidated profit NPR 790.9 million which is 9.2% increment than previous year.

The operating plants: 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant were operated satisfactory and they generated 136.72 GWh, which is 2.83% higher than the energy generated in previous year. A total of 2764 new customers have been added in the distribution network of the Company with increase of total customer base of the Company to 51,366. The restructuring of tariff has been successfully implemented with effect from Shrawan 1, 2073, which helped in reducing Financial loss of the Company in distribution business owing to increase of revenue from distribution business by 36%.

The overall performance of subsidiary and associate companies were also satisfactory in F/Y 2073/074.

The Company has adopted the newly issued Nepal Financial Reporting Standard (NFRS) for the first time to prepare and present the financial statements of the Company for F/Y 2073/074. It is expected that this will further help the shareholders and investors of the Company to understand and assess the overall performance and status of the Company.

The Company has been awarded with the Best Presented Annual Report Award, 2016 by the Institute of Chartered Accountants of Nepal (ICAN) and Merit certification from South Asian Federation of Accountants (SAFA) for Corporate Governance Disclosure for the year 2015. Recently, BPC has also been awarded with Frost & Sullivan – 2017 Nepal Market Leadership Award in Hydropower category.

> **"The Company celebrated its Golden Jubilee on 25th March 2017 with the message "iLight happiness, iLight smiles, and iLight the future". In this auspicious event, the inauguration and celebration of ground breaking ceremony of two major projects: 37.6 MW Kabeli-A Hydroelectric Project and 30 MW Nyadi Hydropower Project were taken place."**

Performance Review

FINANCE

The Company earned the gross profit of NPR 282.6 million in F/Y 2073/074 from the sale of electricity and the electricity services, registering an increase of 11.8% compared to previous fiscal year. The profit before interest and taxes stands at NPR 750.9 million with an increment of 8.2% to last year, which includes the dividend income NPR 556.9 million. The net profit (after tax) for the fiscal year stands at NPR 668.0 million compared to the last year's net profit of NPR 619.4 million, which is an increase by 7.8%. The financial highlights of the Company are briefly summarized below.

The group turnover of the company stands at NPR 1452.9 million with and increment of 13.3% and group operation profit reached at NPR 907.1 million with increment of 8.9% than previous year. Similarly, Group profit after tax stands at NPR 790.9 million with an increment of 9.2% resulting Group earning per share NPR 41.01 which is 6.6% increase than last year.

FPO for Investment in Projects

Recently, the company has raised fund NPR 2,044.6 million by issuing further public offering of 4,081,000 shares at the premium price NPR 501 per share. The fund raised through FPO will be utilized for meeting fund requirement of the Company on 37.6 MW Kabeli-A Hydroelectric Project, 30 MW Nyadi Hydropower Project and other projects.

FINANCIAL HIGHLIGHTS

(in million NPR unless specified)

Particulars	FY 2073-74	FY 2072-73 (Restated)	% Change
Electricity sale to NEA	478.9	460.3	4.0%
Electricity sale and services to consumers	183.9	135.2	36.0%
Generation Expense	282.9	252.3	12.1%
Distribution Expense	97.3	90.5	7.5%
Gross profit	282.6	252.8	11.8%
Other income including dividend received	589.8	556.4	6.0%
Administrative and other expenses	121.5	114.9	5.7%
Profit before interest and taxes	750.9	694.3	8.1%
Net profit after tax	668.0	619.4	7.8%
Investment in other companies	2447.4	2213.4	10.6%
Earnings per share (in NPR)	37.02	34.57	7.1%
Net worth (Equity)	4,392	3,977	10.4%

THE GROUP CONSOLIDATED FINANCIAL STATUS FOR THE YEAR IS AS UNDER:

(in million NPR unless specified)

PARTICULARS	FY 2073-74	FY 2072-73 (Restated)	% Change
Revenue	1452.9	1282.1	13.3%
Cost of sales	1016.3	847.6	19.9%
Gross Profit	436.6	434.5	0.5%
Profit before interest and taxes	907.1	833.2	8.9%
Profit after tax	790.9	724.3	9.2%
Profit attributable to owners of parent	*740.1*	*689.3*	*7.4%*
Profit attributable to non-controlling interest	*50.8*	*35.0*	*45.1%*
Earning Per Share	41.01	38.47	6.6%
Net worth (Equity)	4856.6	4328.6	12.2%

Operations

GENERATION BUSINESS

The Company owns and operates 12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant. Both plants operated satisfactorily and generated 136.73 GWh, which is 2.83% (3.76 GWh) higher than the previous year. Out of total generation, the Company sold 71.94% energy to Nepal Electricity Authority and supplied about 25.70% energy to the distribution business of the Company.

Andhikhola Power Plant generated 68.49 GWh in the plant factor of 83.18%, which is an increment of 7.93% (5.03GWh) than previous year. Out of total available energy, 38.63 GWh (55.07%) was supplied to NEA including 3.17 GWh with free of cost as compensation to the Kaligandaki Hydropower Project. The sale of energy to NEA and the distribution business of the Company stands respectively 38.63 GWh (55.07%) and 29.86 GWh (42.56%).

Jhimruk Power Plant generated 68.23 GWh energy with a decrease of 1.81% (1.26 GWh) as compared to previous year's generation of 69.50 GWh. The decrease in generation was due to floods in wet months and low discharge in dry months. Out of total available energy, 63.03 GWh (88.57%) was supplied to NEA and 6.45 GWh (9%) was supplied to the distribution business of the Company.

Heavy flood in the Jhimruk river in the month of Shrawan 2073 caused major damage to under-sluice way and other structures of headwork and gabion structures. The damaged structures were repaired for smooth operation of plant. The high silt content in the water of Jhimruk River during monsoon season remained the major factor for severe erosion of turbine parts and reduction of generation. Likewise, low discharge in the rivers was also the reason for low generation in this Fiscal Year. Overhauling of all turbine parts which include runners, guide vanes, side covers, sealing rings, shaft seals and others were carried out. The preventive maintenance was also carried out as per the schedule. Various mitigation works were carried out to optimize the use of water for irrigation and increase the generation. River training works was also carried out for protection of project area and farmers' land.

Distribution Business

This year 30.651 GWh was sold to retail customers compared to 31.278 GWh in previous year. The total sale has decreased by 2% compared to previous year. Out of 30.65 GWh sold to retail customers, 24.74 GWh (80.71%) was sold to metered consumers, 0.38 GWh (1.24%) to unmetered consumers, and 2.68 GWh (8.75%) to industrial consumers and 2.85 GWh (9.29%) to other consumers. The system loss accounted 15.42%, which was 17.38% in previous year.

The consumption pattern shows that there has been a slight diversion in sale of energy to industrial consumers and reduction in energy sale to cutouts consumers than the previous year. The reason is conversion of cutout consumers into the metered consumer. Decrease in sale of energy to industrial consumers is the result of division of industrial consumers to other consumer types due to implementation of new tariff structure. There was no load shedding in the distribution area of the Company.

By the end of the fiscal year 2073/74, the total consumer base of the Company has reached to 51,366 in the four hilly districts with addition of 2764 new consumers in the network, which stands an increase of 6% compared to previous year.

After 20 years of long duration, Electricity Tariff Fixation Commission has restructured the tariff rates for the customers of Andhikhola Distribution Centre with effect from Shrawan 1, 2073. The new tariff rates are still cheaper by 36% than the tariff rates implemented by the government undertaking that distributes the electricity across the country. With the implementation of new tariff rates, the revenue from the distribution business has increased by 36%, which has helped the Company to narrow down the loss from the distribution business.

Subsidiary and Associates of the Company

Himal Power Limited (HPL) owns and operates the 60 MW Khimti Hydropower Projects, which began commercial operation on July 5, 2000. It registered a net profit after tax of NPR 3.2 billion in the FY 2073/74, which was NPR 2.8 billion in previous year. The Company received NPR 548.7 million as dividend in FY 2073/74 from HPL, which was NPR 528.5 million in previous year. The net worth of HPL as on July 15, 2017 was NPR 6.7 billion.

Hydro-Consult Engineering Ltd. (HCE) is an engineering consulting company, specialized in hydropower, irrigation and infrastructure projects, and also provides Environment & Social Impact Assessment Study services. In F/Y 2073/74, the company posted revenue of NPR 119.6 million from its business, which was NPR 105.5 million in previous year. The net profit after tax is reported at NPR 12.8 million with 17.5% decrease compared to previous year's net profit of NPR 15.5 million. The Company received NPR 2.3 million cash dividend and NPR 2.3 million bonus shares from HCE in F/Y 2073/074. The net worth of HCE as on July 15, 2017 was NPR 79.7 million.

Nepal Hydro & Electric Ltd. (NHE), established in 1985, manufactures and refurbishes hydro-mechanical equipment and is the leader in repairs of electromechanical equipment in Nepal. The

THE COMPANY'S INVESTMENT PORTFOLIO IS AS UNDER AS ON END OF ASHAD 2074:

Investment in Subsidiary Companies	No. of share	Amount at cost (NPR)
Nepal Hydro & Electric Limited	715,800	71,580,000
Khudi Hydropower Limited	504,000	50,400,000
Khudi Hydropower Limited (Preference Share)	576,000	57,600,000
BPC Services Limited	100,000	10,000,000
Nyadi Hydropower Limited	4,666,560	466,656,000
Hydro-Consult Engineering Limited	117,785	11,778,500
Convertible loan to Nyadi Hydropower Limited	-	19,444,000
Investment in Associate Companies		
Gurans Energy Limited	1,888,500	188,850,000
Kabeli Energy Limited	2,966,860	296,686,000
Convertible loan to Gurans Energy Limited	-	143,133,600
Convertible loan to Kabeli Energy Limited	-	1,260,044
Total Investment at cost	**11,535,505**	**1,317,388,144**

Other Investments at fair value	No. of Shares	Amount at fair value (NPR)
Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)	2,978,502	1,130,717,624
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	8,974,314
Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)	6,395	639,500
Total Other Investment at Fair Value	**2,994,897**	**1,140,331,438**

other product range includes HV sub-stations, transmission towers, poles and heavy steel structures like bridges. NHE recorded a turnover of NPR 574.7 million and registered a net profit of NPR 98.4 million (including profit transferred from JV Projects NPR 89.8 million) in the FY 2073/74, which was NPR 72.9 million in previous year (including profit from JV NPR 19 million). The net worth of NHE as on July 15, 2017 was NPR 363 million.

Khudi Hydropower Ltd. (KHL) owns and operates the 4 MW Khudi Hydropower Plant which was come into the commercial operation since FY 2063/64. KHL earned the revenue of NPR 93.6 million during the fiscal year with an increment of 14.5% than previous year. It registered a net profit after tax of NPR 27.9 million in the FY 2073-74, which was NPR 18.8 million in previous year. The net worth of KHL as on July 15, 2017 is NPR 201.6 million.

Hydro Lab Pvt. Ltd. (HLPL) was established in 1998 as a step towards solving river engineering problems posed by the Himalaya's and Himalayan Rivers. The hydraulic and sediment laboratory at HLPL are equipped with state of the art facilities, and the company has accumulated extensive experiences in hydraulic river model studies including hydraulic structures and sediment analysis. HLPL posted the turnover of NPR 29.8 million in the FY 2073/74 which was NPR 14.7 million last year. The net profit stands at NPR 6.3 million against NPR 0.8 million last year. The net worth of HLPL as on July 15, 2017 is NPR 86.9 million.

BPC Services Ltd. (BPCSL), a wholly owned subsidiary of the Company established in 2006, is a pioneer in providing Operation and Maintenance Management services of power plant, distribution and transmission system in Nepal. BPCSL is also providing competent technical expertise to the companies involved in hydropower development. BPCSL earned the net profit of NPR 0.6 million in the FY 2073/74. The net worth of BPCSL as on July 15, 2017 stands at NPR 13.88 million.

Kabeli Energy Limited (KEL), is developing 37.6 MW Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis as per the Project Development Agreement concluded with the Government of Nepal. The project is expected to generate 205 GWh energy annually. The Company holds 26% shares in KEL and 28% indirect holding through Gurans Energy Limited, a JV investment company for development of Kabeli Project. The Company has invested NPR 296.7 million in KEL in equity shares. The capital work in progress of the project stands NPR 789.2 million at the end of fiscal year 2073/74. The project had gone under construction after the celebration of Ground Breaking Ceremony of the project on March 23, 2017. EPC contractor from China has mobilized at site with temporary camps and has already constructed 330m of tunnel from intake area and currently diverting the river for foundation construction of the dam during this dry season. The construction works at surge shaft area and headrace tunnel outlet is ongoing at full swing.

Nyadi Hydropower Limited (NHL), a special purpose vehicle established with the majority stake of the Company, has been developing 30 MW Nyadi Hydropower Project. The project has obtained the Electricity Generation License for 35 years on 2069/11/03 and signed Power Purchase Agreement (PPA) on 2072.02.12. The contractor had been mobilized on site after celebration of Ground Breaking Ceremony on March 23, 2017 and Project construction at site started with construction camps, access

"Kabeli Energy Limited (KEL), is developing 37.6 MW Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis as per the Project Development Agreement concluded with the Government of Nepal. The project is expected to generate 205 GWh energy annually."

Inauguration of Joint Venture Company for Cooperation in Hydropower Development in Nepal.

road, explosive management, tunnel excavation etc. The total non-current asset/capital work in progress of the project stands NPR 721.4 million at the end of fiscal year 2073/74. The construction progress at site has been satisfactory with almost one third of the main tunnel being already excavated and preparation for penstock pipe is underway. The diversion tunnel at headworks has also started.

Gurans Energy Limited (GEL), a joint venture company with InfraCo Asia, has been established for the purpose of acquisition, development, financing, construction, ownership and operation of hydroelectric power projects and other infrastructure projects in Nepal. Infra-co Asia holds the majority shares in the company with 60%, and BPC holds 40%. GEL holds 69% shares in Kabeli Energy Limited. GEL recorded a net loss of NPR 4.0 million in the FY 2073/74. The net worth of GEL as on July 15, 2017 is NPR 805.4 million, which includes accumulated loss of NPR 24.5 million till date.

NEW PROJECTS

Lower Manang Marsyangdi Hydroelectric Project (LMMHEP) 140 MW is located in the southern part of Manang district. The studies of LMMHEP: feasibility study, geo-technical investigation, environmental impact study (EIA) and hydraulic model study have been completed. Ministry of Population and Environment has approved the EIA Report on 2070/12/07 (BS). The process of obtaining the generation license is at the advance stage and the DoED has published a public notice for the purpose of issuing generation license of this project to the Company. Further, the process for concluding PPA has been expedited.

The energy generated from this project will be evacuated through the proposed 220 kV Marsyangdi corridor transmission to be developed by NEA. The Company has invested NPR 161.9 million in this project as capital work in progress as on end of the fiscal year 2073/74. The equity partners to develop this project has been finalized.

Chinokhola Small Hydropower Project is located near the headworks of LMMHEP. The feasibility study has been completed and the installed capacity of the project has been optimized at 8.5 MW. The MoE has acknowledged the optimized installed capacity of the project through issuing an amendment in the survey license of the project. The consent has been received from Ministry of Forest for EIA study on Shrawan 11, 2073. The Scoping and ToR for EIA

Project site overview of Lower Manang Marsyangdi Hydropower Project 140MW.

has been approved from Ministry of Population and Environment on Shrawan 19, 2074 whereas, EIA study is ongoing and detail design of the project is carried out by the consultant. It is planned to develop this project with a view to provide the construction power to LMMHEP and to sell the energy to NEA. BPC has invested NPR 13.4 million in this project as capital work in progress as on end of the F/Y 2073/74.

New Initiatives

This year, we expanded our business relationship with Chinese partners in a joint venture co-operation for development of new hydro-power projects. The joint venture between BPC, Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) is starting with LMMP, which will be followed by a number of other ventures in different projects in the near future.

The survey license of 160 MW Mugu Karnali Hydroelectric Project has been received from Ministry of Energy. The feasibility study of this project has been started through Hydro Consult Engineering Co. Ltd.

Management

The management of the Company is led by Mr. Uttar Kumar Shrestha, the CEO having long experience in electric utility sector in Nepal.

Human Resource

The number of employees counts 206 male and 23 female totaling 229 employees at the end of the FY 2073/74. The optimization of human resources base of the Company has been taken as the continue process.

End of FY	Total employees	Regular	Contract
2073/74	229	212	17
2072/73	241	212	29

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

Board of Directors

There were few changes in the Board of Directors. The GoN nominated Mr. Chiranjibi Chataut in the Board of Directors of the Company with effect from 2073.10.23 BS in place of Mr. Shyam Kishore Yadav. Mr. Yadav served from 2071.05.31 to 2073.10.22. The Board of Directors of the Company will be restructured to ensure representation of general public shareholders after further public offering of shares. A separate special resolution has been submitted in the AGM for restructuring of Board of Directors.

BOARD COMMITTEES

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

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

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

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

The details of shareholding pattern, Board structure and Board committees of the Company and their members are disclosed in the Corporate Governance Report.

SHAREHOLDING STRUCTURE OF THE COMPANY

There was no change in shareholding structure of the Company. A total of 3,108 shareholders were maintained at the end of F/Y 2073/074. After FPO, new 84,804 shareholders have been added. This has changed the shareholding structure of the Company with 29.10% shareholdings of general public shareholder in the Company.

Corporate Governance

BPC is committed for the good corporate governance. We strive to keep the trust of our stakeholders by being ethical, honest and transparent in the continuing pursuit of our vision, mission and values. We produce corporate governance report every year being transparent on our Board's activities and its performance, internal control system and risk management. The corporate value framework document is in place which includes vision, mission, core values, business principles and policies, code of corporate

governance, code of conduct and ethics, and guidelines. This framework applies to everyone in the company, from employees to members of the board of directors. The fundamentals of this framework is to strive to exercise the highest standards of ethics and conduct in our personal and business relations with ensuring compliance to legal framework, fairness, integrity, honesty and environmental impacts and the interests of the stakeholders. The reports as required by the prevalent laws have been submitted to the regulatory bodies on time. The Corporate Governance Report has been disclosed in the Annual Report of the Company separately.

Health, Safety and Environment

BPC is recertified with ISO 9001:2008 (Quality Management Systems); ISO 14001:2004 (Environment Management Systems) and ISO 18001:2007 (Occupational Health, Safety and Security) on May 23 2017. OHSAS system created awareness and assisted in managing occupational health, safety and security issues throughout the organization. These have been integrated and implemented as part of its overall business operations, system and procedures of the Company. The medical and accidental insurance policies of all employees have been maintained. Internal and external audits on management systems were carried out for continual improvement. The safe working environment has been ensured, with all safety measures in place. The Company has plan to adopt new ISO standards 9001:2015 (quality) and ISO14001:2015 (environment) in place of existing standards 9001:2008 and 14001:2004.

Industrial and Business Relations of the Company

The Company is engaged with its stakeholders and always committed to enhance relationships through participating seminars, trainings, meetings and involvement in philanthropic activities. The company is an institutional member of the Federation of Nepalese Chamber of Commerce and Industries (FNCCI), Independent Power Producers' Association Nepal (IPPAN), Nepal Hydropower Association (NHA), Confederation of Nepalese Industries (CNI), International Center for Hydropower (ICH) Norway, Energy Development Council (EDC) and Nepal Tunneling Association (NTA) of Nepal. The Company has established partnership with international agencies such as IFC, World Bank, Ministry of Foreign Affairs (Norway), Infra-Co Asia (Singapore) at different area of business relationship in development of hydropower projects. The Company has further establish

partnership with three renowned Chinese companies viz. Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC). These companies have proven track record in the sector of hydropower development in China.

Enterprise Risk Management

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

Internal Control and Accountability

The periodic internal and external ISO audits are carried out for continual improvement and implementation of the management systems. Also, the internal audits are being carried out periodically by an independent auditor for assessment of the internal control and risk management of the company. The recommendations of the internal auditor and the decisions of the Audit Committee have been implemented by the Management satisfactorily.

M/s PL Shrestha & Co., Chartered Accountants, performed the internal audit of the Company in FY 2073/74.

Statutory Audit

M/s BRS Neupane & Co., Chartered Accountants, audited the books and accounts of the Company for FY 2073/74. The auditor has issued an unqualified report on financial statements of the Company.

Shareholders' Suggestions and Communication

The suggestions from shareholders have been taken at the right earnest and implemented based on merit and business interest of the Company. All means of communication are being used by publication of quarterly reports, abridged reports, annual report, AGM minutes, which were uploaded in the web page of the Company for information to the shareholders. The Company encourages and welcomes suggestions from shareholders for continual improvement. There is no case of share forfeiture and share buyback during the year.

Related Party Transactions

The Company conducts transactions with subsidiaries at arm's length, as per the best industry practices. All major transactions, which the Company undertook with its subsidiaries and associated companies, are disclosed in notes to the financial statements for the FY 2073/74.

Award and Recognitions

The Company has recently received Frost & Sullivan – 2017 Nepal Market Leadership Award in Hydropower on March 15, 2018. The Company has also been awarded with the Best Presented Annual Report Award, 2016 by the Institute of Chartered Accountants of Nepal (ICAN) for excellence in the presentation of its annual report. The Company has been awarded merit certificate by South Asian Federation of Accountants (SAFA) under the manufacturing category for improved transparency, accountability and governance for 2015.

Business Environment and Investment Climate

Nepal is trying to manage power supply from domestic sources and importing from neighboring country to end load shedding that has been continuing since many years. In order to make the nation self-reliant in electricity, GoN through fiscal budget 2074/75 has planned to generate 10,000 Megawatt electricity within next ten years through "Brighter Nepal Campaign" under "Nepalko Pani Jantako Lagani" program. In order to accelerate the development of hydropower and to facilitate the power purchase agreement, the GoN have come up with new PPA rate guidelines for ROR, PROR, and Storage Projects. Additionally, to make the friendly investment climate for FDIs, GoN has introduced the PPA rate in US dollar for projects above 100 MW.

The other attraction for development of hydropower is the early completion incentive for hydropower projects from GoN with the income tax holiday for the first 10 years and thereafter 50 per cent waiver for the next five years, if the projects are commissioned within 2022/23 AD. In addition, the projects are also eligible for financial support of NRs 5 million per MW if commissioned by 2022-23 AD. The commissioning dates of Nyadi and Kabeli-A Hydroelectric Projects are targeted as to take such incentives.

Dividend

The Company has adopted stable dividend policy. Considering the dividend policy and future plans of the Company to develop hydropower projects, the Board has proposed to the 25th Annual General Meeting to distribute cash dividend to the shareholders at the rate of 20% of paid up capital of the Company, from the net profit for F/Y 2073/74.

The Year Ahead

The year ahead is going to be an exciting and challenging to the Company. The construction works of Kabeli-A Hydroelectric Project and Nyadi Hydropower Projects will continue at their pace. The preparatory works for Lower Manang Marsyangdi HEP and ChinoKhola Small HP will be expedited. The feasibility study works of 160MW Mugu Karnali Hydroelectric Project will start. Materialization of the goal to start the construction of 1000 MW in five years in joint venture with Chinese partners will be expedited. Some progress has been achieved to this direction. The running plants, distribution business and investments in different companies will be managed efficiently.

“Materialization of the goal to start the construction of 1000 MW in five years in joint venture with Chinese partners will be expedited. The running plants, distribution business and investments in different companies will be managed efficiently.”

Acknowledgement

We are grateful to the Government of Nepal, Nepal Electricity Authority, Foreign partners, clients, contractors, vendors, suppliers, associate organizations, bankers, auditors, and others institutions and individuals who have contributed, supported and provided assistance directly or indirectly towards the betterment of the company in the F/Y 2073/74.

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

Thanking you.

On behalf of the Board of Directors

Padma Jyoti
Chairman
Date: 22 May 2018

CEO'S PERSPECTIVE

Nepal is hardly managing a power shortage that, it is feared, will get worse if we do not start working to enhance our capacity for energy generation and building transmission line networks. Hydropower, as a clean and renewable source of energy, is the right solution for our country, with its advantages of topography and resource availability.

The development of hydropower projects will help the country to be self-reliant in energy for meeting the energy need of the people and development of other infrastructures, industries and businesses. The neighboring markets may also be tapped to sale the excess energy, for which interest have been shown from time to time.

The bank and financial institutions of the country have been more supportive to provide finance to hydropower projects development through local consortium as well as consortium with internal financing institutions. The role of bank and financial institutions may be instrumental for bringing the capital from the foreign bank and financial institutions as well as international financial institutions through enhancing their knowledge, experience and expertise in project financing. We can hope that the bank and financial institutions come up with different instruments for financing hydropower development in future to realize: 'Nepal's water, source of national development'.

BPC is committed to support the GoN target to generate 10 thousands Megawatt electricity within ten years. The government undertaking NEA has fixed the tariffs to off take electricity generated from RoR projects as well as reservoir and peaking run off the river projects. As a result, private developers like BPC are encouraged to invest in reservoir and peaking projects even for bigger capacity. As a new provision in PPA, the dry energy period has also been increased from four months to six months so that the overall price of RoR projects has been increased. NEA's policy to conclude PPA in US dollar for the projects bigger than 100 MW for which investment is made in foreign currency has open access to bring FDI in the bigger projects. NEA has already implemented a guideline for PPA of up to 100 MW.

The GoN's effort to provide incentives for the early completion of hydropower projects, if commissioned within 2022/23 has invigorated IPPs to expedite project construction earlier. The overall environment in hydro sector seems improving now.

Looking at the overall business performance of BPC, two running power plants (12 MW Jhimruk Power Plant and 9.4 MW Andhikhola Power Plant) have been in full operation with the increase in generating electricity by 2.83% in F/Y 2073/074. The consumer base of distribution business has increased by 6%. Two projects: 37.6MW Kabeli A Hydroelectric Project and 30MW Nyadi Hydropower Project, developed by BPC as majority equity investor, have undergone full-fledge construction. BPC is in advance stage of obtaining generation license of 140MW Lower Manang Marsyangdi Hydroelectric Project (LMMHEP). EIA study and detail design of 8.5MW Chinokhola Small Hydropower Project is ongoing. BPC has recently obtained survey license of 160 MW Mugu Karnali Hydropower Project.

BPC will make every effort to develop more hydropower projects. This year, we have been able to form a Joint Venture Company with three Chinese companies from Sichuan province namely Sichuan Investment Group Ltd., Chengdu Xingcheng Investment Group Co. Ltd. and Sichuan Qingyuan Engineering Consulting Co. Ltd.

BPC has prepared IFRS complied financial statements from the year 2017 and Group consolidated financial statements as well. BPC has earned net profit of NPR 668 million this year with an increase of 8% as compared to last year. Similarly, group consolidated profit is NPR 791 million with an increase of 9.2%. BPC has a portfolio investment of NPR 2447 million in subsidiaries and associated companies.

With the well-coordinated effort of Team BPC, the company not only managed to generate improved financial results, but also succeeded in achieving some key milestones for different projects under development.

BPC holds competent human resources and adopts effective business practices. Through the extensive use of established processes, scrutinized and amended policies and practices we have been able to operate our business in a sustainable manner. Providing quality services, conservation of environment, and maintaining occupational health and safety has always been a priority for BPC.

The Company continued to be awarded with the Best Presented Annual Report Award, 2016 by ICAN which is recognized by certificate of merit from South Asian Federation of Accountants (SAFA). The company has also achieved the Best Managed Hydropower Company award, 2016 by Nepal Business Age.

With the well-coordinated effort of Team BPC, the company not only managed to generate improved financial results, but also succeeded in achieving some key milestones for different projects under development. We believe Team BPC has been motivated by the positive outcomes, will continue their sincere efforts to generate better outputs and to maintain a sustainable return for all stakeholders.

Uttar Kumar Shrestha
Chief Executive Officer

CORPORATE **GOVERNANCE**

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

Corporate Value Framework

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

Share Ownership Structure

The share ownership structure of the Company remained unchanged in F/Y 2073/074.

Group	Shareholder	% Holding
A	Government of Nepal	9.09%.
	United Mission to Nepal	1.67%
	NIDC Development Bank Ltd.	0.06%
	Nepal Electricity Authority	1.06%
B	Shangri-La Energy Limited	68.95%
	IKN Nepal AS	1.94%
	Individual	4.11%
C	General Public (including Employees)	13.12%
	Total	**100%**

Board of Directors and Board Committees

BOARD OF DIRECTORS

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

CHAIRMAN AND CHIEF EXECUTIVE

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

RESPONSIBILITIES OF THE BOARD

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

BOARD COMPOSITION

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

NAME	POSITION	GROUP	REPRESENTING
Mr. Padma Jyoti	Chairman	B	SEL
Mr. Pradeep Kumar Shrestha	Director	B	SEL
Mr. Rajib Rajbhandari	Director	B	SEL
Mr. Bijaya Krishna Shrestha	Director	B	SEL
Mr. Om Prakash Shrestha	Director	B	SEL
*Mr. Shyam Kishor Yadav	Director	A	GoN
*Mr. Chiranjeewee Chataut	Director	A	GoN
Mr. Chandi Prasad Shrestha	Director	C	Public Shareholders
Mr. Divakar Vaidya	Director	-	Independent
Mr. Bijay Bahadur Shrestha	Alt. Director	B	SEL
Mr. Sanjib Rajbhandari	Alt. Director	B	SEL

Note:

* GoN nominated Mr. Chiranjeewee Chataut in place of Mr. Shyam Kishor Yadav from February 05, 2017. Mr Shyam Kishor Yadav represented GoN as Director from September 16, 2014 to February 04, 2017.

of their individual and collective responsibilities towards the Shareholders.

The board has the following specific functions:

- To enhance shareholders value.
- To ensure compliance with the code of conducts, ethical standard and legal requirements;
- To review, monitor and approve major financial and corporate strategies;
- To review, monitor and approve financial results and new business investments;
- To ensure that mechanisms are in place for maintaining the integrity of the business;
- To ensure an adequate framework for risk assessment and management;
- To provide counsel for development of top management team;
- To delegate appropriate authority to the CEO that it can manage business operations effectively and efficiently.

BOARD MEETINGS

The Board had adopted an annual meeting calendar on Ashadh 27, 2073 for F/Y 2073/074. A total of thirteen meetings were held during the year. The Directors were communicated the notice, agenda and agenda materials of the Board meeting well ahead of the meetings to ensure the adequate and active discussion on the agenda before arriving at resolutions. The longest gap between meetings was 67 days and the shortest was 12 days. The attendance for the Board meetings was as follows:

NAME	DESIGNATION	MEETINGS ATTENDED	REMARK
Mr. Padma Jyoti	Chairperson	13	
Mr. Pradeep Kumar Shrestha	Director	11	
Mr. Bijaya Krishna Shrestha	Director	12	
Mr. Rajib Rajbhandari	Director	09	
Mr. Om Prakash Shrestha	Director	09	
Mr. Shyam Kishor Yadav	Director	03	Till Feb 04, 2017
Mr. Chiranjeewee Chataut	Director	06	From Feb 05,2017
Mr. Chandi Prasad Shrestha	Director	13	
Mr. Divakar Vaidya	Director	12	
Mr. Bijay Bahadur Shrestha	Alt. Director	7	
Mr. Hari Bahadur Budhathoki	Company Secretary	13	

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

FEE AND ALLOWANCES OF DIRECTORS

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

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

Board Committees

AUDIT COMMITTEE

The Audit Committee was established in November 29, 2005 (Mangsir 14, 2062). This committee was restructured on December 20, 2015 (Poush 05, 2072).The Audit Committee consists of three Directors as under:

NAME	POSITION
Mr. Chandi Prasad Shrestha	Chairman
Mr. Bijaya Krishna Shrestha	Member
Mr. Divakar Vaidya	Member

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

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

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

BUDGET & FINANCE COMMITTEE

The Budget and Finance Committee was set up on June 8, 2014 (Jestha 25, 2071) and restructured on December 20, 2015 (Poush 05, 2072). Mr. Rajib Rajbhandari and Mr. Bijay Bahadur Shrestha were the members. This committee was further restructured on October 16, 2016 (Kartik 1, 2073). At present, the committee consists of two Directors as under:

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

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

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

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

Operation and Maintenance Committee

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

Name	Position
Mr. Divakar Vaidya	Convenor
* Mr. Chiranjeewee Chataut	Member
Mr. Om Prakash Shrestha	Member

* Mr. Shyam Kishor Yadav has served as member till February 04, 2017.

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

Relation's with Shareholders

The 24th annual general meeting of shareholders was held on December 23, 2016. A total of 146 shareholders representing 84.23% shares attended the general meeting and seven shareholders actively participated in the discussion. With appreciation for distributing cash dividend, the suggestions offered by the shareholders were mainly to further the operational excellence, disclosure of the progress achieved in the projects and subsidiaries, and expansion of the business of the company. The suggestions of the shareholders have been taken at the right earnest commensurate with the need of business operations of the Company, which are reviewed, analysed and implemented on merits in the business interest of the company.

Communication with Stakeholders

The shareholders were communicated of the notice of 24th annual general meeting and annual report of the company through newspaper and book posts, which were uploaded in the website of the company for ready information to the shareholders. Further, the minutes of meeting of the general meeting were published in the newspaper for information to the stakeholders. The quarterly financial reports of the company were published in the newspaper for information to the stakeholders. The notice, report and other information communicated to the stakeholders through different means were uploaded in the web page of the company for their ready reference.

Share Registrar

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

Dividend Distribution

The 24th Annual General Meeting had approved for distribution of 20% cash dividend from the net profit of F/Y 2072/073 and 7 % bonus share. The approval of the Ministry of Finance received via Ministry of Energy for distribution of dividend to the shareholders excluding UMN was received on Magh 25, 2073 pursuant to the Section 182 (2) of the Company Act, 2063; and accordingly, the distribution of dividend was started on Magh 26, 2073. The general public shareholders were notified through public notice requesting them to collect their dividend of the F/Y 2072/073. The dividend was distributed to the shareholders under Group A and Group B from head office of the Company and to the shareholders under Group C through Share Registrar, NMB Capital Limited. The process of registration of 7% of bonus share in Securities of Board of Nepal approved on 2073-12-10 and got listed on Nepal Stock Exchange Limited on 2074-01-05 and thereafter transferred them to the concerned shareholders DEMAT account by the issue manager M/S NMB Capital.

Transparency and Disclosures

BPC believes in transparency of its business operations and makes disclosures as required.

Reporting to Regulators

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

Risk Management

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

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

Internal Control and Accountability

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

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

According to the Internal and External audit reports, there were no material breakdown in internal controls; the controls are adequate for the financial records to be relied upon. The Company has kept proper books of accounts as required by law and internationally adopted standard and therefore give a true and fair view, in all material respects the financial position of the Company as at Asadh 31, 2074 and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and comply with Companies Act 2063.

Management

Business operations and management of the company is managed by the management team under the leadership of CEO Mr. Uttar Kumar Shrestha, from last three and half years. The management improved performance during the FY 2073/74 with fulfillment of major tasks as per the vision, mission and values of the Company under the strategic guidance of the Board of Directors and Board Committees.

Management Review

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

The risk management committee is formed for ensuring ongoing process of identifying, evaluating and managing significant risks. The potential risks, both internal and external, faced by the company and actions taken for mitigating such risk also reported in the annual report.

The company's workplace practices, social, environment and ethical aspects and issues are reported by the management in CSR, Health, and Safety and Environment report. The company strives to protect shareholder value and provide consistent return utilizing its resources in a sustainable way. The Sustainability report on economic, social and environment performance also gives further details in the annual report.

The company's workplace practices, social, environment and ethical aspects and issues are reported by the management in CSR, Health, Safety and Environment report. The company strives to protect shareholder value and provide consistent return utilizing its resources in a sustainable way. The Sustainability report on economic, social and environment performance also gives further details in the annual report.

Shareholding of Board of Directors in BPC

S. NO.	NAME	DESIGNATION	NO. OF SHARES HELD
1	Mr. Padma Jyoti	Chairman	124104
2	Mr. Pradeep Kumar Shrestha	Director	124104
3	Mr. Rajib Rajbhandari	Director	64100
4.	Mr. Bijaya Krishna Shrestha	Director	124320
5	Mr. Om Prakash Shrestha	Director	None
6	Mr. Chiranjeewee Chataut	Director	None
7	Mr. Chandi Prasad Shrestha	Director	314
8	Mr. Divakar Vaidya	Director	None
9	Mr. Bijay Bahadur Shrestha	Alt. Director	117766
10	Mr. Sanjib Rajbhandari	Alt. Director	62051

BPC's representation in its Subsidiaries and Associate Companies

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

COMPANY	BPC SHAREHOLDING IN %	NAME	POSITION IN BOARD
BPC Services Ltd.	100%	Mr. Uttar Kumar Shrestha Mr. Prakash Kumar Shrestha Mr. Radheshyam Shrestha Mr. Pratik Man Singh Pradhan	Chairman Director Director Alt. Director
Himal Power Limited	16.88%	Mr. Sanjib Rajbhandari Mr. Bijaya Krishna Shrestha	Director Alt. Director
Hydro Consult Engineering Limited	80%	Mr. Uttar Kumar Shrestha Mr. Pratik Man Singh Pradhan Mr. Radheshyam Shrestha Mr. Ratna Sambhava Shakya	Chairman Director Director Alt. Director
Hydro Lab Pvt. Ltd.	16.64%	Mr. Pratik Man Singh Pradhan	Director
Kabeli Energy Ltd.	26%	Mr. Pradeep Kumar Shrestha Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Chairman Director Alt. Director
Khudi Hydropower Ltd.	60%	Mr. Bijaya Krishna Shrestha Mr. Om Prakash Shrestha Mr. Uttar Kumar Shrestha Mr. Radheshyam Shrestha	Chairman Director Director Alt. Director
Nepal Hydro & Electric Ltd.	51.3%	Mr. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha	Chairman Director
Nyadi Hydropower Limited	97.2%	Mr. Rajib Rajbhandari Mr. Pradeep Kumar Shrestha Mr. Om Prakash Shrestha Mr. Padma Jyoti Mr. Uttar Kumar Shrestha	Chairman Director Director Alt. Director Alt. Director
Gurans Energy Limited	40%	Mr. Bijay Bahadur Shrestha Mr. Uttar Kumar Shrestha	Chairman Director

Top Management and Senior Executives

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

SENIOR EXECUTIVES

S. NO.	NAME	DESIGNATION
1	Mr. Uttar Kumar Shrestha	CEO
2	Mr. Pratik Man Singh Pradhan	VP- Business Development and Project
3	Mr. Radheshyam Shrestha	VP – Finance
4	Mr. Tikaram Bhatta	VP- Corporate
5	Mr. Prakash Kumar Shrestha	Head –Operations
6	Mr. Ratna Sambhava Shakya	Chief Manager – Finance
7	Mr. Ganesh Prasad Khanal	Sr. Manager, Business Development and Project

Brief Resume of the Board Members and Disclosures

Mr. Padma Jyoti, 71

CHAIRPERSON

- M.E. in Mechanical Engineering from IIT Kanpur, India and MBA from Sloan School of Management, Massachusetts Institute of Technology, USA
- More than 15 years of experience in hydropower along with 46 years of experience in industries and business operations.

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

Pradeep Kumar Shrestha, 57

DIRECTOR

- MBA from Tribhuvan University, Kathmandu, Nepal.
- More than15 years of experience in hydropower along with 33 years of experience in industries and business operations

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

Rajib Rajbhandari, 60

DIRECTOR

- B. Com. (Honours) from Bombay University, India.
- More than 15 years of experience in hydropower along with 28 years of experience in industry, commerce and financial sectors.

- Proprietor, Mercantile Traders
- Director, Hits Nepal Pvt. Ltd.
- Director, Nyadi Hydropower Limited
- Director, Mercantile Investment Pvt. Ltd
- Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Director, R.R.B. Investment Pvt. Ltd.
- Senate Member, Kathmandu University
- Director, Shangri-La Energy Limited.
- Director, Index Furniture Nepal Pvt. Ltd.

Bijaya Krishna Shrestha, 69

DIRECTOR

- Electrical Engineer and MBA graduate from Southern Illinois University, USA.
- More than 10 years of experience in hydropower along with 37 years of experience in the banking, insurance, computer, and electronic sector

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

Om Prakash Shrestha, 58

DIRECTOR

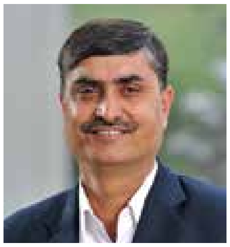
- Bachelor's in Civil Engineering from Punjab University, Chandigarh, India
- More than 7 years of experience in hydropower along with 30 years of experience in the field of construction management and trading

- Director, Arniko Nirman Co
- Director, Interworld Trading

Chandi Prasad Shrestha, 63

DIRECTOR

- MBA and MA in Political Science from Tribhuvan University, Nepal
- Former Secretary of the Government of Nepal with more than 29 years of experience in economy, finance, industry and commerce sector



Mr. Chiranjeewee Chataut, 49

DIRECTOR

- M Tech graduate in Water Resources Development, IIT from Roorkee, India
- Joint Secretary, Ministry of Energy, GoN.
- More than 22 years of experience in the power sector of Nepal

- Joint Secretary at the Ministry of Energy, GoN.
- Director, Vidyhut Utpadan Company Limited

Divakar Vaidya, 66

INDEPENDENT DIRECTOR

- M.Sc. graduate in Electrical Engineering from Byelorussian Polytechnic Institute, Minsk (former USSR)
- More than 34 years of experience in power sector

Bijay Bahadur Shrestha, 62

ALTERNATE DIRECTOR

- MBA graduate from Delhi University, India.
- More than15 years of experience in hydropower along with 32 years of experience in the export sector and more than 17 years of experience in the capital market, banking, financial and insurance sectors.

- Director, Soaltee Hotel Ltd.
- Director, Shangrila Energy Limited
- Director, Snowlion Carpets Pvt. Ltd.

Sanjib Rajbhandari, 58

ALTERNATE DIRECTOR

- Graduate from Mumbai University, India
- 29 years of experience in IT sector

- Chairman, Mercantile Office Systems Pvt. Ltd
- Chairman, Mercantile Communications Pvt. Ltd
- Director, Pumori Agro Forestry Industries Pvt. Ltd.
- Chairman, Resonance Nepal Pvt. Ltd.
- Chairman, Silverlining Pvt. Ltd.
- Director, Hits Nepal Pvt Ltd.
- Chairman, M Nepal Pvt Ltd.
- Director, Serving Minds Pvt Ltd.
- Chairman, Flexiterm Pvt Ltd.

MANAGEMENT DISCUSSION **AND ANALYSIS**

Business Environment

Since last year, with the great effort of NEA leadership, Nepal is trying to manage power from internal sources and importing from neighboring country to end load shedding that continued since last many years. National demand for electricity is growing by around 60 to 70 MW annually which is a great opportunity to the hydropower developers like BPC. India and Bangladesh are power hungry neighbors; there is ample scope for export of electricity. Various sectors of the national economy like agriculture, industry, transport, tourism, health or service etc. need energy. Rising price, shortage and pollution generating fossil fuels demand for development of sustainable source for clean energy like hydropower. Nepal's large perennial rivers with favorable geographical conditions for generation of power are ample opportunities for investment in hydropower development.

As Nepal's new constitution has been implemented, the overall business environment and investment climate is expected to be improved for the coming years. The new constitution will ensure peace and security to the developers and clarify the right of resources. In order to make the nation self-reliant in electricity, GoN through fiscal budget 2074/75 has planned to generate additional 17 thousand Megawatt electricity within seven years through" Brighter Nepal Campaign" under "Nepalko Pani Jantako Lagani" program. Dependency over petroleum product will be reduced through the necessary production and distribution of electricity to meet the demand of household and industrial sector, replacing cooking gas, and using electric transport. Government's commitment to formulate and implement necessary procedures to attract private sector for the construction of transmission line under public-private partnership is expected to taking up transmission line projects by private sectors. The Dhalkebar- Muzaffarpur 400 kV transmission line is in testing and commissioning stage and has been used to import power from India. The construction of other 400 kV cross border lines will facilitate to import and export of electricity and attract private developers to go for large hydropower projects. Hydropower development has been lucrative financing opportunity to banks and financial institutions and Nepalese banks have already started to venture in bigger hydro projects.

Because of the improving investment friendly environment, international financial institutions and banks (IFIs) and investors are also showing interest for investing in Nepal's hydropower.

Nepal Electricity Authority (NEA) has already fixed the tariff for the electricity to be generated from reservoir and peaking run off the river projects. From this, the developers are encouraged to invest in reservoir and peaking projects. For new PPA, the dry energy period has been increased from four months to six months so that the overall price of RoR projects has been increased. NEA's policy to conclude PPA in US dollar for the projects bigger than 100 MW for which investment is made in foreign currency has open access to bring FDI in the bigger projects. NEA has already developed a guideline for PPA of up to 100 MW, which has eliminated the confusions regarding the PPA with NEA to this extent.

GoN to provide incentive for the early completion of hydropower projects with the income tax holiday for the first 10 years and 50 per cent discount thereafter for the next five years, if the projects are commissioned till 2022-23. In addition, the projects will also be provided financial support of NRs 50 Lakhs per MW if commissioned by 2022-23 and an additional 10 percent of such grant to those power producers who generate and connect the generated electricity to national grid within FY 2017/18. Under construction Nyadi and Kabeli- A Hydroelectric Projects are expected to get these exemptions and grants. Lower Manang Marsyangdi HEP, Chino Khola Project and other new projects taking up by BPC will also get such incentives if construction could be completed before 2022/23.

Stakeholders engagement is key for smooth construction of hydropower projects and to complete within the scheduled timeline.

Financial Performance

NFRS COMPLIANT FINANCIAL STATEMENTS

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

Financial Result

BPC's net profit concluded at NPR 668 million this year with an increment of 7.8% from last year. Company's revenue increased by 11.3% reaching total turnover NPR 662.9 million. The gross profit stands at NPR 282.6 million with an increment of 11.8%. The main reason for this increase was attributed mainly to the tariff increment in distribution areas. The 6.2% increase in Other income (including dividend income) resulting income NPR 581.8 million in comparison to last year NPR 547.7 million. Similarly, 5.7% increase in the administrative overhead from NPR 114.9 million to NPR 121.5 million resulting 8.2% increment in the profit from operation NPR 750.9 million which was NPR 694.3 million last year. The net of tax profit stands at NPR 668 million which is 7.8% increase than the previous year's restated profit NPR 619.4 million.

The Earning per share stands at NPR 37.02, and increase of 7.1% and the net worth of the Company stands at NPR 4342 million, an increase of 10.4% compared to last year. Additional investment in shares (unlisted companies) is NPR 234 million with an increment by 9.6%. The equity has been raised by issuing 7% stock dividend and an auction of 188930 nos of unsubscribed right share.

Net Financial Assets

Gross Capital investment in shares and projects was NPR 2,447.4 million as on FY 2073-74 as compared to NPR 2,213.4 million in FY 2072-73. The investment was made mainly in Himal Power Limited (60 MW), Nyadi (30 MW) and Kabeli project (37.6 MW) and LMMP (100MW).

Intangible Assets

The tenure of the Service Concession Arrangement (license from GoN) of 9.4 MW Andhikhola and 12 MW Jhimruk Hydro Power Plant for generation, transmission and distribution shall be ended on Chaitra 2101 B.S. and Chaitra 2102 B.S. respectively. The total assets to this effect NPR 1961.7 million has been treated as intangible assets as a leasehold property and amortized accordingly.

Group Consolidated Financial Statement

BPC has made an investment in various strategic units to empower its skill and service offerings. BPC has majority share in NHE, Khudi, HCEL and BPCSL From this fiscal year. All group companies have prepared IFRS/NFRS compliant financial statements and Group consolidated financial statement is prepared in accordance with the provision of Company Act 2063 and NFRS. Consolidated turnover stands at NPR 1452 million which is 13.3% increment to last fiscal year. Gross profit shows NPR 436.6 million with an increment of 0.5% and profit from operation is NPR 907.1 million with an increment of 8.9%. Similarly, net profit for the year concluded at NPR 790.9 million with an increment of 9.2%. Group earning per share stands at NPR. 41.01 per share and net worth is NPR 4856.6 million. The book value per share is NPR. 268.23.

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

Further Public Issue of Shares

The company, as per its scheduled investment plan for the development of Nyadi Hydropower Project and Kabeli-A Project including joint venture investment in Gurans Energy Limited, is in need of huge fund sufficient to meet its equity investment. BPC has exercised the option of FPO for raising fund to meet the investment requirement of the Company, through issuance of 4,081,000 new shares of Rs. 100 to the general public at premium rate of NPR 501 per share through further public offering (FPO). This has increased additional capital base of the company by Rs. 2,044,581,000 including equity share. The total no. of public shareholders increased by 84,810 after issue of FPO.

Contribution towards National Economy

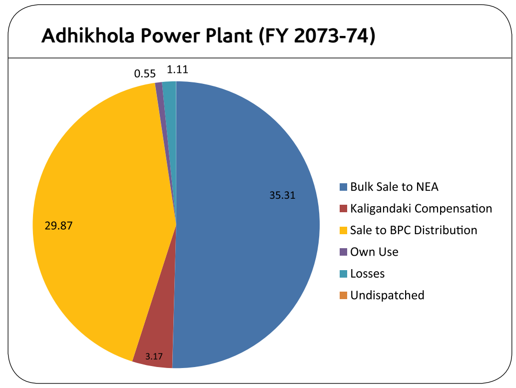
The hydropower development has been considered as one of the major factors of economic development of a country. Nepal has vast water resources and favourable conditions for generation of hydroelectricity for internal use and as export commodity. Despite of immense hydropower generation potential, the total generation of hydro- electricity in our country is currently limited to only 919 MW, which is 2.2% of its feasible potential of 42000 MW. BPC has been operating its two power plants and investing in 60 MW Khimti and 4 MW Khudi with total of 34 MW as equity. Its contribution in national hydropower is 3.7% in terms of MW and in terms of energy it is more than 5% of total generated by NEA and IPPs in Nepal. It is around 7.7% contribution as compared with the contribution of IPP generated MW only. Out of total served energy in the country around 33% has been imported from India in 2073/74. In terms of number of customers BPC serves more than 1.5% of them directly connected through own distribution system in four districts of western Nepal.

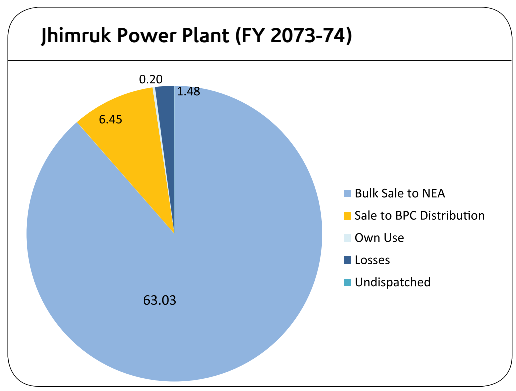
Generation Business

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

During the fiscal year 2073/74, total generation was 136.73 GWh. About 71.94 % of total available energy was supplied to NEA and 25.70 % to BPC distribution.

Andhikhola Power Plant generated 68.49 GWh with plant factor of 83.18%, an increase of





7.93 % (5.03GWh) over the last year. Out of total available energy, 38.63 GWh (55.07%) was supplied to NEA including Kaligandaki compensation 3.17 GWh, and 29.86 GWh (42.56%) was sold to BPC Distribution.

Jhimruk Power Plant generated 68.23 GWh with plant factor of 64.91 %, a decrease of 1.81 % (1.26 GWh) over the last year. Out of total available energy, 63.03 GWh (88.57 %) was supplied to NEA and 6.45 GWh (9 %) was sold to BPC Distribution.

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

Future Prospects

It is planned to generate 71.46 GWh from Jhimruk plant assuming that NEA will take the additional energy throughout the year and 71.62GWh from Andhikhola plant. Additionally, NEA is being pursued for excess energy off take. The generation plan is based on Average River Discharge of both plants and estimated outages. It has been planned to modify the cooling system of Andhikhola plant.

Repair and overhauling of all turbine parts eroded by silt of Jhimruk plant will be carried out. Repair and maintenance of Andhikhola Plant will be carried out as per the maintenance procedure of new plant. The major maintenance of Jhimruk Plant has been planned in Jestha to Bhadra, so that the efficiency of the turbine can be gained for rest of the period in that year in order to maximize the generation.

Distribution Business

During the fiscal year 2073/74, the total energy purchased was 36.32 GWh which is about 4% less than that of last fiscal year. Decrease in purchase can be attributed to tariff revision in FY 2073/74 which caused a 7% decrease in household consumption (7% decrease in consumption per household compared to last year for EDC Galyang and that for EDC Darimchour was 6%).

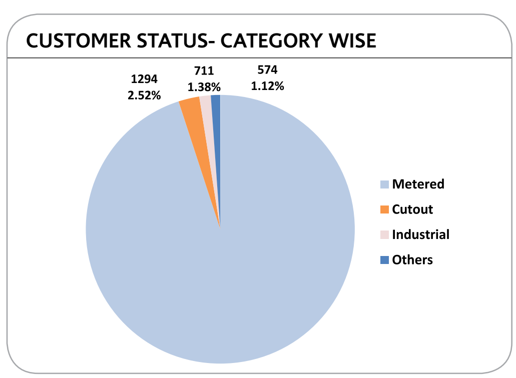
This year 30.65 GWh energy was sold to retail customers and 0.067 GWh was consumed in the staff quarters and distribution offices. The total sale has decreased by 2 % compared to last year due to the tariff revision.

Out of 30.65 GWh sold to retail customers, 24.74 GWh (80.71%) was sold to metered consumers, 0.38 GWh (1.24%) to unmetered consumers, 2.68 GWh (8.75%) to industrial consumers and 2.85 GWh (9.29%) to other consumers . Compared to last year's energy consumption pattern, there has been a decrease in sale of energy to industrial consumers as a result of division of industrial consumers to others consumers' types due to implementation of new tariff structure and reduction in energy sale to cutouts due to planned cutout conversion. Further, increase in tariff also caused significant reduction in domestic metered consumers' consumption. A comparison of energy sale to different categories of customers for last FY 2072/73 and this fiscal year 2073/74 is as follows.

Repair of under sluice-way in Jhimruk hydropower plant.

Category	Energy Sale (GWh)		Sale (%)	
	2072/73	2073/74	2072/73	2073/74
Cutout	0.458	0.381	1.46	1.24
Domestic-Meter	27.108	24.74	86.66	80.71
Industry	3.714	2.682	11.87	8.75
Others	-	2.849		9.29
Total	**31.28**	**30.65**	**100**	**100**

There has a marked increase in the revenue generated this fiscal year compared to last year due to tariff revision last year. Total revenue (billed amount) this year was 184.22 million rupees, an increase of 37% compared to last year. Out of which 21.38 million rupees (11.60%) was from industry, 18.14 million rupees (9.84%) from others consumers, 143.44 million rupees (77.86%) from metered consumers and 1.27 million rupees (0.69%) from unmetered consumers. Though the energy sale has decreased by 2%, revenue generation has increased by 37% from that of last year. For EDC Galyang, there has been a decrease in sales of energy by 2% and the



revenue has grown by 45%. On the other side for EDC Darimchour, energy sale has increased by 6% and revenue growth increased by 14%. Revenue generated from consumer service (fee charges and fines and penalty) last year was 3 million.

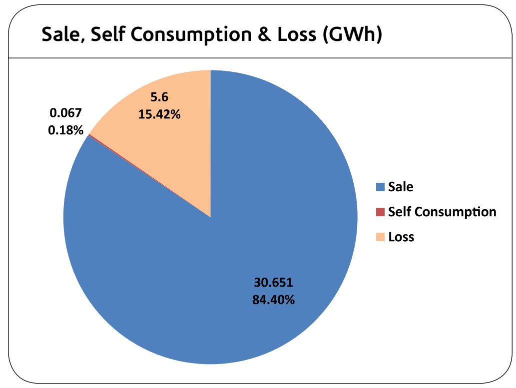
The total energy loss this year was 5.60 GWh, almost 15.42% of the total purchase whereas the loss last year was 17.38%. The decrease in system loss as compared to last year is mainly due implementation renovation activities carried out over the years which include upgrading of 33 kV Syangja Line, conversion of 1 kV into 11 kV and other renovation activities like upgrading of overloading transformer and addition of more load centers carried out on regular basis over the past few years. Also planned cross-checks of meter reading and replacement of old dysfunctional meters have contributed in loss reduction.

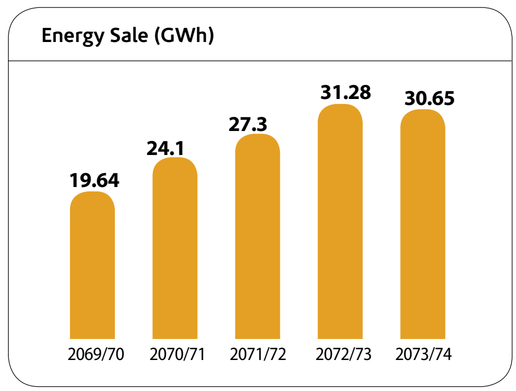
Further, loss minimization has been a focus of the management particularly for the past several years and firm efforts have been made to identify system loss and minimize it. For this purpose, complete metering in network was initiated in the last fiscal year and will be continued in the coming fiscal year as well which will help to prioritize high loss areas for suitable means of reducing the loss in such areas.

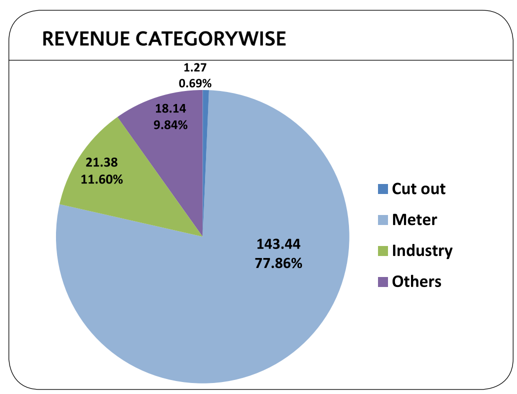
By the end of the fiscal year 2073/74, total of 51,366 customers have been electrified in the four districts marking an increase of 6% compared to last year. The consumer addition was mostly in old network and network expansion done in the fiscal year FY 2072/73. The addition of consumers last year was only 2,764 which is less than the targeted figure of 4,155 as this year network expansion was delayed due to delay in delivery of construction material to the site. The consumers have been categorized into three types and their status is as given below.

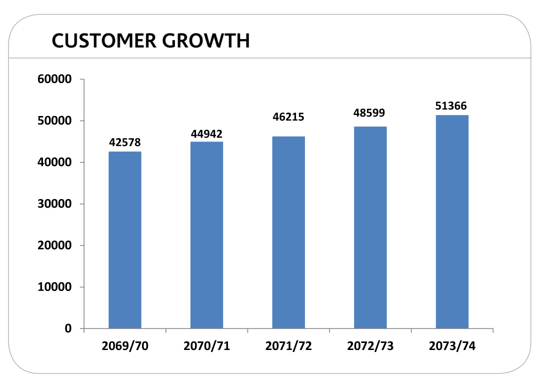
This year 2,764 new consumers were connected, out of which 2,645 were domestic metered consumers, 1 was cutout consumer, 61 were industrial consumers and 57 were other consumers.

In addition to this, conversion of cutout consumers into meter was also sought. A total of 260 cutouts were converted into meter.Necessary









system expansion for consumer addition was made possible through installation of 9 new transformers of 11 kV & 33 kV increasing the installed capacity from 12,350 kVA to 13,400 kVA. Additional 18.91 km (ckt-km) 33 kV network and 248.48 km (ckt-km) low voltage line was also constructed this year.

Reliability Indices

In this year, the average service availability index in the distribution system was 96.6% which is 1% incrment to the previous year. Likewise reliability indices has also improved.

Customer relations

Distribution Business is committed towards its customers for delivering quality service. Hence, feedbacks from customers are collected on a regular basis and grievances are appeased as per commitment. This year average respond time per complain was within the time period specified in the citizen charter. The total UOs this year is 114.

Distribution Tariff has been revised after almost 20 years which will reduce the distribution losses partially. This is the result of endless effort made by the Management as the approval of electricity tariff falls under the authority of Electricity Tariff Fixation Commission, a Regulatory Body of the Government of Nepal.

Future Prospects

As a part of system expansion, total 3,039 new consumers out of which 58 industrial and 76 other consumers are planned for addition in the following year (FY 74/75) by construction of 36.6 Km 33 kV and 222.5 km of low voltage lines and addition of 15 nos. of 33 kV & 11 kV transformers.

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

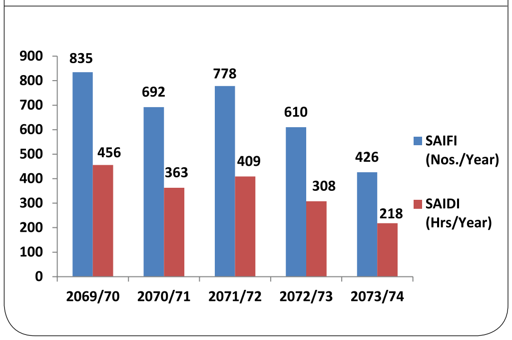
In the coming year, BPC also plans to install energy meters in distribution transformers of all the remaining feeders for loss monitoring. As a part of energy management for distribution, alternate energy sources will be explored particularly solar energy.

Project Development

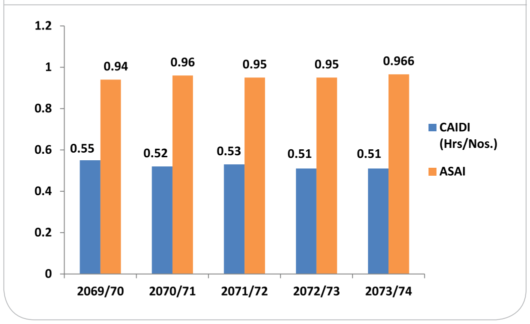
Kabeli Energy Limited (KEL), a SPV with BPC has executed the Project Development Agreement (PDA) with Government of Nepal on 31 January 2010 for the development of the 37.6 MW Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis. Subsequently the PDA was amended on July 3, 2013.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

Kabeli-A Hydroelectric Project (KAHEP) is a Peaking Run-Of-River (PROR) type project with a peaking reservoir constructed by damming Kabeli River. The water from the reservoir will be diverted through a 4.5 km long tunnel into a Power House located on the left bank of Tamor River generating 37.6 MW. The generated power will be evacuated through 132kV Kabeli Corridor Transmission line from the switchyard located at Power house of the project.

RELIABILITY INDICES



RELIABILITY INDICES



The 132 kV Kabeli Corridor transmission line has been separately funded by the World Bank and is under construction. The project is expected to have significant development impacts and will help relieve the dire electricity shortage through providing clean power to the eastern part of Nepal.

The Kabeli A Hydroelectric project is being developed by Kabeli Energy Limited which is jointly formed by BPC and Gurans Energy Limited (GEL). Gurans Energy Limited is an investment company jointly promoted by BPC and InfraCo Asia Development Pte Ltd.

The total capitalized cost of the project will be US$ 100 million. Majority of equity will be hold by Butwal Power Company Ltd. BPC will have 55.6% ownership in Kabeli Energy Limited (KEL) with 26% direct holding and the remaining through Gurans Energy Limited, a JV investment company.

In the debt part US$ 78.6 million will be available from WB and IFC. Loan Agreement between GoN and WB has been signed and US$ 40 million loan available from WB will be channelized to Kabeli-A project through HIDCL. Kabeli Energy Limited has already signed the Loan Agreement of US$ 38.6 Million with International Finance Corporation (IFC) on July 15 2014. A subsidiary loan agreement between GoN and HIDCL and Kabeli Energy Limited and HIDCL has also been signed to disburse the 40 million US$ of IDA loan to the project. The financial closure completed after the signing of subsidiary loan agreement with HIDCL on March 17, 2016.

Power Purchase Agreement (PPA) of Kabeli-A Hydroelectric Project has been signed with Nepal Electricity Authority (NEA) on September 24, 2015. On land acquisition part, 7.68 Hectares (90% of the total required private land) of private land for the construction of Kabeli-A has been purchased. For leasing government land (1.316 Hectares Permanent and 21.780 Hectares Temporary) and forest clearance, government approval has been accorded on March 2, 2016.

Contract for Civil and Hydro-mechanical works has been signed on October 12, 2015. The Owner's Engineer has been appointed on September 16, 2015. Contract Signed for Electromechanical works on September 7, 2016. LNTP Agreement for Civil and Hydro-mechanical Works has been signed on September 8, 2016. Civil and Hydromechanical Contractor has already been mobilized to the Site for LNTP works. The contracts agreements of the major works have been signed. The Chinese contractor had been mobilized on site after celebration of Ground Breaking Ceremony on March 23, 2017 and Project construction at site started with construction camps, access road, explosive management, tunnel excavation etc.

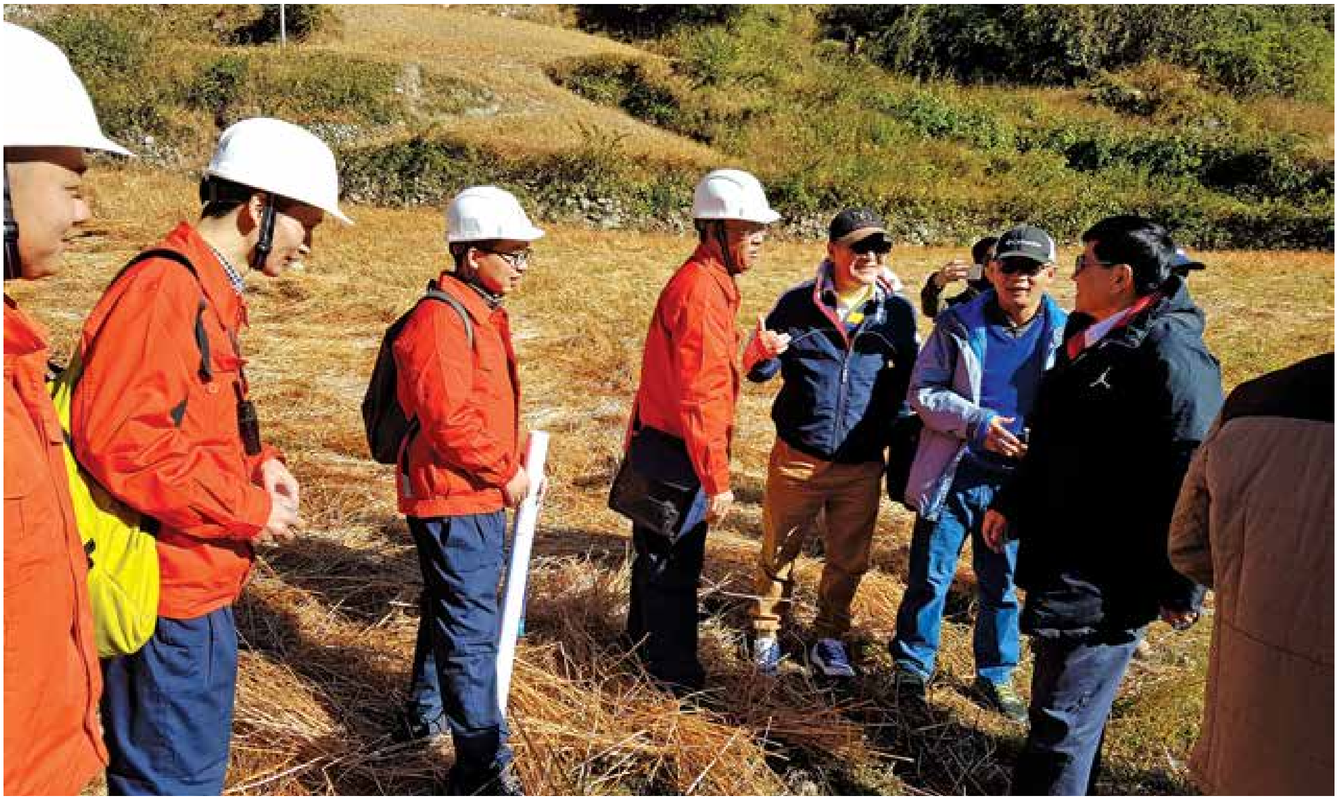
Track opening for 24 km of access road to the project has been completed and upgradation works is ongoing. Bunker construction for explosive storage has also been completed at Phidim Nepal Army Barrack. Tree cutting at the site is completed. Access tunnel excavation work has started and 400m tunnel excavation is completed. Temporary Contractor camps and facilities at headworks and power house sites have been completed.

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

The project has received generation license for 35 years on 2069/11/03. The Power Purchase Agreement (PPA) has already been signed with Nepal Electricity Authority (NEA) on 2072/02/12. Facility Agreement with Consortium of Banks has been signed on Magh 20, 2072 for providing NRs 440 crores of loans to the project. Everest Bank Limited is the lead bank of the Consortium banks.

Nyadi Hydropower Limited has selected Hydro Consult Engineering Limited as the Consultant (Owner's Engineer) for the complete works of Nyadi Hydropower Project and entered into a Contract Agreement on April 07, 2016.

Contract Agreement has been signed with EPC contractor for Civil, Hydro-mechanical and E/M works. Most of the private land required for the project construction has already been purchased and Cabinet has approved the leasing of government land and forest clearance. Access road is being upgraded continuously at Surge shaft area and Naiche adit area. They have used tunnel muck to upgrade the access road. Opening of track from Naiche adit towards Headworks has



Chinese delegates making site visit to Lower Manang Marsyangdi Project.

been started and about 1235m track for access road has been opened until now. The access road up to powerhouse site is already on operation.

The IEE study for the Nyadi Hydropower Project was completed and approved from the Ministry of Energy on 2068/05/21. EIA study of 7 km long transmission line has already been approved by Ministry of Population and Environment (MoPE). Most of the land required for the project has already been purchased. The contract for the government land lease from the MoPE has been signed including the approval of tree cutting on 2072/12/03 (March 16, 2016).

The Chinese contractor has been mobilized at site and started works on construction camps, access road, explosive management, tunnel excavation etc. Project construction at site has been started with Ground Breaking Ceremony celebrated on 23rd March 2017. As of September end 2017, the contractor has completed excavation of 415 m of headrace tunnel out of total 3953 m. The contractor has completed excavation of 42 m long ventilation tunnel and 122 m long adit 2. Likewise, more than 60% of surge shaft excavation has also been completed.

The access road up to powerhouse site including bridge over Marsyangdi River constructed by NHL is already in operation. The construction of the access road to the Surge shaft has also been completed and works going on to head toward the headworks. Inter-connection will be made to the 220kV Marsyangdi Corridor trunk line planned by NEA at Tarikuna Substation, 7 km from the Power House site of Nyadi Hydropower Project.

Lower Manang Marsyangdi Hydropower Project (LMMHP), Butwal Power Company Ltd received a survey license of the project in 2009. Feasibility study and the geotechnical investigation of the project have been completed. The feasibility, EIA and designs have been reviewed by international consultants. The hydraulic modeling has been carried out by Hydro Lab. EIA Study has also been approved from the Ministry of Population & Environment on 2070/12/07.

The project is located in the southern part of Manang district. The project lies along Beshisahar-Chame road. Track opening of this road has been completed and the motorable track now is operational with continuous improvement and upgradation.

The project capacity has been re-optimized at 40 percentile flow and fixed at 104 MW to meet the requirement of NEA guideline for the PPA. Accordingly, an application for PPA together with the required documents has been submitted to NEA on 2070/09/12. The project was optimized at 140 MW with a view to sell energy to cross border market. However, because of the uncertainty of timely completion of construction of cross border transmission lines and power purchase agreements with the Indian Buyers, the capacity of the project has been fixed at 104 MW to conclude PPA with NEA as per the available guideline with NEA. BPC has already invested about US$ 1.6 million in the project.

After the letter of intent for PPA issued from NEA, the process of issuing generation license is moving ahead at DOED. PPA process has been started at NEA and process of Grid Impact Study is being initiated for connection agreement.

The proposed 220 kV Marsyangdi corridor transmission line will evacuate power from this project. The loan agreement with European Investment Bank has been concluded by NEA for this part of transmission line. The EIA of this transmission line is in approval process. The 220 kV Manang hub location has been finalized at Ghalanchowk village of Nashong Rural Municipality in Manang District. The land acquisition for the hub construction has been completed by NEA.

The project development modality is being worked out and equity partners have been explored. The potential partners have visited the project site for project assessment.

Chino Khola Small Hydropower Project (CKSHP), survey license was awarded to BPC by DoED/MoE on March 3, 2015. A consulting agreement with HCEL was signed to carry out feasibility study, EIA and Detail design of Chino Khola SHP. The feasibility study has been completed and the project capacity has now been fixed at 8.5 MW at 40% flow exceedance. Accordingly, the survey license has been amended by DOED. For the EIA study, the consent has been received from Ministry of Forest on Shrawan 11, 2073. The project will be developed for the generation of construction power for LMMHEP and connected in INPS together with LMMHEP. The scoping and ToR for EIA has been approved by Ministry of Population and Environment (MOPE) on Shrawan 19, 2074. Accordingly, the EIA study is ongoing. The detail design is also being carried out by the consultant.

New Initiatives

Butwal Power Company Limited (BPC) created a historic moment in the field of hydropower by partnering with three major Chinese companies for Hydropower Development in Nepal on 22 November, 2017 at an event held in Soaltee Crowne Plaza, Kathmandu. The joint venture between BPC, Sichuan Provincial Investment Group Co. Ltd (SCIG), Chengdu Xingcheng Investment Group Co. Ltd. (CXIG) and Qing Yuan Engineering Consulting Co. Ltd. (QYEC) is starting with Lower Manang Marsyangdi Hydroelectric Project located in the high Himalayan area of Gandaki zone in western Nepal with 104 MW hydropower, which, will be followed by a number of other ventures in the near future. The joint venture aims to develop at least 1,000 MW in next five years with investment of US$ 2 Billion.

The three JV partners from China are very large and successful companies based in Sichuan Province in Western China. Like Nepal Sichuan is rich in hydropower and it has successfully developed it to the fullest, generating over 75,000 MW. Out of this the JV partner State owned SCIG, a major company in hydropower has developed and owns 37,000 MW.

CXIG is a very large State owned company with investments in many sectors. They have played a big role in developing Chengdu city, owning large assets in the city. QYEC is the class A Engineering and Consultancy company in private sector in China. They also own hydropower plants in Sichuan. Recently, Dr. Liu Guoqiang, the chairman of Sichuan Provincial Investment Group (SCIG) visited BPC and its projects with eighteen high level members from three partner companies – SCIG, CXIG and QYEC China to launch our new partnership.

This new partnership between BPC Nepal and SCIG, CXIG and QYEC of China combines the

Joint venture agreement signing ceremony with Chinese Partners.

strengths of our companies sharing a common belief in professionalism, mutual trust and long term relations. This launch of new joint co-operation is the first step in a long and successful journey together in hydropower sector in Nepal.

BPC, has also identified Lower Nyadi (10.5 MW), Ghandruk Modi (111 MW) and Mugu Karnali (125 MW) from the government basket. After screening of projects, BPC reviewed the projects, prepared desk study reports and submitted applications to DOED for survey license. BPC has now withdrawn application for survey license of 111 MW Ghandruk Modi. The discussions ongoing with the promoters of Hydroelectric Projects located in Marsyangdi and Karnali corridors to acquire the project by BPC and potential partners for which the review of technical documents and site visits ongoing.

Corporate Overview

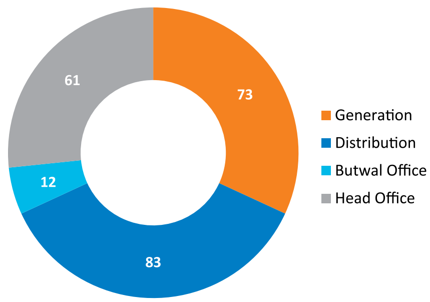
HUMAN RESOURCE

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

BPC's total employees at the end of the year were 229. The competency of employees made a strong foundation of the Company to grow on. The management of BPC gives a high priority for enhancement of employees' skill and knowledge. Employees' suggestions and grievances are handled to ensure a smooth operation of business throughout the Company. This also helps in maintaining and improving the industrial relations within the Company. 13 different events including trainings, workshops and seminars, were attended and participated during FY 2073/74.

As the existing collective bargaining agreement made for five years expired last year, the company management has signed new collective bargaining agreement with employee's union

Unitwise Employees Status



addressing the employee related concerns for a period of two year which helped to enhance the industrial peace further.

General Administration

The assets of the company are adequately insured for FY 2074/75 against operational risks i.e. covering fire and allied perils business machine, transit money, fidelity and burglary, revenue risk (covering loss of profit) and third party liability including materials damage. New IMS and AMS software have been implemented in all BPC site offices.

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

The construction of eight storey new head office building is completed and fully occupied. Ground, first, fourth, fifth and seventh floors of the building have been rented to BPC's subsidiary companies and outside parties. Second, third and sixth floor are being used occupied by BPC. Special events of the year 2073 was celebrated on the occasion of Golden Jubilee on completion of BPC's 50 years as well as ground breaking ceremony of Kabeli-A Hydroelectric Project (37.6 MW) located in Panchthar District and Nyadi Hyhdropower Project (30 MW) located in Lamjung district. The ceremony was organized at Hotel Soaltee Crown Plaza on 12 Chaitra, 2073 (March 25, 2017) in the presence of then Minister of Energy Mr. Janardan Sharma as Chief Guest.

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

A data center is established to house computer systems and associated components, such as telecommunications and storage systems. It generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression) and various security devices. Implementation of Virtualization to minimize the numbers of physical servers, power consumption, cost and reliability, security, less heat build-up, faster redeploy, easier backups, better disaster recovery.

Optical fiber is laid out to connect the site offices i.e. Butwal, Galyang, Walling and Jhimruk with Head Office, Kathmandu. There is VPN connection among the site offices to transfer the data, share the internet bandwidth and intranet software applications securely. EPABX systems are installed in all the site offices and Head Office for inter-com facility. With this facility, communication becomes fast and reliable in minimal cost.

Internal website i.e. Intranet is developed to share the information within the organization. In Intranet, customer feedback survey, online requisition for ICT support, document management etc. is component to make the daily tasks easy and disseminate information in organized, secure way. Procurement Unit procured major Generation and Distribution related materials in fiscal year 2073/74 abiding Procurement Guideline of BPC.

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

BPC has been certified with three ISO standards 9001:2008 Quality Management Systems, ISO14001:2004 Environment Management Systems and ISO 18001:2007 Occupational Health and Safety. BPC is also planning to shift its two standards i.e. ISO standards 9001:2008 Quality Management Systems and ISO14001:2004 Environment Management Systems to ISO standards 9001:2015 and ISO14001:2015 as its change in international market. Internal Audit being the requirement of ISO is a mechanism of continual improvement, means of communication about the result of audit and helps to provide ways to improve on them.

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

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

An IMS (ISO 9001:2008 QMS, 14001:2004 EMS and 18001:2007 OHSAS awareness training /orientation program was conducted in BPC site offices from April 26 to May 5, 2017 to improve the knowledge of BPC Staffs on ISO, EMS and OHSAS, make them understand the basic knowledge on IMS for ISO 9001, 14001 and 18001, gain practical knowledge regarding identification of risk, hazard and how to make safe lives from the emergency situation and make them familiar with occupational related disease and techniques of first aid method and safety management.

Management Review

Management Reviews are held twice a year as a schedule program however, it is also held in between when some important issues demand urgent management attention and action. Management Review Meeting is chaired by CEO with participation of all VPs, SBU heads, Site in-charges and ISO Core Team Members. VP-Corporate has been designated as the Management Representative (MR) of the company. MR ensures that results of QEMS audits (internal and external) are presented and discussed in the meeting along with significant changes that could affect the performance of the product as well as the processes. It is a forum where all key personnel of the company meet to discuss for continual improvement of Integrated Management System and Process of the company. During this year, MRM-17 was conducted on 12th September 2016.

IMS Periodic Audits and Recertification

As per Management System Certification Agreement between DNVGL, India (Certification Body) and BPC, the number of Periodic Audits to be performed during a 3 year audit cycle (May 2014 – May 2017) is 2 audits. In this process, 1st IMS Periodic Audit was successfully conducted on 14-16 December, 2015 at BPC site offices, Andhikhola, Butwal and Corporate Head Office, Kathmandu. Likewise, 2nd IMS Periodic Audit was also conducted on 1st -5th August, 2016 at BPC site offices, Jhimruk, Butwal and its Corporate Head Office, Kathmandu. Likewise, As per Management System Certification Agreement between DNVGL, India and BPC, recertification audit to be performed before the expiry date of ISO certificates. In this process, recertification audit was conducted from 1-9th May 2017 by the DNVGL Auditors. After audit, BPC has been successfully recertified with three ISO standards Management Systems (9001:2008 (Quality), ISO14001:2004 (Environment) and OHSAS 18001:2007 on 23th May 2017. The validation period of OHSAS is till 23 May 2020 and due to the revision version of QMS and EMS, Validation period for the QMS and EMS are until September, 2018.

RISK MANAGEMENT

Risk Management Framework

Risk management is mandatory part of BPC and has become an urgent need to address through a proper mechanism. It includes the risk identification, risk assessment, risk planning and risk monitoring. BPC has been continually assessing and monitoring strategic level risk by Top Management, tactical level risk by SBU level and operating level risk by the operational management level to ensure that they do not adversely affect the organizational objectives. Risk management is based on the principle that risk evaluation is an integral part of all business activities. Consequently, the business areas have the main responsibility for risk management, utilizing established policies and procedures. Their work is coordinated by Functions/SBUs at the corporate level. The Board of Directors regularly reviews and evaluates the overall risk management system and environment within the Company. It is crucial for management of business and growth of BPC.

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

Corporate Risk

Corporate Function regularly assesses the risks. Some of these risks that have been experienced by the Department during office management are a) Difficulty in mplementing new kind of policies and plans in the Company b) Disturbances - strikes, agitation in the Company c) High

Employees turnover and over staffing d) Risk of publishing incomplete/negative news) Risk of creating confusions and misunderstanding by stakeholders g) data loss in the server h) Difficulty in implementation of management system l) Difficulty in implementation of committed CAPAs for raised NC m) Risk of industrial disturbance/instability o) Risk of protest programs from Users Group p) Risks of natural disasters i.e. earthquake, flood, landslide, fire q) Strike/Riots/Protest

All Functions/SBUs regularly assess the risks and have established different policies and mitigation measures to overcome and protect against the adverse effects of these risks in the organization. Comprehensive risk analysis techniques covering financial, economic, social, environmental, and political factors have been established in the company's project management system.

All possible risks have been analyzed and it has prepared a matrix to mitigate those risks. Enterprise Risk Management Manual is prepared to handle and manage the risk. The manual helps to identify, assess, plan and monitoring the hazard and associated risks as well as pro-active actions to eliminate or mitigate these risks. Frequent risk management meeting is held to discuss the risks and its mitigation. Risk register is analyzed and updated once in a year or as and when required.

Risk Reporting

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

Generation Risk

Andhikhola Power house is 250 m down from the control room and no person stay at PH as the plant is on remote mode which can be operated from control room. Due to long vertical distance the problem of signal interference

may be the problem which enforced the plant to be shutdown. The effective management of spare parts has been kept in place for quick maintenance of plant as well as timely preventive maintenance of the plant and grid line has minimized the breakdown time to increase the generation.

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

Distribution Risk

BPC is expanding its distribution area through rural electrification every year since 2047. This year consumer number increased by 6% and energy purchase decreased by 4% compared to that of last year. However, the foremost challenge in operation and expansion of the business is to make it sustainable. Though rural electrification is loss making activity even in operation, the high demand of public for distribution expansion in rural areas still in place and grant from VDCs is also pouring in, thereby increasing loss further. In order to reduce the risk of increased revenue loss, it has been already initiated to revise the existing distribution tariff.

Project Development Risk

BPC through its SPV has two projects Kabeli-A (37.6 MW) and Nyadi (30 MW) under construction and two projects Lower Manang and Chino are under development directly by BPC. BPC has been experiencing challenges and risks in executing these projects. The risks associated with the project development are categorized as technical, socio-political, financial and legal. Technical risks are poor geology, landslides, earthquakes, design changes, lack of expertise, hydrology, etc. Likewise socio-political risks are demands of financial support, work interruptions, labour strike, intimidations, poor performance of contractors/

consultants, road blockade etc. Financial risks are price hike, time and cost overrun, fluctuations of bank interest rates, forex, penalties, energy deficit etc. Legal risks could be delay in government approvals, import of most of materials/equipment from third countries, environmental issues and unnecessary burden custom /duty clearances.

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

Financial Risk

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

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

Investment Risk

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

MANAGEMENT CO-ORDINATION TEAM

From left to right standing:
Mr. Pratik Man Singh Pradhan — *VP- Business Development and Projects*
Mr. Prakash Kumar Shrestha — *Head- Operations*
Mr. Tikaram Bhatta — *VP- Corporate*
Mr. Radheshyam Shrestha — *VP- Finance*
Mr. Ratna Sambhava Shakya — *Chief Manager- Finance*

Sitting:
Mr. Uttar Kumar Shrestha — *CEO*

SHAREHOLDER **INFORMATION**

Share Trading Information

Market response for BPC stock was satisfactory in FY 2073-74 in comparison of overall securities market. Quarterly Key figures related to BPC shares in stock exchange for FY 2073-74 are given below:

Summary of BPC Share Transaction for Financial Year 2073/74

QUARTER	TRADED SHARE (IN THOUSANDS)	TRADED AMOUNT (IN MILLIONS)	NUMBER OF TRADES	HIGH	LOW	CLOSING	AVERAGE PRICE	TRADING DAY
First	358.16	324.75	1238	1030	790	801	907	54
Second	127.40	81.04	547	850	545	560	636	56
Third	293.13	171.00	950	748	464	678	583	56
Fourth	123.30	81.43	508	725	611	620	660	54
Total	**901.99**	**658.22**	**3243**	**1030**	**464**	**620**	**697**	**220**

Shareholding Pattern as on fiscal year ended 31 Ashad 2074

CATEGORY OF SHAREHOLDER	NUMBER OF SHAREHOLDERS	TOTAL NUMBER OF SHARES HELD	SHAREHOLDING AS % TOTAL NO. OF SHARES	AMOUNT (IN NPR)
PROMOTER GROUP				
NEPALI				
Individual (Physical)	3	327	0.00	32,700
(Demat)	7	744,625	4.16	74,462,500
Government (Physical)	1	1,645,899	9.19	164,589,900
SEL/Corporate Bodies (Demat)	1	12,484,065	69.73	1,248,406,500
NEA+NIDC Institutions (Physical)	2	202,105	1.13	20,210,500
FOREIGN				
Corporate Bodies (Demat)	1	350,411	1.96	35,041,100
Institutions (Physical)	1	303,233	1.69	30,323,300
Total	**16**	**15,730,665**	**87.86**	**1,573,066,500**
PUBLIC SHAREHOLDING				
Individuals (Physical)	341	255,878	3.06	25,587,800
(Demat)	2,751	2,131,562	9.08	213,156,200
Total	**3,092**	**2,375,055**	**12.14**	**237,505,500**
TOTAL	**3,108**	**18,105,720**	**100.00**	**1,810,572,000**

CORPORATE SOCIAL **RESPONSIBILITY**

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

Business decisions and operations have been integrated with economic, environmental and social considerations. BPC endeavours to work with stakeholders to foster sustainable development and to promote effective use of natural resources. BPC thrives to make a better future in close cooperation with all people and groups, including stakeholders, employees, customers, shareholders, suppliers, and local

communities. BPC has been doing different activities related to the social and environmental improvement programmes to fulfil its Corporate Social Responsibility (CSR) objectives.

Various Mitigation activities have continuously been carried out at both the plant areas to enhance the Community Relations and Public Interest protection.

In the FY 2073-074, various activities were carried out in Jhimruk Center. River training has been done for the protection of land in Jhimruk and Madi River. Different mitigation program has been conducted through social upliftment program. Also, support was provided for the maintenance of road, aid was provided to various activities of clubs and other social organization. Similarly, at the Andhikhola Center, river training has been done for the protection of land in Dam area, Bhattarai Phant, Lalyang and Chartikhola. Support was provided for construction of Simle road drain canal, irrigation canal of Bhattarai Phant. Financial aid was provided to Galyang Multiple College for scholarship and walling chamber of commerce as well as CDO office. Also, support was provided to AAMA mitigation, various activities of clubs and other social organization.

HEALTH, SAFETY & ENVIRONMENT

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

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

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

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

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

BPC has been recertified with three ISO standards 9001:2008 Quality Management Systems, ISO14001:2004 Environment Management Systems and ISO 18001:2007 Occupational Health and Safety, BPC has been successfully recertified with three ISO standards Management Systems (9001:2008 (Quality), ISO14001:2004 (Environment) and OHSAS 18001:2007 on 23th May 2017. BPC is also planning to shift its two standards i.e. ISO standards 9001:2008 Quality Management Systems and ISO14001:2004 Environment Management Systems to ISO standards 9001:2015 and ISO14001:2015 as its change in international market. Internal Audit being the requirement of ISO is a mechanism of continual improvement, means of communication about the result of audit and helps to provide ways to improve on them.

An IMS (ISO 9001:2008 QMS, 14001:2004 EMS and 18001:2007 OHSAS awareness training / orientation program was conducted in BPC site offices from April 26 to May 5, 2017 to improve the knowledge of BPC Staffs on ISO, EMS and OHSAS, make them understand the basic knowledge on IMS for ISO 9001, 14001 and 18001, gain practical knowledge regarding identification of risk, hazard and how to make safe lives from the emergency situation and make them familiar with occupational related disease and techniques of first aid method and safety management.

SUSTAINABILITY

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

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

BPC is certified with three ISO 9001:2008, ISO 14001:2004 and 18001:2007 standards. This is the good evidence of its administrative values, quality service delivery and its commitments to the social and environment. BPC has been awarded numerous other credentials that reflect its commitments to quality, environment and occupational health and safety-- International Quality Crown (IQC) Award by Business Initiative Directions, Spain, in the Gold Category is also a good example of this. This award was given based on IQC regulations and on the criteria of the QC100 Total Quality Management Model. Similarly, BPC has been awarded with National Best Presented Accounts (BPA) Award – 2016 in the category of General Sector for excellence in the presentation of financial statement and annual report.

Social Responsibility Initiatives

We, BPC are sensitive for the excellent social performance and situation for the peoples of

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

Environmental Relative Initiatives

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

Environmental and Social Obligations

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

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

The project always encouraged to the local people for the project job. About 70% local people are still getting employment opportunity in the Andhi Khola and Jhimruk Hydropower Centres.

Integrated Reporting

BPC is certified with three ISO standards. Quality, Environmental and occupational health and safety management system (QEHMS) is established, implemented and maintained in accordance with the requirements of QMS 9001:2008,EMS 14001:2004 and OHSAS 18001:2007 standards. Its integrated form has been termed integrated management system (IMS). Based on the IMS, organization's reporting system has been developed and it controls quality of reporting system. It also assures for the timely availability of internal and external resources for uninterrupted supply of power to the local consumer and national grid to the complete satisfaction. The continual improvement of IMS is being checked by the internal and external audits. Likewise, the continual improvement of IMS is being ensured in the management review meetings, where the review of the improvement requirements in the company processes.

The organisation's reporting system was developed in context of IMS system. It controls quality of reporting system. The top management takes also a lead and supporting role for the Reviews IMS at various stages and provides guidelines to all process owners wherever necessary. The top management also establishes the Quality and Environmental Policies and Objectives and assuring that these are met with at all levels including external resources. It also assures for the timely availability of internal and external resources for uninterrupted supply of power to consumers and National Grid to the fullest satisfaction. TOP Management ensures the continual improvement of IMS in the Management Review Meetings which conducts six monthly, where the reviews specifically focus on the improvement requirements wherever necessary in the Company processes.

BPC SUBSIDIARIES

Nyadi Hydropower Limited

Nyadi Hydropower Limited, a subsidiary company of BPC has been established as a public limited company and was incorporated to develop the Nyadi Hydropower Project (30MW). The entire project is located in Marshangdi Rural Municipality of Lamjung District of Western Development Region.

The cost of the project is estimated to be NRs. 6,000 million including financial cost. A 25:75 debt-equity structure will be employed for financing this project. Debt arrangement for the Project has been made by the Consortium banks lead by Everest Bank Ltd., Co-lead Global IME Bank Ltd and Nabil Bank Ltd., and other member banks are Himalayan Bank Ltd, Sunrise Bank Ltd, Hydropower Investment and Development Co. Ltd. BPC has 97.22% of shareholding in NHL out of which 25% will be allocated to Public and locals.

NHL completed the purchase of all the private land required for the Project. The contract for the government land lease with the MOF, GON has been signed including the approval of tree cutting for the main works.

A Contract Agreement has been signed with Zhejiang Hydropower Construction & Installation Co. Ltd China for the construction of NHP on EPC Contract for Civil Works and Hydro-mechanical Works (Lot 1) including Electromechanical Works on Jan 16, 2017 after the selection of the contractor in ICB Model. The project shall be completed On April 04, 2020. Hydro-Consult Engineering Limited (HCEL) has been appointed as the Employer's Representative for this project.

The Contractor (ZHCIC) completed the construction of temporary site office and facilities, contractor's camp, Army camp, Bunker house and stringing of 11 kV construction power line and its connection from NEA grid. Track opening of access road up to headwork is also completed. Presently The contractor also completed 1200m of Tunnel excavation including 1000m of Headrace tunnel. The Excavation of Ventilation tunnel and Surge shaft is also completed. The total WIP assets stands at 15th July 2017 NPR 719.5 million.

Nyadi headrace tunnel.

PROJECT FACT SHEET

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

Project Location:

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

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

Installed Capacity: 30 MW

Annual Energy Generation: 168.50 GWh

Design Discharge: 11.02 Cumec at Q40

Gross head: 333.90 m

Head Race Tunnel: 3937 m

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

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

Headworks Site is 5 km further away from Power house.

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

Kabeli Energy Limited

Kabeli energy Limited has been established to execute the 37.6MW Kabeli-A Hydroelectric Project on Build-Own-Operate-Transfer (BOOT) basis. The project is located in Panchthar and Taplejung districts, in the eastern part of Nepal. The project is a daily pondage run-of-river type located between elevations 400 m and 600 m above mean sea level.

Project Development Agreement, with Government of Nepal (GoN), for the development of the project on Build-own-operate-Transfer (BooT) basis was signed in January 2010 and amended in 2013 and is being executed. The updated Feasibility study and IEE of the project has been completed and approved by GoN.

This project utilizes approximately 15 km long loop of Kabeli River formed with Tamor River. The water from Kabeli River is diverted through approximately 4.33 km long tunnel and discharged into Tamor River after power generation.

Limited Notice to Proceed (LNTP) agreement has been signed on September 8, 2016 for the works: Upgrading of access roads, access tunnel and temporary camp which are under progress. The bunker construction and army facilities at site for the storage of necessary explosives for project construction is completed. Tree cutting at the site is completed. Power Purchase Agreement (PPA) has been signed with Nepal Electricity Authority (NEA) on September 24, 2015. The project has purchased all the required private land and for leasing, Cabinet has approved government land (1.316 Hectares Permanent and 21.780 Hectares Temporary) on March 2, 2016. The 1.316 Hectares of land has been compensated to District Forest Office (Panchthar and Taplejung) and leasing process is completed as well.

Contract Signed for Electromechanical works on September 7, 2016. Notice of Readiness has been issued for Civil and Hydro-mechancial works on July 21, 2017. Master Security Agreement, Accounts Agreement, Inter-creditor Agreement have been signed. NIC Asia Bank Limited has been appointed for local transaction banking. 1st disbursement under IDA Loan received from HIDCL on July 12, 2017. The subsidiary loan agreement between Government of Nepal (GoN), Hydroelectricity Investment, and Development Company Limited (HIDCL) and between HIDCL and KEL is signed on March 17, 2016. Lender's Engineer (Fitchner GmBH) and Independent Environment and Social Consultant (IESC) (AECOM India) has been hired as per the World Bank Guidelines.

In the FY 2074-75, KEL plans to expedite project construction works. In addition, the plan is to address the mitigation measures spelled out in approved EMP/SAP.

PROJECT FACT SHEET

Project type: Peaking Run of-river (PRoR)

Project Location: Head Woks site- Headwork's site lies in Dhuseni area of Hiliang 1 Rural Municipality of Panchthar on the left bank and Yangwarak 2 Rural Municipality of Taplejung.

Power House site- lies in Pinase Hiliang 2 Rural Municipality of Panchthar District.

Installed Capacity: 37.6 MW

Annual energy generation: 205.15 GWh

Design discharge: 37.73 m^3/sec at Q40

Gross Head: 116.8 m

Head Race Tunnel: 4327 m

Power Evacuation: Power evacuation from switchyard of KAHEP

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

Headwork's - 8 km from Mechi highway

Powerhouse – 16 km from Mechi highway

Nepal Hydro & Electric Limited

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

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

NHE's major Hydropower project accomplishments are Andhikhola 5.1 MW, Jhimruk 12 MW, Puwakhola 6.2 MW; Khimti-1 60 MW, Modi 14 MW, Chilime 20 MW, Kaligandaki 'A' 144 MW, Khudi 4.2 MW, Middle Marsyangdi 70 MW, 2.4 MW Lower Mai, 5 MW Siuri, 9.6 MW Siprin Hydropower.

In addition to, accomplishment of major EPC high voltage substation contracts (132kV and 66kV) for Nepal Electricity Authority (NEA) are, 30 MVA Chandranigahpur substation, 2x45 MVA Parwanipur substation, 63 MVA Yogikuti substation Butwal, 2 x30MVA Butwal–Kohalpur Substations, 7x 16.6MVA, XLPE Cable laying and GIS at Chapali Substation Augmentation Kathmandu Projects.

The company posted a turnover of NPR 574.5 Million during the FY 2073-74 and registered a net profit before tax about NPR 98.4 Million compared to NPR 72.9 Million in Previous Year. The net worth of NHE as on July 15, 2017 is NPR 363 Million.

NHE in Consortium with CQNEC (Chongqing New Century Electrical Company Limited, China) has been awarded three NEA Projects: Kohalpur-Mahendranagar 132KV 2nd Circuit

Mechanical workshop at NHE Butwal.

Hydro-Consult Engineering Ltd.

Hydro Consult Engineering Limited (HCE) has long experience in consultancy business and plays an important role in providing consulting services in hydropower, water supply, irrigation and other infrastructure development in hydro including due diligence and Environmental studies. Relying on detailed knowledge of the local Himalayan geology, steep river characteristics, construction industry and socio-economic situation and also in design and rehab experience after hydropower projects operations; HCE aims to produce appropriate design and cost effective and workable solutions. HCE gives priority to the use of local skills and technology and protection of the environment introducing indigenous and practical new technologies where appropriate.

HCE has been carrying out consulting and engineering business of Butwal Power Company (BPC) since 1966. In 1986, BPC established BPC Hydro-consult as a firm of planners, engineers, environmentalists, consultants and technical specialists offering a broad range of professional services. In 2009, Engineering Department of BPC was established as an independent legal entity as Hydro Consult Private Limited (HCPL), by acquiring major shares that was being run by People Energy and Environment Development Association (PEEDA). BPC, along with its ongoing consulting business; transferred goodwill, technical data and reports including its library with intellectual property right, staff and assets of Engineering Department (BPC Hydroconsult) to HCE. HCE was transformed into public limited on September 18, 2012 and is the first engineering consulting firm registered as public limited company in Nepal. At present, BPC holds 80% share of HCE and 20 % share by PEEDA.

At present HCE is recognized for its quality and standard design complying all the environment, legal norms and guidelines in consulting business. The Consultant has three decade long experience of undertaking the pre-feasibility, feasibility, detail design, construction supervision, and consulting service after operation, environmental and social studies of hydropower projects. HCE embraces customer-focused philosophy and works closely with its customers to achieve mutual growth and success. Our pursuit for competitive excellence begins and ends with our commitment to excel in engineering services through highest level of quality and customer satisfaction.

HCE had collaborations with Mott Macdonald (UK), BPR (Canada), Hydro Tasmania (Australia),

Feasibility study of Sankhuwa Khola Hydro Power 39 MW.

Settling Basin Cavern Mistri Khola Hydropower 43 MW.

SWECO (Norway), NORPLAN (Norway), Fichtner (Germany), Bernard Ingenieure (Austria), and Lahmeyer (Germany), while working together in different projects. Similarly, HCE has close contacts with a pool of local and international experts, to be used whenever required. HCE has good experiences of working with international donor agencies and bankers, like World Bank, IFC, NORAD, USAID, etc.

HCE has continued to provide international and national engineering consultancy in FY 2073/74; paying particular attention to successful business results, rather than merely finishing the job. In International front, the project management and construction supervision of 5 MW Gura Hydropower Project is in complete stage. HCE is overseeing the defect liability period for this assignment now. In addition, HCE is also involved in the Construction Supervision and Project Management of Nagdar Hydel Power Project (35 MW) in Azad Jammu & Kashmir, Pakistan as an international partner.

In Nepal, HCE obtained contracts for Detail Investigation and Engineering Design of Sunsari Morang Irrigation Project (SMIP) Head works for Department of Irrigation (DoI); Detail Engineering Design and Tender Document Preparation of Tamakoshi V (87MW) for Nepal Electricity Authority (NEA). HCE signed the Contracts for Detail Design of Bhotekoshi V (62 MW) and Upper Tadi HP (11 MW); Due Diligence Appraisal of Manang Marsyangdi (104 MW), due diligence of Trishuli 3 B HEP (37MW) and and Bill verification of UpalloKhimti (12 MW) and Upper Khimti (7 MW) and other few projects.

HCE continued its engagement in studies of water resource projects for Government of Nepal and Independent Power Producers. HCE continued the Detailed Feasibility Study Kaligandaki Tinau Multipurpose Diversion Project (104 MW) and Sediment Management in Run-of-River Hydropower Projects of Nepal for Department of Irrigation (DoI) and Water and Energy Commission Secretariat (WECS) respectively. Feasibility and EIA study of SankhuwaKhola (39.2 MW) and Sankhuwa Khola-1 HP (39.8 MW), Detailed Engineering Design of 23.5 MW Lower Hongu Khola SHP, 20 MW Inkhu Khola SHP, 15 MW Siwa Khola SHP and 6.2 MW Budhi Ganga Khola SHP; Feasibility and Initial Environmental Examination Study of Kawadi Khola HP (10MW), BheriKhola HP (10 MW) and Nyaurigad HP (10MW): Pre-feasibility study of Jhimruk Storage Project in this fiscal year for DoED.

Similarly, for IPPs, HCE continued Construction Supervision of 42 MW Mistri Khola HP, 30 MW Nyadi HP and KhaniKhola Tunnel Supervision (30 MW), Detail Design and Tender Document Preparation of Solu Khola (Dudhkoshi) HP (86 MW), Likhu II HP (52 MW), Khimti-2 HP (48 MW); Feasibility Study, Environment Impact Assessment and Detail Design of Chino Khola HP (8 MW); Bill Verification of Lower Hewa (26.1 MW), Dordi Khola (27 MW), Solu HP (23.5 MW) and HewaKhola A (14.9 MW).

HCE completed the Construction Supervision of Upper Mai Cascade (6.1 MW); Construction Supervision and Contract Management of repair works of headworks of Khimti-1 HP (60 MW); EIA of Nyadi 132 kV Transmission Line; Detail Design of Midim Khola (3 MW); due diligence of Trishuli Galchhi Hydropower Project (75 MW), and Bill verification of Mai Khola (22 MW), Mai Cascade (7 MW).

HCEL earned net profit for the year NPR 12.8 billion resulting earning per share NPR 87.12. The net worth stands at 79.7 million and the book value per share is NPR 541.34 as at 15 July 2017.

Penstock pipe of Khudi Hydropower Project.

Khudi Hydropower Limited

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

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

The company recorded revenue of NPR 93.6 million this fiscal year 2073/74 in comparison to last FY 2072/73 as NPR 81.80 million. The principal and interest for the consortium loan have been paid regularly as per schedule. The company is able to earn a net profit of NPR 27.9 million as with last year as NPR 18.8 million

The royalty have been paid regularly to DoED as per the Electricity Act 2049. Major portion of the royalty paid by KHL will go towards the rural development

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

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

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

PROJECT FACT SHEET:

Project type: ***Run-of- River (RoR) type***
Project Location: ***Head Work site - Lamjung district, Ghanapokhara VDC, located on the left bank of Khudi River.***
Power House site- Lamjung district, Simpani VDC, located on the right bank of Khudi River.
Installed Capacity: ***4.00 MW***
Annual energy generation: ***24,284 MWh***
Design discharge: ***4.9 m³/s***
Gross Head: ***103 m***
Intake and Penstock: ***A side intake, just upstream of the diversion weir placed across the river, diverts the flow into the approach canal which conveys the flow from intake to settling basin. From the settling basin, the flow enters into the 2471 m long headrace pressurized pipe.***
Power Evacuation: ***The generated power is evacuated through 14 km long 33 kV transmission line and is connected to the Integrated Nepal Power System (INPS) at Udipur Sub-Station of NEA.***
Access to site: ***The power house site can be reached within 5 hours drive from Kathmandu and is 9 km away from Besisahar, the District Head Quarter of Lamjung District.***
Headworks Site is further 2.5 km away from Power house.

BPC Services Limited

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

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

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

BPCSL's incurred a net profit of NPR 0.6 million after tax in the FY 2073-74. The net worth of BPCSL as on July 15, 2017 stands at NPR 13.8 million.

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

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

FIVE YEAR FINANCIAL SUMMARY

Five Year Summary of Statement of Financial Position

In Thousand NRs

PARTICULARS	2069/70 2012/2013	2070/71 2013/2014	2071/72 2014/2015 (Restated)	2072/73 2015/2016 (Restated)	2073/74 2016/2017
ASSETS					
Non-Current Assets	**3,738,908**	**4,260,974**	**4,634,395**	**4,699,565**	**4,953,923**
Property, Plant and Equipment	1,507,722	1,432,459	305,322	298,544	360,154
Project Work in Progress	-	-	155,788	163,939	175,321
Intangible Assets	-	-	1,980,296	1,978,387	1,961,694
Capital Work in Progress	860,113	1,316,475	23,577	41,865	3,140
Investment in Shares	1,371,073	1,512,040	2,162,538	2,213,367	2,447,419
Other Non-current Asssets			6,874	3,465	6,195
Current Assets:	**567,488**	**598,069**	**511,823**	**515,191**	**415,410**
Inventories	35,956	56,912	40,995	52,071	60,111
Trade Receivables	276,275	335,948	90,790	87,468	83,406
Cash & Bank Balance	252,087	202,039	85,767	65,756	66,276
Other Financial Assets			214,986	225,866	120,406
Other Current Assets			13,592	12,325	10,906
Current Tax Assets (Net)			62,522	71,705	74,305
Assets Held for Sale	3,170	3,170	3,170	-	-
Total	**4,306,396**	**4,859,043**	**5,146,218**	**5,214,756**	**5,369,333**
EQUITY & LIABILITIES:					
Equity	**2,516,291**	**3,259,498**	**3,774,028**	**3,977,850**	**4,392,459**
Equity Share Capital	1,015,269	1,673,223	1,673,223	1,673,223	1,810,572
Other Equity	1,501,022	1,586,275	2,100,805	2,304,627	2,581,887
Non-Current Liabilities	**1,111,758**	**1,106,457**	**1,047,171**	**880,304**	**693,506**
Grant Aid in Reserve	207,830	199,573	200,516	202,171	202,344
Borrowings	838,453	873,509	756,768	580,290	368,483
Other Financial Liabilities			11,328	4,192	-
Provisions	39,312	25,412	17,607	16,812	15,126
Deferred Tax Liabilities	26,163	7,963	29,287	50,785	83,748
Other Non-Current Liabilities			31,666	26,055	23,806
Current Liabilities	**678,347**	**493,088**	**325,018**	**356,603**	**283,368**
Borrowings	397,472	126,306	122,105	236,885	98,546
Trade Payables	277,761	364,247	84,171	31,519	72,431
Other Financial Liabilities	3,114	2,535	77,886	30,916	36,741
Provisions			1,242	1,877	1,666
Other Current Liabilities			39,614	55,406	73,984
Total	**4,306,396**	**4,859,043**	**5,146,218**	**5,214,756**	**5,369,333**

Five Year Summary of Statement of Profit & Loss

In Thousand NRs

PARTICULARS	2069/70 2012/2013	2070/71 2013/2014	2071/72 2014/2015	2072/73 2015/2016 (Restated)	2073/74 2016/2017
INCOME					
Operating Income					
Electricity Sale to NEA	409,020	289,299	402,356	460,333	478,869
Electricity Sale to Consumers	94,537	108,509	114,589	125,291	173,854
Electricity Services	8,549	6,299	6,247	9,956	10,149
Total Operating Income	**512,106**	**404,107**	**523,192**	**595,580**	**662,872**
Income from Other Sources					
Financial Income	28,522	35,134	37,767	14,949	8,964
Dividend Income	241,408	393,615	433,103	531,768	556,964
Gain (Loss) on Disposal of Assets & Stock Materials	1,254	2,277	(624)	2,781	-
Depreciation Being Revenue Portion of Grant Aid	11,188	11,506	11,640	6,651	6,930
Other Income Including Forex gain/loss	13,790	13,018	40,669	15,983	24,825
Total Income from Other Sources	**296,162**	**455,550**	**522,555**	**572,132**	**597,683**
Total Income	**808,268**	**859,657**	**1,045,747**	**1,167,712**	**1,260,555**
EXPENDITURE					
Generation Expenses	279,848	298,580	302,490	252,315	282,948
Distribution Expenses	90,712	86,044	94,660	90,497	97,270
Administrative Expenses	132,048	144,020	129,003	114,928	121,502
Impairment Loss in Investment	(7,307)	(4,969)	(17,364)	725	(1,073)
Finance Costs	48,461	50,413	41,234	80,751	73,855
Total Expenditure	**543,762**	**574,088**	**550,023**	**539,216**	**574,502**
Net Profit Before Tax	**264,506**	**285,569**	**495,724**	**628,496**	**686,053**
Income Tax Provision	7,901	-	-	-	-
Deferred Tax Expenses	12,721	(18,199)	15,895	9,067	18,031
Net Profit After Tax	**243,884**	**303,768**	**479,829**	**619,429**	**668,022**

AWARD
& RECOGNITION

Frost & Sullivan – 2017 Nepal Market Leadership Award in Hydropower

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

Best Managed Hydropower Company Award 2016

Butwal Power Company bagged Best Managed Hydropower company award 2016. The company was awarded at the event '3rd Asian Paints Newbiz Business Conclave and Awards 2016' organized by New Business Age on August 19 at Hotel Soaltee, Kathmandu. The best companies were selected on the basis of best management, contribution made by them towards economy of the country and various criteria for the awards.

SAFA Recognition 2016

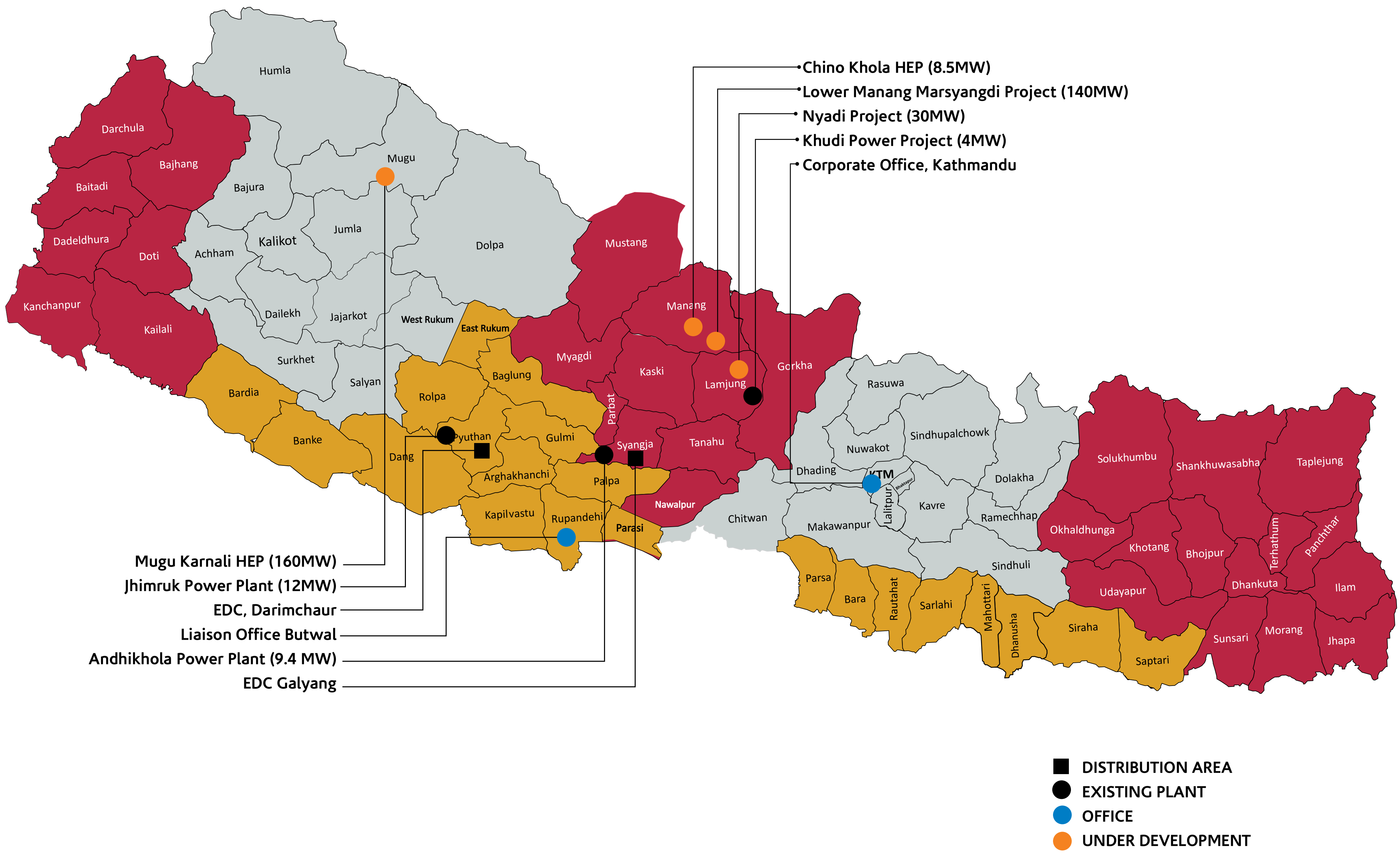
BPC is also recognized having Corporate Governance Disclosure in the manufacturing sector by the South Asian Federation of Accountants (SAFA) in 2009, 2010 and 2014, 2015 and 2016 for Improvement in Transparency, Accountability & Governance of the companies of South Asian entries. Vice president of Finance Mr. Radheshyam Shrestha received a certificate of merit from the President of SAFA, an apex body of SAARC, at a function organized in Hotel Soaltee, Kathmandu.

Best-Presented Annual Report Award 2016

We take pride in having received "Best Presented Annual Report Award" continuously for last 10 years in the General sector for excellence in the presentation of its financial report. The Institute of Chartered Accountants of Nepal awarded BPC by "National Best-Presented Annual Report Award, 2016". Chief Manager of Finance Mr. Ratna Sambhava Shakya has received this award from the honourable Minister of Finance Mr. Gyanendra Bahadur Karki on 17th July 2017 at a function in Hotel Soaltee organized by ICAN.

Preparation of Penstock Alignment in Nyadi Hydropower Project.

OUR PRESENCE



BUTWAL POWER COMPANY LIMITED

Financial Statements 2017

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

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

BRS Neupane & Co.

INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED

We have audited the accompanying financial statements of Butwal Power Company Limited which comprise the Statement of Financial Position as at 31st Ashadh 2074 (Corresponding July 15, 2017) and Statement of Profit and Loss, Statement of Cash Flows, Statement of Changes in Equity, and a summary of Significant Accounting Policies and other Explanatory Notes for the year then ended.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of Butwal Power Company Limited, as at Ashadh 31, 2074 (Corresponding July 15, 2017), and of the results of its financial performance and its cash flows for the year then ended in accordance with Nepal Financial Reporting Standards and comply with the Company Act 2063.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Date: 12th January 2018
Place: Kathmandu, Nepal

CA. Gyanendra B. Bhari
Partner

STATEMENT OF FINANCIAL POSITION

As at 31 Ashad 2074 (15 July 2017)

(in NPR)

	Note	As at 31st Ashad 2074	Restated* As at 31st Ashad 2073	Restated* As at 1st Shrawan 2072
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	360,153,568	298,544,255	305,322,277
Capital work-in-progress	4	3,140,082	41,864,477	23,577,326
Intangible assets	5	1,961,694,374	1,978,387,014	1,980,295,588
Project work-in-progress	6	175,320,792	163,938,483	155,788,336
Financial assets				
Investment in Subsidiaries and Associates	7	1,307,087,527	1,009,453,990	906,528,666
Other investments	8	1,140,331,438	1,203,912,872	1,256,008,821
Other non-current assets	13	6,195,175	3,464,536	6,873,831
Total Non-Current Assets		**4,953,922,956**	**4,699,565,627**	**4,634,394,845**
Current assets				
Inventories	9	60,111,293	52,070,599	40,995,081
Financial assets				
Trade receivables	10	83,405,869	87,468,406	90,789,938
Cash and cash equivalents	11	31,757,809	31,132,066	33,827,244
Bank balance other than cash and cash equivalents	12	34,518,132	34,623,756	51,940,085
Other financial assets	14	120,405,939	225,866,253	214,986,216
Other current assets	13	10,906,171	12,324,493	13,591,658
Current tax assets (net)	15	74,304,779	71,705,151	62,522,372
Total current assets		**415,409,992**	**515,190,724**	**508,652,594**
Assets Held for Sale		-	-	3,170,203
Total assets		**5,369,332,948**	**5,214,756,351**	**5,146,217,642**
EQUITY AND LIABILITIES				
Equity				
Equity share capital	16	1,810,572,000	1,673,222,700	1,673,222,700
Other equity	17	2,581,887,172	2,304,626,816	2,100,805,333
Total Equity		**4,392,459,172**	**3,977,849,516**	**3,774,028,033**
Liabilities				
Non-Current Liabilities				
Grant aid in reserve	18	202,343,666	202,170,703	200,515,706
Financial liabilities				
Borrowings	20	368,482,666	580,290,065	756,768,182
Other financial liabilities	22	-	4,191,610	11,328,154
Provisions	23	15,126,264	16,811,876	17,606,955
Deferred tax	15	83,747,736	50,785,000	29,286,543
Other non-current liabilities	21	23,805,823	26,054,488	31,665,696
Total Non-Current Liabilities		**693,506,155**	**880,303,742**	**1,047,171,236**
Current Liabilities				
Financial liabilities				
Borrowings	20	98,546,448	236,885,248	122,105,177
Trade payables	19	72,430,459	31,518,655	84,170,907
Other financial liabilities	22	36,741,140	30,915,855	77,886,069
Provisions	23	1,665,768	1,877,302	1,242,142
Other current liabilities	21	73,983,806	55,406,033	39,614,078
Total Current Liabilities		**283,367,621**	**356,603,093**	**325,018,373**
Total Liabilities		**976,873,776**	**1,236,906,835**	**1,372,189,609**
Total Equity and Liabilities		**5,369,332,948**	**5,214,756,351**	**5,146,217,642**

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Rajib Rajbhandari
Director

Chiranjeewee Chatuant
Director

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

Ratna S Shakya
Chief Manager- Finance

Bijaya Krishna Shrestha
Director

Chandi Prasad Shrestha
Director

Date: 8th April 2018
Place: Kathmandu, Nepal

Om Prakash Shrestha
Director

Divakar Vaidya
Director

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st Ashad 2074 (15 July 2017)

(in NPR)

	Note	2073-74	Restated* 2072-73
Revenue	24	662,871,666	595,579,058
Cost of Sales			
Generation Expenses	25	(282,948,498)	(252,315,221)
Distribution Expenses	26	(97,270,088)	(90,496,686)
Gross profit		**282,653,080**	**252,767,151**
Depreciation Being Revenue Portion of Grant Aid	18	6,930,169	6,650,675
Other income	29	581,789,030	547,751,390
Administrative and other operating expenses	27	(121,501,157)	(114,926,512)
Impairment loss on investment	28	1,073,102	(724,828)
Gain(Loss) on Disposal of NCA held for sale		-	2,781,086
Profit from Operation		**750,944,224**	**694,298,962**
Finance Income	30	8,964,290	14,948,901
Finance Costs	31	(73,855,116)	(80,751,423)
Profit Before Tax		**686,053,398**	**628,496,440**
Income Tax Expense			
Current tax	15	-	-
Deferred tax credit/charge	15	(18,031,494)	(9,067,333)
Profit for the year		**668,021,904**	**619,429,107**
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Re-measurement (losses) / gains on post employment defined benefit plans	34	5,776,990	(3,637,910)
ii. Equity instruments through other comprehensive income		(63,581,433)	(52,095,950)
iii. Tax relating to items that will not to be reclassified to profit or loss	15	(14,931,242)	(12,431,124)
Other comprehensive gain/(loss) for the year, net of tax		**(72,735,685)**	**(68,164,984)**
Total Comprehensive gain/(loss) for the year, net of tax		**595,286,219**	**551,264,123**
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	32	37.02	34.57
Diluted Earnings per share - Rs.	32	37.02	34.57

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Rajib Rajbhandari
Director

Chiranjeewee Chatuant
Director

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

Ratna S Shakya
Chief Manager- Finance

Bijaya Krishna Shrestha
Director

Chandi Prasad Shrestha
Director

Date: 8th April 2018
Place: Kathmandu, Nepal

Om Prakash Shrestha
Director

Divakar Vaidya
Director

STATEMENT OF CASH FLOWS

For the year ended 31 Ashad 2074 (15 July 2017)

	2073-74	2072-73
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	**686,053,398**	**628,496,440**
Adjustments for:		*(in NPR)*
Loss/ (gain) on sale of asset held for sale	-	(2,781,086)
Depreciation on property, plant and equipment	28,641,857	29,455,478
Amortization of Intangible Assets	70,028,349	67,308,715
Depreciation Being Revenue Portion of Grant Aid	(6,930,169)	(6,650,675)
Provision for employee benefits	3,879,844	(3,797,829)
Provision for Bonus	14,405,364	11,737,880
Finance income	(8,964,290)	(14,948,901)
Impairement of Intangible asset	599,376	109,457
Finance cost	72,370,098	79,477,614
Impairment loss on investment in subsidiaries and associates	(1,073,102)	724,828
Loss/ (gain) on sale of Property, plant and equipment	(2,647,179)	(231,870)
Working capital adjustments:		
(Increase)/ Decrease in Trade receivables	4,062,537	3,321,532
(Increase)/ Decrease in other financial assets	105,460,314	(10,880,037)
(Increase)/ Decrease in other assets	(1,312,317)	4,676,460
(Increase)/ Decrease in Inventories	(8,040,694)	(11,075,518)
Increase / (Decrease) in trade payables	40,911,804	(52,652,252)
Increase / (Decrease) in financial liabilities	(3,194,519)	(55,048,310)
Increase / (Decrease) in other current liabilities	(2,299,945)	(4,064,206)
Cash generated from operations	**991,950,726**	**663,177,720**
Bonus paid	(11,737,879)	(10,764,192)
Income Tax Paid	(2,599,628)	(9,182,779)
Prior year adjustment	-	(12,798,100)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**977,613,219**	**630,432,649**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment	2,989,865	537,164
(Increase)/Decrease in Project work-in-progress	(11,382,309)	(8,150,147)
Proceeds from sale of Assets Held for Sale	-	5,951,289
Interest Received	8,964,290	14,948,901
(Increase)/ Decrease Investment in Subsidiaries and Associates	(296,560,435)	(103,650,152)
Acquisition of Property, plant and Equipment	(51,869,461)	(41,269,901)
Purchase of Intangibles	(53,935,083)	(65,509,598)
Grant Aid received/ (refunded)	7,103,132	8,305,672
Bank balance other than cash and cash equivalents	105,624	17,316,329
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(394,584,377)**	**(171,520,443)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of right share	160,924,439.00	-
Share issue cost	(3,186,063.00)	-
Borrowing (repaid) / taken (net)	(293,141,843)	(133,862,591)
Dividend paid	(322,453,371)	(321,373,275)
Interest paid	(58,069,381)	(79,289,669)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(515,926,219)**	**(534,525,535)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**67,102,623**	**(75,613,329)**
Net foreign exchange difference on cash and cash equivalents	-	-
CASH AND CASH EQUIVALENTS, Beginning of Year	(47,790,990)	27,822,339
CASH AND CASH EQUIVALENTS, End of Period	**19,311,633**	**(47,790,990)**

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

Radheshyam Shrestha
Vice President- Finance

Rajib Rajbhandari
Director

Chiranjeewee Chatuant
Director

Ratna S Shakya
Chief Manager- Finance

Bijaya Krishna Shrestha
Director

Chandi Prasad Shrestha
Director

Date: 8th April 2018
Place: Kathmandu, Nepal

Om Prakash Shrestha
Director

Divakar Vaidya
Director

As per our report of even date

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 Ashad 2074 (15 July 2017)

(in NPR)

	Equity Share Capital	Retained earnings and reserves			Total
		Share Premium	General Reserve	Retained Earnings	
Balance at 1 Shrawan 2072	1,673,222,700	11,006,400	148,700,000	1,941,098,933	3,774,028,033
Profit for the year	-	-	-	619,429,107	619,429,107
Other comprehensive income	-	-	-	(68,164,984)	(68,164,984)
Total comprehensive income	-	-	-	**551,264,123**	**551,264,123**
Dividends to shareholders	-	-	-	(334,644,540)	(334,644,540)
Prior Year's Adjustment	-	-	-	(12,798,100)	**(12,798,100)**
Balance at 1 Shrawan 2073	1,673,222,700	11,006,400	148,700,000	2,144,920,416	**3,977,849,516**
Profit for the year	-	-	-	668,021,904	668,021,904
Other comprehensive income	-	-	-	(72,735,685)	(72,735,685)
Total comprehensive income	-	-	-	**595,286,219**	**595,286,219**
Issue of right share	18,893,000	142,031,439	-	-	160,924,439
Issue of bonus share	118,456,300	-	-	(118,456,300)	-
Share Issue Cost	-	(3,186,063)	-	-	(3,186,063)
Dividends to shareholders	-	-	-	(338,414,939)	(338,414,939)
Balance at 31st Ashad 2074	1,810,572,000	149,851,776	148,700,000	2,283,335,396	**4,392,459,172**

The accompanying notes are integral part of these financial statements.

Uttar Kumar Shrestha
Chief Executive Officer

Radheshyam Shrestha
Vice President- Finance

Ratna S Shakya
Chief Manager- Finance

Date: 8th April 2018
Place: Kathmandu, Nepal

Padma Jyoti
Chairman

Rajib Rajbhandari
Director

Bijaya Krishna Shrestha
Director

Om Prakash Shrestha
Director

Pradeep Kumar Shrestha
Director

Chiranjeewee Chatuant
Director

Chandi Prasad Shrestha
Director

Divakar Vaidya
Director

As per our report of even date

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

Note: 1
Background

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

The core business of BPC includes:

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

The financial statements apply to the financial year ended 31st Ashadh 2074 (15th July 2017).

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

The accompanied financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on 28th Poush, 2074 (12th January, 2018). The Board of Directors acknowledges the responsibility of preparation of financial statements.

Significant accounting policies

2.1Basis of Preparation and measurement

I.STATEMENT OF COMPLIANCE

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

These financial statements for the year ended 31 Ashadh, 2074 are the first the Company has prepared under NFRS. For all periods upto and including the year ended 31 Ashadh, 2073, the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in Nepal immediately before adopting NFRS. The financial statements for the year ended 31 Ashadh, 2073 and the opening Balance Sheet as at 1 Shrawan, 2072 have been restated in accordance with NFRS for comparative information. Reconciliations and explanations of the effect of the transition from Previous GAAP to NFRS on the Company's statement of Financial Position, Statement of Profit or Loss and Statement of Cash Flows are provided in Note 3.

II.BASIS OF PREPARATION

The financial statements have been prepared on accrual and going concern basis. The accounting policies are applied consistently to all the periods presented in the financial statements, including the preparation of the opening NFRS Balance Sheet as at 1 Shrawan, 2072 being the 'date of transition to NFRS'. All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.
The financial statements is presented in functional and presentation currency of the Company i.e. Nepalese Rupee ("NPR") which is the currency of the primary economic environment in which the Company operates.

III.BASIS OF MEASUREMENT

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

2.2 Critical accounting estimates and judgements

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

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

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

IMPAIRMENT OF PROPERTY PLANT AND EQUIPMENT

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

CONTINGENCIES

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

FAIR VALUE MEASUREMENTS

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

DEFINED BENEFIT PLANS

The cost of defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual development in the future. These include the determination of the discount rate, future salary escalations and mortality rates etc. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

RECOGNITION OF DEFERRED TAX ASSETS

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

2.3 Property, plant and equipment

i. On transition to NFRS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at Ashad 31, 2072 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on Sharwan 1, 2072.

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

iii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

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

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

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

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

2.4 Other Intangible Assets

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

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

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

2.5 Depreciation and Amortization

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

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

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

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

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

iv. Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset. The estimated useful life, residual values an depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.
v. Office furniture, equipment and vehicles costing less than NPR 5,000 per unit and plant equipment costing less than NPR10, 000 per unit is charged to the profit and loss account in the year of purchase.
vi. Leasehold improvements are depreciated over the period of lease or estimated useful life, whichever is lower, on straight line basis.

2.6 Impairment of tangible and intangible assets

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

2.7 Borrowing cost

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

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

2.8 Cash and cash equivalents

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

2.9 Inventories

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

2.10 Revenue recognition

I) SALE OF ELECTRICITY

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

II) OTHER ELECTRICITY SERVICES

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

III) DIVIDEND AND INTEREST INCOME

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

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

2.11 Foreign currency transactions

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

2.12 Employment Benefits

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

DEFINED CONTRIBUTION PLAN – PROVIDENT FUND

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

DEFINED BENEFIT PLAN - GRATUITY

i. The Company provides for defined benefits in the form of gratuity. The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of defined benefit obligations at the end of the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by actuaries through actuarial valuation using the projected unit credit method.
ii. The Company recognizes the following changes in the defined benefit obligation to the profit or loss statement:
    - Service costs comprising current service costs and past-service costs
    - Interest expenses

    The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and fair value of plan assets. This cost is included in employee benefit expenses in the statement of the profit & loss.
iii. Any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise.
iv. NAS 19 requires the exercise of judgment in relation to various assumptions including future pay rises, inflation and discount rates and employee and pensioner demographics. The Company determines the assumptions in conjunction with its actuaries, and believes these assumptions to be in line with best practice, but the application of different assumptions could have a significant effect on the amounts reflected in the income statement, other comprehensive income and balance sheet. There may be also interdependency between some of the assumptions.

v. The classification of the Company's net obligation into current and non- current is as per the actuarial valuation report.
vi. Gratuity is funded and deposited to a separate entity (Citizen Investment Trust), towards meeting the gratuity obligation.

Short term and long-term employment benefits

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

2.13 Taxation

INCOME TAX

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

CURRENT TAX

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

Income tax rates applicable to company:
Income from Manufacturing and sale of electricity: 17% (2072/73: 18%)
Income from Other services: 25% (2072/73: 25%)The Company has availed the rebate of 15% (2072/73:10%) on total tax liabilities under section 11 (3 chha) of Income Tax Act, 2058.

DEFERRED TAX

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

2.14 Earnings per share

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

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

2.15 Provisions, contingencies and commitments

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

2.16 Financial Instruments

I.FINANCIAL INSTRUMENTS

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

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

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

II.EFFECTIVE INTEREST METHOD

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

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

III.FINANCIAL ASSETS

Financial assets at amortised cost

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

Financial assets measured at fair value

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

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

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

Impairment of financial assets

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

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

De-recognition of financial assets

The Company de-recognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for de-recognition under NFRS 9.
If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the assets and an associated liability for amounts it may have to pay.

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

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

IV.FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

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

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

Financial guarantee contracts

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

De-recognition of financial liability

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

V.OFF-SETTING OF FINANCIAL INSTRUMENTS

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

2.17 Leases

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

A lease is classified at the inception date as a finance lease or an operating lease. For arrangements entered into prior to Shrawan 1, 2072, the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

THE COMPANY AS A LESSEE

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

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

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

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

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

THE COMPANY AS LESSOR

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

2.18 Service concession arrangements

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

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement

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

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

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

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

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

The Company manages concession arrangements which include power supply from its two hydro power plant. The Company maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset models is applied.

Income from the concession arrangements earned under the intangible asset model consists of the (i) Fair Value of the contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and (ii) payments actually received from the users. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Company, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

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

2.19 Government grants and Grant Aid in Reserve

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

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

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

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

2.20 Non-current assets held for sale

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

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

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

2.21 Financial risk management objectives and policies

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

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

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

A.CURRENCY RISK

The Company is subject to the risk that changes in foreign currency values impact the Company's imports of inventories and property, plant and equipment. As at 31st Ashad, 2074, there is no unhedged exposure to the Company on holding financial assets (Bank balances and Trade receivables) and liabilities (trade payables) other than in their functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Group's approach to management of currency risk is to leave the Company with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant currency risk, the Company has not entered into any forward contract.

The following table demonstrate the unhedged exposure in USD exchange rate as at Ashad 31, 2074, Ashad 31, 2073 and Shrawan 1, 2072.

Particulars	Currency	Ashad 31, 2074	Ashad 31, 2073	Shrawan 1, 2072
Cash and bank balance	NPR	3,243,917	3,541,680	8,603,641
	USD	31,537	33,184	84,557

B.CREDIT RISK

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

C.INTEREST RATE RISK

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

D.LIQUIDITY RISK

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

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

2.22 Capital Management

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashad 2074, 2073 and 2072.

2.23 Segment reporting

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

2.24 Staff bonus

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

2.25 Provision for Housing Facilities

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

2.26 Description of Subsidiaries, Associates and other equity investments

A) NEPAL HYDRO & ELECTRIC LIMITED

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

B) KHUDI HYDROPOWER LIMITED

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 10% (i.e. the prevailing interest rate of the principal loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

C) BPC SERVICES LIMITED

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

D) NYADI HYDROPOWER LIMITED

Nyadi Hydropower Limited (NHL) was established to build, own and operate the Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO shareholding 2.78%. BPC is planning to hold 70.22% shareholdings by setting a side 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works started on 25th March 2017 (Chaitra 12, 2073).

E) HYDRO-CONSULT ENGINEERING LIMITED

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL.

F) GURANS ENERGY LIMITED

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 188.85 million in the shares of GEL till the end of FY 2073/74. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

G) KABELI ENERGY LIMITED (KEL)

Kabeli Energy Ltd. was established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. The construction works of the project is expected to starts from January 2017 (Mid of Poush 2073). Currently, BPC holds overall 53.6% shares of KEL being 26% direct investment and 27.6% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US $98 million. The construction works started on 25th March 2017 (Chaitra 12, 2073).

H) HIMAL POWER LIMITED

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057(5 July, 2000). HPL was established on 2049/11/10(21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energy AS (now ABB Kraft), and Kvaerner Energy AS (now

G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The current shareholders are SN Power, BKK and BPC. HPL sold NPR 4.242 billion worth of electricity in FY 2073/74 and has a net worth of NPR 6.697 billion. BPC has pledged its shares in HPL as collateral for Nordic Development Fund (NDF), Norway, against the loan for Khimti-I Hydropower Project under separate agreements with HPL and the lender. The share certificate will be released to BPC after the settlement of NDF loan.

I) HYDRO LAB PRIVATE LIMITED

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

J) JUMDI HYDROPOWER PRIVATE LIMITED

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

Note no: 3

FIRST TIME ADOPTION OF NFRS

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN) with effect from 1 Shrawan, 2073, with a transition date of 1 Shrawan, 2072. These financial statements for the year ended 31 Ashadh, 2074 are the first the Company has prepared under NFRS. For all periods up to and including the year ended 31 Ashadh, 2073 , the Company prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP').

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Company has prepared financial statements which comply with NFRS for year ended 31 Ashadh, 2074, together with the comparative information as at and for the year ended 31 Ashadh, 2073 and the opening NFRS Balance Sheet as at 1 Shrawan, 2072, the date of transition to NFRS.

In preparing these NFRS financial statements, the Company has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and Previous GAAP have been recognised directly in equity (retained earnings or another appropriate category of equity). This note explains the adjustments made by the Company in restating its Previous GAAP financial statements, including the Statement of Financial Position as at 1 Shrawan, 2072 and the financial statements as at and for the year ended 31 Ashadh, 2073.

A.EXEMPTIONS FROM RETROSPECTIVE APPLICATION

NFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements under NFRS. The Company has elected to apply the following optional exemptions from retrospective application:

a)Deemed cost for property, plant and equipment and intangible assets

The Company has elected to measure all its property, plant and equipment, intangible assets including under progress at the Previous GAAP carrying amount as its deemed cost on the date of transition to NFRS.

b) Past business combinations

The Company has elected not to apply NFRS 3 Business Combinations retrospectively to past business combinations that occurred before the transition date of 1st Sharwan, 2072.

B.EXCEPTIONS TO RETROSPECTIVE APPLICATION

The Company has applied the following exceptions to the retrospective application of NFRS as mandatorily required under NFRS 1:

a) Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the Company has concluded that there is no necessity to revise the estimates under NFRS, as there is no objective evidence that those estimates were in error. However, estimates that were required under NFRS but not required under Previous GAAP are made by the Company for the relevant reporting dates reflecting conditions existing as at that date.

b) Classification and measurement of financial assets

The classification of financial assets to be measured at amortised cost or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to NFRS.

c) Derecognition of financial assets and liabilities

The Company has applied the derecognition requirements of financial assets and financial liabilities

C.TRANSITION TO NFRS - RECONCILIATIONS

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to NFRS in accordance with NFRS 1:

I. Reconciliation of Equity as at 1 Shrawan, 2072.
II. Reconciliation of Equity as at 31 Ashadh, 2073.
III. Reconciliation of Statement of Profit or Loss and other Comprehensive income for the year ended 31 Ashadh, 2073.
IV. Adjustments to Statement of Cash Flows.

Previous GAAP information has been reclassified/ regrouped in accordance with NFRS, wherever necessary, based on the audited financial statements of the Company for the year ended 31 Ashad, 2073 and 31 Ashadh, 2072.

I. RECONCILIATION OF EQUITY

as at 1 Shrawan, 2072

		Note	Previously reported balance	Reconciliation	NFRS Balance
ASSETS					
Non-Current Assets					
	Property, plant and equipment	A	2,733,815,397	(2,428,493,120)	305,322,277
	Capital work-in-progress	B	179,365,662	(155,788,336)	23,577,326
	Intangible assets	C	-	1,980,295,588	1,980,295,588
	Project work-in-progress	B	-	155,788,336	155,788,336
	Financial assets				-
	Investment in Subsidiaries and Associates	D	1,088,184,870	(181,656,204)	906,528,666
	Other investments	E	-	1,256,008,821	1,256,008,821
	Other financial assets	F	254,914,757	(254,914,757)	-
	Other non-current assets	G	-	6,873,831	6,873,831
Current assets					
	Inventories	H	68,133,144	(27,138,063)	40,995,081
	Financial assets				
	Trade receivables	I	305,943,468	(215,153,530)	90,789,938
	Cash and cash equivalents	J	85,767,329	(51,940,085)	33,827,244
	Bank balance other than cash and cash equivalents	J	-	51,940,085	51,940,085
	Other financial assets	K	211,110,861	3,875,355	214,986,216
	Other current assets	L	-	13,591,658	13,591,658
	Current tax (net)	M	-	62,522,372	62,522,372
Assets Held for Sale			3,170,203	-	3,170,203
Total assets			**4,930,405,691**	**215,811,951**	**5,146,217,642**
EQUITY AND LIABILITIES					
Equity					
	Equity share capital		1,673,222,700	-	1,673,222,700
	Retained earnings and reserves	N	1,755,324,540	345,480,793	2,100,805,333
Liabilities					
Non-Current Liabilities					
	Grant aid in reserve		200,515,706	-	200,515,706
	Financial liabilities				-
	Long term loans	O	765,488,149	(8,719,967)	756,768,182
	Other financial liabilities	S	-	11,328,154	11,328,154
	Provisions	P	-	17,606,955	17,606,955
	Deferred tax	Q	23,858,539	5,428,004	29,286,543
	Other non-current liabilities	R	-	31,665,696	31,665,696
Current Liabilities					
	Financial liabilities				
	Short term loans	O	122,172,416	(67,239)	122,105,177
	Trade payables	T	342,247,954	(258,077,047)	84,170,907
	Other financial liabilities	U	32,495,124	45,390,945	77,886,069
	Provisions	P	15,080,563	(13,838,421)	1,242,142
	Other current liabilities	V	-	39,614,078	39,614,078
Total Equity and Liabilities			**4,930,405,691**	**215,811,951**	**5,146,217,642**

II. RECONCILIATION OF EQUITY

as at 31 Ashad, 2073

		Note	Previously reported balance	Reconciliation	NFRS Balance
ASSETS					
Non-Current Assets					
	Property, plant and equipment	A	2,653,155,004	(2,354,610,749)	298,544,255
	Capital work-in-progress	B	205,802,960	(163,938,483)	41,864,477
	Intangible assets	C	-	1,978,387,014	1,978,387,014
	Project work-in-progress	B	-	163,938,483	163,938,483
	Financial assets				-
	Investment in Subsidiaries and Associates	D	1,441,556,042	(432,102,052)	1,009,453,990
	Investment in Shares	E		1,203,912,872	1,203,912,872
	Other financial assets	F	4,468,909	(4,468,909)	-
	Other non-current assets	G		3,464,536	3,464,536
Current assets					
	Inventories	H	93,248,439	(41,177,840)	52,070,599
	Financial assets				
	Trade receivables	I	314,509,269	(227,040,863)	87,468,406
	Cash and cash equivalents	J	65,733,822	(34,601,756)	31,132,066
	Bank balance other than cash and cash equivalents	J	-	34,623,756	34,623,756
	Other financial assets	K	222,506,084	3,360,169	225,866,253
	Other current assets	L	-	12,324,493	12,324,493
	Current tax (net)	M	-	71,705,151	71,705,151
Total assets			**5,000,980,529**	**213,775,822**	**5,214,756,351**
EQUITY AND LIABILITIES					
Equity					
	Equity share capital		1,673,222,700	-	1,673,222,700
	Retained earnings and reserves	N	1,970,981,727	333,645,089	2,304,626,816
Liabilities					
Non-Current Liabilities					
	Grant aid in reserve	W	196,678,518	5,492,185	202,170,703
	Financial liabilities				-
	Long term loans	O	595,125,558	(14,835,493)	580,290,065
	Other financial liabilities	S	-	4,191,610	4,191,610
	Provisions	P	-	16,811,876	16,811,876
	Deferred tax	Q	34,806,637	15,978,363	50,785,000
	Other non-current liabilities	R	-	26,054,488	26,054,488
Current Liabilities					
	Financial liabilities				
	Short term loans	O	231,590,567	5,294,681	236,885,248
	Trade payables	T	258,625,050	(227,106,395)	31,518,655
	Other financial liabilities	U	29,994,838	921,017	30,915,855
	Provisions	P	9,954,934	(8,077,632)	1,877,302
	Other current liabilities	V	-	55,406,033	55,406,033
Total Equity and Liabilities			**5,000,980,529**	**213,775,822**	**5,214,756,351**

III. RECONCILIATION OF STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

as at 31 Ashad, 2073

	Note	Previously reported balance	Reconciliation	NFRS Balance
Revenue	X	617,179,805	(21,600,747)	595,579,058
Cost of Sales				
Generation Expenses	Y	(199,069,754)	(53,245,467)	(252,315,221)
Distribution Expenses	Z	(86,263,864)	(4,232,822)	(90,496,686)
Gross profit		**331,846,187**	**(79,079,036)**	**252,767,151**
Depreciation Being Revenue Portion of Grant Aid	W	12,142,860	(5,492,185)	6,650,675
Other income	AA	547,519,520	231,870	547,751,390
Administrative and other operating expenses	AB	(249,432,623)	134,506,111	(114,926,512)
Impairment loss on investment		(724,828)	-	(724,828)
Gain(Loss) on Disposal of NCA held for sale	AA	3,012,956	(231,870)	2,781,086
Profit from Operation		**644,364,072**	**49,934,890**	**694,298,962**
Finance Income	AC	21,819,521	(6,870,620)	14,948,901
Finance Costs	AD	(79,289,669)	(1,461,754)	(80,751,423)
Profit Before Tax		**586,893,924**	**41,602,516**	**628,496,440**
Income Tax Expense				
Current tax		-	-	-
Deferred tax credit/charge	Q	(10,948,098)	1,880,765	(9,067,333)
Profit for the year		**575,945,826**	**43,483,281**	**619,429,107**
Other comprehensive Income:				
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods				
i. Re-measurement (losses) / gains on post employment defined benefit plans	AE	-	(3,637,910)	(3,637,910)
ii. Equity instruments through other comprehensive income		-	(52,095,950)	(52,095,950)
Other comprehensive gain/(loss) for the year, net of tax		-	**(55,733,860)**	**(55,733,860)**
Total Comprehensive gain/(loss) for the year, net of tax		**575,945,826**	**(12,250,579)**	**563,695,247**

IV. ADJUSTMENTS TO STATEMENT OF CASH FLOWS

Bank overdraft has now been included in components of cash and cash equivalent for presentation of Statement of Cash Flows. Similarly, bank balance other than cash and cash equivalent has now been excluded from components of cash and cash equivalent for presentation of Statement of Cash Flows. Opening cash and cash equivalent in previous reported GAAP has been restated by Rs. 113,524, 812 (2071-72: Rs. 57,944,990).

A. Property, plant and equipment

a. Under the Previous GAAP, PPE related to hydro power plants were capitalised and depreciation was charged to statement profit and loss. Under NFRS, PPE related to the hydro power plant considered as service concession arrangement (SCA), has been de-recognised and shown as intangible asset on SOFP and amortized on SLM basis till the license period of the respective project.
b. Revaluation of land, building and other PPE has been reversed.
c. Computer software was included under PPE which has been now reclassified as intangible assets.

B. Capital work-in-progress

Work-in-progress related to Project has been reclasssified and shown under Project WIP on SOFP.

C. Intangible asset

a. Under the Previous GAAP, PPE related to hydro power plants were capitalised and depreciation was charged to statement profit and loss. Under NFRS, PPE related to the hydro power plant considered as service concession arrangement (SCA), has been de-recognised and shown as intangible asset on SOFP and amortized on SLM basis till the license period of the respective project.
b. Capital spare parts related with hydro power plant has been reclassified to SCA which was previously reported as Inventories.
c. Computer software was included under PPE which has been now reclassified as intangible assets."

D. Investment in Subsidiaries and Associates

a. Investment in shares other than subsidiaries and associates are reclassified as Investment in Shares.
b. Convertible loan to subsidiaries and associates has been reclassified to non-current investment. This was previously classified as non-current assets.

E. Other investments

a. Investment in shares other than subsidiaries and associates are reclassified separately as Investment in Shares
b. Investment in other equity instruments are now measured at fair value which used to be measured at cost less impairment loss. Gain/loss on such change in fair value has been recognised in Other Comprehensive Income (OCI)."

F. Other non-current financial assets

Convertible loan to subsidiaries and associates has been reclassified to non-current investment. This was previously classified as non-current assets.

G. Other non-current assets

Capital advances reclassified as non-current assets which was earlier classified as current financial assets.

H. Inventories

Capital spare parts related with hydro power plant has been reclassified to SCA which was previously reported as Inventories.

I. Trade receivables

Financial assets other than trade receivables from NEA and local consumers are reclassified to other financial assets from trade receivables. This includes reclassification of receivables from subsidiaries and associates, accrued interest and other receivables.

J. Cash and cash equivalents

Restricted bank balance related with unpaid dividend,DSRA and margin money reclassified as bank balance other than cash and cash equivalents.

K. Other current financial assets

a. Financial assets other than trade receivables from NEA and local consumers are reclassified to other financial assets from trade receivables. This includes reclassification of receivables from subsidiaries and associates, accrued interest and other receivables.
b. Capital advances reclassified as non-current assets which was earlier classified as current financial assets.
c. Advance to suppliers and prepaid expenses have been grouped as other current assets which were earlier grouped under current financial assets.
d. Advance tax have been relcassifed to current tax assets/ liabilities (net) which is shown separately on the face of SOFP.
e. Gratuity fund depostited in CIT was included in current financial assets till previous year but has been netted off with Gratuity obligation.

L. Other current assets

Advance to suppliers and prepaid expenses have been grouped as other current assets which were earlier grouped under current financial assets.

M. Current tax (net)

Provision for tax and advance tax have been relcassifed to current tax assets/liabilities (net) which is shown separately on the face of SOFP.

N. Retained earnings and reserves

a. Net gain/loss due to fair valuation of investment in shares of companies other than subsidiaries and associates.
b. Effect of measuring the non-current financial assets/liabilities on amortised cost which were measured at historical cost till previous year.
c. Provision for gratuity and leave encashment has been measured as per the actuarial valuation report.
d. Reversal of interest income accrued on gratuity fund deposited in CIT.
e. Net Effect of change in deferred tax liability due to different measurement changes on account of NFRS adjustments.
f. Change in method of depreciation/ amortization for those PPE related with hydro power projects that has been reclassified as intangible assets under Service Concession Arrangement. Till previous year, depreciation on these assets was charged @ 4% on SLM basis, however, the reclassified intangible assets are now amortised over the license period of respective projects.
g. Revaluation of land, building and other PPE reversed.

O. Loans

All incidental cost of borrowings have been amortised over the period of loan which were directly charged to SOPL as per earlier practice. All long term loans have now been measured at amortised cost with retrospective effect.

P. Provisions

a. Provision for tax has been relcassifed to current tax assets/liabilities (net) which is shown separately on the face of SOFP.
b. Provision for gratuity has been grouped under provision which was earlier grouped under financial liabilities.
c. Provision for gratuity and leave encashment has been measured and classified as current / non-current as per the actuarial valuation report. Till last year, provision for leave encashment was not measured as per actuarial valuation report.
d. Provision for expense has been reclassified as other payable and grouped under financial liabilities.
e. Gratuity fund depostited in CIT was included in current financial assets till previous year but has been netted off with Gratuity obligation.

Q. Deferred tax

Increase in deferred tax liability is majorly due to increase in carrying amount of tangible and intangible assets and decrease in provision for leave encashment

R. Other non-current liabilities

Advance received from DDC, VDC and NTC has been grouped under other non-current liabilities which was earlier grouped under current financial liabilities.

S. Other non-current financial liabilities

a. Non-current portion of amortized retention payable has been classified as other non-current financial liabilities. Previously, entire amount of retention payable was included in current financial liabilities.
b. Non-current amount of retention payable has been shown at amortized value.

T. Trade payables

a. Provision for gratuity has been grouped under provision which was earlier grouped under financial liabilities.
b. Financial liabilities other than sundry creditors are reclassified to other financial liabilities from trade payables. This includes reclassification of retention payable, royalty payable and other payables which have now been grouped under other current financial liabilities.
c. Dividend payable, Bonus payable, VAT payable, TDS payable, employee accounts payable, welfare fund clearing account and contribution to PM's relief fund have been grouped under other current liabilities which were earlier grouped under financial liabilities.

U. Other financial liabilities

Retention payable, royalty payable and other payables have been grouped under other current financial liabilities.

V. Other current liabilities

Bonus payable, VAT payable, TDS payable, employee accounts payable, welfare fund clearing account and contribution to PM's relief fund have been grouped under other current liabilities which were earlier grouped under financial liabilities.

W. Grant aid in reserve

Increase in Grant aid reserve is due to change in method of depreciation/amortization for those PPE related with hydro power projects that has been reclassified as intangible assets under Service Concession Arrangement. Till previous year, depreciation on these assets was charged @ 4% on SLM basis, however, the reclassified intangible assets are now amortised over the license period of respective projects.

X. Revenue

a. Short supply charges has been deducted from revenue which was earlier reported as generation expenses.
b. UO rebate has been deducted from revenue which was earlier reported as distribution expenses.

Y. Generation Expenses

a. Short supply charges has been deducted from revenue which was earlier reported as generation expenses.
b. Depreciation/amortization of assets and staff bonus expenses related with generation have been charged to Generation Expenses from Administrative and other operating expenses.
c. Decrease in depreciation charge is due to change in method of depreciation/amortization for those PPE related with hydro power projects that has been reclassified as intangible assets under Service Concession Arrangement. Till previous year, depreciation on these assets was charged @ 4% on SLM basis, however, the reclassified intangible assets are now amortised over the license period of respective projects.
d. Provision for leave encashment has been measured as per actuarial report . Till last year, this was not measured as per actuarial report.

Z. Distribution Expenses

a. UO rebate has been deducted from revenue which was earlier reported as distribution expenses.
b. Depreciation/amortization of assets and staff bonus related with generation have been charged to Generation Expenses from Administrative and other operating expenses.
c. Difference due to change in method of depreciation/amortization from WDV to SLM since PPE related with hydro power projects under service concession arrangement has been de-recognized and recognized as intangible assets.
d. Provision for leave encashment has been measured as per actuarial report . Till last year, this was not measured as per actuarial report.

AA. Other income

Gain/(Loss) on sale of assets other than NCA held for sale has been reclassified as other income.

AB. Administrative and other operating expenses

a. Depreciation/amortization of assets and staff bonus related with generation and distribution have been charged to respective head from Administrative and other operating expenses.
b. Bank charges has been reclassified as finance cost which was earlier classified as Administrative and other operating expenses.
c. Provision for leave encashment has been measured as per actuarial report . Till last year, this was not measured as per actuarial report."

AC. Finance Income

a. Reversal of interest income accrued on gratuity fund deposited in CIT.
b. Interest effect of measuring the non-current financial assets/liabilities on amortised cost has been classified as other finance income/(cost).

AD. Finance Costs

a. Bank charges has been reclassified as finance cost which was earlier classified as Administrative and other operating expenses.
b. Interest effect of measuring the non-current financial assets/liabilities on amortised cost has been classified as other finance income/cost).

AE. Other comprehensive income

a. Actuarial adjustment as per actuarial report has now been classified under OCI.
b. Investment in other equity instruments are now measured at fair value which used to be measured at cost less impairment loss. Gain/loss on such change in fair value has been recognised in Other Comprehensive Income (OCI).

Figures in NPR

Note no: 4

Property, plant and equipment:

	Freehold Land	Building	Office Equipment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
Cost									
Balance at 1st Shrawan 2072	48,515,535	174,706,609	43,233,394	16,664,922	2,405,862	10,279,556	9,516,399	23,577,326	**328,899,603**
Additions	-	2,046,858	8,530,694	6,389,014	100,126	3,735,011	2,181,047	18,433,486	**41,416,236**
Transfer from CWIP	-	-	-	-	-	-	-	(146,335)	**(146,335)**
Disposals	-	(114,908)	(176,796)	(44,007)	(32,002)	-	(113,932)	-	**(481,645)**
Balance at 31st Ashad 2073	48,515,535	176,638,559	51,587,292	23,009,929	2,473,986	14,014,567	11,583,514	41,864,477	**369,687,859**
Additions	-	39,847,009	3,239,475	799,538	20,340	5,116,365	2,591,930	917,471	**52,532,128**
Disposals	-	-	(188,813)	(62,080)	(159,234)	(27,404)	(245,000)	-	**(682,531)**
Transfer from CWIP	-	38,979,199	-	-	-	-	-	(39,641,866)	**(662,667)**
Balance at 31st Ashad 2074	48,515,535	255,464,767	54,637,954	23,747,387	2,335,092	19,103,528	13,930,444	3,140,082	**420,874,789**
Accumulated depreciation									
Balance at 1st Shrawan 2072	-	-	-	-	-	-	-	-	-
Charge for the year	-	8,715,256	10,970,573	4,274,660	486,341	2,329,796	2,678,852	-	**29,455,478**
Disposals	-	(5,746)	(75,708)	(26,661)	(17,478)	-	(50,758)	-	**(176,351)**
Balance at 31st Ashad 2073	-	8,709,510	10,894,865	4,247,999	468,863	2,329,796	2,628,094	-	**29,279,127**
Charge for the year	-	8,369,343	10,103,776	4,826,740	419,803	2,525,678	2,396,517	-	**28,641,857**
Disposals	-	-	(101,000)	(60,351)	(51,629)	(9,865)	(117,000)	-	**(339,845)**
Balance at 31st Ashad 2074	-	17,078,853	20,897,641	9,014,388	837,037	4,845,609	4,907,611	-	**57,581,139**
Net book value									
At 1st Shrawan 2072	48,515,535	174,706,609	43,233,394	16,664,922	2,405,862	10,279,556	9,516,399	23,577,326	**328,899,603**
At 31st Ashad 2073	48,515,535	67,929,049	40,692,427	18,761,930	2,005,123	11,684,771	8,955,420	41,864,477	**340,408,732**
At 31st Ashad 2074	48,515,535	238,385,914	33,740,313	14,732,999	1,498,055	14,257,919	9,022,833	3,140,082	**363,293,650**

a) The Company has availed the deemed cost exemption in relation to the property, plant and equipment on the date of transition and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer table below for the gross block value and the accumulated depreciation on 1st Shrawan, 2072 under the previous GAAP.

	Freehold Land	Building	Office Equipment	Furniture and Fixtures	Plant & Equipment	Vehicles	Computers	Capital work-in-progress	Total
Gross Block as at 1st Shrawan 2072	48,515,535	96,576,640	84,399,628	32,199,329	11,904,218	34,341,652	21,301,526	23,577,326	**452,815,854**
Accumulated Depreciation as at 1st Shrawan 2072	-	(21,870,031)	(41,166,234)	(15,534,407)	(9,498,356)	(24,062,096)	(11,785,127)	-	**(123,916,251)**
Deemed cost as at 1st Shrawan 2072	48,515,535	174,706,609	43,233,394	16,664,922	2,405,862	10,279,556	9,516,399	23,577,326	**328,899,603**

b) Refer Note 20 for the details in respect of certain intangible assets hypothecated/mortgaged as security for borrowings.

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

Figures in NPR

Note no: 5

Intangible assets:

Particulars	Computer Software	Service Concession Arrangement	Total
Balance at 1st Shrawan 2072	2,669,847	1,977,625,741	**1,980,295,588**
Additions - Externally acquired	1,212,710	64,150,553	**65,363,263**
Transfer from CWIP	-	146,335	**146,335**
Adjustment during the year	(1,833)	(107,624)	**(109,457)**
Balance at 31st Ashad 2073	**3,880,724**	**2,041,815,005**	**2,045,695,729**
Additions - Externally acquired	840,257	52,432,159	53,272,416
Transfer from CWIP	-	662,667	662,667
Adjustment during the year	(13,763)	(585,613)	(599,376)
Balance at 31st Ashad 2074	4,707,218	2,094,324,218	**2,099,031,436**
Amortisation			
Balance at 1st Shrawan 2072	-	-	-
Charge for the year	680,970	66,627,745	**67,308,715**
Adjustment during the year	-		**-**
Balance at 31st Ashad 2073	680,970	66,627,745	**67,308,715**
Charge for the year	1,647,294	68,381,053	**70,028,347**
Adjustment during the year	-	-	**-**
Balance at 31st Ashad 2074	2,328,264	135,008,798	**137,337,062**
At 1st Shrawan 2072	2,669,847	1,977,625,741	**1,980,295,588**
At 31st Ashad 2073	3,199,754	1,975,187,260	**1,978,387,014**
At 31st Ashad 2074	2,378,954	1,959,315,420	**1,961,694,374**

a) The Company has availed the deemed cost exemption in relation to the property, plant and equipment on the date of transition and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer table below for the gross block value and the accumulated depreciation on 1st Shrawan, 2072 under the previous GAAP.

Particulars	Computer Software	SCA	Total
Gross Block as at 1st Shrawan 2072	3,903,043	2,818,975,125	**2,822,878,168**
Accumulated Depreciation as at 1st Shrawan 2072	(1,233,196)	(841,349,384)	**(842,582,580)**
Deemed cost as at 1st Shrawan 2072	2,669,847	1,977,625,741	**1,980,295,588**

b) Refer Note 20 for the details in respect of certain intangible assets hypothecated/mortgaged as security for borrowings.

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

Note no: 6

Project work-in-progress

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
	At cost	At cost	At cost
Chino Khola SHP	13,445,201	8,643,830	3,059,754
Lower Manang Marshyangdi HEP	161,875,591	155,294,653	152,728,582
Total	**175,320,792**	**163,938,483**	**155,788,336**

a) Expenditure on Lower Manang Marsyangdi, Chino Khola projects and other on-going contractual works are shown as project work in progress.

Note no: 7

Investment in subsidiaries and associates

Figures in NPR

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at cost [Deemed Cost]						
Investment in Subsidiary Companies						
Nepal Hydro & Electric Limited (Equity Shares of NPR 100 each fully paid up)	715,800	71,580,000	715,800	71,580,000	715,800	71,580,000
Khudi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)	504,000	50,400,000	504,000	50,400,000	504,000	50,400,000
Khudi Hydropower Limited (Preference Shares of NPR 100 each fully paid up)	576,000	57,600,000	576,000	57,600,000	576,000	57,600,000
BPC Services Limited (Equity Shares of NPR 100 each fully paid up)	100,000	10,000,000	100,000	10,000,000	100,000	10,000,000
Nyadi Hydropower Limited (Equity Shares of NPR 100 each fully paid up)	4,666,560	466,656,000	4,666,560	466,656,000	3,539,800	353,980,000
Hydro-Consult Engineering Limited (Equity Shares of NPR 100 each fully paid up)	117,785	11,778,500	94,228	9,422,800	94,228	9,422,800
Convertible loan to Nyadi Hydropower Limited (convertible to fixed number of equity share)	-	19,444,000	-	-	-	9,035,500
Investment in Associate Companies						
Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)	1,888,500	188,850,000	1,888,500	188,850,000	832,800	83,280,000
Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)	2,966,860	296,686,000	1,618,500	161,850,000	260,000	26,000,000
Convertible loan to Gurans Energy Limited (convertible to fixed number of equity share)	-	143,133,600	-	-	-	-
Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)	-	1,260,044	-	4,468,909	-	245,879,257
Gross Investment at cost (A)	**11,535,505**	**1,317,388,144**	**10,163,588**	**1,020,827,709**	**6,622,628**	**917,177,557**
Less: Provision for impairment loss						
Khudi Hydropower Limited		-		(2,330,736)		(5,342,873)
Gurans Energy Limited		(10,300,617)		(9,042,983)		(5,306,018)
Total Provision (B)		**(10,300,617)**		**(11,373,719)**		**(10,648,891)**
Net Investment at cost less impairment (A+B)		**1,307,087,527**		**1,009,453,990**		**906,528,666**

a. Provision for impairment loss was made in proportion of BPC's share investments in subsidiaries and associates as per the audited / latest available financial statements. This year, the accumulated loss in Khudi Hydropower Limited is decreased by NPR 2,330,736. On the contrary, accumulated losses in Gurans Energy Limited however increased by NPR 1,257,634. This has resulted increase in income by NPR 1,073,102.

Note no: 8

Other investments

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income						
Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)	2,978,502	1,130,717,624	2,978,502	1,194,992,335	2,978,502	1,247,179,523
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	8,974,314	10,000	8,281,037	10,000	8,189,798
Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)	6,395	639,500	6,395	639,500	6,395	639,500
Total Investment at Fair Value through Other Comprehensive Income	**2,994,897**	**1,140,331,438**	**2,994,897**	**1,203,912,872**	**2,994,897**	**1,256,008,821**

a) The Company has pledged its shares in HPL as collateral for Nordic Development Fund (NDF), Norway, against the loan for Khimti-I Hydropower Project under separate agreements with HPL and the lender. The share certificate will be released to BPC after the settlement of NDF loan.
b) Jumdi Hydro Power is on construction phase and in such circumstances, the Company assumes its cost of the equity instrument to be an appropriate estimate of fair value.

Figures in NPR

Note no: 9

Inventories

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
General Stock/Office Supplies/Consumer Service Items	5,615,613	8,995,535	5,933,118
Stock of Electric Goods	7,051,634	3,979,307	3,422,781
T/L & D/L Stock	7,364,032	7,989,451	10,332,232
Other engineering inventories and spare parts	40,080,014	31,106,306	21,306,950
Total	**60,111,293**	**52,070,599**	**40,995,081**

Refer Note 20 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 10

Trade receivables

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Nepal Electricity Authority	68,180,148	76,556,274	81,296,622
Local Consumers	15,225,721	**10,912,132**	**9,493,316**
	83,405,869	**87,468,406**	**90,789,938**

Refer Note 20 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 11

Cash and cash equivalents

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Balances with banks			
Local currency account			
In current accounts	17,810,606	12,438,027	10,898,172
In call accounts	10,105,364	14,317,766	13,701,400
Convertible currencies account			
In current accounts	1,446,245	1,624,275	987,813
In call accounts	1,797,672	1,917,405	7,615,828
Cash on hand	597,922	460,633	238,510
Cheque on hand	-	373,960	385,521
	31,757,809	**31,132,066**	**33,827,244**

Refer Note 20 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

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

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Cash at banks and on hand	31,757,809	31,132,066	33,827,244
Overdraft	(12,446,176)	(78,923,056)	(6,004,905)
	19,311,633	**(47,790,990)**	**27,822,339**

Note no: 12

Bank balance other than cash and cash equivalents

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Balances with Bank			
In deposit account	33,800,000	-	-
Embarked balance with bank			
Unpaid dividend	588,132	578,240	1,589,625
Margin money	130,000	22,000	-
DSRA balance	-	34,023,516	50,350,460
	34,518,132	**34,623,756**	**51,940,085**

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

b. Refer Note 20 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Figures in NPR

Note no: 13

Other assets (Current and Non-current)

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-current	Current	Non-current	Current	Non-current
Capital advance	-	6,195,175	-	3,464,536	-	6,873,831
Prepaid Expenses	10,906,171	-	12,324,493	-	12,241,658	-
Advance to suppliers	-	-	-	-	1,350,000	-
	10,906,171	**6,195,175**	**12,324,493**	**3,464,536**	**13,591,658**	**6,873,831**

Refer Note 20 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 14

Other financial assets (Current and Non-current)

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-current	Current	Non-current	Current	Non-current
Government Deposits	33,000,000	-	4,000,000	-	4,000,000	-
Deposit (Others)	704,198	-	729,198	-	740,750	-
Loan and Advance to Staff	654,564	-	470,025	-	413,003	-
Dividend receivable from subsidiaries and assosiates	3,579,000	-	-	-	-	-
Interest receivable from subsidiaries and assosiates	79,190,664	-	79,190,664	-	77,506,708	-
Other receivables from subsidiaries and assosiates	1,953,430	-	132,335,102	-	131,082,222	-
Other receivables	1,324,083	-	9,141,264	-	1,243,533	-
Total	**120,405,939**	-	**225,866,253**	-	**214,986,216**	-

Refer Note 20 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 15

Figures in NPR

INCOME TAXES

A.	Tax expense recognised in the Statement of Profit and Loss	Year ended 31st Ashad 2074	Year ended 31st Ashad 2073
	Current tax		
	Current income tax charge	-	-
	Deferred tax credit/charge		
	Origination and reversal of temporary differences	18,031,494	10,948,098
	Adjustments/(credits) related to previous years - (net)	-	(1,880,765)
	Income tax expense reported in statement of Profit or Loss	**18,031,494**	**9,067,333**

B.	Tax expense recognised in Other comprehensive income	Year ended 31st Ashad 2074	Year ended 31st Ashad 2074
	Deferred tax		
	Origination and reversal of temporary differences	(14,931,242)	(12,431,124)
	Income tax charged to OCI	**(14,931,242.00)**	**(12,431,124)**

C.	Current tax asset / (liability) -net:	Year ended 31 Ashadh, 2074	Year ended 31 Ashadh, 2073	Year ended 31 Ashadh, 2072
	Advance Income Tax	74,304,779	71,705,151	68,253,966
	Less: Income Tax Liability	-	-	(5,731,594)
	Total	**74,304,779**	**71,705,151**	**62,522,372**

Note: There is no income tax liability due to loss from Hydropower Plants (Jhimruk & Andhikhola Power Plants). Profit from other sources is setted off against such losses as per applicable tax rule. The dividend received from HPL is net of tax. Hence, no tax provision is made for this income.

Detail of accumulated losses as at the year end is as follows:-

		Year ended 31 Ashadh, 2074			Year ended 31 Ashadh, 2073		
D.	Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Hydro	Other source	Total	Hydro	Other source	Total
	Accounting Profit/ (Loss) before income tax	130,037,079	556,016,319	686,053,398	102,177,526	526,318,914	628,496,440
	Enacted tax rate	17%	25%		18.00%	25.00%	
	Computed tax expense	**22,106,303**	**139,004,080**	**161,110,383**	**18,391,955**	**131,579,729**	**149,971,684**

Differences due to:						
Tax effect due to non taxable income	(1,694,271)	(138,750,150)	(140,444,421)	(2,185,714)	(130,335,265)	(132,520,979)
Effect due to non deductible expenses	8,125,600	2,146,637	10,272,237	2,271,208	1,826,657	4,097,865
Tax effect due to difference in depreciation rate	(19,023,610)	(277,841)	(19,301,451)	(16,129,148)	28,548	(16,100,600)
NFRS Adjustment effect	-	-	-	(8,317,075)	1,150,863	(7,166,212)
Opening Accumulated losses	(24,704,252)	(2,021,548)	(26,725,800)	(20,188,668)	(6,272,080)	(26,460,748)
Closing Accumulated losses	15,190,230	(101,178)	15,089,052	26,157,442	2,021,548	28,178,990
Income tax expense charged to the statement of Profit or Loss and OCI	-	-	-	-	-	-

E. The movement in deferred tax assets and liabilities during the year ended 31 Ashadh, 2073 and 31 Ashadh, 2074:

i.	Movement during the year ended 31 Ashadh, 2073	As at 1 Shrawan, 2072	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive Income	As at 31 Ashadh, 2073
	Deferred tax assets/(liabilities)				
	Provision for leave encashment	1,388,259	220,029	-	1,608,288
	Provision for loss on investment	2,662,223	12,612,331	(12,431,124)	2,843,430
	Depreciation	(59,797,773)	(28,035,698)	-	(87,833,471)
	Unused tax losses	26,460,748	6,136,005	-	32,596,753
		(29,286,543)	**(9,067,333)**	**(12,431,124)**	**(50,785,000)**

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

Figures in NPR

Note no: 16

Equity Share Capital

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Shrawan, 2072	
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
A. Equity Shares						
Authorised						
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000	80,000,000	8,000,000,000
Issued						
Equity Shares of Rs. 100 each with voting rights	22,202,250	2,220,225,000	17,000,000	1,700,000,000	17,000,000	1,700,000,000
Subscribed and Fully Paid						
Equity Shares of Rs. 100 each with voting rights	18,105,720	1,810,572,000	16,732,227	1,673,222,700	16,732,227	1,673,222,700
	18,105,720	1,810,572,000	16,732,227	1,673,222,700	16,732,227	1,673,222,700

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

Particulars	As at 31st Ashad, 2074	As at 31st Ashad, 2073	As at 1st Shrawan, 2072
	No. of Shares	No. of Shares	No. of Shares
Balance as at the beginning of the year	16,732,227	16,732,227	16,732,227
Add: Issue of bonus share during the year	1,184,563	-	-
Add: Auction of right shares unsubscribed by UMN	188,930	-	-
Balance as at the end of the year	18,105,720	16,732,227	16,732,227

C. Details of shareholding more than 1%

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Sharwan, 2072	
	No. of Shares	Share %	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	12,484,065	68.95%	11,667,350	69.73%	11,667,350	69.73%
Government of Nepal	1,645,899	9.09%	1,538,223	9.19%	1,538,223	9.19%
IKN Nepal A.S., Norway	350,411	1.94%	327,487	1.96%	1,023,397	6.12%
United Mission to Nepal	303,233	1.67%	283,395	1.69%	283,395	1.69%
Nepal Electricity Authority	191,225	1.06%	178,715	1.07%	178,715	1.07%
General Public/Employees	2,374,923	13.12%	2,030,673	12.14%	2,030,673	12.14%

D. Terms/rights attached to equity shares

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

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	As at 31st Ashad, 2074	As at 31st Ashad, 2073
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2072-73: NPR. 20 per share (2071-72: NPR. 20 per share)	338,414,939	334,644,540
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed dividend for 2073-74: NPR______ per share (2072-73: NPR 20 per share)	-	338,414,939

Note: Dividend will be proposed for approval at the annual general meeting in next board meeting

Note no: 17

Other equity

	Share Premium	General Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2072	11,006,400	148,700,000	1,941,098,933	**2,100,805,333**
Profit for the year	-	-	619,429,107	**619,429,107**
Other comprehensive income	-	-	(68,164,984)	**(68,164,984)**
Dividends to shareholders	-	-	(334,644,540)	**(334,644,540)**
Prior Year's Adjustment	-	-	(12,798,100)	**(12,798,100)**
Balance at 1 Shrawan 2073	11,006,400	148,700,000	2,144,920,416	**2,304,626,816**
Profit for the year	-	-	668,021,904	**668,021,904**
Other comprehensive income	-	-	(72,735,685)	**(72,735,685)**
Issue of right share	142,031,439	-	-	**142,031,439**
Issue of bonus share	-	-	(118,456,300)	**(118,456,300)**
Share Issue Cost	(3,186,063)	-	-	**(3,186,063)**
Dividends to shareholders	-	-	(338,414,939)	**(338,414,939)**
Prior Year's Adjustment	-	-	-	-
Balance at 31st Ashad 2074	149,851,776	148,700,000	2,283,335,396	**2,581,887,172**

Figures in NPR

Note no: 18

Grant aid in reserve

Particulars	As at 31st Ashad 2074 Closing balance	Amortisation for the year	As at 31st Ashad 2073 Closing balance	Amortisation for the year	As at 1st Shrawan 2072 Closing balance	Amortisation for the year
Name of Grantors						
NORAD	9,449,547	328,484	9,778,031	328,484	10,106,515	-
UMN PCS	18,955,198	673,931	19,629,129	673,931	20,303,060	-
USAID	10,711,910	382,723	11,094,634	382,723	11,477,357	-
REGDAN	11,630,126	414,375	12,044,501	414,375	12,458,876	-
JRP	5,775,183	206,795	5,981,977	206,795	6,188,772	-
REEP	77,761,722	2,773,848	80,535,571	2,773,848	83,309,419	-
Local VDC/Community	68,059,980	2,150,013	63,106,860	1,870,519	56,671,707	-
Total	**202,343,666**	**6,930,169**	**202,170,703**	**6,650,675**	**200,515,706**	**-**

Note no: 19

Trade payables

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Trade payables	72,430,459	-	31,518,655	-	84,170,907	-
	72,430,459	-	**31,518,655**	**-**	**84,170,907**	-

Note no: 20

Borrowings

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Measured at amortised cost						
Secured Borrowings from Banks						
Term loan	86,100,272	368,482,666	121,462,192	580,290,065	116,100,272	756,768,182
Short Term loan	-	-	36,500,000	-	-	-
Overdraft	12,446,176	-	78,923,056	-	6,004,905	-
	98,546,448	**368,482,666**	**236,885,248**	**580,290,065**	**122,105,177**	**756,768,182**

1) The company has entered into consortium arrangement for one of the term loan with International Financial Corporation (IFC) and Mega Bank. These loans are secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project, ranking paripassu among bankers. All these assets are classified as "Service Concession Arrangement Intangibles". The portion of Mega Bank has been fully paid by the company as on 31st Ashad, 2074.

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

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

4) Terms of Repayment of Term Loans

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
2-3 Years	172,200,544	232,200,544	232,200,544
4-5 Years	138,318,410	232,200,544	232,200,544
5-10 Years	58,032,000	125,054,028	301,154,300
	368,550,954	**589,455,116**	**765,555,388**

Note no: 21

Other liabilities (current and non-current)

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	-	23,805,823		26,054,488	-	31,665,696
Dividend Payable	54,847,272	-	38,885,704	-	25,614,439	-
Statutory dues	3,138,233	-	3,041,665	-	2,485,402	-
VAT Payable	251,886	-	297,645	-	(45,373)	-
Contribution to PM's Relief Fund	-	-	-	-	418,449	-
Welfare Fund Clearing Account	1,341,051	-	1,443,140	-	376,970	-
Bonus payable	14,405,364	-	11,737,879	-	10,764,191	-
	73,983,806	**23,805,823**	**55,406,033**	**26,054,488**	**39,614,078**	**31,665,696**

Note no: 22

Other Financial Liabilities

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Employees Accounts Payable	10,236,154	-	10,010,187	-	8,982,187	-
Refundable Deposits of Parties	3,794,867	-	3,940,350	-	787,192	-
Retention Payable	10,678,188	-	9,198,070	4,191,610	42,600,157	11,328,154
Interest Payable	4,647,323	-	-	-	-	-
Miscellaneous Deposits	-	-	-	-	42,236	-
Royalty Payable	3,574,894	-	5,176,902	-	23,783,386	-
Other Payable	3,809,714	-	2,590,346	-	1,690,911	-
	36,741,140	**-**	**30,915,855**	**4,191,610**	**77,886,069**	**11,328,154**

Note no: 23

Provisions (current and non-current)

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Provision for Gratuity (Net)	-	7,777,354	-	10,561,700	-	11,672,730
Provision for leave encashement	1,665,768	7,348,910	1,877,302	6,250,176	1,242,142	5,934,225
	1,665,768	**15,126,264**	**1,877,302**	**16,811,876**	**1,242,142**	**17,606,955**

Figures in NPR

Note no: 24

Revenue

Particulars	2073-74	2072-73
Electricity Sale to NEA		
Electricity Sale	485,242,397	472,689,625
Short supply charges	(6,373,861)	(12,357,058)
	478,868,536	**460,332,567**
Electricity Sale to Consumers		
Metered Consumers	149,869,836	112,645,578
Unmetered Consumers	1,264,117	1,202,872
Industrial Consumers	33,087,820	20,685,821
UO Rebate	(10,367,469)	(9,243,689)
	173,854,304	**125,290,582**
Electricity Services		
Fee and Charges	1,282,395	1,626,402
Sale of Meter/Cutout & Accessories	8,866,431	8,329,507
	10,148,826	**9,955,909**
Total	**662,871,666**	**595,579,058**

Note no: 25

Generation Expenses

Particulars	2073-74	2072-73
Electricity Purchase	22,810,403	32,068,017
Salaries and other employee cost	39,356,447	37,562,405
Contribution to Provident Fund	1,472,000	1,462,583
Defined benefit plan expenses	4,012,267	2,436,455
Staff Bonus	4,057,029	3,405,792
Environment, Community & Mitigation	19,069,660	8,262,423
Donation expenses	521,200	1,319,826
Repair and Maintenance	53,094,037	19,129,473
Vehicle running cost	311,570	298,644
Depreciation	2,487,904	10,901,452
Amortisation of Intangible Assets - SCA	54,941,495	54,648,285
Royalty	60,321,828	56,923,113
Insurance	9,078,182	9,046,437
Stock written off	23,472	5,245,457
Assets written off	435,753	152,262
Miscellaneous Expenses	10,955,251	9,452,597
Total	**282,948,498**	**252,315,221**

Figures in NPR

Note no: 26

Distribution Expenses

Particulars	2073-74	2072-73
Cost of sale of Meter/Cutout & Accessories	5,862,763	5,894,978
Salaries and other employee cost	33,009,416	31,373,237
Contribution to Provident Fund	1,411,854	1,366,817
Defined benefit plan expenses	2,079,212	2,397,048
Staff Bonus	3,998,499	3,108,761
Environment, Community & Mitigation	67,904	-
Donation expenses	33,200	55,651
Repair and Maintenance	6,456,585	8,782,439
Vehicle running cost	255,428	266,252
Depreciation	1,872,603	1,687,867
Amortisation of Intangible Assets - SCA	13,439,558	11,979,460
Royalty	18,422,178	13,453,427
Insurance	498,462	401,663
Stock written off	93,935	574,881
Assets written off	340,362	52,131
Miscellaneous Expenses	9,428,129	9,102,074
Total	**97,270,088**	**90,496,686**

Note no: 27

Administrative and other operating expenses

Particulars	2073-74	2072-73
Salaries and other employee cost	51,720,041	50,454,933
Contribution to Provident Fund	2,239,044	2,194,562
Defined benefit plan expenses	747,104	2,004,950
Staff Bonus	6,349,836	5,223,327
Staff Welfare	4,835,431	5,466,450
Advertisement and business promotion	2,224,655	1,292,029
AGM and Board Expenses	3,036,022	2,177,847
Audit Fee & Expenses	2,330,519	1,618,117
Communication Expenses	2,345,005	2,371,426
Depreciation and amortisation	25,928,646	17,547,127
Environment, Community & Mitigation	250,447	190,152
Gift and Donation	183,500	3,894,518
Hospitality and Refreshment	2,022,353	710,008
Insurance	1,248,715	1,177,311
Legal and professional Expenses	1,708,279	1,613,682
Office running cost	5,677,063	4,877,845
Printing and Stationery	1,378,656	1,235,261
Rates and Taxes	718,387	1,126,956
Rent	324,000	342,137
Repair and Maintenance	4,766,516	4,883,087
Stock Written off	-	51,463
Training and Development	937,275	1,823,431
Travelling expenses	4,176,913	3,509,341
Vehicle running cost	(673,071)	74,216
Bad Debts	-	777
Asssets Written off	165,949	192,233
Miscellaneous Expenses	1,466,633	1,979,667
Overhead Charged to Projects	(4,606,761)	(3,106,341)
Total	**121,501,157**	**114,926,512**

Figures in NPR

Note no: 28

Impairment loss on investment

Particulars	2073-74	2072-73
Khudi Hydropower Limited	2,330,736	3,012,137
Guras Energy Limited	(1,257,634)	(3,736,965)
Total	**1,073,102**	**(724,828)**

Note no: 29

Other Income

Particulars	2073-74	2072-73
Dividend income	556,963,630	531,767,880
Income from Other Sources	9,946,437	8,343,928
House Rent	11,717,574	7,210,064
Sale of Scrap materials/assets	2,647,179	231,870
Foreign Currency Exchange Gain/(Loss)	514,210	197,648
Total	**581,789,030**	**547,751,390**

a. Detail of Dividend income

Name of Company	2073-74	2072-73
Himal Power Limited [USD 5,132,584 (2072-73: 4,891,994]	548,673,230	528,579,965
Hydro-Consult Engineering Limited	2,355,700	2,237,915
Hydro-Consult Engineering Limited (Bonus Share)	2,355,700	-
BPC Services Limited	-	950,000
Nepal Hydro & Electric Limited	3,579,000	-
Total	**556,963,630**	**531,767,880**

b. Detail of Foreign Currency Exchange Gain/(Loss):	2073-74	2072-73
Andhikhola Upgrading Project 9.4 MW		
Foreign exchange losses charged to SOPL	(442,816)	(1,372,805)
Other Foreign exchange gain/(loss)		
HPL dividend	1,054,343	1,177,907
Foreign currency accounts maintained with various banks	(97,317)	392,546
Total	**514,210**	**197,648**

Note no: 30

Finance income

Particulars	2073-74	2072-73
Interest income	8,964,290	14,948,901
	8,964,290	**14,948,901**

Note no: 31

Finance Costs

Particulars	2073-74	2072-73
Interest Expenses	62,716,703	79,289,668
Other finance cost	9,653,395	187,946
Bank Charges	1,485,018	1,273,809
	73,855,116	**80,751,423**

Note: 32

EARNINGS PER SHARE	2073-74	2072-73
Profit for the year	668,021,904	619,429,107
Weighted average number of equity shares outstanding	18,045,262	17,916,790
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	**37.02**	**34.57**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	18,045,262	17,916,790
Earnings Per Share (Rs.) - Diluted (Face value of Rs. 100 per share)	**37.02**	**34.57**

Figures in NPR

Note no: 33

Financial Instruments: Classifications and fair value measurements

A. Fair value measurements

Particulars	Fair value			Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072		
Financial assets :					
Investment in equity instruments of Himal Power Limited	1,130,717,624	1,194,992,335	1,247,179,523	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
Investment in equity instruments of Hydro Lab (P) Limited	8,974,314	8,281,037	8,189,798	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.
Investment in equity instruments of Jumdi Hydropower Co. Limited	639,500	639,500	639,500	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

As at 31st Ashad 2073	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	1,009,453,990	-	-	-
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,203,912,872	-	-	1,203,912,872
Financial assets carried at amortised cost				
Trade receivables	87,468,406	-	-	87,468,406
Cash and cash equivalents	31,132,066	-	-	31,132,066
Bank balance other than cash and cash equivalents	34,623,756	-	-	34,623,756
Other financial assets	225,866,253	-	-	225,866,253
Total Financial Assets	**379,090,481**	**-**	**-**	**379,090,481**
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	817,175,313	-	-	817,175,313
Trade payables	31,518,655	-	-	31,518,655
Other financial liabilities	35,107,465	-	-	35,107,465
Total Financial Liabilities	**883,801,433**	**-**	**-**	**883,801,433**

As at 1st Shrawan 2072	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	906,528,666	-	-	-
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,256,008,821	-	-	1,256,008,821
Financial assets carried at amortised cost				
Trade receivables	90,789,938	-	-	90,789,938
Cash and cash equivalents	33,827,244	-	-	33,827,244
Bank balance other than cash and cash equivalents	51,940,085	-	-	51,940,085
Other financial assets	214,986,216	-	-	214,986,216
Total Financial Assets	**391,543,483**	-	-	**391,543,483**
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	878,873,359	-	-	878,873,359
Trade payables	84,170,907	-	-	84,170,907
Other financial liabilities	89,214,223	-	-	89,214,223
Total Financial Liabilities	**1,052,258,489**	**-**	**-**	**1,052,258,489**

Figures in NPR

Note no: 34

Post employment benefit plans

The following tables summarizes the components of net benefit expense recognized in the statement of income and amounts recognized in the statement of financial position for the plan:

A. 2073-74 changes in the defined benefit obligation and Fair value of plan assets

		Benefit cost charged to income statement				Re-measurement				
	Balance at 1 Sharwan 2073	Service cost	Net Interest	Sub-total included in profit or loss *	Benefits paid	Return on plan assets less interest on plan assets	Experience adjustments	Sub-total included in OCI	Contribution by employer	Balance at 31 Ashad 2074
Gratuity obligation	(140,352,380)	(6,442,523)	(10,128,230)	(16,570,753)	7,428,599	-	2,969,100	2,969,100	-	(146,525,434)
Fair value of plan assets	129,790,680	-	9,732,170	9,732,170	(7,770,520)	2,807,890	-	2,807,890	4,187,860	138,748,080
Benefit Liability	**(10,561,700)**	**6,442,523)**	**(396,060)**	**(6,838,583)**	**(341,921)**	**2,807,890**	**2,969,100**	**5,776,990**	**4,187,860**	**(7,777,354)**

B. 2072-73 changes in the defined benefit obligation and Fair value of plan assets

		Benefit cost charged to income statement				Re-measurement				
	Balance at 1 Sharwan 2072	Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets less interest on plan assets	Experience adjustments	Sub-total included in OCI	Contribution by employer	Balance at 31 Ashad 2073
Gratuity obligation	(128,910,380)	(6,400,723)	(9,279,150)	(15,679,873)	4,806,843	-	(568,970)	(568,970)	-	(140,352,380)
Fair value of plan assets	117,237,650	-	8,841,420	8,841,420	(4,892,180)	(3,068,940)	-	(3,068,940)	11,672,730	129,790,680
Benefit Liability	**(11,672,730)**	**(6,400,723)**	**(437,730)**	**(6,838,453)**	**(85,337)**	**(3,068,940)**	**(568,970)**	**(3,637,910)**	**11,672,730**	**(10,561,700)**

Figures in NPR

Note no: 34

Post employment benefit plans (Continued…)

C. The major categories of plan assets of the fair value of the total plan assets are, as follows:

	2073-74	2072-73
Quoted Value	-	-
Non-Quoted Value		
Others	138,748,080	129,790,680
Total	**138,748,080**	**129,790,680**

D. The principal assumptions used in determining post-employment benefit obligations for the Company's plans are shown below:

	2073-74	2072-73
Discount rate	8.00%	7.50%
Salary escalation rate for Gratuity	6.50%	6.50%
Withdrawal rate	5.00%	5.00%
Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ultimate	

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

E. A quantitative sensitivity analysis for significant assumption at the end of the reporting period is as shown below:

Assumptions	Discount rate		Salary escalation rate	
	1.0%	1.0%	1.00%	1.00%
Sensitivity Level	Increase	Decrease	Increase	Decrease
Impact on Defined benefit obligation - Gratuity	(8,624,260)	9,536,150	9,592,570	(8,825,610)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the defined benefit plan in future years:

F. Defined benefit obligation - Gratuity	2073-74	2072-73
Within the next 12 months (next annual reporting period)	14,057,630	10,618,640
Between 2 and 5 years	72,515,970	55,301,530
Beyond 6 years	110,523,800	110,523,800
Weighted average duration of the above defined benefit obligation	7 years	7 years

Figures in NPR

Note no: 35

RELATED PARTY DISCLOSURES

(a) Relationship

The company is controlled by Shangri-La Energy Ltd which owns 68.95% of the company's shares.

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

(b) Those charged with governance

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Rajib Rajbhandari	Director
iv) Mr. Bijaya Krishna Shrestha	Director
v) Mr. Om Prakash Shrestha	Director
vi) Mr. Chiranjeewee Chataut	Director
vii)Mr. Chandi Prasad Shrestha	Director
viii)Mr. Divakar Vaidya	Director
ix) Mr.Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

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

Nature of Expense	Current year	Previous year
Meeting Allowances	680,000	565,000
Telephone, Mobile and Newspaper / Magazines	546,000	529,500

(c) Transactions with key management personnel

Key Management personnel includes:

i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Regular employee benefits	4,744,441	4,289,728

Note: - The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. Also, the liabilities for defined benefit plans (i.e. gratuity obligations) and leave encashment are provided on an actuarial basis for the company as a whole, so the amounts pertaining to the key management personnel are not included above.

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	433,920	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	260,541	65,450	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	46,386	1,155,877	-	-
Nepal Hydro & Electric Ltd.	Purchase and other expenses	19,037,295	21,848,073	2,624,036	18,623,764
	Reimbursement of rent and utilities	15,368	229,268	3,661	34,610
	Advance given	-	2,976,703	-	2,976,703
Khudi Hydropower Limited	Sale	142,916.81	108,736	102,672	58,941
BPC Services Limited	Reimbursement of rent and utilities	57,150	53,162	-	5,370
	Purchase	26,173	23,162	-	(2,152)
Nyadi Hydropower Limited	Reimbursement of rent and utilities	1,882,621	983,860	113,397	173,321
	Purchase	-	-	19,444,000	-
Hydro-Consult Engineering Limited	Purchase	3,313,561	2,456,200	(325,765)	-
	Reimbursement of rent and utilities	4,796,717	2,369,061	472,487	472,487
Kabeli Energy Limited	Sale	1,720,201	2,303,774	1,593,847	26,247,487

Note : 36

Contingent Liabilities and commitments

A. Bank Guarantee

S.no.	Bank Name	Purpose	Amount	Expiry Date(A.D.)
1	NIC Asia Bank Ltd.	Construction of Corporate Building Phase I	220,000,000	7/30/2025
2	NIC Asia Bank Ltd.	Construction of Corporate Building Phase II	80,000,000	8/31/2025
3	NIC Asia Bank Ltd.	Overdraft Loan Facility	100,000,000	6/30/2018
4	NIC Asia Bank Ltd.	Short term Loan Facility	36,500,000	4/19/2018
5	International Financial Corporation (IFC)	Construction of Andhikhola Upgrading Project 9.4 MW	542,652,088 (USD 6,500,000)	15/01/2022

B. Corporate Guarantee

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

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

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

If the Company applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 15.3 million considering the period since commencement date till Asadh end 2074. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project.

The advance ruling is still awaited.

D. Capital Commitments

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

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

BPC's part of capital commitment on this project is NPR 1,226 million for overall 55.6% shareholding of which BPC has invested overall NPR 630 million as on reporting date.

ii. 30-MW Nyadi Hydropower Project

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

BPC's part of capital commitment on this project is NPR 1,176 million for overall 70.22% shareholding after set aside for locals/public and employees; of which BPC has invested NPR 486 million as on reporting date.

iii. 100-MW Lower Manang Marsyangdi Hydropower Project

BPC has got survey license of 93 MW capacities Lower Manang Marsyangdi Project in May 2009. The project has been optimized for 100 MW Capacity. The project is located in Tachebagar and Dharapani VDC of Manang District. Detail feasibility study has been completed and the project is in the stage of detail design and in process for obtaining PPA and Generation license. NPR.182 million has been spent by the company as on reporting date.

iv. 8.5-MW Chino Khola Hydropower Project

BPC has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project . Feasibility study has been completed and the consent for EIA has been received from Ministry of Forest. Detail design is being carried out. NPR.13 million has been spent by the company for this project as on reporting date.

Figures in NPR

Note 37

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

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

Income Statement of generation, distribution and other sources of income
For the year ending on 31 Ashad, 2073

Particulars	Generation Jhimruk	Generation Andhikhola	Distribution Jhimruk	Distribution Andhikhola	Other Sources	Total
Revenue	332,957,627	127,374,940	36,172,545	99,073,946	-	595,579,058
Cost of Sales						
Generation Expenses	(119,180,234)	(133,134,987)	-	-	-	(252,315,221)
Distribution Expenses	-	-	(29,957,441)	(60,539,245)	-	(90,496,686)
Gross profit	**213,777,393**	**(5,760,047)**	**6,215,104**	**38,534,701**	**-**	**252,767,151**
Depreciation Being Revenue Portion of Grant Aid	232,899	259,852	2,312,049	3,845,875	-	6,650,675
Other income	124,993	1,075,548	441,277	1,416,145	544,693,427	547,751,390
Administrative and other operating expenses	(58,307,243)	(22,489,153)	(6,340,844)	(17,366,014)	(10,423,258)	(114,926,512)
Impairment loss on investment	-	-	-	-	(724,828)	(724,828)
Gain(Loss) on Disposal of NCA held for sale	-	2,781,086	-	-	-	2,781,086
Profit from Operation	**155,828,042**	**(24,132,714)**	**2,627,586**	**26,430,707**	**533,545,341**	**694,298,962**
Finance Income	16,222	66,744	18,968	22,398	14,824,569	14,948,901
Finance Costs	(200)	-	(1,000)	-	(80,750,223)	(80,751,423)
Profit Before Tax	**155,844,064**	**(24,065,970)**	**2,645,554**	**26,453,105**	**467,619,687**	**628,496,440**

Note 38

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

New Industrial Enterprises Act 2016 (2073 BS) (the "Act") has been introduced with effect from November 22, 2016 repealing the Industrial Enterprises Act 1992 (2049 BS) (the "Previous Act"). Section 48 of Industrial Enterprises Act 2016 (2073 BS) makes it mandatory to allocate 1% of the annual profit to be utilized towards corporate social responsibility (the "CSR Requirement"). The fund created for CSR is to be utilized on the basis of annual plans and programs but in the sectors, that are prescribed under the Act, however, such sectors are yet to be specified by the Act. The progress report of the utilization of the fund collected for CSR is required to be submitted to the relevant government authorities registered within three months from expiry of the financial year.

The Company believes that it has been expending on different CSR activities from earlier years. In current year, the Company has already incurred Rs. 19,388,011 on "Environment, Community & Mitigation" and allocated budget Rs. 14 million for FY 2074/75 to meet CSR requirement, which is more than required 1% of annual profit. Hence, additional amount for CSR activities has not been set aside.

BUTWAL POWER COMPANY LIMITED

Consolidated Financial Statements 2017

BRS Neupane & Co.
Chartered Accountants
Kumari Marga, House No. 43
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BRS Neupane & Co.

INDEPENDENT AUDITOR's REPORT

TO THE SHARE HOLDERS OF BUTWAL POWER COMPANY LIMITED

We have audited the accompanying consolidated financial statements of Butwal Power Company Limited, ("the Company") and its subsidiaries, (hereinafter collectively referred to as the "Group"), which comprise the Consolidated Statement of Financial Position as at 15th July 2017 (31st Ashad 2074), and also the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholder's Equity and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, the financial position of Butwal Power Company Limited and its subsidiaries as at 31st Ashad, 2074 (Corresponding 15th July, 2017), and of the results of their financial performance and cash flows for the year then ended in accordance with Nepal Financial Reporting Standards.

OTHER REPORTING

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

Date: 8th April 2018
Place: Kathmandu, Nepal

CA. Gyanendra B. Bhari
Partner

Consolidated Statement of Financial Position

As at 31st Ashad 2074 (15 July 2017)

Figures in NPR

	Note	As at 31st Ashad 2074	Restated* As at 31st Ashad 2073	Restated* As at 1st Shrawan 2072
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	526,145,950	442,059,624	455,810,331
Capital work-in-progress	4	27,754,943	65,399,314	47,112,163
Intangible assets	5	2,327,053,164	2,348,802,134	2,367,650,510
Intangible assets under development	6	427,576,946	400,365,789	363,873,218
Project work-in-progress	8	175,320,792	163,938,483	155,788,336
Financial assets				
Investment in associates and joint ventures	9	638,177,856	358,598,006	353,711,036
Other investments	10	1,141,331,438	1,204,912,872	1,257,008,821
Trade receivables	14	35,318,543	37,239,483	36,997,548
Other financial assets	15	1,584,517	2,214,686	2,394,280
` Other non-current assets	16	270,298,722	3,464,536	6,873,831
Total Non-Current Assets		**5,570,562,871**	**5,026,994,927**	**5,047,220,074**
Current assets				
Inventories	11	149,765,455	150,498,905	67,515,106
Financial assets				
Trade receivables	14	420,202,630	422,628,912	343,703,389
Cash and cash equivalents	12	76,526,022	125,175,075	110,292,181
Bank balance other than cash and cash equivalents	13	71,992,868	62,554,426	76,247,355
Other financial assets	15	341,823,385	368,934,511	289,054,710
Other current assets	16	108,657,274	37,477,623	56,801,987
Current tax assets (net)	7	91,204,151	85,889,534	67,234,220
Total current assets		**1,260,171,785**	**1,253,158,986**	**1,010,848,948**
Assets Held for Sale		-	-	3,170,203
Total assets		**6,830,734,656**	**6,280,153,913**	**6,061,239,225**
EQUITY AND LIABILITIES				
Equity				
Equity	17	1,810,572,000	1,673,222,700	1,673,222,700
Other Equity	18	2,794,072,456	2,447,950,398	2,174,581,030
Non-controlling interest	37	251,942,189	207,443,123	168,790,103
Total Equity		**4,856,586,645**	**4,328,616,221**	**4,016,593,833**
Liabilities				
Non-Current Liabilities				
Grant aid in reserve	19	202,343,666	202,170,703	200,515,706
Financial liabilities				
Borrowings	22	800,108,830	755,906,594	972,270,489
Other financial liabilities	23	939,100	5,130,710	11,328,154
Provisions	20	73,532,472	66,612,017	62,090,247
Deferred tax liabilities (Net)	7	83,075,121	46,825,314	22,537,509
Other non-current liabilities	24	27,468,900	26,972,794	32,337,996
Total Non-Current Liabilities		**1,187,468,089**	**1,103,618,132**	**1,301,080,101**

Current Liabilities				
Financial liabilities				
Borrowings	22	190,092,465	379,334,688	215,705,177
Trade payables	21	116,333,582	63,276,584	86,457,116
Other financial liabilities	23	88,831,510	72,178,846	181,630,727
Provisions	20	6,416,373	6,489,496	4,697,965
Other current liabilities	24	385,005,992	326,639,946	255,074,306
Total Current Liabilities		**786,679,922**	**847,919,560**	**743,565,291**
Total Liabilities		**1,974,148,011**	1,951,537,692	**2,044,645,392**
Total Equity and Liabilities		**6,830,734,656**	**6,280,153,913**	**6,061,239,225**
The accompanying notes are an integral part of these financial statements.				

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Rajib Rajbhandari
Director

Chiranjeewee Chatuant
Director

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

Ratna S Shakya
Chief Manager- Finance

Bijaya Krishna Shrestha
Director

Chandi Prasad Shrestha
Director

Date: 8th April 2018
Place: Kathmandu, Nepal

Om Prakash Shrestha
Director

Divakar Vaidya
Director

Consolidated Statement of Profit and Loss

For the year ended 31st Ashad 2074 (15 July 2017)

Figures in NPR

	Note	2073-74	Restated* 2072-73
Revenue	25	1,452,968,051	1,282,104,216
Cost of Sales	26	(1,016,319,712)	(847,578,808)
Gross profit		**436,648,339**	**434,525,408**
Depreciation Being Revenue Portion of Grant Aid	19	6,930,169	6,650,675
Other income	28	579,782,638	576,211,489
Administrative and other operating expenses	27	(206,009,165)	(205,707,095)
Profit / (Loss) Transferred from JVs	31	89,775,000	18,772,966
Gain(Loss) on Disposal of NCA held for sale		-	2,781,086
Profit from Operation		**907,126,981**	**833,234,529**
Finance Income	29	14,478,053	18,484,819
Finance Costs	30	(97,502,114)	(110,553,466)
Profit / (loss) before share of profit / (loss) of associate and joint ventures, exceptional items and tax from continuing operations		**824,102,920**	**741,165,882**
Share of (loss) / profit of associates and joint ventures (net) under equity method		4,819,114	4,877,319
Profit Before Tax		**828,922,034**	**746,043,201**
Income Tax Expense			
Current tax	7	(14,802,258)	(9,816,805)
Deferred tax credit/charge	7	(23,240,051)	(11,922,675)
Profit for the year		**790,879,725**	**724,303,721**
Attributable to:			
Owners of the parent		740,094,099	689,309,328
Non controlling interests		50,785,625	34,994,394
Other comprehensive Income:			
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods			
i. Re-measurement (losses) / gains on post employment defined benefit plans	33	(1,901,120)	(3,908,900)
ii. Equity instruments through other comprehensive income		(63,581,433)	(52,095,950)
iii. Income tax relating to items that will not be reclassified to profit or loss	7	(13,009,753)	(12,365,135)
Other comprehensive gain/(loss) for the year, net of tax		**(78,492,306)**	**(68,369,985)**
Attributable to:			
Owners of the parent		(75,698,186)	(68,329,532)
Non controlling interests		(2,794,120)	(40,452)
Total Comprehensive gain/(loss) for the year, net of tax		**712,387,419**	**655,933,736**
Attributable to:			
Owners of the parent		664,395,914	620,979,795
Non controlling interests		47,991,505	34,953,942
Earnings per equity share of Rs. 100 each			
Basic Earnings per share - Rs.	32	41.01	38.47
Diluted Earnings per share - Rs.	32	41.01	38.47

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

Uttar Kumar Shrestha
Chief Executive Officer

Radheshyam Shrestha
Vice President- Finance

Ratna S Shakya
Chief Manager- Finance

Date: 8th April 2018
Place: Kathmandu, Nepal

Padma Jyoti
Chairman

Rajib Rajbhandari
Director

Bijaya Krishna Shrestha
Director

Om Prakash Shrestha
Director

Pradeep Kumar Shrestha
Director

Chiranjeewee Chatuant
Director

Chandi Prasad Shrestha
Director

Divakar Vaidya
Director

As per our report of even date

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

Consolidated Statement of Cash Flows

For the year ended 31st Ashad 2074 (15 July 2017)

Figures in NPR

	2073-74	2072-73
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	828,922,034	746,043,201
Adjustments for:		
Loss/ (gain) on sale of asset held for sale	-	(2,781,086)
Depreciation on property, plant and equipment (including Capital work-in-progress)	45,417,481	42,911,414
Amortization of Intangible Assets	87,154,218	84,434,459
Depreciation Being Revenue Portion of Grant Aid	(6,930,169)	(6,650,675)
Provision for employee benefits	4,946,212	2,404,401
Provision for Bonus	26,968,154	21,256,021
Finance income	(14,478,053)	(18,484,819)
Impairment of Intangible asset	599,376	109,457
Finance cost	84,218,132	106,044,995
Impairment loss on investment in subsidiaries and associates	(89,775,000)	(18,772,966)
Unrealized foreign exchange difference on cash and cash equivalent	637,565	35,756
Loss/ (gain) on sale of Property, plant and equipment	(4,525,893)	(353,414)
Working capital adjustments:		
(Increase)/ Decrease in Trade Receivables	4,347,223	(79,167,458)
(Increase)/ Decrease in Other Financial Assets	27,741,295	(79,700,207)
(Increase)/ Decrease in Other Assets	(338,013,837)	22,733,659
(Increase)/ Decrease in Inventories	733,450	(82,983,799)
Increase / (Decrease) in Trade Payables	53,056,998	(23,180,532)
Increase / (Decrease) in Financial Liabilities	8,139,252	(110,961,368)
Increase / (Decrease) in Other Liabilities	39,503,084	54,483,611
Cash generated from operations	**758,661,522**	**657,420,650**
Bonus paid	(27,293,675)	(20,999,124)
Income Tax Paid	(20,116,872)	(28,472,123)
Prior year adjustment	-	(12,798,100)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**711,250,975**	**595,151,303**
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of Property, Plant and Equipment (including Capital work-in-progress)	4,064,391	2,807,473
(Increase)/Decrease in Project work-in-progress	(11,382,309)	(8,150,147)
(Increase)/Decrease in Intangible assets under development	(27,211,157)	(36,492,571)
Proceeds from sale of Assets Held for Sale	-	5,951,289
Interest Received	14,478,053	18,484,819
(Increase)/ Decrease Investment in Associates and Joint Ventures	(189,804,850)	13,885,996
Acquisition of Property, plant and Equipment	(91,397,932)	(49,901,918)
Purchase of Intangibles	(66,004,624)	(65,695,540)
Grant Aid received/ (refunded)	7,103,132	8,305,672
Bank balance other than cash and cash equivalents	(9,438,442)	13,692,929
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(369,593,737)**	**(97,111,998)**

Figures in NPR

	2073-74	2072-73
CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of right share	160,924,439	-
Share Issue Cost	(3,186,063)	-
Issue of share in subsidiaries	-	4,288,000.00
Receipt of convertible loan	555,982	-
Borrowing (repaid) / taken (net)	(85,484,506)	(177,551,971)
Dividend paid	(323,352,282)	(323,684,423)
Interest paid	(79,570,810)	(110,989,852)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(330,113,240)**	**(607,938,246)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**11,543,998**	**(109,898,941)**
Net foreign exchange difference on cash and cash equivalents	(637,565)	(35,756)
CASH AND CASH EQUIVALENTS, Beginning of Year	(5,647,421)	104,287,276
CASH AND CASH EQUIVALENTS, End of Period	**5,259,012**	**(5,647,421)**

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

Uttar Kumar Shrestha
Chief Executive Officer

Padma Jyoti
Chairman

Pradeep Kumar Shrestha
Director

As per our report of even date

Radheshyam Shrestha
Vice President- Finance

Rajib Rajbhandari
Director

Chiranjeewee Chatuant
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Ratna S Shakya
Chief Manager- Finance

Bijaya Krishna Shrestha
Director

Chandi Prasad Shrestha
Director

Date: 8th April 2018
Place: Kathmandu, Nepal

Om Prakash Shrestha
Director

Divakar Vaidya
Director

Consolidated Statement of Changes in Equity

For the year ended 31st Ashad 2074 (15 July 2017)

Figures in NPR

	Equity Share Capital	Retained earnings and reserves attributable to owner of parent					Non-controlling interest	Total
		Share Premium	Housing fund reserve	General Reserve	Retained Earnings	Total		
Balance at 1 Shrawan, 2072	**1,673,222,700**	**11,006,400**	**9,255,104**	**148,700,000**	**2,005,619,526**	**2,174,581,030**	**168,790,103**	**4,016,593,833**
Profit for the year	-	-	-	-	689,309,328	689,309,328	34,994,394	**724,303,722**
Other comprehensive income	-	-	-	-	(68,329,532)	(68,329,532)	(40,452)	**(68,369,984)**
Total comprehensive income	**-**	**-**	**-**	**-**	**620,979,796**	620,979,796	**34,953,942**	**655,933,738**
Dividends to shareholders	-	-	-	-	(334,812,328)	(334,812,328)	(588,922)	**(335,401,250)**
Issue of share in subsidiaries	-	-	-	-	-	-	4,288,000	**4,288,000**
Housing Fund reserve	-	-	4,106,333	-	(4,106,333)	-	-	-
Prior Year's Adjustment	-	-	-	-	(12,798,100)	(12,798,100)	-	**(12,798,100)**
Balance at 1 Shrawan, 2073	**1,673,222,700**	**11,006,400**	**13,361,437**	**148,700,000**	**2,274,882,561**	**2,447,950,398**	**207,443,123**	**4,328,616,221**
Profit for the year	-	-	-	-	740,094,099	740,094,099	50,785,625	**790,879,724**
Other comprehensive income	-	-	-	-	(75,698,186)	(75,698,186)	(2,794,120)	**(78,492,306)**
Total comprehensive income	-	-	-	-	**664,395,913**	**664,395,913**	**47,991,505**	**712,387,418**
Issue of right share	18,893,000	142,031,439	-	-	-	142,031,439	-	**160,924,439**
Issue of bonus share	118,456,300	-	-	-	(118,456,300)	(118,456,300)	-	-
Share Issue Cost	-	(3,186,063)	-	-	-	(3,186,063)	-	**(3,186,063)**
Dividends to shareholders	-	-	-	-	(338,662,931)	(338,662,931)	(4,048,419)	**(342,711,350)**
Receipt of convertible loan	-	-	-	-	-	-	555,980	**555,980**
Prior Year's Adjustment					-	-	-	-
Housing Fund reserve	-	-	4,790,404	-	(4,790,404)	-	-	-
Balance at 31st Ashad, 2074	**1,810,572,000**	**149,851,776**	**18,151,841**	**148,700,000**	**2,477,368,839**	**2,794,072,456**	**251,942,189**	**4,856,586,645**

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

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As per our report of even date

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Date: 8th April 2018
Place: Kathmandu, Nepal

Om Prakash Shrestha
Director

Divakar Vaidya
Director

Notes to the consolidated financial statements

for the year ended 31st Ashad 2074

Figures in NPR

Note 1: Background

The consolidated financial statements comprise financial statements of Butwal Power Company Limited ("the Company") and its subsidiaries (hereinafter referred to as "the Group") for the year ended 31st Ashad, 2074.

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

The Company is a limited liability company incorporated and domiciled in Nepal. The address of its registered office is: Gangadevi Marga-313, Buddha Nagar, Kathmandu, Nepal. The Company's shares are listed on Nepal Stock Exchange (NEPSE) as BPCL.

The consolidated financial statements apply to the financial year ended 31st Ashadh 2074 (15th July 2017).

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

The accompanied consolidated financial statements have been approved for publication by the Board of Directors of the BPC in its meeting held on 25 Chaitra, 2074 (8th April, 2018). The Board of Directors acknowledges the responsibility of preparation of consolidated financial statements.

Note 2: Significant accounting policies

2.1 BASIS OF PREPARATION AND MEASUREMENT

i. Statement of Compliance

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

These consolidated financial statements for the year ended 31 Ashadh, 2074 are the first the Group has prepared under NFRS. For all periods up to and including the year ended 31 Ashadh, 2073, the Group prepared its consolidated financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP') used for its statutory reporting requirement in Nepal immediately before adopting NFRS. The consolidated financial statements for the year ended 31 Ashadh, 2073 and the opening Balance Sheet as at 1 Shrawan, 2072 have been restated in accordance with NFRS for comparative information. Reconciliations and explanations of the effect of the transition from Previous GAAP to NFRS on the Group's statement of Financial Position, Statement of Profit or Loss and Statement of Cash Flows are provided in Note 3.

ii. Basis of preparation

The consolidated financial statements have been prepared on accrual and going concern basis. The accounting policies applied consistently to all the periods presented in the consolidated financial statements, including the preparation of the opening NFRS Balance Sheet as at 1 Shrawan, 2072 being the 'date of transition to NFRS'. All assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Group has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

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

iii. Basis of measurement

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

iv. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries and associates as at 31st Ashad, 2074. Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that group member's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the parent company, i.e., year ended on 31 Ashad. When the end of the reporting period of the parent is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so.

Consolidation procedure:

(a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the consolidated financial statements at the acquisition date.

(b) Off set (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

(c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

(d) Non-controlling interest represents that part of the total comprehensive income and net assets of subsidiaries attributable to interests which are not owned, directly or indirectly, by the Parent Company.

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

Investments in associates and joint ventures:

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

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

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

2.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

USEFUL LIFE AND RESIDUAL VALUE OF PROPERTY, PLANT AND EQUIPMENT

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

Impairment of property plant and equipment

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

Contingencies

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

Fair value measurements

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

Defined benefit plans

The cost of defined benefit plan and other post-employment benefits and the present value of such obligations are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual development in the future. These include the determination of the discount rate, future salary escalations and mortality rates etc. Due to the complexities involved in the valuation and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Recognition of deferred tax assets

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

2.3 PROPERTY, PLANT AND EQUIPMENT

i. On transition to NFRS, the Group has elected to continue with the carrying value of all of its property, plant and equipment recognised as at Ashad 31, 2072 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment as on Sharwan 1, 2072.
ii. Freehold land is carried at historical cost and is not depreciated. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.
iii. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate assets are derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.
iv. The Group identifies and determines cost of each component/ part of the asset separately, if the component/ part has a cost which is significant to the total cost of the asset having useful life that is materially different from that of the remaining asset. These components are depreciated over their useful lives; the remaining asset is depreciated over the life of the principal asset.
v. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
vi. An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in

the statement of profit and loss when the asset is derecognised.

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

2.4 OTHER INTANGIBLE ASSETS

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

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

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

2.5 DEPRECIATION AND AMORTIZATION

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

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

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

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

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

Useful life is either the period of time which the asset is expected to be used or the number of production or similar units expected to be obtained from the use of asset.

The estimated useful life, residual values an depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

2.6 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

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

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

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

2.7 BORROWING COST

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

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

2.8 CASH AND CASH EQUIVALENTS

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

2.9 INVENTORIES

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

2.10 REVENUE RECOGNITION

i) Sale of Electricity

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

ii) Revenue from consultancy contracts

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

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

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

iii) Other Electricity services

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

iv) Dividend and interest income

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

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

2.11 FOREIGN CURRENCY TRANSACTIONS

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

2.12 EMPLOYMENT BENEFITS

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

Defined contribution plan – Provident Fund

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

Defined benefit plan - Gratuity

i. The Group provides for defined benefits in the form of gratuity. The liability or asset recognised in the balance sheet in respect of defined benefit gratuity plan is the present value of defined benefit obligations at the end of the reporting period less fair value of plan assets. The defined benefit obligation is calculated annually by actuaries through actuarial valuation using the projected unit credit method.
ii. The Group recognizes the following changes in the defined benefit obligation to the profit or loss statement:
    - Service costs comprising current service costs and past-service costs
    - Interest expenses

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and fair value of plan assets. This cost is included in employee benefit expenses in the statement of the profit & loss.

iii. Any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognized in other comprehensive income in the period in which they arise.
iv. NAS 19 requires the exercise of judgment in relation to various assumptions including future pay rises, inflation and discount rates and employee and pensioner demographics. The Group determines the assumptions in conjunction with its actuaries, and believes these assumptions to be in line with

best practice, but the application of different assumptions could have a significant effect on the amounts reflected in the income statement, other comprehensive income and balance sheet. There may be also interdependency between some of the assumptions.

v. The classification of the Group's net obligation into current and non- current is as per the actuarial valuation report.

vi. Gratuity is funded and deposited to a separate entity (Citizen Investment Trust), towards meeting the gratuity obligation.

Short term and long-term employment benefits

i. A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

ii. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

iii. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the obligation as at the Balance sheet date determined based on an actuarial valuation.

2.13 TAXATION

Income Tax

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

Current tax

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

Income tax rates applicable to Group:

Income from Manufacturing and sale of electricity: 18% (2072/73: 18%)

Income from Other services: 25% (2072/73: 25%)Parent Company, being a listed manufacturing company, has availed the rebate of 15% (2072/73:10%) on total tax liabilities under section 11 (3 chha) of Income Tax Act, 2058.

Deferred tax

i. Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected realization or settlement of the carrying amount of assets and liabilities using tax rates at the balance sheet date.

ii. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

iii. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.14 EARNINGS PER SHARE

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

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

2.15 PROVISIONS, CONTINGENCIES AND COMMITMENTS

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

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

2.16 FINANCIAL INSTRUMENTS

i.Financial instruments

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

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

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

ii. Effective interest method

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

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

iii. Financial assets

Financial assets at amortised cost

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

Financial assets measured at fair value

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

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

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

Impairment of financial assets

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

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

De-recognition of financial assets

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

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

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

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

iv. Financial liabilities and equity instruments

Classification as debt or equity

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

Equity Instruments

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

Financial Liabilities

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

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

Financial guarantee contracts

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

De-recognition of financial liability

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

v. Off-setting of financial instruments

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

2.17 LEASES

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

A lease is classified at the inception date as a finance lease or an operating lease. For arrangements entered into prior to Shrawan 1, 2072, the Group has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Group as a lessee

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

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

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

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

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

The Group as lessor

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

2.18 SERVICE CONCESSION ARRANGEMENTS

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

(a) The grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what prices: and
(b) The grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement
(c) Is the infrastructure constructed or acquired by the operator from a third party for the purpose of the service arrangement OR is the infrastructure

existing infrastructure of the grantor to which the operator is given access for the purpose of the service arrangement ?

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

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

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

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

The Group manages concession arrangements which include power supply from it's two hydro power plant. The Group maintains and services the infrastructure during the concession period. These concession arrangements set out rights and obligations related to the infrastructure and the services to be provided. The right to consideration gives rise to an intangible asset and accordingly, the intangible asset models is applied.

Income from the concession arrangements earned under the intangible asset model consists of the (i) Fair Value of the contract revenue, which is deemed to be fair value of consideration transferred to acquire the asset; and (ii) payments actually received from the users. The intangible asset is amortized over its expected useful life in a way that reflects the pattern in which the asset's economic benefits are consumed by the Group, starting from the date when the right to operate starts to be used. Based on these principles, the intangible asset is amortized in line with the actual usage of the specific public facility, with a maximum of the duration of the concession.

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

2.19 GOVERNMENT GRANTS AND GRANT AID IN RESERVE
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.
When the Group receives grants of non-monetary assets, the asset and the grant are recorded at fair value amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset i.e. by equal annual instalments. When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy applicable to financial liabilities

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

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

2.20 Non-current assets held for sale
The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally

through a sale rather than through continuing use. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of classification.
The criteria for held for sale classification is regarded met only when the assets or disposal group is available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, its sale is highly probable; and it will genuinely be sold, not abandoned. Non-current assets held for sale are measured at the lower of their carrying amount and the fair value less costs to sell. Assets and liabilities classified as held for sale are presented separately in the consolidated balance sheet.

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

2.21 Financial risk management objectives and policies

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

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

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

A. CURRENCY RISK

The Group is subject to the risk that changes in foreign currency values impact the Group's imports of inventories and property, plant and equipment. As at 31st Ashad, 2074, there is no unhedged exposure to the Group on holding financial assets (Bank balances and Trade receivables) and liabilities (trade payables) other than in their functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar. The aim of the Group's approach to management of currency risk is to leave the Group with no material residual risk. This aim has been achieved in all years presented. Since, there is not significant risk management has not entered into any forward contract.

The following table demonstrates the unhedged exposure in USD with corresponding equivalent NRs. as at Ashad 31, 2074, Ashad 31, 2073 and Ashad 31, 2072:-

Particulars	Currency	Ashad 31, 2074	Ashad 31, 2073	Sharwan 1, 2072
Cash and bank balance	NPR	5,563,339	9,538,098	19,367,265
	USD	54,087	89,367.48	190,980
Trade Receivables	NPR	24,777,468	42,404,987	31,625,261
	USD	195,512	353,164	268,897
	EURO	39,738	39,738	39,738
Trade Payables	NPR	1,276,904	1,255,552	1,255,552
	USD	12,414	12,414	12,414
Advance to Suppliers / Contractors/Sub-contracts	NPR	193,968,220	-	-
	USD	1,871,617	-	-

B. CREDIT RISK

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

C.INTEREST RATE RISK

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

D. LIQUIDITY RISK

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

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

2.22 CAPITAL MANAGEMENT

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31st Ashad 2074, 2073 and 2072.

2.23 SEGMENT REPORTING

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

(in NPR)

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

Name	Nature of Business	Direct Shareholding as at		
		Ashad 31, 2074	Ashad 31, 2073	Shrawan 1, 2072
On the basis of audited financial statements:				
Subsidiaries:				
Nepal Hydro & Electric Limited (NHE)	Contractual service related to hydro, mechanical and electromechanical equipment	51.30%	51.30%	51.30%
Khudi Hydropower Limited (KHL)	Generation and sale of hydro electricity	60%	60%	60%
BPC Services Limited (BPCSL)	Engineering consultancy services	100%	100%	100%
Nyadi Hydropower Limited (NHL)	Generation and sale of hydro electricity	97.22%	97.22%	97.22%
Hydro-Consult Engineering Limited (HCEL)	Engineering consultancy services	80%	80%	80%
Associates:				
Gurans Energy Limited (GEL)	Develop and invest in hydropower projects	40%	40%	40%
Kabeli Energy Limited (KEL)	Generation and sale of hydro electricity	26.78%	26.78%	26.78%
Joint ventures:				
CQNEC - NHE Consortium - KM Project	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%	25.14%
CQNEC-NHE Consortium – Chapali	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%	25.14%
CQNEC - NHE Consortium – GSRP	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%	25.14%
CQNEC-NHE Consortium – Kohalpur	Design, Supply, & Construction of 132kV Substations	25.14%	25.14%	-
NHE-IPM Joint Venture	Supply and Delivery of Turbine Spare Parts and Repair of Turbine	26.16%	26.16%	26.16%
CWE - NHE JOINT VENTURE	Design, Supply, & Construction of 132kV Substations	-	25.14%	25.14%
ERMC & Hydro Consult JV	Prefeasibility Study of Upper Jhimruk Storage Project.	32.00%	32.00%	32.00%
Hydro Consult & ERMC JV	• Detailed Engineering Design of various hydro projects • Prefeasibility Study of Upper Jhimruk Storage Project • Feasibility and Initial Environment Ex amination Study of Bheri Khola HP, Nyaurigad HP, Feasibility and Kawadi Khola HP	48.00%	48.00%	-
HCE-Hydrolab RECHAM JV	Study on sediment Management in Run-of-River Hydropower Projects of Nepal	36.00%	-	-
ITECO-TMS-HCE JV	Detailed Feasibility Study of Kaligandaki Tinau Diver-sion Multipurpose Project	24.00%	-	-
Other equity investments:				
Himal Power Limited		16.88%	16.88%	16.88%
Hydro Lab Private Limited		10.73%	10.73%	10.73%
Jumdi Hydropower Private Limited		1.06%	1.06%	1.06%
Dordi Khola Jal Bidyut Company Ltd		0.30%	1.06%	3.29%

SUBSIDIARIES

a) Nepal Hydro & Electric Limited

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

b) Khudi Hydropower Limited

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

BPC's preference share of Khudi is a redeemable cumulative non-voting class with an annual dividend of 10% (i.e. the prevailing interest rate of the principal loan plus 2.5% as per Article 1.2.24 of the Shareholders Agreement).

c) BPC Services Limited

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

d) Nyadi Hydropower Limited

Nyadi Hydropower Limited (NHL) was established to build, own and operate the Nyadi Hydropower project in Lamjung District. BPC is the major shareholder of NHL holding 97.22% shares followed by LEDCO shareholding 2.78%. BPC is planning to hold 70.22% shareholdings by setting a side 27% of its shares to employees, locals and public shareholders. The project has optimized installed capacity at 30 MW. The PPA with NEA and financial closure with Everest Bank Limited led consortium banks have been concluded. The construction works started on 25th March 2017 (Chaitra 12, 2073).

e) Hydro-Consult Engineering Limited

The engineering business unit of BPC was merged with then Hydro Consult (P) Ltd with effect from 1 Shrawan 2066, now converted into HCEL. BPC acquired 80% share of this company by transferring its engineering business assets in HCEL.

ASSOCIATES

f)Gurans Energy Limited

Gurans Energy Limited (GEL) is established as a joint venture of BPC and InfraCo Asia Development with initial shareholding of 40% and 60% respectively, to develop and provide investment backup to hydropower projects being developed by BPC under pipeline and undertakes additional new projects. BPC has invested NPR 188.85 million in the shares of GEL till the end of FY 2073/74. Currently, joint venture pipeline includes interests in 37.6 MW Kabeli – A Project under construction.

g) Kabeli Energy Limited (KEL)

Kabeli Energy Ltd. was established for the development of Kabeli-A Hydroelectric Project located at Panchthar District in Nepal, to build, own, operate and transfer (BOOT) the Project as per the Project Development Agreement (PDA) signed with the Government of Nepal (GoN). The project has been optimized at 37.6 MW. The financial closure of the project with World Bank, IFC and local banks including PPA with NEA have been concluded. The construction works of the project is expected to starts from January 2017 (Mid of Poush 2073). Currently, BPC holds overall 53.6% shares of KEL being 26% direct investment and 27.6% through joint venture company 'Gurans Energy Limited'. Kabeli A is a 37.6MW peaking run-of-river hydro power plant of estimated capacity factor of 60% and estimated capital cost of US $98 million. The construction works started on 25th March 2017 (Chaitra 12, 2073).

JOINT VENTURES

h) NHE-IPM Joint Venture

Nepal Hydro & Electric Limited have entered into a joint venture agreement with Industrial Processors & Metallizers (P) Ltd (IPM) [named 'NHE-IPM Joint Venture'] for carrying out the work of 'Supply and Delivery of Turbine Spare Parts and Repair of Turbine of Kali Gandaki 'A' Hydro Power Plant Rehabilitation Project' contract ID No. KGAHPPRP/G/ICB-3. The Joint Venture entered into an agreement with Nepal Electric Authority for the said project on August 8, 2014. The value of the contract was Rs. 115,872,100. Based on which the Joint Venture has awarded the work of 'repair of turbine' to Nepal Hydro & Electric Limited for a contract value of Rs. 37,356,100 on august, 2014. Up to last fiscal year NHE raised invoice of Rs. 33,354,300. During the year, the NHE has not raised any invoices. At the balance sheet date NHE shows receivable of Rs. 1,426,267

i) CQNEC-NHE Consortium, Chapali

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Supply, Construction & Installation of 132/66 kV Chapali Substations and Associated Works under 'Chapali Augmentation (Chapali 132 kV Substation expansion) Project'. The Consortium entered into an agreement with Nepal Electric Authority for the said project on June 06, 2014. The value of the contract was US$ 4,203,781.15 plus CHF 1,377,567.59 plus IRs 65,005,374.30 plus NRs 153,609,740.49. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 120,000,000 on 07th September 2014. In addition the company has raised invoice at agreed service cost as and when required. The company has also given guarantee to the banker for loan limit of Rs 8.829 million to CQNEC-NHE Consortium.

i. Up to the end of Ashadh 31st 2074, the company has raised invoice to CQNEC-NHE Consortium of Rs 122,213,411, during the year the company raised invoice to CQNEC-NHE consortium of Rs. 27,986,211 (Pre VAT).
ii. At the end of year NHE received distributed profit of Rs. 9,975,000 & shows receivable of Rs. 90,762,334.00

j) CQNEC-NHE Consortium, Kohalpur Mahendranagar

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Design, Supply, & Construction of 132kV Substations. The Consortium entered into an agreement with Nepal Electric Authority for the said project on February 06, 2015. The value of the contract was US$ 1,862,528.09 plus IRs 166,098,628.99 plus NRs 329,915,964.42. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 324,967,224.95 on 07th April 2015. In addition the company has raised invoice at agreed service cost as and when required. The company has also given guarantee to the banker for loan limit of Rs 8.775 million to CQNEC-NHE Consortium.

i. Up to the end of Ashadh 31st 2074, i.e. current year the company has raised invoice to CQNEC-NHE Consortium of Rs 159,011,551.22 (Pre VAT).
ii. At the end of year NHE received distributed profit of Rs. 39,900,000 & shows receivable of Rs. 80,601,438.88

k) CQNEC-NHE Consortium, GSRP

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Procurement of Plant for Grid Substation Reinforcement Project (Design, Supply and Install)' contract ID No. PMD/GSRP-071/072-01. The Consortium entered into an agreement with Nepal Electric Authority for the said project on July 05, 2015. The value of the contract was US$ 3,687,101.76 plus IRs 79,733,918.74 plus NRs 134,643,028.14. Based on which, the Consortium has awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited for a contract value of RS 130,603,737.32 on 20th July 2015. In addition the company has raised invoice at agreed service cost as and when required. The company has also given guarantee to the banker for loan limit of Rs 75.618 million to CQNEC-NHE Consortium.

i. Up to the end of Ashadh 31st 2074, i.e. current year the company has raised invoice to CQNEC-NHE Consortium of Rs 90,152,017.00 (Pre VAT).
ii. At the end of year NHE received distributed profit of Rs. 39,900,000 & shows receivable of Rs 55,630,281.07

l) CQNEC-NHE Consortium, Kulekhani 1st

The company has entered into a Consortium agreement with Chongqing New Century Electrical Company Limited, China (CQNEC) [named 'CQNEC-NHE consortium'] for carrying out the work of Supply, Delivery, Laying, Installation, Testing & Commissioning of 66kV, XLPE,240 Sq. mm, Single Core, Copper Conductor, Aluminum Armored Power Cable With Termination Kits'. The Consortium entered into an agreement with Nepal Electric Authority for the said project on March 20, 2016. The value of the contract was NRs 31,178,906.94. Based on which, the Consortium will be awarded the work of 'Supply and Delivery of Locally Manufactured Plant and Equipment and Construction and Installation works to Nepal Hydro & Electric Limited, but at the end of Ashadh 2073, the contract has not made. The company has also given guarantee to the banker for loan limit of Rs 8 million to CQNEC-NHE Consortium

During the year, the NHE has raised invoice to CQNEC-NHE Consortium of Rs 2,000,000.00 (Pre VAT). At the balance sheet date NHE shows receivable of Rs.7, 515,590.

m) HCE-ERMC Joint Venture

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

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'HCE-ERMC Joint Venture'] for carrying out the following work :

- Detailed Engineering Design of 23.5 MW Lower Hongu Khola Small Hydropower Project (LHKSHP), Solukhumbu District,
- Detailed Engineering Design of 20 MW Inkhu Khola Small Hydropower Project (IKSHP), Solukhumbu District ,
- Detailed Engineering Design of 15 MW Siwa Khola Small Hydropower Project (SKSHP), Taplejung District and
- Detailed Engineering Design of 6.2 MW Budhi Ganga Khola Small Hydropower Project (BGKSHP), Bajura District

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

Based on which the Joint Venture has awarded the work of Detailed Engineering Design of 23.5 MW Lower Hongu Khola Small Hydropower Project (LHKSHP),Solukhumbu District and Detailed Engineering Design of 20 MW Inkhu Khola Small Hydropower Project (IKSHP), Solukhumbu District to HCE for a contract value of NRs. 29,090,600.00 (put total of all 2 projects) on May 04, 2016. Up to last fiscal year HCE raised invoice of NRs. 4,072,684.00. During the year, the HCE has raised invoices worth of NRs.7,563,556.00.

n) HCE-ERMC Joint Venture

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'HCE-ERMC Joint Venture'] for carrying out the Prefeasibility Study of Upper Jhimruk Storage Project.

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

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

Up to last fiscal year HCE raised invoice of NRs. 16,07,748.80. During the year, the HCE has raised invoice NRs. 2,985,819.00. At the balance sheet date HCE shows receivable of NRs. 679,897.70.

o) HCE-ERMC Joint Venture

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd. [named 'HCE-ERMC Joint Venture'] for carrying out the following work :-

- Feasibility and Initial Environment Examination Study of Bheri Khola Hydropower Project (10 MW)
- Feasibility and Initial Environment Examination Study of Nyaurigad Hydropower Project
- Feasibility and Initial Environment Examination Study of Kawadi Khola Hydropower Project (10 MW)

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

Based on which the Joint Venture has awarded the work to HCE for : Feasibility and Initial Environment Examination Study of Bheri Khola Hydropower Project (10 MW), Feasibility and Initial Environment Examination Study of Nyaurigad Hydropower Project and Feasibility and Initial Environment Examination Study of Kawadi Khola Hydropower Project (10 MW) on February 14, 2017 for a contract value of NRs. 47,157,145.00 (put total of all 3 projects). During the year, the HCE has raised invoices with NRs. 3,772,571.60.

p) ERMC-HCE Joint Venture

Hydro-Consult Engineering Limited has entered into a joint venture agreement with Environment & Resource Management Consultants (P) Ltd [named 'ERMC-HCE Joint Venture'] for carrying out the following work :-

- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola Hydropower Project, and
- Feasibility Study and Environmental Impact Assessment (EIA) Study of Sankhuwa Khola-1 Hydropower Project.

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

Based on which the Joint Venture has awarded the work to HCE of Feasibility and Environmental Impact Assessment except geological and geotechnical investigations of Sankhuwa Khola and Sankhuwa Khola-1 HP on February 17, 2015 for a contract value of NRs. 18,678,100.00 (put total of all 2 projects). Up to last fiscal year HCE raised invoice of NRs. 2,500,000.00. During the year, the HCE has raised invoices for NRs. 4,971,240.00. At the balance sheet date HCE shows receivable of NRs. 5,294,370.20.

q) ITECO-TMS-HCE Joint Venture

HCE has entered into a joint venture agreement with ITECO Nepal (P) Ltd and Total Management Services Pvt. Ltd. for Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project (named ITECO Nepal (P.) Ltd. /Total Management Services Pvt. Ltd. /Hydro-Consult Engineering Ltd. JV).

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

Based on which the Joint Venture has awarded the work to HCE of Detailed Feasibility Study of Kaligandaki Tinau Diversion Multipurpose Project on August 17, 2016 for a contract value of NRs. 17,640,500. During the year, the HCE has raised invoice for NRs. 882,025.00. At the balance sheet date HCE shows receivable of NRs. 983,457.88.

r) HCE-Hydro Lab-RECHAM Joint Venture

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

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

Based on which the Joint Venture has awarded the partial works to HCE on July 20, 2016 for a contract value of NRs. 2,569,800.00 During the year, the HCE has raised invoices for Rs. 1,927,350.00. At the balance sheet date HCE shows receivable of NRs. 1,802,627.50.

OTHER EQUITY INVESTMENTS

s) Himal Power Limited

Himal Power Limited (HPL) owns and operates the 60-MW Khimti I Hydropower Project, which began commercial operation on 27 Ashad, 2057(5 July, 2000). HPL was established on 2049/11/10(21 February, 1993) by BPC and the Norwegian companies Statkraft SF, ABB Energy AS (now ABB Kraft), and Kvaerner Energy AS (now G.E. Hydro) with the objective of developing the project under the build, own, operate and transfer (BOOT) approach. The current shareholders are SN Power, BKK and BPC. HPL sold NPR 4.242 billion worth of electricity in FY 2073/74 and has a net worth of NPR 6.697 billion. BPC has pledged its shares in HPL as collateral for Nordic Development Fund (NDF), Norway, against the loan for Khimti-I Hydropower Project under separate agreements with HPL and the lender. The share certificate will be released to BPC after the settlement of NDF loan.

t) Hydro Lab Private Limited

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

u) Jumdi Hydropower Private Limited

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

v) Dordi Khola Jala Bidyut Company Limited

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

NOTE NO: 3

FIRST TIME ADOPTION OF NFRS

The financial statements have been prepared in accordance with applicable Nepal Financial Reporting Standards (NFRS) as issued by the Institute of Chartered Accountants of Nepal (ICAN) with effect from 1 Shrawan, 2073, with a transition date of 1 Shrawan, 2072. These financial statements for the year ended 31 Ashadh, 2074 are the first the Group has prepared under NFRS. For all periods up to and including the year ended 31 Ashadh, 2073 , the Group prepared its financial statements in accordance with earlier issued Nepal Accounting Standards (hereinafter referred to as 'Previous GAAP').

The adoption of NFRS has been carried out in accordance with NFRS 1, First-time Adoption of NFRS. NFRS 1 requires that all NFRS and interpretations that are issued and effective for the first NFRS financial statements be applied retrospectively and consistently for all financial years presented. Accordingly, the Group has prepared financial statements which comply with NFRS for year ended 31 Ashadh, 2074, together with the comparative information as at and for the year ended 31 Ashadh, 2073 and the opening NFRS Balance Sheet as at 1 Shrawan, 2072, the date of transition to NFRS.

In preparing these NFRS financial statements, the Group has availed certain exemptions and exceptions in accordance with NFRS 1, as explained below. The resulting difference between the carrying values of the assets and liabilities in the financial statements as at the transition date under NFRS and Previous GAAP have been recognised directly in equity (retained earnings or another appropriate category of equity). This note explains the adjustments made by the Group in restating its Previous GAAP financial statements, including the Statement of Financial Position as at 1 Shrawan, 2072 and the financial statements as at and for the year ended 31 Ashadh, 2073.

A. EXEMPTIONS FROM RETROSPECTIVE APPLICATION

NFRS 1 allows first-time adopters certain exemptions from retrospective application of certain requirements under NFRS. The Group has elected to apply the following optional exemptions from retrospective application:

a) Deemed cost for property, plant and equipment and intangible assets

The Group has elected to measure all its property, plant and equipment, intangible assets including under progress at the Previous GAAP carrying amount as its deemed cost on the date of transition to NFRS.

b) Past business combinations

The Group has elected not to apply NFRS 3 Business Combinations retrospectively to past business combinations that occurred before the transition date of 1st Sharwan, 2072.

B. EXCEPTIONS TO RETROSPECTIVE APPLICATION

The Group has applied the following exceptions to the retrospective application of NFRS as mandatorily required under NFRS 1:

a) Estimates

On assessment of the estimates made under the Previous GAAP financial statements, the Group has concluded that there is no necessity to revise the estimates under NFRS, as there is no objective evidence that those estimates were in error. However, estimates that were required under NFRS but not required under Previous GAAP are made by the Group for the relevant reporting dates reflecting conditions existing as at that date.

b) Classification and measurement of financial assets

The classification of financial assets to be measured at amortised cost or fair value through other comprehensive income is made on the basis of the facts and circumstances that existed on the date of transition to NFRS.

c) Derecognition of financial assets and liabilities

The Group has applied the derecognition requirements of financial assets and financial liabilities.

C. TRANSITION TO NFRS - RECONCILIATIONS

The following reconciliations provide the explanations and quantification of the differences arising from the transition from Previous GAAP to NFRS in accordance with NFRS 1:

I. Reconciliation of Equity as at 1 Shrawan, 2072.
II. Reconciliation of Equity as at 31 Ashadh, 2073.
III. Reconciliation of Statement of Profit or Loss and other Comprehensive income for the year ended 31 Ashadh, 2073.
IV. Adjustments to Statement of Cash Flows.

Previous GAAP information has been reclassified/ regrouped in accordance with NFRS, wherever necessary, based on the audited financial statements of the Company for the year ended 31 Ashad, 2073 and 31 Ashadh, 2072.

I. Reconciliation of Equity

As of Shrawan 1, 2072

Particulars	Note	Previously reported balance	Reconciliation	NFRS Balance
ASSETS				
Non-Current Assets				
Property, plant and equipment	A	3,283,777,974	2,827,967,644)	455,810,331
Capital work-in-progress	B	1,132,678,789	1,085,566,626)	47,112,163
Intangible assets	C	-	2,367,650,510	2,367,650,510
Intangible assets under development	D	-	363,873,218	363,873,218
Project work-in-progress	E	-	155,788,336	155,788,336
Financial assets				
Investment in associates and joint ventures	F	527,344,943	(173,633,907)	353,711,036
Other investments	G	-	1,257,008,821	1,257,008,821
Trade receivables	H	-	36,997,548	36,997,548
Other financial assets	I	-	2,394,280	2,394,280
Deferred-tax Assets	J	10,260,232	(10,260,232)	-
Other non-current assets	K	-	6,873,831	6,873,831
Current assets				
Inventories	L	144,409,068	(76,893,962)	67,515,106
Financial assets				
Trade receivables	H	453,534,106	(109,830,717)	343,703,389
Cash and cash equivalents	M	193,820,144	(83,527,963)	110,292,181
Bank balance other than cash and cash equivalents	N	-	76,247,355	76,247,355
Other financial assets	O	-	289,054,710	289,054,710
Other current assets	P	347,899,148	(291,097,162)	56,801,987
Current tax assets (net)	Q	-	67,234,220	67,234,220
Assets Held for Sale		3,170,203	-	3,170,203
Total assets		**6,096,894,608**	**(35,655,383)**	**6,061,239,225**
EQUITY AND LIABILITIES				
Equity				
Equity		1,673,222,700	-	1,673,222,700
Other Equity	R	1,804,073,134	370,507,896	2,174,581,030
Non-controlling interest	S	344,101,086	(175,310,983)	168,790,103
Liabilities				
Non-Current Liabilities				
Grant aid in reserve		200,515,706	-	200,515,706
Financial liabilities				
Borrowings	T	985,193,218	(12,922,729)	972,270,489
Other financial liabilities	U	-	11,328,154	11,328,154
Provisions	V	-	62,090,247	62,090,247
Deferred tax	J	34,628,451	(12,090,942)	22,537,509
Other non-current liabilities	W	-	32,337,996	32,337,996
Current Liabilities				
Financial liabilities				
Borrowings	T	184,022,416	31,682,761	215,705,177
Trade payables	X	760,686,601	(674,229,486)	86,457,116
Other financial liabilities	Y	-	181,630,727	181,630,727
Provisions	V	75,389,566	(70,691,601)	4,697,965
Other current liabilities	Z	35,061,729	220,012,577	255,074,306
Current tax liabilities (net)		-	-	-
Total Equity and Liabilities		**6,096,894,608**	**(35,655,383)**	**6,061,239,225**

II. Reconciliation of Equity

As of Ashad 31, 2073

Particulars	Note	Previously reported balance	Reconciliation	NFRS Balance
ASSETS				
Non-Current Assets				
Property, plant and equipment	A	3,170,784,968	(2,728,725,343)	442,059,624
Capital work-in-progress	B	1,291,951,007	(1,226,551,693)	65,399,314
Intangible assets	C	-	2,348,802,134	2,348,802,134
Intangible assets under development	D	-	400,365,789	400,365,789
Project work-in-progress	B	-	163,938,483	163,938,483
Financial assets				
Investment in Subsidiaries and Associates	F	-	358,598,006	358,598,006
Other investments	G	728,827,978	476,084,894	1,204,912,872
Trade receivables	H	-	37,239,483	37,239,483
Other financial assets	I	-	2,214,686	2,214,686
Deferred-tax Assets	J	11,793,493	(11,793,493)	-
Other non-current assets	K	-	3,464,536	3,464,536
Current assets				
Inventories	L	281,320,875	(130,821,970)	150,498,905
Financial assets				
Trade receivables	H	378,802,559	43,826,353	422,628,912
Cash and cash equivalents	M	217,381,116	(92,206,041)	125,175,075
Bank balance other than cash and cash equivalents	N	-	62,554,426	62,554,426
Other financial assets	O	-	368,934,511	368,934,511
Other current assets	P	455,346,176	(417,868,553)	37,477,623
Current tax assets (net)	Q	-	85,889,534	85,889,534
Assets Held for Sale		-	-	-
Total assets		**6,536,208,172**	**(256,054,259)**	**6,280,153,913**
EQUITY AND LIABILITIES				
Equity				
Equity		1,673,222,700	-	1,673,222,700
Other Equity	R	2,361,781,234	86,169,164	2,447,950,398
Non-controlling interest	S	385,918,503	(178,475,381)	207,443,123
Liabilities				
Non-Current Liabilities				
Grant aid in reserve	AA	196,678,518	5,492,185	202,170,703
Financial liabilities				
Borrowings	T	794,080,627	(38,174,033)	755,906,594
Other financial liabilities	U	-	5,130,710	5,130,710
Provisions	V	-	66,612,017	66,612,017
Deferred tax	J	48,442,629	(1,617,315)	46,825,314
Other non-current liabilities	W	-	26,972,794	26,972,794
Current Liabilities				
Financial liabilities				
Borrowings	T	346,363,300	32,971,388	379,334,688
Trade payables	X	621,272,938	(557,996,355)	63,276,584
Other financial liabilities	Y	-	72,178,846	72,178,846
Provisions	V	81,981,561	(75,492,065)	6,489,496
Other current liabilities	Z	26,466,162	300,173,784	326,639,946
Current tax liabilities (net)				
Total Equity and Liabilities		**6,536,208,172**	**(256,054,259)**	**6,280,153,913**

III. Reconciliation of Statement of Profit or Loss and other Comprehensive income

for the year ended Ashadh 31, 2073

Particulars	Note	Previously reported balance	Reconciliation	NFRS Balance
Revenue	AB	1,101,163,859	180,940,357	1,282,104,216
Cost of Sales	AC	(535,945,885)	(311,632,923)	(847,578,808)
Gross profit		**565,217,974**	**(130,692,566)**	**434,525,408**
Depreciation Being Revenue Portion of Grant Aid	AA	12,142,860	(5,492,185)	6,650,675
Other income	AD	583,144,810	(6,933,321)	576,211,489
Administrative and other operating expenses	AE	(395,140,821)	189,433,726	(205,707,095)
Profit / (Loss) Transferred from JVs	AF	19,000,000	(227,034)	18,772,966
Gain(Loss) on Disposal of NCA held for sale	AG	3,070,120	(289,034)	2,781,086
Finance Income	AH	13,324,766	5,160,053	18,484,819
Finance Costs	AI	(106,044,995)	(4,508,471)	(110,553,466)
Share of (loss) / profit of associates and joint ventures (net)	AJ	-	4,877,319	4,877,319
Profit Before Tax		**694,714,713**	**51,328,488**	**746,043,201**
Income Tax Expense				
Deferred tax credit/charge	J	(12,280,918)	358,243	(11,922,675)
Current tax	AK	(14,680,081)	4,863,276	(9,816,805)
Profit for the year		**667,753,714**	**56,550,007**	**724,303,721**
Attributable to:				
Owners of the parent		626,965,174	62,344,154	689,309,328
Non controlling interests		40,788,540	(5,794,146)	34,994,394
Other comprehensive Income:				
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods				
i. Re-measurement (losses) / gains on post employment defined benefit plans	AL	-	(3,908,900)	(3,908,900)
ii. Equity instruments through other comprehensive income	AL	-	(52,095,950)	(52,095,950)
iii. Income tax relating to items that will not be reclassified to profit or loss		-	(12,365,135)	(12,365,135)
Other comprehensive gain/(loss) for the year, net of tax		-	**(68,369,985)**	**(68,369,985)**
Attributable to:				
Owners of the parent		-	(68,329,532)	(68,329,532)
Non controlling interests		-	(40,452)	(40,452)
Total Comprehensive gain/(loss) for the year, net of tax				
Attributable to:				
Owners of the parent		626,965,174	(5,985,379)	620,979,795
Non controlling interests		40,788,540	(5,834,599)	34,953,942

IV. Adjustments to Statement of Cash flows

a) Bank overdraft has now been included in components of cash and cash equivalent for presentation of Statement of Cash Flows. Similarly, bank balance other than cash and cash equivalent has now been excluded from components of cash and cash equivalent for presentation of Statement of Cash Flows.

b) Effect of deconsolidation of KEL in current year. Refer point 'S' below.

A Property, plant and equipment

a. Under the Previous GAAP, PPE related to hydro power plants were capitalised and depreciation was charged to statement profit and loss. Under NFRS, PPE related to the hydro power plant considered as service concession arrangement (SCA), has been de-recognised and shown as intangible asset on SOFP and amortized on SLM basis till the license period of the respective project.

b. Revaluation of land, building and other PPE has been reversed.

c. Computer software was included under PPE which has been now reclassified as intangible assets.

d. Effect of deconsolidation of KEL in current year. Refer point 'S' below.

B Capital work-in-progress

a. Work-in-progress related to Project has been reclassified and shown under Project WIP on SOFP.

b. Intangible assets under development has been shown as separate item in SOFP which was previously shown under this heading.

c. Effect of deconsolidation of KEL in current year. Refer point 'S' below.

C Intangible assets

a. Under the Previous GAAP, PPE related to hydro power plants were capitalised and depreciation was charged to statement profit and loss. Under NFRS, PPE related to the hydro power plant considered as service concession arrangement (SCA), has been de-recognised and shown as intangible asset on SOFP and amortized on SLM basis till the license period of the respective project.

b. Capital spare parts related with hydro power plant has been reclassified to SCA which was previously reported as Inventories.
c. Computer software was included under PPE which has been now reclassified as intangible assets.

D Intangible assets under development

a. Intangible assets under development has been shown as separate item in SOFP which was previously shown under Capital work-in-progress.

b. Out of all directly and indirectly attributable cost shown under Intangible assets under development, only expenses directly attributable to the project during the year are shown under "Intangible assets under development" and rest are charged to SOPL.

E Project work-in-progress

Work-in-progress related to Project has been reclassified and shown under Project WIP on SOFP.

F Investment in associates and joint ventures

a. Investment in shares other than associates and joint ventures are reclassified as Other Investments.

b. Convertible loan to subsidiaries and associates has been reclassified to non-current investment. This was previously classified as non-current assets.

G Other investments

a. Investment in shares other than associates and joint ventures are reclassified separately as Investment in Shares

b. Investment in other equity instruments are now measured at fair value which used to be measured at cost less impairment loss. Gain/loss on such change in fair value has been recognised in Other Comprehensive Income (OCI).

H Trade receivables

a. Trade receivables which was classified as current asset entirely has been bifurcated into current and non-current. Non-current portion of receivable has been measured at amortised cost.

b. Financial assets other than trade receivables from NEA and local consumers are reclassified to other financial assets from trade receivables. This includes reclassification of receivables from subsidiaries and associates, accrued interest and other receivables.

c. Provision for doubtful debt has been net-off against trade receivables which was earlier classified as provision

d. Advance receivable from JV has been reclassified to other financial assets which was earlier classified under this heading.

e. Retention Money by customer has been reclassified to trade receivable which was earlier classified as other current assets.

f. Margin money has been reclassified as Bank Balance other than cash and cash equivalent and reported separately in SOFP which was earlier reported under this heading.
g. Deposits and other receivables have been reclassified to financial assets which were earlier classified under this heading.

I Other non-current financial assets
Convertible loan to subsidiaries and associates has been reclassified to non-current investment. This was previously classified as non-current assets.

J Deferred tax
Changes in deferred tax assets/liabilities is majorly due to increase in carrying amount of tangible and intangible assets and changes in provision for leave encashment and provision for gratuity as per actuarial valuation. Till last year, measurement of liability related to gratuity and leave encashment were not as per actuarial report except provision for gratuity of BPCL.

K Other non-current assets
Capital advances reclassified as non-current assets which was earlier classified as current financial assets.

L Inventories
a. Capital spare parts related with hydro power plant has been reclassified to SCA which was previously reported as Inventories.
b. Effect of deconsolidation of KEL in current year. Refer point 'S' below.

M Cash and cash equivalents
a. Restricted bank balance related with unpaid dividend, DSRA and margin money reclassified as bank balance other than cash and cash equivalents.
b. Effect of deconsolidation of KEL in current year. Refer point 'S' below.

N Bank balance other than cash and cash equivalents
Restricted bank balance related with unpaid dividend,DSRA and margin money reclassified as bank balance other than cash and cash equivalents and trade receivables.

O Other current financial assets
a. Financial assets other than trade receivables from NEA and local consumers are reclassified to other financial assets from trade receivables. This includes reclassification of receivables from subsidiaries and associates, accrued interest and other receivables.
b. Capital advances reclassified as non-current assets which was earlier classified as current financial assets.
c. Advance to suppliers and prepaid expenses have been grouped as other current assets which were earlier grouped under current financial assets.
d. Advance tax have been reclassified to current tax assets/liabilities (net) which is shown separately on the face of SOFP.
e. Gratuity fund deposited in CIT was included in current financial assets till previous year but has been netted off with Gratuity obligation.

P Other current assets
Advance to suppliers and prepaid expenses have been grouped as other current assets which were earlier grouped under current financial assets.

Q Current tax (net)
Provision for tax and advance tax have been reclassified to current tax assets/liabilities (net) which is shown separately on the face of SOFP.

R Other Equity
a. Net gain/loss due to fair valuation of investment in shares of companies other than subsidiaries and associates.
b. Effect of measuring the non-current financial assets/liabilities on amortised cost which were measured at historical cost till previous year.
c. Provision for gratuity and leave encashment has been measured as per the actuarial valuation report.
d. Reversal of interest income accrued on gratuity fund deposited in CIT.
e. Net Effect of change in deferred tax liability due to different measurement changes on account of NFRS adjustments.
f. Change in method of depreciation/amortization for those PPE related with hydro power projects that has been reclassified as intangible assets under Service Concession Arrangement. Till previous year, depreciation on these assets was charged @ 4% on SLM basis, however, the reclassified intangible assets are now amortised over the license period of respective projects.
g. Revaluation of land, building and other PPE reversed.
h. Effect of deconsolidation of KEL in current year. Refer point 'S' below.

S Non-controlling interest
a. BPC holds 27% of KEL's equity share directly whereas GEL holds 73% of KEL's equity shares. BPC also holds 40% of GEL's equity share, so ultimately BPC holds 56% of KEL's equity share directly and indirectly.

Till previous year, KEL was being consolidated as BPC's subsidiary merely of the reason that BPC's overall shareholding exceeded 50%. On analysis of principle of control provided in NFRS 10, BPC doesn't have control over KEL directly or through GEL, so KEL cannot be treated as Group's subsidiary. Hence, all assets, liabilities, other equity including non-controlling interest has been reduced due to deconsolidation of KEL in current year.

T. Borrowings

All incidental cost of borrowings have been amortised over the period of loan which were directly charged to SOPL as per earlier practice. All long term loans have now been measured at amortised cost with retrospective effect.

U. Other non-current financial liabilities

a. Non-current portion of amortized retention payable has been classified as other non-current financial liabilities. Previously, entire amount of retention payable was included in current financial liabilities.
b. Non-current amount of retention payable has been shown at amortized value.

V. Provisions

a. Provision for tax has been reclassified to current tax assets/liabilities (net) which is shown separately on the face of SOFP.
b. Provision for gratuity has been grouped under provision which was earlier grouped under financial liabilities.
c. Provision for gratuity and leave encashment has been measured and classified as current / non-current as per the actuarial valuation report. Till last year, provision for gratuity and leave encashment were not measured as per actuarial valuation except provision for gratuity of BPCL.
d. Provision for expense has been reclassified as other payable and grouped under financial liabilities.
e. Gratuity fund deposited in CIT was included in current financial assets till previous year but has been netted off with Gratuity obligation.
f. Profit linked incentive payable, Audit fee payable and Consultant fee payable which was shown under provision have been classified under other financial liabilities.
g. Provision for doubtful debt has been net-off against trade receivables which was earlier classified under this heading.

W. Other non-current liabilities

a. Other liabilities which was classified as current liabilities entirely has been bifurcated into current and non-current.
b. Advance received from DDC, VDC and NTC has been grouped under other non-current liabilities which was earlier grouped under current financial liabilities.

X. Trade payables

a. Provision for gratuity has been grouped under provision which was earlier grouped under financial liabilities.
b. Financial liabilities other than sundry creditors are reclassified to other financial liabilities from trade payables. This includes reclassification of retention payable, royalty payable and other payables which have now been grouped under other current financial liabilities.
c. Dividend payable, Bonus payable, VAT payable, TDS payable, employee accounts payable, welfare fund clearing account and contribution to PM's relief fund have been grouped under other current liabilities which were earlier grouped under financial liabilities.
d. Unearned income has been reclassified to other financial liabilities which was earlier classified under this heading.

Y. Other financial liabilities

Retention payable, royalty payable and other payables have been grouped under other current financial liabilities.

Z. Other current liabilities

Bonus payable, VAT payable, TDS payable, employee accounts payable, welfare fund clearing account and contribution to PM's relief fund have been grouped under other current liabilities which were earlier grouped under financial liabilities.

AA. Grant aid in reserve

Increase in Grant aid reserve is due to change in method of depreciation/amortization for those PPE related with hydro power projects that has been reclassified as intangible assets under Service Concession Arrangement. Till previous year, depreciation on these assets was charged @ 4% on SLM basis, however, the reclassified intangible assets are now amortised over the license period of respective projects.

AB. Revenue

a. Short supply charges and UO rebate have been deducted from revenue which were earlier reported as cost of sales,

b. Revenue has been recognized in subsidiary NHL as per IFRIC 12 requirement for project under construction. Till last year no revenue was recognised as there was no such guidelines for project under construction.

c. During last year's consolidation procedure, inter-company revenue has been eliminated in excess by NPR 19.70 crore erroneously with corresponding impact on cost of sales. However, there is not impact on consolidated profit or loss due this error.

AC. Cost of Sales

a. Short supply charges and UO rebate have been deducted from revenue which were earlier reported as cost of sales.

b. Depreciation/amortization of assets and staff bonus expenses related with cost of sales have been charged to Cost of Sales from Administrative and other operating expenses.

c. Decrease in depreciation charge is due to change in method of depreciation/amortization for those PPE related with hydro power projects that has been reclassified as intangible assets under Service Concession Arrangement. Till previous year, depreciation on these assets was charged @ 4% on SLM basis, however, the reclassified intangible assets are now amortised over the license period of respective projects.

d. Provision for gratuity and leave encashment have been measured as per actuarial report . Till last year, this was not measured as per actuarial report except provision for gratuity of BPCL.

e. COS has been recognized in subsidiary NHL as per IFRIC 12 requirement for project under construction. Till last year no such cost was recognised as there was no such guidelines for project under construction.

f. During last year's consolidation procedure, inter-company revenue has been eliminated in excess by NPR 19.70 crore erroneously with corresponding impact on cost of sales. However, there is not impact on consolidated profit or loss due this error.

AD. Other income

a. Gain/(Loss) on sale of assets other than NCA held for sale has been reclassified as other income.

b. Interest income initially recognized under this heading has been shown as a separate item in SOPL.

AE. Administrative and other operating expenses

a. Depreciation/amortization of assets and staff bonus related with generation and distribution have been charged to respective head from Administrative and other operating expenses.

b. Bank charges has been reclassified as finance cost which was earlier classified as Administrative and other operating expenses.

c. Provision for gratuity and leave encashment have been measured as per actuarial report . Till last year, this was not measured as per actuarial report except provision for gratuity of BPCL.

d. Training & seminar, Vehicle running expenses & other miscellaneous expenses related to admin has been charged to administrative expense from cost of sales.

AF. Profit / (Loss) Transferred from JVs

Loss transferred from one of the JV of HCEL was not considered in previous year's consolidation procedure.

AG. Gain(Loss) on Disposal of NCA held for sale

Gain/(Loss) on sale of assets other than NCA held for sale has been reclassified as other income.

AH. Finance Income

a. Reversal of interest income accrued on gratuity fund deposited in CIT.

b. Interest effect of measuring the non-current financial assets/liabilities on amortised cost has been classified as other finance income/(cost).

AI. Finance Costs

a. Bank charges has been reclassified as finance cost which was earlier classified as Administrative and other operating expenses.

b. Interest effect of measuring the non-current financial assets/liabilities on amortised cost has been classified as other finance income/(cost).

AJ. Share of (loss) / profit of associates and joint ventures (net)

Loss transferred from JVs pertaining to its subsidiary - HCEL was not considered in previous year's consolidation.

AK. Current tax

Adjustment of tax of prior years were adjusted against retained earning till last year. This has been reclassified as income tax expenses of current period but grouped under prior year tax adjustment.

AL. Other comprehensive income

a. Actuarial adjustment as per actuarial report has now been classified under OCI.

b. Investment in other equity instruments are now measured at fair value which used to be measured at cost less impairment loss. Gain/loss on such change in fair value has been recognised in Other Comprehensive Income (OCI).

Note no: 4

Property, plant and equipment:

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Automobiles	Capital work in progress	Total
Cost									
Deemed cost as at 1st Shrawan 2072	98,995,089	207,729,945	55,120,186	17,977,332	46,821,366	13,908,683	15,257,730	47,112,163	**502,922,494**
Additions	-	2,046,860	4,052,484	6,846,897	10,554,098	4,212,160	3,902,268	18,433,486	**50,048,253**
Transfer from CWIP	-	-	-	-	-	-	-	(146,335)	**(146,335)**
Disposals	-	(182,325)	(127,174)	(2,229,398)	(2,438,875)	(2,346,382)	(3,484,594)	-	**(10,808,748)**
Balance at 31st Ashad 2073	98,995,089	209,594,480	59,045,496	22,594,831	54,936,589	15,774,461	15,675,404	65,399,314	**542,015,664**
Additions	-	39,847,009	4,580,286	4,444,950	5,342,602	5,056,409	31,716,346	1,997,495	**92,985,097**
Disposals	-	-	(609,217)	(196,427)	(1,360,462)	(1,382,145)	(1,072,500)	-	**(4,620,751)**
Transfer from CWIP	-	38,979,199	-	-	(924,498)	-	-	(39,641,866)	**(1,587,165)**
Balance at 31st Ashad 2074	98,995,089	288,420,688	63,016,565	26,843,354	57,994,231	19,448,725	46,319,250	27,754,943	**628,792,845**
Accumulated depreciation									
Balance at 1st Shrawan 2072	-	-	-	-	-	-	-	-	**-**
Charge for the year	-	10,366,423	8,665,164	4,599,692	11,957,852	4,091,014	3,231,269	-	**42,911,414**
Disposals	-	(73,160)	(112,651)	(1,729,741)	(1,902,506)	(2,108,495)	(2,428,136)	-	**(8,354,689)**
Balance at 31st Ashad 2073	-	10,293,263	8,552,513	2,869,951	10,055,346	1,982,519	803,133	-	**34,556,725**
Charge for the year	-	9,937,951	8,310,368	5,518,114	11,974,645	3,284,965	6,391,437	-	**45,417,480**
Disposals	-	-	(501,612)	(194,698)	(2,076,836)	(1,254,145)	(1,054,962)	-	**(5,082,253)**
Balance at 31st Ashad 2074	-	20,231,214	16,361,269	8,193,367	19,953,155	4,013,339	6,139,608	-	**74,891,952**
Net book value									
At 1st Shrawan 2072	98,995,089	207,729,945	55,120,186	17,977,332	46,821,366	13,908,683	15,257,730	47,112,163	**502,922,494**
At 31st Ashad 2073	98,995,089	199,301,217	50,492,983	19,724,880	44,881,243	13,791,942	14,872,271	65,399,314	**507,458,939**
At 31st Ashad 2074	98,995,089	268,189,474	46,655,296	18,649,987	38,041,076	15,435,386	40,179,642	27,754,943	**553,900,893**

a) The Group has availed the deemed cost exemption in relation to the property, plant and equipment on the date of transition and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer table below for the gross block value and the accumulated depreciation on 1st Shrawan, 2072 under the previous GAAP.

	Freehold Land	Buildings	Plant & Machinery	Furniture & Fixture	Office Equipment	Computers	Automobiles	Capital work in progress	Total
Gross Block as at 1st Shrawan 2072	98,995,089	259,468,931	189,280,110	36,673,776	95,346,196	33,973,336	53,066,566	47,112,163	**813,916,168**
Accumulated Depreciation as at 1st Shrawan 2072	-	51,738,986	134,159,924	18,696,444	48,524,830	20,064,653	37,808,836	-	**310,993,674**
Deemed cost as at 1st Shrawan 2072	98,995,089	207,729,945	55,120,186	17,977,332	46,821,366	13,908,683	15,257,730	47,112,163	**502,922,494**

b) Refer Note 22 for the details in respect of certain tangible assets hypothecated/mortgaged as security for borrowings.

c) Out of the machinery and equipment acquired during F.Y. 2059/60 (2002/03) to establish facility for assembling and refurbishing generators as part of the business expansion plan valued at Rs. 36,991,322.87, machineries valued at Rs 23,534,837 are lying uninstalled till date and same is shown under Capital work in progress. Apart from this, it includes expenditure on on-going contractual works such as Corporate Building and other infrastructural facilities.

Figures in NPR

Note no: 5

Intangible assets:

	Computer Softare	Service Concession Arrangement Intangibles	Total
Deemed cost as at 1st Shrawan 2072	7,721,407	2,359,929,103	**2,367,650,510**
Additions - Externally acquired	1,303,110	64,246,095	**65,549,205**
Transfer from CWIP	-	146,335	**146,335**
Adjustment during the year	(1,833)	(107,624)	(109,457)
Balance at 31st Ashad 2073	9,022,684	2,424,213,909	**2,433,236,593**
Additions - Externally acquired	1,815,282	63,526,675	**65,341,957**
Transfer from CWIP	-	662,667	**662,667**
Adjustment during the year	(13,763)	(585,613)	**(599,376)**
Balance at 31st Ashad 2074	10,824,203	2,487,817,638	**2,498,641,841**
			-
Amortisation			-
Balance at 1st Shrawan 2072	-	-	-
Charge for the year	2,283,127	82,151,332	**84,434,459**
Adjustment during the year	-	-	-
Balance at 31st Ashad 2073	2,283,127	82,151,332	**84,434,459**
Charge for the year	3,221,325	83,932,893	**87,154,218**
Adjustment during the year	-	-	-
Balance at 31st Ashad 2074	5,504,452	166,084,225	**171,588,677**
			-
Net book value			-
At 1st Shrawan 2072	7,721,407	2,359,929,103	**2,367,650,510**
At 31st Ashad 2073	6,739,557	2,342,062,577	**2,348,802,134**
At 31st Ashad 2074	5,319,751	2,321,733,413	**2,327,053,164**

a) The Group has availed the deemed cost exemption in relation to the property, plant and equipment on the date of transition and hence the net block carrying amount has been considered as the gross block carrying amount on that date. Refer table below for the gross block value and the accumulated depreciation on 1st Shrawan, 2072 under the previous GAAP.

	Computer Softare	Service Concession Arrangement Intangibles	Total
Gross Block as at 1st Shrawan 2072	13,203,601	3,399,462,133	3,412,665,730
Accumulated Depreciation as at 1st Shrawan 2072	5,482,194	1,039,533,030	1,045,015,224
Deemed cost as at 1st Shrawan 2072	7,721,407	2,359,929,103	2,367,650,510

b) Refer Note 22 for the details in respect of certain intangible assets hypothecated/mortgaged as security for borrowings.

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

Figures in NPR

Note 6

Intangible assets under development

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Pre-operating Expenses (A)	**137,339,306**	**114,360,700**	**84,198,982**
Depreciation	6,460,366	4,041,253	3,699,955
Employee related cost	46,470,994	38,046,367	32,154,087
Other Project Operation Expenses	15,626,796	13,216,793	10,986,680
LEDCO Service Fee and Expenses	28,965,183	28,401,703	9,056,017
Licensing & Other Development Fees	8,899,100	5,819,100	5,819,100
Pre-Construction Interest, Commission & Fees	24,835,484	24,835,484	22,483,143
Interest, Commission & Fees during Construction	6,081,383	-	-
Land Acquisitions (B)	**33,718,908**	**33,718,908**	**33,089,881**
Land & Land Developments	33,718,908	33,718,908	33,089,881
Civil Works (C)	**63,710,235**	**63,627,720**	**60,096,974**
Access Road	28,634,345	28,551,830	25,021,084
Marshyangdi Bridge	32,427,420	32,427,420	32,427,420
Head Works Dam - (Siuri tailrace canal to Intake)	2,648,470	2,648,470	2,648,470
Environment & Social Cost (D)	**4,093,769**	**3,579,373**	**3,439,618**
Trainings & Developments	1,348,026	848,630	848,630
Community & Social Expenses	1,914,779	1,899,779	1,760,024
Nursery and Plantation	830,964	830,964	830,964
Engineering & Management (E)	**187,952,267**	**185,079,088**	**183,047,763**
Engineering, Design & Development Expenses	157,965,712	157,778,514	155,646,305
Consultancy Fee & Expenses	28,438,894	26,932,709	27,033,593
Inspection & Project Supervision	1,547,661	367,865	367,865
Transmission Line (F)	**762,461**	-	-
Transmission Line Works	762,461	-	-
Total (A+B+C+D+E+F)	**427,576,946**	**400,365,789**	**363,873,218**

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

b) Refer Note no: 22 for the details in respect of certain Intangible assets under development hypothecated / Pledged / mortgaged as security for borrowings

Figures in NPR

Note no: 7

INCOME TAXES

A. Tax expense recognised in the Statement of Profit and Loss	Year ended 31 Ashad, 2074	Year ended 31 Ashad, 2073
Current tax		
Current income tax charge	11,820,358	13,499,000
Adjustment for under provision in prior periods	2,981,900	(3,682,195)
Deferred tax credit/(charge)		
Origination and reversal of temporary differences	23,240,051	6,874,442
Adjustments/(credits) related to previous years - (net)	-	5,048,233
Income tax expense reported in statement of Profit or Loss	**38,042,309**	**21,739,480**

B. Tax expense recognised in Other comprehensive income	Year ended 31 Ashad, 2074	Year ended 31 Ashad, 2073
Deferred tax		
Income tax relating to items that will not be reclassified to profit or loss	13,009,753	12,365,135
Income tax charged to OCI	**13,009,753**	**12,365,135**

C. Current tax asset / (liability) -net:	Year ended 31 Ashad, 2074	Year ended 31 Ashad, 2073	Year ended 31 Ashad, 2072
Advance Income Tax	104,831,690	100,359,890	87,766,607
Less: Income Tax Liability	(13,627,539)	(14,470,356)	(20,532,387)
Total	**91,204,151**	**85,889,534**	**67,234,220**

D. Reconciliation of tax liability on book profit vis-à-vis actual tax liability	Year ended 31 Ashad, 2073	Year ended 31 Ashad, 2072
Accounting Profit/ (Loss) before inter-company elimination and recognition of profit from JVs	841,233,053	745,469,720
Enacted tax rate	23.57%	23.75%
Computed tax expense	198,293,058	177,027,800
Differences due to:		
Profit transferred from JVs (Final withholding tax)	(22,443,750)	(4,750,000)
Tax effect due to non taxable income	(140,445,189)	(132,535,270)
Provision for doubtful debt written back	-	(6,137,605)
Tax effect due to non-deductible expenses	15,745,504	7,298,899
Tax effect due to difference in depreciation rate	(20,013,654)	(16,831,881)
Doubtful debt recovered	(375,000)	-
Impact of NFRS Adjustments	-	(8,419,031)
Use of previous losses	(18,940,611)	(2,142,588)
Tax Related to Prior Period	2,981,900	(3,693,519)
Income tax expense charged to the statement of Profit or Loss and OCI	**14,802,258**	**9,816,805**

E. The movement in deferred tax assets and liabilities during the year ended 31 Ashad, 2073 and 31 Ashad, 2074:

i) Deferred Tax Assets Movement during the year ended 31 Ashad, 2073	As at 1 Shrawan, 2072	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive	As at 31 Ashad, 2073
Deferred tax assets/(liabilities)				
Provision for leave encashment	609,082	168,252	-	777,333
Provision for gratuity	10,288,049	1,134,613	58,958	11,481,620
Depreciation	179,257	147,271	-	326,528
Provision for PLI	601,469	121,093	-	722,563
	11,677,857	**1,571,229**	**58,958**	**13,308,044**

Movement during the year ended 31 Ashad, 2074	As at 1 Shrawan, 2073	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive	As at 31 Ashad, 2074
Deferred tax assets/(liabilities)				
Provision for leave encashment	777,333	(10,249)	-	767,084
Provision for gratuity	11,481,620	373,678	1,929,334	13,784,632
Depreciation	326,528	1,990,620	-	2,317,148
Provision for PLI	722,563	120,919	-	843,482
	13,308,044	**2,474,968**	**1,929,334**	**17,712,346**

ii) Deferred Tax Liability Movement during the year ended 31 Ashad, 2073	As at 1 Shrawan, 2072	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive	As at 31 Ashad, 2073
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	56,720,767	2,275,178	-	58,995,945
Provision for gratuity	299,922	9,323	7,032	316,277
Provision for leave encashment	1,469,809	262,719	-	1,732,528
Depreciation	(95,368,086)	(28,653,451)	-	(124,021,537)
Provision for loss on investment	2,662,223	12,612,331	(12,431,124)	2,843,430
	(34,215,365)	**(13,493,900)**	**(12,424,092)**	**(60,133,357)**

Movement during the year ended 31 Ashad, 2074	As at 1 Shrawan, 2073	Credit/(charge) in the Statement of Profit and Loss	Credit/(charge) in Other Comprehensive	As at 31 Ashad, 2074
Deferred tax assets/(liabilities)				
Accumulated Tax Based Losses	58,995,945	(29,984,843)	-	29,011,102
Provision for leave encashment	316,277	1,630,183	-	1,946,460
Provision for gratuity	1,732,528	(1,582,608)	(7,846)	142,074
Leave money payable	-	126,439	-	126,439
Depreciation	(124,021,537)	(10,567,159)	-	(134,588,696)
Provision for loss on investment	2,843,430	14,662,966	(14,931,242)	2,575,154
	(60,133,357)	**(25,715,022)**	**(14,939,088)**	**(100,787,467)**

	Year ended 31 Ashad, 2074	Year ended 31 Ashad, 2073	Year ended 31 Ashad, 2072
Deferred Tax Assets/ (Liabilities) (Net)	(83,075,121)	(46,825,314)	(22,537,509)
	(83,075,121)	**(46,825,314)**	**(22,537,509)**

Note no: 8

Project work-in-progress

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st shrawan 2072
	At cost	At cost	At cost
Chino Khola SHP	13,445,201	8,643,830	3,059,754
Lower Manang Marshyangdi HEP	161,875,591	155,294,653	152,728,582
Total	**175,320,792**	**163,938,483**	**155,788,336**

a) Expenditure on Lower Manang Marsyangdi, Chino Khola projects and other on-going contractual works are shown as project work in progress.

Figures in NPR

Note no: 9

Investment in associates and joint ventures

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Investment in associates						
Gurans Energy Limited (Equity Shares of NPR 100 each fully paid up)	1,888,500	188,850,000	1,888,500	188,850,000	832,800	83,280,000
Kabeli Energy Limited (Equity Shares of NPR 100 each fully paid up)	2,966,860	296,686,000	1,618,500	161,850,000	260,000	26,000,000
Convertible loan to Gurans Energy Limited (convertible to fixed number of equity share)	-	143,133,600	-	-	-	-
Convertible loan to Kabeli Energy Limited (convertible to fixed number of equity share)	-	1,260,044	-	4,468,909	-	245,879,257
Investment in joint ventures						
CQNEC - NHE Consortium - KM Project	-	4,357,755	-	3,149,117	-	-
CQNEC-NHE Consortium - Chapali	-	8,811,484	-	8,146,250	-	1,035,873
CQNEC - NHE Consortium - GSRP	-	4,861,582	-	-	-	-
CQNEC-NHE Consortium - Kohalpur		118,942		-		-
CWE - NHE JV	-	-	-	798,437	-	2,544,291
ERMC & Hydro Consult JV	-	305,067	-	267,233	-	277,633
Hydro Consult & ERMC JV	-	-	-	111,043	-	-
HCE-Hydrolab RECHAM JV	-	93,999	-	-	-	-
Gross Investment (A)	4,855,360	648,478,473	3,507,000	367,640,989	1,092,800	359,017,054
Less: Impairment loss Gurans Energy Limited		(10,300,617)		(9,042,983)		(5,306,018)
Total Provision (B)		(10,300,617)		(9,042,983)		(5,306,018)
Net Investment at cost less impairment (A+B)		638,177,856		358,598,006		353,711,036

a. Provision for impairment loss was made in proportion of BPC's share investments in associates as per the audited / latest available financial statements. This year, accumulated losses in Gurans Energy Limited however increased by NPR 1,257,634. This has resulted increase in loss by NPR 1,073,102.

Note no: 10

Other investments

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	No. of shares	Amount	No. of shares	Amount	No. of shares	Amount
Unquoted Investments at fair value through other comprehensive income						
Himal Power Limited (HPL) (Equity Shares of NPR 100 each fully paid up)	2,978,502	1,130,717,624	2,978,502	1,194,992,335	2,978,502	1,247,179,523
Hydro Lab (P) Limited (Equity Shares of NPR 100 each fully paid up)	10,000	8,974,314	10,000	8,281,037	10,000	8,189,798
Jumdi Hydropower Co. Limited (Equity Shares of NPR 100 each fully paid up)	6,395	639,500	6,395	639,500	6,395	639,500
Dordi Khola Jal Bidyut Company Limited	10,000	1,000,000	10,000	1,000,000	10,000	1,000,000
(Equity Shares of NPR 100 each fully paid up)						
Total Investment at Fair Value through Other Comprehensive Income	**3,004,897**	**1,141,331,438**	**3,004,897**	**1,204,912,872**	**3,004,897**	**1,257,008,821**

a) The Group has pledged its shares in HPL as collateral for Nordic Development Fund (NDF), Norway, against the loan for Khimti-I Hydropower Project under separate agreements with HPL and the lender. The share certificate will be released to BPC after the settlement of NDF loan.

b) Jumdi Hydropower Co. Ltd. and Dordi Khola Jal Bidyut Company Ltd. are on construction phase and in such circumstances, the Group assumes its cost of the equity instrument to be an appropriate estimate of fair value.

Figures in NPR

Note no: 11

Inventories

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
General Stock/Office Supplies/Consumer Service Item	10,423,706	15,139,276	8,571,527
Stock of Electric Goods	83,709,883	85,496,832	18,786,365
T/L & D/L Stock	7,364,032	7,989,451	10,332,232
Other engineering inventories and spare parts	48,267,834	41,873,346	29,824,982
Total	**149,765,455**	**150,498,905**	**67,515,106**

Refer Note 22 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 12

Cash and cash equivalents

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Balances with banks			
Local currency account			
In current accounts	25,969,304	15,002,434	44,725,725
In call accounts	44,343,319	86,597,991	15,564,213
In Overdraft account	-	-	16,245,108
Convertible currencies account			
In current accounts	3,765,667	7,620,693	11,751,437
In call accounts	1,797,672	1,917,405	7,615,828
Cash on hand	650,060	552,378	317,346
Cheques on hand	-	13,484,174	14,072,524
	76,526,022	**125,175,075**	**110,292,181**

Refer Note 22 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

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

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Cash at banks and on hand	76,526,022	125,175,075	110,292,181
Overdraft	(71,267,010)	(130,822,496)	(6,004,905)
	5,259,012	**(5,647,421)**	**104,287,276**

Note no: 13

Bank balance other than cash and cash equivalents

Particulars	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072
Balances with Bank			
In deposit account	46,000,000	12,000,000	11,800,000
Embarked balance with bank			
Unpaid dividend	588,132	578,240	1,589,625
Margin money	25,404,736	15,952,670	12,507,270
DSRA balance	-	34,023,516	50,350,460
	71,992,868	62,554,426	76,247,355

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

Figures in NPR

Note no: 14

Trade receivables

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-current
Nepal Electricity Authority	90,738,795	-	99,927,514	-	98,746,413	-
Local Consumers	15,225,721	-	10,912,132	-	9,493,316	-
Bills receivables from JVs	88,904,595	-	88,056,629	-	26,818,612	-
Retention money held by the Customers	18,084,642	35,318,543	8,071,654	37,239,483	16,489,189	36,997,548
Other trade receivables	214,139,602	-	223,934,514	-	216,706,277	-
Less: Allowances for doubtful receivables	(6,890,725)	-	(8,273,531)	-	(24,550,418)	-
	420,202,630	**35,318,543**	**422,628,912**	**37,239,483**	**343,703,389**	**36,997,548**

Refer Note 22 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Note no: 15

Other financial assets (Current and Non-current)

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-current
Security deposits						
Government Deposits	33,000,000	-	4,000,000	-	4,000,000	-
Deposit (Others)	929,200	1,133,830	4,184,745	1,014,330	1,313,303	809,500
Loan and advances						
Loan and Advance to Staff	7,907,902	450,687	6,821,595	1,200,356	9,906,588	1,584,780
Unamortized loan processing fees	-	-	22,000,000	-	-	-
Accrued Contract Revenue	68,581,050	-	102,033,218	-	52,352,886	-
Receivables from associates and joint ventures				-		-
Other receivables from associates	1,591,695	-	131,627,135	-	130,215,484	-
Interest receivable from associates	79,190,664	-	79,190,664	-	77,506,708	-
Advance receivables from JVs	148,960,294	-	9,897,608	-	12,516,791	-
Other receivables	1,662,580	-	9,179,546	-	1,242,950	-
Total	**341,823,385**	**1,584,517**	**368,934,511**	**2,214,686**	**289,054,710**	**2,394,280**

Refer Note 22 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Figures in NPR

Note no: 16

Other assets (Current and Non-current)

Particulars			As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Current	Non-current	Current	Non-current	Current	Non-current
Capital advance	-	6,195,175	-	3,464,536	-	6,873,831
Prepayments	16,596,139	-	15,911,004	-	16,437,637	-
Advance to Supplier/Contractor/Sub Contract	92,061,135	261,405,794	21,566,619	-	37,364,367	-
Deposit with Government authorities	-	2,697,753	-	-	-	-
Lumjung Electric Development Co. Ltd.	-	-	-	-	2,999,983	-
	108,657,274	**270,298,722**	**37,477,623**	**3,464,536**	**56,801,987**	**6,873,831**

Refer Note 22 for the details in respect of assets hypothecated/mortgaged as security for borrowings.

Figures in NPR

Note no 17

Equity Share Capital

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Shrawan 2072	
	No. of Shares	Amount	No. of Shares	Amount	No. of Shares	Amount
A. Equity Shares Authorised						
Equity Shares of Rs. 100 each with voting rights	80,000,000	8,000,000,000	80,000,000	8,000,000,000	80,000,000	8,000,000,000
Issued						
Equity Shares of Rs. 100 each with voting rights	22,202,250	2,220,225,000	17,000,000	1,700,000,000	17,000,000	1,700,000,000
Subscribed and Fully Paid						
Equity Shares of Rs. 100 each with voting rights	18,105,720	1,810,572,000	16,732,227	1,673,222,700	16,732,227	1,673,222,700
	18,105,720	**1,810,572,000**	**16,732,227**	**1,673,222,700**	**16,732,227**	**1673,222,700**

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

	As at 31st Ashad, 2074 No. of Shares	As at 31st Ashad, 2073 No. of Shares	As at 1st Shrawan 2072 No. of Shares
Balance as at the beginning of the year	16,732,227	16,732,227	16,732,227
Add: Issue of bonus share during the year	1,184,563	-	-
Add: Auction of right shares unsubscribed by UMN	188,930	-	-
Balance as at the end of the year	**18,105,720**	**16,732,227**	**16,732,227**

C. Details of shareholding more than 5%

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Shrawan 2072	
	No. of Shares	Share %	No. of Shares	Share %	No. of Shares	Share %
Shangri-La Energy Ltd.	12,484,065	68.95%	11,667,350	69.73%	11,667,350	69.73%
Government of Nepal	1,645,899	9.09%	1,538,223	9.19%	1,538,223	9.19%
IKN Nepal A.S., Norway	350,411	1.94%	327,487	1.96%	1,023,397	6.12%
General Public/Employees	2,374,923	13.12%	2,030,673	12.14%	2,030,673	12.14%

D. Terms/rights attached to equity shares

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

E. Dividend Paid and Proposed:

Declared dividends and proposed dividends	As at 31st Ashad, 2074	As at 31st Ashad, 2073
Declared and approved for during the year:		
Dividends on ordinary shares: Final dividend for 2072-73: NPR. 20 per share (2071-72: NPR. 20 per share)	338,662,931	334,812,328
Proposed for approval at the annual general meeting (not recognised as a liability as at balance sheet date):		
Dividends on ordinary shares:		
Proposed dividend for 2073-74: NPR 20 per share (2072-73: NPR 20 per share and 7% stock dividend)		338,662,931

a) The board of directors has proposed 20% cash dividend on paid up capital from the net profit of the fiscal year 2073/74 and its accumulated reserve & surplus. The total amount of dividend NPR 443,734 million shall be payable after the approval of 25th Annual General Meeting. Dividend will be distributed among the combination of dividend income received during the FY 2073/74 Rs.548,673 million after deducting the dividend tax @ 5% as final withholding plus such previous years' dividend income remained in reserve. Therefore, BPC will not have to pay dividend tax on its proposed distribution of dividend.

Note no: 18

Other Equity

Particulars	Share Premium	Housing fund reserve	General Reserve	Retained Earnings	Total
Balance at 1 Shrawan 2072	**11,006,400**	**9,255,104**	**148,700,000**	**2,005,619,526**	**2,174,581,030**
Profit for the year	-	-	-	689,309,328	**689,309,328**
Other comprehensive income	-	-	-	(68,329,532)	**(68,329,532)**
Dividends to shareholders	-	-	-	(334,812,328)	**(334,812,328)**
Housing Fund reserve	-	4,106,333		(4,106,333)	
Prior Year's Adjustment	-	-	-	(12,798,100)	**(12,798,100)**
Balance at 1 Shrawan 2073	**11,006,400**	**13,361,437**	**148,700,000**	**2,274,882,561**	**2 ,447,950,398**
Profit for the year		-	-	740,094,099	**740,094,099**
Other comprehensive income		-	-	(75,698,186)	**(75,698,186)**
Issue of right share	142,031,439		-	-	**142,031,439**
Issue of bonus share		-	-	(118,456,300)	**(118,456,300)**
Share Issue Cost	(3,186,063)	-	-	-	**(3,186,063)**
Dividends to shareholders		-	-	(338,662,931)	**(338,662,931)**
Housing Fund reserve		4,790,404		(4,790,404)	-
Prior Year's Adjustment		-	-	-	-
Balance at 31st Ashad 2074	**149,851,776**	**18,151,841**	**148,700,000**	**2,477,368,839**	**2,794,072,456**

Note no: 19

Grant aid in reserve

Figures in NPR

Particulars	As at 31st Ashad 2074		As at 31st Ashad 2073		As at 1st Shrawan 2072	
	Closing balance	Amortisation for the year	Closing balance	Amortisation for the year	Closing balance	Amortisation for the year
Name of Grantors						
NORAD	9,449,547	328,484	9,778,031	328,484	10,106,515	-
UMN PCS	18,955,198	673,931	19,629,129	673,931	20,303,060	-
USAID	10,711,910	382,723	11,094,634	382,723	11,477,357	-
REGDAN	11,630,126	414,375	12,044,501	414,375	12,458,876	-
JRP	5,775,183	206,795	5,981,977	206,795	6,188,772	-
REEP	77,761,722	2,773,848	80,535,571	2,773,848	83,309,419	-
Local VDC/Community	68,059,980	2,150,013	63,106,860	1,870,519	56,671,707	-
Total	**202,343,666**	**6,930,169**	**202,170,703**	**6,650,675**	**200,515,706**	**-**

Figures in NPR

Note no: 20

Provisions (current and non-current)

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Shrawan, 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Provision for Gratuity	35,840	63,561,412	220,460	57,849,111	-	54,324,532
Provision for Leave Encashment	3,006,607	9,971,060	3,378,786	8,762,906	2,292,092	7,765,715
Provision for Performance Link Incentive	3,373,926	-	2,890,250	-	2,405,873	-
	6,416,373	**73,532,472**	**6,489,496**	**66,612,017**	**4,697,965**	**62,090,247**

Note no: 21

Trade payables

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Shrawan, 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Sundry creditors	116,333,582	-	63,276,584	-	86,457,116	-
	116,333,582	**-**	**63,276,584**	**-**	**86,457,116**	**-**

Note no: 22

Borrowings

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Shrawan, 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Measured at amortised cost						
Secured Borrowings from Banks						
Term loan	89,600,272	800,108,830	142,712,192	755,906,594	147,850,272	932,270,489
Short Term loan	18,175,183	-	80,800,000	-	-	40,000,000
Working Capital Loan	-	-	25,000,000	-	40,000,000	-
Trust Receipt Loan	11,050,000	-	-	-	21,850,000	-
Overdraft	71,267,010	-	130,822,496	-	6,004,905	-
	190,092,465	**800,108,830**	**379,334,688**	**755,906,594**	**215,705,177**	**972,270,489**

1. DETAILS OF SECURITY

a. The group has entered into consortium arrangement for term loan aggregate to Rs. 304.87 million (as at 31st Ashad, 2073 - 528.30 million) with International Financial Corporation (IFC) and Mega Bank. These loans are secured as charge by way of hypothecation on Land, Building and Plant & Machinery of Andhikhola project, ranking paripassu among bankers. All these assets are classified as "Service Concession Arrangement Intangibles". The portion of Mega Bank has been fully paid by the group as on 31st Ashad, 2074.

b. The group has entered into consortium arrangement for term loan aggregate to Rs. 137.51 million (as at 31st Ashad, 2073 - 196.87 million) and overdraft facility aggregate to Rs 11.042 million (as at 31st Ashad, 2073 - Rs 6.427 million) with Nepal Investment Bank, Laxmi Bank, Machhapuchchhre Bank, Siddhartha Bank and Rasytriya Banijya Bank. These loans along with overdraft facility aggregate to Rs 11.042 million (as at 31st Ashad, 2073 - Rs 6.427 million) are secured as charge by way of hypothecation on entire project of Khudi project, all receivable of PPA, Current account, Bills and Receivables of subsidiary KHL, ranking paripassu among bankers. All these assets are classified as "Service Concession Arrangement Intangibles".

c. The group has entered into consortium arrangement for term loan aggregate to Rs. 297.62 (as at 31st Ashad, 2073 - Nil) with Everest Bank Limited as Lead Bank, Nabil Bank Limited and Global IME Bank Limited as Co-Lead Banks and Himalayan Bank Limited, Sunrise Bank Limited and HIDC Limited. These loans are secured as charge by way of hypothecation on entire present and future fixed assets created with or without financing owned by the subsidiary NHL, all receivable of PPA and charge on general License, ranking paripassu among bankers. All these assets are classified as "Intangible assets under development".

d. Term loan aggregate to Rs. 149.71 million (as at 31st Ashad, 2073 - 173.41 million) is obtained from NIC Asia Bank which is secured as charge by way of hypothecation on Land and Building of holding company's corporate office situated at Kathmandu.

e. Short term loan aggregate to Nil (as at 31st Ashad, 2073 - Rs 36.5 million) and overdraft facility aggregate to Rs 12.446 million (as at 31st Ashad, 2073 - Rs 78.923 million,) is obtained from NIC Asia Bank which is secured as charge by way of hypothecation on all current assets and fixed assets pertaining to Jhimruk project. All fixed assets of Jhimruk project has been classified as "Service Concession Arrangement Intangibles".

f. Short term loan included "Bridge Gap Loan" aggregating Rs. 40 million as at 1st Swaran, 2072 obtained from Nepal Investment Bank for fulfilling short term capital requirement which is later converted to Term Loan per the terms agreed in consortium loan arrangement with the subsidiary 'KHL'.

g. Short term loan includes bridge gap loan aggregating Rs 18.17 million (as at 31st Ashad, 2073 - Nil) provided by the lead bank as per the terms agreed in consortium loan arrangement with the subsidiary 'NHL'.

h. Short term loan aggregate to Nil (as at 31st Ashad, 2073 - Rs 44.3 million) , working capital loan aggregate to Nil (as at 31st Ashad, 2073 - Rs 25 million), Trust Receipt Loan aggregate to Rs. 11.05 million (as at 31st Ashad, 2073 - Nil) and overdraft facility aggregate to Rs 47.78 million (as at 31st Ashad, 2073 - Rs 45.47 million,) is obtained from Nepal Investment Bank Ltd which is secured by way of hypothecation on Freehold land situated at Belbas, Rupandehi including all Plant and Machineries, Inventories and Trade Receivables of subsidiary NHE.

2) Terms of Repayment of Term Loans

Particulars	As at 31st Ashad, 2074	As at 31st Ashad, 2073	As at 1st Shrawan, 2072
2-3 Years	258,200,544	318,450,544	300,450,544
4-5 Years	241,466,615	310,928,044	304,200,544
6-10 Years	240,342,447	137,781,599	340,609,370
Beyond 10 years	83,428,775	-	-
	823,438,381	**767,160,187**	**945,260,458**

Note no: 23

Other Financial Liabilities

Particulars	Current	Non-Current	Current	Non-Current	Current	Non-Current
Advance From Shareholders (Cash)	7,500,000	-	8,000,000	-	10,000,000	-
Advance payable to JVs	5,103,305	-	7,583,444	-	72,252,720	-
Bonus Payable	1,743,387	-	2,068,908	-	1,812,011	-
Unearned income	-	-	-	-	616,965	-
Employee related accrual	15,074,067	-	14,445,477	-	12,418,632	-
Refundable Deposits of Parties	3,794,867	939,100	3,940,350	939,100	799,904	-
Retention money Payable	37,913,232	-	21,517,693	4,191,610	45,431,124	11,328,154
Interest Payable	4,647,323	-	-	-	4,944,854	-
Miscellaneous Deposits	-	-	-	-	42,236	-
Royalty Payable	3,574,894	-	5,176,902	-	23,783,386	-
Other Payables	9,480,435	-	9,446,072	-	9,528,895	-
	88,831,510	**939,100**	**72,178,846**	**5,130,710**	**181,630,727**	**11,328,154**

Note no: 24

Other liabilities (current and non-current)

Particulars	As at 31st Ashad, 2074		As at 31st Ashad, 2073		As at 1st Shrawan, 2072	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Advance Received from DDC, VDC and NTC	-	23,805,823	-	26,054,488	-	31,665,696
Dividend Payable	58,244,772	-	38,885,704	-	27,168,877	-
Advance from Customers	267,368,391	3,663,077	235,584,422	918,306	191,299,556	672,300
TDS Payable	577,087	-	623,153	-	293,538	-
Training Fund	-	-	330,715	-	330,715	-
Statutory dues	32,207,696	-	24,973,966	-	16,244,593	-
VAT Payable	25,266,995	-	24,798,846	-	18,941,608	-
Contribution to PM's Relief Fund	-	-	-	-	418,449	-
Welfare Fund Clearing Account	1,341,051	-	1,443,140	-	376,970	-
	385,005,992	**27,468,900**	**326,639,946**	**26,972,794**	**255,074,306**	**32,337,996**

Figures in NPR

Note no: 25

Revenue

Particulars	2073-74	2072-73
Electricity Sales to NEA	572,509,693	542,134,876
Electricity Sale to Consumers	173,854,304	125,290,582
Sale of services	706,604,054	614,678,758
Total	**1,452,968,051**	**1,282,104,216**

Note no: 26

Cost of Sales

Particulars	2073-74	2072-73
Cost of Consumed Materials, Supplies and Services	444,385,384	316,762,336
Electricity Purchase	22,810,403	32,068,017
Salaries and other employee cost	190,716,809	187,094,606
Provident Fund Contribution	5,493,429	4,865,535
Defined benefit plan expenses	9,839,340	8,325,098
Staff Bonus	16,544,789	13,055,458
Repair and Maintenance	42,544,841	4,714,148
Depreciation and amortization	103,155,408	108,799,504
Environment, Community & Mitigation	19,137,564	8,262,423
Rent	-	671,625
Vehicle running cost	4,515,455	6,400,436
Donation expenses	554,400	1,375,477
Royalty	81,016,579	72,411,141
Insurance	11,771,678	11,644,569
Stock written off	117,407	5,820,338
Assets written off	776,115	204,393
Miscellaneous Expenses	62,940,111	65,103,704
Total	**1,016,319,712**	**847,578,808**

Figures in NPR

Note no: 27

Administrative and other operating expenses

Particulars	2073-74	2072-73
Salaries and other employee cost	91,950,618	89,072,828
Provident Fund Contribution	3,399,559	3,089,224
Defined benefit plan expenses	2,320,998	3,515,899
Staff Bonus - admin	10,423,365	8,200,563
Staff Welfare	6,179,264	7,251,520
Depreciation and amortization	26,887,638	18,307,013
House Rent	2,048,610	1,702,887
Vehicle Running Expenses	747,007	1,275,831
Printing and Stationery Expenses	4,636,529	4,004,355
Stock Written off	-	51,463
Advertisement & Publicity	4,192,795	2,246,528
Support Staff Expenses	536,466	661,267
Gift & Donations	472,828	4,541,560
Assets Written off	209,042	483,329
Environment, Community & Mitigation	854,867	2,397,449
Rates and Taxes	1,196,560	1,532,063
Office Operation and Maintainance	8,308,867	8,114,170
Traveling Expenses & Allowance	7,322,007	8,002,457
Audit fee and expenses	3,175,706	2,376,659
AGM and Board Expenses	4,734,810	4,430,191
Legal and Profesional Fees	4,848,510	3,702,668
Hospitality and Refreshment	4,283,699	2,159,828
Communication expenses	4,123,996	4,038,022
Overhead Charged to Projects	(4,606,761)	(3,106,341)
Training and Development	4,346,136	3,743,303
Insurance expenses	2,213,088	2,163,663
Repair and Maintenance - Admin	5,772,364	6,408,190
Provision for Bad debts	117,194	2,868,082
Bad debts	-	1,490,881
Provision for doubtful debt expenses	-	5,405,449
Miscellaneous Expenses	5,313,403	5,576,094
Total	**206,009,165**	**205,707,095**

Note no: 28

Other Income

Particulars	2073-74	2072-73
Dividend income	548,673,230	528,579,965
Income from Other Sources	12,676,720	8,072,296
House Rent	6,724,056	4,207,425
Profit/(Loss) on Sale & Write Off Fixed Assets	4,525,893	353,414
Foreign exchange Gain (loss)	1,015,722	3,817,070
Miscellaneous Income	6,167,017	6,630,901
Provision for doubtful debt written back	-	24,550,418
Total	**579,782,638**	**576,211,489**

Note no: 29

Finance income

Particulars	2073-74	2072-73
Interest income	12,119,902	16,758,280
Other finance income	2,358,151	1,726,539
	14,478,053	**18,484,819**

Note no: 30

Finance Costs

Particulars	2073-74	2072-73
Interest Expenses	84,218,132	106,044,995
Other finance cost	11,297,411	2,302,167
Bank Charges & Commision	1,986,571	2,206,304
	97,502,114	**110,553,466**

Note no: 31

Profit / (Loss) Transferred from JVs

Particulars	2073-74	2072-73
CQNEC - NHE Consortium (KM Project)	39,900,000	9,500,000
CWE - NHE Joint venture	-	9,500,000
CQNEC - NHE Consortium (GSRP Project)	39,900,000	-
BPC ERMC JV	-	(227,034)
CQNEC - NHE Consortium (Chapali Project)	9,975,000	-
	89,775,000	**18,772,966**

Figures in NPR

Note no: 32

EARNINGS PER SHARE

Particulars	2073-74	2072-73
Profit attributable to equity holders of the parent company	740,094,099	689,309,328
Weighted average number of equity shares outstanding	18,046,194	17,916,790
Earnings Per Share (Rs.) - Basic (Face value of Rs. 100 per share)	**41.01**	**38.47**
Add: Weighted average number of potential equity shares	-	-
Weighted average number of Equity shares (including dilutive shares) outstanding	18,046,194	17,916,790
Earnings Per Share (Rs.) - Diluted(Face value of Rs. 100 per share)	**41.01**	**38.47**

Figures in NPR

Note no: 33

Post employment benefit plans

The following tables summarizes the components of net benefit expense recognized in the statement of income and amounts recognized in the statement of financial position for the plan:

A. 2073-74 changes in the defined benefit obligation and Fair value of plan assets

		Benefit cost charged to income statement				Re-measurement gain/(losses) in				
	Balance at 1 Sharwan 2073	Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets less interest on plan assets	Experience adjustments	Sub-total included in OCI	Contribu-tion by employer	Balance at 31 Ashad 2074
Gratuity obligation	(189,555,950)	(9,924,569)	(13,764,170)	(23,688,738)	10,148,114	-	(2,912,780)	(2,912,780)	-	(206,009,352)
Fair value of plan assets	131,486,450	-	11,528,400	11,528,400	(10,344,370)	1,011,660	-	1,011,660	8,729,960	142,412,100
Benefit Liability	**(58,069,500)**	**(9,924,569)**	**(2,235,770)**	**(12,160,338)**	**(196,256)**	**1,011,660**	**(2,912,780)**	**(1,901,120)**	**8,729,960**	**(63,597,252)**

B. 2072-73 changes in the defined benefit obligation and Fair value of plan assets

		Benefit cost charged to income statement				Re-measurement gain/(losses) in				
	Balance at 1 Sharwan 2072	Service cost	Net Interest	Sub-total included in profit or loss	Benefits paid	Return on plan assets less interest on plan assets	Experience adjustments	Sub-total included in OCI	Contribu-tion by employer	Balance at 31 Ashad 2073
Gratuity obligation	(174,702,260)	(9,748,648)	(12,657,990)	(22,406,637)	6,746,906	-	805,970	805,970	-	(189,556,021)
Fair value of plan assets	120,377,800	-	10,565,640	10,565,640	(6,416,650)	(4,714,870)	-	(4,714,870)	11,674,530	131,486,450
Benefit Liability	**(54,324,460)**	**(9,748,648)**	**(2,092,350)**	**(11,840,997)**	**330,256**	**(4,714,870)**	**805,970**	**(3,908,900)**	**11,674,530**	**(58,069,571)**

Figures in NPR

Note no: 33

Post employment benefit plans (Continued…)

C. The major categories of plan assets of the fair value of the total plan assets are, as follows:

	2073-74	2072-73
Quoted Value	-	-
Non-Quoted Value	-	-
Others	142,412,100	142,412,100
Total	**142,412,100**	**142,412,100**

D. The principal assumptions used in determining post-employment benefit obligations for the Group's plans are shown below:

	2073-74	2072-73
Discount rate	8.00%	7.50%
Salary escalation rate for Gratuity	6.50%	6.50%
Withdrawal rate	5.00%	5.00%
Mortality rate	Indian Assured Lives Mortality (2006-08) (modified) Ultimate *	

* In case of subsidiaries i.e. HCEL, NHE, KHL, Nepal Assured Lives Mortality 2009 is taken for mortality rate.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

E. A quantitative sensitivity analysis for significant assumption at the end of the reporting period is as shown below:

Assumptions	Discount rate		Salary escalation rate	
	1.00%	1.00%	1.00%	1.00%
Sensitivity Level	Increase	Decrease	Increase	Decrease
Impact on Defined benefit obligation - Gratuity	(12,977,210)	14,484,410	14,567,100	(13,276,250)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to the defined benefit plan in future years:

F. Defined benefit obligation - Gratuity	2073-74	2072-73
Within the next 12 months (next annual reporting period)	15,545,070	12,067,440
Between 2 and 5 years	101,753,850	72,038,100
Beyond 6 years	151,940,590	152,176,290
Weighted average duration of the above defined benefit obligation	7 - 16 years	7 - 17 years

Note no: 34

Financial Instruments: Classifications and fair value measurements

Fair value measurements

Particulars	Fair value			Fair value hierarchy	Valuation technique(s) and key input(s)
	As at 31st Ashad 2074	As at 31st Ashad 2073	As at 1st Shrawan 2072		
Financial assets :					
Investment in equity instruments of Himal Power Limited	1,130,717,624	1,194,992,335	1,247,179,523	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Hydro Lab (P) Limited_	8,974,314	8,281,037	8,189,798	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Jumdi Hydropower Co. Limited	639,500	639,500	639,500	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable
Investment in equity instruments of Dordi Khola Jal Bidyut Company Ltd	1,000,000	1,000,000	1,000,000	Level 3	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Except as detailed in the following table, the management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values:-

As at 31st Ashad 2074	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	638,177,856	-	-	-
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,141,331,438	-	1,141,331,438	-
Financial assets carried at amortised cost				
Trade receivables and other receivables	455,521,173	-	-	455,521,173
Cash and cash equivalents	76,526,022	-	-	76,526,022
Bank balance other than cash and cash equivalents	71,992,868	-	-	71,992,868
Other financial assets	343,407,902	-	-	343,407,902
Total Financial Assets	**2,726,957,259**	**-**	**1,141,331,438**	**947,447,965**

Figures in NPR

Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	990,201,295	-	-	990,201,295
Trade payables	116,333,582	-	-	116,333,582
Other financial liabilities	89,770,610	-	-	89,770,610
Total Financial Liabilities	**1,196,305,487**	**-**	**-**	**1,196,305,487**

As at 31st Ashad 2073	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	358,598,006	-	-	358,598,006
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,204,912,872	-	-	1,204,912,872
Financial assets carried at amortised cost				
Trade receivables and other receivables	459,868,396	-	-	459,868,396
Cash and cash equivalents	125,175,075	-	-	125,175,075
Bank balance other than cash and cash equivalents	62,554,426	-	-	62,554,426
Other financial assets	371,149,197	-	-	371,149,197
Total Financial Assets	**2,582,257,972**	**-**	**-**	**2,582,257,972**
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	1,135,241,282	-	-	1,135,241,282
Trade payables	63,276,584	-	-	63,276,584
Other financial liabilities	77,309,556	-	-	77,309,556
Total Financial Liabilities	**1,275,827,422**	**-**	**-**	**1,275,827,422**

Figures in NPR

As at 31st Ashad 2073	Carrying value	Level 1	Level 2	Level 3
Financial Assets				
Financial assets carried at Cost				
Investment in Subsidiaries and Associates	353,711,036	-	-	-
Financial Assets measured at FVTOCI				
Investment in other equity instruments	1,257,008,821	-	1,257,008,821	-
Financial assets carried at amortised cost				
Trade receivables and other receivables	380,700,937	-	-	380,700,937
Cash and cash equivalents	110,292,181	-	-	110,292,181
Bank balance other than cash and cash equivalents	76,247,355	-	-	76,247,355
Other financial assets	291,448,990	-	-	291,448,990
Total Financial Assets	**2,469,409,320**	**-**	**1,257,008,821**	**858,689,463**
Financial Liabilities				
Financial liabilities carried at amortised cost:				
Borrowings	1,187,975,666	-	-	1,187,975,666
Trade payables	86,457,116	-	-	86,457,116
Other financial liabilities	192,958,881	-	-	192,958,881
Total Financial Liabilities	**1,467,391,663**	**-**	**-**	**1,467,391,663**

Figures in NPR

Note no: 35

RELATED PARTY DISCLOSURES

(a) Relationship

The Group is controlled by Shangri-La Energy Ltd which owns 68.95% of the company's shares.

Relationship	Related Parties
Holding Company	Shangri-La Energy Ltd
Company with Common Directors	Mercantile Communications (P) Ltd
	Syakar Trading Co. Pvt. Ltd.
	Beltron Trading Pvt. Ltd.
Other Related Party	SCP Hydro International
	Lamjung Electricity Development Company

Information on the Group's structure is provided in Note 2.24

(b) Those charged with governance

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

Name	Designation
i) Mr. Padma Jyoti	Chairman
ii) Mr. Pradeep Kumar Shrestha	Director
iii) Mr. Rajib Rajbhandari	Director
iv) Mr. Bijaya Krishna Shrestha	Director
v) Mr. Om Prakash Shrestha	Director
vi) Mr. Chiranjeewee Chataut	Director
vii)Mr. Chandi Prasad Shrestha	Director
viii)Mr. Divakar Vaidya	Director
ix) Mr.Bijay Bahadur Shrestha	Alt. Director
x) Mr. Sanjib Rajbhandari	Alt. Director

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

Nature of Expense	Current year	Previous year
Meeting Allowances	680,000	565,000
Telephone, Mobile and Newspaper / Magazines	546,000	529,500

(c) Transactions with key management personnel

Key Management personnel includes:

i) Mr. Uttar Kumar Shrestha - Chief Executive Officer

Key Management Personnel compensation :

Particulars	Current year	Previous Year
Regular employee benefits	4,744,441	4,289,728

Note: - The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel. Also, the liabilities for defined benefit plans (i.e. gratuity obligations) and leave encashment are provided on an actuarial basis for the Group as a whole, so the amounts pertaining to the key management personnel are not included above.

(d) Other related party transactions

Name of the related party	Nature of transaction	Transaction		Outstanding balance	
		Current Year	Previous Year	Current Year	Previous Year
Mercantile Communications (P) Ltd	Internet and VSAT Service	433,920	433,920	-	-
Syakar Trading Co. Pvt. Ltd.	Vehicle repair Maintenance	260,541	65,450	-	-
Beltron Trading Pvt. Ltd.	Electrical items purchase	46,386	1,155,877	-	-
Kabeli Energy Limited	Sale	1,720,201	2,303,774	1,593,847	26,247,487
Lamjung Electricity Development Company Limited	Payment for Development fees	563,480	19,345,686	-	-
SCHPI	Income from Rent, Electricity and Generator Charges	-	52,500	1,405,979	1,405,979

Note : 36

Contingent Liabilities and commitments

A. Bank Guarantee

S.no.	Bank Name	Purpose	Amount	Expiry Date (A.D.)
1	NIC Asia Bank Ltd.	Construction of Corporate Building Phase I	220,000,000	7/30/2025
2	NIC Asia Bank Ltd.	Construction of Corporate Building Phase II	80,000,000	8/31/2025
3	NIC Asia Bank Ltd.	Overdraft Loan Facility	100,000,000	6/30/2018
4	NIC Asia Bank Ltd.	Short term Loan Facility	36,500,000	4/19/2018
5	International Financial Corporation (IFC)	Construction of Andhikhola Upgrading Project 9.4 MW	542,652,088 (USD 6,500,000)	15/01/2022
6	Sanima Bank Ltd.	Advance Payment Guarantee for Nyadi Hydropower Ltd.	3,210,916	9 March, 2018
7	Nepal Investment Bank	Advance Payment Guarantee	224,073,679	Various Dates
8	Nepal Investment Bank	Advance Payment Guarantee	USD 46,909	Various Dates
9	Nepal Investment Bank	Bid Bond	59,964,000	Various Dates
10	Nepal Investment Bank	Performance Bond	90,808,788	Various Dates

B. Corporate Guarantee

S.no.	Party Name	Purpose	Amount	Expiry Date(A.D.)
1	Nepal Investment Bank Ltd.	Khudi Hydro's long term loan	187,800,000	12/15/2021
2	Nepal Investment Bank Ltd.	Khudi Hydro's overdraft facilities	14,000,000	12/15/2021
3	ITECO/TMS/Hydro consult JV	Advance Payment Guarantee for Irrigation Feasibility Study and Construction Quality Programme, Department of Irrigation	1,616,000	09/28/, 2017
4	CQNEC-NHE Chapali	Advance Payment & Performance Bond	20,107,956	3/7/2017, 30/11/2018
5	CQNEC-NHE Chapali	Advance Payment & Performance Bond	INR 6,501,000	30/11/2018
6	CQNEC-NHE Chapali	Advance Payment & Performance Bond	CHF 137,800	30/11/2018
7	CQNEC-NHE Chapali	Advance Payment & Performance Bond	USD 420,400	30/11/2018
8	CQNEC-NHE KM	Advance Payment & Performance Bond	43,995,969	8/31/2017
9	CQNEC-NHE KM	Advance Payment & Performance Bond	INR 16,626,359	8/31/2017, 3/2/2019
10	CQNEC-NHE KM	Advance Payment & Performance Bond	USD 186,300	3/2/2019
11	CQNEC-NHE GSRP	Advance Payment & Performance Bond	75,160,641	7/10/2017, 2/6/2018
12	CQNEC-NHE GSRP	Advance Payment & Performance Bond	INR 22,415,285	2/6/2018
13	CQNEC-NHE GSRP	Advance Payment & Performance Bond	USD 32458914	7/10/2017, 2/6/2018
14	NHE-IPM JV	Performance Bond	11,587,210	27/01/2017

C. Preference Dividend

Group's subsidiary company - KHL has issued cumulative preference shares amounting to NRs.240,50,000 to outsider and cumulative dividend calculated thereto is as follows:

Name	Preference Shares (NRs)	Accumulated Dividend		Total Cumulative
		Up to F/Y 2072/73	F/Y 2073/74	
SCPHI	24,000,000	30,384,375	2,880,000	33,264,375
LEDCO	50,000	74,065	6,000	80,065
Total	**24,050,000**	**30,458,440**	**2,886,000**	**33,344,440**

As agreed, dividend on preference shares is calculated at a rate equivalent to the average interest rate of the consortium loan plus 2.5% per annum as premium to be calculated at the end of the fiscal year and credited to the shareholders accordingly. In line with the agreement, the preference dividend for the current FY was calculated at 12% (average consortium loan rate of 9.5% plus 2.5%).

The cumulative dividend upto the current financial year is NRs 33,344,440 which will be credited to the shareholders' account at the time when company shall make profitable income and approved by its shareholders.

D. Income tax matters

a. The group has considered additional 4.3 MW project in Andhikhola as a separate project on basis of separate PPA agreement. It has calculated and paid royalty for this new project to Department of Electricity Development (DoED) on revised rate i.e. Rs. 100 per installed capacity in KW and 2% of revenue from electricity sales. Group has applied for advance ruling for tax exemption status for newly added 4.3 MW claiming it to be separate new project with PPA and Generation License. If the group applies the existing rate applicable to original 5.1 MW project i.e. Rs. 1,000 per installed capacity in KW and 10% of revenue from electricity sales, to this new additional 4.3 MW project, then the liability on account of royalty would increase by approximate amount of Rs. 15.3 million considering the period since commencement date till Asadh end 2074. DoED is silent on this issue awaiting for the decision from the tax authorities. Income tax liability also may be decreased to the extent of additional revenue generation from 4.3 MW project. The advance ruling is still awaited.

b. The inland revenue department has opened self-assessment returns filed by the group's subsidiary company - HCEL for the financial years 2069-70 and demanded additional tax of NRs. 2,609,716.72. The Company has contested the demands as not payable and filed application for administrative review. The Company has deposited amount of NRs. 2,697,753 against the appeal with the department. The company has created contingent liability of NRs. 2,697,753 against this matter.

c. The group's subsidiary company - HCEL has carried forward balance of advance tax paid in Kenya amounting to NRs. 10,106,283 (cumulative tax up to 2072-73). As the matter is similar to that the company is in administrative review for tax reassessment of 2069/70, the treatment of this advance tax shall be finalized after obtaining decision on the administrative review of fiscal year 2069-70.

d. Large Tax Officer (LTO) has demanded additional capital gain tax of Rs. 7,128,885 on behalf of previous shareholder ALSTOM AS during the tax assessment of F/Y 2069-70 in relation to the group subsidiary - NHE. The Company subsequently paid the said amount on 13th Kartik, 2074 which shall be recovered from ALSTOM AS, Norway, hence no provision for such tax has been made in the books.

E. Other Contingencies

As a result of share holding agreement concluded between Butwal Power Company Limited & LEDCO for the development of Nyadi Hydropower Project, development cost of Rs. 6,034,817 payable to Lamjung Electricity Development Company (LEDCO).

F. Capital Commitments

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

The Group is the leading partner in this project. The Project Company has signed a Project Development Agreement with the Government of Nepal for development of the project on BOOT basis. Group's part of capital commitment on this project is NPR 1,226 million for overall 55.6% shareholding of which group has invested overall NPR 630 million as on reporting date.

ii. 100-MW Lower Manang Marsyangdi Hydropower Project

The Group has got survey license of 93 MW capacities Lower Manang Marsyangdi Project in May 2009. The project has been optimized for 100 MW Capacity. The project is located in Tachebagar and Dharapani VDC of Manang District. Detail feasibility study has been completed and the project is in the stage of detail design and in process for obtaining PPA and Generation license. NPR.182 million has been spent by the group as on reporting date.

iii. 8.5-MW Chino Khola Hydropower Project

The group has got survey license for 8.5 MW capacity Chino Khola Small Hydropower Project . Feasibility study has been completed and the consent for EIA has been received from Ministry of Forest. Detail design is being carried out. NPR.13 million has been spent by the Group for this project as on reporting date.

iv. 30-MW Nyadi Hydropower Project

The Group has made contract with M/S. Zhejiang Hydropower Construction and Installation Co. (P) Ltd. (ZHCIC) for the construction of Nyadi hydropower project for Rs 4207.54 million out of which Rs. 336.95 million is paid to the party in the reporting date.

Note no: 37

Non-controlling interests

Figures in NPR

Particulars	As at 31st Ashad, 2074"	As at 31st Ashad, 2073"
Balance at beginning of year	207,443,123	168,790,103
Profit for the year	50,785,625	34,994,394
Other comprehensive income	(2,794,120)	(40,452)
Dividends to shareholders	(4,048,419)	(588,922)
Receipt of convertible loan	555,980	-
Issue of share in subsidiaries	-	4,288,000
Balance at end of year	**251,942,189**	**207,443,123**

Details of non-wholly owned subsidiaries that have non-controlling interests
The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Proportion of ownership interests and voting rights held by non controlling interests		Profit (loss) allocated to non controlling interests		Accumulated non-controlling interests	
	As at 31st Ashad, 2074	As at 31st Ashad, 2073	As at 31st Ashad, 2074	As at 31st Ashad, 2073	As at 31st Ashad, 2074	As at 31st Ashad, 2073
Nepal Hydro & Electric Limited	48.70%	48.70%	37,071,342	24,422,429	150,374,165	119,498,607
Hydro-Consult Engineering Limited	20.00%	20.00%	1,196,688	2,659,340	14,122,981	13,585,601
Khudi Hydropower Limited	40.00%	40.00%	12,599,330	7,981,410	73,905,987	61,294,103
Nyadi Hydropower Limited	2.78%	2.78%	(81,735)	(68,785)	13,539,057	13,064,812
			50,785,625	**34,994,394**	**251,942,190**	**207,443,123**

Summarised financial information in respect of each of the Group's subsidiaries that has non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Nepal Hydro & Electric Limited	As at 31st, Ashad 2074	As at 31st, Ashad 2073	As at 1st, Shrawan 2072
Non-current assets	209,482,855	211,946,795	217,668,853
Current assets	644,765,213	560,346,402	395,562,650
Non-Current Liabilities	57,329,659	47,386,809	42,036,276
Current Liabilities	433,874,047	447,501,179	366,730,154
Equity attributable to owners of the Company	138,732,079	104,892,209	104,892,209
Non-controlling interests	131,696,630	99,572,864	99,572,864
Revenue	574,705,563	487,387,093	-
Total Cost	476,343,852	414,468,467	-
Profit for the year	**98,361,712**	**72,918,626**	**-**
Profit attributable to owners of the Company	50,460,340	37,407,835	-
Profit attributable to the non-controlling interests	47,901,372	35,510,791	-
Other comprehensive income for the year	**5,746,058**	**(21,510)**	**-**
Other comprehensive income attributable to owners of the Company	2,947,773	(11,035)	-
Other comprehensive income attributable to the non-controlling interests	2,798,285	(10,475)	-
Total comprehensive income for the year	**104,107,769**	**72,897,116**	**-**
Total comprehensive income attributable to owners of the Company	53,408,114	37,396,800	-
Total comprehensive income attributable to the non-controlling interests	50,699,655	35,500,316	-

Hydro-Consult Engineering Limited	As at 31st, Ashad 2074	As at 31st, Ashad 2073	As at 1st, Shrawan 2072
Non-current assets	17,415,994	7,247,710	8,811,011
Current assets	95,836,453	85,342,720	65,715,169
Non-Current Liabilities	4,410,238	2,192,818	1,269,298
Current Liabilities	29,140,668	20,225,931	15,482,272
Equity attributable to owners of the Company	53,533,730	43,864,048	46,219,751
Non-controlling interests	13,383,342	10,965,937	11,554,859
Revenue	119,601,558	105,458,610	-
Total Cost	106,775,141	89,918,531	-
Profit for the year	**12,826,417**	**15,540,080**	**-**
Profit attributable to owners of the Company	10,261,148	12,432,080	-
Profit attributable to the non-controlling interests	2,565,269	3,108,000	-
Other comprehensive income for the year	**41,948**	**198,383**	-
Other comprehensive income attributable to owners of the Company	33,559	158,707	-
Other comprehensive income attributable to the non-controlling interests	8,389	39,676	-
Total comprehensive income for the year	**12,868,365**	**15,738,462**	-
Total comprehensive income attributable to owners of the Company	10,294,706	12,590,787	-
Total comprehensive income attributable to the non-controlling interests	2,573,659	3,147,675	-

Khudi Hydropower Limited	As at 31st, Ashad 2074	As at 31st, Ashad 2073	As at 1st, Shrawan 2072
Non-current assets	364,546,294	368,978,271	384,414,803
Current assets	30,348,628	32,987,093	41,210,744
Non-Current Liabilities	152,318,413	187,042,338	222,280,526
Current Liabilities	41,007,195	41,296,610	48,510,192
Equity attributable to owners of the Company	104,175,850	92,900,897	92,900,897
Non-controlling interests	69,450,566	61,933,932	61,933,932
Revenue	93,641,157	81,802,309	-
Total Cost	65,729,643	62,982,594	-
Profit for the year	**27,911,514**	**18,819,715**	**-**
Profit attributable to owners of the Company	16,746,908	11,291,829	-
Profit attributable to the non-controlling interests	11,164,606	7,527,886	-
Other comprehensive income for the year	**(31,384)**	**28,128**	**-**
Other comprehensive income attributable to owners of the Company	(18,830)	16,877	-
Other comprehensive income attributable to the non-controlling interests	(12,554)	11,251	-
Total comprehensive income for the year	**27,880,130**	**18,847,843**	**-**
Total comprehensive income attributable to owners of the Company	16,728,078	11,308,706	-
Total comprehensive income attributable to the non-controlling interests	11,152,052	7,539,137	-

Nyadi Hydropower Limited	As at 31st, Ashad 2074	As at 31st, Ahad 2073	As at 1st, Shrawan 2072
Non-current assets	721,374,061	405,194,484	366,336,960
Current assets	85,284,972	65,184,688	4,919,788
Non-Current Liabilities	297,615,620	-	-
Current Liabilities	24,597,492	1,354,536	6,753,707
Equity attributable to owners of the Company	475,429,749	459,297,944	354,369,856
Non-controlling interests	13,594,885	13,133,597	10,133,185
Revenue	34,977,787	38,333,323	-
Total Cost	39,560,401	41,740,228	-
Profit for the year	**(4,578,713)**	**(3,406,905)**	**-**
Profit attributable to owners of the Company	(4,451,424)	(3,312,193)	-
Profit attributable to the non-controlling interests	(127,289)	(94,712)	-
Other comprehensive income for the year	-	-	-
Other comprehensive income attributable to owners of the Company	-	-	-
Other comprehensive income attributable to the non-controlling interests	-	-	-
Total comprehensive income for the year	**(4,578,713)**	**(3,406,905)**	**-**
Total comprehensive income attributable to owners of the Company	(4,451,424)	(3,312,193)	-
Total comprehensive income attributable to the non-controlling interests	(127,289)	(94,712)	-

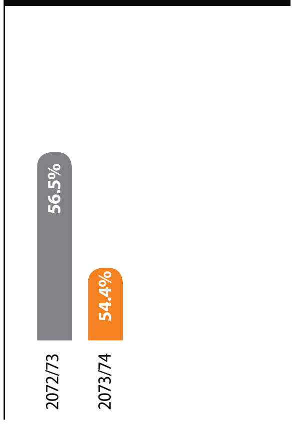
NOTE NO: 38

Events subsequent to the date of financial statements - FPO of ordinary shares at premium

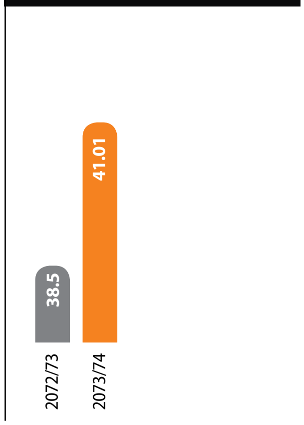
As approved by special general meeting held on 2073/03/27 (July 11, 2016) and endorsed by 24th AGM held on 2073/09/08 (December 23, 2016), BPC, with the approval of SEBON has issued 4,081,000 numbers of its shares to general public under Further Public Offer (FPO) at premium price of Rs. 501 per shares (Face value Rs. 100 plus premium Rs. 401 per share). The issue was open from 2074/10/15 to 2074/11/15 and allotted on 2074/12/15. The fund so raised shall be utilized in the shares of Nyadi Hydropower 30 MW and Kabeli –A Hydropower 37.6 MW projects as per financing plan of BPC. The surplus fund remained thereafter, shall be utilised for repayment of loans borrowed for Andhikhola Hydropower upgrading project 9.4 MW and construction of new corporate office building.

GROUP CONSOLIDATED **FINANCIAL HIGHLIGHTS**

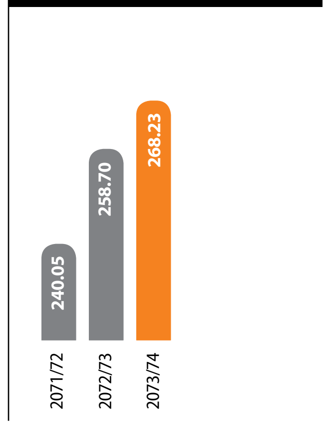
NET PROFIT MARGIN



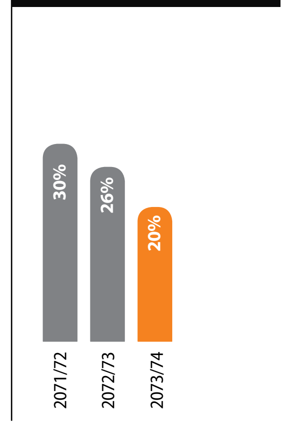
EARNING PER SHARE (In NPR)



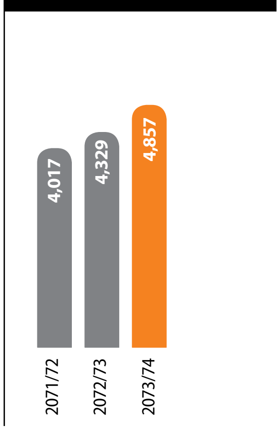
Book Value Per Share (NPR)



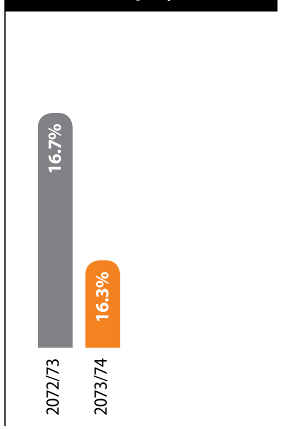
DEBT TO EQUITY RATIO



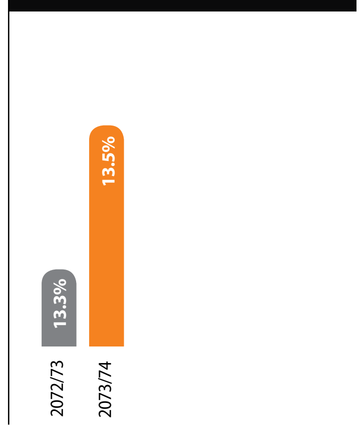
NET WORTH (In NPR Million)



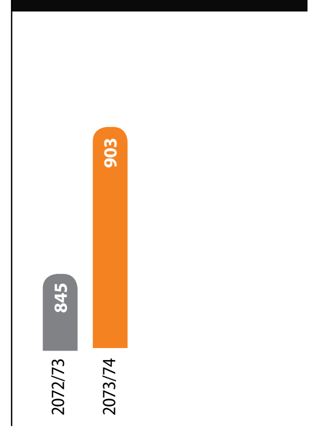
Return on Equity



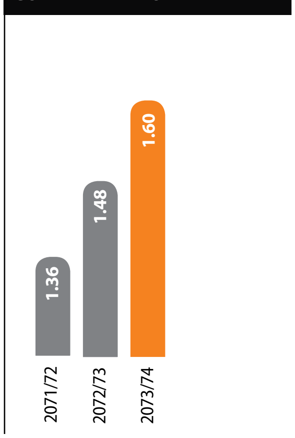
RETURN ON CAPITAL EMPLOYED (ROCE)



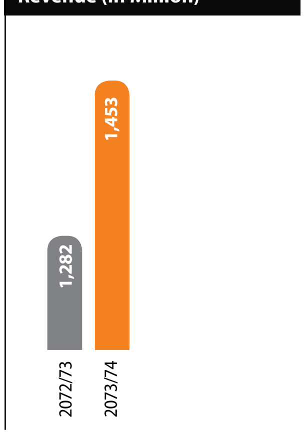
EBITDA (In NPR Million)



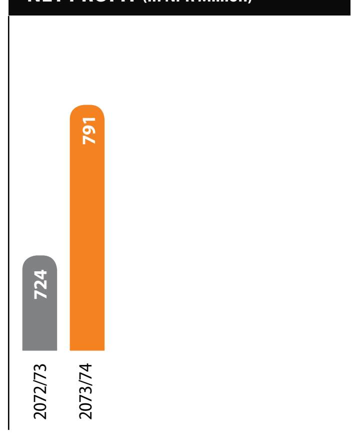
CURRENT RATIO



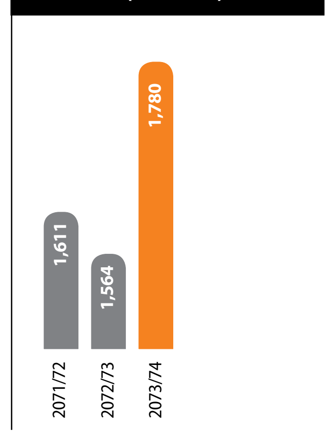
Revenue (In Million)



NET PROFIT (In NPR Million)



Investment (In Million)



Statement of Financial Position of BPC Subsidiaries

As at 31st Ashadh 2074 (15th July 2017)

PARTICULARS	NHE	HCEL	Khudi	Nyadi	BPCSL	Kabeli
ASSETS						
Non-Current Assets						
Property, plant and equipment	130,600,809	11,484,198	1,073,317	22,783,939	50,115	21,480,192
Capital work in progress	24,614,861					789,258,225
Intangible assets	934,393	1,951,421	362,472,978	437,188,227		
Financial assets						
Investment in equity instruments			1,000,000			
Trade receivables	35,129,915	188,628				183,072
Other financial assets	1,479,517	105,000				2,147,315
Othr non-current assets		2,697,753		261,405,794		
Deferred tax	16,723,360	988,994				
Total Non-Current Assets	**209,482,855**	**17,415,994**	**364,546,295**	**721,377,960**	**50,115**	**813,068,805**
Current assets						
Inventories	84,846,069	-	4,808,093			
Financial assets						
Trade receivables	296,548,471	35,608,243	22,558,647		37,754	288,560,716
Cash and cash equivalents	2,921,508	35,604,822	63,365	4,742,379	1,436,140	360,721,121
Bank balance other than cash and cash equivalents	19,860,000	4,826,916	137,820	450,000	12,200,000	
Other financial assets	216,503,148	8,476,196	362,632	54,457		1,167,028
Other current assets	16,341,542	2,394,142	2,395,320	80,038,137		
Current tax (net)	7,744,475	8,926,134	22,750		206,013	
Total current assets	**644,765,213**	**95,836,453**	**30,348,627**	**85,284,973**	**13,879,907**	**650,448,865**
Total assets	**854,248,068**	**113,252,447**	**394,894,922**	**806,662,933**	**13,930,022**	**1,463,517,670**
EQUITY AND LIABILITIES						
Equity						
Equity share capital	139,530,000	14,723,100	84,000,000	480,000,000	10,000,000	1,085,014,947
Other equity	223,514,365	64,978,442	117,569,314	4,445,922	3,883,024	464,039
Total Equity	**363,044,365**	**79,701,542**	**201,569,314**	**484,445,922**	**13,883,024**	**1,085,478,986**
Liabilities						
Non-Current Liabilities						
Financial Liabilities						
Borrowings			134,010,544	297,615,620		263,823,000
Other financial liabilities	939,100.00	747,161				
Provisions	56,390,559	3,663,077	1,268,488			
Deferred tax			17,039,381		349	-
Total Non-Current Liabilities	**57,329,659**	**4,410,238**	**152,318,413**	**297,615,620**	**349**	**263,823,000**
Current Liabilities						
Financial liabilities						
Borrowings	58,828,564	-	14,542,270	18,175,183		
Trade payables	42,730,985	2,096,753	12,402,438	4,164,572		112,056,066
Other financial liabilities	29,702,063	8,521,422	12,909,718	1,784,112	42,037	2,159,619
Provisions	111,280	4,331,822	123,220	184,283		
Other current liabilities	302,501,153	14,190,670	1,029,549	293,241	4,612	
Current tax (net)	-					
Total Current Liabilities	**433,874,045**	**29,140,667**	**41,007,195**	**24,601,391**	**46,649**	**114,215,685**
Total Liabilities	**491,203,704**	**33,550,905**	**193,325,608**	**322,217,011**	**46,998**	**378,038,685**
Total Equity and Liabilities	**854,248,068**	**113,252,447**	**394,894,922**	**806,662,933**	**13,930,022**	**1,463,517,671**

Statement of Profit and Loss and Other Comprehensive Income of BPC Subsiidiaries

For the Year ended 31st Ashad 2074 (15th July 2017)

PARTICULARS	NHE	HCEL	Khudi	Nyadi	BPCSL	KEL
Revenue	574,705,563	119,601,558	93,641,157	34,981,688	256,198	
Cost of Sales	(501,840,380)	(91,891,157)	(36,631,965)	(34,981,688)	(205,518)	
Gross profit	**72,865,183**	**27,710,401**	**57,009,192**	**0**	**50,680**	
Other income	8,225,492	1,046,625	3,431,597	41,195		1,349,251
Profit Transferred form JVs	89,775,000					
Administrative and other operating expenses	(61,622,864)	(13,066,128)	(7,405,179)	(4,619,907)	(128,396)	(2,145,256)
Finance Income	2,859,749	1,712,387	(17,440,453)		941,627	
Finance Costs	(6,181,405)	(25,110)			(30)	
Profit Before Tax	**105,921,155**	**17,378,175**	**35,595,157**	**(4,578,712)**	**863,881**	**(796,005)**
Income Tax Expense						
Current tax	(10,250,706)	(4,335,464)		-	(216,088)	0
Deferred tax credit/charge	2,691,263	(216,294)	(7,683,643)		117	
Profit from continuing operations	**98,361,712**	**12,826,417**	**27,911,514**	**(4,578,712)**	**647,910**	**(796,005)**
Net Profit for the year	**98,361,712**	**12,826,417**	**27,911,514**	**(4,578,712)**	**647,910**	**(796,005)**
Other comprehensive Income:						
Other comprehensive Income not to be reclassified to profit or loss in subsequent periods						
i. Re-measurement (losses) / gains on post employment defined benefit plans	(7,661,410)	(55,930)	39,230	-	-	-
ii. Income tax relating to items that will not be reclassified to profit or loss	1,915,353	13,983	(7,846)	-	-	-
Other comprehensive gain/(loss) for the year, net of tax	**(5,746,058)**	**(41,948)**	**31,384**	**-**	**-**	**-**
Total Comprehensive gain/(loss) for the year, net of tax	**92,615,654**	**12,784,470**	**27,942,898**	**(4,578,712)**	**647,910**	**(796,005)**
Earnings per equity share of Rs. 100 each						
Basic Earnings per share - Rs.	70.50	87.12	33.27		6.48	
Diluted Earnings per share - Rs.	70.50	87.12			6.48	

List of Abbreviations

ASAI	Average Service Availability Index
ASUI	Average Service Unavailability Index
BPC	Butwal Power Company Limited
BOOT	Build, Own, Operate and Transfer
CAIDI	Customer Average Interruption Duration Index
CAIFI	Customer Average Interruption Frequency Index
DoI	Department of Industry
DoED	Department of Electricity Development
EPS	Earning Per Share
FY	Fiscal year (Shrawan to Ashad B.S.)
GON	Government of Nepal
HCE	Hydro Consult Engineering Limited
HPL	Himal Power Limited
IKN	Interkraft AS. Norway
IRD	Inland Revenue Department
JDMP	Jhimruk Downstream Mitigation Project
KHL	Khudi Hydropower Limited
LTPO	Large Tax Payers Office
NHL	Nyadi Hydro Power Limited
NMFA	Norwegian Ministry of Foreign Affairs
MOE	Ministry of Energy
NEA	Nepal Electricity Authority
NORAD	Norwegian Agency for Development Cooperation
NPR	Nepalese Rupees
PEEDA	People, Energy and Environment Development Association
PPA	Power Purchase Agreement
REEP	Rural Electrification and Expansion Project
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SEBON	Security Exchange Board of Nepal
SEL	Shangri-La Energy Limited
UMN	United Mission to Nepal
WIP	Work in Progress

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